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INTEGRATED REPORT 2021



CONTENTS

Value Creation by Heiwa Real Estate

02	Management Policy and Statement
03	History of Value Creation
05	Value Creation Model
07	The Source of Corporate Value
09	Financial and Non-Financial Highlights

Value Creation Strategy

11	Message from the President
15	Medium-term Management Plan “Challenge & Progress”
17	Message from the Officer in Charge of Financial Affairs

Business Review

19	Feature Article Nihonbashi Kabutocho and Kayabacho Revitalization Project
21	Redevelopment Business
23	Building Business
25	Asset Management Business
26	Business Review (Consolidated)

EDITORIAL POLICY

Editorial Policy

The Corporate Report that had been published until FY2020 was renamed Integrated Report in FY2021. The Integrated Report has been compiled to help you understand The Heiwa Real Estate Group’s initiatives to enhance its corporate value from a medium- to long-term perspective by including more non-financial information focusing on environmental, social and governance (ESG) than the conventional Corporate Report.

Its aim is to serve as a tool for all of our stakeholders, including shareholders and investors, to gain an understanding of the Heiwa Real Estate Group and deepen dialogue with us.

[Design Concept]

The Heiwa Real Estate Group, as “a company that contributes to revitalizing districts,” is currently promoting the Nihonbashi Kabutocho and Kayabacho Revitalization Project. The design concept of this Integrated Report is “SPROUT.” The tender green motif using a pictogram pattern has been designed to reflect the sprouting and growth of new individual characteristics, values and innovations in Nihonbashi Kabutocho and Kayabacho, which has been an entrepreneurial district for investment and securities.

Period Covered by the Report

The report covers mainly the results of FY2020 (from April 2020 to March 2021). It also includes some information on activities before or after said period as well as forecasts.

Sustainability / ESG

27	Identification of Materiality
29	Sustainability and ESG
31	Environment
35	Society
39	Governance
45	Compliance and Risk Management Systems
46	Message from the External Director
47	Management Team

Financial and Corporate Information

49	Consolidated Financial Data
51	Stock Information
52	Corporate Information

Organizations Covered

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

Date of Publication

October 2021

Guideline used as reference

The report has been edited with reference to the International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC).

With the aim of making the presentation of the Report simple and easy to understand, we exercised creativity to make important items visually comprehensible. Highly important information is summarized and stated in this Integrated Report to help you gain an understanding of the Heiwa Real Estate Group. For further information, please refer to our corporate website.

Disclaimer

Information in the report other than statements of historical fact are forecasts and forward-looking statements that are based on judgments by the management of Heiwa Real Estate in light of 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 the report.



Management Policy and Statement

Management Policy

Provision of Safe and Comfortable Offices and Living Spaces, thereby Contributing to People and the City

Statement

Creating __Communities, Building for the Future

What makes a neighborhood bring people joy?

At Heiwa Real Estate, we build communities that invite residents and visitors alike to create new value while maximizing local history and tradition.

Just as Japan flourished upon the dawn of capitalism, we develop lively, forward-looking environments that embrace a mature culture.

In today’s rapidly changing society, urban development plays an ever more significant role.

Heiwa Real Estate has supported Japan’s financial and societal growth over generations through revitalizing districts.

Utilizing unique perspectives nurtured through our legacy, we help solve societal challenges by expanding the possibilities of community renovation — with bold ambitions and out-of-the-box thinking.

What the __ in the Tagline Represents

There are many ways in which we contribute to community development.

And the possibilities continue to expand with each and every one of us asking ourselves, “how can I make a difference?” and acting on it.

The __ symbolizes the diversity of ideas Heiwa Real Estate has towards revitalizing districts.

History of Value Creation

Heiwa Real Estate was founded in 1947 as the owner of stock exchange buildings 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.

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."

Chronology of Events in Heiwa Real Estate Group

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

1980 Entered the condominium sales business
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

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

2000 Acquired Mita Heiwa Building
2001 Acquired Uchisaiwaicho Heiwa Building
2002 Acquired Dogin Building
2004 Completed construction of Nagoya Heiwa Building
Completed construction of the Osaka Securities Exchange Building 3
2007 Completed construction of the Nagoya Stock Exchange Building

2008 Completed construction of Hotel Brighton City Osaka Kitahama
2009 Initiated full-scale participation in the REIT business (Made the current Heiwa Real Estate Asset Management Co., Ltd. a consolidated subsidiary)
2010 Completed construction of CentRise Sakae 4
2011 Completed construction of Heiwa Real Estate Kitahama Building
2012 Completed construction of Ichibancho Heiwa Building 5

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 Osaka Midotsuji Building
Opened FinGATE KAYABA 6

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

2020 Opened K5 8
Opened FinGATE TERRACE
2021 Opened KABUTO ONE 9

1947-

1980-

2000-

2014-

2020-

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.

Business Diversification Phase: House Sales Business and Other Businesses

Expanded into new businesses in step with changes in the social environment. Entered the suburban housing development business and the condominium sales business.

Leasing Business Asset Expansion Phase: Enhancing the Revenue Base

Aggressively redeveloped properties in Osaka and Nagoya. In the leasing business, increased assets such as office buildings and commercial facilities to enhance our revenue base.

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

Engaged in the revitalization of Nihonbashi Kabutocho and Kayabacho, successfully launching KABUTO ONE as the first project.

Moving to a New Stage of Growth as "a Company That Contributes to Revitalizing Districts"

Reaching for new heights as "a company that contributes to revitalizing districts." Working to contribute to the realization of a sustainable society while enhancing corporate value through the resolution of environmental and social issues, and dialogue with stakeholders.



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



3 Osaka Securities Exchange Building 4 CentRise Sakae (Nagoya City)



5 Ichibancho Heiwa Building



6 FinGATE KAYABA (Chuo-ku, Tokyo)



7 FinGATE KABUTO (Chuo-ku, Tokyo)



8 K5 hotel interior (Chuo-ku, Tokyo)



9 KABUTO ONE (Chuo-ku, Tokyo)

Opened "KABUTO ONE"

Its middle floors accommodate "KABUTO ONE HALL & CONFERENCE" and a book lounge, while its atrium on the first floor has a new information dissemination function named "The HEART." To become a new landmark of this district, KABUTO ONE serves as a hub for companies and investors to interact with each other.

P.19 ▶

History of Nihonbashi Kabutocho and Kayabacho

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 1940s

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 Nihonbashi 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.

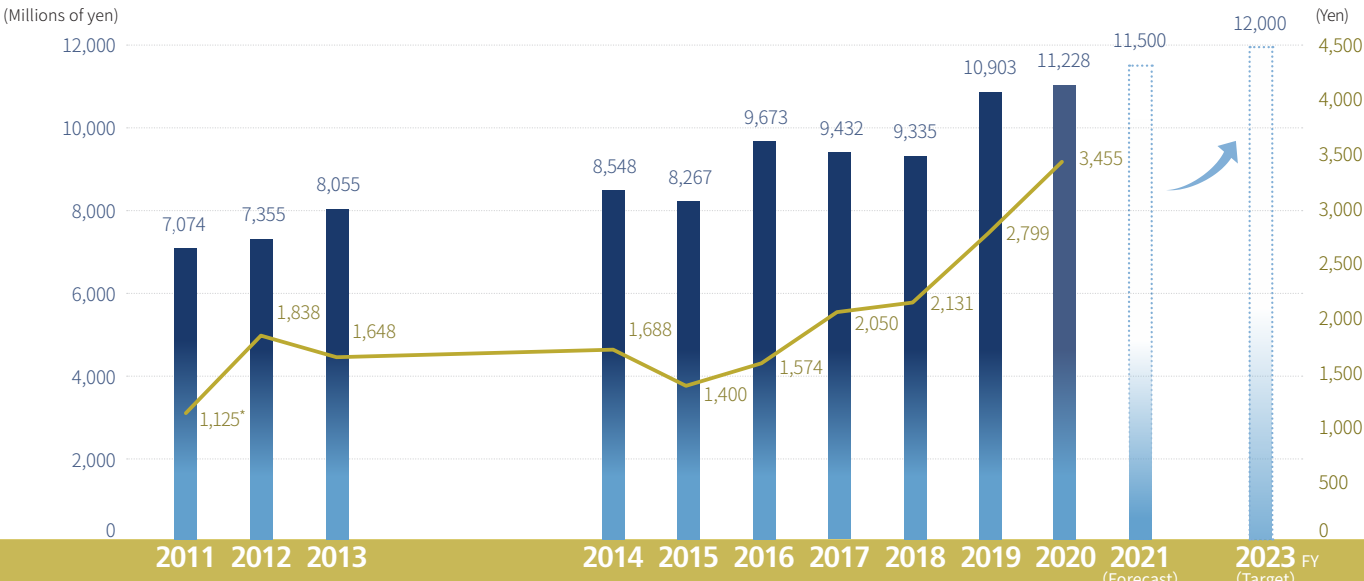
Recreating the Classic Look and Feel of Nihonbashi Kabutocho

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.

Currently

Announcement of a Revitalization Tagline: A Starting Point and A Highlight

It will speed up the Nihonbashi Kabutocho and Kayabacho Revitalization Project in the future, and the district will become an even greater starting point for the passion of those looking to the future and a place where all attempts and challenges shine as it offers value and charm as an entrepreneurial starting point.



Medium-term Management Plan
"Challenge & Progress"
(FY2020–FY2023)

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

EPS target: At least **¥200**

Consolidated operating income:

From **¥10 billion** to **¥12 billion**

Consolidated operating income (Millions of yen) (Left scale)
Closing share price (Yen) (Right scale)

* A five-to-one share consolidation was executed on October 1, 2012; the share price in FY2011 is presented by converting it into the post-consolidation share price.

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.

01 The Source of Corporate Value

(The Heiwa Real Estate Group's Strengths)
* Figures are as of March 31, 2021

Track record and trust as an owner of securities exchange buildings

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

Superior portfolio

- Owns assets in the central districts of major cities across Japan
- Owns candidate areas of medium- to long-term redevelopment
- Market value of leased and other real estate: **¥376.8 billion**
- Unrealized gains of leased and other real estate: **¥112.4 billion**

Value chain of the group as a Whole

- Ensuring steady growth of assets managed by Heiwa Real Estate REIT, Inc. and stable medium- to long-term earnings
- Sourcing capability developed through track record in the purchase and sale of real estate

Good relationship with clients and local communities

- Playing a part in the "Global Financial City: Tokyo" vision
- Number of tenants: **Approx. 600 companies**
- Cooperative relationship with local communities

Human capital

- Number of employees (Non-consolidated): **102 persons**
- Number of employees in the Group: **240 persons**
- Percentage of female employees (Non-consolidated): **28.3%**

Stable financial base

- Net D/E ratio: **1.57 times**
- Equity ratio: **31.1%**
- Equity: **¥118.6 billion**

02 Generating Greater Value

P.15 ▶

Corporate Activities

- Promotion of capital policy that takes into account capital costs and capital efficiency
- Strengthening corporate governance

Practicing Sustainable Management

Materiality



Structure to Promote Sustainable Management

Established the Sustainability Committee and will monitor the plan-do-check-act (PDCA) cycle for each sustainability initiative

Redevelopment Business

- Nihonbashi Kabutocho and Kayabacho revitalization
- Progress in commercializing the Sapporo Redevelopment Project



Building Business

- Pursuing external and internal growth
- Sustainable building operations to improve environmental performance and disaster preparedness
- Generating earnings from inventory sales



Asset Management Business

- Growing asset management earnings

03 The Value We Offer

P.15 ▶

Profit targets	EPS	At least ¥200 (FY2023)
	Consolidated operating income	At least ¥12 billion (FY2023)
Capital efficiency	ROE	At least 6% (FY2020-FY2023)
Shareholder returns	Consolidated total return ratio	Approx. 70% (FY2020-FY2023) Consolidated dividend payout ratio of approx. 50% by FY2023

- E: Environment**
 - GHG emissions: **50%** reduction by FY2030
 - Water usage: **20%** reduction by FY2030
 - Waste: **20%** reduction by FY2030 (All vs. FY2018)
- S: Society**
 - Rate of new hires that are female: At least **30%**
 - 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
- G: Governance**
 - Composition of the Board of Directors: **At least one-third** external directors
 - Number of female directors: **At least one**
 - Composition of Nomination and Compensation Committees: **Majority external directors**
 - Compliance training: **At least five times each year**

Improving social value

Making society sustainable 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, through initiatives such as the revitalization of Nihonbashi Kabutocho and Kayabacho, the Sapporo Redevelopment Project and asset management.

04 Vision for the Heiwa Real Estate Group



As “a company that contributes to revitalizing districts,” the Group strives to help our 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 shareholder value

Improving shareholder value as a listed real-estate company

The Company will improve shareholder value through returns and greater capital efficiency by maximizing the use of the Group's corporate value and by creating and achieving added value in real estate.

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

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

Tokyo area

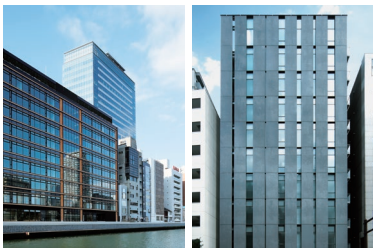
- Tokyo Stock Exchange Building
- Nissshokan Building
- KABUTO ONE
- Kabutocho Heiwa Building
- Kabutocho Heiwa Building No. 1
- Kabutocho Heiwa Building No. 2
- Kabutocho Heiwa Building No. 4
- Kabutocho Heiwa Building No. 5
- Kabutocho Heiwa Building No. 6
- Kabutocho Heiwa Building No. 7
- Kayabacho 1-Chome Heiwa Building
- Kayabacho Broad Square
- Heiwa Real Estate Nihonbashi Building
- Quatro Muromachi Building
- Mita Heiwa Building
- Uchisaiwaicho Heiwa Building
- Shimbashi Square Building
- Yokohama Heiwa Building



Uchisaiwaicho Heiwa Building Mita Heiwa Building Kabutocho Heiwa Building No. 6

Osaka area

- Osaka Securities Exchange Building
- Osaka Heiwa Building
- Hotel Brighton City Osaka Kitahama
- Heiwa Real Estate Kitahama Building
- Kitahama 1-Chome Heiwa Building
- Osaka Midosuji Building
- Kyoto Shoken Building
- Daimaru Kyoto Store (West) Kyodo Building
- Daimaru Kyoto Store (North) Kyodo Building



Kitahama 1-Chome Heiwa Building Heiwa Real Estate Kitahama Building



Osaka Midosuji Building Hotel Brighton City Osaka Kitahama

Fukuoka area

- Fukuoka Shoken Building
- Fukuoka Heiwa Building
- Tenjin Heiwa Building



Tenjin Heiwa Building

Sapporo area

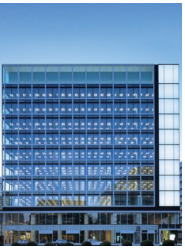
- Dogin Building
- Shin-Odori Building
- Park East Sapporo
- Sapporo Ekimae Godo Building
- AFT Building
- Hotel Emisia Sapporo



Dogin Building

Sendai area

- Ichibancho Heiwa Building
- Solala Plaza



Ichibancho Heiwa Building

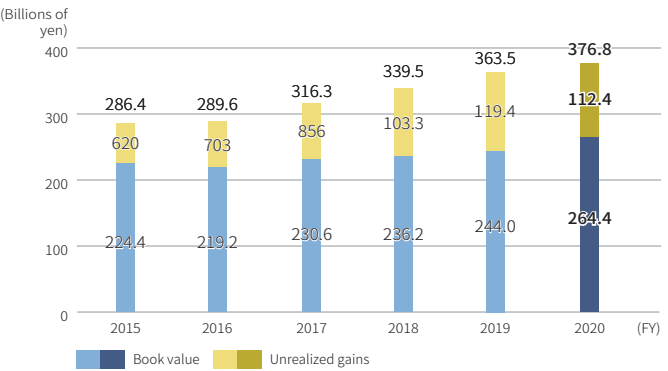
Nagoya area

- Nagoya Stock Exchange Building
- CentRise Sakae
- Nagoya Heiwa Building
- Maruzen Nagoya Honten Building
- Isemachi Heiwa Building
- Sakae Center Building
- Sakae Sun City Building

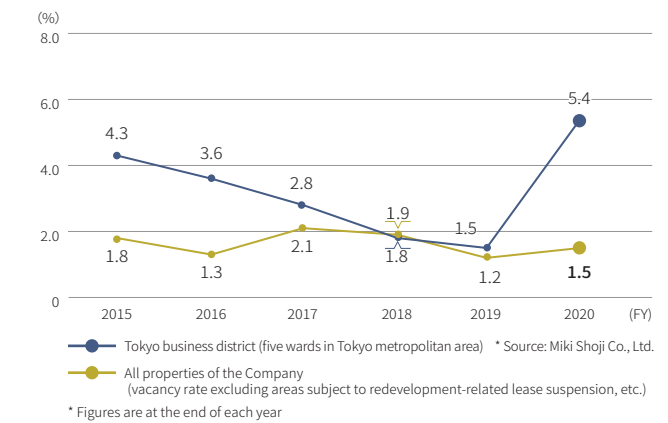


CentRise Sakae Maruzen Nagoya Honten Building

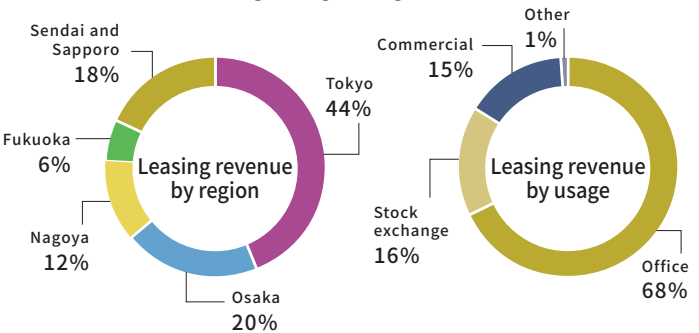
Market Value of Lease Properties, etc.



