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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 Partial Changes to the Internal Rules (Management Guidelines) of  
HEIWA REAL ESTATE Asset Management Co., LTD

HEIWA REAL ESTATE REIT, Inc. (hereinafter referred to as the “Investment Corporation”) announced today that HEIWA REAL ESTATE Asset Management CO., LTD. (hereinafter referred to as the “Asset Management Company”), the company to which the Investment Corporation entrusts its asset management operations, decided at a meeting of its Board of Directors held today to change the internal rules of the Asset Management Company, the “guidelines for management operations for HEIWA REAL ESTATE REIT, Inc.” (hereinafter referred to as the “Management Guidelines”) on November 29, 2017.

### Description

#### 1. Reasons for change

The Investment Corporation is proceeding with portfolio construction as the complex-type REIT with investment in “office buildings” and “residences” mainly in the wards of Tokyo to achieve the basic ideal, namely steady growth of the assets managed and securing of stable revenues over the medium to long terms.

Under this policy for the construction of a portfolio, the Investment Corporation has undertaken an examination to further increase investment opportunities and revenues. The investment area which the Management Guidelines specify has been reviewed to increase the opportunity to acquire the assets to be managed, examine the acquisition of more good properties, strictly select investments and construct a portfolio of higher quality.

The current Management Guidelines designate the Regional investment area as the “major urban areas of the ordinance-designated cities other than the Primary Investment Area and the Secondary Investment Area.”<sup>1</sup> However, in the major urban areas of the metropolitan areas around the ordinance-designated cities (the existing investment area) (such as Suita City and Ashiya City in the Keihanshin Metropolitan Area), the population concentration and

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<sup>1</sup> The Primary Investment Area refers to the “23 wards of Tokyo” and the Secondary Investment Area refers to the “major urban areas of Tokyo, Kanagawa, Chiba and Saitama Prefectures other than the Primary Investment Area.”

economic activities are sufficient to support the portfolio. Therefore, the possibility of investment in such areas has been examined. As a result, the demands for tenants and the liquidity in the market for sale and purchase in such areas are expected to be equal to those of the existing investment areas. Accordingly, it is judged that the profitability based on the occupancy rate and the unit price of rent and the pricing of real estate in such areas are comparable to those of the existing investment areas. Thus, it was decided to change the investment standards for the local investment area which the Management Guidelines specify.

## 2. Specifics of change

The major changes are shown below. (The underlined parts show the changes.)

Before change

### III. Investment strategy

(Omitted.)

[Investment standards for office/residence]

Investment amount	Office	The investment amount shall be 1 billion yen or more per property, in principle; provided, however, that the investment amount per property shall be not more than 20% of the entire portfolio (based on the acquisition cost).
	Residence	The investment amount shall be 500 million yen or more per property, in principle; provided, however, that the investment amount per property shall be not more than 10% of the entire portfolio (based on the acquisition cost).
Investment area	Primary Investment Area	The 23 wards of Tokyo
	Secondary Investment Area	Major urban areas of Tokyo, Kanagawa, Chiba and Saitama Prefectures other than the Primary Investment Area.
	Regional Investment Area	Major urban areas of the <u>ordinance-designated cities</u> other than the Primary Investment Area and the Secondary Investment Area.

After change

### III. Investment strategy

(Omitted.)

[Investment standards for office/residence]

Investment amount	Office	The investment amount shall be 1 billion yen or more per property, in principle; provided, however, that the investment amount per property shall be not more than 20% of the entire portfolio (based on the acquisition cost).
	Residence	The investment amount shall be 500 million yen or more per property, in principle; provided, however, that the investment amount per property shall be not more than 10% of the entire portfolio (based on the acquisition cost).
Investment area	Primary Investment Area	The 23 wards of Tokyo
	Secondary Investment Area	Major urban areas of Tokyo, Kanagawa, Chiba and Saitama Prefectures other than the Primary Investment Area.
	Regional Investment Area	Major urban areas of <u>the metropolitan areas (Note)</u> other than the Primary Investment Area and the Secondary Investment Area.

(Note) The metropolitan areas shall refer to the urban areas consisting of the central city and the surrounding cities, towns and villages having the social and economic links with the central city. The “central city” of the metropolitan area shall refer to the special districts of Tokyo and the ordinance-designated cities.

The changed notes above are based on the explanation of the terms used in the results of the national census for 2015 on the homepage of the Statistics Bureau, Ministry of Internal Affairs and Communications.

### 3. Future outlook

This change to the Management Guidelines will not affect the state of asset management of the Investment Corporation.

### 4. Others

The extraordinary report was submitted to the Director-General of the Kanto Local Finance Bureau on this day.

\* 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/>