

18th Fiscal Period Financial Report (REIT)

January 27, 2011

REIT Issuer: HEIWA REAL ESTATE REIT, Inc.
 Securities Code: 8966
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Stock Exchange Listing: TSE
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Scheduled date of submission of periodic securities report (*yuka shoken hokokusho*): February 25, 2011
 Scheduled date of commencement of distribution payments: February 21, 2011

[Amounts are rounded down to the nearest million yen]

1. Status of Management and Assets for the 18th Fiscal Period

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

17th Fiscal Period (17th FP): Fiscal period ended May 2010 (from December 1, 2009 to May 31, 2010)

(1) Management

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

	Operating revenue	Operating income	Ordinary income	Net income
18th FP	¥3,374 million 19.2%	¥1,486 million 22.0%	¥842 million 21.1%	¥10,868 million -%
17th FP	¥2,830 million (2.0%)	¥1,218 million 33.1%	¥695 million 79.1%	¥694 million 79.3%

	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
18th FP	¥18,620	15.8%	0.7%	25.0%
17th FP	¥5,268	1.2%	0.7%	24.6%

(Note) Net income for the 18th Fiscal Period includes ¥10,026 million in gain on negative goodwill that was posted to extraordinary income, and differs to 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)
18th FP	¥1,375	¥956 million	¥0	¥0 million	8.8%	1.4%
17th FP	¥5,268	¥694 million	¥0	¥0 million	99.9%	1.2%

(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
18th FP	¥153,390 million	¥77,687 million	50.6%	¥111,636
17th FP	¥104,461 million	¥60,107 million	57.5%	¥455,733

(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
18th FP	¥1,217 million	(¥153 million)	(¥846 million)	¥7,365 million
17th FP	¥1,019 million	(¥5,204 million)	¥1,470 million	¥5,297 million

2. Management Status Forecasts for the 19th Fiscal Period

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

[% figures show the period-on-period increase (decrease)]				
	Operating revenue	Operating income	Ordinary income	Net income
19th FP	¥4,501 million ; 33.4%	¥1,811 million ; 21.9%	¥992 million ; 17.8%	¥991 million ; (90.9%)

	Distribution per unit (excluding distribution in excess of earnings)	Distribution in excess of earnings per unit
19th FP	¥1,425	¥-

(Reference) Estimated net income per unit for the 19th Fiscal Period: ¥1,425

3. Other

(1) Changes in Accounting Policies

- (i) Changes accompanying amendments to accounting standards, etc.: Yes
(ii) Changes other than (i): Yes

(2) Number of Investment Units Issued and Outstanding

- (i) Number of investment units issued and outstanding at end of period (including own investment units):
18th Fiscal Period: 695,897 units 17th Fiscal Period: 131,891 units
- (ii) Number of own investment units at end of period:
18th Fiscal Period: 0 units 17th 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. A major factor that may impact actual management status and other results include the following matter. Please note that this is not an exhaustive list of the factors that would impact the management status.

- The Investment Corporation is considering selling portfolio properties as it has earned a gain on negative goodwill. If properties are sold, the management status forecast figures may vary.

(Other Matters of Special Note)

The Investment Corporation conducted a one-for-four investment unit split with September 30, 2010 as the record date of the split and October 1, 2010 as the effective date.