(Security Code 8803)

Year Ended March 31, 2018
NOTICE CONCERNING THE CONVOCATION OF THE 98th ORDINARY GENERAL SHAREHOLDERS' MEETING

Date of the Meeting: June 26, 2018 (Tuesday), 10:00 a.m. (reception starts at 9:00 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 25, 2018 (Monday), 5:00 p.m.

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Heiwa Real Estate Co., Ltd.

Security Code 8803
May 31, 2018

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

Dear Shareholders:

NOTICE CONCERNING THE CONVOCATION OF THE
98th ORDINARY GENERAL SHAREHOLDERS' MEETING

We are pleased to inform you that the 98th 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
Representative Director and President
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

If you cannot attend the meeting, you can exercise your voting rights in writing or by electronic method (the Internet, etc.). We would appreciate your review of the following attached Reference Documents for the General Shareholders' Meeting and your exercise of the voting rights by 5:00 p.m., Monday, June 25, 2018.

1. Date of the Meeting: June 26, 2018 (Tuesday), 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 98th fiscal year from April 1, 2017 to March 31, 2018; 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 98th fiscal year.

Items to be voted upon:

Agenda Item No. 1: Proposed Appropriation of Surplus

Agenda Item No. 2: Assignation of Three Directors

Agenda Item No. 3: Assignation of Two Statutory Auditors

Agenda Item No. 4: Payment of Bonuses to Directors

Agenda Item No. 5: Revision of the Amount of Remuneration for Directors and Statutory Auditors

Agenda Item No. 6: Continuation of Measures Against Large-Scale Purchases of Shares of the Company (Takeover Defense Measures)

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 26, 2018 (Tuesday), 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., Monday, June 25, 2018

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., Monday, June 25, 2018

(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.)

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, adding a commemorative dividend to celebrate the 70th anniversary of the Company's founding in July 2017, by comprehensively considering 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
¥20 per share of the Company's common stock (ordinary dividend of ¥18 and commemorative dividend of ¥2) Total amount ¥797,704,260
(Note) The annual dividend for this fiscal term, together with the interim dividend of ¥17 (ordinary dividend of ¥15 and commemorative dividend of ¥2), will be ¥37 per share (ordinary dividend of ¥33 and commemorative dividend of ¥4), an increase of ¥11 from the annual dividend of the previous fiscal year (increased ordinary dividend by ¥7 and commemorative dividend by ¥4).

(3) Effective date of appropriation of surplus
June 27, 2018

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

The office term of the following two present Directors, Motoya Aizawa and Kunitaro Saida, shall expire at the close of this meeting.

In line with this, the Company intends to further strengthen its corporate governance structure by increasing the number of External Directors by one. Accordingly, the Company proposes the election of three Directors.

The Company has established a Nominating Committee, the majority of which consists of External Directors, as an advisory body to the Board of Directors. Prior to the Meeting, the Nominating 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 this Agenda based on said report.

The candidates for Directorship of the Company are as follows:

<table>
<tr><th>No.</th><th>Name and date of birth</th><th>Number of shares of the Company owned by the candidate</th><th colspan="3">Career summary, position and assignment of the Company</th></tr>
<tr><td rowspan="4">1</td><td>Motoya Aizawa

August 25, 1942

<Reappointed>
<External Director>
<Independent Officer>

Attendance at Board of Directors' Meetings:
10 / 11 (90.9%)

Term of office:
8 years</td><td>1,355</td><td>April 1965

November 1973

December 1979

June 1998

June 2008

June 2010

June 2011

June 2011</td><td colspan="2">Joined Nippon Kangyo Securities Co., Ltd. (current Mizuho Securities Co., Ltd.)

Managing Director of AIZAWA SECURITIES CO., LTD.

President and CEO of AIZAWA SECURITIES CO., LTD.

Chairman of AIZAWA SECURITIES CO., LTD.

Chairman and President of AIZAWA SECURITIES CO., LTD.

External Director of the Company (present post)

President and CEO of AIZAWA SECURITIES CO., LTD. (present post)

President and CEO of AIZAWA SECURITIES CO., LTD. (present post)</td></tr>
<tr><td colspan="5">[Significant office(s) concurrently held]
President and CEO of AIZAWA SECURITIES CO.,LTD.</td></tr>
<tr><td colspan="5">[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 played an appropriate role in the Company's efforts to strengthen the supervisory functions of Board of Directors, etc. from an independent and objective standpoint taking advantage of the in-depth knowledge he has accumulated in the fields of securities and finance and his experience, etc. in corporate management. 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.</td></tr>
<tr><td colspan="5">[Concerning his independence]
The Company has no transactional relationship with AIZAWA SECURITIES CO.,LTD., an entity for which Mr. Motoya Aizawa serves as Presidnet and CEO.
Although the Company and AIZAWA SECURITIES CO.,LTD. hold each other's shares, AIZAWA SECURITIES CO., LTD. holds less than 1% of the total number of the Company shares issued. Therefore, Mr. Motoya Aizawa does not fall in the category of persons who execute the business of the Company's major shareholders (criteria: the shareholders who own the shares equivalent to 10% or more of the total number of issued shares of the Company) as defined in the "Standards for Assessing the Independence of Independent Officers" (on page 16) stipulated by the Company, and accordingly does not fall in any of the provisions set forth in the Standards.
For the above reasons, 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, and that his independence is ensured.
The Company has registered him with Tokyo Stock Exchange, Inc. as an independent officer. If his reelection is approved, the Company will continue to appoint him as an independent officer.</td></tr>
</table>

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> Attendance at Board of Directors' Meetings: 11 / 11 (100%) Term of office: 8 years	903	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. Also, since his retirement from these offices, he has engaged in corporate legal affairs as an attorney, and although Mr. Kunitaro Saida has never been directly involved in corporate management, he has played an appropriate role in the Company's efforts to strengthen the supervisory functions of Board of Directors, etc. 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] Mr. Kunitaro Saida has no transactional relationship with the Company, and accordingly does not fall in any of the provisions set forth in the "Standards for Assessing the Independence of Independent Officers" (on page 16) stipulated by the Company. For the above reasons, 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, and that his independence is ensured. The Company has registered him with Tokyo Stock Exchange, Inc. 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		
3	Junji Ota February 21, 1948 < Newly appointed > <External Director> <Independent Officer> Attendance at Board of Directors' Meetings: - / - (-%) Term of office: -	0	April	1971	Joined Nippon Steel Corporation (current NIPPON STEEL & SUMITOMO METAL CORPORATION)
			June	2001	Director, Member of the Board, Head of Division, Group Companies Planning Div. of Nippon Steel Corporation
			April	2003	Director, Member of the Board, Head of Division, Corporate Planning Div. of Nippon Steel Corporation
			April	2005	Managing Director, Member of the Board of Nippon Steel Corporation
			June	2008	Senior Auditor of Nippon Steel Corporation
			May	2011	Chairman of Japan Audit & Supervisory Board Member Association, Public Interest Incorporated Association
			June	2012	Senior Advisor of Nippon Steel Corporation (current NIPPON STEEL & SUMITOMO METAL CORPORATION); External Auditor of Nippon Steel Engineering Co., Ltd. (current Nippon Steel & Sumikin Engineering Co., Ltd.); External Auditor of Enterprise Turnaround Initiative Corporation of Japan (current Regional Economy Vitalization Corporation of Japan) (present post)
			July	2014	Advisor of NIPPON STEEL & SUMITOMO METAL CORPORATION
			November	2014	Chief Advisor of Japan Audit & Supervisory Board Member Association, Public Interest Incorporated Association
			July	2016	Public Governor, Chair of Self-regulation Board & Vice-Chairman of Japan Securities Dealers Association (present post)
	[Significant office(s) concurrently held] Public Governor, Chair of Self-regulation Board & Vice-Chairman of Japan Securities Dealers Association				

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company
	[Reason for nominating him as a candidate for External Director] Mr. Junji Ota has served as a Director, Member of the Board of Nippon Steel Corporation (current NIPPON STEEL & SUMITOMO METAL CORPORATION) and has achievements as a corporate manager. He is expected to play an appropriate role in the Company's efforts to strengthen the supervisory functions of Board of Directors, etc.from an independent and objective standpoint taking advantage of his deep knowledge and experience, etc. in corporate management. The Company therefore expects that Mr. Junji Ota will contribute to the management as the Company's Director, and thus has nominated him as a candidate for External Director.		
	[Concerning his independence] There have been transactions related to the leasing of real estate between the Company and Japan Securities Dealers Association, an entity for which Mr. Junji Ota serves as Vice-Chairman. However, the amount of the transactions makes up less than 1% of the consolidated operating revenue of the Company. Therefore, Mr. Junji Ota does not fall in the category of persons who execute the business of the Company's major suppliers (cirieteria: the suppliers who pay the Company an amount equivalent to more than 2% of the Company's consolidated operating revenue) as defined in the "Standards for Assessing the Independence of Independent Officers" (on page 16) stipulated by the Company, and accordingly does not fall in any of the provisions set forth in the Standards. For the above reasons, the Company believes that Mr. Junji Ota 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, and that his independence is ensured. The Company will newly register him with Tokyo Stock Exchange, Inc. as an independent officer.		

(Notes)

1. No conflict of interest exists between the Company and Mr. Motoya Aizawa, Mr. Kunitaro Saida, and Mr. Junji Ota.
2. Mr. Motoya Aizawa, Mr. Kunitaro Saida, and Mr. Junji Ota 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 eight years at the conclusion of this Ordinary General Shareholders' Meeting.
4. Notes on the candidates for External Directors are as follows.
   (1) Mr. Motoya Aizawa currently serves as President and CEO of AIZAWA SECURITIES CO.,LTD. as shown in the "Career summary, position and assignment of the Company" column, but is scheduled to assume office as Chairman and Representative Director of the same company on July 1, 2018.
   (2) Mr. Junji Ota currently serves as External Auditor, Regional Economy Vitalization Corporation of Japan, as shown in the "Career summary, position and assignment of the Company" column, but is scheduled to retire as External Auditor on June 26, 2018.
   (3) 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. In addition, if the election of Mr. Junji Ota is approved, the Company will enter into a liability limitation agreement with him under the same conditions. The Company has entered into liability limitation agreements with all of the External Directors.

Agenda Item No. 3: "Assignation of Two Statutory Auditors"

The Company proposes the election of two Statutory Auditors due to the expiration of the office term at the close of this meeting of the two present Statutory Auditors: Yasutada Sasaki and Chikami Tsubaki.

The Board of Statutory Auditors previously gave its approval.

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

The candidate for Statutory Auditor of the Company is as follows:

<table>
<tr><th>No.</th><th>Name and date of birth</th><th>Number of shares of the Company owned by the candidate</th><th colspan="3">Career summary and position</th></tr>
<tr><td rowspan="4">1</td><td>Chikami Tsubaki

August 6, 1947

<Reappointed>
<External Statutory Auditor >
<Independent Officer>

Attendance at Board of Directors' Meetings:
11 / 11 (100%)

Term of office:
4 years</td><td>225</td><td>April</td><td>1970</td><td>Joined EBARA-Infilco Co., Ltd., (current EBARA CORPORATION)</td></tr>
<tr><td></td><td></td><td>May</td><td>1975</td><td>Joined Asahi & Co. (current KPMG AZSA LLC)</td></tr>
<tr><td></td><td></td><td>March</td><td>1979</td><td>Registered and commenced practice as Certified Public Accountant (present post)</td></tr>
<tr><td></td><td></td><td>July</td><td>1999</td><td>Representative Partner of Asahi Co. (current KPMG AZSA LLC)</td></tr>
<tr><td></td><td></td><td>July</td><td>2004</td><td>Senior Executive of The Japanese Institute of Certified Public Accountants</td></tr>
<tr><td></td><td></td><td>June</td><td>2013</td><td>Outside Audit & Supervisory Board Member of NKSJ Holdings, Inc. (current Sompo Holdings, Inc.)</td></tr>
<tr><td></td><td></td><td>June</td><td>2014</td><td>External Statutory Auditor of the Company (present post)</td></tr>
<tr><td></td><td></td><td>June</td><td>2016</td><td>Outside Director, (Audit & Supervisory Committee Member) of Seiko Epson Corporation (present post)</td></tr>
<tr><td></td><td colspan="5">[Significant office(s) concurrently held]
Outside Director, (Audit & Supervisory Committee Member) of Seiko Epson Corporation</td></tr>
<tr><td></td><td colspan="5">[Reason for nominating him as a candidate for External Statutory Auditor]
Although Ms. Chikami Tsubaki has never been directly involved in corporate management, the Company believes she is able to make use of her specialized knowledge and experience, etc. as a certified public accountant for the audit system of the Company from an independent and objective standpoint. Therefore, the Company has nominated her as a candidate for External Statutory Auditor.</td></tr>
<tr><td></td><td colspan="5">[Concerning his independence]
Ms. Chikami Tsubaki has no transactional relationship with the Company, and accordingly does not fall in any of the provisions set forth in the "Standards for Assessing the Independence of Independent Officers" (on page 16) stipulated by the Company.
For the above reasons, the Company believes that Ms. Chikami Tsubaki 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, and that her independence is ensured.
The Company has registered her with Tokyo Stock Exchange, Inc. as an independent officer. If her reelection is approved, the Company will continue to appoint her as an independent officer.</td></tr>
</table>

<table>
<tr><th>No.</th><th>Name and date of birth</th><th>Number of shares of the Company owned by the candidate</th><th colspan="4">Career summary and position</th></tr>
<tr><td rowspan="4">2</td><td>Jun Sekine

June 21, 1953

< Newly appointed >

<External Statutory Auditor>

<Independent Officer>

Attendance at Board of Directors' Meetings:
- / - (-%)

Term of office:
-</td><td>0</td><td>April</td><td>1978</td><td>Joined The Bank of Japan

May 2001 General Manager, Matsumoto Branch of The Bank of Japan

July 2003 General Manager, Hiroshima Branch of The Bank of Japan

January 2006 Director-General, Personnel and Corporate Affairs Department of The Bank of Japan

March 2007 Director-General, Research and Statistics Department of The Bank of Japan

May 2008 Joined Okasan Securities Co., Ltd.

