



INTEGRATED REPORT 2024

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Editorial Policy

The Integrated Report has been compiled to aid understanding of Heiwa Real Estate Group efforts to enhance corporate value from a medium- to long-term perspective by including more nonfinancial information focusing on the environment, society and governance (ESG).

The aim of this report is to serve as a tool for shareholders, investors and all stakeholders, that facilitates understanding of the Heiwa Real Estate Group and deepens dialogues between us.

Cover Design Concept

The cover design incorporates silhouettes of people working and living in the city, expressing lively activities and a bustling atmosphere.

As a "Bazukuri Company," the Group is focusing on urban development in Nihonbashi Kabutocho and Kayabacho and the Sapporo Redevelopment Project, with the aim of enhancing corporate value.

Period Covered by the Report

The report mainly covers performance in FY2023 (from April 2023 to March 2024). It also includes some information on activities before or after said period, as well as forecasts.

Organizations Covered

Heiwa Real Estate Co., Ltd. and its Group companies

Date of Publication

November 2024

Referenced Guidelines

This report has been compiled with reference to the International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC) and the Ministry of Economy, Trade and Industry's Value Co-creation Guidelines.

In compiling this report, we creatively incorporated visual elements aimed at ensuring the content is simple and easy to understand. Highly important information is summarized and presented in a way that facilitates reader understanding of the Heiwa Real Estate Group. For further information, please refer to our corporate website.

Disclaimer

Information in the report other than statements of historical fact are forecasts and forward-looking statements that are based on judgments by the management of Heiwa Real Estate in light of information available at time of publication. Actual results may differ materially from these forecasts due to various factors. Heiwa Real Estate assumes no responsibility for the use of information contained in the report.



Main External Assessments



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Group Purpose

Heiwa Real Estate Group Purpose

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

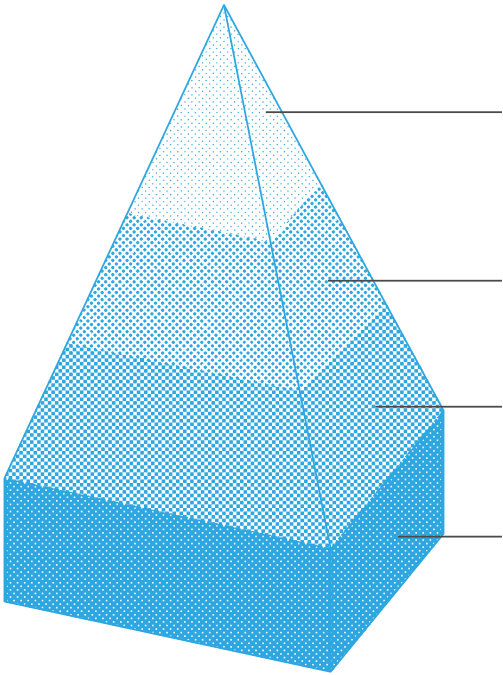


Heiwa Real Estate, born in the heart of Japan's economic center, Kabutocho, has brought vitality to securities districts nationwide, bridging generations. Passing on the trust we have built, we strive to enrich the future by blending our historical assets with new values. Through continuous *Bazukuri*, which encompasses operations such as constructing buildings, and creating community and opportunities, we aim to co-create areas where everyone involved can find happiness. Together, we envision a vibrant world brimming with diversity. Whether it's a workplace, a playground, or a place to unwind, our commitment is to craft spaces that draw diverse individuals in, paving the way forward. Our goal is to enchant not just our customers and local communities, but also to positively impact the future of our planet. With "Peace!" as our motto, we endeavor to draw people in from all walks of life and spread peace to all. We are committed to pioneering the future fueled by our forward-thinking mindset.

Group Philosophy

Heiwa Real Estate Group Corporate Philosophy

Alongside the establishment of Our Purpose, we have redefined the Heiwa Real Estate Group Corporate Philosophy. The Corporate Philosophy consists of four components: Our Purpose, Long-term Vision "WAY 2040," Our Values, and the Basic Policy.



Our Purpose

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

Long-term Vision "WAY 2040"

Pursue perpetual dynamic
growth to become the
"Bazukuri Company"

Our Values

Trust Forward thinking Co-creation

Basic Policy

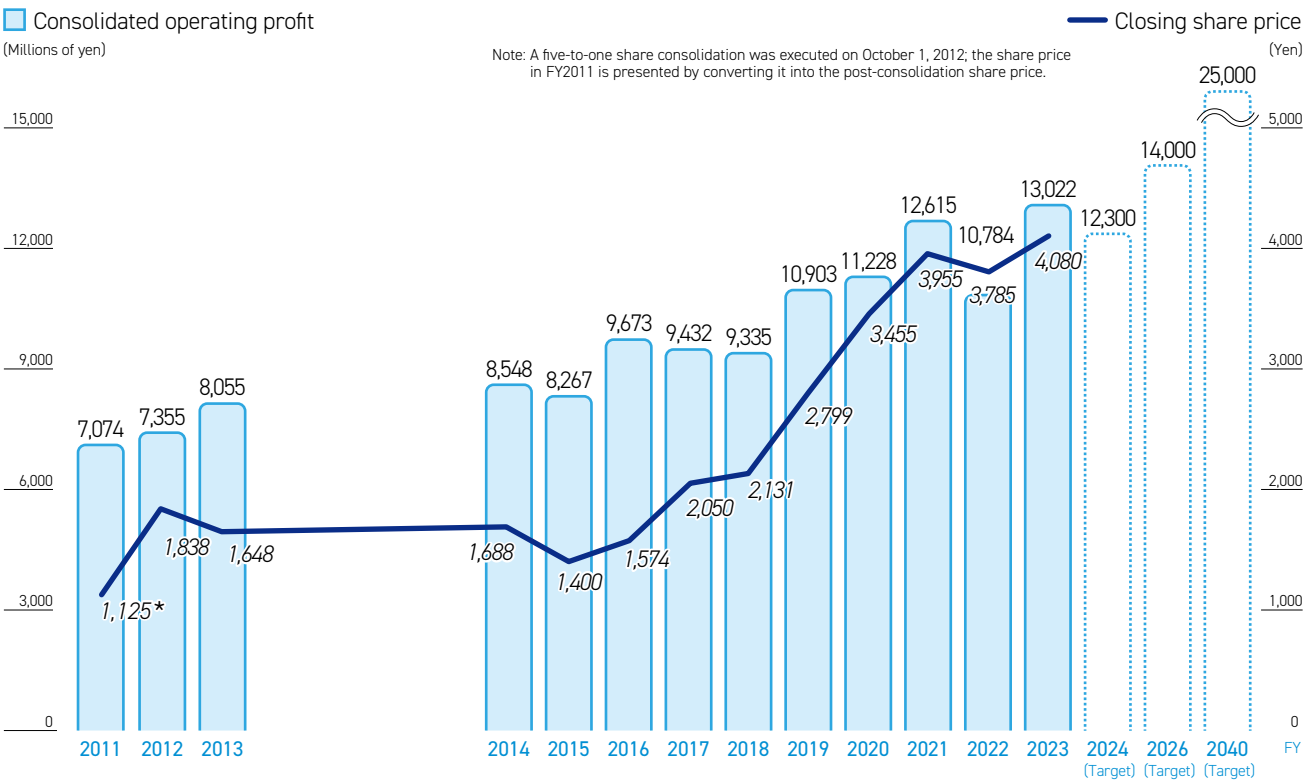
Code of Conduct / Heiwa Real Estate Group Credo /
Standards for Behavior

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

Our History

Heiwa Real Estate was founded in 1947 as the owner of stock exchange buildings in Tokyo, Osaka, Nagoya, Fukuoka, and elsewhere, which play a central role in Japan's financial markets. After our establishment, we built the foundation of our business by not only leasing stock exchange buildings but also expanding the building leasing business mainly in the neighborhoods where stock exchanges are located. Since then, we have consistently strengthened our earnings base by expanding our office and commercial facility leasing business assets.

In 2014, we began full-scale urban development of Nihonbashi Kabutocho and Kayabacho, our key business areas, and moving forward, we will also promote our Redevelopment Business in Sapporo as well. We aim to become a "Bazukuri Company" that achieves dynamic growth through continuous creation of places.



Long-term Vision "WAY 2040"

Pursue perpetual dynamic growth to become the "Bazukuri Company"

Consolidated operating profit for 2040
At least ¥25 billion*1

Sustainable ROE exceeding cost of shareholders' equity*2

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.

Medium-term Management Plan "WAY 2040 Stage 1"

Initial sprint toward dynamic growth

Quantitative targets for FY2026

Consolidated operating profit	EPS	ROE
At least ¥14.0 billion	At least ¥270	At least 7% (FY2024–FY2026)

Heiwa Real Estate Group Timeline

Establishment phase: Supporting the securities industry

1947

- 1947 Heiwa Real Estate established 1
- 1949 Listed on the Tokyo Stock Exchange, Osaka Securities Exchange, Nagoya Stock Exchange and Fukuoka Stock Exchange
- 1950 Listed on the Sapporo Securities Exchange
- 1958 Completed construction of Fukuoka Shoken Building
- 1962 Completed construction of Kyoto Shoken Building
- 1980 Entered the condominium sales business



1 Former Tokyo Stock Exchange Building

Development phase: Based on business diversification

2000

- 1984 Completed construction of the stock trading floor building (currently Arrows) within the Tokyo Stock Building complex 2
- 1986 Completed construction of Yokohama Heiwa Building
- 1987 Completed construction of Osaka Heiwa Building
- 1988 Completed construction of the main building of the Tokyo Stock Exchange Building complex 2
- 1993 Completed construction of Daimaru Kyoto Store (West) Kyoto Building
- 1994 Completed construction of Daimaru Kyoto Store (North) Kyoto Building



2 Tokyo Stock Exchange Building (Chuo-ku, Tokyo)

- 2000 Acquired Mita Heiwa Building
- 2001 Acquired Uchisaiwaicho Heiwa Building
- 2002 Acquired Dogin Building
- 2004 Completed construction of Nagoya Heiwa Building
- Completed construction of the Osaka Securities Exchange Building 3
- 2007 Completed construction of the Nagoya Stock Exchange Building
- 2008 Completed construction of Hotel Brighton City Osaka Kitahama
- 2009 Initiated full-scale participation in the REIT business (Made the current Heiwa Real Estate Asset Management Co., Ltd. a consolidated subsidiary)
- 2010 Completed construction of CentRise Sakae 4
- 2012 Completed construction of Ichibancho Heiwa Building 5



3 Osaka Securities Exchange Building (Osaka)



4 CentRise Sakae (Nagoya)



5 Ichibancho Heiwa Building (Sendai)

A new phase of growth

2014

- 2014 Announced the Redevelopment Vision for Nihonbashi Kabutocho
- 2015 Completed construction of Maruzen Nagoya Honten Building
- 2017 Acquired Osaka Midotsuji Building
- Opened FinGATE KAYABA 6



6 FinGATE KAYABA (Chuo-ku, Tokyo)

- 2018 Opened FinGATE KABUTO 7
- Opened FinGATE BASE
- 2019 Acquired Sakae Sun City Building



7 FinGATE KABUTO (Chuo-ku, Tokyo)

Pursue perpetual dynamic growth to become the "Bazukuri Company"

2020

- 2020 Opened K5 8
- Opened FinGATE TERRACE
- 2021 Opened KABUTO ONE 9
- 2022 Opened FinGATE BLOOM
- Completed construction of KITOKI



8 K5 (Chuo-ku, Tokyo)

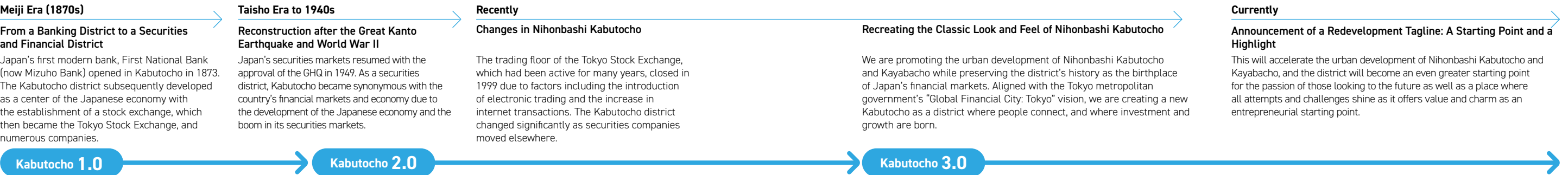


9 KABUTO ONE (Chuo-ku, Tokyo)

KABUTO ONE Opened

This building's middle floors comprise KABUTO ONE HALL & CONFERENCE and the book lounge Kable, while the first-floor atrium has a new information dissemination function named The HEART. KABUTO ONE serves as a hub for interactions between companies and investors, sure to become a new landmark in this district.

History of Nihonbashi Kabutocho and Kayabacho



Group Overview

Overview by Business Segment

Business Segment

Building Business

Development, leasing, administration, management and sale of stock exchange buildings, office buildings, commercial facilities and residential buildings

Asset Management Business

Asset management, real estate brokerage and other business activities conducted by HEIWA REAL ESTATE REIT, Inc.

Growth Strategy

Growth strategy ①

Expand redevelopment business

Deploy *Bazukuri* endeavors that draw people in throughout Japan

→ P. 23

Growth strategy ②

Cultivate profit growth while enhancing capital efficiency

Expand leasing business, promote reinvestment by realizing gains from property sales, and enter new business areas

→ P. 27

Growth strategy ③

Boost social value

Promote sustainability initiatives

→ P. 31

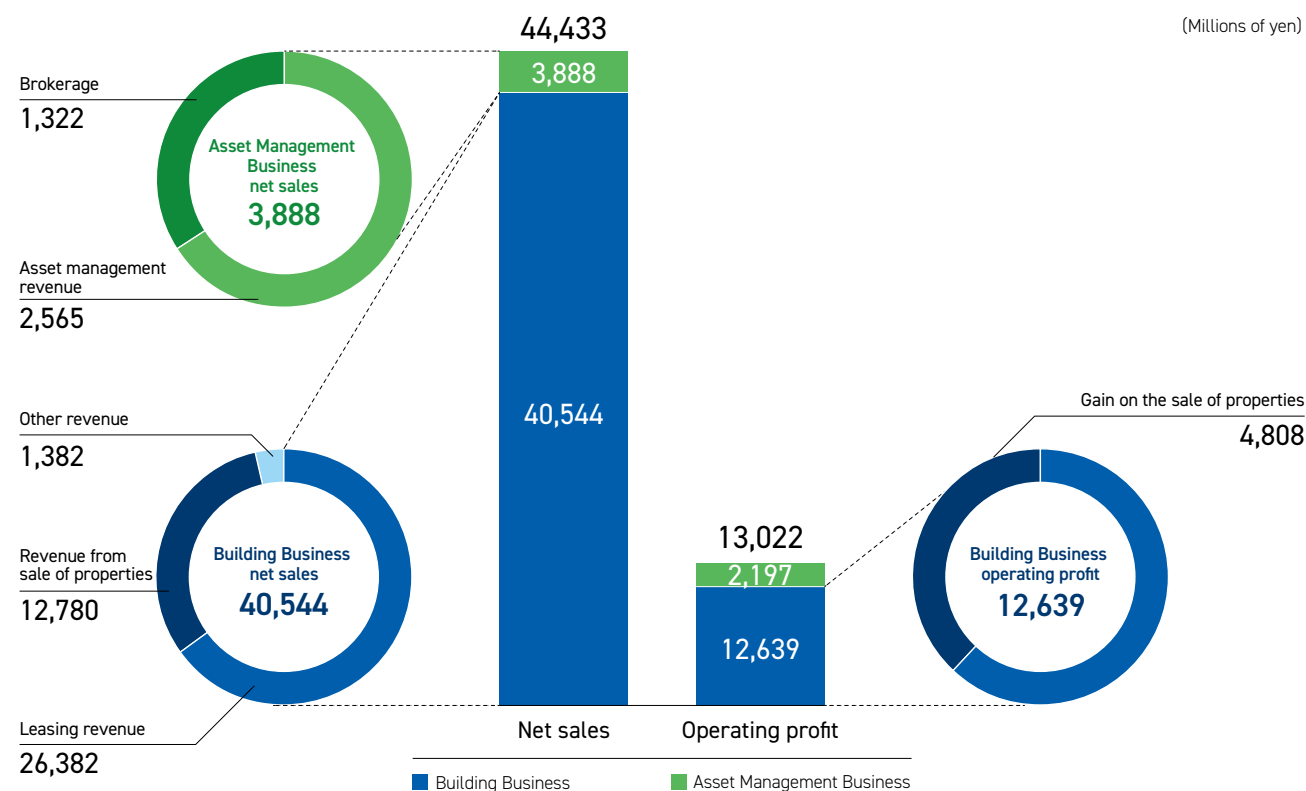
Growth strategy ④

Strengthen business foundations

Maximize human capital for accelerated growth

→ P. 33

Net Sales and Operating Profit Composition (FY2023)



Superior Portfolio

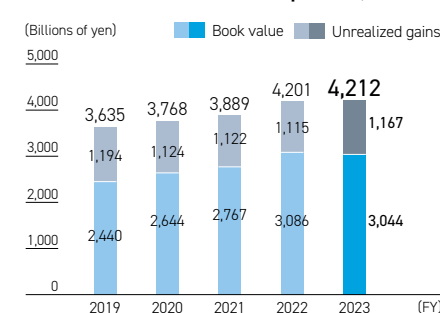
Heiwa Real Estate was founded as a company that owns and leases stock exchange buildings, and currently owns the Tokyo Stock Exchange Building, the Osaka Securities Exchange Building, the Nagoya Stock Exchange Building and the Fukuoka Shoken Building.

By holding a superior portfolio of properties in the central districts of major cities across Japan and supporting Japan's financial infrastructure facilities, and other operations, we have built relationships of trust with various stakeholders.

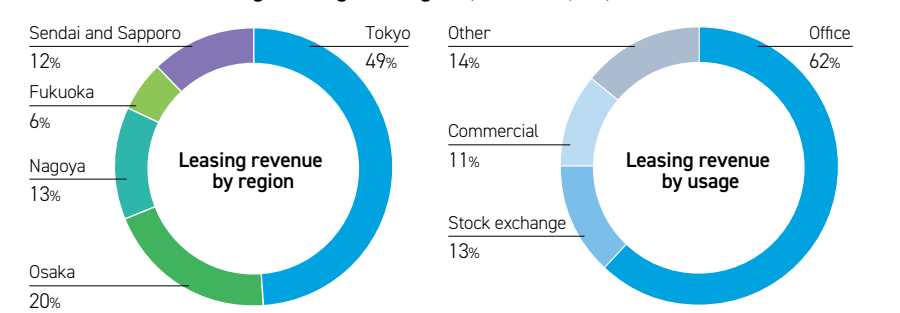
Track Record and Trust as an Owner of Securities Exchange Buildings



Market Value of Lease Properties, etc.



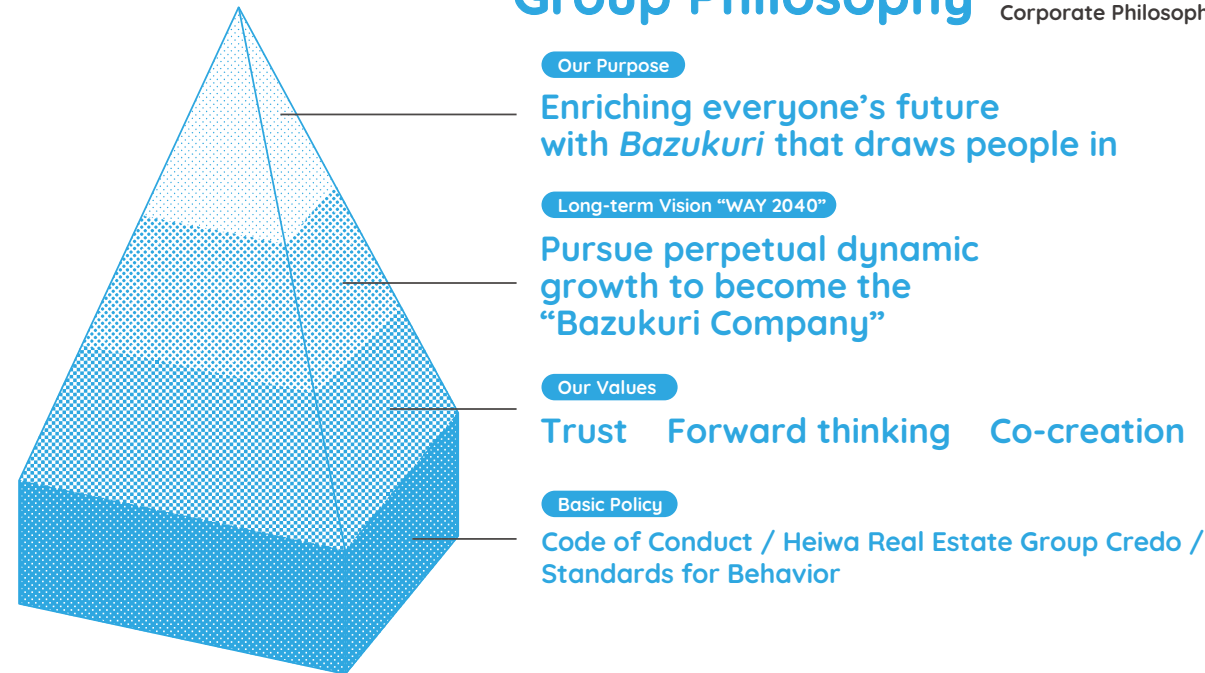
Portfolio Data (Building Leasing Earnings) (As of March 31, 2024)



What Is the Heiwa Real Estate Group Purpose?

In March 2024, we established the Heiwa Real Estate Group Purpose, which represents the Group's raison d'être. We present some of the details here.

Group Philosophy Heiwa Real Estate Group Corporate Philosophy



Our Values

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



Trust

At the core of our business lies trust. Since our establishment, we have built up trust through our ownership of stock exchange buildings, and we remain committed to nurturing it into the future, driving development for years to come.



Forward thinking

We are dedicated to creating new value with a forward-thinking approach, meeting the expectations of society. In an era of rapid change, we constantly contemplate and take action toward shaping the future as we envision it.



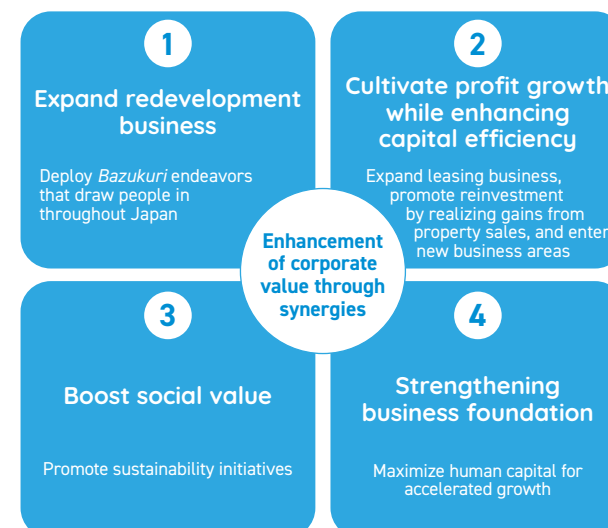
Co-creation

New value arises through co-creation. We enhance the value of our business and sustain growth by collaborating with diverse stakeholders through partnerships and cooperation.

Our Vision

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

Pursue perpetual dynamic growth to become the "Bazukuri Company"



Group Purpose Heiwa Real Estate Group Purpose

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

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

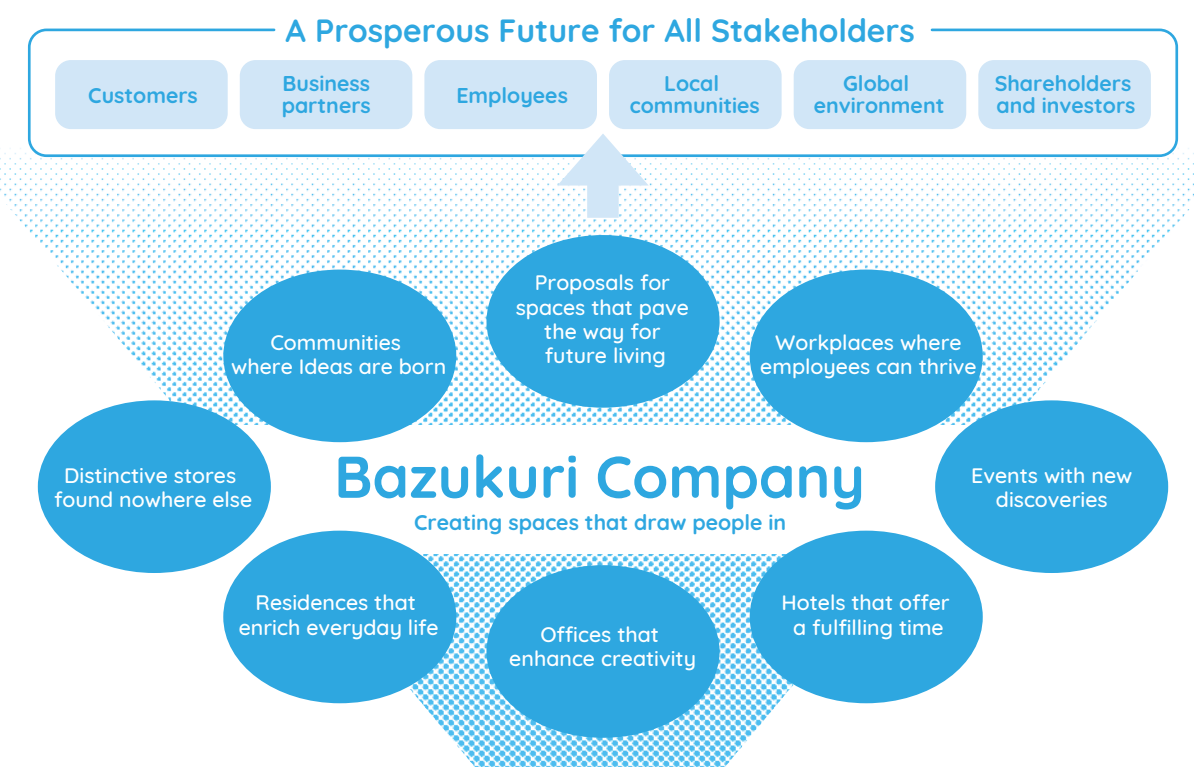
Our aim is to enrich the future of all stakeholders. This includes both material and spiritual prosperity. We are committed to continuously creating spaces where everyone involved can enjoy this abundance.

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.



Heiwa Real Estate, born in the heart of Japan's economic center, Kabutocho, has brought vitality to securities districts nationwide, bridging generations. Passing on the trust we have built, we strive to enrich the future by blending our historical assets with new values. Through continuous *Bazukuri*, which encompasses operations such as constructing buildings, and creating community and opportunities, we aim to co-create areas where everyone involved can find happiness. Together, we envision a vibrant world brimming with diversity. Whether it's a workplace, a playground, or a place to unwind, our commitment is to craft spaces that draw diverse individuals in, paving the way forward. Our goal is to enchant not just our customers and local communities, but also to positively impact the future of our planet. With "Peace!" as our motto, we endeavor to draw people in from all walks of life and spread peace to all. We are committed to pioneering the future fueled by our forward-thinking mindset.

The value proposition of the Group lies in fostering positivity among all stakeholders, symbolized by the peace sign



Message from the President



Kiyoyuki Tsuchimoto
Representative Executive
Officer, President and CEO

土本 清幸

We are a “Bazukuri Company”

Attracting people and making the future
brighter and richer

As a Group, We Aim for Even Greater Progress

We are a developer that has long supported securities, finance, and investment districts centered around our home ground of Nihonbashi Kabutocho and Kayabacho. Now in my fifth year as president, I have spent the past four years pushing forward initiatives toward challenges and growth as a company contributing to urban development. Under our Medium-term Management Plan “Challenge & Progress,” formulated in 2020, the Company achieved all of its KPIs, consolidated operating profit of at least 12 billion yen, EPS of at least 200 yen, ROE of at least 6%, a consolidated total return ratio of approximately 70%, and a consolidated dividend payout ratio of approximately 50%. In the final fiscal year, consolidated operating profit reached a record high. The Company has made great challenges and leaps forward as a company that contributes to redeveloping districts over the past four years.

Shortly after I became president,

many companies delayed announcing their management policies due to the uncertainty brought about by the COVID-19 pandemic. However, we firmly established a growth strategy aimed at addressing social issues and have vigorously pursued our business towards achieving our goals. As a result, I am proud to say that we have made significant strides as a Group and have earned a degree of recognition from our investors.

I believe that the most important role for top management is to set a clear “north star” for the Company and to lead all employees in that direction. When we reached the halfway point of our previous medium-term management plan, I already had a clear outlook that we would achieve our four-year goals. Therefore, with the business on solid ground, I felt it was essential to start formulating the next growth strategy, define the vision we aspire to in the future, and begin considering

how we would contribute to society. After about two years of holding numerous discussions with directors and employees, we completed the Group Purpose and the Long-term Vision and announced them in March this year.

Our Group’s Purpose, which expresses our *raison d’être*—“Enriching everyone’s future with *Bazukuri* that draws people in”—reflects the core values that underpin all of our Group’s work. In our Long-term Vision “WAY 2040,” which outlines the path to achieving our Purpose, we established the slogan “Pursue perpetual dynamic growth to become the ‘Bazukuri Company,’” clearly defining where we want to be in 2040. With this new “north star” in mind, I will continue to demonstrate even stronger leadership to guide the Group toward realizing dynamic growth.

Engaging Employees and Articulating the Group Purpose

In establishing our Purpose, we placed emphasis on getting as many employees as possible involved in the process. We organized two teams primarily made up of mid-level and younger employees who will shape the future of the company. Based on the drafts from each team, we held several rounds of discussions involving senior employees and executives, and also asked for input from the Board of Directors. The Board of Directors, with a majority composed of external directors, provided feedback from their objective standpoint on whether our carefully considered language would truly serve as the foundation for our principles.

Through these discussions, the expression “Creating spaces that draw

people in,” which embodies Heiwa Real Estate’s uniqueness, came into focus, and there was a consensus that this was exactly right. Our value proposition lies not only in constructing buildings but in creating attractive spaces with a magnetic force that draws people in. The essence of that sentiment is condensed into the wording of our purpose.

