



INTEGRATED REPORT 2022

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EDITORIAL POLICY

Editorial Policy

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

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

Cover Design Concept

The cover design features buildings in random forms arranged in a radiant and dynamic image, representing urban development and the resulting growth and bustle of the city.

The motif of the building in the center of the cover image is KABUTO ONE, opened in Tokyo's Nihonbashi Kabutocho district in 2021. As a Company that contributes to revitalizing districts, the Group is promoting the Nihonbashi Kabutocho and Kayabacho Revitalization Project with KABUTO ONE chosen as its representative design.

Period Covered by the Report

The report mainly covers performance in FY2021 (from April 2021 to March 2022). It also includes some information on activities before or after said period, as well as forecasts.

Organizations Covered

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

Date of Publication

October 2022

Referenced Guidelines

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



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

Cautionary Note on Forecasts

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

Organization and Values

Management Policy and Statement

Management Policy

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

Strategies for Realizing Our Management Policy

Medium-term Management Plan 2022-2023

Challenge & Progress

Taking on challenges and reaching for new heights as a Company that contributes to revitalizing districts

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 at 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 issues by expanding the possibilities of community renovation –with bold ambition 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.

Main External Assessments

2022 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX

2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

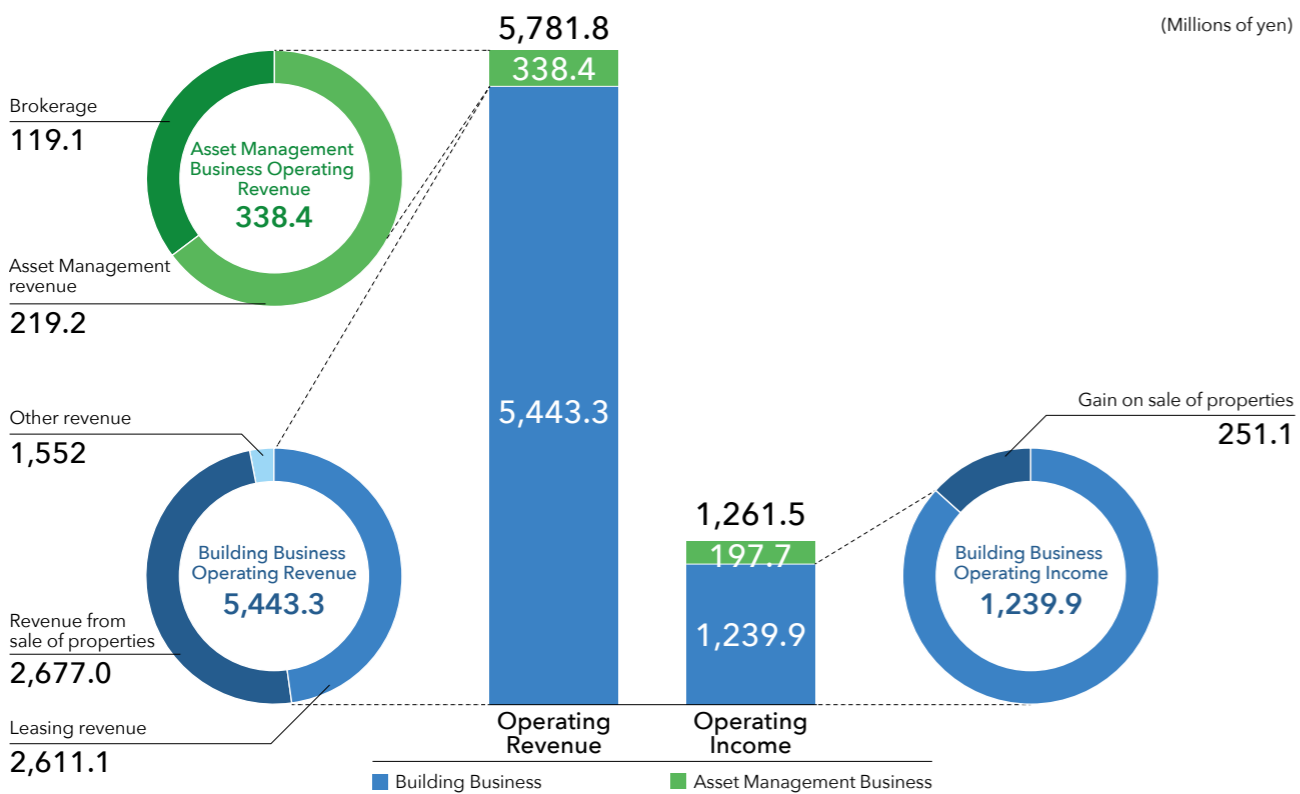
THE INCLUSION OF HEIWA REAL ESTATE CO.,LTD. IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF HEIWA REAL ESTATE CO.,LTD. BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Organization and Values
Group Overview

Overview by Business Segment

Business Segment	Business Strategy
<p>Building Business</p> <p>Development, leasing, management, and buying/selling of stock exchange buildings, office buildings, commercial facilities, and residential buildings</p>	<p>Redevelopment Business > P. 27</p> <ol style="list-style-type: none"> 1 Nihonbashi Kabutocho and Kayabacho Revitalization 2 Progress in Commercializing the Sapporo Redevelopment Project <p>Building Business > P. 29</p> <ol style="list-style-type: none"> 3 Pursuing External and Internal Growth 4 Sustainable Building Operations to Improve Environmental Specifications and Disaster Preparedness 5 Generating Earnings from Inventory Sales
<p>Asset Management Business</p> <p>HEIWA REAL ESTATE REIT, Inc.'s Asset Management and Real Estate Brokerage</p>	<p>Asset Management Business > P. 31</p> <ol style="list-style-type: none"> 6 Growing Asset Management Earnings

Operating Revenue and Operating Income Composition (FY2021)



Business Model

Heiwa Real Estate aims to further expand its earnings base through the promotion of business strategies based on leveraging our superior portfolio in major cities across Japan.



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."

Superior Portfolio in Central Districts of Major Cities across Japan

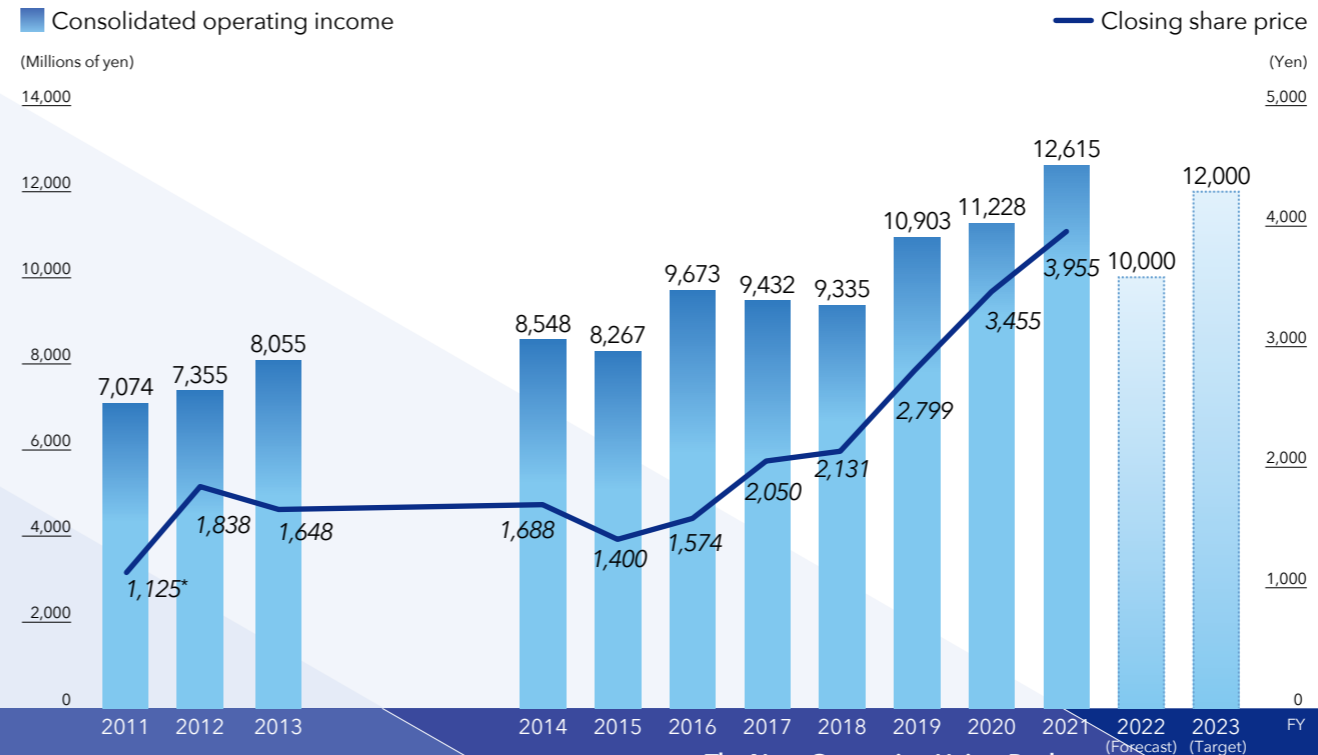


Group History

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.

In revitalizing the spirit of Nihonbashi Kabutocho and Kayabacho, rather than reenergizing the district, the Group envisions transforming it into a colorful destination where people work, live and visit.

We will take on challenges and reach for new heights as a Company that contributes to revitalizing districts, creating new functions and culture in this cutting-edge securities trading hub and financial and investment center making it livelier and more inviting.



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

Taking on challenges and reaching for new heights as a Company that contributes to revitalizing districts

EPS target

At least **¥200**

Consolidated operating income

¥10 billion ➔ **¥12 billion**

Note: 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.

Heiwa Real Estate Group Timeline

1947- Establishment Phase: Supporting the Securities Industry

2000- Leasing Business Asset Expansion Phase: Enhancing the Revenue Base

2014- The Next-Generation Heiwa Real Estate: Taking On the Challenge of Becoming "a Company That Contributes to Revitalizing Districts"

2020- Moving to a New Stage of Growth as "a Company That Contributes to Revitalizing Districts"

- 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
- 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
- 2012 Completed construction of Ichibancho Heiwa Building 5

- 2014 Announced the Revitalization Vision for Nihonbashi Kabutocho
- 2015 Completed construction of Maruzen Nagoya Honten Building
- 2017 Acquired Osaka Midosuji 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
- 2022 Opened FinGATE BLOOM
- Completed construction of KITOKI



1 Former Tokyo Stock Exchange Building 2 Tokyo Stock Exchange Building (Chuo-ku, Tokyo) 3 Osaka Securities Exchange Building (Osaka) 4 CentRise Sakae (Nagoya) 5 Ichibancho Heiwa Building (Sendai)



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)

KABUTO ONE Opened

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

History of Nihonbashi Kabutocho and Kayabacho

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

We 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.

Message from the President



Enhancing Social and Shareholder Value through District Revitalization Leveraging Geographical History

Kiyoyuki Tsuchimoto
Representative Executive Officer,
President and CEO

Launch of the Kabutocho 3.0 Era

Heiwa Real Estate, founded in 1947 as the owner of stock exchange buildings in Tokyo, Osaka, Nagoya and elsewhere, with its head office located in Nihonbashi Kabutocho and Kayabacho, known widely as a securities trading hub and a financial and investment center, has contributed to the development of the district while bearing the heavy responsibility of supporting Japan's financial market infrastructure. Nihonbashi Kabutocho and Kayabacho is where Eiichi Shibusawa devoted himself to the modernization of Japan from the Meiji Era onward, establishing The First National Bank, Japan's first modern bank. As the birthplace of the Japanese economy, this was a truly cutting-edge district where a stock exchange (now the Tokyo Stock Exchange) and numerous companies were established.

If we refer to this district during the Meiji Era as Kabutocho 1.0, then the postwar period, when it flourished as a financial district centered on the stock exchange and was known as "Japan's Wall Street," can be referred to as Kabutocho 2.0. This is the era in which Heiwa Real Estate was born. Later, when the stock exchange was fully computerized to improve the efficiency of securities transactions, the district was no longer as bustling as it had been in the past. Today, as a company rooted in this district, we are engaged in a revitalization project leveraging the historical characteristics of this district and Heiwa Real Estate strengths aimed at launching the Kabutocho 3.0 era.

This district, where Eiichi Shibusawa based the launch of new endeavors, was known as a place of beginnings, what today we might call a hotbed for startup companies. While making use of historical and geographical characteristics such as finance and startups, rather than simply restoring the traditional bustle of this district, we want to transform it into a colorful destination that attracts a diverse range of people who work, live, stay, eat, shop and enjoy a variety of activities here.

Unique Strengths of Heiwa Real Estate

In addition to Nihonbashi Kabutocho and Kayabacho, we also own superior portfolios in other major cities throughout Japan, including Osaka, Nagoya, Fukuoka, Sapporo, and Sendai. Although these are not large areas, clarifying target areas is a major strength in terms of promoting district revitalization throughout Japan. Regarding our home ground of Nihonbashi Kabutocho and Kayabacho, by specializing in an area comprising approximately 100,000 square meters, we have established face-to-face relationships with local residents, and based on this positive relationship, we contribute to enhancing the value of the district itself through redevelopment incorporating local characteristics.

In summer 2022, in the first-floor lobby of KABUTO ONE, the new Kabutocho landmark that opened in August 2021, a full array of portable shrines was on display. The fact that this project was implemented in a way that was loved by the local community is an important point in considering the social significance of the real estate business. Our strength in building good relationships through dialogues is also a soft power in terms of attracting and maintaining relations with tenants.

In line with the Global Financial City: Tokyo concept promoted by the Tokyo Metropolitan Government, since 2017, we have deployed the FinGATE series to attract independent asset management companies and Fintech startups, and despite the impact of the pandemic over the past two years, we have made steady progress, already attracting approximately 60 companies. In April 2022, we opened our fifth facility in response to high occupancy rates, which has been performing well, with more than half of all contracts signed before the grand opening. In addition to the innate characteristics of the district itself and its objective appeal as a center for finance and startups, we have built a solid reputation with tenants based on soft power, including support for pre-startup preparations and post-launch networking within the district. Adding value to physical spaces with soft power and enhancing the overall appeal of the district has translated to high occupancy rates in assets held by the Company.

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

In 2014, we formulated the medium- to long-term management plan “Over the NEXT DECADE” with the aim of becoming a Company that contributes to revitalizing districts. This plan was praised by investors and capital markets for taking on the challenge of redevelopment projects integrating multiple city blocks. To maintain and further develop this successful business strategy, we position the four-year “Challenge & Progress” medium-term management plan (FY2020–FY2023) as period in which we will take on challenges and make great strides as a Company that contributes to revitalizing districts. Despite launching the plan at the beginning of the pandemic, we have made steady progress and achieved tangible results, including the opening of KABUTO ONE last year after the plan’s turnaround point at the end of FY2021.

While Group’s assets include commercial facilities, hotels and residences, the core of our portfolio comprises office buildings throughout Japan, where have been able to maintain stable operations even during the pandemic. As a result, in FY2021, the second year of the medium-term management plan, the Group posted operating income of ¥12.6 billion and ordinary income of ¥11.5 billion, both record highs for the third consecutive year, while net income attributable to owners of parent amounted to ¥8.7 billion, reaching a record high for the fifth consecutive year.

While we are aware that some survey reports express concerns about deterioration of the office leasing market due to the pandemic, when looking at building leases in Nihonbashi Kabutocho and Kayabacho, lease levels after the opening of KABUTO ONE have risen to approximately double that of leases before redevelopment. In our view, there is a positive gap where upsides in leasing can be expected as redevelopments improve the value of the district overall. Redevelopments that improve the overall value of a district enhance Heiwa Real Estate economic and shareholder value, while realizing a win–win relationship with tenants and local communities by making the district more attractive and enjoyable for everyone. We will continue to deliver solid results over the remaining two years of the medium-term management expect to achieve all targets.

At the same time, looking to the post-pandemic horizon, hotels that had been severely impacted by COVID-19 are also on a recovery track. As Japan will continue to promote the expansion of the inbound traveler market as a tourism-oriented country, we will position hotels as an important asset for long-term growth and focus on them to a greater degree than in the past. We are also reaffirming the stability of rental residences, with plans to expand our investment in rental residences centered on the new “ORSUS” brand in the rental residence business.

KABUTO ONE Opening

KABUTO ONE opened in August 2021, the first mixed-use building in our ongoing Nihonbashi Kabutocho and Kayabacho Revitalization Project. The building name reflects the notion that Kabutocho was, and will continue to be, the enduring starting point for the Japanese economy. It has been nearly 10 years since we first formulated the Kabutocho and Kayabacho Revitalization Project, and during the past two years, the district has transformed into an immensely colorful place attracting distinctive tenants that include a fashionable bistro, a confectionary shop operated by a popular pastry chef, and a shop opened by the foremost chocolatier in Asia. Amid all this, when I see KABUTO ONE, now complete as a tangible representation of our work and actually being used, I realize that the Kabutocho 3.0 era has finally arrived. It has been a tremendous challenge for Heiwa Real Estate to transform this district, which had been driven mainly by the stock exchange, into a district where people gather. It has become a destination that is more crowded on weekends than weekdays with young people and families with small children. The worldwide edition of the global city guide Time Out selected Nihonbashi

Kabutocho for inclusion among the 40 coolest neighborhoods in the world today, and HOTEL K5, which opened in February 2020, was included in the MICHELIN Guide Tokyo 2021. I am also pleased to see that this district has become more colorful and vibrant, with more places for working people, especially those in the financial industry who work hard during the week, to take a breather and enjoy time off work.

In the first-floor atrium of KABUTO ONE, we installed “The HEART,” a visual digital signage system symbolizing the new Kabutocho financial hub. Based on a beating heart and blood circulation motif, The HEART visually conveys the pulse of the economy and market conditions, features unique to Kabutocho. On the third and fourth floors, there is a library lounge that serves as a space facilitating dialogues and exchanges, as well as a hall able to accommodate General Shareholders’ Meetings and IR briefings based on the concept of connecting investors and companies.

Future Development Projects

We will continue to engage in development projects in FY2022 and beyond.

In April of this year, we completed construction of KITOKI, the first office building with retail stores for which Heiwa Real Estate adopted a hybrid structure comprising wood and SRC. In creating a district in harmony with nature, we incorporated a biophilic design that satisfies the instinctive human desire to be close to nature, featuring exteriors reflecting vibrant greenery and interior designs conveying a sense of trees, water and wind on each floor.

We are developing the Kabutocho 12 Project aimed at the FY2025 opening of Caption by Hyatt Kabutocho Tokyo, the first Hyatt select service lifestyle hotel brand in Tokyo, Japan. With a distinctive style offering few banquet facilities and a design that does not enclose guests within the hotel, Caption by Hyatt Kabutocho Tokyo will introduce guests to restaurants and other attractions that can be enjoyed in the district, which we believe will facilitate a win-win relationship complementing our district revitalization concept. We are developing this project to capture post-pandemic inbound tourism demand and meet the needs of investors and other visitors to Japan, enhancing the overall appeal and function of the district. This project has been selected for the Leading Projects Program for Sustainable Buildings for 2022 (led by wooden structure) promoted by the Ministry of Land, Infrastructure, Transport and Tourism, with the aim of spreading awareness and advancing technologies related to wooden buildings as a leading project promoting the use of wood in mid- and high-rise hotels. After the aforementioned KITOKI, this is the second Heiwa Real Estate project selected for this program. These projects are part of our efforts to realize sustainable district revitalization, which is one goal of the Nihonbashi Kabutocho and Kayabacho Revitalization Project.

Considering the risk of major earthquakes and other natural disasters, reducing the overconcentration of people in Tokyo is a major issue in terms of the resilience of Japanese society as a whole. We will also incorporate lessons learned from the Nihonbashi Kabutocho and Kayabacho Revitalization Project to promote Redevelopment Business in Sapporo, which hosted the full marathon event in last year’s Olympics originally planned in Tokyo. I believe that the city of Sapporo itself is quite significant for its diverse array of functions. We own assets in the heart area of Sapporo, and will focus on the Sapporo Redevelopment Project from the larger perspective of addressing social issues.

With regard to the Sapporo Station South Exit North 4 West 3 Type 1 District redevelopment project, in which Heiwa Real Estate participates as a land owner and leaseholder, as well as the Odori West 4 South District Type 1 Urban Redevelopment Project, for which the City of Sapporo issued a notice of urban planning decision and recently announced, we are targeting completion in 2028 and promoting commercialization in anticipation of the Hokkaido Shinkansen line extension to Sapporo and the city’s bid to host the 2030 Winter Olympics.