Trends in Vacancy Rate



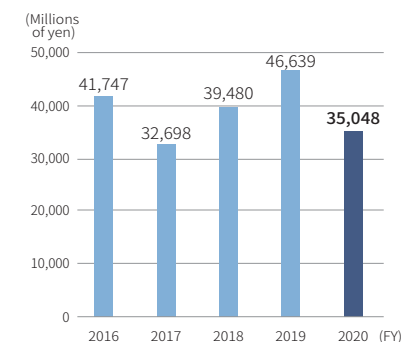
Portfolio Data (Building leasing earnings) (FY2020)



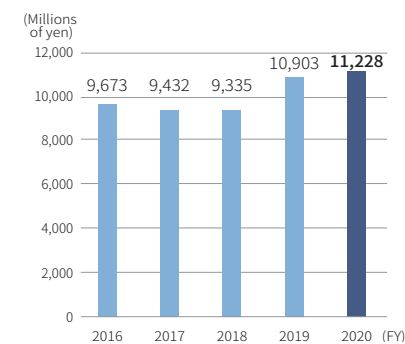
Financial and Non-Financial Highlights

Financial Highlights (Consolidated)

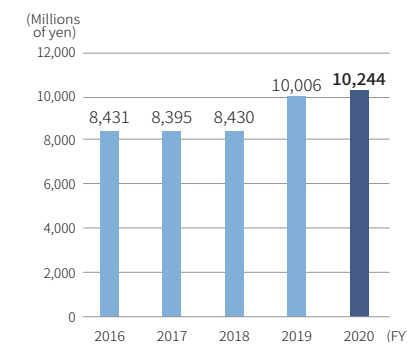
Operating Revenue



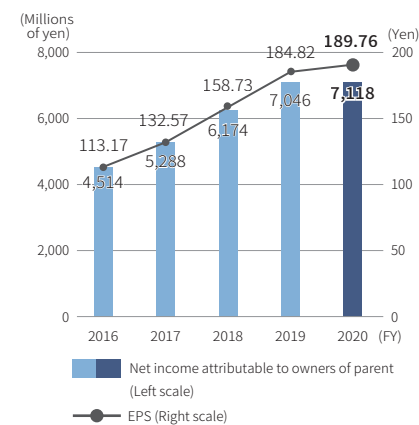
Operating Income



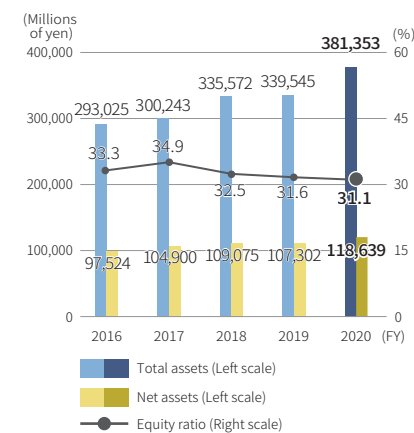
Ordinary Income



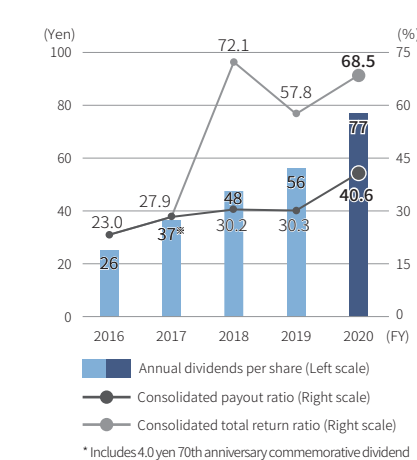
Net Income Attributable to Owners of Parent and EPS



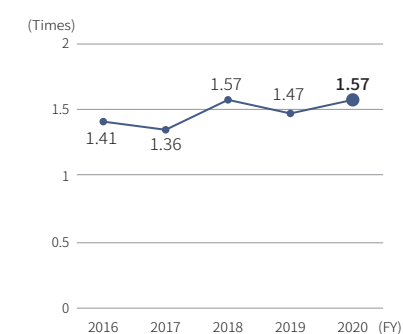
Total Assets, Net Assets and Equity Ratio



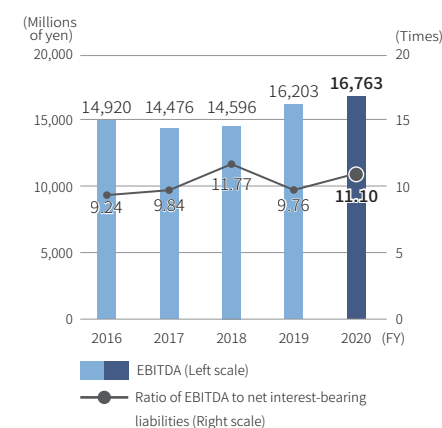
Annual Dividends per Share, Consolidated Payout Ratio and Consolidated Total Return Ratio



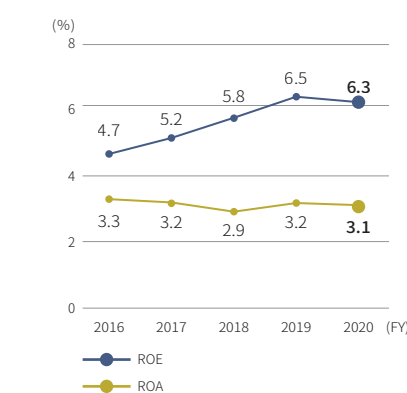
Net D/E Ratio



EBITDA and Ratio of EBITDA to Net Interest-Bearing Liabilities

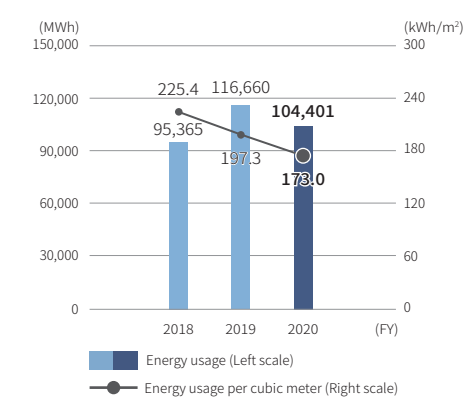


ROE and ROA

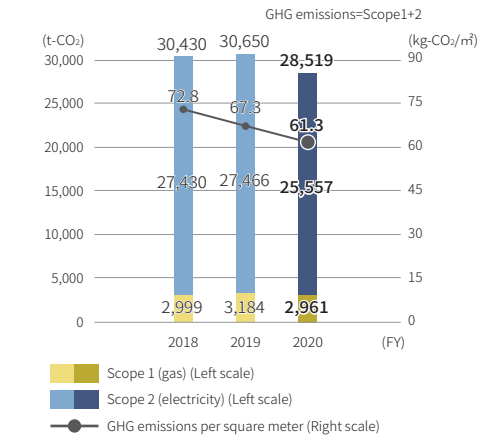


Non-Financial Highlights

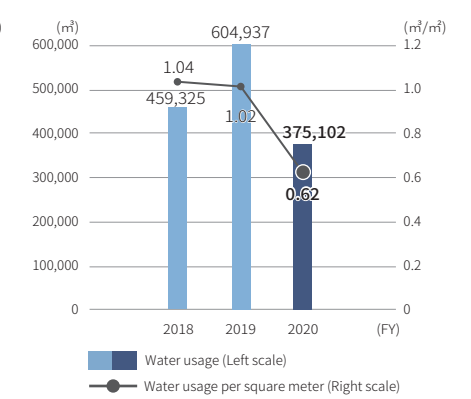
Energy Usage and Energy Usage per Cubic Meter^{*1}



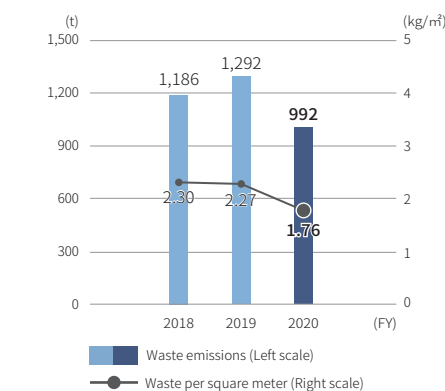
GHG Emissions and GHG Emissions per Square Meter^{*1}



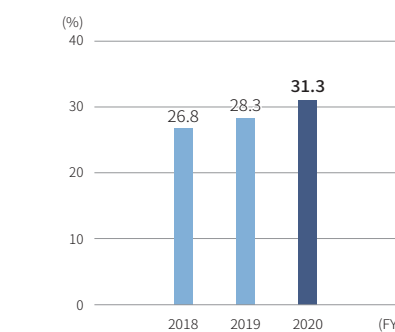
Water Usage and Water Usage per Square Meter^{*1}



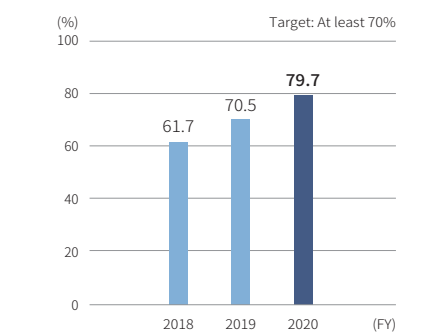
Waste Emissions and Waste per Square Meter^{*1,2}



Rate of Female Employees^{*3}

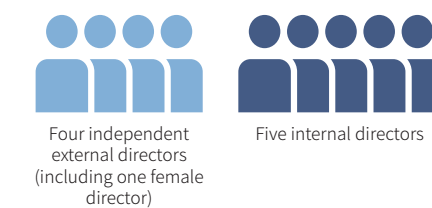


Paid Holiday Usage Rate^{*3}



Board of Directors

At least one-third external directors



Nomination Committee

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



Compensation Committee

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



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

^{*2} Recycled waste is excluded from the actual figures for waste and waste emissions per square meter.

^{*3} Heiwa Real Estate on a non-consolidated basis is within the scope of calculation.

Heiwa Real Estate Will Contribute to the Development of Sustainable and Diverse Districts by Flexibly Adapting to the Drastically Changing Business Environment

Representative Director and President
Kiyoyuki Tsuchimoto

Boosting Our Presence as a Real Estate Developer

The Heiwa Real Estate Group declared its goal of becoming "a company that contributes to revitalizing districts" by working on the revitalization of the Nihonbashi Kabutocho and Kayabacho areas, where the Company was founded, in its previous medium- to long-term management plan "Over the NEXT DECADE." Despite the goal being an extremely challenging one for us at the time, we have steadily been making achievements, including commercializing the "KABUTO ONE" project—our first project in the Nihonbashi Kabutocho and Kayabacho Revitalization Project—and attracting independent asset management companies and financial venture companies (e.g., Fintech) by rolling out the "FinGATE" series aimed at contributing to the "Global Financial City: Tokyo" vision.

Our medium-term management plan "Challenge & Progress" formulated in April 2020 seeks to follow and further evolve the business strategies based on the previous medium- to long-term management plan that had made smooth progress, in addition to dealing with the risks of natural disasters that are increasing year by year, the advancement of corporate governance, the rising global awareness of ESG management and the United Nations' Sustainable Development Goals (SDGs), the COVID-19 pandemic and other drastic changes in the business environment. In accordance with the plan, we are working on the two major pillars presented as our vision for Heiwa Real

Estate, namely, "improving social value" and "improving shareholder value," as well as "practicing sustainable management" to help realize a sustainable society as our key theme.

Heiwa Real Estate's Concept of "Revitalization of Districts"

Nihonbashi Kabutocho and Kayabacho flourished as a district serving as a securities trading hub and a financial and investment center where many business people would come and go. Heiwa Real Estate, which has roots in this location and is still based here today, believes it has a certain responsibility to revitalize the area. Rather than bringing back the bustle of the earlier days, we hope to transform it into a vibrant, brilliant district where a wide range of people gather, including not only workers but also residents, overnight guests, and others who come to enjoy shopping, meals, music, etc.

K5, which opened in February 2020, won the Good Design Award 2020, and "HOTEL K5" was listed in the "MICHELIN Guide Tokyo 2021." This building, almost 100 years old and located adjacent to the Tokyo Stock Exchange, was renovated in accordance with the idea of "sustainable redevelopment"; we believe this is a necessary approach for today's society where sustainability is required, also from the perspective of continuing the use of a historic building by giving it new value.

With K5 as the starting point, we have attracted a patisserie, bistro and craft beer

store and made other efforts to liven up the district. As a result, Nihonbashi Kabutocho has been selected by the worldwide version of the global city guide "Time Out" as one of "The 40 coolest neighborhoods in the world" at present, reflecting the growing attention paid to the district. We are extremely pleased to see that people who want to change the district by becoming a member of its community are flocking to this district, so we intend to continue accelerating these measures going forward.

Leveraging the District's Edge by Taking Advantage of Its History and Distinctive Characteristics

We should also not forget about development that takes advantage of the distinctive characteristics unique to Nihonbashi Kabutocho and Kayabacho. "FinGATE," which is our initiative to contribute to the "Global Financial City: Tokyo" vision pursued by the Japanese government and Tokyo metropolitan government, is tenanted by approximately 50 companies, including independent asset management companies and financial start-ups consisting primarily of Fintech firms. Furthermore, in 2021, the "Financial Market Entry Office" of the Financial Services Agency and Local Finance Bureaus, which serves as a point of contact for inquiries targeting foreign financial business operators, was opened in FinGATE TERRACE. We think it is highly significant that we have been able to attract such a base that contributes to the "Global Financial

City: Tokyo" vision. We believe this kind of initiative could have been realized in the form of added value only by Heiwa Real Estate, which shares its history with the securities and finance industries. We will continue making efforts to help enhance its functionality as Tokyo's global financial center.

Opening of a New Landmark: "KABUTO ONE"

"KABUTO ONE", the first project in the Nihonbashi Kabutocho and Kayabacho Revitalization Project, opened on August 24, 2021. "KABUTO ONE" is a building recognized as a project of one of the National Strategic Special Zones, and has the following three major characteristics.

The first characteristic is one of the world's biggest cube-shaped LED displays called "The HEART," a new information dissemination function that has been installed in the atrium space on the first floor. The cube-shaped display, which was designed to represent the heart of the Japanese economy, not only conveys standard economic information as in the past but also converts economic trends (pulsation/dynamic movement) and market conditions into an artistic expression suggestive of a heartbeat and blood circulation, thereby making you instinctively sense what is happening in the market right now. We hope to communicate the heartbeat of the Japanese economy through the latest technology and design.

The second is "KABUTO ONE HALL & CONFERENCE" and a book lounge, which



are accommodated as financial contribution facilities on the middle floors. While it is difficult to have face-to-face dialogue under the current circumstances due to the COVID-19 pandemic, we hope to offer a place where companies and investors can interact with each other.

The third is the office section tenanted by those who support the capital market.

The building was named "KABUTO ONE" to highlight its significance as the starting point for the Japanese economy, in the hope of becoming a familiar, new face of this district.

Announcement of a Revitalization Tagline: "A Starting Point and A Highlight"

Following the opening of "KABUTO ONE", the Nihonbashi Kabutocho and Kayabacho Revitalization Project will enter the second stage. At this juncture, we determined the revitalization tagline: "A Starting Point and A Highlight."

In Stage Two, Heiwa Real Estate will further expand on its efforts in Stage One to increase opportunities to visit, and will continue to revitalize the area in a way that makes visitors want to be here, spend time here and visit again, giving people the central role in the district from three aspects: financial, as a district that updates the concept of finance; bridging, as a district that connects people together; and place making, as a district where everyone fits in.

It will speed up the Nihonbashi Kabutocho and Kayabacho Revitalization Project in the future, and the district will become an even greater starting point for the passion of those looking to the future and a place where all attempts and challenges shine as it offers value and charm as an entrepreneurial starting point.

What does this district need in a time frame as long as 10 to 20 years?
What can Heiwa Real Estate do?

Envisioning the Post-COVID-19 World

The Heiwa Real Estate Group's business portfolio primarily consists of office buildings across Japan. In FY2020, our business performance was good in that we posted record-high profits as a result of being able to operate buildings stably even in the terrible business environment amid the COVID-19 pandemic, in addition to the steady accumulation of accomplishments made by each and every one of our employees. On the other hand, there is still no end in sight to the COVID-19 pandemic, giving rise to the argument that offices are no longer needed due to the widespread adoption of work from home (WFH)/telework, not to mention the dramatic decrease in inbound tourists. However, we hope to figure out what this district needs in a time frame as long as 10 to 20 years and what Heiwa Real Estate can do, especially at times like this, rather than panicking based on an excessively pessimistic view of the past year. How should the district be shaped to win people's hearts when the pandemic comes to an end? We intend to keep questioning in this manner at all times.

Steadily Promoting Sustainable Management

As a business company required by society, we identified material issues, and in December 2020 established the Sustainability Committee. We will monitor the PDCA cycle for various sustainability measures and enhance their effectiveness. As part of such initiative, we have switched the electricity used at 17 properties in the Tokyo and Yokohama areas to renewable energy sources since May 2021. This is expected to reduce CO₂ emissions by approximately 4,900 tons in FY2021.

On the other hand, in order to further boost the vitality of the Company organization, we will implement "job satisfaction reform" and translate it into higher corporate value. Being able to really feel your own personal growth gives you a greater sense of satisfaction. We will realize a company in which "people grow" rather than a company that "nurtures people," by making employees' career vision transparent through the review of the human resources development system, and recommending employees to gain a specialty. In parallel with this, we believe now is the time to build up experience and confidence both as a company and as an individual while actually performing and truly experiencing work that is recognized by improving the evaluation system and work that is appreciated through sustainability measures.

Working On Health Management in Earnest

For the sustained growth of the Company, it is important that each and every employee is healthy—both mentally and physically—and able to fully demonstrate his/her abilities and individual characteristics.

Having set forth the "Declaration of Health Management" aimed at making full-fledged efforts on the health improvement investment project currently being promoted, we will engage in initiatives on an ongoing basis, including bearing cancer screening expenses and other initiatives for early discovery, and initiatives to reduce excessively long working hours based on a prior approval system for overtime work, in addition to health-enhancing initiatives such as seminars on dietary habits.

Becoming a "Company with a Strong Presence" by Utilizing Corporate Branding

The Heiwa Real Estate Group is currently in the phase of propelling itself to a higher stage, which involves taking on challenges

and reaching new heights as "Creating ___ Communities, Building for the Future". This year will be one of importance in that anything and everything done by Heiwa Real Estate will attract greater interest than ever before, following the opening of "KABUTO ONE". My intention behind the statement "Creating ___ Communities, Building for the Future" that we have newly set out at this juncture is to make each and every employee constantly think about how he/she can contribute to revitalizing districts in the work that he/she is in charge of, in seemingly unnatural endeavors. While "revitalizing districts" is interpreted as "developing this area" in many cases, we firmly believe that no matter how trivial or personal they may be, each and every employee's thoughts and actions translate into the revitalization of districts by Heiwa Real Estate. Going forward, we will utilize this tagline in combination with the logo of the Company name, to strongly evoke the image of the "Vision for the Heiwa Real Estate Group."

Contributing to Society by Inheriting Transformational DNA

Nihonbashi Kabutocho and Kayabacho is the place where Eiichi Shibusawa literally dedicated the prime of his life from his 30s to 50s to the rise of Japan as an entrepreneur, industrialist and financier. Since the Meiji Era, this area has been filled with the challenger's spirit—the strong desire to make it big from this district—so we, too, are eager to take on the challenge as a novice real estate developer. A location that still has deep connections with Eiichi Shibusawa to this day is "KABUTO ONE". The "Red Stone" sitting in the atrium on the first floor of the building is claimed to have been cherished by Eiichi Shibusawa throughout his life, having placed it in his home as a stone of good luck after his residence was newly built in Kabutocho. Everyone is welcome to touch the Red Stone.

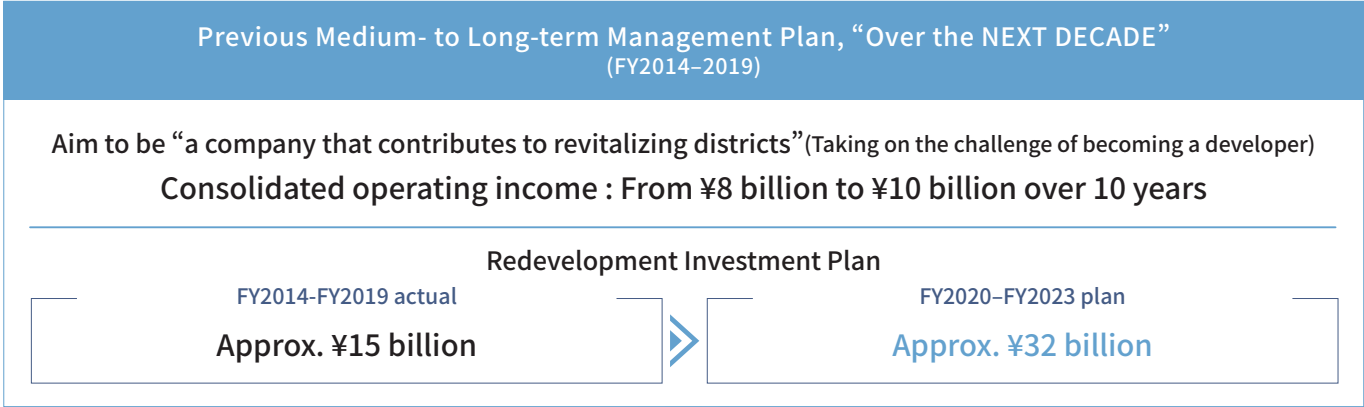
In his book *"Rongo and Soroban (Analects of Confucius and the Abacus)"*, Eiichi Shibusawa preached the importance of *striking a balance between morality and the pursuit of profit, and thinking about public interest at all times*. Likewise, the Heiwa Real Estate Group is committed to continuing its contribution to society while also flexibly adapting to the drastically changing business environment, with this philosophy—which may be regarded as Eiichi Shibusawa's DNA—etched in our mind.