June 2008 Director of Okasan Securities Co., Ltd.

April 2017 Executive Officer of OKASAN SECURITIES GROUP INC.

June 2017 Managing Executive Officer of Okasan Securities Co., Ltd. (present post)</td></tr>
<tr><td colspan="5">[Significant office(s) concurrently held]
None</td></tr>
<tr><td colspan="5">[Reason for nominating him as a candidate for External Statutory Auditor]
The Company believes Mr. Jun Sekine is able to make use of the deep knowledge he has accumulated in The Bank of Japan and the experience in corporate management, etc. he has accumulated in securities companies for the audit system of the Company from an independent and objective standpoint. Therefore, the Company has nominated him as a candidate for External Statutory Auditor.</td></tr>
<tr><td colspan="5">[Concerning his independence]
There have been transactions related to the leasing of real estate between the Company and Okasan Securities Co., Ltd., an entity for which Mr. Jun Sekine serves as Managing Executive Officer. However, the amount of the transactions makes up less than 1% of the consolidated operating revenue of the Company. Therefore, Mr. Jun Sekine does not fall in the category of persons who execute the business of the Company's major suppliers (cirieteria: the suppliers who pay the Company an amount equivalent to more than 2% of the Company's consolidated operating revenue) as defined in the "Standards for Assessing the Independence of Independent Officers" (on page 16) stipulated by the Company. In addition, the Company and OKASAN SECURITIES GROUP INC., an entity for which Mr. Jun Sekine served as Executive Officer, hold each other's shares. However, OKASAN SECURITIES GROUP INC. holds less than 1% of the total number of the Company shares issued., and accordingly Mr. Jun Sekine does not fall in the category of persons who execute the business of the Company's major shareholders (criteria: the shareholders who own the shares equivalent to 10% or more of the total number of issued shares of the Company) as defined in the "Standards for Assessing the Independence of Independent Officers" stipulated by the Company, and accordingly does not fall in any of the provisions set forth in the Standards.
For the above reasons, the Company believes that Mr. Jun Sekine 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, and that his independence is ensured.
The Company will newly register him with Tokyo Stock Exchange, Inc. as an independent officer.</td></tr>
</table>

(Notes)

1. No conflict of interest exists between the Company and Ms. Chikami Tsubaki and Mr. Jun Sekine.
2. Ms. Chikami Tsubaki and Mr. Jun Sekine are candidates for External Statutory Auditors.
3. Ms. Chikami Tsubaki is currently serving as External Statutory Auditor of the Company. Her term of office will be four years at the conclusion of this Ordinary General Shareholders' Meeting.
4. Notes on the candidates for External Statutory Auditors are as follows.
   (1) Mr. Jun Sekine currently serves as Managing Executive Officer of Okasan Securities Co., Ltd. as shown in the "Career summary and position" column, but is scheduled to retire as Managing Executive Officer on June 4, 2018.
   (2) The Company has entered into an agreement with Ms. Chikami Tsubaki to limit her 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 agreement shall be the amount prescribed in the Act. If her reelection is approved, the Company will renew the liability limitation agreement under the same conditions. In addition, if the election of Mr. Jun Sekine is approved, the Company will enter into a liability limitation agreement with him under the same conditions. The Company has entered into liability limitation agreements with all of the External Statutory Auditors.

(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.

Agenda Item No. 4: "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 ¥40,000,000 in total to five 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 details concerning the payment of total amount of bonuses to 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.

Agenda Item No. 5: "Revision of the Amount of Remuneration for Directors and Statutory Auditors"

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 (this does not include the employee salaries of Directors who serve concurrently as employees), the amount of remuneration for External Directors to ¥25 million per year, and the amount of remuneration for Statutory Auditors to ¥60 million per year, and the determined amounts have remained unchanged up to the present date.
Here, as stated in Agenda Item No. 2, the Company intends to further strengthen its corporate governance structure by increasing the number of External Directors by one. In addition to this proposal, in consideration of changes in economic circumstances after the resolution and other factors, the Company proposes to revise the amount of remuneration for External Directors be changed to ¥40 million or less per year, and that the amount of remuneration for Statutory Auditors be changed to ¥70 million or less per year without changing the amount of remuneration for 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 details concerning the revision of the amount of remuneration for Directors and Statutory Auditors and reported the results to the Board of Directors. The Board of Directors then determined the content of this Agenda based on said report.
The Company currently has 8 Directors (including 3 External Directors) and 4 Statutory Auditors. If Agenda Items No. 2 and No. 3 are approved as proposed, the Company will have 9 Directors (including 4 External Directors) and 4 Statutory Auditors.

Agenda Item No. 6: "Continuation of Measures Against Large-Scale Purchases of Shares of the Company (Takeover Defense Measures)"

Heiwa Real Estate Co., Ltd. (the "**Company**") obtained the shareholders' approval for the renewal of the "Measures Against Large-Scale Purchases of the Shares of the Company" (the "**Current Plan**") at the 95th ordinary general meeting of shareholders held on June 25, 2015.

Because the effective period of the Current Plan is until the conclusion of the ordinary general meeting of shareholders to be held on June 26, 2018 (the "**Ordinary General Meeting of Shareholders**"), the Company has continued to deliberate on the appropriateness of the Current Plan, including whether or not we should continue the Current Plan, from the viewpoint of increasing the corporate value of the Company and ensuring the common interests of our shareholders in light of the business environment surrounding the Company and developments in the debate concerning takeover defense measures since the renewal of the Current Plan.

As a result of the above deliberation and after taking into consideration changing circumstances and other relevant matters, the Board of Directors of the Company resolved at its meeting held on May 16, 2018 to partially revise the Current Plan and make a proposal for the revised plan at the Ordinary General Meeting of Shareholders, and, subject to obtaining approval from shareholders, to continue the measures (the measures after the renewal are hereinafter referred to as the "**Plan**").

At the above Board of Directors meeting, all of the eight Directors (including three external Directors) unanimously approved and adopted the proposal for the continuation, and all of the four Statutory Auditors (including three external Statutory Auditors) expressed an opinion to the effect that they had no objections in respect of the continuation.

If the continuation is approved by our shareholders at the Ordinary General Meeting of Shareholders, the effective period of the Plan will be until the conclusion of the ordinary general meeting of shareholders to be held in June 2021.

Currently, the Company has not received any actual proposal for a large-scale purchase of shares of the Company or any similar act.

The details of the revisions to the Current Plan and reasons for the continuation are as follows.

Details of revisions to the Current Plan:

(i) Requirements for triggering countermeasures are limited to the following five categories: the so-called "four categories" identified by the Tokyo High Court; and coercive two-tiered tender offers (please refer to III.4(2)(ii)(b) below).

(ii) Other necessary revisions such as revisions to wording.

In order to enhance the independence of the Board of Directors so that the management team of the Company will not arbitrarily operate the Plan, and to further strengthen the corporate governance structure of the Company, the Board of Directors also resolved at the above meeting to submit a proposal to the Ordinary General Meeting of Shareholders for electing one highly independent external Director to increase the number thereof.

Reasons for continuation:

As set out in II, “Special Efforts to Realize the Basic Policy” below, the Company has made continuous efforts for increasing its corporate value and strengthening corporate governance based on the Medium- to Long-term Management Plan.

Under the Medium- to Long-term Management Plan, the Company aims to achieve results from our efforts to build new growth bases and increase corporate value, beginning with the redevelopment project in the Nihonbashi Kabuto-cho and Kayaba-cho areas, and the Company has launched the commercialization of the first stage of the redevelopment project with cooperation and other support from local communities based on relationships of trust with its stakeholders that the Company has built as the owner of stock exchange buildings. Additionally, taking advantage of one of the features of Nihonbashi Kabuto-cho as a district where a stock market is located, the Company is moving forward with urban development under the concept of improving finance-related functions. These efforts by the Company have been highly recognized, and the Nihonbashi Kabuto-cho Section 7 Development Plan (tentative name), a plan that the Company is currently promoting, was approved as a National Strategic City Planning Building Improvement Project in the Tokyo Area National Strategic Special Zone. The Company’s intention is to focus our efforts on the first stage of the redevelopment project for the time being by utilizing good relationships with our stakeholders as well as our experience, expertise and other assets, without spreading our managerial resources too thin. The Company believes that continuously implementing these measures, which are based on the Company’s views on its corporate value as described above, over the medium to long term will strengthen the Company’s business bases and contribute to increasing its corporate value and realizing sustainable growth.

However, in the current Japanese stock market and Japanese legal system, it is possible to engage in abusive takeovers for the purpose of conducting acts such as (i) a large-scale purchase of shares by an acquirer for the purpose of inflating the share price and forcing the target company to buy the shares after the purchase, (ii) management that benefits the acquirer to the detriment of the target company, such as through the low-cost acquisition of material assets or the like from the target company, (iii) diversion of the target company’s assets or the like to repay debts of the acquirer, and (iv) disposal of the target company’s assets or the like to obtain temporarily high dividends or other benefits from the profits of the disposal, so we cannot deny the possibility of a large-scale purchase that would cause obvious harm to the corporate value of the Company and the common interests of our shareholders.

From the above perspectives, the Board of Directors of the Company determined that it is essential for the Company to have a framework that, if the Company receives an actual proposal for a large-scale purchase, enables the Board of Directors to secure the necessary time and information for the shareholders to make an appropriate decision on whether or not the purchase will contribute to increasing the corporate value of the Company and to secure opportunities for negotiations with the large-scale purchaser for the benefit of our shareholders, thereby deterring any large-scale purchase that would cause harm to the corporate value of the Company and, in turn, the common interests of our shareholders. The Board of Directors of the Company therefore requests that the shareholders approve the continuation.

Reference: Principal terms of the Plan (summary)

Principal terms	Details after the revision
Large-scale purchases subject to the Plan	Purchase or other acquisition that would result in the holding ratio of shares, etc. of the purchaser totaling 20% or more of the issued shares, etc. of the Company
Information provision period	60 days
Board of Directors examination period	60 days (this period may be extended for up to 30 days)
Composition of the Independent Committee (at the time of the renewal of the Plan)	Highly independent external Directors and external Statutory Auditors: Three members in total
Requirements for triggering countermeasures	Large-scale purchase that falls under any of the so-called “four categories” identified by the Tokyo High Court or a coercive two-tiered tender offer Cases where the large-scale purchaser does not comply with the purchase procedures
Organization that makes the decision to trigger countermeasures	The Board of Directors makes the decision, respecting as much as possible the recommendation made by the Independent Committee. A shareholders’ meeting for intent confirmation may be held regarding the triggering of countermeasures.
Details of countermeasures	Gratis allotment of share options
Effective period	Three years (until the conclusion of the ordinary general meeting of shareholders to be held in June 2021)
Delivery of money as consideration for share options held by the large-scale purchaser	No money will be delivered

(Note) This chart was prepared as a summary for providing a clear explanation of the details of the principal terms of the Plan. Please refer to the text of the Plan below for the specific details of the Plan.

Measures Against Large-Scale Purchases of Shares of the Company
(Takeover Defense Measures)

I. Basic Policy with Regard to Persons who Control Decisions on Financial and Business Policies of the Company

The Company believes that a person who controls the decisions on the financial and business policies of the Company must be a person who has a full understanding of the financial and business affairs of the Company's group as well as the source of the corporate value of the Company and who will continue to increase the corporate value of the Company and, in turn, the common interests of our shareholders.

Also, the Company would not reject a large-scale purchase of the Company's shares if it would contribute to the corporate value of the Company and, in turn, the common interests of our shareholders, and the Company believes that a decision on whether or not to accept a proposal for a large-scale purchase of the Company's shares that would involve a transfer of corporate control of the Company must ultimately be made based on the intent of our shareholders.

However, there are some cases of large-scale purchases of shares that threaten to impair the corporate value of a target company and, in turn, the common interests of its shareholders, such as purchases that (i) cause obvious harm to the corporate value of the target company and, in turn, the common interests of its shareholders, (ii) threaten to effectively force the shareholders of the target company to sell their shares, or (iii) do not give enough time and information to enable the board of directors or shareholders of the target company to examine the terms and other details of the large-scale purchase or to enable the board of directors to provide an alternative proposal.

Therefore, the Company believes that a person who makes a large-scale purchase of the Company's shares that would not contribute to the corporate value of the Company and, in turn, the common interests of our shareholders is inappropriate as a person who controls decisions on the financial and business policies of the Company, and that we should take necessary and reasonable countermeasures to a large-scale purchase by such a person for the purpose of ensuring the corporate value of the Company and, in turn, the common interests of our shareholders.

II. Special Efforts to Realize the Basic Policy

1. The Source of the Company's Corporate Value

The Company believes that one of the sources of the Company's corporate value is the feeling of trust that the Company has built as the owner of stock exchange buildings. The Company was incorporated as the owner of the buildings of exchanges such as the Tokyo Stock Exchange, the Osaka Stock Exchange, and the Nagoya Stock Exchange, and it has built relationships of trust with tenants, trading partners, local communities, and other stakeholders by supporting financial infrastructure and other facilities in Japan. By obtaining cooperation from these various stakeholders, the Company successfully completed the projects for reconstructing the Osaka Stock Exchange Building and the Nagoya Stock Exchange Building and was able to launch the commercialization of the first stage of the Nihonbashi Kabuto-cho and Kayaba-cho Redevelopment Project.

