

Translation Purposes Only

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REIT Issuer

HEIWA REAL ESTATE REIT, Inc.

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(Securities Code: 8966)

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Acquisition of Asset (HF WAKAMATSU KAWADA RESIDENCE)

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced that it today decided to acquire an asset as described below.

Detail

1. Overview of Acquisition

(1)	Property Number Property Name (Note1)	Re-74 HF WAKAMATSU KAWADA RESIDENCE
(2)	Type of Asset to be Acquired	Trust beneficial interest (real estate in Japan)
(3)	Investment Category	Residence
(4)	Investment Area	Primary Investment Area (Shinjuku-ku, Tokyo)
(5)	Planned Acquisition Price (Note 2)	¥1,158,000,000
(6)	Agreement Execution Date (Planned)	September 13, 2013
(7)	Planned Acquisition Date (Delivery Date)	September 13, 2013
(8)	Seller	GK Mileage One
(9)	Acquisition Financing	Cash on hand and borrowings
(10)	Settlement Method	Settlement in lump-sum at time of delivery
(11)	Trustee (Planned)	Mizuho Trust & Banking Co., Ltd.
(12)	Trust period (Planned)	From September 13, 2013 to September 30, 2023

(Note 1) Although the property is called Apartments Wakamatsu Kawada as of today, it will be renamed to HF WAKAMATSU KAWADA RESIDENCE on December 1, 2013 after it is acquired. Accordingly, the property name after the change is used in the table above. The same applies hereafter.

(Note 2) Planned acquisition price is the price described in the trust beneficial interest transaction agreement (consumption tax excluded), and does not include acquisition cost and fixed property tax, city planning tax, etc.

2. Reason for the Acquisition

The Investment Corporation is currently in pursuit of expanding the asset size through continuous property acquisitions under the theme of “On a Stable Growth Path,” and is considering replacement of assets under management and other measures in an effort to improve the profitability and quality of the portfolio.

The Investment Corporation has decided to acquire the property (hereafter, the “Property”) as part of these endeavors and, following its basic policy, to secure steady growth of assets under management and stable earnings in the medium to long term.

3. Characteristics and Details of Asset to be Acquired

(a) The characteristics of the Property are as outlined below.

Location	<ul style="list-style-type: none"> • The Property features good traffic convenience as it is approximately a three minute walk from Wakamatsu Kawada Station on the Toei Subway Oedo Line, from which access is possible to various places in central Tokyo including Shinjuku and Roppongi Stations. • With multiple universities, hospitals and other facilities located in neighboring areas, the Property is expected to enjoy stable demand from wide-ranging users including not only those involved in such facilities but also commuting households who value traffic convenience and other location conditions and families who are attracted to an environment abundant with greenery and ample educational facilities. • The residential section of the Property consist of studio units and two-bedroom units, with demand expected to come from families and DINKs, among other users.
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(b) The details of the Property are as outlined below.

Property Name		HF WAKAMATSU KAWADA RESIDENCE	
Location (Note 1)		(Residential address) 9-4 Yocho-machi, Shinjuku-ku, Tokyo (Lot number) 109-2 Yocho-machi, Shinjuku-ku, Tokyo	
Land (Note 4)	Form of Ownership	Ownership	
	Area (Note 1)	412.42m ²	
	Use District (Note 2)	Neighborhood commercial district	Category I residential district
	Building Coverage Ratio (Note 3)	80%	60%
	Floor Area Ratio (Note 3)	400%	300%
Building	Form of Ownership	Ownership	
	Use (Note 1)	Apartment	
	Structure / Floors (Note 1)	Reinforced concrete, flat roof, 12 floors above ground	
	Total Floor Space (Note 1)	1,858.51m ²	
	Construction Completion Date (Note 1)	February 2004	
	Construction Client	Tokyo Tatemono Co., Ltd.	
	Constructor	Sotetsu Construction Co., Ltd.	
	Architect	Sotetsu Construction First-class Registered Architect	