Going forward, we ask for your continued understanding and support for the Heiwa Real Estate Group's business activities as "a company that contributes to revitalizing districts," and your interest in our future initiatives to take on challenges and reach new heights will be highly appreciated.

Medium-term Management Plan “Challenge & Progress”

Positioning of the Medium-term Management Plan

For the purpose of further advancing the business strategies of the previous medium- to long-term management plan—which had made smooth progress—while following their path, we will refocus our business model on added-value creation through the revitalization of Nihonbashi Kabutocho and Kayabacho, the commercialization of the Sapporo Redevelopment Project, and external and internal growth. Also, we consider this a period for tackling the challenge of, and making progress in, the aim to be “a company that contributes to revitalizing districts,” by helping resolve social issues through the promotion of sustainability measures.



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

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.



KPIs

Profit targets	EPS	At least ¥200 (FY2023)
	Consolidated operating income	At least ¥12 billion* (FY2023)
Capital efficiency	ROE	At least 6% (FY2020–FY2023)
Shareholder returns	Consolidated total return ratio	Approx. 70% (FY2020–FY2023)
		Consolidated dividend payout ratio of approx. 50% by FY2023

(Reference) Financial soundness: Net D/E ratio of 1.8 times or less

* Breakdown of consolidated operating income: Building Business: ¥11.8 billion; Asset Management Business: ¥1.8 billion; Corporate/Eliminations, etc.: -¥1.6 billion

Investment Plan for FY2020 to FY2023

	Plan	FY2020 results
Redevelopment Business	Approx. ¥32 billion (Breakdown) Nihonbashi Kabutocho and Kayabacho: Approx. ¥22 billion Sapporo: Approx. ¥10 billion	Approx. ¥6.5 billion
Building Business (including former Asset Management Business)	Acquisitions: Approx. ¥60 billion	Approx. ¥20.5 billion
	Returns from portfolio renewal: Approx. ¥20 billion Returns from existing inventory sales: Approx. ¥34 billion	Approx. ¥8.1 billion

Progress of Medium-term Management Plan

Summary of FY2020		• Achieved record highs for operating income and ordinary income for the second consecutive year and net income attributable to owners of parent for the fourth consecutive year. • Raised ROE and proactively generated shareholder returns while maintaining financial discipline.
1	Redevelopment Business	1. Nihonbashi Kabutocho and Kayabacho revitalization • Development of KABUTO ONE • Contribution to "Global Financial City: Tokyo" vision (opening of FinGATE TERRACE) • Promotion of development of diverse districts (contribution to culture, art, etc, including holding local community events) • Promotion of development of sustainable districts (commencement of construction of (tentative name) Kabutocho 85 Project) 2. Progress in commercializing the Sapporo Redevelopment Project
2	Building Business	• Acquired Kabutocho Heiwa Building No. 7 Shimbashi Square Building, Heiwa Real Estate Nihonbashi Building and Asakusa Residence, totaling approx. ¥20 billion, in FY2020. • Worked to raise lease prices while increasing tenant satisfaction by maintaining and improving building value and raising the standard of building operation and management services. • Executed development, lease up and remodeling projects, etc. and sold profitable assets after maximizing their value.
3	Asset Management Business	• Increased Heiwa Real Estate Group's earnings steadily in line with the growth of Heiwa Real Estate REIT, Inc. • Heiwa Real Estate REIT, Inc. reverted to the "external growth stage" based on capital increase through a public stock offering for the first time in approx. five and a half years.
4	Corporate Activities	• Annual dividends per share: ¥77 (consolidated payout ratio: 40.6%) • Repurchased 625,000 shares of the Company's stock amounting to ¥1,990 million (consolidated total return ratio: 68.5%). • Established the Sustainability Committee and improved effectiveness through monitoring of the PDCA cycle by the management team and executive employees.

Trends in Performance and Indicators

Profit targets	EPS	FY2019 (Results of previous medium - to long- term management plan)	FY2020	FY2023 (KPIs)
		¥184.82	¥189.76	At least ¥200
Capital efficiency	Consolidated operating income	¥10.9 billion	¥11.22 billion	At least ¥12 billion
		6.5%	6.3%	At least 6%
Shareholder returns	ROE	57.8% (30.3%)	68.5% (40.6%)	Approx. 70% (Approx. 50%)
		Consolidated total return ratio (Consolidated payout ratio)		

Heiwa Real Estate is Aiming for Sustained Growth by Taking Capital Costs and Capital Efficiency into Account.

Representative Director
and Senior Managing Executive Officer
Norio Iwasaki



■ FY2020 Results

Posted Record-High Profits Due to Higher Profitability in Terms of Earnings from Sales, etc.

As for Heiwa Real Estate's consolidated business performance in FY2020, the first fiscal year of the medium-term management plan "Challenge & Progress," operating revenue decreased 24.9% year on year to 35 billion yen, operating income increased 3.0% year on year to 11.2 billion yen, ordinary income increased 2.4% year on year to 10.2 billion yen, and net income attributable to owners of parent increased 1.0% year on year to 7.1 billion yen. Operating revenue fell due to the decrease in inventory sales, but profits increased as a result of the increase in profitability in terms of earnings from inventory sales and the growth in leasing earnings, enabling us to post record-high profits. Heiwa Real Estate, whose earnings structure is based on office leasing, has continued to grow profits steadily due to the success of its own initiatives aimed at external growth (i.e., acquiring properties) and internal growth (e.g., raising lease prices), in addition to the strong office market over the past few years. In regards to shareholder returns, we paid annual dividends of 77 yen per share (consolidated payout ratio: 40.6%), an increase of 21 yen compared to the previous year. Combined with repurchases of the Company's shares amounting to approximately 2 billion yen, the consolidated total return ratio was 68.5%.

■ Impact of the COVID-19 Pandemic

Limited Impact Overall

In the Building Business, some buildings for commercial and hotel purposes were impacted, but the impact on our mainstay operation—i.e., office leasing—was limited. Also, in the Asset Management Business, we managed to contain the impact to a low level due to the smooth progress of property sales by Heiwa Real Estate REIT, Inc., in addition to being able to execute inventory sales as planned. The Redevelopment Business has also been operating smoothly without being affected. It is therefore fair to say that the impact of the COVID-19 pandemic has been minor overall, given that the impact on Heiwa Real Estate's consolidated business performance amounted to approximately 400 million yen in terms of consolidated operating income.

■ Direction of the Medium-term Management Plan

Aiming for Sustained Profit Growth and Management Taking Capital Costs into Account

Under the slogan "Tackling the challenge of, and making progress in, the aim to be a company that contributes to revitalizing districts," our policy is to engage in initiatives aimed at "quantitative and qualitative expansion of the Redevelopment Business," "practicing sustainable management," and "refocusing the business model on added-value creation," in pursuit of sustained profit growth and management taking capital costs into account. Specifically, we will seek to create added value through the Redevelopment Business and push up leasing earnings by building up and reshuffling our portfolio. We believe the driver for earnings going forward will be earnings obtained from property sales utilizing unrealized gains of leasing business assets. In other words, in the context of new segment classification,* growth is expected to be driven by the increase in both leasing earnings and earnings from property sales in the Building Business. In the Asset Management Business, we will continue to support the growth of Heiwa Real Estate REIT, Inc., to pursue the stable expansion of asset management earnings. Through these efforts, we plan to increase consolidated operating income to the level of 12 billion yen in the final fiscal year of the medium-term management plan and enhance capital efficiency.

* From FY2021 onwards, development, sale, management, etc. of real estate for sale that had conventionally belonged to the "Asset Management Business" were reclassified to the "Building Business" in consideration of future business expansion.

■ Future Investment Plan and Progress of Plan

Improving the Quantity and Quality of the Portfolio along with Asset Rotation

In the next four years, we plan to invest approximately 32 billion yen in the Redevelopment Business and approximately 60 billion yen into external growth (i.e., property acquisition) and seek to build up our assets (portfolio) through redevelopment and property acquisition. On the other hand, we plan to collect approximately 20 billion yen through sales by reshuffling our portfolio and approximately 34 billion yen through inventory sales; our strategy is to improve the quantity and quality of our portfolio along with asset rotation. Sales through portfolio reshuffling is a new policy that we have set forth, and the idea is to realize unrealized gains that have

been accumulated in long-held properties to make use of them for management in the next stage. We have already reclassified two properties from fixed assets to inventory as of the end of the previous fiscal year, and going forward, we will continue looking into reclassifying and selling assets in due course.

As for the results in the previous fiscal year, inventory in the amount of approximately 8.1 billion yen was sold, while four properties—i.e., Kabutocho Heiwa Building No. 7 Shimbashi Square Building, Heiwa Real Estate Nihonbashi Building and Asakusa Residence—were acquired for a total amount of approximately 20.5 billion yen. Our future plan is to continue building up new lease assets targeting mainly office buildings in central Tokyo and major cities. In the Redevelopment Business, we will promote the development pipeline, including the Sapporo Redevelopment Project, in addition to "KABUTO ONE," which opened on August 24, 2021, as well as subsequent projects, with the aim of revitalizing Nihonbashi Kabutocho and Kayabacho.

■ Important Management Indicators and Risk Factors

Adapting to the Changing Business Environment in a Flexible Manner

In the latest medium-term management plan, we have placed greater importance on not only profit growth but also capital costs and capital efficiency, and our targets for the final fiscal year are: earnings per share (EPS) of 200 yen or more; being mindful of capital costs, return on equity (ROE) of 6% or more to exceed this; and consolidated total return ratio of approx..70%¹. For shareholder returns, we have set the target at a level where we can generate returns after necessary funds for our businesses have been set aside as internal reserves, and we will also seek to enhance capital efficiency by repurchasing the Company's shares, combined with the payment of dividends.

As for financial discipline, Heiwa Real Estate's net debt-to-equity (D/E) ratio had conventionally been kept to 1.5 times or less, leading to the improvement of its financial soundness and the accumulation of unrealized gains of leasing business assets. Taking this into consideration, our policy is to control the net D/E ratio at 1.8 times or less during the period of the latest medium-term management plan. With respect to risk factors, our understanding is that it is necessary to carefully monitor how the office market is impacted by trends in corporate business performance, the widespread adoption of remote work and other such factors, including the prolongation

of the COVID-19 pandemic. That said, the vacancy rate² as of March 31, 2021 was stable at a low level, i.e., around 1.5%. Going forward, we intend to continue developing attractive districts and improving the value of individual properties, as well as selecting properties to be acquired based on stringent criteria, reshuffling our portfolio in a flexible manner and making other such efforts to flexibly adapt to changes in the environment.

^{*1} Among these targets, we are aiming for a consolidated payout ratio of approx.50% by FY2023.

^{*2} National average (excluding sections subject to lease suspension related to redevelopment, etc.)

■ FY2021 Business Performance Forecast and Shareholder Returns

Forecasting Higher Revenue and Profits as Well as Increase in Dividends

As for Heiwa Real Estate's business performance forecast for FY2021, we are expecting both revenue and profits to increase, i.e., operating revenue to increase 62.1% year on year to 56.8 billion yen, operating income to increase 2.4% year on year to 11.5 billion yen, ordinary income to increase 0.5 year on year to 10.3 billion yen, and net income attributable to owners of parent to increase 2.5% year-on-year to 7.3 billion yen. The growth in earnings from property sales, the hike of lease prices, etc., In the Building Business are expected to continue contributing to profit growth. In regards to shareholder returns, we plan to pay annual dividends of 82 yen per share (consolidated payout ratio: 41.4%), an increase of 5 yen compared to the previous year. In addition, having passed a resolution to repurchase the Company's shares in the amount of up to 2 billion yen, the consolidated total return ratio is expected to be 68.8%.

■ To Our Stakeholders

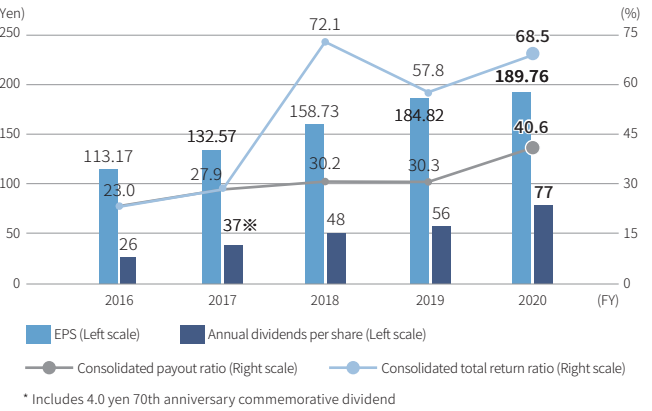
Endeavoring to Realize Returns in Various Ways

It is necessary to expand Heiwa Real Estate's businesses by wisely utilizing its equity and debt. However, as explained earlier, our policy is to be more mindful of capital costs and capital efficiency while observing fiscal discipline, rather than merely pursuing the expansion of scale. We intend to promote businesses that can realize the provision of value to our stakeholders in various ways, including proactively generating shareholder returns, and translate them into sustained growth. We ask for your continued support from a long-term perspective going forward.

Investment Plan (from FY2020 to FY2023)

	Plan	FY2020 results
Redevelopment Business	Approx. ¥32 billion (Breakdown) Nihonbashi Kabutocho and Kayabacho: Approx. ¥22 billion Sapporo: Approx. ¥10 billion	Approx. ¥6.5 billion
Building Business	Acquisitions: Approx. ¥60 billion	Approx. ¥20.5 billion
(including former Asset Management Business)	Returns from reshuffling: Approx. ¥20 billion Returns from existing inventory sales: Approx. ¥34 billion	Approx. ¥8.1 billion

EPS, Annual Dividends per Share, Consolidated Payout Ratio and Consolidated Total Return Ratio





Nihonbashi Kabutocho and Kayabacho Revitalization Project

Nihonbashi Kabutocho
Japan's Financial and Economic Heart

Nihonbashi Kabutocho is home to the Tokyo Stock Exchange and the center of securities markets in Japan. Along with Wall Street in New York City and the City in London, it is one of the world's leading securities districts. The three major securities markets in Japan are Kabutocho, where the Tokyo Stock Exchange is located, Kitahama, where the Osaka Exchange is located, and Isemachi, where the Nagoya Stock Exchange is located.



Feature Article 1

Leading Project to Create a Financial Hub That Helps Realize the "Global Financial City: Tokyo" Vision Opening of KABUTO ONE



Book lounge on 3F



KABUTO ONE Hall on 4F

KABUTO ONE will introduce functionality to the district consistent with the “global financial city” vision, fostering information sharing and talent development in the financial industry and promoting dialogue and communication between investors and companies. KABUTO ONE will contribute to the vision as well as furthering the development and appeal of the entire region.

Facing the intersection of Eitai-dori and Heisei-dori, the KABUTO ONE’s atrium is about 14 m high and is designed with a three-story glass wall. The atrium symbolizes the financial base as a regional gateway and will be an “icon” of the Japanese financial capital market. Using the open space in the atrium, KABUTO ONE features the world’s largest LED video cube called “The Heart,” to display market energy and trends in a visual and spatial manner. The atrium also functions as a site for visitors to gather, rest and interact and for local activities and other events.

Building Name Concept

Kabutocho has prospered as the heart of the Japanese economy since the Edo period and has grown into one of the world’s leading economic areas.

The KABUTO ONE development has been named as such to reflect the idea that Kabutocho was, and will continue to be the starting point for the Japanese economy.

Project Overview

Address	7-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo
Access	Direct access to Kayabacho Station on Tokyo Metro's Tozai and Hibiya lines * Connecting passages scheduled to open in December 2022
Main uses	Offices, shops, meeting rooms, conference rooms, parking
Number of floors	15 above-ground floors, 2 basement floors, 2 penthouse floors
Structure	Above ground: Steel construction; Basement: Steel-reinforced concrete (SRC) construction (steel construction in parts); intermediate layer seismic isolation structure
Total floor area	Approx. 39,208m ²
Owner/Developer	Heiwa Real Estate Co., Ltd. Yamatane Corporation, Chibagin Securities Co., Ltd.
Design/Supervision	(Design/facilities) Mitsubishi Jisho Sekkei Inc. (Structure) OBAYASHI CORPORATION
Construction	OBAYASHI CORPORATION

One of the World's Largest Digital Signage 「The HEART」



"The HEART" inside KABUTO ONE

"The HEART" is one of the world's biggest digital signage installed in the atrium inside "KABUTO ONE."

"The HEART" was designed in the image of the "heart" of financial and economic district Nihonbashi Kabutocho and installed in the hope of turning it into a symbol of the region as a new face of the capital market.

Feature Article 2

Creation of a Revitalization Tagline "A Starting Point and A Highlight"

Nihonbashi Kabutocho and Kayabacho Revitalization Project Revitalization Tagline

起点であり、
輝点となる。

日本橋兜町・茅場町再活性化プロジェクト

150 years since Eiichi Shibusawa and his colleagues built the foundation for banks and securities here.

An entrepreneurial spirit has flowed continuously through Kabutocho.

A desire to take on challenges. A desire to move forward with confidence.

The district has supported and developed this human passion.

The new value born here in the future will become an endless radiance and will surely continue to spread throughout the world.

Now it will become a district where all attempts and challenges sparkle.

Nihonbashi Kabutocho and Kayabacho Revitalization Project Revitalization Tagline: Logo A Golden Sash Connecting the District

As a district connecting entrepreneurial passion, Heiwa Real Estate offers a golden sash as a symbol of connecting people, people with the district, and the times and will utilize this in its revitalization.
The golden sash invites and connects all visitors while freely changing shapes in all areas of the district.

It has entered Stage Two of the Nihonbashi Kabutocho and Kayabacho Revitalization Project with the opening of KABUTO ONE, the first stage of the revitalization project in the Nihonbashi Kabutocho and Kayabacho district, as a starting point in August 2021.

In Stage Two, Heiwa Real Estate will further expand on its efforts in Stage One to increase opportunities to visit, and will continue to revitalize the area in a way that makes visitors want to be here, spend time here and visit again, giving people the central role in the district from three aspects: financial, as a district that updates the concept of finance; bridging, as a district that connects people together; and place making, as a district where everyone fits in.

Nihonbashi Kabutocho and Kayabacho Revitalization Project Revitalization Tagline: Key Visual Element



Redevelopment Business

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

The area subject to district revitalization is approx. 100,000 m². The historical background of Kabutocho 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.

TOPICS

First Project for Revitalization of Nihonbashi Kabutocho and Kayabacho P.19▶

Opening of "KABUTO ONE"

This building was named "KABUTO ONE" to highlight its significance as "the starting point for the Japanese economy." Its entrance has a new information dissemination function named "The HEART." Its middle floors accommodate "KABUTO ONE HALL & CONFERENCE" as a financial contribution facility, as well as a book lounge. On the first floor, a community café and a food hall are scheduled to open in due course.



