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Notice Concerning Revision of Management Status Forecasts  
for Fiscal Period Ending November 2016 (30th Fiscal Period)

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced the outlook for its management status (forecast figures) for the fiscal period ending November 2016 (30th Fiscal Period: June 1, 2016 to November 30, 2016), as described below.

Details

1. Management Status Forecasts for Fiscal Period Ending November 2016 (30th 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)	5,682	2,392	1,840	1,839	1,852
Revised forecast (B) (million yen)	5,695	2,364	1,808	1,074	1,852
Variance (B) – (A) (million yen)	12	Δ28	Δ32	Δ765	—
Variance (%)	0.2	Δ1.1	Δ1.7	Δ41.6	—
(Reference) Actual Results of Previous Period (Period ended May 2016) (million yen)	5,632	2,394	1,795	1,794	1,808

(Note) The number of units issued and outstanding at the end of the fiscal year: 1,014,847.

2. Reasons for revising the Management Status Forecasts

As described in “Notice Concerning Asset Acquisition and Transfer” dated October 17, 2016 and “Notice Concerning Asset Acquisition and Transfer” dated December 1, 2016, the Investment Corporation has decided to acquire two office buildings (ACROSS SHINKAWA BUILDING and SENJU MILDIX II BANKAN) and to transfer two office

buildings (SHIBUYA AX HILLS and HF NAKAMEGURO BUILDING).

Losses will be incurred by the transfer of SHIBUYA AX HILLS and HF NAKAMEGURO BUILDING. A loss on the transfer of SHIBUYA AX HILLS will be recorded in operating expenses in the fiscal period ending November 2016 (30th fiscal period), which will reduce operating income. As for the transfer of HF NAKAMEGURO BUILDING, the conclusion of the transaction agreement, the delivery, and the settlement of funds are planned to take place in the fiscal period ending May 2017 (31st fiscal period). However, the decision on the transfer of the property, which is expected to cause a loss on transfer, is a decision before the date of the audit report in the fiscal period ending November 2016 (30th fiscal period) under the Act on Investment Trusts and Investment Corporations, and an expected loss on transfer of 733million yen will be recorded in extraordinary losses as an impairment loss in the fiscal period ending November 2016 (30th fiscal period) and will reduce net income.

In this way, the net income forecast for the fiscal period ending November 2016 (30th fiscal period) that was announced on July 15, 2016 is expected to change 30% or more, and the forecast is revised. To pay stable dividends, the Investment Corporation will make up for the decline in net income, using parts of the profit brought forward and reserve for temporary difference adjustment, and will not change the distribution per unit.

#### 【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 November 2016 (30th 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 November 30, 2016 (30th Fiscal Period)

Item	Assumptions
Management Period	<ul style="list-style-type: none"> <li>• 30th Fiscal Period: from June 1, 2016 to November 30, 2016 (183 days)</li> </ul>
Assets under Management	<ul style="list-style-type: none"> <li>• The assumed assets are SHIBUYA AX HILLS, which was transferred on October 27, 2016, and the 97 properties that the Investment Corporation owns at present.</li> </ul>
Total outstanding investment units	<ul style="list-style-type: none"> <li>• The assumption is 1,014,847 units as the total number of investment units issued and outstanding at the end of the fiscal period ended November 2016.</li> </ul>
Operating revenues	<ul style="list-style-type: none"> <li>• Operating revenues are calculated based on the assumption of the above assets under management.</li> <li>• 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.</li> </ul>
Operating expenses	<ul style="list-style-type: none"> <li>• Operating expenses are calculated based on the assumption of the above assets under management</li> <li>• Assumptions concerning major operating expenses are as follows: <ul style="list-style-type: none"> <li>Public charges and taxes (fixed property tax, city planning tax, etc.): 410 million yen</li> <li>Maintenance and repair fees: 192 million yen</li> <li>Management commissions: 606 million yen</li> <li>Depreciation: 956 million yen</li> </ul> </li> <li>• 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.</li> <li>• A loss on transfer of 52 million yen is expected in association with the transfer of SHIBUYA AX HILLS on October 27, 2016.</li> </ul>
Non-operating expenses	<ul style="list-style-type: none"> <li>• Interest Paid is expected to be 446 million yen. Additionally, 95 million yen as loan-related expenses and 17 million yen as amortization of investment unit issuance expenses are expected.</li> </ul>
Extraordinary loss	<ul style="list-style-type: none"> <li>• An impairment loss of 733 million yen as an extraordinary loss is expected in association with the transfer of HF NAKAMEGURO BUILDING, which is described in the Notice Concerning Asset Acquisition and Transfer on December 1, 2016.</li> </ul>
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>• The balance of interest-bearing liabilities as of December 1, 2016, was 76,261 million yen.</li> <li>• Loans payable of 5,857 million yen due in the fiscal period ending November 2016 (30th fiscal period) were all refinanced on October 31, 2016. For details, please refer to the Borrowing of Funds and Repayment of Loans on October 17, 2016.</li> </ul>
Distributions per unit (excluding distributions in excess of earnings)	<ul style="list-style-type: none"> <li>• Distributions per unit are calculated based on the policy on the distribution of monies prescribed in the bylaw. In the fiscal period ending November 2016, a total of 1,880 million yen (1,852 yen per unit) will be distributed. The total distribution is expected net income of 1,081 million yen plus a planned reduction of reserve for temporary difference adjustment of 40 million yen (40 yen per unit) and 765 million yen from the profit brought forward and reserve for temporary difference adjustment to offset the decline in net income and ensure stable distributions.</li> <li>• 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.</li> </ul>
Distributions in excess of earnings per unit	<ul style="list-style-type: none"> <li>• Distributions in excess of earnings are not planned at this point in time.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• 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.</li> <li>• We assume that no major unforeseen changes will occur in the general economic trends, real estate market conditions, etc.</li> </ul>