

HEIWA REAL ESTATE GROUP

WAY 2040

Formulation of Heiwa Real Estate Group Long-term Vision “WAY 2040”

Over the four-year period from FY2020 to FY2023, the Heiwa Real Estate Group advanced its medium-term management plan, Challenge & Progress, positioning itself to strive for new heights as a company contributing to district revitalization.

We progressed with revitalization of the Nihonbashi Kabutocho and Kayabacho district, as well as large-scale redevelopment projects in Sapporo, and transitioned to a business model centered on creating added value through both external and internal growth. Meanwhile, our commitment to sustainability initiatives led us to actively address social issues. As a result, we anticipate achieving all key performance indicators (KPIs), including consolidated operating profit exceeding ¥12 billion, earnings per share (EPS) over ¥200, and a return on equity (ROE) over 6%. These achievements represent a significant leap forward for the Group over the past four years.

Conversely, the urban landscape and lifestyles are undergoing major changes due to various factors, including the diversification and qualitative shifts in workstyles, expanded demand from inbound tourism, population decline, a dwindling birthrate and an aging society, and intensified competition between cities and between regions. Additionally, heightened expectations for improved capital efficiency, the advancement of sustainability management, progress in digital technology, and the increasing threat of natural disasters are all contributing to the rapidly evolving operating environment.

In light of these significant external changes, we have developed a long-term vision for the Group toward 2040 to clarify our desired future state.

Reflecting on the Group’s past initiatives, we have endeavored to revitalize districts through continuous and long-term *Bazukuri** initiatives, guided by the belief that enhancing each individual aspect of an area will bring significant improvement. The future of the Group lies in expanding these efforts both qualitatively and quantitatively to build environments that draw people in, transcending the traditional role of a developer. By maintaining this momentum, we aim to achieve dynamic growth and enrich the future. These are my ideals encapsulated in our long-term vision.

