

## Creating World-Class Neighborhoods

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Heiwa Real Estate Co., Ltd.  
Corporate Report 2019



# Creating World-Class Neighborhoods

Heiwa Real Estate Co., Ltd. was founded as the owner of buildings for stock exchanges, which play a central role in Japan's financial market, and has subsequently been deeply involved in businesses rooted in districts that are the center of financial markets throughout Japan.

Competition among cities has intensified as people, economies and information have become borderless.

Heiwa Real Estate will contribute to establishing Tokyo's position as a global financial city in Asia by promoting the redevelopment of Nihonbashi Kabutocho and Kayabacho, which is where the Company was founded and home to Japan's largest stock exchange.

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### Disclaimer

Information in this 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 available information. 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 this report.

## History of Heiwa Real Estate

Heiwa Real Estate was founded in 1947 as the owner of buildings for stock exchanges in Tokyo, Osaka, Nagoya and elsewhere, which Nihonbashi Kabutocho and Kayabacho, where the Company was founded, have developed as the home of the securities industry. As the social change, including the closure of the trading floor and relocations of securities firms.

Meanwhile, there are strong calls to improve the functions of Tokyo as a global financial city, and community expectations for the revitalization. In this business environment, the Company aims to enhance its presence in the community and create the foundation for further growth and starting with the redevelopment of Nihonbashi Kabutocho and Kayabacho.

play a central role in Japan's financial markets.

environment changed with the development of information and communications, these districts have likewise witnessed significant

of the districts are rising.

an increase in corporate value by moving on to the next stage, "Aim to be a company that contributes to revitalizing districts,"

### 1947

#### Establishment Phase: Supporting the Securities Industry

Established as the owner of stock exchange buildings, we built the foundation of our business by leasing stock exchange buildings and by developing the building leasing business mainly in the neighborhoods where stock exchanges are located.

#### Established as a company that owns stock exchange buildings

1947 Heiwa Real Estate established

1949 Began leasing to the respective stock exchanges **1**

#### Redeveloped stock exchange buildings into office buildings, backed by expanding demand for office space accompanying rapid economic growth.

1958 Completed construction of Fukuoka Shoken Building

1962 Completed construction of Kyoto Shoken Building

1965 Entered the residential land sales business

1977 Entered the detached house sales business



Former Tokyo Stock Exchange Building **1**



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

### 1980

#### Business Diversification Phase: House Sales Business and Other Businesses

We expanded into new businesses in step with changes in the social environment. We entered the suburban housing development business and the condominium sales business.

#### Expanded business by developing buildings for lease other than stock exchanges

1980 Entered the condominium sales business

1984 Completed construction of the stock trading floor building (currently Arrows) within the Tokyo Stock Exchange Building complex **2**

1986 Completed construction of Yokohama Heiwa Building

1987 Completed construction of Osaka Heiwa Building  
Entered the real estate brokerage business

1988 Completed construction of the main building of the Tokyo Stock Exchange Building complex **2**

1992 Completed construction of Kayabacho Heiwa Building

1993 Completed construction of Daimaru Kyoto Store (West) Kyodo Building

1994 Completed construction of Daimaru Kyoto Store (North) Kyodo Building

1995 Started sales of the FLARGE series of condominiums



Mita Heiwa Building (Minato-ku, Tokyo) **3**



Uchisaiwaicho Heiwa Building (Chiyoda-ku, Tokyo) **4**

### 2000

#### Leasing Business Asset Expansion Phase: Enhancing the Revenue Base

In the leasing business we increased assets such as office buildings and commercial facilities to enhance our revenue base.

#### Further increased assets by acquiring large office buildings

2000 Acquired Mita Heiwa Building **3**

2001 Acquired Uchisaiwaicho Heiwa Building **4**

2002 Acquired Dogin Building

#### Aggressively redeveloped properties in Osaka and Nagoya

2004 Completed construction of Nagoya Heiwa Building

2004 Completed construction of the Osaka Securities Exchange Building **5**

2007 Completed construction of the Nagoya Stock Exchange Building **6**

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)



Osaka Securities Exchange Building (Osaka City) **5**



Nagoya Stock Exchange Building (Nagoya City) **6**

### 2010

#### A New Phase of Growth

We are now working on redevelopment projects in Nihonbashi Kabutocho and Kayabacho, where the Tokyo Stock Exchange Building is located, beginning our next stage "Aim to be a company that contributes to revitalizing districts."

2010 Completed construction of CentRise Sakae **7**

2012 Completed construction of Ichibancho Heiwa Building **8**

#### Aim to be a company that contributes to revitalizing districts through the redevelopment of Kabutocho

2013 Made The Tokyo Shoken Building Incorporated a consolidated subsidiary

2014 Announced the Revitalization Vision for Nihonbashi Kabutocho

2015 Completed construction of Kitahama 1-Chome Heiwa Building

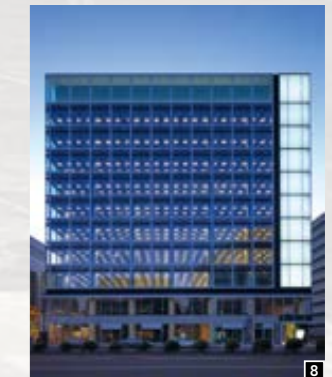
Completed construction of Maruzen Nagoya Honten Building

2017 Acquired Kabutocho Heiwa Building No. 6  
Acquired Osaka Midosuji Building

2019 Acquired Sakae Sun City Building  
Began construction of KABUTO ONE



CentRise Sakae (Nagoya City) **7**



Ichibancho Heiwa Building (Sendai City) **8**

# We will contribute to the creation of a global financial city by revitalizing districts.

Heiwa Real Estate was founded as a company that owns and leases stock exchange buildings, and currently owns the Tokyo Stock Exchange Building. Supporting Japan's financial infrastructure, we redeveloped the Osaka Securities Exchange Building and the Nagoya Stock Exchange project of the Nihonbashi Kabutocho and Kayabacho Revitalization Project.

We are leveraging the features of Nihonbashi Kabutocho, which is home to a securities market, to revitalize this district over the medium and long term. In doing so, we will contribute to the "Global Financial City: Tokyo" vision as we fulfill our social responsibility of

Building, the Osaka Securities Exchange Building, the Nagoya Stock Exchange Building, and the Fukuoka Shoken Building. Building by establishing relationships of trust with various stakeholders to obtain their cooperation. We have also launched the first and long term. In doing so, we will contribute to the "Global Financial City: Tokyo" vision as we fulfill our social responsibility of

## Ownership of Stock Exchange Buildings throughout Japan



Tokyo Stock Exchange Building (Tokyo)



Osaka Securities Exchange Building (Osaka City)



Nagoya Stock Exchange Building (Nagoya City)

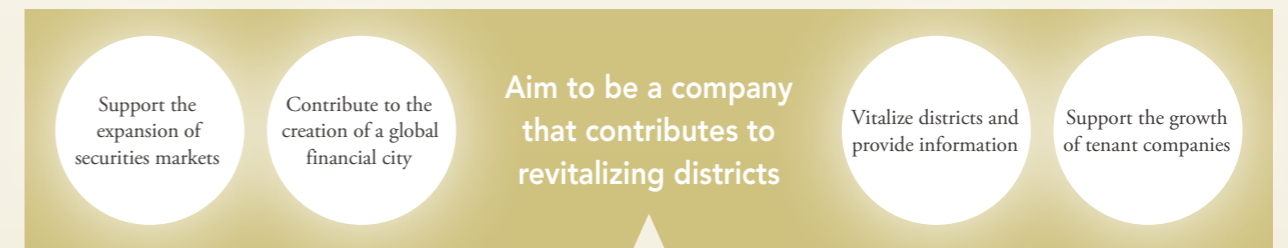


Fukuoka Shoken Building (Fukuoka City)

## A Building Leasing Business in Japan's Major Cities



## Overview Business



## Nihonbashi Kabutocho and Kayabacho Revitalization Project

**Leasing Business**

Develop, lease, manage and operate office buildings and other properties

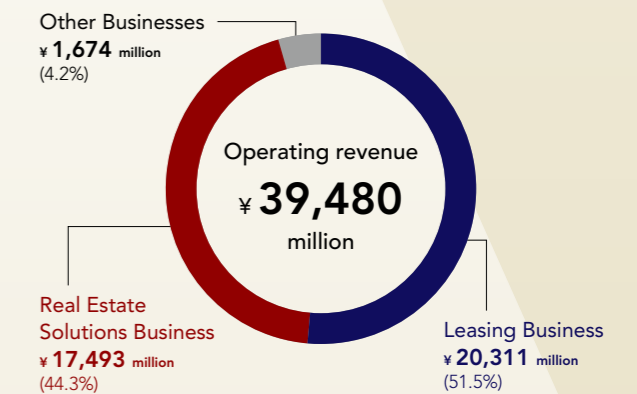
**Real Estate Solutions Business**

Develop, sell, operate and manage income-generating properties

## Summary of Results for FY 2018

Operating revenue	¥ 39,480 million	+20.7% YoY
Operating income	¥ 9,335 million	-1.0% YoY
Net income attributable to owners of parent	¥ 6,174 million	+16.8% YoY

