

HEIWA REAL ESTATE CO., LTD.

CORPORATE  
REPORT

2020



Creating World-Class  
Neighborhoods

 **HEIWA REAL ESTATE CO.,LTD.**

Heiwa Real Estate Co., Ltd.

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# CREATING WORLD-CLASS NEIGHBORHOODS

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### Editorial Policy

We publish this *Corporate Report* to communicate our annual results and our initiatives aimed at medium- to long-term enhancement of corporate value. We hope that it will serve as the starting point for further dialogue with shareholders, investors and other stakeholders.

It has been compiled with reference to the *International Integrated Reporting Framework*, published by the International Integrated Reporting Council (IIRC). Important items are graphically represented, with the aim of making the report simple and easy to understand. Additional financial information beyond the scope of this report, as well as our corporate governance information, are available on our corporate website.

### 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.

Since its founding, the Heiwa Real Estate Group has been based in Nihonbashi Kabutocho and Kayabacho, allowing returning the district to it to inherit the district's unique character while creating new value.

Instead of simply returning the district to the level of prosperity it enjoyed in earlier days, the Group has been transforming the district to suit the many people who work, live and visit there now. In our redevelopment work, we give importance to making use of and developing the district's uniqueness.

By leveraging and building on the characteristics of this area, we will reach for new heights as "a company that contributes to revitalizing districts."



## 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 play a central role in Japan's financial markets.

Nihonbashi Kabutocho and Kayabacho, where the Company was founded, have developed as the home of the securities industry. As the social environment changed with the development of information and communications, these districts have likewise witnessed significant change, including the closure of the trading floor and relocations of securities firms.

Instead of simply returning the district to the level of prosperity it enjoyed in earlier days, the Group

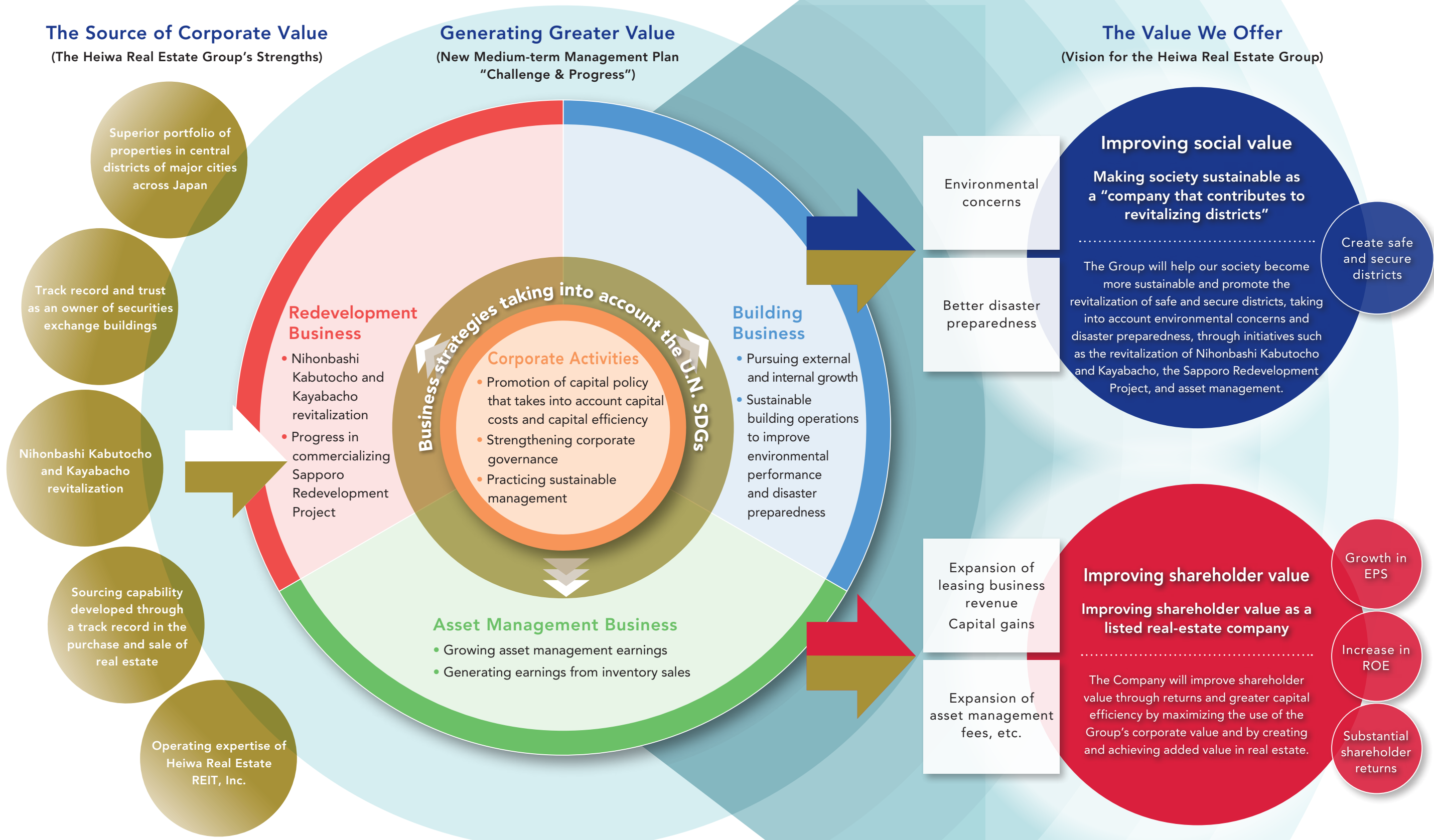
has been transforming the district to suit the many people who work, live and visit there now.

While harnessing the area's character and history as a securities trading hub and a financial and investment center, we seek to bring new energy and visitors back to the community, and develop new functions and culture. In doing so, we will reach for new heights as "a company that contributes to revitalizing districts."



## Value Creation Model

As “a company that contributes to revitalizing districts,” we strive to help society become more sustainable while also improving corporate value, by increasing satisfaction through dialogue with stakeholders and by providing solutions to environmental and social issues.





## The Source of Corporate Value

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. Furthermore, we hold a superior portfolio of properties in central districts of major cities across Japan. Through these properties, we support Japan's financial infrastructure, enabling us to establish relationships of trust with various stakeholders and obtain their cooperation. This led to the successful launch of the first project of the Nihonbashi Kabutocho and Kayabacho Revitalization Project.

Our experience and track record in revitalizing the Nihonbashi Kabutocho and Kayabacho districts has enabled us to position ourselves to make significant contributions in the Sapporo Redevelopment Project and to further fulfill our role as "a company that contributes to revitalizing districts."

## Track Record and Trust as an Owner of Securities Exchange Buildings



Tokyo Stock Exchange Building (Chuo-ku, Tokyo)



Osaka Securities Exchange Building (Osaka City)

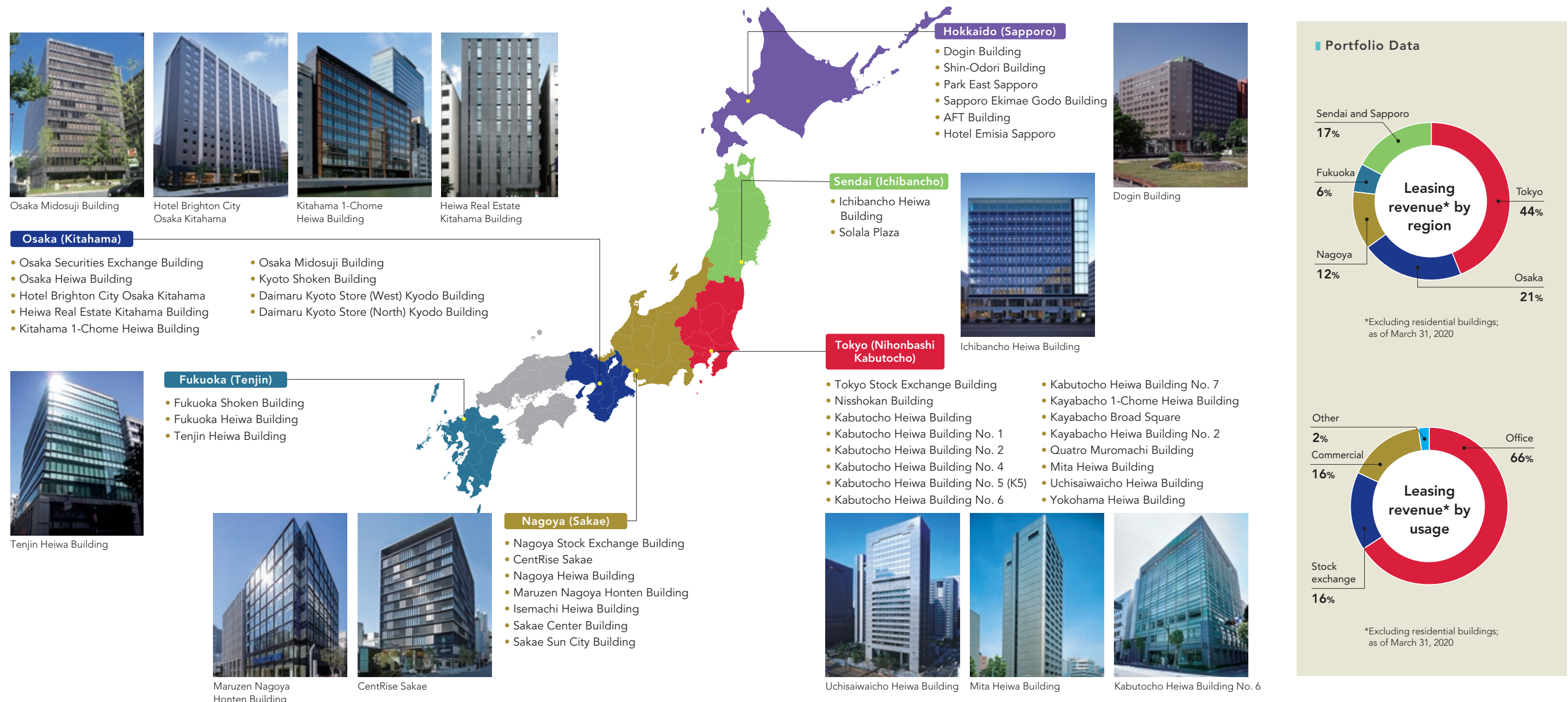


Nagoya Stock Exchange Building (Nagoya City)



Fukuoka Shoken Building (Fukuoka City)

## Superior Portfolio in Central Districts of Major Cities across Japan





## Reaching New Heights as “a Company That Contributes to Revitalizing Districts,” Heiwa Real Estate Is Promoting Its Uniqueness as a Real Estate Developer

Kiyoyuki Tsuchimoto Representative Director and President

### ■ Heiwa Real Estate’s Role

Heiwa Real Estate Co., Ltd. was founded in 1947 as the owner of buildings for stock exchanges in Tokyo, Osaka, Nagoya and elsewhere. They play a central role in Japan’s financial markets. Since then, we have been responsible for providing infrastructural support for the securities market while expanding our business operations on the foundation of trust we have built as Japan’s only real estate company with stock exchange buildings in its portfolio. 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 lead affluent lives. In other words, our role is to raise the quality of urban infrastructure and community services.