Another key focus when it was established was ensuring that it represented the entire Group. “Creating spaces that draw people in” is a common value to all employees, not just those involved in redevelopment and urban development. Whether it is an office that enhances creativity, a hotel that offers fulfilling experiences, or proposals for spaces that enhance

tomorrow’s way of living, all of the Group’s work is about “creating places,” and we consider a vibrant workplace to also be one such “place.”

Through the space creation that the entire Group engages in, we aim to bring prosperity to the future of all our stakeholders—not only material wealth but also spiritual wealth. In Japan, which faces many social issues such as population decline and a low birthrate coupled with an aging society, I believe that by achieving significant corporate growth as a company, we will be able to demonstrate to all stakeholders that the “future is prosperous and bright.” “Creating spaces that draw people in” will undoubtedly brighten the future and bring prosperity. I fully believe this.

Purpose Branding That Connects Thoughts to Action

Our Purpose should not be just a lofty vision; it must be a “living” reality. The final stage of the establishment focused on employee engagement.

We held 14 open talks with nearly 10 participants per session, during which we gathered employees’ thoughts on the Group’s Purpose and Long-term Vision,

incorporating their daily reflections and opinions into the process.

In communicating and promoting our Purpose, we used the “peace

sign," the symbol of peace used in our Company name, as the key visual, drawing inspiration from the hand signals once used on the trading floors of stock exchanges. Just as we saw with the "pepper grinder" celebration that captured everyone's attention at last year's World Baseball Classic, having

a shared way to celebrate successes can truly unite a team. "Peace!" will be our motto from now on. We believe that increasing the number of peace signs of all stakeholders through our diverse businesses will lead to the future prosperity we wish to provide.

In addition, we have defined a new

brand color, "sky blue," to represent the future of Heiwa Real Estate. I myself am engaging in purpose-driven branding that translates ideas into actions, such as by wearing a sky-blue tie and celebrating together with employees using peace signs when they achieve something.

Long-term Vision for 2040 to Achieve Dynamic Growth

The environment in which we operate is shifting more rapidly than we could have ever imagined. Urban environments and lifestyles are changing, as evidenced by the diversification and qualitative shift in work styles, growing inbound demand, population decline and the aging society with fewer children, and intensifying competition between cities and regions. Meanwhile, broader shifts are reshaping our operating environment, including mounting pressure for capital efficiency, the advancement of sustainability management, accelerating digital transformation, and the rising threat of natural disasters.

In order to establish the Group's long-term aspirations in such a drastically changing external environment, we have formulated a Long-term Vision for the year 2040. The Heiwa Real Estate Group will transcend traditional developer boundaries, expanding its efforts, both qualitatively and quantitatively, to "Creating spaces that draw people in." Through sustained commitment to such efforts, we will achieve dynamic growth—what we refer to as "dynamic growth"—and enrich the future.

Our new tagline "Bazukuri Company" succinctly expresses what we want our Group to be. Guided by our Group Purpose and Long-term Vision, we have declared our intention to move beyond being merely a real estate developer or the owner of the Tokyo Stock Exchange Building, transforming into a unique and unrivaled "Bazukuri Company." Going forward, we will further strengthen the Group's uniqueness and seek to attract and create value in ways that defy the conventional wisdom in the real estate industry. In 10 years' time, our stakeholders will immediately associate

the term "Bazukuri Company" with Heiwa Real Estate.

In formulating our Long-term Vision, we took a flexible approach to discussing how we should expand our business in the future—not just a few years after the completion of existing projects but backcasting from a longer-term perspective, and summarized the results into four growth strategies.

Growth Strategy 1 Expand Redevelopment Business

The first pillar is the expansion of the Redevelopment Business. The development of the Nihonbashi Kabutocho and Kayabacho districts has made great strides over the past decade. Ten years ago, the Redevelopment Business was a new challenge for us. The completion of KABUTO ONE in 2021 sparked a transformation, as high-profile buildings and stores began opening one after another in the surrounding area. This has breathed new life into the neighborhood, turning it into a vibrant destination that regularly captures the media spotlight. The enthusiastic support from local residents and their acknowledgment that "real neighborhood transformation is possible" has become a powerful source of confidence for us.

In the future, we will expand the creation of spaces that attract people nationwide, and promote redevelopment in Sapporo and other areas in addition to Nihonbashi Kabutocho and Kayabacho. By doing so, we will enhance the value of the area, expand our earnings base, and work to address environmental and social issues, including the realization of a decarbonized society.

In addition to Nihonbashi Kabutocho,

Kayabacho, and Sapporo, which we are promoting under our medium-term management plan, we have business bases in major cities throughout Japan. By creating new value in each city and maximizing that value, we will drive dynamic growth.

Growth Strategy 2 Cultivate Profit Growth While Enhancing Capital Efficiency

Projects in the Redevelopment Business take a long time to complete and require capital investment. Therefore, we will strengthen our leasing business in order to build a stable earnings base. At the same time, we will realign our portfolio and improve capital efficiency by generating unrealized gains and recovering part of our invested capital through sales. This capital turnover business is a business model introduced in the previous medium-term management plan and we were among the first to implement it in the industry. Moving forward, we aim to achieve both profit growth and improved capital efficiency by continuing to engage in this business alongside our leasing business in a hybrid approach.

Furthermore, to achieve dynamic growth, we will enter new business fields that contribute to the realization of our Long-term Vision. First is the Hotel Business, which we started four years ago. In 2020, we began attracting hotel brands, starting with the opening of K5, a hotel created by renovating the century-old annex of the third building in The First National Bank complex in Nihonbashi Kabutocho. Building on this success, we opened Mercure Tokyo Hibiya in 2023 and plan to introduce Tokyo's first Caption by Hyatt property,

Caption by Hyatt Kabutocho Tokyo, in fall 2025. In the redevelopment of Sapporo Odori, we decided to attract Hyatt's highest-end brand, Park Hyatt. This redevelopment project is the largest in our history, and we consider this hotel to be a core component in this business. We will also actively invest in industrial real estate, such as data centers and logistics facilities, which are increasingly in demand due to rising societal needs, as new assets.

Growth Strategy 3 Boost Social Value

We believe that sustainability initiatives to improve social value are important from two perspectives. The first is to contribute, as a company listed on the Prime Market, to addressing environmental and social issues and work toward their solutions, thereby contributing to the sustainability of society as a whole. The second is to enhance the competitiveness of our asset portfolio by developing buildings, managing properties, and making capital investments that address social challenges—particularly environmental stewardship and disaster resilience—, while maintaining our efforts to reduce GHG emissions.

It is essential to synchronize these two perspectives in corporate management and to link the enhancement of social value to improvement of corporate value. Based on this idea, we have set the

Paving the Way to Becoming a "Bazukuri Company"

In April of this year, we announced a new medium-term management plan, "WAY 2040 Stage 1," which runs through FY2026. As the first stage of our Long-term Vision WAY 2040, we have positioned this period as a "initial sprint toward dynamic growth" by establishing the Nihonbashi Kabutocho and Kayabacho brand, taking on our largest-ever redevelopment project in Sapporo, and venturing into new business areas to realize our Long-term Vision.

The capital and business alliance



improvement of social value as one of our growth strategies in our Long-term Vision, and at the same time, we have set a new target of net-zero GHG emissions by 2050. We recognize that this is an important and challenging goal, and we will strive to achieve it by improving the environmental performance of our buildings, utilizing renewable energy, and, as a matter of course, working in coordination with other parties in the supply chain.

Growth Strategy 4 Strengthen Business Foundations

Supporting the growth of the Heiwa Real Estate Group is the work of each and every employee. As we take on the challenge of reaching ever-higher goals, maximizing our human capital is an indispensable element. With human capital management at the core, we have positioned management conscious of capital costs and stock

prices, as well as strengthening our management foundation, including corporate governance, as one of our growth strategies.

In terms of human capital management, we will strive to maximize human capital while strengthening organizational capabilities, developing internal human resources, and acquiring external human resources. To achieve the dynamic growth we envision for our Long-term Vision, it is important to attract diverse talent and develop them with the values we cherish. In our human resources strategy, we are committed to developing talent capable of fulfilling our Purpose through career development programs and DX training, fostering an organizational culture that embraces and leverages diversity, and creating a vibrant workplace environment where employees can thrive, supported by health management initiatives.

redevelopment projects, making it the ideal partner for the project. In addition to the Redevelopment Business, we will promote initiatives in new business fields, such as investments in new asset classes, as well as partnerships in the fields of sustainability and DX, with the aim of mutually enhancing corporate value. In addition to capital, we also welcomed an executive officer from Taisei Corporation. We aim to achieve co-creation that leads to significant outcomes and generates concrete results as soon as possible.

Establish the Nihonbashi Kabutocho and Kayabacho District Brand

Ten years have passed since 2014 when we announced our urban development vision for Nihonbashi Kabutocho and Kayabacho of "Creating Districts Connecting People, Giving Rise to Investments and Growth." The FinGATE incubation project has successfully attracted more than 90 companies and has now established itself as a hub for financial startups.

In addition to the "investment district" that we have cultivated for over a century, as I previously mentioned, the unique collection of stores has enhanced the area's vibrancy, and I believe that something is gradually blossoming in this town, something we hadn't even been conscious of ourselves. To put it in words, it might be called a "neighborhood of senses." For example, a wide variety of personalities come and go, enhancing creativity. Chemical reactions take place, giving rise to innovations large and small. To further enhance the potential of the area, we will carry forward the "Koto Hajime" ("new ventures") culture, which is part of the neighborhood's DNA, and take on the challenge of creating a district filled with the anticipation of new beginnings that stimulates the senses of visitors.

As for the "investment district," we will attract additional asset management companies and startups to expand the ecosystem. We aim to establish Japan's premier investment district by fostering a vibrant community where diverse market participants can connect, facilitating meaningful interactions between businesses and investors, while

supporting companies' growth from multiple perspectives.

More to the point, I want to make investing more accessible. If investment becomes a part of life, this country will become much richer. We aim for a new wave of innovation to radiate out from this district. Investments are not limited to financial assets, but also include investments in children, who will shape the future. It is exciting to imagine a future where investment becomes a part of everyday life, and this district leads the times.

Since the COVID-19 pandemic, we have had more opportunities to reaffirm the value of real-world settings. Recently, the Sanno Festival was held at the Nihonbashi Hie Jinja shrine for the first time in six years, and while carrying the mikoshi (portable shrine), the vice president of the neighborhood association emphasized, "Festivals have to be held live." We, who are involved in urban development, feel exactly the same way. When KABUTO ONE was completed three years ago, the president of the neighborhood association gave a congratulatory speech and promised, "Once it's completed, we'll bring the mikoshi through it during the festival." This promise was eventually fulfilled when the three portable shrines from the neighborhood were gathered at the Kabutocho intersection, and I was greeted with a grand "sashi" (mikoshi-raising) performance at the entrance of KABUTO ONE. I was deeply moved and, at the same time, grateful for the trust we have built with the local community. Urban development may be similar to a festival. I would like to focus all of our creative thinking on how we can enhance the value

of offline experiences and how we can create a city that stimulates the senses.

Our Largest-ever Redevelopment Projects, Located in Sapporo

In Sapporo, we are currently undertaking the largest redevelopment project in our Company's history. We successfully attracted the Park Hyatt, the highest-class luxury hotel, to Sapporo Odori, which is the heart of central Sapporo. In addition, we will develop atrium spaces and commercial facilities that contribute to improving the attractiveness and features of Odori Park, as well as high-performance offices that enhance business competitiveness, aiming to contribute to value enhancement of the Sapporo city center. In the project at the south entrance of Sapporo Station, we are creating an iconic gateway complex that seamlessly blends commercial and business facilities to inject new liveliness and attractiveness. Both are scheduled to be completed in FY2028.

I believe that this urban development in Sapporo can serve as a model for solving the problems faced by Japan as a whole. Considering the probability of a major earthquake occurring directly beneath the Tokyo metropolitan area, it can be said that having all functions concentrated in Tokyo poses a significant risk. Sapporo has the most stable ground among all prefectural capitals in Japan and is a city less likely to experience major earthquakes. Given the reality of climate change, as the northernmost prefectural capital, Sapporo's comfort and livability are expected to further enhance its appeal and potential.

In light of this, we are committed to enhancing Sapporo's international competitiveness and making it a leading city in Japan, positioning our Group's redevelopment projects as a key contribution toward that goal. I myself spent almost a month in Hokkaido this summer. By experiencing life in the city firsthand, I was able to directly feel its charm and culture and effectively communicate our commitment to serious urban development to relevant stakeholders.

Steadily Advancing Sustainability Management

The key to sustainable management is to address social issues through corporate activities, and our achievements are steadily being recognized by external evaluations, as evidenced by our selection for inclusion in all six ESG indexes adopted by GPIF for the third consecutive year. In the GRESB Real Estate Assessment, we were awarded four stars for three consecutive years. We were also awarded the highest A level in GRESB Public Disclosure for the second consecutive year, in recognition of our efforts in ESG information disclosure. Going forward, we will continue to further enhance our sustainability management practices and take proactive steps to improve evaluations.

We are taking substantial measures to enhance the work environment and

health management of our employees. The fact that the former president was effectively forced to step down due to cancer remains deeply etched in my memory as a profoundly tragic event. When I became president, I made a determination that no one in our Group should ever lose their life to cancer, and decided to make substantial investments in our employees' health and wellbeing. These initiatives have proven effective, and we have been recognized for two consecutive years by the Ministry of Economy, Trade and Industry as one of the "White 500" corporations for excellence in health management. In terms of creating a workplace environment in which employees can thrive, we have introduced a new super flextime system, and we have received comments from employees who are

raising children that the system has made it much easier to work.

In terms of corporate governance, we are working to enhance the effectiveness of the Board of Directors and are deepening discussions on medium- to long-term management strategies from a broader perspective. Two years have passed since we changed our institutional design, and we now believe that the Nominating, Audit, and Compensation Committees are able to engage in more substantive discussions.

We aim to be a corporate group that continues to meet the expectations of our stakeholders by diligently addressing each aspect of ESG in a manner that reflects our Company's values and steadily advancing our efforts.

Our Values—Trust, Forward Thinking, Co-creation

In line with the establishment of our Purpose, we redefined the corporate philosophy of our Group and newly set forth "Our Values." We summarized the values shared by all employees as "Trust," "Forward Thinking," and "Co-creation," and recently I myself have felt that these keywords are changing the way I act.

To conclude this message, I would like to share my personal thoughts. We emphasize to our employees that "trust," which is the cornerstone of our business, is inseparable from growth: "No growth that compromises trust, and no trust without growth." Trust and growth are two sides of the same coin. My own interpretation of "forward thinking" is that maintaining the status quo is the beginning of decline. Forward thinking leads to a behavioral shift, where people are more willing than ever to take on new challenges and attempt even the most difficult tasks. We convey the message of "co-creation" as a positive disruption of traditional boundaries. In order to encourage co-creation within the Company, it is essential to embrace thinking and actions beyond the boundaries of

one's affiliation and role. I believe we will witness remarkable growth as each individual employee internalizes these three elements as their own and transforms them into concrete actions.

Recently, we witnessed an encouraging sign of how deeply our purpose is resonating. When narrowing down the business partners for the Sapporo redevelopment project from two companies to one, the person in charge selected the partner deemed most suitable for "Bazukuri" that draws people in." We believe that it is important to link the "north star" as we articulate it to behavioral change, and that it all comes down to communication.

This Integrated Report is, for me, an important communication tool. I take even the harshest critiques seriously and intend to use them to drive future improvements. Ahead of the Tokyo Stock Exchange's requirements, we have implemented a management approach conscious of capital costs and stock prices for the past four years, demonstrating our proactive commitment to our shareholders and investors. Our consolidated dividend payout ratio of 50% is one of the highest

in the industry. We are committed to maintaining this level of growth while aiming for dynamic growth in the future. In addition, our relationships of trust with financial institutions will become increasingly important in expanding our Redevelopment Business. We will strive to build strong relationships not only with these especially important stakeholders, but also with all stakeholder groups—from customers and business partners to employees, shareholders, and investors, as well as addressing environmental sustainability and community needs, aiming to continually strengthen our stakeholder engagement across the board.

The Heiwa Real Estate Group will evolve into a one-of-a-kind "Bazukuri Company." To achieve the creation of places that draw people in and enrich the future, we will become a Group that pursues perpetual dynamic growth to become a "Bazukuri Company." We will make every effort to contribute to the realization of a sustainable society. I ask for the continued understanding and support of all our stakeholders.



Value Creation Process

Capital

Intellectual Capital

Track Record and Trust as an Owner of Securities Exchange Buildings

- The Heiwa Real Estate Group has owned and leased stock exchange buildings across Japan since its foundation

Manufactured Capital

Superior Portfolio

- Owns assets in the central districts of major cities across Japan
- Owns properties with potential for medium- to long-term redevelopment

Social Capital

Good Relationships with Clients and Local Communities

- Playing a part in the "Global Financial City: Tokyo" vision
- Number of tenants
Approx. **610** companies
- Cooperative relationships with local communities

Human Capital

Employees Engaged in Urban Development

- Group employees **255** people
- Employees (non-consolidated) **98** people
- Female employee ratio **35.8%**

Natural Capital

Natural Resources and Energy

- Energy usage **118,261 MWh**
- Water usage (per square meter) **0.82m³/m²**

Financial Capital

Solid Financial Base

- Total assets **¥405.9 billion**
- Net assets **¥125.6 billion**
- Interest-bearing liabilities **¥231.3 billion**

Heiwa Real Estate Group Purpose

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

Long-term Vision "WAY 2040"

Pursue perpetual dynamic growth to become the "Bazukuri Company"

Growth Strategy

1

Expand redevelopment business

Deploy *Bazukuri* endeavors that draw people in throughout Japan

2

Cultivate profit growth while enhancing capital efficiency

Expand leasing business, promote reinvestment by realizing gains from property sales, and enter new business areas

3

Boost social value

Promote sustainability initiatives

4

Strengthen business foundations

Maximize human capital for accelerated growth

Enhance corporate value through synergies

Materiality

Climate Change Countermeasures



Responding to Social Needs



Natural Disaster Risk Mitigation Measures



Industrial Development / Regional Development



Strengthening Corporate Governance



Stakeholder expectations and needs



Building tenants and users



Business partners



Employees



Local communities



Global environment



Shareholders and investors

The Value We Offer

Profit Targets

- EPS
At least **¥270**
(FY2026)
- Consolidated operating profit
At least **¥14.0 billion**
(FY2026)

Capital Efficiency

- ROE
At least **7%**
(FY2024-2026)

Shareholder Returns

- Consolidated dividend payout ratio
Approx. **50%**
(FY2024-2026)
- Regarding the acquisition of treasury shares, we will flexibly implement share buybacks, taking into account factors such as stock price, investment plans, and financial conditions.

E: Environmental

- GHG emissions
Reduction by **80%** compared to FY2018 by FY2025 (Scope1+2)
- Water usage
Reduce in each application year on year (per square meter)
- Waste emissions
Reduce in each application year on year (per square meter)

Achieve net-zero GHG emissions by FY2050 (Scope1+2+3)

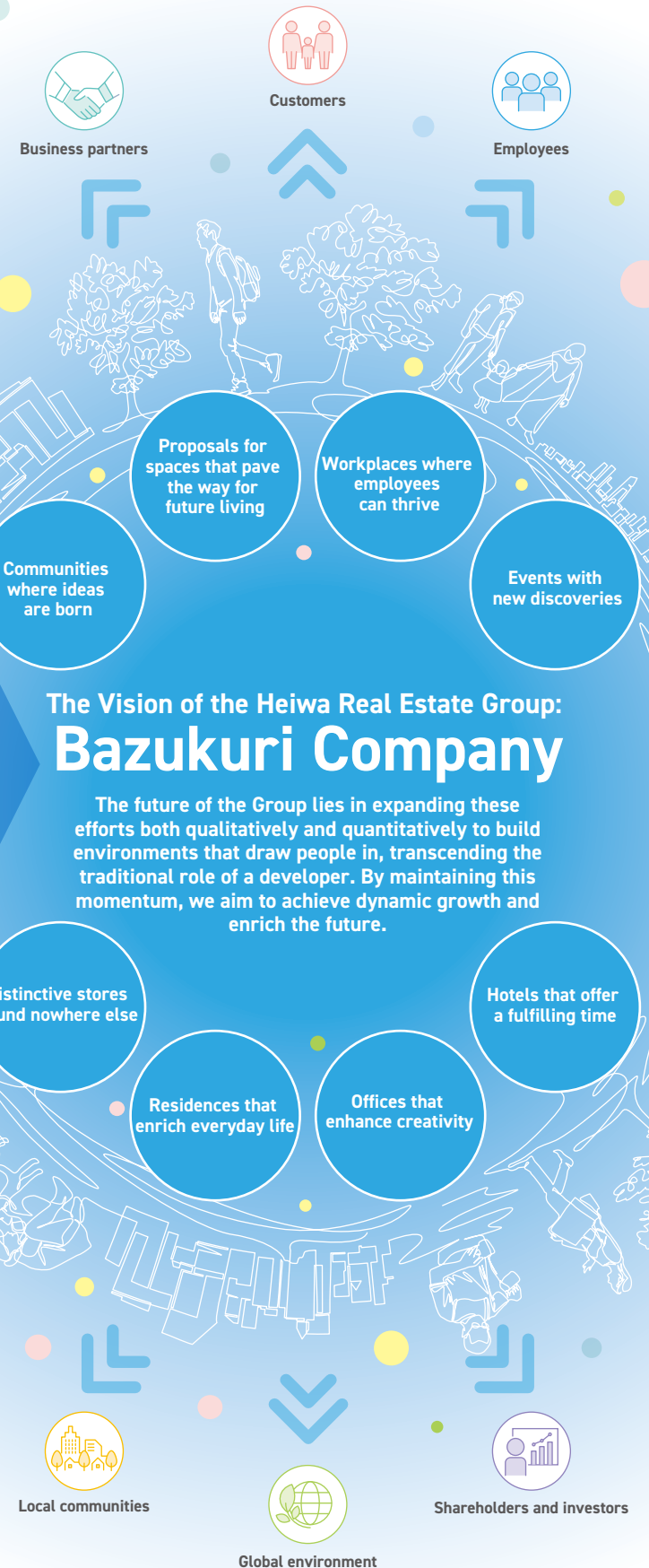
S: Social

- Ratio of new graduate female hires
At least **30%** (five-year average)
- Ratio of mid-career workers in management positions
At least **40%** by FY2030
- Uptake of cancer screening (every two years)
100% of employees aged 35 or above
- Male childcare leave uptake
100% by FY2030
- Ratio of female managers
At least **20%** by FY2030
- Annual health check uptake
100%
- Annual stress check uptake
100%
- Annual paid holiday uptake
At least **70%**
- First aid training qualification
All of our officers and employees

G: Governance

- Ratio of cross-shareholdings to consolidated net assets
10% or less by FY2026
- Composition of Board of Directors
Majority are external directors
- Number of female directors
At least one

A prosperous future for all stakeholders














Materiality, Risks and Opportunities

Heiwa Real Estate has determined the social value we aim to provide and identified the materiality necessary for realizing it. In addition to responding to stakeholder expectations, we identify medium- to long-term risks and opportunities that are incorporated into sustainability management practices.

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.

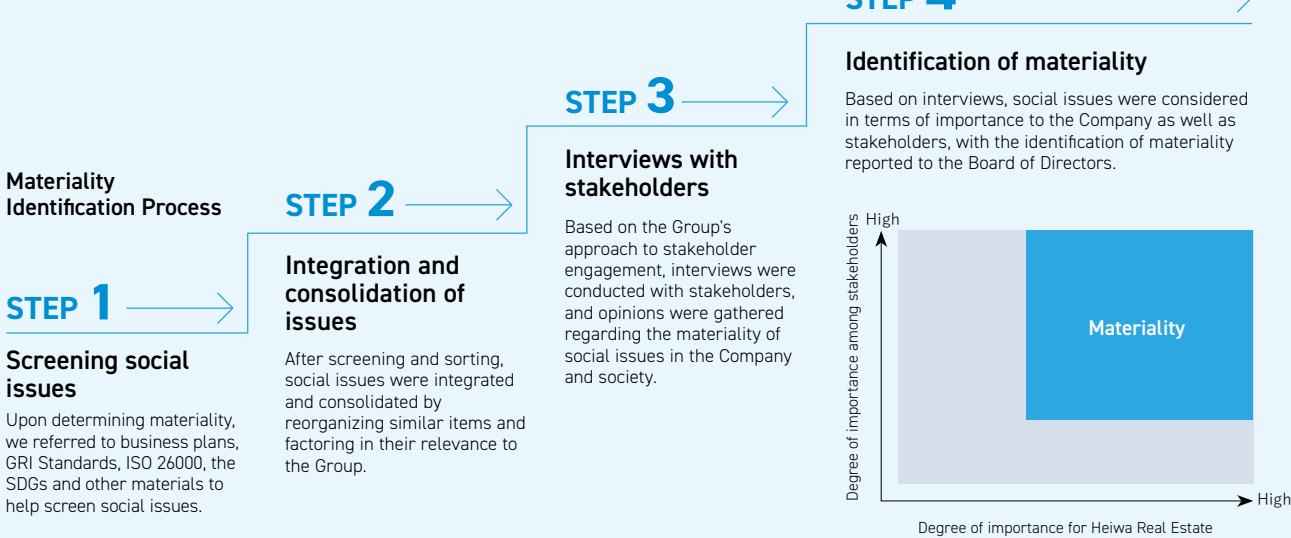
Targeted Social Value and Materiality

Social Value		Materiality/SDGs	KPI
Implement <i>Bazukuri</i> Initiatives to Attract People through Diversity and Innovation	We will play an active role in the creation of areas where a diverse range of people gather and work together, stimulate investment, securities and finance, and foster culture and the arts.	Industrial Development / Regional Development 	•Ratio of new graduate female hires: At least 30% (five-year average) •Ratio of female managers: At least 20% by FY2030 •Ratio of mid-career workers in management positions: At least 40% by FY2030 •Annual health check uptake: 100% •Uptake of cancer screening (every two years): 100% of employees aged 35 or above •Annual stress check uptake: 100% •Annual paid holiday uptake: At least 70% •Male childcare leave uptake: 100% by FY2030
		Responding to Social Needs    	
Create Disaster-Resistant, Resilient Areas	We will ensure that areas continue to function safely by creating buildings and facilities with robust disaster preparedness and fostering active community engagement among residents and the workforce.	Natural Disaster Risk Mitigation Measures 	•First aid training qualification: All of our officers and employees
Create Environment-Friendly Low-carbon Areas	We will aim to achieve net-zero greenhouse gas (GHG) emissions and help realize a decarbonized society through energy conservation, the utilization of renewable energy, collaboration with supply chains, and other initiatives.	Climate Change Countermeasures    	•GHG emissions: Reduction by 80% compared to FY2018 by FY2025 (Scope 1+2) Achieve net-zero emissions by FY2050 (Scope 1+2+3) •Water usage: Reduce in each application year on year (per square meter) •Waste emissions: Reduce in each application year on year (per square meter)
Ensure Corporate Governance Supporting <i>Bazukuri</i>	We will continue to strengthen corporate governance on an ongoing basis and strive to be a company in which all officers and employees actively tackle environmental and social issues.	Strengthening Corporate Governance 	•Ratio of cross-shareholdings to consolidated net assets: 10% or less by FY2026

Risks and Opportunities

Risks	Opportunities
Declining brand value and potential customer appeal due to insufficient industrial and regional redevelopment efforts	Enhance the district's brand value and attract potential customers through involvement in industrial redevelopment, including contributions to the “Global Financial City: Tokyo” vision
Risk of district decline due to fewer local residents, visitors, etc.	Enhance brand value by invigorating the district through a variety of activities
Risk of personnel shortages, biased viewpoints and activities	Enhance human capital through recruitment and promotion of diverse human resources
Risk of turnover rate increases and lower lease prices due to delayed responses to new needs	Improve value provided by the Company with office environments suitable for new work styles
Risk of asset loss due to natural disasters and suspended activities in the district due to damage in surrounding areas	Increase the value of the district and Company assets through reliability and safety that enable ongoing activities in the district
Increased impact of energy price fluctuations due to dependence on the use of low-efficiency resources, carbon taxes and the tightening of other regulations	Lower repair and operating costs by reducing resource usage and improving efficiency
Lost opportunities to acquire tenants and loss of lease premiums due to delays in implementing environmental measures	Increase opportunities to acquire tenants and leasing revenue using enhanced environmental friendliness as the point of differentiation from other properties
Increased compliance risks due to deterioration of internal risk management systems and declining awareness of compliance	Reduce compliance risks by strengthening risk management and raising compliance awareness throughout the Company
Risk of reduced effectiveness of sustainability measures due to lack of understanding and cooperation within the Company	Improve effectiveness of sustainability measures by raising sustainability awareness throughout the Company

Identifying Materiality and Stakeholder Engagement



Stakeholder Engagement

The Group promotes engagement with all stakeholders in order to mutually strengthen bonds with everyone who has a stake in its business. At the same time, the Group endeavors to improve urban environments, bring value to communities and help people benefit economically with a view to help make society more sustainable.

Customers

The Group works to ensure sound business activities and improve its services from the standpoint of its building tenants and users, while responding to their concerns fairly and sincerely.

Shareholders and investors

The Group creates a wide range of opportunities to engage with shareholders and investors by proactively making such efforts as holding financial results briefings and attending events for individual investors as well as disclosing information in a timely and proper manner.

Global environment

Giving full consideration to its responsibility to conserve the natural environment, the Group actively implements environmental initiatives while complying with environment-related laws and regulations.



Business partners

The Group conducts business in good faith in accordance with societal norms and laws related to free and fair competition and transactions in an effort to mutually raise corporate value together with its business partners.

Employees

The Group strives to respect the dignity of each employee, eliminate any and all discrimination and harassment, and ensure safe and comfortable work environments in an effort to realize comfort and abundance.

Local communities

The Group places importance on coexistence with local communities and broadly works to contribute to society as a good corporate citizen.

