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For Immediate Release

REIT Issuer

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Notice Concerning Revision of Management Status Forecasts
for Fiscal Period Ending May 2015 (27th Fiscal Period)

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced the outlook for its management status (forecast figures) for the fiscal period ending May 2015 (27th Fiscal Period: December 1, 2014 to May 31, 2015), as described below.

Details

1. Management Status Forecasts for Fiscal Period Ending May 2014 (27th Fiscal Period)

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distribution per unit (yen)
Previous forecast (A) (million yen)	5,394	2,299	1,658	1,657	1,742
Revised forecast (B) (million yen)	5,379	1,731	1,084	1,083	1,742
Variance (B) – (A) (million yen)	-15	-568	-574	-574	0
Variance (%)	-0.3	-24.7	-34.6	-34.6	0.0
(Reference) Actual Results of Previous Period (Period ended November 2014) (million yen)	5,052	2,148	1,502	1,501	1,703

2. Reasons for revising the Management Status Forecasts

The Investment Corporation has decided to transfer the KCA Building on March 10, 2015, as noted in the “Notice Concerning Transfer of Domestic Asset” dated today. In addition, it has decided a partial repayment of loans ahead of the due date as stated in the “Partial Early Repayment of Loans” dated today. Accordingly, the respective forecasts for operating revenue, operating income, ordinary income and net income will be revised due to a difference of over 30% occurring in ordinary income as well as net income for the fiscal period ending May 2015 (27th Fiscal Period) announced on January 21,

2015. Distribution per unit will not be revised at this moment because retained earnings are planned to be applied.

The management status forecasts and the distribution per unit for the fiscal period ending November 2015 (28th Fiscal Period) announced on January 21, 2015 will not be revised at this point in time as the effect will be negligible.

[Notes]

1. The above figures are as of the date of this document and based on the assumptions described in the attachment “Key Assumptions of the Management Status Forecasts for the Fiscal Period Ending May 2015 (27th Fiscal Period) and the Fiscal Period Ending November 2015 (28th Fiscal Period).” Therefore, actual operating revenue, operating income, ordinary income, net income and distributions per unit may vary. These forecasts are not guarantees of actual distributions.
2. The Investment Corporation may revise forecasts in the future in the event of significant discrepancy with the figures above is expected.
3. Amounts are rounded down to the nearest specified unit.

* 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/>

[Reference] Management status forecast assumptions for the fiscal period ending May 31, 2015 (27th Fiscal Period)

Item	Assumptions								
Management Period	27th Fiscal Period: from December 1, 2014 to May 31, 2015 (182 days)								
Assets under Management	<ul style="list-style-type: none"> Assumption the KCA Building being sold on March 10, 2015, out of the 96 properties under management, as of March 9, 2015. The actual number of properties owned may vary if properties are newly acquired, transferred, etc. 								
Total outstanding investment units	<ul style="list-style-type: none"> Assumption of 951,147 total outstanding investment units as of March 9, 2015. Per-unit net income and distributions for the fiscal period under review calculated on treatment of the aforementioned 951,147 units as the outstanding investment units as of the end of each fiscal period. 								
Operating revenues	<ul style="list-style-type: none"> Operating revenues are calculated based on the assumption of the above assets under management. Operating revenues are calculated taking into account such factors as cancellation notices currently received and the current market environment, using the history of acquired assets as our standard. 								
Operating expenses	<ul style="list-style-type: none"> Operating expenses are calculated based on the assumption of the above assets under management Assumptions concerning major operating expenses are as follows: <table style="margin-left: 40px; border: none;"> <tr> <td>Public charges and taxes (fixed property tax, city planning tax, etc.):</td> <td style="text-align: right;">360 million yen</td> </tr> <tr> <td>Maintenance and repair fees:</td> <td style="text-align: right;">186 million yen</td> </tr> <tr> <td>Management commissions:</td> <td style="text-align: right;">560 million yen</td> </tr> <tr> <td>Depreciation:</td> <td style="text-align: right;">897 million yen</td> </tr> </table> The sale of the KCA Building is expected to result in 560 million yen in loss on transfer. Maintenance and repair fees are expensed in the amount estimated to be necessary in the fiscal period under review. However, the actual amount may differ significantly from the forecast amount due to emergency repair expenses possibly arising from unexpected factors. 	Public charges and taxes (fixed property tax, city planning tax, etc.):	360 million yen	Maintenance and repair fees:	186 million yen	Management commissions:	560 million yen	Depreciation:	897 million yen
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Management commissions:	560 million yen								
Depreciation:	897 million yen								
Non-operating expenses	<ul style="list-style-type: none"> We forecast 629 million yen in interest payment and borrowing-related expenses. We also forecast 17 million yen in amortization of investment unit issuance expenses. 								
Interest-bearing liabilities	<ul style="list-style-type: none"> The balance of interest-bearing liabilities as of March 9, 2015, was 72,511 million yen. The balance of interest-bearing liabilities is assumed to total 71,311 million yen on the final day of the 27th Fiscal Period after repayments of 500 million yen and 700 million yen are made on March 25, 2015 and April 3, 2015, respectively. We assume full refinancing of the value of borrowings for which repayment dates will come due in May 2015. 								
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> Distributions per unit (excluding distributions in excess of earnings) are calculated assuming the distribution of monies policy prescribed by the REIT's bylaws. Total distributions for the 27th Fiscal Period are assumed to be 1,657 million yen (1,742 yen distribution per unit), based on the forecast net income of 1,083 million yen, in addition to funds totaling 574 million yen applied from retained earnings brought forward. Distributions per unit (excluding distributions in excess of earnings) may change because of various factors, including changes in leasing income attributable to changes of assets under management or changes in tenants or to unexpected maintenance and repair work. 								
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> Distributions in excess of earnings are not planned at this point in time. 								
Other	<ul style="list-style-type: none"> We assume no amendments to laws, the tax system, accounting standards, TSE rules, or The Investment Trusts Association, Japan rules, etc., that would affect the above forecast figures. We assume that no major unforeseen changes will occur in the general economic trends, real estate market conditions, etc. 								