## Operating Revenue by Segment



# Consolidated Financial Highlights

(Millions of yen)  
Negative numbers in parentheses

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
<b>Fiscal year (April 1 to March 31):</b>					
Operating revenue	34,347	37,010	41,747	32,698	<b>39,480</b>
Operating income	8,548	8,267	9,673	9,432	<b>9,335</b>
Ordinary income	6,568	6,708	8,431	8,395	<b>8,430</b>
Net income attributable to owners of parent <sup>1</sup>	2,495	4,408	4,514	5,288	<b>6,174</b>
Depreciation	4,989	5,028	4,878	4,661	<b>4,766</b>
Cash flows from operating activities	12,557	9,954	20,980	13,482	<b>(12,780)</b>
Cash flows from investing activities	(15,160)	(2,600)	(13,017)	(17,265)	<b>(12,946)</b>
Cash flows from financing activities	(8,923)	(3,218)	(4,222)	(2,499)	<b>24,652</b>
Balance of cash and cash equivalents at end of period	11,242	15,377	19,117	12,784	<b>11,710</b>
<b>As of March 31:</b>					
Net assets	92,298	94,827	97,524	104,900	<b>109,075</b>
Total assets <sup>2</sup>	297,736	294,021	293,025	300,243	<b>335,572</b>
Interest-bearing liabilities	162,490	160,232	157,051	155,786	<b>184,672</b>
Equity ratio <sup>2</sup> (%)	31.0	32.3	33.3	34.9	<b>32.5</b>
<b>Performance indicators:</b>					
Dividends per share <sup>3</sup> (Yen)	22.00	26.00	26.00	37.00	<b>48.00</b>
Earnings per share (EPS) (Yen)	62.53	110.50	113.17	132.57	<b>158.73</b>
Book value per share (BPS) (Yen)	2,313.34	2,377.02	2,444.84	2,630.07	<b>2,819.82</b>
Price-earnings ratio (PER) (Times)	27.00	12.67	13.91	15.46	<b>13.43</b>
Price-book ratio (PBR) (Times)	0.73	0.59	0.64	0.78	<b>0.76</b>
Payout ratio (%)	35.2	23.5	23.0	27.9	<b>30.2</b>
EBITDA <sup>4</sup>	13,883	13,641	14,920	14,476	<b>14,596</b>
D/E ratio <sup>4</sup> (Times)	1.76	1.69	1.61	1.49	<b>1.69</b>
Net D/E ratio <sup>4</sup> (Times)	1.64	1.53	1.41	1.36	<b>1.57</b>
Ratio of EBITDA to net interest-bearing liabilities (Times)	10.89	10.61	9.24	9.84	<b>11.77</b>
Return on assets (ROA) <sup>4</sup> (%)	2.9	2.8	3.3	3.2	<b>2.9</b>
Return on equity (ROE) <sup>4</sup> (%)	2.8	4.7	4.7	5.2	<b>5.8</b>
Number of employees <sup>5</sup>	281	281	224	233	<b>236</b>

1. Due to the revision of the Accounting Standard for Business Combinations and other revisions, the line item name used in the consolidated financial statements has been amended. The amended name was applied from FY 2015.

2. Total assets and equity ratio for FY 2017 have been retroactively restated to reflect the application of the partial amendments to Accounting Standard for Tax Effect Accounting, etc.

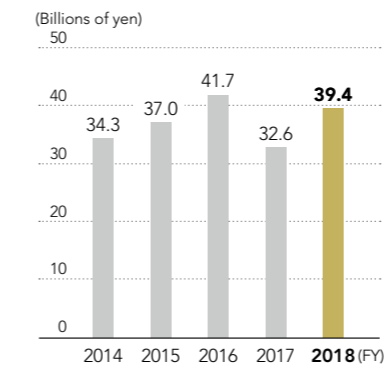
3. Annual dividends per share for FY 2017 included a 4.0 yen commemorative dividend celebrating the 70th anniversary of the Company's founding.

4. Financial indicators are calculated as follows:

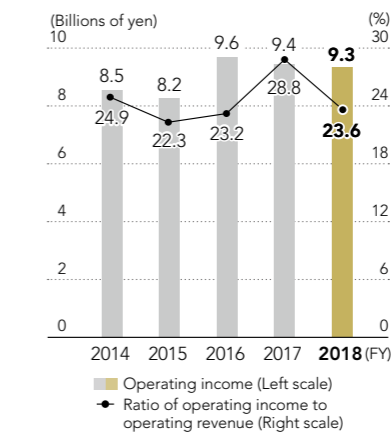
EBITDA: Operating income + Financial income + Depreciation  
D/E ratio: Interest-bearing liabilities ÷ Net assets  
Net D/E ratio: (Interest-bearing liabilities – Cash and deposits – Marketable securities) ÷ Net assets  
ROA: Operating income ÷ Total assets (average of total assets at beginning and end of period) × 100  
ROE: Net income ÷ Equity (average of equity at beginning and end of period) × 100

5. The decrease in the number of employees in FY 2016 is mainly due to the exclusion of Heiwa Health Care Co., Ltd. from the scope of consolidation because the Heiwa Real Estate Group sold its entire stake in this company.

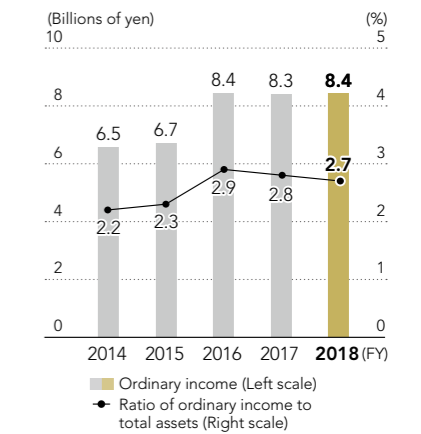
## Operating Revenue



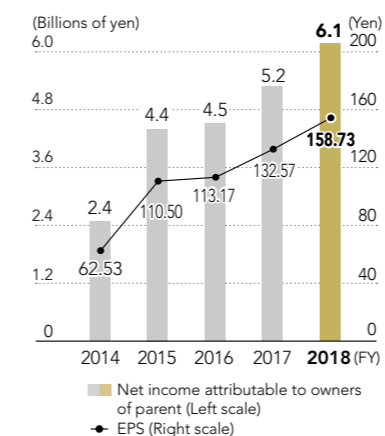
## Operating Income and Ratio of Operating Income to Operating Revenue



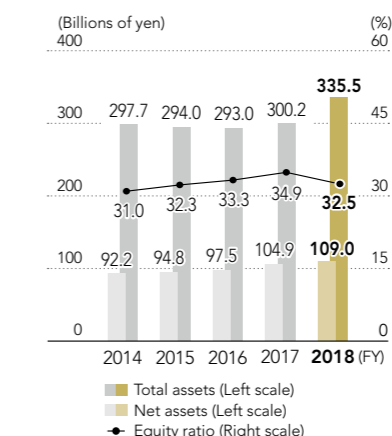
## Ordinary Income and Ratio of Ordinary Income to Total Assets



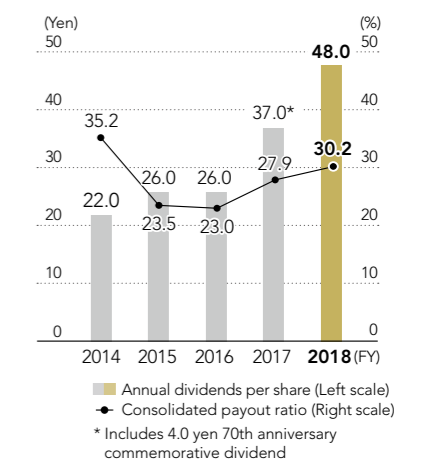
## Net Income Attributable to Owners of Parent and EPS



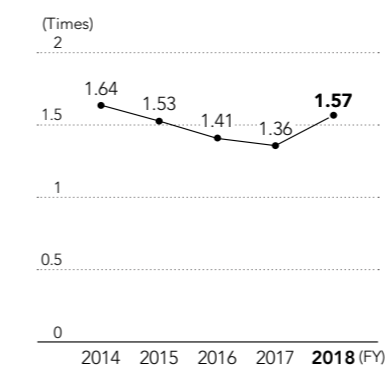
## Total Assets, Net Assets and Equity Ratio



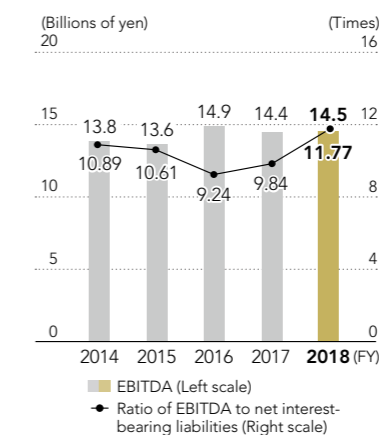
## Annual Dividends per Share and Consolidated Payout Ratio



