

(Attached Documents)

BUSINESS REPORT

1. Outline of Operations for the period from April 1, 2003 to March 31, 2004:

(1) Update and Results of Business -

During the fiscal year ended March 31, 2004, economic conditions and the business climate in Japan have continued a mild upswing with an increase of exports. Furthermore, capital investment on stock prices showed an upward trend. Business confidence has improved, but not to the extent of leading to more job opportunities and income.

In the real estate lease business, the “Year 2003 issue”, in which it was feared that a large amount of office buildings would be supplied in 2003, with the rent price going down, hasn’t been severe and maintained a limited impact. Now the vacancy rate stopped the upward trend for large-scale building in the metropolitan area, and the rents show signs of bottoming out. On the other hand, the record-high vacancy rate was reached in some local city. Not only the disparities from upgrade of the scale or facilities, but also the disparities among regions are expanding in the real estate lease business.

In the real estate sales business, sales in the metropolitan area, where it is convenient to transportation, maintains a strong upward trend. As a result, selective purchasing of real estate is in progress, with a land price shift to an upward tendency in the metropolitan area. In the entire real estate business, we made efforts to obtain good risks among heavy competition and acquire new sources of income, such as the securing of real estate, or foray into property management enterprise, etc.

In such a business environment, the Company promotes a reform of profit structure in the real estate leasing business, and strengthens its sales activities for condominiums in the metropolitan area. In addition the Company started dealing in the conversion business, in which oversupplied office space is converted to residential space.

Operating results for the respective divisions are summarized below:

Real Estate Leasing Division

In the Real Estate Leasing Division, the Company encountered severe market conditions with tenants requesting more reductions in rents. However, the Company put in an effort to maintain its earnings by modification and renewal of owned buildings and also improve the vacancy rate.

As a result, "Stock Exchange Market Place Leasing Income" for the fiscal year ended March 31, 2004 increased by ¥4,966 million (0.0%) to ¥0 million compared with the previous period. On the other hand, "General Leasing Income" for the fiscal year ended March 31, 2004 increased by ¥5,915 million (5.1%) to ¥289 million compared with the previous period, due to an increase in lease income for the Dogin Building for a full year operating lease .

"Commercial Facilities Leasing Income" for the fiscal year ended March 31, 2004 increased by ¥2,902 million (19.5%) to ¥474 million compared with the previous period due to a increase in lease income for Akishima shopping center. Accordingly, "Rental income" including "Land Leasing Income" for the fiscal year ended March 31, 2004 reached a record- high, with an increase of ¥13,904 million (5.9%) to ¥776 million compared with the previous period.

The vacancy rate for lease buildings as of the fiscal year-end was 1.8%.

Real Estate Sales Division

In the Real Estate Sales Division, there were 209 condominium units sold in Resias Fort Shinurayasu (Urayasu-city, Chiba prefecture, in cooperation with three other companies), Sky Square Kawaguchi (kawaguchi-city, Saitama prefecture, in cooperation with another company), and The Yokohama Towers (Yokohama-city, Kanagawa prefecture, in cooperation with four other companies), which are conveniently located to the metropolitan area. The sales of real estate decreased by ¥6,232 billion (40.4%) to¥9,199million compared with the previous period, when the sales were concentrated on large-scale projects.

Real Estate Brokerage and Other Divisions

In the Real Estate Brokerage Division, the Company made aggressive efforts to develop its business, mainly in relation to brokerage on commercial use real estate. As a result, revenue in the Real Estate Brokerage Division for the fiscal year ended March 31, 2004 increased by ¥100million (58.1%) to ¥272million compared with the previous periods. Accordingly, "Other operating revenue" for the fiscal year ended March 31, 2004, which derives from the Real Estate Brokerage and Other Division, increased by ¥197 million (73.6%) to ¥465 million.

In such as business environment, the Company has development smoothly on the Real Estate Leasing Division, and recorded sales as planned on the Real Estate Sales Division. As a result, "Operating revenue" for the fiscal year ended March 31, 2004 amounted to ¥23,569 million, a decrease of ¥5,259 million (18.2%) compared with the previous period due to a fluctuation of sales volume. On the other hand, "Operating cost" for the fiscal year ended March 31, 2004

decreased by ¥3,746 million (18.1%) to ¥16,961 million compared with the previous period due to cost reduction activities.