**Bazukuri* includes operations such as construction of buildings, and creation of community and opportunities.

March 2024

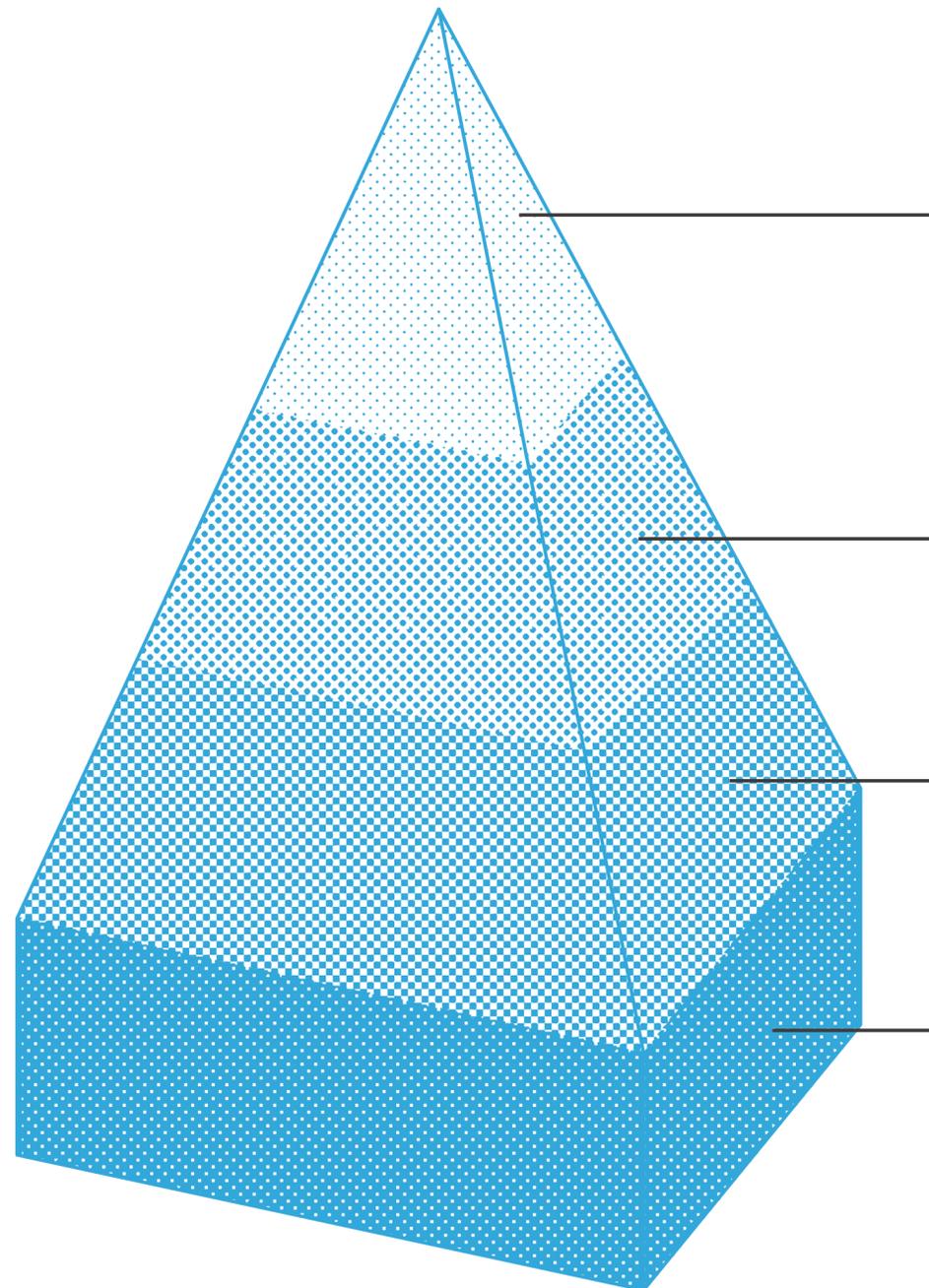
HEIWA REAL ESTATE GROUP

Long-term Vision “WAY 2040”

*Pursue perpetual dynamic
growth to become the
“Bazukuri Company”*

Group Philosophy

Heiwa Real Estate Group Corporate Philosophy



Our Purpose

**Enriching everyone's future
with *Bazukuri* that draws people in**

This is the Group's *raison d'être*. It articulates the fundamental purpose and guiding principles of our existence within society.

Long-term Vision "WAY 2040"

**Pursue perpetual dynamic
growth to become the
"Bazukuri Company"**

This represents the Group's vision. It outlines the journey toward realizing Our Purpose and declares the kind of presence we aspire to embody.

Our Values

Trust Forward thinking Co-creation

These are the shared values of the Group, indicating what we hold dear and how we conduct our business.

Basic Policy

**Code of Conduct /
Heiwa Real Estate Group Credo /
Standards for Behavior**

This forms the guideline for each officer and employee of the Group to fulfill their social responsibility with a high ethical standard.

