

Financial Results for Second Quarter of Fiscal Year ending March 31, 2012 & Medium-term Management Plan



HEIWA REAL ESTATE CO., LTD.

2011.11.16

Security Code: 8803



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Note:

This document contains forward-looking statements pertaining to the future plans and business results of the Company. These forecasts are based on the Company's current assumptions and beliefs in light of the information currently available to it, and, therefore, the Company's actual results may differ materially from those discussed in these forecasts as a result of numerous factors outside of the Company's control. The Company and the information providers assume no responsibility for any damage arising from use of this data.

Overview of First Half of Fiscal Year ending March 2012 – Achievement of Profit Plan

- ◆ Smaller-than-expected effects of the Great East Japan Earthquake
- ◆ Building the foundations for the launch of the Medium-term Management Plan

Consolidated Financial Results for First Half of Fiscal Year ending March 31, 2012

	1H of FY ended March 31, 2011	1H of FY ending March 31, 2012	Year-on-Year	Year-on-Year (%)	Percentage Achievement against Full Year Forecast (%)
Operating revenue (millions of yen)	14,084	16,654	2,570	18.2	57.4
Leasing Business	9,069	9,072	2	0.0	49.6
Real Estate Development Business	1,462	1,224	(238)	(16.3)	49.0
Housing Development Business	2,750	5,378	2,628	95.5	81.5
Other businesses	800	978	177	22.2	61.1
Operating income (millions of yen)	3,961	3,762	(198)	(5.0)	57.9
Leasing Business	3,784	3,967	183	4.8	52.9
Real Estate Development Business	710	67	(643)	(90.6)	33.5
Housing Development Business	38	302	263	684.8	302.0
Other businesses	49	89	39	79.4	89.0
Elimination or corporate	(621)	(663)	(41)	(7.0)	47.4
Ordinary income (millions of yen)	2,404	2,388	(15)	(0.6)	70.2
Extraordinary income (millions of yen)	90	9	(81)	(89.4)	—
Extraordinary loss (millions of yen)	692	266	(425)	(61.5)	—
Net income (millions of yen)	884	1,206	322	36.4	60.3

Information by Segment – Leasing Business

- ◆ Revenue increase of 0.5 billion yen due to the launch of the operation of a new building, new tenants moving in, etc.
- ◆ Revenue decline of 0.5 billion yen due to the tenants moving out and rent reductions
- ◆ Agreement on the terms and conditions for the leasing of the Tokyo Stock Exchange Building

	1H of FY ended March 31, 2011	1H of FY ending March 31, 2012	Year-on-Year	Year-on-Year (%)
Operating revenue (millions of yen)	9,069	9,072	2	0.0
Buildings	8,657	8,633	(23)	(0.3)
Housing	412	438	25	6.2
Operating income (millions of yen)	3,784	3,967	183	4.8
Buildings	3,656	3,793	136	3.7
Housing	127	174	46	36.7
Vacancy rate [Buildings] (%)	3.0	2.6	(0.4)	
Vacancy rate [Housing] (%)	10.0	6.4	(3.6)	

Information by Segment – Real Estate Development Business

- ◆ Real estate development: A decline in fee revenue following a high level of fee income recorded in the fiscal year ended March 31, 2011

A decline in income due to start-up costs and increased depreciation resulting from the launch of the operation of a new property

	1H of FY ended March 31, 2011	1H of FY ending March 31, 2012	Year-on-Year	Year-on-Year (%)
Operating revenue (millions of yen)	1,462	1,224	(238)	(16.3)
Management fee	339	407	67	19.9
Revenue from real estate development	928	603	(324)	(35.0)
Brokerage	194	212	18	9.4
Operating income (millions of yen)	710	67	(643)	(90.6)
Management fee Revenue from real estate development	737	51	(686)	(93.0)
Brokerage	(27)	15	43	—

Information by Segment – Housing Development Business

- ◆ Earlier-than-expected condominium unit sales for GRANSYMPHONIA (Toda Koen)
Sold 89% of the units projected to be sold for the fiscal year ending March 31, 2012

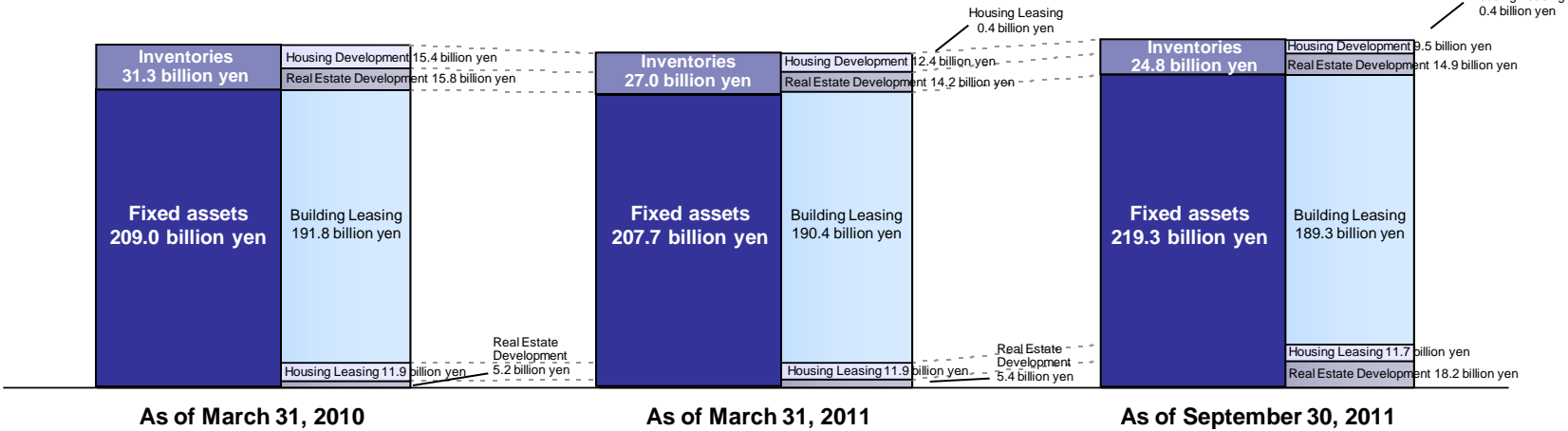
	1H of FY ended March 31, 2011	1H of FY ending March 31, 2012	Year-on-Year	Year-on-Year (%)
Operating revenue (millions of yen)	2,750	5,378	2,628	95.5
Real estate sales	2,719	5,341	2,622	96.4
Other	31	37	6	19.3
Operating income (millions of yen)	38	302	263	684.8
Number of units sold	47	143	96	204.3

