

Translation Purposes Only

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For Immediate Release

REIT Issuer

HEIWA REAL ESTATE REIT, Inc.

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Masaaki Higashihara, Executive Director

(Securities Code: 8966)

Asset Management Company

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Acquisition of Silent Partnership Equity Interest

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced today the following decision to acquire an asset (silent partnership equity interest; the “Asset”), as described below.

Details

1. Overview of the Acquisition

(1)	Type of Asset to be Acquired	Equity interest in silent partnership investing in real estate in trust beneficial interest (the “Beneficial Interests”)
(2)	Name of Asset	G.K. Herb Silent partnership equity interest
(3)	Real Estate in Trust	Daiwa Ueno Building Kojimachi HF Building
(4)	Investment Amount	¥140 million (10% of total silent partnership equity interest)
(5)	Date of Conclusion of Sales Contract	September 26, 2013
(6)	Scheduled Date of Acquisition	September 30, 2013
(7)	Acquisition Financing	Cash on hand

2. Reasons for the Acquisition

Based on the Asset Management Target and Policy set forth in its bylaws, the Investment Corporation decided to acquire the Asset in order to secure opportunities to acquire prime properties, steadily expand assets under management and secure stable earnings over the medium and long term through the investment in silent partnership equity interest.

Through the acquisition, the Investment Corporation will receive dividends of profits as capital to rental

revenues, etc. for each real estate in trust from G.K. Herb, the operator of the silent partnership.

In addition, the Investment Corporation will be granted preferential negotiation rights for the acquisition of each Beneficial Interest through this acquisition (for details, please refer to “3. Details of Assets Scheduled for Acquisition; (1) Overview of Silent Partnership to be Invested).”

In the decision for the acquisition, the following points of the real estate in trust were evaluated.

Property Name	Characteristics of the Property
Daiwa Ueno Building	Several train lines including the Tokyo Metro Hibiya Line run through Naka-Okachimachi Station and the property's location is excellent in terms of transportation as it is close to the nearest train station and access to major Tokyo districts is good. Also, the first floor section is highly visible as the property is situated along Showa-dori Street, and it is easily accessible by car since it is near the entrance of Shuto Expressway No. 1 Ueno Route. The property is superior in size and value in the area as it secures an approx. 134 tsubo symmetrical space in the rental rooms of standard floors.
Kojimachi HF Building	Located an approximate two-minute walk from Kojimachi Station on the Tokyo Metro Yurakucho Line and an approximate three-minute walk from Hanzomon Station on the Tokyo Metro Hanzomon Line, the property is excellent in terms of proximity to the nearest stations. Its visibility is also excellent as it is situated along National Route 20 Shinjuku-dori Street. Most rental rooms of standard floors are rectangular with approx. 78 tsubos of space unimpeded by pillars, and considerable demand is estimated in the supply-demand area which is dominated by buildings with small-scale rental space. The property has two elevators, the layout efficiency of office sections is excellent and functions that meet tenant needs have been added to the facilities such as individual air conditioning systems, OA floors and the power capacity.

