(Security Code 8803)

Year Ended March 31, 2016
NOTICE CONCERNING THE CONVOCATION OF THE 96th ORDINARY GENERAL SHAREHOLDERS' MEETING

Date of the Meeting: June 24, 2016 (Friday), 10:00 a.m.

Place of the Meeting: The Tokyo Stock Exchange Bldg. 2F, TSE Hall
2-1, Nihonbashi Kabuto-cho, Chuo-ku, Tokyo, Japan

Deadline for voting: If you are unable to attend the meeting, please exercise your voting rights by mail or via the Internet by no later than June 23, 2016 (Thursday), 5:00 p.m.

Table of Contents

NOTICE CONCERNING THE CONVOCATION OF THE 96th ORDINARY GENERAL SHAREHOLDERS' MEETING 1

REFERENCE DOCUMENTS FOR THE GENERAL SHAREHOLDERS' MEETING 5

BUSINESS REPORT 11

CONSOLIDATED BALANCE SHEET 39
CONSOLIDATED STATEMENT OF PROFIT AND LOSS 41

NON-CONSOLIDATED BALANCE SHEET 42
NON-CONSOLIDATED STATEMENT OF PROFIT AND LOSS 44

A COPY OF THE AUDIT REPORT OF THE ACCOUNTING AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS 45
A COPY OF THE AUDIT REPORT OF THE ACCOUNTING AUDITOR ON THE NON-CONSOLIDATED FINANCIAL STATEMENTS 47
A COPY OF THE AUDIT REPORT OF THE BOARD OF STATUTORY AUDITORS 49

Heiwa Real Estate Co., Ltd.

Security Code 8803
June 2, 2016

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

Dear Shareholders:

NOTICE CONCERNING THE CONVOCATION OF THE
96th ORDINARY GENERAL SHAREHOLDERS' MEETING

We are pleased to inform you that the 96th Ordinary General Shareholders' Meeting (the "Meeting") of Heiwa Real Estate Co., Ltd. (the "Company") will be held as specified in the attached notice. You are cordially invited to attend.

Yours faithfully,

Hiroyuki Iwakuma
President, Representative Director
Heiwa Real Estate Co., Ltd.
1-10, Nihonbashi Kabuto-cho,
Chuo-ku, Tokyo (103-8222)
Japan

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

NOTICE

The resolution of certain agenda items requires the quorum of the meeting. If you cannot attend the meeting, you can exercise your voting rights by one of the following methods.
We would appreciate your review of the reference materials attached from page 5 to 11 and your exercise of the voting rights.

[By Mail]
Please indicate your vote for or against each of the agendas on the enclosed Voting Rights Exercise Form and return the form by the end of business hours (5:00 p.m.), Thursday, June 23, 2016.

[Via the Internet]
Please access (http://www.e-sokai.jp) with your browser and enter the proxy code and temporary password supplied on the enclosed Voting Rights Exercise Form. Then follow the instructions and enter your vote for each agenda by the end of business hours (5:00 p.m.), Thursday, June 23, 2016.

1. Date of the Meeting: June 24, 2016 (Friday), 10:00 a.m.

2. Place of the Meeting: The Tokyo Stock Exchange Bldg. 2F, TSE Hall
2-1, Nihonbashi Kabuto-cho,
Chuo-ku, Tokyo, Japan

3. Items on Meeting Agenda

Items to be reported:

1 The Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements for the 96th fiscal year from April 1, 2015 to March 31, 2016; and

2 Independent Auditor's Report of Consolidated Financial Statements and Audit Report of Consolidated Financial Statements by the Board of Statutory Auditors for the 96th fiscal year.

Items to be voted upon:

Agenda Item No. 1:	Proposed Appropriation of Surplus
Agenda Item No. 2:	Assignation of Two Directors
Agenda Item No. 3:	Payment of Bonuses to Directors

(If you are attending the meeting, please submit the enclosed attendance sheet at the reception desk, without separating it from the proxy forms. For the purpose of saving resources, you are also requested to bring this Notice with you to the meeting.)

(From among the documents to be provided upon the notification of convocation, STOCK ACQUISITION RIGHTS in the Business Report, CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS and NOTES TO CONSOLIDATED FINANCIAL STATEMENTS in the Consolidated Financial Statements, NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS and NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS in the Non-consolidated Financial Statements are disclosed on the Company's website (http://www.heiwa-net.co.jp/) in accordance to laws and regulations and the provisions of Article 16 of the Articles of Incorporation of the Company. Please note that the Attached Documents provided with this Notice formed part of the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Independent Auditor and also formed part of the Business Report and the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Statutory Auditors.

(If any modifications are made to the Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements, the details will be published on the Company's website at http://www.heiwa-net.co.jp/)

(The contents of the Notice were disclosed on the Company's website at http://www.heiwa-net.co.jp/ prior to the delivery of this Notice, for the purpose of early provision of information.)

Guide for Exercising Your Voting Rights

The exercise of voting rights is a shareholder privilege.
You can exercise your voting rights by one of the following methods.
We would appreciate your review of the Reference Documents for the General Shareholders' Meeting and your exercise of the voting rights.

Exercise of Voting Rights by Attending the Meeting

Please bring the enclosed attendance sheet and submit it at the reception desk.
Date of the meeting
June 24, 2016 (Friday), 10:00 a.m.
If you are attending the meeting, please submit the enclosed attendance sheet at the reception desk. Please also bring the "Notice Concerning the Convocation" to help conserve paper resources.

Exercise of Voting Rights by Mail

Please indicate your vote for or against each of the agendas on the enclosed attendance sheet and return the sheet.
Deadline for voting
The sheet must be received by 5:00 p.m., Thursday, June 23, 2016

Exercise of Voting Rights via the Internet

Please enter your vote for each agenda on the voting site designated by the Company.
Deadline for voting
The votes must be received by 5:00 p.m., Thursday, June 23, 2016

REFERENCE DOCUMENTS FOR
THE GENERAL SHAREHOLDERS' MEETING

Agenda Item No. 1: "Proposed Appropriation of Surplus"

We make it a basic policy to distribute profit to our shareholders by setting a consolidated payout ratio of approximately 30% as a medium- to long-term target in consideration of the importance of maintaining the internal cash reserves required to increase our corporate value through the stable development of the redevelopment business, the building leasing business, and other businesses of the Company over the long term.
The Company wishes to propose a year-end dividend for the current term as follows in comprehensive consideration of the above-mentioned policy, the business results for the current term, future business development, and other factors.

(1) Type of dividends
Cash

(2) Matters related to allotment of dividends and the aggregate amount thereof
¥15 per share of the Company's common stock (an increase of ¥4 compared with the previous fiscal year) Total amount ¥598,401,480
(Note) The annual dividend for this fiscal term, together with the interim dividend of ¥11, will be ¥26 per share (an increase of ¥4 compared with the previous fiscal year).

(3) Effective date of appropriation of surplus
June 27, 2016

Agenda Item No. 2: "Assignation of Two Directors"

The Company proposes the election of two Directors due to the expiration of the office term at the close of this meeting of the following two present Directors: Motoya Aizawa and Kunitaro Saida.

The Company has established a Nomination Committee, the majority of which consists of External Directors, as an advisory body to the Board of Directors. Prior to the Meeting, the Nomination Committee has deliberated on the candidates for Directorship of the Company and reported the results to the Board of Directors. The Board of Directors has then determined the content of Agenda based on said report.

The candidates for Directorship of the Company are as follows:

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company
1	Motoya Aizawa August 25, 1942 <Reappointed> <External Director> <Independent Officer>	1	April 1965 Joined Nippon Kangyo Securities Co., Ltd. (current Mizuho Securities Co., Ltd.) November 1973 Managing Director of AIZAWA SECURITIES CO., LTD. December 1979 President and CEO of AIZAWA SECURITIES CO., LTD. June 1998 Chairman of AIZAWA SECURITIES CO., LTD. June 2008 Chairman and President of AIZAWA SECURITIES CO., LTD. June 2010 Director of the Company (present post) June 2011 President and CEO of AIZAWA SECURITIES CO., LTD. (present post)
	[Significant office(s) concurrently held] President and CEO of AIZAWA SECURITIES CO.,LTD.		
	[Reason for nominating him as a candidate for External Director] Mr. Motoya Aizawa serves as President and CEO of a securities company and has achievements as a corporate manager. He has appropriately made proposals and given advice for the Company's management from an independent and objective standpoint based on in-depth knowledge and experience, etc. he has accumulated in the fields of securities and finance. The Company therefore expects that Mr. Motoya Aizawa will continue to contribute to the management as the Company's Director, and thus has nominated him as a candidate for External Director.		
	[Concerning his independence] The Company believes that Mr. Motoya Aizawa will not have potential conflicts of interest with general shareholders in the Company, such as human relationships, capital relationships, transactional relationship, or any other interests, pursuant to the "Standards for Assessing the Independence of Independent Officers" (See page 10). Therefore, the Company has registered him with the respective stock exchanges as an independent officer. If his reelection is approved, the Company will continue to appoint him as an independent officer.		

