

(Security Code 8803)

Year Ended March 31, 2024

NOTICE CONCERNING THE CONVOCATION OF THE 104th ORDINARY GENERAL SHAREHOLDERS' MEETING

Date of the Meeting: June 25, 2024 (Tuesday), 10:00 a.m.
(reception starts at 9:00 a.m.)

Place of the Meeting: KABUTO ONE 4F, HALL & CONFERENCE hall
7-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan

Table of Contents

NOTICE CONCERNING THE CONVOCATION OF THE 104th ORDINARY GENERAL SHAREHOLDERS' MEETING	1
REFERENCE DOCUMENTS FOR THE GENERAL SHAREHOLDERS' MEETING.....	7
BUSINESS REPORT	29
STOCK ACQUISITION RIGHTS.....	40
ESTABLISHMENT OF A CORPORATE STRUCTURE TO ENSURE THE PROPER CONDUCT OF BUSINESS AND THE STATUS OF ITS OPERATIONS	54
BASIC POLICY WITH REGARD TO THE ROLE OF ANY PERSON CONTROLLING THE DECISION OVER FINANCIAL AND BUSINESS POLICIES OF THE COMPANY	61
CONSOLIDATED BALANCE SHEET	65
CONSOLIDATED STATEMENT OF INCOME.....	67
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	68
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.....	69
NON-CONSOLIDATED BALANCE SHEET.....	85
NON-CONSOLIDATED STATEMENT OF INCOME	87
NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	88
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS.....	89
A COPY OF THE AUDIT REPORT OF THE INDEPENDENT AUDITOR ON THE CONSOLIDATED FINANCIAL STATEMENTS	97
A COPY OF THE AUDIT REPORT OF THE INDEPENDENT AUDITOR	

ON THE NON-CONSOLIDATED FINANCIAL STATEMENTS.....	101
A COPY OF THE AUDIT REPORT OF THE AUDIT COMMITTEE	105

Heiwa Real Estate Co., Ltd.

Security Code 8803

May 31, 2024

(Date of commencement of electronic provision measures: May 30, 2024)

To the Shareholders
of Heiwa Real Estate Co., Ltd.

Dear Shareholders:

NOTICE OF THE 104th ORDINARY GENERAL SHAREHOLDERS' MEETING

We hereby inform you that the 104th Ordinary General Shareholders' Meeting (the "Meeting") of Heiwa Real Estate Co., Ltd. (the "Company") will be held as specified in the attached notice.

In convening the Meeting, information contained in the Reference Documents for the General Shareholders' Meeting, etc. (matters to be provided electronically) has been posted on the following websites as the Company has taken electronic provision measures. Please access either of these websites to view the relevant information.

The Company's website: <https://www.heiwa-net.co.jp/en/ir/stock/meeting.html>

Tokyo Stock Exchange (TSE) website:

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show>

Please access the above TSE website (Listed Company Search), enter "Heiwa Real Estate" in the field of "Issue name" or "8803" in the field of "Code", click "Search", select "Basic information" and select "Documents for public inspection/PR information" to view relevant information.

If you are unable to attend the meeting, you may exercise your voting rights in writing or by electronic method (the Internet, etc.). We would appreciate your exercise of the voting rights by 5:00 p.m., Monday, June 24, 2024.

Yours faithfully,

Kiyoyuki Tsuchimoto
Director, Representative Executive Officer,
President and CEO
Heiwa Real Estate Co., Ltd.
1-10, Nihonbashi Kabutocho,
Chuo-ku, Tokyo (103-8222)
Japan

Note: This document has been translated from the original Japanese for reference purposes only. In the event of any discrepancy between this translated document and the original Japanese, the original shall prevail. The Company assumes no responsibility for this translation or for direct, indirect or any other forms of damages arising from the translation.

NOTICE

1. Date and Time of the Meeting: June 25, 2024 (Tuesday), 10:00 a.m. (reception starts at 9:00 a.m.)
 2. Place of the Meeting: KABUTO ONE 4F, HALL & CONFERENCE hall
7-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan
 3. Items on Meeting Agenda
 - Items to be reported:
 - 1 The Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements for the 104th fiscal year from April 1, 2023 to March 31, 2024; and
 - 2 Independent Auditor's Report of Consolidated Financial Statements and Audit Report of Consolidated Financial Statements by the Audit Committee for the 104th fiscal year.
 - Items to be voted upon:
Agenda Item: Election of Nine (9) Directors
- If any major changes occur in the operation of the Meeting due to future circumstances, they will be announced on the Company's website (<https://www.heiwa-net.co.jp/en/ir/stock/meeting.html>).

Guide to Exercise Voting Rights

Shareholders have the privilege to exercise voting rights.

You may exercise your voting rights by one of the following methods.

We would appreciate your review of the Reference Documents for the General Shareholders' Meeting and your exercise of the voting rights.

Exercise of Voting Rights by Mail

Please indicate your vote for or against each of the agendas on the enclosed attendance sheet and return the sheet.

Deadline for exercise

The sheet must arrive by 5:00 p.m., Monday, June 24, 2024

Exercise of Voting Rights via the Internet

Please enter your vote for each agenda on the voting site designated by the Company.

Deadline for exercise

The votes must arrive by 5:00 p.m., Monday, June 24, 2024

Exercise of Voting Rights by Attending the Meeting

Please bring the enclosed attendance sheet and submit the sheet at the reception desk.

Date of the meeting

June 25, 2024 (Tuesday), 10:00 a.m.

[Treatment of the Exercise of Voting Rights]

If you submit the attendance sheet indicating neither for or against the agenda item, you will be deemed to have approved the agenda item.

[Information on Matters Provided Electronically]

- Among the matters provided electronically, the following specific matters below are not stated in paper-based documents delivered to the shareholders who have requested the delivery of such documents, as they are posted on the Company's website in accordance with the relevant laws and regulations and the provision of Article 16 of the Company's Articles of Incorporation.

The Audit Committee members and the Independent Auditor have audited all of the documents subject to their audit, including the following matters.

- (1) STOCK ACQUISITION RIGHTS, ESTABLISHMENT OF A CORPORATE STRUCTURE TO ENSURE THE PROPER CONDUCT OF BUSINESS AND THE STATUS OF ITS OPERATIONS, and BASIC POLICY WITH REGARD TO THE ROLE OF ANY PERSON CONTROLLING THE DECISION OVER FINANCIAL AND BUSINESS POLICIES OF THE COMPANY in the Business Report
- (2) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY and NOTES TO CONSOLIDATED FINANCIAL STATEMENTS in the Consolidated Financial Statements
- (3) NON-CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY and NOTES

TO NON-CONSOLIDATED FINANCIAL STATEMENTS in the Non-consolidated Financial Statements.

- If any modifications are made to the matters to be provided electronically, the modified information will be posted on the Company's website and on the TSE website.
- The results of the resolution of this General Shareholders' Meeting will be posted on the Company's website after conclusion of the Meeting, instead of sending a written notice of the results of the resolution.