Long-term Vision

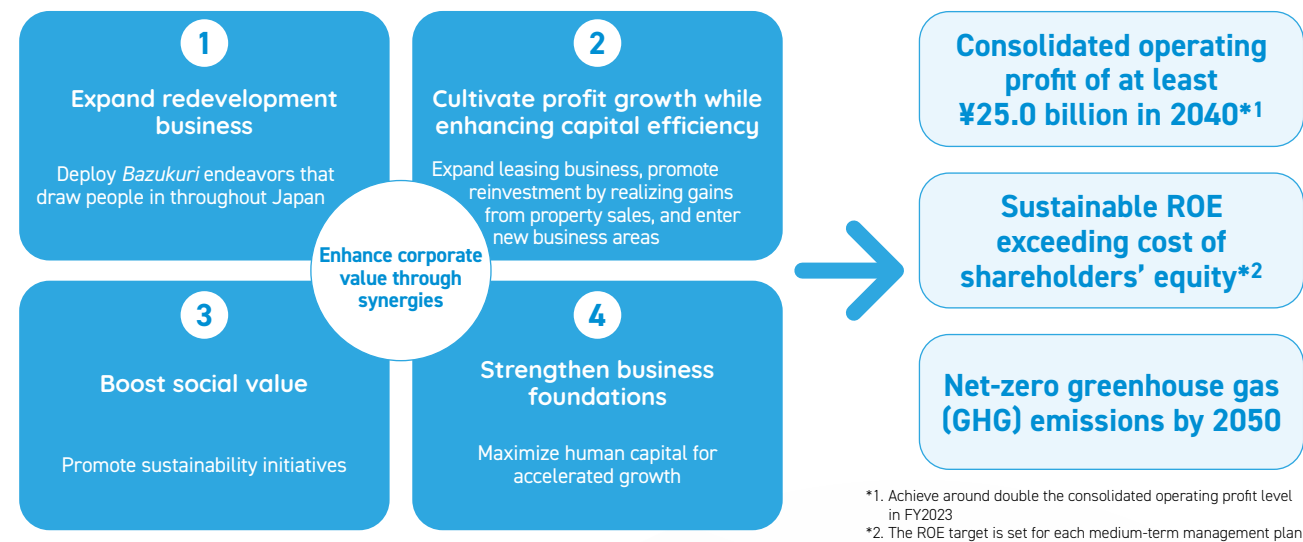
Long-term Vision “WAY 2040”

Pursue perpetual dynamic growth to become the “Bazukuri Company”

In light of significant changes in the external environment, we have formulated the Heiwa Real Estate Group's Long-term Vision “WAY 2040” toward 2040, along with the Group Purpose, to clarify the future direction we aspire to achieve.

The future of the Group lies in expanding our efforts, both qualitatively and quantitatively, to create 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.

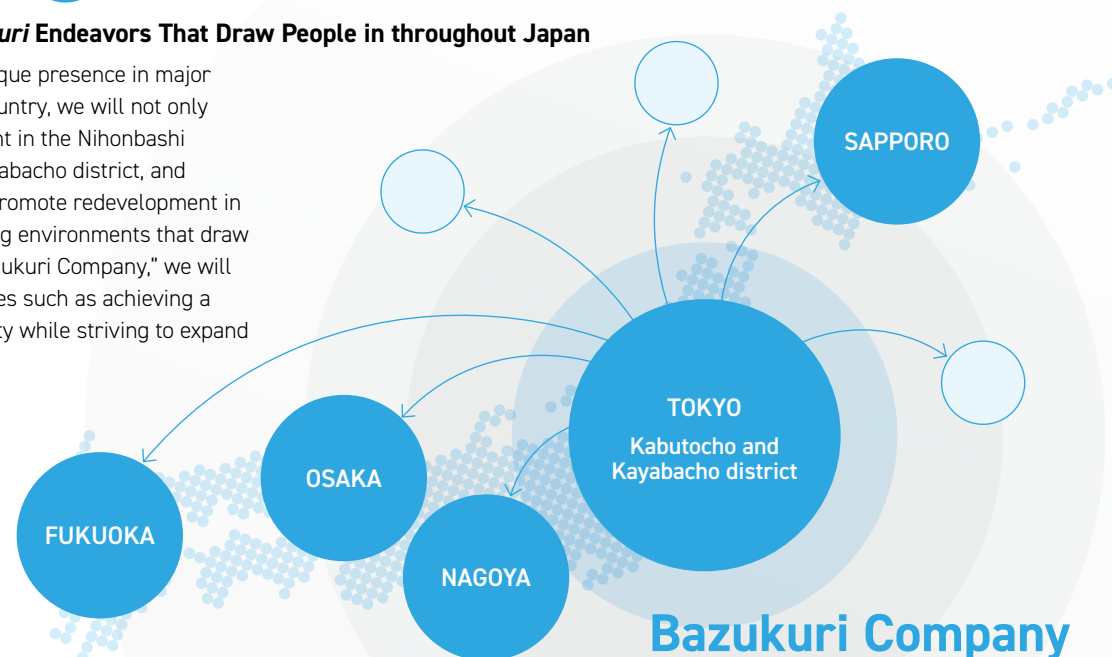
Four Growth Strategies



Growth Strategy 1 Expand Redevelopment Business

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.



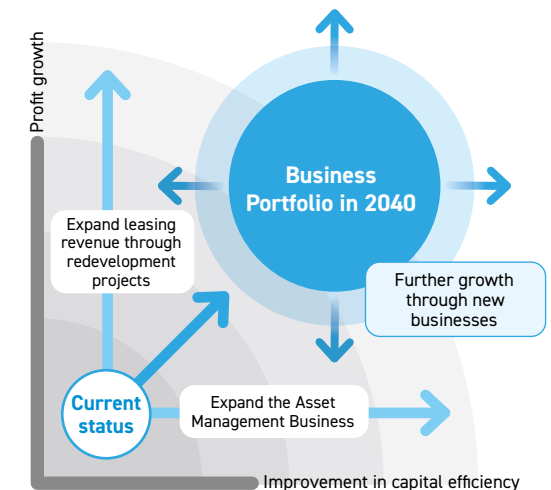
Growth Strategy 2 Cultivate Profit Growth While Enhancing Capital Efficiency

Expand Leasing Business, Promote Reinvestment by Realizing 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.

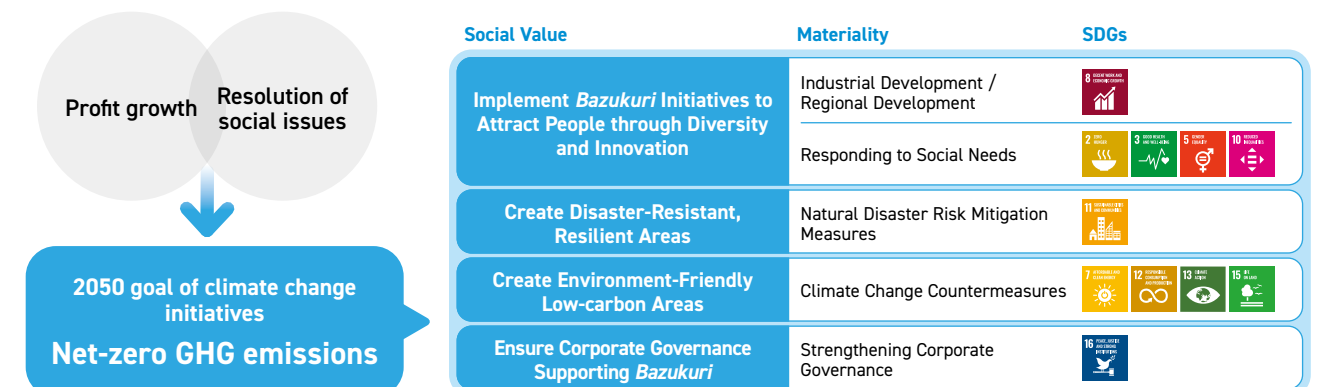
Further, to achieve dynamic growth, we will expand into new business areas that contribute to the realization of our Long-term Vision.



Growth Strategy 3 Boost Social Value

Promote Sustainability Initiatives

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



Growth Strategy 4 Strengthen Business Foundations

Maximize Human Capital for Accelerated Growth

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.



Medium-term Management Plan

Review of Past Medium-term Management Plans

FY2014-2019

over the “NEXT DECADE”

Strategy
Overview

Becoming a Company that contributes to redeveloping districts starting with the redevelopment of Nihonbashi Kabutocho and Kayabacho

Consolidated operating profit target: From ¥8.0 billion to ¥10.0 billion level over 10 years

Results

Quantitative Targets

		Target	Actual (FY2019)
Profit targets	Consolidated operating profit	¥10.0 billion	¥10.90 billion
	Ordinary profit	¥9.0 billion	¥10.00 billion
Financial soundness	Net D/E ratio	1.5 times or less	1.5 times

Summary

By reinvigorating Nihonbashi Kabutocho and Kayabacho, we challenged ourselves to grow into a company that contributes to urban development. As a result, we successfully commercialized KABUTO ONE, the first project in our Nihonbashi Kabutocho and Kayabacho redevelopment, while achieving strong outcomes in both internal and external growth. Furthermore, we achieved our quantitative target of ¥10.0 billion in consolidated operating profit in FY2023 four years ahead of schedule, in FY2019, and also posted record high profit.

FY2020-2023

Challenge & Progress

Strategy
Overview

Tackling the challenge of, and making progress in, the aim to be a company that contributes to redeveloping districts

Consolidated operating profit target: From ¥10.0 billion to ¥12.0 billion over four years

- Quantitative and qualitative expansion of the Redevelopment Business
- Refocusing the business model on added-value creation
- Practicing sustainability management
- Growth in EPS, awareness of ROE, substantial shareholder returns

Results

Quantitative Targets

		Target	Actual (FY2023)
Profit targets	EPS	At least ¥200 (FY2023)	¥236.13
	Consolidated operating profit	At least ¥12.0 billion (FY2023)	¥13.02 billion
Capital efficiency	ROE	At least 6% (FY2020-FY2023)	6.9%
Shareholder returns	Consolidated total shareholder return ratio	Approx.70% (FY2020-FY2023)	70.6%
	Consolidated dividend payout ratio	Approx.50% (by FY2023)	49.1%*1

*1 Excluding a special dividend of ¥50

Investment Plan

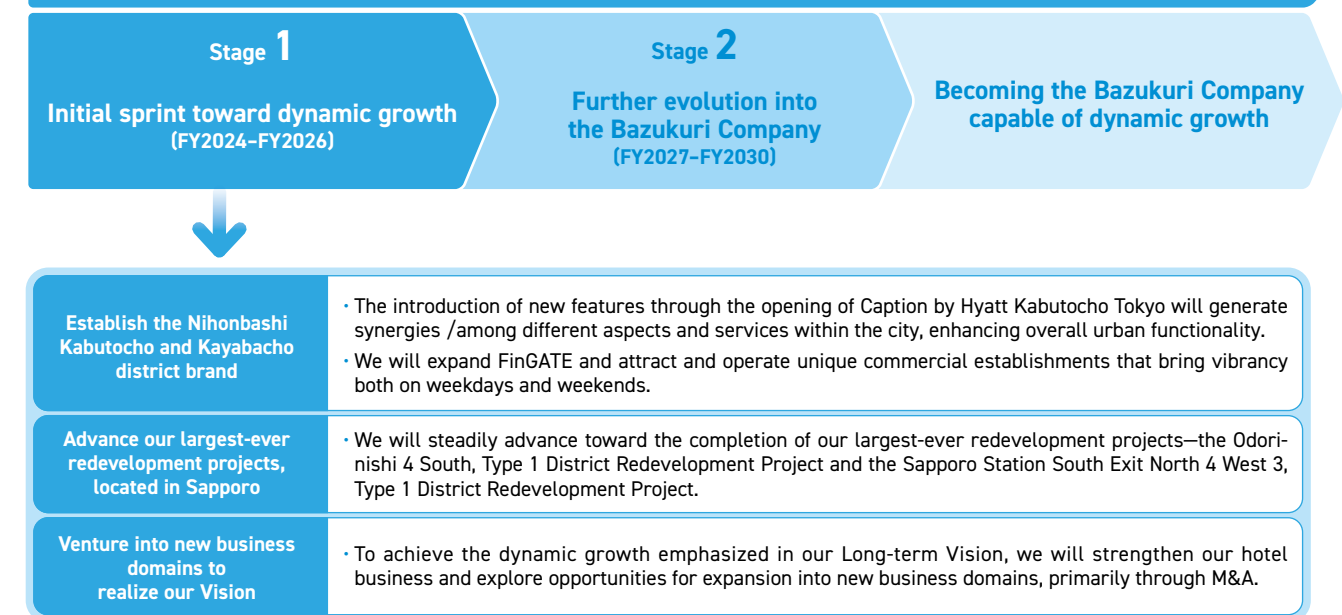
	FY2020-FY2023 plan	Actual (FY2023)
Redevelopment Business	Approx. ¥32.0 billion (Breakdown) Nihonbashi Kabutocho and Kayabacho: Approx. ¥22.0 billion Sapporo: Approx. ¥10.0 billion	Approx. ¥20.0 billion
Building Business	Acquisitions: Approx. ¥60.0 billion	Approx. ¥70.0 billion
Asset Management Business	Recovered through replacement: Approx. ¥20.0 billion Recovered through sale of existing inventory assets: Approx. ¥34.0 billion	Approx. ¥54.0 billion

FY2024-2026

Medium-term Management Plan “WAY 2040 Stage 1”

This initial sprint toward dynamic growth is dedicated to establishing the Nihonbashi Kabutocho and Kayabacho district brand, undertaking our largest-ever redevelopment projects, located in Sapporo, and venturing into new business domains to realize our vision. This signals the beginning of our efforts to “Pursue perpetual dynamic growth to become the ‘Bazukuri Company,’” the key goal of our Long-term Vision, Way 2040.

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



Financial KPIs

Profit targets	EPS	At least ¥270 (FY2026)
	Consolidated operating profit	At least ¥14.0 billion (FY2026) * Breakdown • Building Business: ¥13.8 billion • Asset Management Business: ¥2.4 billion • Corporate and elimination: -¥2.2 billion
Capital efficiency	ROE	At least 7% (FY2024-FY2026)
Shareholder returns	Consolidated dividend payout ratio	We aim to maintain a consolidated dividend payout ratio of approximately 50% (FY2024-FY2026) and will flexibly implement share buybacks, taking into account factors such as stock price, investment plans, and financial conditions.

Non-financial KPIs

Environmental	GHG emissions	• Reduction by 80% compared to FY2018 by FY2025 (Scope 1+2) • Achieve net-zero by FY2050 (Scope 1+2+3)	
	Water usage	• Reduce in each application year on year (per square meter)	
	Waste emissions	• Reduce in each application year on year (per square meter)	
Social	• Ratio of new graduate female hires: At least 30% (five-year average) • Annual stress check uptake: 100% • Ratio of female managers: At least 20% by FY2030 • Annual paid holiday uptake: At least 70% • Ratio of mid-career workers in management positions: At least 40% by FY2030 • Male childcare leave uptake: 100% by FY2030 • Annual health check uptake: 100% • First aid training qualification: All of our officers and employees • Uptake of cancer screening (every two years): 100% of employees aged 35 or above		
Governance	• Ratio of cross-shareholdings to consolidated net assets: 10% or less by FY2026		

Growth Strategy 1 Expand Redevelopment Business

Deploy *Bazukuri* Endeavors That Draw People in throughout Japan

Key Strategies of the Plan to Realize Our Vision

1. Establish the Nihonbashi Kabutocho and Kayabacho District Brand

Introducing new features through Caption by Hyatt Kabutocho Tokyo, the first in Tokyo, will generate synergies among different city services. By expanding FinGATE, attracting and operating unique commercial establishments that add vibrancy all week, and applying innovative urban sustainability initiatives, we will create diverse spaces that draw people in and entrench our Nihonbashi Kabutocho and Kayabacho district brand.

2. Advance Our Largest-ever Redevelopment Projects, Located in Sapporo

We will steadily advance toward the completion of our largest-ever redevelopment projects —the Odori-nishi 4 South, Type 1 District Redevelopment Project and the Sapporo Station South Exit North 4 West 3, Type 1 District Redevelopment Project —as part of our *Bazukuri* endeavors in Sapporo that draw people in. Through this, we aim to help boost the competitiveness of the city.

3. Expand Redevelopment Projects Nationwide

To enhance our presence as a “Bazukuri Company,” we will drive the implementation of redevelopment projects centered around our assets in major cities throughout Japan.

Caption by Hyatt Kabutocho Tokyo

- We plan to attract Hyatt’s latest lifestyle hotel brand, “Caption by Hyatt,” for the first time in Tokyo.
- It has been selected as a project by the Leading Projects Program for Sustainable Buildings for 2022 (led by wooden structures) by the Ministry of Land, Infrastructure, Transport and Tourism, for the first time as an accommodation facility with timber hybrid construction operated by a foreign hotel brand.
- Recognized for its outstanding “consideration for the environment and society,” it became the first hotel in Tokyo to receive a 4-star rating under the DBJ Green Building Certification (Plan Certification).

Location	12 Nihonbashi Kabutocho, Chuo-ku, Tokyo
Access	One-minute walk from Kayabacho Station on the Tokyo Metro Tozai Line and Hibiya Line Two-minute walk from Nihonbashi Station on the Tokyo Metro Ginza Line and Toei Asakusa Line Eight-minute walk from Mitsukoshimae Station on the Tokyo Metro Hanzomon Line
Site area	Approx. 1,093 m ²
Total floor area	Approx. 9,967 m ²
Floors	12 floors above ground, one floor below, one-story penthouse
Construction	Above ground: Steel construction (partly wooden); Basement: reinforced concrete
Guest rooms	195 rooms
Opening	Autumn 2025 (plan)



Note: Image for illustrative purposes only.

(Provisional name) Nihonbashi Kayabacho 1-Chome 6 District Development Plan

- October 2024: Together with Mitsubishi Estate Co., Ltd. and Chuo-Nittochi Co., Ltd., our Company submitted an urban planning proposal for the Nihonbashi Kabutocho and Kayabacho 1-Chome District Plan in Chuo-ku.
- We plan to construct a mixed-use building directly connected to the Kayabacho Station on the Tokyo Metro Tozai and Hibiya Lines, comprising office, commercial, and financial facilities. The project will also expand and redevelop the shrine grounds within the project area to create an integrated green open space that will serve as a vibrant hub for the local community.
- We will contribute to urban development that enhances Tokyo’s international competitiveness and appeal by supporting the Tokyo Metropolitan Government’s “Global Financial City: Tokyo” vision through the concentration of financial functions, creating streetscapes that preserve and leverage local culture and history, improving regional disaster preparedness through facilities for people unable to return home, and developing refreshing urban spaces through greening initiatives.

Location	1-6 Nihonbashi Kayabacho, Chuo-ku, Tokyo
Access	Direct access to Kayabacho Station on the Tokyo Metro Tozai and Hibiya Lines
Business methods	Type-1 Urban Redevelopment Project
Site area	Approx. 3,715 m ²
Total floor area	Approx. 41,650 m ²
Height and floors	Approx. 140m/ 27 floors above ground, three floors below
Main purpose	Offices, stores, shrine, parking, etc.
Construction schedule	Start: FY2027 (planned) Completion: FY2030 (planned)

Note: Image for illustrative purposes only.



Establish the Nihonbashi Kabutocho and Kayabacho District Brand

We will promote redevelopment projects, designating approximately 100,000 m² in the Kabutocho and Kayabacho area as the target area for district redevelopment. In addition, we will develop a variety of places that draw people in by developing FinGATE and attracting unique commercial facilities.

KABUTO ONE

Location	7-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo (property location)
Access	Direct access to Kayabacho Station on Tokyo Metro’s Tozai and Hibiya lines
Main purpose	Offices, shops, meeting rooms, conference rooms, parking
Floors	15 above-ground floors, 2 basement floors, 2 penthouse floors
Construction	Steel construction above ground, SRC structure below, (partial steel construction), intermediate layer seismic isolation structure
Total floor area	Approx. 39,208 m ²
Operators	Heiwa Real Estate Co., Ltd., Yamatane Corporation, Chibagin Securities Co., Ltd.



KITOKI

Location	8-5, Nihonbashi Kabutocho, Chuo-ku, Tokyo (property location)
Access	One-minute walk from Kayabacho Station on the Tokyo Metro Tozai Line
Main uses	Stores and offices
Floors	10 floors above ground
Construction	Timber hybrid structure
Total floor area	791.95 m ²



District Redevelopment



Expanding into Restaurants and Other Businesses

Before the full-scale launch of the Nihonbashi Kabutocho and Kayabacho Redevelopment Project, the area was predominantly a business district, hence the need to expand the district's functions beyond work to foster a more bustling atmosphere. Following the opening of K5 in February 2020, the Company has transformed the atmosphere of the district by opening five independent restaurants, each drawn to the area's transformative potential.

There are a total of 21 commercial facilities that we have strategically attracted through our urban development efforts. The number of visitors per month to these commercial facilities has expanded from approximately 10,000 people (as of April 2021), to over 50,000 people at present, and we are also holding events to energize the neighborhood in cooperation with the commercial facilities we have attracted.

Some examples of the commercial facilities invited based on our strategy



A total of 21 commercial facilities

Kabutocho Yoichi: a walking event to enliven the Kabutocho area



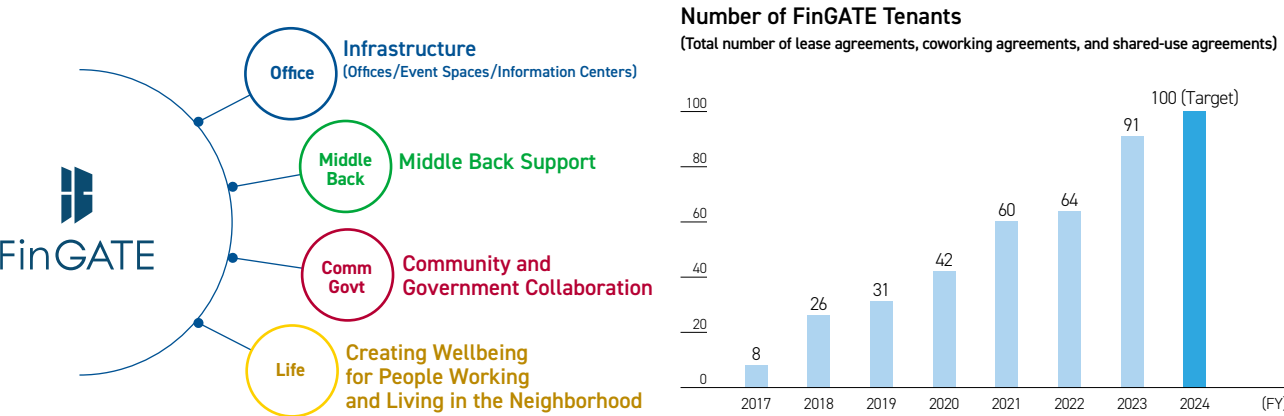
Collaborate to enliven the entirety of the district

*The above photo was taken from Kabuto LIVE!

FinGATE

FinGATE provides infrastructure such as offices and event spaces necessary for the startup and management of financial services, while also creating opportunities for interaction among entrepreneurs and offering support for government collaborations and middle and back office services.

Starting with the opening of FinGATE KAYABA in September 2017, we have developed a total of five facilities in the Nihonbashi Kabutocho and Kayabacho area, currently housing over 90 financial startups, and we aim to attract 100 companies by the end of FY2024.



Advance Our Largest-ever Redevelopment Projects, Located in Sapporo

We will steadily advance toward the completion of our largest-ever redevelopment projects—the Odori-nishi 4 South, Type 1 District Redevelopment Project and the Sapporo Station South Exit North 4 West 3, Type 1 District Redevelopment Project—as part of our *Bazukuri* endeavors in Sapporo that draw people in. Through this, we aim to help boost the competitiveness of the city.



Sapporo Station South Exit North 4 West 3 District Type-1 Urban Redevelopment (Scheduled for completion in FY2028)

- Rights conversion plan approved in July 2024.
- Participating in the project as a business partner, we aim to create new vibrancy and appeal as a symbol of the gateway to Sapporo, the capital of Hokkaido, while advancing the project toward its scheduled completion in FY2028.

District area	Approx. 1.7 ha
Site area	Approx. 1.1 ha
Total floor area	Approx. 203,000 m ²
Height and floors	Approx. 165m/32 floors above ground, 7 floors below



Sapporo Station South Exit North 4 West 3 District Type-1 Urban Redevelopment Project

Promoting the Odori-nishi 4 South, Type-1 District Redevelopment Project (scheduled for completion in FY2028)

Feature Article → P. 37

- Established a district redevelopment association in August 2024.
- Developing international-standard high-grade hotels, sophisticated offices that strengthen business competitiveness, and so on.
- We invited Mr. Kengo Kuma, who is a world-class architect, to be the design supervisor.

Primary contractor	Preparatory association for the Odori-nishi 4-chome South district redevelopment
Main uses	Office, hotel, commercial building
Site area	Approx. 5,030 m ²
Total floor area	Approx. 99,600 m ²
Floor space ratio	Approx. 1,650%
Floors	36 floors above ground, three floors below
Maximum height	Approx. 185m

Note: Subject to change due to future administrative consultations, urban planning procedures or other factors.



Odori-nishi 4 South, Type-1 District Redevelopment Project

Expand Redevelopment Projects Nationwide

To enhance our presence as a "Bazukuri Company," we will drive the implementation of redevelopment projects centered around our assets in major cities throughout Japan.



Cultivate Profit Growth While Enhancing Capital Efficiency

Expand Leasing Business, Promote Reinvestment by Realizing Gains from Property Sales, and Enter New Business Areas

Key Strategies of the Plan to Realize Our Vision

1. Develop a Business Model for Creating Added Value in the Building Business

We will realize gains from property sales by renewing our portfolio and sustainably develop our business model focused on creating added value.

2. Expand Revenue in the Asset Management Business

We will strive to increase asset management fees by supporting the growth of Heiwa Real Estate REIT, Inc. and to enhance Group earnings with high capital efficiency through stable growth in the brokerage business.

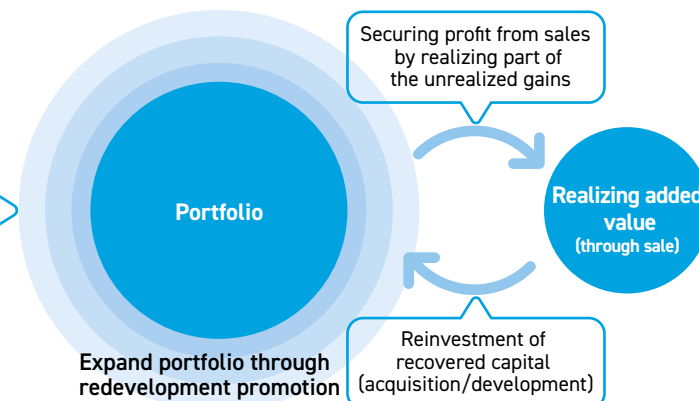
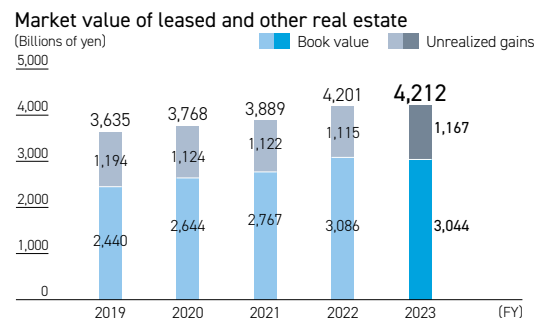
3. Venture into New Business Domains to Realize Our Vision

To achieve the dynamic growth emphasized in our Long-term Vision, we will strengthen our hotel business and explore opportunities for expansion into new business domains, primarily through M&A.

Develop a Business Model for Creating Added Value in the Building Business

We will transfer a portion of the entire portfolio to inventories, realize unrealized gains, and earn gains on sales, as well as renew the portfolio and expand our earnings base through property acquisitions and development.

Creation of unrealized profit (added value) through promotion of development, etc.



Status of Inventory Sales

- Securing revenue through the sale of income-generating properties after maximizing value, as well as the development of the HF Residence series.
- At the end of FY2023, four properties—Sapporo Office 1, Nihonbashi Office, Otorii Residence, and Umejima Residence—were reclassified from fixed assets (leasing business) to real estate for sale.

Held Assets

(As of the end of March 2024, floor m² for the area owned by our Group)

	Kayabacho offices	Osaka Kitahama Office	Nagoya Sakae Office	Fukuoka Residence	Sapporo Office 1	Sapporo Office 2	Nihonbashi Office	Otorii Residence	Umejima Residence
Location	Chuo-ku, Tokyo	Osaka	Nagoya	Fukuoka	Sapporo	Sapporo	Chuo-ku, Tokyo	Ota-ku, Tokyo	Adachi-ku, Tokyo
Total floor area	Approx. 3,500 m ²	Approx. 1,400 m ²	Approx. 9,500 m ²	Approx. 2,500 m ²	Approx. 11,000 m ²	Approx. 3,000 m ²	Approx. 5,300 m ²	Approx. 4,000 m ²	Approx. 4,000 m ²
Completed	Sep. 1991	Feb. 2015	Mar. 2004	Jan. 2018	Nov. 1985	Feb. 1990	Apr. 2003	Feb. 2023	Jan. 2022
Acquired	Dec. 2013	Same as above	Same as above	Oct. 2021	Nov. 2005	Dec. 2023	Dec. 2015	Same as above	Same as above
Stock balance	Approx. ¥20.6 billion								

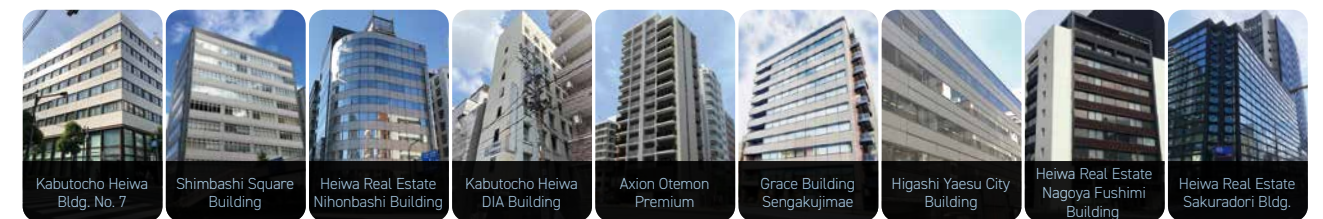
* Osaka Kitahama Office and Sapporo Office 2 have been sold (as of the end of September 2024).

