

Translation Purposes Only

November 28, 2013

For Immediate Release

REIT Issuer

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(Securities Code: 8966)

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Management Status Forecasts for Fiscal Period Ending May 2014  
and Fiscal Period Ending November 2014

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced the outlook for its management status (forecast figures) for the fiscal period ending May 2014 (25th Fiscal Period: December 1, 2013 to May 31, 2014) and the fiscal period ending November 2014 (26th Fiscal Period: June 1, 2014 to November 30, 2014), as described below.

Details

1. Management Status Forecasts for Fiscal Period Ending May 2014 (25th Fiscal Period) and Fiscal Period Ending November 2014 (26th Fiscal Period)

	Operating revenue (million yen)	Operating income (million yen)	Ordinary income (million yen)	Net income (million yen)	Distribution per unit (yen)
Period ending May 2014 (25th Fiscal Period)	5,032	2,154	1,418	1,417	1,670
Period ending November 2014 (26th Fiscal Period)	5,013	2,128	1,473	1,472	1,670

(Actual Results of Previous Period)

Period ended May 2013 (23rd Fiscal Period)	4,610	1,878	1,211	1,210	1,640
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[Reference]

Period ending May 2014:

Forecast number of investment units issued and outstanding at end of period: 881,447 units

Forecast net income per unit: ¥1,608

Period ending November 2014:

Forecast number of investment units issued and outstanding at end of period: 881,447 units

Forecast net income per unit: ¥1,670

[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 2014 (25th Fiscal Period) and the Fiscal Period Ending November 2014 (26th 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. As of the date of this document, the Investment Corporation owns 89 properties of real estate, trust beneficial interest in real estate and equity interest in silent partnership investing in trust beneficial interest in real estate. In addition to these, the Investment Corporation is scheduled to acquire trust beneficial interest in real estate for three properties by the end of the fiscal period ending May 2014 (end of the 25th Fiscal Period) as indicated in “Key Assumptions of the Management Status Forecasts for the Fiscal Period Ending May 2014 (25th Fiscal Period) and the Fiscal Period Ending November 2014 (26th Fiscal Period)” below.
4. Amounts are rounded down to the nearest specified unit.

Note: This document is intended to serve as a press release to make available the information on the management status forecasts for the fiscal period ending May 2014 and the fiscal period ending November 2014. This documents should not be construed as an offer to sell or solicitation of an offer to purchase any unit or other investment of the Investment Corporation. Prospective investors are advised to read the Investment Corporation’s prospectus for new unit issuance and secondary offering (and its amendments, if any) and make any investment decisions at their own risk and responsibility.

[Reference] Key Assumptions of the Management Status Forecasts for the Fiscal Period Ending May 2014 (25th Fiscal Period) and the Fiscal Period Ending November 2014 (26th Fiscal Period)

Item	Assumptions
Accounting period	25th Fiscal Period ending May 2014: (from December 1, 2013 to May 31, 2014) (182 days) 26th Fiscal Period ending November 2014: (from June 1, 2014 to November 30, 2014) (183 days)
Assets under management	<ul style="list-style-type: none"> <li>• In addition to the 89 properties of real estate, trust beneficial interest in real estate and equity interest in silent partnership investing in real estate in trust beneficial interest that the Investment Corporation owns as of today (the “Acquired Assets”), the Investment Corporation is scheduled to acquire the following three properties by the end of the fiscal period ending May 2014.</li> <li>• It is assumed that HF SAKURADORI BUILDING, Nihonbashi Hamacho Central Building and Sendai Green Place (the “Assets to be Acquired”) will be acquired on December 20, 2013.</li> <li>• The management status forecasts is based on the assumption that the Assets to be Acquired will have been acquired on the above date and that there will be no transfer of assets under management (acquisition of new properties, sale of existing properties, etc.) until the last day of the fiscal period ending November 2014 (26th Fiscal Period).</li> <li>• Actual results may vary due to transfer of assets under management.</li> </ul>
Number of investment units	<ul style="list-style-type: none"> <li>• The number of investment units issued and outstanding as of today is 795,447 units. In addition to this, of the new investment units resolved to be issued through offering at the Board of Directors meeting held on November 28, 2013 (the “Issuance of New Investment Units”), it is assumed all of the 86,000 units, the sum total of the 81,900 units to be issued for the primary offering and the maximum number of 4,100 units through third-party allotment (the “Third-Party Allotment”), will be issued. For details on the Issuance of New Investment Units, please refer to the press release “Notice Concerning Issuance of New Investment Units and Secondary Offering” dated November 28, 2013.</li> <li>• It is assumed that there will be no issuance of investment units until the last day of the fiscal period ending November 2014 (26th Fiscal Period) other than the issuance indicated above.</li> <li>• Net income per unit and distributions are calculated based on the assumption that the number of investment units issued and outstanding at the end of each period is 881,447 units, which includes units from the Issuance of New Investment Units and the Third-Party Allotment.</li> </ul>
Operating revenue	<ul style="list-style-type: none"> <li>• Operating revenue is calculated by assuming the assets under management above.</li> <li>• Operating revenue is calculated based on the Acquired Assets’ historical data, and takes into account the status of agreement cancellation notices received to date, current market environment and other factors.</li> </ul>