[Notice Concerning Distribution of Surplus]

The Company has established provisions in its Articles of Incorporation to allow the distribution of surplus, etc. to be paid by a resolution of the Board of Directors pursuant to the provisions of Article 459 (1) of the Companies Act.

In accordance with the provisions of the Articles of Incorporation, the Company resolved at the Board of Directors' meeting held on May 17, 2024, to pay a year-end dividend for the 104th fiscal year (from April 1, 2023 to March 31, 2024) as follows.

- (1) Year-end dividend
¥108 per share (including a special dividend of ¥50)
(The annual dividend for this fiscal term, combined with the interim dividend of ¥58, will be ¥166 per share)
- (2) Effective date and payment commencement date
June 3, 2024

REFERENCE DOCUMENTS FOR
THE GENERAL SHAREHOLDERS' MEETING

Agenda Item: "Election of Nine (9) Directors"


The term of office of all nine Directors will expire at the conclusion of this General Shareholders' Meeting. Accordingly, the Company proposes the election of nine Directors based on the decision of the Nominating Committee.

Among the nine candidates for Director, five are candidates for External Director, making up a majority.

The candidates for Directors are as follows:


No	Name	Current position	Term of office	Attendance of Board of Directors' Meetings (FY2023)
1	Kiyoyuki Tsuchimoto [Male] Reappointment	Representative Executive Officer, President and CEO Nominating Committee member Compensation Committee member	7 years	12/12 (100%)
2	Kazuo Yamada [Male] Reappointment	Representative and Senior Managing Executive Officer Assistant to the President In charge of Development Promotion Department I, Development Promotion Department II and Community Co-Creation Department	13 years	12/12 (100%)
3	Takahisa Aoyama [Male] Reappointment	Executive Officer In charge of Corporate Planning Department, General Affairs Department, and Finance Department General Manager of Corporate Planning Department	2 years	12/12 (100%)

No	Name	Current position	Term of office	Attendance of Board of Directors' Meetings (FY2023)
4	Daisuke Kobayashi [Male] <u>Reappointment</u> <u>Non-executive</u>	Audit Committee member	2 years	12/12 (100%)
5	Kiichiro Masui [Male] <u>Reappointment</u> <u>External</u> <u>Independent</u>	External Director Chairman of the Nominating Committee	7 years	12/12 (100%)
6	Takahiro Moriguchi [Male] <u>Reappointment</u> <u>External</u> <u>Independent</u>	External Director Nominating Committee member Chairman of the Compensation Committee	4 years	12/12 (100%)
7	Junko Utsunomiya [Female] <u>Reappointment</u> <u>External</u> <u>Independent</u>	External Director Nominating Committee member Audit Committee member	4 years	12/12 (100%)
8	Eiji Yamada [Male] <u>Reappointment</u> <u>External</u> <u>Independent</u>	External Director Compensation Committee member	2 years	12/12 (100%)
9	Mitsunobu Yamaguchi [Male] <u>Reappointment</u> <u>External</u> <u>Independent</u>	External Director Chairman of the Audit Committee	2 years	12/12 (100%)


No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company		
1	 <p>Kiyoyuki Tsuchimoto November 19, 1959</p> <p><Reappointment> Attendance of Board of Directors' Meetings: 12/12 (100%)</p> <p>Attendance at Meetings of the Nominating Committee: 2/2 (100%)</p> <p>Attendance at Meetings of the Compensation Committee: 4/4 (100%)</p> <p>Term of office: 7 years</p>	<p>24,340</p> <p>(Of which, the number of shares to be provided based on the stock compensation plan: 17,043)</p>	<p>April 1982</p> <p>June 2013</p> <p>June 2014</p> <p>April 2016</p> <p>June 2017</p> <p>June 2018</p> <p>May 2019</p> <p>December 2019</p> <p>June 2022</p>	<p>1982</p> <p>2013</p> <p>2014</p> <p>2016</p> <p>2017</p> <p>2018</p> <p>2019</p> <p>2019</p> <p>2022</p>	<p>Joined Tokyo Stock Exchange, Inc. (TSE)</p> <p>Managing Director of TSE</p> <p>Director and Senior Executive Officer of TSE</p> <p>Director and Executive Vice President of TSE</p> <p>Director of Heiwa Real Estate Co., Ltd. (the Company) (current position) Senior Managing Executive Officer of the Company In charge of Real Estate Marketing Department of the Company</p> <p>In charge of Office Building Development Department of the Company</p> <p>Representative Director of the Company Acting President of the Company</p> <p>Representative Director and President of the Company Chief Executive Officer of the Company</p> <p>Representative Executive Officer, President and CEO of the Company (current position)</p>
<p>[Significant office(s) concurrently held] No significant office(s) held by the candidate concurrently.</p>					
<p>[Reasons for nominating as a candidate for Director] Mr. Kiyoyuki Tsuchimoto assumed the office of Director in June 2017, the office of Representative Director and President in December 2019, and the office of Representative Executive Officer, President and CEO in June 2022, and has engaged in the Company's management. He has supervised the Real Estate Marketing Department and Office Building Development Department, and overseen tenant leasing and other operations in the building leasing business, while also demonstrating strong leadership since his appointment as Representative Director and President by promoting the Medium-term Management Plan such as redevelopment projects in Nihonbashi Kabutocho and Kayabacho, as well as management as a whole, including utilizing his management experience at Tokyo Stock Exchange, Inc. and his network of connections within the financial and securities industries based on his past career.</p> <p>Mr. Tsuchimoto has management experience at the Company and deep expertise and experience in Group businesses; he participates in important decision-making as a Director at the Board of Directors, in his capacity as Chief Executive Officer (concurrent post) with a broad perspective over business management of the Group. By fulfilling his accountability to deepen discussions at Board of Directors meetings on the overall direction of the Group, he enables the Board of Directors to gain appropriate understanding of the status of business operations. The Company therefore expects that Mr. Kiyoyuki Tsuchimoto will bring greater efficacy to oversight functions at the Board of Directors and contribute to medium- and long-term enhancement of corporate value at the Group, and thus has nominated him as a candidate for Director.</p>					


2	 Kazuo Yamada February 24, 1957 <Reappointment Attendance of Board of Directors' Meetings: 12/12 (100%) Term of office: 13 years	28,093 (Of which, the number of shares to be provided based on the stock compensation plan: 11,067)	April	1980	Joined Heiwa Real Estate Co., Ltd. (the Company)
			December	2004	General Manager of Office Building Development Department of the Company
			July	2006	General Manager of Office Building Development Department and Manager of Sapporo Branch of the Company
			April	2007	General Manager of Finance Department of the Company
			June	2009	Managing Officer of the Company
			June	2010	Deputy General Manager of General Affairs Headquarters, and Group Leader of Planning Finance Group of the Company
			June	2011	Director (current position), Managing Executive Officer, and General Manager of General Affairs and Planning Headquarters of the Company
			June	2014	In charge of Real Estate Solutions Department of the Company
			June	2016	In charge of Development Planning Department (Development) of the Company
			June	2018	In charge of Development Promotion Department (Development) of the Company
			June	2020	Senior Managing Executive Officer of the Company In charge of Development Promotion Department of the Company In charge of Real Estate Investment Department of the Company
			June	2022	Representative and Senior Managing Executive Officer of the Company (current position) Assistant to the President of the Company (current position)
			April	2023	In charge of Community Co-Creation Department of the Company (current position)
April	2024	In charge of Development Promotion Department I and Development Promotion Department II of the Company (current position)			