Group Purpose

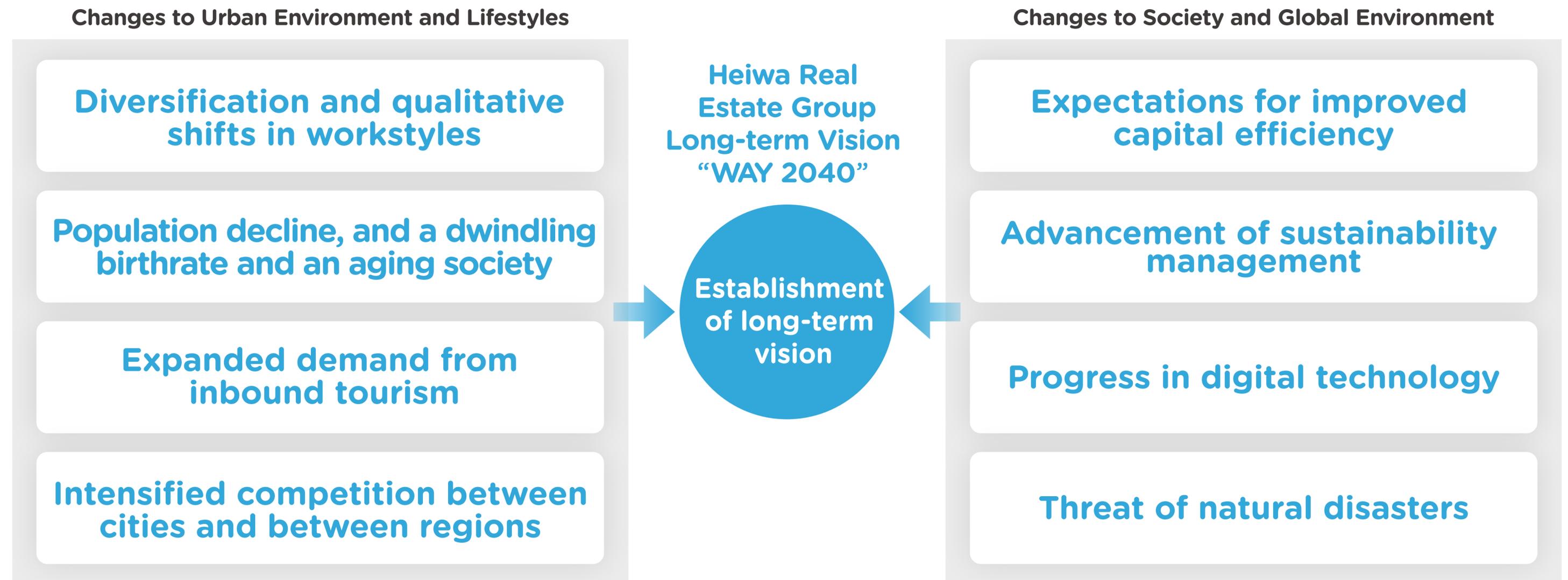
Heiwa Real Estate Group Purpose

Enriching everyone's future with *Bazukuri* that draws people in

Our aim is to enrich the future of all stakeholders. This includes both material and spiritual prosperity. We are committed to continuously creating spaces where everyone involved can enjoy this abundance.

Through continuous *Bazukuri*, we have infused vibrancy into districts. The fundamental value shared across the Group's work is drawing people in through diverse *Bazukuri* endeavors. As a Group, we will embark on initiatives to create captivating living environments.

Amid significant changes in the business environment, establishing a long-term vision enables us to enhance corporate value.



