To the Shareholders
of Heiwa Real Estate Co., Ltd.

INFORMATION DISCLOSED ON THE INTERNET UPON ISSUING NOTICE CONCERNING THE CONVOCATION OF THE 99th ORDINARY GENERAL SHAREHOLDERS' MEETING

THE 99th FISCAL YEAR (FROM APRIL 1, 2018 TO MARCH 31, 2019)

Heiwa Real Estate Co., Ltd.

Heiwa Real Estate Co., Ltd. (the "Company") provides the above financial documents to Shareholders by posting them on the Company's website (https://www.heiwa-net.co.jp/ir/stock/meeting.html) pursuant to the provisions of laws, regulations and the Article 16 of the Articles of Incorporation.

STOCK ACQUISITION RIGHTS

1) Stock acquisition rights granted in consideration of the performance of duties and held by Directors and Statutory Auditors of the Company
   Not applicable
2) Stock acquisition rights granted to employees in consideration of the performance of duties during the current fiscal year
   Not applicable

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FROM: APRIL 1, 2018
TO: MARCH 31, 2019

(In millions of yen)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of the current period	21,492	19,720	34,063	(426)	74,850
Change during the period					
Distribution of surplus			(1,571)		(1,571)
Net income attributable to owners of parent			6,174		6,174
Acquisition of treasury stock				(2,604)	(2,604)
Disposal of treasury stock			(0)	0	0
Net changes of items other than shareholders' equity					
Total change during the period	—	—	4,602	(2,604)	1,998
Balance at the end of the current period	21,492	19,720	38,665	(3,030)	76,848

	Accumulated other comprehensive income			Total net assets
	Unrealized gain on securities	Land revaluation surplus	Total accumulated other comprehensive income	
Balance at the beginning of the current period	13,055	16,995	30,050	104,900
Change during the period				
Distribution of surplus				(1,571)
Net income attributable to owners of parent				6,174
Acquisition of treasury stock				(2,604)
Disposal of treasury stock				0
Net changes of items other than shareholders' equity	2,176	—	2,176	2,176
Total change during the period	2,176	—	2,176	4,174
Balance at the end of the current period	15,231	16,995	32,227	109,075

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Basis of presenting consolidated financial statements]

1. Basis of consolidation:

(1) Consolidated subsidiaries: 4

Names of the consolidated subsidiaries: Heiwa Service Co., Ltd., Housing Service Co., Ltd., HEIWA REAL ESTATE Asset Management CO., LTD., The Tokyo Shoken Building Incorporated

(2) Names, etc. of major non-consolidated subsidiaries-

Major non-consolidated subsidiaries

Kabutocho Heiwa Bldg. No. 3 Co., Ltd.

(Reason for exclusion from the scope of consolidation)

All non-consolidated subsidiaries are small-scale businesses whose combined total assets, net sales, net income/loss (corresponding to the equity owned by the Company), and retained earnings (corresponding to the equity owned by the Company) have no significant effect on the overall results of the consolidated financial statements.

2. Basis of applying the equity method:

(1) Names of major non-consolidated subsidiaries or affiliates not accounted for using the equity method-

Kabutocho Heiwa Bldg. No. 3 Co., Ltd.

(2) Reason for exclusion from application of equity method accounting-

A non-consolidated subsidiary or affiliate not accounted for using the equity method is excluded from the scope of application of equity method accounting due to the minimal effect that the exclusion has on the consolidated financial statements, taking into account its relatively low net income/loss (corresponding to the equity owned by the Company), retained earnings (corresponding to the equity owned by the Company), etc., and its relative immateriality as a whole in the context of the consolidated financial statements.

3. Matters pertaining to accounting policies:

(1) Method and basis of valuation of assets:

1) Marketable securities and other investments-

Held-to-maturity bonds: Held-to-maturity bonds are valued at cost, with cost being determined using the amortized cost method (straight-line method).

Other marketable securities and investments:

a. Securities with market quotations:

Market value method based on the market price as of the settlement date of the consolidated fiscal term. (Differences in valuation are included directly in net assets and costs of securities sold are calculated using the moving-average method.)

b. Securities without market quotations:

Securities without market quotations are mainly valued at cost, determined using the moving-average method.