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company
			<p data-bbox="280 356 1002 421">[Significant office(s) concurrently held] No significant office(s) held by the candidate concurrently.</p> <p data-bbox="280 439 1437 972">[Reasons for nominating as a candidate for Director] Mr. Kazuo Yamada assumed the office of Director in June 2011 and the office of Representative and Senior Managing Executive Officer in June 2022, and has engaged in the Company's management. He has served as General Manager of Office Building Development Department, General Manager of Finance Department, and other positions, and has abundant experience in the Building Business and financial operations, etc. After assuming the office of Director, he has supervised the Real Estate Solutions Department, Development Promotion Department, Real Estate Investment Department and other departments, and contributed considerably to promotion of the Redevelopment Business and expansion of the Asset Management Business. Mr. Yamada has management experience at the Company and deep expertise and experience in Group businesses; he participates in major decision-making as a Director at the Board of Directors, in his capacity as an executive officer (concurrent post) of the Group. By fulfilling his accountability to deepen discussions at Board of Directors meetings on important themes in redevelopment projects and others, he enables the Board of Directors to gain appropriate understanding of the status of business operations. The Company therefore expects Mr. Kazuo Yamada will bring greater efficacy to oversight functions at the Board of Directors and contribute to medium- and long-term enhancement of corporate value at the Group, and thus has nominated him as a candidate for Director.</p>


No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company		
3	 Takahisa Aoyama August 29, 1969 <Reappointment> Attendance of Board of Directors' Meetings: 12/12 (100%) Term of office: 2 years	8,233 (Of which, the number of shares to be provided based on the stock compensation plan:5,264)	April June June June June June June April	1993 2014 2017 2018 2020 2022 2023	Joined Heiwa Real Estate Co., Ltd. (the Company) General Manager of Finance Department of the Company General Manager of Real Estate Marketing Department of the Company General Manager of Office Building Development Department of the Company 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) Executive Officer of the Company (current position) In charge of Corporate Planning and General Affairs Department, Finance Department and Legal Office of the Company General Manager of Corporate Planning and General Affairs Department and Legal Office of the Company In charge of Corporate Planning Department, General Affairs Department and Finance Department of the Company (current position) General Manager of Corporate Planning Department of the Company (current position)
[Significant office(s) concurrently held] No significant office(s) held by the candidate concurrently.					

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company
			<p>[Reasons for nominating as a candidate for Director]</p> <p>Mr. Takahisa Aoyama assumed the office of Managing Officer in June 2020 and the office of Director and Executive Officer in June 2022, and has engaged in the Company's management. He has served as General Manager of Finance Department, General Manager of Office Building Development Department, and other positions, and has contributed considerably to the Company's stable financial operations and expansion of the Office Building Development Business. He was in charge of Real Estate Investment Department as a Managing Officer and has been in charge of Corporate Planning Department, General Affairs Department, and Finance Department after assuming the office of Executive Officer, and has abundant experience in these departments.</p> <p>Mr. Aoyama management experience at the Company and has deep expertise and experience in Group businesses; the Company expects that he will bring greater efficacy to oversight functions at the Board of Directors through his participation in important decision-making as a Director at the Board of Directors, in his capacity as an executive officer (concurrent post). By fulfilling his accountability to deepen discussions at Board of Directors meetings on important themes in management strategy and others, he enables the Board of Directors to gain appropriate understanding of the status of business operations. The Company therefore expects Mr. Takahisa Aoyama will contribute to medium- and long-term enhancement of corporate value at the Group, and thus has nominated him as a candidate for Director.</p>

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company		
4	 <p>Daisuke Kobayashi</p> <p>May 3, 1969</p> <p><Reappointment></p> <p><Non-executive></p> <p>Attendance of Board of Directors' Meetings: 12/12 (100%)</p> <p>Attendance at Meetings of the Audit Committee: 12/12 (100%)</p> <p>Term of office: 2 years</p>	3,569	April	1993	Joined Heiwa Real Estate Co., Ltd. (the Company)
			August	2006	General Affairs Department and IR Office of the Company
			June	2013	Manager of Nagoya Branch, Leasing Headquarters of the Company
			June	2020	Seconded to HEIWA REAL ESTATE Asset Management CO., LTD., Director, Business Planning Division General Manager
			June	2022	Director of the Company (current position)
<p>[Significant office(s) concurrently held]</p> <p>No significant office(s) held by the candidate concurrently.</p>					
<p>[Reasons for nominating as a candidate for Director]</p> <p>Mr. Daisuke Kobayashi assumed the office of Director in June 2022, and has engaged in audit of the Company's management, etc. He has abundant experience and achievements in the General Affairs Department and the building leasing business of the Company, as well as insight related to finance and accounting and management experience having history of service as Director and Business Planning Division General Manager at a listed REIT property management company which is a Group member company.</p> <p>The Company expects that Mr. Kobayashi will bring greater efficacy to oversight functions at the Board of Directors through his participation in important decision-making as a Director at the Board of Directors by utilizing his abundant knowledge and experience of Group businesses. In addition, if the appointment of Mr. Kobayashi is approved, it is planned that he will continue to serve as full-time Audit Committee member after conclusion of this General Meeting of Shareholders. The Company expects that Mr. Daisuke Kobayashi will step up the effectiveness of auditing through the Audit Committee by contributing his intimate knowledge of Group operations, and thus has nominated him as a candidate for Director.</p>					

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company		
5	 Kiichiro Masui July 16, 1950 <Reappointment> <External Director> <Independent> Attendance of Board of Directors' Meetings: 12/12 (100%) Attendance at Meetings of the Nominating Committee: 2/2 (100%) Term of office: 7 years	2,996	April	1973	Entered the Ministry of Finance
			June	2000	Director-General of Kinki Local Finance Bureau
			July	2003	Director-General of the Planning and Coordination Bureau of the Financial Services Agency (retired in August 2005)
			September	2005	Senior Managing Director of Japan Securities Dealers Association
			May	2006	Vice-Chairman and Senior Managing Director of Japan Securities Dealers Association
			July	2008	Vice-Chairman of Japan Securities Dealers Association (retired in June 2013)
			June	2012	Director of the Tokyo Shoken Building Incorporated (retired in June 2017)
			July	2013	Chairman of the Japan Investor Protection Fund (retired in June 2018)
			June	2014	Chairman of the Board of the Japan Securities Research Institute (retired in June 2023)
			June	2016	Outside Director of Japan Credit Rating Agency, Ltd. (current position)
			June	2017	External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)
			June	2022	Outside Director of AIZAWA SECURITIES GROUP CO., LTD. (current position)
[Significant office(s) concurrently held] Outside Director of Japan Credit Rating Agency, Ltd. Outside Director of AIZAWA SECURITIES GROUP CO., LTD.					