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company
2	Kunitaro Saida May 4, 1943 <Reappointed> <External Director> <Independent Officer>	0	April 1969 Appointed public prosecutor November 2001 Chief public prosecutor of Tokyo District Public Prosecutor's Office February 2003 Superintendent public prosecutor of Takamatsu High Public Prosecutor's Office June 2004 Superintendent public prosecutor of Hiroshima High Public Prosecutor's Office August 2005 Superintendent public prosecutor of Osaka High Public Prosecutor's Office May 2006 Retired from office May 2006 Registered and commenced practice as attorney (present post) June 2007 External Statutory Auditor of Nichirei Corporation (present post) June 2008 External Director of Sumitomo Osaka Cement Co., Ltd. (present post) June 2010 External Director of the Company (present post) March 2014 External Director of Canon Inc. (present post)
	[Significant office(s) concurrently held] External Statutory Auditor of Nichirei Corporation External Director of Sumitomo Osaka Cement Co., Ltd. External Director of Canon Inc.		
	[Reason for nominating him as a candidate for External Director] Mr. Kunitaro Saida has served as a superintendent public prosecutor of the respective High Public Prosecutor's Offices of Takamatsu, Hiroshima and Osaka. Since his retirement from these offices, he has engaged in corporate legal affairs as an attorney. Although Mr. Kunitaro Saida has never been directly involved in corporate management, he has appropriately made proposals and given advice for the Company's management from an independent and objective standpoint taking advantage of the specialized knowledge and experience, etc. he has accumulated in the legal profession. The Company therefore expects that Mr. Kunitaro Saida will continue to contribute to the management as the Company's Director, and thus has nominated him as a candidate for External Director.		
	[Concerning his independence] The Company believes that Mr. Kunitaro Saida will not have potential conflicts of interest with general shareholders in the Company, such as human relationships, capital relationships, transactional relationships, or any other interests, pursuant to the "Standards for Assessing the Independence of Independent Officers" (See page 10). Therefore, the Company has registered him with the respective stock exchanges as an independent officer. If his reelection is approved, the Company will continue to appoint him as an independent officer.		

(Notes)

1. No conflict of interest exists between the Company and Mr. Motoya Aizawa and Mr. Kunitaro Saida.
2. Mr. Motoya Aizawa and Mr. Kunitaro Saida are candidates for External Directors.
3. Mr. Motoya Aizawa and Mr. Kunitaro Saida are currently serving as External Directors of the Company. Their terms of office will be six years at the conclusion of this Ordinary General Shareholders' Meeting.
4. Notes on the candidates for External Directors are as follows.

(1) The Company has entered into agreements with Mr. Motoya Aizawa and Mr. Kunitaro Saida to limit their liability for damages as set forth in Article 423, Paragraph 1, of the Companies Act in accordance with Article 427, Paragraph 1 of the Act; provided, however, that the limit thereof under such agreements shall be the amount prescribed in the Act. If their reelection is approved, the Company will renew the liability limitation agreements under the same conditions. The Company has entered into liability limitation agreements with all of the External Directors.

(2) Sumitomo Osaka Cement Co., Ltd., a company where Mr. Kunitaro Saida concurrently serves as an External Director, was found to have closed accounts inappropriately between the first quarter of the fiscal term ended March 2010 and the second quarter of the fiscal term ended March 2012. Accordingly, this company submitted an amendment for the relevant annual securities report etc. and corrected the relevant financial results report as of February 10, 2012, and submitted an improvement report to the Tokyo Stock Exchange as of February 27, 2012. Mr. Saida customarily called attention to compliance and internal control, based on his recognition of their importance. Regarding the event, he assumed office as a member of an internal investigation committee, actively took part in an investigation, and advised the Board of Directors on a proposal for measures to prevent recurrence from an independent standpoint. He also expressed his opinions on measures for the prevention of recurrence, including measures for correction and for the reinforcement of compliance.

Agenda Item No. 3: "Payment of Bonuses to Directors"

In consideration of the business results for the current term and the status of dividend payment to shareholders as a total, the Company proposes to pay directors' bonuses of ¥30,000,000 in total to four Directors (excluding External Directors).

The Company has established a Compensation Committee, the majority of which consists of External Directors, as an advisory body to the Board of Directors. Prior to the Meeting, the Compensation Committee has deliberated on the proposed total amount of bonuses for Directors and reported the results to the Board of Directors. The Board of Directors then determined the content of this Agenda based on said report.

(Reference)

Standards for Assessing the Independence of Independent Officers

The Company judges that external directors and external statutory auditors (hereinafter referred to as the "External Officers") are independent when they do not meet the standards set forth in Paragraph 2 below as well as the standards of independence specified by the financial instruments exchanges.

1. Policies for Election of External Officers

In the election of External Officers, the Company considers it desirable that the Company has no personal relations, capital relations, business relations or any other interests with the External Officers. Meanwhile, the Company also emphasizes a clear understanding of the Company's business and the expectation of useful roles for the Company's business expansion.

2. Standards of Independence of External Officers

(1) Persons who execute the business of the Company's major suppliers *Notes 1 and 2
(2) Persons who execute the business of companies whose major supplier is the Company *Note 3
(3) Persons who execute the business of the Company's principal creditors *Note 4
(4) Attorneys, certified public accountants, licensed tax accountants, consultants or any other experts who receive a large amount of money and other properties in addition to the executive compensation from the Company *Note 5
(5) Persons who execute the business of entities that receive a large amount of donations from the Company *Note 6
(6) Persons who execute the business of the Company's major shareholders *Note 7
(7) Close relatives of those who fall under Items (1) to (6) above *Note 8
(8) Those who fall under Items (1) to (7) above for the past three (3) years

(Notes) 1. "Persons who execute the business" shall refer to the executive director, executive officer and managing officer.
2. "The Company's major suppliers" shall refer to an entity that pays the Company an amount equivalent to more than 2% of the Company's consolidated operating revenue for the most recent fiscal year.
3. "Companies whose major supplier is the Company" shall refer to an entity that receives from the Company the payment of an amount equivalent to more than 2% of the entity's consolidated operating revenue for the most recent fiscal year.
4. "Principal creditors" shall refer to an entity that provides the Company with loans in an amount equivalent to more than 2% of the Company's consolidated total assets for the most recent fiscal year.
5. "A large amount of money and other properties" shall refer to the payment of more than 10 million yen annually.
6. "A large amount of donations" shall refer to donations of more than 10 million yen annually.
7. "Major shareholders" shall refer to the shareholders who own the shares equivalent to 10% or more of the total number of shares issued for the most recent fiscal year.
8. "Close relatives" shall refer to relatives within the second degree of relationship.

(Attached Documents)

BUSINESS REPORT

1. Outline of Operations for the period from April 1, 2015 to March 31, 2016:

(1) Update and Results of Business -

In the fiscal year ended March 31, 2016, the Japanese economy saw a continuing moderate recovery promoted by an increase in capital expenditure in response to the recovery of corporate earnings and consumer spending that remained strong based on improvement in the employment and income environment, despite the effect of overseas economic trends on exports and production due to a fall in the oil price and slowdown in the Chinese economy.

In the real estate industry, the national average official land price of business districts increased for the first time in eight years. Land prices continued to increase in business districts in the three major metropolitan areas due to high investor confidence in real estate, chiefly in response to an increase in profitability as a result of a lower office vacancy rate and higher demand for stores and hotels that cater to a growing number of foreign visitors to Japan. The following is an outline of operating results in the respective real estate segments.

In the building leasing business, the office vacancy rates throughout Japan tended to decrease on the back of growing demand for offices, and rent levels rose in many areas, including regional cities, due to an expected short supply trend linked to the declining vacancy rate.

In the area of real estate investment, the policy of active property acquisition continued and the prices of traded property units remained at a relatively high level. J-REIT's market was strong and the capitalization of the entire market exceeded 11 trillion yen, mainly due to improved real estate markets and the stability of low long-term interest rates.

In the housing business, selling prices in the Tokyo metropolitan area tended to increase in line with the growing cost of site acquisition and rising construction expenses due to the increase in demand for construction to prepare for the Tokyo Olympic and Paralympic Games. Nevertheless, the rate of sales contracts signed remained stable.

The operating results of the Group for the fiscal year ended March 31, 2016 are summarized below.
Operating revenue increased to ¥37,010 million, up by ¥2,663 million (7. 8%) from the previous fiscal year. Cost of sales totaled ¥24,650 million, up by ¥2,929 million (13. 5%), while selling, general, and administrative expenses totaled ¥4,091 million, up by ¥15 million (0. 4%).

Consequently, operating income for the fiscal year ended March 31, 2016 was ¥8,267 million, down by ¥281 million (3. 3%), while ordinary income was ¥6,708 million, up by ¥139 million (2.1%). Recognizing a gain on sale of fixed assets as extraordinary income and a loss on sale of fixed assets due to portfolio restructuring contributed to the net income attributable to owners of parent of ¥4,408 million, up by ¥1,913 million (76.7%) from the previous fiscal year.

The operating results for the respective business segments are as summarized below.