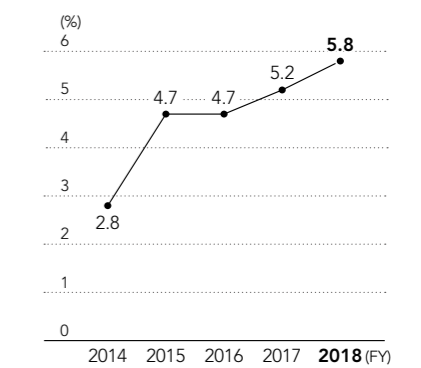
## Net D/E Ratio



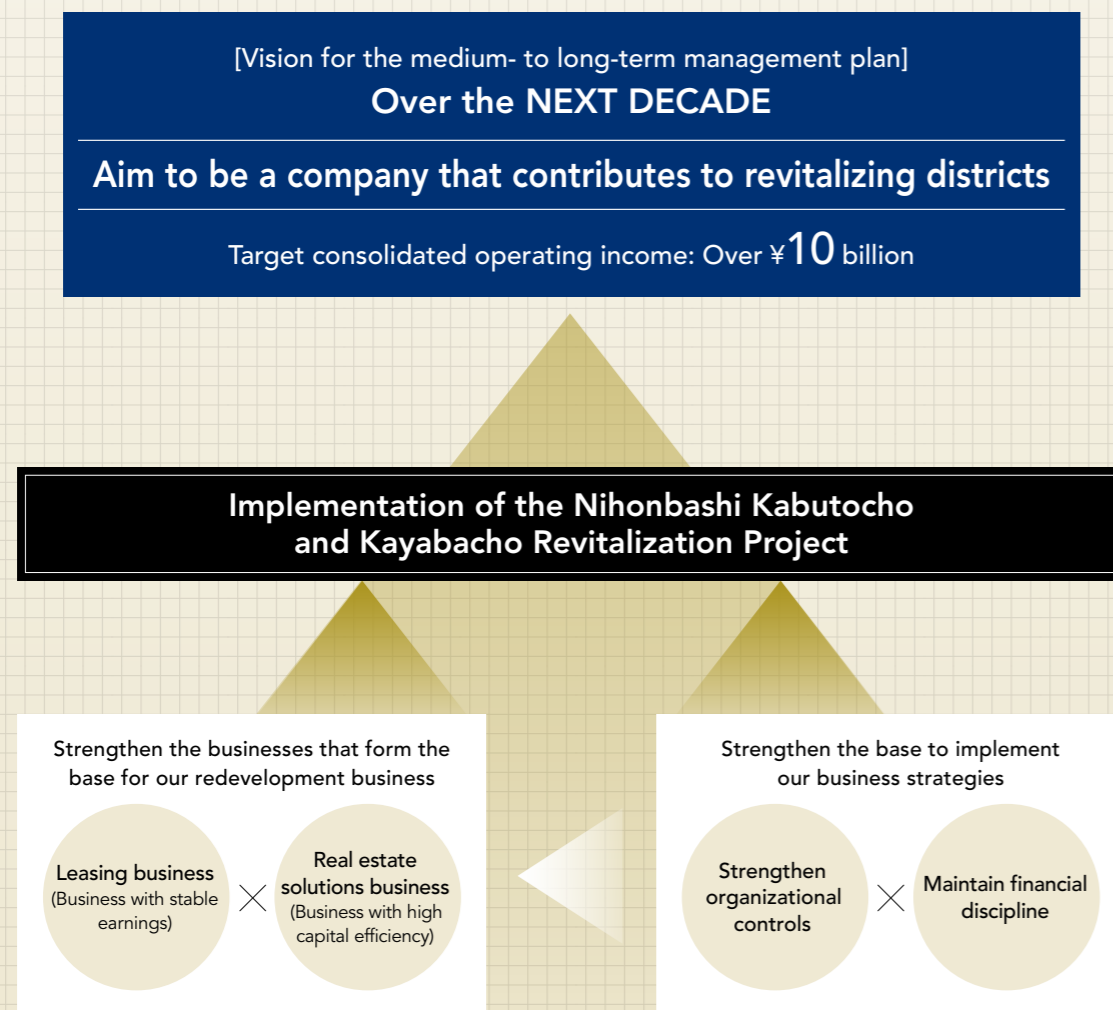
## EBITDA and Ratio of EBITDA to Net Interest-bearing Liabilities



## ROE

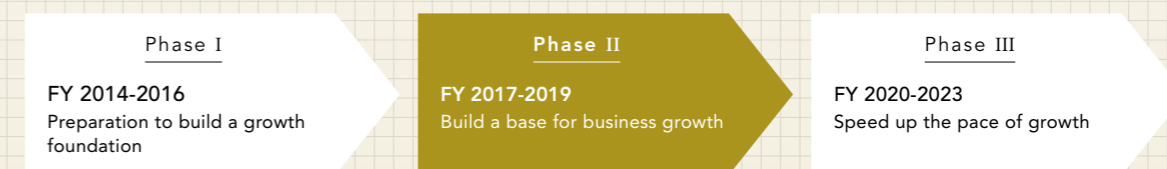


Aim to be a company that “contributes to revitalizing districts,” beginning with the redevelopment of the Nihonbashi Kabutocho and Kayabacho areas. Achieve consolidated operating income of over ¥10 billion toward the end of the NEXT DECADE (FY 2023).



### Phase II Positioning

In the three years of Phase II, we are aiming to continuously increase corporate value by building a base for business growth, mainly by steadily implementing the Nihonbashi Kabutocho and Kayabacho Revitalization Project.



### Key Strategies

- Key Strategy 1 The Nihonbashi Kabutocho and Kayabacho Revitalization Project**  
Start and steadily implement the first stage of the project, the Nihonbashi Kabutocho 7 Development Plan (tentative name) and the Nihonbashi Kayabacho 1-6 Development Plan (tentative name).
- Key Strategy 2 Strengthening of the Building Leasing Business**  
Enhance the revenue base to form a base for the redevelopment project by renewing and increasing assets for the Leasing Business and by implementing measures to improve profitability.
- Key Strategy 3 Expansion and diversification of the Real Estate Solutions Business**  
Support Heiwa Real Estate REIT Inc. as its sponsor to increase its assets and improve their quality, and steadily expand revenue from the fee businesses. Aim to diversify revenue-generating opportunities in the Real Estate Solutions Business, including selling properties after maximizing their value by developing income-generating properties, leasing-up, conducting renewal construction, etc.
- Key Strategy 4 Strengthening the Structure for Implementing Strategies and Providing Shareholders with Stable Returns**  
Formulate an organizational framework suitable for executing the key strategies, as well as strive to enhance financial strength, while keeping management efficiency in mind. Aim to raise ROE and maintain the D/E ratio at an appropriate level. Also, provide shareholders with stable returns, mainly through dividends.

### Targets

Targets for FY 2019	
Operating income	<b>¥9.0 billion → ¥10.0 billion*</b> (Breakdown) Leasing Business: ¥7.4 billion → ¥7.7 billion/Real Estate Solutions Business: ¥3.0 billion → ¥3.6 billion
Ordinary income	<b>¥8.0 billion → ¥9.0 billion</b>
Net debt-to-equity (D/E) ratio	<b>1.5 times or lower</b>

\* Operating income excludes corporate expenses that belong to the administration division and are not allocated to any of the reportable segments.

### Investment Plan and Progress

Plan for FY 2017-2019		Progress up to the end of FY 2018
The Nihonbashi Kabutocho and Kayabacho Revitalization Project	<b>Approx. ¥15.0 billion</b>	<b>Approx. ¥5.0 billion</b>
Leasing Business	<b>Approx. ¥24.0 billion</b> (Approx. ¥7.0 billion recovered by renewing the portfolio)	<b>Approx. ¥33.0 billion</b> (Approx. ¥13.9 billion recovered by renewing the portfolio)
Real Estate Solutions Business	<b>Approx. ¥42.0 billion</b> (Approx. ¥54.0 billion recovered)	<b>Approx. ¥42.6 billion</b> (Approx. ¥22.8 billion recovered)

### Shareholder Returns

#### Execution of Acquisition and Cancellation of Treasury Stock

- The acquisition of treasury stock is reviewed with consideration given to future investment plans, financial discipline and PBR level.
- The acquisition of treasury stock is executed if there are sufficient funds, with priority given to investment in development projects and dividend payouts.
- Total return ratio in FY 2018: 72.1%; Estimate for FY 2019: Approx. 50–60%

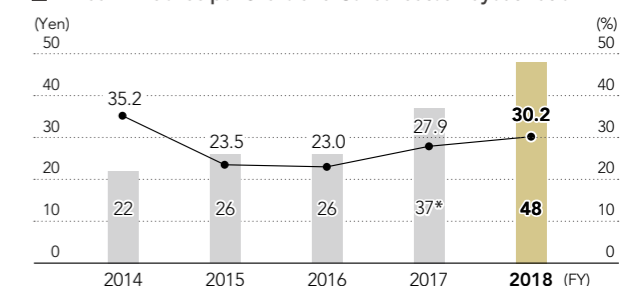
Execution of Acquisition of Treasury Stock	
FY 2018	<b>1.2 million shares / ¥2.59 billion</b>
FY 2019	<b>Maximum of 800,000 shares Maximum of ¥2.0 billion</b>

Resolution Concerning Cancellation of Treasury Stock	
May 31, 2019	<b>1.2 million shares</b>

#### Dividend Policy

We will provide stable shareholder returns mainly through dividends. Our medium- to long-term target for the consolidated payout ratio is 30%, with due regard for the internal reserves required to increase corporate value.

#### Annual Dividends per Share and Consolidated Payout Ratio



\* Includes 4.0 yen 70th anniversary commemorative dividend



## The Next-Generation Heiwa Real Estate: Taking on the Challenge of Becoming a Company That Contributes to Revitalizing Districts

Hiroyuki Iwakuma Representative Director and President

### Heiwa Real Estate's Roles

Heiwa Real Estate was founded in 1947 as the owner of buildings for stock exchanges in Tokyo, Osaka, Nagoya and elsewhere, which play a central role in Japan's financial markets. The Company celebrated its 70th anniversary in July 2017. In my current and former jobs, I have spent a total of more than 40 years in Nihonbashi Kabutocho and Kayabacho, which is the district where Heiwa Real Estate was established, and have watched this neighborhood evolve. The basic mission of a real estate company is to provide an environment of convenience, comfort and safety that allows tenant companies and people to connect and demonstrate their capabilities, and have an affluent life. In other words, developing infrastructure is thought to be the livelihood of real estate companies. Therefore, I have come to believe that since we operate in the

Nihonbashi Kabutocho and Kayabacho areas, we must also focus on enhancing Tokyo's international competitiveness.

We announced our Revitalization Vision for Nihonbashi Kabutocho in 2014, and began creating a district where people connect, and where investment and growth are born. The Company has been located in Nihonbashi Kabutocho and Kayabacho since its establishment, enabling us to inherit and develop the unique qualities of this district. Our goal is "the classic look and feel" of Kabutocho, which is taking shape throughout the district in tandem with the Tokyo Metropolitan Government's ongoing "Global Financial City: Tokyo" vision. Redevelopment of Nihonbashi Kabutocho and Kayabacho is one component of this vision, and helps us fulfill our role of contributing to improving the infrastructure of Tokyo's financial district.

### Medium- to Long-term Management Plan Roadmap

We are advancing to our next phase: "Aim to be a company that contributes to revitalizing districts." Our objective is to increase our presence in society and build the foundation for further growth and increased corporate value. We also plan to employ the expertise we acquire through the redevelopment of Nihonbashi Kabutocho and Kayabacho in revitalizing other urban districts.

We achieved all of our numerical targets for Phase I (FY 2014 to FY 2016) of our medium- to long-term management plan. We made preparations for building the foundation for growth in ways such as strengthening of the Building Leasing Business, expanding the fee businesses and enhancing our financial soundness. We made steady progress toward the plan target of consolidated operating income of approximately ¥10 billion.

Phase II from FY 2017 to FY 2019 involves building the foundation for business growth, and the full-scale start of the redevelopment of Nihonbashi Kabutocho and Kayabacho. Through steady progress of the Nihonbashi Kabutocho and Kayabacho Revitalization Project, strengthening of our Building Leasing Business and other initiatives, we aim to achieve sustained growth in corporate value. The revitalization project is a challenging initiative, and the entire Company is pushing forward together in the spirit of creating the next-generation Heiwa Real Estate. We are fortunate that the efforts of our predecessors have given Heiwa Real Estate a stable financial base, but we need to consider our future operating environment and the new initiatives it will require.