“Operating profit” decreased by ¥1,513 million (18.6%) to ¥6,608 million compared with the previous period for the same reason started in the previous paragraph.

“Ordinary income” for the fiscal year ended March 31, 2004 decreased by ¥1,067 million (17.9%) to ¥4,906 million compared with the previous period, and a “Loss on disposal of fixed assets scrapped”, mainly resulting from the scrapping of the Osaka Securities Exchange Building , amounting to ¥ 559 million was recorded as a special loss. As a result, Net income for the fiscal year ended March 31, 2004 decreased by ¥215 million (7.9%) to ¥2,509 million compared with the previous period.

(2) Issues the Company has to resolve -

Considering the economic outlook in the near future in Japan, corporate earnings are showing a recoverable tendency. However, the household sector has not yet recovered. Economic conditions of united states and Asia has had an impact on Japan’s economy.

In the real estate business as a whole, heavy new competition appears to continue in addition to the creation of new methods of earnings against the development of polarization between Metropolitan and local, Center and surrounding, large-scale high quality building and medium and small building.

In such circumstances, in order to win fierce competition and sustain growth, the Company tries to be engaged in the following:

In the real estate leasing business, as a means of stabilizing and improving earnings, the Company will continue to diversify its earnings sources, and maintain a balance in its leasing business between stock exchange market places, general tenants, and commercial facilities. In particular in the fiscal year of 2004, the entire Company will concentrate on the reconstruction building and looking for tenants for the Osaka Securities Exchange Building, with the completion of construction projected for December 2004, and aiming for full occupancy rate.

In the Real Estate Sales business, by grasping the diversified customer demands and providing good product planning, the Company will attempt to maintain its earnings and establish a regime to move into the property management business, in addition to housing business.

With regard to the Real Estate Brokerage Business, the Company continuously makes aggressive efforts to develop its business, mainly in relation to brokerage on commercial use real estate.

With regard to the securing of real estate, the Company plans to establish a J-REIT(Japan real estate investment trust). In addition, with regard to the office conversion business, the Company will ensure a profit by expanding scale and consolidating with the belief that such

new business will become a source of earnings for the Company.

(3) Status of financing -

On December 11, 2003, the Company issued the 4th series of the Unsecured bond.

The detailed terms of this issuance were as follows:

Amount of issuance: ¥10 billion
 Maturity date: December 11, 2007
 Interest rate: 1.76%

(4) Investment in fixed assets -

During the period, the Company constructed the Akisima shopping center (Akisima-city Tokyo), and is reconstructing the Osaka Securities Exchange building (Osaka-city, Osaka Prefecture) and the Nagoya Heiwa buildings. As a result, the Company's capital expenditure amounted to ¥13,879 million.

(5) Changes in results of operations and asset status -

(In millions of yen, except for net income per share)

Fiscal year Classification	The 81st fiscal year (From April 1, 2000 to March 31, 2001)	The 82nd fiscal year (From April 1, 2001 to March 31, 2002)	The 83rd fiscal year (From April 1, 2002 to March 31, 2003)	The 84 th fiscal year (From April 1, 2003 to March 31, 2004)
Operating revenue	¥19,129	¥19,475	¥28,828	¥23,569
Ordinary Profit	2,664	2,782	5,973	4,906
Net income	928	1,249	2,724	2,509
Net income per share (in exact yen)	8.25	11.09	23.71	21.91
Total assets	143,598	146,834	166,200	173,114
Net assets	35,568	36,053	37,828	39,570

(Note) Net income per share is computed based on the average total number of shares of common stock issued and outstanding during each period. From the 82nd fiscal year, the number of treasury stock had been deducted from the average total number of common stock issued and outstanding during each period. From the 83rd fiscal year, the amount which does not belong to common shareholders has been deducted from net income in accordance with Financial Accounting Standards No.2 "Accounting Standard for Earnings per Share" and Related Guidance issued by Accounting Standards Board of Japan on September 25, 2002.