Exterior of KABUTO ONE

Developing Sustainable and Diverse Districts

Business Environment

- Heightened momentum to revitalize districts in Nihonbashi Kabutocho and Kayabacho
- "Global Financial City: Tokyo" vision

Competitive Advantages

- We develop businesses based in Nihonbashi Kabutocho, where the Company was founded.
- Our relationship with communities
- We have built a relationship of trust with securities and financial industries.

Business Strategies

1. Revitalization of Nihonbashi Kabutocho and Kayabacho

We will **promote the development of sustainable and diverse districts** by engaging in such initiatives as livening up the entire area within the scope of district revitalization and contributing to the "Global Financial City: Tokyo" vision, as well as materializing district redevelopment through the launch of new projects, in addition to KABUTO ONE.

2. Progress in Commercializing the Sapporo Redevelopment Project

We will **promote the Sapporo Redevelopment Project on a full scale** by participating in Sapporo Station South Exit North 4 West 3, district redevelopment (i.e., block in which the Sapporo Ekimae Godo Building is located), along with the commercialization of the Dogin Building redevelopment project.



Supporting the "Global Financial City: Tokyo" Vision

"FinGATE": Offices for independent asset management companies and financial venture companies currently in operation at four sites

- Tenants of FinGATE consist of approx. 50 companies including independent asset management companies and financial start-ups (mainly Fintech companies).
- In May 2021, "FinGATE KABUTO" was expanded with the aim of luring foreign financial business operators, etc.
- In June 2021, the "Financial Market Entry Office" of the Financial Services Agency and Local Finance Bureaus—a centralized point of contact for inquiries targeting foreign financial business operators—was opened in FinGATE TERRACE.



FinGATE KAYABA



FinGATE KABUTO



FinGATE BASE



FinGATE TERRACE

Initiatives for Developing Diverse Districts

- Nihonbashi Kabutocho was selected by the global city guide "Time Out" as the only place in Japan listed among "The 40 coolest neighborhoods in the world" in 2020.
- Kabutocho Heiwa Building No.5 (K5) won the Good Design Award 2020.
- "HOTEL K5" was newly listed in the "MICHELIN Guide Tokyo 2021."
- We contributed to culture, art, etc., including co-hosting live jazz event "Jazz EMP (Emerging Musicians Program)" and "ICHI-RYU MANBAI" live@TSE Arrows and holding "Shibuaka Festa."



K5



K5



K5



Jazz EMP



ICHI-RYU MANBAI



Initiatives for Developing Sustainable Districts

Construction underway on Kabutocho 85 Project (Tentative Name)

- An office building doubling as a retail building that adopts a hybrid structure (wooden construction and SRC construction) for the first time for Heiwa Real Estate
- Adopted for "leading projects" program for sustainable buildings (wood-based structures) in FY2020 by the Ministry of Land, Infrastructure, Transport and Tourism.
- Applied a common concept design to landscaping and wooden benches in the area subject to district revitalization to bring them together and create a sense of unity in the district as a whole and promote the development of a district in harmony with nature.



Overview of (Tentative name) Kabutocho 85 Project

Address	8-5, Nihonbashi Kabutocho, Chuo-ku, Tokyo
Access	One-minute walk from Tokyo Metro Tozai Line "Kayabacho Station"
Main purpose	Stores and offices
Number of floors	10 floors above ground
Structure	Wooden hybrid structure
Total floor space	Approx. 296 <i>tsubo</i> (978.5 m ²)
Design, supervision and construction	ADX Co., Ltd.
Construction period	From December 2020 to March 31, 2022 (schedule)



Building Business

Leveraging Our Superior Portfolio in Major Cities across Japan



Business Environment

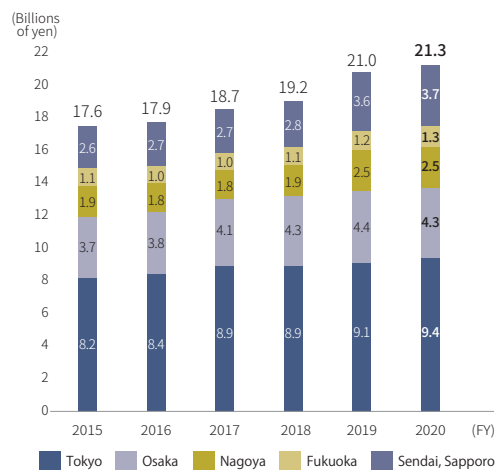
- Diversification of workstyles and office needs
- Environmentally-friendly and BCP-conscious operation

Competitive Advantages

- We have a superior portfolio of properties in central districts of major cities across Japan.
- We have a track record and gained trust as an owner of securities exchange buildings.
- We have tenant relationship/tenant leasing capabilities.
- We have higher tenant satisfaction by maintaining and improving building value and raising the standard of building operation and management services.



Operating Revenue from Building Leasing (Excluding building sales)



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 CO₂ emissions through investment in sustainable building facilities and operations to help address social issues such as disaster preparedness and environmental concerns.

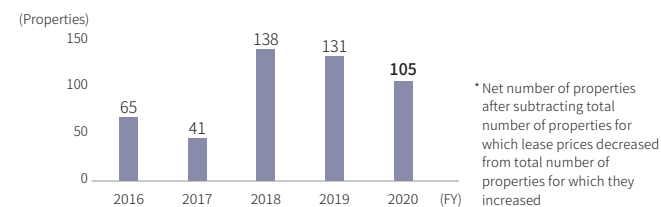
3. Generating Earnings from Inventory Sales

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.

Progress in Internal Growth

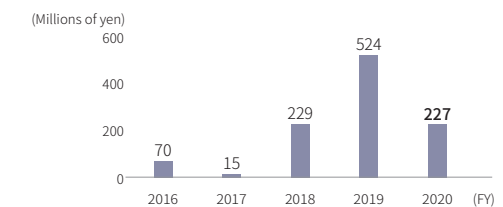
- We will work to raise lease prices based on trends in the office leasing market (plan to raise lease prices from FY2020 to FY2023: Approx. ¥700 million)
- We will work to raise lease prices while increasing tenant satisfaction by maintaining and improving building value and raising the standard of building operation and management services.

Progress of Lease Price Increases (No. of properties) *



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

Net Amount of Lease Price Increases (Increased revenue on a fiscal year basis) *



* Net number of properties after subtracting total number of properties for which lease prices decreased from total number of properties for which they increased
* FY2019 includes an annual increase in rent of the Tokyo Stock Exchange Building amounting to ¥300 million.

Promotion of Sustainable Building Operations, etc., Aimed at Improving Environmental Performance and Disaster Preparedness

- Utilization of renewable energy
- By switching the electricity used at 17 properties in the Tokyo and Yokohama areas to renewable energy sources from May 2021 onwards, our CO₂ emissions are expected to be reduced by approx. 4,900 tons per year.
- Going forward, we plan to continue adding more properties utilizing renewable energy in due course.

Stock of Real Estate for Sale

Assets Held

* Area is proportionate to the Group's interest in the relevant property as of March 31, 2021.

	Location	Exclusive-use floor space	Completed	Acquired	Stock balance
Ginza offices	Ginza, Chuo-ku	8,427.67 m ²	September 1974	July 2018	Approx. ¥31.0 billion
Osaki offices	Osaki, Shinagawa-ku	4,920.01 m ²	October 1992	September 2020	
Kayabacho offices	Nihonbashi Kayabacho, Chuo-ku	3,375.83 m ²	September 1991	September 2013	
Nagoya Sakae offices	Sakae, Naka-ku, Nagoya City	7,337.43 m ²	March 1995	February 2015	
Chiba Residence	Chuo-ku, Chiba City	1,703.23 m ²	December 2018	July 2019	
HF Residence series	(See table below)				

Progress in External Growth

- We plan to invest approx. ¥60 billion (net investment: ¥40 billion) in four years under the medium-term management plan as our external growth strategy.
- Our goal is to build up new lease assets, mainly targeting office buildings in central Tokyo and major cities.
- We acquired Kabutocho Heiwa Building No. 7, Shimbashi Square Building, Heiwa Real Estate Nihonbashi Building and Asakusa Residence, totaling approx. ¥20.5 billion, in FY2020.

	Kabutocho Heiwa Building No. 7	Shimbashi Square Building	Heiwa Real Estate Nihonbashi Building	Asakusa Residence
Building image				
Location	Chuo-ku, Tokyo	Minato-ku, Tokyo	Chuo-ku, Tokyo	Taito-ku, Tokyo
Exclusive-use floor space	6,578.54 m ²	5,422.10 m ²	3,032.09 m ²	1,457.28 m ²
Main purpose	Banks and offices	Offices and stores	Offices and stores	Condominium units and stores
Completed	October 1979	March 2008	December 1989	February 2021
Acquired	June 2020	September 2020	December 2020	February 2021

Projects in the HF Residence Series

(As of March 31, 2021)

Properties developed by the Company	HF Shoukouji Akabane Residence II	HF Yahiro Residence	HF Setagaya Kamimachi Residence	Kawaguchi Sakaecho PJ	Higashiogu PJ
Building image					

TOPICS

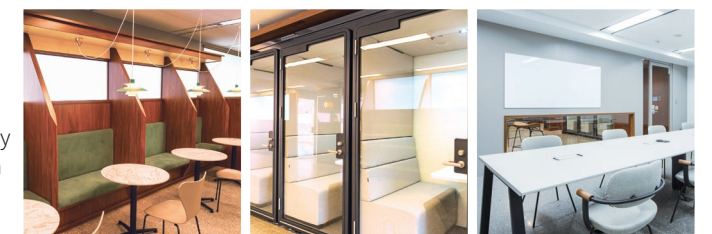


First Flexible Office Project

"XPORT Nihonbashi Kabutocho" Opened in July 2021

XPORT (pronounced "cross-port") is a flexible office meeting new office demand. Values demanded in offices are changing day by day in line with the diversification of workstyles.

"XPORT Nihonbashi Kabutocho" supports tenants—ranging from start-ups to large enterprises—in the creation of new values, by providing an environment in which they can work comfortably with a sense of security in the form of an office that boosts intellectual productivity in the creation of new ideas and businesses.



Asset Management Business

Meeting Ever-Growing Real Estate Investment Demand

Business Environment

- Higher demand for real estate investment
- Real estate prices remaining at high levels

Competitive Advantages

- We are the sponsor of Heiwa Real Estate REIT, Inc.
- We collaborate with Group companies including Heiwa Real Estate Asset Management Co, Ltd., i.e., the asset manager of Heiwa Real Estate REIT, Inc.

Business Strategies

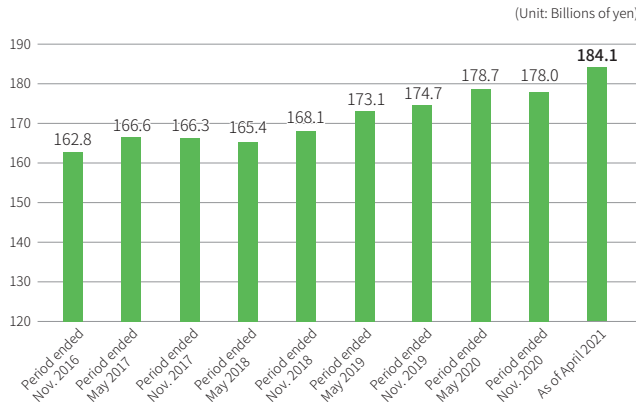
1. Growing Asset Management Earnings

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

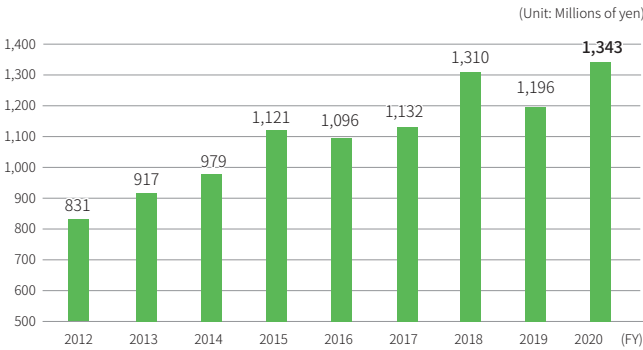
Growing Asset Management Earnings

- Heiwa Real Estate Group's earnings steadily increased along with the growth of Heiwa Real Estate REIT, Inc.
- Heiwa Real Estate REIT, Inc. reverted to the "external growth stage" based on capital increase through a public stock offering for the first time in approx. five and a half years.

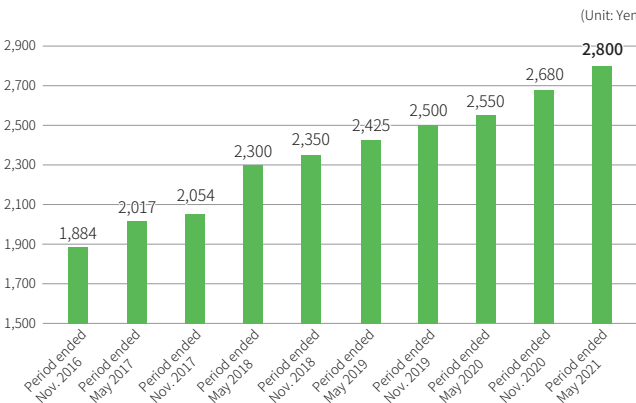
■ Trends in asset size of Heiwa Real Estate REIT, Inc.



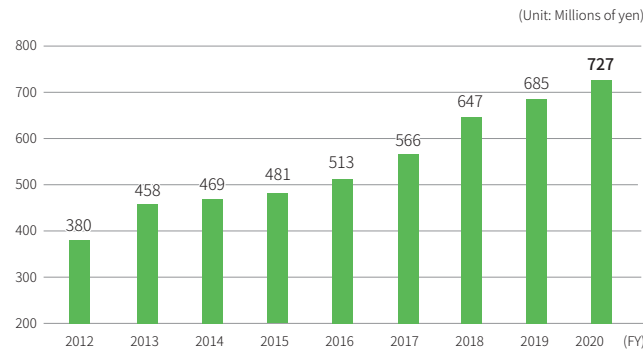
■ Asset Management Fees Earned from Heiwa Real Estate REIT, Inc.



■ Dividend per Unit from Heiwa Real Estate REIT, Inc.



■ Dividend Revenues from Heiwa Real Estate REIT, Inc.



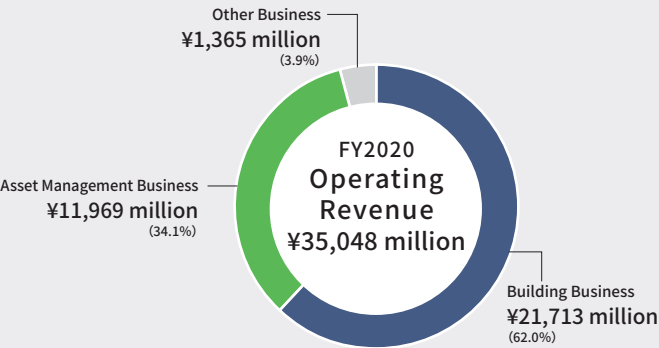
Business Review (Consolidated)

FY2020 Business Review (Consolidated)

- Operating revenue decreased due to such factors as the fall in the sale of inventory in the Asset Management Business.
- Achieved record highs for operating income and ordinary income for the second consecutive year and net income attributable to owners of parent for the fourth consecutive year.
- Operating income, ordinary income and net income attributable to owners of parent increased due to the increase in the gain on the sale of inventory in the Asset Management Business, despite the decrease in the gain on the sale of properties in the Building Business and the impact of the COVID-19 pandemic, among others.

	FY2019	FY2020
Operating revenue (Millions of yen)	46,639	35,048
Operating income (Millions of yen)	10,903	11,228
Ordinary income (Millions of yen)	10,006	10,244
Net income attributable to owners of parent (Millions of yen)	7,046	7,118

■ Segment-by-segment Operating Revenue and Percentage Breakdown



Changes in Segment

Our strategy under the medium-term management plan is to "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." Based on such policy, we are promoting our portfolio strategy after having reclassified two lease assets from fixed assets to real estate for sale at the end of FY2020.

In consideration of our planned business expansion going forward, the Real Estate Investment Department, which is engaged in the development, sale, operation, etc., of real estate for sale and the acquisition and sale of fixed assets and has conventionally belonged to the "Asset Management Business" segment, will be changed to the "Building Business" segment from FY2021 onwards. Also, subsidiary Heiwa Real Estate Property Management Co., Ltd. (whose trade name was changed from Heiwa

Service Co., Ltd. on March 1, 2021), which has conventionally belonged to the "Other Businesses" segment, will be included in the "Building Business" segment from FY2021 onwards, given that it will operate property management services that involve comprehensive building management based on the evolution of its conventional building facility maintenance and management services, etc.

Due to these changes, the "Building Business" segment will engage in the development, leasing, administration, management, sale, etc., of stock exchange buildings, office buildings, commercial facilities, residential buildings, etc., while the "Asset Management Business" segment will engage in the management of assets of Heiwa Real Estate REIT, Inc. and brokerage of real estate through Housing Service Co., Ltd., etc.

■ Description of Changes in Segment

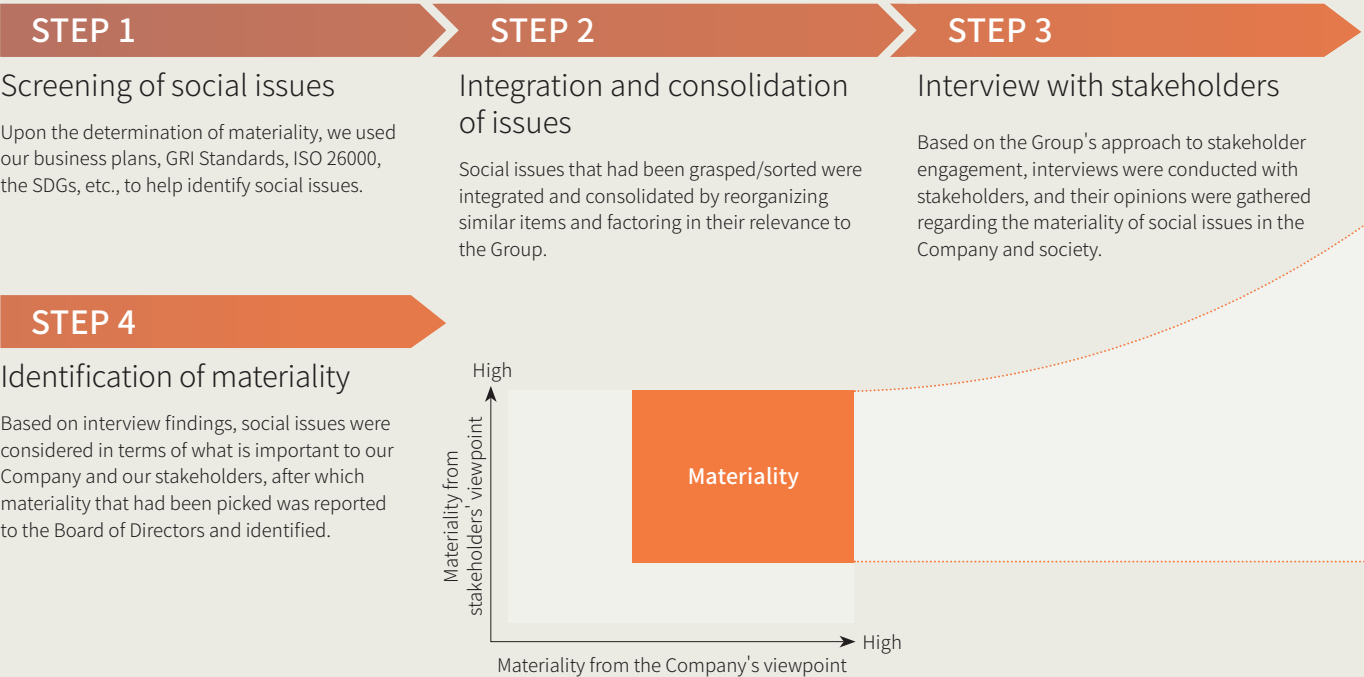
	Before Changes in Segment	
	Item	Sub-item
Building Business	Leasing revenue	Lease revenue from leasing assets PM fees
	Revenue from lease properties	Sale of properties in Building Business
Asset Management Business	Management fees	Management fees
	Revenue from real estate development	Sale of properties in AM Business
	Revenue from leasing of real estate development	Lease revenue from inventories in AM Business, Dividend revenue from investment by Heiwa Real Estate REIT, Inc.
	Brokerage	Brokerage
Other Business	Contract construction	Contracting maintenance, management and repair works of building and facilities, and others

	After Changes in Segment	
	Item	Sub-item
Building Business	Leasing revenue	Lease revenue from leasing assets
		Leasing earnings from inventories in the former AM Business, and others
	Revenue from sale of properties	Sale of properties in Building Business
		Sale of properties in the former AM Business
Building Business	Other revenue	PM fees
		Contracting maintenance, management and repair works of building and facilities, and others
Asset Management Business	Asset management revenue	Management fees
		Dividend revenue from investment by Heiwa Real Estate REIT, Inc.
Asset Management Business	Brokerage	Brokerage in Housing Service Co., Ltd.

