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

# INFORMATION DISCLOSED ON THE INTERNET UPON ISSUING NOTICE CONCERNING THE CONVOCATION OF THE 97th ORDINARY GENERAL SHAREHOLDERS' MEETING

THE 97th FISCAL YEAR (FROM APRIL 1, 2016 TO MARCH 31, 2017)



## 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 (http://www.heiwa-net.co.jp/) 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 consolidated fiscal year

   Not applicable

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FROM: APRIL 1, 2016
TO: MARCH 31, 2017

(In millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Additional paid-in capital | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance at the beginning of the current period | 21,492 | 19,720 | 26,548 | (411) | 67,349 |
| Change during the period | | | | | |
| Distribution of surplus | | | (1,116) | | (1,116) |
| Net income attributable to owners of parent | | | 4,514 | | 4,514 |
| Acquisition of treasury stock | | | | (5) | (5) |
| Disposal of treasury stock | | | (0) | 0 | 0 |
| Reversal of land revaluation surplus | | | 25 | | 25 |
| Net changes of items other than shareholders' equity | | | | | |
| Total change during the period | — | — | 3,423 | (5) | 3,418 |
| Balance at the end of the current period | 21,492 | 19,720 | 29,972 | (417) | 70,768 |

| | Accumulated other comprehensive income | | | Total net assets |
|---|---|---|---|---|
| | Unrealized gain on securities | Land revaluation surplus | Total accumulated other comprehensive income | |
| Balance at the beginning of the current period | 10,455 | 17,021 | 27,477 | 94,827 |
| Change during the period | | | | |
| Distribution of surplus | | | | (1,116) |
| Net income attributable to owners of parent | | | | 4,514 |
| Acquisition of treasury stock | | | | (5) |
| Disposal of treasury stock | | | | 0 |
| Reversal of land revaluation surplus | | | | 25 |
| Net changes of items other than shareholders' equity | (695) | (25) | (721) | (721) |
| Total change during the period | (695) | (25) | (721) | 2,696 |
| Balance at the end of the current period | 9,760 | 16,995 | 26,755 | 97,524 |

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Basis of presenting consolidated financial statements]

1. Basis of consolidation:

(1) Consolidated subsidiaries: 5

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

Heiwa Healthcare Co., Ltd., a former consolidated subsidiary, is excluded from the scope of consolidation from the fiscal year ended March 31, 2017 because the Company sold all the shares of that company.

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

Major non-consolidated subsidiaries

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

(Reason for exclusion from the scope of consolidation)

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

2. Basis of applying the equity method:

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

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

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

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

3. Closing dates of consolidated subsidiaries:

Among the consolidated subsidiaries, Charites Y.K. has a closing date of December 31. When preparing consolidated financial statements, this subsidiary is consolidated using the financial statements based on the provisional settlement of accounts on the consolidated closing date.

4. Matters pertaining to accounting policies:

(1) Method and basis of valuation of assets:

1) Marketable securities and other investments-

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

Other marketable securities and investments:

a. Securities with market quotations:

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

b. Securities without market quotations:

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

2) Inventory -

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

(2) Depreciation method for fixed assets:

1) Tangible fixed assets (excluding lease assets) -

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

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

2) Intangible fixed assets (excluding lease assets) -

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

3) Lease assets -

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

(3) Method of accounting of deferred assets:

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

(4) Principles for providing accruals and reserves:

1) Allowance for doubtful accounts -

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

2) Accrued bonuses for directors -

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

3) Accrued bonuses -

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

(5) Method of important hedge accounting:

1) Method of hedge accounting -

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

2) Hedging instruments and hedged items -

Hedging instruments: interest rate swaps

Hedged items: interest rates of loans payable

3) Policy of hedging transactions -

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

4) Method for assessing the hedge effectiveness -

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

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

1) Accounting for retirement benefit -

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

2) Accounting for consumption taxes -

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

[Notes to changes in accounting policies]

(Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016)

In accordance with the revision of the Corporation Tax Act, the Company has applied the Practical Solution on a change in depreciation method due to Tax Reform 2016 (ASBJ PITF No. 32; June 17, 2016) in the consolidated fiscal year under review, whereby the depreciation method for attached facilities and structures acquired on or after April 1, 2016 has been changed to the straight-line method from the declining balance method.

There was no significant impact on profit and loss in the consolidated financial statements for the consolidated fiscal year under review.