2. Outline of the Company (as of March 31, 2004):

(1) Contents of principal businesses -

Division	Business Activities
Real Estate Leasing	Leasing of buildings, facilities and land for stock exchange market places, securities related companies and other enterprises
Real Estate Sales	Sales of condominiums, detached houses, land for housing lots, etc.
Real Estate Brokerage and Other	Agency and brokerage related to trading and leasing of real estate etc.

(2) Principal sales offices -

Name	Location
Head Office	Chuo-ku, Tokyo
Osaka Branch	Chuo-ku, Osaka-city
Nagoya Branch	Naka-ku, Nagoya-city
Fukuoka Branch	Chuo-ku, Fukuoka-city

(3) Status of Shares -

1) Number of shares authorized	299,171,000 shares
2) Number of shares issued and outstanding	111,760,414 shares
3) Number of shares which constitutes one unit (Tangen)	500 shares
4) Number of shareholders	27,974 (Decrease of 3,015 as compared with prior period end)

(4) Major shareholders

Name	Investment in the Company		Investment in the shareholders by the Company	
	No. of shares (000's)	Percentage of voting rights (%)	No. of shares (000's)	Percentage of voting rights (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	6,559	5.99	-	-
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,650	5.16	-	-
Banca intessa clients omnibus account	3,109	2.84	-	-
Resona Bank, Ltd	1,808	1.65	Note 2	Note 2

Name	Investment in the Company		Investment in the shareholders by the Company	
	No. of shares	Percentage of voting rights	No. of shares	Percentage of voting rights
	(000's)	(%)	(000's)	(%)
Sumitomo Mitsui Banking Corporation	1,710	1.56	Note 3	Note 3
BNP Paribas Securities (Japan) Limited	1,646	1.50	-	-
Societe Generale Paris OBE dept	1,586	1.45	-	-
ABN Amro Equities (UK) Limited (AAE)	1,496	1.37	-	-
Credit Suisse First Boston Securities (Japan) Limited	1,408	1.29	-	-
Trust and Custody Services Bank Ltd. (Investment Trust Account)	1,284	1.17	-	-

- (Note) 1. The above number of shares held by the trust bank includes shares in the form of an investment trust account, etc.
2. The Company holds 160,000 shares (0.00% of voting stock) of Resona Holdings, Inc.
3. The Company holds 270 shares (0.00% of voting stock) of Sumitomo Mitsui Financial Group, Inc.

(5) Acquisition, reissuance, and balance of treasury stock

1) Acquisition due to repurchase of shares less than one unit:	
Number of common stock	207,866 shares
Total acquisition cost	¥64 million
2) Proceed to be lapsed shares:	
Number of common stock	208,000 shares
3) Balance at the end of current period:	
Number of common stock	5,843 shares

(6) Employees -

	No. of Employees	Increase/(decrease) as compared with prior period end	Average age (years)	Average length of service (years)
Male	59	1	42.7	17.7
Female	26	2	31.5	11.5
Total or average	85	3	39.3	15.8

(7) Status of business combination -

1. 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	93.2%	Management of buildings and facilities, etc.

2. Results of combined business:

During the fiscal year ending March 31, 2004, the Company was required to consolidate only the above subsidiary. Consolidated net sales and net income for the fiscal year ending March 31, 2004, amounted to ¥24,408 million (a decrease of 17.5% compared with the previous year) and 2,504 million (a decrease of 8.1% compared with the previous year), respectively.

(Note) Heiwa Service Co., Ltd. spun off a private nursing home enterprise in order to establish Heiwa Healthcare Co., Ltd as of April 1st, 2004.

(8) Principal creditors -

Creditors	Balance	No. of shares held by creditors	
	(In millions of yen)	(In thousand of shares)	Percentage of voting rights held by creditors (%)
Resona Bank, Limited.	¥17,992	1,808	1.65
Sumitomo Mitsui Banking Corporation	13,320	1,710	1.56
The 77 Bank, Ltd.	9,660	666	0.61
Mizuho Corporate Bank, Ltd.	8,010	-	-
The Bank of Tokyo-Mitsubishi, Ltd.	3,160	-	-