Identification of Materiality

We used our business plans, the GRI Standards, ISO 26000 and the Sustainable Development Goals (SDGs), to help identify social issues, and then considered them in terms of what is important to our Company and our stakeholders in order to determine the social value and materiality shown in the table below that we aim for as a company.

Process of Identifying Materiality



Social Values Pursued by the Company and Materiality

Social Value		Materiality	SDGs
Create Lively Areas through Diversity & Incubation	We will play an active role in the creation of ideal areas, where a diverse range of people gather and work together, stimulate investment, securities and finance, and foster culture and the arts.	Industrial Development / Regional Development	8
		Responding to Social Needs	2, 3, 5, 10
Create Disaster-Resistant, Resilient Areas	We are dedicated to creating buildings and facilities with a high level of disaster preparedness and ensuring that the city continues to function safely through the daily community activities of the people who live and work there.	Natural Disaster Risk Mitigation Measures	11
Create Environment-Friendly Low-Carbon Areas	We will enthusiastically support moves to embrace energy-efficient technologies and renewable energy to help reduce CO ₂ emissions in areas.	Climate Change Countermeasures	7, 12, 13, 15
Create Lively Areas through Corporate Governance	We will continue to strengthen corporate governance on an ongoing basis and aim to be a company in which all officers and employees actively tackle environmental and social issues.	Strengthening Corporate Governance	16

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.

Building tenants and users

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

Shareholders and investors

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

Global environment

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



Business partners

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

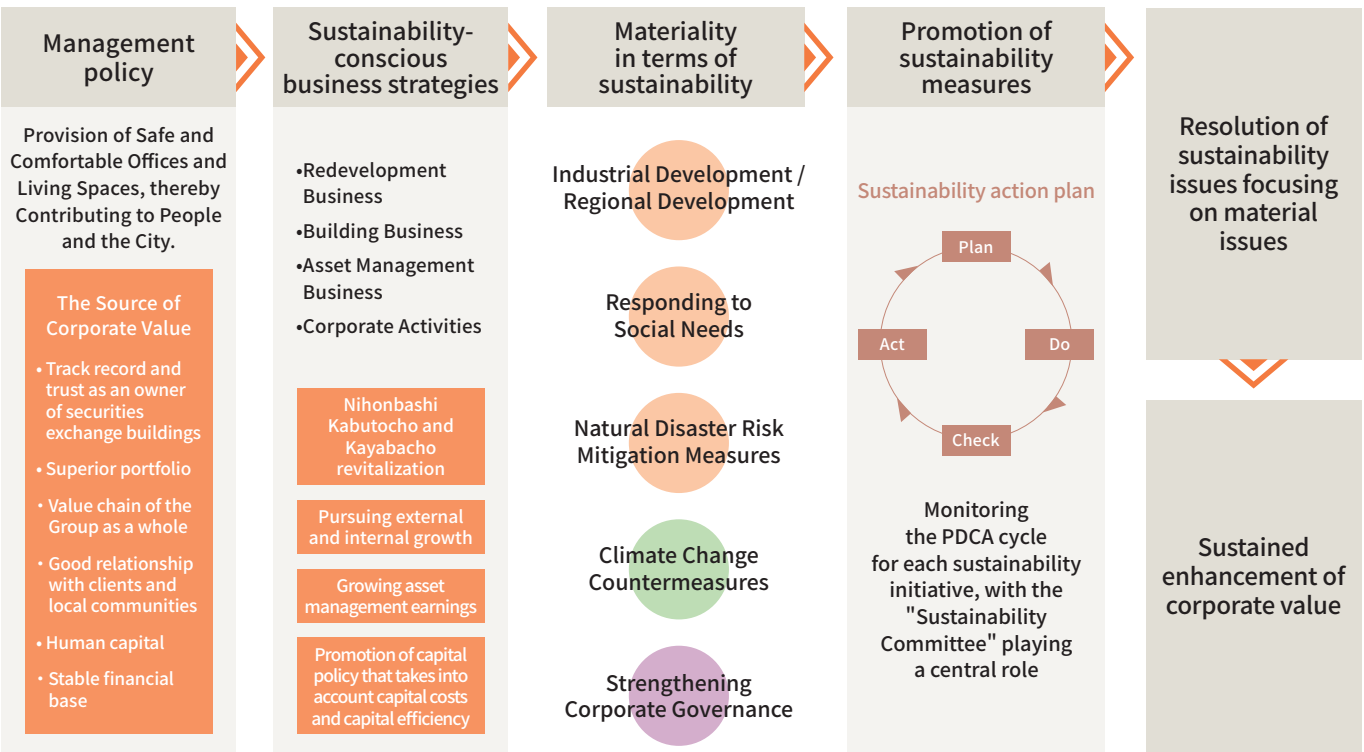
Employees

The Group 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.

Local communities

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

Flow of Promotion of Sustainability







Sustainability and ESG

We will work on resolving social issues through our corporate activities and contributing to the achievement of the SDGs, in order to realize a sustainable society and growth.

We will engage in various initiatives with respect to issues that are deemed as materiality development, namely, climate change countermeasures, industrial and regional development, response to social needs, natural disaster risk mitigation measures and strengthening of corporate governance.

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”

	Materiality	Initiatives	KPIs	Actual (Fiscal Year)			SDGs	Social Value	
				2018	2019	2020			
Environment	Climate Change Countermeasures	<ul style="list-style-type: none"> Reduction of CO₂ emissions, water use and industrial waste generation Environmentally friendly building development and management of buildings Use of renewable energy 	<ul style="list-style-type: none"> GHG emissions: 50% reduction by FY2030¹ (Total volume target compared to FY2018 level) 	30,430 t-CO ₂	30,650 t-CO ₂	28,519 t-CO ₂		Create Environment-Friendly Low-Carbon Areas	We will enthusiastically support moves to embrace energy-efficient technologies and renewable energy to help reduce CO ₂ emissions in areas.
			<ul style="list-style-type: none"> Water usage: 20% reduction by FY2030¹ (Per-square-meter target compared to FY2018 level) 	1.04 m ³ /m ²	1.02 m ³ /m ²	0.62 m ³ /m ²			
			<ul style="list-style-type: none"> Waste: 20% reduction by FY2030^{1,2} (Per-square-meter target compared to FY2018 level) 	2.30 kg/m ²	2.27 kg/m ²	1.76 kg/m ²			
Society	Industrial Development / Regional Development	<ul style="list-style-type: none"> Contribution to industrial and regional development More diverse human resources Promote occupational health management Work-life balance Improve office environments More efficient work practices 	<ul style="list-style-type: none"> Rate of new hires that are female: At least 30%³ 	33.3%	50%	100%		Create Lively Areas through Diversity & Incubation	We will play an active role in the creation of ideal areas, where a diverse range of people gather and work together, stimulate investment, securities and finance, and foster culture and the arts.
			<ul style="list-style-type: none"> Paid holiday usage rate: At least 70%³ 	61.7%	70.5%	79.7%			
			<ul style="list-style-type: none"> Uptake of cancer screening (every 2 years): 100% of employees aged 35 years or above³ 	-	-	100%			
			<ul style="list-style-type: none"> Annual health check uptake: 100% every year³ 	100%	100%	100%			
	Natural Disaster Risk Mitigation Measures	<ul style="list-style-type: none"> Enhancement of disaster prevention measures and action programs for when a natural disaster strikes, from a district BCP viewpoint Creation of regional communities 	<ul style="list-style-type: none"> Buildings compliant with new earthquake resistance standards: 100%¹ (excluding buildings earmarked for redevelopment) 	100%	100%	100%		Create Disaster-Resistant, Resilient Areas	We are dedicated to creating buildings and facilities with a high level of disaster preparedness and ensuring that the city continues to function safely through the daily community activities of the people who live and work there.
			<ul style="list-style-type: none"> People with first aid training course qualifications: All of our officers and employees³ 	-	-	100%			
Governance	Strengthening Corporate Governance	<ul style="list-style-type: none"> Director and officer compensation system that allows interest in shareholder value Reduction in cross-shareholdings Improvement of compliance Governance to promote sustainable initiatives 	<ul style="list-style-type: none"> Composition of Board of Directors: At least one-third external Directors (Actual figures in the table are as of June 30 of each fiscal year) 	4/9 persons	4/9 persons	4/9 persons		Create Lively Areas through Corporate Governance	We will continue to strengthen corporate governance on an ongoing basis and aim to be a company in which all officers and employees actively tackle environmental and social issues.
			<ul style="list-style-type: none"> Number of female directors: At least one 	0 persons	0 persons	1 persons			
			<ul style="list-style-type: none"> Composition of Nomination and Compensation Committees: Majority external directors 	Nomination: 3/4 persons Compensation: 2/3 persons	Nomination: 3/4 persons Compensation: 2/3 persons	Nomination: 3/4 persons Compensation: 2/3 persons			
			<ul style="list-style-type: none"> Compliance training: At least five times each year 	2 times	2 times	5 times			

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

² Recycled waste is excluded from the actual figures for waste per square meter.

³ Heiwa Real Estate on a non-consolidated basis is within the scope of calculation.

Environment

Environmental 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.

Environmental Concepts

Promotion System

In December 2020, the Company established a Sustainability Committee, headed by the representative director and president and comprised of the executive officers and heads of departments, to facilitate the smooth implementation of our sustainability initiatives.

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

Environmental Supply Chain

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

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

[Environmentally Friendly Procurement Policies] (Excerpted from Sustainable Procurement Policy)

② Introduction of Environmentally Friendly Operational Procedures

We shall comply with the various laws, regulations, standards, and other requirements related to the environment and sustainability.

③ Procurement of Environmentally Friendly Goods

When selecting goods for procurement in construction projects, the following items related to reducing environmental burden must be satisfied in addition to the necessary quality, functions, economic efficiency, and rationality.

- a. We shall strive to conserve resources and energy.
- b. Reduction of environmental pollutants: We shall strive to reduce the use and emission of harmful chemical substances, ozone-depleting substances, and other such substances.
- c. Long useful lifespans: We shall explore improvements such as in durability and ease of repair and parts replacement.

Environmental Compliance

The Group maintains compliance with environment-related laws and regulations. There were no violations of environment-related laws and regulations or environmental accidents in FY2020.



Item	Unit	FY2018	FY2019	FY2020
Violations of environment-related laws and regulations	Cases	0	0	0
Environmental accidents	Accidents	0	0	0
Environment-related fines	Yen	0	0	0



Climate Change Countermeasures

Basic Approach

The Group manages and maintains an appropriate understanding of energy consumption and the status of greenhouse gas (GHG) emissions arising from real estate management in the Group's businesses. We also take various initiatives to promote GHG emission reductions, efficient energy use, and renewable energy utilization beyond compliance levels required by law, thereby working to fight climate change.

Specific Initiatives

Regarding Switchover to Renewable Energy Sources

The Company announced that 17 of its properties located in the Tokyo and Yokohama areas will switch to renewable energy sources from May 2021. The properties include the Nisshokan Building, which houses the Company's head office in Tokyo's Nihonbashi Kabutocho district. As a result of this switchover, the Company expects the properties to use about 12 gigawatt hours of renewable energy annually, and to reduce annual CO₂ emissions by approximately 4,900 tons compared with the most recent level.

The renewable energy to be used will be a combination of electricity from non-feed-in-tariff (FIT) renewable energy sources¹ and certified non-FIT non-fossil fuel energy sources² and certified non-FIT non-fossil fuel energy sources (designated as renewable energy)². Starting from this switchover, Heiwa Real Estate plans to steadily increase the number of its properties that will use renewable energy going forward.

*1 Wind, solar, hydroelectric and other renewable energy sources that are not dependent on Japan's FIT system

*2 Recognized as renewable energy by Japan's Ministry of Economy, Trade and Industry from among its certifiable non-fossil fuel energy sources that are not subject to its FIT system

Reducing Environmental Impact

Lately, there has been an accelerating tendency to demand environmental performance in buildings due to the huge amount of energy required in the operation of buildings. Heiwa Real Estate gives consideration to environmental impact as well when constructing and renovating buildings.

[Examples of initiatives at each building]

Tokyo Stock Exchange Building

- Energy-saving through electricity and air conditioning control (introduction of building management system)
- Reducing heat load by controlling operation through total heat exchangers and controlling by outside air cooling
- Reducing motor energy consumption with variable air volume control using inverters
- Controlling waste heat recovery with heat-recovery turbo freezers

Osaka Securities Exchange Building

- Energy-saving through electricity and air conditioning control (introduction of building management system)

CentRise Sakae

- Exterior Blind System and Automatic Adjustment of Blind Slats
- Double-pane low-emissivity glass installed

KABUTO ONE

- Solar panels to be installed as an initiative to use renewable energy
- LED lighting and control systems as well as high-efficiency devices to be installed to efficiently use energy
- Greenery to cover 40% of the entire redevelopment site as a measure to combat the heat island effect

Initiative Targets

The Group has set the following targets and will promote GHG emissions reduction, energy conservation, and renewable energy utilization in contributing to fighting climate change.

GHG emissions

50% reduction
by FY2030 (Target total emissions compared to FY2018)

Green Lease

Heiwa Real Estate's practices involve initiatives that benefit both the building owner and tenants based on collaboration with tenants and voluntary arrangements in the form of contracts, memorandums of understanding, etc., on the reduction of environmental impact and improvements in the workplace environment through energy conservation, etc. at the properties it owns.



Green Finance

We utilized the ESG Regional Finance Interest Subsidy Programme implemented by the Ministry of the Environment and obtained ESG finance from a designated financial institution under the Programme.

KABUTO ONE was assessed as an energy-saving building that will contribute to the reduction of environmental burden by financial institutions designated under the Programme and ESG financing was proposed as a result.

[Illustration of ESG Regional Finance Interest Subsidy Programme]

Ministry of the Environment

Application for subsidization → Interest subsidy granted

Designated financial institution

Report on initiatives contributing to ESG → Finance/ interest subsidy

Heiwa Real Estate

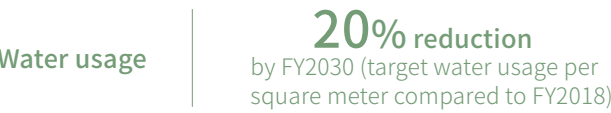
Water Resource Initiatives

Basic Approach

The Group manages and maintains an appropriate understanding of the status of water usage arising from real estate management in the Group's businesses. We also take various efficiency improvement actions to promote water usage efficiency beyond compliance levels required by law.

Initiative Targets

The Group has set the following targets and will promote reduced water consumption. The Sustainability Committee determines water consumption reduction targets and manages consumption amounts at a frequency of not less than once every 12 months, in principle (management includes determination of target achievement levels for actual performance, and year-on-year comparison/analysis).



Waste Initiatives

Basic Approach

The Group strives to reduce (the generation of waste), reuse, and recycle in all of its corporate activities. It also works toward reducing the life cycle cost of its buildings and resource conservation in order to realize a recycling-oriented society.

Initiative Targets

The Group has set the following targets and will promote reduced waste emissions. The Sustainability Committee determines our performance, comparing actual waste figures each fiscal year versus consumption and consumption intensity, either on a year-on-year or multi-year basis.



Specific Initiatives

Initiatives in Nihonbashi Kabutocho and Kayabacho Revitalization Project

As part of the "Nihonbashi Kabutocho and Kayabacho Revitalization Project," Heiwa Real Estate commercialized a project for a retail and office building adopting a hybrid structure (wooden construction and SRC structure) in Nihonbashi Kabutocho, Chuo-ku, Tokyo. The project has been adopted in the "leading projects" program for sustainable buildings (wood-based structures) in FY2020 implemented by the Ministry of Land, Infrastructure, Transport and Tourism (MLIT), which aims to drive technological advancement and boost public awareness related to wooden structures.

The 10-floor retail and office building adopts a hybrid structure that includes three-floor mega-structures made using SRC frames, with each floor within the mega-structures made of wood. This is the first project for the Company to adopt such a hybrid structure.

Specific Initiatives

Initiatives in Building Operation

The Group takes a number of actions as initiatives for the effective use of water resources, including installing rainwater storage tanks in newly developed buildings for everyday facility use and effectively using well water. We are also working to reduce the amount of water used in existing properties by gradually promoting renovation work to switch to water-saving equipment.

[Examples of Initiatives at Each Building]

Tokyo Stock Exchange Building

- Utilization rainwater, etc.

KABUTO ONE

- Rainwater storage tanks to be installed as a means to reuse rainwater for everyday facility use (non-drinking water), etc.

CentRise SAKAE

- Effective use of rain and well water, etc.

Cooperation with Business Partners

We have established the Tenant Guidelines for Environmental Concerns as part of our water usage efforts, and call on not only the Group but also our business partners to help conserve water.

The combination of SRC mega-structures with fire-resistant wooden structures has been praised for opening up new possibilities in terms of methods and benefits of utilizing wood in high-rise buildings, and for prolonging the life of the buildings in practical usage terms.

For the outer premises, the Company plans to install benches made of wood from a Tokyo Stock Exchange (TSE) Listing Forest* located in northeastern Japan based on a social contribution program being run by Japan Exchange Group, Inc. (JPX).

The wood is called "Kablocks," which can be used in a multitude of applications, and will be processed into benches. There are high hopes that the hybrid structure will provide a sense of warmth unique to wood for workers, visitors and people living nearby, while adding a touch of tranquility to the area. Plans are in place to acquire a certificate for carbon dioxide fixation promoting the use of wood produced in Akita Prefecture.





Cooperation with Business Partners

We have established the Tenant Guidelines for Environmental Concerns as part of our water management efforts, and call on not only the Group but also our business partners to cooperate.

Ratings from Outside Bodies

Acquisition of Environmental Certification

When constructing new buildings and conducting major renovation projects, the Group gives top priority to the environment; hence we have received high ratings from the SMBC Sustainable Building Assessment Loan program, the DBJ Green Building Certification program and CASBEE.