		Office
	Structural Designer	Sotetsu Construction First-class Registered Architect Office
	Building Certification	Bureau Veritas Japan
Property Management Company (Planned)		Tokyu Community Corporation
Master Lease Company (Planned)		Tokyu Community Corporation
Master Lease Type (Planned)		Pass through
Grant of Security Interests	Present	None
	After Acquisition	Yes (planned to establish revolving pledge)
Lease Status (Note 5)	Total Number of Tenants	1
	Total Leasable Units	33 units
	Total Leased Units	31 units
	Total Leasable Floor Space	1,607.43m ²
	Total Leased Floor Space	1,495.92m ²
	Monthly Rent (Including Common Expenses)	¥5,589,000
	Tenant Leasehold and Security Deposits	¥9,205,000
	Occupancy Rate (Based on Floor Space)	93.06%
NOI Yield (Note 6)		5.1%
Overview of Building Status Survey Report	Survey Agent	Tokyo Bldg-Tech Center Co., Ltd.
	Survey Date	July 29, 2013
	Replacement Value	¥421,000,000
	PML Value	5.0%
	Long-term Maintenance and Repair Cost (Within 15 Years)	¥45,290,000
Overview of Real Estate Appraisal Report (Note 7)	Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
	Value Date	July 31, 2013
	Appraisal Value	¥1,170,000,000
Remarks	The area where the Property is located was changed to a height control district by the Shinjuku Ward office in March 2006 to set an absolute height limit of buildings. However, the property is not subject to the restrictions under the relevant municipal ordinance as application for building certification and other procedures were conducted before the ordinance was put in force. Accordingly, the Property does not satisfy the standards designated by the current Building Standards Act, and is a so-called existing non-conformed building.	

(Note 1) “Location (excluding indication of residential address),” “Area,” “Use,” “Structure/Floors,” “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, 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.

Furthermore, the floor area ratio is 80% and 400% for the area up to 30m from the border of the road northwest to the land of the Property, and 60% and 300% for the area beyond 30m. The weighted average floor area ratio of the two areas is 95.25% and 384.17%.

(Note 4) As for Use District, the land of the Property is neighborhood commercial district, fire zone, category II exclusively medium-high rise residential district and 30-meter height control district for the area within 30 meters north from the planned boundary line of the city planning road, and category I residential district, quasi-fire zone and category II 20-meter height control district for the area farther than

30 meters north from the planned boundary line of the city planning road.

(Note 5) "Lease Status" indicates figures as of September 10, 2013.

(Note 6) "NOI Yields" indicates the NOI yield calculated by using the net operating income (NOI) for 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.

(Note7) For more details, please refer to (Attachment 1) Summary of Real Estate Appraisal Report.

4. Seller Profile

(1)	Name	GK Mileage One
(2)	Head Office Address	Nihonbashi 1-Chome Building, 1-4-1 Nihonbashi, Chuo-ku, Tokyo
(3)	Representative	Managing partner: Mileage Holdings (General Incorporated Association) Administrator: Takanori Mishina
(4)	Line of Business	1. Acquisition, ownership and disposal of trust beneficial interest in real estate 2. Acquisition, ownership, disposal, leasing and management of real estate 3. Acquisition, ownership and disposal of credit 4. All other business incidental or related to the above
(5)	Capital Stock	¥300,000
(6)	Date of Incorporation	July 17, 2009
(7)	Relationship with the Investment Corporation and Asset Management Company	
	Capital Relationship	There is no capital relationship between the seller and the Investment Corporation and/or the Asset Management Company that must be disclosed. In addition, there is no special capital relationship between the related parties or affiliates of the seller and related parties or affiliates of the Investment Corporation and/or the Asset Management Company.
	Personnel Relationship	There is no personnel relationship between the seller and the Investment Corporation and/or the Asset Management Company that must be disclosed. In addition, there is no special personnel relationship between the related parties or affiliates of the seller and related parties or affiliates of the Investment Corporation and/or the Asset Management Company.
	Business Relationship	There is no business relationship between the seller and the Investment Corporation and/or the Asset Management Company that must be disclosed. In addition, there is no special business relationship between the related parties or affiliates of the seller and related parties or affiliates of the Investment Corporation and/or the Asset Management Company.
	Whether or Not a Related Party	The seller does not fall under the definition of related parties of the Investment Corporation and/or the Asset Management Company. The related parties of the seller and its affiliates also do not fall under the definition of related parties of the Investment Corporation and/or the Asset Management Company.

5. Acquirer Profile

The Property is not to be acquired from any party that has a special interest relationship with the Investment Corporation and/or the Asset Management Company.

6. Broker Profile

(1)	Name	Mizuho Trust & Banking Co., Ltd.
(2)	Head Office Address	1-2-1 Yaesu, Chuo-ku, Tokyo
(3)	Representative	President & CEO, Takeo Nakano
(4)	Line of Business	Trust services, banking services and other services (trading of trust beneficial interests, brokerage of real estate transactions, etc.)
(5)	Capital Stock	¥247.3 billion (as of March 31, 2013)