Track Record of Property Acquisitions

- During the previous medium-term management plan period, we planned investments of approximately ¥60.0 billion (net investment of ¥40.0 billion) and acquired properties worth a total of about ¥70.0 billion over four years, including the Heiwa Real Estate Nagoya Fushimi Building and the Heiwa Real Estate Sakura-dori Building.
- We will also expand investments in the rental residence business, by mainly targeting office buildings in central Tokyo and other major cities.

(As of the end of March 2024, floor m² for the area owned by our Group)

Acquired assets (April 2020–March 2023)	Kabutocho Heiwa Bldg. No. 7	Shimbashi Square Building	Heiwa Real Estate Nihonbashi Building	Kabutocho Heiwa DIA Building	Axion Otomon Premium	Grace Building Sengakujima	Higashi Yaesu City Building	Heiwa Real Estate Nagoya Fushimi Building	Heiwa Real Estate Sakuradori Bldg.
Location	Chuo-ku, Tokyo	Minato-ku, Tokyo	Chuo-ku, Tokyo	Chuo-ku, Tokyo	Fukuoka	Minato-ku, Tokyo	Chuo-ku, Tokyo	Nagoya	Nagoya
Main purpose	Banks and offices	Offices and stores	Offices and stores	Stores and offices	Condominium units and stores	Offices and stores	Offices and stores	Offices and stores	Offices and stores
Total floor area	6,578.54m ²	5,422.10m ²	3,032.09m ²	1,261.75m ²	2,355.36m ²	2,441.36m ²	3,821.03m ²	17,049.41m ²	12,229.39m ²
Completed	Oct. 1979	Mar. 2008	Dec. 1989	Jul. 2003	Jan. 2018	Jun. 1994	Nov. 1993	Apr. 1974	May 1986
Acquired	Jun. 2020	Sep. 2020	Dec. 2020	Sep. 2021	Oct. 2021	Jun. 2022/Dec. 2022	Sep. 2022/Dec. 2022	Nov. 2022	Feb. 2023



TOPICS

ORSUS Series Development

- We are developing a new brand called "ORSUS" in the rental residence business.
- Since the brand launch in 2022, the Company has expanded the project to a total of 13 properties in the series.

ORSUS

オルサス

(As of the end of March 2024, floor m² for the area owned by our Group)

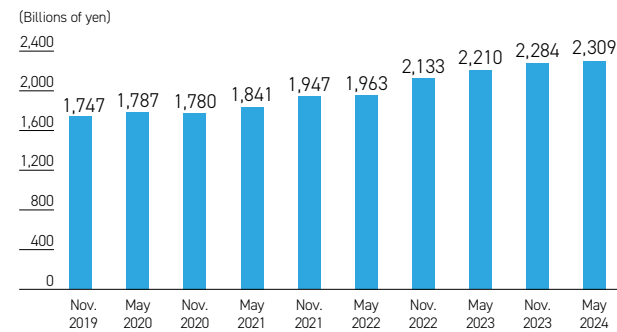
	Operating properties						
Property name	ORSUS Asakusa	ORSUS Honjo-Azumabashi	ORSUS Umejima	ORSUS Nakano	ORSUS Nishi-nippori	ORSUS Shin-ekoda	ORSUS Oimachi
Building exterior							
Location	Taito-ku, Tokyo	Sumida-ku, Tokyo	Adachi-ku, Tokyo	Nakano-ku, Tokyo	Arakawa-ku, Tokyo	Nerima-ku, Tokyo	Shinagawa-ku, Tokyo
Total floor space (No. of units)	1,457.28m ² (27 units)	1,285.94m ² (24 units)	3,859.93m ² (89 units)	999.51m ² (33 units)	1,176.84m ² (24 units)	2,644.57m ² (63 units)	969.45m ² (36 units)
Completed	Feb. 2021	Jun. 2021	Jan. 2022	Jan. 2022	Jun. 2021	Jul. 2021	Oct. 2018
Acquired	Feb. 2021	Sep. 2021	Jan. 2022	Apr. 2022	Sep. 2022	Sep. 2022	Oct. 2022

	Operating properties					
Property name	ORSUS Akabane East	ORSUS Otorii	ORSUS Togoshiginza	ORSUS Minowa	ORSUS Shin-Osaka	ORSUS Itabashi-Honcho
Building exterior						
Location	Kita-ku, Tokyo	Ota-ku, Tokyo	Shinagawa-ku, Tokyo	Taito-ku, Tokyo	Osaka	Itabashi-ku, Tokyo
Total floor space (No. of units)	2,241.13m ² (49 units)	3,876.43m ² (99 units)	3,586.40m ² (92 units)	2,949.61m ² (54 units)	4,038.59 m ² (84 units)	1,303.38 m ² (26 units)
Completed	Nov. 2022	Feb. 2023	Oct. 2023	Jan. 2024	Mar. 2021	Aug. 2023
Acquired	Dec. 2022	Feb. 2023	Oct. 2023	Jan. 2024	Dec. 2023	Mar. 2024

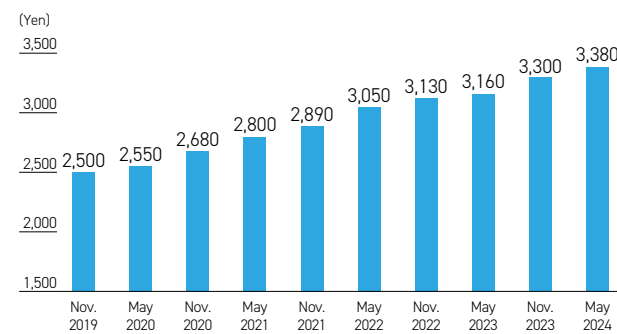
Expand Revenue in the Asset Management Business

- With the growth of Heiwa Real Estate REIT, Inc. (HFR), the Group's revenue is increasing steadily.
- HFR has increased its total assets to over ¥230.0 billion through public offering for the third consecutive year and portfolio replacement. The company announced a capital increase through public offering for the fourth consecutive year.

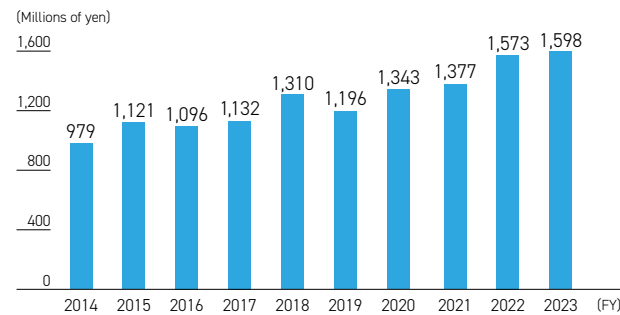
Trends in Asset Size of Heiwa Real Estate REIT, Inc.



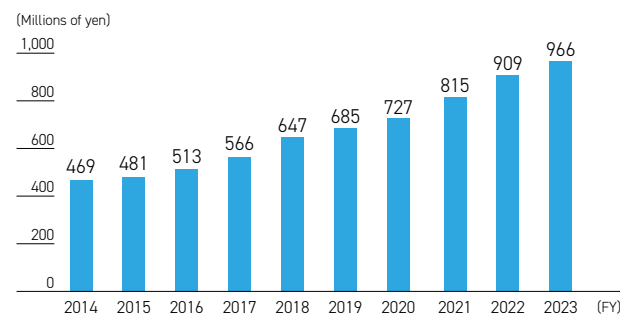
Dividends per Unit of HFR Holding



Asset Management Fee Income from HFR



Total Dividend Income from HFR



Venture into New Business Domains to Realize Our Vision

In addition to developing a value-added business model in the Building Business and expanding revenue in the Asset Management Business, we are also strengthening the Hotel Business as a new business field that will contribute to the realization of our Long-term Vision.

Mercure Tokyo Hibiya

Mercure Tokyo Hibiya, part of our Uchisaiwaicho Heiwa Building, was renovated and reopened in December 2023 under the Mercure brand, a midscale brand of leading European hotel group Accor.

The design concept of Mercure Tokyo Hibiya is "Stage Art." Drawing inspiration from elements like elegant lighting, curtains, and seating, as well as film reels, this space is infused with design touches throughout that create a modern-classic atmosphere that captivates people across time. In this extraordinary and uplifting setting, we provide a space that enhances our guests' travel enjoyment and sense of escape from the everyday.

MERCURE
HOTEL
TOKYO HIBIYA



Caption by Hyatt Kabutocho Tokyo

This project is the first hotel management venture in the redevelopment of Kabutocho and Kayabacho, and is set to become the first Caption by Hyatt brand in Tokyo.

As a company headquartered in Nihonbashi Kabutocho, we have always valued our connections with the local community and region. We aim not just to provide accommodation, but to offer a lodging experience that connects the hotel with both the local area and its guests, incorporating activities within the region in addition to those inside the hotel. At Caption by Hyatt Kabutocho Tokyo, we aim to not only provide accommodation for inbound travelers and domestic and international workers, including those in the financial sector, but also to help our guests discover and develop an interest in Nihonbashi Kabutocho and Kayabacho, creating enjoyable experiences that will make them want to return.



Note: Image for illustrative purposes only.

Park Hyatt Sapporo

Park Hyatt, the highest luxury brand in Hyatt's Timeless Collection, is scheduled to open in 2029 in central Sapporo, at the intersection of Odori Park—an iconic landmark—and Ekimae-dori Avenue, where offices and government facilities are concentrated. The hotel will be part of the Odori-nishi 4 South, Type 1 District Redevelopment Project.

Recognizing that a luxury hotel could enhance Sapporo's competitiveness as an international tourist destination and play a leading role in the hotel market, we selected the Park Hyatt brand.

Park Hyatt is Hyatt's long-established, top-tier brand, named with the goal of incorporating parks and nature into the hotel environment to create an oasis-like sense of tranquility. We are confident that the hotel will enhance the appeal of Odori Park, which has grown in step with Sapporo since its early history, offering guests a refined space where they can escape the bustle of the city.

PARK HYATT™

*As a landowner and a member of this redevelopment project who will acquire certain floors that are not yet owned, the Company plans to acquire ownership rights to certain floors of the building occupied by the hotel.



Note: Image for illustrative purposes only.

Promote Sustainability Initiatives

Key Strategies of the Plan to Realize Our Vision

1. Implement Sustainability Management

We, as a "Bazukuri Company," will contribute to realizing a sustainable society by addressing environmental and social issues, including achieving net-zero greenhouse gas (GHG) emissions, while encouraging interactive communication with all stakeholders.

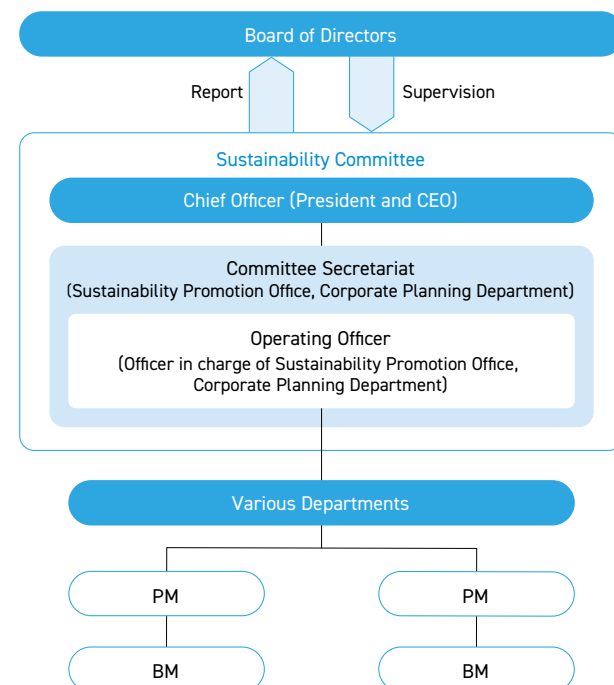
2. Promote the Creation of Sustainable Districts

We will enhance the competitiveness of our asset portfolio by addressing social issues such as environmental considerations and boosting disaster preparedness. This will be achieved through building development and operation as well as facility investment, and continuing efforts to reduce GHG emissions, among other initiatives.

Implement Sustainability Management

The Company has established a Sustainability Committee, headed by the Executive Officer, President and CEO and comprised of Executive Officers and Managing Officers and heads of each departments, to facilitate the smooth implementation of our sustainability initiatives.

By monitoring the plan-do-check-act (PDCA) cycle for each sustainability initiative, including those for climate change and other environmental issues, and by reporting important details to the Board of Directors, the Sustainability Committee acts as a main driver in increasing the effectiveness of sustainable management.



Specific Initiatives

Environment

- Environmental Supply Chain → P. 43
- Disclosure Based on TCFD Recommendations → P. 43
- Sustainable Financing → P. 46
- Water Resource Initiatives → P. 46
- Pollution Initiatives → P. 47
- Waste and Resource Usage Initiatives → P. 47
- Environmental Compliance → P. 47
- Environmental Ratings by Outside Bodies → P. 48

Society

- Human Rights and Labor Standards → P. 51
- Strengthening Relationships with Customers and Communities → P. 52



Promote the Creation of Sustainable Districts

Promotion of Sustainable Building Operations and Other Initiatives Aimed at Improving Environmental Performance and Disaster Prevention Capabilities

- ORSUS Togoshiginza obtained ZEH-M Oriented certification as part of its efforts to reduce GHG emissions.
- This property received a full five-star rating from the Building-Housing Energy-efficiency Labeling System (BELS) for reducing the annual primary energy consumption in the entire building by 35% compared to current energy saving standards (excluding renewable energies).



External appearance



Entrance hall

Utilization of Wooden Hybrid Structure

KITOKI

The 10-floor commercial and office building, "KITOKI," adopts a hybrid structure that combines wooden construction within the three-floor megastructure made using SRC frames. This is the first project for the Company to adopt such a hybrid structure. The wooden hybrid megastructure realized in KITOKI can utilize construction methods prevalent in low-rise wooden buildings comprising two to three stories, regardless of how many floors are added. With the adoption of a hybrid wooden structure, it is expected that craftsmen and contractors who have worked on low-rise wooden buildings will now be able to take on high-rise wooden structures, contributing to the increased adoption of wooden architecture.

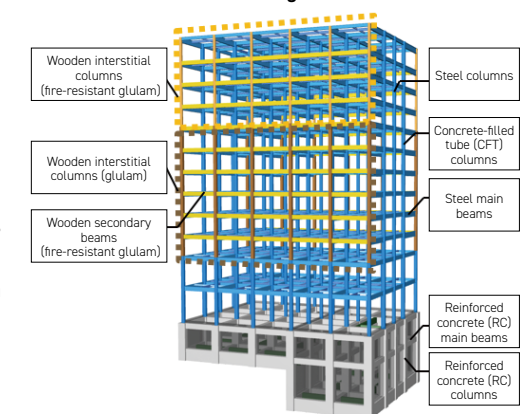


Caption by Hyatt Kabutocho Tokyo

Caption by Hyatt Kabutocho Tokyo is a 12-story wooden hybrid structure with a steel main structure and wood columns and beams on the third through 12th floors. The wooden columns on the third through eighth floors are designed so that they do not bear long-term loads, eliminating the need to consider creep, which is a disadvantage of wood, and increasing the versatility of the building for high-rise construction. Since fireproof cladding is no longer required, the use of standard structural glued laminated timbers becomes possible, enabling more cost-effective wood construction even in medium- to large-scale buildings.

By evaluating the parts suitable for wood construction and limiting the areas where wood is used, we are pioneering the partial use of wood in key structural components, which has been recognized for contributing to the spread of wooden architecture. Following KITOKI, this project was selected in the "leading projects" program for sustainable buildings (wood-based structures) implemented by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT).

Structural Cross-Section Diagram



Edible Kayabaen Project

In this project, we collaborated with Universal Engeisha Co., Ltd. and Edible Schoolyard Japan to develop a rooftop farm garden, including a vegetable garden, on the rooftop of the Tokyo Shoken Building, a property owned by our Group.

Through effective utilization of the building's rooftop, this facility aims to serve as a space that contributes to sustainable local food circulation, provides hands-on educational opportunities, and enriches the local community. Our initiatives include providing educational programs to Sakamoto Elementary School and organizing events such as honey harvesting experiences for parents and children. In recognition of these efforts, we received the "Excellence Award" in the Urban Space Category at the 3rd Green Infrastructure Awards.



Strengthen Business Foundations (Human Resources Strategy)

Maximize Human Capital for Accelerated Growth

Key Strategies of the Plan to Realize Our Vision

Maximize Human Capital

As part of our Long-term Vision, we will promote human capital management to drive dynamic growth. This involves cultivating human resources capable of realizing our Purpose through career development, as well as individuals proficient in digital transformation (DX). Additionally, we will create an organization that promotes and maximizes diversity, while fostering comfortable and vibrant workplaces through health and productivity management, among other measures.

In order to achieve dynamic growth under our newly formulated Long-term Vision "WAY 2040," we have formulated a basic policy for human capital management: "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." To implement this policy, we are promoting human capital management through three key initiatives: developing people who can fulfill our Purpose through career development and DX human resource development, building an organization that promotes and leverages diversity, and creating an employee-friendly workplace environment with a focus on health management.

Our Purpose

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



The Vision of Where We Want to Be

Pursue perpetual dynamic growth to become the "Bazukuri Company"

Our Values

Trust, Forward thinking, Co-creation



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.

Human Resources Strategy

Develop Human Resources Capable of Realizing Our Purpose



- 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



- Advance women's empowerment
- Encourage the active engagement of diverse human resources

Foster a Comfortable Work Environment



- Drive health and productivity management
- Energize internal communication
- Enhance work engagement

KPI

Under the basic policy for human capital management established on March 29, 2024, we have set new numerical targets to realize our Long-term Vision. We will enhance organizational capacity and maximize human capital by promoting internal human resource development and acquiring human resources externally.

Strategies	Measures	KPI	Targets
Develop Human Resources Capable of Realizing Our Purpose 	Build awareness of our Purpose	Regular training sessions and information dissemination	At least 2 times/year
	Cultivate human resources capable of taking on challenges	Promotion of personnel exchanges within and outside the Group	At least 5%/year
		IT passport acquisition rate	100% by FY2030
		Investment in qualification and reskilling support	¥50,000 per person/year
		Obtaining external knowledge	At least 2 times/year
Create an Organization That Promotes and Maximizes Diversity 	Promote sustainability initiatives	Number of initiatives related to sustainability	At least 5 per year
	Advance women's empowerment	Ratio of new graduate female hires	At least 30% (five-year average)
		Ratio of female managers	At least 20% by FY2030
	Encourage the active engagement of diverse human resources	Ratio of mid-career workers in management positions	At least 40% by FY2030
		DE&I comprehension (e-learning participation rate)	100%
Foster a Comfortable Work Environment 	Drive health and productivity management	Annual health check uptake	100%/year
		Uptake of cancer screenings (every two years)	100% of employees aged 35 or above
		Annual stress check uptake	100%/year
		Annual paid holiday uptake	At least 70%/year
		Male childcare leave uptake	100% by FY2030
	Energize internal communication	Rate of 1-on-1 meetings	100%
		Hosting in-house events	At least 1 per year



Outcome

"Realization of the Heiwa Real Estate Group Purpose"

Specific Initiatives

Society • Human Resource Management → P. 49 • Health and Safety → P. 50 • Achieving Diverse Work Styles → P. 51

Strengthen Business Foundations (Financial Strategy)

Implement Management with an Awareness of the Cost of Shareholders' Equity and Stock Price

Message from the Officer in Charge of Financial Affairs

We Aim to Achieve Dynamic Growth by Achieving Both Profit Growth and Capital Efficiency Improvement

Takahisa Aoyama Director Executive Officer



Results for FY2023

Achieved All of the Quantitative Targets in the Previous Medium-term Management Plan and Made a Great Leap Forward

For FY2023, the final year of the previous medium-term management plan Challenge & Progress, net sales reached ¥44.4 billion (a decrease of ¥89 million year-on-year) due to contributions from newly acquired properties in the Building Business, including leasing revenue and increased gains from property sales. Operating profit was ¥13.0 billion (an increase of ¥2.2 billion), ordinary profit was ¥11.5 billion (an increase of ¥1.8 billion), and profit attributable to owners of parent was ¥8.5 billion (a decrease of ¥686 million) due to a reduction in gains from the sale of investment securities. As a result, we achieved all of the KPIs set out in the previous medium-term management plan, including consolidated operating profit of ¥12.0 billion or more, EPS of ¥200 or more, and ROE of 6% or more for FY2023, and our consolidated operating profit reached a record high.

Looking back on the efforts made during the four years under the previous medium-term management plan, we have achieved significant results in the Redevelopment Business, including the opening of KABUTO ONE, a new landmark in Nihonbashi Kabutocho and Kayabacho, as well as advancing two projects in Sapporo. In the Building Business, we acquired approximately ¥70.0 billion in properties over the four years and transitioned to a value-added business model by acquiring gains on the sale of properties through portfolio renewal. In the Asset Management Business, we also achieved stable earnings growth. As a result of these efforts, we have made a great leap forward as a Group over the past four years.

Direction of the Long-term Vision "WAY 2040" and the New Medium-term Management Plan WAY 2040 Stage 1

Expanding the Redevelopment Business and Entering New Business Fields to Realize Our Long-term Vision

To establish a long-term vision for the future of the Heiwa Real Estate Group, we have formulated the Heiwa Real Estate Group Long-term Vision "WAY 2040." As part of our growth strategy, we have set the goals of "Expand redevelopment business," "Cultivate profit growth while enhancing capital efficiency," "Boost social value," "Strengthen business foundations." For our 2040 quantitative targets, we have

set "Consolidated operating profit of at least ¥25.0 billion," "Sustainable ROE exceeding cost of shareholders' equity," and "Net-zero greenhouse gas (GHG) emissions by 2050."

We have also formulated a new medium-term management plan, "WAY 2040 Stage 1," which covers the first three years toward the realization of our Long-term Vision for the year 2040. We have positioned this period as a "initial sprint toward dynamic growth," aiming to achieve consolidated operating profit of at least ¥14.0 billion and EPS of at least ¥270 in FY2026, the final year of the plan, and ROE of at least 7% for the three-year period.

As a revenue driver over the next three years, we will strengthen the Hotel Business as we expand into new business areas, while continuing to realize unrealized gains through portfolio renewal. By doing so, we aim to enhance leasing revenue in the Building Business and maintain a business model focused on creating added value. At the same time, by steadily promoting our redevelopment projects in Nihonbashi Kabutocho and Kayabacho, as well as Sapporo, we will strengthen our earnings base and create added value through such projects. In the Asset Management Business, we will continue to support the growth of Heiwa Real Estate REIT, Inc., in pursuit of the stable expansion of asset management earnings. Furthermore, as part of our corporate governance initiatives, we have set a goal of increasing the ratio of cross-shareholdings to consolidated net assets to 10% or less by FY2026.

To realize our Group's Long-term Vision, we have also decided to form a capital and business alliance with Taisei Corporation, a partner with whom we can collaborate on business development. Taisei has an outstanding track record, particularly in urban redevelopment projects. Through this partnership, we aim to establish a medium- to long-term collaborative relationship that will further leverage the business foundations and expertise of both companies. We will work to 1) expand and accelerate the Redevelopment Business, 2) form business alliances in new business areas such as new real estate asset class investments, and 3) promote strategic partnerships in sustainability and DX. In addition, we have already formed a capital and business alliance with Mitsubishi Estate, and we will establish a cooperative relationship among our Company, Taisei Corporation, and Mitsubishi Estate, working to enhance the corporate value of each company.

Capital Allocation in the New Medium-term Management Plan

Expansion of Redevelopment Investment and Promotion of Portfolio Renewal

In the new medium-term management plan, over the next three years, we plan to allocate approximately ¥70.0 billion generated through business and other sources and cash on hand at the start of FY2024, along with about ¥40.0 billion in proceeds from interest-bearing liabilities, toward growth investments, including ¥60.0 billion for redevelopment investments and around ¥23.0 billion for investment in property acquisition.

During the four years of the previous medium-term management plan, redevelopment investments totaled approximately ¥20.0 billion. Under the new medium-term management plan, the level will be three times higher. The largest redevelopment investment will be approximately ¥40.0 billion for Sapporo, where we are moving forward with full-scale promotion of two projects. The total expected investment for the two projects in Sapporo up to their completion is currently estimated at approximately ¥120.0 billion, making this the largest redevelopment project in our Company's history. We are also planning an investment of approximately ¥16.0 billion in Nihonbashi Kabutocho and Kayabacho, steadily advancing Caption by Hyatt Kabutocho Tokyo, which is scheduled to open in the fall of 2025. This will contribute to establishing the Nihonbashi Kabutocho and Kayabacho brand and strengthening our Hotel Business.

Regarding property acquisitions, during the previous medium-term management plan, we acquired approximately ¥70.0 billion in properties over four years, including the acquisition of new office buildings and the expansion of the ORSUS series of rental residences. In the new medium-term management plan, while expanding redevelopment investments, we also plan to continue property acquisitions, with an investment plan totaling ¥23.0 billion.

Meanwhile, the approximately ¥70.0 billion generated through business and other sources includes about ¥37.0 billion from sale of properties. While enhancing leasing revenue through the promotion of redevelopment projects and expanding investments in new asset classes, we will proceed with portfolio renewal and realize unrealized gains, linking this to the next round of reinvestment.

Capital Allocation (FY2024-FY2026)

Cash balance at beginning of FY2024 About ¥28.0 billion	Redevelopment investments Approx. ¥60.0 billion (Breakdown) Nihonbashi Kabutocho and Kayabacho district: Approx. ¥16.0 billion Sapporo: About ¥40.0 billion Other: Approx. ¥4.0 billion
Generated through business and other sources Approx. ¥70.0 billion Incl. revenue from sale of properties About ¥37.0 billion	Investment in property acquisition Approx. ¥23.0 billion
Proceeds from interest-bearing liabilities About ¥40.0 billion	CAPEX: Approx. ¥17.0 billion
	Shareholder returns: Approx. ¥18.0 billion
	Cash balance at end of FY2026 Approx. ¥20.0 billion

*Currently, the estimated total investment for the provisionally named Odori-nishi 4 South, Type-1 District Redevelopment Project, scheduled for completion in 2028, and the Sapporo Station South Exit North 4 West 3, Type-1 District Redevelopment Project, scheduled for completion in FY2028, is approximately ¥120 billion.

*Reference indicator (financial soundness): Net debt-to-equity (D/E) ratio of approximately 2.0

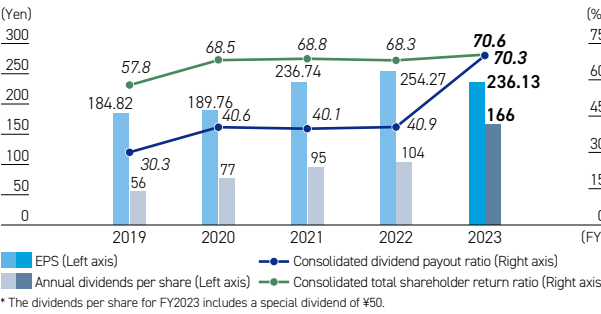
Important Management Indicators

Implement Management with an Awareness of the Cost of Shareholders' Equity and Stock Price

In the new medium-term management plan, we place greater emphasis on capital costs and capital efficiency, as well as profit growth. As profit targets for the final year of the plan, we have set EPS of ¥270 or more and consolidated operating profit of ¥14.0 billion or more for the final year of the plan, and ROE of at least 7% for the period from FY2024 to FY2026, which is higher than the cost of shareholders' equity. For shareholder returns from FY2024 to FY2026, we will set a consolidated dividend payout ratio of 50%, with an eye on the cost of shareholders' equity, capital efficiency, and other factors. The Company will flexibly implement share buybacks while comprehensively considering the stock price level, investment plans, financial conditions, and other factors. Regarding shareholder returns, our capital allocation plan under the new medium-term management plan targets approximately ¥18.0 billion. We have already executed approximately ¥9.0 billion in share buybacks in June 2024. Going forward, we will maintain our commitment to a consolidated dividend payout ratio target of 50%.

Regarding financial discipline, given our improved financial soundness, increased unrealized gains, and upcoming period of expanded investments—particularly the redevelopment projects in Sapporo—we have adjusted our target net D/E ratio. While the previous medium-term management plan maintained this ratio below 1.8 times, under the new plan we will manage it at approximately 2.0 times. Although the plan involves an increase in the net D/E ratio, we believe that the credit rating upgrade by the Japan Credit Rating Agency (JCR) in August 2024 reflects an understanding of our enhanced profitability, cash flows generation capability, and financial soundness.

EPS, Annual Dividends per Share, Consolidated Dividend Payout Ratio, Consolidated Total Shareholder Return Ratio



To Our Stakeholders

While aiming for profit growth to realize our Long-term Vision, Heiwa Real Estate's policy is to be more conscious of shareholder capital costs and capital efficiency, while considering fiscal discipline. We intend to promote businesses that can deliver various forms of returns to our stakeholders, including proactive shareholder returns, and ultimately enhance corporate value. We look forward to your continued support from a long-term perspective.

Odori-nishi 4 South, Type-1 District Redevelopment Project

We are promoting the Odori-nishi 4 South, Type-1 District Redevelopment Project in the heart of Sapporo.

In this project, the Company aims to enhance commercial, business, and cultural exchange functions, introduce a high-end hotel with international standards, develop multi-layered pedestrian spaces, establish Sapporo's first energy center south of the central Odori area, prioritize environmental considerations, and strengthen disaster preparation capabilities. Through these efforts, the Company seeks to contribute to the enhancement of value in central Sapporo, forming a hub that drives sustainable and attractive urban development. We have also invited world-renowned architect Kengo Kuma of Kengo Kuma and Associates to serve as the design supervisor and are currently developing an attractive design suitable for establishing a key hub in central Sapporo.

One of the growth strategies in our Long-term Vision "WAY 2040" is "Expand redevelopment business: Deploy *Bazukuri* endeavors that draw people in throughout Japan." In addition, we are working to strengthen our Hotel Business in order to achieve "dynamic growth," which is the slogan of our Long-term Vision in the key strategies of our medium-term management plan "WAY 2040 Stage 1." We believe that this project will be a major business opportunity for our Company, and we intend to focus on it.