Contributing to Society through Business

Improving social value is one of the basic policies under our medium-term management plan. Through projects such as the Nihonbashi Kabutocho and Kayabacho Redevelopment Project and the Sapporo Redevelopment Project, we hope to contribute to the creation of safe and secure communities, including disaster prevention, and the realization of a sustainable society. Sustainability management is a major theme for Heiwa Real Estate, hence the Sustainability Committee, established in December 2020, plays a key role in identifying the social values and materiality we target, positioning climate change countermeasures, industrial and regional promotion, meeting social needs, natural disaster risk responses and corporate governance enhancements as particularly important issues. Further, we attempt to increase sustainability management efficacy with the establishment of a framework in which the Board of Directors monitors the content of annual sustainability plans in each department, as well as the progress and achievement of those plans.

From an environmental perspective, in October 2021, we set a new target for greenhouse gas (GHG) emission reductions of 50% (compared to FY2018) by fiscal 2030, and obtained Science Based Targets* (SBT) certification. To achieve this target, we are switching over electricity used in our properties to electricity derived from renewable energy sources, and will continue to add properties utilizing renewable energy in line with global trends toward decarbonization. Additionally, we established specific numerical targets and roadmaps for water consumption, waste and other issues, as we move forward with a variety of additional initiatives.

To further strengthen our commitment to sustainability management, in December 2021, we announced our endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) and made qualitative disclosures. We are currently preparing quantitative disclosures in line with TCFD recommendations. In 2022, we also commenced sustainability-linked loan agreements with several financial institutions upon receipt of financing. Having recognized our ambitious GHG reduction targets, ratings agencies set sustainability performance target (SPT), with interest rates and other conditions linked to the achievement of SPTs. In the real estate industry, the sustainability benchmarkGRESB is used to measure and evaluate the ESG initiatives of each company. In the Standing Investment Benchmark (for the management of existing property), in 2021 we received three out of a possible five stars in 2021, up from two in 2020. We feel that all of our ESG efforts are beginning to show in external evaluations. We will continue to promote sustainable initiatives to further improve our reputation.

With regard to safe and secure district revitalization, in addition to tangibles such as seismic resistance in buildings, we aim to position ourselves to seek the safety and security of communities and tenants in the event of an emergency, demonstrating our soft power. In this respect, we are proud that all our executives and employees have taken basic lifesaving courses and obtained lifesaving skill certifications from the Fire and Disaster Management Agency and other organizations. Underpinning my idea of achieving a 100% acquisition rate among officers and employees is the desire for all employees to be aware of their solemn duties and take pride in the fact that we are moving beyond the reconstruction of buildings, where we have established solid a track record, to the revitalization of entire districts. In the Building Department, which serves as the point of contact for tenants, I see encouraging changes, including the voluntary acquisition of fire safety specialist certification.

Note: Science Based Targets are greenhouse gas emission reduction targets set for companies over the next 5-15 years consistent with levels required by the Paris Agreement (which aims to limit global temperature increases to well below 2°C above pre-industrial levels and 1.5°C below pre-industrial levels).

Enhancing Human Capital

As employees are an important management resource for the Company, rather than a cultivator of human resources, I see my role as enriching the soil in which they can grow on their own. To this end, young employees under the age of 30 who are preparing to become professionals are encouraged to acquire two or more qualifications designated by Heiwa Real Estate. I consider expenditures associated with the acquisition of qualifications as an investment in human resources rather than a cost, with some qualifications accompanied by an allowance after acquisition. We encourage employees to take full advantage of this environment, and over the past year, young employees have been proactively acquiring qualifications, tripling the amount of our investment. At the same time, with regard to managers, we make an effort to draw out the potential of each individual through challenging job assignments. We intend to expand human resource employment to include mid-career hires in addition to new graduates. I believe that the mutual stimulation and chemical reaction between mid-career hires and existing employees will lead to self-awareness that, in turn, will raise the level of the Company as a whole from a variety of angles.

Regarding human resource diversity, in recognition of the importance of gender diversity in particular, we set a numerical target for the female manager ratio of 10% by 2025. In 2022, we created two new female manager positions and are hiring women in mid-career as candidates for management positions. We also promote health management based on our belief that the maintenance of employee health is important for people to be able to engage in work with satisfaction and demonstrate their capabilities. Heiwa Real Estate has been recognized by the Ministry of Economy, Trade and Industry as a Certified Health & Productivity Management Outstanding Organization for two consecutive years since 2020, with our next target being inclusion among the top 500 corporations in Japan as a White 500 company, a goal the entire Company is working together to realize.

To Our Stakeholders

In July 2022, we celebrated the 75th anniversary of our founding. Heiwa Real Estate has always proactively sought to earn the trust of our many stakeholders, including local communities, shareholders and business partners, while flexibly responding to changes in the business environment. We will remain a Company trusted by its stakeholders as we will continue to make further changes going forward.

Having received approval at the General Shareholders' Meeting held in June 2022, we revamped our institutional design, transitioning from a Company with an Audit & Supervisory Board, to a Company with a Nomination Committee, etc. In separating supervisory and executive functions and enhancing the Board of Directors supervisory function, we will create a sophisticated governance structure, and in delegating authority to the execution side, we will promote flexible management and advance district revitalization with unprecedented decision-making speed. Eiichi Shibusawa, who pioneered the Nihonbashi Kabutocho and Kayabacho districts, held the Analects of Confucius in one hand an abacus in the other, embodying his basic philosophy on the union of morality and economy. As the president of a Company with its head office located in the same district where Shibusawa once had his office and residence, I will strive to create value for society by taking the management high road based on the precept of "never taking the easy way out" from the Analects of Confucius and reflect the results of these efforts in shareholder returns.

Our top priority, the Nihonbashi Kabutocho and Kayabacho revitalization project, is changing the image of the district itself, and my sense is that success is with our grasp. As we continue to learn from this experience and utilize it in our next development project with the aim of contributing to the realization of a sustainable society, I ask for the continued understanding and support of all of our stakeholders.



Materiality, Risks and Opportunities

Heiwa Real Estate has determined the social value we aim to provide and identified the materiality necessary for realizing them.

In addition to responding to stakeholder expectations, we identify medium- to long-term risks and opportunities that are incorporated into sustainability management practices.

Sustainability Vision

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

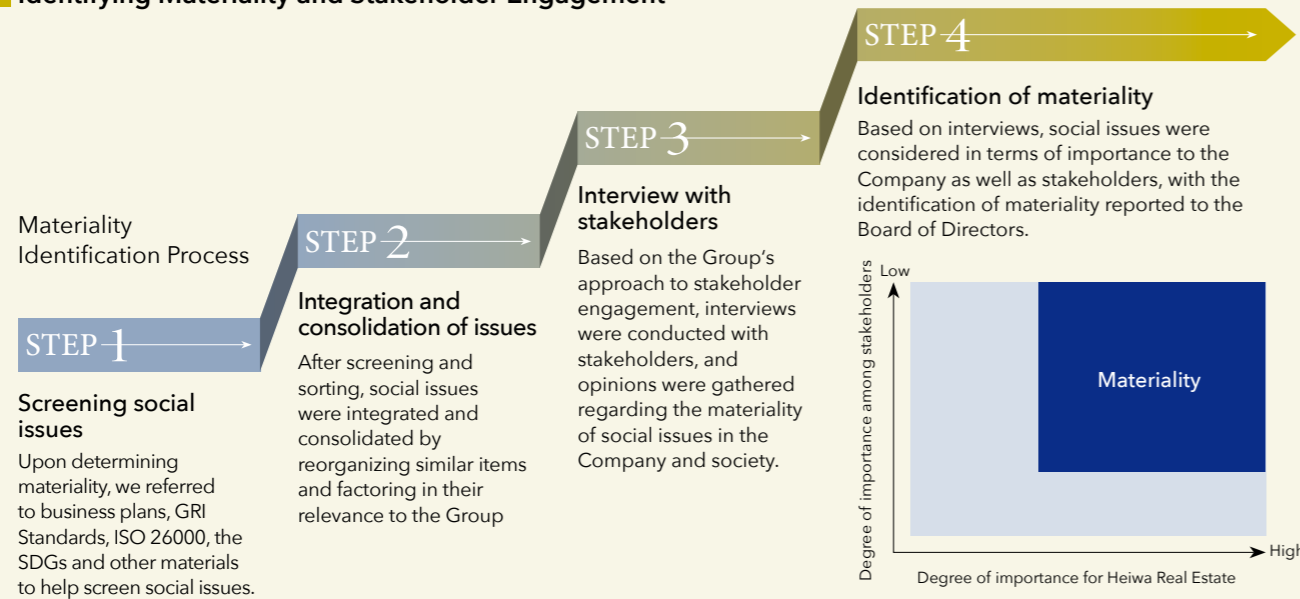
Targeted Social Value and Materiality

Targeted Social Value	Materiality	SDGs
Create lively areas through diversity and 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 and regional development	8
	Responding to social needs	2, 3, 5, 10
Create disaster-resistant, resilient areas We will contribute to the creation of a district comprising buildings and facilities with a high level of disaster preparedness to ensure the district continues to function safely amid the daily community activities of people who live and work in 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 CO2 emissions in the district.	Climate change countermeasures	7, 12, 13, 15
Create lively areas through corporate governance We will continue to strengthen corporate governance and aim to be a Company in which all officers and employees proactively address environmental and social issues.	Strengthening corporate governance	16

Risks and Opportunities

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

Identifying Materiality and Stakeholder Engagement



Stakeholder Engagement

The Group strengthens relationships with stakeholders through two-way communications and the provision of environmental, social and economic value, contributing to the realization of a sustainable society.

- 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**
In addition to disclosing information in a timely and appropriate manner, the Group proactively conducts financial results briefings and participates in IR events for individual investors with the aim of engaging in a wide range of mutual communication opportunities.
- Global environment**
With a full awareness of our responsibility toward conserving the natural environment, the Group proactively implements environmental initiatives while complying with environment-related laws and regulations,



- Business partners**
The Group makes a good faith effort to conduct business in accordance with societal norms and laws related to free and fair competition and transactions in an effort to mutually enhance corporate value alongside business partners.
- Employees**
The Group strives to respect the character of each employee, eliminate any and all discrimination and harassment, and ensure safe and comfortable work environments in an effort to realize comfort and abundance.
- Local communities**
The Group places importance on coexistence with local communities and broadly works to contribute to society as a good corporate citizen.

Value Creation Process

Capital	
Intellectual Capital	
Reputation and reliability as an owner of stock exchange buildings	
Owned and leased stock exchange buildings across Japan since the Group was founded	
Manufactured Capital	
Superior portfolio	
Owns assets in the central districts of major cities across Japan	
Owns properties with potential for medium- to long-term redevelopment	
Social capital	
Good relationships with clients and local communities	
Playing a part in the "Global Financial City: Tokyo" vision	
Number of tenants Approx. 600 companies	
Cooperative relationship with local communities	
Human Capital	
Employees engaged in urban development	
Group employees 240 people	
Employees (non-consolidated) 91 people	Female employee ratio 35.2%
Natural Capital	
Natural resources and energy	
Energy usage 109,960Mwh	Water usage 0.62m ³ /m ²
Financial Capital	
Solid financial base	
Total assets ¥3,762 billion	Net assets ¥1,192 billion
Interest-bearing debt ¥2,062 billion	



Corporate	
<ul style="list-style-type: none"> Promoting capital policy focused on capital costs and efficiency Strengthening corporate governance Practicing sustainability management 	
Stakeholder expectations and needs	Materiality
<ul style="list-style-type: none"> Building tenants and users Business partners Employees Local communities Global environment Shareholders and investors 	<ul style="list-style-type: none"> Climate Change Countermeasures (7, 12, 13, 15) Responding to Social Needs (2, 3, 5, 10) Industrial and Regional Development (9) Natural Disaster Risk Mitigation Measures (11) Strengthening of Corporate Governance (16)

The Value We Offer		
Profit targets		
EPS At least ¥200 (FY2023)	Consolidated operating income At least ¥120 billion (FY2023)	
Capital efficiency	Shareholder returns	
ROE At least 6% (FY2020-FY2023)	Consolidated total return ratio Approx. 70% (FY2020-FY2023)	
	Consolidated dividend payout ratio of approx. 50% by FY2023	
E: Environment		
Create Environment-Friendly Low-Carbon Areas		
GHG emissions reduction by FY2030 50% (vs. FY2018)	Water usage reduction by FY2030 20% (vs. FY2018)	Waste reduction by FY2030 20% (vs. FY2018)
S: Society		
Create Lively Areas through Diversity & Incubation		
Rate of new hires that are female At least 30%	Paid holiday usage rate At least 70%	
Uptake of cancer screenings (every 2 years) 100% of employees aged 35 or above	Annual health checks uptake 100% annually	
Create Disaster-Resistant, Resilient Areas		
Buildings compliant with new earthquake resistance standards 100% (excluding buildings earmarked for redevelopment)	People with first aid training course qualifications All of our officers and employees	
G: Governance		
Create Lively Areas through Corporate Governance		
Composition of Board of Directors At least one-third external directors	Number of female directors At least ONE	
Composition of Nomination and Compensation Committee Majority external directors	Compliance training At least five times each year	

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.

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 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.

Value Creation Story



Mobilizing Heiwa Real Estate Strengths to Create Attractive and Sustainable Districts

Nihonbashi Kabutocho and Kayabacho Revitalization Project

Urban Development Concept

Creating Districts Connecting People, Giving Rise to Investments and Growth

Since the Meiji Era, Kabutocho has been known as an entrepreneurial district for investment and securities, a stage for modern innovations, the gathering of investors and the exchange of various information.

In light of this historical background, we announced the concept of creating a district where people connect, and where investment and growth are born with the aim of revitalizing the essence of Kabutocho by integrating Kabutocho's potential with neighboring district functions.

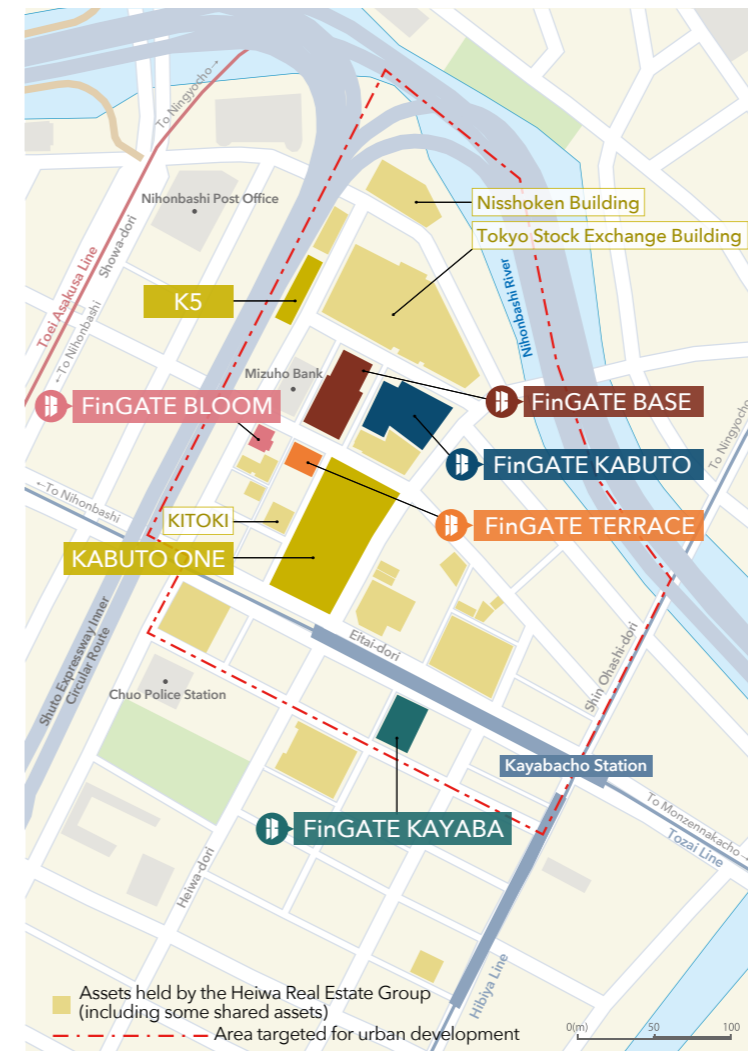
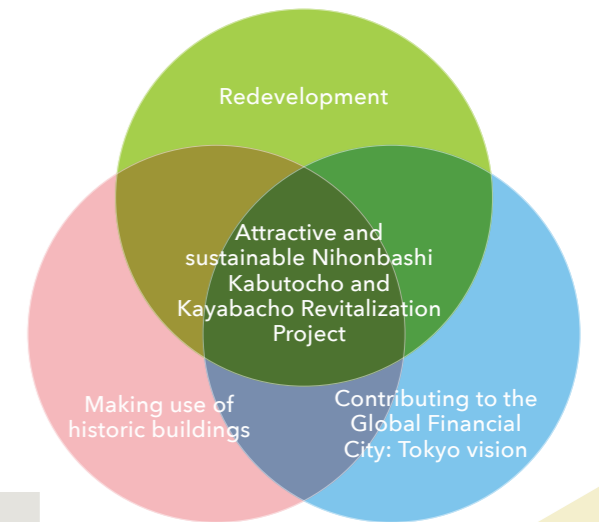
Responding to Local Issues and Social Needs

On the Nihonbashi Kabutocho and Kayabacho Revitalization Project, in developing and operating properties, we formulate measures incorporating the resolution of local issues and social needs, leading to overall area rejuvenation.

In addition to creating bustle in the area and preparing for natural disasters, we are engaged in a wide range of activities unique to the storied financial district that include making use of historic buildings and contributing to the Global Financial City: Tokyo vision.

Main Issues and Social Needs

- Creating bustle in the area
- Making use of historic buildings
- Mitigating natural disaster risks
- Decarbonization
- Contributing to the Global Financial City: Tokyo vision



Redevelopment

Since its founding as the owner of stock exchange buildings playing a central role in Japan's financial markets, Heiwa Real Estate has been deeply involved in businesses rooted in districts comprising the core of financial markets across Japan.

Competition among cities is heating up globally as people, economies and information become increasingly borderless.

In promoting the revitalization of Nihonbashi Kabutocho and Kayabacho, the Company's home ground and location of Japan's largest stock market, we will play a role in establishing Tokyo as a global financial center in Asia.

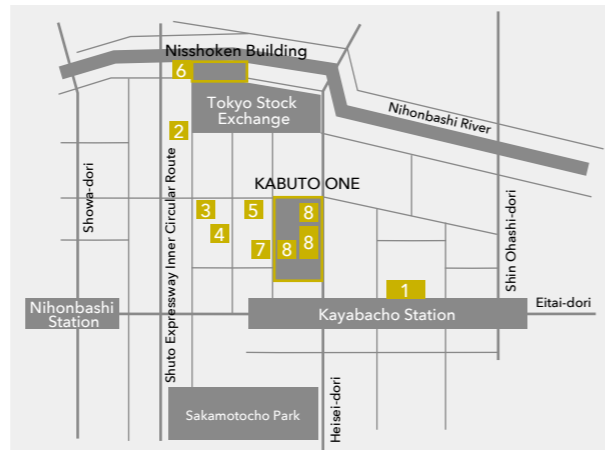
Leveraged Capital and Strengths

- Superior portfolio (favorably located development sites)
- Good relationships with business partners and local communities
- Promising tenant relationships
- Track record and trust as owner of stock exchange buildings

Expanding into Restaurants and Other Businesses

Before the full-scale launch of the Nihonbashi Kabutocho and Kayabacho Revitalization Project, the district mostly comprised office spaces, hence the need to expand the district's function beyond work to foster a more bustling atmosphere.

Against this backdrop, following the opening of K5 in February 2020, we modernized the atmosphere of the district with the opening of five independent restaurants attracted by the future potential of this district. Three new restaurants were opened on the first floor of KABUTO ONE to provide color and activity, making a total of 18 commercial facilities strategically attracted to the district through Heiwa Real Estate urban development efforts.



<p>1 Opened March 2016</p> <p>CAFE SALVADOR BUSINESS SALON</p>	<p>2 Opened February 2020</p> <p>K5 caveman S/C Ao</p>	<p>3 Opened July 2020</p> <p>ease Neki</p>
<p>4 Opened August 2020</p> <p>omnipollo</p>	<p>5 Opened October 2020</p> <p>PORTE STORE</p>	<p>6 Opened November 2021</p> <p>teal</p>
<p>7 Opened June 2022</p> <p>平和酒造 HEIWA SHUZOU</p>	<p>8 Opened December 2021</p> <p>KABUTO ONE KNAG KABEAT HOPPERS by SPICE Cafe</p>	<p>Opened October 2021</p> <p>K Kable Book Lounge</p>

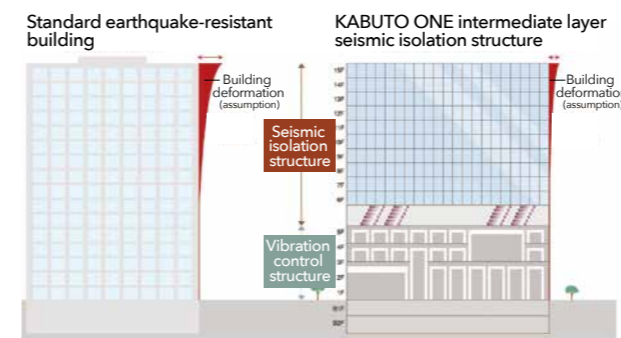
KABUTO ONE Initiatives

Enhancing Disaster Prevention, Supporting Business Continuity Plan (BCP) Countermeasures

In response to the growing need to enhance disaster prevention and BCP countermeasures with regard to owned assets, Heiwa Real Estate has taken the following measures at KABUTO ONE.

