

Information Disclosure Based on the Task Force on Climate- related Financial Disclosures Recommendations

Contents

<i>The Heiwa Real Estate Group's Response to Climate Change</i>	2
<i>Support for the Task Force on Climate-related Financial Disclosure Recommendations</i>	3
<i>Governance</i>	4
<i>Strategy</i>	5
<i>Risk Management</i>	11
<i>Metrics and Targets</i>	13
<i>TCFD Index</i>	15

The Heiwa Real Estate Group's Response to Climate Change

The 196 Parties at the 2015 United Nations Climate Change Conference (COP 21) adopted the Paris Agreement with the goal of limiting global warming to well below 2 degrees Celsius on average compared to pre-industrial levels. In 2021, a report by the Working Group 1 of the Intergovernmental Panel on Climate Change (IPCC) stated that the impact of human activity on global warming is undeniable, and climate systems are changing, resulting in more intense and frequent natural disasters. It also concluded that average temperatures will increase by over 1.5 or 2 degrees Celsius in the twenty-first century compared to pre-industrial levels unless greenhouse gas emissions are significantly reduced over the next several decades.

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.

In response to these risks, the Heiwa Real Estate Group practices sustainability management as a strategy of its medium-term management plan, Challenge & Progress. In accordance with its Sustainability Vision, the Group has specified climate change countermeasures as one of its material issues, shown below, and aims to contribute positively to communities by developing environmentally friendly buildings and neighborhoods that emit less carbon.

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”		
Social Value		Materiality	SDGs	
Create Lively Areas through Diversity & Incubation	We will play an active role in the creation of ideal areas, where a diverse range of people gather and work together, stimulate investment, securities and finance, and foster culture and the arts.	Industrial Development / Regional Development	8 DECENT WORK AND ECONOMIC GROWTH	
		Responding to Social Needs	2 CLEAN WATER AND SANITATION, 3 GOOD HEALTH AND WELL-BEING, 5 GENDER EQUALITY, 10 REDUCED INEQUALITIES	
Create Disaster-Resistant, Resilient Areas	We are dedicated to creating buildings and facilities with a high level of disaster preparedness and ensuring that the city continues to function safely through the daily community activities of the people who live and work there.	Natural Disaster Risk Mitigation Measures	11 SUSTAINABLE CITIES AND COMMUNITIES	
Create Environment-friendly Low-carbon Areas	We will enthusiastically support moves to embrace energy-efficient technologies and renewable energy to help reduce CO ₂ emissions in areas.	Climate Change Countermeasures	7 AFFORDABLE AND CLEAN ENERGY, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 13 CLIMATE ACTION, 15 LIFE ON LAND	
Create Lively Areas through Corporate Governance	We will continue to strengthen corporate governance on an ongoing basis and aim to be a company in which all officers and employees actively tackle environmental and social issues.	Strengthening Corporate Governance	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	

Support for the Task Force on Climate-related Financial Disclosure 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.

* The Task Force on Climate-related Financial Disclosures was established by the Financial Stability Board at the request of the G20 to propose a framework for disclosing climate-related information.

Governance

The Company has established a Sustainability Committee, headed by the Executive Officer, President and CEO and comprised of Executive Officers and Managing Officers and heads of each departments, to facilitate the smooth implementation of our sustainability policy. By monitoring the plan-do-check-act (PDCA) cycle for each sustainability initiative, including those for climate change and other environmental issues, and by reporting important details to the Board of Directors, the Sustainability Committee acts as a main driver in increasing the effectiveness of sustainable management. As a rule, the Sustainability Committee meets twice a year, but will hold additional meetings whenever necessary.



The Sustainability Committee is chaired by Heiwa Real Estate's the Executive Officer, President and CEO, who is responsible for final decisions concerning the Group's sustainability initiatives and measures for dealing with climate-related issues. The head of the Company's office in charge of sustainability (within the Corporate Planning and General Affairs Department) is assigned as the officer responsible for executing these initiatives and measures. Furthermore, this officer periodically reports to the committee chair on assessments of specified climate change impacts, management of risks and opportunities, progress of efforts to adapt to and mitigate such impacts and risks, and efforts to combat climate change, including performance indicators and targets. All of these matters are discussed and examined by members of the Sustainability Committee, and on that basis, decisions are finalized by the committee chair.

