

Translation Purposes Only

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Revision of Management Status Forecast for Fiscal Period Ending May 2011 (19th Fiscal Period)

HEIWA REAL ESTATE REIT, Inc. (the “Investment Corporation”) announced that the management status forecast for the fiscal period ending May 2011 (19th Fiscal Period) as announced in the press release “Revision of Management Status Forecast for Fiscal Period Ending May 2011 (19th Fiscal Period)” dated February 28, 2011 was revised as follows.

Details

1. Revision of Management Status Forecast Figures for Fiscal Period Ending May 2011 (19th Fiscal Period)

|                                       | Operating<br>revenue<br>million yen | Operating<br>income<br>million yen | Ordinary<br>income<br>million yen | Net<br>income<br>million yen | Distribution<br>per unit<br>yen |
|---------------------------------------|-------------------------------------|------------------------------------|-----------------------------------|------------------------------|---------------------------------|
| Previous forecast [A]                 | 4,318                               | (4,892)                            | (5,658)                           | (5,659)                      | 1,425                           |
| Revised forecast [B]                  | 4,337                               | (4,789)                            | (5,523)                           | (5,626)                      | 1,550                           |
| Amount of increase (decrease) [B – A] | 19                                  | 103                                | 135                               | 33                           | 125                             |
| Rate of increase (decrease)           | 0.4%                                | –%                                 | –%                                | –%                           | 8.8%                            |

(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 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

Since the Investment Corporation’s management status has become generally clear with the closing of financial records for the 19th Fiscal Period (the “Period”) and as a difference of 5% or more in forecasted distribution per unit

from that announced in the press release “Revision of Management Status Forecast for Fiscal Period Ending May 2011 (19th Fiscal Period)” dated February 28, 2011 is expected, the Investment Corporation decided to make a revision to the management status forecast.

With regard to the repair expenses, etc. for the physical damages at portfolio properties caused by the Great East Japan Earthquake of March 11, 2011, ¥103 million (about 0.08% of the total acquisition price of portfolio properties as of the end of the Period) is expected to be recorded in full as an extraordinary loss for the Period.

Therefore, a net loss of ¥5,626 million is expected to be recorded for the Period due to ¥6,654 million in loss on sale of real estate etc. as announced in the press release “Transfer of Assets” dated February 28, 2011 as well as extraordinary loss due to the abovementioned earthquake, etc. However, the Investment Corporation, with the aim of maintaining and improving stable distributions, decided to distribute a total of ¥1,078 million (¥1,550 per unit) by allotting ¥6,705 million from earnings brought forward in the previous fiscal period.

\*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 May 2011 (19th Fiscal Period)

| Item   | Assumptions  |  |              |                 |              |                                 |              |              |              |
|--|--|--|--------------|-----------------|--------------|---------------------------------|--------------|--------------|--------------|
| Accounting period  | 19th Fiscal Period:<br>Fiscal period ending May 2011 (from December 1, 2010 to May 31, 2011) (182 days)  |  |              |                 |              |                                 |              |              |              |
| Assets under management                                      | <ul style="list-style-type: none"> <li>Assumes 87 properties held as of the end of the Period.</li> <li>Of the 90 properties held as of the end of the 18th Fiscal Period (ended Nov. 30, 2010), Of-19 Sannomiya Sanwa Toyo Building, Re-27 Glenpark Ikedayama and Re-28 Rune Higashiterao were transferred on February 28, 2011.</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 18th Fiscal Period of 695,897 units.</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 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>   |  |              |                 |              |                                 |              |              |              |
| 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 assumed as follows: <table style="margin-left: 40px; border: none;"> <tr> <td>Taxes and dues (fixed property tax, city planning tax, etc.)</td> <td style="text-align: right;">¥272 million</td> </tr> <tr> <td>Repair expenses</td> <td style="text-align: right;">¥236 million</td> </tr> <tr> <td>Management consignment expenses</td> <td style="text-align: right;">¥459 million</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">¥732 million</td> </tr> </table> </li> <li>Expects loss on sales of ¥3,956 million for the transfer of Of-19 Sannomiya Sanwa Toyo Building, ¥918 million for the transfer of Re-27 Glenpark Ikedayama and ¥1,779 million for the transfer of Re-28 Rune Higashiterao.</li> <li>Repair expenses are expensed in the amount of routine repairs estimated to be necessary in the fiscal period under review based on the repair plan for each property.</li> <li>The actual amount may differ significantly from the forecast amount due to emergency repair expenses possibly arising from unexpected factors.</li> </ul> | Taxes and dues (fixed property tax, city planning tax, etc.) | ¥272 million | Repair expenses | ¥236 million | Management consignment expenses | ¥459 million | Depreciation | ¥732 million |
| Taxes and dues (fixed property tax, city planning tax, etc.) | ¥272 million   |  |              |                 |              |                                 |              |              |              |
| Repair expenses  | ¥236 million   |  |              |                 |              |                                 |              |              |              |
| Management consignment expenses                              | ¥459 million   |  |              |                 |              |                                 |              |              |              |
| Depreciation   | ¥732 million   |  |              |                 |              |                                 |              |              |              |
| Non-operating expenses                                       | <ul style="list-style-type: none"> <li>Expects ¥639 million in interest expense (including interest expenses on investment corporation bonds). Also expects ¥92 million in borrowing related expenses and ¥5 million in amortization of investment corporation bond issuance costs.</li> </ul>   |  |              |                 |              |                                 |              |              |              |
| Extraordinary loss   | <ul style="list-style-type: none"> <li>Of the repair expenses resulting from the Great East Japan Earthquake, the ¥19 million of expenses from repair work conducted during the 19th Fiscal Period is scheduled to be recorded as a loss on disaster for the Period, and the remaining ¥83 million of expenses relating to repair work scheduled to be conducted during the 20th Fiscal Period (ending Nov. 30, 2011) and onwards is scheduled to be recorded as a provision of allowance for loss on disaster (extraordinary loss) of the Period (19th Fiscal Period).</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 18th Fiscal Period of ¥70,263 million, the Investment Corporation repaid ¥17,204 million in short-term loan which was due for repayment in the 19th Fiscal Period (repayment date: May 31, 2011) by borrowing the same amount.</li> <li>No investment corporation bonds or loans other than the above are due for final repayment in the 19th Fiscal Period.</li> <li>The Investment Corporation repaid (1) ¥7,180 million of the ¥13,250 million loan due for repayment on June 30, 2011 and (2) ¥743 million of the ¥7,387.5 million loan due for repayment on October 31, 2011 in advance of the principal repayment dates by using the proceeds from the abovementioned transfer of 3 properties of the assets under management.</li> <li>Also, ¥6,700 of the ¥13,250 million loan due for repayment on June 30, 2011 was repaid in advance on March 31, 2011 by borrowing the same 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.</li> <li>Assumes that, although a net loss of ¥5,626 is expected to be recorded for the Period due to ¥6,654 of loss on sale of real estate etc. and other factors, a total of ¥1,078 million (¥1,550 per unit) will be distributed by allotting ¥6,705 million from earnings brought forward in the previous fiscal period.</li> <li>Actual distribution per unit may vary as a result of various factors including the incurrence of unexpected repair expenses.</li> </ul>  |  |              |                 |              |                                 |              |              |              |
| Distribution in excess of earnings per                       | <ul style="list-style-type: none"> <li>There are currently no plans to make distributions in excess of earnings.</li> </ul>  |  |              |                 |              |                                 |              |              |              |

|       |  |
|-------|--|
| unit  |  |
| 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> |