

19th Fiscal Period Financial Report (REIT)

July 15, 2011

REIT Issuer: HEIWA REAL ESTATE REIT, Inc.
 Securities Code: 8966
 Representative: Masaaki Higashihara, Executive Director

Stock Exchange Listing: TSE
 URL: <http://www.heiwa-re.co.jp/>

Asset Management Company: HEIWA REAL ESTATE Asset Management CO., LTD.
 Representative: Takaya Ichikawa, President & Representative Director
 Inquiries: Shinya Ito, General Manager, IR Department
 TEL: +81-3-5402-8731

Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): August 25, 2011

Scheduled date of commencement of distribution payments: August 19, 2011

[Amounts are rounded down to the nearest million yen]

1. Status of Management and Assets for the 19th Fiscal Period

19th Fiscal Period (19th FP): Fiscal period ended May 2011 (from December 1, 2010 to May 31, 2011)

18th Fiscal Period (18th FP): Fiscal period ended November 2010 (from June 1, 2010 to November 30, 2010)

(1) Management

[% figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income	
19th FP	¥4,337 million	28.5%	(¥4,789 million)	- %	(¥5,523 million)	- %	(¥5,626 million)	- %
18th FP	¥3,374 million	19.2%	¥1,486 million	22.0	¥842 million	21.1%	¥10,868 million	- %

	Net income per unit	Ratio of net income to unitholders' equity	Ratio of ordinary income to total assets	Ratio of ordinary income to operating revenue
19th FP	(¥8,085)	(7.6%)	(3.8%)	(127.3%)
18th FP	¥18,620	15.8%	0.7%	25.0%

(Note) Although a negative net income of ¥5,626 million was posted in the 19th Fiscal Period owing to such factors as ¥6,654 million in loss on real estate and other sales and ¥103 million in extraordinary losses from the Great East Japan Earthquake, HEIWA REAL ESTATE REIT, Inc. will pay distributions as in (2) below by using ¥6,705 million in funds from the gain on negative goodwill posted in the previous fiscal period. Our objective is to ensure that distributions are steadily maintained or rising.

Net income for the 18th Fiscal Period includes ¥10,026 million in gain on negative goodwill that was posted to extraordinary income, and differs from the funds from which distributions are paid out.

(2) Distributions

	Distribution per unit (excluding distribution in excess of earnings)	Total distributions	Distribution in excess of earnings per unit	Total distributions in excess of earnings	Payout ratio (Note 1)	Ratio of distributions to net assets (Note 2)
19th FP	¥1,550	¥1,078 million	¥0	¥0 million	- %	1.4%
18th FP	¥1,375	¥956 million	¥0	¥0 million	8.8%	1.4%

(Note 1) Payout ratio shows figures that have been calculated using the following formula:

Total distributions (excluding total distributions in excess of earnings) ÷ Net income × 100

(Note 2) Ratio of distributions to net assets shows figures that have been calculated using the following formula:

Total distributions (excluding total distributions in excess of earnings) ÷ [(Net assets at beginning of period + Net assets at end of period) ÷ 2] × 100

(3) Financial Position

	Total assets	Net assets	Ratio of unitholders' equity to total assets	Net assets per unit
19th FP	¥138,538 million	¥71,103 million	51.3%	¥102,175
18th FP	¥153,390 million	¥77,687 million	50.6%	¥111,636

(4) Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
19th FP	¥9,719 million	(¥636 million)	(¥9,034 million)	¥7,414 million
18th FP	¥1,217 million	(¥153 million)	(¥846 million)	¥7,365 million

2. Management Status Forecasts for the 20th Fiscal Period

20th Fiscal Period (20th FP): Fiscal period ending November 2011 (from June 1, 2011 to November 30, 2011)

[% figures show the period-on-period increase (decrease)]

	Operating revenue		Operating income		Ordinary income		Net income	
20th FP	¥4,110 million	(5.2%)	¥1,812 million	- %	¥1,079 million	- %	¥1,078 million	- %

	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
20th FP	¥1,550	¥-

(Reference) Estimated net income per unit for the 20th Fiscal Period: ¥1,550

3. Other

(1) Changes in Accounting Policies

- (i) Changes accompanying amendments to accounting standards, etc.: No
(ii) Changes other than (i): No

(2) Number of Investment Units Issued and Outstanding

- (i) Number of investment units issued and outstanding at end of period (including own investment units):
19th Fiscal Period: 695,897 units 18th Fiscal Period: 695,897 units
(ii) Number of own investment units at end of period:
19th Fiscal Period: 0 units 18th Fiscal Period: 0 units

***Explanation on the Appropriate Use of the Management Status Forecasts, and Other Matters of Special Note
(Caution Concerning Forward-Looking Statements, Etc.)**

The management status outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions deemed reasonable by the Investment Corporation. Accordingly, actual management status and other results may vary materially due to various factors.