Specific Initiatives

1

Attractive Public Spaces

- A greenery-linked atrium and terrace will provide scenic views and pleasant spaces to spend time
- A spacious new below-ground area will be created, expanding the below-ground concourse and improving public access
- Odori Park (in the Yonchome district) will be made more attractive

2

Facilities for Enhancing the City's International Competitiveness

- Improved and attractive pedestrian facilities on the ground-level and belowground floor
- Fully equipped offices make businesses more competitive in central Sapporo
- High-end hotel designed to meet international standards

3

Lower Environmental Burden and Disaster Evacuation Facilities

- Installation of district heating and cooling facilities in anticipation of a new energy network in the area
- Acquisition of international certification, including Leadership in Energy and Environmental Design (LEED)
- The building will serve as an evacuation center for stranded commuters and be stocked with emergency relief supplies

Attracting Park Hyatt

This project will attract Park Hyatt, the most luxurious brand in Hyatt's Timeless Collection.

The hotel will offer luxury experiences in restaurants and other special facilities designed to appeal to domestic and international guests as well as residents of Sapporo. It is expected to help boost the city's tourism industry by attracting new visitors, and to create opportunities for unique travel experiences that other hotels cannot offer.



From left, Sapporo Mayor Katsuhiko Akimoto, Heiwa Real Estate President Kiyoyuki Tsuchimoto, Hyatt Asia Pacific Group President David Udell, and Japan and Micronesia Vice President Masahiko Sakamura

Capital and Business Alliance with Taisei Corporation



We have entered into a capital and business alliance with Taisei Corporation as a partner for collaborative business development aimed at realizing the Group's Long-term Vision. Through this capital and business alliance, the two companies will establish a medium- to long-term cooperative relationship and make even greater use of their strengths, including business infrastructure and know-how, to mutually enhance corporate value. We will work to 1) expand and accelerate the Redevelopment Business, 2) form business alliances in new business areas such as new real estate asset class investments, and 3) promote strategic partnerships in sustainability and DX.

The specific details of the partnership are as follows.

1. Collaboration in Redevelopment Business, etc.

To facilitate the progress of long-term redevelopment projects, we will establish and develop a collaborative relationship with Mitsubishi Estate for redevelopment projects in the Nihonbashi Kabutocho district. We will engage in sincere discussions to: a) examine and promote redevelopment projects in Sapporo, b) establish a comprehensive cooperative relationship, including mutual provision of know-how related to redevelopment projects as needed, and c) collaborate on redevelopment projects that either or both parties may consider promoting in the future.

2. Collaboration in New Business Fields Such as New Real Estate Investment

We have taken on the challenge of venturing into new business fields to achieve the Group's Long-term Vision, and the collaboration parties have agreed to actively collaborate on business alliances in new business fields such as investment in logistics facilities, a new asset class.

3. Collaboration in Sustainability and DX

The collaboration parties have agreed to actively collaborate on business alliances in the fields of sustainability and DX.

President and External Directors Tripartite Dialogue



Eiji Yamada
External Director

Junko Utsunomiya
External Director

Kiyoyuki Tsuchimoto
Representative Executive
Officer, President and CEO

Bazukuri That Draws People in and Achieving Dynamic Growth Under the Ever-deepening Governance System

The Process of Creating a Purpose as the “North Star”

Tsuchimoto: In March of this year, we announced our Group Purpose and Long-term Vision for 2040. The Board of Directors held seven discussions in preparation for the formulation of the plan, and I believe that we were able to deepen discussions on medium- to long-term management, which had been an issue for the Company. At the beginning of the process, Mr. Yamada advised, “A long-term vision shows where we are headed and by when. To ensure that we stay on the path we have outlined, we need to define our ‘north star,’ or in other words, our Purpose.”

Yamada: I said that because, in a previous company where I served as an executive, I was involved in formulating a vision and strongly felt that when all employees are aligned in the same direction, it becomes a significant force. During

a company retreat we held in Sapporo two years ago, I also explained to the Board the significance and necessity of defining a corporate Purpose and Vision.

Utsunomiya: As a lawyer specializing in corporate law, I have always believed that a company's Purpose and Vision serve as guideposts for employees when they are uncertain about their decisions. During the Board discussions, I emphasized that since the president cannot dictate everything, employees can only move in the right direction if the company's objectives and policies are clearly defined.

Tsuchimoto: In identifying our “north star,” I gained a lot of insight from the book *The Heart of Business*, which Mr. Yamada introduced to me. In the book, the CEO of the US electronics retail giant Best Buy talks about purpose-driven management.

Their Purpose was very straightforward: “Enrich people's lives through technology.” This taught me that the key is not to create flashy or attention-grabbing words but to have a Purpose that resonates deeply with each employee and is something they can use as a decision-making tool in their daily work.

Yamada: I believe the process of having discussions at every level and consolidating the initial draft helped create a Purpose that resonates deeply with everyone: “Enriching everyone's future with *Bazukuri* that draws people in.”

Tsuchimoto: Thank you. To create a Purpose that can be “used” by everyone, it is essential not to decide everything top-down but to involve employees. So we formed a team of young and mid-level employees, who will carry Heiwa Real Estate into the future, and had them exchange opinions from the early stages of the process. Along with ensuring that the Purpose resonates with everyone, we were keenly aware of the need to express the “character” of Heiwa Real Estate. Ms. Utsunomiya introduced many examples from other companies, and I was particularly impressed by the clarity of ZOZO's corporate philosophy, “Deliver joy to the world through style.” The “character” of ZOZO can be recognized at a glance, and I found that very inspiring.

Yamada: Honestly, I initially thought that creating a Purpose unique to Heiwa Real Estate would be a difficult challenge. Due to the Company's origins as “the landlord of the stock exchange,” I expected it would be hard to articulate our social significance and the DNA that flows through the Company. However, when I saw the phrase “Bazukuri,” I realized it

perfectly encapsulates what makes our Company special.

Tsuchimoto: I believe that the term “Bazukuri” only emerged at this particular moment, after the completion of KABUTO ONE in 2021 and the significant progress in the redevelopment of Kabutocho and Kayabacho. This is because our role became clear during our urban development process—not just creating physical spaces but “*Bazukuri* that draws people in,” both now and in the future. If this had been five years ago when we formulated the previous medium-term management plan, I don't think this phrase would have come up.

Utsunomiya: About 15 years ago, I used to go to the Kabutocho and Kayabacho area for work, and I felt firsthand how Heiwa Real Estate's urban development was rooted in the community and leveraged the area's unique characteristics. So, when I heard the phrase “Bazukuri,” it immediately made sense to me. In addition, with the COVID-19 pandemic prompting us to reconsider the role of office spaces, and with developers being acutely aware of the need for change, I believe the idea of “Bazukuri,” not just buildings, is expansive and fitting for the next generation of developers.

Yamada: Kabutocho and Kayabacho used to be areas that were bustling with businesspeople during the weekdays but would become deserted on weekends. Now, with the increase in unique restaurants and other attractions, the area is drawing people from all walks of life throughout the week. Seeing this, I strongly feel that when people gather together, a sense of anticipation fills the place, and that leads to realizing future prosperity.

The Head Start toward Becoming a “Bazukuri Company”

Tsuchimoto: I believe that accumulating our unique know-how in *Bazukuri* that draws people in across various areas will lead to significant growth for our Company. In our Long-term Vision, we clearly declared our intention to differentiate ourselves from other developers by becoming a pursue perpetual dynamic growth to become the “Bazukuri Company.”

Utsunomiya: I have always had the impression that the Company was solidly managed, but in recent years, I have sensed a strong passion to transform the Company into a new corporate Group, building on the trust it has cultivated. I think the Long-term Vision has clearly articulated how the Company intends to transform, which has been evident since the Redevelopment Business began.

Yamada: We set our “north star” as a guidepost for all employees, chart a path toward where we want to be, and develop strategies to achieve it. It is very important for management to be able to tell a story like this. In that regard, the medium-term management plan formulated in April, “WAY 2040 Stage 1,” outlines a consistent path toward becoming a “Bazukuri Company,” with concrete initiatives.

Tsuchimoto: The new medium-term management plan positions the next three years up to 2026 as the initial sprint toward dynamic growth, with a focus on establishing the

Kabutocho and Kayabacho brand, advancing projects in Sapporo, and expanding redevelopment in other cities. We are challenging ourselves with ambitious goals, and I believe there are limits to what we can achieve on our own. Therefore, in June of this year, in addition to the capital and business alliance with Mitsubishi Estate, we entered into a capital and business alliance with Taisei Corporation, establishing a three-company agreement relationship.

Yamada: I believe that our partnership with Taisei Corporation is ideal, as it allows us to complement each other's strengths from our respective positions as a general contractor and a developer, and to promote speedy and multifaceted redevelopment projects. It is a relationship where we can leverage our respective expertise, and Taisei has already begun providing valuable insights based on their deep understanding of our business expansion.

Utsunomiya: There are various levels of commitment in business alliances, but Taisei Corporation has shown strong dedication not only by investing capital but also by committing to send executive officers to our Company. This demonstrates their serious commitment to creating synergies, and I look forward to the future outcomes of this partnership.

The Board of Directors Has Enhanced Its Effectiveness and Deepened Discussions

Tsuchimoto: As we push forward with business expansion, I recognize the importance of establishing a stable management foundation through governance. We take pride in the fact that we have strengthened our governance ahead of societal trends. Currently, the majority of our board members are external directors. It has been two years since we became a Company with a Nominating Committee, etc., and we have been conducting self-evaluation surveys for directors annually. Based on the results, we have been working to improve effectiveness, and last year we focused on deepening discussions on matters related to medium- to long-term management strategy.

Utsunomiya: In the past, in fulfilling the role of the Board of Directors as stipulated in the Companies Act, discussions were inevitably just formalities in some respects, but I think we are now able to focus on more substantive discussions. In particular, last year, we were able to have meaningful talks about the Long-term Vision and the medium-term management plan, allowing us to delve deeper into medium- to long-term management strategies. It will be essential to continue setting broad, strategic agendas from a macro perspective moving forward.

Yamada: Our Board of Directors meetings are structured to focus on fewer agenda items, allowing us to spend more time

on important matters. This has fostered an environment where directors can freely exchange ideas and engage in in-depth discussions.

Tsuchimoto: Regarding the various committees, I feel that the organizational redesign has made their roles more defined, allowing for more focused discussions. What are your thoughts on that?

Utsunomiya: As you mentioned, I also sense that the Nominating Committee and the Audit Committee, in which I participate, have shared a stronger sense of responsibility. In the Nominating Committee, we have introduced new initiatives such as interviews with succession candidates and 360-degree assessments, creating a system where we can evaluate candidates from both the committee's and a third-party's perspective. I feel that this enables the committee members to feel the effectiveness of the discussion, which is also contributing to a higher quality of discussion.

Yamada: In the Compensation Committee, where I serve, we have revised the ESG assessment in the bonus evaluation system to clarify the focus on sustainability, incorporating it as a standalone KPI. I believe it is crucial to continue enhancing the effectiveness of the system by maintaining its alignment with evolving trends.

Creating an Organization That Can Utilize Diverse Human Resources through Sustainability Promotion

Tsuchimoto: In our Long-term Vision, we have positioned the promotion of sustainability as one of our key strategies to enhance corporate value. How do each of you view our efforts in sustainability so far?

Yamada: In a world where terms like “greenwashing”—referring to superficial environmental initiatives—exist, I find it very reassuring that we have committed to serious sustainability efforts, such as setting a goal of achieving



After numerous discussions at Board of Directors meetings, we carefully crafted a Purpose that resonates deeply with everyone.



In order to instill a long-term vision, it is important to expand the number of people with whom it resonates.



Proper management of limited human capital is essential for future dynamic growth.

net-zero GHG emissions by 2050. Based on the premise of solving social issues while providing something of value as a business, I believe that our activities are rooted in a solid foundation.

Utsunomiya: I hope that going forward, we can place even more focus on promoting societal shifts toward sustainability through our efforts to create places. Our serious work across various ESG fields is evident from the multiple external evaluations we have received. However, there are still challenges in achieving diversity within the Company, such as the lack of female executives. Given that half of our customers are women, I believe that the environment we create for delivering our services should also be one where women can thrive.

Tsuchimoto: Regarding diversity, we have, for example, introduced the super flex time system, which eliminates core working hours to create a more flexible work environment for both men and women. We have also set KPIs such as increasing the ratio of female managers and are working to make improvements. Thanks to Ms. Utsunomiya's suggestion that we should delve deeper into sustainability issues, including diversity, we have made strides in addressing those challenges. This fiscal year, we would like to deepen discussions on human capital management. Lastly, could you both share your thoughts on the key initiatives we should focus on and the challenges we may face as we work to instill our Group Purpose more deeply within the Company?

Yamada: As we continue to take on challenges in the Redevelopment Business, I believe it will be important

to expand our existing initiatives, such as business tours for investors, and strengthen our communication through mass media to build a “fanbase” with whom our concept of *Bazukuri* resonates. Through these outreach efforts, I am confident that the Group Purpose and our Long-term Vision will permeate more deeply among our employees. This is an ideal opportunity for Mr. Tsuchimoto's leadership, as he listens carefully to people's voices while steering the Group with a clear direction.

Utsunomiya: My impression of Mr. Tsuchimoto as a leader is that he knows when to observe and when to take action. Over the years, the stable operation of the stock exchange has been a core mission of the Company, instilling a solid organizational culture. However, as we expand redevelopment and enter new business fields, we also need to foster a mindset of appropriate risk taking. Furthermore, our workforce consists of about 100 employees, which is not a large number relative to the scale of our business. It is very important to manage these limited resources without misallocation.

Tsuchimoto: Moving forward, I will ensure that the Board of Directors functions not merely as a place for sharing and approving outcomes but as a constructive forum for discussing ways to improve management. The word “people” in our Group Purpose includes our employees, and the workplace is one of the “places” we create. We will strive to realize our Purpose by fostering a workplace where employees take joy in working with a forward-thinking mindset.

Environment

● Basic Approach ●

The Heiwa Real Estate Group considers its initiatives in environmental concerns as fundamental managerial issues and will promote the initiatives throughout its overall corporate activities.

Giving full consideration to its responsibility to help conserve the natural environment, the Group actively implements environmental initiatives while complying with environment-related laws and regulations.

● Environmental Supply Chain

As the development and operation of real estate in the core Building and Redevelopment Businesses is a long-term process involving many stakeholders (design companies, construction companies, customers, and others), we recognize the importance of tackling environmental issues throughout the supply chain in order to properly address them.

Sustainable Procurement Policy

To promote ESG-friendly initiatives throughout the value chain for the Group's real estate portfolio, we have established procurement policies for our major products, services, and business partners (e.g., property management companies and building management companies).

The Group strives to build cooperative relationships by sharing information on environmental concepts and targets to the greatest extent possible.

Policy on Environmental Issues within Real Estate Management

The Heiwa Real Estate Group views initiatives addressing environmental concerns as fundamental managerial issues and promotes them throughout all corporate activities. In full recognition of its responsibility to conserve the natural environment, the Group proactively implements environmental initiatives while complying with environment-related laws and regulations. Environmental guidelines for tenants include policies on environmental issues such as climate change, water resources, and waste.

Climate Change Initiatives

The Heiwa Real Estate Group recognizes that climate change will seriously affect the natural environment and social structures, and regards it as a material issue that will have a major impact on its businesses as a whole.

As climate change intensifies, abnormal weather and rising sea levels will have serious consequences for countries around the world. This could also have a significant impact on the Group's business activities, as the value of properties it owns could decrease due to natural disasters, and stricter environmental regulations could affect its operations. Based on this recognition, we are making an effort to reduce greenhouse gas emissions and energy consumption while promoting the use of renewable energy and other measures.

● Disclosure Based on TCFD Recommendations

Many corporate stakeholders, particularly investors, are aware that climate change poses systemic risks to the financial performance of companies today, and, therefore, they expect companies to disclose information concerning climate related risks and opportunities. In response to this trend, Heiwa Real Estate announced its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) in December 2021.

Based on the TCFD recommendations, which were finalized in 2017, the Company will identify, assess, and manage climate-related risks and opportunities that could impact the Group's business and enhance its information disclosure accordingly, recognizing that improving the resilience of its operations is essential for continuously and stably generating earnings over the long term.



Governance

The Sustainability Committee is chaired by Heiwa Real Estate's the Executive Officer, President and CEO, who is responsible for final decisions concerning the Group's sustainability initiatives and measures for dealing with climate-related issues. The head of the Company's office in charge of sustainability (within the Corporate Planning and General Affairs Department) is assigned as the officer responsible for executing these initiatives and measures.

Furthermore, this officer periodically reports to the committee chair on assessments of specified climate change impacts, management of risks and opportunities, progress of efforts to adapt to and mitigate such impacts and risks, and efforts to combat climate change, including performance indicators and targets. All of these matters are discussed and examined by members of the Sustainability Committee, and on that basis, decisions are finalized by the committee chair.

Strategy

Since a potential range of outcomes of future events related to climate change is uncertain, Heiwa Real Estate takes this into account in its business strategies. Specifically, it identifies risks and opportunities under two scenarios: an increase in average global temperatures of 1.5 °C or 4 °C. An overview of each scenario analysis is shown in the table below. Based on the results of this analysis, we will promote initiatives that include the use of renewable energy, BCP measures, sustainable finance, and the acquisition of environmental certifications to enhance the resilience of our business.

Scenario Analysis Results

Type		Climate-related risks and opportunities	Potential financial impacts	Period	Degree of financial impacts			
					2030		2050	
					1.5°C scenario	4°C scenario	1.5°C scenario	4°C scenario
Transition risks	Policy and legal	Higher taxes on GHG emissions if a carbon tax program is adopted, and stricter energy conservation standards for buildings	• Increasing outlays for taxes or fines associated with building GHG emissions • Taxation of carbon-intensive building materials • Increasing outlays for related retrofitting costs	Medium-term	↓	-	↓	-
	Technology	Advancements and widespread adoption of technologies for reusing and saving energy	• Increasing costs for adopting new technologies for building facilities	Medium-term	↓	-	↓	-
	Market	Higher prices of services from relevant suppliers amid growing need to decarbonize	• Increasing costs for developing and constructing low-carbon buildings, including net-zero energy buildings and houses	Medium-term	↓	-	↓	-
	Reputation	Changing demand from building tenants and occupants based on their preferences for buildings equipped to combat climate change and avoidance of buildings that are not	• Decreasing leasing revenue if measures to decarbonize are slow, due to difficulty in attracting new tenants and occupants as well as lower retention rates	Short-term	↓	-	↓	-
Physical risks	Acute	Damage to properties caused by violent winds from typhoons or flooding inside buildings from torrential rains or overflowing rivers	• Increasing repair costs and decreasing operational efficiency of buildings	Medium-term	↓	↓	↓	↓
	Chronic	Growing demand for air conditioning due to increasing numbers of extremely hot and cold days	• Increasing costs for operating, maintaining, and upgrading air conditioning systems	Medium-term	↓	↓	↓	↓
Opportunities	Resource efficiency	Reduced energy consumption due to installation of more efficient facilities	• Reduced maintenance and operating costs resulting from improved energy-saving performance	Short-term	↑	↑	↑	↑
	Products and services	Greater ability to attract building tenants, occupants, and users through more environmentally friendly and disaster-prepared facilities and services	• Increased leasing revenue and opportunities to attract tenants with buildings that have been differentiated in terms of superior environmental performance and business continuity plans	Medium-term	↑	↑	↑	↑
	Markets	Growing numbers of environmentally aware investors and banks that integrate climate-related factors in financing decisions	• Lower borrowing costs from loans secured through green financing initiatives	Short-term	↑	-	↑	-

Notes: 1. Short-term refers to a period spanning up to three years, medium-term refers to a period of four to 10 years, and long-term refers to over 10 years.
2. Arrows shown in bold represent financial impacts spanning between 1,000 and 2,000 million yen, arrows shown without bold represent financial impacts between 0 and 999 million yen, and a dash represents no financial impacts.

Risk Management

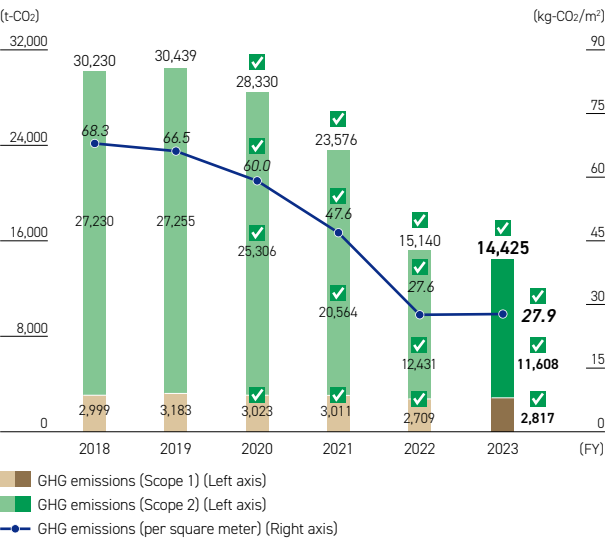
Each year, the operating officer responsible for executing climate-related initiatives assembles a working group composed of members in charge of relevant departments to identify and assess climate-related risks that could impact the Company. The working group's analysis is based on the following framework.

(1) Transition risks	The Company's businesses could be impacted by socioeconomic trends associated with the transition to lower-carbon economy
(a) Policy and legal risks	The Company could be subject to stricter regulations resulting from policies to shift to a lower-carbon economy
(b) Technology risks	The Company may need to adopt new technologies developed for the purpose of shifting to a lower-carbon economy
(c) Market risk	The Company's businesses could be affected by higher energy prices and changes in demand for services
(d) Reputation risk	The Company risks being viewed negatively by its stakeholders, which include building tenants, local residents, employees, and investors
(2) Physical risks	The Company's businesses could be impacted by the intensification of climate change and changes in future climate patterns and events
(a) Acute risk	The Company's properties could be damaged by typhoons, flooding, or other climate events
(b) Chronic risk	The Company's businesses could be affected by long-term shifts in climate patterns, including higher or lower average temperatures

Metrics and Targets

With a view to mitigate climate-related risks and capitalize on opportunities, Heiwa Real Estate has specified key performance indicators, set targets, and is monitoring the achievement of the targets. Progress made in executing various initiatives and achieving the targets is reported to the Company's Sustainability Committee at least once annually by the officer responsible for executing climate-related initiatives and measures. The Company's target for greenhouse gas emission reductions, which it has specified a performance indicator, and recent results are shown in the charts below. In October 2021, we set a target to reduce the Group's total greenhouse gas emissions (Scope 1+2) by 50% by FY2030 compared to FY2018. This target was certified by the SBTi (Science Based Targets initiative) at the 1.5°C level, aligning

GHG Emissions and GHG Emissions per Square Meter

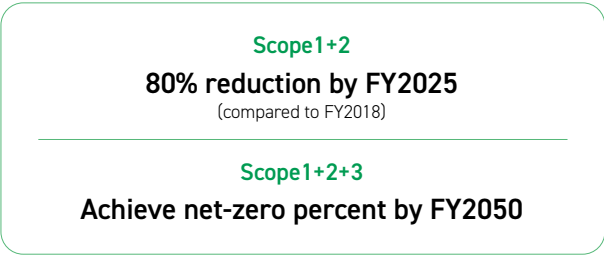


Notes: 1. The portfolio of real estate owned by the Group (excluding buildings designated to be sold and jointly owned buildings of which the Company has an ownership share of less than 25%) is within the scope of calculation. From FY2022 onward, the portfolio of real estate owned by the Group (excluding inventories) is within the scope of calculation.
2. Figures with check marks have been verified by third-party organizations.

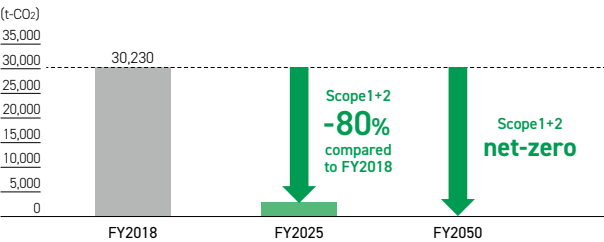
with the Paris Agreement's objectives.

To further promote decarbonization efforts, in March 2024, the Group set new targets, including a medium-term goal to achieve an 80% reduction in Scope 1 and 2 emissions by FY2025 (compared to FY2018 levels on a total volume basis) and a long-term goal of reaching net-zero by FY2050.

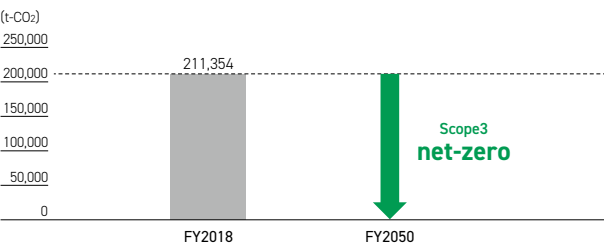
GHG Emissions Reduction Target



Scope 1+2 Reduction Target



Scope 3 Reduction Target



*Scope 1: Direct greenhouse gas emissions from sources owned or managed by a company
*Scope 2: Indirect emissions of greenhouse gases associated with the use of electricity, steam, and heat
*Scope 3: Emissions from the supply chain

Reducing Environmental Impact

Because office buildings require large amounts of energy to run, they are increasingly expected to offer high environmental performance. The Group gives top priority to the environment when constructing and renovating buildings, and also take steps to create a more attractive cityscape.

Examples of Various Building Initiatives

- Tokyo Stock Exchange Building**
- Saving energy by controlling power and air conditioning equipment of the building management system
 - Reducing heat load by controlling operation through total heat exchangers and controlling by outside air cooling
 - Reduced motor energy consumption with variable air volume controls using inverters
 - Controlling waste heat recovery with heat-recovery turbo freezers, etc.
- Osaka Securities Exchange Building**
- Saving energy by controlling power and air conditioning equipment of the building management system
- CentRise Sakae**
- Used exterior blind system and automatic adjustment of blind slats
 - Double-pane low-emissivity glass installed, etc.
- KABUTO ONE**
- Solar panels to be installed as an initiative to use renewable energy
 - LED lighting and control systems as well as high-efficiency devices to be installed to efficiently use energy
 - Greenery to cover 40% of the entire redevelopment site as a measure to combat the heat island effect

Utilization of Renewable Energy

From May 2021, electricity used at Group-owned properties, including the Nisshokan Building, which houses the Company's head office (Chuo-ku, Tokyo), were gradually switched to electricity derived from renewable energy sources. With this switch, we anticipate using approximately 35 GWh of renewable energy annually, which is expected to reduce CO₂ emissions by approximately 15,000 tons per year.

Energy-saving Building Agreements

Heiwa Real Estate concludes contracts and agreements with tenants aimed at reducing the energy consumption of its building. These arrangements help reduce environmental burden and improve building operations, bringing mutually benefits to the Company and its building tenants.

Sustainable Financing

The Company has procured funds through assessment loans and sustainability-linked loans (SLLs) to further strengthen its commitment to sustainable management. The total amount executed through SLLs, our most frequently utilized financing method, is approximately ¥25 billion. The Company has received the highest rating of "S" as an industry-leading ESG management company in the MUFG ESG Evaluation, and concluded an assessment loan agreement with MUFG Bank, Ltd.

Water Resource Initiatives

The Group maintains an appropriate understanding and manages the status of water usage within real estate management operations. We also make various efforts to improve water usage efficiency beyond legal compliance levels.

Initiative Targets and Results

The Group has set the following targets and will promote reduced water consumption. The Sustainability Committee determines water consumption reduction targets and manages consumption volume, in principle, at least once every 12 months (including determination of target achievement levels for actual performance, and year-on-year comparisons and analysis).

Water Consumption Reduction Target



Specific Initiatives

Initiatives in Building Operation

The Group conducts various initiatives aimed at the effective use of water resources, including the installation of storage

facilities in some buildings facilitating the daily use of rainwater and the effective use of well water.
We are also working to reduce the amount of water used at existing properties by gradually promoting renovation work facilitating the conversion to water-saving equipment.

Examples of Various Building Initiatives

- Tokyo Stock Exchange Building**
- Introduction of systems for the utilization of rainwater, etc.
- KABUTO ONE**
- Installation of equipment including rainwater storage tanks to use rainwater for daily facility use, etc.
- CentRise Sakae**
- Effective use of rainwater and well water, among other efforts, etc.

Business Partner Initiatives

We established the Tenant Guidelines for Environmental Concerns and call on everyone in the Group and all our business partners to help conserve water.

Pollution Initiatives

We recognize the need to reduce and control the emission of environmental pollutants across our real estate portfolio and will make efforts to reduce the use and emissions of harmful chemicals and ozone-depleting substances in an effort to prevent pollution.

Specific Initiatives

- Asbestos Countermeasures
- We conduct property surveys to determine whether building materials containing asbestos have been used, based upon which we make regular reports regarding removal efforts and response policies.
- Appropriate Handling of PCBs
- We conduct periodic surveys on the presence or absence of equipment containing PCBs and make regular reports on disposal costs and related issues.
- Appropriate Handling of Chlorofluorocarbons
- We also conduct periodic surveys on the amount of chlorofluorocarbon (CFC) emissions at each property in an effort to reduce pollutants within business activities.

Waste and Resource Usage Initiatives

The Group strives to reduce the amount of waste generated while reusing and recycling waste in all of our corporate activities. We also work to reduce building life cycle costs and conserve resources to realize a recycling-oriented society.

Initiative Targets and Results

Our Group has set the following targets and will promote reduced waste emissions. The Sustainability Committee compares actual results each fiscal year with consumption volumes and output in one or several previous fiscal years.

Reduction of Industrial Waste Generation*

Reduction for each application compared to the previous fiscal year

(per square meter target)

*Recycled waste is excluded from the actual figures for waste and waste emissions per square meter.

Specific Initiatives

Urban Development Initiatives in Nihonbashi Kabutocho and Kayabacho

As part of the urban development of Nihonbashi Kabutocho and Kayabacho, the Company commercialized KITOKI, a hybrid-structured (wood and SRC) retail and office building located in Nihonbashi Kabutocho, Chuo-ku, Tokyo. This project was selected for the Leading Projects Program (wood-based structures) in FY2020 implemented by the Ministry of Land, Infrastructure, Transport, and Tourism, which aims to drive technological advancement and raise public awareness related to wooden structures.