### ■ Increasing Our Presence as a Real Estate Developer

In FY 2014, the Group formulated the 10-year Medium- to Long-term Management Plan “Over the NEXT DECADE” (hereinafter referred to as the “previous medium- to long-term management plan”) and has been working to become “a company that contributes to revitalizing districts” by revitalizing the Nihonbashi Kabutocho and Kayabacho areas, where the Company was founded. When formulating the previous medium- to long-term management plan, we set out to establish our presence as a real estate developer in 10 years—a very challenging goal for us at that time. With the start of construction of KABUTO ONE, however, our efforts have become clearly visible. In addition, backed by real estate market conditions, our employees have faithfully fulfilled their respective duties, achieving the plan’s FY 2023 target for consolidated operating income of over ¥10 billion in FY 2019,

four years ahead of schedule. At the same time, we achieved record highs for every level of profit. Through our efforts over the past six years, I believe we have achieved the two goals of increasing our presence as a real estate developer and improving business performance ahead of schedule.

Against this background, the Heiwa Real Estate Group is determined to take on even more challenges with the aim of reaching new heights as a real estate developer, and has formulated a new medium-term management plan, “Challenge & Progress,” for the four years beginning FY 2020.

### ■ A Business Strategy for Reaching New Heights

In “Challenge & Progress,” we will contribute to resolving social issues by focusing on three businesses—the Redevelopment Business, the Building Business, and the Asset Management Business—and reach new heights as “a company that contributes to revitalizing districts.”

### ■ Qualitative and Quantitative Expansion of the Redevelopment Business

First, in the Redevelopment Business we intend to improve the quality and speed of development in order to further expand qualitatively and quantitatively. The first project in the revitalization of the Nihonbashi Kabutocho and Kayabacho areas, KABUTO ONE, will open in 2021, making our redevelopment efforts clearly visible. We will continue to expedite work on projects after KABUTO ONE. Moreover, we will not only conduct scrap and built—i.e., develop new buildings after demolishing old ones—but will also renovate existing high-quality buildings and continue to make best use of them. In fact, I believe this is in line with the direction that modern society calls for. Based on the idea that the continued use of a good building can provide value over a lifespan of not just 50 but even as much as 100 years, we believe it is essential to conduct redevelopment with a balance between new development and renovation of existing stock.





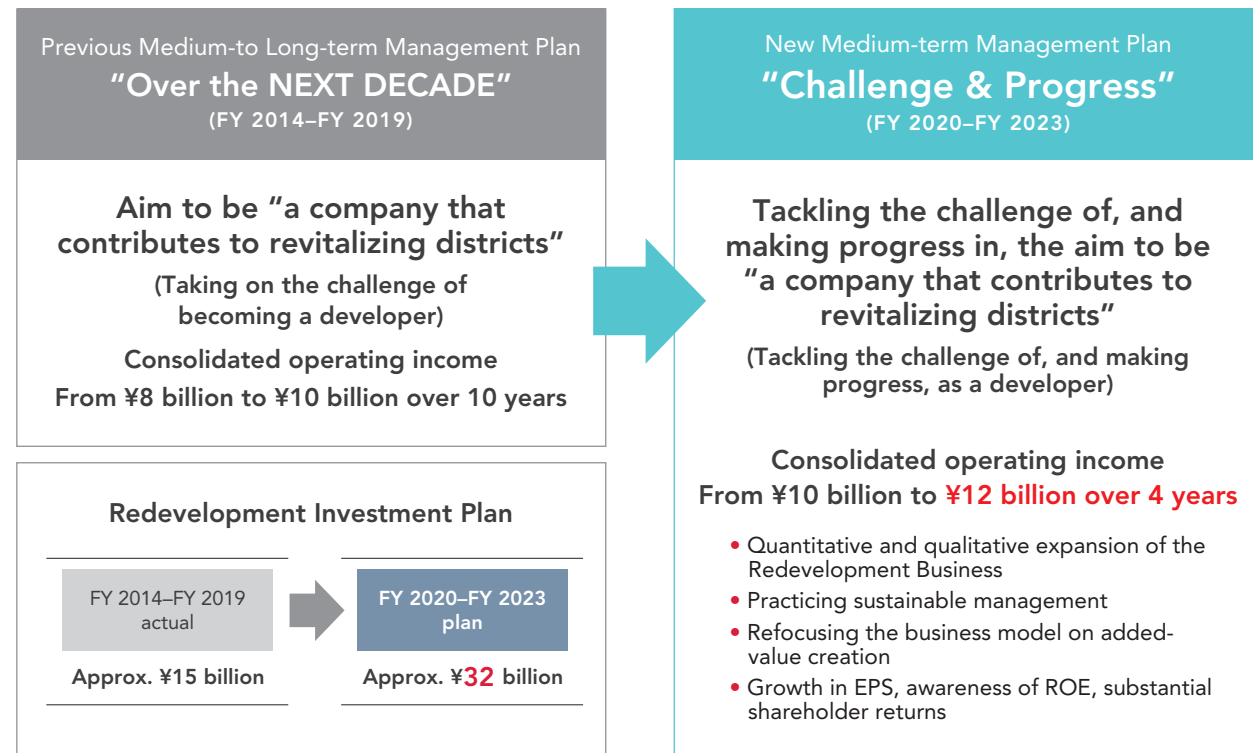
## New Medium-term Management Plan

In the previous medium- to long-term management plan, under which our vision was to become “a company that contributes to revitalizing districts,” we set a target of achieving consolidated operating income of ¥10 billion by FY 2023. We achieved that target in FY 2019, four years ahead of schedule.

### Review of Previous Medium- to Long-term Management Plan

Under the “Over the NEXT DECADE” Medium- to Long-term Management Plan formulated in 2014, the Group achieved excellent outcomes in terms of both internal and external growth, as well as the successful launch of KABUTO ONE, the first project in the Nihonbashi Kabutocho and Kayabacho Revitalization Project. In addition, the plan set a numerical target of around ¥10 billion in consolidated operating income by FY 2023. In FY 2019, the Group surpassed this target, four years ahead of schedule, and reported record earnings.

### Positioning of the New Medium-term Management Plan



### Tackling New Challenges in Response to the External Environment and Social Needs

The business climate in which the Group is operating has changed significantly. There is now greater need to manage risk from natural disasters, further develop corporate governance and meet increased awareness of environmental, social and governance (ESG) issues and the United Nations’ Sustainable Development Goals (SDGs). The Group also needs to pay close attention to the impact that the COVID-19 pandemic is having on real estate market conditions and domestic and overseas economies.

Against this backdrop, the Group formulated a new management plan for the period from FY 2020 to FY 2023. In addition to responding to the aforementioned changes in the external environment, the new plan broadens and further advances the business strategies of the previous medium- to long-term management plan.

During the new medium-term management plan, we will continue working to meet the challenge of, and make progress in, becoming “a company that contributes to revitalizing districts.” We will also work to help society better address the issue of sustainability, while refocusing our business model on the creation of added value through external and internal growth, the commercialization of the Sapporo Redevelopment Project, and the revitalization of Nihonbashi Kabutocho and Kayabacho. In doing so, we will further enhance corporate value.

We have established a new medium-term management plan beginning FY 2020, and aim to respond to our constantly changing social environment and further develop our business.

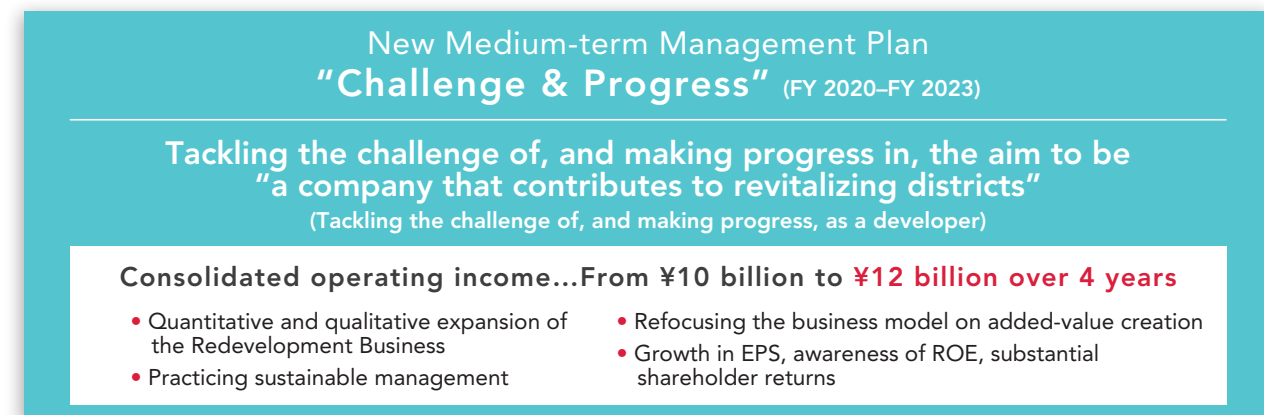
### Vision for the Heiwa Real Estate Group

As “a company that contributes to revitalizing districts,” the Group strives to help society become more sustainable while also improving corporate value, by increasing satisfaction through interactive communication with stakeholders and providing solutions to environmental and social issues.