								
	KABUTO ONE	Tokyo Stock Exchange Building	Osaka Securities Exchange Building	CentRise Sakae	Heiwa Real Estate Kitahama Building	Ichibancho Heiwa Building	Nissshokan Building	Kitahama 1-Chome Heiwa Building
DBJ Green Building Certification program	 DBJ Green Building 2021	 DBJ Green Building 2018	 DBJ Green Building 2018				 DBJ Green Building 2018	
SMBC Sustainable Building Assessment Loan program		Gold		Platinum	Silver	Platinum		Platinum
CASBEE				CASBEE-Nagoya Rank S	CASBEE-Osaka Rank A	CASBEE Rank A *The self-assessment		CASBEE-Osaka Rank A

- DBJ Green Building Certification: Certification system established by the Development Bank of Japan (DBJ) to support the 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.
- SMBC Sustainable Building Assessment Loan program: An evaluation of environmental performance based on a set of criteria independently developed by Sumitomo Mitsui Banking Corporation and Wonerf Inc.
- CASBEE: A method for evaluating and rating the environmental performance of buildings. This program comprehensively assesses building quality, including eco-friendliness (such as energy efficiency and use of materials and fixtures with a small environmental footprint), interior comfort, and respect for the surrounding landscape.

GRESB Real Estate Assessment

The Company has for the first time participated in the "GRESB Real Estate Assessment," which is the benchmark for assessing ESG initiatives in the real estate sector, and acquired two stars under the "Standing Investments Benchmark" for the operation of existing properties.

GRESB, which is an annual benchmark assessment for measuring ESG considerations by real estate companies and funds and is also the name of the organization that manages such assessment, was established as the Global Real Estate Sustainability Benchmark in 2009 primarily by a group of major European pension funds that played a leading role in the formulation of the Principles for Responsible Investment (PRI). Currently, investors who are members of GRESB and utilize GRESB data for the selection of and dialogue with investees exceed 100 institutions, and in Japan, multiple institutions, such as the Government Pension Investment Fund (GPIF), use GRESB assessment results. In 2020, 1,229 real estate companies and funds throughout the world participated in the GRESB Real Estate Assessment.

Going forward, we will continue to engage in proactive activities to achieve a higher GRESB rating by enhancing sustainable management practices.



S&P/JPX Carbon Efficient Index

The Company has been selected as a constituent stock of the S&P/JPX Carbon Efficient Index. The S&P/JPX Carbon Efficient Index is an index that determines the weight of a constituent stock by focusing on the company's disclosure status of environmental information and its level of carbon efficiency (carbon emissions per sales) with respect to the constituent universe of TOPIX, a major stock price index reflecting Japanese market trends.





Society

Promotion of Health Management

Heiwa Real Estate believes that it is essential that its employees be healthy, both mentally and physically, for the continuous growth of its businesses and corporate value.

We seek to increase corporate value by improving the health of our employees, creating a safe working environment, and preventing overwork and occupational accidents. We also call on our subcontractors and other important stakeholders in our businesses to implement health and safety initiatives for their employees.

Health Management Declaration

Having announced our health management philosophy in the form of the "Declaration of Health Management," we are pushing ahead with the health improvement investment project.

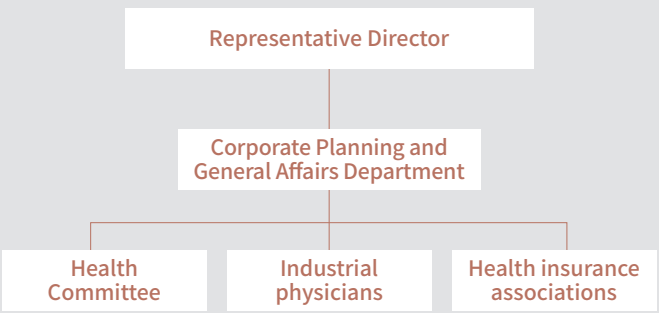
<Declaration of Health Management>

The Heiwa Real Estate Group believes that if each and every employee is in good health—both mentally and physically—and able to fully demonstrate his/her abilities and individual characteristics, it will translate into the company's sustained growth. Based on such philosophy, we will promote health management by driving forward activities to maintain and improve our employees' health.

Structure to Promote Health Management

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

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



Employee Health Initiatives

Initiatives to Improve Health

- Participation in RIZAP Health Seminars
- Support for Off-Work Activities
- Introduction of a cafeteria plan

Initiatives for Prevention and Early Detection of Health Issues

- Implementation of Stress Checks
- Implementation of e-Learning Courses
- Company-Paid Cancer Screenings

Initiatives to Reduce Overtime Work

- Established "No Overtime Day"
- Pre-approval system for overtime
- Understanding of work hours, and raising employee awareness regarding overtime

Rating from Outside Bodies

Heiwa Real Estate has been recognized as a Certified Health & Productivity Management Outstanding Organization for 2021 by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Conference). This program highlights outstanding enterprises engaging in efforts to advance health management. We have also been certified as a Sports Yell Company for 2020 by the Japan Sports Agency and as a Tokyo Sports Promotion Company for 2020 by the Tokyo metropolitan government for our efforts to support and promote our employees' sports activities.



Human Resource Management

Heiwa Real Estate's greatest asset is its people.

Recognizing the importance of having diverse perspectives and values in achieving new growth, we will strive to ensure diversity in our human resources. We also believe that fostering employee self-growth and their motivation to contribute to the organization is an important element of strategic management.

We will establish a mechanism for fostering their growth through fundamental real estate training necessary for employees of a real estate company and training systems tailored to their career plans, and will strengthen support systems for self-development and acquiring certifications. By taking these actions, we will help instill specializations among each individual and improve their sense of fulfillment.

Development of Human Resource Development Structure

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

From new employee training to management training, we have established a series of training programs tailored to employee career plans. At the same time, we offer a system where employees may take courses at university city campuses, aimed at cultivating next-generation human resources with skills in areas like planning, proposal, negotiation and leadership.

We also recommend that employees acquire multiple real estate-related qualifications before being promoted to a managerial position. The Company bears the costs associated with acquiring these qualifications. Furthermore, by encouraging the acquisition of other qualifications in self-development, we support our employees in their self-growth and development of specializations.

Human Resource Development Structure

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

Major Initiatives

OJT and Job Rotation

We practice job rotation so employees can gain experience in a number of departments over the first 10 years after they join the Company. Employees also gain specific departmental business and real estate knowledge through OJT, systematically and continuously developing the abilities necessary for the execution of their work. Through communication between employees, we foster motivation to contribute to the organization and assess each employee's own aptitude.

Training Programs

From new employee training to management training, we have established a series of training programs tailored to employee career plans. At the same time, we offer a system where employees may take courses at university city campuses, aimed at cultivating next-generation human resources with skills in areas like planning, proposal, negotiation and leadership.

As part of new employee training, we also conduct fundamental real estate training, IT literacy training and training to improve PC skills.

Support System for Qualification Acquisition

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

Support for Self-Development

Employees are offered e-learning programs and business seminars on subjects like qualifications exams, language learning and business skills. As a means of developing global human resources, we also have a system offering subsidies to employees who achieve a standard attendance rate at English conversation courses specified by the Company.

In addition, through our incentive system for qualification acquisition, we encourage our employees toward these qualifications as a means of self-development, supporting them in their self-growth and development of specializations.

Short-Term Overseas Training Program and English Training Program

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



Establishment of the Employee Stock Ownership Plan

Heiwa Real Estate decided to establish the Plan as part of the Company's initiatives to provide incentives to employees, with the goal of raising employees' morale and motivation to contribute to improving the Company's medium- and long-term performance and to raising corporate value.

Achieving Diverse Workstyles

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

Promotion of Diversity

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

We are working to promote diversity, including the success of women, conduct rigorous evaluations regardless of gender and have set quantitative targets for the ratio of new female hires.

Initiatives Supporting Work-Life Ballance

- Development of employee childcare support programs (childcare leave program/childcare shortened working hours program/childcare overtime exemption program/childbirth gift money and paid time off)
- Development of employee nursing care support programs (nursing care leave program/nursing care shortened working hours program/nursing care overtime exemption program)
- Enhancement of employee healthcare initiatives (flextime system/telecommuting system/cafeteria plan/summer vacation/extra day-off program/annual paid vacation accumulation system/long-service leave program/hour-based leave system)
- Creating a more comfortable office environment (placing of a communication lounge)
- Pursuit of higher operational efficiency
- Promotion of digitization
- Encouragement of employees to take paid leave
- Reduction of overtime working hours



Communication lounge
(head office of Heiwa Real Estate)

Human Rights Initiatives

Heiwa Real Estate endeavors to build and maintain a safe and exemplary working environment that respects the personality and individuality of each individual.

Prohibition of Discrimination

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

Prohibition of Harassment

For Heiwa Real Estate, employees and officers are regarded as important partners in the execution of work duties. Accordingly, the Group prohibits sexual harassment, power harassment or any other forms of harassment in recognition of its obligation to maintain orderly and cooperative relations in the workplace. It has also established official rules prohibiting sexual and power harassment in an effort to prevent workplace harassment.

KPIs and Track Record Related to Human Resources*

Item	KPIs in medium-term management plan	FY2017	FY2018	FY2019	FY2020
Paid holiday usage rate	At least 70%	55.9%	61.7%	70.5%	79.7%
Uptake of cancer screening (every 2 years)	100% of employees aged 35 years or above	—	—	—	100%
Annual health check uptake	100% every year	100%	100%	100%	100%
Rate of new hires that are female	At least 30%	25.0%	33.3%	50.0%	100%
Stress check uptake rate	—	100%	100%	100%	100%
Rate of Female Employees	—	26.4%	26.8%	28.3%	31.3%
Rate of female managers	—	5.2%	5.1%	4.7%	5.0%

* Heiwa Real Estate on a non-consolidated basis is within the scope of calculation.

Promote the Revitalization of Safe and Secure Districts/Community Initiatives

Heiwa Real Estate will promote the revitalization of safe and secure districts by taking into account environmental-friendliness and disaster-preparedness and help realize a sustainable society.

Also, Heiwa Real Estate will place importance on coexistence with local communities, look into ways to contribute to local communities, etc. of its own accord and endeavor to broadly contribute to society as a good corporate citizen.

Supporting the “Global Financial City: Tokyo” Vision

- Roll out of offices targeting independent asset management companies and financial venture companies in the form of "FinGATE"
- Establishment of The Consortium for Japan International Asset Management Center Promotion (JIAM)
- Opening of KABUTO ONE (August 2021)

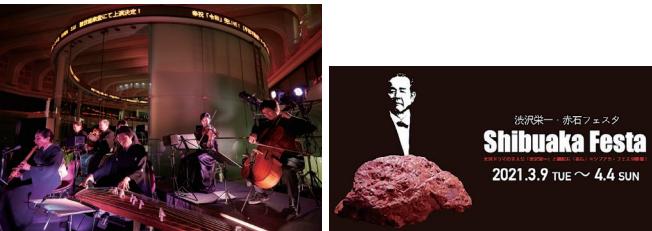


"FinGATE" brand

"The HEART" in KABUTO ONE

Initiatives to Develop Diverse Districts

- Nihonbashi Kabutocho was selected by the global city guide "Time Out" as the only place in Japan listed among "The 40 coolest neighborhoods in the world" in 2020.
- Kabutocho Heiwa Building No.5 (K5) won the Good Design Award 2020.
- "HOTEL K5" was newly listed in the "MICHELIN Guide Tokyo 2021."
- We contributed to culture, art, etc., including co-hosting live jazz event "Jazz EMP (Emerging Musicians Program)" and "ICHI-RYU MANBAI" live@TSE Arrows and holding "Shibuaka Festa."



Contribution to culture, art, etc.

Initiatives to Develop Sustainable Districts

- Commencement of construction of (tentative name) Kabutocho 85 Project
- Utilization of renewable energy
- Promotion of Green and Wood Projects



Promotion of Green and Wood Projects

Contributing to Communities as a Corporate Citizen

- Participation in the Sanno Festival
- Cleanup events in Nihonbashi Kabutocho
- Trees donated to Chuo Ward for lining streets in Nihonbashi Kayabacho
- Wildflowers donated to Sakamotocho Park in Nihonbashi Kabutocho
- Exhibition of the Red Stone from Sado in connection with Old Eiichi Shibusawa
- Operation of CAFE SALVADOR BUSINESS SALON, an information source for local communities
- Operation of Nihonbashi Kabutocho and Kayabacho's community website "Kabuto Live!"



Participation in the Sanno Festival

Placement and exhibition of the Red Stone (inside atrium on the first floor of KABUTO ONE)

Maintaining and Improving the Quality of Office Building Operations

- Disaster preparation and BCP measures
- First aid certificate obtained by all officers and employees (set as a KPI)
- Conducting customer satisfaction (CS) questionnaire surveys
- Holding gatherings for tenants
- Ensuring earthquake resistance of buildings in operation



Disaster preparation drills

PICK UP

COVID-19 Workplace Vaccinations for Tenants

We carried out workplace vaccinations for COVID-19 targeted at officers and employees of tenant companies (approx. 150 companies) in buildings owned by the Heiwa Real Estate Group (19 properties) located in the Nihonbashi Kabutocho and Kayabacho areas. As a company that contributes to revitalizing districts, we will strive to provide safe, high-quality and valuable goods and services from the viewpoints of our customers in accordance with our basic policy of providing comfortable and affluent office spaces.

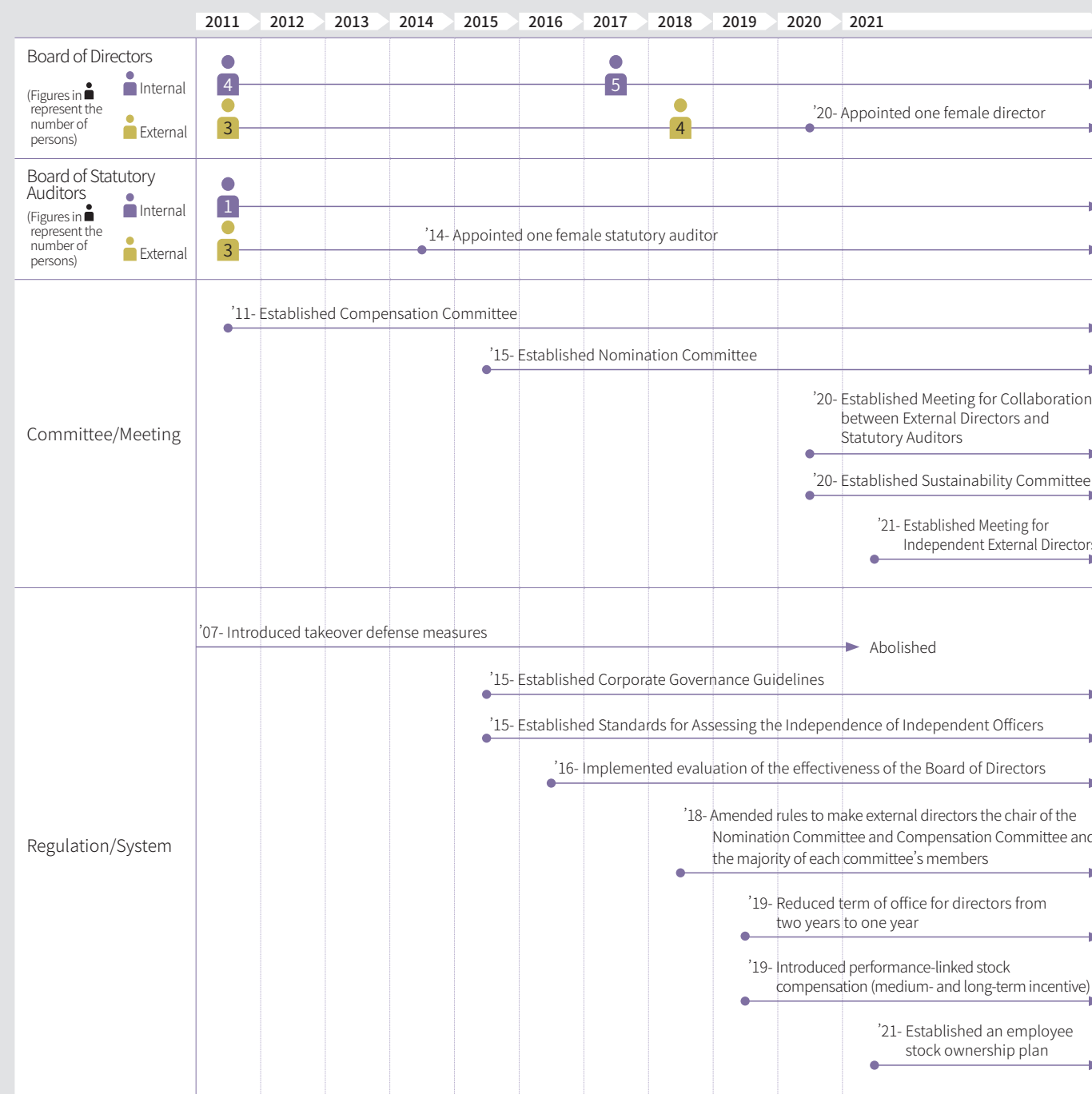
Governance

Corporate Governance

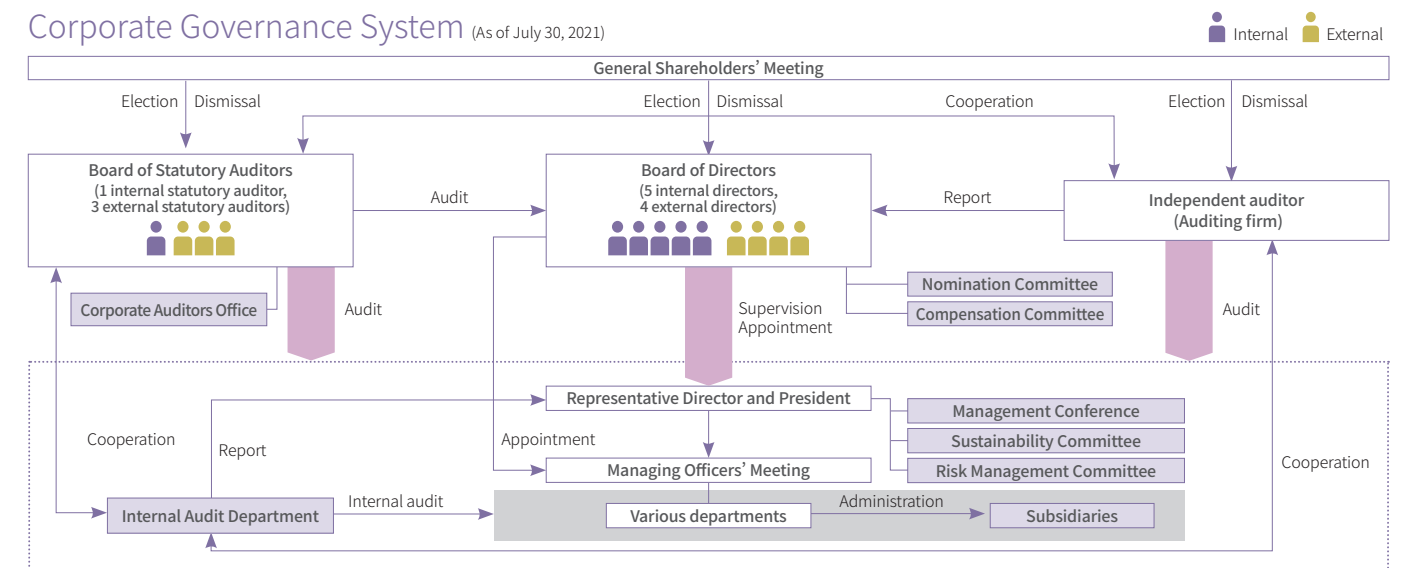
Basic Approach

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.

Initiatives to Strengthen Corporate Governance



Corporate Governance System (As of July 30, 2021)



■ Board of Directors

- The Board of Directors is currently comprised of nine directors, including four external 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.