No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company
			<p>[Reason for nominating him as a candidate for External Director and an outline of expected roles]</p> <p>Mr. Kiichiro Masui has a history of service as Chairman of the Board of The Japan Securities Research Institute. Although Mr. Kiichiro Masui has never been directly involved in corporate management, he has served in important positions in securities-related organizations and has abundant experience and deep insight in the world of finance and securities.</p> <p>Mr. Kiichiro Masui plays an appropriate role in supervising the execution of business effectively from an independent and objective position and providing advice to management from this standpoint. In addition, as a chairman of the Nominating Committee, he has provided opinions from an objective and neutral standpoint regarding the personnel affairs of officers at the Company.</p> <p>For the above reasons, the Company expects that Mr. Kiichiro Masui will contribute to the enhancement of effectiveness of the Board of Directors and committees that will lead to the enhancement of corporate value of the Group in the medium and long term as an External Director, and thus has nominated him as a candidate for External Director.</p>
			<p>[Concerning independence]</p> <p>There have been transactions related to the leasing of real estate between the Company and The Japan Securities Research Institute, an entity for which Mr. Kiichiro Masui served as Chairman of the Board until June 2023. However, the amount of the transactions makes up less than 1% of the consolidated net sales of the Company. Therefore, Mr. Kiichiro Masui does not fall in the category of persons who has executed the business of the Company's major suppliers (criteria: the suppliers who pay the Company an amount equivalent to more than 2% of the Company's consolidated net sales for the past three years as defined in the "Standards for Assessing the Independence of External Directors" (on page 28) stipulated by the Company, and fulfills the Standards. In addition, although AIZAWA SECURITIES CO., LTD., a wholly owned subsidiary of AIZAWA SECURITIES GROUP CO., LTD., for which Mr. Kiichiro Masui serves as an Outside Director, holds shares of the Company, AIZAWA SECURITIES CO., LTD. holds less than 1% of the total number of shares issued by the Company, and Mr. Masui is not a business executive of a major shareholder of the Company (threshold: 10% or more of the total number of shares issued by the Company) under the "Standards for Assessing the Independence of External Directors" (on page 28) stipulated by the Company, and fulfills the threshold.</p> <p>For the above reasons, the Company believes that Mr. Kiichiro Masui will not have potential conflicts of interest with general shareholders of the Company, such as human relationships, capital relationships, transactional relationships, or any other interests, and that his independence is ensured.</p> <p>The Company has registered him with Tokyo Stock Exchange, Inc. as an independent officer. If his reelection is approved, the Company will continue to appoint him as an independent officer.</p>

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company		
6	 <p>Takahiro Moriguchi May 22, 1944</p> <p><Reappointment> <External Director> <Independent></p> <p>Attendance of Board of Directors' Meetings: 12/12 (100%)</p> <p>Attendance at the Nominating Committee: 2/2 (100%)</p> <p>Attendance at Meetings of the Compensation Committee: 4/4 (100%)</p> <p>Term of office: 4 years</p>	1,231	April	1967	Joined the Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)
			June	1995	Member of the Board of Directors of the Bank of Tokyo, Ltd. Director and Vice-President of Union Bank (retired in May 1997)
			April	1996	Member of the Board of Directors of the Bank of Tokyo-Mitsubishi, Ltd.(currently MUFG Bank, Ltd.)
			May	1997	President of UnionBanCal Corporation (retired in June 2001) President of Union Bank of California (retired in June 2001)
			June	2000	Managing Director of the Bank of Tokyo-Mitsubishi, Ltd. (BTM) (currently MUFG Bank, Ltd.)
			July	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 (retired in June 2005)
			June	2005	Advisor of BTM
			January	2006	Advisor of the Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)(retired in January 2006)
			February	2006	Chairman of J.P. Morgan Securities Asia Pte. Limited Tokyo Branch (currently JPMorgan Securities Japan Co., Ltd.)
			April	2006	Chairman of JPMorgan Securities Japan Co., Ltd. (JPMSJ)
			June	2006	Representative Director, Chairman, CEO and President of JPMSJ
			September	2007	Representative Director and Chairman of JPMSJ (retired in June 2016)
			July	2016	Senior Advisor of JPMSJ (retired in December 2016)
			June	2020	External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)


No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company
			<p>[Significant office(s) concurrently held] No significant office(s) held by the candidate concurrently.</p> <p>[Reason for nominating him as a candidate for External Director and an outline of expected roles] Mr. Takahiro Moriguchi has served as Representative Director and Deputy President of the Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.) and Representative Director and Chairman of JPMorgan Securities Japan Co., Ltd. He has served as a president at banks in the U.S., and has broad knowledge on finance and securities, international business experience, and abundant experience and deep insight as a corporate manager. Mr. Takahiro Moriguchi plays an appropriate role in supervising the execution of business from an independent and objective position and providing advice to management from this standpoint. In addition, as a member of the Nominating Committee and a chairman of the Compensation Committee, he has provided opinions from an objective and neutral standpoint regarding the personnel affairs of officers and officer compensation at the Company. For the above reasons, the Company expects that Mr. Takahiro Moriguchi will contribute to the enhancement of effectiveness of the Board of Directors and committees that will lead to the enhancement of corporate value of the Group in the medium and long term as an External Director, and thus has nominated him as a candidate for External Director.</p> <p>[Concerning independence] Mr. Takahiro Moriguchi has no transactional relationship with the Company, and accordingly fulfills the “Standards for Assessing the Independence of External Directors” (on page 28) stipulated by the Company. For the above reasons, the Company believes that Mr. Takahiro Moriguchi will not have potential conflicts of interest with general shareholders of the Company, such as human relationships, capital relationships, transactional relationships, or any other interests, and that his independence is ensured. The Company has registered him with Tokyo Stock Exchange, Inc. as an independent officer. If his reelection is approved, the Company will continue to appoint him as an independent officer.</p>