Strategy

Since a potential range of outcomes of future events related to climate change is uncertain, Heiwa Real Estate takes this into account in its business strategies. Specifically, it identifies risks and opportunities under two scenarios: an increase in average global temperatures of 1.5 or 4 degrees Celsius. An overview of each scenario analysis is shown in the diagrams below.

Scope of the Scenario Analyses

The analyses take into account the significance of the impact of climate change on the Group's financial performance, particularly with respect to its main operations, the Building Business. This business is involved in the development, leasing, management, operations, and sale of stock exchange buildings, office buildings, commercial facilities, and residential buildings.

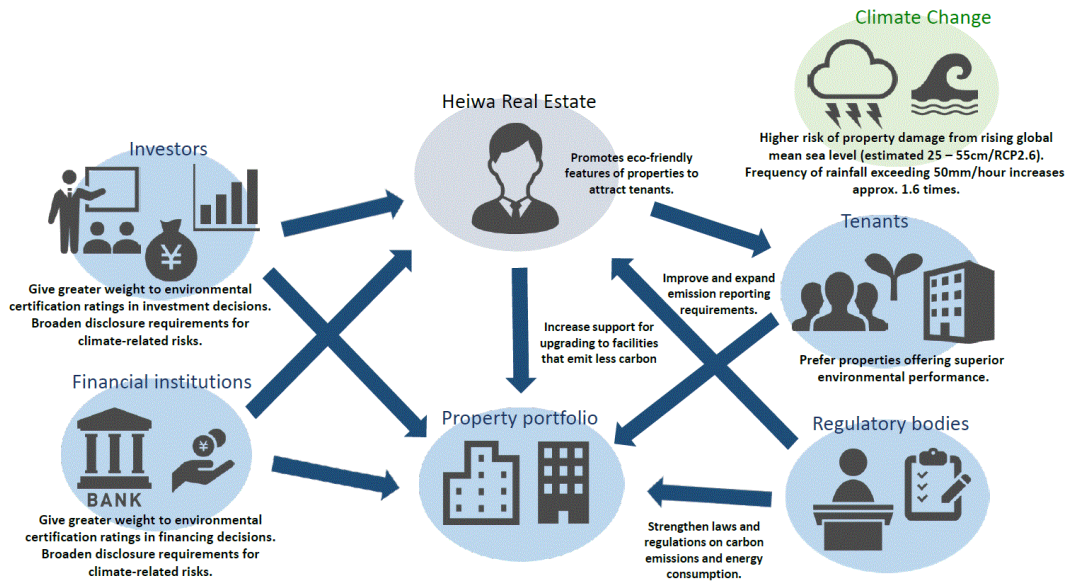
Mainly Referenced Scenarios

	Organization publishing the scenarios	1.5°C scenario	4°C scenario
Transition risks*	International Energy Agency (IEA)	Net Zero Emissions by 2050 Scenario in the IEA's World Energy Outlook 2020	Stated Policies Scenario in the IEA's World Energy Outlook 2020
Physical risks*	Intergovernmental Panel on Climate Change (IPCC)	Representative Concentration Pathway (RCP) 2.6 in the IPCC's Fifth Assessment Report	RCP8.5 in the IPCC's Fifth Assessment Report

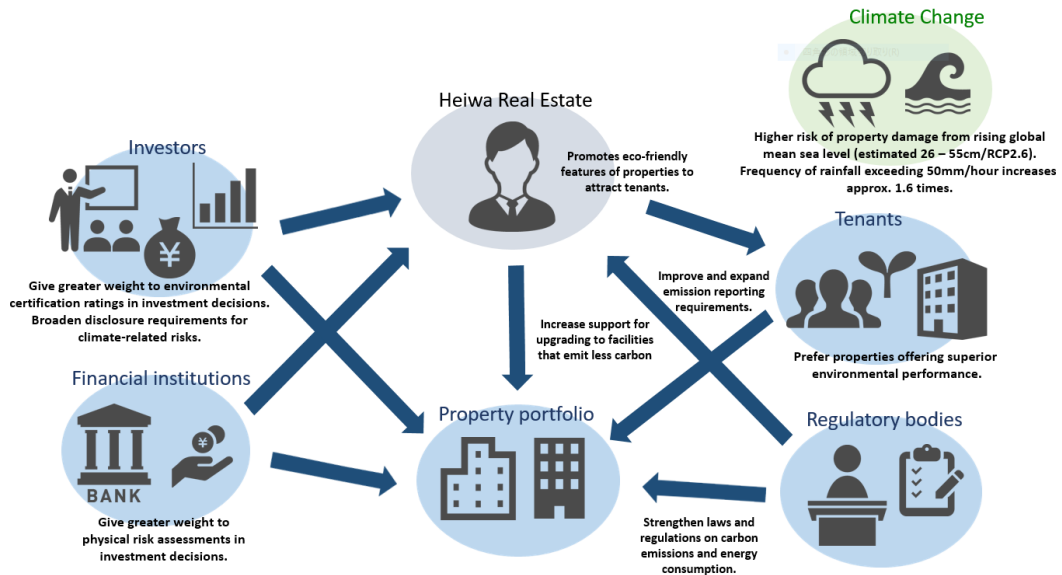
* For information about transition and physical risks, please refer to the Risk Management section, below. In addition to the references above, the Company referred to publicly available information provided by real estate-related organizations to assess the financial impact of risks and opportunities.