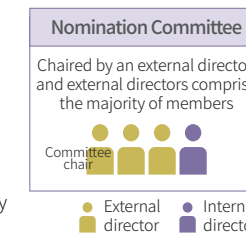
Nomination Committee

- 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 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.
- Nomination Committee**

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

Committee chair

Legend:
 ● External director (yellow)
 ● Internal director (purple)



Meeting for Independent External Directors

- The Meeting for Independent External Directors has been established for the purpose of making independent external directors exchange information and share their understanding with each other, and build an appropriate management structure of the Heiwa Real Estate Group through their activities.
- The Meeting for Independent External Directors consists entirely of independent external directors, and a lead independent external auditor who contacts and coordinates with the management and collaborates with statutory auditors or the Board of Statutory Auditors, etc., has been selected.

Initiatives to Reduce Overtime Work

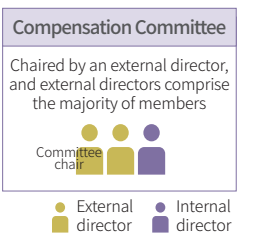
- The Board of Statutory Auditors consists of four statutory auditors, including three external statutory auditors.
- The Board of Statutory Auditors makes appropriate decisions from an independent and objective standpoint conscious of its fiduciary duties to shareholders in performing its roles and 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 independent auditors meet high standards, the Board of Statutory Auditors oversees the appropriateness of auditing times in their audit plans.

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.
 - 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.
- Compensation Committee**

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

Committee members



Meeting for Collaboration between External Directors and Statutory Auditors

- The Meeting for Collaboration between External Directors and Statutory Auditors has been established for the purpose of enhancing information collection and improving the quality of supervision of business execution by making external directors and statutory auditors exchange information and complement each other in terms of their respective fields of specialization.

Members Attending the Meetings of Board of Directors, Board of Statutory Auditors and Committees (As of July 30, 2021)
◎ denotes chairperson/committee chair and ○ represents attending members

Classification	Name		Term of office	Board of Directors	Board of Statutory Auditors	Nomination Committee	Compensation Committee	Attendance in FY2020	
								Board of Directors	Board of Statutory Auditors
Directors	Kiyoyuki Tschimoto		4 years	◎	—	○	○	10 of 10 meetings (100%)	—
	Norio Iwasaki		6 years	○	—			10 of 10 meetings (100%)	—
	Kazuo Yamada		10 years	○	—			10 of 10 meetings (100%)	—
	Hiroki Mizuta		1 year	○	—			9 of 9 meetings (100%)	—
	Tomoharu Nakao		1 year	○	—			9 of 9 meetings (100%)	—
	Kiichiro Masui	External/Independent	4 years	○	—	◎		10 of 10 meetings (100%)	—
	Junji Ota	External/Independent	3 years	○	—		○	10 of 10 meetings (100%)	—
	Takahiro Moriguchi	External/Independent	1 year	○	—	○	◎	9 of 9 meetings (100%)	—
	Junko Utsunomiya	External/Independent	1 year	○	—	○		8 of 9 meetings (88.9%)	—
Statutory Auditors	Naoto Kato		6 years	○	◎	—	—	10 of 10 meetings (100%)	11 of 11 meetings (100%)
	Shosaku Shimomura	External/Independent	—	○	○	—	—	—	—
	Chikami Tsubaki	External/Independent	7 years	○	○	—	—	10 of 10 meetings (100%)	11 of 11 meetings (100%)
	Jun Sekine	External/Independent	3 years	○	○	—	—	10 of 10 meetings (100%)	11 of 11 meetings (100%)

(Notes) 1. Mr. Hiroki Mizuta, Mr. Tomoharu Nakao, Mr. Takahiro Morugichi and Ms. Junko Utsunomiya were elected at the 100th Ordinary General Shareholders’ Meeting held on June 24, 2020; accordingly, their attendance since their assumption of office is shown.
2. Mr. Shosaku Shimomura was elected at the 101st Ordinary General Shareholders’ Meeting held on June 24, 2021.

Reasons for Election of External Directors and External Statutory Auditors

Classification	Name	Independent officer	Reason for Election
External Directors	Kiichiro Masui	○	Mr. Kiichiro Masui has abundant experience and deep insight in the world of finance and securities, and plays an appropriate role in providing advice to management and supervising the execution of business, etc. In addition, as a chairman of the Nomination Committee, he has provided opinions from an objective and neutral standpoint, including those on the personnel affairs of officers at the Company in the meetings of the Nomination Committee. The Company determined that Mr. Kiichiro Masui would continue to contribute to the enhancement of corporate value of the Company going forward, and thus elected him as External Director.
	Junji Ota	○	Mr. Junji Ota has abundant experience and deep insight as a corporate manager, and plays an appropriate role in providing advice to management and supervising the execution of business, etc. In addition, as a member of the Nomination Committee and Compensation Committee, he has provided opinions from an objective and neutral standpoint, including those on the personnel affairs of officers and officer compensation at the Company in the meetings of these committees. The Company determined that Mr. Junji Ota would continue to contribute to the enhancement of corporate value of the Company going forward, and thus elected him as External Director.
	Takahiro Moriguchi	○	Mr. Takahiro Moriguchi has broad knowledge of finance and securities, international business experience, and abundant experience and deep insight as a corporate manager. Mr. Takahiro Moriguchi plays an appropriate role in providing advice to management and supervising the execution of business, etc. In addition, as a member of the Nomination Committee and a chairman of the Compensation Committee, he has provided opinions from an objective and neutral standpoint, including those on the personnel affairs of officers and officer compensation at the Company in the meetings of these committees. The Company determined that Mr. Takahiro Moriguchi would continue to contribute to the enhancement of corporate value of the Company going forward, and thus elected him as External Director.
	Junko Utsunomiya	○	Ms. Junko Utsunomiya has acquired a high degree of expertise as an attorney, and has abundant experience and deep insight in the field of corporate legal affairs. Ms. Junko Utsunomiya plays an appropriate role in providing advice to management and supervising the execution of business, etc. The Company determined that Ms. Junko Utsunomiya would continue to contribute to the enhancement of corporate value of the Company going forward, and thus elected her as External Director.
	Shosaku Shimomura	○	Mr. Shosaku Shimomura possesses substantial expertise and knowledge in finance and accounting. The Company determined that he would be able to make use of his specialized knowledge and experience, etc. he has acquired through audits for the audit system of the Company from an independent and objective standpoint, and thus elected him as External Statutory Auditor. (Assumed office in June 2021)
External Statutory Auditors	Chikami Tsubaki	○	The Company determined that Ms. Chikami Tsubaki would be able to make use of her specialized knowledge and experience, etc. as a certified public accountant for the audit system of the Company from an independent and objective standpoint, and thus elected her as External Statutory Auditor.
	Jun Sekine	○	The Company determined that Mr. Jun Sekine would be able to make use of his deep knowledge amassed at the Bank of Japan and experience in corporate management at a securities company, etc., for the audit system of the Company from an independent and objective standpoint, and thus elected him as External Statutory Auditor.

(Note) The Company has established the "Standards for Assessing the Independence of Independent Officers " to ensure the independence and neutrality of external directors and external statutory auditors.,

Compensation of Directors and Officers

Remuneration, etc., for Directors and Managing Officers (hereinafter, the “Officer Compensation”)

Basic Policy

- 1) Provide motivation to improve the business performance and enhance corporate value in the medium and long term;
 - 2) Seek shared value with shareholders;
 - 3) Establish standards and systems to contribute to securing excellent human resources; and
 - 4) Maintain a decision-making process with sufficient transparency and impartiality.
- Officer Compensation shall be composed of the fixed-amount compensation as basic compensation, the bonuses as short-term incentives, and the performance-linked stock compensation plan as medium- and long-term incentives. However, remuneration for External Directors shall be composed only of basic compensation in view of their roles and independence.

Basic Compensation

- Basic compensation shall be determined by taking all factors into account based on the significance of roles and the scope of responsibility for each rank, in consideration of business performance, etc., based on the Officer Compensation system. External Directors, who take on the supervisory function, shall only be provided basic compensation in view of their responsibilities.
- Basic compensation shall be fixed-amount compensation provided monthly.

Bonuses

- Short-term incentives shall be provided through bonuses paid as cash remuneration in June every year in order to raise awareness for improving business performance each fiscal year.
- Bonuses shall be calculated by multiplying the standard amount corresponding to rank by a coefficient corresponding to the results for net income attributable to owners of parent, and then adding an amount obtained by multiplying the monthly fixed-amount compensation for that rank by a coefficient corresponding to individual evaluations (including ESG evaluations). The coefficient for net income attributable to owners of parent shall be a variable determined within the range of 0% to 150%, and the coefficient for individual evaluations (including ESG evaluations) shall be a variable determined within the range of 0% to 100%.
- The total amount of bonuses for Directors shall be limited to 5% of the total amount of dividends for the relevant accounting period in consideration of providing a balance with shareholder returns.
- Bonuses for Managing Officers shall be determined in accordance with the bonuses for Directors.

Performance-Linked Stock Compensation

- Medium- and long-term incentives are provided through performance-linked stock compensation, which consists of a fixed-amount portion and a performance-linked portion.
- The fixed-amount portion is determined according to rank, and the performance-linked portion is determined according to the achievement of performance conditions, stock price level, etc.
- The fixed-amount portion aims to strengthen shared value with shareholders, and the performance-linked portion aims to provide motivation to improve business performance and enhance corporate value in the medium and long term, in addition to strengthening the link between business performance and remuneration.
- Share benefits shall be provided using a trust comprised of common stock, in principle, upon the retirement of the eligible Directors and Managing Officers.

[Standards for Calculating Performance-Linked Stock Compensation]

- The evaluation indices for the performance-linked portion shall be consolidated operating income, which is a concise indication of the earning power of the core business, and Total Shareholder Return (TSR), which indicates the return provided to shareholders as a result of increased corporate value, from the viewpoint of improving business performance over the medium to long term.
- Stock compensation for the performance-linked portion shall be a variable determined within the range of 0% to 150%, corresponding to the achievement of performance targets for consolidated operating income and a comparative assessment of the stock price index for TSR.
- Details shall be prescribed in the stock compensation rules established by the resolution of the Board of Directors.

Breakdown of Directors/Officers' Compensation

- The proportion of each type of remuneration shall be decided by the Board of Directors in accordance with the report of the Compensation Committee, taking into account such factors as the remuneration standards of other companies in the same industry, etc., and the following ratios will be used as an approximate reference when performance targets are achieved.

Item	Fixed-amount compensation	Bonus	Performance-linked stock compensation
Position	Basic compensation	Short-term incentive	Medium- and long-term incentive
Ratio of total compensation (approximate)	55%-65%	20%-30%	10%-20%

Delegation of Determination of Details in Relation to Remuneration for Individual Directors

- Regarding the determination of individual remuneration amounts, specific details shall be delegated to the Representative Director and President based on the resolution of the Board of Directors, and said authority shall include the amount of basic compensation and the amount of bonuses for each Director, etc. on an individual basis.
- The Board of Directors, to ensure that said authority is properly exercised by the Representative Director and President, shall consult with the Compensation Committee, which is composed mainly of External Directors, and receive their reports with regard to a draft prepared by the Representative Director and President, and the Representative Director and President to whom the above authority has been delegated shall make such decisions in accordance with said reports.

Compensation of Statutory Auditors

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

Total Amount of Remuneration, etc., by Officer Category, Total Amount of Remuneration, etc., by Type and Number of Eligible Directors and Managing Officers (FY2020)

Category	Total compensation (Millions of yen)	Total compensation by type (Millions of yen)			Persons eligible
		Basic compensation	Performance-linked compensation, etc.	Performance-linked stock compensation	
Directors (including external directors)	261 (28)	173 (28)	68	19	12 (6)
Statutory auditors (including external statutory auditors)	56 (35)	56 (35)	—	—	4 (3)
Total (including external directors and external statutory auditors)	317 (64)	229 (64)	—	—	16 (9)

(Notes) 1. The above includes three Directors (including two External Directors) who retired at the close of the 100th Ordinary General Shareholders' Meeting held on June 24, 2020.
2. The amount of remuneration, etc., for Directors (excluding External Directors) has been set to be within ¥250 million per year (the amount of remuneration for Directors does not include the employee salaries of Directors who serve concurrently as employees) by a resolution of the 88th Ordinary General Shareholders' Meeting held on June 26, 2008, and the amount of remuneration, etc., for External Directors has been set to be within ¥40 million per year by a resolution of the 98th Ordinary General Shareholders' Meeting held on June 26, 2018.
3. Apart from the amount of remuneration, etc. for Directors mentioned in (Notes) 2 above, the Company adopted a new performance-linked stock compensation plan for directors (excluding external directors and non-residents of Japan; hereinafter, the same applies in this paragraph) and managing officers (excluding non-residents of Japan; hereinafter, the same applies in this paragraph) of the Company at the 99th Ordinary General Shareholders' Meeting held on June 26, 2019. It was resolved at the Meeting that the funds contributed by the Company to the trust for the acquisition of the Company's shares to be awarded to Directors and Managing Officers as stock compensation shall be set within ¥150 million for the period of three fiscal years.
4. The amount of remuneration, etc., for Statutory Auditors has been set to be within ¥70 million per year by a resolution of the 98th Ordinary General Shareholders' Meeting held on June 26, 2018.

Evaluation of Effectiveness of Board of the Directors

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

Summary of Results of Evaluation of Effectiveness of Board of Directors in FY2020

The Company conducted a self-evaluation of the effectiveness of the Board of Directors in FY2020 targeting directors and statutory auditors. The evaluation results were compiled by the secretariat of the Board of Directors, after which the Board of Directors analyzed and evaluated the effectiveness of the Board of Directors as a whole.

As a result, the Board of Directors in FY2020 was deemed to have ensured adequate effectiveness on the whole, given that it had continued to effectively utilize free discussions, etc., engaged in broad discussions and made other efforts to further enhance deliberations, combined with stable Board operation including the remote convocation of Board meetings in view of measures against COVID-19.

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

Training of Directors and Statutory Auditors

The Company provides explanations about its management strategies and business description and situations to external directors and external statutory auditors upon their assumption of office and upon their request thereafter for the purpose of improving their understanding of the Company's business operations.

The Company has a system for providing support, including financial assistance, to directors and statutory auditors to undergo external training as appropriate to gain the qualities and knowledge required of corporate managers and statutory auditors for the purpose of making them better understand the roles and duties expected of each individual.

Cross-Shareholdings

The Company maintains cross-shareholdings to strengthening business relationships, as well as to facilitate financial activities and to strengthen business alliances considered to be beneficial for medium- to long-term business development.

Every year, the Board of Directors verifies the appropriateness of individual cross-shareholdings in overall consideration of yields and capital costs, as well as whether they are useful for medium- to long-term business development and are in line with Company objectives, including strengthening business relationships, facilitating smooth financial activities and enhancing business alliances. If, as a result of this verification, holdings are determined to be inappropriate, they are reduced through disposal by sale after considering for share prices and market trends.

The Company deliberates on each proposal regarding the exercising of voting rights from the perspective of the issuing company's prospects for sustained growth, corporate value enhancement over the medium- to long-term and increased shareholder value, while confirming that the issuing company has not engaged in any anti-social acts, been involved in major scandals and that there are no serious concerns regarding corporate governance.

In addition, the Company thoroughly investigates the appropriate reasons, objectives, and other factors regarding proposals that have the potential to affect corporate value and shareholder value, and then determines whether or not to grant approval.

Initiatives for Shareholders and 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.

External Ratings of IR Activities

Various initiatives by the Company are disclosed to the public on its website. In FY2020, the Company won Grade AA in the overall ranking of the "All Japanese Listed Companies' Website Ranking" of 2020 by Nikko Investor Relations Co., Ltd. and the Silver Prize in Overall IR Website Ranking in the Gómez IR Website Ranking.



Enhancement of Shareholder Returns

In FY2020, we repurchased 625,000 shares of the Company, amounting to 1,990 million yen, for the purpose of enhancing shareholder returns and improving capital efficiency.

At the meeting of the Board of Directors held on April 30, 2021, a resolution was passed to repurchase up to 600,000 shares of the Company, capped at 2 billion yen.

Annual dividends per share were 77 yen (consolidated payout ratio: 40.6%) in FY2020, and are expected to be 82 yen (consolidated payout ratio: 41.4%) for FY2021.

Repurchases of Company Stock (FY2020)

Class of shares to be repurchased	Common stock of the Company	Common stock of the Company
Total number of shares for repurchase	349,000 shares	276,000 shares
Aggregate amount repurchased	¥0.99 billion	¥0.99 billion
Period for repurchases	May 1, 2020–September 4, 2020	February 1, 2021–March 2, 2021

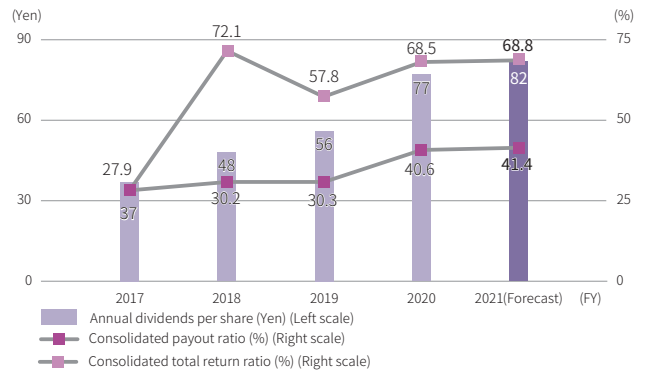
Details of Resolution Regarding Repurchases of Company Stock (As of April 30, 2021)

Class of shares to be repurchased	Common stock of the Company
Total number of shares for repurchase	Maximum of 600,000 shares
Aggregate amount repurchased	Maximum of ¥2 billion
Period for repurchases	May 20, 2021–December 31, 2021

Basic Policy on Shareholder Returns

The Company returns profits to shareholders on the basis of having ensured funds for the stable long-term 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 FY2020 to FY2023, taking into account standards for business investment returns as well as capital costs and capital efficiency.

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



* Includes 4.0 yen 70th anniversary commemorative dividend

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.

Record date of allotment	March 31	Granting date	Late June*
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9th Nihonbashi Kabutocho and Eiichi Shibusawa

* Sent together with the notice of year-end dividend after the close of the General Shareholders' Meeting.

QUO prepaid card features an original design that showcases Nihonbashi Kabutocho and Kayabacho's culture, historical landmarks and famous places, to make the Nihonbashi Kabutocho and Kayabacho Revitalization Project currently being promoted by the Company better known.

Compliance and Risk Management Systems

Basic Policy for Compliance

In order for the Heiwa Real Estate Group to earn the trust of society and achieve sustainable development, we will consistently maintain an awareness of compliance and conduct business in keeping with our Code of Conduct and the Standards for Behavior for Heiwa Real Estate Group. To stamp out misconduct and further strengthen compliance, we also enacted the Announcement on Stamping Out Misconduct and Strengthening Compliance in December 2019, and are taking initiatives in keeping with this.

«Announcement on Stamping Out Misconduct and Strengthening Compliance»		Enacted December 2019
1. No growth that compromises trust	The Company's officers and employees shall constantly be aware that stakeholder trust is the platform for, and driver of, growth. These agents of the Company shall work to improve mindsets in order to regain that trust.	
2. Stamping out misconduct	The Company's officers and employees shall carry out their duties in accordance with the highest ethical principles and good sense, and stamp out misconduct by pledging to not engage or become involved in any wrongdoings, with a clear distinction between personal interests and company interests.	
3. Strengthening compliance further	The Company's officers and employees shall rigorously adhere to the Code of Conduct and the Standards for Behavior for Heiwa Real Estate Group, and shall place the utmost priority on compliance.	