Note: Real estate sales for the first half of the fiscal year ended March 31, 2011 included revenue from the sale of land in Tokyo (approx. 440 m²) in addition to condominium sales.

Balance Sheet Status

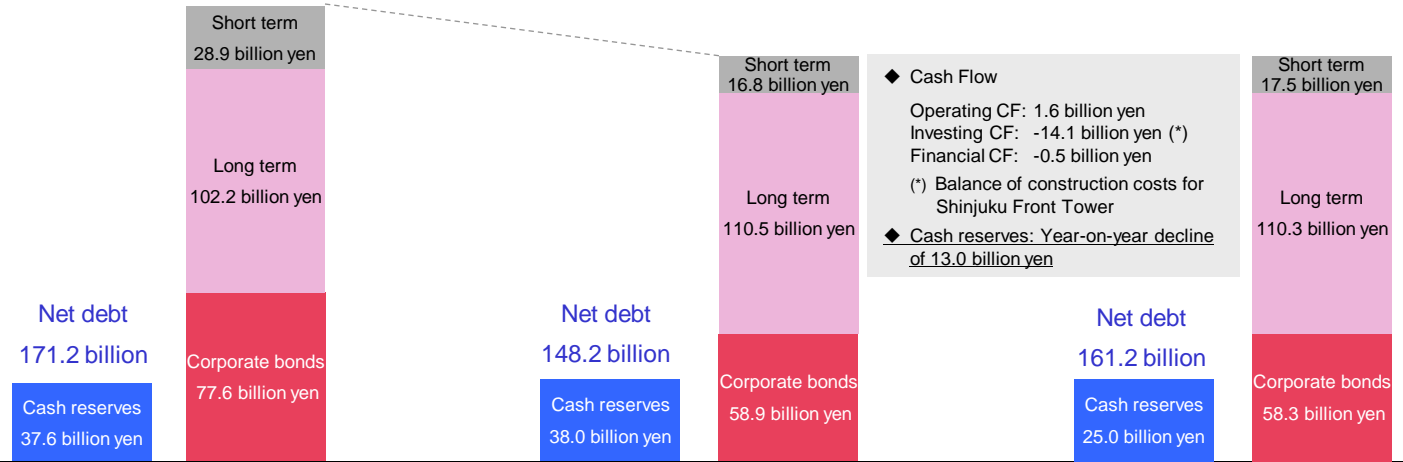
Status of assets

Note: • The amount of assets not directly associated with the businesses presented, such as assets belonging to the administrative division, is excluded from the amounts below.
 • Inventories include "Operating investment."
 • The amounts below are the consolidated ending balances for each period.



Status of interest-bearing debt

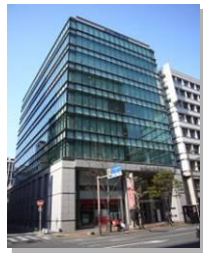
As of March 31, 2010 As of March 31, 2011 As of September 30, 2011



◆ Cash Flow
 Operating CF: 1.6 billion yen
 Investing CF: -14.1 billion yen (*)
 Financial CF: -0.5 billion yen
 (*) Balance of construction costs for Shinjuku Front Tower
 ◆ Cash reserves: Year-on-year decline of 13.0 billion yen

Interest bearing debt 208.8 billion yen 186.3 billion yen 186.2 billion yen

Leasing Business – Distribution of Main Asset Holdings



Tenjin Heiwa Bldg.

[Kyushu]
 Fukuoka Shoken Bldg.
 Fukuoka Heiwa Bldg.
 Tenjin 3 chome Heiwa Bldg.
 Tenjin Heiwa Bldg.
 Fukuoka Constructors Association



Hotel Brighton City
Osaka Kitahama



The Osaka Securities
Exchange Bldg.

[Kinki]
 The Osaka Securities Exchange Bldg.
 Osaka Heiwa Bldg.
 Hotel Brighton City Osaka Kitahama
 Heiwa Real Estate Kitahama Bldg.
 Yotsuya Gakuin Bldg.
 Higashi-Osaka Hanazono SC
 Kyoto Shoken Bldg.
 DAIMARU Kyoto Store (West) Kyodo Bldg.
 DAIMARU Kyoto Store (North) Kyodo Bldg.
 Kobe Kyukyoryuchi Heiwa Bldg.

