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

INFORMATION DISCLOSED ON THE INTERNET UPON ISSUING NOTICE CONCERNING THE CONVOCATION OF THE 101st ORDINARY GENERAL SHAREHOLDERS' MEETING

THE 101st FISCAL YEAR (FROM APRIL 1, 2020 TO MARCH 31, 2021)

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/en/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

■ ESTABLISHMENT OF A CORPORATE STRUCTURE TO ENSURE THE PROPER CONDUCT OF BUSINESS AND THE STATUS OF ITS OPERATIONS

(1) Corporate structure to ensure the proper conduct of business

In its efforts to establish a lawful and efficient corporate structure, the Company maintains and operates a structure to ensure that the Directors comply with laws and the articles of incorporation in the execution of their operations, and other structures to ensure the proper conduct of the business of the Company and the businesses of the Company group made up of the Company and its subsidiaries, as follows.

1) Corporate structure to ensure legal compliance and compliance with the articles of incorporation in the execution of operations by Directors and employees of the Company

(1) The Company elects External Directors and External Auditors as independent officers to reinforce the management and supervisory functions of the Board of Directors and the audit function of Statutory Auditors.

(2) The Company has established a "Code of Conduct," "Standards for Behavior of Heiwa Real Estate Group," and "Compliance Regulations," and steps are taken to ensure that all of its members are fully aware of their contents. Accordingly, Directors, Corporate Officers, and employees of the Company are requested to maintain fair and high ethical principles and strictly adhere to laws, regulations, and the articles of incorporation, in order to secure a management structure on which the community can rely.

(3) Based on its "Internal Whistleblowing Regulations," "External Whistleblowing Regulations," and other relevant regulations, the Company has established a compliance hotline and other systems as contact points for notification and consultation from people in or outside of the Company, including business partners, when problems or other matters related to compliance occur, and detects and responds to any such problems as promptly as possible.

(4) The Company responds firmly against antisocial forces that jeopardize the order and safety of the civil society.

2) System for the storage and maintenance of information in relation to the performance of duties by the Directors of the Company

The Company properly records the decision-making documents at the Board of Directors' Meetings and other important meetings, approval documents, and information related to the performance of duties by the Directors, and properly stores and maintains these documents in accordance with the relevant laws and "Criteria for the Storage and Disposal of Documents."

Directors and Statutory Auditors may access these documents at any time.

3) Rules of the Company related to the management of the risk of loss and other systems

(1) In recognition of the importance of risk management as a management issue, the Company has established a set of "Risk Management Rules," has established a "Risk Management Committee" under the rules, and endeavors to secure the effectiveness of risk management by defining the targeted risk and the responsibility for management of the risk.

(2) The "Risk Management Committee" reports on the matters under its management to the Board of Directors and the Board of Statutory Auditors, as necessary.

4) System to ensure the efficient performance of duties by the Directors of the Company

(1) The Company has implemented a Corporate Officer system and endeavors to use the system to segregate the functions and responsibilities of management and business execution and to accelerate the process of decision-making.

(2) Through the system for allocating Directors-in-charge, the system for job authorization, and the system for decision-making provided in various in-company regulations, including the "Regulations of the Board of Directors' Meetings," the "Regulations of the Corporate Officers' Meetings," and the "Rules on the Division of Authorities," the Company works to achieve the efficient execution of duties by its Directors.

(3) By formulating annual business plans and other plans, the Company establishes company-wide objectives to promote the efficient execution of business.

5) System to ensure the proper execution of business by the Company group made up of the Company and its subsidiaries

(1) The Company has formulated a set of "Administrative Rules on Subsidiaries and Affiliates" covering the Company and its subsidiaries (collectively the "Company Group") and endeavors to secure the propriety of operations as the Company Group by defining the responsibility for administration, etc.

(2) The Company manages the planning of strategy related to the Company Group, guidance and monitoring related to subsidiaries and other matters pertaining to business administration, financial operations, and administration related to consolidated accounting, the improvement and operation of internal control related to financial reporting and administration related to the evaluation of effectiveness, and administration related to the operation of business.

(3) The "Code of Conduct," the "Standards for Behavior for Heiwa Real Estate Group," and the "Compliance Regulations" prescribed by the Company also apply to the Company Group, and the Company takes steps to ensure that all members of the Group are fully aware of their contents. Accordingly, the Company requests the officers and employees of the Company Group to maintain fair and high ethical

principles and strictly adhere to laws, regulations, and the articles of incorporation so as to secure a management structure on which the community can rely.

(4) In recognition of the importance of risk management as a management issue, the Company endeavors to secure the effectiveness of risk management by defining the targeted risk and the responsibility for management of the risk in the Company Group in accordance with a set of "Risk Management Rules" prescribed by the Company.

(5) In accordance with a set of "Administrative Rules on Subsidiaries and Affiliates," the Company made mandatory for subsidiaries to report important matters related to subsidiaries in advance, in principle.

(6) The Company dispatches its personnel to serve as Directors and Statutory Auditors of major subsidiaries. The Directors of the Company oversee the performance of the duties of the Directors of the subsidiaries, and the Statutory Auditors of the Company oversee the execution of business of the subsidiaries.

(7) In order to report and discuss matters related to consolidated group management, the Company has established a conferences with managers from its subsidiaries and meetings with relevant personnel from its subsidiaries to share ownership of business policies, management information, etc., and reports important matters related to subsidiaries to the Board of Directors.