2) Inventory -

Inventories are valued at cost, determined by the specific identification method. (The value on the consolidated balance sheet is appraised by the write-down of the book value of inventories based on the deterioration of profitability.)

(2) Depreciation method for fixed assets:

1) Tangible fixed assets (excluding lease assets) -

Depreciation of tangible fixed assets is computed using the declining balance method, except for the Tokyo Stock Exchange Building and two other buildings, buildings (excluding attached facilities) acquired on or after April 1, 1998, and attached facilities and structures acquired on or after April 1, 2016, all of which are computed using the straight-line method. Depreciation of consolidated subsidiary's tangible fixed assets is computed using the straight-line method. The principal useful lives of tangible fixed assets are as follows.

Buildings and structures	8-50 years
Machinery, equipment, and vehicles	6-10 years
Tools, furniture and fixtures	5-15 years

2) Intangible fixed assets (excluding lease assets) -

Amortization of intangible fixed assets is computed using the straight-line method. The cost of software for internal use is amortized using the straight-line method based on the expected useful life of the software (five years).

3) Lease assets -

Lease assets are depreciated using the straight-line method over the lease period.

(3) Method of accounting of deferred assets:

Bond-issuing expenses are amortized using the straight-line method over the period until bond redemption.

(4) Principles for providing accruals and reserves:

1) Allowance for doubtful accounts -

An allowance for doubtful accounts is provided to cover losses on bad debt at an amount estimated based on historical write-off ratio plus any amounts deemed necessary to cover possible losses on an individual accounts basis.

2) Accrued bonuses for directors -

The accrual for bonuses to directors is calculated based on the estimated payment basis.

3) Accrued bonuses -

The accrual for bonuses to employees is calculated based on the estimated payment basis.

(5) Method of important hedge accounting:

1) Method of hedge accounting -

The special treatment applies to interest rate swaps because they meet the requirements.

2) Hedging instruments and hedged items -

Hedging instruments: interest rate swaps

Hedged items: interest rates of loans payable

3) Policy of hedging transactions -

Interest rate swap transactions are conducted to reduce the exposure to fluctuations in the interest rates of loans payable.

4) Method for assessing the hedge effectiveness -

The assessment of hedge effectiveness on the closing date is omitted because interest rate swaps meet the requirements for receiving special treatment.

(6) Other basic matters for the preparation of consolidated financial statements:

1) Accounting for retirement benefit -

Net defined benefit liability is calculated at an amount equal to the projected benefit obligation as of the end of the current consolidated fiscal year minus the fair value of pension assets. Net defined benefit liability is not calculated at any consolidated subsidiary that has a defined contribution retirement plan.

2) Accounting for consumption taxes -

Profit and loss accounts are stated net of consumption tax. Where consumption taxes paid are not fully credited against consumption taxes received, the non-credited portion is charged as an expense in the consolidated period under review in which the consumption taxes are paid.

[Notes to changes in presentation method]

(Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

Effective from the beginning of the current consolidated fiscal year, the Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018). Accordingly, deferred tax assets are presented in the segment of investments and other assets, and deferred tax liabilities are presented in the segment of long-term liabilities.

[Notes to the consolidated balance sheet]

1. Accumulated depreciation of tangible fixed assets ¥84,777 million
2. Guarantees due from the Company

   The Company-guaranteed loans owed by employees to financial institutions are as follows:

Housing loans for employees of Heiwa Real Estate Co., Ltd.	¥274 million

3. Revaluation of land

   Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998) and the Act for Partial Revision of the Act on Revaluation of Land (Act No. 19 of March 31, 2001), the Company revaluated its land held for business. Corporation taxes equivalent to net unrealized gains are reported as "deferred tax liabilities concerning revaluation" in liabilities, and the net unrealized gains, the net of deferred taxes, are reported as "land revaluation surplus" in net assets.

   (Method of revaluation)

   Fair values are determined by applying appropriate adjustments to values computed by the method published by the Commissioner of the National Tax Agency for the calculation of land values that serve as the basis for taxable amounts of land-holding tax set forth in Article 16 of the Land-holding Tax Act as set forth in Article 2, Item 4 of the Order for Enforcement of Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

   (Date of the revaluation) March 31, 2001

   (Difference between fair values at the fiscal year-end and book values after the revaluation of the land revaluated)

   As the fair values of the revalued land exceed the book values of the land after the revaluation at the end of current consolidated fiscal year, the difference between them is not stated.