(6)	Date of Incorporation	May 9, 1925
(7)	Relationship with the Investment Corporation and Asset Management Company	
	Capital Relationship	There is no capital relationship between the broker and the Investment Corporation and/or the Asset Management Company that must be disclosed. In addition, there is no special capital relationship between the related parties or affiliates of the broker and related parties or affiliates of the Investment Corporation and/or the Asset Management Company.
	Personnel Relationship	There is no personnel relationship between the broker and the Investment Corporation and/or the Asset Management Company that must be disclosed. In addition, there is no special personnel relationship between the related parties or affiliates of the broker and related parties or affiliates of the Investment Corporation and/or the Asset Management Company.
	Business Relationship	The Investment Corporation and the broker have a business relationship in which the broker serves as asset custodian, investors' registry administrator and special account administrator for the Investment Corporation.
	Whether or Not a Related Party	The broker does not fall under the definition of related parties of the Investment Corporation and/or the Asset Management Company. The related parties of the broker and its affiliates also do not fall under the definition of related parties of the Investment Corporation and/or the Asset Management Company.
(8)	Brokerage Fees	Brokerage fees for the acquisition of the Property is undisclosed as consent was not granted by the broker.

7. Future Outlook

The acquisition of the Property will have a minimum 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 23rd Fiscal Period Financial Report 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) Summary of Real Estate Appraisal Report

(Attachment 2) Photo and Map of Location of the Property

(Attachment 3) Portfolio List After the Acquisition of the Property

(Attachment 1) Summary of Real Estate Appraisal Report

(Unit: yen)

Property Number Property Name	Re-74 HF WAKAMATSU KAWADA RESIDENCE
Appraiser	Daiwa Real Estate Appraisal Co., Ltd.
Valuation date	July 31, 2013
Appraisal value	1,170,000,000
Value indicated by the income approach	1,170,000,000
Value indicated by the income approach (direct capitalization method)	1,180,000,000
Effective gross income	72,017,489
Potential gross income	71,324,808
Other income	692,681
Operating expenses	13,148,282
Net operating income (NOI)	58,869,207
Interest of refundable security deposits	208,537
Capital expenditures	2,498,000
Net cash flow (NCF)	56,579,744
Capitalization rate	4.8%
Value indicated by the income approach (discounted cash flow method)	1,170,000,000
Discount rate	4.6%
Terminal capitalization rate	5.0%
Value indicated by the cost approach	883,000,000
Land ratio	64.9%
Building ratio	35.1%

(Attachment 2) Photo and Map of Location of the Property
Re-74 HF WAKAMATSU KAWADA RESIDENCE
Facade



Map of Location



(Attachment 3) Portfolio List After the Acquisition of the Property

	Property No.	Property Name	Location	Investment Area (Note 1)	Acquisition Price (planned acquisition price) (Note 2) (million yen)	Investment Ratio (Note 2) (%)
Offices	Of-01	Asahi Life Insurance Gotanda Building	Shinagawa-ku, Tokyo	I	1,290	0.93
	Of-05	Suitengu Heiwa Building	Chuo-ku, Tokyo	I	1,550	1.11
	Of-06	NV Tomioka Building	Koto-ku, Tokyo	I	2,500	1.79
	Of-07	Hamamatsucho SS Building	Minato-ku, Tokyo	I	1,530	1.10
	Of-08	Kokusai Tameike Building	Minato-ku, Tokyo	I	2,700	1.94
	Of-09	Grace Building Sengakujimae	Minato-ku, Tokyo	I	1,220	0.87
	Of-10	HF SHIN-YOKOHAMA BUILDING	Yokohama-shi, Kanagawa	II	1,550	1.11
	Of-11	Nihonbashi Daiichi Building	Chuo-ku, Tokyo	I	2,150	1.54
	Of-12	Hatchobori SF Building	Chuo-ku, Tokyo	I	3,092	2.22
	Of-13	Shibuya AX Hills	Shibuya-ku, Tokyo	I	1,860	1.33
	Of-14	KCA Building	Chiyoda-ku, Tokyo	I	1,730	1.24
	Of-15	HF NAKAMEGURO BUILDING	Meguro-ku, Tokyo	I	2,870	2.06
	Of-16	Anwa Tsukasacho Building	Chiyoda-ku, Tokyo	I	1,385	0.99
	Of-17	Hatchobori MF Building	Chuo-ku, Tokyo	I	1,110	0.80
	Of-18	M2 Harajuku	Shibuya-ku, Tokyo	I	3,418	2.45
	Of-20	Funabashi Face Building	Funabashi-shi, Chiba	II	3,900	2.80
	Of-21	Adesso Nishiazabu	Minato-ku, Tokyo	I	640	0.46
	Of-22	HF TORANOMON BUILDING	Minato-ku, Tokyo	I	1,675	1.20
	Of-23	HF IKEBUKURO BUILDING	Toshima-ku, Tokyo	I	1,314	0.94
	Of-24	HF YUSHIMA BUILDING	Bunkyo-ku, Tokyo	I	1,434	1.03
	Of-25	Kayabacho Heiwa Building	Chuo-ku, Tokyo	I	4,798	3.44
	Of-26	Hirokoji Aqua Place	Nagoya-shi, Aichi	III	2,930	2.10
	Of-27	Kobe Kyukyoryuchi Heiwa Building	Kobe-shi, Hyogo	III	2,310	1.66
	Of-28	Mita Heiwa Building (leasehold land)	Minato-ku, Tokyo	I	2,230	1.60
	Of-29	Sakae Minami Heiwa Building	Nagoya-shi, Aichi	III	1,580	1.13
	Office Subtotal				52,766	37.84
Residences	Re-03	HF ICHIKAWA RESIDENCE	Ichikawa-shi, Chiba	II	430	0.31
	Re-05	HF MEGURO RESIDENCE	Meguro-ku, Tokyo	I	660	0.47
	Re-09	HF KASAI RESIDENCE	Edogawa-ku, Tokyo	I	650	0.47
	Re-11	HF WAKABAYASHI-KOEN RESIDENCE	Setagaya-ku, Tokyo	I	3,610	2.59
	Re-12	HF HIMONYA RESIDENCE	Meguro-ku, Tokyo	I	1,560	1.12
	Re-14	HF MINAMIAZABU RESIDENCE	Minato-ku, Tokyo	I	1,370	0.98
	Re-15	HF AZABUJUBAN RESIDENCE	Minato-ku, Tokyo	I	1,260	0.90
	Re-16	HF GAKUGEIDAIGAKU RESIDENCE	Meguro-ku, Tokyo	I	1,000	0.72