(8) The Company has formulated a set of "Basic Principles for the Maintenance and Operation of Internal Control Related to Financial Reporting," in order to secure reliable financial reporting. The Company has also established an "Internal Control Liaison Committee Related to Financial Reporting" to maintain a cooperative structure that cuts across the whole Company Group for the purpose of realizing the aforesaid principles.

6) Matters concerning relevant employees when Statutory Auditors of the Company request the deployment of employees to assist Statutory Auditors in their work, matters related to the independence of those employees from Directors of the Company, and matters to secure the effectiveness of instructions from the Statutory Auditors of the Company to those employees

(1) The Company has established an Auditors Office and deploys dedicated employees to the office to assist Statutory Auditors in matters related to auditing and the duties performed by the Statutory Auditors.

(2) The employees, when assisting Statutory Auditors in their work, follow the orders and instructions of the Statutory Auditors and do not receive any orders and instructions from the Directors.

(3) Employees are appointed and transferred to the Auditors Office to assist the Statutory Auditors, with the consent of the Statutory Auditors, and are assessed based sufficiently on the Statutory Auditors' views.

7) Policy for handling expenses, etc. incurred from the performance of duties by the Statutory Auditors of the Company

If Statutory Auditors, when performing their duties, request the Company to pay expenses in advance pursuant to Article 388 of the Companies Act, the Company shall promptly pay such expenses or debts unless such expenses or debts are determined not to be necessary for the performance of duties by the Statutory Auditors.

8) System of whistleblowing to Statutory Auditors of the Company, system to ensure that a person so whistleblowing is not treated unfavorably because of the whistleblowing, and other systems to ensure effective auditing by the Statutory Auditors of the Company

(1) The Statutory Auditors present at important conferences, including the Board of Directors' Meetings and Corporate Officers' Meetings, express their views, and obtain copies of the minutes of the meetings and approval documents. The Statutory Auditors also request to be briefed on these matters. Further, the Statutory Auditors regularly hold meetings with the Representative Director, the Internal Audit Office, or the Independent Auditor.

(2) If a Director discovers any matters that may cause material damage to the Company, he or she will immediately notify the Board of Statutory Auditors of those matters.

(3) The Company reports to the Statutory Auditors on important matters, including matters pertaining to the subsidiaries reported at the conferences with managers from its subsidiaries and the meetings with relevant personnel from its subsidiaries, the results of internal audits of subsidiaries, the contents of notifications by the compliance hotline, and other matters.

(4) The Company prohibits unfavorable treatment of the officers and employees of the Company Group who report to the Statutory Auditors due to such whistleblowing, and keeps all of the officers and employees of the Company Group well informed of the prohibition.

(2) Operations of a corporate structure to ensure the proper conduct of business

Following are the operations of a corporate structure to ensure the proper conduct of business.

1) Initiatives for the compliance structure

The Company established "Standards for Behavior of Heiwa Real Estate Group" and ensures that officers and employees thoroughly and strictly adhere to laws and regulations. The Company also holds training sessions, etc. on compliance on a regular basis.

The Company checks compliance, information security, etc. simultaneously across the Company and makes the results thoroughly known within the Company to foster awareness of compliance.

The Company has put several systems in place to facilitate the early detection of compliance breaches. It has set up an internal whistleblowing system for the entire Group, which includes a hotline made available for officers and employees of subsidiaries, and has taken steps to ensure that all members are aware of the system and how to use it. The Company has also established an external whistleblowing system to allow business partners and other stakeholders from both inside and outside the Group to report on incidents of misconduct. In addition, the Company has established an internal consultation office to provide its members with advice on a wide range of workplace concerns besides those related to misconduct.

2) Initiatives for risk management system

As a part of the Group's internal controls, the Company applies "Risk Management Rules" to subsidiaries as well, and thereby has established a system necessary for risk management for the Group as a whole. The Company holds a Risk Management Committee (4 times in the current term) chaired by the Representative Director and President to understand risks that have actualized in the Group and deliberates on measures to prevent the recurrence of risks, etc. in accordance with the Risk Management Rules.

With regard to the acquisition and sale of property, the Company holds a "Working Group to Review Investment Risk, etc." prior to deliberations at the Board of Directors meetings. The working group analyzes risks associated with the acquisition and sale of property, confirms that related procedures are carried out properly, handles other relevant matters, and reports the results of these activities to the Managing Officers' Meetings.

The Company has established a "Business Continuity Plan (BCP)," prepared a response manual based thereon, regularly checks the same, and thereby strives to mitigate corporate crisis risk at times of emergency.

3) Initiatives for a system to ensure the efficient performance of duties

The Company has introduced a Managing Officer system, and the Managing Officers' Meetings conduct swift decision-making on the execution of business operations.

When formulating the "annual business plan," an important agenda item for deliberation at the Board of Directors meetings, the plan is fully deliberated at each department, the issues to address in the management plan and the measures to respond to them are discussed, organized, and summarized at the conferences with managers from its subsidiaries and the Managing Officers' Meetings, and the business plan is thereupon submitted to the Board of Directors. By adopting these procedures, the Company promotes the efficient performance of duties.

