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REIT Issuer

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Revision of Management Status Forecast for Fiscal Period Ending November 2010 (18th Fiscal Period)

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced that the management status forecast for the fiscal period ending November 2010 (18th Fiscal Period) released on July 23, 2010 was revised as follows in light of management status performance during the concerned fiscal period.

Details

1. Revision of Management Status Forecast Figures for Fiscal Period Ending November 2010 (18th 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]	2,737	1,183	661	660	1,375
Revised forecast	[B]	3,360	1,461	811	10,838	1,375
Amount of increase (decrease)	[B – A]	623	278	150	10,178	–
Rate of increase (decrease)		22.8%	23.5%	22.7%	–%	–%

(Note 1) Number of investment units issued and outstanding at end of period: 695,897 units

(Note 2) Amounts are rounded down to the nearest specified unit and the rate of increase (decrease) is rounded to one decimal place.

(Note 3) The revised forecast of net income is the amount including the gain on negative goodwill from the Investment Corporation and Japan Single-residence REIT Inc. (“JSR”) merging on October 1, 2010 (the “Merger”), and differs to the funds from which distributions are paid out. Please refer to the “Notice Regarding Execution of Merger Agreement between Crescendo Investment Corporation and Japan Single-residence REIT Inc.” dated June 21, 2010 for details on the Merger.

(Note 4) In the management status forecast for the fiscal period ending November 2010 released on July 23, 2010, distribution per unit after the Merger was forecast to be ¥1,375 (¥5,500 before factoring in investment unit split). This remains unchanged in the revised forecast. Please refer to the “Investment Unit Split” press release dated June 21, 2010 for details on the investment unit split.

(Note 5) The figures above are the current forecast. Accordingly, actual operating revenue, operating income, ordinary income, net income and distribution per unit may vary. Moreover, this forecast is not a guarantee of distribution amounts.

## 2. Main Reasons for the Revision

Forecast figures were revised because of the addition of former JSR's revenue and expenses and scheduled posting of ¥10,027 million in gain on negative goodwill to extraordinary income in correlation with the Merger. Please note that the amount of gain on negative goodwill is yet to be finalized and may vary from the foregoing amount.

## 3. Basis of Calculation of Total Distributions for Fiscal Period Ending November 2010 (18th Fiscal Period)

Net income		¥10,838 million
Gain on negative goodwill	-	¥10,027 million
Of gain on negative goodwill, portion allocated to distributions	+	¥145 million
Total distributions		¥956 million

\*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/>

[Reference] Key Assumptions of the Management Status Forecast for Fiscal Period Ending November 2010 (18th Fiscal Period)

Item	Assumptions								
Accounting period	18th Fiscal Period: Fiscal period ending November 2010 (from June 1, 2010 to November 30, 2010) (183 days)								
Assets under management	<ul style="list-style-type: none"> <li>Assumes the 47 properties held at the end of the 17th Fiscal Period (May 31, 2010), plus the 43 properties acquired from JSR from the Merger, to total 90 properties.</li> </ul>								
Number of investment units issued and outstanding	<ul style="list-style-type: none"> <li>Assumes the number of investment units issued and outstanding at the end of the 17th Fiscal Period of 131,891 units, plus the increase in new investment units from the Merger and investment unit split on October 1, 2010 of 564,006 units, to total 695,897 units.</li> </ul>								
Operating revenue/expenses	<ul style="list-style-type: none"> <li>Assumes management of the assets under management above for operating revenue and expenses.</li> <li>Operating revenue is calculated based on acquired assets' historical data. However, operating revenue is expected to decrease compared to the previous period in light of the status of agreement cancellation notices received to date, current market environment and other factors.</li> <li>Major operating expenses are assumed as follows: <table style="margin-left: 20px; border-collapse: collapse;"> <tr> <td>Taxes and dues (fixed property tax, city planning tax, etc.)</td> <td style="text-align: right;">¥177 million</td> </tr> <tr> <td>Repair expenses</td> <td style="text-align: right;">¥91 million</td> </tr> <tr> <td>Consignment expenses (property management fee, etc.)</td> <td style="text-align: right;">¥286 million</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">¥585 million</td> </tr> </table> </li> </ul>	Taxes and dues (fixed property tax, city planning tax, etc.)	¥177 million	Repair expenses	¥91 million	Consignment expenses (property management fee, etc.)	¥286 million	Depreciation	¥585 million
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Non-operating expenses	<ul style="list-style-type: none"> <li>Expects ¥502 million in interest expense (including interest expenses on investment corporation bonds). Also expects ¥134 million in borrowing related expenses and ¥6 million in amortization of investment corporation bond issuance costs.</li> </ul>								
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>Of the Investment Corporation's balance of interest-bearing liabilities at the end of the 17th Fiscal Period of ¥39,959 million, the ¥8,415 million in short-term loan due for repayment in the 18th Fiscal Period (repayment date: October 27, 2010) and ¥6,930 million in long-term loan due for repayment in the 18th Fiscal Period (repayment date: October 29, 2010) were paid through refinancing of the entire amount.</li> <li>The former JSR's balance of interest-bearing liabilities as of October 1, 2010, which is the effective date of the Merger, is ¥30,454 million. None of these are due for repayment by November 30, 2010.</li> <li>No investment corporation bonds are due for redemption in the 18th Fiscal Period.</li> <li>In light of the above, the ratio of interest-bearing liabilities at the end of the 18th Fiscal Period is expected to be about 45.9%. The following formula is used to calculate the ratio of interest-bearing liabilities in the forecast: Ratio of interest-bearing liabilities = (Interest-bearing liabilities ÷ Total assets) × 100</li> </ul>								
Extraordinary income	<ul style="list-style-type: none"> <li>Concerning the gain on negative goodwill from the Merger, a one-time posting of all to extraordinary income is scheduled. The amount to be posted as gain on negative goodwill is estimated to be ¥10,027 million. The amount is estimated by assuming ¥49,161 million in total amount of assets received from, ¥31,407 million in total amount of liabilities received from and ¥7,726 million in merger acquisition cost (calculated based on the Investment Corporation's October 1, 2010 closing price of ¥44,000 that is to be the consideration for the acquisition, and including ¥319 million in various other merger-related expenses) of the acquired entity JSR based on the Accounting Standards Board of Japan's Accounting Standard for Business Combinations. Please note that the amount of gain on negative goodwill is yet to be finalized and may vary from the foregoing amount.</li> </ul>								
Distribution per unit	<ul style="list-style-type: none"> <li>Calculated based on the policy for cash distributions stipulated in the articles of incorporation, and assumes income (excluding gain on negative goodwill) will be distributed in the entire amount in principle.</li> <li>Concerning distributions for the 18th Fiscal Period, assumes the ¥10,027 million in gain on negative goodwill is deducted from the ¥10,838 million in net income and then ¥145 million of the gain on negative goodwill is allocated to total ¥956 million to be distributed (distribution per unit of ¥1,375).</li> </ul>								
Distribution in excess of earnings per unit	<ul style="list-style-type: none"> <li>There are currently no plans to make distributions in excess of earnings.</li> </ul>								
Other	<ul style="list-style-type: none"> <li>Assumes there are no revisions to laws and ordinances, the tax system, accounting standards, the regulations of the Tokyo Stock Exchange, the rules of The Investment Trusts Association, Japan, etc. that will affect the abovementioned forecast figures.</li> <li>Assumes there will be no major unforeseen changes in general economic trends, real estate market conditions, etc.</li> </ul>								