The Company believes that a second source of the Company's corporate value is the promotion over the medium to long term of the redevelopment projects that are listed as urban revitalization projects by the National Strategic Special Zone Council for the Greater Tokyo Area. As part of measures for the "Initiatives for the Tokyo Global Financial Center," in addition to communities' expectations for revitalization, the Tokyo Metropolitan Government established a policy to develop the areas along Eitai-dori, extending from the Otemachi and Nihonbashi to Nihonbashi Kabuto-cho districts, into a financial center. It is expected that Eitai-dori will come to function as a financial center through promoting development that takes advantage of the features of each district and through these districts working in cooperation with each other. Under these circumstances, taking advantage of one of the features of Nihonbashi Kabuto-cho as a district where a stock market is located, the Company is moving forward with urban development under the concept of improving functions that contribute to the financial industry, such as creating venues for dialogue and interaction between investors and companies, as well as providing support for the development of financial venture companies that engage in asset management and other services. These efforts by the Company have been highly recognized, and the Nihonbashi Kabuto-cho Section 7 Development Plan (tentative name), the first stage of the project, was approved as a National Strategic City Planning Building Improvement Project in the Tokyo Area National Strategic Special Zone. The Company intends to perform its social responsibilities by continuing to make these efforts over the medium to long term, including projects to be implemented during the second and later stages of the redevelopment project, thereby playing a role in the "Initiatives for the Tokyo Global Financial Center" for the Nihonbashi Kabuto-cho and Kayaba-cho districts as a whole over the future.

The Company believes that continuously implementing these measures, which are based on the Company's views on its corporate value as described above, over the medium to long term will strengthen the Company's business bases and contribute to increasing its corporate value and realizing sustainable growth.

2. Efforts to Increase Corporate Value

(1) Medium- to Long-term Management Plan over the "NEXT DECADE"

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

Under the Medium- to Long-term Management Plan, the Company will work on the redevelopment of the Nihonbashi Kabuto-cho and Kayaba-cho areas, where the Tokyo Stock Exchange Building is located, by utilizing our experience in performing certain roles in the revitalization of districts gained through our projects such as the reconstruction of the Osaka Stock Exchange Building and the Nagoya Stock Exchange Building.

Nihonbashi Kabuto-cho and Kayaba-cho, where the Company was founded, have developed as the home to the securities industry. As the social environment changed with the development of information and communications, Nihonbashi Kabuto-cho and Kayaba-cho have witnessed significant

change, including the closure of the trading floor and relocations of securities firms. Meanwhile, community expectations for the revitalization of the districts are rising, and accordingly, it is necessary to rebuild the districts in response to changes in the social environment and markets.

Under these circumstances, the Company will take the next step in its "aim of being a company that contributes to revitalizing districts," beginning with the redevelopment project in the Nihonbashi Kabuto-cho and Kayaba-cho areas. We will aim to increase our presence in society and achieve new growth bases and higher corporate value.

Also, we will deploy the expertise acquired from the redevelopment project of the Nihonbashi Kabuto-cho and Kayaba-cho areas to the revitalization of other urban districts.

(2) Phase I and Phase II of the Medium- to Long-term Management Plan

Phase I of the Medium- to Long-term Management Plan (FY 2014-2016) defined the following key strategies: the Nihonbashi Kabuto-cho Revitalization Project; strengthening of the building leasing business; expansion of the fee businesses including REIT AM; and strengthening of organizational controls and maintenance of financial discipline.

Under these strategies, we steadily implemented our redevelopment projects, such as the commercialization of the first stage of the Nihonbashi Kabuto-cho and Kayaba-cho Redevelopment Project. In terms of the leasing business, we strengthened our revenue bases to form a base for redevelopment projects by renewing our portfolio, which resulted in the acquisition of assets worth about 18 billion yen, and also by acquiring the Kabuto-cho Heiwa Bldg. No. 6.

Further, we increased and renewed the assets held by HEIWA REAL ESTATE REIT Inc., which boosted the investment corporation's growth and increased the amount of assets managed by the Heiwa Real Estate Group. We also built an organizational framework suitable for implementing redevelopment projects and reduced interest-bearing liabilities and financial costs.

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

The Company's 70th anniversary is during phase II of the Medium- to Long-term Management Plan (FY 2017-2019), and we entered a new stage in which we launch a full-scale redevelopment of the Nihonbashi Kabuto-cho and Kayaba-cho areas. Looking towards the final stage of the Medium- to Long-term Management Plan, we will aim to sustainably increase corporate value by steadily implementing the redevelopment project and by strengthening our building leasing business. The Company has set phase II as three years in which we will build a foundation for business growth in order to achieve a consolidated operating income of over 10 billion yen in FY 2023, and we will continue to work on the following key strategies.

1) The Nihonbashi Kabuto-cho and Kayaba-cho Revitalization Project

We will launch the first stage of the project, the Nihonbashi Kabuto-cho Section 7 Development Plan (tentative name) and the Nihonbashi Kayaba-cho Section 1-6 Development Plan (tentative name) on a full scale, and will implement them steadily.

2) Strengthening the building leasing business

We will further enhance the revenue bases to form a base for the redevelopment project by renewing and increasing leasing assets, as well as by implementing measures to improve profitability.

3) Expansion and diversification of the real estate solution business

We will strive to stably increase revenue with our fee business by providing HEIWA REAL ESTATE REIT Inc. our support as a sponsor in increasing its assets and improving their quality. We will also aim to diversify revenue-generating opportunities by deploying our real estate solutions business, where we sell assets after maximizing their value in ways such as developing profitable properties, leasing-up, conducting remodeling work, etc.

4) Strengthen the structure for implementing business strategies and provide shareholders with stable returns

- Strengthening of organizational controls and maintenance of financial discipline

While paying attention to management efficiency, we will strive to build an organizational structure suitable for pursuing the key strategies and to enhance financial strength.

Furthermore, we will define this is the period when we will strengthen our initiatives to meet the expectations of our stakeholders, including strengthening corporate governance, promoting dialogue with investors, implementing CSR, developing human resources and reforming work-style, etc.

- Capital and dividend policies

We aim to raise ROE in order to realize sustainable growth and to increase corporate value over the medium- to long-term. Also, we will maintain an appropriate D/E ratio (net D/E ratio: 1.5 times or lower) as our basic policy while we regard the ratio as an indicator of financial discipline.

We will provide shareholders with stable returns, mainly with dividends. Considering the significance of internal reserves that are required to increase corporate value, we have set the target consolidated dividend payout ratio at approximately 30% over the medium- to long-term.

3. Efforts to Improve Corporate Governance Structure

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

In order to ensure the independence of management, three out of eight Directors of the Company are external Directors, and three out of four Statutory Auditors of the Company are external Statutory Auditors. Moreover, the Company has filed notification that all of the external Directors and the external Statutory Auditors are independent officers stipulated by financial instruments exchanges.

While the Company is a company with a board of statutory auditors, in order to secure the objectivity and transparency of compensation for its Directors, it has established at its own discretion the Compensation Committee, the majority of whose members are external Directors, and additionally, in order to secure the objectivity and transparency of personnel affairs relating to Directors and Statutory Auditors, it has established at its own discretion the Nomination Committee, the majority of whose members are external Directors.

Also, the Company has adopted the managing officer system and strives to clarify management

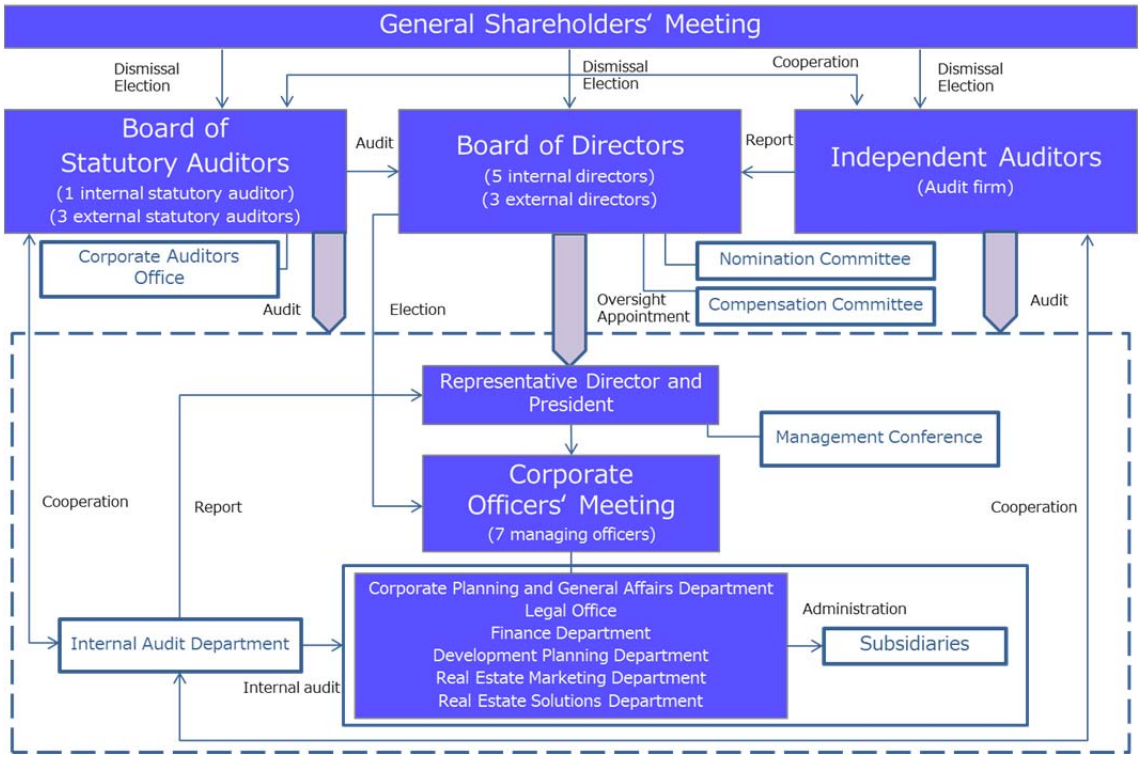
responsibilities and accelerate its decision-making process.

The Company has continually implemented measures for strengthening corporate governance, including the establishment of the Compensation Committee in FY 2011, the establishment of the Nomination Committee and the formulation of the Corporate Governance Guidelines in FY 2015, and the introduction of evaluations of the effectiveness of the Board of Directors and the introduction of compensation used to purchase treasury stock in FY 2016.

During FY 2017, when launching phase II of the Medium- to Long-term Management Plan, the Company promoted the commercialization of the first stage of the Nihonbashi Kabuto-cho and Kayaba-cho Redevelopment Project by electing one additional internal Director in order to further strengthen its management structure.

Further, in taking greater risks for the projects to be implemented during the second and later stages of the redevelopment project moving forward, the Company will submit a proposal to the Ordinary General Meeting of Shareholders for electing one highly independent external Director to increase the number thereof, thereby further enhancing the Company's corporate governance structure and strengthening the supervising function of the Board of Directors.

Reference: Corporate Governance Structure of the Company (as of May 16, 2018)



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

1. Purpose of the Plan

The purpose of the Plan is to continually and sustainably ensure and increase the corporate value of the

Company and, in turn, the common interests of our shareholders in accordance with the basic policy described in I above.

In the current Japanese stock market and Japanese legal system, it is possible for an acquirer to engage in abusive takeovers, so we cannot deny the possibility of a large-scale purchase that would cause obvious harm to the corporate value of the Company and the common interests of our shareholders. The Company believes that it is a responsibility of corporate managers to prevent abusive takeovers and other inappropriate takeovers that threaten to harm corporate value.

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

When resolving to continue the Plan, we took into account all relevant laws and regulations, legal precedents, regulations concerning the introduction of takeover defense measures established by financial instruments exchanges, the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" issued by the Ministry of Economy, Trade and Industry and the Ministry of Justice (the "**Guidelines**"), and the report titled "Takeover Defense Measures in Light of Recent Environmental Changes" issued by the Corporate Value Study Group (the "**Takeover Defense Measures Report**").

2. Summary of the Plan

The Plan requires a person who intends to purchase a certain amount or more of the Company's shares (as defined in 3, "Purchase Procedures"; a "**Large-Scale Purchaser**") to comply with the procedures prescribed in 3, "Purchase Procedures" below (the "**Purchase Procedures**").

The Company may trigger countermeasures if: (i) the Board of Directors determines that the Large-Scale Purchaser does not comply with the Purchase Procedures; or (ii) the purchase by the Large-Scale Purchaser constitutes one of the four categories identified by the Tokyo High Court or a coercive two-tiered tender offer (please refer to III.4(2)(ii)(b) below).

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

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

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

of share options.

3. Purchase Procedures

(1) Definition of Large-Scale Purchase Subject to the Plan

Any purchase that falls under (i) or (ii) below (except for those agreed to by the Board of Directors) shall be referred to as a "Large-Scale Purchase," and the person who proposes or undertakes such Large-Scale Purchase shall be referred to as a "Large-Scale Purchaser":

(i) a purchase or any other type of acquisition of "shares, etc." (*1) issued by the Company where the "holding ratio of shares, etc." (*4) of a "holder" (*2), when combined with such ratio of its "joint holder(s)" (*3), becomes 20% or more after the acquisition; or

(ii) a "tender offer" (*6) for "shares, etc." (*5) issued by the Company where the "ownership ratio of shares, etc." (*8) of the tender offeror, when combined with such ratio of its "specially related party/parties" (*7), becomes 20% or more after the purchase.

*1 Refers to "share certificates, etc." as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act.

*2 Refers to a "holder" as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including anyone included as a holder under Paragraph 3 of the same Article (also including anyone who the Board of Directors finds to constitute a holder).