The Company has established the Nomination Committee and Compensation Committee as discretionary advisory bodies to the Board of Directors, and ensures the objectivity and transparency of personnel affairs relating to Directors and Statutory Auditors and compensation for Directors and Executive Officers by having External Directors chair both committees and make up the majority of their members.

In order to evaluate the effectiveness of the Board of Directors, the Company conducts a self-assessment questionnaire targeting all Directors and Statutory Auditors. Based on the evaluation results from the questionnaires, arguments for improvement are discussed in an effort to enhance the effectiveness of the Board of Directors.

In addition, meetings between the president and external directors as well as between external directors and auditors are held in order to stimulate discussions among members of the Board of Directors.

4) Initiatives for the Company group system

The Company has determined the departments in charge of business execution of subsidiaries in the "Administrative Rules on Subsidiaries and Affiliates" to strengthen business cooperation in the Group.

The Company periodically holds conferences with managers from its subsidiaries in order to monitor the progress of the subsidiaries' business plans. The Company also verifies that internal control systems are properly implemented throughout the Group at periodically held meetings with relevant personnel from its subsidiaries. In addition, information about measures for dealing with the COVID-19 pandemic were shared across the Group in fiscal 2020.

The Company administrates subsidiaries by dispatching to subsidiaries its officers that concurrently serve as officers of the subsidiaries to oversee or audit the execution of duties by the Directors, etc. of the subsidiaries.

5) Initiatives for system for auditing by the Statutory Auditors

The Statutory Auditors attend the Board of Directors meetings and other important meetings, request explanations on the details of deliberations as necessary, and regularly exchange opinions with the Representative Director and President, the Internal Audit Office, and the Independent Auditor on the status of controls within the Group.

The Company deploys one employee to assist Statutory Auditors in their work. To ensure the independence of the employee from Directors, the employee is assessed based sufficiently on the Statutory Auditors' views.

Based on the "Internal Whistleblowing Regulations," an internal whistleblowing system is operated as a hotline available for use by the officers and employees of the Company Group. The Company has established a system under which officers and employees of the Company Group who report to the Statutory Auditors are not to be unfavorably treated due to such whistleblowing.

■ BASIC PRINCIPLES CONCERNING THE CONTROL OF A STOCK COMPANY (*KABUSHIKI KAISHA*)

The Company received the approval of its shareholders for the continuous adoption of the "measures against large volume purchase of shares of the Company (Defense Measures Against Takeover)" (hereinafter, the "Plan") at the 98th Ordinary General Shareholders' Meeting held on June 26, 2018. The main outline of the Defense Measures Against Takeover is as follows.

1) Basic Policy with Regard to the Role of Any Person Controlling the Decision over Financial and Business Policies of the Company

The Company believes that a person who controls the decisions on financial and business policies of the Company should have a good understanding of the financial situation and business description of the group of the Company as well as the source of the corporate value of the Company, and should continue to increase the corporate value of the Company and subsequently the common interest of our shareholders.

Also, if a purchase of a large volume of the Company's shares benefits the corporate value of the Company, and subsequently the common interest of our shareholders, we will not deny it; and the Company believes that whether we are to accept an offer concerning the purchase of a large volume of the Company's shares that accompanies the transfer of the power of control of the Company should be ultimately determined based on the intent of our shareholders.

However, there are some cases of the purchase of a large volume of shares which could damage the corporate value of a target company and subsequently the common interest of its shareholders, including the case which (i) obviously violates the corporate value of the target company and subsequently the common interest of its shareholders, (ii) is likely to, in effect, force the shareholders of the target company to sell their shares, or (iii) does not give enough time and information to enable the board of directors or shareholders of the target company to examine the purchase of a large volume, or to enable the board of directors to provide an alternative plan.

Therefore, the Company believes that a person who makes such purchase of a large volume of the Company's shares which does not benefit the corporate value of the Company and subsequently the common interest of our shareholders is an inappropriate party to control decisions on the financial and business policies of the Company, and that we should take necessary and sufficient countermeasures against such purchase of a large volume of the Company's shares for the purpose of protecting and ensuring the corporate value of the Company and subsequently the common interest of our shareholders.

2) Outline of Special Efforts to Realize the Basic Policy

1. Efforts to Increase Corporate Value

The Company formulated the Medium- to Long-term Management Plan over the "NEXT DECADE" in April 2014 as an action plan for its task of expanding the building leasing business, and the Company is determined to move toward the next step with the "aim of being a company that contributes to revitalizing districts" over the next decade.

Phase I of the Medium- to Long-term Management Plan (FY2014-2016) defined the following key strategies: the Nihonbashi Kabutocho Revitalization Project; strengthening of the building leasing business; expansion of the fee businesses including REIT AM; and strengthening of organizational controls and maintenance of financial discipline.

As a consequence of these initiatives, we achieved all of our targets for the consolidated operating income, consolidated ordinary income and D/E ratio during phase I of the Medium- to Long-term Management Plan.

During phase II of the Medium- to Long-term Management Plan (FY2017-2019), we entered a new stage in which we launch a full-scale redevelopment of the Nihonbashi Kabutocho and Kayabacho areas. Looking towards the final stage of the Medium- to Long-term Management Plan, we will aim to sustainably increase corporate value by steadily implementing the redevelopment project and by strengthening our building leasing business. The Company has set phase II as three years in which we will build a foundation for business growth, and we will continue to work on the following key strategies.