(1) Use of intermediate layer seismic isolation structure

The use of an intermediate layer seismic isolation structure reduces shaking from earthquakes and other disasters, providing safe and secure office spaces.



(2) Introduction of damage assessment system

We introduced a damage assessment system able to assess building damage immediately after an earthquake, even in the absence of professional engineers. This system can be used as objective data to determine whether or not a building can remain in operation after an earthquake.

Creating spaces for pedestrians

Prior to redevelopment, the district was densely packed with multiple properties, making it difficult to separate vehicle and pedestrian traffic or provide barrier-free access and open spaces. With KABUTO ONE, we aimed to create pedestrian pathways and achieve harmony with the surrounding environment through the following initiatives.



Efforts to reduce environmental burdens

(1) Introduction of environmentally friendly equipment

In addition to Low-E glass on exteriors to reduce heat loss, we use LED lighting equipped with auto-dimming sensors and other high-efficiency equipment.

(2) Creating green spaces

We create lush pedestrian spaces with greenery on walls and an abundance of green spaces throughout district streets.

(3) Installation of emergency generators

KABUTO ONE is equipped with emergency generators that can supply 15 VA/m² to offices for up to 72 hours after power supplies have been interrupted due to natural disasters and other emergencies. These dual-fuel emergency generators (dual backup system using propane and fuel oil) can also generate power using medium-pressure gas, which is highly reliable even in the event of a disaster. Space has also been provided so that tenants can install their own emergency generators as a backup measure.

(4) Preventing power outages due to flooding

To prevent flooding, the critical KABUTO ONE Disaster Prevention Center is located above ground on the second floor, with electrical substations and emergency generators located above ground on the fifth floor (approximately 22 meters high) as well as on the rooftop.

(5) Highly reliable supply of electricity

KABUTO ONE utilizes three-circuit spot network substations.

(6) Stockpiling emergency supplies

Heiwa Real Estate contributes to enhanced district-wide disaster prevention through the provision of temporary waiting areas and emergency supply stockpiles to assist people unable to return home when a disaster occurs.

(1) Block reorganization and integration

We reorganized and integrated four city blocks to create thoroughways, sidewalks and other open spaces contributing to improved pedestrian access and a bustling atmosphere.

(2) Underground passageway

A planned underground passageway will connect directly to Kayabacho Station and the Tokyo Metro Tozai Line and Hibiya Line, facilitating a comfortable, smooth pedestrian network providing barrier-free access between Kayabacho Station and the ground level, which is currently unavailable in the area north of Nihonbashi Kabutocho where this project is located.

(3) Installation of solar panels

Solar panels have been installed on the building roof to provide a portion of electricity used in common areas, thereby promoting the reduction of GHG emissions through the use of renewable energy.

Utilizing Historic Buildings

In addition to the development of new buildings through scrap-and-build, Heiwa Real Estate renovates high-quality buildings for continued use. Based on the idea that quality buildings should be utilized and provide value for 50-100 years, we revitalize districts using a mix of development and renovation.

Leveraged Capital and Strengths

- Cooperative relationships with local communities
 - Community-wide initiatives in partnership with tenants
- Human resources in charge of urban development
 - Integration of modern, diverse ideas into projects

K5 and Store Renovation

As one interpretation of Kabutocho's unique character, the core mission of the Nihonbashi Kabutocho and Kayabacho Revitalization Project is to create new functions and culture in the district utilizing the first floors of buildings that housed securities companies lining the street to develop street-level stores that will bring new energy and attract more visitors.

K5 was born as a project representing the first step toward bring new energy to the district.

The building reborn as K5 was completed in 1923 by

owner Dai-ichi Bank, constructed as an annex of the third building in The First National Bank complex, Japan's first bank founded by Eiichi Shibusawa in 1873. Although the building was covered with steel panels when Heiwa Real Estate acquired it, renovations were conducted based on our belief that returning the building to its original condition when completed and utilizing it in an attractive manner would enhance the building's real estate value and that of the local community.



After renovations



After renovations



©K5

Contributing to the Global Financial City: Tokyo Vision

As part of the Global Financial City: Tokyo vision formulated by the Tokyo Metropolitan Government, we are promoting three specific measures: Support for the development of financial venture and other companies with a focus on asset management, the establishment of spaces promoting dialogues and exchanges between investors and companies, and acceptance of high-level financial personnel, mainly targeting foreign nationals.

Against this backdrop, we launched the FinGATE series as an incubation activity supporting the launch and growth of independent asset management companies and financial startups that will drive the future of finance.

Leveraged Capital and Strengths

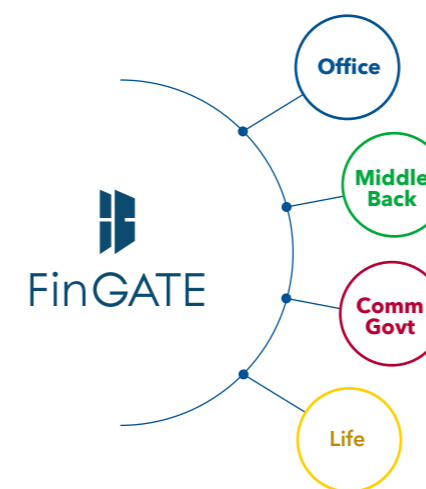
- Track record and trust as an owner of securities exchange buildings
- Cooperative relationships with local communities
 - Service optimization through the creation of relationships with financial ventures

FinGATE (Financial Venture Integrator)

Starting with the opening of FinGATE KAYABA in September 2017, we have developed a total of five facilities in the Nihonbashi Kabutocho and Kayabacho area, housing around 60 financial startups.

FinGATE provides infrastructure and equipment such

as offices and event spaces necessary for the startup and management of financial services, while also creating a community facilitating opportunities for entrepreneurs to interact with each other while providing support for government collaborations and middle back services.



Infrastructure (Offices, Event Spaces, Information Sources)

- Provision of small offices and other spaces with individual security facilitating the acquisition of financial licenses.
- Event space for dozens to hundreds of people, conference hall for 500 people Provision of sites for the dissemination of information, such as (KABUTO ONE), large signage (The HEART), etc.

Middle Back Support

- With regard to services that can resolve issues related to middle back services required by startups, such as registering with authorities as a financial instruments business, middle back office operation cost burdens, and retaining professional human resources, we offer special pricing and mentoring opportunities for implementation support through business alliances with servicers.

Community and Government Alliances

- In addition to more than 60 domestic and international financial startups comprising FinGATE tenants, we facilitate the creation of a community and provide matching opportunities to VC accelerators, asset owners, major corporations and other companies.
- The Fintech Association of Japan, The Consortium for Japan International Asset Management Center Promotion (JIAM), FinCity.Tokyo, and other industry groups and promotional organizations, as well as the Financial Services Agency Fintech Support Desk and the Financial Services Agency Financial Market Entry Office, are all concentrated in Kabutocho and Kayabacho.

Creating Wellbeing for People Working and Living in the District

- Promoting the development and attraction of hotels, restaurants and entertainment facilities through redevelopment projects. Establishing lifestyle functions required for workplaces.
- Near Marunouchi (Tokyo Station), where major financial institutions are concentrated, with convenient access to Narita and Haneda airports.



FinGATE KAYABA

FinGATE KABUTO

FinGATE BASE

FinGATE TERRACE

FinGATE BLOOM

Medium-term Management Plan

Previous Medium-term Management Plan
over the "NEXT DECADE"
(FY2014-FY2019)

Aim to be a Company that contributes to revitalizing districts
(Taking on the challenge of becoming a developer)

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

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

Strategy Overview

Review

General Overview	<ul style="list-style-type: none"> Achieved FY2023 consolidated operating income target of ¥10 billion ahead of schedule in the previous medium- to long-term management plan Operating income, ordinary income and net income attributable to owners of parent reached record highs Maintained financial discipline while improving ROE and provided proactive shareholder returns
1. Nihonbashi Kabutocho and Kayabacho Revitalization Project	<ul style="list-style-type: none"> Launched construction of first project KABUTO ONE Launched FinGATE series for Fintech, asset management and other companies Opened K5 facility to liven up district
2. Enhance building leasing business	<ul style="list-style-type: none"> External growth leveraging sourcing capabilities (acquisitions: Approx. ¥70.0 billion) Internal growth through proactive lease price increases
3. Expand and diversify Real Estate Solutions Business	<ul style="list-style-type: none"> Expand asset management fees as the sponsor of Heiwa Real Estate REIT, Inc. Commercialize eighth HF Residence series project
4. Strengthen business strategy execution structure, provide stable shareholder returns	<ul style="list-style-type: none"> Substantially increase ROE (FY2013: 3.4% → FY2019: 6.5%) Substantially increase total shareholder return through proactive shareholder returns (FY2013: ¥870 million → FY2019: ¥4.07 billion) Shorten director term of office, expand scope of limited liability agreements, revise basic policy on director and officer compensation, and introduce stock compensation plan

Key Management Indicators

	FY2014-FY2019 Results				FY2020 Results	FY2021 Results	FY2022 Forecasts	FY2023 KPIs
	FY2014	FY2016	FY2017	FY2019				
Profit targets	EPS	¥62.53	¥113.17	¥132.57	¥189.76	¥236.74	¥244.67	At least ¥200 (FY2023)
	Consolidated operating income	¥8.54 billion	¥9.67 billion	¥9.43 billion	¥11.22 billion	¥12.61 billion	¥10.0 billion	At least ¥12.0 billion (FY2023)
Capital efficiency	ROE	2.8%	4.7%	5.2%	6.3%	7.3%	At least 7%	At least 6% (FY2020-FY2023)
Shareholder returns	Consolidated total return ratio	35.2%	23.0%	27.9%	68.5%	68.8%	69.3%	About 70% (FY2020-FY2023)
	Consolidated dividend payout ratio	35.2%	23.0%	27.9%	40.6%	40.1%	40.9%	About 50% (by FY2023)

Investment Plan

	FY2014-FY2019 Results	FY2020-FY2023 Plan	Results up to FY2021
Redevelopment investments	Approximately ¥15.0 billion	Redevelopment Business	Approx. ¥15.5 billion
		Building Business	Approx. ¥29.2 billion
		Asset Management Business	Approx. ¥29.7 billion

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

Tackling the challenge of, and making progress in, the aim to be a Company that contributes to revitalizing districts
(Tackling the challenge of, and making progress, as a developer)

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

Consolidated operating income :
From ¥10 billion to **¥12 billion over 4 years**

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

Strategy Overview

Business Strategies

1. Redevelopment Business <ul style="list-style-type: none"> Nihonbashi Kabutocho and Kayabacho revitalization Progress in commercializing the Sapporo Redevelopment Project 	2. Building Business <ul style="list-style-type: none"> Pursuing external and internal growth Promoting Sustainable Building Operations Aimed at Enhanced Environmental Performance and Disaster Preparedness Generating earnings from inventory sales
3. Asset Management Business <ul style="list-style-type: none"> Growing asset management earnings 	4. Corporate Activities <ul style="list-style-type: none"> Promotion of capital policy that takes into account capital costs and capital efficiency Strengthening corporate governance Practicing sustainable management

Improving social value

Contributing to the realization of a sustainable society as a Company that contributes to revitalizing districts

A Company that contributes to revitalizing districts

Improving shareholder value

Improving shareholder value as a listed real-estate Company

Redevelopment Business

Developing Sustainable and Diverse Districts

— Business Environment —

- Heightened momentum to revitalize districts in Nihonbashi Kabutocho and Kayabacho
- Contributing to the Global Financial City: Tokyo vision
- Hokkaido Shinkansen Sapporo extension
- Focused on Sapporo bid for the 2030 Winter Olympics

— Competitive Advantages —

- Developing businesses based in Nihonbashi Kabutocho, where the Company was founded
- Relationship with communities
- Established relationships of trust in securities and financial industries
- Owner of centrally located buildings in the heart of Sapporo

— 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.

Relevant SDGs

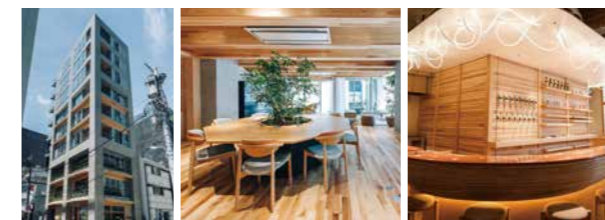


Completion of KITOKI (April 2022)

- The first office building with retail stores for which Heiwa Real Estate adopted a hybrid structure (wood and SRC)
- Selected for the Leading Projects Program for Sustainable Buildings for 2020 (led by wooden structure) by the Ministry of Land, Infrastructure, Transport and Tourism
- Incorporates a biophilic* design facilitating even more comfortable working environments

Note: A spatial design method based on biophilia, the theory that humans have a strong attraction for or emotional attachment to the living world.

Location	8-5 Nihonbashi Kabutocho, Chuo-ku, Tokyo (property location)
Access	One minute walk from Kayabacho Station on the Tokyo Metro Tozai Line
Main uses	Shops and offices
Floors and construction	10 floors above ground, timber hybrid construction
Exclusive-use floor space	791.95m ²



Commercialization of the Kabutocho 12 Project (scheduled to open in 2025)

- The project aims to attract Hyatt's newest lifestyle hotel brand, "Caption by Hyatt," a first for Tokyo
- Selected for the Leading Projects Program for Sustainable Buildings for 2020 (led by wooden structure) by the Ministry of Land, Infrastructure, Transport and Tourism

Hotel name	Caption by Hyatt Kabutocho Tokyo	
Location	12 Nihonbashi Kabutocho, Chuo-ku, Tokyo	
Access	One-minute walk from Kayabacho Station on the Tokyo Metro Tozai Line and Hibiya Line Two-minute walk from Nihonbashi Station on the Tokyo Metro Ginza Line and Toei Asakusa Line	
Exclusive-use floor space	Approximately 10,000 m ²	
Floors and construction	12 floors above ground, one floor below, one-story penthouse; wooden hybrid structure	
Guest rooms	200 rooms (plan)	
Opening	2025 (plan)	

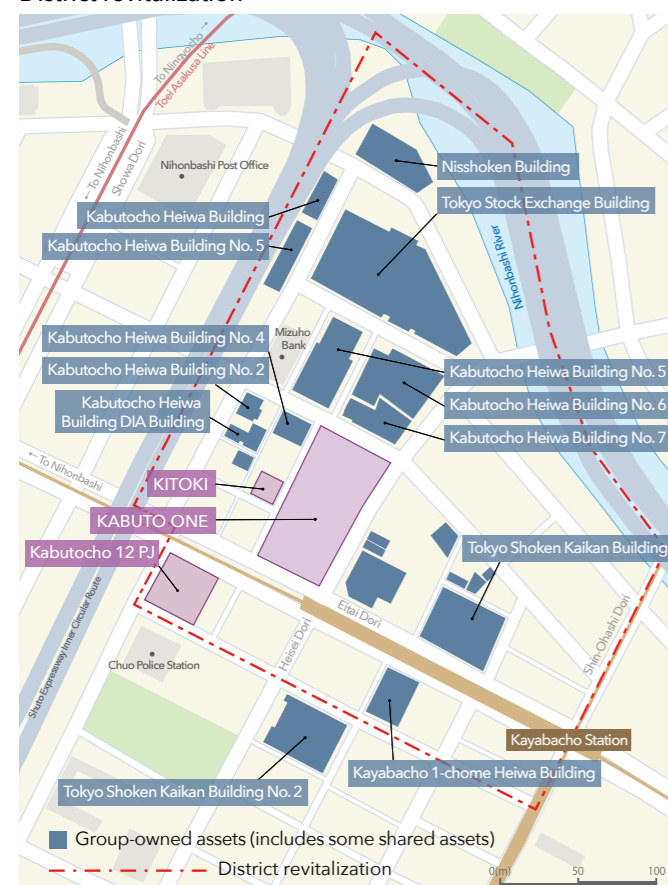
Note: The above information is based on current plans and is subject to change upon further study.



Note: Image for illustrative purposes only.

Revitalization of Nihonbashi Kabutocho and Kayabacho

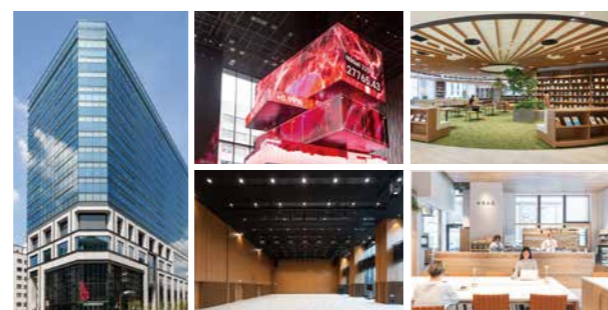
District revitalization



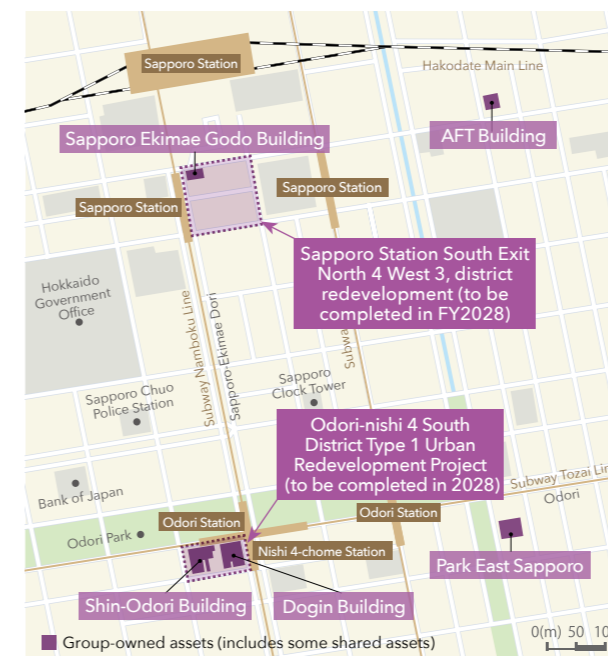
Opening of KABUTO ONE (August 2021)

- "The HEART," one of the largest cube-shaped LED displays in the world, is installed in the first-floor atrium
- Building includes KABUTO ONE HALL & CONFERENCE, a venue for interactions between investors and corporations, and Book Lounge Kable, a library lounge
- Opened KABEAT, a restaurant supporting producers, KNAG, a community café, and HOPPERS, a modern Sri Lanka-style restaurant

Location	7-1 Nihonbashi Kabutocho, Chuo-ku, Tokyo (property location)
Access	Scheduled to connect directly to Kayabacho Station on the Tokyo Metro Tozai Line and Hibiya Line
Main uses	Offices, shops, assembly hall, rental conference rooms, car parking
Floors and construction	15 floors above ground, two floors below, two-story penthouse, steel construction above ground, SRC structure below, (partial steel construction), intermediate layer seismic isolation structure
Exclusive-use floor space	Approximately 39,208 m ² (about 11,860 tsubo)
Operators	HEIWA REAL ESTATE Co., Ltd., Yamatane Corporation, Chibagin Securities Co., Ltd.



Progress in Commercializing the Sapporo Redevelopment Project



Sapporo Station South Exit North 4 West 3, district redevelopment

- Participating in district redevelopment as a land owner and leaseholder

District area	Approx. 1.7 ha
Site area	Approx. 1.1 ha
Exclusive-use floor space	Approx. 210,200 m ²
Height and floors	Approx. 200 m, with 35 floors above ground, six below



Sapporo Station South Exit North 4 West 3, District Redevelopment Project | Odori-nishi 4 South District Type 1 Urban Redevelopment Project

Odori-nishi 4 South District Type 1 Urban Redevelopment Project

Operator	Odori-nishi 4-chome South ,district redevelopment Project Preparation Partnership
Location	4-1 Odori-nishi, Chuo-ku, Sapporo, Hokkaido
Main uses	Offices, hotel, commercial
Site area	5,030 m ²
Exclusive-use floor space	Approx. 99,400 m ²
Floor-area ratio	Approx. 1,650 %
Floors	34 floors above ground, three floors below, one-story penthouse
Maximum height	Approx. 185 m

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



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 —

- Superior portfolio of properties in central districts of major cities across Japan
- Track record and trust as an owner of securities exchange buildings
- Tenant relationships and tenant leasing capabilities
- Increased tenant satisfaction by maintaining and improving building value

— Business Strategies —

1. Pursuing External and Internal Growth

We will generate earnings from the sale of properties during the portfolio renewal process, while expanding 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. Promoting Sustainable Building Operations Aimed at Enhanced 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.