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company		
7	 <p>Junko Utsunomiya</p> <p>Official name on the family register: Junko Morita</p> <p>June 21, 1971</p> <p><Reappointment> <External Director> <Independent></p> <p>Attendance of Board of Directors' Meetings: 12/12 (100%)</p> <p>Attendance at Meetings of the Nominating Committee: 2/2 (100%)</p> <p>Attendance at Meetings of the Audit Committee: 12/12 (100%)</p> <p>Term of office: 4 years</p>	1,231	April	2000	Registered as a lawyer and joined the law firm Nagashima, Ohno & Tsunematsu
			October	2007	Seconded to Tokyo Stock Exchange, Inc. (TSE) (until April 2009)
			November	2011	Founded Utsunomiya Law Office
			June	2012	External Statutory Auditor of Start Today Co., Ltd. (currently ZOZO, Inc.) (retired in June 2023)
			April	2013	Outside Corporate Auditor of Solasto Corporation (retired in June 2020)
			September	2013	Outside Director of Adventure Inc. (retired in September 2020)
			February	2018	Representative partner of Utsunomiya & Shimizu and Haruki Management Legal Office (current position)
			October	2018	Outside Audit & Supervisory Board Member of RAKSUL INC.
			October	2019	Outside Director, Audit and Supervisory Committee Member of RAKSUL INC. (current position)
			June	2020	External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)
			March	2021	Outside Director (Audit & Supervisory Committee Member) of PeptiDream Inc. (current position)
			June	2023	Outside Director, Audit and Supervisory Committee member of ZOZO, Inc. (current position)
<p>[Significant office(s) concurrently held]</p> <p>Representative partner of Utsunomiya & Shimizu and Haruki Management Legal Office</p> <p>Outside Director, Audit and Supervisory Committee Member of RAKSUL INC.</p> <p>Outside Director (Audit & Supervisory Committee Member) of PeptiDream Inc.</p> <p>Outside Director, Audit and Supervisory Committee member of ZOZO, Inc.</p>					

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company
			<p>[Reason for nominating her as a candidate for External Director and an outline of expected roles]</p> <p>Ms. Junko Utsunomiya has acquired high degrees of expertise as a lawyer, and although she has never been directly involved in corporate management, she has served as an outside director of other listed companies and has abundant experience and deep insight in the field of corporate legal affairs.</p> <p>Ms. Junko Utsunomiya plays an appropriate role in supervising the execution of business effectively from an independent and objective position and providing advice to management from this standpoint. In addition, as a member of the Nominating Committee and the Audit Committee, she has provided opinions from an objective and neutral standpoint regarding the personnel affairs of officers at the Company, and has appropriately audited the business execution from an independent standpoint.</p> <p>For the above reasons, the Company expects that Ms. Junko Utsunomiya will contribute to the enhancement of effectiveness of the Board of Directors and committees that will lead to the enhancement of corporate value of the Group in the medium and long term as an External Director, and thus has nominated her as a candidate for External Director.</p> <p>[Concerning her independence]</p> <p>Ms. Junko Utsunomiya has no transactional relationship with the Company, and accordingly fulfills the “Standards for Assessing the Independence of External Directors” (on page 28) stipulated by the Company.</p> <p>For the above reasons, the Company believes that Ms. Junko Utsunomiya will not have potential conflicts of interest with general shareholders of the Company, such as human relationships, capital relationships, transactional relationships, or any other interests, and that her independence is ensured.</p> <p>The Company has registered her with Tokyo Stock Exchange, Inc. as an independent officer. If her reelection is approved, the Company will continue to appoint her as an independent officer.</p>

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company		
8	 <p>Eiji Yamada July 18, 1955</p> <p><Reappointment> <External Director> <Independent></p> <p>Attendance of Board of Directors' Meetings: 12/12 (100%)</p> <p>Attendance at Meetings of the Compensation Committee: 4/4 (100%)</p> <p>Term of office: 2 years</p>	0	<p>April 1978</p> <p>June 2005</p> <p>June 2011</p> <p>June 2012</p> <p>June 2015</p> <p>June 2017</p> <p>June 2021</p> <p>June 2022</p>	<p>1978</p> <p>2005</p> <p>2011</p> <p>2012</p> <p>2015</p> <p>2017</p> <p>2021</p> <p>2022</p>	<p>Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)</p> <p>Senior Vice President of NTT DATA Corporation</p> <p>Director and Executive Vice President of NTT DATA Corporation</p> <p>Representative Director and Senior Executive Vice President of NTT DATA Corporation</p> <p>Advisor of NTT DATA Corporation (retired in June 2017) President and Representative Director of Japan Information Processing Service Co., Ltd. (retired in June 2021)</p> <p>Outside Director of The Chiba Kogyo Bank, Ltd. (current position)</p> <p>Advisor of Japan Information Processing Service Co., Ltd. (retired in June 2023) External Director of Kyokuyo Co., Ltd. (current position)</p> <p>External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)</p>
<p>[Significant office(s) concurrently held] Outside Director of The Chiba Kogyo Bank, Ltd. External Director of Kyokuyo Co., Ltd.</p>					
<p>[Reason for nominating him as a candidate for External Director and an outline of expected roles] Mr. Eiji Yamada has served as Representative Director and Senior Executive Vice President of NTT DATA Corporation, President and Representative Director of Japan Information Processing Service Co., Ltd., and an outside director of other listed companies, and has abundant experience in data communication and system development, etc. and deep insight as a corporate manager. From this standpoint, Mr. Eiji Yamada has been playing an appropriate role in supervising the execution of business effectively from an independent and objective position and providing advice to management. In addition, as a member of the Nominating Committee, he has provided opinions from an objective and neutral standpoint regarding the officer compensation at the Company. For the above reasons, the Company expects that Mr. Eiji Yamada will contribute to the enhancement of effectiveness of the Board of Directors and committees that will lead to the enhancement of corporate value of the Group in the medium and long term as an External Director, and thus has nominated him as a candidate for External Director.</p>					

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company
			<p>[Concerning independence]</p> <p>Mr. Eiji Yamada has no transactional relationship with the Company, and accordingly fulfills the “Standards for Assessing the Independence of External Directors” (on page 28) stipulated by the Company.</p> <p>For the above reasons, the Company believes that Mr. Eiji Yamada will not have potential conflicts of interest with general shareholders of the Company, such as human relationships, capital relationships, transactional relationships, or any other interests, and that his independence is ensured.</p> <p>The Company has registered him with Tokyo Stock Exchange, Inc. as an independent officer. If his reelection is approved, the Company will continue to appoint him as an independent officer.</p>