(9) Directors and statutory auditors -

Position	Name	Responsibility
Director and President* Executive Managing Director*	Kenichi Isaka Sakutaro Kinbara	In-charge of Finance and Accounting Department, Building Project Department, Building Business Department and Fukuoka Branch operation
Managing Director	Hiromu Enomoto	In-charge of Real Estate Brokerage Department and in-charge and Manager of Housing Business Department
Managing Director	Kiyoshi Kurosu	In-charge of Osaka and Nagoya Branch operation
Managing Director	Hiroyuki Takahashi	In-charge of General Affairs Department and

Director	Masashi Ueda	Business Development Department and in-charge and Manager of Office Conversion Promote Project
Director	Takashi Hayakawa	Executive Manager of Kansai area
Director	Kazuo Minamino	Executive Manager of Chubu area Manager of Finance and Accounting Department
Director	Takeo Hino	Manager of Building Project Department
Director	Kaoru Umehara	Director and President of Kyowa Securities K.K.
Statutory Auditor	Kouichi Nishimura	Full-time
Statutory Auditor	Kazuyuki Nakajima	Full-time
Statutory Auditor	Yasukuni Watanabe	Director and President of Marukuni Securities K.K.
Statutory Auditor	Tomoaki Murakami	Chairman of board of directors of Cosmo Securities K.K.

(Note)

1. “*” above, indicates Representative Director.
2. Kaoru Umehara is an external director as prescribed by Article 188 - (2) 7-2 of the Commercial Code.
3. Yasukuni Watanabe and Tomoaki Murakami are external statutory auditors as prescribed by Article 18 - (1) of the Special Law of the Commercial Code concerning the Audit, etc. of Stock Corporations.

3. Significant subsequent events of the Company:

There are no significant items to report.

BALANCE SHEET

MARCH 31, 2004

ASSETS

(In millions of yen)

Current assets:	
Cash and deposits	¥9,201
Accounts receivable – trade	53
Marketable securities	6,058
Real estate for sale	183
Suspense account for real estate for sale	5,717
Prepaid expenses	462
Deferred tax assets	543
Short-term loans	160
Accounts receivable – other	184
Other current assets	51
Allowance for doubtful accounts	(2)
Total current assets	<u>22,614</u>
Fixed assets:	
Tangible fixed assets -	
Buildings and building fixtures	56,295
Structures	618
Machinery and equipment	226
Vehicles	10
Furniture and fixtures	215
Land	70,737
Construction in progress	11,650
Total tangible fixed assets	<u>139,754</u>
Intangible fixed assets -	
Leasehold rights	3,678
Other intangible Assets	53
Total intangible fixed assets	<u>3,731</u>
Investments and other assets -	
Investment in securities	3,746
Investment in subsidiaries	136
Investment in partnerships	2,798
Other investments	339
Allowance for doubtful accounts	(7)
Total investments and other assets	<u>7,013</u>
Total fixed assets	<u>150,499</u>
Total assets	<u><u>173,114</u></u>

BALANCE SHEET

MARCH 31, 2004

LIABILITIES AND SHAREHOLDERS' EQUITY

(In millions of yen)

<u>Liabilities</u>	
Current liabilities:	
Notes payable	¥2,173
Accounts payable – trade	1,132
Short-term loans payable	9,800
Current portion of long-term loans	13,314
Accounts payable – other	164
Accrued corporation and other taxes	1,712
Accrued expenses	184
Advances received	727
Short-term deposits received	1,967
Accrued bonuses	163
Total current liabilities	<u>31,338</u>
Long-term liabilities:	
Bonds	50,000
Long-term loans payable	30,028
Long-term deposits received	19,091
Deferred tax liabilities	699
Deferred tax liabilities concerning revaluation	1,578
Reserve for retirement allowances for directors and statutory auditors	364
Accrued severance indemnities for employees	444
Total long-term liabilities	<u>102,205</u>
Total liabilities	<u>133,544</u>
 <u>Shareholders' equity</u>	
Common stock	5,814
Additional paid-in capital	
Capital reserve	4,061
Total additional paid-in capital	<u>4,061</u>
Retained earnings:	
Legal reserve	1,453
Reserve for deferral of gains on fixed assets	1,457
Reserve for special depreciation of fixed assets	120
Reserve for research and development costs	30
Reserve for general purposes	20,115
Unappropriated retained earnings	4,097
Total retained earnings	<u>27,273</u>
Revaluation surplus of land	2,300
Unrealized gain on securities	123
Treasury stock, at cost	(2)
Total shareholders' equity	<u>39,570</u>
Total liabilities and shareholders' equity	<u>173,114</u>