4. Investment securities

   Investment securities include the following asset.

Investment units of HEIWA REAL ESTATE REIT, Inc.	¥17,968 million (139,179 units)

[Notes to the consolidated statements of changes in net assets]

1. Shares issued

Common shares	40,059,996 shares

2. Treasury stock

Common shares	1,378,119 shares

3. Distribution of surplus

(1) Payments of dividends

1) The following was resolved and approved at the Ordinary General Shareholders' Meeting held on June 26, 2018.

Distribution of common shares

・Total amount of distribution	¥797 million
・Distribution per share	¥20
・Record date	March 31, 2018
・Effective date	June 27, 2018

2) The following was resolved and approved at the Board of Directors' meeting held on October 31, 2018.

Distribution of common shares

・Total amount of distribution	¥773 million
・Distribution per share	¥20
・Record date	September 30, 2018
・Effective date	December 3, 2018

(2) Dividends with a record date falling in the current consolidated fiscal year and an effective date falling in the following consolidated fiscal year

We will propose the following agenda for the Ordinary General Shareholders' Meeting to be held on June 26, 2019.

Distribution of common shares

・Total amount of distribution	¥1,083 million
・Source of distribution	Retained earnings
・Distribution per share	¥28
・Record date	March 31, 2019
・Effective date	June 27, 2019

[Notes to financial instruments]

1. Financial instruments

   The Group limits fund management to short-term deposits, etc. and procures funds by borrowing money from banks and other financial institutions.

   Among investment securities, the fair value of listed securities is assessed on a quarterly basis.

   Loans payable are used for working capital (chiefly for short-term purposes) and funds for capital investments (for long-term purposes). The Company fixes interest expenses by applying interest rate swap transactions to a portion of the long-term loans payable with interest rate volatility risk.

2. Fair value, etc. of financial instruments

   The balance sheet amount, the fair value, and the difference between the two were as follows as of March 31, 2019 (settlement date of the current consolidated fiscal year):

(In millions of yen)

	Consolidated balance sheet amount (*)	Market value (*)	Difference
(1) Cash and deposits	9,810	9,810	–
(2) Accounts receivable – trade	1,065	1,065	–
(3) Marketable securities	3,128	3,130	1
(4) Investment securities	32,433	32,434	0
(5) Accounts payable – trade	(1,409)	(1,409)	–
(6) Bonds	(30,023)	(30,510)	(486)
(7) Short-term loans payable	(11,250)	(11,250)	–
(8) Long-term loans payable	(143,398)	(144,335)	(936)
(9) Derivative transactions	–	–	–

(*) Figures in parentheses are presented in Liabilities.

(Notes)

1. Method for calculating the fair value of financial instruments, and matters related to marketable securities and derivative transactions

   (1) Cash and deposits and (2) Accounts receivable – trade

   Because their market value is almost equal to their book value due to settlement in short periods, they are posted at their book value.

   (3) Marketable securities and (4) Investment securities

   The market value of a share, etc. is based on a price on an exchange, while that of a bond is either based on a price on an exchange or a price quoted by a financial institution, etc.

   (5) Accounts payable – trade

   Because the market value of accounts payable – trade is almost equal to their book value due to settlement in short periods, they are posted at their book value.

(6) Bonds

The market value of bonds is posted at the present value of the bonds and is equal to the total of capital and interests discounted by the remaining terms and interest rates adjusted for credit risk.

(7) Short-term loans payable

Because their market value is almost equal to their book value due to settlement in short periods, they are posted at their book value.

(8) Long-term loans payable

Long-term loans payable with fixed rates are calculated by discounting the total principal and interest by the assumed interest rate for a borrowing under the same terms and conditions. Long-term loans payable with floating rates are posted at their book value because floating rates reflect market rates in a short period of time and their market value approximates their book value. Long-term loans payable with floating rates subject to exceptional treatment for interest-rate swaps are calculated by discounting the total of principal and interest accounted for as a unit with the interest-rate swap by an assumed interest rate reasonably estimated for a borrowing under the same terms and conditions.

(9) Derivative transactions

A derivative transaction subject to exceptional treatment for interest-rate swaps is accounted for as a unit together with long-term loans payable subject to hedge. For this reason, the market value of such a transaction is included in the fair value of the long-term loans payable (Refer to (8) above).