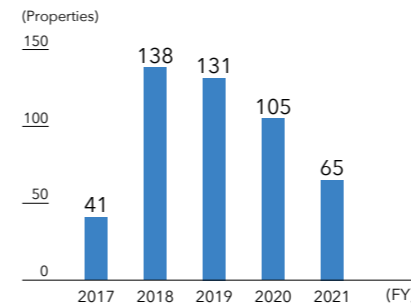
3. Generating Earnings from Inventory Sales

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

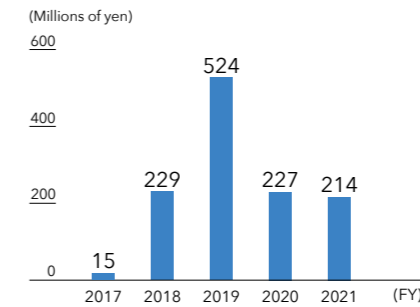
- Raising lease prices based on trends in the office leasing market (plan to raise lease prices approximately ¥700 million between FY2020-FY2023).
- We will raise lease prices while increasing tenant satisfaction by maintaining and improving building value and raising building operation and management service standards.

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



Note: 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) *



Note: Amount after subtracting incremental "decrease" from incremental "increase." The amount in FY2019 includes ¥300 million (annual) from raising the Tokyo Stock Exchange Building lease amount.

Changes in Vacancy Rates for Buildings

	Consolidated vacancy rate	Non-consolidated vacancy rate
FY2018	-	1.9%
FY2019	-	1.2%
FY2020	1.8%	1.8%
FY2021	4.5%	3.0%

Note: Vacancy rates were calculated by excluding sections where rent control is in effect related to redevelopments.

Note: Vacancy rates from FY2020 onward were calculated by including properties for sale.

Promoting Sustainable Building Operations Aimed at Enhanced Environmental Performance and Disaster Preparedness

P. 22

Acquire Earnings from Inventory and Other Sales

- We aim to generate earnings from the sale of profitable assets after maximizing their value, and through further development of the HF Residence series.
- A total of four buildings—Nagoya Sakae Office, Osaka Kitahama Offices 1 & 2, and the Yokohama Office—were transferred from fixed assets (assets for leasing) to real estate for sale at the end of FY2021.

Progress in External Growth

- As an external growth strategy, we plan to invest approx. ¥60 billion (net investment: ¥40 billion) over four years under the medium-term management plan.
- Acquired properties, including the Kabutocho Heiwa Bldg. No. 7 and the Shimbashi Square Building, totaling approximately ¥29.0 billion from the start of the current medium-term management plan to March 2022 (taking into account properties to be completed and acquired during the Medium-term Management Plan, approximately ¥38 billion has already been invested to date).
- Expanding investments in the rental residence business, mainly targeting office buildings in central Tokyo and other major cities.
- Developing a new brand, ORSUS, in the rental residence business.

Note: Floor space owned by the Group as of March 31, 2022.

Acquired assets (April 2020-March 2022)	Kabutocho Heiwa Bldg. No. 7	Shimbashi Square Building	Heiwa Real Estate Nihonbashi Building	ORSUS Asakusa	Kabutocho Heiwa DIA Building	ORSUS Honjo-Azumabashi	Axon Otomon Premium	ORSUS Umejima	Taito-ku Ryusen Plan (ORSUS)	Shinagawa-ku Ebara Plan (ORSUS)
Location	Chuo-ku, Tokyo	Minato-ku, Tokyo	Chuo-ku, Tokyo	Taito-ku, Tokyo	Chuo-ku, Tokyo	Sumida-ku, Tokyo	Fukuoka-shi, Fukuoka	Adachi-ku, Tokyo	Taito-ku, Tokyo	Shinagawa-ku, Tokyo
Major Uses	Banks and offices	Offices and stores	Offices and stores	Condominium units and stores	Stores and offices	Condominium units and stores	Condominium units and stores	Condominium units	Condominium units	Condominium units
Exclusive-use floor space	6,578.54m ²	5,422.10m ²	3,032.09m ²	1,457.28m ²	1,261.75m ²	1,285.94m ²	2,355.36m ²	3,859.93m ²	2,888.84m ²	3,571.82m ²
Completed	October 1979	March 2008	December 1989	February 2021	July 2003	June 2021	January 2018	January 2022	November 2023 (plan)	December 2023 (plan)
Acquired	June 2020	September 2020	December 2020	February 2021	September 2021	September 2021	October 2021	January 2022	-	-



Held Assets

Note: Area is proportionate to the Group's interest in the relevant property as of March 31, 2022

	Kayabacho Office	Nagoya Sakae Office 1	Nagoya Sakae Office 2	Osaka Kitahama Office 1	Osaka Kitahama Office 2	Yokohama Office	Chiba Residence	Ogu Residence	Iwamotocho Office (2 buildings)	HF Kawaguchi-ekimae Residence	HF Higashiogu Residence
Location	Nihonbashi Kayabacho, Chuo-ku	Naka-ku, Nagoya	Naka-ku, Nagoya	Chuo-ku, Osaka	Chuo-ku, Osaka	Naka-ku, Yokohama	Chuo-ku, Chiba	Nishiogu, Arakawa-ku	Iwamotocho, Chiyoda-ku	Sakaecho, Kawaguchi	Higashiogu, Arakawa-ku
Exclusive-use floor space	3,375.83m ²	7,337.43m ²	9,459.56m ²	5,562.57m ²	2,313.23m ²	10,836.30m ²	1,703.23m ²	1,253.16m ²	3,973.84m ²	3,086.11m ² (90)	2,724.83m ² (49)
Completed	September 1991	March 1995	March 2004	February 2015	October 2011	February 1986	December 2018	February 2017	September 1986, August 1992	October 2021	February 2022
Acquired	December 2013	February 2015	Same as above	Same as above	Same as above	Same as above	July 2019	April 2021	July 2021	Same as above	Same as above
Stock balance	Approx. ¥19.8 billion										

Note: Nagoya Sakae Office 1, Iwamotocho Office (2 buildings), HF Kawaguchi-ekimae Residence, and HF Higashiogu Residence were sold to HEIWA REAL ESTATE REIT, Inc. in June 2022.

TOPICS

New Residential Business Brand

ORSUS

We will provide residences meeting new needs centered on the people who live there.

Our rental residences will remain close to those who aspire to new housing, lifestyles and flexible work styles as we aim to create new value in people's lives.

Property name	ORSUS Asakusa	ORSUS Honjo-Azumabashi	ORSUS Umejima	ORSUS Nakano
Location	Asakusa 6-chome, Taito-ku	Higashikomagata 4-chome, Sumida-ku	Umejima 2-chome, Adachi-ku	Arai 1-chome, Nakano-ku
Units	27 units + stores	24 units + stores	89 units	33 units
Structural scale	Reinforced concrete construction, eight floors above ground	Reinforced concrete construction, seven floors above ground	Reinforced concrete construction, six floors above ground	Reinforced concrete construction, 12 floors above ground
Layout	1R, 1LDK	1K, 1LDK, 2LDK	1K, 1LDK, 2LDK	1R, 1K, 1LDK

Asset Management Business

Meeting Ever-Growing Real Estate Investment Demand

— Business Environment —

- Growing real estate investment needs
- Real estate prices remain 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., which manages assets of Heiwa Real Estate REIT, Inc.

— Business Strategies —

1. Growing Asset Management Earnings

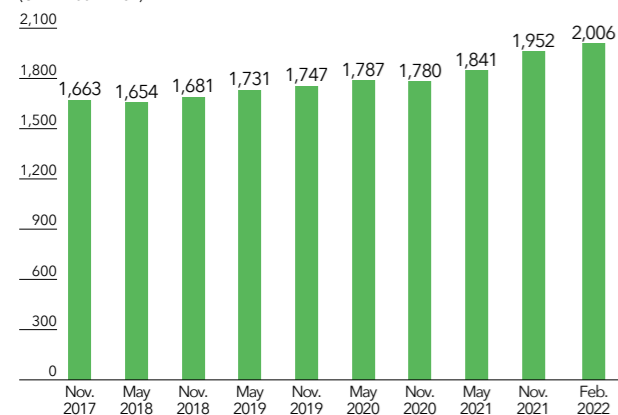
We aim to grow Heiwa Real Estate Group earnings, including asset management fees, by supporting growth of Heiwa Real Estate REIT, Inc.

Growing Asset Management Earnings

- With the growth of Heiwa Real Estate REIT, Inc., Group revenue is increasing steadily.
- HFR acquired properties through public offerings for two consecutive years.

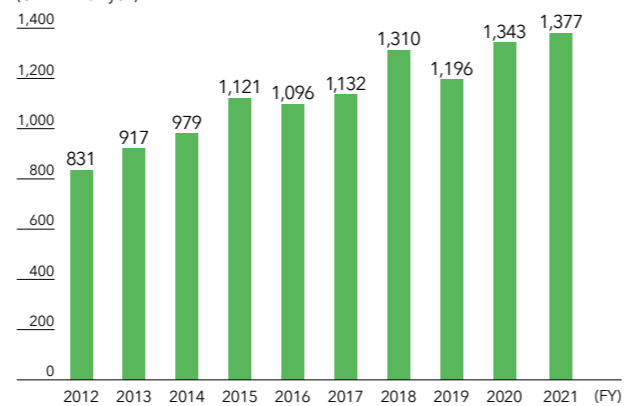
HFR total assets

(Unit: ¥100 million)



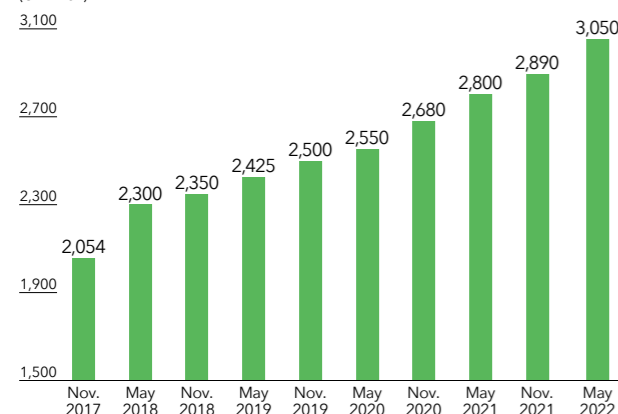
Asset management fee income from HFR

(Unit: Million yen)



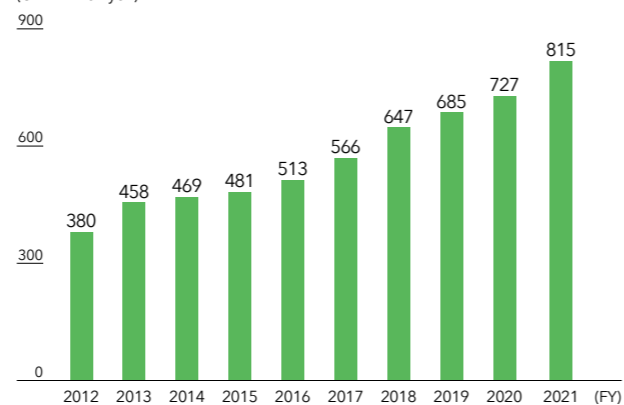
Dividends per unit of HFR holding

(Unit: Yen)



Total dividend income from HFR

(Unit: Million yen)



Financial and Capital Strategies

Message from the Officer in Charge of Financial Affairs

Targeting Sustainable Growth with an Awareness of Capital Costs and Capital Efficiency

Takahisa Aoyama
Director and Managing Officer



FY2021 Performance

Third Consecutive Year of Record-high Earnings

In FY2021, the second year of the medium-term management plan, "Challenge & Progress," operating revenue increased 22.7 billion yen year on year to 57.8 billion yen, mainly due to an increase in the sale of inventories in the Building Business. Operating income and ordinary income expanded on an increase in gains from the sale of properties, the contribution to revenue from properties acquired in the previous year, and the recording of tenant cancellation penalties in the Building Business. Operating income amounted to 12.6 billion yen and ordinary income was 11.5 billion yen, reaching record highs for the third consecutive year. Sales of cross-shareholdings lifted bottom-line profit to 8.7 billion yen, a record-high for the fifth consecutive year.

In the Building Business during the pandemic, some commercial and hotel buildings were affected, but there was no major impact on mainstay office leasing. In the Asset Management Business, inventory sales went according to plan and Heiwa Real Estate REIT, Inc., property sales were solid, enabling us to minimize the impact of the pandemic. There were also no impacts on the Redevelopment Business, which has performed well, demonstrating the resilience of our business portfolio.

Shareholder Returns

Raising the Dividend per Share for the Fifth Consecutive Year

As part of our shareholder returns policy, we set a KPI for the consolidated total return ratio of approximately 70% for the four years from FY2020-FY2023, corresponding to the timeline of the current medium-term management plan. Further, we are targeting a consolidated payout ratio of approximately 50% by FY2023, the highest level of shareholder returns in the developer industry. Regarding dividends per share in FY2021, the annual dividend was raised for the fifth consecutive year to 95 yen per share, a payout ratio of 40.1%. In light of the repurchase of Company shares amounting to approximately 2.5 billion yen, the total return ratio was 68.8%.

Regarding dividends per share in FY2022, we plan to increase the annual dividend for the sixth consecutive year to 100 yen per share, a payout ratio of 40.9%. Having passed a resolution to repurchase up to 2.5 billion yen in Company shares, the total return ratio is expected to be 69.3%. We will make every effort to maintain this high level of shareholder returns.

Medium-term Management Plan Direction

Toward Management Focused on Sustainable Profit Growth and Capital Costs

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 boost leasing earnings by expanding and renewing our portfolio. We believe the driver for earnings going forward will be earnings obtained from property sales utilizing unrealized gains. In other words, growth is expected to be driven by the increase in earnings from leasing and property sales in the Building Business. In the Asset Management Business, we will continue to support the growth of Heiwa Real Estate REIT, Inc., in pursuit of the stable expansion of asset management earnings. Through these efforts, we are targeting consolidated operating income of at least 12.0 billion yen in the final fiscal year.

Future Investment Plans and Progress

Acquiring Earnings from Property Sales through Portfolio Renewal

Over the next four years, we plan to invest approximately 32.0 billion yen in the Redevelopment Business and about 60.0 billion yen into external growth (property acquisitions) with the aim of expanding assets (portfolio) through property acquisitions and development. At the same time, we plan to recover approximately 20 billion yen by renewing our conventional portfolio of long-term holdings, and approximately 34 billion yen through inventory sales. From the third year of the medium-term management plan, we will fully utilize unrealized gains

Investment Plan

	FY2014-2019 performance		FY2020-2023 plan	Results up to FY2022
Redevelopment investment	Approx. ¥15.0 billion	Redevelopment Business	Approx. ¥32.0 billion (breakdown) Nihonbashi Kabutocho and Kayabacho: Approx. 22.0 billion Sapporo: Approx. 10.0 billion	¥15.5 billion
			Building Business	Acquisitions: Approx. 60.0 billion
		Asset Management Business	Returns from reshuffling: Approx. 20.0 billion	¥29.7 billion
			Returns from existing inventory sales: Approx. ¥34.0 billion	

on leasing business assets to capture gains on property sales through portfolio renewal. During the two-year period starting with the launch of the medium-term management plan up to FY2021, we acquired Kabutocho Heiwa Building No. 7, Shimbashi Square Building and other properties amounting to approximately 29.0 billion yen. When taking into account the properties to be constructed and acquired during the medium-term management plan, we have invested approximately 38 billion yen (as of May 2022), and are making steady progress toward the halfway point.

Going forward, with office buildings in central Tokyo and other major cities as our main targets, we have reaffirmed the stability of rental residences and will expand investments in the rental business with plans to accumulate new lease assets. In the Redevelopment Business, we opened KABUTO ONE in August 2021 and completed construction of KITOKI, a wooden hybrid building, in April 2022, with the aim of revitalizing the Nihonbashi Kabutocho and Kayabacho district. We have also launched the Kabutocho 12 Project, which plans to attract Caption by Hyatt Kabutocho Tokyo and is scheduled to open in 2025. In the Sapporo Redevelopment Project, we are promoting two large scale projects that will begin in earnest in the next medium-term management plan: the Odori -nishi 4-chome South, district redevelopment and the Sapporo Station South Exit North 4 West 3, district.

Important Management Indicators and Risk Factors

Promoting Capital Policies Focused on Capital Costs and Efficiency, Responding to Changes in the Business Environment

Under the current medium-term management plan, in addition to profit growth, we are placing greater importance capital costs and capital efficiency. We set EPS as a KPI (targeting EPS of 200 yen or more in the final year), and with an awareness of capital costs in the 5% range, we are targeting ROE (6% or more) and a consolidated total return ratio (about 70%) that exceed



capital costs *1. Regarding shareholder returns, we set targets at levels that will generate returns after funds necessary for businesses have been set aside as internal reserves, promoting a capital policy focused on capital costs and efficiency through share buybacks combined with the distribution of dividends.

In terms of financial discipline, Heiwa Real Estate's net debt-to-equity (D/E) ratio has been kept to 1.5 times or less, leading to improved financial soundness and the accumulation of unrealized gains. Accordingly, our policy is to control the net D/E ratio at 1.8 times or less during the current medium-term management plan. With respect to risk factors, we are cognizant of the need to carefully monitor how the office market (vacancy rates and lease prices) is impacted by trends in corporate business performance, the widespread adoption of remote work and other factors, including a protracted pandemic. Further, vacancy rates*2 were 4.5%, on an upward trend as of end-March 2022. However, as we now include buildings owned by Group companies and real estate for sale in our calculation of consolidated vacancy rates, this mainly reflects the impact of large tenants relocating to KABUTO ONE from buildings owned by Group companies. In addition to the creation of attractive districts and enhancements to the value of individual properties, we will continue agilely responding

to environmental changes by carefully selecting property acquisition targets, flexibly renewing our portfolio, and expanding the rental residence business.

1. Of which, we are targeting a consolidated payout ratio around 50% by FY2023.
2. National average (excluding sections subject to lease suspension related to redevelopment, etc.)

FY2022 Business Performance Forecast

Progressing Steadily Toward the Achievement of Medium-term Management Plan Targets

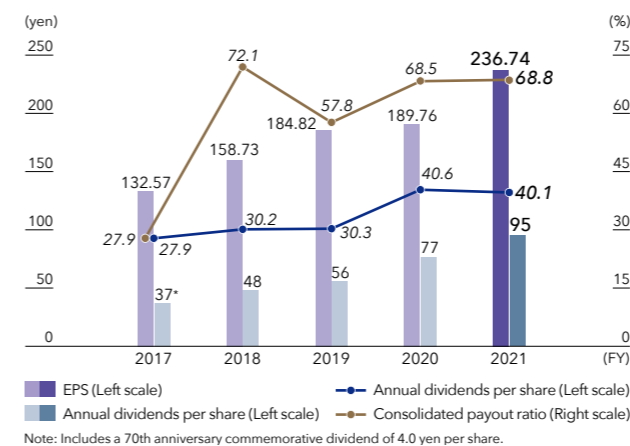
In FY2022, we expect net sales of 41.8 billion yen due to lower inventory sales in the Building Business and other factors. We also expect lower operating income and ordinary income due to a reactionary decline after the FY2021 recording of tenant cancellation penalties in the Building Business, and lower earnings following the departure of large tenants, among other factors. Accordingly, we forecast operating income of 10.0 billion yen and ordinary income of 8.8 billion yen. At the same time, we expect net income attributable to the parent of 8.8 billion yen, about the same level as FY2021, thanks to significant progress in reducing cross-shareholdings and the recording of gains on sales of investment securities.

In FY2022, we project operating income of 10.0 billion yen, and are targeting 12.0 billion yen in FY2023, the final year of our medium-term management plan. In addition to monetizing vacant sections, we will acquire leasing business assets, and earnings from property sales transferred to real estate for sale in FY2021, while steadily promoting other efforts toward the achievement of our targets.

To Our Stakeholder

Rather than merely pursuing the expansion of scale, Heiwa Real Estate's policy is to be more focused on capital costs and capital efficiency while observing fiscal discipline. We intend to promote businesses that can realize the provision of value to our stakeholders in various ways, including proactively generating shareholder returns and translating them into sustainable growth. We look forward to your continued support from a long-term perspective.