The 10-floor retail and office building adopt a hybrid structure that includes three-floor mega-structures made

using SRC frames, with each floor within the mega-structures made of wood. This is the first project for the Company to adopt such a hybrid structure. The combination of SRC mega-structures and fire-resistant wooden structures has been praised for opening up new possibilities in terms of construction methods and user benefits when utilizing wood in high-rise buildings, as well as extending the building lifecycle. Outside the building, we plan to install benches made of wood from the Tokyo Stock Exchange (TSE) Listing Forest located in the Yashima district of Yurihonjo, Akita Prefecture, based on a social contribution program being run by the Japan Exchange Group, Inc. (JPX). The wood, called kabulock, can be used in a multitude of applications, and will be processed into benches. The expectation is that this hybrid structure will convey the sense of warmth unique to wood to everyone who works in, visits, or lives near the building, while adding a touch of tranquility to the area (acquired a certificate for carbon dioxide fixation promoting the use of wood produced in Akita Prefecture).



Cooperation with Business Partners

We established the Tenant Guidelines for Environmental Concerns as part of our waste management efforts, calling on the Group and all its business partners to cooperate on this initiative.

Item	Unit	FY2021	FY2022	FY2023
Violations of environment-related laws and regulations	Cases	0	0	0
Environmental accidents	Cases	0	0	0
Environment-related fines	Cases	0	0	0

Environmental Compliance

The Group maintains compliance with environment-related laws and regulations. There were no violations of environment-related laws and regulations or environmental accidents in FY2023.

Environmental Ratings by Outside Bodies

Acquisition of Environmental Certification

When constructing new buildings and conducting major renovation projects, the Group gives top priority to the environment. In recognition of these efforts, we have received high ratings from the DBJ Green Building Certification program and CASBEE.

DBJ Green Building Certification

KABUTO ONE	Tokyo Stock Exchange Building	Osaka Securities Exchange Building	Nisshokan Building	KITOKI	Heiwa Real Estate Nagoya Fushimi Building	Caption by Hyatt Kabutocho Tokyo

CASBEE

CentRise Sakae	Ichibancho Heiwa Building	Kabutocho Heiwa Building No. 1	Tenjin Heiwa Building	Kabutocho Heiwa Building No. 6	Kayabacho Broad Square	Shimbashi Square Building	Kayabacho 1-Chome Heiwa Building
CASBEE-Real Estate Rank S	CASBEE-Real Estate Rank S	CASBEE-Real Estate Rank S	CASBEE-Real Estate Rank A	CASBEE-Real Estate Rank S	CASBEE-Real Estate Rank S	CASBEE-Real Estate Rank A	CASBEE-Real Estate Rank A
Nisshokan Building	Fukuoka Shoken Building	Fukuoka Heiwa Building	Park East Sapporo	Kabutocho Heiwa Building No. 7	Heiwa Real Estate Sakura-dori Building	Kabutocho Heiwa Building No. 4	Osaka Securities Exchange Building
CASBEE-Real Estate Rank A	CASBEE-Real Estate Rank A	CASBEE-Real Estate Rank A	CASBEE-Real Estate Rank A	CASBEE-Real Estate Rank A	CASBEE-Real Estate Rank A	CASBEE-Real Estate Rank A	CASBEE-Real Estate Rank A

*DBJ Green Building Certification: Certification system established by the Development Bank of Japan (DBJ) to support green building real estate with consideration for the environment and society. The evaluation is comprehensive, taking into account both the property's environmental performance and the degree to which the societal needs of various stakeholders surrounding the property are considered.
*CASBEE: A method for evaluating and rating the environmental performance of buildings. This program comprehensively assesses building quality, including eco-friendliness (such as energy efficiency and use of materials and fixtures with a small environmental footprint), interior comfort, and respect for the surrounding landscape.

GRESB Real Estate Assessment

In the GRESB Real Estate Assessment, a benchmark for evaluating ESG (Environmental, Social, and Governance) initiatives in the real estate sector, the Company received a 4 Star rating for the third consecutive year under the "Standing Investments Benchmark" for existing property operations. We also received the Green Star designation for the fourth consecutive year, a recognition awarded to participants that excel in both the "Management Component," which evaluates ESG-promoting policies and organizational frameworks, and the "Performance Component," which assesses environmental performance and initiatives with tenants at Company-owned properties.



CDP

Heiwa Real Estate received an "A-" score in an assessment by the Carbon Disclosure Project (CDP), an international nonprofit organization that focuses on environmental information disclosure through its Climate Change Program.

CDP is a non-profit organization that supports institutional investors and major purchasers around the world that are highly concerned about the environment, calling on corporations and governments to promote initiatives and disclose information on climate change, water resource protection, forest conservation and other environmental issues. In 2023, more than 740 signatory financial institutions with over US\$137 trillion in assets collaborated with CDP. As a result, more than 25,000

organizations disclosed environmental information through CDP's questionnaire. This included over 23,000 companies and more than 1,100 municipalities, together representing two-thirds of the world's market capitalization.



ESG Finance Award Japan

Heiwa Real Estate was selected for inclusion in the Environmentally Sustainable Enterprise Category at the 4th ESG Finance Awards Japan, organized by the Ministry of the Environment.

The ESG Finance Awards Japan are designed to further promote and expand ESG finance by recognizing institutional investors, financial institutions, brokerages, companies, and other organizations that have proactively engaged in ESG finance or environmental and social projects and have made an impact, aimed at sharing these pioneering efforts with wider society.

The Environmentally Sustainable Enterprise category was established to provide investors and corporations with concrete examples of enterprises incorporating significant environmental opportunities and risks into their management strategies to enhance corporate value, leading to both positive effects on the environment and enhancement of corporate value. Companies, including Heiwa Real Estate, that meet certain standards are selected as Environmentally Sustainable Enterprises.



Society

Human Resource Management

We recognize that diversity in perspectives and values is important to achieve new growth. We work to ensure diversity in our workforce, offer fair opportunities for skills development and career promotion to all employees, and aim to develop self-directed employees with growth mindsets and strong motivation.

We will proactively engage in the creation of working environments and systems that make work easier for a diverse range of human resources.

Structure (Human Resource Development Structure)

At Heiwa Real Estate, we practice a job rotation system so employees can gain experience in a number of departments over the first 10 years after they join the Company. In addition, we use on-the-job training (OJT) and other methods to instill real estate knowledge, fostering their motivation to contribute to the organization and assessing each employee's own aptitude.

Rank	Rank-Specific Training					Qualification Acquisition Support	Support for Self-Development		
Management Level	Management Training	University City Campus Course System			On-the-Job Training (OJT)	Job Rotation	Short-Term Overseas Training Program/English Training	Real Estate Transaction Agent First-Class Architect Urban Renewal Planner ARES Certified Master Certified Building Administrator Real Estate Appraiser Real Estate Consulting Master etc. *Employees are generally expected to acquire two or more qualifications before promotion to managerial positions.	Self-Development Incentive System for Qualification Acquisition Support for Self-Development (English conversation) e-Learning External Seminars
	Manager Training								
Mid-Career Employees	Pre-Manager Training								
	Leader Training								
New Employees and Early-Career Employees	Mid-Career Employee Training	Fundamental Real Estate Training							
	Early-Career Employee Training	PC Skills IT Literacy							
	New Employee Training	Financial Accounting							

Major Initiatives

Training Programs

From new employee training to management training, we have established a series of training programs tailored to employee career plans. At the same time, we offer a system where employees may take courses at university city campuses, aimed at cultivating next-generation human resources with skills in areas like planning, proposal, negotiation, and leadership. We also recommend that employees acquire multiple real estate-related qualifications before being promoted to a managerial position. The Company bears the costs associated with acquiring these qualifications. Furthermore, by encouraging the acquisition of other qualifications in self-development, we support our employees in their self-growth and development of specializations.

Support System for Qualification Acquisition

We recommend that employees acquire multiple real estate-related qualifications—e.g., Real Estate Transaction Agent, First-Class Architect or Real Estate Appraiser—before being promoted to a managerial position. The Company bears the costs required when acquiring these qualifications. Through these efforts, we seek to cultivate a pool of official qualification holders, including those who are necessary for business operation and those who have advanced specialized abilities.

Support for Self-Development

Employees are offered e-learning programs and business seminars on subjects like qualification exams, language learning, and business skills.

In addition, through our incentive system for qualification acquisition, we encourage our employees toward these

qualifications as a means of self-development, supporting them in their self-growth and development of specializations.

Short-Term Overseas Training Program and English Training Program

We offer a short-term overseas training program where employees are dispatched for around three months, as well as an English training program where employees attend an English conversation school for three months. These programs are intended to develop global human resources, including the improvement of language skills, acquisition of communication skills, experience in overseas cross-cultural environments, and forming personal networks at the company to which they are dispatched.

Standard First Aid Training

Since FY2020, we have run standard first aid training courses (including training in the use of AEDs) for all officers and employees.

	Numerical targets	Target year	FY2021	FY2022	FY2023
% of employees with first aid qualifications	100%	Annually until FY2030	100%	100%	99%

Skills Development Training for Employees

Time spent and expenses incurred with regard to employee skills development training were as follows.

Item	FY2021	FY2022	FY2023
Total hours of training (hours/year)	1,124	1,514	1,563
Hours of training per employee (hours/year)	12.4	15.8	16.5
Total training expenses (yen/year)	8,473,780	6,536,880	6,459,383
Training expenses per employee (yen/year)	93,118	68,093	67,994

Health and Safety

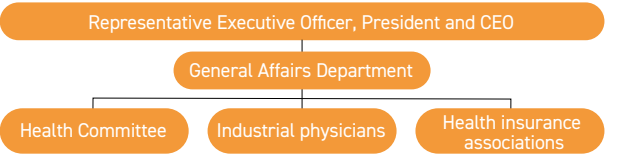
Heiwa Real Estate believes that it is essential that its employees be healthy, both mentally and physically, for the continuous growth of its businesses and corporate value. We seek to increase corporate value by improving the health of our employees, creating a safe working environment, and preventing overwork and occupational accidents. We also call on our subcontractors and other important stakeholders in our businesses to implement health and safety initiatives for their employees.

Structure

The Representative Executive Officer, President and CEO serves as the chief officer responsible for promoting health management, who works with the Health Committee, industrial physicians, and health insurance associations primarily through the General Affairs Department.

The Health Committee is held once a month, in principle, where attendees discuss the importance of maintaining and improving health, as well as share information within the Company.

Committee members include managers in charge of labor affairs, division health committee members, industrial physicians, and employee representatives.



Health Management Initiatives

Efforts Targeting Improved Employee Health and Results

	Item	FY2023	Numerical targets (FY2024)
Medium-term management plan KPIs	Annual health checks	100% <input checked="" type="checkbox"/>	100%*1
	Cancer screenings	100% <input checked="" type="checkbox"/>	100%*1
	Paid holiday usage	82.3% <input checked="" type="checkbox"/>	At least 70%*1
	Item	FY2023	Numerical targets (FY2025)
Health management KPIs	Stress checks	100%	100%*1
	Cigarette smokers	12.4%	10% or less
	Regular exercise	46.7%	At least 50%
	Employees getting sufficient sleep and a balanced diet	62.9%	At least 80%
	Appropriate body weight	65.2%	At least 70%
	Employees leaving work due to injury or illness	0	0
	Employees missing work due to injury or illness	0	0
	Highly stressed employees	0%	5% or less
	Work Engagement Status*2	88.7%	At least 90%
	Work-related deaths	0 <input checked="" type="checkbox"/>	0*1

*1. Numerical targets for each fiscal year
*2. Percentage of employees who responded "yes" or "somewhat" to "my work is rewarding" in stress checks
Note: Figures with check marks have been verified by third-party organizations.

Critical Issues Related to Employee Health

- Prevention and early detection of lifestyle-related diseases
- Prevention and early detection of mental health problems
- Work environment improvements

Initiatives to Improve Health

- Holding charity run events
- Support for Off-Work Activities
- Smoking countermeasures and cessation support
- Support for improvement of dietary habits, online seminars for improved dietary habits
- Online seminars on women's health issues

Initiatives for Prevention and Early Detection of Health Issues

- Implementation of Stress Checks
- e-learning courses on topics such as diet, sleep, lifestyles, and mental health, and nursing care
- Sleep and mindfulness yoga seminars
- Implementation of cancer seminars and company-paid cancer screenings
- Conducting seminars on pollen allergies and migraines led by an industrial physician

Creating Comfortable Work Environments

The Nisshokan Building where the Group's head office is located has a lounge that can be utilized for breaks, lunch, internal meetings, regular business and other purposes. This lounge also includes exercise equipment to promote employee health.



Health Management Measure Investments

Item	FY2023
Medical and healthcare-related expenses (per employee)	¥67,915

Ratings from Outside Bodies

Heiwa Real Estate has been recognized for the second consecutive year as a Certified Health & Productivity Management Outstanding Organization for 2024 (White 500) in the large enterprise category by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Conference).

We have also been certified as a Sports Yell Company in 2024 by the Japan Sports Agency and as a Tokyo Sports Promotion Company in FY2023 by the Tokyo metropolitan government for our efforts to support and promote our employees' sports activities.



Achieving Diverse Work Styles

We strive to realize comfort and affluence by respecting the personalities of each and every employee, rejecting all forms of discrimination and harassment, and securing a working environment that is safe and easy to work in. We are also making efforts to improve work-life balance by promoting work efficiency and reducing overtime hours.

Major Initiatives

Prohibition of Discrimination

Heiwa Real Estate does not discriminate on the basis of nationality, race, gender, age, sexual orientation, disability, beliefs, ideas, or religion. In addition, we do not conduct or permit any behavior that may cause a negative impact on the working environment, including unilateral coercion or solicitation regarding beliefs, ideas, or religion.

Prohibition of Harassment

For Heiwa Real Estate, employees and officers are regarded as important partners in the execution of work duties. Accordingly, the Group prohibits sexual harassment, power harassment and any other forms of harassment in recognition of its obligation to maintain orderly and cooperative relations in the workplace.

We have also established official rules prohibiting sexual and power harassment in an effort to prevent workplace harassment.

KPIs and Track Record Related to Human Resources*1

Item	Numerical targets	FY2019	FY2020	FY2021	FY2022	FY2023
Ratio of new graduate female hires	At least 30% (five-year average)	50.0%	100%	33.3%	50.0%	50.0%
Ratio of female employees	-	28.3%	31.4%	35.2%	35.4%	35.8%
Ratio of female managers	At least 20% by FY2030	4.7%	5.0%	5.3%	10.8%	14.3%
Male childcare leave uptake*2	100% by FY2030	-	50.0%	-	75.0%	-

*1 Heiwa Real Estate on a non-consolidated basis is within the scope of calculation.
*2 No male employees were eligible for childcare leave during the fiscal year.

Human Rights and Labor Standards

Heiwa Real Estate Group considers respect for human rights to be a basic requirement for business continuity, and we comply with laws and ordinances on human rights for workers in all countries where we operate. We also support and respect international treaties on human rights, including the International Bill of Human Rights, which includes the Universal Declaration of Human Rights and other covenants; the International Labor Organization’s (ILO) Declaration on Fundamental Principles and Rights at Work; and the UN Guiding Principles on Business and Human Rights.

We formulated the Heiwa Real Estate Group Human Rights Policy in December 2021 and will work to implement human rights initiatives in line with this Policy.

Major Initiatives

- Disseminating the Company Policy on labor standards
- Offering traineeships or internships and implementing initiatives to improve youth unemployment rates and to employ people who lack opportunities, including those without formal training or qualifications or of low social status
- Risk assessment for labor issues
- To promote diversity in the workforce regardless of race, religion, gender, age, sexual orientation, disability, or nationality;

Promotion of Diversity

Our basic policy is to be inclusive of diversity in characteristics such as gender, age, nationality, and values, to create an environment where each individual can maximize their abilities, and to promote the active participation of diverse human resources.

We are working to promote diversity, including the success of women, conduct rigorous evaluations regardless of gender, and have set quantitative targets for the ratio of new female hires. (Medium-term Management Plan KPI: Rate of new hires that are female: At least 30%)

Initiatives Supporting Work-Life Balance

- Development of employee childcare support programs (childcare leave program/childcare shortened working hours program/childcare overtime exemption program/childbirth gift money and paid time off)
- Development of employee nursing care support programs (nursing care leave program/nursing care shortened working hours program/nursing care overtime exemption program)
- Expansion of welfare and other systems (flextime system/telecommuting system/cafeteria plan/summer vacation/extra day-off program/annual paid vacation accumulation system/long-service leave program/hour- based leave system)

- enhance equal opportunities; and reduce discrimination through training and establishing points of contact
- Initiatives to Reduce Overtime Work
- Prevention of child labor and forced labor
- Wage management
- Efforts to ensure diversity
- Building positive relationships between labor and management

Strengthening Relationships with Customers and Communities

Heiwa Real Estate will help to address social issues through activities consistent with sustainability matters (materiality) by every single member of our company working, as members of society, to build sustainable societies based on our corporate philosophy. We are also making efforts to share information on environmental approaches and targets to the extent possible while building collaborative relationships.

Major Initiatives

Contribution to the “Global Financial City: Tokyo” Vision

- Developed five FinGATE facilities-office spaces tailored for independent asset management companies and financial venture firms—with 91 companies in occupancy as of March 2024
- Establishment of The Consortium for Japan International Asset Management Center Promotion (JIAM)
- Opening of KABUTO ONE (August 2021)

Initiatives for Developing Diverse Districts

- HOTEL K5 was selected as a Michelin Key hotel in July 2024
- Creating a bustling district with the strategic attraction of commercial stores
- Our redevelopment efforts in Nihonbashi Kabutocho have received the Good Design Award for five consecutive years
- Held “LIVING GREEN FES Vol. 3,” an experiential event to enjoy a green lifestyle
- Held “Kabutocho Night Market,” a walking event to energize the entire Nihonbashi Kabutocho area
- Hosted the jazz event “Jazz EMP@Tokyo Financial Street 2023” at KABUTO ONE Hall & Conference



Kabutocho Night Market

Initiatives for Developing Sustainable Districts

- Construction of wooden hybrid building KITOKI was completed and received the following awards for opening up new possibilities for the use of wood in urban areas
 - Grand Prize (Governor’s Prize) in the Wood City TOKYO Model Architecture Award
 - Wood Design Award 2022 Honorable Mention (Jury Chairman Award)
 - Good Facilities Using Wood Competition 2022 – Award for Excellence
 - Good Design Award 2022
 - KITOKI selected for the Leading Projects Program for Sustainable Buildings for 2020 (led by wooden structure), etc.
 - Promotion of the Edible KAYABAEN project
- In recognition of our urban farming initiative providing participants with knowledge and food, we received the “Excellence Award” in the Urban Space Category at the 3rd Green Infrastructure Awards
- Caption by Hyatt Kabutocho Tokyo won the following awards
 - Selected for the Leading Projects Program for Sustainable Buildings for 2022 (led by wooden structure)
 - First hotel in Tokyo to receive a 4-star rating under the DBJ Green Building Certification (Plan certification)

Initiatives to Strengthen Relationships with Regions in Which We Operate

- Participation in local neighborhood association activities (participation in the Sanno Festival, etc.)
- Cleanup events in Nihonbashi Kabutocho
- Trees donated to Chuo Ward for lining streets in Nihonbashi Kayabacho
- Donated trees and plants to Sakamotocho Park in Nihonbashi Kabutocho
- Provided building to be demolished in firefighting training by the Tokyo Fire Department
- Placement and exhibition of the Red Stone from Sado in connection with Old Eiichi Shibusawa
- Operation of CAFE SALVADOR BUSINESS SALON, an information source for local communities
- Operation of the community site “Kabuto LIVE!” in Kabutocho and Kayabacho, Nihonbashi
- Special sponsorship of the Hokkaido Marathon 2024
- Sponsorship of Fukuoka Marathon 2024
- Projection of educational videos on The HEART in cooperation with local police and fire departments
- Provision of classes at Sakamoto Elementary School in conjunction with Edible KAYABAEN



Class provided at Sakamoto Elementary School



Maintaining and Improving the Quality of Office Building Operations

- Using questionnaires to ensure tenant customer’s satisfaction
- First aid certificate obtained by all officers and employees (set as a KPI)
- Disaster preparation and BCP measures
- Organizing gatherings for tenants
- Ensuring the earthquake resistance of buildings
- Conducted drills at KABUTO ONE to assist people unable to return home when a disaster occurs



Training to assist people unable to return home

PICK UP

Special Sponsorship of the Hokkaido Marathon 2024

In supporting athletes and making the tournament more exciting, Heiwa Real Estate, which is promoting the Sapporo Redevelopment Project, will contribute to district redevelopment utilizing the power of sport.



Compliance

● Basic Approach ●

In order for the Heiwa Real Estate Group to earn the trust of society and achieve sustainable development, we will consistently maintain an awareness of compliance and conduct business in keeping with our Code of Conduct and the Standards for Behavior for Heiwa Real Estate Group.

Announcement on Stamping Out Misconduct and Strengthening Compliance Enacted December 2019

1. No growth that compromises trust
- The Company's officers and employees shall constantly be aware that stakeholder trust is the platform for, and driver of, growth. These agents of the Company shall work to improve mindsets in order to regain that trust.
2. Stamping out misconduct
- The Company's officers and employees shall carry out their duties in accordance with the highest ethical principles and good sense, and stamp out misconduct by pledging to not engage or become involved in any wrongdoings, with a clear distinction between personal interests and Company interests.
3. Strengthening compliance further
- The Company's officers and employees shall rigorously adhere to the Code of Conduct and the Standards for Behavior for Heiwa Real Estate Group, and shall place the utmost priority on compliance.

● Compliance System

The Group has established the Risk Management Committee to oversee compliance and business risks, facilitating the sharing and discussion of these risks within the Group.

Serious violations of compliance or material emerging risks are reported to the Company's Board of Directors and handled accordingly. The General Affairs Department, which serves as the secretariat for the committee, is responsible for coordinating with Group companies, and promotes improved compliance and risk management function across the entire Group.

Note: Please refer to "Risk Management" on page 54 for the Schematic Diagram of the Risk Management System.

● Prevention of Corruption and Bribery

The Group has enacted the Code of Conduct and the Standards for Behavior for Heiwa Real Estate Group, and drafted a summary of matters to be complied with in order to act with fairness and honesty without violation of social norms. In keeping with these we maintain an awareness of the gravity of our social responsibility, strictly comply with all laws, regulations, and rules, and seek to be a company that has a strong sense of ethics and can keep the trust of society.

The Standards for Behavior for Heiwa Real Estate Group call on us to strictly refrain from behavior that may seem like collusion from society's standpoint in our relationships with government and administrative bodies, prohibit entertainment, gifts, and other benefits deviating from social conventions, and concretely define measures to prevent not only bribery but corrupt behavior in general. These details are published on our intranet, and are available for employees to view them at any time.

● Compliance Hotline

In addition to establishing an internal reporting system (compliance hotline) based on Internal Reporting Regulations that facilitates the reporting of information pertaining to illegal or inappropriate behavior, the basic policy for establishing an internal control system includes provisions related to the creation of an internal reporting system, which has been

approved by the Board of Directors.

The status of internal control system development, including the internal reporting system, is reported to the Board of Directors, which then engages in ongoing supervision.

The Company's internal reporting system designates points of contact that include attorneys who are independent from management, the General Manager of the Internal Audit Department, and full-time Audit Committee members.

The Internal Reporting Regulations include provisions prohibiting the disadvantageous treatment of whistleblowers, and a system is in place to ensure that individuals providing information remain confidential and are not subject to disadvantageous treatment.

In addition to the internal reporting system, the General Affairs Department has established an internal consultation service that provides consultation on a wide range of subjects.

Further, we established External Reporting Regulations and have a system in place to receive reports from business partners pertaining to compliance-related matters involving Heiwa Real Estate officers and employees, with the Company's legal counsel and the General Manager of the Internal Audit Department as points of contact.

● Compliance Training

The Group regularly conducts compliance training for the purpose of raising awareness of compliance among officers and employees. We also promote compliance awareness by conducting Company-wide inspections on compliance and information security, administering compliance surveys, and appropriately disseminating the content of related policies.

● Combating Anti-Social Forces

The Company has clearly established a number of policies showing its strong resolve to combat anti-social forces. These can be found in the Code of Conduct, the Standards for Behavior for Heiwa Real Estate Group, the Basic Policy for Building Internal Control Systems, and the Regulations for Exclusion of Anti-Social Forces. We thoroughly disseminate these policies to directors, executive officers, and employees.

Risk Management

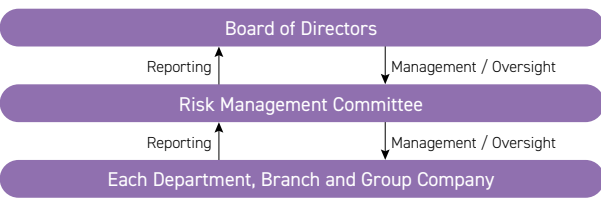
● Basic Approach ●

The Company has put a risk management system in place in order to properly manage and control risks, limit or prevent risks from materializing, and minimize any damage in the event such risks materialize, and smooth control work, minimize damages for corporate resource.

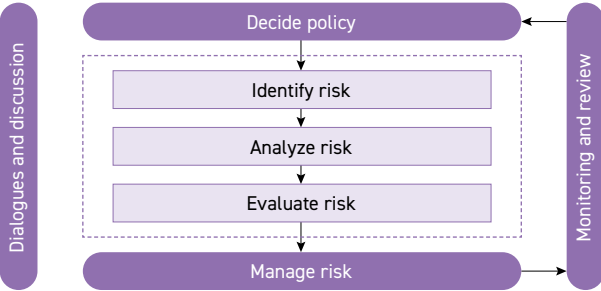
● Risk Management System

To have an overall understanding of the Group's risks and appropriately take action in the event of their materialization, the Risk Management Committee meets quarterly, chaired by the Executive Officer, President and CEO and comprised of Executive Officers and Managing Officers and heads of each departments. At these meetings, the committee works to understand risks that have materialized within the Group and discusses matters such as how to prevent recurrence. For key matters, the committee reports to the Board of Directors as appropriate, and the system provides for Board oversight of risk management and review of implementation status. Note that the Risk Management System has been designed with reference to the ISO31000 Standard Risk Management Framework.

Schematic Diagram of the Risk Management System



Risk Management Process



Major Risks

We categorize risks as shown below to facilitate their management, in recognition of the importance of proper risk management in the management of the Group. We single out risks that can have a particularly significant impact on the business and require special management as Risks subject to monitoring.

- Real estate risk
- Legal risk
- Financial risk
- Information security risk
- Labor risk (health and safety)
- Overall business risk
- ESG risk (especially climate change and corruption)

The risks discussed below are managed carefully and important matters reported to the Board of Directors for discussion of how to respond.

- Real estate investment risk

For the acquisition and sale of properties, the Investment Committee meets ahead of discussion by the Board of Directors, analyzing the risks associated with the acquisition or sale and reporting its findings to the Meeting of Executive Officers.

- Business Continuity Planning

To mitigate the risk of a company crisis in the event of an emergency, we have produced a business continuity plan and a manual based on this plan, and we conduct regular inspections in line with this.

● Provisions for Litigation, Including Violation of Laws and ESG Issues

As of March 31, 2024, the Company has not booked any important provisions for the possibility of fines or settlements in the future caused by incidents occurring prior to fiscal 2023.

● Information Security

The Group sees the appropriate management of information risks as a cornerstone of the key information strategy, and has established an information security management system that safeguards and ensures the effective management of all information assets. The Group has developed internal regulations and ensures that all officers and employees are fully aware of these guidelines.

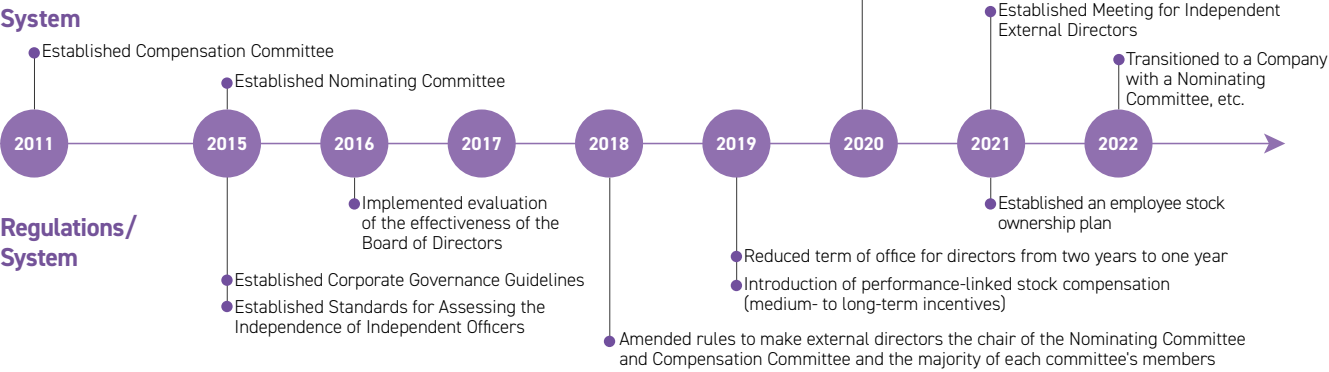
The Group strives to implement effective ways of protecting information assets from threats, such as unauthorized access, destruction, information leaks, spoofing, loss and theft. In the event of any security issues concerning information assets, we will work to minimize the damage and promptly investigate the root cause, aiming to prevent any reoccurrence.

Corporate Governance

Basic Approach

Corporate governance is a top priority for us. We strive for rigorous corporate governance across the group so that we can earn the trust of our shareholders and other stakeholders and conduct our business impartially and effectively.