*3 Refers to a "joint holder" as defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, including anyone deemed a joint holder under Paragraph 6 of the same Article (also including anyone who the Board of Directors finds to constitute a joint holder).

*4 Refers to the "holding ratio of share certificates, etc." as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act.

*5 Refers to "share certificates, etc." as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act.

*6 Refers to a "tender offer" as defined in Article 27-2, Paragraph 6 of the Financial Instruments and Exchange Act.

*7 Refers to a "specially related party" as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act (also including anyone who the Board of Directors finds to constitute a specially related party).

*8 Refers to the "ownership ratio of share certificates, etc." as defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act.

Unless otherwise provided for, the same shall apply hereunder.

(2) Prior Submission to the Company of Statement of Acceptance of Purchase Procedures

Prior to the initiation of a Large-Scale Purchase, a Large-Scale Purchaser will be requested to prepare and submit to the Board of Directors a document in the form prescribed by the Company in the Japanese language stating that it will comply with the Purchase Procedures (a "**Statement of Acceptance of Purchase Procedures**"). In the Statement of Acceptance of Purchase Procedures, the following items shall be stated:

(i) Outline of Large-Scale Purchaser:

(a) Name and address or location;

(b) Name and title of representative;

(c) Purpose and description of business of company or other entity;

(d) Outline of major shareholders or large-sum investors (top 10 shareholders or investors in terms of shares owned or investment ratio);

(e) Contact information in Japan; and

(f) Governing law under which the Large-Scale Purchaser is incorporated;

(ii) Number of shares of the Company currently owned by the Large-Scale Purchaser, and the status of transactions of shares of the Company by the Large-Scale Purchaser during the sixty-day period prior to the submission of the Statement of Acceptance of Purchase Procedures; and

(iii) Outline of the Large-Scale Purchase proposed by the Large-Scale Purchaser (including the type and number of shares of the Company that the Large-Scale Purchaser intends to acquire through the Large-Scale Purchase and the purpose thereof (whether acquisition of control or participation in management; whether financial investment or strategic investment; transfer or assignment of shares, etc. of the Company to a third party after the Large-Scale Purchase; or if the purpose is to make a Material Proposal (see note) or there is any other purpose, then a statement to that effect and the details of the purpose must be included; if there are multiple purposes, all of them must be listed)).

*Note: Refers to a "Material Proposal" as defined in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act, Article 14-8-2, Paragraph 1 of the Enforcement Ordinance of the Financial Instruments and Exchange Act, and Article 16 of the Cabinet Office Order on Disclosure of the Status of Large-Volume Holdings in Share Certificates.

(3) Provision of Information by Large-Scale Purchaser

When the Statement of Acceptance of Purchase Procedures set forth in (2) above has been submitted, a Large-Scale Purchaser will be requested to provide the Company with information in Japanese that is necessary and sufficient for our shareholders to make a decision on the Large-Scale Purchase and for the Board of Directors to evaluate and consider the Large-Scale Purchase ("**Necessary Information**") in accordance with the procedures described below.

First, within ten business days (see note) after the submission of the Statement of Acceptance of Purchase Procedures (excluding the date of submission thereof), the Company will dispatch to the Large-Scale Purchaser at its address designated in the contact information in Japan provided under (2)(i)(e) above a list of information to be initially submitted by the Large-Scale Purchaser (the "**Initial Information List**"). The Large-Scale Purchaser will be requested to submit sufficient information to the Company in accordance with the Initial Information List.

In the event that the Board of Directors reasonably determines that the information submitted by the Large-Scale Purchaser in accordance with the Initial Information List is not sufficient for decisions by our shareholders and for evaluation and consideration by the Board of Directors in light of the details, manner, and other aspects of the Large-Scale Purchase, the Large-Scale Purchaser will be requested to provide additional information separately requested by the Board of Directors.

*Note: Business days shall mean days other than those listed in any of the items of Article 1, Paragraph 1 of the Act on Holidays of Administrative Organs.

However, in order to accelerate the provision of information from the Large-Scale Purchaser as well as to avoid arbitrary administration by the Board of Directors, such as requesting information endlessly, the

period for the provision of information by the Large-Scale Purchaser in response to requests from the Board of Directors (the "**Information Provision Period**") shall be limited to 60 days from the day following the receipt of the Necessary Information provided in accordance with the Initial Information List. Even if Necessary Information is not sufficiently provided, immediately upon the expiration of the Information Provision Period, the correspondence with the Large-Scale Purchaser relating to the provision of information shall be terminated, and the Board of Directors examination period (explained in 4(1) below) shall be commenced using the information that has been provided up to that time. (However, the Information Provision Period may be extended as necessary in cases including where the extension is requested by the Large-Scale Purchaser based on reasonable grounds.)

Irrespective of the details, manner, and other aspects of the Large-Scale Purchase, information relating to the items listed below shall, as a general rule, be included in the Initial Information List:

(i) details (including name, address, contact information in Japan, capital relationship, financial details, description of business, members, past corporate acquisitions and the results thereof, whether having breached laws and regulations in the past and the details of such breaches, and number of shares currently held) of the Large-Scale Purchaser and its group (including major shareholders and investors, major subsidiaries, affiliated companies, joint holders, and specially related parties; in the case of funds, including major partners, investors (whether direct or indirect), other members, managing partners, and persons who continually provide investment advice);

(ii) the purpose (the details of the purpose disclosed in the Statement of Acceptance of Purchase Procedures), method, and details (intention as to participation in management, amount and type of consideration of Large-Scale Purchase, time of purchase, structure of relevant transactions, number of shares, etc. to be purchased, holding ratio of shares, etc. after purchase or other transactions, legality of method of Large-Scale Purchase, feasibility of Large-Scale Purchase, etc.) of the Large-Scale Purchase;

(iii) if any communication is made with any third party other than the Large-Scale Purchaser in relation to the Large-Scale Purchase, the identity of the other party and the content of such communication;

(iv) the basis for calculation of the price for the Large-Scale Purchase (including facts and assumptions on which the calculation is based, calculation method, information about the figures used in the calculation, the expected amount of synergy arising from the Large-Scale Purchase, and the basis for calculation of that expected amount);

(v) financial backing for the funds for the Large-Scale Purchase (including the specific names of the fund providers (including real fund providers), method of raising funds, and information about relevant transactions);

(vi) if there is any loan agreement, security agreement, repurchase agreement, purchase reservation, or other material agreement or arrangement (collectively, a "**Security Agreement, Etc.**") in relation to the Company's shares already possessed by the Large-Scale Purchaser, the specifics of the Security Agreement, Etc., including the type of agreement, counterparty thereto, and number of shares, etc. covered thereby;

(vii) if the Large-Scale Purchaser intends to enter into any Security Agreement, Etc. or other agreement with a third party in connection with the Company's shares to be acquired through the Large-Scale Purchase, the specifics of the intended agreement, including the type of agreement, counterparty thereto, and number of shares, etc. covered thereby;

(viii) the management policy, business plan, capital policy, and dividend policy of the Company and the Company's group after the Large-Scale Purchase (including sale and exchange of shares, cancellation of listing on stock exchanges, sale or withdrawal of business, change of business policy, sale of assets, changes in liabilities, and changes in management team);

(ix) the policy on interested parties (including employees, trading partners, and customers) of the Company and the Company's group after the Large-Scale Purchase;

(x) information on whether the Large-Scale Purchase constitutes an anti-social force (including an anti-market force; the same shall apply hereinafter) and on any relationship with anti-social forces; and

(xi) all other information the Board of Directors or the Independent Committee reasonably considers necessary.

The Board of Directors will disclose at the point of time it determines appropriate for such disclosure the fact that a Large-Scale Purchase has been proposed by a Large-Scale Purchaser, an outline thereof, a summary of the Necessary Information, and any other information it considers necessary for our shareholders to make a decision.

If the Board of Directors finds that the Necessary Information has been sufficiently provided by the Large-Scale Purchaser, the Board of Directors will issue a notification to the Large-Scale Purchaser to that effect (a "**Notification of Completion of Information Provision**") and promptly disclose the fact that the Necessary Information has been sufficiently provided.

The Information Provision Period shall terminate either on the date that the Board of Directors issues the Notification of Completion of Information Provision or the expiry date of the Information Provision Period, whichever is earlier.

4. Decision of the Board of Directors; Independent Committee

(1) Establishment of the Board of Directors Examination Period

The Board of Directors will establish a period of 60 days commencing on the day immediately following the expiration date of the Information Provision Period as a period for the Board of Directors to evaluate, examine, form opinions, draft an alternative plan, and negotiate with the Large-Scale Purchaser in relation to the Large-Scale Purchase (the "**Board of Directors Examination Period**").

When evaluating, examining, forming opinions, drafting an alternative plan, and negotiating with the Large-Scale Purchaser in relation to the Large-Scale Purchase based on the Necessary Information provided by the Large-Scale Purchaser during the Board of Directors Examination Period, the Board of Directors may as necessary obtain advice from third party professionals (e.g., investment banks, securities companies, financial advisors, attorneys, and certified public accountants) who are independent from the Board of Directors.

If the Board of Directors fails to resolve whether to trigger countermeasures during Board of Directors Examination Period for unavoidable reasons such as the failure of the Independent Committee to give a recommendation as set forth in (2) below during the Board of Directors Examination Period, the Board of Directors may extend the Board of Directors Examination Period to the extent necessary up to 30 days maximum based on a recommendation from the Independent Committee. If the Board of Directors resolves to extend the Board of Directors Examination Period, it will promptly disclose the relevant information.

(2) Independent Committee and Recommendation Procedures

(i) Establishment of Independent Committee

For the purpose of preventing any arbitrary judgment by the Board of Directors regarding matters such as the triggering of countermeasures as well as preventing the triggering of excessive countermeasures, the Company will establish the Independent Committee, comprised of external Directors and external Statutory Auditors of the Company as well as external experts (professionals such as attorneys and certified public accountants, etc.), all of whom shall have significant insight on corporate management and be independent of the management team that executes the operations of the Company.

The number of members of the Independent Committee shall be three or more. Kunitaro Saida (external Director), Kiichiro Masui (external Director), and Chikami Tsubaki (external Statutory Auditor) are intended to be the members of the Independent Committee at the time of the renewal of the Plan.

For details of the Independent Committee, please refer to Schedule 1, “Independent Committee Regulations” and Schedule 2, “Biographical Outline of Independent Committee Members.”

(ii) Recommendations of Independent Committee

The Independent Committee shall provide recommendations in relation to the Large-Scale Purchase to the Board of Directors in accordance with the provisions (a) and (b) below during the Board of Directors Examination Period.

(a) If the Large-Scale Purchaser fails to comply with the Purchase Procedures

If the Large-Scale Purchaser has failed to comply with the Purchase Procedures, the Independent Committee will determine that the Large-Scale Purchase would cause significant damage to the corporate value of the Company and, in turn, the common interests of our shareholders and will, as a general rule, recommend that the Board of Directors triggers countermeasures.

(b) If the Large-Scale Purchaser complies with the Purchase Procedures

If the Independent Committee determines that the Large-Scale Purchaser is complying with the Purchase Procedures, the Independent Committee will, as a general rule, recommend that the Board of Directors not trigger countermeasures.

However, even if the Large-Scale Purchaser is complying with the Purchase Procedures, if the Independent Committee determines that the Large-Scale Purchase by the Large-Scale Purchaser falls under any of the cases set forth in (i) to (v) below, that the Large-Scale Purchase by the Large-

Scale Purchaser would cause significant damage to the corporate value of the Company and, in turn, the common interests of our shareholders, and that it is appropriate for the Board of Directors to trigger countermeasures, the Independent Committee will recommend that the Board of Directors triggers countermeasures as an exceptional measure for handling such events.

If the Independent Committee determines the triggering of countermeasures to be appropriate, the Independent Committee may recommend that the intent of our shareholders be confirmed before triggering countermeasures.

(i) In the case of a so-called "green mailer" (i.e., if the Large-Scale Purchase is intended to raise the share price of the Company's shares and to make the Company or its related parties buy them back).

(ii) In the case of so-called "scorched-earth tactics" (i.e. the Large-Scale Purchase is intended to temporarily take control of the management of the Company or the Company's group and engage in management that benefits the Large-Scale Purchaser or its group to the detriment of the Company or the Company's group, such as by acquiring material assets of the Company, such as management know-how, trade secrets, main trading partners, and customers, at a low price).

(iii) In the case where the Large-Scale Purchase is intended to use assets of the Company or the Company's group as security or for repayment of debts of the Large-Scale Purchaser or its group.

(iv) In the case where the Large-Scale Purchase is intended to dispose of real estate, securities, or other assets of the Company or the Company's group and to obtain temporarily high dividends from the profits of the disposal or to sell the shares of the Company after a rise of the share price due to the high dividends.

(v) In the case where the Large-Scale Purchase is a so-called "coercive two-tier tender offer" (meaning a share purchase by way of a tender offer or the like that does not offer to purchase all of the target company's shares at the initial stage and then sets less favorable conditions or does not clearly set any conditions for the second stage).

(3) Board of Directors Resolutions and Convening of a Shareholders' Meeting to Confirm Intent

The Board of Directors shall respect as much as possible the above recommendations provided by the Independent Committee and make a final decision on whether the Company will trigger countermeasures or not or on changing or cancelling the triggered countermeasures. In addition, based on the recommendation of the Independent Committee, a general meeting of shareholders may be convened prior to triggering countermeasures for the purpose of confirming the intent of our shareholders with respect to the triggering (a "**Shareholders' Meeting for Intent Confirmation**"). After making such decision, the Board of Directors shall promptly disclose a summary of the decision, a summary of the recommendations of the Independent Committee, and other matters that the Board of Directors deems appropriate.