Leasing Business

In the Building Leasing Business of the Leasing Business, operating revenue decreased by ¥813 million (4.5%) year on year, to ¥17,220 million, mainly due to a reduction in rental fees in the Tokyo Stock Exchange Building (Chuo-ku, Tokyo), which more than offset the rental revenues from Kayabacho Broad Square (Chuo-ku, Tokyo), Hamacho Heiwa Building (Chuo-ku, Tokyo), and the Sakae Center Building (Naka-ku, Nagoya), which were acquired in the previous fiscal year, and from the Maruzen Nagoya Honten Building (Naka-ku, Nagoya), which was completed in the previous fiscal year.

A breakdown of leasing revenue is as follows: The Company earned ¥3,010 million in Stock Exchange Market Place Leasing, down by ¥1,198 million (28.5%) from the previous fiscal year. General Office Leasing Revenue increased to ¥10,860 million, up by ¥208 million (2.0%). Commercial Facilities Leasing Revenue grew to ¥3,349 million, up by ¥176 million (5.6%). Operating revenue in the Building Leasing Business, including the sale of the Nagoya Marunouchi Heiwa Building (Naka-ku, Nagoya) and operating revenue in the Land Leasing Business in addition to the above, rose by ¥2,014 million (11.0%), to ¥20,380 million.

The vacancy rate of the Company's leased buildings (on a parent company basis) was 2.89% at the end of the consolidated fiscal year under review; however, this includes the suspension of lending attributable to the redevelopment of the Nihonbashi Kabuto-cho, and the vacancy rate was 1.75% excluding the aforementioned suspension of lending.

Together with operating revenue in the Housing Leasing Business, total operating revenue in this business increased by ¥1,910 million (9.9%), to ¥21,276 million.

Real Estate Solutions Business

In the Real Estate Solutions Business, operating revenue from the Real Estate Development Business was ¥9,488 million, up by ¥1,590 million (20.1%) year on year, mainly due to the sale of inventories. Operating revenue from the Housing Development Business decreased by ¥1,335 million (46.6%), to ¥1,529 million, primarily as a reactionary fall from the sales of "FLARGE Oshiage" (Sumida-ku, Tokyo) that sold out in the previous fiscal year, which more than offset

the sale of 33 units in Airs Garden Shin Urayasu (Urayasu, Chiba). Management fees increased by ¥18 million (1.5%), to ¥1,256 million. Together with the operating revenue from the Real Estate Brokerage Business, the total operating revenue in this business increased by ¥650 million (5.1%), to ¥13,318 million.

Other Business

Operating revenue from the Contract Construction Business and the Building Management Business increased by ¥129 million (7.6%) from the previous fiscal year, to ¥1,838 million. Operating revenue from the Private Nursing Home Business decreased by ¥17 million (4.3%), to ¥399 million. With the other operating revenue added to the above, total operating revenue in this business increased by ¥102 million (4.4%), to ¥2,415 million.

(2) Issues to be resolved by the Company -

While the instability in the international financial market since the beginning of 2016 has reduced the trend of the weaker yen and higher stock prices enjoyed in the last few years, the Japanese economy is expected to remain on a moderate recovery trend backed by improved corporate performance, employment, and export, thanks in part to the effect of the economic policies although its trends require careful monitoring. In the building leasing business in the real estate industry, the reduction in the office vacancy rate is expected to continue and the rent level is expected to rise moderately on the back of growing demand for offices as a result of increased employment.

In this business environment, the Company has developed a "Medium- to Long-term Management Plan: over the 'NEXT DECADE'" for the period from FY2014 (the fiscal year ended March 31, 2015) to FY2023 (the fiscal year ending March 31, 2024), under which the Company seeks to grow as a company conducive to urban development by launching the redevelopment of the Nihonbashi Kabuto-cho district as the first step in establishing a base for medium-to-long-term growth. The Company has been working on the key strategy listed below.

1) The Nihonbashi Kabuto-cho Revitalization Project

   The Company has been working on the Nihonbashi Kabuto-cho Revitalization Project with the aim of increasing its assets and the profitability of the building leasing business as its core business. At the meeting of the National Strategic Special Zone Council for the Greater Tokyo Area that was held in June 2015, the Company's two projects in the Nihonbashi Kabuto-cho and Kayaba-cho 1-Chome districts (Kabuto-cho Project and Kayaba-cho Project) were added to the application for the urban revitalization project in the Tokyo National Strategic Special Zone. The Company strives to steadily implement the redevelopment operation and revitalize the districts to support the business establishment of asset management companies, etc. that contribute to developing Tokyo as an international financial center and introduce the function of supporting dialogues and exchanges between investors and companies.

2) Strengthening of the Building Leasing Business

   The Company will strengthen the revenue base underlying its redevelopment projects by improving both the quality and profitability of its portfolio through the replacement of assets for the leasing business and increasing assets through the acquisition of new property.

3) Expansion of the Fee Businesses, including the Asset Management Business of REIT

   As a sponsor of HEIWA REAL ESTATE REIT, Inc., the Company will support an increase in the amount and quality of the assets managed by HEIWA REAL ESTATE Asset Management CO., LTD. by selling inventories and development property to increase the revenue of the entire Group from the fee businesses.

4) Strengthening of Organizational Control and Maintenance of Financial Discipline

   The Company will develop an organizational structure that is suitable for performing its key strategy and maintain and improve its financial discipline and build a stable financing base

to achieve a sufficient financial standing to promote redevelopment.

In addition to its key strategy, the Company will enhance its corporate governance and risk management and implement more thorough legal compliance to improve corporate value.

(3) Investment in fixed assets -

The Company paid out total capital expenditures of ¥15,461 million, including the expenditure for the acquisition of properties.

(4) Status of financing -

During the fiscal year ended March 31, 2016, the Company issued unsecured bonds, and raised ¥9,200 million in total.

(5) Changes in asset status and profit and loss of the Group -

Fiscal year / Classification	The 93rd fiscal year (From April 1, 2012 to March 31, 2013)	The 94th fiscal year (From April 1, 2013 to March 31, 2014)	The 95th fiscal year (From April 1, 2014 to March 31, 2015)	The 96th fiscal year (From April 1, 2015 to March 31, 2016)
Operating revenue	¥32,992 million	¥43,284 million	¥34,347 million	¥37,010 million
Ordinary income	4,634 million	5,644 million	6,568 million	6,708 million
Net income attributable to owners of parent	2,455 million	2,901 million	2,495 million	4,408 million
Net income per share (in exact yen)	61.51	72.72	62.53	110.50
Total assets	313,096 million	296,834 million	297,736 million	294,021 million
Net assets	84,002 million	85,990 million	92,298 million	94,827 million
Net assets per share (in exact yen)	2,096.60	2,154.94	2,313.34	2,377.02

(Notes) 1. Net income per share is calculated based on the average number of shares issued during the fiscal year, and net assets per share are calculated based on the number of shares issued at the end of the fiscal year.

2. We consolidated shares of our common stock (five-into-one share consolidation) effective on October 1, 2012. Accordingly, the amounts stated for the net income per share are calculated on the assumption that shares of our common stock were consolidated at the beginning of the 93rd fiscal year.
3. The Tokyo Shoken Building Incorporated is assumed to have been acquired at the end of the 93rd fiscal year, hence only the balance sheet of the said company is consolidated into that of the Company for the 93rd fiscal year.
4. Effective from the current fiscal year, the Company has adopted the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21; September 13, 2013), etc, and has changed the presentation of "Net income" to "Net income attributable to owners of parent."

(6) Status of significant parent companies and subsidiaries

1) Status of parent companies

Not applicable

2) Status of significant subsidiaries

Company name	Common stock	Percentage of voting rights held by the Company	Major operating business
Heiwa Service Co., Ltd.	¥134 million	100.0%	Management of buildings and facilities, contracting of repair work, and insurance agency, etc.
Heiwa Healthcare Co., Ltd.	¥70 million	100.0%	Operations of private nursing home, etc.
Housing Service Co., Ltd.	¥95 million	100.0%	Real estate brokerage, etc.
HEIWA REAL ESTATE Asset Management CO., LTD.	¥295 million	100.0%	Asset management of HEIWA REAL ESTATE REIT, Inc.
The Tokyo Shoken Building Incorporated	¥100 million	100.0%	Ownership and leasing of real estate; management of halls, conference rooms, and restaurants, etc.
Charites Y.K.	¥3 million	-	Acquisition, possession and management of trust beneficiary rights on real estate in trust through anonymous partnership agreement

(Notes) The Company owns the shares of Heiwa Healthcare Co., Ltd. indirectly through Heiwa Service Co., Ltd.

(7) Contents of principal businesses of the Group

Business Segment	Business Activities
Leasing	Development, leasing, management and operation, etc. of stock exchanges, offices, commercial facilities and housing, etc.
Real Estate Solutions	Development, operation and management of income property, development and sales of houses, and brokerage of real estate, etc.
Other	Management of buildings and facilities, etc., contracting of repair work, insurance agency and private nursing home enterprise, etc.