3. Details of Assets Scheduled for Acquisition

(1) Overview of Silent Partnership to be Invested

Name of Operator	G.K. Herb					
Valid period of silent partnership agreement	Until June 30, 2015 (scheduled)					
Total amount of net assets including silent partnership equity interest	¥1,400 million					
Overview of the silent partnership agreement	<p>① The overview of the silent partnership in which the Investment Corporation will invest is as follows:</p> <table border="1"> <tr> <th colspan="2">G.K. Herb</th></tr> <tr> <td rowspan="2">Trust beneficial interest in real estate, etc. ¥4,900 million (Note 1)</td><td>Nonrecourse loan ¥3,500 million</td></tr> <tr> <td>Net assets including silent partnership equity interest ¥1,400 million (Notes 2 and 3)</td></tr> </table> <p>(Note 1) Trust beneficial interest in real estate, etc. includes the acquisition costs of the Beneficial Interests and the formulation costs of the silent partnership. The appraisal value of Daiwa Ueno Building as of August 30, 2013 is ¥3,510 million while the appraisal value of Kojimachi HF Building as of July 31, 2013 is</p>	G.K. Herb		Trust beneficial interest in real estate, etc. ¥4,900 million (Note 1)	Nonrecourse loan ¥3,500 million	Net assets including silent partnership equity interest ¥1,400 million (Notes 2 and 3)
G.K. Herb						
Trust beneficial interest in real estate, etc. ¥4,900 million (Note 1)	Nonrecourse loan ¥3,500 million					
	Net assets including silent partnership equity interest ¥1,400 million (Notes 2 and 3)					

	<p>¥1,350 million.</p> <p>The above appraisal values are those acquired by G.K. Herb.</p> <p>(Note 2) The Investment Corporation is scheduled to invest ¥140 million (10%) of the total amount of net assets, etc. of G.K. Herb.</p> <p>(Note 3) Heiwa Real Estate Co., Ltd. (“Heiwa Real Estate”), which is the parent company of the Investment Corporation’s asset management company, Heiwa Real Estate Asset Management Co., Ltd. (the “Asset Management Company”), is scheduled to acquire part of the silent partnership equity interest, etc.</p> <p>(Note 4) Heiwa Real Estate is scheduled to become the asset manager of G.K. Herb. Furthermore, Heiwa Real Estate falls within the scope of “interested persons, etc.” of the Asset Management Company as defined in the Act on Investment Trusts and Investment Corporations (“Investment Trusts Act”).</p> <p>(Note 5) Mitsubishi UFJ Morgan Stanley Securities Co., Ltd. is the private placement handler and financial advisor of G.K. Herb.</p> <p>② Calculation period: For every 12 months, the three months commencing February 1 through the end of April, May 1 through the end of July, August 1 through the end of October and November 1 through the end of January the following year.</p> <p>However, the first calculation period shall commence from the date of implementation of initial investment through the end of January 2014.</p> <p>③ Distribution of profit and loss: If profits arise from the silent partnership operation in each calculation period, the operator will distribute all of the profits to the silent partners according to their rate of investment on the calculation date.</p> <p>Also, if losses arise from the silent partnership operation in each calculation period, the losses will be shared by the silent partners according to their rate of investment in the calculation period.</p> <p>However, the limit of the total amount of losses to be shared by the silent partners shall be the amount of investment of each silent partner.</p>						
Other	<p>Overview of the preferential negotiation rights granted with the acquisition</p> <table border="1"> <tr> <td>Description of preferential negotiation rights</td><td>The rights to preferentially negotiate for the acquisition of the Beneficial Interests (see (2) below), which G.K. Herb, the operator of the silent partnership, is scheduled to acquire on September 30, 2013 for the price indicated in “Price conditions for preferential negotiation rights” below.</td></tr> <tr> <td>Period for exercise of preferential negotiation rights</td><td>From September 30, 2013 to June 30, 2015</td></tr> <tr> <td>Price conditions for preferential negotiation rights</td><td>Acquisition for ¥4,750 million (excluding consumption tax) Breakdown: Daiwa Ueno Building: ¥3,400 million Kojimachi HF Building: ¥1,350 million</td></tr> </table>	Description of preferential negotiation rights	The rights to preferentially negotiate for the acquisition of the Beneficial Interests (see (2) below), which G.K. Herb, the operator of the silent partnership, is scheduled to acquire on September 30, 2013 for the price indicated in “Price conditions for preferential negotiation rights” below.	Period for exercise of preferential negotiation rights	From September 30, 2013 to June 30, 2015	Price conditions for preferential negotiation rights	Acquisition for ¥4,750 million (excluding consumption tax) Breakdown: Daiwa Ueno Building: ¥3,400 million Kojimachi HF Building: ¥1,350 million
Description of preferential negotiation rights	The rights to preferentially negotiate for the acquisition of the Beneficial Interests (see (2) below), which G.K. Herb, the operator of the silent partnership, is scheduled to acquire on September 30, 2013 for the price indicated in “Price conditions for preferential negotiation rights” below.						
Period for exercise of preferential negotiation rights	From September 30, 2013 to June 30, 2015						
Price conditions for preferential negotiation rights	Acquisition for ¥4,750 million (excluding consumption tax) Breakdown: Daiwa Ueno Building: ¥3,400 million Kojimachi HF Building: ¥1,350 million						