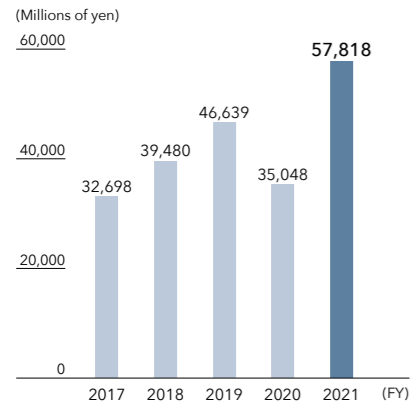
EPS, Annual Dividends per Share, Consolidated Payout Ratio and Consolidated Total Return Ratio



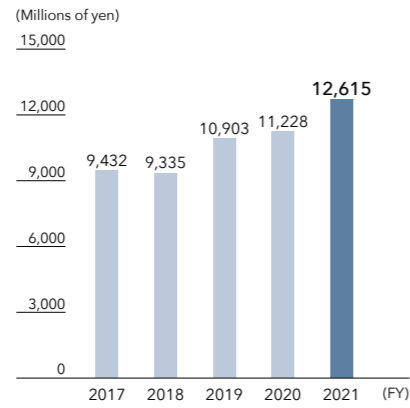
Financial and Non-financial Highlights

Financial Highlights (Consolidated)

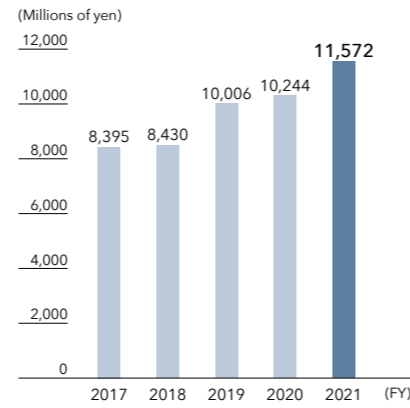
Operating Revenue



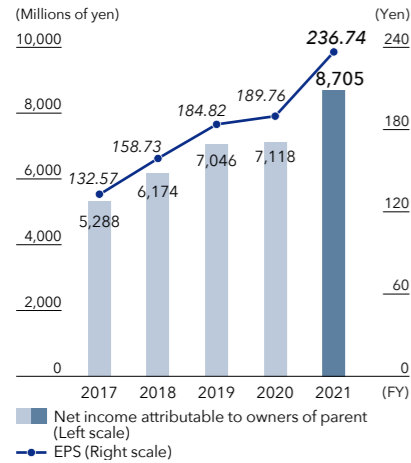
Operating income



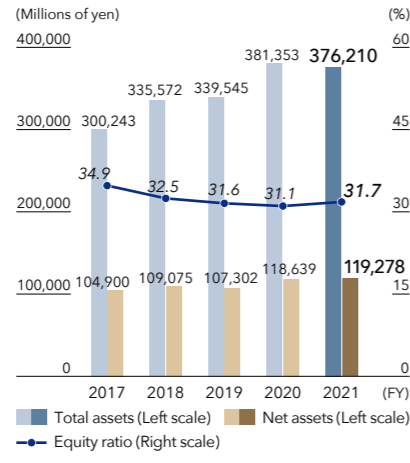
Ordinary income



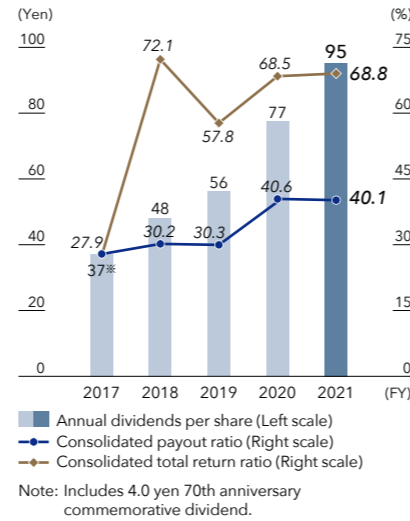
Net Income Attributable to Owners of Parent and EPS



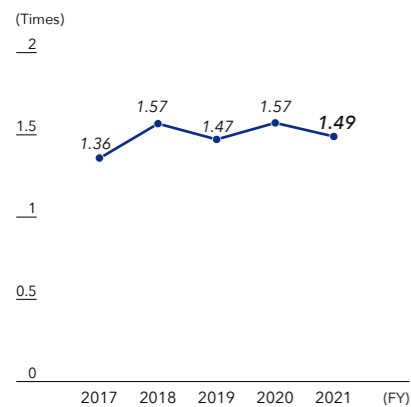
Total Assets, Net Assets and Equity Ratio



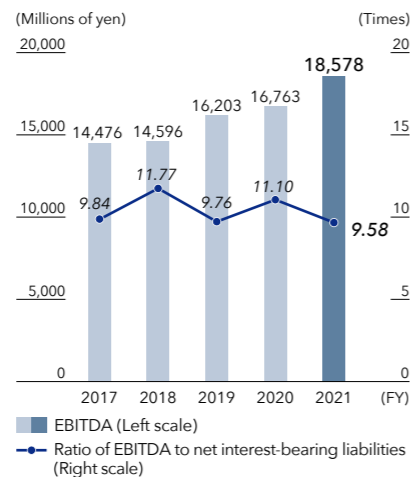
Annual Dividends per Share, Consolidated Payout Ratio and Consolidated Total Return Ratio



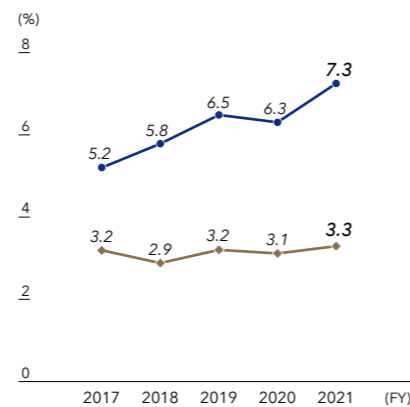
Net D/E Ratio



EBITDA and Ratio of EBITDA to Net Interest-Bearing Liabilities

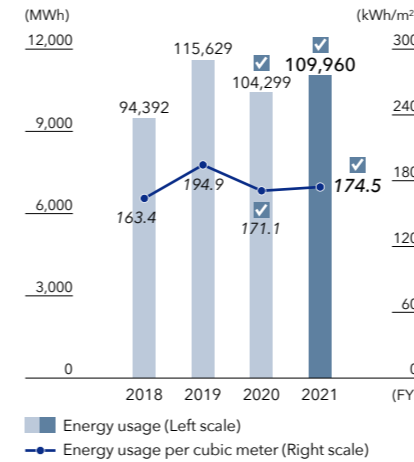


ROE and ROA

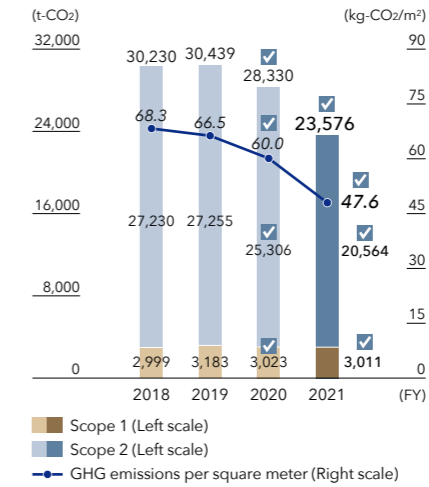


Non-financial Highlights

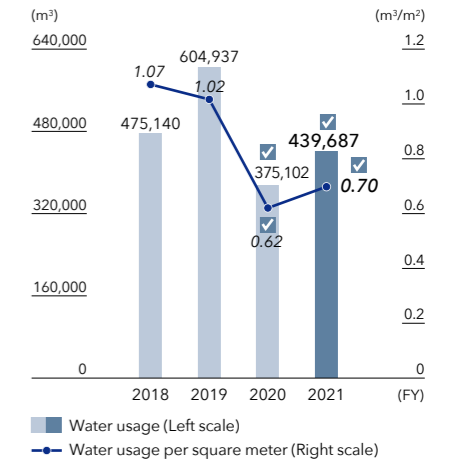
Energy Usage and Energy Usage per Cubic Meter*1



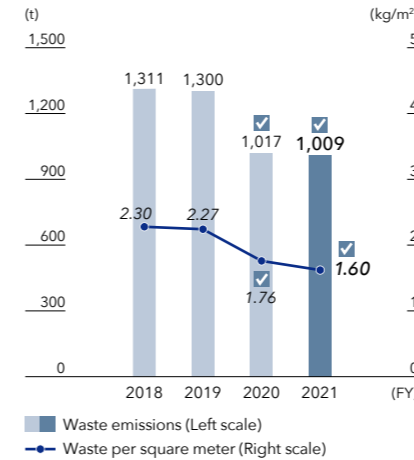
GHG Emissions and GHG Emissions per Square Meter*1



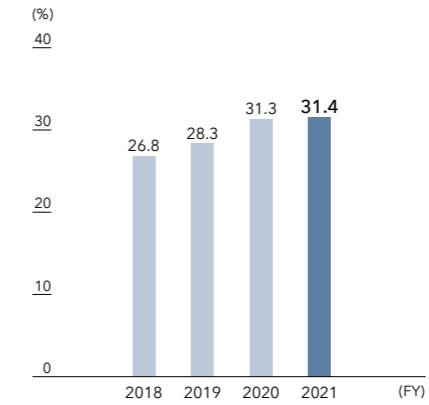
Water Usage and Water Usage per Square Meter*1*2



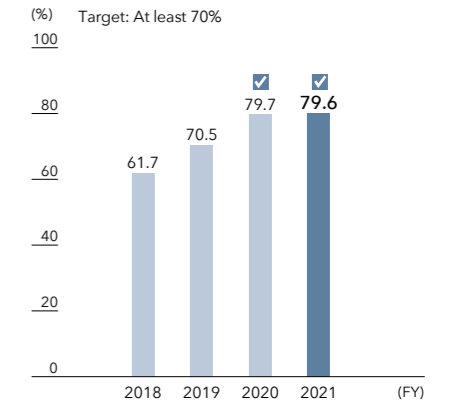
Waste Emissions and Waste per Square Meter*1*2*3



Rate of Female Employees*4

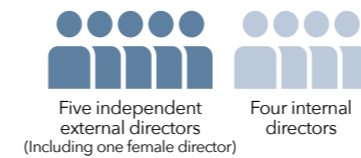


Paid Holiday Usage Rate*4



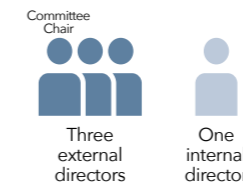
Board of Directors

Majority of external directors



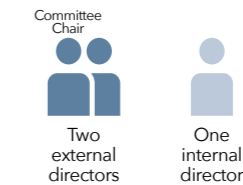
Nomination Committee

Chaired by an external director, with external directors comprising a majority of the committee



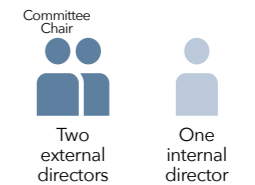
Compensation Committee

Chaired by an external director, with external directors comprising a majority of the committee



Audit Committee

Chaired by an external director, with external directors comprising a 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.
 2. Actual per-square-meter figures are calculated by dividing annual emissions/usage by the total floor area of the relevant property, regardless of the period of ownership.
 3. Recycled waste is excluded from the actual figures for waste and waste emissions per square meter.
 4. Heiwa Real Estate on a non-consolidated basis is within the scope of calculation.
 5. Data marked with ✓ are guaranteed by a third party.

Consolidated Financial Data

	Unit	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
For the fiscal year:												
Operating revenue	Millions of yen	35,205	32,992	43,284	34,347	37,010	41,747	32,698	39,480	46,639	35,048	57,818
Operating income	Millions of yen	7,074	7,355	8,055	8,548	8,267	9,673	9,432	9,335	10,903	11,228	12,615
Ordinary income	Millions of yen	3,910	4,634	5,644	6,568	6,708	8,431	8,395	8,430	10,006	10,244	11,572
Net income attributable to owners of parent	Millions of yen	2,055	2,455	2,901	2,495	4,408	4,514	5,288	6,174	7,046	7,118	8,705
Depreciation	Millions of yen	5,194	5,243	5,326	4,989	5,028	4,878	4,661	4,766	4,814	5,077	5,418
Capital expenditures	Millions of yen	17,016	12,587	9,001	15,326	15,461	15,838	16,642	21,824	12,633	30,872	21,646
Cash flows from operating activities	Millions of yen	11,945	13,271	13,824	12,557	9,954	20,980	13,482	(12,780)	28,680	8,292	34,189
Cash flows from investing activities	Millions of yen	(17,286)	(11,199)	(6,388)	(15,160)	(2,600)	(13,017)	(17,265)	(12,946)	(11,427)	(30,200)	(20,705)
Cash flows from financing activities	Millions of yen	9,834	(11,083)	(18,026)	(8,923)	(3,218)	(4,222)	(2,499)	24,652	(1,829)	24,327	(15,490)
Balance of cash and cash equivalents at end of period	Millions of yen	42,504	33,493	22,903	11,242	15,377	19,117	12,784	11,710	27,166	29,585	28,111
At fiscal year-end:												
Net assets	Millions of yen	75,497	84,002	85,990	92,298	94,827	97,524	104,900	109,075	107,302	118,639	119,278
Total assets* ¹	Millions of yen	308,964	313,096	296,834	297,736	294,021	293,025	300,243	335,572	339,545	381,353	376,210
Interest-bearing liabilities	Millions of yen	197,083	186,902	170,335	162,490	160,232	157,051	155,786	184,672	186,977	215,727	206,236
Equity ratio* ¹	%	24.3	26.7	29.0	31.0	32.3	33.3	34.9	32.5	31.6	31.1	31.7
Performance indicators:												
Dividends per share* ² * ³	Yen	4	22	22	22	26	26	37	48	56	77	95
Earnings per share (EPS)* ² * ⁴	Yen	10.30	61.51	72.72	62.53	110.50	113.17	132.57	158.73	184.82	189.76	236.74
Book value per share (BPS)* ² * ⁴	Yen	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	3,269.74
Price-earnings ratio (PER)	Times	21.84	29.88	22.66	27.00	12.67	13.91	15.46	13.43	15.14	18.21	16.71
Price-book ratio (PBR)	Times	0.59	0.88	0.76	0.73	0.59	0.64	0.78	0.76	0.99	1.08	1.21
Consolidated Payout ratio	%	38.8	35.8	30.3	35.2	23.5	23.0	27.9	30.2	30.3	40.6	40.1
Consolidated total return ratio	%	38.8	35.8	30.3	35.2	23.5	23.0	27.9	72.1	57.8	68.5	68.8
EBITDA* ⁵	Millions of yen	12,432	12,905	13,648	13,883	13,641	14,920	14,476	14,596	16,203	16,763	18,578
D/E ratio* ⁵	Times	2.61	2.22	1.98	1.76	1.69	1.61	1.49	1.69	1.74	1.82	1.73
Net D/E ratio* ⁵	Times	2.04	1.82	1.71	1.64	1.53	1.41	1.36	1.57	1.47	1.57	1.49
Ratio of EBITDA to net interest-bearing liabilities	Times	12.42	11.84	10.79	10.89	10.61	9.24	9.84	11.77	9.76	11.10	9.58
Return on assets (ROA)* ¹ * ⁵	%	2.3	2.4	2.6	2.9	2.8	3.3	3.2	2.9	3.2	3.1	3.3
Return on equity (ROE)* ⁵	%	2.8	3.1	3.4	2.8	4.7	4.7	5.2	5.8	6.5	6.3	7.3
Number of shares outstanding	Shares	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	38,859,996
Number of employees* ⁶	Persons	271	293	285	281	281	224	233	236	237	240	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). Further, 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 introduced an employee stock benefit trust in FY2021. 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 as the Heiwa Real Estate Group sold its entire stake in this company.

Consolidated Non-Financial Data

	Materiality	Initiatives	Items	KPI*8	Performance (FY)				SDGs	Social Value
					2018	2019	2020	2021		
Environment	Climate Change Countermeasures	<ul style="list-style-type: none"> Reduction of GHG emissions, water use and industrial waste generation Environmentally friendly building development and management of buildings Use of renewable energy 	GHG emissions* Scope 1+2: 50% reduction by 2030*1 (Total volume target compared to FY2018 level)	★	30,230 t-CO ₂	30,439 t-CO ₂	28,330 t-CO ₂ ✓	23,576 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.
			GHG emissions (Scope 1)*1		2,999 t-CO ₂	3,183 t-CO ₂	3,023 t-CO ₂ ✓	3,011 t-CO ₂ ✓		
			GHG emissions (Scope 2)*1		27,230 t-CO ₂	27,255 t-CO ₂	25,306 t-CO ₂ ✓	20,564 t-CO ₂ ✓		
			GHG emissions (Scope 3)*1		211,354 t-CO ₂	159,740 t-CO ₂	75,652 t-CO ₂ ✓	106,761 t-CO ₂ ✓		
			GHG (CO ₂) emissions (per unit)* Scope 1 + 2: 1% or greater reduction each fiscal year (target per unit compared to previous fiscal year)	●	68.3kg-CO ₂ /m ²	66.5kg-CO ₂ /m ²	60.0kg-CO ₂ /m ² ✓	47.6kg-CO ₂ /m ² ✓		
			Water consumption (production volume intensity): 20% reduction by FY2030*1*2 (target water usage per square meter compared to FY2018)	★	1.07 m ³ /m ²	1.02 m ³ /m ²	0.62 m ³ /m ² ✓	0.70 m ³ /m ² ✓		
			Water usage*1		475,140 m ³	604,937 m ³	375,102 m ³ ✓	439,687 m ³ ✓		
			Waste emissions (production volume intensity): 20% reduction by FY2030*1*2*3 (target waste per square meter compared to FY2018)	★	2.30 kg/m ²	2.27 kg/m ²	1.76 kg/m ² ✓	1.60 kg/m ² ✓		
			Total waste emissions*1		3,089 t	2,956 t	2,428 t ✓	2,183 t ✓		
			Waste emissions (excluding recycled waste)*1		1,311 t	1,300 t	1,017 t ✓	1,010 t ✓		
			Recycled waste emissions*1		1,778 t	1,655 t	1,410 t ✓	1,173 t ✓		
Recycling rate*1: 70% by FY2030	●	58%	56%	58%	53.7%					
Society	Industrial Development/Regional Development Responding to Social Needs	<ul style="list-style-type: none"> Contributing to industrial and regional developments Increasingly diverse human resources Promoting occupational health management Work-life balance Improving office environments More efficient operations 	Female new hires: At least 30%**4	★	33.3%	50%	100% ✓	33.3%	    	Create Lively Areas through Diversity and 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.
			Paid holiday usage rate: At least 70%	★	61.7%	70.5%	79.7% ✓	79.6% ✓		
			Cancer screenings (every two years): 100% of employees aged 35 or older**4	★	-	-	100% ✓	100% ✓		
			Annual health checks: 100% every year**4	★	100%	100%	100% ✓	100% ✓		
			Status of work engagement**4*5: 90% by FY2023	●	-	-	82.5%	79.3%		
			Number of work-related deaths: Zero by FY2023**4*6	●	-	-	0	0		
			Female managers: At least 10% by FY2025	●	-	4.7%	5.0% ✓	5.3% ✓		
	Skills development training for employees*4	Total hours of training (hours/year)		-	-	1,186	1,124			
		Hours of training per employee (hours/year)		-	-	11.6	12.4			
		Total training expenses (yen/year)		-	-	3,274,342	8,473,780			
		Training expenses per employee (yen/year)		-	-	32,101	93,118			
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 	Buildings compliant with new earthquake resistance standards: 100%**1 (excluding buildings earmarked for redevelopment)	★	100%	100%	100%	100%		Create Disaster-Resistant, Resilient Areas We are dedicated to creating buildings and facilities with a high level of disaster preparedness ensuring that the city continues to function safely through the daily community activities of the people who live and work there.	
		People with first aid training course qualifications: All of our officers and employees**4	★	-	-	100%	100%			
Governance	Strengthening Corporate Governance	<ul style="list-style-type: none"> Director and officer compensation system facilitating co-ownership of shareholder value Reducing cross-shareholdings Improving compliance Governance promoting sustainable initiatives 	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 peoples	4/9 people	4/9 people	4/9 people		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 proactively tackle environmental and social issues.
			Number of female directors: At least one	★	0 people	0 people	1 people	1 people		
			Composition of Nomination and Compensation Committees: Majority external directors	★	Nomination: 3/4 peoples Compensation: 2/3 people	Nomination: 3/4 people Compensation: 2/3 people	Nomination: 3/4 people Compensation: 2/3 people	Nomination: 3/4 people Compensation: 2/3 people		
			Compliance training: At least five times annually	★	Two times	Two times	Five times	Five 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.
 2. Actual per-square-meter figures are calculated by dividing annual emissions/usage by the total floor area of the relevant property, regardless of the period of ownership.
 3. Recycled waste is excluded from the actual figures for waste per square meter.
 4. Heiwa Real Estate on a non-consolidated basis is within the scope of calculation.

5. Percentage of employees who responded "yes" or "somewhat" to "My work is rewarding" in a stress check.
 6. Numerical targets for each fiscal year.
 7. Data marked with ✓ are guaranteed by a third party.
 8. ★: Medium-term management plan KPIs ●: Other KPIs.