**Improving social value**  
Making society sustainable as “a company that contributes to revitalizing districts”

**Improving shareholder value**  
Improving shareholder value as a listed real-estate company

### Overview of the New Medium-term Management Plan “Challenge & Progress”



### Business Strategies

- 1 Redevelopment Business**
  1. Nihonbashi Kabutocho and Kayabacho revitalization
  2. Progress in commercializing the Sapporo Redevelopment Project
- 2 Building Business**
  1. Pursuing external and internal growth
  2. Sustainable building operations to improve environmental performance and disaster preparedness
- 3 Asset Management Business**
  1. Growing asset management earnings
  2. Generating earnings from inventory sales
- 4 Corporate Activities**
  1. Promotion of capital policy that takes into account capital costs and capital efficiency
  2. Strengthening corporate governance
  3. Practicing sustainable management

Note: The former Leasing Business has been renamed the Building Business.

Note: The former Real Estate Solutions Business has been renamed the Asset Management Business.

#### (1) Numerical Targets

Profit targets	EPS	<b>At least ¥200</b> (FY 2023)
	Consolidated operating income	<b>At least ¥12 billion<sup>1</sup></b> (FY 2023)
Capital efficiency	ROE	<b>At least 6%<sup>2</sup></b> (FY 2020–FY 2023)
Shareholder return	Consolidated total return ratio	<b>Approx. 70%</b> (FY 2020–FY 2023) <small>(Consolidated dividend payout ratio of approx. 50% by FY 2023)</small>

#### (2) Investment Plan for FY 2020 to FY 2023

Business	Investment amount
Redevelopment Business	<b>Approx. ¥32 billion</b> Breakdown: Nihonbashi Kabutocho and Kayabacho: Approx. ¥22 billion Sapporo: Approx. ¥10 billion
Building Business Asset Management Business	<b>Acquisitions: Approx. ¥60 billion</b> <b>Returns from portfolio renewal: Approx. ¥20 billion</b> <b>Returns from existing inventory sales: Approx. ¥34 billion</b>

(Reference) Financial soundness: Net debt-to-equity ratio of 1.8 times or less

1. Breakdown of consolidated operating income  
Building Business: ¥11.8 billion; Asset Management Business: ¥1.8 billion;  
Corporate/Eliminations, etc.: -¥1.6 billion  
2. We target ROE of at least 5% in FY 2020 in light of the impact of the COVID-19 pandemic.



# 1 Redevelopment Business



## Nihonbashi Kabutocho and Kayabacho Revitalization

We will make progress in **developing diverse and sustainable districts through revitalization** that creates prosperity across entire target districts and to support the "Global Financial City: Tokyo" vision, in addition to actual district redevelopment projects, including KABUTO ONE and other new project starts.

### The Nihonbashi Kabutocho and Kayabacho Revitalization Concept

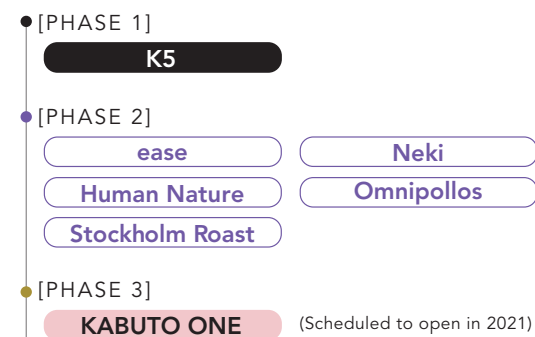
**A district where people connect, and where investment and growth are born**

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 through the harmonization of Kabutocho's potential with neighboring districts.

### Heiwa Real Estate Seeks to Inspire New Trends in Nihonbashi Kabutocho and Kayabacho

As part of the Nihonbashi Kabutocho and Kayabacho Revitalization Project, one of our major missions in revitalizing the classic look and feel of Kabutocho, the streets of which were previously lined with securities firms, is to repurpose the ground floor of buildings and other features as street-level commercial establishments. This will bring energy and visitors back to the area, and give rise to new functions and culture.

Based on this concept, starting with the opening of K5 in February 2020, we are working to swiftly heighten the area's ambience, expand existing entertainment options and attract new visitors by connecting a succession of stores rich in character. We will promote the development of stores under three keywords: "neighborhood"—each sharing in the future potential of the area; "originality"—each having its own voice and individuality; and "origin"—each starting anew in a district of new beginnings.



### Opening of KABUTO ONE (scheduled for 2021)



- Scheduled to open with full office space occupancy
- Will contribute to reduced environmental burden through the use of renewable energy, and improved disaster preparedness through facilities and supplies for people stranded after a disaster

Note: The project owners are Heiwa Real Estate Co., Ltd., Yamatane Real Estate Co., Ltd. and Chibagin Securities Co., Ltd.

### Vitalizing the Local Area through "Tsunagu · Bridging"

K5 opened in February 2020

- Micro-complex that includes a hotel, restaurants, and bars
- Large-scale renovation of a historical building originally constructed as an annex to the third building of Japan's first bank (First National Bank)

Opened a succession of stores as a bridge that connects the area, centering on K5



### FinGATE: Supporting the "Global Financial City: Tokyo" Vision

FinGATE's three sites are home to around 30 corporate tenants, including start-up companies, Fintech, and asset management companies

A fourth site, FinGATE TERRACE, opened in April 2020



## 2 Building Business



### 1. Pursuing External and Internal Growth

We will generate earnings from the sale of properties during the process of renewing the portfolio, while building up the portfolio through the acquisition of new lease assets. We will also improve portfolio profitability by raising lease prices based on trends in the office leasing market.

#### External Growth Strategies

- Our goal is to build up new lease assets, mainly targeting office buildings in central Tokyo and major cities.
- We plan to invest approx. ¥60 billion (net investment of ¥40 billion) over four years, a higher level of investment than in previous years.

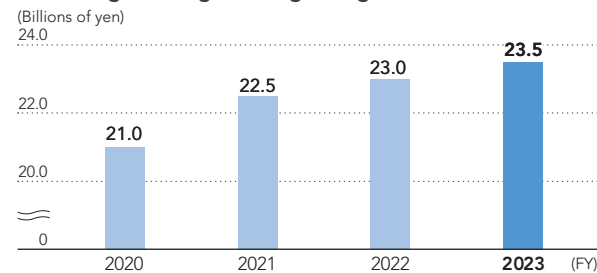
#### Internal Growth Strategies

- We will work to raise lease prices based on trends in the office leasing market (cumulative annual price increase over four years: approx. ¥700 million).
- We will work to increase tenant satisfaction while raising prices, by maintaining and improving building value and providing higher-level building operation and management services.

#### Investment Plan Trends

	Previous Medium-term Plan		New Medium-term Plan (FY 2020–FY 2023)
	Phase I (FY 2014–FY 2016)	Phase II (FY 2017–FY 2019)	
Investment	Approx. ¥30 billion	Approx. ¥41 billion	Approx. ¥60 billion
Returns	Approx. ¥16 billion	Approx. ¥16 billion	Approx. ¥20 billion
Net investment	Approx. ¥14 billion	Approx. ¥25 billion	Approx. ¥40 billion

#### Building Leasing Earnings Targets



### 2. Sustainable Building Operations to Improve Environmental Performance and Disaster Preparedness

Guided by our long-term vision, we are working to reduce CO<sub>2</sub> emissions through investment in sustainable building facilities and operations to help address social issues such as disaster preparedness and environmental concerns.

#### Environmental and Disaster-Preparedness KPIs

#### Environment

- FY 2030 Reduce CO<sub>2</sub> emissions by 20% (vs. FY 2018)
- FY 2030 Reduce water usage by 20% (vs. FY 2018)
- FY 2030 Reduce waste by 20% (vs. FY 2018)

#### Society

- Buildings compliant with new earthquake resistance standards 100% (Excluding buildings earmarked for redevelopment)
- People with first-aid training course qualifications: All of our officers and employees

## 4 Corporate Activities



### 1. Promotion of Capital Policy That Takes into Account Capital Costs and Capital Efficiency

In promoting a capital policy that takes into account capital costs and capital efficiency, we have set the following targets for KPIs for the period from FY 2020 to FY 2023: ROE of at least 6% and a consolidated total return ratio of around 70% (consolidated dividend payout ratio of approx. 50% by FY 2023).

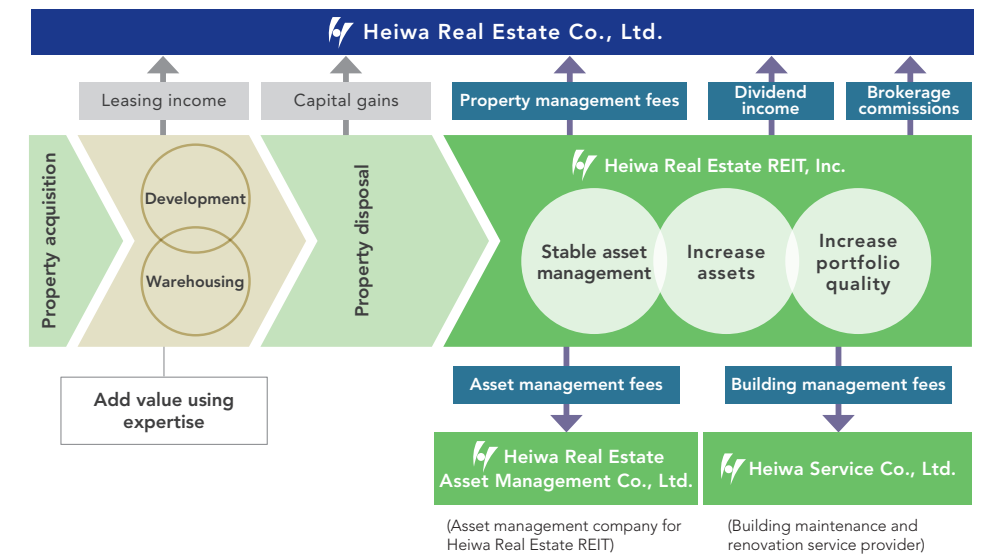
Note: We are targeting ROE of at least 5% in FY 2020 in light of the impact of the COVID-19 pandemic.