[Chugoku]
 Heiwa Real Estate
Hiroshima Bldg.



Dogjin Bldg.

[Hokkaido]
 Dogjin Bldg.
 Shin-Odori Building
 Sapporo Ekimae Godo Bldg.
 Park East Sapporo
 AFT Bldg.

[Hokuriku]
 Heiwa Real Estate
Niigata Bldg.



Ichibancho Heiwa Bldg.
(Scheduled completion date: January 2012)

[Tohoku]
 Ichibancho Heiwa Bldg.

Fukuoka

Hiroshima

Osaka

Nagoya

Tokyo

Niigata

Sendai

Sapporo

[Tokai]
 The Nagoya Stock Exchange Bldg.
 CentRise SAKAE
 Nagoya Heiwa Bldg.
 Isemachi Heiwa Bldg.
 Sakae Minami Heiwa Bldg.



CentRise SAKAE

[Kanto]
 The Tokyo Stock Exchange Bldg.
 Nishshokan Bldg.
 Kabutocho Heiwa Bldg.
 Tanaka Kogyo Bldg.
 Kayabacho 1-chome Heiwa Bldg.
 Mita Heiwa Bldg.
 Uchisaiwaicho Heiwa Bldg.
 Daikanyama Address Dixsept
 Yokohama Heiwa Bldg.

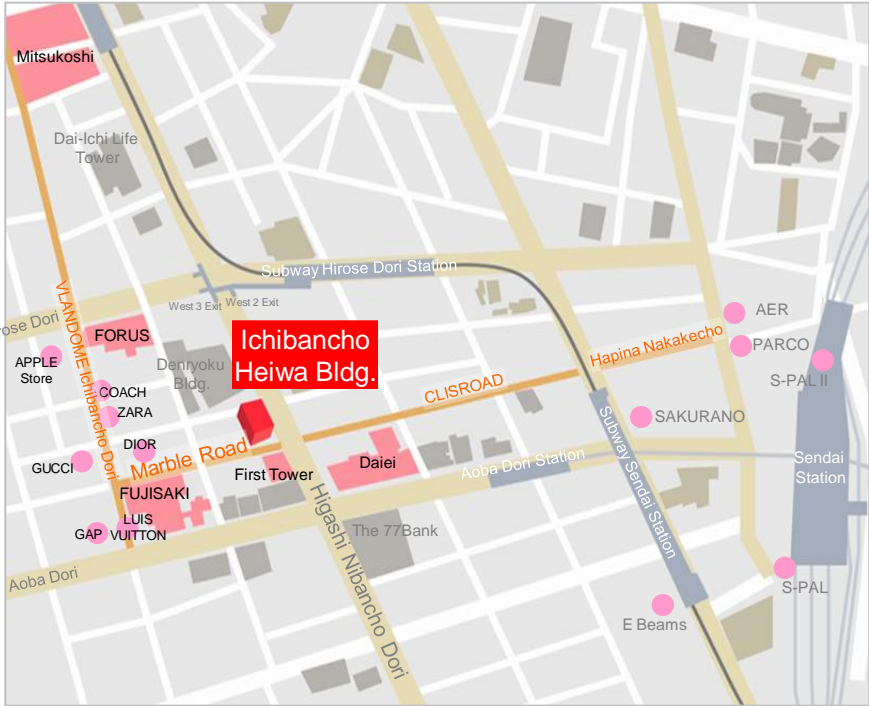


The Tokyo Stock
Exchange Bldg.



Daikanyama Address Dixsept

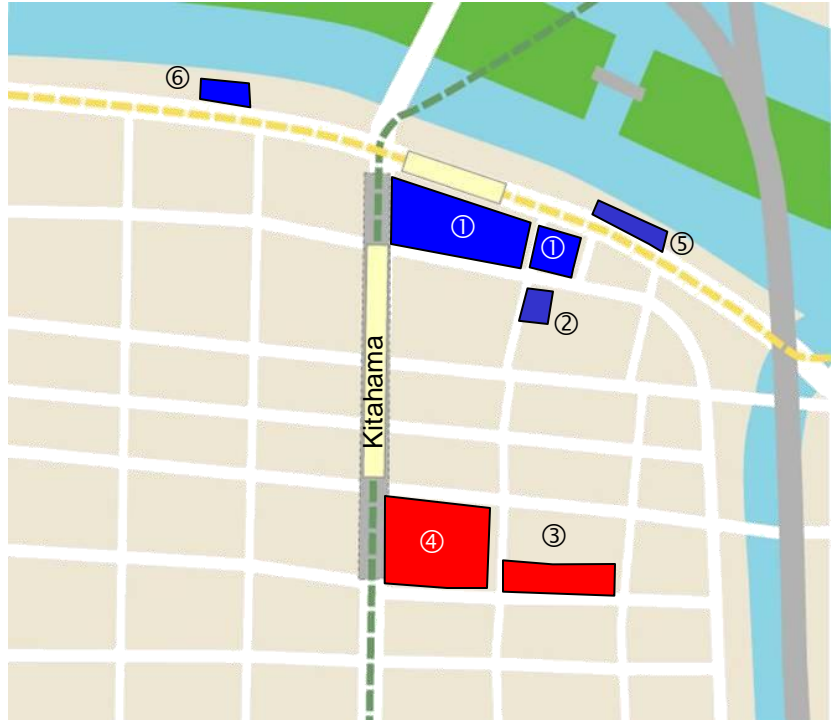
Leasing Business –Ichibancho Heiwa Building Project



Ichibancho Heiwa Bldg. <Project Summary>

Location:	6-1 Ichibancho 3-chome, Aoba-ku, Sendai-city		
Site area:	1,737.99 m ²	Total floor area:	11,079.20 m ²
Scale:	10 stories above ground		
Primary purpose:	Offices (3F-10F), stores (1F-2F)		
Commencement date:	June 2010		
Scheduled completion date:	January 2012		
Contract rate:	Approximately 80% (100% for 1F-2F)		

Leasing Business – Heiwa Real Estate Kitahama Building Project



⑥ Heiwa Real Estate Kitahama Bldg.