(2) Overview of Trust Beneficial Interest and Real Estate in Trust

Property name	Daiwa Ueno Building
Type of asset	Trust beneficial interest
Trustee	Mitsubishi UFJ Trust and Banking Corporation
Trust term	May 31, 2013 to May 31 2023

Location (Note 1)		(Residential address) 5-6-10 Ueno, Taito-ku, Tokyo (Lot number) 15-10 Ueno 5-chome, Taito-ku, Tokyo
Use (Note 1)	Office and parking	
Area (Note 1)	Land	718.47m ²
	Building	6,212.84m ²
Structure / floors (Note 1)	Steel-framed reinforced concrete, flat roof, one floor below ground and 10 floors above ground	
Form of ownership	Land	Ownership
	Building	Ownership
Construction completion date (Note 1)	February 1990	
Constructor	Shimizu Corporation	
Architect	Shimizu Corporation First-class Registered Architect Office	
Structural designer	Shimizu Corporation First-class Registered Architect Office	
Building certification	Taito-ku, Tokyo	
Lease status (Note 2)	Total number of tenants	8
	Total leasable floor space	4,160.67m ²
	Total leased floor space	4,160.67m ²
	Monthly rent (including common expenses)	¥19,157,519
	Tenant leasehold and security deposits	¥180,500,303
	Occupancy rate (based on floor space)	100%
Overview of building status survey report	Survey agent	Tokyo Bldg-Tech Center Co., Ltd.
	Survey date	August 1, 2013
	Replacement value	¥1,665,000,000
	PML value	2.2%
	Long-term maintenance and repair cost (within 15 years)	¥157,170,000
Overview of real estate appraisal report (Note 3)	Appraiser	Daiwa Real Estate Appraisal Corporation
	Value date	August 31, 2013
	Appraisal value	¥3,520,000,000

(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) "Lease status" indicates figures as of September 25, 2013.

(Note 3) "Overview of real estate appraisal report" is indicated based on the real estate appraisal report acquired by the Investment Corporation.

Property name		Kojimachi HF Building
Type of asset		Trust beneficial interest
Trustee		Resona Bank, Ltd.
Trust term		July 29, 2005 to December 31, 2016
Location (Note 1)		(Residential address) 3-2-4 Kojimachi, Chiyoda-ku, Tokyo (Lot number) 2-4, 2-19, 2-24 Kojimachi 3-chome, Chiyoda-ku, Tokyo
Use (Note 1)	Office and parking	
Area (Note 1)	Land	409.15m ²
	Building	3,314.53m ²
Structure / floors (Note 1)	Steel-framed reinforced concrete, flat roof, one floor below ground and nine floors above	

	ground	
Form of ownership	Land	Ownership
	Building	Ownership
Construction completion date (Note 1)	March 1994	
Constructor	Mitsui Construction Co., Ltd.	
Architect	Mitsui Construction First-class Registered Architect Office	
Structural designer	Mitsui Construction First-class Registered Architect Office	
Building certification	Chiyoda-ku, Tokyo	
Lease status (Note 2)	Total number of tenants	7
	Total leasable floor space	2,115.13m ²
	Total leased floor space	2,115.13m ²
	Monthly rent (including common expenses)	¥9,382,830
	Tenant leasehold and security deposits	¥84,722,070
	Occupancy rate (based on floor space)	100%
Overview of building status survey report	Survey agent	Tokyo Bldg-Tech Center Co., Ltd.
	Survey date	July 26, 2013
	Replacement value	¥927,000,000
	PML value	2.5%
	Long-term maintenance and repair cost (within 15 years)	¥90,790,000
Overview of real estate appraisal report (Note 3)	Appraiser	Daiwa Real Estate Appraisal Corporation
	Value date	August 31, 2013
	Appraisal value	¥1,550,000,000