- Set an ROE target that takes into account capital costs.
- Set internal reserves in light of level of investment return at current real estate market prices, with the view of capital efficiency.

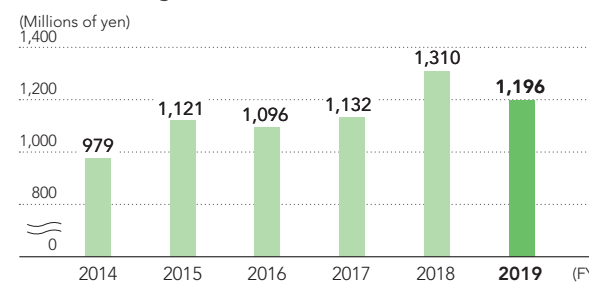
## 3 Asset Management Business

### 1. Growing Asset Management Earnings

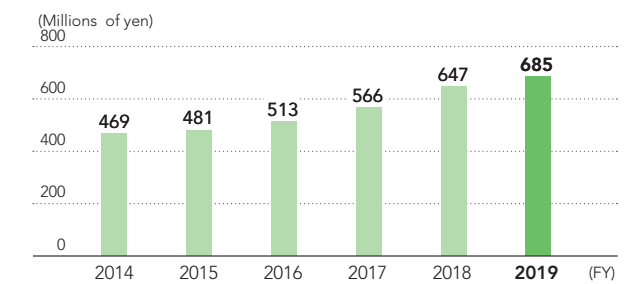
We aim to grow Heiwa Real Estate Group earnings, including asset management fees, by supporting growth of Heiwa Real Estate REIT, Inc.



#### Asset Management Fees



#### Dividend Revenues from Heiwa Real Estate REIT



### 2. Generating Earnings from Inventory Sales

We aim to maximize value through development, lease up and remodeling projects, with the goal of generating earnings from the sale of profitable assets and further development of the HF Residence series.



ROE

At least 6%

FY 2020–FY 2023

EPS

At least ¥200

FY 2030

Consolidated total return ratio

Approx. 70%

FY 2020–FY 2023

(Consolidated dividend payout ratio approx. 50% by FY2023)

We are targeting ROE of at least 5% in FY 2020 in light of the impact of the COVID-19 pandemic.

### 2. Strengthening Corporate Governance 3. Practicing Sustainable Management

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Review of Operations by Business

# Building Business

Note: The former Leasing Business has been renamed the Building Business.

## Business Strategies

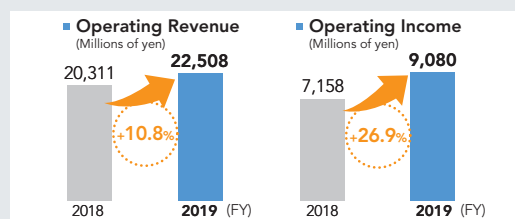
### 1. Pursuing External and Internal Growth

We will generate earnings from the sale of properties during the process of renewing the portfolio, while building up the portfolio through the acquisition of new lease assets. We will also improve portfolio profitability by raising lease prices based on trends in the office leasing market.

### 2. Sustainable Building Operations, we are working to Improve Environmental Performance and Disaster Preparedness

Guided by our long-term vision, we are working to reduce CO<sub>2</sub> emissions through investment in sustainable building facilities and operations to help address social issues such as disaster preparedness and environmental concerns.

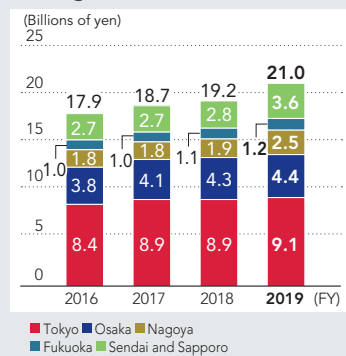
## FY 2019 Results



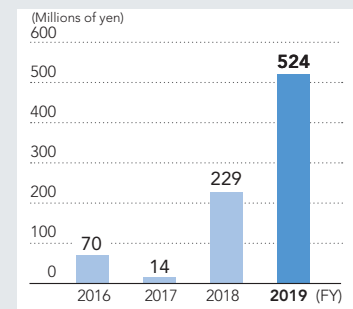
### Main Points

- Contributions to income from properties acquired during the previous term (Hotel Emisia Sapporo and Sakae Sun City Building) and during the current term (Solala Plaza)
- Increase in both revenue and income due to the effect of the upward revision of lease prices of the Tokyo Stock Exchange Building and other properties

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

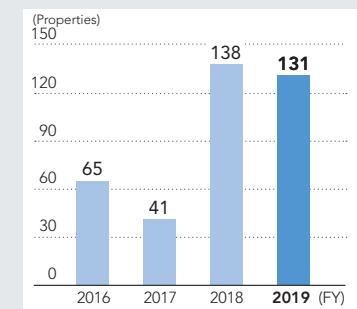


### Net Amount of Lease Price Increases (Increased revenue on a fiscal year basis)<sup>1</sup>



1. Net amount of lease price increases after subtracting total amount of lease price decreases from total amount of lease price increases

### Progress of Lease Price Increases (No. of properties)<sup>2</sup>



2. Net number of properties after subtracting total number of properties for which lease prices decreased from total number of properties for which they increased

HIGHLIGHT

## Acquisition of Solala Plaza

We acquired Solala Plaza in Sendai City, the largest city in the Tohoku region, with the aim of increasing revenue through the accumulation of leasing business assets. Located in the convenient and competitively attractive Sendai Station area, this property will be managed over the medium to long term.

**Overview of the property**

Name	Solala Plaza
Location	Aoba-ku, Sendai City, Miyagi
Exclusive-use floor space	14,896.22 m <sup>2</sup> (including common space corresponding to Heiwa Real Estate's equity share)
Completed	September 2009
Acquired	August 2019

# Asset Management Business

Note: The former Real Estate Solutions Business has been renamed the Asset Management Business.

## Business Strategy

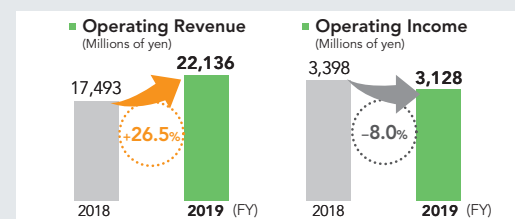
### 1. Growing Asset Management Earnings

We aim to grow Heiwa Real Estate Group earnings, including asset management fees, by supporting growth of Heiwa Real Estate REIT, Inc.

### 2. Generating Earnings from Inventory Sales

We aim to maximize value through development, lease up and remodeling projects, with the goal of generating earnings from the sale of profitable assets and further development of the HF Residence series.

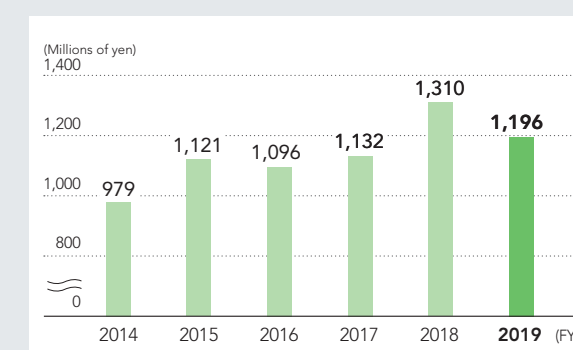
## FY 2019 Results



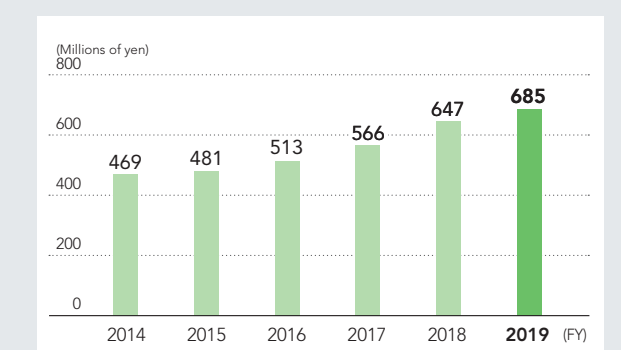
### Main Points

- Increase in revenue due to the sale of inventory
- Decrease in income due partly to the absence of the one-time gain from the sale of part of Shinjuku Front Tower equity, which was posted in the previous fiscal year
- Decrease in management fee and brokerage fee income

### Asset Management Fees



### Dividend Revenues from Heiwa Real Estate REIT



HIGHLIGHT

## Generating Earnings from Inventory Sales

We aim to maximize value through development, lease up and remodeling projects, with the goal of generating earnings from the sale of profitable assets and further development of the HF Residence series, including one new project being commercialized in addition to those listed here.

**Assets Held (As of March 31, 2020)**

	Location	Total floor space	Completed	Acquired	Stock balance
Shinjuku Front Tower equity	Kita-Shinjuku, Shinjuku-ku	7,683.64 m <sup>2</sup>	May 2011	September 2011	Approx. ¥25.4 billion
Ginza offices	Ginza, Chuo-ku	8,427.67 m <sup>2</sup>	September 1974	July 2018	
Chiba hotel	Chuo-ku, Chiba City	1,645.88 m <sup>2</sup>	December 2018	July 2019	
HF Residence series	(See table below)				

**Projects in the HF Residence Series (As of March 31, 2020)**

	Properties developed by the Company			
	HF Shoukouji Akabane Residence II	Sumida-ku Yahiro PJ	Kawaguchi Sakaecho PJ	Setagaya PJ
Building image				
Location	Iwabuchimachi, Kita-ku	Yahiro, Sumida-ku	Sakaecho, Kawaguchi City	Setagaya, Setagaya-ku






Practicing Sustainable Management

We will establish a Sustainability Committee (tentative name) to work on resolving social issues through our corporate activities that contribute to achieving the SDGs, thereby realizing a sustainable society and growth. This will be even more effective when the plan-do-check-act

(PDCA) cycle is monitored by the management team and executive employees. We also aim to increase corporate value by making our organization more dynamic through promotion of employee health and internal communication.