Expected outcomes of each scenario

Global temperature increase of 1.5 degrees Celsius



Global temperature increase of 4 degrees Celsius



Climate-related Risks to and Opportunities for the Company's Businesses

Type		Climate-related risks and opportunities	Potential financial impacts	Period ¹	Degree of financial impacts ^{2,3}	
					1.5°C scenario	4°C scenario
Transition risks	Policy and legal	Higher taxes on GHG emissions if a carbon tax program is adopted, and stricter energy conservation standards for buildings	<ul style="list-style-type: none"> Increasing outlays for taxes or fines associated with building GHG emissions Taxation of carbon-intensive building materials Increasing outlays for related retrofitting costs 	Medium-term	↓	—
	Technology	Advancements and widespread adoption of technologies for reusing and saving energy	<ul style="list-style-type: none"> Increasing costs for adopting new technologies for building facilities 	Medium-term	↓	—
	Market	Higher prices of services from relevant suppliers amid growing need to decarbonize	<ul style="list-style-type: none"> Increasing costs for developing and constructing low-carbon buildings, including net zero energy buildings and houses 	Medium-term	↓	—
	Reputation	Changing demand from building tenants and occupants based on their preferences for buildings equipped to combat climate change and avoidance of buildings that are not	<ul style="list-style-type: none"> Decreasing leasing income if measures to decarbonize are slow, due to difficulty in attracting new tenants and occupants as well as lower retention rates 	Short-term	↓	—
Physical risks	Acute	Damage to properties caused by violent winds from typhoons or flooding inside buildings from torrential rains or overflowing rivers	<ul style="list-style-type: none"> Increasing repair costs and decreasing operational efficiency of buildings 	Medium-term	↓	↓
	Chronic	Growing demand for air conditioning due to increasing numbers of extremely hot and cold days	<ul style="list-style-type: none"> Increasing costs for operating, maintaining, and upgrading air conditioning systems 	Medium-term	↓	↓
Opportunities	Resource efficiency	Reduced energy consumption due to installation of more efficient facilities	<ul style="list-style-type: none"> Reduced maintenance and operating costs resulting from improved energy-saving performance 	Short-term	↑	↑
	Products and services	Greater ability to attract building tenants, occupants, and users through more environmentally friendly and disaster-prepared facilities and services	<ul style="list-style-type: none"> Increased leasing revenue and opportunities to attract tenants with buildings that have been differentiated in terms of superior environmental performance and business continuity plans 	Medium-term	↑	↑
	Markets	Growing numbers of environmentally aware investors and banks that integrate climate-related factors in financing decisions	<ul style="list-style-type: none"> Lower borrowing costs from loans secured through green financing initiatives 	Short-term	↑	—

Notes: 1. Short-term refers to a period spanning up to three years, medium-term refers to a period of four to 10 years, and long-term refers to over 10 years.

2. Arrows shown in bold represent financial impacts spanning between 500 and 1,500 million yen, arrows shown without bold represent financial impacts between 0 and 499 million yen, and a dash represents no financial impacts.
3. The degree of financial impacts assumes a medium-term period up to 2030.

Business Resilience Measures

Based on the scenario analyses, above, Heiwa Real Estate has executed the following measures to improve the resilience of its businesses.

(1) Switchover to Renewable Energy Sources

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. Heiwa Real Estate plans to steadily increase the number of its properties that will use renewable energy going forward.