Notes to Balance Sheet

1. The figures shown above are rounded down to the nearest million yen.
2. Significant accounting policies are stated separately.
3. Payables to subsidiaries

Short-term receivables	¥2 million
Short-term payables	¥16 million
4. Accumulated depreciation of tangible fixed assets ¥37,217 million
5. Pledged assets

Buildings and building fixtures	¥23,176 million
Land	¥48,700 million
Total	¥71,877 million
6. Guarantees due from the Company ¥641 million
7. The “Reserve for retirement allowances for directors and statutory auditors” has been made in accordance with Article 43 of the Commercial Code Enforcement regulations.
8. The “Reserve for deferral of gains on fixed assets” is based on the provisions of the Special Taxation Measures Law.
9. The “Reserve for special depreciation of fixed assets” is based on the provisions of the Special Taxation Measures Law and the Special Measures Law for Earthquake Disasters.
10. Pursuant to the Law Concerning Land Revaluation (March 31, 1998 - Law No.34) and the Revision of the Law Concerning Land Revaluation (March 31, 2001 - Law No.19), the Company revalued its land used for business purposes and the resultant unrealized gains on revaluation, net of the related deferred tax liabilities, were recorded as a separate component of shareholders’ equity on the balance sheet.

Accounting policy with regard to revaluation prescribed by Article 3, paragraph 3 of the Law Concerning Land Revaluation -

The land prices were calculated based on the Enforcement Ordinance Concerning Land Revaluation (Government Ordinance No.119 on March 31,1998) Article 2(4). That is to say that the land prices were calculated based on the official notice published by the Commissioner of the National Tax Agency, which was in order to calculate tax value of land value tax in accordance with Land Value Tax Law Article 16, with reasonable adjustments.

Revaluation date - March 31, 2001

The Difference between market value as at
March 31, 2004 and the revaluation date - ¥9,769 million

11. Amounts of net assets increases by ¥123 million due to market revaluation of securities, which is restricted to be appropriated to dividends in accordance with Article 124-3 of the Commercial Code Enforcement regulations.

STATEMENT OF PROFIT AND LOSS

FROM: APRIL 1, 2003

TO: MARCH 31, 2004

(In millions of yen)

(Ordinary profit and loss)	
Operating profit and loss:	
Operating revenue -	
Rental income	¥13,904
Sales of real estate	9,199
Other operating revenue	465
Total operating revenue	<u>23,569</u>
Operating cost -	
Cost of rental	7,307
Cost of real estate sold	7,389
Selling, general and administrative expenses	2,264
Total operating cost	<u>16,961</u>
Operating profit	6,608
Non-operating profit and loss:	
Non-operating income -	
Interest income and dividends earned	16
Income for non-operating trustee services	16
Other non-operating income	26
Total non-operating income	<u>59</u>
Non-operating expenses -	
Interest on debentures	613
Interest expense	948
Loss on investment in partnerships	93
Bond-issuing expenses	56
Provision of allowance for bad debt	7
Other non-operating expenses	42
Total non-operating expenses	<u>1,760</u>
Ordinary income	4,906
(Special gains and losses)	
Special losses:	
Loss on disposal of fixed assets scrapped	22
Demolition expense of buildings and building fixtures	536
Total special losses	<u>559</u>
Income before income taxes	4,347
Corporation, inhabitants and enterprise taxes	1,948
Deferred income taxes	(110)
Net income for the period	2,509
Unappropriated retained earnings brought forward	2,159
Retirement of treasury stock	63
Reversal of revaluation surplus of land	(117)
Interim dividends	391
Unappropriated retained earnings at the end of the period	<u>¥4,097</u>

Notes to Statement of Profit and Loss

1. The figures shown above are rounded down to the nearest million yen.

2. Significant accounting policies are stated separately.

3. Transactions with subsidiaries:

Operating revenue	¥16 million
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Operating cost	¥1,184 million
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Transactions other than operating transactions	¥16 million
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4. Net income per share -	¥21.91
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Significant accounting policies

1. Method and basis of valuation of assets:

(1) Inventory -

Inventories are valued at cost, cost being determined by the aggregate average method.