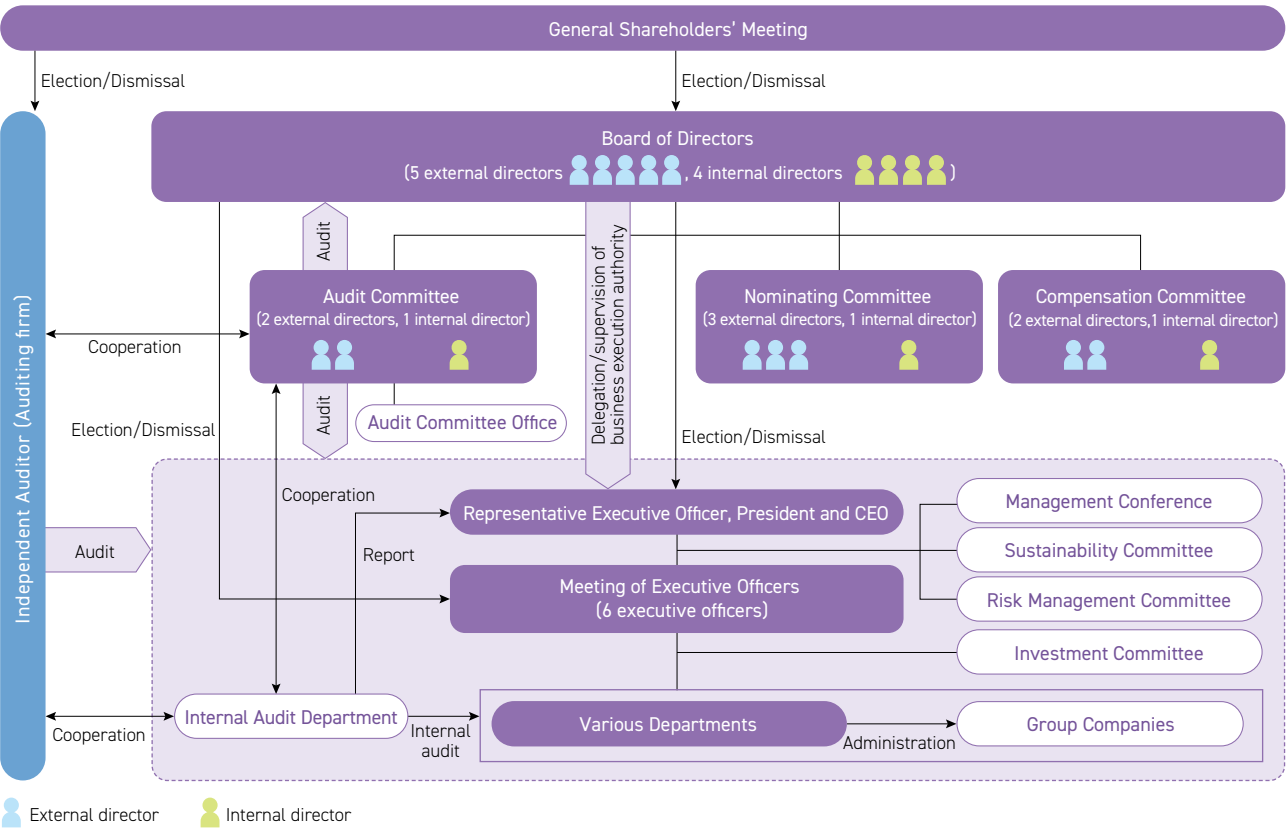
Initiatives to Strengthen Corporate Governance



Corporate Governance System

Transition to a Company with a Nominating Committee, etc.

- External directors comprise a majority of the Board of Directors to ensure appropriate monitoring, and business execution is extensively delegated to executive officers, establishing a system that promotes agile management.
- The Nominating, Audit and Compensation committees are chaired by external directors to ensure the independence and objectivity of each committee.
- Full-time Audit Committee members are selected for the Audit Committee from the perspective of strengthening the auditing function.



Board of Directors

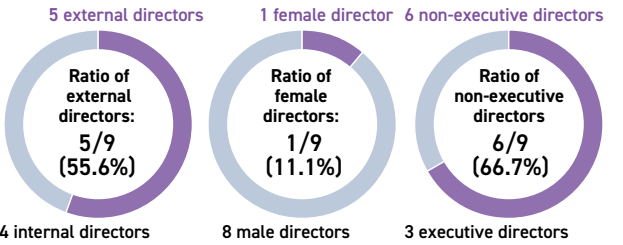
The Board of Directors consists of nine (9) directors (including one (1) female director) and is chaired by the executive officer, president and CEO.

The Board of Directors decides on basic policies of management and supervises business execution by directors and executive officers.

The Board of Directors passes resolutions on the matters specified under laws and regulations and the Regulations of the Board of Directors' meetings and delegates the execution of other business to the executive officers.

The number of members of the Board of Directors is limited to eleven (11) as stipulated in the Articles of Incorporation, and a majority of these are independent external directors.

When appointing directors, in addition to considering diversity of gender and size, the Company will appoint directors in consideration of appropriate combination according to the business environment and business characteristics, after identifying required skills, etc. regarding the knowledge, experience, abilities, etc. that directors should have in light of the Company's management strategy. In addition, the Company has set a rule that external directors shall include those who have management experience at other companies.



Board of Directors Meeting Attendance

Name	Attendance/ meetings held	Name	Attendance/ meetings held
Kiyoyuki Tsuchimoto	12/12 times (100%)	Kiichiro Masui	12/12 times (100%)
Kazuo Yamada	12/12 times (100%)	Takahiro Moriguchi	12/12 times (100%)
Takahisa Aoyama	12/12 times (100%)	Junko Utsunomiya	12/12 times (100%)
Daisuke Kobayashi	12/12 times (100%)	Eiji Yamada	12/12 times (100%)
		Mitsunobu Yamaguchi	12/12 times (100%)

Nominating Committee

Chairperson

Name	Attendance/ meetings held
Kiichiro Masui	2/2 times (100%)
Takahiro Moriguchi	2/2 times (100%)
Junko Utsunomiya	2/2 times (100%)
Kiyoyuki Tsuchimoto	2/2 times (100%)

The Nominating Committee is composed of three (3) or more committee members chosen by the Board of Directors, and from the viewpoint of ensuring independence and objectivity, the chairperson of the Committee shall be an external director.

The Nominating Committee decides on the content of proposals related to election and dismissal of directors to be submitted to the general shareholders' meeting, and formulates the standards for election and dismissal of directors.

The Nominating Committee expresses opinions regarding the matters relating to the election and dismissal of executive officers and the succession plan for the executive officer, president and CEO upon consultation with the Board of Directors or with the executive officer, president and CEO.

The Company will disclose the reasons for the election and dismissal of the senior top management and the election, dismissal and appointment of the individual candidates for directors upon the election, dismissal and appointment thereof.

The Nominating Committee met a total of two times in FY2024, determining details of proposals related to director appointments and deliberating executive officer appointments and President and CEO succession plans.

Audit Committee

Chairperson

Name	Attendance/ meetings held
Mitsunobu Yamaguchi	12/12 times (100%)
Junko Utsunomiya	12/12 times (100%)
Daisuke Kobayashi	12/12 times (100%)

The Audit Committee is composed of three or more committee members chosen by the Board of Directors, and from the viewpoint of ensuring independence and objectivity, the chairperson of the Committee shall be an external director. Furthermore, from the perspective of enhancing the audit function, a statutory Audit Committee member will be selected.

The Audit Committee audits business execution by directors and executive officers, prepares audit reports, and decides on the content of proposals related to appointment, dismissal and non-reappointment of independent auditors.

The Audit Committee met a total of 12 times during FY2024, and based on auditing policy, examined risks and issues in three areas, priority auditing items, regular auditing items, and independent auditing, and conducted auditing activities in conjunction with the Internal Control Department and Internal Audit Department.

Compensation Committee

Chairperson

Name	Attendance/ meetings held
Takahiro Moriguchi	4/4 times (100%)
Eiji Yamada	4/4 times (100%)
Kiyoyuki Tsuchimoto	4/4 times (100%)

The Compensation Committee is composed of three (3) or more committee members chosen by the Board of Directors, and from the viewpoint of ensuring independence and objectivity, the chairperson of the Committee shall be an external director.

The Compensation Committee decides on policy related to decisions on the content of compensation, etc. for directors and executive officers individually, and decides on the content of compensation, etc. for directors and executive officers individually.

The Compensation Committee met a total of four times during FY2024 to discuss compensation and bonuses for directors and executive officers, as well as revisions to policies on individual director and other officer compensation and stock compensation rules.

Meeting of Executive Officers

The Meeting of Executive Officers shall consist of six (6) executive officers. Its agenda is managed by the executive officer, president and CEO. In addition to executing important business operations, it conducts prior deliberation on matters to be submitted to the Board of Directors.

● Management Conference

The Management Conference consists of the executive officer, president and CEO and executive officers, with its agenda managed by the executive officer, president and CEO. It discusses the direction of the Company’s management strategy and other matters.

● Sustainability Committee

The Sustainability Committee, which consists of the executive officer, president and CEO as the chairperson, executive officers, managing officers and the heads of each department as the committee members, aims to smoothly promoting measures for the practice of sustainability management.

By monitoring the plan-do-check-act cycle for sustainability initiatives, the Sustainability Committee acts to increase the effectiveness of sustainable management.

● Director Composition and Skills Matrix

We define a skill set comprising corporate management, financial affairs and accounting, legal affairs, international business experience, finance and securities, planning and sales, and DX and IT as the specialized knowledge and experience necessary for the Board of Directors to make appropriate use of its decision-making and management supervision functions.

Director		Term of office	Corporate management	Finance affairs/ accounting	Legal affairs	International perspective	Financial / securities	Planning / sales	DX and IT	Committee		
										Nominating	Audit	Compensation
Kiyoyuki Tsuchimoto		7 years	●				●	●		●		●
Kazuo Yamada		13 years	●	●				●				
Takahisa Aoyama		2 years	●	●				●	●			
Daisuke Kobayashi		2 years	●	●				●			●	
Kiichiro Masui	External/ Independent	7 years					●	●		★		
Takahiro Moriguchi	External/ Independent	4 years	●	●		●	●	●		●		★
Junko Utsunomiya	External/ Independent	4 years			●					●	●	
Eiji Yamada	External/ Independent	2 years	●					●	●			●
Mitsunobu Yamaguchi	External/ Independent	2 years		●		●					★	

★Chairperson Note: This list does not indicate all of the skills possessed by each Director.

● Reasons for Appointment of External Directors

Name	Independent officer (Note)	Reason for appointment
Kiichiro Masui	○	Mr. Masui has abundant experience and deep insight in the finance and securities sectors, effectively fulfilling an appropriate role in providing independent, objective oversight of business execution and advising management. In addition, as chairperson of the Nominating Committee, he provides objective and neutral opinions on matters including officer personnel affairs at Nominating Committee meetings. Mr. Masui was appointed as an external director with the expectation that he will continue enhancing the efficacy of Board of Directors and committee meetings, ultimately contributing to the medium- to long-term enhancement of corporate value for the Group.
Takahiro Moriguchi	○	Mr. Moriguchi has broad knowledge of finance and securities, international business experience, extensive experience as a manager, and a high degree of insight, and has played an appropriate role in the effective supervision of business execution from an independent and objective standpoint and in providing advice to management. In addition, as a member of the Nominating Committee and chairperson of the Compensation Committee, he provides opinions from an objective and neutral standpoint, including those related to officer personnel affairs and director and officer compensation. Mr. Moriguchi was appointed as an external director based on the expectation that he will increase the efficacy of Board of Director and committee meetings and continue contributing to the medium- to long-term enhancement of corporate value as an external director going forward.
Junko Utsunomiya	○	Ms. Utsunomiya has acquired a high degree of expertise as an attorney, and has abundant experience and deep insight in the field of corporate legal affairs, playing an appropriate role in providing advice to management and supervising the execution of business. As a member of the Nominating Committee and Audit Committee, she provides opinions from an objective and neutral standpoint, including those related to officer personnel affairs, at these committee meetings, and appropriately audits business execution from an independent perspective. Ms. Utsunomiya was appointed as an external director based on the expectation that she will increase the efficacy of Board of Director and committee meetings and continue contributing to the medium- to long-term enhancement of corporate value as an external director going forward.
Eiji Yamada	○	Mr. Yamada has abundant experience and deep insight in the fields of data communications and systems development, and plays an appropriate role in advising management and supervising business execution. In addition, as a member of the Compensation Committee, he provides objective and neutral opinions regarding director and officer compensation and related issues at committee meetings. Mr. Yamada was appointed as an external director based on the expectation that he will increase the efficacy of Board of Director and committee meetings and continue contributing to the medium- to long-term enhancement of corporate value as an external director going forward.
Mitsunobu Yamaguchi	○	Mr. Yamaguchi possesses a high degree of expertise as a certified public accountant and extensive experience in the fields of financial accounting and auditing. In addition to international business experience, he plays an appropriate role in advising management and supervising business execution. Further, as chairperson of the Audit Committee, he appropriately audits the execution of business operations from an independent standpoint. Mr. Yamaguchi was appointed as an external director based on the expectation that he will enhance the effectiveness of the Board of Directors and committee meetings and continue contributing to the medium- to long-term enhancement of corporate value as an external director going forward.

Note: The Company established Standards for Assessing the Independence of Independent Officers to ensure external director independence and neutrality.

● Risk Management Committee

The Company assigns the executive officer, president and CEO as officers of primary responsibility for risk management, and has established the Risk Management Committee that consists of executive officers, managing officers and general managers and endeavors to appropriately grasp the overall risk of the Company Group and deal with any risks that are emerged.

● Investment Committee

The Investment Committee is composed of members appointed by the executive officer in charge of the Corporate Planning Department and was established to ensure a proper review system for real estate investment and sale projects. Prior to deliberations by the Board of Directors and the Meeting of Executive Officer, this Committee conducts preliminary reviews of real estate investment and sale projects, examining factors such as pricing and alignment with management plans, thereby ensuring more efficient and thorough discussions.

Compensation of Directors and Officers

● Basic Approach

- 1) Motivate employees to enhance business performance over the medium to long term and corporate value
- 2) Share value with shareholders
- 3) Establish standards and systems contributing to retaining talented personnel
- 4) Establish decision-making processes ensuring ample objectivity and transparency
- Executive compensation consists of fixed compensation as basic remuneration, bonuses as short-term incentives, and performance-linked stock remuneration as medium- to long-term incentives.
- Directors who concurrently serve as executive officers shall only receive compensation for executive officers.
- Compensation for directors (excluding those concurrently serving as executive officers) and managing officers on special appointment managing the secretariat of the Audit Committee shall solely consist of basic remuneration in consideration of their roles and other factors.

● Basic Compensation

- Basic remuneration shall be determined through comprehensive consideration of the significance of roles and scope of responsibilities for each position, as well as performance and other factors, founded in the executive compensation system.
- Basic remuneration shall be paid in fixed monthly compensation.

● Bonuses

- Bonuses are paid in cash in June each year as a short-term incentive to raise awareness of the need to improve performance in each fiscal year.
- Bonuses shall be calculated by multiplying the standard amount designated for each position by a coefficient based on profit attributable to owners of parent, and then adding an amount obtained applying a coefficient based on individual performance to the monthly fixed compensation for that position, as well as an additional amount calculated by applying a coefficient based on ESG evaluations to the monthly fixed compensation for that position. The coefficient for profit attributable to owners of parent shall vary within the range of 0% to 150%, while the coefficient for individual evaluation is set at a standard of 50% and shall be adjusted across five levels within the range of 0% to 100%, while the coefficient for ESG evaluations is set at a standard of 0% and varies across three levels within a range of -20% to 20%. However, the executive officer, president and CEO shall not be paid compensation based on individual evaluation or the associated monthly fixed compensation for each position.
- The Compensation Committee has the authority to forgo or reduce bonus payments in cases where an executive officer or managing officer has been dismissed or where they have caused damage to the Company intentionally or through gross negligence, etc.
- Bonuses for managing officers shall be determined in the same manner as bonuses for executive officers.

● Performance-Linked Stock Remuneration

- Performance-linked stock remuneration shall be paid as medium- to long-term incentives, consisting of a fixed portion and a performance-linked portion.
- The fixed portion is determined based on position, while the performance-linked portion is determined based on the achievement level of performance conditions, stock price level, and other factors.
- The fixed portion is designed to strengthen sharing value with shareholders, while the performance-linked portion is designed to motivate employees to enhance corporate value over the medium- to long-term, as well as business performance, and to strengthen the linkage between business performance and compensation.
- In principle, shares shall be paid at the time of retirement of eligible executive officers and managing officers using a stock compensation trust.

Standards for Calculating Performance-Linked Stock Remuneration

- In the interest of improving performance over the medium- to long-term, evaluation indicators used in the performance-linked portion shall be consolidated operating profit, a straightforward indicator of the earning power of our core businesses, and total shareholder return (TSR), an indicator of shareholder return provided as a result of increased corporate value.
- Stock remuneration in the performance-linked portion shall be determined by adjustments within the range of 0% to 150% for each of the achievement level of consolidated operating profit versus performance targets and relative evaluation of TSR versus stock indices, respectively. The details shall be stipulated in the Share Benefit Regulations determined by a resolution of the Compensation Committee.

● Director and Officer Compensation Ratio

- The ratio of each type of remuneration for executive officers (including those concurrently serving as directors) shall be determined by the Compensation Committee based on the remuneration levels at peer companies and other factors. The following presents general guidelines for ratios when performance targets are achieved.

Item	Fixed compensation	Bonuses	Performance-linked stock compensation
Position	Basic compensation	Short-term incentives	Medium- and long-term incentives
Ratio of total compensation (Guideline)	55%-60%	25%-30%	15%-20%

- Compensation for directors (excluding those concurrently serving as executive officers) shall solely consist of basic remuneration in consideration of their roles and other factors. There is no policy for determination of the ratio of monetary remuneration, performance-linked remuneration, or non-monetary remuneration as a share of total individual remuneration.

● Total Amount of Remuneration, etc., by Officer Category, Total Amount of Remuneration, etc., by Type and Number of Eligible Directors and Executive Officers (FY2023)

Category	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Persons eligible (Name)
		Basic compensation	Performance-linked compensation, etc.	Performance-linked stock compensation	
Directors (including external directors)	63 (42)	63 (42)	-	-	6 (5)
Executive officers	262	148	79	33	5

Note: Total remuneration and number of executive officers concurrently serving as directors are listed under the executive officers category.

Director Training

The Company provides explanations regarding management strategies and business details and conditions to external directors upon their appointment and by request thereafter for the purpose of increasing their understanding of Company business operations.

The Company maintains a support system, including financial assistance, enabling directors to undergo external training as appropriate to obtain the skills and knowledge required of corporate managers to facilitate better understanding of the roles and duties expected of each director.

Evaluation of Effectiveness of Board of the Directors

The Company conducts a self-evaluation of the Board of Directors each year, and based on the results of the evaluation, a discussion for making improvements is held at the Board of Directors' meeting, and efforts are made to enhance the effectiveness of the Board of Directors.

Summary of Results of Evaluation of Effectiveness of Board of Directors in FY2023

The Company conducted a self-evaluation of the effectiveness of the Board of Directors in FY2023 targeting directors and statutory auditors. The evaluation results were compiled by the secretariat of the Board of Directors, after which the Board of Directors analyzed and evaluated the effectiveness of the Board of Directors as a whole.

As a result, the Board of Directors in FY2023 was deemed to have ensured adequate effectiveness on the whole, given that it further enhanced deliberations on

management strategy from a medium- to long-term perspective, including discussions on the long-term vision and the Heiwa Real Estate Group Purpose, and that each committee was operated appropriately. We concluded that overall effectiveness had been ensured.

Based on such evaluation, we will continue to enhance the effectiveness of the Board of Directors on an ongoing basis going forward.

Cross-Shareholdings

Every year, the Board of Directors verifies the appropriateness of cross-shareholdings held by the Company to deepen business relationships, as well as facilitate financial activities and strengthen business alliances considered beneficial for medium- to long-term business development, with overall consideration of their usefulness in line with the purposes for which they are held, as well as the overall benefits and associated capital costs. As a result of this verification, holdings determined to be inappropriate will be reduced through disposal by sale after considering share prices and market trends.

The record of reductions in cross-shareholdings is as follows, and as of the end of March 2024, the market value of listed cross-shareholdings held by the Company totaled ¥14,859 million.

FY2021: ¥829 million (disposal price)
FY2022: ¥3,939 million (disposal price)
FY2023: ¥1,327 million (disposal price)

Initiatives for Shareholders and Investors

● Approach to Information Disclosure

In accordance with its Disclosure Policy, Heiwa Real Estate aims to disclose accurate information in an impartial and timely manner in order to facilitate investment decisions among shareholders and investors. In compliance with relevant laws and regulations, the Group proactively provides details of its management strategies and financial results, which promotes better understanding of its business activities. The Group also promptly provides information that falls outside the scope of timely disclosure regulations and related laws on its website when such information is deemed useful for investment decisions by shareholders and investors.

● Briefing Sessions for Institutional and Individual Investors

We hold briefing sessions primarily for analysts and institutional investors twice a year (end of the second quarter and end of the fiscal year). In addition, we participate in IR fairs and seminars for individual investors to create opportunities for more people to learn about the Heiwa Real Estate Group.



● External Evaluation of IR Activities

Various initiatives by the Company are disclosed to the public on its website. In FY2023, the Company received the "Outstanding Site in Overall Ranking" award in the "All Japanese Listed Companies' Website Ranking" by Nikko Investor Relations Co., Ltd., and the Silver Prize in the "Overall IR Website Ranking" in the Gómez IR Website Ranking.

Shareholder Benefit Program

Shareholders who hold at least 100 of the Company's shares (one trading unit) as of March 31 of each year are given a gift card worth ¥3,000 for our online catalog. Long-term shareholders are given a gift card worth ¥5,000.

Record date of allotment	March 31	Granting date	Late June*
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Note: Sent after the conclusion of the General Shareholders' Meeting.

TOPICS

Events for Individual Shareholders

We conducted tours of KABUTO ONE as an opportunity to provide shareholders with a deeper understanding of our initiatives.

Although we received more interest than we could accommodate, shareholders selected in an impartial lottery were able to experience Heiwa Real Estate's vision of urban development. We will continue to conduct these tours going forward.

Tour Overview

- Date 1: October 3, 2023 (Tue)
2: February 15, 2024 (Thu)
- Venue: KABUTO ONE and the area targeted in urban development
- Details
- Company overview provided by President and CEO Tsuchimoto
 - Tour of KABUTO ONE facilities (including walk through surrounding streets)
 - Tour includes lunch and souvenirs (provided for free)
- Participants in 1: Approximately 40 people
2: Approximately 50 people



Management Team (As of July 1, 2024)

Directors



Kiyoyuki Tsuchimoto

Director
Representative Executive Officer,
President and CEO

Nominating Committee Member
Compensation Committee Member

Apr. 1982 Joined Tokyo Stock Exchange, Inc. (TSE)
Jun. 2013 Managing Director of TSE
Jun. 2014 Director and Senior Executive Officer of TSE
Apr. 2016 Director and Executive Vice President of TSE
Jun. 2017 Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)
Managing Senior Executive Officer of the Company
In charge of Real Estate Marketing Department of the Company
Jun. 2018 In charge of Office Building Development Department of the Company
May 2019 Representative Director of the Company
Acting President of the Company
Dec. 2019 Representative Director and President of the Company
Chief Executive Officer of the Company
Jun. 2022 Representative Executive Officer, President and CEO of the Company (current position)



Takahisa Aoyama

Director
Executive Officer

Apr. 1993 Joined Heiwa Real Estate Co., Ltd. (the Company)
Jun. 2014 General Manager of Finance Department of the Company
Jun. 2017 General Manager of Real Estate Marketing Department of the Company
Jun. 2018 General Manager of Office Building Development of the Company
Jun. 2020 Managing Officer of the Company
In charge of Real Estate Investment Department of the Company
General Manager of Real Estate Investment Department of the Company
Jun. 2022 Director of the Company (current position)
Executive Officer of the Company (current position)
In charge of Corporate Planning and General Affairs Department,
Finance Department and Legal Office of the Company
General Manager of Corporate Planning and General Affairs Department, and
Legal Office of the Company
Apr. 2023 In charge of Corporate Planning Department, General Affairs Department, and
Finance Department of the Company (current position)
General Manager of Corporate Planning Department of the Company (current
position)

Executive Officers

Representative Executive Officer, President and CEO
Kiyoyuki Tsuchimoto

Representative and Senior Managing Executive Officer
Kazuo Yamada

In charge of Development Promotion Department I,
Development Promotion Department II, and Community
Co-Creation Department

Managing Executive Officer
Akehiko Tomita

In charge of Development Promotion Department I and
Development Promotion Department II

Managing Executive Officer
Tomoharu Nakao

In charge of Office Building Development Department

Executive Officer

Nobuhiro Seo

In charge of Real Estate Investment Department

Executive Officer

Takahisa Aoyama

In charge of Corporate Planning Department,
General Affairs Department, and Finance
Department / General Manager of Corporate
Planning Department



Kazuo Yamada

Director
Representative and Senior Managing
Executive Officer
Assistant to the President

Apr. 1980 Joined Heiwa Real Estate Co., Ltd. (the Company)
Dec. 2004 General Manager of Building Department of the Company
Jul. 2006 General Manager of Office Building Development Department and Manager of
Sapporo Branch of the Company
Apr. 2007 General Manager of Finance Department of the Company
Jun. 2009 Managing Officer of the Company
Jun. 2010 Deputy General Manager of General Affairs Headquarters, and Group Leader of
Planning Finance of the Company
Jun. 2011 Director of the Company (current position)
Managing Executive Officer of the Company
General Manager of General Affairs and Planning Headquarters of the Company
Jun. 2014 In charge of Real Estate Solutions Department of the Company
Jun. 2016 In charge of Development Planning Department (Development) of the Company
Jun. 2018 In charge of Development Promotion Department (Development) of the Company
Jun. 2020 Senior Managing Executive Officer of the Company
In charge of Development Promotion Department and
Real Estate Investment Department of the Company
Jun. 2022 Representative and Senior Managing Executive Officer and
Assistant to the President of the Company (current position)
Apr. 2023 In Charge of Community Co-Creation Department of the Company (current position)
Apr. 2024 In charge of Development Promotion Departments 1 and 2 of the Company
(current position)



Daisuke Kobayashi

Director

Full-time Audit Committee Member

Apr. 1993 Joined Heiwa Real Estate Co., Ltd. (the Company)
Aug. 2006 General Affairs Department and IR Office of the Company
Jun. 2013 Manager of Nagoya Branch, Leasing Headquarters of the Company
Jun. 2020 Seconded to HEIWA REAL ESTATE Asset Management CO., LTD., Director,
Business Planning Division, and General Manager of the Company
Jun. 2022 Director of the Company (current position)

Managing Officers

Senior Managing Officer

Naoyuki Matsumoto

In charge of Finance Department / General Manager of Finance
Department

Managing Officer

Kiichi Kikuchi

In charge of General Affairs Department and Legal Office / General
Manager of General Affairs Department and Legal Office

Managing Officer

Ichiro Wagatsuma

In charge of Development Promotion Department I / General
Manager of Development Promotion Department I

Group Director

Hiroki Mizuta



Kiichiro Masui

External Director

Nominating Committee Chair

Apr. 1973 Entered the Ministry of Finance
Jun. 2000 Director-General of Kinki Local Finance Bureau
Jul. 2003 Director-General of the Planning and Coordination Bureau of the Financial
Services Agency
Sep. 2005 Senior Managing Director of Japan Securities Dealers Association (JSDA)
May 2006 Vice-Chairman and Senior Managing Director of JSDA
Jul. 2008 Vice-Chairman of JSDA
Jun. 2012 Director of the Tokyo Shoken Building Incorporated
Jul. 2013 Chairman of the Japan Investor Protection Fund
Jun. 2014 Chairman of the Board of the Japan Securities Research Institute
Jun. 2016 Outside Director of Japan Credit Rating Agency, Ltd. (current position)
Jun. 2017 External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)
Jun. 2022 Outside Director of AIZAWA SECURITIES GROUP CO., LTD. (current position)



Junko Utsunomiya

External Director

Nominating Committee Member
Audit Committee Member

Apr. 2000 Registered as a lawyer and joined the law firm Nagashima, Ohno & Tsunematsu
Oct. 2007 Seconded to the Tokyo Stock Exchange, Inc. (TSE)
Nov. 2011 Founded Utsunomiya Law Office
Jun. 2012 External Statutory Auditor of Start Today Co., Ltd. (currently ZOZO, Inc.)
Apr. 2013 Outside Corporate Auditor of Solasto Corporation
Sep. 2013 Outside Director of Adventure Inc.
Feb. 2018 Representative Partner of Utsunomiya & Shimizu and Haruki Management
Legal Office (current position)
Oct. 2018 Outside Audit & Supervisory Board Member of RAKSUL INC.
Oct. 2019 Outside Director, Audit and Supervisory Committee Member of RAKSUL INC.
(current position)
Jun. 2020 External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)
Mar. 2021 Outside Director (Audit & Supervisory Committee Member) of PeptiDream Inc.
(current position)
Jun. 2023 Outside Director (Audit and Supervisory Committee Member) of ZOZO, Inc.
(current position)



Mitsunobu Yamaguchi

External Director

Audit Committee Chair

Sep. 1983 Joined Tetsuzo Ota & Co. (currently Ernst & Young ShinNihon LLC)
Aug. 1987 Registered as a Certified Public Accountant
Jul. 1996 Assigned to Detroit offices of Ernst & Young in the United States
May 2001 Employee of Century Ota Showa & Co. (currently Ernst & Young ShinNihon LLC)
May 2007 Representative of ShinNihon LLC (currently Ernst & Young ShinNihon LLC)
Jul. 2020 Established Mitsunobu Yamaguchi CPA Office, Head (current position)
Jun. 2021 Outside Audit & Supervisory Board Member of MEITEC CORPORATION
Jun. 2022 External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)
Oct. 2023 Outside Director, Audit and Supervisory Committee Member of MEITEC Group
Holdings Inc.