(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) "Lease status" indicates figures as of September 25, 2013.

(Note 3) "Overview of real estate appraisal report" is indicated based on the real estate appraisal report acquired by the Investment Corporation.

4. Overview of Operator of Silent Partnership

(1)	Name	G.K. Herb
(2)	Head office address	Nihonbashi 1-Chome Building, 1-4-1 Nihonbashi, Chuo-ku, Tokyo
(3)	Line of business	1. Acquisition, possession and disposal of trust beneficial interest in real estate 2. Acquisition, possession, disposal, leasing and management of real estate 3. Any other auxiliary and/or related businesses to the items described above
(4)	Title and name of representative	Executive member HF Association Managing director Hideki Koizumi
(5)	Capital stock	¥100,000
(6)	Date of incorporation	September 3, 2013
(7)	Relationship with the Investment Corporation and the Asset Management Company	
	Capital relationship	As stated in "3. Details of Assets Scheduled for Acquisition; (1) Overview of Silent Partnership to be Invested," Heiwa Real Estate, the parent company of the Asset Management Company, is scheduled to acquire part of the silent partnership equity interest.
	Personnel relationship	There are no personnel relationships to state between the Investment Corporation or the Asset Management Company and G.K. Herb. In addition, there are no personnel relationships of special note between the affiliated persons and affiliated companies of the Investment Corporation or the Asset Management Company and the affiliated persons and affiliated companies of G.K. Herb.

	Business relationship	There are no business relationships to state between the Investment Corporation or the Asset Management Company and G.K. Herb. In addition, there are no business relationships of special note between the affiliated persons and affiliated companies of the Investment Corporation or the Asset Management Company and the affiliated persons and affiliated companies of G.K. Herb.
	Whether or not a related party	G.K. Herb does not constitute a related party of the Investment Corporation. However, since Heiwa Real Estate, which is scheduled to be entrusted with G.K. Herb's asset management, falls within the scope of "interested persons, etc." of the Asset Management Company, G.K. Herb constitutes an "interested persons, etc." of the Asset Management Company according to the provisions in the internal regulations of the Asset Management Company.

5. Transactions with Interested Parties

In addition to interested persons, etc. as defined in the Financial Instruments and Exchange Act and 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), etc.; or
- (iii) A company, etc. to which (i) or (ii) provides advice, etc. on the management and administration of its assets.

Since G.K. Herb 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.

6. Method of Settlement

Settlement will be in lump-sum at the time of silent partnership equity interest investment as stated in "7. Schedule of the Acquisition" below.

7. Schedule of the Acquisition

September 26, 2013	Acquisition decided
September 26, 2013	Signing of silent partnership agreement
September 27, 2013	Silent partnership equity interest investment (planned)
September 30, 2013	Delivery of trust beneficial interest in real estate to operator of silent partnership

8. Future Outlook

The acquisition of the Asset will have minimal impact on the management status of the Investment Corporation for the fiscal period ending November 2013 (the 24th fiscal period from June 1, 2013 to November 30, 2013) disclosed in the financial report for the fiscal period ending May 2013 dated July 17, 2013, and no change will be made to the management status forecast.

* 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) Exterior Photo and Map of Location of Real Estate in Trust

(Attachment 1) Exterior Photo and Map of Location of Real Estate in Trust

① Daiwa Ueno Building

Exterior



Map of Location



Exterior

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