After starting the procedures under the Plan, the Large-Scale Purchaser shall not initiate the Large-Scale Purchase until the Board of Directors makes a resolution regarding whether or not to trigger countermeasures or, if a Shareholders' Meeting for Intent Confirmation is held, until the conclusion thereof. If countermeasures are triggered, the Company shall not provide the Large-Scale Purchaser with any economic consideration, such as cash, etc.

(4) Change or Cancellation of Triggered Countermeasures

If the Large-Scale Purchaser withdraws the Large-Scale Purchase, the facts based on which the Board

of Directors made a decision to trigger countermeasures change, or the Board of Directors determines that it is inappropriate to trigger countermeasures, the Board of Directors may change or cancel triggered countermeasures while respecting as much as possible the recommendations provided by the Independent Committee.

If triggered countermeasures are cancelled, the gratis allotment of share options shall be cancelled if it is before the effective date of the gratis allotment of share options, or the Company shall acquire the share options for no consideration if it is after the effective date of the gratis allotment of share options and before the commencement of the exercise period.

5. Specific Details of Countermeasures under the Plan

The Board of Directors shall make a gratis allotment of share options as countermeasures under the Plan.

For details on the gratis allotment of share options as countermeasures under the Plan, please refer to Schedule 3, "Summary of Share Options."

6. Effective Term, Abolishment, and Amendment of the Plan

The Plan will take effect when it is approved by a majority of the votes of shareholders present at the Ordinary General Meeting of Shareholders and will continue to be in effect until the close of the ordinary general meeting of shareholders concerning the closing of accounts for FY 2020 (scheduled to be held in June 2021). However, even during the effective term, the Plan may be abolished if a proposal to abolish the Plan is approved at a general meeting of shareholders of the Company or a resolution to abolish the Plan is adopted by the Board of Directors. If the Plan is abolished, the Company will immediately disclose that fact to our shareholders.

During the effective term of the Plan, if laws and regulations or rules of financial instruments exchanges are newly established, revised, or abolished, and it is consequently appropriate to reflect relevant matters in the Plan, then in consideration of the purport of the newly established, revised, or abolished matters, the provisions of the Plan or the meanings of terms used in the Plan may be interpreted as appropriate to a reasonable extent, or the Board of Directors may amend the Plan.

IV. Decisions on Measures Above by the Board of Directors and the Reasons for Such Decisions

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

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

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

2. Rationality of the Plan

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

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

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

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

(i) The measures are in accordance with the Guidelines and the Takeover Defense Measures Report

The Plan completely fulfills the three principles set out in the Guidelines (the principle of ensuring and increasing the corporate value and the common interests 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 Takeover Defense Measures Report.

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

The Plan will be continued subject to the approval of our shareholders at a general meeting of shareholders of the Company. In addition, a Shareholders' Meeting for Intent Confirmation may be convened to confirm the intent of our shareholders with respect to triggering countermeasures.

Also, as described in III.6, "Effective Term, Abolishment, and Amendment of the Plan" above, there is a sunset provision in the Plan that limits the effective term of the Plan to three years, and even before the expiration of the effective period, the Plan may be abolished if a proposal to abolish the Plan is approved at a general meeting of shareholders of the Company or a resolution to abolish the Plan is adopted by the Board of Directors.

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

(iii) Establishing rational and objective trigger events

As described in III.4(2)(ii)(b), "If the Large-Scale Purchaser complies with the Purchase Procedures" above, it is provided that countermeasures cannot be triggered unless the predefined reasonable, detailed, and objective requirements are fulfilled, thereby ensuring that the Board of Directors is prevented from arbitrarily triggering countermeasures. Additionally, the trigger events for triggering countermeasures have been established after analyzing appropriate and reasonable takeover defense measures based on the analysis of legal precedents in Japan and in reference to the Guidelines 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 such as the triggering of countermeasures as well as to prevent the triggering of excessive countermeasures.

In consideration of the purposes for establishing the Independent Committee, the Independent Committee is composed of persons who are independent from the Board of Directors, and the Independent Committee can obtain advice from independent third party professionals (e.g., investment banks, securities companies, financial advisers, attorneys, and certified public accountants) at the Company's expense.

The Independent Committee will evaluate and consider whether a trigger event has occurred and will provide the Board of Directors with recommendations pursuant to the procedures defined in the "Independent Committee Rules." The Board of Directors will respect as much as possible the recommendations provided by the Independent Committee and will make a final decision on whether the Company will trigger countermeasures or not or on changing or cancelling the triggered countermeasures.

(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, which consists of Directors elected at a general meeting of shareholders of the Company, it is possible for a Large-Scale Purchaser to nominate new Directors at a general meeting of shareholders of the Company and for the Board of Directors consisting of those Directors to abolish the Plan.

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

V. Effects on Our Shareholders and Investors

1. Effects When Renewing the Plan

There will be no allotment of share options when renewing the Plan, so there will be no specific effects on the rights or interests of our shareholders and investors.

2. Effects When Triggering Countermeasures under the Plan (When Allotting and Exercising Share Options)

If a resolution to make a gratis allotment of share options as a countermeasure is adopted, the Company will publicly announce the record date for allotment and make a gratis allotment of share options to the shareholders recorded on the last register of shareholders on such record date; therefore, the shareholders must be recorded on the last register of shareholders as of the record date.

At the time of allotment of share options, share options will be allotted for no consideration at a rate of one share option per common share held to each of our shareholders as of the allotment date separately determined by the Board of Directors when making the resolution of allotment of share options. In this case, shares held by those who are unable to exercise share options under I(f) of "Summary of Share Options" will be diluted as a result of the exercise of share options by other shareholders. In addition, if shareholders do not take prescribed procedures for exercising their share options within the exercise period, the shares held by such shareholders will be diluted as a result of the exercise of share options by other shareholders.

If the Company elects to apply the provision allowing the Company to acquire share options in exchange for the shares of the Company, our shareholders will not be required to take any procedures for the exercise of their share options, and the shares they hold will not be diluted. In this case, although the Company will not send a request to exercise the share options, the shareholders may be required to submit a document in the form specified by the Company pledging matters such as that the shareholder is not a person who is unable to exercise share options under I(f) of "Summary of Share Options."

In the event that the Board of Directors adopts a resolution to make a gratis allotment of share options as a countermeasure, and the shareholders to receive the gratis allotment of share options are determined, but the Company cancels the allotment of share options or acquires for no consideration the share options that were allotted in the gratis allotment, and consequently there is no dilution of value per share, then shareholders and investors who purchased or sold shares of the Company on the assumption that there would be dilution of value per share might incur damage due to the fluctuation of share value.

END

Schedule 1 Independent Committee Regulations
Schedule 2 Biographical Outlines of Independent Committee Members
Schedule 3 Summary of Share Options

Reference 1 Flow Chart of Procedures for the Plan
Reference 2 Company's Stock Information as of March 31, 2018

Schedule 1

Independent Committee Regulations

Article 1 (Purpose)

1. The Independent Committee shall be established for the purpose of preventing the Company's Board of Directors from making arbitrary judgments or taking excessive countermeasures when a Large-Scale Purchase of shares of the Company is to be effected or has been effected by determining, from the fair and neutral perspective of a third party, whether or not the Large-Scale Purchaser complies with the Purchase Procedures and whether or not the Large-Scale Purchase harms the corporate value of the Company and, in turn, the Company's shareholders' common interests, and then making a recommendation to the Board of Directors as to whether it is reasonable for the Board of Directors to take countermeasures against the Large-Scale Purchase, including a gratis allotment of share options.
2. Unless otherwise expressly stipulated, the terms used in these Regulations shall have the same meanings as those defined in the Plan (meaning the measures against large-scale purchases of shares of the Company (takeover defense measures), a resolution in favor of which was adopted by the Board of Directors and which was then approved at a general meeting of shareholders; hereinafter the same).

Article 2 (Establishment)

The Independent Committee shall be established by the Company's Board of Directors.

Article 3 (Organization)

1. The Independent Committee shall be composed of all members of the Independent Committee.
2. The Independent Committee shall have a minimum of three members.
3. The members of the Independent Committee shall be appointed by the Board of Directors from the external Directors of the Company, external Statutory Auditors of the Company and external experts (professionals such as attorneys and certified public accountants) who satisfy the following requirements:
   (1) a person who is not currently or has not in the past been a director (excluding external directors; hereinafter the same), statutory auditor (excluding external statutory auditors; hereinafter the same), or other officer of the Company or any subsidiary or affiliated company of the Company (collectively, the "**Company, Etc.**");
   (2) a person who is not a relative of a current or former director or statutory auditor of the Company, Etc.; and
   (3) a person who has no special interest in the Company, Etc.
4. Each member of the Independent Committee must enter into an agreement with the Company separately designated by the Board of Directors containing, among other things, provisions concerning the duty of care of a prudent manager.

Article 4 (Term)

The term of a member of the Independent Committee shall last until the conclusion of the third ordinary general meeting of shareholders after assuming office as a member of the Independent Committee, unless

either of the following items applies:

(1) the first effective period of the Plan after the assumption of office has expired; or

(2) a member of the Independent Committee who is an external Director or an external Statutory Auditor of the Company ceases to be a Director or a Statutory Auditor.

Article 5 (Duties)

1. The Independent Committee shall, in response to consultation by the Board of Directors, examine and adopt a resolution regarding the following matters as a general rule and, within 60 days from the day following the day on which the provision of information from the Large-Scale Purchaser is completed (however, such period may be extended to a necessary extent for a maximum of 30 days if any due reason exists), make a recommendation to the Board of Directors:

   (1) whether or not the Large-Scale Purchase harms the Company's corporate value and, in turn, its shareholders' common interests;

   (2) whether or not countermeasures are to be triggered;

   (3) whether or not a Shareholders' Meeting for Intent Confirmation is to be convened when triggering countermeasures; and

   (4) any other matters relating to the Plan that are to be determined by the Board of Directors regarding which the Board of Directors has consulted the Independent Committee.

2. In making a recommendation under the preceding paragraph, the Independent Committee must make its determination in light of whether or not the Large-Scale Purchase contributes to the Company's corporate value and, in turn, the common interests of its shareholders, and not for the sole purpose of benefiting the personal interests of the Independent Committee or the Directors of the Company.

3. In addition to the matters stipulated in each item of Article 5, Paragraph 1, the Independent Committee shall perform the following duties:

   (1) determine whether the Large-Scale Purchase falls under a type of Large-Scale Purchase that is subject to the Plan;

   (2) determine the Necessary Information to be provided to the Board of Directors by the Large-Scale Purchaser;

   (3) carefully review and examine the details of the Large-Scale Purchase by the Large-Scale Purchaser;

   (4) determine whether or not the Plan has been complied with;

   (5) determine whether or not to extend the Board of Directors Examination Period;

   (6) determine whether or not to change or suspend triggered countermeasures;

   (7) determine whether or not to continue, change or abolish the Plan; and

   (8) any other matters that are to be determined by the Board of Directors regarding which the Board of Directors has consulted the Independent Committee.

4. In order to collect necessary information, the Independent Committee may request any Director, Statutory Auditor, or employee of the Company or any other person the Independent Committee considers necessary to attend a meeting of the Independent Committee and provide explanations about the matters requested by the Independent Committee.

5. The Independent Committee may, at the cost of the Company, obtain advice from an independent

third party (e.g., professionals such as investment banks, securities companies, financial advisors, attorneys and certified public accountants).

Article 6 (Convocation)

1. Each member of the Independent Committee and the Board of Directors may convene a meeting of the Independent Committee when a Large-Scale Purchase has taken place, or at any other time.
2. A notice of the convocation of a meeting of the Independent Committee shall be sent to each member of the Independent Committee at least three days before the date of the meeting; provided, however, that such period may be shortened in the case of emergency.
3. A meeting of the Independent Committee may be convened without the convocation procedures stipulated in the preceding paragraph if the unanimous consent of all members of the Independent Committed has been obtained.

Article 7 (Chairperson)

1. A person designated in advance by the Independent Committee shall serve as the Chairperson of the Independent Committee.
2. In the case where the person stipulated in the preceding paragraph is unable to chair the meeting, another member of the Independent Committee who is selected in accordance with the order predetermined by the Independent Committee shall act on his/her behalf.

Article 8 (Method of Resolution)

1. A resolution of a meeting of the Independent Committee shall be adopted through the affirmative votes of a majority of the members at a meeting at which all members of the Independent Committee are present; provided, however, that if any member of the Independent Committee is unable to attend a meeting due to accident or for any other unavoidable reason, a resolution may be adopted through the affirmative votes of a majority of the members at a meeting at which a majority of the members of the Independent Committee are present.
2. In the event that any member of the Independent Committee is unable to attend a meeting of the Independent Committee, such member shall notify the Secretariat of that fact and the reason therefor in writing at least, as a general rule, one day before the date of the meeting.
3. Any member of the Independent Committee who has special interest in the matter to be resolved at a meeting of the Independent Committee shall not vote on such resolution.
4. The Independent Committee shall promptly recommend the matters decided by resolution to the Board of Directors along with the reasons therefor.
5. The Board of Directors shall make the final decision regarding such matters, respecting the recommendation of the Independent Committee stipulated in the preceding paragraph as much as possible.

Article 9 (Minutes)

Minutes of a meeting of the Independent Committee must be prepared in two copies containing a summary of the proceedings and the outcome of the meeting, and the members of the Independent Committee who attended the meeting shall affix their names and seals on the minutes.

Article 10 (Disclosure of Information to Shareholders, etc.)

A summary of the matters recommended by the Independent Committee shall be disclosed when resolutions regarding these matters by the Board of Directors are disclosed.

Article 11 (Amendment and Abolishment)

Amendments to and abolishment of these Regulations shall be made by a resolution of the Board of Directors.