### Key Strategies: The Nihonbashi Kabutocho and Kayabacho Revitalization Project

We plan to appropriately redevelop this district in two medium-scale stages rather than in a single redevelopment project. As the owner of the Tokyo Stock Exchange Building, our strength is in the relationships of trust we have established with the community, including local companies and governments, through 70 years in the business of leasing buildings in securities and financial districts.

I believe the relationships of trust that all of our employees have established with our customers have provided a solid base for our new initiatives. Heiwa Real Estate will be redeveloping

this district for 10 to 20 years, so I want the employees who are responsible for the Company's next generation to lead this project with a sense of ownership.

The development will provide functions that support the "Global Financial City: Tokyo" vision, including the dissemination of financial information, human resource development, and the promotion of dialogue and exchanges among investors and companies. Creating infrastructure for studying and teaching investment will support the growth of individuals, companies and society. Work on the first project began on May 2019. It was a significant first step for the Kabutocho district. Now under construction with opening scheduled for July 2021, the building is named KABUTO ONE to reflect the idea that Kabutocho was, is and will continue to be the starting point for the Japanese economy.

### Objective: Sustained Growth in Corporate Value

Given intensifying competition among the world's cities, we need to create value unique to Heiwa Real Estate and enhance our social presence as a facilitator of Japan's financial districts. While maintaining steady growth, we will continue to evolve by enhancing our development, proposal and planning capabilities in order to take on various new challenges. In addition, I would like Heiwa Real Estate to position itself to contribute significantly to revitalization as part of the "Global Financial City: Tokyo" vision and in other urban districts, and to be a company that contributes more than ever to revitalizing districts.

I hope you will share our enthusiasm as we take on the challenge of creating the next-generation Heiwa Real Estate. We are counting on your continued support.

**Hiroyuki Iwakuma**

Representative Director and President



# Kabutocho Is Set for Motion

The Nihonbashi Kabutocho and Kayabacho Revitalization Project

## Meiji Era (1870s)

### From a Banking to a Securities and Financial District

Japan's first modern bank, First National Bank (now Mizuho Bank) opened in Kabutocho in 1873. The Kabutocho district subsequently developed as a center of the Japanese economy with the establishment of a stock exchange, which then became the Tokyo Stock Exchange, and numerous companies.

## Taisho Era to about 1945

### Reconstruction after the Great Kanto Earthquake and World War II

Japan's securities markets resumed with the approval of the GHQ in 1949. As a securities district, Kabutocho became synonymous with the country's financial markets and economy due to the development of the Japanese economy and the boom in its securities markets.

## Recently

### Changes in Kabutocho

The trading floor of the Tokyo Stock Exchange, which had been active for many years, closed in 1999 due to factors including the introduction of electronic trading and the increase in Internet transactions. The Kabutocho district changed significantly as securities companies moved elsewhere.

## Currently

### Recreating the Classic Look and Feel of Kabutocho

We are implementing the Nihonbashi Kabutocho and Kayabacho Revitalization Project while preserving the district's history as the birthplace of Japan's financial markets. Aligned with the Tokyo Metropolitan Government's "Global Financial City: Tokyo" vision, we are creating a new Kabutocho as a district where people connect, and where investment and growth are born.

## The Nihonbashi Kabutocho and Kayabacho Revitalization Concept

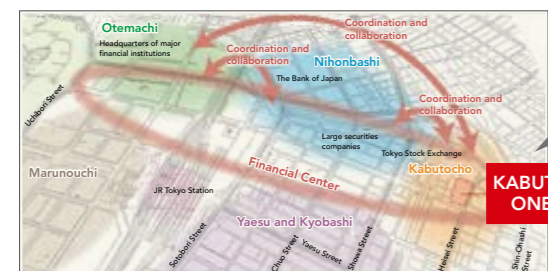
**A district where people connect, and where investment and growth are born**

Since the Meiji era, Kabutocho has been an entrepreneurial district for investment and securities, a district where innovation has been in step with the times, where investors have gathered and where a broad array of information has been exchanged. This historical background and other factors were the basis for our concept of a district where people connect, and where investment and growth are born. Our goal is revitalization that is unique to Kabutocho by harmonizing Kabutocho's potential with neighboring districts.

## The Role of Nihonbashi Kabutocho and Kayabacho in the "Global Financial City: Tokyo" Vision

The Nihonbashi Kabutocho and Kayabacho redevelopment proposal we presented to the relevant authorities is based on the three finance- and securities-related concepts outlined below. Our staged development plan will promote coordination and collaboration among Otemachi, which is headquarters to many major financial institutions, and Nihonbashi, the home of The Bank of Japan, as it works to add finance-related functions.

The plan looks to the future as a means to support the fulfillment of the "Global Financial City: Tokyo" vision in the district.



### Financial Function Development Concepts

Support for development of entrepreneurial financial start-ups focusing on asset management

The center for dialogue and exchange between investors and companies

Attracting highly skilled financial professionals mainly from abroad

## Construction Starts for KABUTO ONE



## KABUTO ONE

### Kabutocho Is Set for Motion

Kabutocho, a place of departure.

The heart of the Japanese economy is here – a status it held in the history already carved out, and one it will retain in the future yet to be written.

Now, a town and space are coming into being in this financial district that will bring people together, generating investment and growth that boost the Japanese economy.

KABUTO ONE will stir new life into the financial district.

Location	7, Nihonbashi Kabutocho, Chuo-ku, Tokyo
Access	Directly connected to Kayabacho Station on Tozai Line and Hibiya Line of Tokyo Metro
Main use	Office, shops, assembly hall, rental conference rooms and car parking
Floors	15 above ground, 2 below, 2-story penthouse
Construction	Steel construction above ground, SRC structure below, (partial steel construction), mid-story isolation structure
Site size	Approx. 3,345 m <sup>2</sup> (1,012 tsubo)

Note: The above data are subject to change.

Total floor space	Approximately 39,170 m <sup>2</sup> (Approximately 11,849 tsubo)
Operators	Heiwa Real Estate Co., Ltd., Yamatane Corporation, Chibagin Securities Co., Ltd.
Design supervision (design & facility)	Mitsubishi Jisho Sekkei Incorporated
Design supervision (structure)	Obayashi Corporation
Constructor	Obayashi Corporation
Scheduled opening	July 2021

### Kabutocho Is Set for Motion

On May 21, 2019, we held the groundbreaking ceremony for KABUTO ONE, the first project of the Nihonbashi Kabutocho and Kayabacho Revitalization Project. Now under construction with occupancy scheduled for July 2021, the building is named KABUTO ONE to reflect the idea that Kabutocho was, is and will continue to be the starting point for the Japanese economy.

**Kazuo Yamada**  
Director and Managing Executive Officer



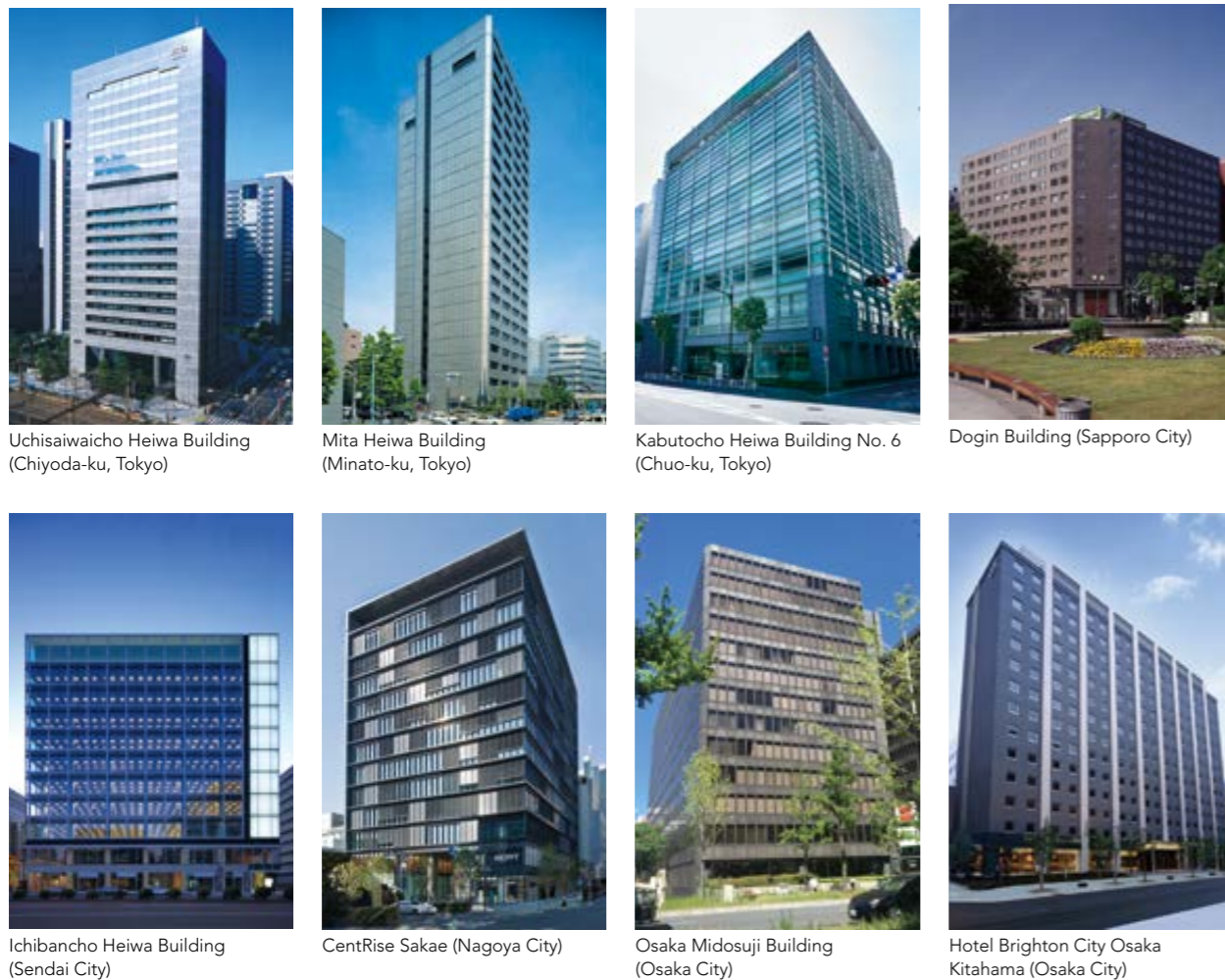
# Leasing Business

The Leasing Business focuses on stock exchange buildings and office buildings in Tokyo, Osaka, Nagoya, Fukuoka, Sapporo, Sendai and other major cities in Japan.