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company	
9	 <p>Mitsunobu Yamaguchi</p> <p>January 24, 1958</p> <p><Reappointment> <External Director> <Independent></p> <p>Attendance of Board of Directors' Meetings: 12/12 (100%)</p> <p>Attendance at Meetings of the Audit Committee: 12/12 (100%)</p> <p>Term of office: 2 years</p>	0	<p>September 1983</p> <p>August 1987</p> <p>July 1996</p> <p>May 2001</p> <p>May 2007</p> <p>July 2020</p> <p>June 2021</p> <p>June 2022</p> <p>October 2023</p>	<p>Joined Tetsuzo Ota & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>Registered as a Certified Public Accountant</p> <p>Assigned to Detroit offices of Ernst & Young in the United States</p> <p>Employee of Century Ota Showa & Co. (currently Ernst & Young ShinNihon LLC)</p> <p>Representative of ShinNihon LLC (currently Ernst & Young ShinNihon LLC) (retired due to retirement age in June 2020)</p> <p>Established Mitsunobu Yamaguchi CPA Office, Head (current position)</p> <p>Outside Audit & Supervisory Board Member of MEITEC CORPORATION (retired in October 2023)</p> <p>External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)</p> <p>Outside Director (Audit and Supervisory Committee member) of MEITEC Group Holdings Inc.</p>
<p>[Significant office(s) concurrently held] Head of Mitsunobu Yamaguchi CPA Office Outside Director (Audit and Supervisory Committee member) of MEITEC Group Holdings Inc.</p>				
<p>[Reason for nominating him as a candidate for External Director and an outline of expected roles] Mr. Mitsunobu Yamaguchi has a high degree of specialization as a certified public accountant, has worked in the United States, and has served as an external auditor at other listed company. Though he has never been directly involved in corporate management, he has abundant experience in the fields of financial accounting and auditing, and experience in international service. From this standpoint, Mr. Mitsunobu Yamaguchi has been playing an appropriate role in supervising the execution of business effectively from an independent and objective position and providing advice to management. In addition, as a chairman of the Audit Committee, he has appropriately audited the business execution from an independent standpoint. For the above reasons, the Company expects that Mr. Mitsunobu Yamaguchi will contribute to the enhancement of effectiveness of the Board of Directors and committees that will lead to the enhancement of corporate value of the Group in the medium and long term as an External Director, and thus has nominated him as a candidate for External Director.</p>				

No.	Name and date of birth	Number of the shares of the Company held by the candidate	Career summary, position and assignment of the Company
			<p>[Concerning independence]</p> <p>Mr. Mitsunobu Yamaguchi has no transactional relationship with the Company, and accordingly fulfills the “Standards for Assessing the Independence of External Directors” (on page 28) stipulated by the Company.</p> <p>For the above reasons, the Company believes that Mr. Mitsunobu Yamaguchi will not have potential conflicts of interest with general shareholders of the Company, such as human relationships, capital relationships, transactional relationships, or any other interests, and that his independence is ensured.</p> <p>The Company has registered him with Tokyo Stock Exchange, Inc. as an independent officer. If his reelection is approved, the Company will continue to appoint him as an independent officer.</p>

(Notes)

1. No conflict of interest exists between the Company and the candidates for Director.
2. The number of shares of the Company held by the candidate as stated includes the number of shares of the Company to be granted to executive officers after their retirement under the performance-linked stock compensation plan as stated in parentheses (number of shares equivalent to the points already granted under said plan). In principle, an executive director may receive shares of the Company equivalent to 70% of the points that have been granted up until the completion of the director's term upon retirement. For the remaining points granted, a cash amount equivalent to the market price of the shares of the Company will be paid in place of Company shares after it has been converted.
3. Mr. Kiichiro Masui, Mr. Takahiro Moriguchi, Ms. Junko Utsunomiya, Mr. Eiji Yamada and Mr. Mitsunobu Yamaguchi are candidates for External Director.
4. The Company has entered into agreements with Mr. Daisuke Kobayashi, Mr. Kiichiro Masui, Mr. Takahiro Moriguchi, Ms. Junko Utsunomiya, Mr. Eiji Yamada and Mr. Mitsunobu Yamaguchi to limit their liability for damages as set forth in Article 423, Paragraph 1 of the Companies Act in accordance with Article 427, Paragraph 1 of the Act; provided, however, that the limit thereof under such agreements shall be the amount prescribed in the Act. If their reelection is approved, the Company will renew the liability limitation agreements under the same conditions. The Company has entered into liability limitation agreements with all of the Directors (excluding those who are executive directors, etc.) in office.
5. The Company has concluded a directors and officers liability insurance contract, as stipulated in Article 430-3, Paragraph 1 of the Companies Act, with an insurance company that insures directors, executive officers, statutory auditors, managing officers and employees of the Company and its subsidiaries. The insurance premiums for the contract are fully borne by the Company. The insurance contract covers damages and litigation expenses assumed in the event which a claim for damages is made against the insured person due to an act committed (and including results of inaction) by the insured person in his/her capacity as an officer, etc. of the Company. This contract is to be renewed every year and the Company will renew the contract with the same contents in December 2024. Each candidate for Director, candidates to be reelected is already insured and will continue to be insured after the reelection. The insurance contract includes measures taken to ensure that the appropriateness of duties performed by the insured person will not be impaired by setting limits for the amount to be covered.
6. Ms. Junko Utsunomiya was an External Director of Adventure Inc. from September 2013 to September 2020. During her term of office, an employee of a subsidiary of Adventure, Inc. was revealed to have embezzled funds from the subsidiary. Although she was unaware of the said fact in advance, she had habitually offered suggestions at Adventure Inc. from a standpoint of legal compliance and compliance management.

Since the revelation of the aforementioned fact, she has appropriately performed her duties mainly by calling for a thorough investigation and formulation of recurrence prevention measures and supervising the company's initiatives.

[Reference: Supplemental explanation regarding independence of the candidates for Director]

Candidate No. 6: Mr. Takahiro Moriguchi

Loan and other transactions exist between the Company and the Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.), where Mr. Takahiro Moriguchi worked as Representative Director and Deputy President. However, about 18 years have passed since he retired from the bank in January 2006. In the meantime, he had no involvement with the bank management and was not involved in business execution. Accordingly, the Company judges that Mr. Moriguchi has a sufficient degree of independence.

Candidate No. 7: Ms. Junko Utsunomiya

There have been transactions related to the leasing of real estate between the Company and Tokyo Stock Exchange, Inc., to which Ms. Junko Utsunomiya was temporarily transferred between October 2007 and April 2009. However, about 15 years have passed since the transfer arrangement with the TSE ended; she is by profession a lawyer, and the transfer was limited to 2 years out of a career total of over 20 years as a lawyer. Accordingly, the Company judges that Ms. Utsunomiya has a sufficient degree of independence.

[Reference: Skill matrix of the Board of Directors after the end of the General Meeting of Shareholders]

The Company has developed the following “skill set” categories: “Corporate management,” “Financial affairs / accounting,” “Legal affairs,” “International perspective,” “Finance / securities,” “Planning / sales,” and “DX / IT,” as categories of expertise and experience created to enable appropriate Board decision-making and management oversight functions. The following is the “skills matrix” of the Board of Directors in the event of the election of the candidates in the Notice Concerning the Convocation of this meeting as originally proposed.

Candidate for Director	Corporate management	Financial affairs / accounting	Legal affairs	International perspective	Finance / securities	Planning / sales	DX / IT	Committee to be appointed		
								Nominating	Audit	Compensation
Kiyoyuki Tsuchimoto	●				●	●		●		●
Kazuo Yamada	●	●				●				
Takahisa Aoyama	●	●				●	●			
Daisuke Kobayashi	●	●				●			●	
Kiichiro Masui					●	●		★		
Takahiro Moriguchi	●	●		●	●	●		●		★
Junko Utsunomiya			●					●	●	
Eiji Yamada	●					●	●			●
Mitsunobu Yamaguchi		●		●					★	

★: Chairperson * This list does not indicate all of the skills possessed by each candidate for Director.