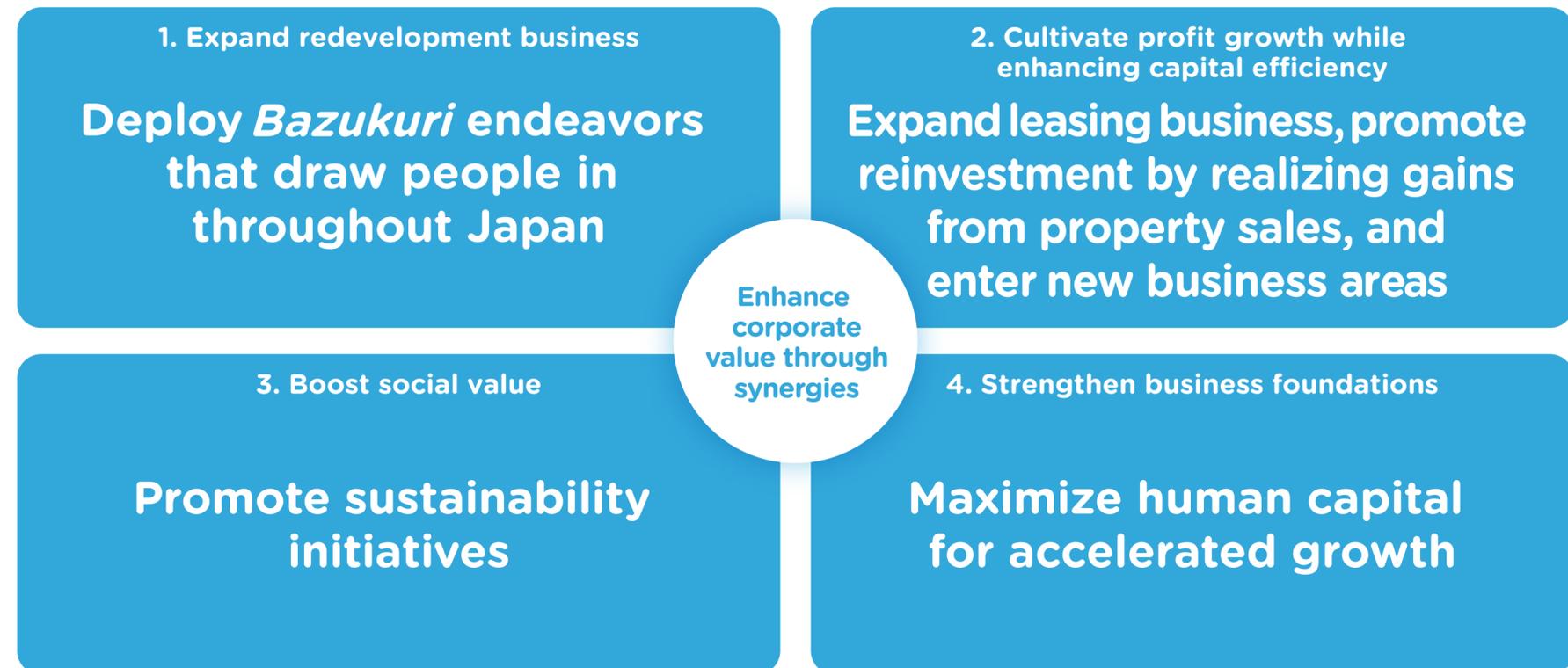
Growth Strategy

Through four growth strategies, we aim to enhance corporate value and achieve our vision for 2040.

Long-term Vision “WAY 2040”

Pursue perpetual dynamic growth to become the “Bazukuri Company”

Four Growth Strategies



Quantitative Targets

Consolidated operating profit of at least ¥25 billion in 2040

Sustainable ROE exceeding cost of capital

Net-zero greenhouse gas (GHG) emissions by 2050

*1. Achieve around double the consolidated operating profit level in FY2023.