(8) Principal sales offices

The Company	Head Office: Chuo-ku, Tokyo Osaka Branch: Chuo-ku, Osaka-city Nagoya Branch: Naka-ku, Nagoya-city Fukuoka Branch: Chuo-ku, Fukuoka-city Sapporo Branch: Chuo-ku, Sapporo-city
Heiwa Service Co., Ltd.	Head Office: Chuo-ku, Tokyo Osaka Branch: Chuo-ku, Osaka-city Nagoya Branch: Naka-ku, Nagoya-city
Heiwa Healthcare Co., Ltd.	Abiko-city, Chiba-prefecture
Housing Service Co., Ltd.	Chuo-ku, Osaka-city
HEIWA REAL ESTATE Asset Management CO., LTD.	Chuo-ku, Tokyo
The Tokyo Shoken Building Incorporated	Chuo-ku, Tokyo
Charites Y.K.	Chuo-ku, Tokyo

(9) Employees of the Group

No. of Employees	Increase/(decrease) as compared with prior period end
281	±0

(Note) 1. Number of employees is number of ordinary employees.

2. Employees of the Company (number of ordinary employees) are as follows:

No. of Employees	Increase/(decrease) as compared with prior period end	Average age (years)	Average length of service (years)
99	2	41.1	14.0

(10) Principal creditors and balances of their loans outstanding

Creditors	Balance (In millions of yen)
Resona Bank, Ltd.	¥19,296
The 77 Bank, Ltd.	15,176
Mizuho Bank, Ltd.	12,832
Sumitomo Mitsui Banking Corporation	11,140
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,247

2. Status of Shares:

(1) Number of shares authorized to be issued - 110,000,000 shares

(2) Number of shares issued and outstanding - 40,059,996 shares (including 166,564 shares of treasury stock)

(3) Number of shareholders - 22,880 (Decrease of 707 compared with prior period end)

(4) Major shareholders -

Name	No. of shares (000's)	Holding ratio (%)
Mitsubishi Estate Co., Ltd.	4,274	10.71
MISAKI ENGAGEMENT MASTER FUND	2,538	6.36
Japan Trustee Services Bank, Ltd. (Trust Account)	1,507	3.78
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1,107	2.78
MELLON BANK TREATY CLIENTS OMNIBUS	1,059	2.66
OASIS INVESTMENTS II MASTER FUND LTD.	923	2.32
The Master Trust Bank of Japan, Ltd. (Trust Account)	890	2.23
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	720	1.81
STATE STREET BANK AND TRUST COMPANY 505223	570	1.43
Taisei Corporation	532	1.34

(Note) The holding ratio is calculated after deducting the number of shares held as treasury stock (166,564 shares) from the total number of issued shares.

3. Matters related to Corporate Officers:

(1) Directors and Statutory Auditors -

Position	Name	Assignment; significant office(s) concurrently held
Representative Director, President and Chief Executive Officer	Hiroyuki Iwakuma	Supervising Development Planning Department
Representative Director and Managing Senior Executive Officer	Takashi Hayakawa	Supervising Real Estate Marketing Department
Director and Managing Executive Officer	Kazuo Yamada	Supervising Real Estate Solutions Department
Director and Managing Executive Officer	Norio Iwasaki	Supervising Corporate Planning and General Affairs Department (General Affairs), Finance Department and Legal Office
External Director	Motoya Aizawa	President and CEO of AIZAWA SECURITIES CO., LTD.
External Director	Kunitaro Saida	External Statutory Auditor of Nichirei Corporation External Director of Sumitomo Osaka Cement Co., Ltd. External Director of Canon Inc.
External Director	Shigeru Takagi	Executive Counsel of Mitsubishi Estate Co., Ltd. External Statutory Auditor of Mitsubishi UFJ Trust and Banking Corporation External Director of Japan Airport Terminal Co., Ltd.
Statutory Auditor (full-time)	Naoto Kato	
External Statutory Auditor (full-time)	Shigeo Ojima	
External Statutory Auditor	Yasutada Sasaki	
External Statutory Auditor	Chikami Tsubaki	External Statutory Auditor of Sompo Japan Nipponkoa Holdings, Inc.

(Notes)

1. Motoya Aizawa, Kunitaro Saida, and Shigeru Takagi are External Directors.
2. Shigeo Ojima, Yasutada Sasaki and Chikami Tsubaki are External Statutory Auditors.

3. External Statutory Auditor, Shigeo Ojima, has long experience at Osaka Securities Exchange (current Osaka Exchange) and possesses substantial expertise and experience in finance and accounting.
4. External Statutory Auditor, Yasutada Sasaki, has long experience at the Bank of Japan and possesses substantial expertise and experience in finance and accounting.
5. External Statutory Auditor, Chikami Tsubaki, has professional knowledge and experience as Certified Public Accountant and possesses substantial expertise and experience in finance and accounting.
6. Directors Motoya Aizawa, Kunitaro Saida and Shigeru Takagi, and Statutory Auditors Shigeo Ojima, Yasutada Sasaki and Chikami Tsubaki are independent officers subject to no possible conflicts of interest with general shareholders that the Company is required to designate under the rules of each stock exchange.
7. Directors who assumed office during the term:
   Norio Iwasaki
   (Assumed office on June 25, 2015)
8. Statutory Auditors who assumed office during the term:
   Naoto Kato
   (Assumed office on June 25, 2015)
9. Directors who retired during the term:
   Sadao Yoshino
   (Term of office expired on June 25, 2015)
10. Statutory Auditors who retired during the term:
    Masami Taniguchi
    (Term of office expired on June 25, 2015)
11. The following three persons are Managing Officers other than the four Directors/ Managing Officers listed above, and their duties are as indicated hereunder:

Managing Officer	Shinichi Hayashi	Supervising Real Estate Marketing Department and Property Management Department; General Manager of Real Estate Marketing Department
Managing Officer	Hiroki Mizuta	Manager of Osaka Branch
Managing Officer	Tomoharu Nakao	Supervising Corporate Planning and General Affairs Department (Corporate Planning), Urban Development Promotion Office and

Office of the Council on Urban Development for Investment and Economic Growth; General Manager of Office of the Council on Urban Development for Investment and Economic Growth

(2) Summary of the Agreement on Limitation of Liability -

In accordance with the provisions in Article 427, Paragraph 1, of the Companies Act, the Company has entered agreements with the External Directors and the External Statutory Auditors to limit their liabilities for damages as set forth in Article 423, Paragraph 1, of the Companies Act; provided, however, that the limit of the liabilities for damages under such agreements shall be the amount prescribed in the Act.

(3) Remuneration paid to Directors and Statutory Auditors for the current fiscal year -

Category	Number of persons	Amount Paid	Note
Director	8	¥172 million	of which ¥21 million to 3 External Directors
Statutory Auditor	5	¥54 million	of which ¥34 million to 3 External Statutory Auditors
Total	13	¥226 million	

(Notes)

1. A resolution of the 88th Ordinary General Shareholders' Meeting held on June 26, 2008 limits the amount of remuneration for Directors (excluding External Directors) to ¥250 million per year (the amount of remuneration for Directors will not include the employee salaries of Directors who serve concurrently as employees) and the amount of remuneration for External Directors to ¥25 million per year.
2. A resolution of the 88th Ordinary General Shareholders' Meeting held on June 26, 2008 limits Statutory Auditors' remuneration to ¥60 million per year.
3. The amount of remuneration mentioned above includes ¥30 million of bonuses for Directors scheduled to be resolved at the 96th Ordinary General Shareholders' Meeting to be held on June 24, 2016.
4. The number of persons mentioned above includes one Director and one Statutory Auditor who retired at the conclusion of the 95th Ordinary General Shareholders' Meeting held on June 25, 2015.
5. The Company resolved to abolish the retirement allowances program for

Directors and Statutory Auditors at the conclusion of the 88th Ordinary General Shareholders' Meeting held on June 26, 2008. With regard to Directors and Statutory Auditors who were to remain in office after the meeting, the Company resolved to pay each, upon his or her retirement, a retirement allowance based on his or her term of office up to the abolishment of the retirement allowances program. Based on the resolution, the Company paid retirement allowances of ¥9 million to one Director and ¥3 million to one Statutory Auditor who retired during the current fiscal term, in addition to the remuneration mentioned above.

(4) External Officers -

1) Relationship between the Company and other corporations, etc. in which Directors concurrently hold significant offices

Category	Name	Significant office(s) concurrently held	Relationship with the Company
External Director	Motoya Aizawa	AIZAWA SECURITIES CO., LTD.	Motoya Aizawa, Director concurrently serves as President and CEO of AIZAWA SECURITIES CO., LTD. The Company and AIZAWA SECURITIES CO., LTD. hold each other's shares.
External Director	Kunitaro Saida	Nichirei Corporation	No special relationship exists.
		Sumitomo Osaka Cement Co., Ltd.	No special relationship exists.
		Canon Inc.	No special relationship exists.
External Director	Shigeru Takagi	Mitsubishi Estate Co., Ltd.	Shigeru Takagi concurrently serves as Executive Counsel of Mitsubishi Estate Co., Ltd. The Company and Mitsubishi Estate Co., Ltd. hold each other's shares. Mitsubishi Estate Co., Ltd. holds 10.67 percent of the total number of the Company shares issued and has executed a capital and business alliance agreement with the Company.
		Mitsubishi UFJ Trust and Banking Corporation	No special relationship exists.
		Japan Airport Terminal Co., Ltd.	No special relationship exists.
External Statutory Auditor	Chikami Tsubaki	Sompo Japan Nipponkoa Holdings, Inc.	No special relationship exists.