Takahiro Moriguchi

External Director

Nominating Committee Member
Compensation Committee Chair

Apr. 1967 Joined the Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)
Jun. 1995 Member of the Board of Directors of the Bank of Tokyo, Ltd., Director and Vice-
President of Union Bank
Apr. 1996 Member of the Board of Directors of the Bank of Tokyo-Mitsubishi, Ltd. (currently
MUFG Bank, Ltd.)
May 1997 President of UnionBanCal Corporation
President of Union Bank of California
Jun. 2000 Managing Director of the Bank of Tokyo-Mitsubishi, Ltd. (BTM) (currently MUFG Bank, Ltd.)
Jul. 2001 Managing Director, General Manager of Treasury Division and E-Commerce
Promotion Division of BTM
May 2003 Representative Director, Deputy President, and General Manager of Global Banking
Operations Division of BTM
May 2004 Representative Director, Deputy President, and general operations manager of BTM
Jun. 2005 Advisor of BTM
Jan. 2006 Advisor of the Bank of Tokyo Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
Feb. 2006 Chairman of J.P. Morgan Securities Asia Pte. Limited Tokyo Branch (currently
JPMorgan Securities Japan Co., Ltd.)
Apr. 2006 Chairman of JPMorgan Securities Japan Co., Ltd. (JPMSJ)
Jun. 2006 Representative Director, Chairman, CEO and President of JPMSJ
Sep. 2007 Representative Director and Chairman of JPMSJ
Jul. 2016 Senior Advisor of JPMSJ
Jun. 2020 External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)



Eiji Yamada

External Director

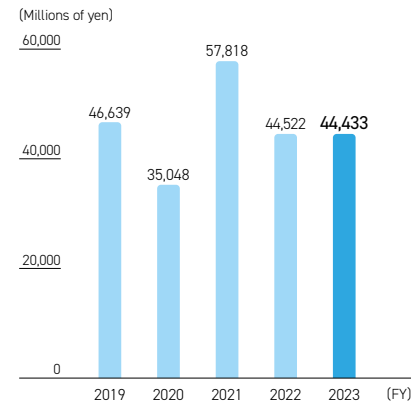
Compensation Committee Member

Apr. 1978 Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon
Telegraph and Telephone Corporation)
Jun. 2005 Senior Vice President of NTT DATA Corporation
Jun. 2011 Director and Executive Vice President of NTT DATA Corporation
Jun. 2012 Representative Director and Senior Executive Vice President of NTT DATA
Corporation
Jun. 2015 Advisor of NTT DATA Corporation, President and Representative Director of
Japan Information Processing Service Co., Ltd.
Jun. 2017 Outside Director of The Chiba Kogyo Bank, Ltd. (current position)
Jun. 2021 Advisor of Japan Information Processing Service Co., Ltd.
External Director of Kyokuyo Co., Ltd. (current position)
Jun. 2022 External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)

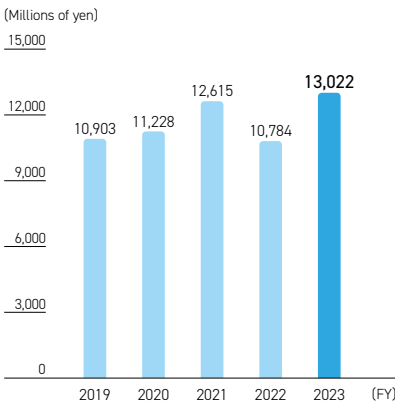
Financial and Non-Financial Highlights

Financial Highlights (Consolidated)

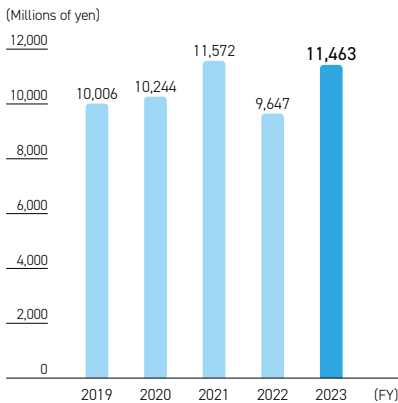
Net Sales



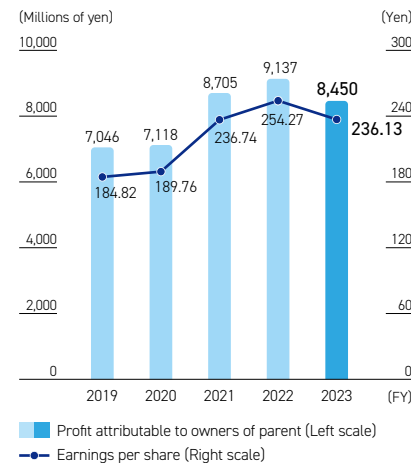
Operating Profit



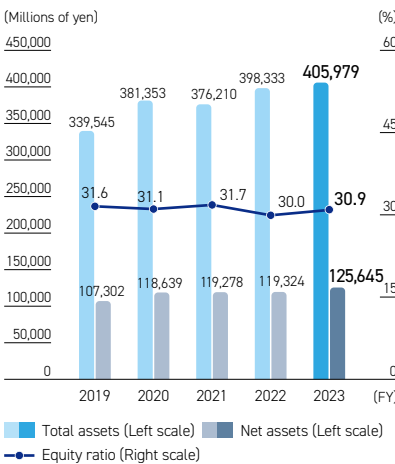
Ordinary Profit



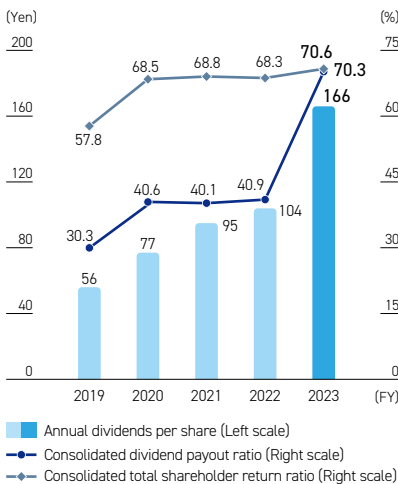
Profit Attributable to Owners of Parent and Earnings per Share



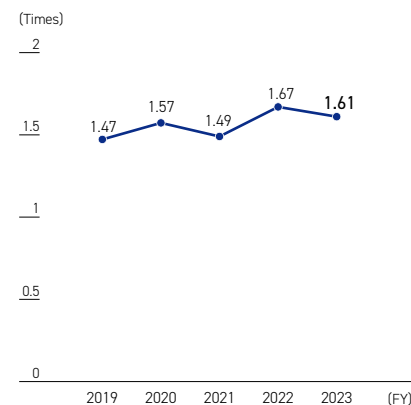
Total Assets, Net Assets and Equity Ratio



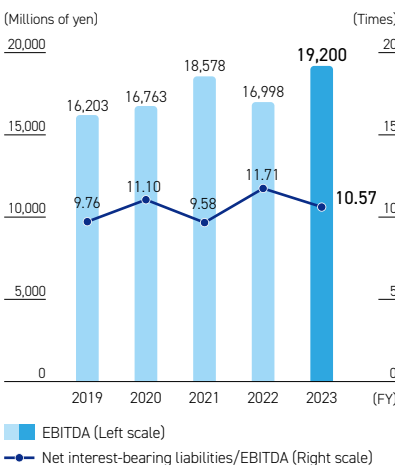
Annual Dividends per Share, Consolidated Dividend Payout Ratio and Consolidated Total Shareholder Return Ratio



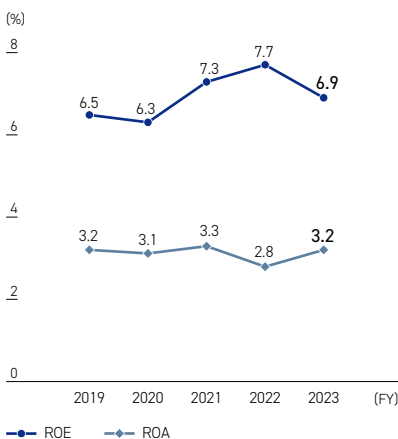
Net D/E Ratio



EBITDA and Net Interest-Bearing Liabilities/EBITDA

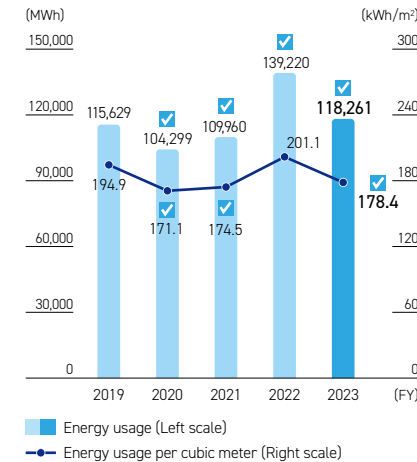


ROE/ROA

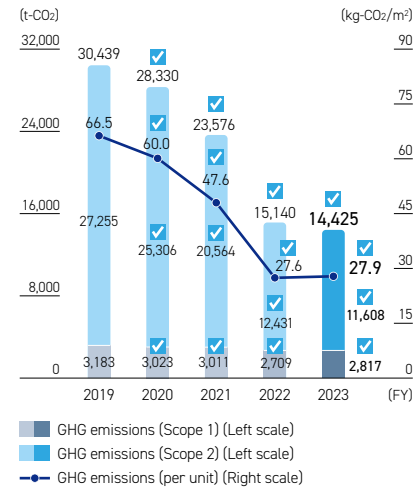


Non-Financial Highlights

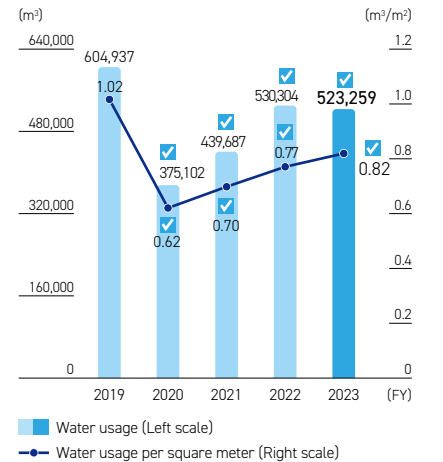
Energy Usage and Energy Usage per Cubic Meter*1*5



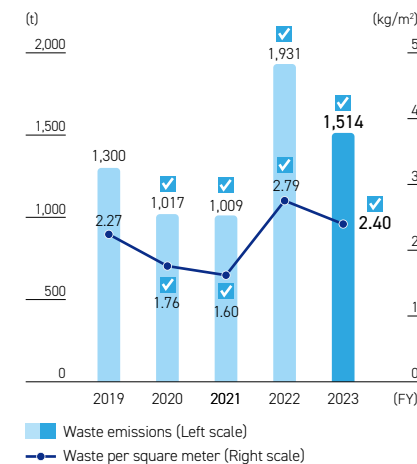
GHG Emissions and GHG Emissions per Square Meter*1*2*5



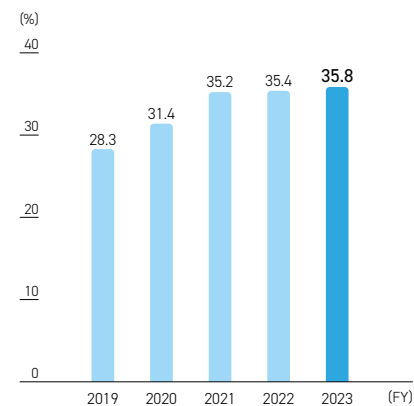
Water Usage and Water Usage per Square Meter*1*2



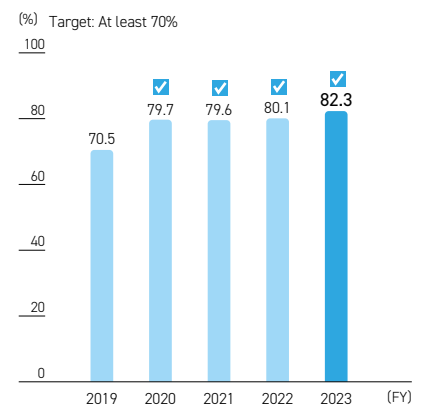
Waste Emissions and Waste per Square Meter*1*2*3*5



Ratio of Female Employees*4

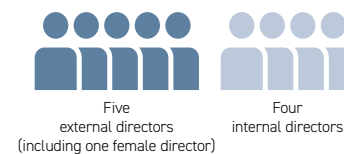


Paid Holiday Uptake*4*5



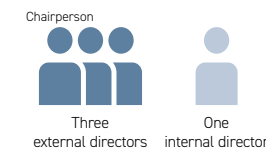
Board of Directors

Majority of external directors



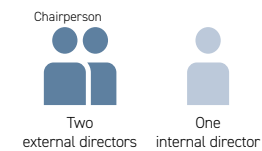
Nominating Committee

Chaired by an external director, and external directors comprise the majority of the committee



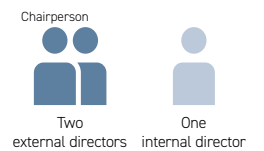
Compensation Committee

Chaired by an external director, and external directors comprise the majority of the committee



Audit Committee

Chaired by an external director, and external directors comprise the majority of the committee



- The portfolio of real estate owned by the Group (excluding buildings designated to be sold and jointly owned buildings of which the Company has an ownership share of less than 25%) is within the scope of calculation.
- From FY2022 onward, the portfolio of real estate owned by the Group (excluding inventories) is within the scope of calculation.
- Actual per-square-meter figures are calculated by dividing annual emissions/usage by the total floor area of the relevant property, regardless of the period of ownership.
- Recycled waste is excluded from the actual figures for waste and waste emissions per square meter.
- Heiwa Real Estate on a non-consolidated basis is within the scope of calculation.
- Figures with check marks have been verified by third-party organizations.












































































Consolidated Financial Summary

	Unit	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
For the fiscal year:												
Net sales	Millions of yen	43,284	34,347	37,010	41,747	32,698	39,480	46,639	35,048	57,818	44,522	44,433
Operating profit	Millions of yen	8,055	8,548	8,267	9,673	9,432	9,335	10,903	11,228	12,615	10,784	13,022
Ordinary profit	Millions of yen	5,644	6,568	6,708	8,431	8,395	8,430	10,006	10,244	11,572	9,647	11,463
Profit attributable to owners of parent	Millions of yen	2,901	2,495	4,408	4,514	5,288	6,174	7,046	7,118	8,705	9,137	8,450
Depreciation	Millions of yen	5,326	4,989	5,028	4,878	4,661	4,766	4,814	5,077	5,418	5,668	5,778
Capital expenditures	Millions of yen	9,001	15,326	15,461	15,838	16,642	21,824	12,633	30,872	21,646	44,112	15,668
Cash flows from operating activities	Millions of yen	13,824	12,557	9,954	20,980	13,482	(12,780)	28,680	8,292	34,189	23,952	19,584
Cash flows from investing activities	Millions of yen	(6,388)	(15,160)	(2,600)	(13,017)	(17,265)	(12,946)	(11,427)	(30,200)	(20,705)	(40,250)	(19,356)
Cash flows from financing activities	Millions of yen	(18,026)	(8,923)	(3,218)	(4,222)	(2,499)	24,652	(1,829)	24,327	(15,490)	13,994	280
Cash and cash equivalents at end of period	Millions of yen	22,903	11,242	15,377	19,117	12,784	11,710	27,166	29,585	28,111	25,807	26,316
At fiscal year-end:												
Net assets	Millions of yen	85,990	92,298	94,827	97,524	104,900	109,075	107,302	118,639	119,278	119,324	125,645
Total assets* ¹	Millions of yen	296,834	297,736	294,021	293,025	300,243	335,572	339,545	381,353	376,210	398,333	405,979
Interest-bearing liabilities	Millions of yen	170,335	162,490	160,232	157,051	155,786	184,672	186,977	215,727	206,236	226,895	231,323
Equity ratio* ¹	%	29.0	31.0	32.3	33.3	34.9	32.5	31.6	31.1	31.7	30.0	30.9
Performance indicators:												
Dividends per share* ²	Yen	22	22	26	26	37	48	56	77	95	104	166
Earnings per share (EPS)* ³	Yen	72.72	62.53	110.50	113.17	132.57	158.73	184.82	189.76	236.74	254.27	236.13
Book-value per share (BPS)* ³	Yen	2,154.94	2,313.34	2,377.02	2,444.84	2,630.07	2,819.82	2,837.29	3,190.09	3,269.74	3,334.34	3,510.66
Price earnings ratio (PER)	Times	22.66	27.00	12.67	13.91	15.46	13.43	15.14	18.21	16.71	14.89	17.28
Price book-value ratio (PBR)	Times	0.76	0.73	0.59	0.64	0.78	0.76	0.99	1.08	1.21	1.14	1.16
Consolidated dividend payout ratio	%	30.3	35.2	23.5	23.0	27.9	30.2	30.3	40.6	40.1	40.9	70.3
Consolidated total shareholder return ratio	%	30.3	35.2	23.5	23.0	27.9	72.1	57.8	68.5	68.8	68.3	70.6
EBITDA* ⁴	Millions of yen	13,648	13,883	13,641	14,920	14,476	14,596	16,203	16,763	18,578	16,998	19,200
D/E ratio* ⁴	Times	1.98	1.76	1.69	1.61	1.49	1.69	1.74	1.82	1.73	1.90	1.84
Net D/E ratio* ⁴	Times	1.71	1.64	1.53	1.41	1.36	1.57	1.47	1.57	1.49	1.67	1.61
Net interest-bearing liabilities/EBITDA	Times	10.79	10.89	10.61	9.24	9.84	11.77	9.76	11.10	9.58	11.71	10.57
Return on assets (ROA)* ^{1*4}	%	2.6	2.9	2.8	3.3	3.2	2.9	3.2	3.1	3.3	2.8	3.2
Return on equity (ROE)* ⁵	%	3.4	2.8	4.7	4.7	5.2	5.8	6.5	6.3	7.3	7.7	6.9
Total number of issued shares	Shares	40,059,996	40,059,996	40,059,996	40,059,996	40,059,996	40,059,996	38,859,996	38,859,996	38,859,996	38,859,996	38,859,996
Number of employees* ⁵	Persons	285	281	281	224	233	236	237	240	240	253	255

1. Total assets and equity ratio for FY2017 have been retroactively restated to reflect the application of the partial amendments to Accounting Standard for Tax Effect Accounting, etc.
2. Dividends per share for FY2017 included a ¥4 commemorative dividend celebrating the 70th anniversary of the Company's founding. The dividends per share for FY2023 includes a special dividend of ¥50.
3. In FY2019, the Company introduced a stock compensation trust for directors and officers, and in FY2021, a stock compensation trust for employees. Shares held within these trust accounts are included in treasury shares for the calculation of earnings per share and book-value per share.

4. The amount is calculated as follows:
EBITDA: Operating profit + Financial income + Depreciation
D/E ratio: Interest-bearing liabilities ÷ Net assets
Net D/E ratio: (Interest-bearing liabilities - cash and deposits, marketable securities) ÷ Net assets
ROA: Operating profit ÷ Total assets (average of total assets at beginning and end of period) × 100
ROE: Profit attributable to owners of parent ÷ Equity (average of equity at beginning and end of period) × 100
5. The decrease in the number of employees in FY2016 is mainly due to the exclusion of Heiwa Health Care Co., Ltd., from the scope of consolidation as the Heiwa Real Estate Group sold its entire stake in this company.
6. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and related standards have been applied from the beginning of fiscal year 2021. Accordingly, figures for fiscal year 2021 and subsequent years reflect the application of these standards.

Consolidated Non-Financial Summary

	Key Issues (Materiality)	Initiatives	Items	KPI*10		Actual (Fiscal Year)*11						Social value we aim to achieve
						2018	2019	2020	2021	2022	2023	
Environment	Climate Change Countermeasures    	<ul style="list-style-type: none">Reduction of GHG emissions, water consumption, and waste emissionsEnvironmentally friendly development and management of buildingsUse of renewable energy	GHG emissions Scope 1+2: 80% reduction from the FY2018 level by FY2025 *1	★		30,230t-CO ₂	30,439t-CO ₂	28,330t-CO ₂ 	23,576t-CO ₂ 	15,140t-CO ₂ 	14,425t-CO ₂ 	Create Environment-Friendly Low-carbon Areas We will aim to achieve net-zero greenhouse gas (GHG) emissions and help realize a decarbonized society through energy conservation, the utilization of renewable energy, collaboration with supply chains, and other initiatives.
			Scope 1+2+3: Achieve net-zero emissions by FY2050 *1	★		241,584t-CO ₂	190,179t-CO ₂	103,982t-CO ₂ 	130,337t-CO ₂ 	119,737t-CO ₂ 	164,089t-CO ₂ 	
			Scope1*1			2,999t-CO ₂	3,183t-CO ₂	3,023t-CO ₂ 	3,011t-CO ₂ 	2,709t-CO ₂ 	2,817t-CO ₂ 	
			Scope2*1			27,230t-CO ₂	27,255t-CO ₂	25,306t-CO ₂ 	20,564t-CO ₂ 	12,431t-CO ₂ 	11,608t-CO ₂ 	
			Scope3*1			211,354t-CO ₂	159,740t-CO ₂	75,652t-CO ₂ 	106,761t-CO ₂ 	104,596t-CO ₂ 	149,663t-CO ₂ 	
			GHG emission unit (Scope1+2): Reduction of at least 1% each year (target per unit compared to previous fiscal year) *1*2	●		68.3kg-CO ₂ /m ²	66.5kg-CO ₂ /m ²	60.0kg-CO ₂ /m ² 	47.6kg-CO ₂ /m ² 	27.6kg-CO ₂ /m ² 	27.9kg-CO ₂ /m ² 	
			Water consumption (production volume intensity): Reduction from the previous fiscal year level in each application *1*2	★		1.07m ³ /m ²	1.02m ³ /m ²	0.62m ³ /m ² 	0.70m ³ /m ² 	0.77m ³ /m ² 	0.82m ³ /m ² 	
			Water consumption*1			475,140m ³	604,937m ³	375,102m ³ 	439,687m ³ 	530,304m ³ 	523,259m ³ 	
			Waste emission volume: Reduction from the previous year level in for each application *1*2*3	★		2.30kg/m ²	2.27kg/m ²	1.76kg/m ² 	1.60kg/m ² 	2.79kg/m ² 	2.40kg/m ² 	
			Total waste emissions*1			3,089t	2,956t	2,428t 	2,183t 	3,010t 	3,357t 	
Waste emissions (excluding recycled waste)*1			1,311t	1,300t	1,017t 	1,009t 	1,931t 	1,514t 				
Recycled waste emissions*1			1,778t	1,655t	1,410t 	1,173t 	1,079t 	1,842t 				
Recycling rate: 80% by FY2030 *4	●		58%	56%	58%	53.7%	35.8%	61.6%				
Society	Industrial Development / Regional Development  Responding to Social Needs    	<ul style="list-style-type: none">Contribution to industrial and regional developmentMore diverse human resourcesPromote occupational health managementWork-life balanceImprove office environmentsMore efficient operations	Ratio of new graduate female hires: At least 30% (five-year average) *5	★		33.3%	50.0%	100%	33.3%	50.0%	50.0%	Implement <i>Bazukuri</i> Initiatives to Attract People through Diversity and Innovation We will play an active role in the creation of ideal areas, where a diverse range of people gather and work together, stimulate investment, securities and finance, and foster culture and the arts.
			Ratio of female managers: At least 20% by FY2030 *5	★		-	4.7%	5.0%	5.3%	10.8%	14.3%	
			Ratio of mid-career hires in management positions: At least 40% by FY2030 *5	★		31.4%	29.7%	40.0%	39.5%	37.8%	37.1%	
			Annual health checks uptake: 100% every year *5*6	★		100%	100%	100% 	100% 	100% 	100% 	
			Uptake of cancer screening (every two years): 100% of employees aged 35 or above *5*6	★		-	-	100% 	100% 	100% 	100% 	
			Stress check acceptance rate: 100% every year *5*6	★		-	-	-	-	100%	100%	
			Paid holiday usage rate: At least 70% *5*6	★		61.7%	70.5%	79.7% 	79.6% 	80.1% 	82.3% 	
			Male parental leave utilization rate: 100% by FY2030 *5*7	★		-	-	50.0%	-	75.0%	-	
			Work engagement status: At least 90% by FY2025*5*8	●		-	-	82.5%	79.3%	80.4%	88.7%	
			Number of work-related deaths: Zero by FY2025*5*6	●		-	-	0 	0 	0 	0 	
			Skills development training for employees*5	Total hours of training (hours/year)		-	-	1,186	1,124	1,514	1,563	
				Hours of training per employee (hours/year)		-	-	11.6	12.4	15.8	16.5	
				Total training expenses (yen/year)		-	-	3,274,342	8,473,780	6,536,880	6,459,383	
				Training expenses per employee (yen/year)		-	-	32,101	93,118	68,093	67,994	
			Natural Disaster Risk Mitigation Measures 	<ul style="list-style-type: none">Enhancement of disaster prevention measures and action programs for when a natural disaster strikes, from a district BCP viewpointCreation of regional communities	People with first aid training course qualifications: All of our officers and employees *5	★		-	-	100%	100%	
Governance	Strengthening Corporate Governance 	<ul style="list-style-type: none">Director and officer compensation system that allows interest in shareholder value	Ratio of policy shareholdings to consolidated net assets: 10% or less by FY2026	★		13.7%	12.6%	15.3%	13.4%	9.6%	12.2%	Ensure Corporate Governance Supporting <i>Bazukuri</i> We will continue to strengthen corporate governance on an ongoing basis and strive to be a company in which all officers and employees actively tackle environmental and social issues.
		<ul style="list-style-type: none">Reduction in cross-shareholdingsEnhancement of compliance	Ratio of outside directors on the Board of Directors: Over 50% *9	●		4/9	4/9	4/9	4/9	5/9	5/9	
		<ul style="list-style-type: none">Governance to promoting sustainable initiatives	Ratio of female directors: Maintain one at minimum *9	●		0	0	1	1	1	1	

1. The portfolio of real estate owned by the Group (excluding buildings designated to be sold and jointly owned buildings of which the Company has an ownership share of less than 25%) is within the scope of calculation. From FY2022 onward, the portfolio of real estate owned by the Group (excluding inventories) is within the scope of calculation.
 2. Actual per-square-meter figures are calculated by dividing annual emissions/usage by the total floor area of the relevant property, regardless of the period of ownership.

3. Recycled waste is excluded from the actual figures for waste per square meter.
 4. For FY2023, the scope includes head and branch office buildings owned by the Company.
 Actual values prior to FY2022 are within the scope described in *1.
 5. Heiwa Real Estate on a non-consolidated basis is within the scope of calculation.
 6. Numerical targets for each fiscal year

7. Fiscal years marked with a hyphen indicate that no male employees were eligible for childcare leave.
 8. Percentage of employees who responded "yes" or "somewhat" to "my work is rewarding" in stress checks.
 9. As of the end of June of each fiscal year.
 10. ★: Medium-term management plan ●: Other KPIs.
 11. Figures with check marks have been verified by third-party organizations.

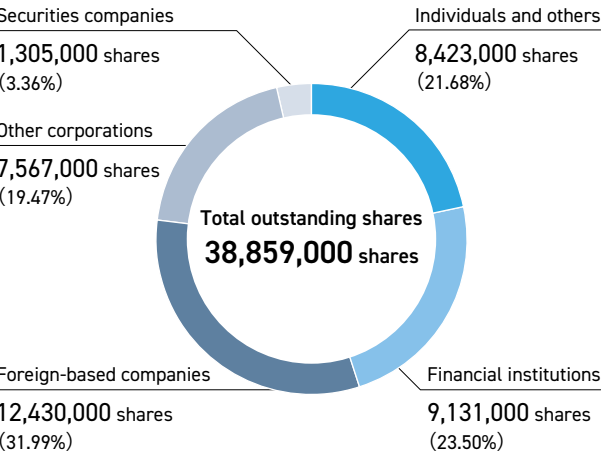
Stock Information

(As of March 31, 2024)

Status of Shares

Total authorized shares: 110,000,000 shares
Total outstanding shares: 38,859,996 shares
Number of shareholders: 16,909

Distribution of Shares by Shareholder



Trends in Share Price

(From April 2010 to March 2024/monthly)



*Amount stated is the monthly closing price
*Amounts shown take into account the effect of a five-to-one share consolidation executed on October 1, 2012.

Corporate Website

Home Page

<https://www.heiwa-net.co.jp/en/>

IR Information

<https://www.heiwa-net.co.jp/en/ir/>

Sustainability

<https://www.heiwa-net.co.jp/en/sustainability/>

Status of Major Shareholders (Top 10)

Name of shareholder	Number of shares (Thousands)	Percentage of total equity (%)
Mitsubishi Estate Co., Ltd.	4,274	11.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,239	11.79
CGML PB CLIENT ACCOUNT/COLLATERAL	3,900	10.85
Custody Bank of Japan, Ltd. (Trust Account)	3,105	8.64
BNY GCM CLIENT ACCOUNT JPRD ACISG (FE-AC)	625	1.74
Taisei Corporation	532	1.48
STATE STREET BANK WEST CLIENTTREATY 505234	486	1.35
Resona Bank, Limited	445	1.24
JP MORGAN CHASE BANK 385781	433	1.21
SSBTC CLIENT OMNIBUS ACCOUNT	427	1.19

1. To calculate the percentage of total equity, 2,898 thousand shares of treasury shares have been excluded from the total outstanding shares.
2. The Company is excluded from the major shareholders above though it has 2,898 thousand shares of treasury shares. The above treasury shares does not include 175 thousand shares of the Company that Custody Bank of Japan (Trust account) holds as the trust asset of the Board Benefit Trust and the Employee Stock Ownership Plan.

Company Information

(As of March 31, 2024)

Corporate Profile

Company name HEIWA REAL ESTATE CO., LTD.
Date of establishment July 1947
Representative Kiyoyuki Tschimoto
Representative Executive Officer, President and CEO
Head office 1-10, Nihonbashi Kabutocho, Chuo-ku, Tokyo 103-8222, Japan
Branches Osaka Branch, Nagoya Branch, Fukuoka Branch, Sapporo Branch
Capital ¥21,492 million
URL <https://www.heiwa-net.co.jp/en/>
Stock Exchanges Tokyo Stock Exchange (Prime Market), Nagoya Stock Exchange (Premier Market), Fukuoka Stock Exchange, and Sapporo Securities Exchange
Securities code 8803
Businesses 1. Building Business
Development, leasing, management, and buying/selling of stock exchange buildings, office buildings, commercial facilities, and residential buildings
2. Asset Management Business
HEIWA REAL ESTATE REIT, Inc.'s Asset Management and Real Estate Brokerage
Number of Employees 98 (non-consolidated)/255 (consolidated)

Branch Locations

Osaka Branch 5-5, Kitahama 1-chome, Chuo-ku, Osaka 541-0041
Nagoya Branch 8-21, Sakae 3-chome, Naka-ku, Nagoya 460-0008
Fukuoka Branch 14-2, Tenjin 2-chome, Chuo-ku, Fukuoka 810-0001
Sapporo Branch 1, Odori-nishi 4-chome, Chuo-ku, Sapporo 060-0051

Group Companies

Heiwa Real Estate Property Management Co., Ltd.
Heiwa Real Estate Asset Management Co., Ltd.
The Tokyo Shoken Building Incorporated
Housing Service Co., Ltd.

Organization

(As of April 1, 2024)