## Stock Exchange Buildings



## Office Buildings and Commercial Facilities



## FY 2018 Results

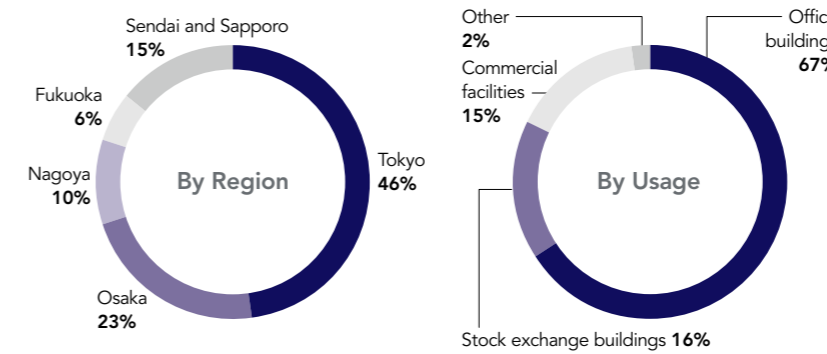
### Main Points

**Operating revenue** ¥20,311 million  
(4.7% YoY increase of ¥913 million)

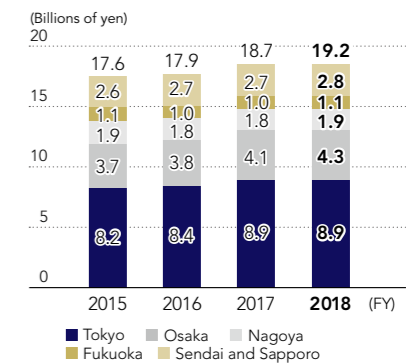
**Operating income** ¥7,158 million  
(5.4% YoY decrease of ¥408 million)

- Increase in revenue due to proceeds from the sale of buildings for lease and increase in rent levels of existing properties
- Record income from leasing business
- Decrease in operating revenue partly due to sale of Higashi Osaka Hanazono Shopping Center

### Operating Revenue from Building Leasing (¥19.2 billion) by Region and Usage (FY 2018)



### Operating Revenue from Building Leasing (excluding building sales)



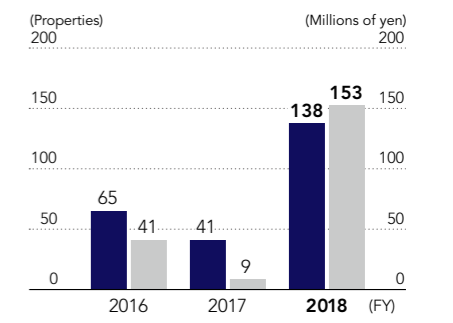
### Assets Acquired (FY 2018)

	Hotel Emisia Sapporo	Sakae Sun City Building
Location	Atsubetsu-ku, Sapporo City	Naka-ku, Nagoya City
Total floor space	45,746.04 m <sup>2</sup>	21,861.69 m <sup>2</sup>
Completed	April 1996	November 1991
Acquired	January 2019	March 2019

Note: Total floor space represents the portion belonging to Heiwa Real Estate.

### Internal Growth (FY 2018)

#### Progress of Rent Increases (No. of properties)<sup>1</sup> and Amount of Rent Increases (Fiscal year basis)<sup>2</sup>



■ Progress of Rent Increases (Left scale)  
■ Amount of Rent Increases (Right scale)

1. Net number of properties after subtracting total number of properties for which rent decreased from total number of properties for which rent increased  
2. Net amount of rent increases after subtracting total amount of rent decreases from total amount of rent increases

## Strategies for the Future

### Strengthening the Building Leasing Business

We will upgrade our portfolio mainly in the three central wards (ku) of Tokyo and near Company branches in other areas. We will also work for internal growth through rent increases and other measures. This will increase profitability and strengthen the earnings base that will support our redevelopment projects.

1. Renew the portfolio to improve asset quality.
2. Expand earnings by acquiring assets in the Leasing Business.
3. Structure an earnings base that will support redevelopment projects.

**Kiyoyuki Tsuchimoto**  
Representative Director and Managing Senior Executive Officer

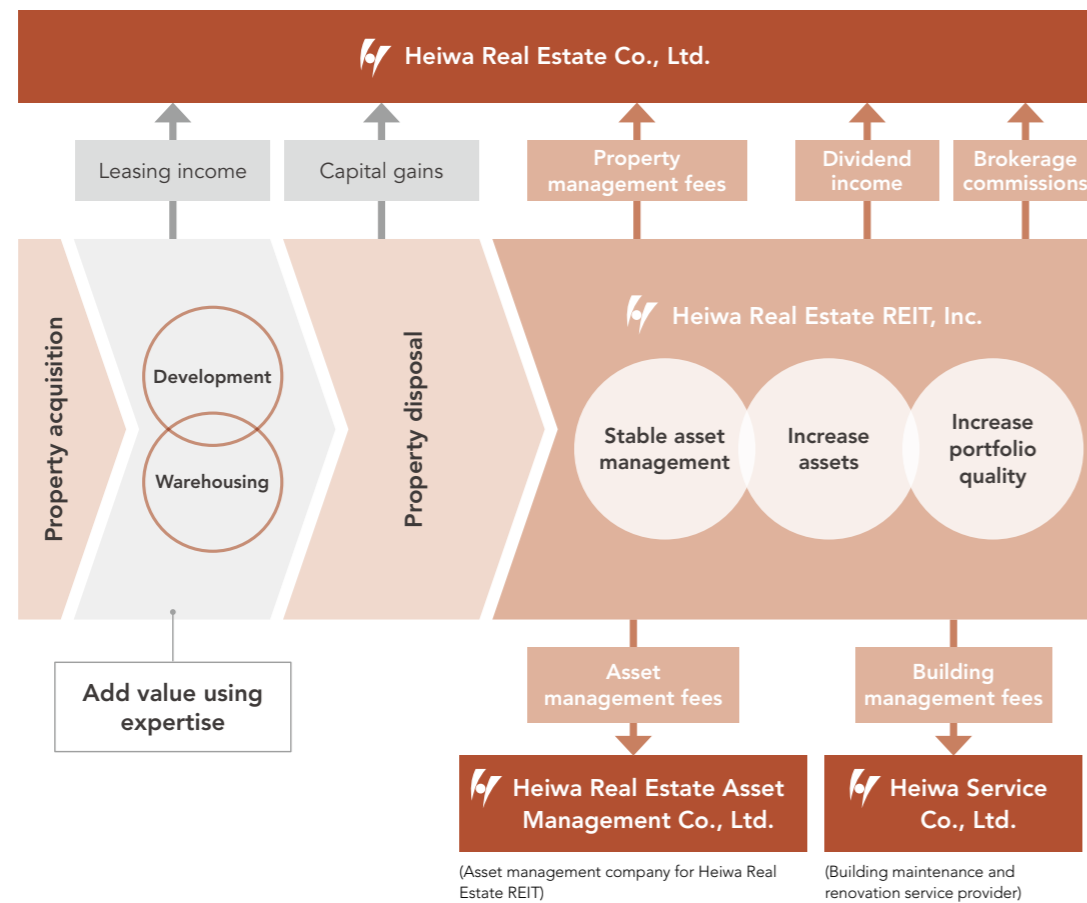


# Real Estate Solutions Business

The Real Estate Solutions Business generates earnings by developing office buildings, housing and other properties, and by acquiring, investing in, managing, and improving the value of real estate. It enhances the overall earnings power of the Heiwa Real Estate Group by collaborating with other Group companies such as Heiwa Real Estate Asset Management Co., Ltd., which manages the assets of Heiwa Real Estate REIT, Inc., and in other ways that include providing Heiwa Real Estate REIT with warehousing functions.

## Structuring a Value Chain with Heiwa Real Estate REIT

As the sponsor of Heiwa Real Estate REIT, the Company supports its growth, generating earnings in the process to strengthen the earning power of the entire Group. We will generate earnings in a value chain that links the various types of value available from real estate.



## Housing Development

We focus on developing carefully selected condominiums for lease for supply to REITs.



HF Shoukouji Akabane Residence (Kita-ku, Tokyo)

HF Shoukouji Akabane Residence II (tentative name) (Kita-ku, Tokyo)

Sumida-ku Yahiro PJ (Sumida-ku, Tokyo)

Kawaguchi Sakaecho PJ (Kawaguchi City, Saitama)

## FY 2018 Results

### Main Points

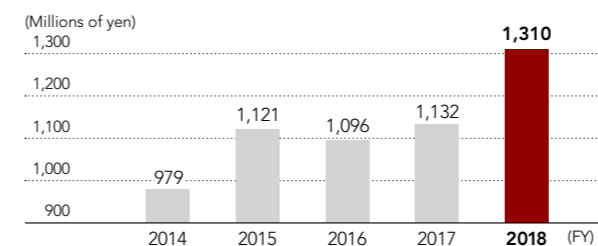
**Operating revenue** ¥17,493 million  
(49.4% YoY increase of ¥5,782 million)

**Operating income** ¥3,398 million  
(12.4% YoY increase of ¥376 million)

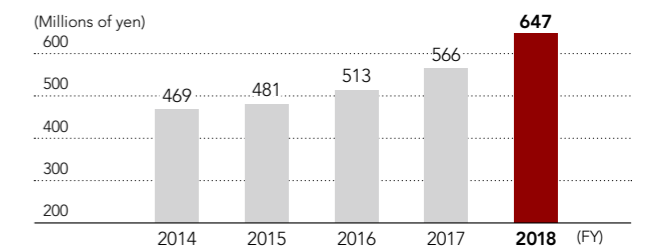
- Increase in operating revenue and income mainly due to an increase in the sale of inventory (part of Shinjuku Front Tower, Itopia Nihonbashi SA Building, and Shinjuku Fuji Building 2)
- Sale of Itopia Nihonbashi SA Building to Heiwa Real Estate REIT, Inc.
- Asset management fees of Heiwa Real Estate Asset Management remained stable

## Revenue Expansion from Supporting the Growth of Heiwa Real Estate REIT

### Asset Management Fee Income from Heiwa Real Estate REIT



### Dividend Income from Heiwa Real Estate REIT



## Inventories Sold

	Shinjuku Front Tower	Itopia Nihonbashi SA Building	Shinjuku Fuji Building 2
Location	Kita-Shinjuku, Shinjuku-ku	Nihonbashi Horidomecho, Chuo-ku	Nishi-Shinjuku, Shinjuku-ku
Total floor space	6,286.62 m <sup>2</sup>	1,944.41 m <sup>2</sup>	1,702.74 m <sup>2</sup>
Completed	May 2011	July 1995	August 1964
Acquired	September 2011	September 2017	July 2018
Sold	April 2018	August 2018	July 2018

Note: Total floor space represents the portion belonging to Heiwa Real Estate.