(1) The Nihonbashi Kabutocho and Kayabacho Revitalization Project
(2) Strengthening the building leasing business
(3) Expansion and diversification of the real estate solution business
(4) Strengthen the structure for implementing business strategies and provide shareholders with stable returns

2. Efforts to Improve Corporate Governance Structure

The Company considers the enhancement of corporate governance as an important business issue, and the Company's group as a whole endeavors to strengthen corporate governance in order to meet the trust placed in us by shareholders and other stakeholders and carry out fair and efficient corporate management.

3) Outline of Measures to Prevent Persons Deemed Inappropriate in Light of the Basic Policy from Controlling Decisions on Financial and Business Policies of the Company

1. Purpose of the Plan

The purpose of the Plan is to continually and sustainably ensure and increase the corporate value of the Company and, in turn, the common interests of our shareholders in accordance with the basic policy described in 1) above.

The Board of Directors determined that it is indispensable for the Company to have a framework that enables the Board of Directors (i) to secure time and information necessary for the Company's shareholders to make an appropriate decision on whether or not to accept a takeover proposal, (ii) to secure opportunities for negotiating with a Large-Scale Purchaser, as defined in 3 below, for the benefit of the Company's shareholders, and (iii) to deter large-scale purchases of the Company's shares that would harm the corporate value of the Company and, in turn, the common interests of our shareholders. Thus, as part of our measures to prevent a person who is deemed to be inappropriate in light of the basic policy from controlling decisions on the financial and business policies of the Company, we decided to continue the Plan.

2. Summary of the Plan

The Plan requires a Large-Scale Purchaser who intends to purchase a certain amount or more of the Company's shares to comply with the Purchase Procedures.

The Company may trigger countermeasures if: (i) the Board of Directors determines that the Large-Scale Purchaser does not comply with the Purchase Procedures; or (ii) the purchase by the Large-Scale Purchaser constitutes one of the four categories identified by the Tokyo High Court or a coercive two-tiered tender offer.

In making that determination, the Board of Directors will respect as much as possible any recommendations provided by a committee consisting of external Directors and external Statutory Auditors of the Company as well as external experts, all of whom shall be independent from the management team that executes the operations of the Company (the "Independent Committee").

In addition, the Board of Directors may confirm the intent of our shareholders regarding whether or not to trigger countermeasures based on recommendations provided by the Independent Committee.

The aforementioned countermeasures under the Plan will be implemented in the form of a gratis allotment of share options.

4) Decisions on Measures Above by the Board of Directors and the Reasons for Such Decisions

1. Measures that Contribute to the Realization of the Basic Policy

Each of the measures described in 2) and 3) above are prepared as specific measures for the purpose of continually and sustainably increasing the corporate value of the Company and, in turn, the common interests of our shareholders and will contribute to the realization of the basic policy.

Therefore, such measures are in accordance with the basic policy and are consistent with the common interests of our shareholders, and they are not intended to maintain the positions of the Directors of the Company.

2. Rationality of the Plan

(1) The Plan is in accordance with the basic policy

The Plan is in accordance with the basic policy as the Plan is a framework to ensure the corporate value of the Company and, in turn, the common interests of our shareholders by requesting, when a proposal for a Large-Scale Purchase of the Company's shares is made, the Large-Scale Purchaser to provide the information of the Large-Scale Purchase in advance, thereby ensuring the information and time that are necessary for our shareholders to determine whether they should accept the proposal or not or for the Board of Directors to propose an alternative plan and enabling the Board of Directors to take actions such as negotiating with the Large-Scale Purchaser for the benefit of our shareholders.

(2) The measures neither damage the common interests of our shareholders nor are intended to maintain the positions of the Directors of the Company

Due to the following reasons, the Company believes that measures to prevent persons deemed inappropriate in light of the basic policy from controlling the Company neither damage the common interests of our shareholders nor are intended to maintain the positions of the Directors of the Company.

a. The Plan completely fulfills the three principles set out in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" and is in accordance with the content of the "Takeover Defense Measures in light of Recent Environmental Changes."
b. The Plan has received the approval of our shareholders at a general meeting of shareholders of the Company. There is a provision in the Plan that limits the effective term of the Plan to three years, and even before the expiration of the effective period, the Plan may be abolished if a proposal to abolish the Plan is approved at a general meeting of shareholders of the Company or otherwise.
c. It is provided in the Plan that countermeasures cannot be triggered unless the predefined reasonable, detailed, and objective requirements are fulfilled.
d. The Company has established the Independent Committee that is composed of persons who are independent from the Board of Directors of the Company. The Independent Committee will evaluate and consider whether a trigger event has occurred and will provide the Board of Directors with recommendations.
e. It is provided that the Plan can be abolished by the Board of Directors, which consists of Directors elected at a general meeting of shareholders of the Company.

(Reference)

The Company resolved at its Board of Directors' meeting held on May 14, 2021 not to continue this Plan, the effective period of which will expire at the close of the 101st Ordinary General Shareholders' Meeting to be held on June 24, 2021.