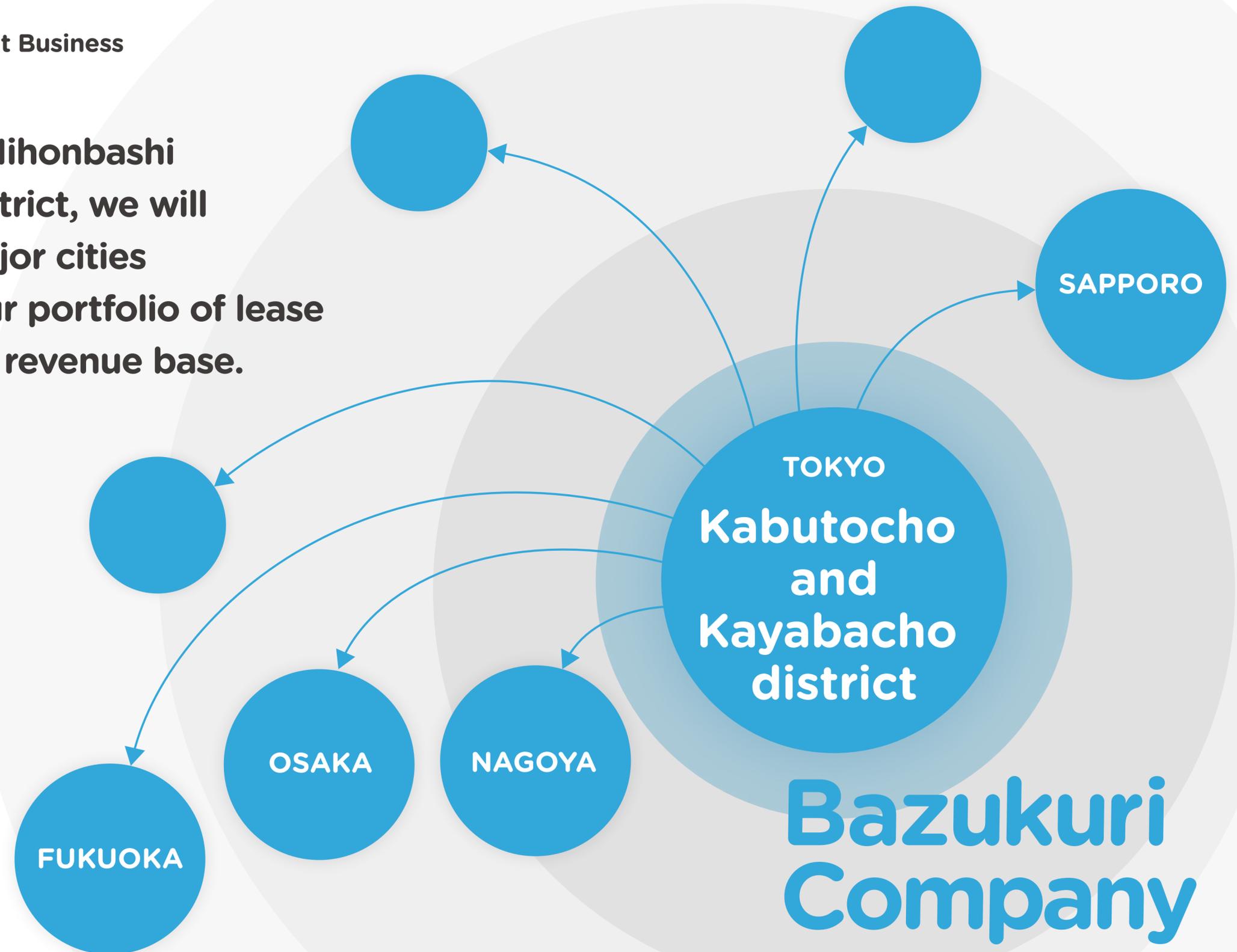
*2. The ROE target is set for each medium-term management plan.

Growth Strategy (1) Expand Redevelopment Business

In addition to revitalizing the Nihonbashi Kabutocho and Kayabacho district, we will promote redevelopment in major cities nationwide, thus expanding our portfolio of lease assets, which serve as a stable revenue base.

Deploy *Bazukuri* endeavors that draw people in throughout Japan

Harnessing our unique presence in major cities across the country, we will not only drive redevelopment in the Nihonbashi Kabutocho and Kayabacho district, and Sapporo, but also promote redevelopment in other areas, creating environments that draw people in. As a Bazukuri Company, we will address social issues such as achieving a decarbonized society while striving to expand our revenue base.