2. The market value of unlisted investment securities, etc. (amount on consolidated balance sheet: ¥5,118 million) is considered to be quite difficult to calculate, as there are no market prices and no valuations of future cash flows. For this reason, they are not included in (4) Investment securities.
3. The market value of operating investments (amount on consolidated balance sheet: ¥500 million) is considered to be quite difficult to calculate, as there are no market prices. For this reason, they are not subject to the disclosure of market value.
4. Long-term deposits received and landlord deposits (amount on consolidated balance sheet: ¥21,253 million) have no market prices, and their cash flows are considered quite difficult to reasonably estimate due to the difficulty in calculating substantial lease periods from the start of occupation by lessees to the dates of evacuation. For this reason, they are not subject to the disclosure of market value.

[Notes to lease properties, etc.]

1. Lease properties, etc.

   The Company and some subsidiaries own lease office buildings, lease commercial facilities, and lease housing, etc. in Tokyo and other areas.

2. Market value of lease properties, etc.

・Amount on the consolidated balance sheet	¥236,231 million
・Market value	¥339,552 million

(Notes)

1. The consolidated balance sheet amount is equal to the acquisition cost minus the accumulated depreciation and accumulated impairment loss.
2. The market value of principal properties, at the end of current consolidated fiscal year are based on the standards of real property appraisal by independent real property appraisers, and those of other real estate units at the end of this term are calculated by the Company based on the Real Estate Appraisal Standard (including that adjusted using indexes, etc.)

[Per share data]

Net assets per share	¥2,819.82
Net income per share	¥158.73

[Subsequent events]

Adoption of a performance-linked stock compensation plan for directors and executive officers

The Company decided at the Board of Directors meeting held on April 25, 2019 that the Company would adopt a performance-linked new stock compensation plan (hereinafter, the "Plan") for the Company's directors (excluding external directors and non-residents of Japan) and executive officers (excluding non-residents of Japan; hereinafter, collectively "Directors and Officers"), and to submit a proposal of the Plan at the 99th Ordinary General Shareholders' Meeting scheduled to be held on June 26, 2019.

1. Adoption of the Plan

The Company intends to adopt the Plan for the purpose of clearly linking the compensation of Directors and Officers with the Company's performance and share price, motivating them to work towards improving the Company's performance over the medium to long term and increasing corporate value, and placing them in the same position as shareholders with respect to appreciating the benefits of a higher share price as well as the risk of a decrease in the share price.

2. Details of the Plan

The Plan is a performance-linked stock compensation plan for remunerating each of the Directors and Officers through a trust (hereinafter, the "Trust") that the Company will set up and contribute funds to for the acquisition of its own shares to be used as the compensation. The number of shares and monetary amount equivalent to the market value of the shares (hereinafter, "Company Stock") to be remunerated will correspond to a number of points awarded to each of the Directors and Officers based on stock compensation rules (hereinafter, the "Stock Compensation Rules") to be established by the Board of Directors. In principle, the Directors and Officers will receive the Company Stock upon retiring from their respective positions. Details of the Plan are as follows.

(1) Name: Stock Compensation Trust for Directors and Officers
(2) Entrustor: Heiwa Real Estate Co., Ltd.
(3) Trustee: Resona Bank, Limited, which will later conclude a specified comprehensive trust agreement with Japan Trustee Services Bank to designate it as the new trustee.
(4) Beneficiaries: Directors and Officers who meet beneficiary requirements set in the Company's Stock Compensation Rules
(5) Trust administrator: A third-party that has no interest in the Company
(6) Trust agreement date: Planned for August 2019
(7) Date of entrusting funds: Planned for August 2019
(8) Period of the Trust: From the planned date in August 2019 until the Trust is terminated (continuing as long as the Plan is in place without a specified date of expiry)
(9) Exercise of voting rights: The voting rights shall not be exercised.
(10) Type of stock to be acquired: Common stock of the Company
(11) Maximum amount of funds for the Trust: ¥150 million (including trust fees and other necessary expenses)
(12) Maximum amount of stock to be acquired: Up to a maximum of 75,000 shares
(13) Acquisition method of stock: Either through the stock market or a transfer of treasury stock

Acquisition and cancellation of own shares

The Company decided at the Board of Directors meeting held on April 25, 2019 that the Company would acquire own shares according to the provisions of Article 156 of the Companies Act, applicable pursuant to the provisions of Paragraph 3, Article 165 of the said Act, and to cancel own shares pursuant to the provisions of Article 178 of the said Act.