Compliance System

The Group has established the Risk Management Committee, a body for sharing, discussing, and controlling compliance and business risks in the Group. Serious violations of compliance or material emerging risks are reported to the Company's Board of Directors and handled accordingly. The Corporate Planning and General Affairs Department, which serves as the secretariat for the committee, is responsible for coordinating with Group companies, and promotes improved compliance and risk management function across the entire Group.

Prevention of Corruption and Bribery

The Group has enacted the Code of Conduct and the Standards for Behavior for Heiwa Real Estate Group, and drafted a summary of matters to be complied with in order to act with fairness and honesty without violation of social norms. In keeping with these we maintain an awareness of the gravity of our social responsibility, strictly comply with all laws, regulations and rules, and seek to be a company that has a strong sense of ethics and can keep the trust of society. The Standards for Behavior for Heiwa Real Estate Group calls on us to strictly refrain from behavior that may seem like collusion from society's standpoint in our relationships with government and administrative bodies, prohibits entertainment, gifts and other benefits deviating from social conventions, and concretely defines measures to prevent not only bribery but corrupt behavior in general. These details are published to our intranet, and are available for employee viewing at any time.

Basic Policy for Risk Management

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

Risk Management System

To have an overall understanding of the Group's risks and appropriately take action in the event of their emergence, the Risk Management Committee meets quarterly, chaired by the Representative Director and President and comprised of executive officers and heads of department. At its meetings, the committee works to understand risks that have emerged within the Group and discusses matters such as how to prevent recurrence in keeping with the Risk Management Guidelines.

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.

Business Continuity Plan

In an effort to mitigate the risk of a company crisis in the event of an emergency,

Compliance Hotline

Based on our Internal Reporting Regulations, the Group has established an internal compliance hotline in order for us to rapidly be aware of organizational or individual misconduct or violations of laws and regulations and to take necessary measures in response. This system also promotes ethics and compliance with laws and regulations at Group companies. Reports may be made to internal or external desks. We protect those who provide us with reports, like ensuring that they are not penalized for their use of our compliance hotline. To promote fair transactions with business partners such as corporations, we have also set up an external reporting desk to receive reports on compliance violations and suspected violations by officers and employees of the Group.

Compliance Training

The Group regularly conducts compliance training for the purpose of raising awareness of compliance among officers and employees. We are also working to spread awareness of compliance by conducting company-wide simultaneous inspections for compliance, information security and other areas, and disseminating inspection results internally.

Combating Anti-Social Forces

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

we have drafted a business continuity plan (BCP) and a manual based on this plan, and we conduct regular inspections in line with this.

Information Security

We view the appropriate management of information risks as one of the Company's most important information strategies, have established an information security management system, and strive to protect and appropriately manage all information assets held by us. We maintain internal rules, conduct ongoing training, etc., required to ensure information security and attempt to improve information literacy among all officers and employees. We implement appropriate countermeasures for ensuring the safety of information assets and protecting against threats including unauthorized access, destruction, data leaks, spoofing, loss and theft, and in the event that information asset security is breached, we make every effort to minimize damage, quickly identify the cause and prevent future recurrence.

Message from the External Director

I Will Assist the Heiwa Real Estate Group in Further Value Creationby Contributing to the Promotion of Diversity and Revitalization of Districts.

Junko Utsunomiya External Director



Carefully Executed the Development of an Environment for External Directors to Fulfill Their Duties

The Board of Directors of Heiwa Real Estate gives the impression that its operations are highly conscious of corporate governance. It not only distributes materials of the Board meetings in advance but also shares materials of the Managing Officers' Meeting. In addition, it gives prior explanations and holds deliberations on particularly important matters at times, which is a reflection of a carefully developed environment that encourages external directors to proactively express their opinions. As an attorney, I am expected to oversee management mainly from a legal perspective; depending on the content of the proposal, there are cases in which it is impossible to comment on it without reading it thoroughly, so I am extremely appreciative of such efforts made by those on the operation side that enable me to fulfill my duties at ease.

It is fair to say that the meetings of the Board of Directors serve as a place where external directors candidly speak out their opinions and engage in lively discussions based on their respective expertise on the proposals that internal officers fully and repeatedly examined. I acknowledge that external directors' opinions, questions and requests to have information provided are seriously considered and addressed, and in cases where an answer or response cannot be given on the spot, we receive a solid response at a later date including receiving a report after having the information summarized and being presented with the outcome of discussions held again in consideration of external officers' opinions.

Promoting Diversity as a Company with Social Influence

When attending the Board meetings, there are a number of things that I bear in mind, one of which is to be particularly mindful of checking whether the management has overlooked anything in the legal context, as an attorney engaged in corporate legal affairs over many years. At the same time, as the person responsible for enhancing corporate governance, I am always conscious of shareholders and investors' perspectives and make sure that I ask questions and make comments in view of whether or not an adequate explanation has successfully been given so that it seems like a rational decision even from the viewpoint of shareholders and investors. Furthermore, there has been an increasing number of instances in which various issues at companies and their awareness of problems are being

acknowledged in ways more similar to what I have personally experienced, in my experience of serving as an external director and external auditor at multiple growth companies, as well as in discussions that I have had as an attorney with my clients on the management team on such topics as management issues. Needless to say, to the extent that there is no breach of duty of confidentiality, I am eager to boost Heiwa Real Estate's corporate value by proactively taking advantage of my expertise in that sense.

What I would like to ask of Heiwa Real Estate going forward is the further promotion of diversity. Given the rapidly growing awareness of diversity, Heiwa Real Estate is no exception in that the promotion of female executives is one of the issues, but I hope Heiwa Real Estate will go beyond that and become a company in which a wide range of individuals can play a greater role in their respective ways. I believe the enhancement of initiatives in this area will result in the retention of individuals with various views and the creation of a strong organization, so I also intend to proactively give support to that end.

I also have expectations for Heiwa Real Estate's contribution to the "revitalization of districts."

In the "Nihonbashi Kabutocho and Kayabacho Revitalization Project" promoted by Heiwa Real Estate, no one other than Heiwa Real Estate can revitalize the district by leveraging the characteristics of the area, given that it has been based in Nihonbashi Kabutocho and Kayabacho—known as the district for securities and finance—for more than 70 years since its foundation and seen how the district has changed over the years. Undertakings such as the renovation of historic buildings are initiatives that will also help realize a sustainable society, which is nothing other than a challenge for the world as a whole.

As buildings are utilized by various people and companies, I believe it is possible to significantly influence society through their development. As a member of Heiwa Real Estate, it is extremely exciting for me to be able to revitalize districts in such a manner that is useful to society.

This will be my second year since my assumption of office as an external director. I am committed to assisting the Heiwa Real Estate Group in value creation, including contributing to the "revitalization of districts," by further deepening communication with internal directors and employees.

Management Team

(As of June 24, 2021)

Directors



Representative Director,
President and Chief Executive Officer

Kiyoyuki Tsuchimoto

Apr. 1982 Joined Tokyo Stock Exchange, Inc. (TSE)
Jun. 2013 Managing Director of TSE
Jun. 2014 Director and Senior Executive Officer of TSE
Apr. 2016 Director and Executive Vice President of TSE
Jun. 2017 Director of Heiwa Real Estate Co., Ltd. (the Company)
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)



Representative Director and
Senior Managing Executive Officer

Norio Iwasaki

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

Apr. 1981 Joined Tokyo Stock Exchange, Inc. (TSE)
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)



External Director

Junko
Utsunomiya

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 2020, Inc.) (current position)
Apr. 2013 Outside Corporate Auditor of Solasto Corporation
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)
Mar. 2021 Outside Director (Audit & Supervisory Committee
Member) of PeptiDream Inc. (current position)



Director and Senior Managing
Executive Officer

Kazuo Yamada

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)



Director and Managing Officer

Hiroki Mizuta

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)



Statutory Auditor (Full-time)

Naoto Kato

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)



External Statutory Auditor
(Full-time)

Shosaku Shimomura

Apr. 1987 Joined Tokyo Stock Exchange
Jun. 2010 Seconded to Financial Accounting Standards
Foundation as Research Specialist and General
Manager of Planning Division of Accounting
Standards Board of Japan (until June 2012)
Jun. 2012 Director of Participant Examination and Inspection
Department of Tokyo Stock Exchange Regulation
(currently Japan Exchange Regulation)
Apr. 2014 Director of Participant Examination Department of
Japan Exchange Regulation
Jun. 2014 Director of Listing Examination Department of Japan
Exchange Regulation
Apr. 2016 Management of Planning in General Administration
Office of Japan Exchange Regulation
Jun. 2016 Standing Auditor of Japan Exchange Regulation
Jun. 2021 External Statutory Auditor of Heiwa Real Estate Co.,
Ltd. (the Company) (current position)



Director and Managing Officer

Tomoharu
Nakao

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)



External Director

Kiichiro Masui

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.
(the Company) (current position)



External Statutory Auditor

Chikami Tsubaki

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 Sampo 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)



External Statutory Auditor

Jun Sekine

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
June 2021 Outside Director THE TOCHIGI BANK, LTD. (Appointed
on June 29, 2021)

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

Skill Matrix

Directors	Male Female	Independence (External directors only)	Corporate management	Finance affairs/ accounting	Legal affairs	Financial / securities	Planning / sales	International perspective
Kiyoyuki Tsuchimoto	●	—	●			●	●	
Norio Iwasaki	●	—	●	●		●		
Kazuo Yamada	●	—	●	●			●	
Hiroki Mizuta	●	—	●				●	
Tomoharu Nakao	●	—	●			●	●	
Kiichiro Masui	●	●				●	●	
Junji Ota	●	●	●	●			●	
Takahiro Moriguchi	●	●	●	●		●	●	●
Junko Utsunomiya	○	●			●			

* This list does not indicate all of the expertise and knowledge possessed by each director.

Consolidated Financial Data

	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
For the fiscal year:												
Operating revenue	Millions of yen	30,135	35,205	32,992	43,284	34,347	37,010	41,747	32,698	39,480	46,639	35,048
Operating income	Millions of yen	8,403	7,074	7,355	8,055	8,548	8,267	9,673	9,432	9,335	10,903	11,228
Ordinary income	Millions of yen	5,183	3,910	4,634	5,644	6,568	6,708	8,431	8,395	8,430	10,006	10,244
Net income attributable to owners of parent	Millions of yen	2,062	2,055	2,455	2,901	2,495	4,408	4,514	5,288	6,174	7,046	7,118
Depreciation	Millions of yen	5,098	5,194	5,243	5,326	4,989	5,028	4,878	4,661	4,766	4,814	5,077
Capital expenditures	Millions of yen	3,748	17,016	12,587	9,001	15,326	15,461	15,838	16,642	21,824	12,633	30,872
Cash flows from operating activities	Millions of yen	16,639	11,945	13,271	13,824	12,557	9,954	20,980	13,482	(12,780)	28,680	8,292
Cash flows from investing activities	Millions of yen	(3,921)	(17,286)	(11,199)	(6,388)	(15,160)	(2,600)	(13,017)	(17,265)	(12,946)	(11,427)	(30,200)
Cash flows from financing activities	Millions of yen	(11,612)	9,834	(11,083)	(18,026)	(8,923)	(3,218)	(4,222)	(2,499)	24,652	(1,829)	24,327
Balance of cash and cash equivalents at end of period	Millions of yen	38,010	42,504	33,493	22,903	11,242	15,377	19,117	12,784	11,710	27,166	29,585
At fiscal year-end:												
Net assets	Millions of yen	73,010	75,497	84,002	85,990	92,298	94,827	97,524	104,900	109,075	107,302	118,639
Total assets ^{*1}	Millions of yen	296,058	308,964	313,096	296,834	297,736	294,021	293,025	300,243	335,572	339,545	381,353
Interest-bearing liabilities	Millions of yen	186,358	197,083	186,902	170,335	162,490	160,232	157,051	155,786	184,672	186,977	215,727
Equity ratio ^{*1}	%	24.5	24.3	26.7	29.0	31.0	32.3	33.3	34.9	32.5	31.6	31.1
Performance indicators:												
Dividends per share ^{*2*3}	Yen	4	4	22	22	22	26	26	37	48	56	77
Earnings per share (EPS) ^{*2*4}	Yen	13.47	10.30	61.51	72.72	62.53	110.5	113.17	132.57	158.73	184.82	189.76
Book value per share (BPS) ^{*2*4}	Yen	363.13	375.82	2,096.60	2,154.94	2,313.34	2,377.02	2,444.84	2,630.07	2,819.82	2,837.29	3,190.09
Price-earnings ratio (PER)	Times	14.25	21.84	29.88	22.66	27.00	12.67	13.91	15.46	13.43	15.14	18.21
Price-book ratio (PBR)	Times	0.53	0.59	0.87	0.76	0.73	0.59	0.64	0.78	0.76	0.99	1.08
Consolidated Payout ratio	%	29.7	38.8	35.8	30.3	35.2	23.5	23.0	27.9	30.2	30.3	40.6
Consolidated total return ratio	%	29.7	38.8	35.8	30.3	35.2	23.5	23.0	27.9	72.1	57.8	68.5
EBITDA ^{*5}		13,941	12,432	12,905	13,648	13,883	13,641	14,920	14,476	14,596	16,203	16,763
D/E ratio ^{*5}	Times	2.55	2.61	2.22	1.98	1.76	1.69	1.61	1.49	1.69	1.74	1.82
Net D/E ratio ^{*5}	Times	2.03	2.04	1.82	1.71	1.64	1.53	1.41	1.36	1.57	1.47	1.57
Ratio of EBITDA to net interest-bearing liabilities	Times	10.64	12.42	11.84	10.79	10.89	10.61	9.24	9.84	11.77	9.76	11.10
Return on assets (ROA) ^{*1*5}	%	2.8	2.3	2.4	2.6	2.9	2.8	3.3	3.2	2.9	3.2	3.1
Return on equity (ROE) ^{*5}	%	3.2	2.8	3.1	3.4	2.8	4.7	4.7	5.2	5.8	6.5	6.3
Number of outstanding shares	Shares	200,299,980	200,299,980	40,059,996	40,059,996	40,059,996	40,059,996	40,059,996	40,059,996	40,059,996	38,859,996	38,859,996
Number of employees ^{*5}	Persons	261	271	293	285	281	281	224	233	236	237	240

*1 Total assets and equity ratio for FY2017 have been retroactively restated to reflect the application of the partial amendments to Accounting Standard for Tax Effect Accounting, etc.

*2 A five-to-one share consolidation was executed on October 1, 2012; accordingly, the data varies significantly between the pre-consolidation period (until FY2011) and the post-consolidation period (FY2012 and thereafter).
Of note, dividends per share in FY2012 consisted of an interim dividend of 2 yen (before consolidation) and a year-end dividend of 12 yen (after consolidation); the interim dividend was converted into the post-consolidation amount of 10 yen, bringing the total amount to 22 yen

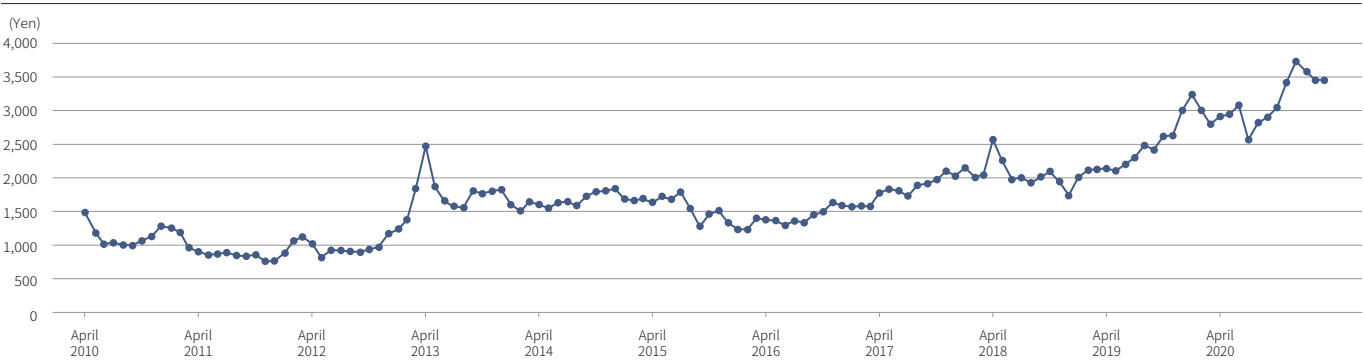
*3 Annual dividends per share for FY2017 included a 4.0 yen commemorative dividend celebrating the 70th anniversary of the Company's founding.

*4 The Company established a trust for its stock compensation plan for directors and managing officers in FY2019, 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.

*5 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) x 100
ROE: Net income attributable to owners of parent ÷ Equity (average of equity at beginning and end of period) x 100

*6 The decrease in the number of employees in FY2016 is mainly due to the exclusion of Heiwa Health Care Co., Ltd. from the scope of consolidation because the Heiwa Real Estate Group sold its entire stake in this company.

Trends in Share Price (From April 2010 to March 2021/monthly)



* Amount stated is the monthly closing price

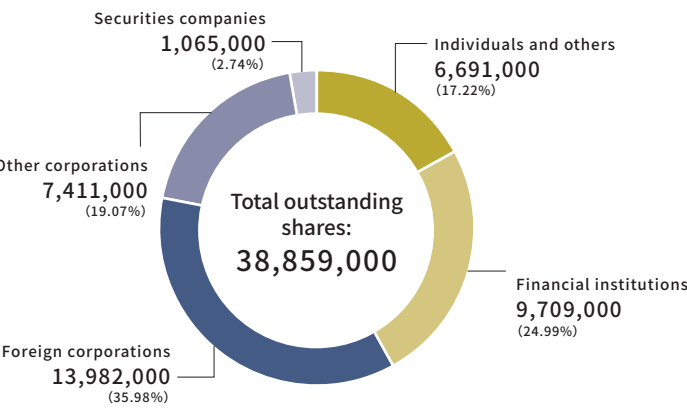
Stock Information

(As of March 31, 2021)

Status of Shares

Total authorized shares: 110,000,000 shares
Total outstanding shares: 38,859,996 shares
Number of shareholders: 16,724

Distribution of Shares by Shareholder Category



Major Shareholders (Top 10)

Name	Number of shares (Thousands)	Percentage of total equity (%)
Mitsubishi Estate Co., Ltd.	4,274	11.47
CGML PB CLIENT ACCOUNT/COLLATERAL	3,255	8.74
Custody Bank of Japan, Ltd. (Trust Account)	3,076	8.26
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,415	6.48
JP MORGAN CHASE BANK 385632	1,369	3.68
THE BANK OF NEW YORK 133970	618	1.66
Taisei Corporation	532	1.43
Custody Bank of Japan, Ltd. (Trust Account 5)	518	1.39
JP MORGAN CHASE BANK 385781	499	1.34
SSBTC CLIENT OMNIBUS ACCOUNT	493	1.33

(Notes)
1. Percentage of total equity was calculated after deducting the number of shares held by the Company as treasury stock from total outstanding shares.
2. The list of Major Shareholders above excludes 1,610,000 shares held by the Company in the form of treasury stock. Of note, 59,000 shares of the Company held by Custody Bank of Japan, Ltd. (Trust Account) as assets in trust for the Company's stock compensation plan for directors and officers are not included in such treasury stock.

Corporate Information

(As of March 31, 2021)

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
Number of employees: 102 (non-consolidated) / 240 (consolidated)

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

Corporate Website

Home Page

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

IR Information

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

Sustainability

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

Organization

(As of April 1, 2021)

