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

INFORMATION DISCLOSED ON THE INTERNET UPON ISSUING NOTICE CONCERNING THE CONVOCATION OF THE 100th ORDINARY GENERAL SHAREHOLDERS' MEETING

THE 100th FISCAL YEAR (FROM APRIL 1, 2019 TO MARCH 31, 2020)

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

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FROM: APRIL 1, 2019
TO: MARCH 31, 2020

(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	38,665	(3,030)	76,848
Change during the period					
Distribution of surplus			(2,034)		(2,034)
Net income attributable to owners of parent			7,046		7,046
Acquisition of treasury stock				(2,101)	(2,101)
Disposal of treasury stock		0		5	5
Cancellation of treasury stock		(2,638)		2,638	—
Transfer from retained earnings to additional paid-in capital		2,638	(2,638)		—
Net gain (loss) from mergers with non-consolidated subsidiaries			(1,042)		(1,042)
Net changes of items other than shareholders' equity					
Total change during the period	—	—	1,330	542	1,873
Balance at the end of the period	21,492	19,720	39,996	(2,487)	78,722

	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	15,231	16,995	32,227	109,075
Change during the period				
Distribution of surplus				(2,034)
Net income attributable to owners of parent				7,046
Acquisition of treasury stock				(2,101)
Disposal of treasury stock				5
Cancellation of treasury stock				—
Transfer from retained earnings to additional paid-in capital				—
Net gain (loss) from mergers with non-consolidated subsidiaries				(1,042)
Net changes of items other than shareholders' equity	(3,647)	—	(3,647)	(3,647)
Total change during the period	(3,647)	—	(3,647)	(1,773)
Balance at the end of the period	11,584	16,995	28,579	107,302

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Basis of presenting consolidated financial statements]

1. Basis of consolidation:

(1) Consolidated subsidiaries: 4

Names of 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

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) 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) 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	8-55 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 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. 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]

(Consolidated balance sheets)

Long-term accounts payable had been included in the line item, other, under long-term liabilities in fiscal 2018; however, it has been presented as a separate line item in fiscal 2019 because the result increased to a material amount.

(Consolidated statements of profit and loss)

Income taxes for prior periods had been presented as a separate line item in the fiscal 2018 consolidated statements of profit and loss; however, it has been included in corporation, inhabitants and enterprise taxes in fiscal 2019 because the result was not a material amount.

[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 new 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, 2020, the book value of the applicable treasury stock amounted to ¥139 million, and the amount of stock totaled 60,200 shares.

[Notes to consolidated balance sheet]

1. Accumulated depreciation of tangible fixed assets ¥89,055 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.	¥223 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, 2020, 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.	¥13,973 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	1,041,458 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 (60,200 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 26, 2019.

Distribution of common shares

・Total amount of dividends	¥1,083 million
・Dividend per share	¥28
・Record date	March 31, 2019
・Effective date	June 27, 2019

2) The following was resolved and approved at the Board of Directors' meeting held on October 31, 2019.

Distribution of common shares

・Total amount of dividends	¥951 million
・Dividend per share	¥25
・Record date	September 30, 2019
・Effective date	December 2, 2019

(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, 2020.

Distribution of common shares

・Total amount of dividends	¥1,174 million
・Source of dividends	Retained earnings
・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.

[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, 2020 (settlement date of the current consolidated fiscal year):

(In millions of yen)

	Consolidated balance sheet amount (*)	Market value (*)	Difference
(1) Cash and deposits	15,766	15,766	–
(2) Accounts receivable – trade	1,121	1,121	–
(3) Marketable securities	13,002	13,002	(0)
(4) Investment securities	27,393	27,393	0
(5) Accounts payable – trade	(2,236)	(2,236)	–
(6) Bonds	(25,199)	(25,215)	(15)
(7) Short-term loans payable	(6,250)	(6,250)	–
(8) Long-term loans payable	(151,528)	(153,112)	(1,583)
(9) Long-term accounts payable	(4,004)	(3,973)	(-31)
(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: ¥3,358 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: ¥485 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: ¥22,188 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 ¥244,049 million

   ・Market value ¥363,545 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 ¥2,837.29

Net income per share ¥184.82

(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 (60 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 (41 thousand shares for the current consolidated fiscal year).

[Significant subsequent events]

Acquisition of the Company's shares

At a meeting held on April 30, 2020, 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: 400,000 shares
(equivalent to 1.06% of outstanding shares, excluding treasury shares)
(3) Maximum aggregate amount of acquisition cost: ¥1 billion
(4) Period of acquisition: From May 1, 2020 to October 31, 2020
(5) Method of acquisition: Purchase of shares through the Tokyo Stock Exchange

[Other notes]

(1) 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.