Growth Strategy (2) Cultivate Profit Growth While Enhancing Capital Efficiency

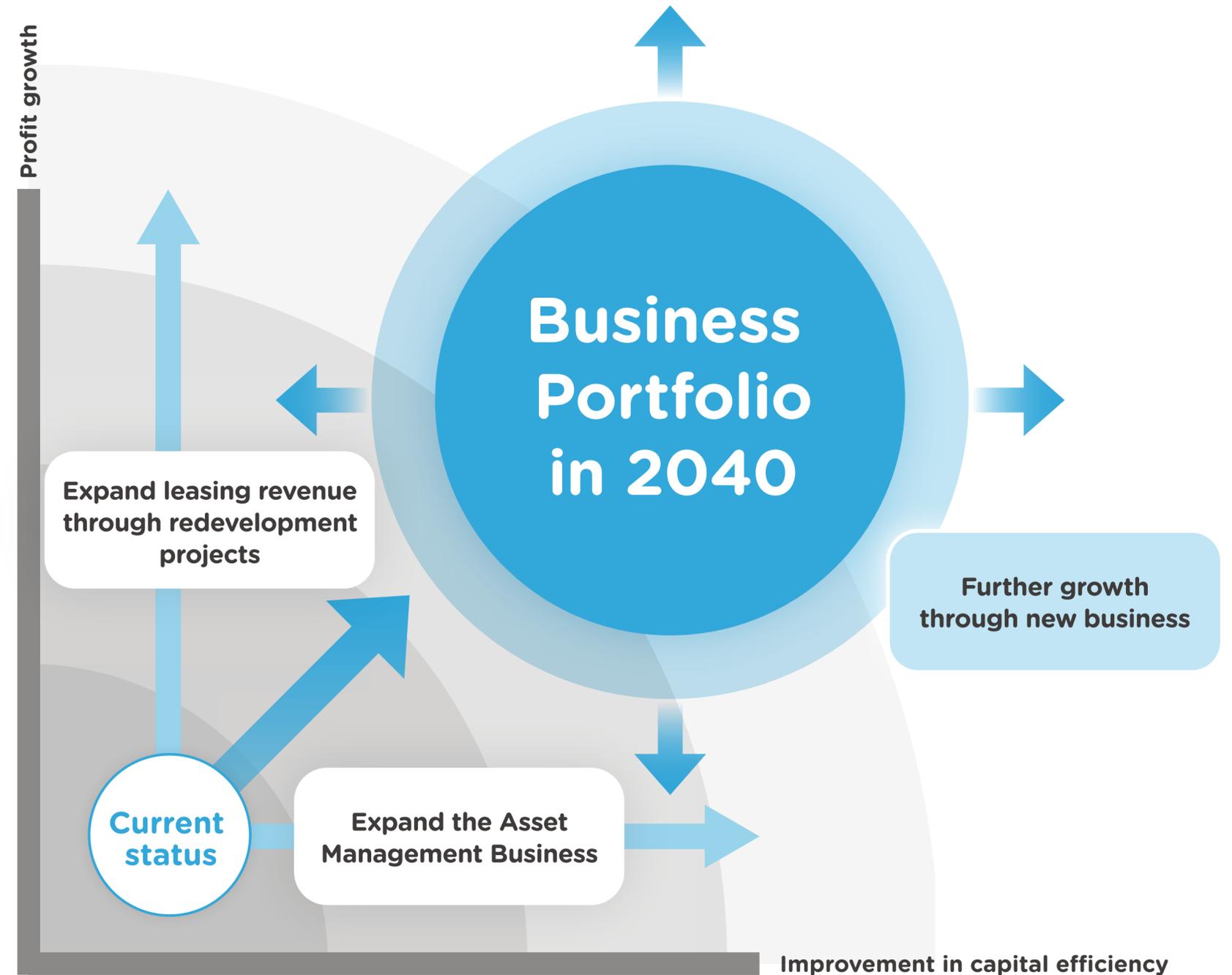
We aim for profit growth and improved capital efficiency by expanding and reinvesting in redevelopment projects, while also leveraging Group vehicles to facilitate exit strategies.

Expand leasing business, reinvest gains from property sales, and enter new business areas

As a Bazukuri Company, we aim to expand our redevelopment projects both qualitatively and quantitatively, and accumulate lease assets, which provide a stable revenue base. Additionally, we aim to recover a portion of our invested capital by generating new added value and realizing latent gains, then reinvesting this in subsequent redevelopment projects to enhance capital efficiency.