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Operating expenses	<ul style="list-style-type: none"> <li>• Operating expenses are calculated by assuming the assets under management above.</li> <li>• Major operating expenses are based on the following assumptions. [Fiscal period ending May 2014 (25th Fiscal Period)] <table style="margin-left: 20px; border: none;"> <tr> <td>Taxes and dues (fixed property tax, city planning tax, etc.)</td> <td style="text-align: right;">¥337 million</td> </tr> <tr> <td>Repair expenses</td> <td style="text-align: right;">¥186 million</td> </tr> <tr> <td>Management consignment expenses</td> <td style="text-align: right;">¥532 million</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">¥835 million</td> </tr> </table> [Fiscal period ending November 2014 (26th Fiscal Period)] <table style="margin-left: 20px; border: none;"> <tr> <td>Taxes and dues (fixed property tax, city planning tax, etc.)</td> <td style="text-align: right;">¥364 million</td> </tr> <tr> <td>Repair expenses</td> <td style="text-align: right;">¥133 million</td> </tr> <tr> <td>Management consignment expenses</td> <td style="text-align: right;">¥515 million</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">¥835 million</td> </tr> </table> </li> <li>• With regard to fixed property tax, city planning tax, etc. a method where, of the tax assessed and determined, the amount pertaining to the period of calculation is processed as rental business expenses is employed. Furthermore, in general, with regard to transaction of real estate, etc., fixed property tax, city planning tax, etc., are calculated based on a time distribution with the previous owner and are settled at the time of acquisition, but because the amount to be paid as settlement is counted as acquisition cost, such is not recorded as an expense. The amount of fixed property tax, city planning tax, etc. that is expected to be counted as cost for acquisition of real estate, etc. is forecast to be ¥2 million.</li> <li>• Repair expenses are recognized as expenses in the amount of routine repairs estimated to be necessary in the fiscal periods under review based on the repair plan for each property.</li> <li>• Actual operating expenses may vary significantly from the forecast amount due to possible emergency repair expenses arising from unexpected factors.</li> </ul>	Taxes and dues (fixed property tax, city planning tax, etc.)	¥337 million	Repair expenses	¥186 million	Management consignment expenses	¥532 million	Depreciation	¥835 million	Taxes and dues (fixed property tax, city planning tax, etc.)	¥364 million	Repair expenses	¥133 million	Management consignment expenses	¥515 million	Depreciation	¥835 million
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Non-operating expenses	<ul style="list-style-type: none"> <li>• Expected interest expenses and borrowing related expenses are ¥721 million for the fiscal period ending May 2014 (25th Fiscal Period) and ¥640 million for the fiscal period ending November 2014 (26th Fiscal Period). Also, as expenses for the Issuance of New Investment Units and the second offering announced in the press release “Notice Concerning Issuance of New Investment Units and Secondary Offering” dated November 28, 2013, ¥7 million is expected for the period ending May 2014 (25th Fiscal Period) and ¥7 million for the fiscal period ending November 2014 (26th Fiscal Period).</li> </ul>																
Interest-bearing liabilities	<ul style="list-style-type: none"> <li>• The Investment Corporation’s balance of interest-bearing liabilities as of today is ¥65,211 million.</li> <li>• Calculated based on the assumption that ¥3,600 million will be newly borrowed in December 2013 as part of funds to acquire the Assets to be Acquired and that the balance of interest-bearing liabilities shall be ¥68,811 million on the last day of the fiscal period ending May 2014 (25th Fiscal Period) and ¥68,811 million on the last day of the fiscal period ending November 2014 (26th Fiscal Period).</li> <li>• It is assumed that all borrowings due for repayment in May 2014 and October 2014 will be refinanced in the entire amount.</li> </ul>																
Distribution per unit	<ul style="list-style-type: none"> <li>• Distribution per unit is calculated based on the policy for cash distributions stipulated in the articles of incorporation.</li> <li>• Actual distributions per unit may vary as a result of factors including changes to assets under management, fluctuation in rental revenue due to tenant changes, etc. and incurrence of unexpected repairs.</li> <li>• In addition to the ¥1,417 million of net income expected for the fiscal period ending May 2014 (25th Fiscal Period), ¥54 million will be allotted from earnings brought forward in the previous fiscal period and so total distributions of ¥1,472 million (distribution per unit of ¥1,670) is assumed.</li> <li>• Total distributions of ¥1,472 million (distribution per unit of ¥1,670) is scheduled for the fiscal period ending November 2014 (26th Fiscal Period) by allotting ¥1,472 million of expected net income, and it is assumed there will be no allotment of earnings brought forward in the previous</li> </ul>																

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	fiscal period.
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>• It is assumed there are no revisions to laws and regulations, the tax system, accounting standards, the regulations of Tokyo Stock Exchange, Inc. and the rules of The Investment Trusts Association, Japan, etc. that will affect the abovementioned forecast figures.</li> <li>• It is assumed there will be no major unforeseen changes in general economic trends, real estate market conditions, etc.</li> </ul>

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