[Additional information]

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

Starting the consolidated fiscal year under review, the Company has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016).

(Changes in the Purpose of Asset-holding)

Land and buildings and structures, etc. of ¥11,335 million, items previously recorded in fixed assets, are transferred to real estate for sale at the end of the consolidated fiscal year under review due to a change in the purpose of asset-holding.

[Notes to the consolidated balance sheet]

1. Accumulated depreciation of tangible fixed assets ¥79,785 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. ¥352 million
3. Revaluation of land
   Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998) and the Act for Partial Revision of the Act on Revaluation of Land (Act No. 19 of March 31, 2001), the Company revaluated its land held for business. Corporation taxes equivalent to net unrealized gains are reported as "deferred tax liabilities concerning revaluation" in liabilities, and the net unrealized gains, the net of deferred taxes, are reported as "land revaluation surplus" in net assets.
   (Method of revaluation)
   Fair values are determined by applying appropriate adjustments to values computed by the method published by the Commissioner of the National Tax Agency for the calculation of land values that serve as the basis for taxable amounts of land-holding tax set forth in Article 16 of the Land-holding Tax Act as set forth in Article 2, Item 4 of the Order for Enforcement of Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).
   (Date of the revaluation) March 31, 2001
   (Difference between fair values at the fiscal year-end and book values after the revaluation of the land revaluated) (¥1,609 million)
   (Difference related to lease properties, etc. out of the difference stated above)
   (¥1,609 million)

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

1. Shares issued

| | |
|---|---|
| Common shares | 40,059,996 shares |

2. Treasury stock

| | |
|---|---|
| Common shares | 170,169 shares |

3. Distribution of surplus

(1) Payments of dividends

1) The following was resolved and approved at the Ordinary General Shareholders' Meeting held on June 24, 2016.

Distribution of common shares

| | |
|---|---|
| ・Total amount of distribution | ¥598 million |
| ・Distribution per share | ¥15 |
| ・Record date | March 31, 2016 |
| ・Effective date | June 27, 2016 |

2) The following was resolved and approved at the Board of Directors' meeting held on October 31, 2016.

Distribution of common shares

| | |
|---|---|
| ・Total amount of distribution | ¥518 million |
| ・Distribution per share | ¥13 |
| ・Record date | September 30, 2016 |
| ・Effective date | December 1, 2016 |

(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 27, 2017.

Distribution of common shares

| | |
|---|---|
| ・Total amount of distribution | ¥518 million |
| ・Source of distribution | Retained earnings |
| ・Distribution per share | ¥13 |
| ・Record date | March 31, 2017 |
| ・Effective date | June 28, 2017 |

[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.

   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, 2017 (settlement date of the current consolidated fiscal year):

(In millions of yen)

| | Consolidated balance sheet amount (*) | Market value (*) | Difference |
|---|---|---|---|
| (1) Cash and deposits | 19,217 | 19,217 | – |
| (2) Accounts receivable – trade | 1,230 | 1,230 | – |
| (3) Marketable securities | 19 | 20 | 0 |
| (4) Investment securities | 24,638 | 24,645 | 6 |
| (5) Notes payable and accounts payable – trade | (2,090) | (2,090) | – |
| (6) Bonds | (24,780) | (24,855) | (75) |
| (7) Short-term loans payable | (4,500) | (4,500) | – |
| (8) Long-term loans payable | (127,771) | (129,149) | (1,377) |
| (9) Derivative transactions | – | – | – |

(*) Figures in parentheses are presented in Liabilities.

(Notes)

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

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

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

   (3) Marketable securities and (4) Investment securities

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

   (5) Notes payable and accounts payable – 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.

(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

The market value of long-term loans payable is calculated by discounting the total principal and interest by the assumed interest rate for a new borrowing under the same terms and conditions. Long-term loans payable with floating rates are subject to exceptional treatment for interest-rate swaps (Refer to (9) below). Accordingly, they are calculated by discounting the total of principal and interest accounted for as a unit with the interest-rate swap by an assumed interest rate reasonably estimated for a borrowing under the same terms and conditions.

(9) Derivative transactions

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

2. The market value of unlisted investment securities, etc. (amount on consolidated balance sheet: ¥5,094 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: ¥761 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: ¥20,197 million) have no market prices, and their cash flows are considered quite difficult to reasonably estimate due to the difficulty in calculating substantial lease periods from the start of occupation by lessees to the dates of evacuation. For this reason, they are not subject to the disclosure of market value.