Location: 2-1-5 Kitahama Chuou-ku, Osaka-city
 Site area: 287.72 m²
 Total floor area: 2,313.23 m²
 Scale: 10 stories above ground and the first basement
 Completion date: October 2011

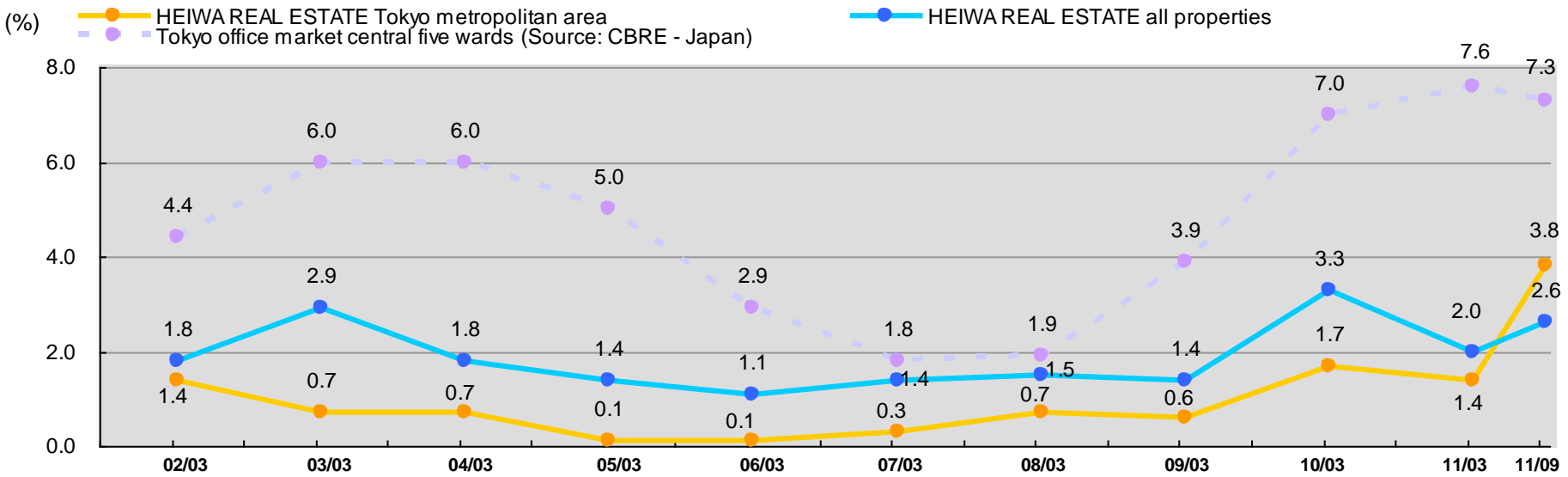
Operating with full occupancy:
 1st floor and basement: Restaurants
 2nd floor and above: Office spaces consisting mainly of lawyers' offices

- ① The Osaka Securities Exchange Bldg.
- ② Osaka Heiwa Bldg.
- ③ Hotel Brighton City Osaka Kitahama
- ④ The Kitahama (Super-high-rise condominium)
- ⑤ Osaka Shoken Kaikan main bldg. *
- ⑥ Heiwa Real Estate Kitahama Bldg.*
(formerly Osaka Shoken Kaikan annex)

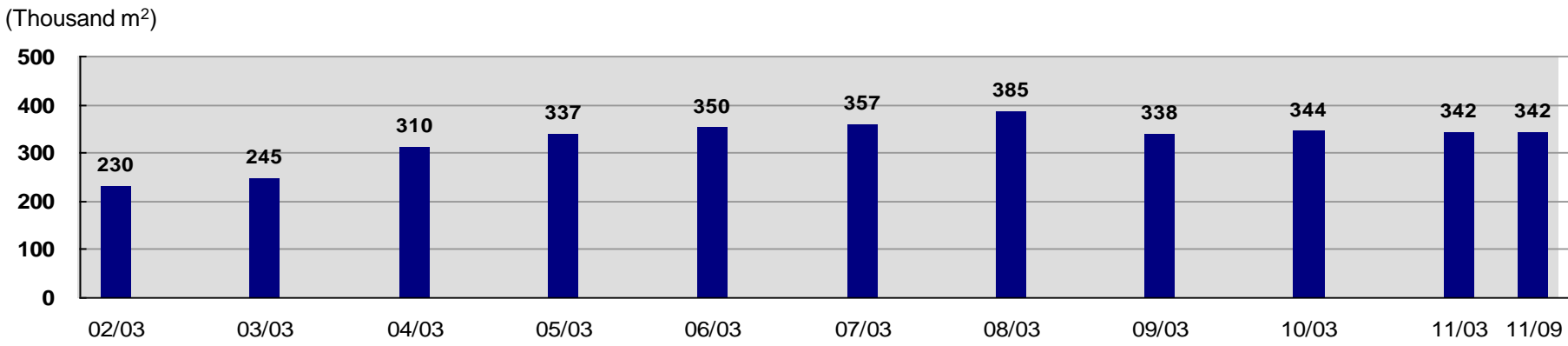
* Became a Heiwa Real Estate-owned building due to its merger with the Osaka Shoken Kaikan K.K. on October 1, 2011