## Strategies for the Future

### Expansion and Diversification of the Real Estate Solutions Business

As the sponsor of Heiwa Real Estate REIT, we will steadily expand the fee business in ways such as increasing the scale and quality of assets under management. Another objective is to diversify revenue-generating opportunities through Real Estate Solutions Business operations such as selling income-generating properties after maximizing their value through development and renovation, and lease up.



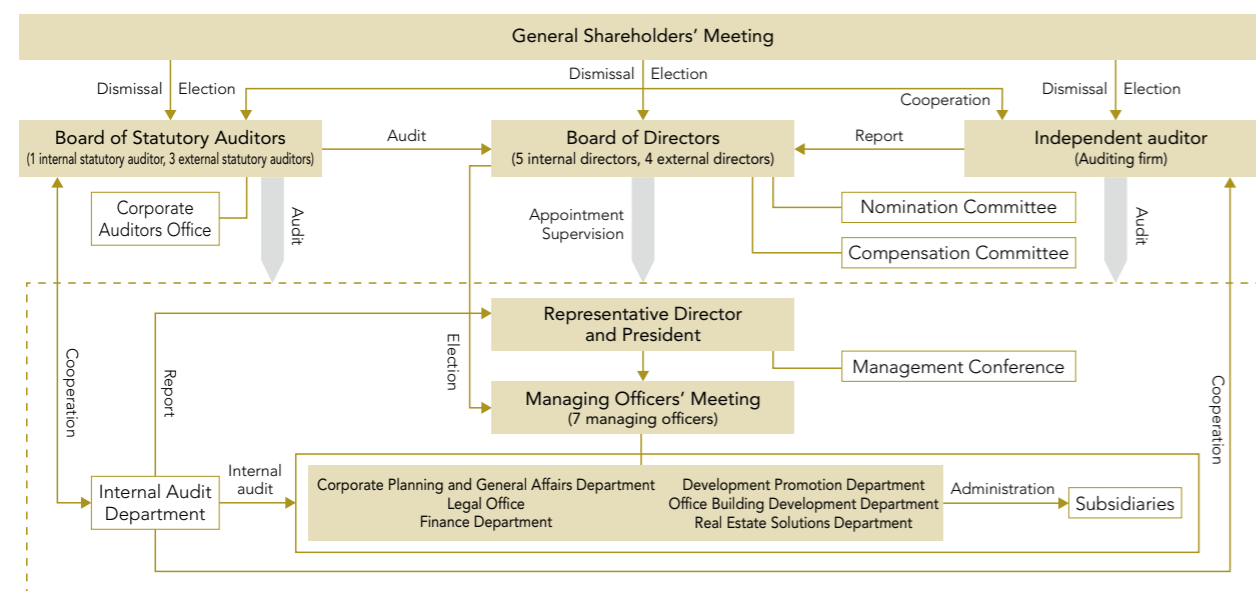
**Shinichi Hayashi**  
Director and  
Managing Officer

1. As the sponsor of Heiwa Real Estate REIT, we will expand the fee businesses to steadily increase earnings.
2. A goal of the Real Estate Solutions Business is to diversify earnings opportunities.

Basic Approach

Heiwa Real Estate considers the enhancement of corporate governance an important business issue. We strengthen Group corporate governance to earn the trust of shareholders and other stakeholders and to manage our businesses fairly and efficiently.

Corporate Governance System (As of June 26, 2019)



Board of Directors

- The main roles of the Board of Directors are to establish the Company's management philosophy and set strategic directions. In deciding management plans and strategies, the Board of Directors conducts sound discussions, and based on the direction of those discussions, it decides and supervises the execution of important matters.
- The board makes decisions on matters specified by laws and regulations and the Regulations of the Board of Directors' Meetings (development of medium- to long-term management plans, disposal of important assets, etc.). The execution of other business is delegated to directors serving as executive officers, or to executive officers.
- The board consists of nine directors, including four external directors, all of whom are independent external directors.

Compensation Committee

- Heiwa Real Estate has a discretionary Compensation Committee under the Board of Directors. It is chaired by an external director and consists of a majority of external directors to ensure the objectivity and transparency of director compensation.
- Director compensation consists of fixed base salary, bonuses and performance-linked stock compensation under a system that motivates directors to improve business performance, enhance corporate value over the medium to long term and share it with shareholders, and helps Heiwa Real Estate secure outstanding people.
- The committee determines the basic policy for director compensation, total amount of compensation, and compensation for individual directors. It also addresses inquiries from and presents opinions to the Board of Directors regarding matters pertaining to director compensation that the Board of Directors submits to the General Shareholders' Meeting.

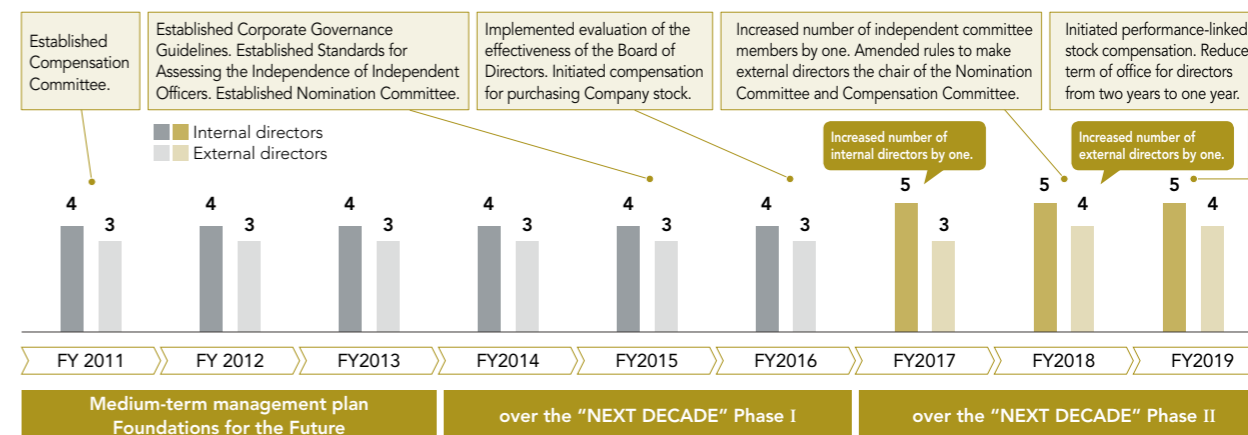
Nomination Committee

- Heiwa Real Estate has a discretionary Nomination Committee under the Board of Directors. It is chaired by an external director and consists of a majority of external directors to ensure the objectivity and transparency of personnel affairs associated with directors and statutory auditors.
- The committee selects director and statutory auditor candidates of good character with sufficient ability and discernment to properly perform the duties required of the respective positions. In addition, the Nomination Committee makes decisions regarding the dismissal of senior management in the event of material infringement of laws and regulations in the execution of duties. Based on the opinions of the Nomination Committee, the Board of Directors determines the specifics of the agenda for election or dismissal of the relevant individuals to be submitted to the General Shareholders' Meeting, subject to the consent of the Board of Statutory Auditors in the case of statutory auditor candidates.

Board of Statutory Auditors

- The Board of Statutory Auditors makes appropriate decisions from an independent and objective standpoint conscious of its fiduciary duties to shareholders in performing its roles and responsibilities, which include auditing the execution of duties by directors, selection and dismissal of the independent auditor and exercising its authority in matters pertaining to statutory auditor compensation.
- The board has formulated evaluation standards for and has appropriately selected its independent auditor by testing and confirming its level of independence and expertise.
- The board consists of four statutory auditors, two of whom are full-time statutory auditors and three of whom are external statutory auditors.

Initiatives to Strengthen Corporate Governance



Reasons for Selection of External Directors and Meeting Attendance

Name	Independent officer	Reasons for selection	Attendance at Board of Directors' Meetings (FY 2018)
Motoya Aizawa	○	Mr. Aizawa has served as the president and CEO of a securities company and has experience as a corporate manager. Based on his deep knowledge of securities and finance, and his experience in corporate management, the Company determined that he could play an appropriate role in strengthening the supervisory function of the Board of Directors from an independent and objective standpoint and contribute to management as a director.	12 of 12 meetings (100%)
Kunitaro Saida	○	Following a career as a superintendent public prosecutor in the respective High Public Prosecutors Offices of Takamatsu, Hiroshima, and Osaka, Mr. Saida engaged in corporate legal affairs as an attorney. Based on his expert knowledge and experience in the legal profession, the Company determined that he could play an appropriate role in strengthening the supervisory function of the Board of Directors from an independent and objective standpoint and contribute to management as a director.	12 of 12 meetings (100%)
Kiichiro Masui	○	Based on his position as Chairman of the Board of The Japan Securities Research Institute and his specialized knowledge and experience in the financial and securities markets, the Company determined that he could play an appropriate role in strengthening the supervisory function of the Board of Directors from an independent and objective standpoint, and also expects him to help improve the corporate value of the Company.	12 of 12 meetings (100%)
Junji Ota	○	Mr. Ota has served as a director of Nippon Steel Corporation, and has a track record as a corporate manager. Based on his deep knowledge of and experience in corporate management, the Company determined that he could play an appropriate role in strengthening the supervisory function of the Board of Directors from an independent and objective standpoint and contribute to management as a director.	9 of 9 meetings* (100%)

\* Mr. Ota's record of attendance at Board of Directors meetings commenced with his appointment as director in June 2018.