## Sustainability Vision

Help realize a sustainable society by increasing satisfaction through development of resolutions to environmental and social issues, and interactive communication with shareholders, in our role as "a company that contributes to revitalizing districts"

	Key themes	Initiatives	SDGs	KPIs
	<ul style="list-style-type: none"> <li>Change in the global environment</li> </ul>	<ul style="list-style-type: none"> <li><b>Climate change measures</b> <ul style="list-style-type: none"> <li>- CO<sub>2</sub> reductions</li> <li>- Environmentally friendly building development and management</li> </ul> </li> <li><b>Resource initiatives</b> <ul style="list-style-type: none"> <li>- Water</li> <li>- Waste emission</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>CO<sub>2</sub> reductions: 20% by FY 2030</li> <li>Water usage: 20% reduction by FY 2030</li> <li>Waste: 20% reduction by FY 2030 (All vs. FY 2018)</li> </ul>
	<ul style="list-style-type: none"> <li>Risk from natural disasters</li> <li>Social needs</li> </ul>	<ul style="list-style-type: none"> <li><b>Create safe and secure districts</b> <ul style="list-style-type: none"> <li>- Improve disaster-preparedness</li> </ul> </li> <li><b>More diverse human resources</b></li> <li><b>Promote occupational health management</b></li> <li><b>Work-life balance</b> <ul style="list-style-type: none"> <li>- Improve office environments</li> <li>- More efficient work practices</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>Buildings compliant with new earthquake resistance standards: 100% (excluding buildings earmarked for redevelopment)</li> <li>People with first aid training course qualifications: All of our officers and employees</li> <li>Paid holiday usage rate: At least 70%</li> <li>Uptake of cancer screening (every 2 years): 100% of employees aged 35 years or above</li> <li>Annual health check uptake: 100% every year</li> <li>Rate of new hires that are female: At least 30%</li> </ul>
	<ul style="list-style-type: none"> <li>Strengthening of corporate governance</li> <li>Prevention of misconduct</li> </ul>	<ul style="list-style-type: none"> <li><b>Improvement of compliance</b></li> <li><b>Director and officer compensation system that allows interest in shareholder value</b></li> <li><b>Reduction in cross-shareholdings</b></li> </ul>		<ul style="list-style-type: none"> <li>Composition of Board of Directors: At least one-third external directors</li> <li>Number of female directors: At least one</li> <li>Composition of Nomination and Compensation Committees: Majority external directors</li> <li>Compliance training: At least five times each year</li> </ul>



# 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 conserve the natural environment, the Group actively implements environmental initiatives while complying with environment-related laws and regulations.

## Initiatives under the Medium-term Management Plan

Guided by our long-term vision, we are working to reduce CO<sub>2</sub> emissions through investment in sustainable building facilities and operations to help address social issues like disaster preparedness and environmental concerns.

### Policies on Reducing Environmental Impact and Resources

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. Kabutocho Heiwa Building No. 5 was completed in 1923. It has been revitalized as K5 by conducting renovations including remodeling of the building's exterior.



### Environmental Initiatives 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.

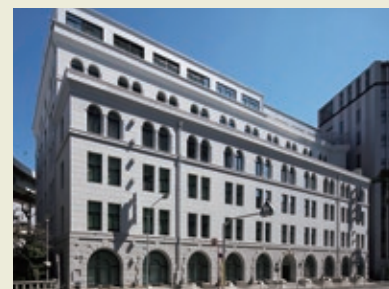


### DBJ Green Building Certification\*



The Tokyo Stock Exchange Building, Osaka Securities Exchange Building and Nishokan 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 disaster preparedness and the degree to which the societal needs of various stakeholders surrounding the property are considered.



# Society



## Basic Approach

- The Heiwa Real Estate Group places importance on coexistence with local communities and broadly works to contribute to society as a good corporate citizen.
- The Group proactively participates in various social contribution activities with a view to offering benefits to the communities it serves.
- The Group endeavors to respect each employee's character, eliminate any and all discrimination and harassment, and ensure a safe and comfortable work environment. Through these efforts, the Group strives to realize a sense of latitude and abundance.

## Initiatives under the Medium-term Management Plan

As "a company that contributes to revitalizing districts," the Group will help our society become more sustainable and promote the revitalization of safe and secure districts, taking into account environmental concerns and disaster-preparedness. Furthermore, the Group aims to promote the health of employees, strengthen internal communication, increase the vitality of the organization and enhance corporate value.

### Promote the revitalization of safe and secure districts

The Group will help our society become more sustainable and promote the revitalization of safe and secure districts, taking into account environmental concerns and disaster-preparedness, through initiatives such as the revitalization of Nihonbashi Kabutocho and Kayabacho, the Sapporo Redevelopment Project, and asset management.



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

### Health and Productivity Management

In 2017, Heiwa Real Estate was recognized as one of Japan's top 500 large companies in the Health and Productivity Management Organization Recognition Program, through which companies that make outstanding efforts in healthcare management are certified by Japan's Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi ("Japan Health Conference").

Meanwhile, in recognition of Heiwa Real Estate's efforts to facilitate and promote sports activities for its employees, the Japan Sports Agency certified the Group successively in FY 2018 and FY 2019, and the Tokyo metropolitan government designated it as a corporation that promotes sports locally in those same years.



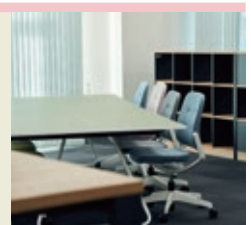
### Work-Life Balance

Heiwa Real Estate makes efforts to maintain a work environment in which each member's job is fulfilling and rewarding. The Group also supports the balanced compatibility of work and private life (work-life balance) by realizing various working-style options and making use of various plans for leave, and other programs. The Group strives to prepare a work environment that enables employees to dedicate their time

to life events such as pregnancy, childbirth, childrearing or nursing care of family members.

#### KPIs in Medium-term Management Plan

- Paid holiday usage rate: At least 70%
- Uptake of cancer screening (every 2 years): 100% of employees aged 35 years or above
- Annual health check uptake: 100% every year
- Rate of new hires that are female: At least 30%



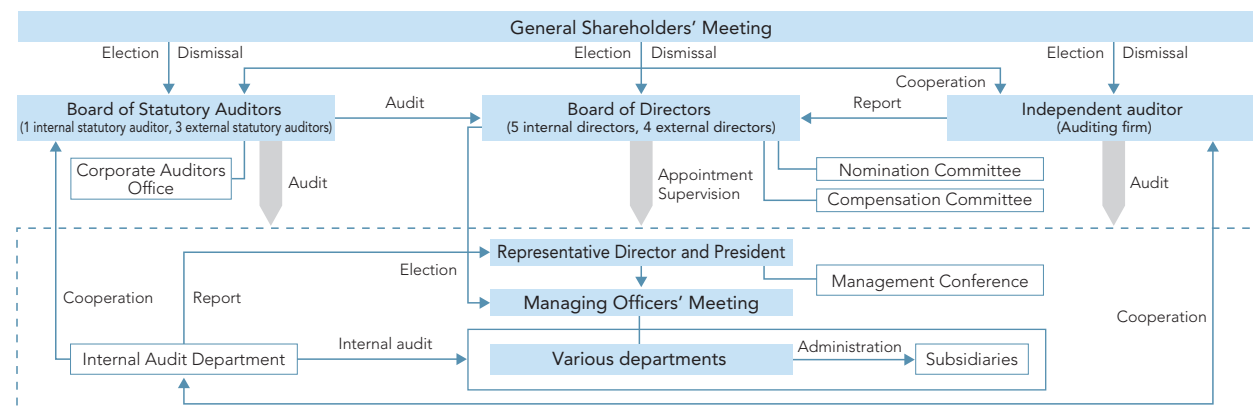
Communication lounge

# Corporate Governance

## Basic Approach

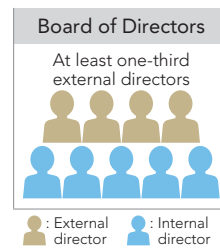
- Heiwa Real Estate considers the enhancement of corporate governance an important business issue. We strengthen Group corporate governance to earn the trust of shareholders and other stakeholders and to manage our businesses fairly and efficiently.

## Corporate Governance System (As of June 24, 2020)

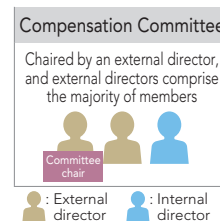


## Board of Directors

- The main roles of the Board of Directors are to establish the Company's management philosophy and set and review strategic directions. In deciding and reviewing 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 managing officers, or to managing officers.
- The Company sets reasonable limits on the number of concurrent positions that directors and statutory auditors may serve as officers of other listed companies, taking into account the necessary time and effort for appropriately fulfilling their roles and responsibilities.
- The Company discloses the status of concurrent positions held by directors and statutory auditors as officers at other listed companies.

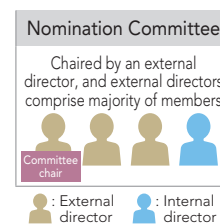


- The committee determines the basic policy for director compensation, total amount of compensation, and compensation for individual directors. It also addresses inquiries from and presents opinions to the Board of Directors regarding matters pertaining to director compensation that the Board of Directors 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.
- The committee can also resolve to dismiss a sitting director or statutory auditor if he or she has, in the execution of management duties, seriously violated the law, been involved in a major scandal, or clearly failed to meet acceptable standards of conduct.
- For matters related to the aforementioned nomination or dismissal of directors and statutory auditors, the committee responds to questions from and reports its opinions to the Board of Directors.
- Based on the opinions of the committee, regarding the election or dismissal of the relevant individuals, the Board of Directors determines the specifics of the proposals to be submitted to the General Shareholders' Meeting. In the case of matters concerning the



## 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 and enhance corporate value over the medium to long term, that considers sharing value with shareholders, and that helps Heiwa Real Estate secure outstanding people.