Leasing Business – Changes in Building Vacancy Rates

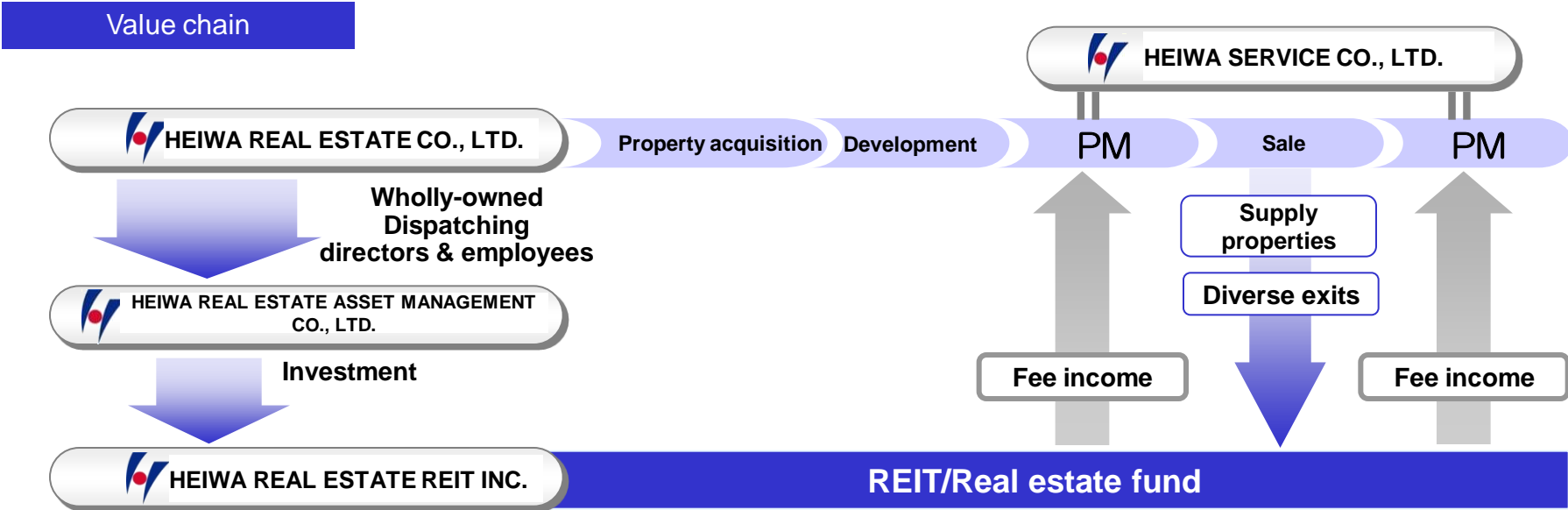
◆ Changes in vacancy rates



◆ Changes in leasing area

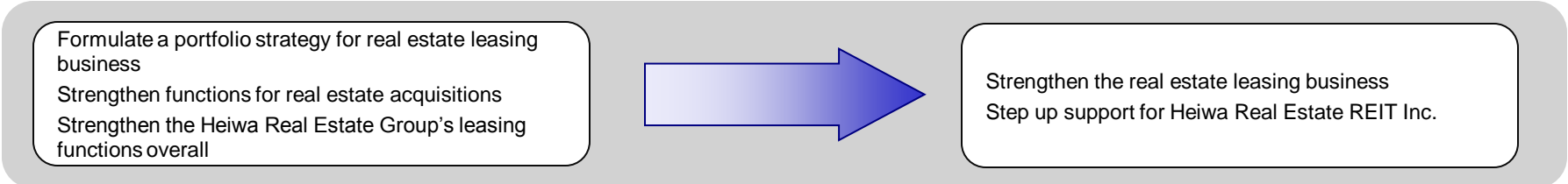


Real Estate Development Business – Value Chain



Platform for strengthening the value chain

Implement an organizational realignment



Contract changes made in order to support the operation and management of Heiwa Real Estate REIT-owned buildings (8 buildings)

- Heiwa Real Estate ⇒ PM supervision and leasing
- Heiwa Service ⇒ Provision of commissioned PM services excluding leasing

Real Estate Development Business – Development Projects



[Shinjuku Front Tower]

Location: 2 Kitashinjuku, Shinjuku-ku, Tokyo
Site area: 9,628.17 m² (Approx. 2,912 tsubo)
Total floor area: 93,996.52 m² (Approx. 28,433 tsubo)
Completion date: May 2011
Tenants: Natural LAWSON, Motomachi Union, etc.
Joint developer: Mitsubishi Estate



[Shinjuku Eastside Square]

Location: 6 Shinjuku, Shinjuku-ku, Tokyo
Site area: 25,809.68 m² (Approx. 7,807 tsubo)
Total floor area: 170,300 m² (Approx. 51,515 tsubo)
Scheduled completion date: April 2012
Joint developer: Mitsubishi Estate, etc.