President and External Director Dialogue

Pursuing Sustainable Growth with a New Institutional Design



Kiyoyuki Tsuchimoto
Representative Executive
Officer, President and CEO

Takahiro Moriguchi
External Director


The Role of External Directors


Moriguchi: In the two years since I became a Heiwa Real Estate external director, the role external directors play in corporate governance has been changing. While I feel there is no one right way to approach this work, there are three roles that I believe are particularly important for external directors. First, it is important to monitor execution from an objective standpoint, but it is more important that even external directors are passionate and feel responsible for the long-term growth of the Company, share problems from the executive side and work together to find solutions. It would be difficult to realize this if we didn't have an open organization, but I think Heiwa Real Estate is very open and always moving in a better direction. Second, as it is very important that management be forward-looking, proactive and think

positively, it is critical that external directors and the Board of Directors foster the forward-looking attitude inherent in management without undermining it and attempt to share issues while making improvements. Third, as the president gathers all information pertaining to the Company, it is important to pay close attention to whether the president is adequately fulfilling their leadership function. I have no concerns about President Tsuchimoto's leadership thus far, and will continue solidly supporting him so that he can fully demonstrate his leadership capabilities.

Tsuchimoto: Thank you very much. Whenever possible, I receive advice from Mr. Moriguchi on the importance of taking the high road in management. For companies to achieve sustainable growth as a going concern, rather than focusing on the next six to 12 months, it is vital that decisions are always made from a long-term perspective by confirming that each measure is on the management high

road. This approach has become my core way of thinking. The business environment in the real estate industry has been relatively favorable over the last 10 years, with various ups and downs. Mr. Moriguchi, an organizational leader with experience as the head of a publicly listed company in the United States, frequently asks many questions, such as "Will this still be viable 10 or 20 years from now?" These comments have led to many realizations, making me sometimes feel as if he is my mentor.

Moriguchi: At meetings and in other situations, I try to be as honest as possible and say what I feel and think without worrying about what others might think. With its birthplace in Nihonbashi Kabutocho and Kayabacho, I feel Heiwa Real Estate has magnificent DNA, but from the perspective of the real estate industry and Japan overall, it is a small company. As in the Japanese proverb "sansho peppers are spicy even though they are small," we have developed into a small but distinctive company, and as we look ahead, we must leverage our individuality and characteristics to pursue sustainable growth, rather than simply a strategy of expansion. The Redevelopment Business interacts with local communities, making it important that we fulfil our social responsibility and contribute to local communities while attempting to realize distinctive growth in our areas of expertise.

Tsuchimoto: In the banking world where Mr. Moriguchi was a manager, the entire industry has undergone a major transformation, as the 13 city banks that existed at that time have now been consolidated around three megabanks. Having experienced these changes, shortly after his appointment as external director, Mr. Moriguchi commented "While I understand you are targeting organic growth by taking advantage of local characteristics, you should also go one step further and consider whether organic growth alone is really the best way forward." Although we are now focused on developing Heiwa Real Estate's strengths to achieve growth, I learned that, rather than starting out focused on a single direction, we must look one step ahead amid changing times and environments, as it is the president's job to consider various options from broad perspectives.

Moriguchi: While it is important to have a medium-term management plan spanning three to five years closely related to revenue and profit planning, it is also important to have a vision for the next 10 to 20 years in the midst of major changes in the business environment. The difficult part is creating this vision. I expect that, under the new institutional design as a company with nomination committee, etc., we will be able to engage in deeper discussions than ever before with regard to vision and purpose, as well as value from stakeholder perspectives.


**Transitioning to a Company with
Nomination Committee, etc.**


Tsuchimoto: Up to now, of course, we have been able to discuss long-term vision and management direction under the existing Company with Board of Statutory Auditors. However, I have a strong desire to create a structure facilitating deeper discussions at Board of Director meetings in which Mr. Moriguchi and other outstanding external directors participate. To this end, for the past year, I have been furthering discussions on changing our institutional design to a company with nomination committee, etc. This was a year in which Mr. Moriguchi made full use of his career up to now, even during these discussions, sharing the merits and risks associated with US-style corporate governance, which he experienced firsthand in the United States.

Moriguchi: As times continue to change, I believe past experience and knowledge are basically of little use, but I am happy if I can be of some help by utilizing the sensitivities I have cultivated over the years. Although the institutional design of a company with nomination committee, etc., is said to be the most advanced form of governance to date, the most important aspect of corporate governance is substance. For Heiwa Real Estate, the most critical question is how to embody this advanced form of governance in a way that leverages the Company's distinctive characteristics. As I mentioned earlier in likening the Company to sansho pepper, the strength of a Company with a market cap in excess of 150.0 billion yen, despite having only about 200 employees, is that the president knows every employee face and understands the work they do, establishing a governance system under the leadership of the president. Having external directors play advisory roles in addition to their monitoring function will lead to the strengthening of governance and management itself.

Tsuchimoto: I think this is a very important point. We want internal and external directors to be deeply involved as one team on the Board of Directors to carefully discuss long-term vision and other major policies while engaged in supervision. Even during discussions regarding changes to our institutional design, the Board of Directors engaged in extremely lively discussions, including repeated revisions to a draft proposal for the scope of authorities delegated to Executive Officers, until a conclusion was finally reached. Going forward, we want to maintain this atmosphere, enhancing both the form and substance of corporate governance.

Moriguchi: I agree. Under the new institutional design, external directors will make up a majority of the Board, but this US-style governance also entails the risk of unnecessarily increasing tensions between the executive side and external directors. As external directors

ultimately comprise a majority, they must be more aware of the need to listen carefully to opinions and ideas from the executive side before making decisions on the pros and cons of a proposal, or else the gap between the two sides may widen. I will be mindful to leverage the merits of this external director majority without it producing any of the adverse effects.

Tsuchimoto: Of all Mr. Moriguchi's comments, the one that made the deepest impression during discussions over the past year was "simply having a majority of external directors does not mean governance will function properly. There is a risk of gaps opening up between the executive side and the Board of Directors, so we need to think carefully and creatively."

Moriguchi: As mentioned earlier, the CEO is the person with the best overall understanding of the Company. In the United States, the appointment of a CEO is the most critical issue facing companies, as well as the most important job of external directors. This is different from Japan, where CEOs are often selected from within the organization. Hence, the critical point is whether we can promote management while maintaining our balance as a Japanese company under a US-style institutional design where external directors comprise a majority of the Board of Directors.

Board of Director Effectiveness

Moriguchi: In considering the effectiveness of the Board of Directors, the pursuit of efficient governance management is also important, as there is no need for Heiwa Real Estate, with only 200 Group employees, to do the same as large corporations. As President Tsuchimoto mentioned earlier, regardless of whether they are internal or external, the Board of Directors is very proactive in voicing opinions. In addition, as discussions are never left unresolved, and progress reports and follow-ups are always provided, I feel management is making steady progress through constructive and lively discussions, and in my estimation, the effectiveness of the Board of Directors is sufficiently ensured.

Tsuchimoto: With the participation of two new external directors this year, I look forward to lively discussions from an even more diverse range of perspectives. Regarding Board of Director diversity, while attention has recently focused on the director skills matrix, I believe the basic qualities directors must possess are big-picture thinking and boldness.

Moriguchi: I agree with you on this point. More than skills and experience, I believe in the importance of each directors' individuality and attitude toward life, as well as their ability to adapt themselves to the given environment. Integrity underscored by ethics and a sense of justice are also critical.

Tsuchimoto: I am delighted to hear Mr. Moriguchi use the word "integrity," as I was just thinking the same thing.

Moriguchi: (laughing) Is that so? Currently at Board meetings, each of us draws on individual expertise and

varying approaches to ask pertinent questions and engage in detailed discussions. If I had to make a suggestion for improvement, I would say that there still seems to be a certain amount of reserve between the executive side and external directors. To avoid meetings where energy is spent only obtaining approval from the Board of Directors without saying what one wants to say, external directors must be more conscious than ever of the need to listen carefully to opinions and ideas from the executive side.

Tsuchimoto: Under the new Board system, we want to realize operational innovations such as enabling executive officers who are not directors to continue attending meetings as in the past so that they understand the content of discussions and have opportunities to voice opinions from the executive side.

Targeting Sustainable Growth

Tsuchimoto: This year, we want to deepen Board of Director discussions on the Company's ideal positioning 10-20 years hence. Regardless of the type of meeting, including, for example, opportunities for free discussions when inspecting the Sapporo Redevelopment Project, I want to hear various opinions from everyone.

Moriguchi: Listening to President Tsuchimoto, I get a sense that the Company has the DNA necessary for realizing these corporate governance enhancements. Perhaps this has been cultivated through long-term relationships with stock exchanges and accumulated throughout the Company's history. In considering sustainable growth, we will draw on this DNA as the strength of our corporate foundation. In developing real estate business, we will become further entrenched in and maintain close ties with core areas, including Nihonbashi

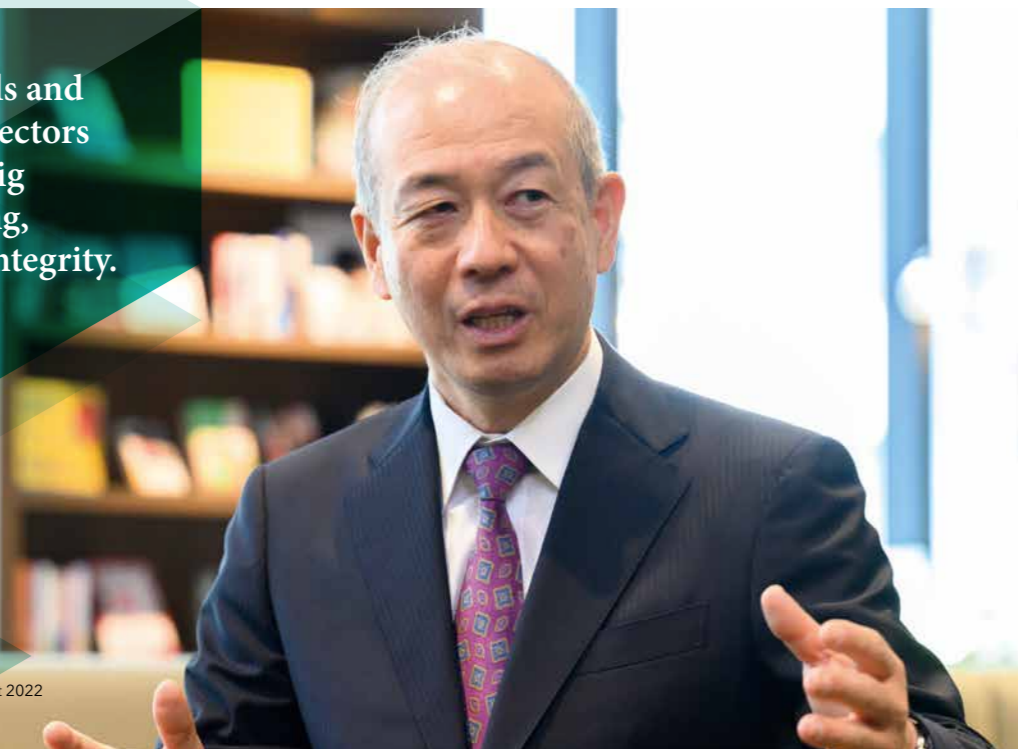
Kabutocho and Kayabacho, Osaka, Nagoya, Fukuoka and Sapporo, in light of the importance of enhancing social contributions and ESG initiatives.

Tsuchimoto: I believe it is very important that we become a real estate company with individuality. Fortunately, the Nihonbashi Kabutocho and Kayabacho district, which is our home ground, has itself become a brand over its long history. Leveraging these characteristics to develop the district and enhance its overall value will, in turn, lead to the enhancement of Heiwa Real Estate corporate value. We want to utilize our successful experiences in Nihonbashi Kabutocho and Kayabacho on subsequent projects in Sapporo, Fukuoka and other areas.

Moriguchi: Now that we have become a monitoring board, it is important for external directors to exercise their advisory function with full respect for what the executive side is promoting to ensure efforts proceed even more smoothly. At the same time, looking abroad, the global business environment has changed dramatically in a short period of time. Globalization, which had been moving toward economic integration, has stalled, and we are now seeing a qualitative change in the way events occurring throughout the world affect the global economy. As a Japanese real estate company, approximately 30% of our shares are held by overseas institutional investors, and in order to meet their expectations, we need to adopt a more global perspective and create scenarios for sustainable growth leveraging the Company's distinctive characteristics.

Tsuchimoto: I agree. Heiwa Real Estate will continue to incorporate the perspectives of Mr. Moriguchi and other external directors into Company management, flexibly responding to changes in the business environment while pursuing sustainable growth.

More than skills and experience, directors must possess big picture thinking, boldness and integrity.



External directors must be more conscious than ever of the need to listen carefully to opinions and ideas from the executive side.



Environment

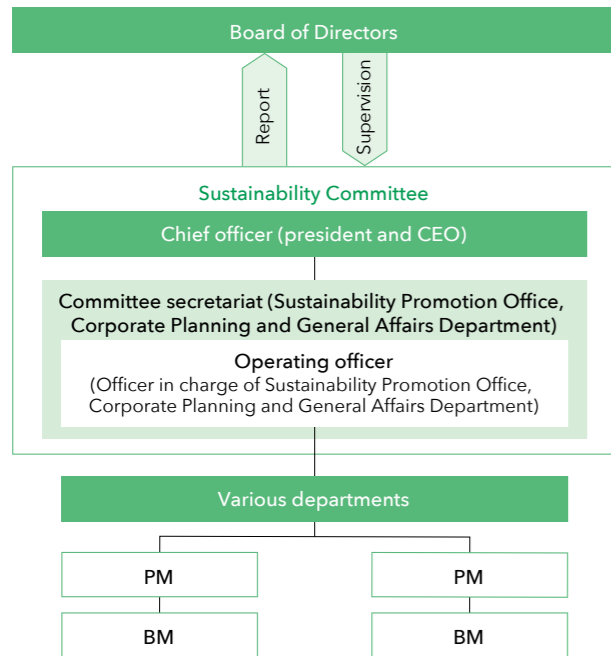
Basic Approach

The Heiwa Real Estate Group considers its initiatives in environmental concerns as fundamental managerial issues and will promote the initiatives throughout its overall corporate activities. Giving full consideration to its responsibility to conserve the natural environment, the Group actively implements environmental initiatives while complying with environment-related laws and regulations.

Promotion System

The Company established a Sustainability Committee, chaired by the president and CEO, comprising executive officers, corporate officers and department heads to facilitate the smooth implementation of 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

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

Sustainable Procurement

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

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

Policy on Environmental Issues within Tenant Businesses

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

Climate Change Initiatives

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

As climate change intensifies, abnormal weather and rising sea levels will have serious consequences for countries around the world. This could also have a significant impact on the Group's business activities, as the value of properties it owns could decrease due to natural disasters, and stricter environmental regulations could affect its operations.

Based on this recognition, we are making an effort to reduce greenhouse gas emissions and energy consumption while promoting the use of renewable energy and other measures.

Support for TCFD Recommendations

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

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



Initiative Targets and Results

The Group set the long-term target of a 50% reduction in GHG emissions by FY2030 (total volume target compared to FY2018 level), and the short-term target of annual reductions of at least 1% (basic unit target compared to previous fiscal year) *1*2. The long-term target acquired SBT certification as consistent with the Paris Agreement under the SBT Initiative.

We are also aiming for a 100% environmental certification acquisition rate at newly developed properties.



Item	Target	Results (FY2021)
GHG emissions reductions*1*2	Long-term target	50% reduction in GHG emissions by FY2030 (total volume target compared to FY2018 level)
	Short-term target	Annual reduction of at least 1% (basic unit target compared to previous fiscal year)
Newly developed property environmental certification acquisition rate*3	100% acquisition	100%

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.
 2. Greenhouse gas (GHG) emissions = Scope 1 + 2
 Scope 1: Direct greenhouse gas emissions directly from sources owned or controlled by business operators.
 Scope 2: Indirect greenhouse gas emissions from the use of electricity, steam and heat.
 Heiwa Real Estate obtained SBT certification (1.5°C level) from the Science Based Target (SBT) Initiative, which encourages the setting of science-based reduction targets to achieve the Paris Agreement, an international framework for reducing greenhouse gas emissions.
 3. Environmental certifications include DBJ Green Building Certification and CASBEE construction; applicable properties include offices and commercial buildings (excluding small properties).

Major Initiatives

Utilizing Renewable Energy

From May 2021, electricity used at 25 Group-owned properties, including the Nisshokan Building, which houses the Company's head office (Chuo-ku, Tokyo), were gradually switched to electricity derived from renewable energy sources. This is expected to result in the use of approximately 15 GWh of renewable energy per year and a reduction in CO₂ emissions equivalent to approximately 7,000 tons per year.

Reducing Environmental Impacts

In recent years, there have been increasing demands for environmental performance in buildings due to the huge amount of energy required for their operation. Heiwa Real Estate also considers environmental impacts when constructing and renovating buildings.

Examples of Various Building Initiatives

Tokyo Stock Exchange Building

- Used electricity and air conditioning controls (introduction of building management system) to conserve energy
- Reduced heat loads by operational controls using total heat exchangers and the control of outside air cooling
- Reduced motor energy consumption with variable air volume controls using inverters
- Controlled waste heat recovery with heat-recovery turbo freezers

Osaka Securities Exchange Building

- Saved energy through electricity and air conditioning controls (introduction of building management system)

CentRise Sakae

- Used exterior blind system and auto-adjusting blinds
- Used double-pane low-emissivity glass

KABUTO ONE

- Used renewable energy (installation of solar panels)
- Used energy-efficient systems (LED lighting and controls, use of high-efficiency devices)
- Mitigated heat island effect (greenery covering 40%)

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.



Sustainable Finance

The Group procured funds through assessment loans and sustainability-linked loans (SLLs) to further strengthen our commitment to sustainable management. We received the highest rating of "S" as an industry-leading ESG management company in the MUFG ESG Evaluation, and concluded an assessment loan agreement with the

Bank of Tokyo-Mitsubishi UFJ, Ltd. Regarding compliance with sustainability-linked loan principles, SLLs from Shinsei Bank were confirmed by the Sustainability Impact Assessment Office, while third-party opinions were obtained from Japan Credit Rating Agency, Ltd., with regard to SLLs from other banks.

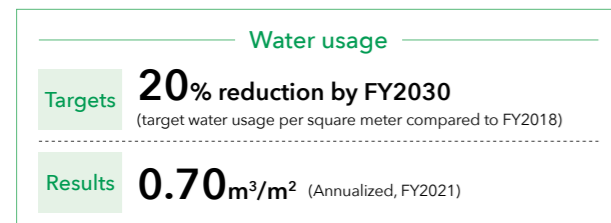
Execution	Lender	Sustainability performance target (SPT)	Total loan amount
February 2022	Resona Bank, Limited	50% reduction in GHG emissions by FY2030 (total volume target compared to FY2018 level) Note: Greenhouse gas (GHG) emissions = Scope 1 + 2.	¥13.6 billion (as of September 2022)
	Aozora Bank, Ltd.		
	Sumitomo Mitsui Trust Bank, Limited.		
	Shinsei Bank, Limited		
March 2023	The Norinchukin Bank		
May 2022	Hokkaido Bank		
	Nippon Life Insurance Company		
June 2022	The Chiba Bank, Ltd.		
September 2022	Sumitomo Mitsui Banking Corporation and others		

Water Resource Initiatives

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

Initiative Targets and Results

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



We are also working to reduce the amount of water used at existing properties by gradually promoting renovation work facilitating the conversion to water-saving equipment.

Examples of Various Building Initiatives

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

Business Partner Initiatives

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

Specific Initiatives

Building Operation Initiatives

The Group conducts various initiatives aimed at the effective use of water resources, including the installation of rainwater storage tanks in newly developed buildings for everyday usage and the effective use of well water.

Pollution Initiatives

We recognize the need to reduce and control the emission of environmental pollutants across the Group's real estate portfolio and make an effort to reduce the use and emissions of harmful chemical and ozone-depleting substances in an effort to prevent pollution.

Specific Initiatives

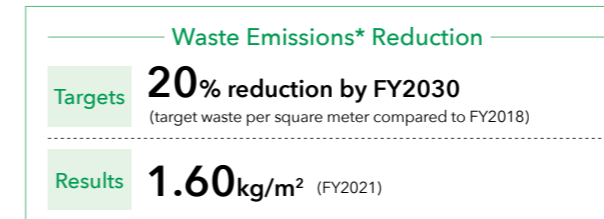
- Asbestos countermeasures**
We conduct property surveys to determine whether building materials containing asbestos have been used, based upon which we make regular reports regarding removal efforts and response policies.
- Appropriate Handling of PCBs**
We conduct periodic surveys on the presence or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

Waste and Resource Usage Initiatives

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

Initiative Targets and Results

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



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

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 on which the Company adopted this type of hybrid structure. 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. We have already acquired a certificate for carbon dioxide fixation promoting the use of wood produced in Akita Prefecture.