(2) Energy-saving building agreements

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



(3) Sustainable Financing

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

(4) Disaster drills

Heiwa Real Estate implements measures to improve the safety and security of its buildings. Among them, the Company holds disaster drills at the office buildings it operates in order to practice necessary procedures for keeping all occupants safe during an emergency.



(5) Business continuity planning

To effectively deal with weather-related disasters caused by typhoons and torrential rains, Heiwa Real Estate deploys communication tools for sharing information and continuing operations during such a disaster, and has established an internal emergency response system designed to facilitate a smooth response to the situation. Furthermore, the Company has installed watertight panels in the entrances and elevators of most of its buildings to prevent flooding of below-ground floors during rainstorms and typhoons. In response to requests from local governments, the Company has designated a number of its buildings as emergency shelters for stranded commuters during times of disaster.

(6) Acquisition of environmental certification

When constructing new buildings and conducting major renovation projects, the Group gives top priority to the environment; hence it has received high ratings from the DBJ Green Building Certification program and CASBEE.

(7) GRESB Real Estate Assessment

Heiwa Real Estate most recently received ratings from the Global Real Estate Sustainability Benchmark (GRESB) in October 2022. Based on scores for GRESB's Standing Investments Benchmark (related to currently operated properties) and Development Benchmark (related to new development and major renovation projects), the Company received a 4 Star and 3 Star rating, respectively, following 3 Star ratings for both benchmarks in 2021. 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. Looking ahead, the Company will work to raise its ratings by enhancing its sustainability management.



Risk Management

Heiwa Real Estate has identified risks related to environmental, social, and governance (ESG) issues, including important climate-related risks, to address through company-wide risk management, and will take steps to mitigate those risks and capitalize on related opportunities going forward.

Processes for Identifying and Assessing Climate-related Risks

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

- (1) Transition risks: The Company's businesses could be impacted by socioeconomic trends associated with the transition to a lower-carbon economy.
 - a) Policy and legal risks: The Company could be subject to stricter regulations resulting from policies to shift to a lower-carbon economy.
 - b) Technology risk: The Company may need to adopt new technologies developed for the purpose of shifting to a lower-carbon economy.
 - c) Market risk: The Company's businesses could be affected by higher energy prices and changes in demand for services.
 - d) Reputation risk: The Company risks being viewed negatively by its stakeholders, which include building tenants, local residents, employees, and investors.

- (2) Physical risks: The Company's businesses could be impacted by the intensification of climate change and changes in future climate patterns and events.
 - a) Acute risk: The Company's properties could be damaged by typhoons, flooding, or other climate events.
 - b) Chronic risk: The Company's businesses could be affected by long-term shifts in climate patterns, including higher or lower average temperatures.

If business opportunities are found in the process of identifying risks, the Company will recognize them separately from risks as climate-related opportunities, and examine ways for potentially capitalizing on those opportunities. The progress and results of efforts by working groups to identify risks and examine opportunities will be periodically reported to the Sustainability Committee by the officer responsible for executing climate-related initiatives and measures.

Processes for Managing Climate-related Risks

The Chair of the Sustainability Committee will appoint a manager or team to manage climate-related risks and opportunities that have been deemed material to business and financial planning in discussions of the committee, and instruct them to formulate relevant measures. The measures formulated by the appointed manager or team will, depending on their substance, be discussed by the Sustainability Committee or a relevant organization within the Company, and then executed on the basis of those discussions.

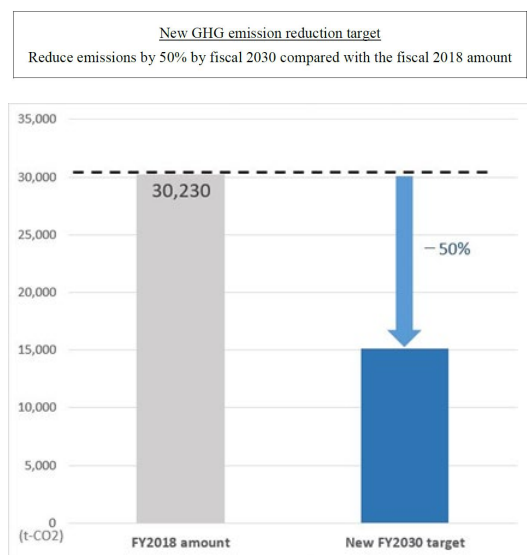
Estate takes account of climate-related risks deemed material to business and financial planning in its existing company-wide risk management program, and is taking steps to integrate processes for identifying, assessing, and managing risks.