Introduction of Performance-linked Stock Compensation Plan for Directors and Executive Officers

As per a resolution of the 99th Ordinary General Shareholders' Meeting held on June 26, 2019, the Company decided to introduce a performance-linked stock compensation plan for directors (excluding external directors and non-residents of Japan) and executive officers (excluding non-residents of Japan) and established a trust to provide up to 75,000 shares and ¥150 million over three fiscal years. The aim of this plan is to clearly link the compensation of directors and executive officers with the Company's performance and share price, and to motivate them to work toward improving the Company's performance over the medium to long term and increase corporate value, while placing them in the same position as other shareholders with respect to the benefits of share price increases and the risk of share price decreases.

Composition of Director and Executive Officer Compensation

Fixed compensation	Base salary
Short-term incentive	Bonuses
Medium- to long-term incentive	Performance-linked stock compensation

Method for Calculating Performance-linked Stock Compensation

Points are awarded each fiscal year according to factors including management rank and performance, based on the Company's Stock Compensation Rules. The Company will provide shares equivalent to the number of points and monetary compensation corresponding to the Company's market capitalization.

(Point conversion formula)

$$\text{Points awarded} = \text{Fixed portion management rank points}^1 + \text{Performance-linked portion management rank points}^1 \times \text{Performance-linked coefficient}^2 + \text{Performance-linked portion management rank points}^2 \times \text{Performance-linked coefficient}^2$$

- Fixed portion management rank points and performance-linked portion management rank points are calculated by dividing the standard amount of stock compensation per management rank by the average cost of acquiring the Company's shares by the trust.
- The performance-linked coefficient ranges from 0% to 150% depending on the rate of achievement of targets for consolidated operating income and growth in total shareholder return in each fiscal year.



## Directors

### 1 Hiroyuki Iwakuma

Representative Director and President, Chief Executive Officer  
In charge of Development Promotion Department

Apr. 1976 Joined Tokyo Stock Exchange, Inc. (TSE)  
Nov. 2001 General Manager of Finance Department of TSE  
Jun. 2003 General Manager of Information Services Department of TSE  
Jun. 2004 Executive Officer of TSE  
Jun. 2007 Senior Executive Officer of TSE  
Aug. 2007 Senior Executive Officer of Tokyo Stock Exchange Group, Inc. (TSE Group)  
Jun. 2009 Executive Vice President & COO of TSE Group  
Senior Managing Director & COO of TSE  
Jan. 2013 President & CEO of TSE  
Jun. 2013 Representative Director and President of Heiwa Real Estate Co., Ltd. (the Company)  
(current position)  
Chief Executive Officer of the Company (current position)  
General Manager of Leasing Headquarters of the Company  
Jun. 2014 In charge of Business Planning Department of the Company  
May 2015 In charge of Development Planning Department of the Company  
Jun. 2018 In charge of Development Promotion Department of the Company (current position)

### 3 Kazuo Yamada

Director and Managing Executive Officer  
In charge of Development Promotion Department (Development)

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 (current position), Managing Executive Officer (current position), and 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 of the Company (Development)  
Jun. 2018 In charge of Development Promotion Department (Development) of the Company (current position)

### 2 Kiyoyuki Tsuchimoto

Representative Director and Managing Senior Executive Officer  
In charge of Office Building Development Department

Apr. 1982 Joined Tokyo Stock Exchange, Inc. (TSE)  
Jun. 2004 Director of Listing Department of TSE  
Jun. 2007 Executive Officer of TSE  
Oct. 2007 Standing Governor of Tokyo Stock Exchange Regulation  
(currently Japan Exchange Regulation)  
Apr. 2011 Senior Executive Officer of 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)  
Managing Senior Executive Officer of the Company (current position)  
In charge of Real Estate Marketing Department of the Company  
Jun. 2018 In charge of Office Building Development Department of the Company  
(current position)  
May 2019 Representative Director of the Company (current position)  
Acting President of the Company (current position)

### 4 Norio Iwasaki

Director and Managing Executive Officer  
In charge of Corporate Planning and General Affairs Department (General Affairs), Finance Department and Legal Office

Apr. 1981 Joined Tokyo Stock Exchange, Inc. (TSE)  
Jun. 2004 Director of General Administration Department of TSE  
Jun. 2007 Director of Finance Department of TSE  
Aug. 2007 General Manager of Finance Department of Tokyo Stock Exchange Group, Inc. (TSE Group)  
Jun. 2009 Executive Officer of TSE Group  
Jan. 2013 Executive Officer of Japan Exchange Group, Inc.  
Jun. 2013 Executive Officer of TSE  
Jun. 2014 Managing Executive Officer of Heiwa Real Estate Co., Ltd. (the Company) (current position)  
In charge of Finance Department of the Company (current position)  
Nov. 2014 In charge of Corporate Planning and General Affairs Department (General Affairs) of the Company (current position)  
Jan. 2015 In charge of Legal Office of the Company (current position)  
Jun. 2015 Director of the Company (current position)

### 5 Shinichi Hayashi

Director and Managing Officer  
In charge of Real Estate Solutions Department

Apr. 1984 Joined Heiwa Real Estate Co., Ltd. (the Company)  
Apr. 2007 Manager of Nagoya Branch of the Company  
Jun. 2010 General Manager, Group Leader of Building Sales Group, Leasing Headquarters of the Company  
Jun. 2011 General Manager, Group Leader of Building Sales Group, Leasing Headquarters of the Company  
Jun. 2012 Managing Officer (current position) in charge of the Redevelopment of the Nihonbashi Kabutocho District, and Group Leader of Building Sales Group, Leasing Headquarters of the Company  
Jun. 2013 In charge of the Headquarters of Redevelopment of the Nihonbashi Kabutocho District  
Marketing Department of the Company  
May 2015 General Manager of Real Estate Marketing Department and in charge of Real Estate Marketing Department of the Company  
Jun. 2015 In charge of Property Management Department of the Company  
Jul. 2016 Manager of Sapporo Branch of the Company  
Jun. 2017 Director of the Company (current position)  
In charge of Real Estate Solutions Department of the Company (current position)

### 7 Kunitaro Saida

External Director

Apr. 1969 Appointed public prosecutor  
Nov. 2001 Chief public prosecutor of Tokyo District Public Prosecutors Office  
Feb. 2003 Superintendent public prosecutor of Takamatsu High Public Prosecutors Office  
Jun. 2004 Superintendent public prosecutor of Hiroshima High Public Prosecutors Office  
Aug. 2005 Superintendent public prosecutor of Osaka High Public Prosecutors Office  
May 2006 Retired from office, then registered and commenced practice as attorney (current position)  
Jun. 2007 Outside Auditor of Nichirei Corporation  
Jun. 2008 Outside Director of Sumitomo Osaka Cement Co., Ltd. (current position)  
Jun. 2010 External Director of Heiwa Real Estate Co., Ltd. (current position)  
Mar. 2014 Outside Director of Canon Inc. (current position)

### 9 Junji Ota

External Director

Apr. 1971 Joined Nippon Steel Corporation  
Jun. 2001 Director, General Manager of Department of Affiliated Companies, Nippon Steel Corporation  
Apr. 2003 Director, General Manager of Corporate Planning Department, Nippon Steel Corporation  
Apr. 2005 Managing Director, Member of the Board of Nippon Steel Corporation  
Jun. 2008 Senior Auditor of Nippon Steel Corporation  
May 2011 Chairman of Japan Audit & Supervisory Board Member Association  
Jun. 2012 Advisor (full-time) of Nippon Steel Corporation  
External Statutory Auditor of Nippon Steel Engineering Co., Ltd.  
External Auditor of Enterprise Turnaround Initiative Corporation of Japan (currently Regional Economy Vitalization Corporation of Japan)  
Jul. 2014 Advisor of Nippon Steel Corporation  
Nov. 2014 Supreme Advisor of Japan Audit & Supervisory Board Members Association  
Jul. 2016 Public Governor, Chair of Self-regulation Board & Vice-Chairman of Japan Securities Dealers Association (current position)  
Jun. 2018 External Director of Heiwa Real Estate Co., Ltd. (current position)  
Outside Director of Toshiba Corporation (current position)

## Auditors

### 10 Naoto Kato

Statutory Auditor (Full-time)

Apr. 1979 Joined Heiwa Real Estate Co., Ltd. (the Company)  
Dec. 1987 Finance Department of the Company  
Apr. 1997 Osaka Branch of the Company  
Jul. 2001 Fukuoka Branch of the Company  
Jul. 2002 General Affairs Department of the Company  
Jun. 2010 General Manager of General Affairs Headquarters, and Group Leader of General Affairs of the Company  
Jun. 2014 General Manager of Corporate Planning and General Affairs Department of the Company  
Jun. 2015 Statutory Auditor of the Company (current position)

### 12 Chikami Tsubaki

External Statutory Auditor

Apr. 1970 Joined Ebara - Inflico Co., Ltd. (currently Ebara Corporation)  
May 1975 Joined Asahi & Co. (currently KPMG AZSA LLC)  
Mar. 1979 Registered and commenced practice as Certified Public Accountant (current position)  
Jul. 1999 Representative Partner of Asahi & Co.  
Jul. 2004 Executive Board Member of the Japanese Institute of Certified Public Accountants  
Jun. 2013 Outside Audit & Supervisory Board Member of NKSJ Holdings Inc. (currently Somp Holdings, Inc.)  
Jun. 2014 External Statutory Auditor of Heiwa Real Estate Co., Ltd. (current position)  
Jun. 2016 Outside Director of Seiko Epson Corporation (Audit & Supervisory Committee Member) (current position)

### 6 Motoya Aizawa

External Director

Apr. 1965 Joined Nippon Kangyo Securities Co., Ltd. (currently Mizuho Securities Co., Ltd.)  
Nov. 1973 Managing Director of Aizawa Securities Co., Ltd.  
Dec. 1979 President and CEO of Aizawa Securities Co., Ltd.  
Jun. 1998 Chairman of Aizawa Securities Co., Ltd.  
Jun. 2008 Chairman and President of Aizawa Securities Co., Ltd.  
Jun. 2010 External Director of Heiwa Real Estate Co., Ltd. (current position)  
Jun. 2011 President and CEO of Aizawa Securities Co., Ltd.  
Jul. 2018 Chairman of Aizawa Securities Co., Ltd.  
Oct. 2018 Chairman and CEO of Aizawa Securities Co., Ltd.  
Jun. 2019 Senior Advisor of Aizawa Securities Co., Ltd. (current position)