1. Reasons for acquisition and cancellation of own shares

To ensure more efficient use of capital and reward shareholders.

2. Terms and conditions for the acquisition
(1) Class of shares to acquire: common stock of the Company
(2) Total number of shares to acquired: 0.8 million shares (upper limit)
(Ratio to the number of outstanding shares (excluding treasury shares): 2.07%)
(3) Aggregate amount of acquisition cost: ¥2.0 billion (upper limit)
(4) Period of acquisition: From April 26, 2019 to October 31, 2019
(5) Method of acquisition: Acquisitions on the Tokyo Stock Exchange

3. Contents of cancellation
(1) Class of shares to cancel: Common stock of the Company
(2) Total number of shares to cancel: 1.2 million
(Ratio to the number of outstanding shares before cancellation: 3.00%)
(3) Total number of shares after cancellation: 38,859,996 shares
(4) Scheduled date of the cancellation: May 31, 2019

[Other notes]
(1) Impairment loss

Location	Principal use	Category	Impairment loss
Abiko-city, Chiba	Parking lot and others	Land	¥9 million

The Group recorded impairment loss on the above asset groups in this consolidated fiscal year. In calculating impairment loss, the Group bundles assets based on the minimum unit generating cash flows in a manner largely independent of cash flows provided by other assets or asset groups.
The book values of real properties, etc. for lease with declines in profitability were written down to a recoverable amount. The Group recorded the amount written off as impairment loss in extraordinary loss (¥9 million) in the current consolidated fiscal year.
The recoverable amounts of the above asset groups are calculated by the Company based on salable values and other criteria, etc. considered to reflect market prices appropriately.

(2) Advanced depreciation entry

Amount of advanced depreciation of tangible fixed assets through the acceptance of national subsidies, etc.	¥55 million

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FROM: APRIL 1, 2018
TO: MARCH 31, 2019

(In millions of yen)

	Shareholders' equity							
		Additional paid-in capital		Retained earnings				
					Other retained earnings			
	Capital stock	Capital reserve	Total additional paid-in capital	Legal reserve	Reserve for advanced depreciation of fixed assets	General reserve	Retained earnings carried forward	Total retained earnings
Balance at the beginning of the current period	21,492	19,720	19,720	1,453	1,983	10,115	15,815	29,367
Change during the period								
Distribution of surplus							(1,571)	(1,571)
Provision of reserve for advanced depreciation of fixed assets					295		(295)	—
Reversal of reserve for advanced depreciation of fixed assets					(45)		45	—
Net income							5,857	5,857
Acquisition of treasury stock								
Disposal of treasury stock							(0)	(0)
Net changes of items other than shareholders' equity								
Total change during the period	—	—	—	—	249	—	4,036	4,286
Balance at the end of the current period	21,492	19,720	19,720	1,453	2,232	10,115	19,852	33,653

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Unrealized gain on securities	Land revaluation surplus	Total valuation and translation adjustments	
Balance at the beginning of the current period	(426)	70,154	12,833	16,995	29,829	99,983
Change during the period						
Distribution of surplus		(1,571)				(1,571)
Provision of reserve for advanced depreciation of fixed assets		—				—
Reversal of reserve for advanced depreciation of fixed assets		—				—
Net income		5,857				5,857
Acquisition of treasury stock	(2,604)	(2,604)				(2,604)
Disposal of treasury stock	0	0				0
Net changes of items other than shareholders' equity			2,121	—	2,121	2,121
Total change during the period	(2,604)	1,682	2,121	—	2,121	3,803
Balance at the end of the current period	(3,030)	71,836	14,954	16,995	31,950	103,786

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

[Matters pertaining to significant accounting policies]

1. Method and basis of valuation of assets:

(1) Method and basis of valuation of marketable securities and other investments -

1) Held-to-maturity bonds: Held-to-maturity bonds are valued at cost, with cost being determined using the amortized cost method (straight-line method).