Housing Development Business – Joint Condominium Sale Business

- ◆ Name: GRANSYMPHONIA
- ◆ Location: Toda-city, Saitama (8 minutes walk from Toda Koen Station on the Saikyo Line)
- ◆ Heiwa Real Estate's share: 25%
- ◆ Total number of units: 923
(Zone I: 675, Zone II: 248)
- ◆ Completion: Zone I: August 2011
Zone II: August 2012 (scheduled)



- ◆ Name: Sakurazutsumi Teien Terrace
- ◆ Location: Musashino-city, Tokyo
(13 minutes' walk from Higashi-Koganei Station on the JR Chuo Line)
- ◆ Heiwa Real Estate's share: 40%
- ◆ Total number of units: 230
- ◆ Completion: August 2012 (scheduled)

Kabutocho Area Redevelopment Project – Objectives

Kabutocho, well-known as a financial district, is an area with high potential

Convenient access

Easy access to five subway lines
Proximity to Tokyo Station
Good airport access

Value as an office district

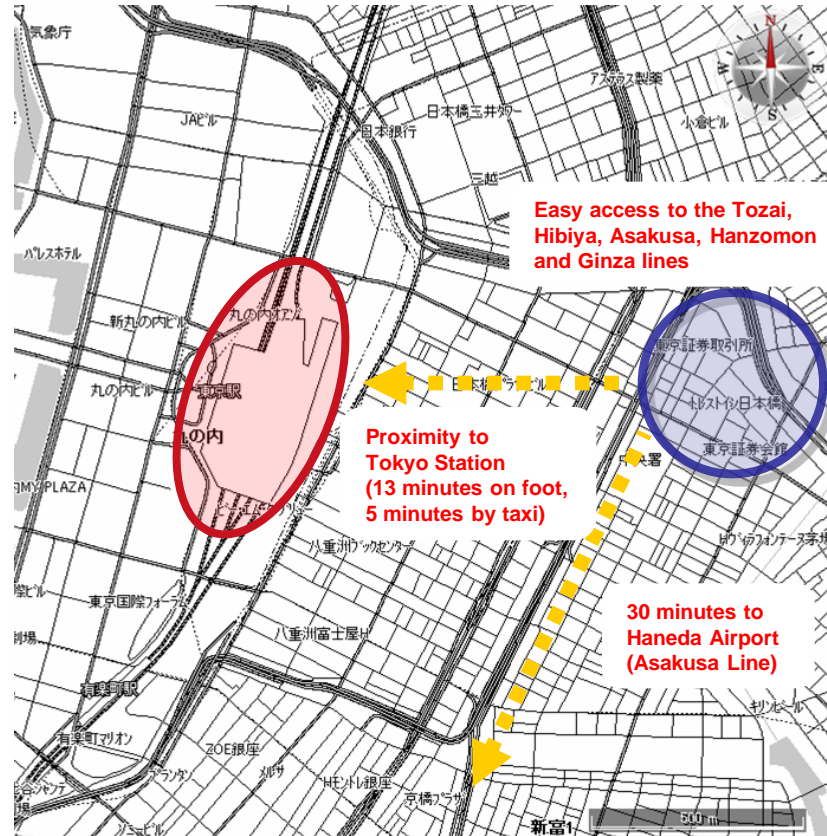
The areas on both sides of Tokyo Station are superior office districts

Potential for creating a highly diverse zone

Compared with Marunouchi and Otemachi, it is easier to create areas where people can live close to their workplaces

The Company's strengths and business opportunities

Owner of the Tokyo Stock Exchange Building
Relationship with the securities industry
Owns land with potential for development



Rebuild office functions and create new added value such as housing, commercial and service functions through redevelopment. Revitalize Kabutocho by fully capitalizing on its potential.