The Company will continue to work to increase its corporate value and the common interests of its shareholders, and will take appropriate measures to the extent permitted by the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations, such as requesting persons who conducts or intends to conduct a large-scale purchase of the Company's shares to provide necessary and sufficient information for the Company's shareholders to make an appropriate decision on the question of the large-scale purchase, also disclosing the opinions of the Company's Board of Directors, and securing time and information for shareholders to deliberate on the matter.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FROM: APRIL 1, 2020
TO: MARCH 31, 2021

(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 period	21,492	19,720	39,996	(2,487)	78,722
Change during the period					
Distribution of surplus			(2,375)		(2,375)
Net income attributable to owners of parent			7,118		7,118
Acquisition of treasury stock				(2,011)	(2,011)
Disposal of treasury stock		0		2	2
Net changes of items other than shareholders' equity					
Total change during the period	—	0	4,743	(2,008)	2,735
Balance at the end of the period	21,492	19,720	44,740	(4,496)	81,457

	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 period	11,584	16,995	28,579	107,302
Change during the period				
Distribution of surplus				(2,375)
Net income attributable to owners of parent				7,118
Acquisition of treasury stock				(2,011)
Disposal of treasury stock				2
Net changes of items other than shareholders' equity	8,602	—	8,602	8,602
Total change during the period	8,602	—	8,602	11,337
Balance at the end of the period	20,187	16,995	37,182	118,639

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Basis of presenting consolidated financial statements]

1. Basis of consolidation:

(1) Consolidated subsidiaries: 4

Names of consolidated subsidiaries: Heiwa Real Estate Property Management Co., Ltd. (renamed from Heiwa Service Co., Ltd. effective from March 1, 2021), 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

The Company has no major non-consolidated subsidiaries to report.

(Reason for exclusion from 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-

The Company has no major non-consolidated subsidiaries to report.

(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. Accounting policy:

(1) Method and basis of valuation of assets:

1) Method and basis of valuation of 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 year is used (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 aggregate average method.

2) Method and basis of valuation of 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, two other buildings, buildings (excluding attached facilities) acquired on or after April 1, 1998, and facilities and structures attached to buildings acquired on or after April 1, 2016, for which the straight-line method is used. Depreciation of consolidated subsidiaries' tangible fixed assets is computed using the straight-line method.

The principal useful lives of tangible fixed assets are as follows.

Buildings and structures	2-55 years
Machinery, equipment, and vehicles	2-23 years
Tools, furniture and fixtures	2-20 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 without residual value.

(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 debts at an amount estimated based on the historical write-off ratio plus any amounts deemed necessary to cover possible losses on an individual account.

2) Accrued bonuses for directors -

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

3) Accrued bonuses -

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

4) Provision for share-based remuneration -

The provision for share-based remuneration is calculated based on the expected amount of stock compensation obligations as of the end of the fiscal year under review in order to provide the Company's stock as compensation to directors and executive officers in accordance with its stock compensation rules.

(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 of assessing 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 important matters for the preparation of consolidated financial statements:

1) Accounting for retirement benefits -

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. As a rule, 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 methods]

(The adoption of the "Accounting Standard for Disclosure of Accounting Estimates")

The Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the current consolidated fiscal year, and [Notes to accounting estimates] are included in the Notes to Consolidated Financial Statements.

[Notes to accounting estimates]

(Impairment loss on fixed assets)

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

Tangible fixed assets	¥238,737 million
Leasehold rights in intangible fixed assets	¥26,618 million
Mainly attributable to the Building Business.	
Impairment loss	¥8 million

(2) Information related to the details of significant accounting estimates for items identified

The Company identifies indications of impairment based on the minimum unit generating cash flows in a manner largely independent of cash flows provided by other assets (or asset groups) (at the individual asset level, in principle).

The Company considers continuous negative income from operating activities, etc., significant deteriorations in the management environment, significant declines in market prices, and other factors as indications of impairment.

If it is recognized that there is an indication of impairment, the Company assesses the necessity of recognizing an impairment loss. If, as a result of this assessment, it is deemed necessary to recognize an impairment loss, the book value is written down to a recoverable amount (the net sales value or value in use, whichever is higher), and the amount of the reduction in the book value is recorded as an impairment loss.

For market prices, the Group uses amounts based on the Real Estate Appraisal Standard by independent real property appraisers, etc. ("independent valuation amounts, etc."). In addition, recoverable amounts are estimated based on independent valuation amounts, etc. and the operating results and plans of assets (or asset groups), combined with the assumption that there will be a recovery from the impact of COVID-19 after a certain period.

Utilization rates are at a low level for certain assets, including those used as hotels in Sapporo, Tokyo, and Osaka (¥18,700 million (total book value of four (4) properties, including sections used for offices and other applications)), as a result of the impact of COVID-19. As a result, the Company judged that there was an indication of impairment and analyzed the necessity of recognizing an impairment loss, but as the independent valuation amounts, etc. exceeded the book values, the Company has not recorded an impairment loss in the fiscal year under review.

In addition, when there are unified development plans for multiple assets held for redevelopment projects in Nihonbashi Kabutocho and Kayabacho, as well as Sapporo, the Company classifies these assets into asset groups from when it may be judged that the project is feasible, based on negotiations with land rights holders and other factors.

Assumptions related to the future impact of COVID-19, the feasibility of development plans, and other factors contain uncertainties, and the business performance of the Group may be affected if it becomes necessary to recognize impairment losses in future, etc.