2) Stocks of subsidiaries and affiliates:
Securities without market quotations are valued at cost, determined using the moving-average method.

3) Other marketable securities and investments:

a. Securities with market quotations:
Market value method based on the market price as of the settlement date of the consolidated fiscal term. (Differences in valuation are included directly in net assets and costs of securities sold are calculated using the moving-average method.)

b. Securities without market quotations:
Securities without market quotations are valued at cost, determined using the moving-average method.

(2) Method and basis of valuation of inventory -

Inventories are valued at cost, determined using the specific identification method.
(The value on the non-consolidated balance sheet is appraised by the write-down of the book value of inventories based on the deterioration of profitability.)

2. Depreciation method for significant fixed assets:

(1) Tangible fixed assets -

Depreciation of tangible fixed assets is computed using the declining balance method, except for the Tokyo Stock Exchange Building and two other buildings, buildings (excluding attached facilities) acquired on or after April 1, 1998, and attached facilities and structures acquired on or after April 1, 2016, all of which are computed using the straight-line method.
Depreciation of subsidiary’s tangible fixed assets is computed using the straight-line method.
The principal useful lives of tangible fixed assets are as follows.

Buildings and structures	8-50 years
Machinery, equipment, and vehicles	6-10 years
Tools, furniture and fixtures	5-15 years

(2) Intangible fixed assets -

Amortization of intangible fixed assets is computed using the straight-line method. The cost of software for internal use is amortized using the straight-line method based on the expected useful life of the software (five years).

3. Method of accounting of deferred assets:

Bond-issuing expenses are amortized by the straight-line method over the period until bond redemption.

4. Principles for providing accruals and reserves:

(1) Allowance for doubtful accounts -

An allowance for doubtful accounts is provided to cover losses on bad debt at an amount estimated based on historical write-off ratio plus any amounts deemed necessary to cover possible losses on an individual accounts basis.

(2) Accrued bonuses for directors -

The accrual for bonuses to directors is calculated based on the estimated payment basis.

(3) Accrued bonuses -

The accrual for bonuses to employees is calculated based on the estimated payment basis.

(4) Accrued severance indemnities for employees -

Accrued severance indemnities for employees are calculated at an amount equal to the projected benefit obligation minus the fair value of pension assets.

5. Method of important hedge accounting:

(1) Method of hedge accounting -

The special treatment applies to interest rate swaps because they meet the requirements.

(2) Hedging instruments and hedged items -

Hedging instruments: interest rate swaps

Hedged items: interest rates of loans payable

(3) Policy of hedging transactions -

Interest rate swap transactions are conducted to reduce the exposure to fluctuations in the interest rates of loans payable.

(4) Method for assessing the hedge effectiveness -

The assessment of hedge effectiveness on the closing date is omitted because interest rate swaps meet the requirements for receiving special treatment.

6. Other basic matters for the preparation of non-consolidated financial statements:

Accounting for consumption taxes -

Profit and loss accounts are stated net of consumption tax. Where consumption taxes paid are not fully credited against consumption taxes received, the non-credited portion is charged as an expense in the period in which the consumption taxes are paid.

[Notes to changes in presentation method]

(Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting)

Effective from the beginning of the current fiscal year, the Company has adopted the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; February 16, 2018). Accordingly, deferred tax assets are presented in the segment of investments and other assets, and deferred tax liabilities are presented in the segment of long-term liabilities.

[Notes to the non-consolidated balance sheet]

1. Accumulated depreciation of tangible fixed assets ¥78,605 million
2. Guarantees due from the Company
   The Company-guaranteed loans owed by employees to financial institutions are as follows:

Housing loans for employees of Heiwa Real Estate Co., Ltd.	¥274 million

3. Assets or debts due from or to subsidiaries and affiliates

Assets	¥2,833 million
Debts	¥2,820 million

4. Revaluation of land
   Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998) and the Act for Partial Revision of the Act on Revaluation of Land (Act No. 19 of March 31, 2001), the Company revaluated its land held for business. Corporation taxes equivalent to net unrealized gains are reported as "deferred tax liabilities concerning revaluation" in liabilities, and the net unrealized gains, the net of deferred taxes, are reported as "land revaluation surplus" in net assets.