2) Principal activities during the current fiscal year

Category	Name	Attendance at Board of Directors' Meetings (Number of times) [Attendance rate]	Attendance at Board of Statutory Auditors' Meetings (Number of times) [Attendance rate]	Principal activities
External Director	Motoya Aizawa	11 out of 11 [100%]	-	He has provided appropriate advice to contribute to the decision-making of the Board of Directors from an objective standpoint, taking advantage of his experience as a corporate executive.
External Director	Kunitaro Saida	11 out of 11 [100%]	-	He has provided appropriate advice to contribute to the decision-making of the Board of Directors from an objective standpoint, taking advantage of the professional knowledge and experience he has fostered in legal circles.
External Director	Shigeru Takagi	11 out of 11 [100%]	-	He has provided appropriate advice to contribute to the decision-making of the Board of Directors from an objective standpoint, taking advantage of his ample experience in the real estate industry.
External Statutory Auditor	Shigeo Ojima	11 out of 11 [100%]	7 out of 7 [100%]	He carried out discussions on important matters relating to audits. He also posed questions and pointed out pertinent issues, as necessary, to ensure appropriate and suitable management of the decision-making process of the Board of Directors, taking advantage of his past experience as a corporate director.
External Statutory Auditor	Yasutada Sasaki	11 out of 11 [100%]	7 out of 7 [100%]	He carried out discussions on important matters relating to audits. He also posed questions and pointed out pertinent issues, as necessary, to ensure appropriate and suitable management of the decision-making process of the Board of Directors, taking advantage of his past experience in performing duties in the Bank of Japan and in private companies.
External Statutory Auditor	Chikami Tsubaki	11 out of 11 [100%]	7 out of 7 [100%]	She carried out discussions on important matters relating to audits. She also posed questions and pointed out pertinent issues, as necessary, to ensure appropriate and suitable management of the decision-making process of the Board of Directors, taking advantage of the professional knowledge and experience as a Certified Public Accountant.

4. Matters related to Independent Auditor:

(1) Name of Independent Auditor -

BDO Toyo & Co.

(2) Amount of Independent Auditor's fee for the current fiscal term -

1) Total fee the Company will pay Independent Auditor for auditing based on Article 2, Paragraph 1, of the Certified Public Accountant Act
29 million yen
2) Total amount of money and other profits the Company and the Company's subsidiaries will pay
29 million yen

(Note) The total amount described in 1) above includes fee for audit based on the Securities and Exchange Law, because the Company does not classify fee for audit based on the Companies Act and fee for audit based on the Securities and Exchange Law by audit agreement between the Company and the Independent Auditor.

(3) Reason for the Board of Statutory Auditors' agreement on the Independent Auditor's fee -

The Board of Statutory Auditors has obtained necessary materials or received reports from the related departments and the Independent Auditor and has confirmed and deliberated the content of the auditing plan, audit results for the previous fiscal year, trends of the Independent Auditor's fee, the basis for calculating the estimated amount of fee, etc., and thereupon given consent to the amount of the Independent Auditor's fee.

(4) Policy on determining the dismissal or disapproval of reappointment of the Independent Auditor -

If the Independent Auditor is deemed applicable to any of the provisions in Article 340, Paragraph 1, of the Companies Act, the Board of Statutory Auditors will dismiss the Independent Auditor upon unanimous approval of all the Statutory Auditors.
Further, if the performance of duties of the Independent Auditor is deemed difficult to be appropriately performed based on the Board of Statutory Auditors' review of the Independent Auditor's audit system, independence, specialization, and performance of duties, or when the Board of Statutory Auditors has reasonable grounds to change the Independent Auditor for the purpose of further enhancing the appropriateness of the audit, the Board of Statutory Auditors will decide upon the content of a proposal for the dismissal or disapproval of reappointment of the Independent Auditor to be submitted to the General Shareholders' Meeting.

5. Corporate structure and policies:

(1) Establishment of a 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 the Board of Auditors.
   (2) The Company has established a "Code of Conduct," "Standards for Behavior of Heiwa Real Estate Group," and "Compliance Regulations," and requests the Directors, Corporate Officers, and employees of the Company 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 the "Internal Reporting Regulations," the Company has established a compliance hotline as a contact point for notification when problems 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 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 management conference among subsidiaries and affiliates and an administrative contact committee among subsidiaries and affiliates 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 reporting to Statutory Auditors of the Company, system to ensure that a person so reporting is not treated unfavorably because of the reporting, 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 management conference among subsidiaries and affiliates and the administrative contact committee among subsidiaries and affiliates, the results of internal audits of subsidiaries, and the contents of notifications by the compliance hotline.

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

(2) Summary of 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" as a basic set of standards for behavior to which the officers and employees of the Company Group should adhere. The Company ensures that the officers and employees of the Company Group thoroughly and strictly adhere to laws and regulations, etc. The Company-also holds training sessions on compliance.

The Company Group has introduced an internal reporting system and operates the system as a compliance hotline to be used by the officers and employees of the Company Group.

The Company responds to antisocial forces at an organizational level by taking forceful and resolute measures against antisocial forces, such as the establishment of a manual on handling antisocial forces based on the "Regulations on the Elimination of Antisocial Forces" and conducting prior research on clients and suppliers to ensure a system effective in completely preempting and intercepting relations with antisocial forces.

2) Initiatives for risk management system

The Company has revised a set of "Risk Management Rules" for them to be applied to subsidiaries as well, and has developed a risk management system for the Company Group as a whole.

The Company regularly holds a Risk Management Committee to understand various changes in the environment surrounding the real estate industry and risks that have actualized in the departments and subsidiaries, and deliberates on their issues and countermeasures.

The Company has established a "Business Continuity Plan (BCP)" and prepared a response manual based thereon, 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 to ensure the flexibility of business execution and the acceleration of decision-making.

The Managing Officers' Meetings conduct prior deliberations on matters to be submitted to the Board of Directors and hold discussions on important matters for business execution.

For the purpose of flexible business execution, the Company works to achieve the efficient and swift business execution based on the authority, responsibilities, etc. provided in the "Regulations of the Board of Directors' Meetings," the "Regulations of the Corporate Officers' Meetings," and the "Rules on the Division of Authorities."

4) Initiatives for the Company group system

The Company defines the scope of subsidiaries and affiliates and the departments in charge of business execution of subsidiaries and affiliates pursuant to a set of "Administrative Rules on Subsidiaries and Affiliates" and develops a system under which the subsidiaries report to the Company.

The Company regularly holds a management conference among subsidiaries and affiliates with subsidiaries to confirm the progress of the subsidiaries' business plans

and holds an administrative contact committee among subsidiaries and affiliates to check the development of internal control systems within the Company Group and provide an administrative contact, etc.

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 at the subsidiaries.

5) Initiatives for system for auditing by the Statutory Auditors

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.

The Statutory Auditors strive to understand situations by attending the Board of Directors meetings and other important meetings, requesting explanations on the details of deliberations as necessary, and meeting with the President, Representative Director to exchange opinions.

(3) 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 95th Ordinary General Shareholders' Meeting held on June 25, 2015. 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.
The Company has engaged in the leasing business of office buildings in financial and business districts since 1947 (Showa 22), which enables the Company to build relationships of trust with local communities including a local company and local government, and respond to the expectations of the local communities to cooperate with their development. In that process, the Company has also built relationships of trust with its business partners including a tenant and building management company through leasing and management of buildings, and thereby accumulated know-how on leasing business of office building. We believe that the Company will grow further by maintaining these attitudes.

The ongoing redevelopment of the business district located in Nihonbashi-Kabutocho, Chuoku, Tokyo is the project truly oriented by the aforementioned Company's efforts. The Company commits to increase profits and create a new generation of Heiwa Real Estate with abilities of making developments and/or proposals through the redevelopment and a faithful implementation thereof towards revitalization of Nihonbashi-Kabutocho where the Tokyo Stock Exchange, the heart of Japan's financial market, is located, in accordance with the government's framework to establish the Tokyo Global Financial Center. The Company believes that realizing such redevelopment will also contribute to society.

If a person who makes a purchase of a large volume of shares is unable to increase the source of the corporate value of the Company on a continuous basis in the medium- to long-term, the corporate value of the Company and subsequently the common interest of our shareholders will be damaged.

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) Our Special Efforts to Realize the Basic Policy

A. Efforts to Increase Corporate Value and to Ensure the Common Interest of Shareholders

a. Our Management Policy and the Source of the Corporate Value

The Company has engaged in the leasing business of office buildings mainly in the cities including Tokyo, Osaka, and Nagoya since the establishment in 1947 (Showa 22) as the owner of the buildings of the Tokyo, Osaka, Nagoya and other stock exchanges. During all these years, under the management policy - "Provision of a Safe and Comfortable Office Environment and Living Space for the People, thereby Contributing to the People and the City," the Company has successfully expanded its business into housing development, etc.