(2) Loss resulting from illicit transactions

Based on the findings of an investigative report submitted by an internal investigation committee set up by the Company, as disclosed in a news release on December 12, 2019, an extraordinary loss was recorded in fiscal 2019 to reflect the amount of the impact of illicit transactions conducted by former employees of the Company on net assets and other financial results.
The investigative report also determined that the illicit transactions resulted in a loss included in cost of sales in fiscal 2019.
The amounts for each of these items are as follows.

Cost of sales	¥116 million
Loss resulting from illicit transactions	¥177 million
Total	¥294 million

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FROM: APRIL 1, 2019
TO: MARCH 31, 2020

(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	2,232	10,115	19,852	33,653
Change during the period									
Distribution of surplus								(2,034)	(2,034)
Provision of reserve for advanced depreciation of fixed assets						142		(142)	—
Reversal of reserve for advanced depreciation of fixed assets						(45)		45	—
Net income								5,915	5,915
Acquisition of treasury stock									
Disposal of treasury stock			0	0					
Cancellation of treasury stock			(2,638)	(2,638)					
Transfer from retained earnings to additional paid-in capital			2,638	2,638				(2,638)	(2,638)
Net changes of items other than shareholders' equity									
Total change during the period	—	—	—	—	—	96	—	1,146	1,242
Balance at the end of the period	21,492	19,720	—	19,720	1,453	2,329	10,115	20,998	34,896

	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	(3,030)	71,836	14,954	16,995	31,950	103,786
Change during the period						
Distribution of surplus		(2,034)				(2,034)
Provision of reserve for advanced depreciation of fixed assets		—				—
Reversal of reserve for advanced depreciation of fixed assets		—				—
Net income		5,915				5,915
Acquisition of treasury stock	(2,101)	(2,101)				(2,101)
Disposal of treasury stock	5	5				5
Cancellation of treasury stock	2,638	—				—
Transfer from retained earnings to additional paid-in capital		—				—
Net changes of items other than shareholders' equity			(3,585)	—	(3,585)	(3,585)
Total change during the period	542	1,785	(3,585)	—	(3,585)	(1,800)
Balance at the end of the period	(2,487)	73,622	11,368	16,995	28,364	101,986

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	8-55 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 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. 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]

(Non-consolidated statements of profit and loss)

Income taxes for prior periods had been presented as a separate line item in the fiscal 2018 non-consolidated statements of profit and loss; however, it has been included in corporation, inhabitants and enterprise taxes in fiscal 2019 because the result was not a material amount.

[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 new 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.

[Notes to non-consolidated balance sheet]

1. Accumulated depreciation of tangible fixed assets ¥82,744 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.	¥223 million

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

Assets	¥2,829 million
Debts	¥2,842 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, 2020, 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.	¥13,638 million (135,845 units)

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

Transactions with subsidiaries and affiliates

Operating transactions	¥1,552 million
Non-operating transactions	¥812 million

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

Treasury stock

Common stock	1,041,458 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 (60,200 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	¥41 million
Accrued corporation tax	¥149 million
Loss on revaluation of inventories	¥189 million
Accounts receivable - other	¥127 million
Loss on rebuilding	¥531 million
Impairment loss	¥1,575 million
Accrued severance indemnities for employees	¥36 million
Asset retirement obligations	¥200 million
Other	¥159 million
Sub-total of deferred tax assets	¥3,010 million
Valuation allowance	(¥1,091 million)
Total of deferred tax assets	¥1,918 million
Deferred tax liabilities	
Reserve for advanced depreciation of fixed assets	(¥1,028 million)
Unrealized gain on securities	(¥5,017 million)
Loss on valuation of fixed assets	(¥223 million)
Retirement expense corresponding to asset retirement obligations	(¥126 million)
Total of deferred tax liabilities	(¥6,395 million)
Net of deferred tax assets (liabilities)	(¥4,476 million)

[Transactions with affiliated parties]

Not applicable

[Per share data]

Net assets per share	¥2,696.74
Net income per share	¥155.17

(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 (60 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 (41 thousand shares for the current fiscal year).

[Significant subsequent events]

Acquisition of the Company's shares

At a meeting held on April 30, 2020, 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]

(1) 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.

(2) Loss resulting from illicit transactions

Based on the findings of an investigative report submitted by an internal investigation committee set up by the Company, as disclosed in a news release on December 12, 2019, an extraordinary loss was recorded in fiscal 2019 to reflect the amount of the impact of illicit transactions conducted by former employees of the Company on net assets and other financial results.

The investigative report also determined that the illicit transactions resulted in a loss included in cost of sales in fiscal 2019.

The amounts for each of these items are as follows.

Cost of sales	¥116 million
Loss resulting from illicit transactions	¥177 million
Total	¥294 million

(3) Loss on extinguishment of tie-in shares

Loss on extinguishment of tie-in shares was incurred due to the absorption-type merger of Kabutocho Heiwa Bldg. No. 3 Co., Ltd., a former non-consolidated subsidiary of the Company, on October 31, 2019.