(2) Marketable securities and other investments-

Trading securities: The company does not hold any trading securities.

Held-to-maturity bonds: Held-to-maturity bonds as valued at cost, cost being determined by the amortized cost method

Subsidiary stock: Subsidiary stock is valued at cost, cost being determined by the periodic average method

Other marketable securities and investments:

a. Securities with market quotations:

Securities with market quotations are valued at fair value with unrealized gains and losses included as a component of shareholders' equity, net of applicable taxes. Realized gains and losses are determined using the periodic average cost method and are reflected in income.

b. Securities without market quotations:

Securities without market quotations are valued at cost, cost being determined by the periodic average method

2. Depreciation method for fixed assets:

(1) Tangible fixed assets -

Depreciation of tangible assets is computed using the declining balance method, except for the Tokyo Stock Exchange building and two other buildings, and buildings which were acquired on or after April 1, 1998, for which the straight-line method is used. The principal useful lives of tangible fixed assets are as follows.

Buildings, building fixtures, and structures	8-50 years
Machinery, equipment, and vehicles	6-15 years
Furniture and fixtures	5-15 years

(2) Intangible fixed assets -

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

3. Amortization method for deferred assets:

Bond-issuing expenses -

Bond-issuing expenses are charged to income as incurred.

4. Principles for providing accruals and reserves:

(1) Allowance for doubtful accounts -

An allowance for doubtful accounts is provided to cover losses bad debt at an amount estimated based on past experience plus any amounts deemed necessary to cover possible losses on an individual accounts basis.

(2) Accrued bonuses -

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

(3) Accrued severance indemnities -

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

(4) Reserve for retirement allowances
for directors and statutory auditors -

The "Reserve for retirement allowances for directors and statutory auditors" is calculated based on the Rules for Retirement Allowances for Directors and Statutory Auditors.

5. Accounting for consumption taxes:

Profit and loss accounts are stated net of consumption tax.

6. From the fiscal year ended March 31, 2004, the Company accrued the social insurance expenses based on the total consumption in accordance with new legislation. As result of this change, compared with the previous year, welfare expenses increase by 15 million. and operating profit, ordinary income and income before income taxes decrease by 15 million, respectively.

PROPOSED APPROPRIATION OF RETAINED EARNINGS

(In exact yen)

Unappropriated retained earnings at the end of the period	¥4,097,180,477
Reversal of "Reserve for deferral of gains on fixed assets"(Note 2)	50,975,365
Reversal of "Reserve for special depreciation of fixed assets"(Note 3)	40,992,090
Total	<u>4,189,147,932</u>

This will be appropriated as follows:

Dividends (Ordinary dividend ¥3.5 per share) (Note 5)	391,140,999
Directors' bonuses	45,000,000
Statutory auditors' bonuses	13,400,000
Provision of "Reserve for special depreciation of fixed assets"(Note 4)	32,286,060
Total	<u>481,827,059</u>

Retained earnings to be carried forward	<u><u>3,707,320,873</u></u>
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(Note)

1. The Company's Board of Directors declared interim cash dividends of ¥391,490,810 (¥3.5 per share) on December 1, 2003.
2. Reversal of the "Reserve for deferral of gains on fixed assets" is based on the provisions of the Special Taxation Measures Law.
3. Reversal of the "Reserve for special depreciation of fixed assets" is based on the provisions of the Special Measures Law for earthquake disasters.
4. Provision of "Reserve for special depreciation of fixed assets" is based on the provisions of the Special Taxation Measures Law.
5. Dividends are declared for all the issued and outstanding shares, excluding treasury stocks.