However, our core business has remained in leasing of office buildings, and the Company has been growing its business through acquisition or development of new buildings and subsequent operation management thereof. Although a development of building requires time, and operation and management of a building after development requires longer time, as the Company has built its assets through a consistent accumulation of such effort, the Company will continue such effort and grow further.

Fortunately, having expanded its business as the owner of buildings of stock exchange in respective areas over a period of time since its establishment, the Company has established strong relations of trust with its tenants, business partners and local communities, maintained high utilization rate of its leasing buildings, and been able to gain information and cooperation for redevelopment. Moreover, the past record of development in Osaka and Nagoya enables the Company to expand its business in Sendai and Sapporo. Such trust and the experience and know-how on leasing business of office buildings also enable the Company to expand its operation in the area of REIT business and generate consistent profits. We believe that it is the source of the corporate value of the Company.

b. Medium- to Long-term Management Plan – Efforts to Benefit the Corporate Value and the Common Interest of Shareholders –

The Company developed an action plan "Medium- to Long-term Management Plan: over the 'NEXT DECADE'" for an expansion of the leasing business of office buildings in April 2014, aiming at the next stage of the Company for the next ten (10) years where it will grow as a company contributing to urban development.

In this action plan, it is provided that Nihonbashi-Kabutocho where the Tokyo Stock Exchange Building is located will be redeveloped by utilizing our experiences in revitalization of business district, the experiences which have been gained through the rebuilding business of Osaka and Nagoya stock exchange buildings.

Nihonbashi-Kabutocho had grown as Japan's major "Securities District"; however, as the social environment changed, e.g. the development of information and communication, the district experienced a closure of securities trading floor, relocations of securities companies and consequently a decline in visitors.

Nonetheless, the Company believes that it can expand highly profitable leasing business of office buildings in the district by redevelopment, in light of a tremendous amount of potential of the district as it is conveniently located in terms of public transportation and has good access to Tokyo Station, and Tokyo (Haneda) and Narita International Airports.

Although the redevelopment is a long-term project, the corporate value of the Company will be increased by undertaking the project and increasing the revenue of the Company.

In addition, beginning with the redevelopment of Nihonbashi-Kabutocho, the Company aims to grow into a company which contributes to an urban development and create a basis for medium- to long-term growth. In order to achieve such aim, the Company will focus on the following four items:

(i) The Nihonbashi-Kabutocho Revitalization Project

The Company believes that an added value will be generated by an increase of attraction and prosperity of Nihonbashi-Kabutocho as a district but not by a simple rebuilding. We will, as a company based in Nihonbashi-Kabutocho since its foundation, create "Revitalization Vision for Nihonbashi-Kabutocho," make a proposal for a befitting development of Kabutocho and implement activities therefor in cooperation with its community. Furthermore, we will work toward final completion of the 1st stage of the project over the next five (5) years.

(ii) Strengthening of the building leasing business

In order to increase the earning capacity of the assets for leasing business, the Company will replace the assets possessed for leasing business by means of disposal of low profitable buildings and acquisition or newly built of highly profitable buildings. In addition, the Company will promote acquisition of carefully selected new assets for leasing business and further strengthen the revenue base of the leasing business of office buildings which is to be a foundation for promotion of the redevelopment.

(iii) Expansion of the fee business, including asset management business of REIT

The Company will, as a sponsor of HEIWA REAL ESTATE REIT, Inc., increase the Company's revenue from fee business by such measures as providing support to expand the assets under management by HEIWA REAL ESTATE Asset Management CO., LTD. and improve the quality thereof.

(iv) Strengthening of organizational controls and maintenance of financial discipline

The Company will promptly improve an organizational structure to soundly promote the medium-to long-term management plan. In particular, in relation to the Nihonbashi-Kabutocho Revitalization Project, the special department for the project was newly created. In addition, considering that a sound financial structure is essential for executing redevelopment business in medium- to long-term, the Company will maintain discipline with the emphasis on D/E ratio.

B. Efforts to Improve a Corporate Governance System

The Company considers the enhancement of corporate governance as an important business issue and, in addition to responding to the trust of shareholders and other stakeholders, strengthens corporate governance as a whole group for a fair and efficient business management.

In particular, the Company has introduced an executive officer system in order to separate function and responsibility for management from those of business operation, as well as to promote rapid decision-making and increase business efficiency.

In addition, three (3) out of seven (7) directors of the Company are external directors and three (3) out of four (4) statutory auditors of the Company are external statutory

auditors; and all of the external directors and external statutory auditors are filed as the independent officers set forth by a securities exchange.

Furthermore, while the Company is a company with board of company auditors, it has established an independent compensation committee the majority of which consists of external directors, for the purpose of better objectivity and adequateness of decision process of executive compensation.

The Company continues to improve the corporate governance system in a positive manner.

As we stated above, the Company will, utilizing the strength created from the source of the corporate value, implement the aforementioned measures, realize the medium- to long-term management plan, and ensure and improve the corporate value of the Company and subsequently the common interest of our shareholders.

3) Summary of the Efforts to Prevent Inappropriate Person Viewed in Light of Basic Policy from Controlling the Decision over Financial and Business Policies of the Company

A. Objectives of the Plan

The plan aims at maintaining and increasing the corporate value of the Company and subsequently the common interest of our shareholders continuously in accordance with the basic policy described above.

The Board of Directors has determined that it is indispensable for us to have a framework that: (i) can provide our shareholders with enough time and information to enable them to determine the pros and cons of a takeover proposal; (ii) can ensure an opportunity for our shareholders to negotiate with a Large Volume Purchaser; and (iii) can prevent the purchase of a large volume of the Company's shares that may damage the corporate value of the Company and subsequently the common interest of our shareholders. In this regard, as one of our efforts 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 keep the Plan in effect, with the approval of the shareholders at the 95th Ordinary General Shareholders' Meeting held on June 25, 2015.

For the continuation of the Plan, we took into account all relevant laws and regulations, legal precedents, regulations concerning the introduction of defense measures against takeovers provided by the Financial Instruments Exchange, "Guidelines concerning Defense Measures Against Takeovers to Ensure or to Increase Corporate Value and the Common Interest of Shareholders"("Guidelines of Defense Measures Against Takeovers") issued by the Ministry of Economy, Trade and Industry and the Ministry of Justice, and the Measures Against Takeovers.

B. Summary of the Plan

The Plan requires a Large Volume Purchaser who intends to purchase a certain volume or more of our Company's shares to comply with the procedures established in order to achieve the abovementioned objectives.

The Company may take countermeasures if: (i) the Board of Directors considers that the Large Volume Purchaser does not or will not comply with the Purchase Procedures; or (ii) the Board of Directors considers that the purchase by the Large Volume Purchaser may damage the corporate value of the Company and subsequently the common interest of our shareholders.

In making such decision, the Board of Directors will respect as much as possible any advice provided by a committee consisting of external directors and external statutory auditors of the Company or external experts ("Independent Committee"), who are independent from the top management of the Company executing the operations of the Company.

In addition, the Board of Directors may convene a Shareholders' Meeting for Intent Confirmation as to whether or not to take countermeasures based on advice provided by the Independent Committee.

The allotment of share warrants without charge shall be executed as the aforementioned countermeasures under the Plan.

4) Decision on Each Effort Above by the Board of Directors of the Company and the Reasons for Such Decision

A. Efforts that Contribute to the Realization of the Basic Policy

Each of the efforts described above are prepared as concrete measures for the purpose of continuously increasing the corporate value and subsequently the common interest of our shareholders, and can contribute to the realization of the basic policy.

Therefore, such efforts are in accordance with the basic policy and meet the common interest of our shareholders, not for the maintenance of the position of each directors of the Company.

B. Rationality of the Plan

a. 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 subsequently the common interest of our shareholders by requesting a Large Volume Purchaser who offers to make a Large Volume Purchase of the Company's shares to provide the information of the Large Volume Purchase in advance, and ensuring the information and time that

are necessary for our shareholders to determine whether they should accept such offer or not, or for the Board of Directors to propose an alternative plan or to negotiate with the Large Volume Purchaser for the benefit of our shareholders.

b. The efforts neither damage the common interest of our shareholders nor are intended to maintain the position of each directors of the Company

Due to the following reasons, the Company believes that a framework to prevent the control of the Company by an inappropriate person in light of the basic policy neither damages the common interest of our shareholders nor is intended to maintain the position of each directors of the Company.

(i) The efforts are in accordance with the "Guidelines of Defense Measures Against Takeovers" and the "Measures Against Takeovers"

The Plan completely fulfills the three principles defined in the "Guideline of Defense Measures Against the Takeovers" (principle of ensuring and increasing the corporate value and the common interest of shareholders, the principle of advance disclosure and the intent of shareholders, and the principle of necessity and adequacy), and takes into account the content of the "Measures Against Takeovers."

(ii) The efforts respect the intent of shareholders (resolution at a shareholders' meeting and the sunset provision)

The Plan may be continued subject to the approval of our shareholders at a general shareholders' meeting of the Company.

In addition, a Shareholders' Meeting for Intent Confirmation may be convened to confirm the intent of our shareholders with respect to the execution of countermeasures.