[Reference: Measures to reduce cross-shareholdings]

As a measure to reduce cross-shareholdings, ¥1,377 million (selling price) worth of shares was sold off by the Company in the year ended March 31, 2024. In addition, in a new medium-term management plan, “WAY 2040 Stage 1” announced on April 30, 2024, the Company set a KPI of reducing the ratio of cross-shareholdings to consolidated net assets to 10% or less by fiscal 2026. The Company will continue to work to reduce cross-shareholdings.

(Reference)

Standards for Assessing the Independence of External Directors

The Company judges that External Directors are independent when they do not meet the standards set forth in Paragraph 2 below as well as the standards of independence specified by the financial instruments exchange.

1. Policies for Election of External Directors

In the election of External Directors, the Company considers it desirable that the Company has no personal relations, capital relations, business relations or any other interests with the External Officers. Meanwhile, the Company also emphasizes a clear understanding of the Company's business and the expectation of useful roles for the Company's business expansion.

2. Standards of Independence of External Directors

- (1) Persons who execute the business of the Company's major suppliers *Notes 1 and 2
- (2) Persons who execute the business of companies whose major supplier is the Company *Note 3
- (3) Persons who execute the business of the Company's principal creditors *Note 4
- (4) Attorneys, certified public accountants, licensed tax accountants, consultants or any other experts who receive a large amount of money and other properties in addition to the executive compensation from the Company *Note 5
- (5) Persons who execute the business of entities that receive a large amount of donations from the Company *Note 6
- (6) Persons who execute the business of the Company's major shareholders *Note 7
- (7) Close relatives of those who fall under Items (1) to (6) above *Note 8
- (8) Those who fall under Items (1) to (7) above for the past three (3) years

- (Notes) 1. "Persons who execute the business" shall refer to the executive director, executive officer and managing officer.
2. "The Company's major suppliers" shall refer to an entity that pays the Company an amount equivalent to more than 2% of the Company's consolidated net sales for the most recent fiscal year.
 3. "Companies whose major supplier is the Company" shall refer to an entity that receives from the Company the payment of an amount equivalent to more than 2% of the entity's consolidated net sales for the most recent fiscal year.
 4. "Principal creditors" shall refer to an entity that provides the Company with loans in an amount equivalent to more than 2% of the Company's consolidated total assets for the most recent fiscal year.
 5. "A large amount of money and other properties" shall refer to the payment of more than 10 million yen annually.
 6. "A large amount of donations" shall refer to donations of more than 10 million yen annually.
 7. "Major shareholders" shall refer to the shareholders who own the shares equivalent to 10% or more of the total number of shares issued for the most recent fiscal year.
 8. "Close relatives" shall refer to relatives within the second degree of relationship.

BUSINESS REPORT

1. Outline of Operations (from April 1, 2023 to March 31, 2024):

(1) Update and Results of Business -

In fiscal 2023, ended March 31, 2024, the Japanese economy continued to pick up moderately on the back of improved employment and income conditions as well as various economic measures implemented by the government. Nevertheless, the impacts of rising prices, economic downturns in other countries, and financial capital market trends and volatility risks will need to be closely monitored going forward.

Against this backdrop, conditions were favorable in Japan's real estate industry. In the office building leasing market, vacancy rates declined in central Tokyo, reflecting a rebound in demand for office space despite substantial availability in newly constructed buildings. In the real estate investment market, investment demand for real estate remained firm and stable due to comparably low interest rates in Japan's financing market.

In this operating environment, the Company's consolidated financial results were mixed. Net sales totaled ¥44,433 million, a decrease of ¥89 million (0.2%) compared with the previous fiscal year. Operating profit increased by ¥2,237 million (20.7%) to ¥13,022 million, while ordinary profit rose by ¥1,816 million (18.8%) to ¥11,463 million. Profit attributable to owners of parent amounted to ¥8,450 million, down ¥686 million (7.5%) year on year. Nevertheless, the Company achieved its targets for all key performance indicators set in its medium-term management plan, Challenge & Progress, particularly its fiscal 2023 operating profit target of ¥12.0 billion, consolidated operating profit reached a record high.

Building Business

In the Building Business segment, leasing revenue increased by ¥1,251 million (5.0%) year on year to ¥26,382 million, primarily due to contributions from buildings acquired in the previous fiscal year, namely the Heiwa Real Estate Nagoya Fushimi Building and the Heiwa Real Estate Sakura-dori Building (both in Nagoya-shi, Aichi), as well as to the leasing of newly occupied office space. Revenue from sales of properties decreased by ¥1,284 million (9.1%) to ¥12,780 million, reflecting a year-on-year decrease in proceeds from the sell-off of properties designated as real estate for sale. These results combined with other net sales in this segment brought total net sales to ¥40,544 million, a decrease of ¥303 million (0.7%) compared with the previous fiscal year. On the other hand, segment operating profit rose by ¥2,066 million (19.5%) to ¥12,639 million.

As of March 31, 2024, the vacancy rate of buildings leased by the Heiwa Real Estate Group

(excluding buildings for which leases have been suspended due to redevelopment) was 2.83%.

Asset Management Business

In the Asset Management Business segment, asset management revenue increased by ¥82 million (3.3%) to ¥2,565 million, and brokerage commissions rose by ¥131 million (11.0%) to ¥1,322 million. As a result, segment net sales came to ¥3,888 million, up ¥214 million (5.8%) year on year. Segment operating profit totaled ¥2,197 million, an increase of ¥126 million (6.1%) compared with the previous fiscal year.

(2) Investment in fixed assets -

During the fiscal year ended March 31, 2024, the Company paid out total capital expenditures of ¥15,668 million, including the expenditure for the acquisition of Pregio Shin-Osaka Rouge (Osaka-shi, Osaka) and the construction of Caption by Hyatt Kabutocho Tokyo (Chuo-ku, Tokyo).

(3) Status of financing -

Not applicable

(4) Issues to be resolved by the Company -

Over the four-year period from fiscal 2020 to fiscal 2023, the Heiwa Real Estate Group advanced its medium-term management plan, Challenge & Progress, positioning itself to strive for new heights as a company contributing to district revitalization.

We progressed with revitalization of the Nihonbashi Kabutocho and Kayabacho district, as well as large-scale redevelopment projects in Sapporo, and transitioned to a business model centered on creating added value through both external and internal growth. Meanwhile, our commitment to sustainability initiatives led us to actively address social issues. As a result, we achieved all key performance indicators (KPIs), including consolidated operating profit exceeding ¥12 billion, earnings per share (EPS) over ¥200, and a return on equity (ROE) over 6%. These achievements represent a significant leap forward for the Group over the past four years.