Residences	Re-17	HF HIGASHIKANDA RESIDENCE	Chiyoda-ku, Tokyo	I	1,100	0.79
	Re-18	HF HIGASHINIHONBASHI RESIDENCE	Chuo-ku, Tokyo	I	1,210	0.87
	Re-19	HF NERIMA RESIDENCE	Nerima-ku, Tokyo	I	690	0.49
	Re-20	HF SHIROKANETAKANAWA RESIDENCE	Minato-ku, Tokyo	I	4,030	2.89
	Re-21	HF MEIDAIMAE RESIDENCE	Setagaya-ku, Tokyo	I	1,070	0.77
	Re-22	HF NIHONBASHI RESIDENCE	Chuo-ku, Tokyo	I	1,130	0.81
	Re-23	HF KAMISHAKUJII RESIDENCE	Nerima-ku, Tokyo	I	950	0.68
	Re-24	HF KINSHICHO RESIDENCE	Sumida-ku, Tokyo	I	1,100	0.79
	Re-25	HF GINZA RESIDENCE EAST	Chuo-ku, Tokyo	I	5,940	4.26
	Re-26	HF SHIN-YOKOHAMA RESIDENCE	Yokohama-shi, Kanagawa	II	3,350	2.40
	Re-29	HF HAKUSAN RESIDENCE	Bunkyo-ku, Tokyo	I	2,350	1.69
	Re-30	HF MAGOME RESIDENCE	Ota-ku, Tokyo	I	1,630	1.17
	Re-31	HF GAKUGEIDAIGAKU RESIDENCE II	Meguro-ku, Tokyo	I	1,650	1.18
	Re-33	HF KAMEIDO RESIDENCE	Koto-ku, Tokyo	I	1,050	0.75
	Re-34	HF TANASHI RESIDENCE	Nishitokyo-shi, Tokyo	II	911	0.65
	Re-35	HF SHIBA-KOEN RESIDENCE	Minato-ku, Tokyo	I	836	0.60
	Re-36	HF MITA RESIDENCE	Minato-ku, Tokyo	I	1,080	0.77
	Re-37	HF TAKANAWA RESIDENCE	Minato-ku, Tokyo	I	749	0.54
	Re-38	HF GINZA RESIDENCE EAST II	Minato-ku, Tokyo	I	730	0.52
	Re-39	HF HATCHOBORI RESIDENCE II	Chuo-ku, Tokyo	I	1,460	1.05
	Re-40	HF HATCHOBORI RESIDENCE III	Chuo-ku, Tokyo	I	1,890	1.36
	Re-41	HF GINZA RESIDENCE	Chuo-ku, Tokyo	I	793	0.57
	Re-42	HF KOMAZAWA-KOEN RESIDENCE TOWER	Chuo-ku, Tokyo	I	944	0.68
	Re-43	HF UMEDA RESIDENCE TOWER	Setagaya-ku, Tokyo	I	6,520	4.68
	Re-44	HF NAKANOSHIMA RESIDENCE	Osaka-shi, Osaka	III	1,920	1.38
	Re-45	HF AWAZA RESIDENCE	Osaka-shi, Osaka	III	453	0.32
	Re-46	HF MARUNOUCHI RESIDENCE	Osaka-shi, Osaka	III	577	0.41
	Re-47	HF HIRAO RESIDENCE	Nagoya-shi, Aichi	III	624	0.45
	Re-48	HF KAWAFRAMACHI NIJO RESIDENCE	Fukuoka-shi, Fukuoka	III	1,780	1.28
	Re-49	HF MINAMI 6JO RESIDENCE	Kyoto-shi, Kyoto	III	534	0.38
	Re-50	HF TENJIN-MINAMI RESIDENCE	Sapporo-shi, Hokkaido	III	229	0.16