Supplementary Provisions

These Regulations shall take effect from June 27, 2007.

These Regulations shall be amended on June 25, 2009.

These Regulations shall be amended on June 28, 2011.

These Regulations shall be amended on June 26, 2013.

These Regulations shall be amended on June 25, 2015.

END

Schedule 2

Biographical Outline of Independent Committee Members

External Director

Kunitaro Saida

(Biographical Outline)

April 1969	Appointed as a public prosecutor
November 2001	Chief public prosecutor of the Tokyo District Public Prosecutors Office
February 2003	Superintendent public prosecutor of the Takamatsu High Public Prosecutors Office
June 2004	Superintendent public prosecutor of the Hiroshima High Public Prosecutors Office
August 2005	Superintendent public prosecutor of the Osaka High Public Prosecutors Office
May 2006	Retired from office
May 2006	Registered as an attorney/ Start practice (present post)
June 2007	Outside Company Auditor of Nichirei Corporation (present post)
June 2008	Outside Director of Sumitomo Osaka Cement Co., Ltd. (present post)
June 2010	External Director of the Company (present post)
March 2014	Outside Director of Canon Inc. (present post)

External Director

Kiichiro Masui

(Biographical Outline)

April 1973	Entered the Ministry of Finance
June 2000	Director-General of the Kinki Regional Finance Bureau of the Ministry of Finance
July 2003	Director-General of the Planning and Coordination Bureau of the Financial Services Agency
September 2005	Senior Managing Director of the Japan Securities Dealers Association
May 2006	Vice-Chairman of the Japan Securities Dealers Association
June 2012	Director of Tokyo Shoken Building Incorporated
July 2013	Chairman of the Japan Investor Protection Fund (present post)
June 2014	Chairman of the Board of the Japan Securities Research Institute (present post)
June 2016	Outside Director of Japan Credit Rating Agency, Ltd. (present post)
June 2017	External Director of the Company (present post)

External Statutory Auditor

Chikami Tsubaki

(Biographical Outline)

April 1970	Joined EBARA-Infilco Co., Ltd. (currently EBARA CORPORATION)
May 1975	Joined Asahi & Co (currently KPMG AZSA LLC)
March 1979	Registered and commenced practice as a certified public accountant (present post)
July 1999	Representative Partner of Asahi & Co. (currently KPMG AZSA LLC)
July 2004	Senior Executive of the Japanese Institute of Certified Public Accountants
June 2013	Outside Audit & Supervisory Board Member of NKSJ Holdings, Inc. (currently Sompo Holdings, Inc.)
June 2014	External Statutory Auditor of the Company (present post)
June 2016	Outside Director (Audit and Supervisory Committee Member) of Seiko Epson Corporation (present post)

Each of the above members is an independent officer set forth in Article 436-2 of the Securities Listing Regulations of the Tokyo Stock Exchange, Inc. and has no special interest in the Company.

END

Schedule 3

Summary of Share Options

I. Description of the Share Options

(a) Type and number of shares for which the Share Options are issued

The type of shares for which the Share Options are issued shall be common shares of the Company. The number of shares for which the Share Options are issued shall be separately determined by the Board of Directors.

(b) Issue price of each Share Option

Each Share Option shall be issued for no consideration.

(c) Value of assets to be contributed upon exercise of each Share Option

The value of assets to be contributed upon the exercise of each Share Option shall be one yen or more.

(d) Capital increase and capital reserve increase when new shares are issued upon the exercise of the Share Options

To be determined by the Board of Directors.

(e) Restrictions on assignment of the Share Options

Any assignment of the Share Options requires the approval of the Board of Directors.

(f) Conditions for exercise of the Share Options

1) Any person who falls under any of the following may not exercise the Share Options:

(i) a Large-Scale Purchaser (Note 1);

(ii) a joint holder of a Large-Scale Purchaser (Note 2);

(iii) a specially related party of a Large-Scale Purchaser (Note 3);

(iv) a transferee of or successor to the Share Options of a person who falls under any of (i) to (iii) above without the approval of the Board of Directors; and

(v) an affiliate of a person who falls under any of (i) to (iv) above (meaning a person who is deemed by the Board of Directors to be a person who substantially controls, is controlled by, or is under common control with a Large-Scale Purchaser, or a person who is deemed by the Board of Directors to be a person who acts in concert with a Large-Scale Purchaser).

Note 1: A "Large-Scale Purchaser" means: (i) a holder (as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act, including a person deemed to be a holder under Paragraph 3 of the same Article (including a person who is deemed by the Board of Directors to be a person falling under the above)) of the share certificates, etc. (as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act) issued by the Company whose holding ratio of share certificates, etc. (as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act), when combined with the holding ratio of share certificates, etc. of its joint holder (as defined in Note 2), has become or is deemed by the Board of Directors to have become 20% or more; or (ii) a person who has issued a public notice of the commencement of a tender offer (as defined in Article 27-2, Paragraph 6 of the Financial Instruments and

Exchange Act) for share certificates, etc. (as defined in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Act) issued by the Company whose ratio of ownership of share certificates, etc. (as defined in Article 27-2, Paragraph 8 of the Financial Instruments and Exchange Act) after the purchase by that person, when combined with the ratio of ownership of share certificates, etc. of its specially related party/parties (as defined in Note 3), will become 20% or more.

Note 2: A "joint holder" means a joint holder as defined in Article 27-23, Paragraph 5 of the Financial Instruments and Exchange Act, including a person who is deemed to be a joint holder under Paragraph 6 of the same Article (including a person who is deemed by the Board of Directors to be a joint holder).

Note 3: A "specially related party" means a specially related party as defined in Article 27-2, Paragraph 7 of the Financial Instruments and Exchange Act (including a person who is deemed by the Board of Directors to be a specially related party).

2) Even if a person who holds the Share Options is unable to exercise the Share Options pursuant to the provisions set out in 1) above, the Company shall not be held liable for damages and shall not bear any other responsibility to the person holding the Share Options.

(g) Exercise period of the Share Options

The period during which the Share Options may be exercised shall be the period separately determined by the Board of Directors, which shall end no later than two months from the effective date of the Share Options.

(h) Acquisition of Share Options by the Company

The Company may, by a decision of the Board of Directors, acquire Share Options held by persons who do not fall under any of the items under 1) of (f) above by delivering, for each Share Option, the number of common shares to be separately determined by the Board of Directors on a day designated by the Board of Directors, which shall be during the period from the effective date of the gratis allotment of the Share Options to the expiration of the exercise period of the Share Options. If acquiring Share Options held by persons who fall under any of the items under 1) of (f) above, the Company shall not provide the persons with any economic consideration, such as cash, etc.

(i) Delivery of Share Options in the case of merger, company split, share exchange and share transfer, and conditions thereof

To be separately determined by the Board of Directors.

(j) Restrictions on the issuance of share option certificates

No certificates shall be issued for the Share Options.

(k) Reasons for the cancellation of Share Options, etc.

No reasons for and conditions of cancellation of the Share Options shall be prescribed.

II. Number of Share Options Allotted to Shareholders

The Share Options shall be allotted for no consideration to each of the shareholders recorded on the last register of shareholders as of the record date for allotment separately determined by the Board of Directors at a ratio of one Share Option for each common share of the Company (excluding common

shares of the Company owned by the Company) owned by such shareholder.

III. Effective Date of Gratis Allotment of the Share Options

To be separately determined by the Board of Directors.

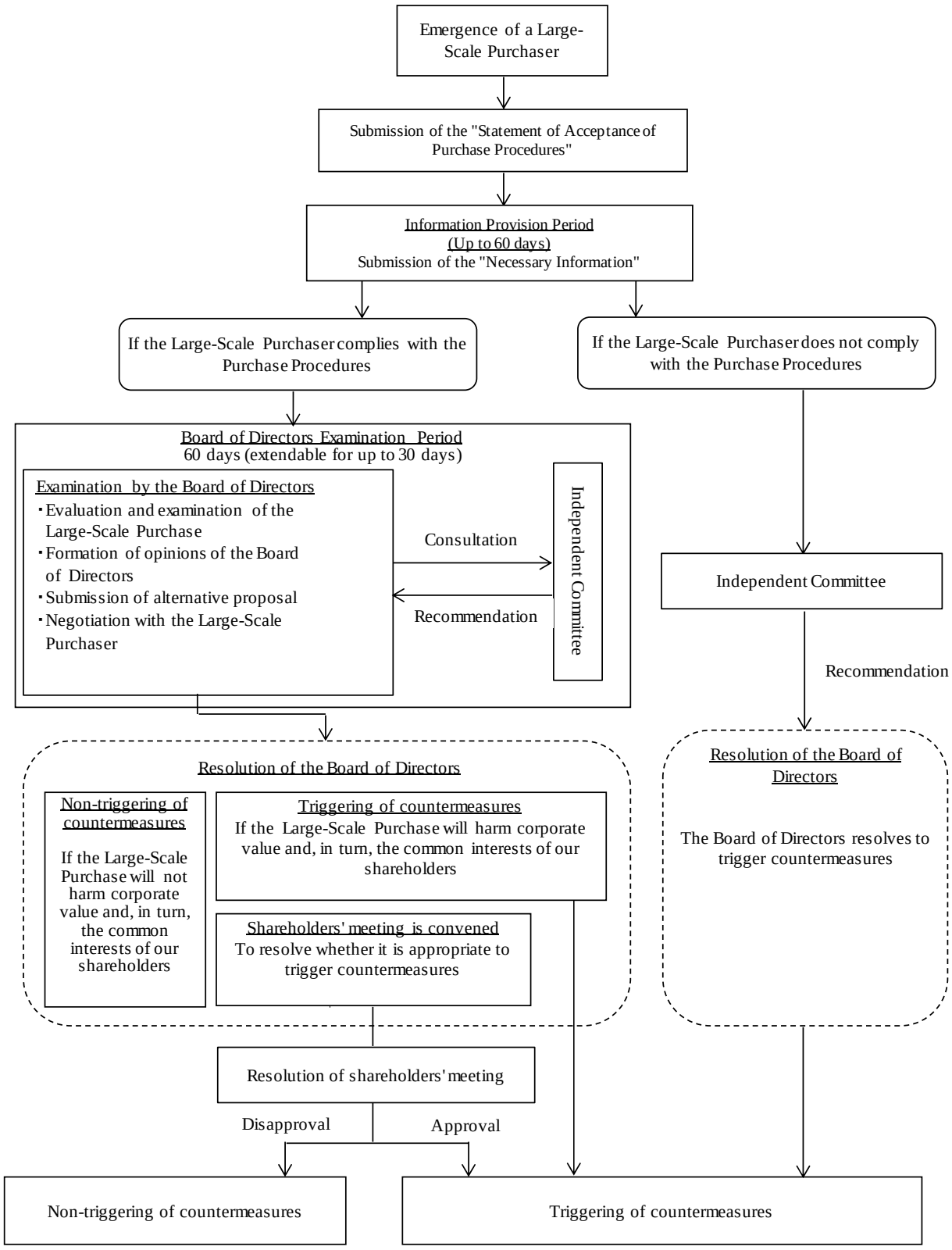
IV. Amendments Due to Revisions to Laws and Regulations, etc.

If laws and regulations or rules of financial instruments exchanges are newly established, revised, or abolished, and it is consequently appropriate to reflect relevant matters in the Plan, then in consideration of the purport of the newly established, revised, or abolished matters, the provisions of the Plan or the meanings of terms used in the Plan may be interpreted as appropriate to a reasonable extent, or the Board of Directors may amend the Plan.

END

Reference 1

Flow Chart of Procedures for the Plan



(Note) The above flow chart was prepared to provide a clear explanation of an outline of the procedures related to the Plan. For the details of the Plan, please refer to the main text of this document.

Reference 2

Status of Shares (as of March 31, 2018)

1. Number of shares authorized to be issued: 110,000,000 shares
2. Number of shares issued and outstanding: 40,059,996 shares
3. Number of shareholders: 19,211
4. Major shareholders (top 10):

Name	Capital Contribution to the Company	
	Number of shares (000's)	Holding ratio
Mitsubishi Estate Co., Ltd.	4,274	10.72%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,954	4.90%
Misaki Engagement Master Fund	1,552	3.89%
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,541	3.86%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,211	3.04%
DFA International Small Cap Value Portfolio	989	2.48%
BNP Paribas Securities Services Luxembourg/ JASDEC/Securities-AIFM	856	2.15%
Government of Norway	763	1.91%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	665	1.67%
The Bank of New York Mellon 140042	657	1.65%

Note: The holding ratio is calculated after deducting the number of shares held as treasury stock (174,000 shares) from the total number of issued shares.

END

(Attached Documents)

BUSINESS REPORT

1. Outline of Operations for the period from April 1, 2017 to March 31, 2018:

(1) Update and Results of Business -

In the fiscal year ended March 31, 2018, the Japanese economy continued to experience a moderate recovery thanks to strong improvements in the employment and income environment, mainly due to the effects of the government's economic policies. However, the economy remained uncertain due to concern regarding the future outlook, given growing uncertainty regarding overseas economies and the impact of changes in the financial capital markets against the backdrop of the policy trends of the U.S. Administration, among other factors.

Under these circumstances, the rent level continued to rise in many areas regarding the real estate industry, including major local cities in the office leasing market, reflecting the expected short supply linked to the declining vacancy rate nationwide. The declining vacancy rate was attributed to brisk demand for office space as companies undertook relocation and expansion, backed by the economic recovery. With regard to the real estate investment market, the policy of active property acquisition continued on the back of the improved financing environment, resulting in strong performance supported by the favorable real estate market conditions.