Specific Initiatives

Nihonbashi Kabutocho and Kayabacho Revitalization Project Initiatives

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 (wooden construction and SRC) structure in Nihonbashi Kabutocho, Chuo-ku, Tokyo. The project has been adopted by 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 utilizes a hybrid structure

Cooperation with Business Partner

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

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 FY2021.

Item	Unit	FY2019	FY2020	FY2021
Violations of environmental laws and regulations	Cases	0	0	0
Environmental accidents	Cases	0	0	0
Environment-related fines	Cases	0	0	0

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. In recognition of these efforts, we have received high ratings from the DBJ Green Building Certification program and CASBEE.

DBJ Green Building Certification	DBJ Green Building 2021 OOOO	DBJ Green Building 2021 OOOO	DBJ Green Building 2021 OOOO				DBJ Green Building 2021 OOO
CASBEE				CASBEE-Nagoya Rank S	CASBEE-Osaka Rank A	CASBEE Rank A * self-assessment	
DBJ Green Building Certification		DBJ Green Building 2022 OOO					
CASBEE	CASBEE-Osaka Rank A		CASBEE-Real Estate Rank S	CASBEE-Real Estate Rank S	CASBEE-Real Estate Rank A	CASBEE-Real Estate Rank S	

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

GRESB Real Estate Assessment

Heiwa Real Estate Co., Ltd., announced today that it has received ratings from the Global Real Estate Sustainability Benchmark (GRESB). Based on scores for GRESB's Standing Investments Benchmark (related to currently operating properties) and Development Benchmark (related to new development and major renovation projects), Heiwa Real Estate received a 4 Star and 3 Star rating, respectively, following 3 Star ratings for both benchmarks last year. These benchmarks are generated by the GRESB Real Estate Assessment, which offers data on environmental, social, and governance (ESG) initiatives in the real estate sector. For the second consecutive year, Heiwa Real Estate received a Green Star designation, which is awarded to companies that have scored highly in both the Management and Performance components of the assessment.

Established in 2009 by a group of large pension funds in Europe that initiated principles for responsible

investment, GRESB is an organization that measures the ESG performance of property companies and funds to generate its GRESB benchmarks each year. GRESB currently has 170 investor members, which use its data when selecting companies to invest in and when holding dialogues with invested companies. Many of these members, including Japan's Government Pension Investment Fund, make use of GRESB assessment results. In 2022, 1,820 property companies, REITs, funds and developers from around 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.



Society

Human Resource Management

Recognizing the importance of diverse perspectives and values in achieving new growth, Heiwa Real Estate strives to ensure diversity in human resources, provides equal opportunities for skills development, career advancement and meaningful work to develop autonomous human resources with a desire to grow.

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

Human Resource Development Structure

Heiwa Real Estate has a job rotation system enabling employees to gain experience in a number of departments during their first 10 years at the Company, while also using on-the-job training (OJT) and other methods to instill real estate knowledge, motivate employees to contribute to the organization and assess their own aptitude.

We have established programs tailored to employee career plans, from training for new hires to management training, while also providing a system enabling employees to take courses at university city campuses aimed at cultivating next-generation human resources with skills in areas such as planning, proposals, negotiations and leadership. Further, we recommend

that employees acquire multiple real estate-related qualifications before being promoted to managerial positions. The Company bears costs associated with acquiring these qualifications. Additionally, by encouraging the acquisition of other self-development qualifications, we support employee personal growth and the development of specializations.

Rank	Rank-specific training		Qualification acquisition support	Self-development support
Managers	Management training	University city campus course system	Real estate transaction agent First-class architect Urban renewal planner	Incentive system to acquire qualifications as part of self-development
	Manager training			
Mid-career employees	Pre-manager training	OJT	ARES-certified master Certified building administrator Real estate appraiser	Support for self-development (conversational English)
	Leader training			
Early-career employees	Mid-career employee training	Fundamental real estate training Computer skills	Real estate consulting master Other	e-Learning
	Early-career employee training			
New employees	New employee training	Financial accounting		External seminars

Note: Employees are generally expected to acquire two or more qualifications before promotion to managerial positions.

Major Initiatives

Training Programs

We have established programs tailored to employee career plans, from training for new hires to management training, while also providing a system enabling employees to take courses at university city campuses aimed at cultivating next-generation human resources with skills in areas such as planning, proposals, negotiations and leadership.

System Supporting the Acquisition of Qualifications

We recommend that employees acquire multiple real estate-related qualifications as real estate transaction agents, first-class architects or real estate appraisers before being promoted to managerial positions. Heiwa Real Estate bears costs associated with the acquisition of these qualifications. Through these efforts, we aim to cultivate a pool of official qualification holders necessary for business operations with advanced specialized capabilities.

Support for Self-Development

Employees are able to participate in e-learning programs and business seminars pertaining to qualifications exams, language learning and business skills.

By incentivizing the acquisition of qualifications, we encourage employees to earn qualifications as a means of self-development and support their personal 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 through the improvement of language skills and acquisition of communication skills, while providing experience in overseas cross-cultural environments and the creation of personal networks at the companies where employees are dispatched.

Basic Lifesaving Training

Since FY2020, Heiwa Real Estate has provided all employees with basic lifesaving training, including the use of AEDs.

	Numerical targets	Target year	FY2019	FY2020	FY2021
Basic Lifesaving Training	100%	Annually until FY2030	-	100%	100%

Employee Skills Development Training

Time spent and expenses incurred with regard to employee skills development training in FY2021 were as follows.

Item	FY2021
Total hours of training (hours/year)	1,124
Hours of training per employee (hours/year)	12.4
Total training expenses (yen/year)	8,473,780
Training expenses per employee (yen/year)	93,118

Health and Safety

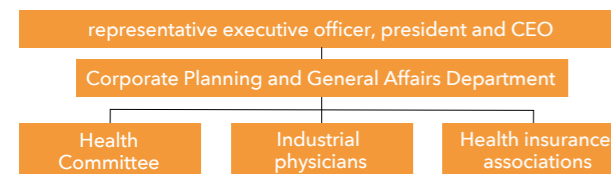
Heiwa Real Estate believes employee mental and physical health are essential for enhancing corporate value and realizing continuous business growth. To this end, we make efforts to improve employee health, create safe work environments and prevent overwork and occupational accidents. We also call on subcontractors and stakeholders critical to our businesses to implement health and safety initiatives for their employees.

Structure

The representative executive officer, president and CEO serves as the chief officer responsible for promoting health management, working with the Health Committee, industrial physicians, and health insurance associations primarily through the Corporate Planning and General Affairs Department.

The Health Committee meets, in principle, once a month, so that attendees can discuss the importance of maintaining and improving health, as well as share information within the Company.

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



Health Management Initiatives

Targets and Results Associated with Efforts to Improve Health Issues

	Item	FY2021	Numerical targets (FY2023)
Medium-term management plan KPIs	Annual health checks	100% <input checked="" type="checkbox"/>	100%*1
	Cancer screenings	100% <input checked="" type="checkbox"/>	100%*1
	Paid holiday usage	79.6% <input checked="" type="checkbox"/>	At least 70%*1
Health management KPIs	Stress checks	100%	100%*1
	Cigarette smokers	14.2%	10% or less
	Regular exercise	45.1%	At least 50%
	Employees getting sufficient sleep and a balanced diet	76.1%	At least 80%
	Appropriate body weight	65.0%	At least 70%
	Employees leaving work due to injury or illness	0 people	0 people
	Employees missing work due to injury or illness	0 people	0 people
	Highly stressed employees	2.5%	5% or less
	Work Engagement Statu*2	82.5%	90%
	Work-related deaths	0 people <input checked="" type="checkbox"/>	0 people*1

1. Numerical targets for each fiscal year

2. Percentage of employees who responded "yes" or "somewhat" to "my work is rewarding" in stress checks.

indicates data that has been verified by a third party

Critical Issues Related to Employee Health

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

Efforts to promote health

- Participation in RIZAP health seminars
- Support for extracurricular activities
- Smoking countermeasures and cessation support
- Online seminars on women's health issues
- Online seminars for improved eating habits

Prevention and early detection of health problems

- Stress check implementation
- e-learning, and other education related to diet, sleep, lifestyle habits and mental health
- Sleep and mindfulness yoga seminars
- Cancer seminars, cancer screening cost burdens

Investment in Health Management Measures

Item	FY2021
Medical and health-related expenses (per employee)	¥87,989

Rating from Outside Bodies

Heiwa Real Estate has been recognized as a Certified Health & Productivity Management Outstanding Organization for 2022 (large enterprise category) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi (Japan Health Conference).

We were also certified as a Sports Yell Company in 2022 by the Japan Sports Agency and as a Tokyo Sports Promotion Company in 2021 by the Tokyo metropolitan government for our efforts to support and promote our employees' sports activities



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 making efforts to improve work-life balance by promoting work efficiency and reducing overtime hours.

Major Initiatives

Prohibition of Discrimination

Heiwa Real Estate does not discriminate on the basis of nationality, race, gender, age, sexual orientation, disability, beliefs, ideas or religion. In addition, we neither conduct nor permit behaviors that may adversely impact the work 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.

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

Promotion of Diversity

Our basic policy is to be inclusive of diversity in terms of gender, age, nationality, values and other characteristics,

KPIs and Track Record Related to Human Resources*

Item	Numeric target	FY2018	FY2019	FY2020	FY2021
Female new hires	At least 30%	33.3%	50.0%	100%	33.3%
Female employees	-	26.8%	28.3%	31.3%	35.2%
Female managers	At least 10% (by FY2025)	5.1%	4.7%	5.0%	5.3%

Note: Within the scope of calculation on a non-consolidated basis.

Human Rights and Labor Standards

The Heiwa Real Estate Group regards respect for human rights as one of the foundations of business continuity and complies with laws and regulations related to worker rights in each country where we operate. We also support and respect international norms related to human rights, such as the International Bill of Human Rights comprising the Universal Declaration of Human Rights, the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, the 10 Principles of the UN Global Compact, and the UN Guiding Principles on Business and Human Rights. We also promote human rights initiatives, including the Heiwa Real Estate Group Human Rights Policy, formulated in December 2021.

Major Initiatives

- Promulgating corporate policy on labor standards
- Promoting employment of people with disadvantages such as a lack of formal education or qualifications and a vulnerable social status, initiatives aimed at addressing youth unemployment and the provision of apprenticeship and internship opportunities
- Conducting labor issue risk assessments
- Increasing labor force diversity without regard to race, religion, gender, age, sexual preference, disabilities or

to create environments in which all individuals can maximize their capabilities, and to promote the active participation of diverse human resources.

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

Initiatives Supporting Work-Life Balance

- Development of employee childcare support programs (childcare leave program/childcare shortened working hours program/childcare overtime exemption program/childbirth gift money and paid time off)
- Development of employee nursing care support programs (nursing care leave program/nursing care shortened working hours program/nursing care overtime exemption program)
- 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)

nationality, expanding equal opportunities, conducting seminars aimed at eliminating discrimination and facilitating points of contact for inquiries

- Reducing amount of overtime work
- Preventing child labor and forced labor
- Managing wages
- Ensuring diversity
- Building positive labor relations

Strengthening Relationships with Customers and Communities

To realize a sustainable society based on our corporate philosophy, as members of society, everyone at Heiwa Real Estate will contribute to resolving social issues through activities in line with sustainability materiality. We are also making efforts to share information on environmental approaches and targets to the extent possible while building collaborative relationships.

Major Initiatives

Contributing to the Global Financial City: Tokyo Vision

- Developing FinGATE, office spaces for independent asset management companies and financial venture firms
- Established The Consortium for Japan International Asset Management Center Promotion (JIAM)
- Opened KABUTO ONE (August 2021)

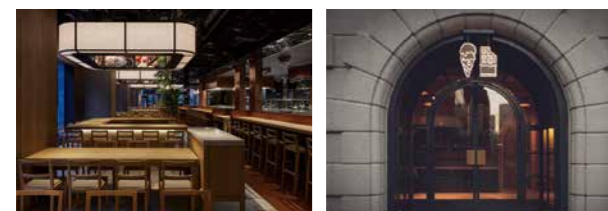


FinGATE brand

The HEART inside KABUTO ONE

Initiatives for Developing Diverse Districts

- Kabutocho Heiwa Building No. 5 (K5) won the Good Design Award 2020
- HOTEL K5 was included in MICHELIN Guide Tokyo 2021
- Creating a bustling district with the strategic attraction of commercial stores
- Sponsoring "Heiwa Real Estate presents CURIOCITY" on TOKYO FM
- Sponsoring the Nazotoki Guidebook series (Nihonbashi Kabutocho and Kayabacho Edition) of riddle-based guidebooks published by Quizknock



KABEAT

Teal

Initiatives to Develop Sustainable District

- Initiatives to Develop Sustainable District
- Completed construction of KITOKI, a wood and SRC hybrid building
- Promoting the Edible KAYABAEN project
- Utilizing renewable energy
- Promoting the Green/Wood project



Promoting the Green/Wood project

Promoting the Edible KAYABAEN project

Initiatives to Strengthen Relationships in Communities where Heiwa Real Estate Operates

- 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
- Provided building to be demolished in firefighting training by the Tokyo Fire Department
- Exhibition of the Red Stone from Sado in connection with Old Eiichi Shibusawa
- Operation of CAFE SALVADOR BUSINESS SALON, an information source for local communities
- Operation of the Nihonbashi Kabutocho and Kayabacho community website "Kabuto Live!"
- Special sponsorship of the Hokkaido Marathon 2022



Participating in the Sanno Festival

Installation and exhibition of the Red Stone (KABUTO ONE first floor atrium)

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

Special sponsorship of the Hokkaido Marathon 2022

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



北海道マラソン2022

Compliance

Basic Approach

For the Heiwa Real Estate Group to earn the trust of society and achieve sustainable development, we will maintain a constant awareness of compliance and conduct business in keeping with the Heiwa Real Estate Group Code of Conduct and Standards for Behavior.

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 compliance violations and emerging material risks are reported to the Board of Directors and appropriately addressed. The Corporate Planning and General Affairs Department, which serves as committee secretariat, is responsible for coordinating with Group companies and promoting improved compliance and risk management functions across the entire Group.

Note: Please refer to Risk Management System on page 55.

Prevention of Corruption and Bribery

The Group enacted the Code of Conduct and Standards for Behavior, drafting a summary of compliance issues to ensure business activities are conducted in fairness and honesty without violating social norms. We maintain an awareness of the gravity of our social responsibility, thoroughly comply with all laws, regulations and rules, and seek to be a Company with a strong sense of ethics that can maintain social trust.

Our Standards for Behavior prohibit any actions that may appear to be collusion from society's standpoint in our relationships with government and administrative bodies. These Standards prohibit entertainment, gifts and other benefits deviating from social conventions, and concretely define measures to prevent bribery and corrupt behavior in general. Details are published on our intranet and made available to employees at all times.

FY2021 Results

- Political contributions: None
- Corrupt activities and number of employees disciplined or dismissed due to questionable behavior: None

Compliance Hotline

Based on Internal Reporting Regulations, the Group established an internal compliance hotline to rapidly identify organizational or individual misconduct, as well as violations of laws and regulations, and respond with the necessary measures. This system also promotes ethics and compliance with laws and regulations at Group companies.

Reports can be made internally or to an external organization. We protect those who provide us with reports, ensuring they are not penalized for using the compliance hotline.

To promote fair transactions with corporations and other business partners, we also created a reporting function outside the Company that receives reports on suspected and actual compliance violations by Group officers and employees.

Compliance Training

The Group regularly conducts compliance training to enhance compliance awareness among officers and employees. We also promulgate compliance awareness through Company-wide simultaneous compliance inspections, information security and other efforts, and disseminate the results of these inspections throughout the Group.

Combating Anti-Social Forces

The Company has established a number of policies that clearly demonstrate its firm resolve to combat anti-social forces. These policies 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, which are thoroughly inculcated among directors, executive officers and employees.

Risk Management

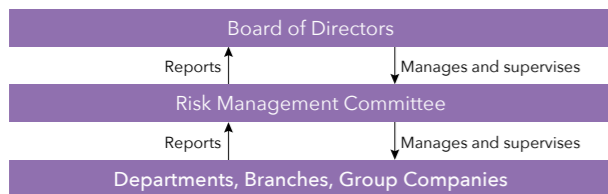
Basic Approach

The Company has a risk management system in place to properly manage and control risks, limit or prevent them from materializing, and minimize damage to management resources and ensure smooth business operations by taking appropriate measures in the event that risks do materialize.

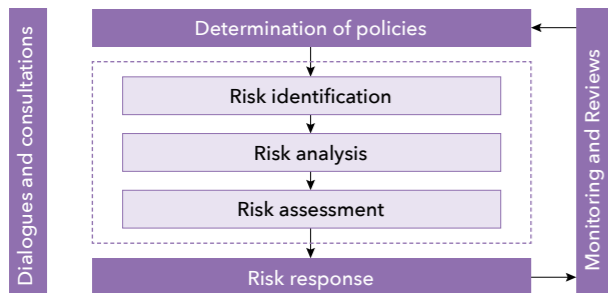
Risk Management System

The Risk Management Committee, chaired by the Representative Director and President, and comprised of executive officers and heads of departments, meets quarterly to identify overall Group risks and respond appropriately when they materialize. The committee identifies risks that have materialized within the Group and deliberates measures aimed at preventing recurrence, reporting important matters to the Board of Directors and other relevant bodies as appropriate. The Heiwa Real Estate Group risk management system is based the ISO 31000 representative risk management framework.

Schematic Diagram of the Risk Management System



Risk Management Process



Major Risks

In recognition of the critical function risk management plays in Group management, Heiwa Real Estate manages risks by classifying them into the following categories. Of these, risks that pose an especially large risk to Group management and require intensive management are set apart as "monitored risks" and managed accordingly.

- Real estate-related risks
- Legal risks
- Financial risks
- Information security risks
- Labor risks (health and safety)
- Overall management-related risks
- ESG-related risks (climate change, anti-corruption)

We also manage the following risks, with critical matters reported to the Board of Directors for the deliberation of responses.

- Real estate investment risks

Before discussion by the Board of Directors, the Investment Risk Working Group analyzes risks associated with property purchases or sales and reports findings to the Managing Officers' Meeting.

- Business Continuity Plan (BCP)

In an effort to mitigate the risk of a Company crisis in emergency situations, we created a manual and conduct regular inspections based on our BCP.

Legal Reserves for Litigation Including Legal Violations and ESG Problems

As of March 31, 2022, there were no significant legal reserves related to fines and settlements likely to be incurred in the future arising FY2021.

Information Security

Positioning the appropriate management of information risks as one of the Company's most important information strategies, we established an information security management system and strive to protect and appropriately manage all information assets in our possession. We maintain internal rules, provide ongoing training and engage in other efforts required to ensure information security in an attempt to improve information literacy among all officers and employees.

We make an effort to implement appropriate countermeasures to secure and safeguard information assets and protect against unauthorized access, destruction, data leaks, spoofing, loss, theft and other threats. In the unlikely event an information asset-related security problem should occur, we will strive to minimize damage, quickly investigate the cause and prevent recurrence.

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

System

- 2011 Established Compensation Committee
- 2015 Established Nomination Committee
- 2020 Established Sustainability Committee
- 2021 Established Meeting for Independent External Directors
- 2022 Transitioned to a Company with a Nomination Committee, etc.