To facilitate the smooth operation of this business model, we will strive to improve capital efficiency by utilizing Group vehicles as exit strategies and expanding asset management revenue through an increase in assets under management (AUM), among other measures.

Further, to achieve dynamic growth, we will expand into new business areas that contribute to the realization of our long-term vision.

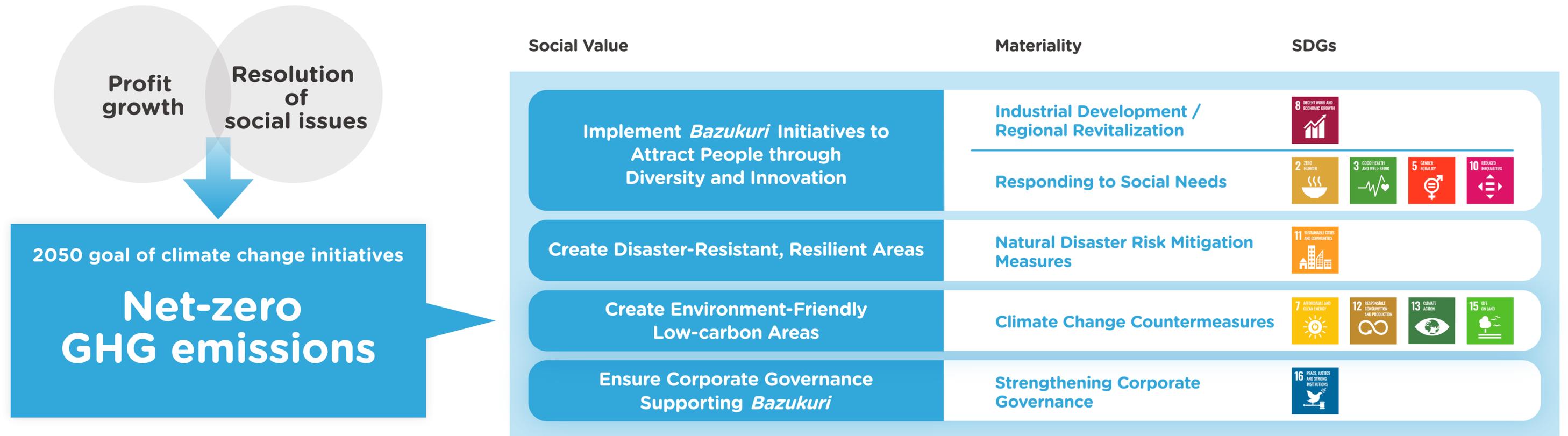


We aim to achieve net-zero GHG emissions, balancing profit growth with addressing social issues at an elevated level, as we work toward resolving global challenges.

Promote sustainability initiatives

Sustainability Vision

Our activities as a Bazukuri Company contribute to realizing a sustainable society by addressing environmental and social issues, while enhancing satisfaction through interactive communication with all stakeholders.



Growth Strategy (4) Strengthen Business Foundations

To achieve our long-term vision, we will enhance organizational capacity and maximize human capital by promoting internal human resource development and acquiring human resources externally.