Residences	Re-51	HF TENJIN-HIGASHI RESIDENCE	Fukuoka-shi, Fukuoka	III	631	0.45
	Re-52	HF SHIJO KAWARAMACHI RESIDENCE	Fukuoka-shi, Fukuoka	III	502	0.36
	Re-53	HF SENDAGI RESIDENCE	Kyoto-shi, Kyoto	III	1,820	1.31
	Re-54	HF KOMAZAWA-KOEN RESIDENCE	Bunkyo-ku, Tokyo	I	820	0.59
	Re-55	HF MUSASHIKOYAMA RESIDENCE	Bunkyo-ku, Tokyo	I	870	0.62
	Re-56	HF KOKUBUNJI RESIDENCE	Setagaya-ku, Tokyo	I	615	0.44
	Re-57	HF HISAYAODORI RESIDENCE	Shinagawa-ku, Tokyo	I	842	0.60
	Re-58	HF KARASUMA KURAMAGUCHI RESIDENCE	Kokubunji-ku, Tokyo	II	839	0.60
	Re-59	HF NISHI-SHINJUKU RESIDENCE WEST	Nagoya-shi, Aichi	III	1,080	0.77
	Re-60	HF NISHI-SHINJUKU RESIDENCE EAST	Kyoto-shi, Kyoto	III	572	0.41
	Re-61	HF HIGASHI-SHINJUKU RESIDENCE	Shinjuku-ku, Tokyo	I	1,990	1.43
	Re-62	HF HIGASHI-SHINSAIBASHI RESIDENCE	Shinjuku-ku, Tokyo	I	1,170	0.84
	Re-63	HF KITA-YOBANCHO RESIDENCE	Shinjuku-ku, Tokyo	I	1,360	0.98
	Re-64	HF ATAGOBASHI RESIDENCE	Osaka-shi, Osaka	III	566	0.41
	Re-65	HF KYUDAIBYOINMAE RESIDENCE	Sendai-shi, Miyagi	III	809	0.58
	Re-66	HF ASAKUSABASHI RESIDENCE	Sendai-shi, Miyagi	III	684	0.49
	Re-67	HF ICHIBANCHO RESIDENCE	Fukuoka-shi, Fukuoka	III	426	0.31
	Re-68	HF HIGASHI-NAKANO RESIDENCE	Taito-ku, Tokyo	I	771	0.55
	Re-69	HF MINAMI 5JO RESIDENCE	Sendai-shi, Miyagi	III	834	0.60
	Re-70	HF WASEDA RESIDENCE	Nakano-ku, Tokyo	I	942	0.68
	Re-71	HF WASEDA RESIDENCE II	Sapporo-shi, Hokkaido	III	408	0.29
	Re-72	HF SHIBA-KOEN RESIDENCE	Shinjuku-ku, Tokyo	I	2,090	1.50
	Re-73	HF MITA RESIDENCE	Shinjuku-ku, Tokyo	I	872	0.63
	Re-74	HF WAKAMATSU KAWADA RESIDENCE	Shinjuku-ku, Tokyo	I	1,158	0.83
Residence Subtotal					82,491	59.16
Hotels	Ho-01	Super Hotel Osaka Tennoji	Osaka-shi, Osaka	III	1,080	0.77
	Ho-02	Super Hotel Kyoto Karasumagojyo	Kyoto-shi, Kyoto	III	900	0.65
	Ho-03	Super Hotel Saitama Omiya	Saitama-shi, Saitama	II	1,050	0.75
	Ho-04	Super Hotel Sendai Hirose-dori	Sendai-shi, Miyagi	III	1,150	0.82
Hotels Subtotal					4,180	3.00
Portfolio Total					139,437	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) Figures for the acquisition price (planned 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.