### 8 Kiichiro Masui

External Director

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 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 (current position)  
Jun. 2016 Outside Director of Japan Credit Rating Agency, Ltd. (current position)  
Jun. 2017 External Director of Heiwa Real Estate Co., Ltd. (current position)

### 11 Masayuki Hirose

External Statutory Auditor (Full-time)

Apr. 1979 Joined Tokyo Stock Exchange, Inc. (TSE)  
Jun. 2003 Director of Examination Department of TSE  
Jun. 2004 Director of Information System Department of TSE  
Apr. 2006 Director of IT Planning Department of TSE  
Jun. 2006 Director of IT Planning Department and Director of Trading Systems, Development Operations Department of TSE  
Aug. 2007 General Manager of IT Planning Department of Tokyo Stock Exchange Group, Inc. (TSE Group)  
Director of Trading Systems, IT Development Department of TSE  
Jan. 2009 Director of Tdex + System, IT Development Department and Director of IT Management Office of TSE  
Jun. 2009 Director of TSE Group  
Statutory Auditor of TSE  
Jan. 2013 Director of Japan Exchange Group, Inc. (Audit Committee member)  
Nov. 2014 Chairperson of Japan Audit & Supervisory Board Members Association  
Jun. 2017 External Statutory Auditor of Heiwa Real Estate Co., Ltd. (current position)

### 13 Jun Sekine

External Statutory Auditor

Apr. 1978 Joined The Bank of Japan (BOJ)  
May 2001 General Manager of Matsumoto Branch, BOJ  
Jul. 2003 General Manager of Hiroshima Branch, BOJ  
Jan. 2006 Director-General of Personnel and Corporate Affairs Department, BOJ  
Mar. 2007 Director-General of Research and Statistics Department, BOJ  
May 2008 Joined Okasan Securities Co., Ltd.  
Jun. 2008 Director of Okasan Securities Co., Ltd.  
Apr. 2017 Executive Officer of Okasan Securities Group Inc.  
Jun. 2017 Managing Executive Officer of Okasan Securities Co., Ltd.  
Jun. 2018 External Statutory Auditor of Heiwa Real Estate Co., Ltd. (current position)  
Outside Director of Shinhan Bank Japan (current position)

## CSR Vision

As a company that contributes to revitalizing areas, the Heiwa Real Estate Group continuously offers value to people throughout society by helping communities resolve issues and by enhancing the satisfaction of its stakeholders through its business activities.

## 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.



## Initiatives for Tenants

### Improving Quality and Service



Heiwa Real Estate conducts a customer satisfaction survey of all tenants of its office buildings and works to maintain, improve and standardize quality in every aspect of the management and operation of its office buildings. We also organize tenant gatherings to help them develop their businesses.

### Maintaining Building Safety and Security



Heiwa Real Estate has assessed the earthquake resistance of all its buildings and has seismically reinforced buildings as needed. To mitigate impact in the event of a disaster, we also hold disaster preparation and crime prevention drills for tenant companies, and engage in business continuity planning.



## Initiatives for Employees

### Work-Life Balance



Heiwa Real Estate maintains a workplace environment in which each member's job is fulfilling and rewarding. The Group also has planned leave-related programs and strives to reduce overtime work. In addition, we promote employee health and encourage vibrant communication among employees by maintaining lounges that employees can use according to their work style and by supporting after-work activities.

### Employee Training



We have a short-term overseas training program to improve foreign language ability and acquire skill in communicating with non-Japanese. We have also set up a system for allowing employees to attend classes at Keio University's campus in the Marunouchi district of Tokyo to develop our next generation of human resources, and have a program to help employees acquire official qualifications.



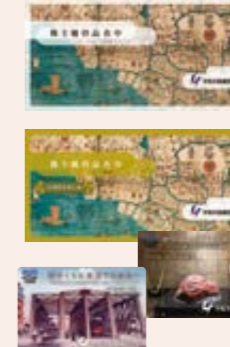
## Initiatives for Shareholders and Investors

### Briefing Sessions for Institutional and Individual Investors



We hold briefing sessions primarily for 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.

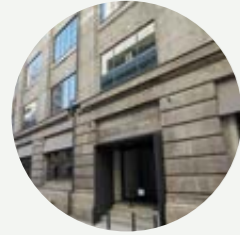
### Dividend Policy and Shareholder Bonus Program



We distribute dividends to our shareholders twice a year, an interim dividend and a year-end dividend, to provide appropriate shareholder returns. In addition, we have a shareholder special benefits program to thank our shareholders for their day-to-day support. Under this program, every year we give an original QUO card worth ¥1,000 to shareholders with 100 or more shares. We have also introduced a reward program for long-term shareholders.

**Environmental Initiatives**

**Reducing Environmental Impact and Resource Policies**



The Group considers the environment and the creation of attractive cityscapes when constructing and renovating buildings. We also help to reduce the life-cycle cost of buildings through long-term use while revitalizing communities by preserving historical value and adding appeal to neighborhoods.

**Initiatives to Reduce Environmental Impact at KABUTO ONE**



- We aim to create a workplace with low environmental impact while reducing CO<sub>2</sub> emissions through the use of low-e glass that excels at reducing heat loading for building exteriors, and the installation of LED light fixtures with automatic light control sensors and highly efficient equipment.
- We aim to make pedestrian areas more pleasant by adding greenery to walls and streets.

**DBJ Green Building Certification\***



The Tokyo Stock Exchange Building, Osaka Securities Exchange Building and Nisshokan Building received Gold DBJ Green Building Certification in FY 2018.

\* Certification system established by Development Bank of Japan (DBJ) to support green building real estate with consideration for the environment and society. A program for identifying and certifying "green buildings" in response to the needs of today's real estate market. The evaluation is comprehensive, taking into account not only the property's environmental performance but also the degree to which the societal needs of various stakeholders surrounding the property are considered.



**Community Initiatives**

**Contributing to Communities**

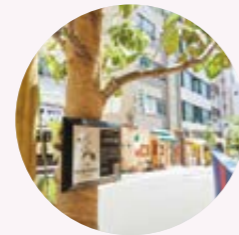
Participation in the Sanno Festival



Neighborhood cleanup events



Donation of trees to Chuo-ku for lining streets in Nihonbashi Kayabacho



Exhibition of the Red Stone from Sado in connection with Old Eiichi Shibusawa



**Community Networking**



**Café Salvador Business Salon**

Created as a venue for sharing news about the development of the Nihonbashi Kabutocho and Kayabashi areas, Café Salvador also brings energy and prosperity to the community.



**Kabuto Live!**

Kabuto Live! (URL: <https://kabuto-live.com/>) is the community website we operate for Nihonbashi Kabutocho and Kayabacho. Through it, we help vitalize the community by providing information on the culture of the Nihonbashi Kabutocho and Kayabacho financial district, neighborhood events and other topics.

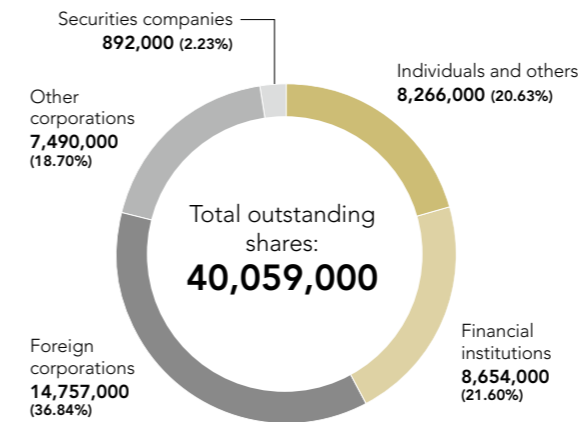
**Corporate Profile**

**Company name:** Heiwa Real Estate Co., Ltd.  
**Date of establishment:** July 1947  
**Head office:** 1-10, Nihonbashi Kabutocho, Chuo-ku, Tokyo 103-8222, Japan  
**Branches:** Osaka Branch, Nagoya Branch, Fukuoka Branch, Sapporo Branch  
**Representative:** Hiroyuki Iwakuma, Representative Director and President  
**Capital:** ¥21,492 million  
**Number of employees (consolidated):** 236

**Status of Shares**

Total authorized shares: 110,000,000  
 Total outstanding shares: 38,859,996 (As of June 26, 2019)  
 Number of shareholders: 19,207

**Distribution of Shares by Shareholder Category**



**Corporate Website**

**Home Page**

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



**Branch Locations**

**Osaka Branch** 5-5, Kitahama 1-chome, Chuo-ku, Osaka 541-0041, Japan  
**Nagoya Branch** 8-21, Sakae 3-chome, Naka-ku, Nagoya 460-0008, Japan  
**Fukuoka Branch** 14-2, Tenjin 2-chome, Chuo-ku, Fukuoka 810-0001, Japan  
**Sapporo Branch** 1, Odori-nishi 4-chome, Chuo-ku, Sapporo 060-0042, Japan

**Group Companies**

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

**Major Shareholders (Top 10)**

Name	Number of shares (Thousands)	Percentage of total equity (%)*
Mitsubishi Estate Co., Ltd.	4,274	11.05
JP MORGAN CHASE BANK 385632	2,066	5.34
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,799	4.65
Japan Trustee Services Bank, Ltd. (Trust Account)	1,672	4.32
BNYM AS AGT/CLTS 10 PERCENT	1,210	3.13
DFA International Small Cap Value Portfolio	950	2.46
Japan Trustee Services Bank, Ltd. (Trust Account 5)	730	1.89
Government of Norway	660	1.71
Japan Trustee Services Bank, Ltd. (Trust Account 9)	583	1.51
JP MORGAN CHASE BANK 385151	562	1.45

\* Percentage of total equity was calculated after deducting the number of shares held by the Company as treasury stock (1,378,119) from total outstanding shares.

**IR Information Section**

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