Regulations/Systems

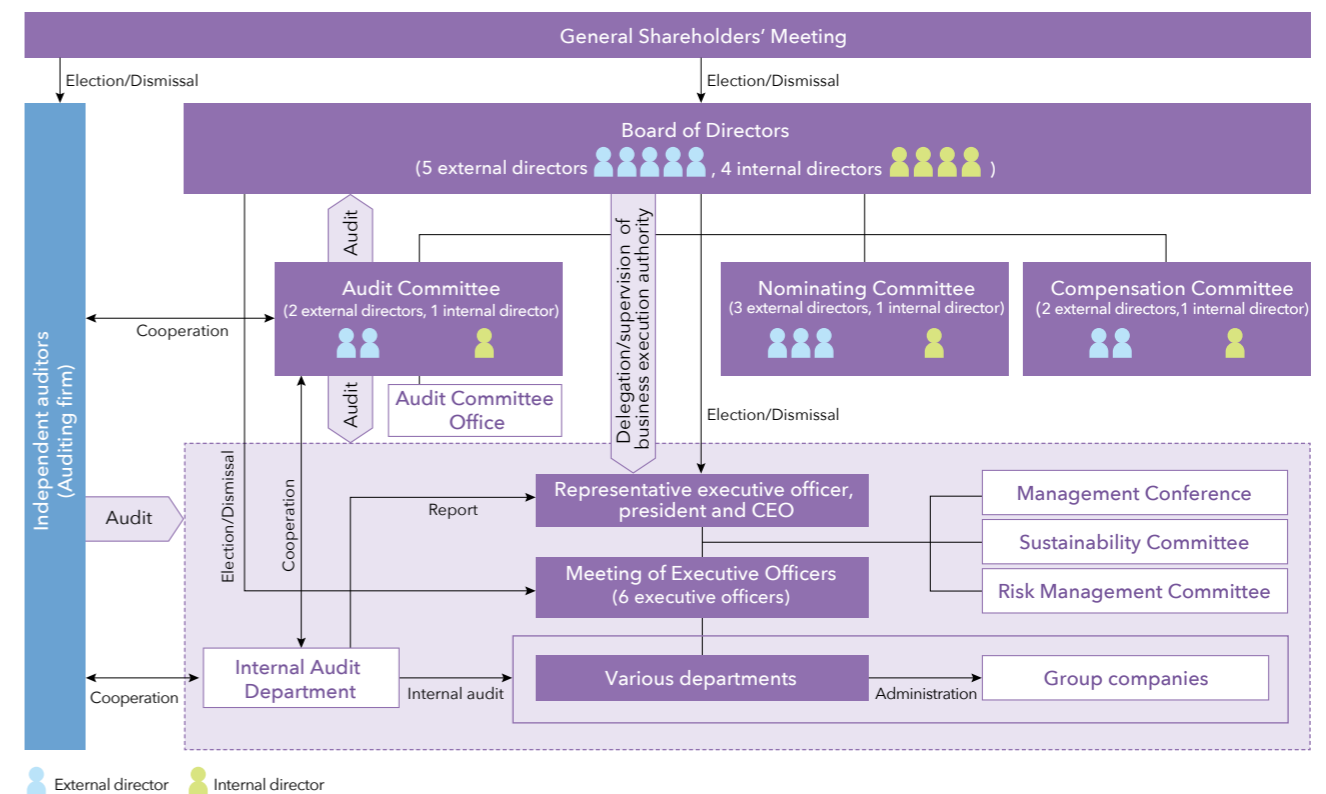
- 2015 Established Corporate Governance Guideline
- Established Standards for Assessing the Independence of Independent Officers
- 2016 Introduced Board of Director effectiveness evaluations
- 2018 Amended rules to make an external director the chair of the Nomination Committee and Compensation Committee and the majority of each committee's members
- 2019 Reduced term of office for directors, from two years to one year
- Introduced performance-linked stock compensation (medium- to long-term incentive)
- 2021 Established an employee stock ownership plan

Corporate Governance System

As of June 24, 2022

Transition to a Company with a Nomination Committee, etc.

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



Board of Directors

The Board is composed of nine members (including one woman), chaired by the director, representative executive officer, president and CEO.

The Board determines basic management policies and supervises the execution of duties by directors and executive officers.

The Board makes decisions on matters specified by laws and regulations and the Regulations of the Board of Directors' Meetings, with the execution of other business delegated to directors.

As stipulated in the Articles of Incorporation, the Board shall have no more than 11 members, with independent external directors comprising a majority of members.

In addition to consideration for gender and other diversity issues and corporate scale when appointing directors, the Company identifies requisite skills in terms of the knowledge, experience and capabilities required to execute management strategy, selecting directors with the appropriate combination of attributes in response to the management environment, business characteristics and other factors. External directors include those with management experience at other companies.

Nomination Committee

The Nomination Committee is composed of three or more members selected by the Board of Directors and chaired by an external director from the perspective of ensuring independence and objectivity.

The Committee is responsible for determining the content of proposals submitted to the General Shareholders' Meeting regarding the appointment and dismissal of directors, as well as formulating the criteria for director appointment and dismissal.

The Committee, in consultation with the Board of Directors and the executive officer, president and CEO, reports its opinions on the appointment and dismissal of executive officers and matters related to Representative Director and President succession planning.

The Company discloses reasons for appointing or dismissing individual directors and statutory officers, and for nominating individual candidates for director positions.

Audit Committee

The Audit Committee is composed of three or more members selected by the Board of Directors and chaired by an external director from the perspective of ensuring independence and objectivity. Committee members are also selected from perspective of strengthening the audit function.

The committee audits the execution of duties by directors and executive officers, prepares audit reports, and determines the content of proposals concerning the appointment, dismissal and non-reappointment of independent auditors.

Compensation Committee

The Compensation Committee is composed of three or more members selected by the Board of Directors and chaired by an external director from the perspective of ensuring independence and objectivity.

The Compensation Committee determines policies relating to decisions on the amount of individual compensation for directors and executive officers, and also determines the amount of individual compensation for directors and executive officers.

Meeting of Executive Officers

The Meeting of Executive Officers is composed of six executive officers, with the executive officer, president and CEO managing proceedings. In addition to executing critical operations, the Committee deliberates in advance matters to be submitted to the Board of Directors.

Management Conference

The Management Conference is composed of the executive officer, president and CEO and titled executive officers, with the executive officer, president and CEO presiding. The conference discusses the direction of Company management strategies and other matters.

Sustainability Committee

The Company established the Sustainability Committee, chaired by the executive officer, president and CEO, and composed of directors, managing officers, and department managers, to efficiently promote sustainability measures supporting the implementation of sustainability management.

The committee monitors the PDCA cycle with regard to sustainability measures to improve the effectiveness of sustainability management.

Risk Management Committee

The Risk Management Committee, with the executive officer, president and CEO as the chief risk management officer, comprises directors, managing officers and heads of departments and was established to ascertain overall Group risks and manage risks appropriately when they manifest.

Meeting for Independent External Director

The Meeting for Independent External Directors was established for the purpose of enabling independent external directors to exchange information and share viewpoints with each other. Through these activities, they create the appropriate Heiwa Real Estate Group management structure.

The Meeting for Independent External Directors consists entirely of independent external directors, with a lead independent external auditor selected to contact and coordinate with management and collaborate with statutory auditors, the Board of Statutory Auditors and other bodies.

Director Composition and Skills Matrix

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

Director	Term of office	Corporate management	Financial affairs and accounting	Legal affairs	International business experience	Finance and securities	Planning and sales	DX and IT	Committee			Board of Director Attendance (FY2021)
									Nomination	Audit	Compensation	
Kiyoyuki Tsuchimoto	5 years	●				●	●		●			14/14(100%)
Kazuo Yamada	11 years	●	●				●					14/14(100%)
Takahisa Aoyama	-	●	●				●					-
Daisuke Kobayashi	-	●	●				●			●		-
Kiichiro Masui	External, independent 5 years					●	●		★			14/14(100%)
Takahiro Moriguchi	External, independent 2 years	●	●		●	●	●		●		★	14/14(100%)
Junko Utsunomiya	External, independent 2 years			●					●	●		14/14(100%)
Eiji Yamada	External, independent -	●					●	●			●	-
Mitsunobu Yamaguchi	External, independent -		●		●						★	-

★ Committee chair Note: This table does not display all skills possessed by directors.

Reasons for Appointment of External Directors

Name	Independent officer	Reasons for appointment
Kiichiro Masui	○	Mr. Masui has abundant experience and deep insight in the world of finance and securities, and plays an appropriate role in advising management and supervising business execution. Additionally, as chairman of the Nomination Committee, he provides opinions on Company officer personnel affairs at Nomination Committee meetings from an objective and neutral standpoint. Mr. Masui was appointed as an external director based on the expectation that he will increase the efficacy of Board of Director and committee meetings and continue contributing to the medium- to long-term enhancement of corporate value as an external director going forward.
Takahiro Moriguchi	○	Mr. Moriguchi has broad knowledge of finance and securities, international business, abundant experience and deep insight as a corporate manager, and plays an appropriate role in advising management and supervising business execution. In addition, as a member of the Nomination Committee and chairman of the Compensation Committee, he provides opinions from an objective and neutral standpoint, including those related to officer personnel affairs and compensation. Mr. Moriguchi was appointed as an external director based on the expectation that he will increase the efficacy of Board of Director and committee meetings and continue contributing to the medium- to long-term enhancement of corporate value as an external director going forward.
Junko Utsunomiya	○	Ms. Utsunomiya has acquired a high degree of expertise as an attorney, and has abundant experience and deep insight in the field of corporate legal affairs, playing an appropriate role in providing advice to management and supervising the execution of business. As a member of the Nomination Committee, she provides opinions from an objective and neutral standpoint, including those related to officer personnel affairs. Ms. Utsunomiya was appointed as an external director based on the expectation that she will increase the efficacy of Board of Director and committee meetings and continue contributing to the medium- to long-term enhancement of corporate value as an external director going forward.
Eiji Yamada	○	Mr. Yamada has abundant experience and deep insight in the fields of data communications and systems development, and plays an appropriate role in advising management and supervising business execution. He was appointed as an external director based on the expectation that he will increase the efficacy of Board of Director and committee meetings and continue contributing to the medium- to long-term enhancement of corporate value as an external director going forward. (Appointed June 2022)
Mitsunobu Yamaguchi	○	Mr. Yamaguchi possesses a high degree of expertise as a certified public accountant and extensive experience in the fields of financial accounting and auditing. In addition to international business experience, he plays an appropriate role in advising management and supervising business execution. He was appointed as an external director based on the expectation that he will increase the efficacy of Board of Director and committee meetings and continue contributing to the medium- to long-term enhancement of corporate value as an external director going forward. (Appointed June 2022)

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

Director and Officer Compensation

Basic Policy

- Provide motivation to improve business performance and enhance corporate value in the medium and long term;
- Seek shared value with shareholders;
- Establish standards and systems contributing to the retention of talented human resources; and
- Maintain a decision-making process with sufficient transparency and impartiality.

- Officer compensation shall be composed of fixed-amount compensation as basic compensation, bonuses as short-term incentives, and the performance-linked stock compensation plan as a medium- to long-term incentive.

- Directors concurrently serving as executive officers shall only receive as executive officer compensation.
- Compensation for directors (excluding directors concurrently serving as executive officers) and executive officers specially appointed to manage the Audit Committee secretariat shall, in light of their role, consist only of basic compensation.

Basic Compensation

- Basic compensation shall be determined based on comprehensive consideration for the significance of roles and the scope of responsibility for each position.
- 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 to raise awareness with the aim of improving business performance each fiscal year.
- Bonuses shall be calculated by multiplying the standard amount corresponding to position 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 position 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%. However, representative executive officer, president and CEO compensation is not based on personal evaluations and associated monthly fixed-amount compensation.
- In the event directors or managing officers are dismissed, or cause damage to the Company through willful misconduct or gross negligence, the Compensation Committee will decide whether to partially reduce or rescind bonuses.
- Bonuses for managing officers shall be determined in accordance with bonuses for directors.

Performance-linked Stock Compensation

- Medium- and long-term incentives are provided through performance-linked stock compensation, comprising a fixed-amount portion and a performance-linked portion.
- The fixed-amount portion is determined according to position, and the performance-linked portion is determined according to the achievement of performance targets, stock price and other indicators.
- The fixed-amount portion aims to strengthen the sharing of 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 compensation.
- Share benefits shall be provided using a trust comprised of

Total Amount of Compensation by Officer Category, Type of Compensation and Number of Eligible Directors and Managing Officers (FY2021)

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)	312 (32)	183 (32)	98	31	9 (4)
Statutory auditors (including external statutory auditors)	58 (37)	58 (37)	-	-	5 (4)
Total (including external directors and external statutory auditors)	370 (69)	241 (69)	98	31	14 (8)

Notes: 1. The above includes one (external) statutory auditor who retired at the close of the 101st Ordinary General Shareholders' Meeting held on June 24, 2021.
 2. The amount of compensation for directors (excluding external directors) has been set to be within ¥250 million per year (the amount of compensation 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 compensation 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 compensation 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. At this meeting, it a resolution was passed stipulating that 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. Further, the above compensation amount for directors includes ¥31 million booked as performance-linked stock compensation expenses in the fiscal year under review.
 4. The amount of compensation 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.

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 stock compensation rules established by Board of Directors resolution.

Director and Officer Compensation Ratio

- The proportion of each type of director remuneration (including executive officers concurrently serving as directors) shall be decided by the Board of Directors in accordance with Compensation Committee reports, taking into account such factors as the remuneration standards of other companies in the same industry, with the following ratios 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- to long-term incentive
Ratio of total compensation (approximate)	55%-65%	20%-30%	10%-20%

- With regard to director compensation (excluding executive officers concurrently serving as directors), the Company has no policy regarding the determination of monetary compensation, performance-linked compensation, or non-monetary compensation amounts as a percentage of individual compensation.

Director Training

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

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

Evaluating Board of Director Efficacy

The Company conducts Board of Director self-evaluations each year, and based on these results, the Board discusses improvements and makes efforts to enhance Board efficacy.

FY2021 Board of Director Efficacy Evaluation Results Summary

The Company conducted a self-evaluation of the effectiveness of the Board of Directors in FY2021 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 was deemed to have maintained adequate effectiveness overall in FY2021, having

established the Meeting for Independent External Directors, providing a forum for information sharing among external directors to further improve deliberations, despite new challenges, including the need to hold more discussions on medium- to long-term management and engage in effective Board management after transitioning to a Company with three committees.
 In light of the above evaluation, we will continue to enhance Board of Director efficacy going forward.

Cross-shareholdings

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

The Company deliberates 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 examines reasons, objectives, and other factors associated with proposals that have the potential to affect corporate value and shareholder value, then determines whether or not to grant approval.

Shareholder and Investor Initiatives

Approach to Information Disclosure

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

External Ratings of IR Activities

The Company publicly discloses various initiatives on its corporate website. In FY2021, the Company received an overall ranking of Grade AA in the Nikko Investor Relations Co., Ltd., All Japanese Listed Companies' Website Ranking 2021, as well as the Overall IR Website Ranking Silver Prize in the Gómez IR Website Ranking.



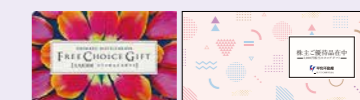
Briefing Sessions for Institutional and Individual Investors

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.



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 a gift card worth ¥3,000 for our online catalog. Long-term shareholders are given a gift card worth ¥5,000.



Record date of allotment: March 31 | Granting date: Late June*

Note: Sent together with the notice of year-end dividends after the conclusion of the General Shareholders' Meeting.



Management Team

(As of June 24, 2022)

Directors



Kiyoyuki Tsuchimoto
 Director, Representative Executive Officer, President and CEO
 Nominating Committee Chair
 Compensation Committee Chair

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



Kazuo Yamada
 Director, Representative and Senior Managing Executive Officer
 Assistant to the President

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



Takahisa Aoyama
 Director
 Executive Officer

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



Daisuke Kobayashi
 Director

Full-time Audit Committee Member

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

Executive Officers

Representative Executive Officer, President and CEO	Kiyoyuki Tsuchimoto	
Representative and Senior Managing Executive Officer	Kazuo Yamada	Assistant to the President, In charge of Development Promotion Department and Real Estate Investment Department
Managing Executive Officer	Tomoharu Nakao	In charge of Office Building Development Department
Executive Officer	Hiroki Mizuta	In charge of Community Co-Creation Department
Executive Officer	Nobuhiro Seo	In charge of Real Estate Investment Department, General Manager of Real Estate Investment Department
Executive Officer	Takahisa Aoyama	In charge of Corporate Planning and General Affairs Department, Finance Department and Legal Office, General Manager of Real Estate Investment Department

Managing Officers

Managing Officer	Naoyuki Matsumoto	In charge of Finance Department, General Manager of Finance Department
Managing Officer on Special Appointment	Shosaku Shimomura	In charge of Audit Committee Office



Kiichiro Masui
 External Director

Nominating Committee Chair

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



Takahiro Moriguchi
 External Director

Nominating Committee Member
 Compensation Committee Chair

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



Junko Utsunomiya
 External Director

Nominating Committee Member
 Audit Committee Member

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



Eiji Yamada
 External Director

Compensation Committee Member

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



Mitsunobu Yamaguchi
 External Director

Audit Committee Chair

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

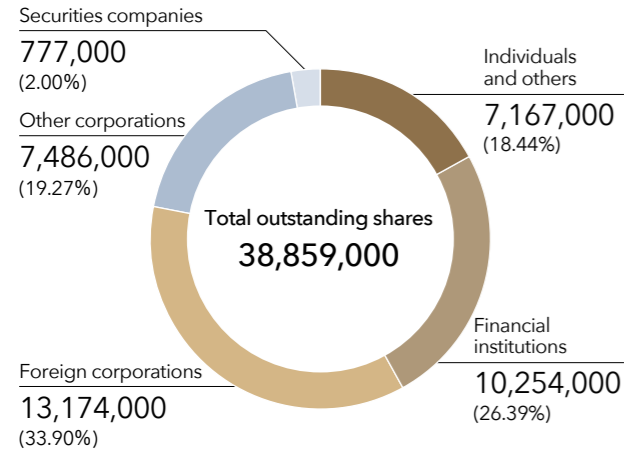
Stock Information

(As of March 31, 2022)

Status of Shares

Total authorized shares: 110,000,000 shares
 Total outstanding shares: 38,859,996 shares
 Number of shareholders: 17,324

Distribution of Shares by Shareholder Category

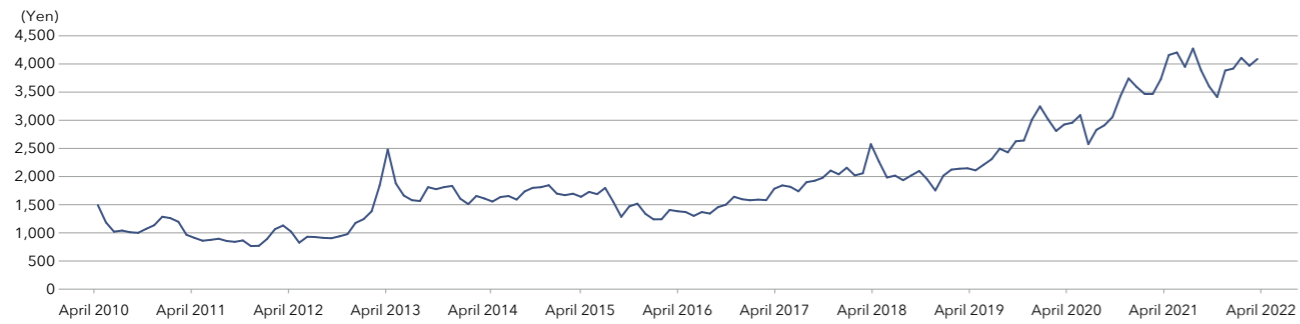


Major Shareholders (Top 10)

Name	Number of shares (Thousands)	Percentage of total equity (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,865	13.29
Mitsubishi Estate Co., Ltd.	4,274	11.67
CGML PB CLIENT ACCOUNT/COLLATERAL	3,900	10.65
Custody Bank of Japan, Ltd. (Trust Account)	3,319	9.07
THE BANK OF NEW YORK 133969	1,082	2.96
Taisei Corporation	532	1.45
STATE STREET BANK WEST CLIENT - TREATY 505234	479	1.31
SSBTC CLIENT OMNIBUS ACCOUNT	467	1.28
Resona Bank, Limited	445	1.22
JP MORGAN CHASE BANK 385781	421	1.15

1. Percentage of total equity 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 2,250,000 shares held by the Company in the form of treasury stock.
 3. 130,000 shares held by Custody Bank of Japan, Ltd. (Trust Account) as assets in trust for executive officers and managing officers and employee stock compensation plans are not included in treasury stock.

Trends in Share Price (From April 2010 to March 2022/monthly)



Notes: Prices at month-end.
 Amounts shown take into account the effect of a five-to-one share consolidation executed on October 1, 2012.

Corporate Website

Home Page



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



IR Information



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



Sustainability



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



Corporate Information

(As of June 24, 2022)

Corporate Profile

Commercial name HEIWA REAL ESTATE CO., LTD.
Established July 1947
Representative Kiyoyuki Tschimoto
 Representative Executive Officer, President and CEO
Head office 1-10, Nihonbashi Kabutocho, Chuo-ku, Tokyo 103-8222, Japan
Branches Osaka Branch, Nagoya Branch, Fukuoka Branch, Sapporo Branch
Capital ¥21,492 million
URL <https://www.heiwa-net.co.jp/en/>
Listed exchanges Tokyo Stock Exchange (Prime Market), Nagoya Stock Exchange (Premier Market), Fukuoka Stock Exchange, and Sapporo Securities Exchange
Securities code 8803
Businesses 1. Building Business
 Development, leasing, management, buying and selling of stock exchange buildings, office buildings, commercial facilities and residential buildings.
 2. Asset Management Business
 Asset management, real estate brokerage and other business activities conducted by HEIWA REAL ESTATE REIT, Inc.
Employees 91 (non-consolidated)/240 (consolidated) (as of March 31, 2022)

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

Organization