(Valuation of real estate for sale)

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

Real estate for sale	¥30,261 million
Real estate for sale in process	¥834 million

Attributable to the Building Business and the Asset Management Business segment.

Loss on revaluation of inventories (cost of sales)	¥48 million

(2) Information related to the details of significant accounting estimates for items identified

If the net sales value of real estate for sale and real estate for sale in process ("real estate for sale, etc."), minus future expected building and construction costs and expected sales expenses, etc., falls below the book value, the difference is reported under cost of sales as loss on revaluation of inventories.

The Group estimates expected sales values after considering independent valuation amounts, etc. or estimating rental fees, expected yields, etc., together with the impact of any future worsening of demand, etc.

As of March 31, 2021, assets for which the Group estimated expected sales values after estimating rental fees, expected yields, etc. were used for residential purposes, and the Company did not assume any significant fluctuations in rent rates or expected yields in future real estate markets.

The future business performance of the Group may be affected owing to the reporting of loss on revaluation of inventories or other reasons if there are changes in assumptions, including a decline in estimated sales values as a result of a worsening of demand in the real estate market, etc.

[Additional information]

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

Pursuant to a resolution of the 99th Ordinary General Shareholders' Meeting held on June 26, 2019, the Company adopted a performance-linked stock compensation plan for directors (excluding external directors and non-residents of Japan) and executive officers (excluding non-residents of Japan), and established a trust comprised of common stock for the plan.

1) Overview of the compensation system

The trust was established using funds provided by the Company, and acquires company stock to be used as compensation for directors and executive officers under the plan. Through the trust, company stock or a cash amount equivalent to the value of the stock is delivered to the directors and officers in an amount commensurate with the number of points each has earned under the stock compensation plan, based on stock compensation rules set by the Company's Board of Directors. As a rule, directors and officers will receive this compensation upon retiring from their respective post.

2) Company stock held in the trust

Company stock held in the trust is calculated based on the book value of the stock (excluding incidental expenses) and is included in treasury stock under net assets. As of March 31, 2021, the book value of the applicable treasury stock amounted to ¥137 million, and the amount of stock totaled 59,300 shares.

(Accounting valuation related to the impact of the spread of the COVID-19 pandemic)

While the impact of the COVID-19 pandemic on profit and loss has been limited, the Group's management assumes that the pandemic will continue having a certain degree of impact on accounting valuation, such as the revaluation of fixed assets and recoverable deferred tax assets, based on information available at the time of producing the consolidated financial statements.

(Change in purpose of owning certain assets)

An amount of ¥5,239 million previously included under fixed assets as either land, buildings and structures, net, leasehold rights, or other, was transferred to the line item real estate for sale in the consolidated balance sheet as of March 31, 2021, due to changes in the purpose of ownership.

[Notes to consolidated balance sheet]

1. Accumulated depreciation of tangible fixed assets ¥93,196 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.	¥157 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 revalued its land held for business. Corporation taxes equivalent to net unrealized gains are reported as "deferred tax liabilities concerning revaluation" in liabilities, and net unrealized gains, 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 using 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, Paragraph 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)
   Since the fair value of the revalued land exceeded the carrying value of the land after the revaluation as of March 31, 2021, the difference between the amounts has not been stated.
4. Investment securities
   Assets included under investment securities are as follows:

Investment units of HEIWA REAL ESTATE REIT, Inc.	¥21,628 million (139,179 units)

[Notes to consolidated statements of changes in net assets]

1. Shares issued

Common shares	38,859,996 shares

2. Treasury stock

Common shares	1,669,867 shares

(Note) The number of common shares of treasury stock includes the number of shares of the Company's stock held in the trust for its stock compensation plan for directors and officers (59,300 shares for the current consolidated fiscal year).

3. Distribution of surplus

(1) Payments of dividends

1) The following was resolved and approved at the Ordinary General Shareholders' Meeting held on June 24, 2020.

Distribution of common shares

・Total amount of dividends	¥1,174 million
・Dividend per share	¥31
・Record date	March 31, 2020
・Effective date	June 25, 2020

(Note) The total amount of dividends includes ¥1 million in dividends for the Company's stock held in the trust for its stock compensation plan for directors and officers as trust assets.

2) The following was resolved and approved at the Board of Directors' meeting held on October 30, 2020.

Distribution of common shares

・Total amount of dividends	¥1,200 million
・Dividend per share	¥32
・Record date	September 30, 2020
・Effective date	December 1, 2020

(Note) The total amount of dividends includes ¥1 million in dividends for the Company's stock held in the trust for its stock compensation plan for directors and officers as trust assets.

(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 24, 2021.

Distribution of common shares

・Total amount of dividends	¥1,676 million
・Source of dividends	Retained earnings
・Dividend per share	¥45
・Record date	March 31, 2021
・Effective date	June 25, 2021

(Note) The total amount of dividends includes ¥2 million in dividends for the Company's stock held in the trust for its stock compensation plan for directors and officers.

[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, 2021 (settlement date of the current consolidated fiscal year):

(In millions of yen)

	Consolidated balance sheet amount (*)	Market value (*)	Difference
(1) Cash and deposits	29,685	29,685	–
(2) Accounts receivable – trade	1,633	1,633	–
(3) Marketable securities	16	16	0
(4) Investment securities	39,913	39,913	0
(5) Accounts payable – trade	(1,818)	(1,818)	–
(6) Bonds	(30,107)	(30,123)	(16)
(7) Short-term loans payable	(9,250)	(9,250)	–
(8) Long-term loans payable	(172,370)	(172,296)	(-74)
(9) Long-term accounts payable	(4,000)	(3,915)	(-84)
(10) 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 and (9) Long-term accounts payable

Those 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. Those 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. Those 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.