In this business environment, the Group formulated "over the 'NEXT DECADE' phase II" under the medium- to long-term management plan for FY2017 through FY2019 and proceeded with its business, as shown by the steady progress of the project for the redevelopment of the district of Nihombashi Kabutocho and Kayabacho for the sustainable enhancement of corporate value, under the recognition that the current term is for constructing the base for business growth.

The operating results of the Group for the fiscal year under review recorded operating revenue of ¥32,698 million, down ¥9,049 million (21.7%) from the previous fiscal year, operating income of ¥9,432 million, down ¥240 million (2.5%) and ordinary income of ¥8,395 million, down ¥35 million (0.4%), mainly due to the reactionary decline affected by the sale of inventories in the Real Estate Solutions Business for the previous fiscal year. Net income attributable to owners of parent amounted to ¥5,288 million, a record high, up ¥773 million (17.1%) year on year, mainly as a result of a significant decrease in extraordinary losses.

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

In association with an organizational change on June 27, 2017, operating revenue and income

related to property management, which were previously included in the Real Estate Solutions Business, are included in the Leasing Business from the current fiscal year. A comparison with the actual values in the previous fiscal year below is made based on the reportable segments after the change.

Leasing Business

[Principal business: Development, leasing, management and operation, etc. of stock exchanges, offices, commercial facilities and housing, etc.]

In the Building Leasing Business of the Leasing Business, operating revenue increased to ¥18,933 million, up ¥823 million (4.5%) year on year, mainly due to the contribution of leasing revenue from Kabutocho Heiwa Building No. 6 (Chuo-ku, Tokyo) acquired in the previous fiscal year and Osaka Midosuji Building (Osaka City, Osaka Prefecture) acquired in the current fiscal year with an aim to increase revenues through the accumulation of assets of the Leasing Business. The breakdown of operating revenue of the Building Leasing Business is as follows: the Group earned ¥3,010 million in Stock Exchange Market Place Leasing, ¥12,008 million in General Office Leasing, and ¥3,345 million in Commercial Facilities Leasing plus operating revenue in the Land Leasing businesses. Combined with operating revenue from the Housing Leasing Business, total operating revenue in this business rose ¥802 million (4.3%) year on year, to ¥19,398 million. Operating income in this business increased ¥821 million (12.2%), to ¥7,566 million.

The vacancy rate of the Company's leased buildings (on a parent company basis) was 2.58% at the end of the consolidated fiscal year under review. However, this included the suspension of lending attributable to the redevelopment of Nihonbashi Kabuto-cho and Kayaba-cho, and the vacancy rate was 2.05% excluding the aforementioned suspension of lending.

Real Estate Solutions Business

[Principal business: Development, sales, operation and management of income properties, development and sales of houses, and brokerage of real estates, etc.]

In the Real Estate Solutions Business, operating revenue from the Real Estate Development Business was ¥6,171 million, a decrease of ¥11,176 million (64.4%) year on year, mainly due to the reactionary decline affected by the sale of Nishi-Shinbashi TS Building (Minato-ku, Tokyo) in the previous fiscal year. Management fees were ¥1,132 million, up ¥10 million (1.0%). Operating revenue from the Housing Development Business came to ¥3,453 million, up ¥1,598 million (86.1%), primarily owing to the posting of the sales of the entire building of HF Tabata Residence (Kita-ku, Tokyo), the entire building of HF Ryogoku Residence (Sumida-ku, Tokyo) and 18 units in Airs Garden Shin-Urayasu (Urayasu, Chiba). Together with the operating

revenue from the Real Estate Brokerage Business, the total operating revenue in this business stood at ¥11,710 million, down ¥9,634 million (45.1%). Operating income in this business was ¥3,022 million, down ¥1,065 million (26.1%).

Other Business

[Principal business: Management of buildings and facilities, etc., contracting of repair work, and insurance agency business, etc.]

Of the other business, operating revenue from the Contract Construction Business and the Building Management Business declined ¥12 million (0.8%) year on year, to ¥1,444 million. With other operating revenue, total operating revenue in this business fell ¥217 million (12.1%), to ¥1,588 million. Operating income in this business was ¥140 million, down ¥6 million (4.7%).

(2) Issues to be resolved by the Company -

The Japanese economy is expected to remain on a moderate recovery trend backed by the continuation of the improved employment and income environment, thanks in part to the effect of the economic policies, though careful monitoring is required for growing uncertainty in international economic and political trends and the impacts of fluctuating financial and capital markets, etc. In the office leasing markets in the real estate industry, the declining trend 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 improved corporate performance. In the real estate investment markets, real estate prices are expected to remain high and hold steady.
In this business environment, we will take the next step into "Aim to be a company that contributes to revitalizing districts," beginning with the redevelopment project in the Nihonbashi Kabuto-cho and Kayaba-cho areas. We will aim to increase our presence in society and achieve new growth bases and higher corporate value.
Also, we will deploy the expertise acquired from the redevelopment project of the Nihonbashi Kabuto-cho and Kayaba-cho areas to the revitalization of other urban districts. To advance in these initiatives, the Company has continued to carry out the 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). We have also formulated a management plan to cover part of the said period, the three years from FY2017 (the fiscal year ended March 31, 2018) to FY2019 (the fiscal year ending March 31, 2020), as the Medium- to Long-term Management Plan Phase II in April 2017.
During Phase II, towards the final stage of the medium- to long-term management plan, the Group will aim to continuously increase corporate value by steadily implementing the Nihonbashi Kabuto-cho and Kayaba-cho Redevelopment Project and by strengthening our building leasing business. Furthermore, we position Phase II as three years in which we will build a foundation for business growth in order to achieve the target consolidated operating income of over 10 billion yen in FY 2023. We will work on the key strategy listed below.

1) The Nihonbashi Kabuto-cho and Kayaba-cho Revitalization Project
   We will launch the first stage of the project, the Nihonbashi Kabuto-cho 7 Development Plan (temporary name) and the Nihonbashi Kayaba-cho 1-6 Development Plan (temporary name), and will implement them steadily. The Nihonbashi Kabuto-cho 7 Development Plan (temporary name) was certified by the Prime Minister as a National Strategic Urban Planning Building Development Project in the Tokyo National Strategic Special Zone in March 2018.
2) Strengthening the Building Leasing Business
   We will further enhance the revenue bases to form a base for the redevelopment project by renewing and increasing leasing assets, as well as by implementing measures to improve profitability. We obtained the Osaka Mido-suji Building with a view to increasing revenue through accumulated leasing assets in the consolidated fiscal year under review.
3) Expansion and diversification of the Real Estate Solution Business
   We will strive to stably increase revenue with our fee business by providing HEIWA REAL

ESTATE REIT Inc. our support as a sponsor in increasing its assets and improving their quality. We will also aim to diversify revenue-generating opportunities by deploying our real estate solutions business, where we sell assets after maximizing their value in ways such as developing profitable properties, leasing-up, conducting renewal construction, etc.

4) Strengthen the structure for implementing business strategies and provide shareholders with stable returns

- Strengthening of organizational controls and maintenance of financial discipline

  While paying attention to management efficiency, we will strive to build an organizational structure suitable for pursuing the key strategies and enhance financial strength. Furthermore, we will define this is the period when we will strengthen our initiatives to meet the expectations of our stakeholders, including strengthening corporate governance, promoting dialogues with investors, implementing CSR, developing human resources and reforming work-style, etc.

- Capital and dividend policies

  We aim to raise ROE in order to realize sustainable growth and to increase corporate value over the medium- to long-term. Also, we will maintain an appropriate D/E ratio as our basic policy while we regard the ratio as an indicator of financial discipline.

  We will provide shareholders with stable returns, mainly with dividends. Considering the significance of internal reserves that are required to increase corporate value, we have set the target of consolidated dividend payout ratio at approximately 30% over the medium- to long-term.

The Group will continue to work for long-term and sustainable increases in its corporate value with a view to proactively fulfilling its corporate social responsibilities as “a company that contributes to revitalizing districts.” We greatly appreciate your ongoing support and encouragement.

(3) Investment in fixed assets -

During the fiscal year ended March 31, 2018, the Company paid out total capital expenditures of ¥16,642 million, including the expenditure for the acquisition of the Osaka Mido-suji Building (Osaka-city, Osaka).

(4) Status of financing -

During the fiscal year ended March 31, 2018, the Company issued unsecured bonds, and raised ¥1,500 million in total.

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

Fiscal year / Classification	The 95th fiscal year (From April 1, 2014 to March 31, 2015)	The 96th fiscal year (From April 1, 2015 to March 31, 2016)	The 97th fiscal year (From April 1, 2016 to March 31, 2017)	The 98th fiscal year (From April 1, 2017 to March 31, 2018)
Operating revenue	¥34,347 million	¥37,010 million	¥41,747 million	¥32,698 million
Ordinary income	6,568 million	6,708 million	8,431 million	8,395 million
Net income attributable to owners of parent	2,495 million	4,408 million	4,514 million	5,288 million
Net income per share (in exact yen)	62.53	110.50	113.17	132.57
Total assets	297,736 million	294,021 million	293,025 million	302,795 million
Net assets	92,298 million	94,827 million	97,524 million	104,900 million
Net assets per share (in exact yen)	2,313.34	2,377.02	2,444.84	2,630.07

(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. Effective from the 96th 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.
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.

(Note) Charites Y.K. is excluded from the scope of consolidation due to a decrease in materiality in the current consolidated fiscal year, and its liquidation has been completed.

(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, sale, 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, and insurance agency business, etc.

(8) Principal sales offices -

Heiwa Real Estate Co., Ltd.	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
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

(9) Employees of the Group –

1) Employees of the businesses of the Company group

Business Segment	No. of Employees	Increase/(decrease) as compared with prior period end
Leasing	77	+11
Real Estate Solutions	80	-6
Other	50	+3
Corporate (common among the Company group)	26	+1
Total	233	+9

(Notes) 1. Number of employees is number of ordinary employees.
2. Number of employees included in the Corporate (common among the Company group) segment is the number of employees who belong to administrative departments.

2) Employees of the Company

No. of Employees	Increase/(decrease) as compared with prior period end	Average age (years)	Average length of service (years)
106	+4	41.6	14.4

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

(10) Principal creditors and balances of their loans outstanding

Creditors	Balance (In millions of yen)
Resona Bank, Ltd.	¥19,699
The 77 Bank, Ltd.	15,840
Mizuho Bank, Ltd.	12,307
Sumitomo Mitsui Banking Corporation	11,514
Sumitomo Mitsui Trust Bank, Limited	8,700

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 174,783 shares of treasury stock)

(3) Number of shareholders - 19,211 (Decrease of 2,426 compared with prior period end)

(4) Major shareholders -

Name	No. of shares (000's)	Holding ratio (%)
Mitsubishi Estate Co., Ltd.	4,274	10.72
Japan Trustee Services Bank, Ltd. (Trust Account)	1,954	4.90
MISAKI ENGAGEMENT MASTER FUND	1,552	3.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,541	3.86
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,211	3.04
DFA INTL SMALL CAP VALUE PORTFOLIO	989	2.48
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/SECURITIES-AIFM	856	2.15
GOVERNMENT OF NORWAY	763	1.91
Japan Trustee Services Bank, Ltd. (Trust Account 5)	665	1.67
THE BANK OF NEW YORK MELLON 140042	657	1.65

(Note) The holding ratio is calculated after deducting the number of shares held as treasury stock (174,783 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
Director and Managing Senior Executive Officer	Kiyoyuki Tsuchimoto	Supervising Real Estate Marketing Department
Director and Managing Executive Officer	Kazuo Yamada	Supervising Development Planning Department (Development)
Director and Managing Executive Officer	Norio Iwasaki	Supervising Corporate Planning and General Affairs Department (General Affairs), Finance Department and Legal Office
Director and Managing Officer	Shinichi Hayashi	Supervising Real Estate Solutions Department
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	Kiichiro Masui	Chairman of the Board of The Japan Securities Research Institute Chairman of Japan Investor Protection Fund Outside Director of Japan Credit Rating Agency, Ltd.
Statutory Auditor (full-time)	Naoto Kato	
External Statutory Auditor (full-time)	Masayuki Hirose	
External Statutory Auditor	Yasutada Sasaki	
External Statutory Auditor	Chikami Tsubaki	Director (outside director), Audit & Supervisory Committee Member of Seiko Epson Corporation

(Notes)

1. Motoya Aizawa, Kunitaro Saida, and Kiichiro Masui are External Directors.

2. Masayuki Hirose, Yasutada Sasaki and Chikami Tsubaki are External Statutory Auditors.
3. External Statutory Auditor, Yasutada Sasaki, has long experience at the Bank of Japan and possesses substantial expertise and experience in finance and accounting.
4. External Statutory Auditor, Chikami Tsubaki, has professional knowledge and experience as Certified Public Accountant and possesses substantial expertise and experience in finance and accounting.
5. Directors Motoya Aizawa, Kunitaro Saida and Kiichiro Masui, and Statutory Auditors Masayuki Hirose, 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.
6. Kiyoyuki Tsuchimoto, Shinichi Hayashi and Kiichiro Masui were newly elected as Directors and Masayuki Hirose was elected as a Statutory Auditor, at the 97th Ordinary General Shareholders' Meeting held on June 27, 2017 and have assumed their respective offices.
7. Takashi Hayakawa and Shigeru Takagi retired as Directors and Shigeo Ojima retired as Statutory Auditor, at the close of the 97th Ordinary General Shareholders' Meeting held on June 27, 2017.
8. Changes in the assignment of Directors during the current fiscal year:

Name	Before change	After change	Date of change
Kiyoyuki Tsuchimoto	—	Director and Managing Senior Executive Officer supervising Real Estate Marketing Department	June 27, 2017
Shinichi Hayashi	Managing Officer supervising Real Estate Marketing Department and Property Management Department General Manager of Real Estate Marketing Department	Director and Managing Officer supervising Real Estate Solutions Department	June 27, 2017

9. The following two persons are Managing Officers other than the five Directors/ Managing Officers listed above, and their duties are as indicated hereunder:

Managing Officer	Hiroki Mizuta	Manager of Osaka Branch

Managing Officer	Tomoharu Nakao	Supervising Corporate Planning and General Affairs Department (Corporate Planning) and Urban Development Promotion Office

(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) Policy for determining Remuneration payable to Directors, etc. -

The Company has established the compensation committee, with the majority consisting of external directors at its discretion under the Board of Directors to ensure the objectivity and transparency of the remuneration for directors.
The remuneration for directors consists of the fixed-amount basic compensation, remuneration for the purpose of purchasing treasury stocks and performance-based bonus under a system ensuring motivation to improve the business performance and enhancement of corporate value in the medium and long term and securing excellent human resources.
The compensation committee determines the basic policy for remuneration, etc. for directors, the total amount of remuneration, etc. and the specifics of remuneration, etc. for individual directors, as well as expressing opinions to the Board of Directors regarding the agenda of the basic compensation and bonuses for directors, which the Board of Directors submits to the general shareholders' meeting upon consultation with the Board of Directors.