Kabutocho Area Redevelopment Project – Collaboration with Mitsubishi Estate

Heiwa Real Estate's needs

Strengthen development capabilities

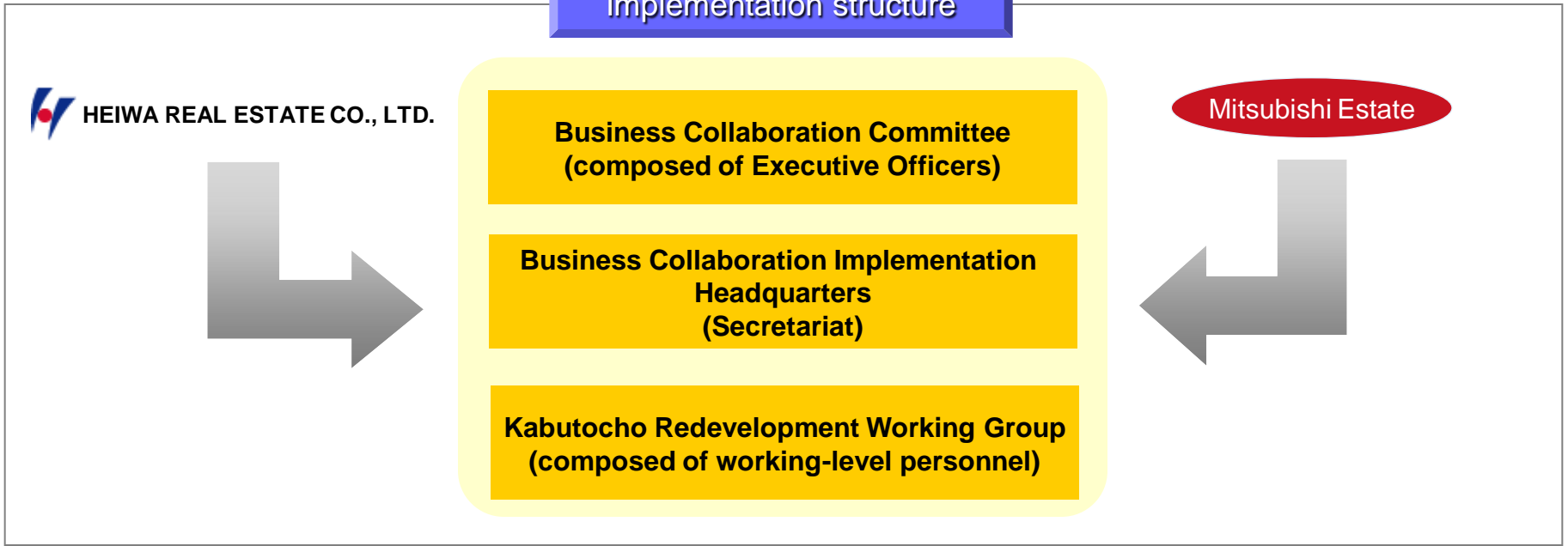
Collaborate with a highly suitable partner



Mitsubishi Estate

- Favorable views on joint development in the Kabutocho area
- Superior track record in redevelopment, mainly in the Marunouchi area
- Has acted as partner in many projects (including Shinjuku Front Square, Somerset Azabu East, and Tokyo Twin Parks)
- Has collaborated with Mitsubishi Jisho Sekkei in the construction of many buildings (Tokyo Stock Exchange Building, Osaka Securities Exchange Building, CentRise SAKAE, Ichibancho Heiwa Building, etc.)

Implementation structure



Forecasted Consolidated Financial Results for Fiscal Year ending March 31, 2012 – First Year of the Medium-term Management Plan

	Fiscal Year ended March 31, 2011	Fiscal Year ending March 31, 2012 (Forecast)	Year-on-Year	Year-on-Year (%)
Operating revenue (millions of yen)	30,135	29,000	(1,135)	(3.8)
Leasing Business	18,244	18,300	+56	+0.3
Real Estate Development Business	3,883	2,500	(1,383)	(35.6)
Housing Development Business	6,338	6,600	+262	+4.1
Other businesses	1,669	1,600	(69)	(4.1)
Operating income (millions of yen)	8,403	6,500	(1,903)	(22.7)
Leasing Business	7,639	7,500	(139)	(1.8)
Real Estate Development Business	1,779	200	(1,579)	(88.8)
Housing Development Business	42	100	+58	+138.1
Other businesses	167	100	(67)	(40.1)
Elimination or corporate	(1,225)	(1,400)	(175)	–
Ordinary income (millions of yen)	5,183	3,400	(1,783)	(34.4)
Extraordinary income (millions of yen)	96	–	(96)	(100.0)
Extraordinary loss (millions of yen)	1,251	–	(1,251)	(100.0)
Net income (millions of yen)	2,062	2,000	(62)	(3.0)

Forecast by Segment

Leasing Business

	Fiscal Year ended March 31, 2011	Fiscal Year ending March 31, 2012 (Forecast)	Year-on-Year	Year-on-Year (%)
Operating revenue (millions of yen)	18,244	18,300	+56	+0.3
Buildings	17,434	17,420	(14)	(0.1)
Housing	810	880	+70	+8.6
Operating income (millions of yen)	7,639	7,500	(139)	(1.8)
Buildings	7,410	7,200	(210)	(2.8)
Housing	228	300	+72	+31.6
Vacancy rate [Buildings] (%)	2.0	Less than 2		
Vacancy rate [Housing] (%)	5.3	Less than 5		

- ◆ Revenue increase due to the launch of the operation of a new building, new tenants moving in, etc.: 0.9 billion yen
- ◆ Revenue decline due to tenants moving out and rent reductions: 0.9 billion yen
- ◆ Occupancy rate: Occupancy rates remained high for both buildings and housing

Real Estate Development Business

	Fiscal Year ended March 31, 2011	Fiscal Year ending March 31, 2012 (Forecast)	Year-on-Year	Year-on-Year (%)
Operating revenue (millions of yen)	3,883	2,500	(1,383)	(35.6)
Management fee	902	810	(92)	(10.2)
Revenue from real estate development	2,465	1,170	(1,295)	(52.5)
Brokerage	515	520	+5	+1.0
Operating income (millions of yen)	1,779	200	(1,579)	(88.8)
Management fee Revenue from real estate development	1,704	140	(1,564)	(91.8)
Brokerage	75	60	(15)	(20.0)

- ◆ Revenue decline due to a Shinsaibashi property sale made in the fiscal year ended March 31, 2011
- ◆ Depreciation and amortization, etc. increase as a result of the Shinjuku Front Tower coming into operation (Kitashinjuku)

Housing Development Business

	Fiscal Year ended March 31, 2011	Fiscal Year ending March 31, 2012 (Forecast)	Year-on-Year	Year-on-Year (%)
Operating revenue (millions of yen)	6,338	6,600	+262	+4.1
Real estate sales	6,271	6,530	+259	+4.1
Other	67	70	+3	+4.5
Operating income (millions of yen)	42	100	+58	+138.1
Number of units sold	121	183	+62	+51.2