(10) 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: ¥3,352 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: ¥1,684 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: ¥22,829 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, and lease commercial facilities in Tokyo and other areas.

2. Market value of lease properties, etc.

   ・Amount on the consolidated balance sheet ¥264,488 million

   ・Market value ¥376,897 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 Real Estate Appraisal Standard 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 ¥3,190.09

Net income per share ¥189.76

(Note) To calculate net assets per share, the Company's stock held in the trust for its stock compensation plan for directors and officers is included in treasury stock subtracted from calculations of the total number of shares issued as of the end of the period (59 thousand shares for the current consolidated fiscal year).

To calculate earnings per share, the Company's stock held in the trust is included in treasury stock subtracted from calculations of the average number of shares during the period (59 thousand shares for the current consolidated fiscal year).

[Significant subsequent events]

Acquisition of the Company's shares

At a meeting held on April 30, 2021, the Company's Board of Directors resolved to have the Company acquire its own shares in accordance with the provisions of Article 156 of the Companies Act of Japan, applicable pursuant to Article 165, Paragraph 3, of the said act.

1. Reasons for acquisition 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 be acquired: Common stock of the Company

(2) Maximum number of shares to be acquired: 600,000 shares
(equivalent to 1.61% of outstanding shares, excluding treasury shares)

(3) Maximum aggregate amount of acquisition cost: ¥2 billion

(4) Period of acquisition: From May 20, 2021 to December 31, 2021

(5) Method of acquisition: Purchase of shares through the Tokyo Stock Exchange

[Other notes]

Impairment loss

Location	Principal use	Category	Impairment loss
Abiko-shi, Chiba	Parking lot	Land	¥8 million

The Group recorded an impairment loss on the asset group above. Upon the calculation of the 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 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 (¥8 million).

The recoverable amount of the above asset group is determined by net sales value. For the net sales value, the Group uses the implied market value.

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FROM: APRIL 1, 2020
TO: MARCH 31, 2021

(In millions of yen)

	Shareholders' equity								
		Additional paid-in capital			Retained earnings				
						Other retained earnings			
	Capital stock	Capital reserve	Other additional paid-in capital	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 period	21,492	19,720	—	19,720	1,453	2,329	10,115	20,998	34,896
Change during the period									
Distribution of surplus								(2,375)	(2,375)
Reversal of reserve for advanced depreciation of fixed assets						(45)		45	—
Net income								7,034	7,034
Acquisition of treasury stock									
Disposal of treasury stock			0	0					
Net changes of items other than shareholders' equity									
Total change during the period	—	—	0	0	—	(45)	—	4,705	4,659
Balance at the end of the period	21,492	19,720	0	19,720	1,453	2,283	10,115	25,703	39,555

	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 period	(2,487)	73,622	11,368	16,995	28,364	101,986
Change during the period						
Distribution of surplus		(2,375)				(2,375)
Reversal of reserve for advanced depreciation of fixed assets		—				—
Net income		7,034				7,034
Acquisition of treasury stock	(2,011)	(2,011)				(2,011)
Disposal of treasury stock	2	2				2
Net changes of items other than shareholders' equity			8,433	—	8,433	8,433
Total change during the period	(2,008)	2,650	8,433	—	8,433	11,084
Balance at the end of the period	(4,496)	76,273	19,802	16,995	36,798	113,071

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

[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:
Stocks of subsidiaries and affiliates 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 fiscal year is used (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) Method and basis of valuation of inventory -
Inventories are valued at cost determined by 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 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, two other buildings, buildings (excluding attached facilities) acquired on or after April 1, 1998, and facilities and structures attached to buildings acquired on or after April 1, 2016, for which the straight-line method is used. The principal useful lives of tangible fixed assets are as follows:

Buildings and structures	2-55 years
Machinery, equipment, and vehicles	2-23 years
Tools, furniture and fixtures	2-20 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 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 debts at an amount estimated based on the historical write-off ratio plus any amounts deemed necessary to cover possible losses on an individual account.

(2) Accrued bonuses for directors -

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

(3) Accrued bonuses -

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

(4) Provision for share-based remuneration -

The provision for share-based remuneration is calculated based on the expected amount of stock compensation obligations as of the end of the fiscal year under review in order to provide the Company's stock as compensation to directors and executive officers in accordance with its stock compensation rules.

(5) 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 of assessing 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 important matters for the preparation of non-consolidated financial statements:

Accounting for consumption taxes -

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

[Notes to changes in presentation methods]

(The adoption of the "Accounting Standard for Disclosure of Accounting Estimates")

The Company adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the current fiscal year, and the [Notes to accounting estimates] are included in the Notes to Non-consolidated Financial Statements.