- statutory auditors, proposals are subject to the consent of the Board of Statutory Auditors.
- The Company discloses the reasons for appointing or dismissing individual directors and statutory officers, and for nominating individual candidates for director and statutory auditor positions.

## 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 of Statutory Auditors ensures cooperation with external directors through discussions held in Board of Directors' meetings. In addition, cooperation between external directors and statutory auditors is ensured as necessary.
- The Board of Statutory Auditors sets evaluation criteria for evaluating the independent auditor, and accordingly, selects external auditing firms after verifying and confirming their independence and expertise, and other factors.
- To ensure that audits conducted by the independent auditor meet high standards, the Board of Statutory Auditors audits the independent auditor's audit plan to ensure that an appropriate amount of time has been allocated for the purpose of auditing.

## Initiatives to Strengthen Corporate Governance



## External Directors and External Statutory Auditors

The Company has four external directors and three external statutory auditors, all of whom were selected on the basis of their extensive experience, knowledge and other qualities, and their ability to provide pertinent opinions on the Company's management and other matters from an objective perspective. In addition, the Company has established Standards for Assessing the Independence of Independent Officers to ensure the independence and neutrality of external directors and external statutory auditors.

## External Directors

Name	Independent officer	Reasons for selection	Attendance (FY 2019) Board of Directors' Meetings
Kiichiro Masui	Yes	Based on Mr. Masui's 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 enhance the corporate value of the Company.	14 of 14 meetings (100%)
Junji Ota	Yes	Mr. Ota has a track record as a corporate manager, and 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 also expects him to help enhance the corporate value of the Company.	13 of 14 meetings (92.9%)
Takahiro Moriguchi	Yes	Mr. Moriguchi has a track record as a corporate manager, and based on his deep knowledge in finance and securities 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 also expects him to help enhance the corporate value of the Company. (Appointed in June 2020)	-
Junko Utsunomiya	Yes	Ms. Utsunomiya has been involved in corporate legal affairs as an attorney, and based on her deep knowledge of and experience in the legal profession, the Company determined that she could play an appropriate role in strengthening the supervisory function of the Board of Directors from an independent and objective standpoint, and also expects her to help enhance the corporate value of the Company. (Appointed in June 2020)	-

## External Statutory Auditors

Name	Independent officer	Reasons for selection	Attendance (FY 2019)	
			Board of Directors' Meetings	Board of Statutory Auditors' Meetings
Masayuki Hirose	Yes	Mr. Hirose has a track record serving as a corporate auditor, and the Company determined that he could make use of his specialized knowledge and experience for the audit system of the Company from an independent and objective standpoint.	14 of 14 meetings (100%)	12 of 12 meetings (100%)
Chikami Tsubaki	Yes	The Company determined that Ms. Tsubaki could make use of her specialized knowledge and experience as a certified public accountant for the audit system of the Company from an independent and objective standpoint.	13 of 14 meetings (92.9%)	11 of 12 meetings (91.7%)
Jun Sekine	Yes	The Company determined that Mr. Sekine could make use of his deep knowledge developed at the Bank of Japan and experience in corporate management at a securities company for the audit system of the Company from an independent and objective standpoint.	13 of 14 meetings (92.9%)	11 of 12 meetings (91.7%)



## ■ Compensation of Directors and Other Officers

Compensation for directors and managing officers includes fixed basic compensation, bonus and performance-linked stock. This system was designed to encourage improving the Company's performance as well as increasing medium- to long-term corporate value, retaining talented personnel, and sharing value with shareholders.

Compensation for statutory auditors consists of monthly compensation only, with the limit on the amount of compensation determined at the General Shareholders' Meeting. Basic compensation for internal, external, full-time and part-time statutory auditors is determined by the Board of Statutory Auditors.

### ■ Breakdown of Compensation by Officer Category (FY 2019)

Category	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Persons eligible
		Basic compensation	Bonus	Performance-linked stock	
Directors (excluding external directors)	222	143	55	24	5
Statutory auditors (excluding external statutory auditors)	20	20	–	–	1
External directors and external statutory auditors	64	64	–	–	7

1. The above includes one director who resigned on December 20, 2019.

2. Total compensation for directors indicated above does not include ¥20 million in condolence money paid with regard to a former representative director and president, who passed away in FY 2019.

## ■ Compliance

The Heiwa Real Estate Group strives always to conduct business with an awareness of compliance based on the Code of Conduct and the Standards for Behavior for the Heiwa Real Estate Group in order to maintain society's trust and achieve sustained growth.

Taking to heart the lessons learned from the misconduct of Company employees in 2019, we issued a Notice on Stamping Out Misconduct and Strengthening Compliance in December 2019. It expresses our commitment in this regard, and we have been implementing related measures.

### Announcement on Stamping Out Misconduct and Strengthening Compliance

<b>1. No growth that compromises trust</b>	The Company's officers and employees will constantly remind themselves that stakeholder trust is the platform for, and driver of, growth and will work to change mindsets in order to regain that trust.
<b>2. Stamping out misconduct</b>	The Company's officers and employees will conduct their work duties in accordance with the highest ethical principles and good sense, making a clear distinction between personal interests and company interests, and will stamp out misconduct by pledging to not engage or become involved in any wrongdoings.
<b>3. Strengthening compliance further</b>	The Company's officers and employees will rigorously adhere to the Code of Conduct and the Standards for Behavior for the Heiwa Real Estate Group, and will prioritize compliance as the number one issue.

### ■ Compliance System

The Group has established the Risk Management Committee, which oversees the Group's compliance and business risks and provides a forum for their discussion. Serious violations or risks that manifest relating to compliance are reported to and addressed by the Company's Board of Directors.

Furthermore, the Corporate Planning and General Affairs Department, which serves as the committee secretariat, coordinates with Group companies to promote the improvement of compliance and risk management functions throughout the Group as a whole.

### ■ Compliance Training

The Group organizes regular compliance training to foster a compliance mindset in all officers and employees. To further promote compliance awareness, we conduct regular Company-wide compliance and information security checks and publicize the results internally.

### ■ Compliance Hotline

Based on its Internal Reporting Regulations, the Group has established an internal compliance hotline to ensure that the Company is swiftly made aware of and can take the necessary steps to address legal violations or misconduct by groups or individuals, in addition to promoting ethics and legal compliance at Group companies.

Whistleblowers can choose to speak to internal or external contacts depending on the nature of their report, and are protected from disadvantageous treatment due to their whistleblowing.

Furthermore, an external reporting hotline has been established to promote fair trading with business partners, including corporations, through which they can report compliance violations or potential violations of the Group's officers or employees.

## ■ Risk Management

As part of our Group-wide internal controls, we require our subsidiaries to observe the Risk Management Guidelines to ensure a consistent risk management framework throughout the Group. We have a Risk Management Committee chaired by the representative director and president, which meets each quarter. In accordance with the Risk Management Guidelines, the committee assesses risks that have manifested, and discusses measures to prevent their recurrence.

### ■ Investment Risk Working Group

Before a potential property transaction is discussed by the Board of Directors, the Investment Risk Working Group analyzes the risks associated with buying or selling the property in question and reports its findings to the Managing Officers' Meeting.

### ■ Initiatives for Shareholders and Investors

The Heiwa Real Estate Group strengthens corporate governance Group-wide to maintain the trust of shareholders and other stakeholders and to manage its businesses fairly and efficiently. The Group also 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.

### ■ Approach to Information Disclosure

In accordance with its Disclosure Policy, Heiwa Real Estate discloses 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 on its website that falls outside the scope of timely disclosure regulations and related laws 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.



### ■ Basic Policy on Shareholder Returns

The Company returns profits to shareholders on the basis of having ensured funds for the stable long-term

### ■ Business Continuity Plan

To minimize the risk of an emergency disrupting business, we have established a business continuity plan and a manual based on this plan.

development of its businesses, particularly the Redevelopment Business and the Building Business, and secures sufficient internal reserves for the ongoing enhancement of shareholder value. As a basic policy, the Company is targeting a consolidated total return ratio of 70% from FY 2020 to FY 2023, taking into account standards for business investment returns as well as capital costs and capital efficiency.

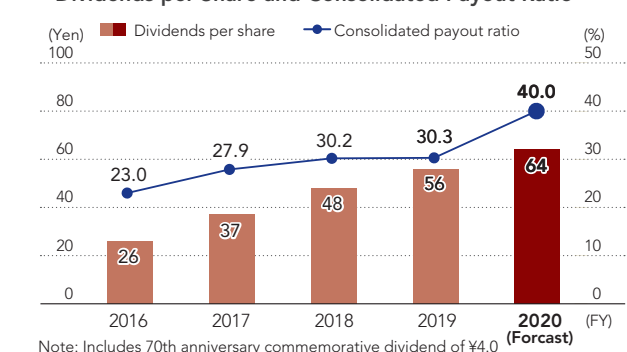
#### ■ Repurchases of Company Stock (Fiscal year ended March 31, 2020)

Class of shares to be repurchased	Common stock of the Company
Total number of shares for repurchase	800,000 shares
Aggregate amount repurchased	¥1.94 billion
Period for repurchases	April 26, 2019–October 31, 2019

#### ■ Details of Resolution Regarding Repurchases of Company Stock (As of April 30, 2020)

Class of shares to be repurchased	Common stock of the Company
Total number of shares for repurchase	Maximum of 400,000 shares
Aggregate repurchased amount	Maximum of ¥1 billion
Period for repurchases	May 1, 2020–October 31, 2020

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



## Management Team

(As of June 24, 2020)

### Directors



**Kiyoyuki Tsuchimoto**  
Representative Director,  
President and Chief  
Executive Officer

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  
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 (current position)  
Chief Executive Officer of the Company (current position)