Also, there is a sunset provision in the Plan that limits the effective term of the Plan to three (3) years, and even if it is before the expiration of the effective period, the Plan may be abolished if a resolution to abolish the Plan is adopted at a general shareholders' meeting of the Company or such resolution is adopted at a meeting of the Board of Directors.

In this regard, the continuation or abolishment of the Plan depends on the intent of our shareholders.

(iii)Setting of rational and objective reasons to set the Plan into motion

It is provided that the Plan cannot be set into motion unless the predefined rational and detailed objective requirements are fulfilled. This means that the provision ensures prevention of the Board of Directors from arbitrarily setting the Plan into motion. Additionally, the reasons for setting the Plan into motion are provided after analyzing appropriate and rational takeover defense measures based on the analysis of precedents in Japan and in reference to the "Guidelines of Defense Measures Against Takeovers," etc. mentioned above.

(iv) Establishment of Independent Committee

The Company has separately established the Independent Committee to prevent the Board of Directors from making any arbitrary judgment on matters including the execution of countermeasures or taking countermeasures excessively.

Considering the purposes for establishing the Independent Committee, it consists of persons who are independent from the Board of Directors, and the Committee can obtain advice from external third party professionals (e.g. investment banks, securities companies, financial advisers, attorneys and certified public accountants) at a cost of the Company.

The Independent Committee will evaluate and consider the adequacy of the reason for setting the Plan into motion, and provide the Board of Directors with advice pursuant to the procedures defined in the "Independent Committee Rules." The Board of Directors will respect as much as possible the advice provided by the Independent Committee, and make a final decision whether the Company should set the Plan into motion or not, or change or cancel the Plan set into motion.

(v) The Plan is not a dead hand defense mechanism

As it is provided that the Plan can be abolished by the Board of Directors consisting of directors elected at a general shareholders meeting of the Company, it is possible that a Large Volume Purchaser may appoint new directors at a general shareholders meeting of the Company and the Board of Directors consisting of such directors can abolish the Plan.

Therefore, the Plan is not a dead hand defense mechanism (a takeover defense measure that cannot be stopped even if the majority of directors of the Board of Directors is changed).

CONSOLIDATED BALANCE SHEET

MARCH 31, 2016

ASSETS

	(In millions of yen)
Current assets:	
Cash and deposits	¥10,983
Accounts receivable – trade	1,213
Marketable securities	4,503
Real estate for sale	13,679
Real estate for sale in process	1,693
Other inventories	2
Operating investments	270
Deferred tax assets	311
Other	352
Allowance for doubtful accounts	(2)
Total current assets	33,008
Fixed assets:	
Tangible fixed assets -	
Buildings and structures	78,437
Machinery, equipment and vehicles	485
Tools, furniture and fixtures	306
Land	136,386
Total tangible fixed assets	215,616
Intangible fixed assets -	
Leasehold rights	9,778
Other	41
Total intangible fixed assets	9,820
Investments and other assets -	
Investment securities	30,861
Long-term loans to employees	4
Deferred tax assets	197
Other	4,095
Allowance for doubtful accounts	(11)
Total investments and other assets	35,147
Total fixed assets	260,584
Deferred assets -	
Bond-issuing expenses	428
Total deferred assets	428
Total assets	294,021

CONSOLIDATED BALANCE SHEET

MARCH 31, 2016

LIABILITIES AND NET ASSETS

(In millions of yen)

Liabilities	
Current liabilities:	
Notes and accounts payable – trade	¥2,451
Current portion of bonds	10,686
Short-term loans payable	8,000
Current portion of long-term loans	35,370
Accrued corporation and other taxes	266
Accrued consumption taxes	776
Accrued bonuses for directors	48
Accrued bonuses	194
Other	1,862
Total current liabilities	59,658
Long-term liabilities:	
Bonds	21,847
Long-term loans payable	84,328
Long-term deposits received and landlord deposits	20,342
Deferred tax liabilities	4,621
Deferred tax liabilities concerning revaluation	7,674
Long-term accounts payable	50
Net defined benefit liability	398
Asset retirement obligations	265
Other	7
Total long-term liabilities	139,536
Total liabilities	199,194
Net Assets	
Shareholders' equity:	
Common stock	21,492
Additional paid-in capital	19,720
Retained earnings	26,548
Treasury stock, at cost	(411)
Total shareholders' equity	67,349
Accumulated other comprehensive income:	
Unrealized gain on securities	10,455
Land revaluation surplus	17,021
Total accumulated other comprehensive income	27,477
Total net assets	94,827
Total liabilities and net assets	294,021

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FROM: APRIL 1, 2015
TO: MARCH 31, 2016

(In millions of yen)

Operating revenue	¥37,010
Cost of sales	24,650
Gross profit	12,359
Selling, general and administrative expenses	4,091
Operating income	8,267
Non-operating income -	
Interest income and dividends earned	345
Miscellaneous non-operating income	20
Total non-operating income	366
Non-operating expenses -	
Interest expense	1,473
Interest on debentures	252
Amortization of bond-issuing expenses	75
Miscellaneous non-operating expenses	123
Total non-operating expenses	1,925
Ordinary income	6,708
Extraordinary income -	
Gain on sale of fixed assets	384
Total extraordinary income	384
Extraordinary loss -	
Loss on sales of fixed assets	469
Loss on disposal of fixed assets	189
Other	2
Total extraordinary loss	661
Income before income taxes	6,431
Corporation, inhabitants and enterprise taxes	719
Deferred income taxes	1,303
Net income	4,408
Net income attributable to owners of parent	4,408

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2016

ASSETS

(In millions of yen)

Current assets:	
Cash and deposits	¥8,110
Accounts receivable – trade	514
Marketable securities	4,503
Real estate for sale	12,686
Real estate for sale in process	1,693
Operating investments	270
Prepaid expenses	52
Deferred tax assets	262
Short-term loans	43
Accounts receivable – other	148
Advances paid	77
Suspense payments	7
Allowance for doubtful accounts	(2)
Total current assets	28,366
Fixed assets:	
Tangible fixed assets -	
Buildings	75,283
Structures	316
Machinery and equipment	475
Vehicles	0
Tools, furniture and fixtures	274
Land	128,903
Total tangible fixed assets	205,254
Intangible fixed assets -	
Leasehold rights	9,778
Trademark rights	0
Software	9
Telephone subscription right	9
Right of using facilities	5
Total intangible fixed assets	9,804
Investments and other assets -	
Investment securities	26,160
Investment in securities of affiliates	9,935
Investment in other securities of affiliates	3,690
Investment in partnerships	21
Long-term loans receivable from employees	3
Long-term prepaid expenses	370
Guarantee deposits	3,492
Insurance funds	91
Allowance for doubtful accounts	(11)
Total investments and other assets	43,752
Total fixed assets	258,810
Deferred assets -	
Bond-issuing expenses	428
Total deferred assets	428
Total assets	287,606

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2016

LIABILITIES AND NET ASSETS

(In millions of yen)

Liabilities	
Current liabilities:	
Accounts payable – trade	1,970
Current portion of bonds	10,686
Short-term loans payable	9,870
Current portion of long-term loans	35,370
Accounts payable – other	24
Accrued expenses	118
Accrued corporation and other taxes	20
Accrued consumption taxes	706
Advances received	1,123
Deposits received	332
Accrued bonuses for directors	30
Accrued bonuses	117
Total current liabilities	60,370
Long-term liabilities:	
Bonds	21,847
Long-term loans payable	84,328
Long-term deposits received and landlord deposits	19,516
Deferred tax assets	3,013
Deferred tax liabilities concerning revaluation	7,674
Long-term accounts payable	42
Accrued severance indemnities for employees	182
Asset retirement obligations	242
Total long-term liabilities	136,847
Total liabilities	197,217
Net assets	
Shareholders' equity:	
Common stock	21,492
Additional paid-in capital	
Capital reserve	19,720
Total additional paid-in capital	19,720
Retained earnings:	
Legal reserve	1,453
Other retained earnings:	
Reserve for advanced depreciation of fixed assets	1,991
Special depreciation reserve	61
Reserve for research and development	30
General reserve	10,115
Retained earnings carried forward	8,637
Total other retained earnings	20,834
Total retained earnings	22,288
Treasury stock, at cost	(411)
Total shareholders' equity	63,089
Valuation and translation adjustments:	
Unrealized gain on securities	10,277
Land revaluation surplus	17,021
Total valuation and translation adjustments	27,299
Total net assets	90,388
Total liabilities and net assets	287,606

NON-CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FROM: APRIL 1, 2015
TO: MARCH 31, 2016

(In millions of yen)

Operating revenue -	
Leasing income	19,894
Revenue from real estate solutions	11,503
Total operating revenue	31,397
Cost of sales -	
Cost of leasing	12,663
Cost of real estate solutions	9,519
Total operating cost	22,183
Gross profit	9,214
Selling, general and administrative expenses	2,236
Operating income	6,977
Non-operating income -	
Interest income and dividends earned	747
Miscellaneous non-operating income	19
Total non-operating income	766
Non-operating expenses -	
Interest expense	1,482
Interest on debentures	252
Amortization of bond-issuing expenses	75
Miscellaneous non-operating expenses	123
Total non-operating expenses	1,934
Ordinary income	5,810
Extraordinary income -	
Gain on sale of fixed assets	384
Total extraordinary income	384
Extraordinary loss -	
Loss on sales of fixed assets	470
Loss on disposal of fixed assets	202
Other	2
Total extraordinary loss	675
Income before income taxes	5,519
Corporation, inhabitants and enterprise taxes	339
Deferred income taxes	1,454
Net income	3,725

A COPY OF THE AUDIT REPORT OF THE ACCOUNTING AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report
(English Translation)

May 10, 2016

To the Board of Directors
Heiwa Real Estate Co., Ltd.