Independent Auditors' Report
(English Translation)

May 11,2004

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

Toyo Audit Corporation

Kiichi Noguchi, CPA
Representative and Engagement Partner
Isao Takaoka, CPA
Representative and Engagement Partner

We have audited, pursuant to Article 2-(1) of the "Special Law of the Commercial Code Concerning the Audit, etc. of Stock Corporations (Kabusiki-Kaisyu)" of Japan, the financial statements, which consist of the balance sheet, profit and loss statement, business report (limited to the accounting figures included therein) and proposal for appropriation, and supplementary schedules (limited to the accounting figures included therein) of Heiwa Real Estate Co., Ltd. (hereinafter referred to as the "Company") for the 84th fiscal year from April 1, 2003 to March31, 2004. The portion of the business report and supplementary schedules subject to our audit are those derived from the accounting books and records of the Company. These financial statements and supplementary schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 obtain reasonable assurance about whether the financial statements and supplementary schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and supplementary schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion. Our audit included auditing procedures applied to subsidiaries of the Company as were considered necessary.

As a result of our audit, it is our opinion that:

- (1) The balance sheet and profit and loss statement present fairly the financial position and results of operation of the Company in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.
- (2) The business report of the Company (limited to the accounting figures included therein) presents fairly the Company's affairs in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.
- (3) The proposal for appropriation is presented in conformity with the applicable laws and regulations of Japan and the Articles of Incorporation.
- (4) There is nothing in respect of the supplementary schedules (limited to the accounting figures included therein) that is required to be mentioned by the provisions of the Commercial Code of Japan.

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 Law of Japan.

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

AUDIT REPORT

We, the Board of Statutory Auditors, have received reports from each Statutory Auditor informing us of their method and providing us with the results of their audit of the business activities of the directors for the 84th fiscal year from April 1, 2003 to March 31, 2004. As a result of the discussions based upon these reports, we hereby report to you as follows:

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

Based upon the auditing policies and work responsibility determined by the Board of Statutory Auditors, each Statutory Auditor attended the meetings of the Board of Directors and other important meetings, heard reports on the condition of the business from directors, reviewed written decisions on important matters, reviewed the operational and financial position of the head office and main branch offices and, as deemed necessary, obtained reports of operations and financial condition of from the Company's subsidiaries. Furthermore, after receiving the reports from the Independent Accountants, we examined the balance sheet, the related statement of profit and loss, the business report, the proposed appropriation of retained earnings profit and the supplementary schedules.

We made detailed examinations of any transactions by the Directors as the Company's rival, any conflicts of interest between the Directors and the Company, any donations by the Company to its specific shareholders, irregular transactions by the Company with its subsidiaries or its shareholders, and the acquisition and reissuance of treasury stock through the auditing method described above and, as deemed necessary, based upon reports from the Directors.

2. Results of audit:

- (1) The auditing methods employed by Toyo Audit Corporation and the results of their audit are in order.
- (2) The business report fairly presents the situation of the Company in conformity with the applicable regulations and the Articles of Incorporation.
- (3) The proposed appropriation of retained earnings is presented based on the applicable regulations, and there are no matters that should be pointed about the financial position or other conditions of the Company.

- (4) The supplementary schedules present what they are supposed to present and there are no matters that need to be pointed out.
- (5) There is no evidence of malpractice in the Directors' performance of duties or evidence of any violation of the applicable regulations or the Articles of Incorporation.

Further, we are also of the opinion that there was no breach of duties by the Directors in connection with any transactions by the Directors as the Company's rival, any conflicts of interest between the Directors and the Company, any donations by the Company to its specific shareholders, irregular transactions by the Company with its subsidiaries or its shareholders, and the acquisition and reissuance of treasury stock.

- (6) As a result of the examination of the subsidiary, as stated above, there are no matters in respect of the Directors' performance that need reporting.

May 13, 2004

Board of Statutory Auditors
Heiwa Real Estate Co., Ltd.

Statutory Auditor (Full-time)
Kouichi Nishimura

Statutory Auditor (Full-time)
Kazuyuki Nakajima

Statutory Auditor
Yasukuni Watanabe

Statutory Auditor
Tomoaki Murakami

Note: Yasukuni Watanabe, Statutory Auditor and Tomoaki Murakami, Statutory Auditor are external Statutory Auditors as defined in Article 18 - (1) of the Special Law of the Commercial Code concerning the Audit, etc. of Stock Corporations.