**Norio Iwasaki**  
Representative Director and  
Senior Managing Executive  
Officer  
In charge of Corporate  
Planning and General  
Affairs Department, 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  
Jan. 2015 In charge of Legal Office of the Company (current position)  
Jun. 2015 Director of the Company  
Dec. 2019 Representative Director of the Company (current position)  
Jun. 2020 Senior Managing Executive Officer of the Company (current position)  
In charge of Corporate Planning and General Affairs Department of the Company (current position)



**Junko Utsunomiya**  
External Director

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.) (current position)  
Apr. 2013 Outside Corporate Auditor of Solasto Corporation (Position as of June 24, 2020; retired as of June 30, 2020)  
Sep. 2013 Outside Director of Adventure Inc. (current position)  
Feb. 2018 Founding 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 & Supervisory Committee Member of RAKSUL INC. (current position)  
Jun. 2020 External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)



**Kazuo Yamada**  
Director and Senior Managing  
Executive Officer  
In charge of Development  
Promotion Department  
and Real Estate Investment  
Department

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, 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 (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 (current position)  
In charge of Development Promotion Department and Real Estate Investment Department of the Company (current position)



**Hiroki Mizuta**  
Director and Managing  
Officer  
In charge of Community  
Co-Creation Department

Apr. 1987 Joined Heiwa Real Estate Co., Ltd. (the Company)  
Apr. 2007 Manager of Osaka Branch of the Company  
Jun. 2010 Manager of Nagoya Branch of the Company  
Jun. 2012 Group Leader of Building Leasing Group, Leasing Headquarters of the Company  
Jun. 2013 Managing Officer of the Company (current position)  
Group Leader of Building Sales Group, Leasing Headquarters of the Company  
Apr. 2014 Sales Manager of Osaka Branch of the Company  
Jun. 2014 Manager of Osaka Branch of the Company  
Jun. 2020 Director of the Company (current position)  
In charge of Community Co-Creation Department of the Company (current position)



**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)



**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)



**Tomoharu Nakao**  
Director and Managing  
Officer  
In charge of Office Building  
Development Department

Apr. 1987 Joined Tokyo Stock Exchange, Inc. (TSE)  
Jul. 2006 General Manager of Corporate Headquarters, Nippon Parking Development Co., Ltd.  
Jun. 2009 Outside Corporate Auditor of HoriPro Inc.  
Oct. 2009 Director and General Manager of General Affairs Department of Nippon Parking Development Co., Ltd.  
Aug. 2011 General Manager of Planning & Finance Group, General Affairs and Planning Headquarters of Heiwa Real Estate Co., Ltd. (the Company)  
Jun. 2013 Group Leader of Planning & Finance Group, General Affairs and Planning Headquarters of the Company  
Jun. 2014 Managing Officer of the Company (current position)  
General Manager of Corporate Planning and General Affairs Department of the Company  
Nov. 2014 In charge of Corporate Planning and General Affairs Department (Corporate Planning) of the Company  
In charge of Office of the Council on Urban Development for Investment and Economic Growth of the Company  
May 2015 In charge of Urban Development Promotion Office of the Company  
Jun. 2018 In charge of Development Promotion Department (Corporate Planning) of the Company  
Jun. 2020 Director of the Company (current position)  
In charge of Office Building Development Department of the Company (current position)



**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)



**Chikami Tsubaki**  
External Statutory Auditor

Apr. 1970 Joined Ebara - Infilco 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 Sompco Holdings, Inc.)  
Jun. 2014 External Statutory Auditor of Heiwa Real Estate Co., Ltd. (the Company) (current position)  
Jun. 2016 Outside Director of Seiko Epson Corporation (Audit & Supervisory Committee Member) (Position as of June 24, 2020; retired as of June 30, 2020)



**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. (the Company) (current position)  
Outside Director of Shinhan Bank Japan



**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  
Jun. 2018 External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)  
Outside Director of Toshiba Corporation (current position)



**Takahiro Moriguchi**  
External Director

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)

### Managing Officers

President and Chief Executive Officer **Kiyoyuki Tsuchimoto**

Senior Managing Executive Officers

**Norio Iwasaki**

In charge of Corporate Planning and General Affairs Department (General Affairs), Finance Department and Legal Office

**Kazuo Yamada**

In charge of Development Promotion Department and Real Estate Investment Department

Managing Officers

**Hiroki Mizuta**

In charge of Community Co-Creation Department

**Tomoharu Nakao**

In charge of Office Building Development Department

**Nobuhiro Seo**

In charge of Corporate Planning and General Affairs Department, and Legal Office  
General Manager of Corporate Planning and General Affairs Department, and Legal Office

**Takahisa Aoyama**

In charge of Development Investment Department  
General Manager of Real Estate Investment Department

**Akihito Takano**

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



## Consolidated Financial Highlights

(As of March 31, 2020)

(Millions of yen)

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Fiscal year (April 1 to March 31):					
Operating revenue	37,010	41,747	32,698	39,480	<b>46,639</b>
Operating income	8,267	9,673	9,432	9,335	<b>10,903</b>
Ordinary income	6,708	8,431	8,395	8,430	<b>10,006</b>
Net income attributable to owners of parent	4,408	4,514	5,288	6,174	<b>7,046</b>
Depreciation	5,028	4,878	4,661	4,766	<b>4,814</b>
Cash flows from operating activities	9,954	20,980	13,482	(12,780)	<b>28,680</b>
Cash flows from investing activities	(2,600)	(13,017)	(17,265)	(12,946)	<b>(11,427)</b>
Cash flows from financing activities	(3,218)	(4,222)	(2,499)	24,652	<b>(1,829)</b>
Balance of cash and cash equivalents at end of period	15,377	19,117	12,784	11,710	<b>27,166</b>
As of March 31:					
Net assets	94,827	97,524	104,900	109,075	<b>107,302</b>
Total assets <sup>1</sup>	294,021	293,025	300,243	335,572	<b>339,545</b>
Interest-bearing liabilities	160,232	157,051	155,786	184,672	<b>186,977</b>
Equity ratio <sup>1</sup> (%)	32.3	33.3	34.9	32.5	<b>31.6</b>
Performance indicators:					
Dividends per share <sup>2</sup> (Yen)	26.00	26.00	37.00	48.00	<b>56.00</b>
Earnings per share (EPS) <sup>3</sup> (Yen)	110.50	113.17	132.57	158.73	<b>184.82</b>
Book value per share (BPS) <sup>3</sup> (Yen)	2,377.02	2,444.84	2,630.07	2,819.82	<b>2,837.29</b>
Price-earnings ratio (PER) (Times)	12.67	13.91	15.46	13.43	<b>15.14</b>
Price-book ratio (PBR) (Times)	0.59	0.64	0.78	0.76	<b>0.99</b>
Payout ratio (%)	23.5	23.0	27.9	30.2	<b>30.3</b>
EBITDA <sup>4</sup>	13,641	14,920	14,476	14,596	<b>16,203</b>
D/E ratio <sup>4</sup> (Times)	1.69	1.61	1.49	1.69	<b>1.74</b>
Net D/E ratio <sup>4</sup> (Times)	1.53	1.41	1.36	1.57	<b>1.47</b>
Ratio of EBITDA to net interest-bearing liabilities (Times)	10.61	9.24	9.84	11.77	<b>9.76</b>
Return on assets (ROA) <sup>1,4</sup> (%)	2.8	3.3	3.2	2.9	<b>3.2</b>
Return on equity (ROE) <sup>4</sup> (%)	4.7	4.7	5.2	5.8	<b>6.5</b>
Number of employees <sup>5</sup>	281	224	233	236	<b>237</b>

1. 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.

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

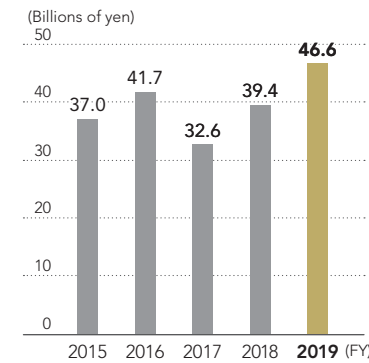
3. The Company established a trust for its stock compensation plan for directors and managing officers in FY 2019, and the Company's shares held in the trust account for this trust were included in treasury stock for calculations of earnings per share and book-value per share.

4. Financial indicators are calculated as follows:

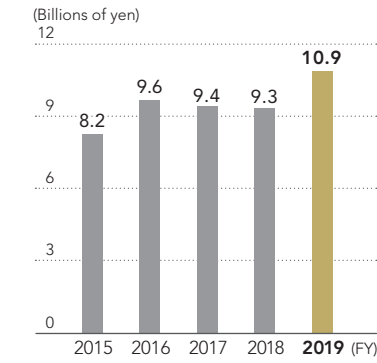
EBITDA: Operating income + Financial income + Depreciation  
 D/E ratio: Interest-bearing liabilities ÷ Net assets  
 Net D/E ratio: (Interest-bearing liabilities - Cash and deposits - Marketable securities) ÷ Net assets  
 ROA: Operating income ÷ Total assets (average of total assets at beginning and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