Maximize human capital for accelerated growth

Heiwa Real Estate Group's Human Capital Management

Basic Policy

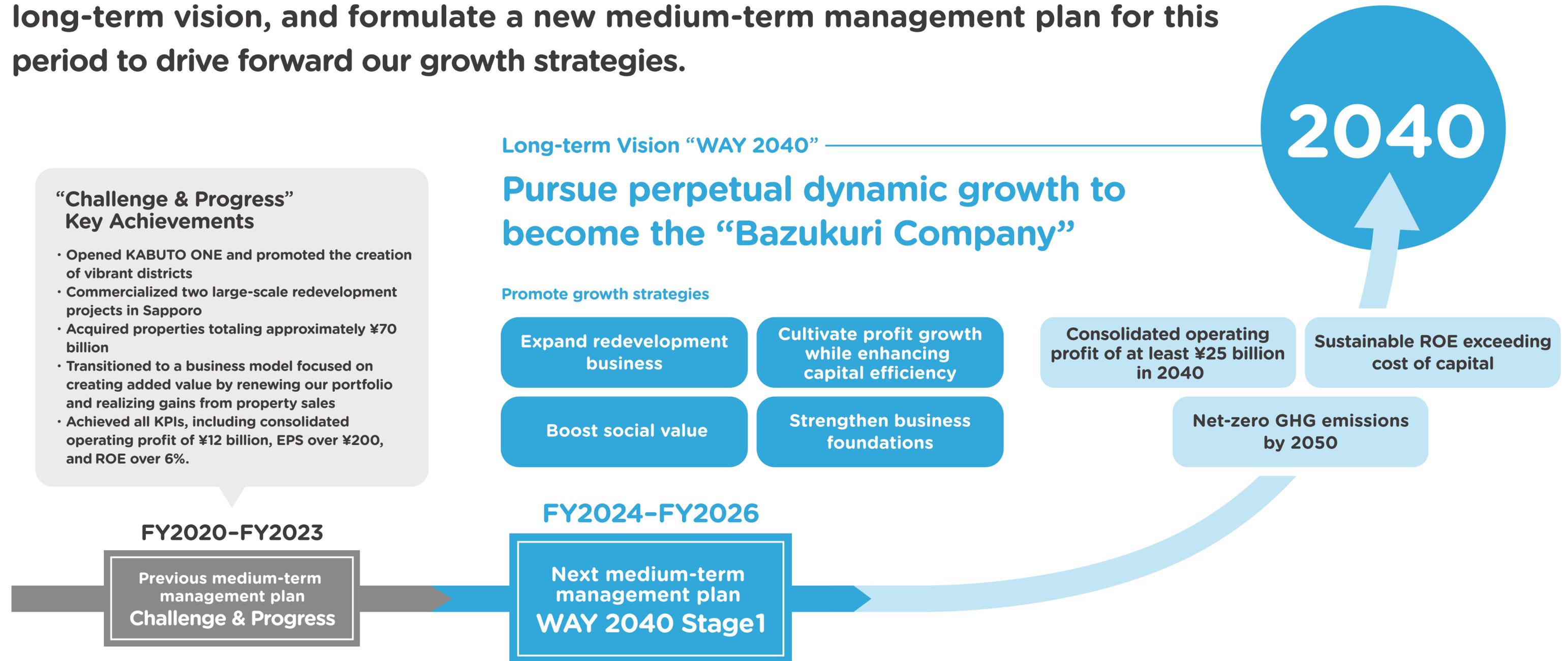
The Heiwa Real Estate Group shall promote human capital management through the acquisition of diverse talent and the cultivation of individuals who embody our core values.

Our Purpose
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Human Resource Strategy

Develop Human Resources Capable of Realizing Our Purpose	<ul style="list-style-type: none"> • Build awareness of Our Purpose • Define, acquire, and develop human resources for achieving the long-term vision • Cultivate human resources capable of taking on challenges • Promote sustainability initiatives
Create an Organization That Promotes and Maximizes Diversity	<ul style="list-style-type: none"> • Advance women's empowerment • Encourage the active engagement of diverse human resources
Foster a Comfortable Work Environment	<ul style="list-style-type: none"> • Drive health and productivity management • Energize internal communication • Enhance work engagement

We will designate the three-year period from FY2024 to FY2026 as Stage 1 of our long-term vision, and formulate a new medium-term management plan for this period to drive forward our growth strategies.



Enriching everyone's future with *Bazukuri* that draws people in