- ◆ Operating revenue and operating income increased compared with the previous fiscal year. The number of units sold increased by 62 units
- ◆ Launched the sale of GRANSYMPHONIA (Toda Koen) Joint project – 135 units to be sold

Business Environment, Priority Measures and Dividend

Business environment

The effects of the worsening European debt problem, the yen's appreciation and the Thai flooding on corporate earnings and consequently on real estate investment and the leasing business

Leasing Business

[Current status]

Although the decline in office rents is continuing to flatten out, the underlying conditions still remain weak

[Concern]

Concerns about the global economic slowdown are starting to cool business sentiment

Real Estate Development Business

[Current status]

Declining number of investable properties
Slump in the leasing office market

[Concern]

Sluggish J-REIT prices

Housing Development Business

[Current status]

Supported by a favorable supply demand balance, the full-year condominium supply is forecast at 45,000 or so (flat year on year)

[Going forward]

Use of increasingly more rigorous condominium selection criteria as buyers' safety consciousness and energy efficiency awareness continue to grow

Priority measures

Leasing Business

- ◆ Establish a new business unit dedicated to building leasing
 - ◆ Prevent existing tenants from moving out
 - ◆ Conduct efforts regarding the Kabutocho redevelopment
- Leverage the partnership with Mitsubishi Estate

Real Estate Development Business

- ◆ Turn the Heiwa Real Estate REIT-related business into a stable revenue source and support supplying properties
- ◆ Seek to steadily promote projects currently under development and improve the operation of Heiwa Real Estate-owned properties

Housing Development Business

- ◆ Reduce completed housing inventories
- ◆ Improve development profit margin

Dividend

	FY ended March 31, 2008	FY ended March 31, 2009	FY ended March 31, 2010	FY ended March 31, 2011	FY ending March 31, 2012 (Forecast)
Net income per share (yen)	25.5	5.8	(58.5)	13.5	9.9
Dividend payout ratio (%)	46.9	206.9	–	29.7	40.1
Annual dividend per share (yen)	12	12	3	4	4

- ◆ Consolidated dividend payout ratio of 30% or more is targeted
- ◆ Planned annual dividend per share is 4 yen for the Fiscal Year ending March 31, 2012
(Interim dividend of 2 yen + year-end dividend of 2 yen)

Environmental Assessment

- Use of the SMBC Environmental Assessment Loan
- Acquired DBJ Green Building certification



CentRise SAKAE

SMBC
Environmental Assessment Loan
Assessment rating: Platinum (top rating)

DBJ
Green Building Certification
Assessment rating: Gold



The Tokyo Stock Exchange Bldg.

SMBC
Environmental Assessment Loan
Assessment rating: Gold

DBJ
Green Building Certification
Assessment rating: Gold
(the first time a Gold rating has been awarded to a building constructed in the Showa era (1926–1989))



The Osaka Securities Exchange Bldg.

DBJ
Green Building Certification
Assessment rating: Gold

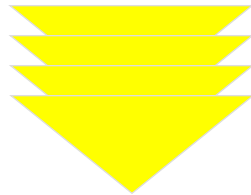
Medium-term Management Plan 2013 Foundations for the Future
(the fiscal years 2011 through 2013)
Corporate Value Improvement Strategy (1st Stage)

– Strategic Actions for Performance & Quality Improvement –

Vision

Based on our track record and the trust we have built up over many years through the management of buildings that house stock exchanges nationwide, we plan to play a key role in revitalizing urban areas, primarily in Japan's major cities. Our first area of focus will be Kabutocho, where our head office is located.

Position of Medium-term Management Plan



Our new Medium-term Management Plan is designed to put the foundations in place to achieve this vision by reinforcing the earnings base and enhancing our expertise. More specifically, during the three years of the plan, we intend to accumulate the necessary expertise and capabilities to carry out the redevelopment of Kabutocho.

Basic Strategies

(1) Increase the profitability of business assets

(2) Stabilize the financial base

(3) Implement initiatives to generate growth

Business Strategies

(1) Increase the profitability of business assets

- Raise the quality and secure the competitiveness of leased assets
- Enhance disaster prevention and safety measures for leased assets
 - Improve the energy efficiency of leased assets
 - Reinforce the property management business
 - Reduce business operating expenses

(2) Adopt stricter criteria for the acquisition of leased assets

Emphasize profitability and capital efficiency when making investment decisions regarding properties

(3) Push ahead with the redevelopment of Kabutocho

- Create a master plan for the redevelopment project
- Accelerate the formulation of plans currently under development
- Gather information related to land earmarked for redevelopment
- Reinforce links with the area, including communication with local stakeholders

(4) Develop the REIT operation business

Build a value chain with REITs

(5) Rebuild the business and take steps to generate growth

- Rebuild the business
- Concentrate resources on strategic business fields by accurately understanding changes in the operating environment
- Identify new business opportunities
- Search for ways to expand all businesses while emphasizing profitability

◆ Growth in profits and financial control

	FY ending March 31, 2012 (Estimated)	FY ending March 31, 2013 (Plan)	FY ending March 31, 2014 (Plan)
Operating income (million of yen)	6,500	6,500	7,000
Ordinary income (million of yen)	3,400	3,800	4,500
Debt-equity ratio	2.7x	2.4x	2.1x