BDO Toyo & Co.

Nobuyuki Kobayashi, CPA, Engagement Partner
Yasuo Muramoto, CPA, Engagement Partner
Mitsuhide Nansen, CPA, Engagement Partner

We have audited, pursuant to Article 444, Paragraph 4, of the Companies Act, the consolidated financial statements, which consist of the consolidated balance sheet, consolidated statement of profit and loss, consolidated statement of changes in net assets and notes to the consolidated financial statements of the Heiwa Real Estate Co., Ltd. and consolidated subsidiaries for the 96th fiscal year from April 1, 2015 to March 31, 2016.

The responsibility of the Company's management for these consolidated financial statements
The responsibility of the Company's management is to prepare and present fairly these consolidated financial statements in accordance with accounting standards generally accepted in Japan. The above responsibility includes the improvement and management of internal control as considered necessary by the management for the preparation and fair presentation of these consolidated financial statements with no material misstatements resulting from fraud or errors.

Auditors' responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatements.
When auditing, we perform audit procedures to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. We decide to select and apply audit procedures based on our assessment of the risks of material misstatements in the consolidated financial statements resulting from fraud or errors. Though the audit does not aim to express an opinion on the effectiveness of internal control, we, when assessing risks, examine internal control associated with the preparation and fair presentation of the consolidated financial statements, in order to plan appropriate audit procedures according to the situation at hand. In addition, an audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.
We believe to have obtained complete and sufficient audit evidence which forms the basis of our opinion.

Audit opinion
It is our opinion that the above consolidated financial statements fairly present, in every material aspect, the financial position and results of operations of the consolidated group consisting of the Heiwa Real Estate Co., Ltd and consolidated subsidiaries for the relevant term of the consolidated financial statements, in accordance with the business accounting standards generally accepted in Japan.

Conflict of interest
We have no interest in or relationship with the Company, which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Act.

A COPY OF THE AUDIT REPORT OF THE ACCOUNTING AUDITOR ON THE NON-CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report
(English Translation)

May 10, 2016

To the Board of Directors
Heiwa Real Estate Co., Ltd.

BDO Toyo & Co.

Nobuyuki Kobayashi, CPA, Engagement Partner
Yasuo Muramoto, CPA, Engagement Partner
Mitsuhide Nansen, CPA, Engagement Partner

We have audited, pursuant to Article 436, Paragraph 2, Item 1, of the Companies Act, the non-consolidated financial statements, which consist of the non-consolidated balance sheet, non-consolidated statement of profit and loss, non-consolidated statement of changes in net assets, notes to the non-consolidated financial statements and supplementary schedules of Heiwa Real Estate Co., Ltd. (hereinafter referred to as the "Company") for the 96th fiscal year from April 1, 2015 to March 31, 2016.

The responsibility of the Company's management for the non-consolidated financial statements, etc.
The responsibility of the Company's management is to prepare and present fairly the non-consolidated financial statements and supplementary schedules in accordance with accounting standards generally accepted in Japan. The above responsibility includes the improvement and management of internal control as considered necessary by the management for the preparation and fair presentation of nonconsolidated financial statements and supplementary schedules with no material misstatements resulting from fraud or errors.

Auditors' responsibility
Our responsibility is to express an opinion on the non-consolidated financial statements and supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the non-consolidated financial statements and supplementary schedules are free of material misstatements.
When auditing, we perform audit procedures to obtain audit evidence supporting the amounts and disclosure in the non-consolidated financial statements and supplementary schedules. We decide to select and apply audit procedures based on our assessment of the risks of material misstatements in the non-consolidated financial statements and supplementary schedules resulting from fraud or errors. Though the audit does not aim to express an opinion on the effectiveness of internal control, we, when assessing risks, examine internal control associated with the preparation and fair presentation of the non-consolidated financial statements and supplementary schedules, in order to plan appropriate audit procedures according to the situation at hand. In addition, an audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall non-consolidated financial statement presentation.
We believe to have obtained complete and sufficient audit evidence which forms the basis of our opinion.

Audit opinion
It is our opinion that the above non-consolidated financial statements and supplementary schedules fairly present, in every material aspect, the financial position and results of operations of the Company for the relevant term of the non-consolidated financial statements and supplementary schedules, in accordance with the business accounting standards generally accepted in Japan.

Conflict of interest
We have no interest in or relationship with the Company, which is required to be disclosed pursuant to the provisions of the Certified Public Accountant Act.

A COPY OF THE AUDIT REPORT OF THE BOARD OF STATUTORY AUDITORS

AUDIT REPORT

We, the Board of Statutory Auditors, having deliberated the issues based on the reports made by each Statutory Auditor concerning the methods and results of their audit of the business activities of the directors for the 96th fiscal year from April 1, 2015 to March 31, 2016, prepared this Audit Report and hereby submit to you as follows:

1. Outline of auditing method applied by the Statutory Auditors and the Board of Statutory Auditors:

(1) The Board of Statutory Auditors established the auditing policies and the audit plan, received reports and explanations regarding the status of audits and the results thereof from each Statutory Auditor, as well as reports and explanations regarding the status of the execution of duties from the Directors and Accounting Auditor, and requested explanation as necessary.

(2) In accordance with the auditing standards for Statutory Auditors determined by the Board of Statutory Auditors and the auditing policies and the audit plan, each Statutory Auditor endeavored to collect information and established auditing circumstances through communication with internal audit staff and other employees, and conducted the audit in accordance with the following procedures.
   1) Each Statutory Auditor attended the Board of Directors' meeting and other important meetings to receive reports regarding performance of duties from directors and employees and requested explanations as necessary. Each Statutory Auditor also inspected the significant approved documents and examined the status of operations and conditions of assets at its head office and principal offices. With regard to subsidiaries, each Statutory Auditor received reports from the subsidiaries on the status of their business, as necessary, based on the information obtained from full-time Statutory Auditors concurrently serving as the Statutory Auditors of the subsidiaries.
   2) With regard to the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the directors' duties are performed in conformity of laws, regulations and the Articles of Incorporation of the Company as stated in the business reports, the establishment of the system necessary to ensure proper business operations of the company group, which consists of a *kabushiki kaisha* (joint stock company) and its subsidiaries, as set forth in Article 100, Paragraph 1 and 3, of Enforcement Regulations of the Companies Act, and the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Statutory Auditor regularly received reports from directors and employees on the status of the establishment and operations thereof, requested them for explanations as necessary, and expressed opinions.
   3) The contents of the basic policy set forth in Article 118, Item3 (i) of the Enforcement Regulations of the Companies Act as stated in the business reports and each approach set forth in Item 3 (ii) of the same article are reviewed based on the status of deliberations of the Board of Directors and other management entities.
   4) Statutory Auditors monitored and verified that Accounting Auditor maintains independence and conduct the audits appropriately. Each Statutory Auditor also received reports of the status of the execution of duties from Accounting Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005)) from the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, non-consolidated statement of profit and loss, non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements), and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, consolidated statement of profit and loss, consolidated statement of changes in net assets and notes to the consolidated financial statements), and the supplementary schedules, for the year ended on March 31, 2016.

2. Results of Audit

(1) Results of audit of business report
1) The business reports and supplementary schedules present fairly the financial condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation of the Company;
2) Regarding the performance of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, nor the Articles of Incorporation of the Company; and
3) Resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional mention regarding the contents of the business report and the execution of duties by Directors regarding the internal control system.
4) There are no matters requiring additional mention with respect to the basic policy on the control of companies stated in the business reports. We acknowledge that, among the approaches set forth in Article 118, Item 3 (ii), of the Enforcement Regulations of the Companies Act, those stated in the business reports conform with the basic policy, are in no way obstructive of any common interests of shareholders, and are not adopted with the intention of maintaining the positions of Directors and Statutory Auditors.

(2) Results of audit of non-consolidated financial statements and supplementary schedules
The auditing methods and results of the Accounting Auditor, BDO Toyo & Co., are fair and reasonable.

(3) Results of audit of consolidated financial statements and supplementary schedules
The auditing methods and results of the Accounting Auditor, BDO Toyo & Co., are fair and reasonable.

May 16, 2016

Board of Statutory Auditors
Heiwa Real Estate Co., Ltd.
Statutory Auditor (Full-time)
Naoto Kato

External Statutory Auditor (Full-time)
Shigeo Ojima

External Statutory Auditor
Yasutada Sasaki

External Statutory Auditor
Chikami Tsubaki