   (Method of revaluation)
   Fair values are determined by applying appropriate adjustments to values computed by the method published by the Commissioner of the National Tax Agency for the calculation of land values that serve as the basis for taxable amounts of land-holding tax set forth in Article 16 of the Land-holding Tax Act as set forth in Article 2, Item 4 of the Order for Enforcement of Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).
   (Date of the revaluation) March 31, 2001
   (Difference between fair values at the fiscal year-end and book values after the revaluation of the land revaluated)
   As the fair values of the revalued land exceed the book values of the land after the revaluation at the end of current fiscal year, the difference between them is not stated.
5. Investment securities
   Investment securities include the following asset.

Investment units of HEIWA REAL ESTATE REIT, Inc.	¥17,537 million (135,845 units)

[Notes to the non-consolidated statement of profit and loss]

Transactions with subsidiaries and affiliates

Operating transactions	¥1,349 million
Non-operating transactions	¥728 million

[Notes to the non-consolidated statements of changes in net assets]

Treasury stock

Common stock	1,378,119 shares

[Income taxes]

Breakdown of deferred tax assets and deferred tax liabilities by major factors

Deferred tax assets	
Accrued bonuses	¥41 million
Accrued corporation tax	¥42 million
Loss on revaluation of inventories	¥208 million
Loss on rebuilding	¥531 million
Impairment loss	¥1,577 million
Accrued severance indemnities for employees	¥30 million
Asset retirement obligations	¥205 million
Other	¥157 million
Sub-total of deferred tax assets	¥2,794 million
Valuation allowance	(¥1,150 million)
Total of deferred tax assets	¥1,643 million
Deferred tax liabilities	
Reserve for advanced depreciation of fixed assets	(¥985 million)
Unrealized gain on securities	(¥6,600 million)
Retirement expense corresponding to asset retirement obligations	(¥135 million)
Other	(¥14 million)
Total of deferred tax liabilities	(¥7,735 million)
Net of deferred tax assets (liabilities)	(¥6,091 million)

[Transactions with affiliated parties]

Not applicable

[Per share data]

Net assets per share	¥2,683.09
Net income per share	¥150.60

[Subsequent events]

Adoption of a performance-linked stock compensation plan for directors and executive officers

The Company decided at the Board of Directors meeting held on April 25, 2019 that the Company would adopt a performance-linked new stock compensation plan (hereinafter, the "Plan") for the Company's directors (excluding external directors and non-residents of Japan) and executive officers (excluding non-residents of Japan; hereinafter, collectively "Directors and Officers"), and to submit a proposal of the Plan at the 99th Ordinary General Shareholders' Meeting scheduled to be held on June 26, 2019.

Details are described in [Subsequent events] of the Consolidated Financial Statements.

Acquisition and cancellation of own shares

The Company decided at the Board of Directors meeting held on April 25, 2019 that the Company would acquire own shares according to the provisions of Article 156 of the Companies Act, applicable pursuant to the provisions of Paragraph 3, Article 165 of the said Act, and to cancel own shares pursuant to the provisions of Article 178 of the said Act.

Details are described in [Subsequent events] of the Consolidated Financial Statements.

[Adoption of dividend restrictions on a consolidated basis]

The Company will be subject to dividend restrictions on a consolidated basis once the end of this fiscal year becomes the end of a fiscal year whose financial statements are approved.

[Other notes]

(1) Impairment loss

Location	Principal use	Category	Impairment loss
Chuo-ku, Tokyo	Store and others	Buildings, etc.	¥79 million
Abiko-city, Chiba	Parking lot and others	Land	¥9 million

The Company recorded impairment loss on the above asset groups in this fiscal year. In calculating impairment loss, the Company bundles assets based on the minimum unit generating cash flows in a manner largely independent of cash flows provided by other assets or asset groups.

The book values of business assets with declines in profitability and real properties, etc. for lease with declines in the market value were written down to their respective recoverable amount. The Company recorded the amount written off as impairment loss in extraordinary loss (¥88 million) in the current fiscal year.

The recoverable amounts of buildings, etc. are determined by value in use and measured at a memorandum price because future cash flow from these properties is no longer expected. The recoverable amounts of land are calculated by the Company based on salable values and other criteria, etc. considered to reflect market prices appropriately.

(2) Advanced depreciation entry

Amount of advanced depreciation of tangible fixed assets through the acceptance of national subsidies, etc.	¥55 million