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

Category	Number of persons	Amount Paid	Note
Director	10	¥218 million	of which ¥21 million to 4 External Directors
Statutory Auditor	5	¥55 million	of which ¥35 million to 4 External Statutory Auditors
Total (Notes)	15	¥274 million	

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 ¥40 million of bonuses for Directors scheduled to be resolved at the 98th Ordinary General Shareholders' Meeting to be held on June 26, 2018.
4. The number of persons mentioned above includes two Directors and one Statutory Auditor who retired at the conclusion of the 97th Ordinary General Shareholders' Meeting held on June 27, 2017.
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 ¥42 million to one Director who retired during the current fiscal term, in addition to the remuneration mentioned above.

(5) 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. However, AIZAWA SECURITIES CO., LTD. holds less than 1% of the total number of the Company shares issued.
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	Kiichiro Masui	The Japan Securities Research Institute	Kiichiro Masui, Director, concurrently serves as Chairman of the Board of The Japan Securities Research Institute. There have been transactions related to the leasing of real estate between the Company and The Japan Securities Research Institute. However, the amount of the transactions makes up less than 1% of the consolidated operating revenue of the Company
		Japan Investor Protection Fund	No special relationship exists.
		Japan Credit Rating Agency, Ltd.	No special relationship exists.
External Statutory Auditor	Chikami Tsubaki	Seiko Epson Corporation	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	10 out of 11 [90.9%]	-	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	Kiichiro Masui	9 out of 9 [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 specialized knowledge and experience he has accumulated in the world of finance and securities.
External Statutory Auditor	Masayuki Hirose	9 out of 9 [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 knowledge and experience he has accumulated so far as a Statutory Auditor.
External Statutory Auditor	Yasutada Sasaki	11 out of 11 [100%]	9 out of 9 [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.

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 Statutory Auditor	Chikami Tsubaki	11 out of 11 [100%]	9 out of 9 [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.

(Note) The Director, Kiichiro Masui, and the Statutory Auditor, Masayuki Hirose, were elected at the Ordinary General Shareholders' Meeting held on June 27, 2017. Accordingly, the above only describes their attendance after they have assumed their offices.

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
30 million yen
2) Total amount of money and other profits the Company and the Company's subsidiaries will pay
30 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. Establishment of a corporate structure to ensure the proper conduct of business and the status of its operations:

(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 Statutory 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" and ensures that officers and employees thoroughly and strictly adhere to laws and regulations. The Company also holds training sessions, etc. on compliance on a regular basis.

The Company checks compliance, information security, etc. simultaneously across the

Company and makes the results thoroughly known within the Company to foster awareness of compliance.

An internal reporting system is applied to the Group as a whole and operated as a hotline available for use by the officers and employees of subsidiaries as well. Through this system, the Company strives to detect compliance issues in their early stages.

2) Initiatives for risk management system

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

With regard to the acquisition and sale of property, the Company holds a "Working Group to Review Investment Risk, etc." prior to deliberations at the Board of Directors meetings. The working group conducts risk analysis, etc. on the acquisition and sale of property and reports the results to the Managing Officers' Meetings.

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

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

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

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

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

4) Initiatives for the Company group system

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

The Company regularly holds a management conference among subsidiaries and affiliates to confirm and discuss the progress of the subsidiaries' business plans and regularly holds an administrative contact committee among subsidiaries and affiliates to check the operation of internal control systems within the Group.

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

5) Initiatives for system for auditing by the Statutory Auditors

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

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

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

(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-Kabuto-cho, 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-Kabuto-cho 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-Kabuto-cho 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-Kabuto-cho 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-Kabuto-cho, 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-Kabuto-cho Revitalization Project

The Company believes that an added value will be generated by an increase of attraction and prosperity of Nihonbashi-Kabuto-cho as a district but not by a simple rebuilding. We will, as a company based in Nihonbashi-Kabuto-cho since its foundation, create "Revitalization Vision for Nihonbashi-Kabuto-cho," make a proposal for a befitting development of Kabuto-cho 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-Kabuto-cho 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).

The Board of Directors' Meeting held on May 16, 2018 resolved to continue and renew the "Measures Against Large Volume Purchase of Shares of the Company (Defense Measures - Against Takeover)" after partial revision, subject to approval at this Ordinary General Shareholders' Meeting. Please refer to the full text on page 18 through page 47 of this document.

CONSOLIDATED BALANCE SHEET

MARCH 31, 2018

ASSETS

	(In millions of yen)
Current assets:	
Cash and deposits	¥12,884
Accounts receivable – trade	956
Marketable securities	409
Real estate for sale	14,212
Real estate for sale in process	321
Other inventories	2
Operating investments	426
Deferred tax assets	2,572
Other	233
Allowance for doubtful accounts	(1)
Total current assets	32,018
Fixed assets:	
Tangible fixed assets -	
Buildings and structures	75,714
Machinery, equipment and vehicles	402
Tools, furniture and fixtures	245
Land	131,987
Construction in progress	142
Total tangible fixed assets	208,492
Intangible fixed assets -	
Leasehold rights	23,254
Other	123
Total intangible fixed assets	23,378
Investments and other assets -	
Investment securities	34,549
Long-term loans to employees	4
Deferred tax assets	166
Other	3,864
Allowance for doubtful accounts	(7)
Total investments and other assets	38,576
Total fixed assets	270,448
Deferred assets -	
Bond-issuing expenses	328
Total deferred assets	328
Total assets	302,795

CONSOLIDATED BALANCE SHEET

MARCH 31, 2018

LIABILITIES AND NET ASSETS

(In millions of yen)

Liabilities	
Current liabilities:	
Notes and accounts payable – trade	¥1,698
Current portion of bonds	1,415
Short-term loans payable	2,250
Current portion of long-term loans	17,881
Accrued corporation and other taxes	759
Accrued consumption taxes	453
Accrued bonuses for directors	58
Accrued bonuses	198
Asset retirement obligations	98
Other	1,839
Total current liabilities	26,653
Long-term liabilities:	
Bonds	23,523
Long-term loans payable	110,716
Long-term deposits received and landlord deposits	20,637
Deferred tax liabilities	7,734
Deferred tax liabilities concerning revaluation	7,663
Net defined benefit liability	269
Asset retirement obligations	688
Other	7
Total long-term liabilities	171,240
Total liabilities	197,894
Net Assets	
Shareholders' equity:	
Common stock	21,492
Additional paid-in capital	19,720
Retained earnings	34,063
Treasury stock, at cost	(426)
Total shareholders' equity	74,850
Accumulated other comprehensive income:	
Unrealized gain on securities	13,055
Land revaluation surplus	16,995
Total accumulated other comprehensive income	30,050
Total net assets	104,900
Total liabilities and net assets	302,795

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FROM: APRIL 1, 2017
TO: MARCH 31, 2018

(In millions of yen)

Operating revenue	¥32,698
Cost of sales	19,394
Gross profit	13,303
Selling, general and administrative expenses	3,870
Operating income	9,432
Non-operating income -	
Interest income and dividends earned	382
Miscellaneous non-operating income	42
Total non-operating income	424
Non-operating expenses -	
Interest expense	1,122
Interest on debentures	168
Amortization of bond-issuing expenses	67
Miscellaneous non-operating expenses	103
Total non-operating expenses	1,462
Ordinary income	8,395
Extraordinary income -	
Gain on sale of investment securities	94
Total extraordinary income	94
Extraordinary loss -	
Loss on disposal of fixed assets	12
Loss related to rebuilding	426
Impairment loss	249
Total extraordinary loss	688
Income before income taxes	7,802
Corporation, inhabitants and enterprise taxes	1,969
Deferred income taxes	545
Net income	5,288
Net income attributable to owners of parent	5,288

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2018

ASSETS

(In millions of yen)

Current assets:	
Cash and deposits	¥9,847
Accounts receivable – trade	355
Marketable securities	409
Real estate for sale	14,212
Real estate for sale in process	321
Operating investments	426
Prepaid expenses	38
Deferred tax assets	2,513
Accrued revenues receivable	0
Short-term loans	34
Accounts receivable – other	1
Advances paid	133
Suspense payments	8
Allowance for doubtful accounts	(1)
Total current assets	28,302
Fixed assets:	
Tangible fixed assets -	
Buildings	72,539
Structures	217
Machinery and equipment	400
Vehicles	0
Tools, furniture and fixtures	211
Land	124,674
Construction in progress	142
Total tangible fixed assets	198,186
Intangible fixed assets -	
Leasehold rights	23,254
Trademark rights	0
Software	76
Telephone subscription right	9
Right of using facilities	3
Total intangible fixed assets	23,344
Investments and other assets -	
Investment securities	29,784
Investment in securities of affiliates	9,932
Investment in other securities of affiliates	2,641
Investment in partnerships	21
Long-term loans receivable from employees	3
Long-term prepaid expenses	212
Guarantee deposits	3,516
Insurance funds	91
Allowance for doubtful accounts	(7)
Total investments and other assets	46,196
Total fixed assets	267,727
Deferred assets -	
Bond-issuing expenses	328
Total deferred assets	328
Total assets	296,358

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2018

LIABILITIES AND NET ASSETS

(In millions of yen)

Liabilities	
Current liabilities:	
Accounts payable – trade	1,391
Current portion of bonds	1,415
Short-term loans payable	4,370
Current portion of long-term loans	17,881
Accounts payable – other	38
Accrued expenses	112
Accrued corporation and other taxes	545
Advances received	1,078
Accrued consumption and other taxes	407
Deposits received	383
Accrued bonuses for directors	40
Accrued bonuses	122
Asset retirement obligations	98
Total current liabilities	27,885
Long-term liabilities:	
Bonds	23,523
Long-term loans payable	110,716
Long-term deposits received and landlord deposits	19,835
Deferred tax liabilities	5,995
Deferred tax liabilities concerning revaluation	7,663
Accrued severance indemnities for employees	89
Asset retirement obligations	665
Total long-term liabilities	168,489
Total liabilities	196,374
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	1,983
General reserve	10,115
Retained earnings carried forward	15,815
Total other retained earnings	27,913
Total retained earnings	29,367
Treasury stock, at cost	(426)
Total shareholders' equity	70,154
Valuation and translation adjustments:	
Unrealized gain on securities	12,833
Land revaluation surplus	16,995
Total valuation and translation adjustments	29,829
Total net assets	99,983
Total liabilities and net assets	296,358

NON-CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FROM: APRIL 1, 2017
TO: MARCH 31, 2018

(In millions of yen)

Operating revenue -	
Leasing income	18,015
Revenue from real estate solutions	9,746
Total operating revenue	27,762
Cost of sales -	
Cost of leasing	10,250
Cost of real estate solutions	7,218
Total operating cost	17,469
Gross profit	10,292
Selling, general and administrative expenses	2,197
Operating income	8,094
Non-operating income -	
Interest income and dividends earned	924
Miscellaneous non-operating income	40
Total non-operating income	965
Non-operating expenses -	
Interest expense	1,130
Interest on debentures	168
Amortization of bond-issuing expenses	67
Miscellaneous non-operating expenses	102
Total non-operating expenses	1,469
Ordinary income	7,590
Extraordinary income -	
Gain on sale of investment securities	94
Total extraordinary income	94
Extraordinary loss -	
Loss on disposal of fixed assets	11
Loss related to rebuilding	426
Impairment loss	249
Total extraordinary loss	686
Income before income taxes	6,998
Corporation, inhabitants and enterprise taxes	1,629
Deferred income taxes	480
Net income	4,888

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

Independent Auditor's Report
(English Translation)

May 8, 2018

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

BDO Toyo & Co.

Nobuyuki Kobayashi, CPA, Engagement Partner
Wataru Kobayashi, CPA, Engagement Partner
Noritsugu Adachi, 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 98th fiscal year from April 1, 2017 to March 31, 2018.

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 8, 2018

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

BDO Toyo & Co.

Nobuyuki Kobayashi, CPA, Engagement Partner
Wataru Kobayashi, CPA, Engagement Partner
Noritsugu Adachi, 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 98th fiscal year from April 1, 2017 to March 31, 2018.

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 98th fiscal year from April 1, 2017 to March 31, 2018, 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 communicated and exchanged information with Directors and Statutory Auditors, etc. of the subsidiaries and received reports from the subsidiaries on the status of their business, as necessary.
   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, 2018.

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, 2018

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

External Statutory Auditor (Full-time)
Masayuki Hirose

External Statutory Auditor
Yasutada Sasaki

External Statutory Auditor
Chikami Tsubaki