[Notes to lease properties, etc.]

1. Lease properties, etc.

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

2. Market value of lease properties, etc.

   ・Amount on the consolidated balance sheet ¥219,261 million

   ・Market value ¥289,629 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 ¥2,444.84

Net income per share ¥113.17

[Subsequent events]

Not applicable

[Other notes]

Impairment loss

| Location | Principal use | Category | Impairment loss |
|---|---|---|---|
| Higashiosaka-city, Osaka | Store | Land | ¥1,957 million |

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

The book values of real properties, etc. for lease with declines in profitability were written down to a recoverable amount. The Group recorded the amount written off as impairment loss in extraordinary loss (¥1,957 million) in the current consolidated fiscal year.

The recoverable amounts of the above asset groups are determined by net sales values based on salable values.

## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

FROM: APRIL 1, 2016
TO: MARCH 31, 2017

(In millions of yen)

| | Shareholders' equity | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Additional paid-in capital | | Retained earnings | | | | | | |
| | | | | | Other retained earnings | | | | | |
| | Capital stock | Capital reserve | Total additional paid-in capital | Legal reserve | Reserve for advanced depreci-ation of fixed assets | Special depreci-ation reserve | Reserve for research and develop-ment | General reserve | Retained earnings carried forward | Total retained earnings |
| Balance at the beginning of the current period | 21,492 | 19,720 | 19,720 | 1,453 | 1,991 | 61 | 30 | 10,115 | 8,637 | 22,288 |
| Change during the period | | | | | | | | | | |
| Distribution of surplus | | | | | | | | | (1,116) | (1,116) |
| Provision of reserve for advanced depreciation of fixed assets | | | | | 93 | | | | (93) | — |
| Reversal of reserve for advanced depreciation of fixed assets | | | | | (55) | | | | 55 | — |
| Reversal of special depreciation reserve | | | | | | (61) | | | 61 | — |
| Reversal of reserve for research and development | | | | | | | (30) | | 30 | — |
| Net income | | | | | | | | | 4,478 | 4,478 |
| Acquisition of treasury stock | | | | | | | | | | |
| Disposal of treasury stock | | | | | | | | | (0) | (0) |
| Reversal of land revaluation surplus | | | | | | | | | 25 | 25 |
| Net changes of items other than shareholders' equity | | | | | | | | | | |
| Total change during the period | — | — | — | — | 37 | (61) | (30) | — | 3,440 | 3,387 |
| Balance at the end of the current period | 21,492 | 19,720 | 19,720 | 1,453 | 2,028 | — | — | 10,115 | 12,077 | 25,675 |

| | Shareholders' equity | | Valuation and translation adjustments | | | Total net assets |
|---|---|---|---|---|---|---|
| | Treasury stock | Total shareholders' equity | Unrealized gain on securities | Land revaluation surplus | Total valuation and translation adjustments | |
| Balance at the beginning of the current period | (411) | 63,089 | 10,277 | 17,021 | 27,299 | 90,388 |
| Change during the period | | | | | | |
| Distribution of surplus | | (1,116) | | | | (1,116) |
| Provision of reserve for advanced depreciation of fixed assets | | — | | | | — |
| Reversal of reserve for advanced depreciation of fixed assets | | — | | | | — |
| Reversal of special depreciation reserve | | — | | | | — |
| Reversal of reserve for research and development | | — | | | | — |
| Net income | | 4,478 | | | | 4,478 |
| Acquisition of treasury stock | (5) | (5) | | | | (5) |
| Disposal of treasury stock | 0 | 0 | | | | 0 |
| Reversal of land revaluation surplus | | 25 | | | | 25 |
| Net changes of items other than shareholders' equity | | | (683) | (25) | (708) | (708) |
| Total change during the period | (5) | 3,381 | (683) | (25) | (708) | 2,672 |
| Balance at the end of the current period | (417) | 66,471 | 9,594 | 16,995 | 26,590 | 93,061 |

## NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

[Matters pertaining to significant accounting policies]

1. Method and basis of valuation of assets:

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

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

2) Stocks of subsidiaries and affiliates:

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

3) Other marketable securities and investments:

a. Securities with market quotations:

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

b. Securities without market quotations:

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

(2) Method and basis of valuation of inventory -

Inventories are valued at cost, determined using the specific identification method.