Metrics and Targets

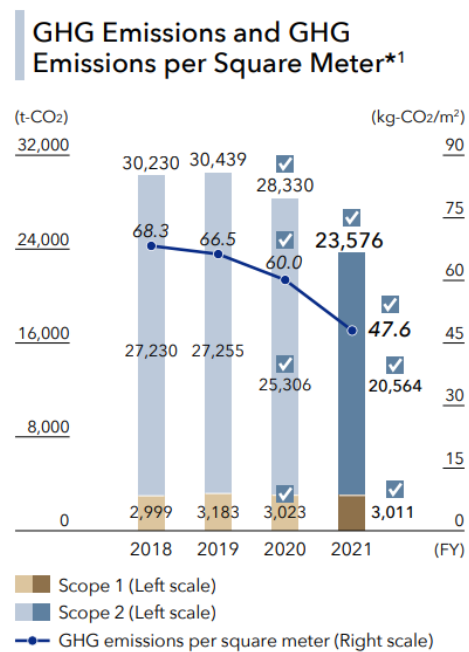
With a view to mitigate climate-related risks and capitalize on opportunities, Heiwa Real Estate has specified key performance indicators, set targets, and is monitoring the achievement of the targets. Progress made in executing various initiatives and achieving the targets is reported to the Company’s Sustainability Committee at least once annually by the officer responsible for executing climate-related initiatives and measures.

The Company’s target for greenhouse gas emission reductions, which it has specified a performance indicator, and recent results are shown in the charts below. While the target is for Scope 1 and 2 emissions, the Company plans to reduce Scope 3 emissions in the future after determining calculation methods.

Greenhouse gas emission reduction target¹



Recent results in reducing greenhouse gas emissions²



Notes:

1. The greenhouse gas emission reduction target was approved as a science based target (1.5 degrees Celsius scenario) by the Science Based Targets Initiative, which calls on members to set scientifically based reduction targets aimed at achieving the goals of the Paris Agreement, an international framework for reducing greenhouse gas emissions. Heiwa Real Estate has been following procedures for gaining approval by the initiative.
2. The results are for all buildings within the Heiwa Real Estate Group, excluding buildings designated to be sold and jointly owned buildings of which the Company has an ownership share of less than

25%. CO₂ emissions per square meter of floor area is calculated by dividing the combined emissions of all properties each year by the total floor space of the properties, regardless of the period in which the properties are owned. Figures with check marks have been verified by third-party organizations.

TCFD Index

Disclosures recommended by the TCFD		Relevant information disclosed online
Governance	Disclose the organization's governance around climate-related risks and opportunities	
	a) Describe the board's oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> ● This webpage > Governance ● The Company's website > Environment > Promotion System ● Page 45 of the Company's Integrated Report 2022
	b) Describe management's role in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> ● This webpage > Governance (Page 4)
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	
	a) Describe climate-related risks and opportunities the organization has identified over the short, medium, and long term	<ul style="list-style-type: none"> ● This webpage > Strategy > Climate-related Risks to and Opportunities for the Company's Businesses
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning	<ul style="list-style-type: none"> ● This webpage > Strategy > Climate-related Risks to and Opportunities for the Company's Businesses
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2oC or lower scenario	<ul style="list-style-type: none"> ● This webpage > Strategy > Business Resilience Measures
Risk Management	Disclose how the organization identifies, assesses, and manages climate-related risks	
	a) Describe the organization's processes for identifying and assessing climate-related risks	<ul style="list-style-type: none"> ● This webpage > Risk Management > Processes for Identifying and Assessing Climate-related Risks
	b) Describe the organization's processes for managing climate-related risks	<ul style="list-style-type: none"> ● This webpage > Risk Management > Processes for Managing Climate-related Risks
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	<ul style="list-style-type: none"> ● This webpage > Risk Management >
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	
	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	<ul style="list-style-type: none"> ● This webpage > Metrics and Targets ● The Company's website > Environment > Climate Change Countermeasures (under "Initiative Targets") ● Pages 39 – 40 of the Company's Integrated Report 2022
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks	<ul style="list-style-type: none"> ● Pages 39 – 40 of the Company's Integrated Report 2022
	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	<ul style="list-style-type: none"> ● Pages 39 – 40 of the Company's Integrated Report 2022