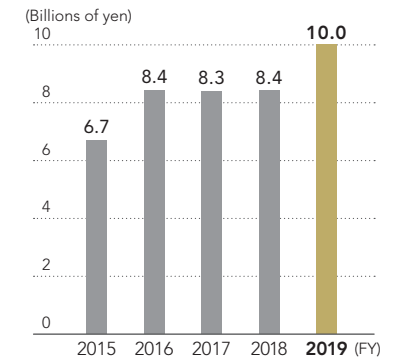
### Operating Revenue



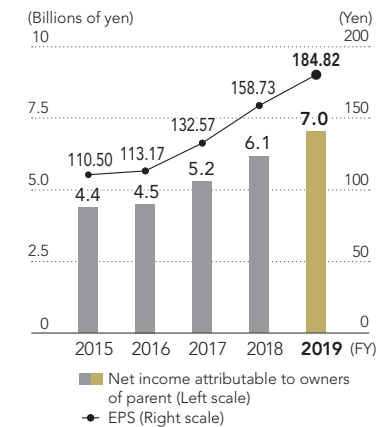
### Operating Income



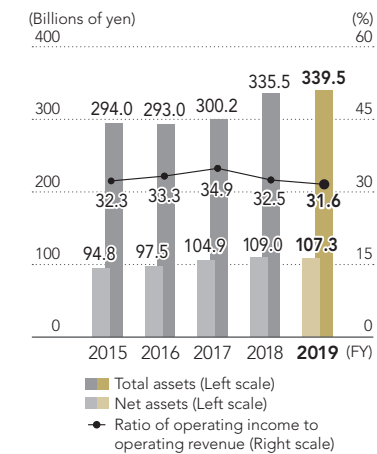
### Ordinary Income



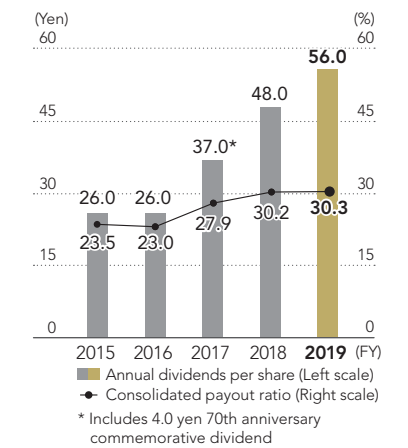
### Net Income Attributable to Owners of Parent and EPS



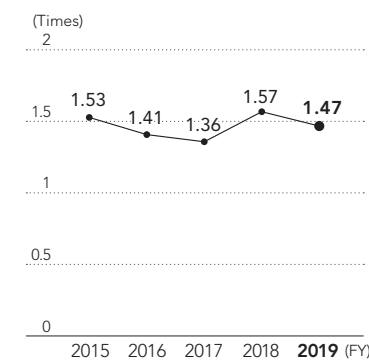
### Total Assets, Net Assets and Equity Ratio



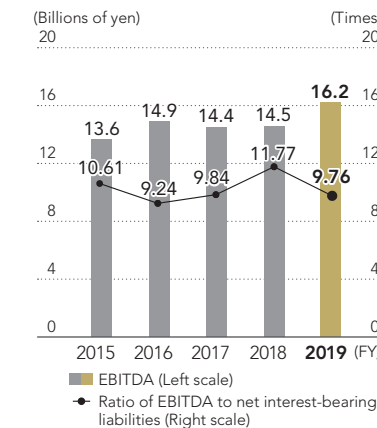
### Annual Dividends per Share and Consolidated Payout Ratio



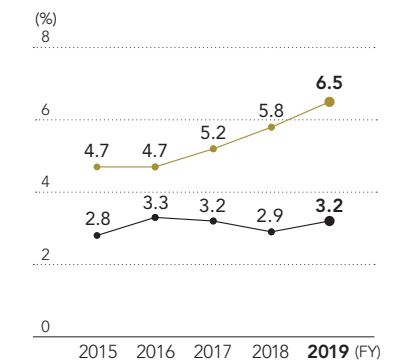
### Net D/E Ratio



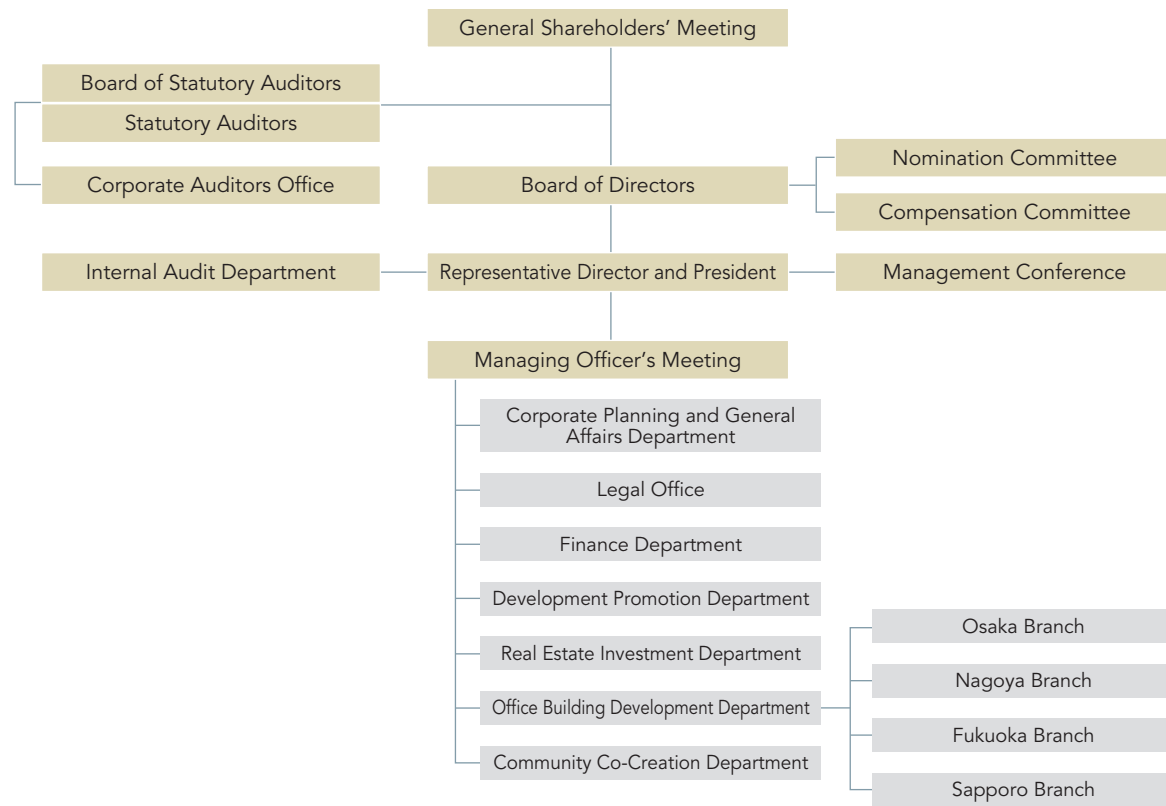
### EBITDA and Ratio of EBITDA to Net Interest-bearing Liabilities



### ROE and ROA



Organization  
(As of June 24, 2020)



Corporate Profile and Shareholder Information  
(As of March 31, 2020)

Corporate Profile

Company name: HEIWA REAL ESTATE CO., LTD.  
 Date of establishment: July 1947  
 Representative: Kiyoyuki Tsuchimoto, Representative Director and President  
 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/>  
 Listed exchanges: Tokyo and Nagoya (First Section), Fukuoka and Sapporo  
 Stock code: 8803  
 Businesses: 1. Building Business  
 Development, leasing, administration and management of stock exchange buildings, office buildings, commercial facilities, and residential buildings  
 2. Asset Management Business  
 Development, sale, operation and management of revenue-generating real estate, development and sale of residential buildings, and real estate agency services  
 3. Other Businesses  
 Building facility maintenance and management, repair work contracting, and insurance services

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

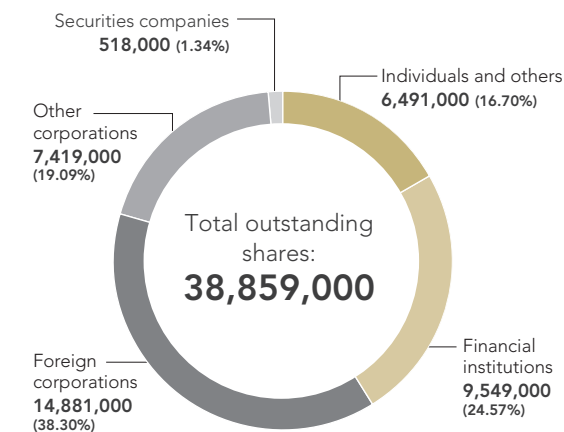
Heiwa Service Co., Ltd.  
 Housing Service Co., Ltd.  
 Heiwa Real Estate Asset Management Co., Ltd.  
 The Tokyo Shoken Building Incorporated

Number of employees: 106 (non-consolidated)  
 237 (consolidated)

Status of Shares

Total authorized shares: 110,000,000  
 Total outstanding shares: 38,859,996  
 Number of shareholders: 17,664

Distribution of Shares by Shareholder Category



Major Shareholders (Top 10)

Name	Number of shares (Thousands)	Percentage of total equity (%) <sup>1</sup>
Mitsubishi Estate Co., Ltd.	4,274	11.28
Japan Trustee Services Bank, Ltd. (Trust Account)	2,856	7.54
CGML PB CLIENT ACCOUNT / COLLATERAL	2,646	6.99
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,180	5.76
JP MORGAN CHASE BANK 385632a	1,859	4.91
Japan Trustee Services Bank, Ltd. (Trust Account 5)	741	1.96
DFA INTL SMALL CAP VALUE PORTFOLIO	687	1.82
JP MORGAN CHASE BANK 385151	639	1.69
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG / JASDEC / ABERDEEN STANDARD SICAV I CLIENT ASSETS	605	1.60
Taisei Corporation	532	1.41

1. Percentage of total equity was calculated after deducting the number of shares held by the Company as treasury stock (981,258) from total outstanding shares.  
 2. Among the Company's shares held by Japan Trustee Services Bank, Ltd., 60,000 shares were held as trust assets in a trust for the Company's stock compensation plan for directors and officers, and are excluded from the figure for treasury stock in note 1, above.

Corporate Website

Home Page

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



IR Information Section

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



Shareholder Bonus Program

Shareholders who hold at least 100 of the Company's shares (one trading unit) as of March 31 of each year are given an original QUO prepaid card worth ¥1,000. Long-term shareholders are given an original QUO prepaid card worth ¥3,000. Heiwa Real Estate is currently redeveloping Tokyo's Nihonbashi Kabutocho district, which is home to its head office. To make people more familiar with the district, QUO prepaid cards have been created featuring original designs and information about the Nihonbashi Kabutocho district's culture, historical landmarks and famous places.



8th series, featuring Kabutocho Heiwa Building No. 5 (K5)