(The value on the non-consolidated balance sheet is appraised by the write-down of the book value of inventories based on the deterioration of profitability.)

2. Depreciation method for significant fixed assets:

(1) Tangible fixed assets (excluding lease assets) -

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

Depreciation of subsidiary's tangible fixed assets is computed using the straight-line method.

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

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

(2) Intangible fixed assets (excluding lease assets) -

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

(3) Lease assets -

Lease assets are depreciated using the straight-line method over the lease period without residual value.

3. Method of accounting of deferred assets:

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

4. Principles for providing accruals and reserves:

(1) Allowance for doubtful accounts -

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

(2) Accrued bonuses for directors -

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

(3) Accrued bonuses -

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

(4) Accrued severance indemnities for employees -

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

5. Method of important hedge accounting:

(1) Method of hedge accounting -

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

(2) Hedging instruments and hedged items -

Hedging instruments: interest rate swaps

Hedged items: interest rates of loans payable

(3) Policy of hedging transactions -

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

(4) Method for assessing the hedge effectiveness -

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

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

Accounting for consumption taxes -

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

[Changes in accounting policies]

(Application of the Practical Solution on a change in depreciation method due to Tax Reform 2016)

In accordance with the revision of the Corporation Tax Act, the Company has applied the Practical Solution on a change in depreciation method due to Tax Reform 2016 (ASBJ PITF No. 32; June 17, 2016) in the fiscal year under review, whereby the depreciation method for attached facilities and structures acquired on or after April 1, 2016 has been changed to the straight-line method from the declining balance method.

There was no significant impact on profit and loss in the financial statements for the fiscal year under review.

[Additional information]

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

Starting from the fiscal year under review, the Company has applied the Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26; March 28, 2016).

(Changes in the Purpose of Asset-holding)

Land and buildings, etc. of ¥11,335 million, items previously recorded in fixed assets, are transferred to real estate for sale at the end of the fiscal year under review due to a change in the purpose of asset-holding.

[Notes to the non-consolidated balance sheet]

1. Accumulated depreciation of tangible fixed assets ¥73,844 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. | ¥352 million |

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

| | |
|---|---|
| Assets | ¥32 million |
| Debts | ¥2,205 million |

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

   (Method of revaluation)
   Fair values are determined by applying appropriate adjustments to values computed by the method published by the Commissioner of the National Tax Agency for the calculation of land values that serve as the basis for taxable amounts of land-holding tax set forth in Article 16 of the Land-holding Tax Act as set forth in Article 2, Item 4 of the Order for Enforcement of Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).
   (Date of the revaluation) March 31, 2001
   (Difference between fair values at the fiscal year-end and book values after the revaluation of the land revaluated) (¥1,609 million)
   (Difference related to lease properties, etc. out of the difference stated above)
   (¥1,609 million)

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

Transactions with subsidiaries and affiliates

| | |
|---|---|
| Operating transactions | ¥1,894 million |
| Non-operating transactions | ¥629 million |

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

Treasury stock

| | |
|---|---|
| Common stock | 170,169 shares |

[Income taxes]

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

| | |
|---|---|
| Accrued bonuses | ¥36 million |
| Accrued corporation tax | ¥153 million |
| Loss on revaluation of inventories | ¥77 million |
| Loss on disposal of fixed assets | ¥304 million |
| Impairment loss | ¥3,156 million |
| Accrued severance indemnities for employees | ¥48 million |
| Other | ¥324 million |
| Sub-total of deferred tax assets | ¥4,101 million |
| Valuation allowance | (¥511 million) |
| Total of deferred tax assets | ¥3,589 million |
| | |
| Deferred tax liabilities | |
| Reserve for advanced depreciation of fixed assets | (¥895 million) |
| Unrealized gain on securities | (¥4,234 million) |
| Other | (¥31 million) |
| Total of deferred tax liabilities | (¥5,161 million) |
| Net of deferred tax assets (liabilities) | (¥1,572 million) |

[Transactions with affiliated parties]

Not applicable

[Per share data]

| | |
|---|---|
| Net assets per share | ¥2,332.97 |
| Net income per share | ¥112.26 |

[Subsequent events]

Not applicable

[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 |
|---|---|---|---|
| Higashiosaka-city, Osaka | Store | Land | ¥1,957 million |

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

The book values of real properties, etc. 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 (¥1,957 million) in the current fiscal year.

The recoverable amounts of the above asset groups are determined by net sales values based on salable values.