[Notes to accounting estimates]

(Impairment loss on fixed assets)

(1) Amount recorded in the non-consolidated financial statements for the current fiscal year

Tangible fixed assets	¥228,705 million
Leasehold rights in intangible fixed assets	¥26,618 million
Mainly attributable to the Building Business.	
Impairment loss	¥8 million

(2) Information related to the details of significant accounting estimates for items identified

The calculation methods for the amounts in Item (1) are the same as those described in "[Notes to accounting estimates] (Impairment loss on fixed assets) (2) Information related to the details of significant accounting estimates for items identified" in the Notes to Consolidated Financial Statements.

(Valuation of real estate for sale)

(1) Amount recorded in the non-consolidated financial statements for the current fiscal year

Real estate for sale	¥30,261 million
Real estate for sale in process	¥834 million

Attributable to the Building Business and the Asset Management Business.

Loss on revaluation of inventories (cost of sales)	¥48 million

(2) Information related to the details of significant accounting estimates for items identified

The calculation methods for the amounts in Item (1) are the same as those described in "[Notes to accounting estimates] (Valuation of real estate for sale) (2) Information related to the details of significant accounting estimates for items identified" in the Notes to Consolidated Financial Statements.

[Additional information]

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

Pursuant to a resolution of the 99th Ordinary General Shareholders' Meeting held on June 26, 2019, the Company adopted a performance-linked stock compensation plan for directors (excluding external directors and non-residents of Japan) and executive officers (excluding non-residents of Japan), and established a trust comprised of common stock for the plan.

Details are described in [Additional information] of the Consolidated Financial Statements.

(Accounting valuation related to the impact of the spread of the COVID-19 pandemic)

While the impact of the COVID-19 pandemic on profit and loss has been limited, the Company's management assumes that the pandemic will continue having a certain degree of impact on accounting valuation, such as the revaluation of fixed assets and recoverable deferred tax assets, based on information available at the time of producing the non-consolidated financial statements.

(Change in purpose of owning certain assets)

An amount of ¥5,239 million previously included under fixed assets as either land, buildings, leasehold rights, or other, was transferred to the line item real estate for sale in the non-consolidated balance sheet as of March 31, 2021, due to changes in the purpose of ownership.

[Notes to non-consolidated balance sheet]

1. Accumulated depreciation of tangible fixed assets ¥86,714 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.	¥157 million

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

Assets	¥2,833 million
Debts	¥2,791 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 revalued its land held for business. Corporation taxes equivalent to net unrealized gains are reported as "deferred tax liabilities concerning revaluation" in liabilities, and net unrealized gains, 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 using 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, Paragraph 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)

   Since the fair value of the revalued land exceeded the carrying value of the land after the revaluation as of March 31, 2021, the difference between the amounts has not been stated.

5. Investment securities

   Assets included under investment securities are as follows:

Investment units of HEIWA REAL ESTATE REIT, Inc.	¥21,110 million (135,845 units)

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

Transactions with subsidiaries and affiliates

Operating transactions	¥1,588 million
Non-operating transactions	¥757 million

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

Treasury stock

Common stock	1,669,867 shares

(Note) The number of common shares of treasury stock includes the number of shares of the Company's stock held in the trust for its stock compensation plan for directors and officers (59,300 shares for the current fiscal year).

[Income taxes]

Breakdown of deferred tax assets and deferred tax liabilities by major factors	
Deferred tax assets	
Accrued bonuses	¥43 million
Accrued corporation tax	¥49 million
Amortization of inventories, etc.	¥198 million
Accounts receivable - other	¥60 million
Loss on rebuilding	¥531 million
Impairment loss	¥343 million
Accrued severance indemnities for employees	¥2 million
Asset retirement obligations	¥196 million
Other	¥195 million
Sub-total of deferred tax assets	¥1,622 million
Valuation allowance	(¥1,027 million)
Total of deferred tax assets	¥594 million
Deferred tax liabilities	
Reserve for advanced depreciation of fixed assets	(¥1,007 million)
Unrealized gain on securities	(¥8,739 million)
Loss on valuation of fixed assets	(¥223 million)
Retirement expense corresponding to asset retirement obligations	(¥113 million)
Total of deferred tax liabilities	(¥10,084 million)
Net of deferred tax assets (liabilities)	(¥9,489 million)

[Transactions with affiliated parties]

Not applicable

[Per share data]

Net assets per share	¥3,040.36
Net income per share	¥187.51

(Note) To calculate net assets per share, the Company's stock held in the trust for its stock compensation plan for directors and officers is included in treasury stock subtracted from calculations of the total number of shares issued as of the end of the period (59 thousand shares for the current fiscal year).

To calculate earnings per share, the Company's stock held in the trust is included in treasury stock subtracted from calculations of the average number of shares during the period (59 thousand shares for the current fiscal year).

[Significant subsequent events]

Acquisition of the Company's shares

At a meeting held on April 30, 2021, the Company's Board of Directors resolved to have the Company acquire its own shares in accordance with the provisions of Article 156 of the Companies Act of Japan, applicable pursuant to Article 165, Paragraph 3, of the said act.

Details are described in [Significant 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]

Impairment loss

Location	Principal use	Category	Impairment loss
Abiko-shi, Chiba	Parking lot	Land	¥8 million

The Company recorded impairment loss on the asset group above. Upon the calculation of the 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 real properties for lease with declines in profitability were written down to a recoverable amount. The Company recorded the amount written off as impairment loss in extraordinary loss (¥8 million).

The recoverable amount of the above asset group is determined by net sales value. For the net sales value, the Company uses the implied market value.