The Japanese economy is expected to pick up moderately due to improvements in employment and income conditions as well as the impact of various economic measures to be implemented by the government. Nevertheless, potential economic downturns around the world triggered by global inflation and monetary tightening will need to be closely monitored.

In Japan, the urban landscape and lifestyles are undergoing major changes due to various factors, including the diversification and qualitative shifts in workstyles, expanded demand from inbound tourism, population decline, a dwindling birthrate and an aging society, and intensified competition between cities and between regions. Additionally, heightened expectations for improved capital efficiency, the advancement of sustainability management, progress in digital technology, and the increasing threat of natural disasters are all contributing to the rapidly

evolving operating environment surrounding the Group.

After considering this operating environment, the Company announced the Heiwa Real Estate Group Purpose, “Enriching everyone’s future with *Bazukuri* that draws people in,” and the Heiwa Real Estate Group Long-term Vision, “WAY 2040,” on March 29, 2024, followed by a new medium-term management plan, “WAY 2040 Stage 1,” on April 30, 2024. In accordance with these plans, the Group will work to expand its redevelopment business, cultivate profit growth while enhancing capital efficiency, boost social value, and strengthen its business foundations, in an effort to increase corporate value.

Background and Positioning of the New Medium-Term Management Plan

In the new medium-term management plan, WAY 2040 Stage 1 (fiscal 2024 to fiscal 2026), we have positioned this period as the initial sprint toward dynamic growth. This involves establishing the Nihonbashi Kabutocho and Kayabacho district brand, undertaking our largest-ever redevelopment projects, located in Sapporo, and venturing into new business domains to realize our vision, characterized by the slogan: Pursue perpetual dynamic growth to become the “Bazukuri Company.”

Key Strategies of the Plan to Realize Our Vision

- (1) Expand redevelopment business: Deploy *Bazukuri* endeavors that draw people in throughout Japan
 - 1) Establish the Nihonbashi Kabutocho and Kayabacho district brand
 - The introduction of new features through the opening of Caption by Hyatt Kabutocho Tokyo, the first of this series in Tokyo, will generate synergies among different aspects and services within the city, enhancing overall urban functionality. Further, we will implement diverse *Bazukuri* endeavors that draw people in and entrench our Nihonbashi Kabutocho and Kayabacho district brand. This will be achieved primarily through the expansion of FinGATE, a platform supporting the establishment and growth of entrepreneurs and startups, as well as the attraction and operation of unique commercial establishments that bring vibrancy both on weekdays and weekends, and cutting-edge urban sustainability initiatives.
 - 2) Advance our largest-ever redevelopment projects, located in Sapporo
 - We will steadily advance toward the completion in 2028 of our largest-ever redevelopment projects —the Odori Nishi 4 south area, Type 1 District Redevelopment Project and the Sapporo Station South Exit North 4 West 3, Type 1 District Redevelopment Project (provisional names)—as part of our *Bazukuri* endeavors in Sapporo that draw people in. Through this, we aim to help boost the competitiveness of the city.
 - 3) Expand redevelopment projects nationwide
 - To enhance our presence as a Bazukuri Company, we will drive the implementation of redevelopment projects centered around our assets in major cities throughout Japan.

- (2) Cultivate profit growth while enhancing capital efficiency: Expand leasing business, promote reinvestment by realizing gains from property sales, and diversify into new business areas
- 1) Develop a business model for creating added value in the Building Business
 - We will realize gains from property sales by renewing our portfolio and sustainably develop our business model focused on creating added value.
 - 2) Expand revenue in the Asset Management Business
 - We will strive to increase asset management fees by supporting the growth of HEIWA REAL ESTATE REIT, Inc. and to enhance Group earnings with high capital efficiency through stable growth in brokerage business.
 - 3) Venture into new business domains to realize our Long-term Vision
 - To achieve the dynamic growth emphasized in our Long-term Vision, we will strengthen our hotel business and explore opportunities for expansion into new business domains, primarily through M&A.
- (3) Boost social value: Promote sustainability initiatives
- 1) Implement sustainability management
 - We, as a Bazukuri Company, will contribute to realizing a sustainable society by addressing environmental and social issues, including achieving net-zero greenhouse gas (GHG) emissions, while encouraging interactive communication with all stakeholders.
 - 2) Promote the creation of sustainable districts
 - We will enhance the competitiveness of our asset portfolio by addressing social issues such as environmental friendliness and boosting disaster preparedness. This will be achieved through building development and operation as well as facility investment, and continuing efforts to reduce GHG emissions, among other initiatives.
- (4) Strengthen its business foundations: Maximize human capital for accelerated growth
- 1) Implement management with an awareness of the cost of shareholders' equity and stock price
 - We set a return on equity (ROE) target for fiscal 2024 to fiscal 2026 of at least 7%, exceeding the cost of shareholders' equity. For shareholder returns from fiscal 2024 to fiscal 2026, we aim to maintain a consolidated dividend payout ratio of 50% in consideration of the cost of shareholders' equity, capital efficiency, and other factors. We will also flexibly implement share buybacks, taking into account aspects such as stock price, investment plans, and financial condition.
 - 2) Maximize human capital
 - As part of our Long-term Vision, we will promote human capital management to drive

dynamic growth. This involves cultivating human resources capable of realizing our Purpose through career development, as well as individuals proficient in digital transformation (DX). Additionally, we will create an organization that promotes and maximizes diversity, while fostering comfortable and vibrant workplaces through health and productivity management, among other measures.

3) Further strengthen corporate governance

- We will bolster corporate governance mainly by enhancing the functions of the Board of Directors and reducing cross-shareholdings.

(5) Status of asset and profit and loss of the Group -

Fiscal year Classification	The 101st fiscal year (Fiscal year ended March 31, 2021)	The 102nd fiscal year (Fiscal year ended March 31, 2022)	The 103rd fiscal year (Fiscal year ended March 31, 2023)	The 104th fiscal year (Current fiscal year) (Fiscal year ended March 31, 2024)
Net sales	¥35,048 million	¥57,818 million	¥44,522 million	¥44,433million
Operating profit	11,228 million	12,615 million	10,784 million	13,022 million
Ordinary profit	10,244 million	11,572 million	9,647 million	11,463 million
Profit attributable to owners of parent	7,118 million	8,705 million	9,137 million	8,450 million
Earnings per share (in exact yen)	189.76	236.74	254.27	236.13
Total assets	381,353 million	376,210 million	398,333 million	405,979 million
Net assets	118,639 million	119,278 million	119,324 million	125,645 million
Net assets per share (in exact yen)	3,190.09	3,269.74	3,334.34	3,510.66

(Notes) 1. Earnings per share is calculated based on the average number of shares issued during the fiscal year, and net assets per share are calculated based on the number of shares issued at the end of the fiscal year.

The average number of shares issued during the fiscal year and the number of shares issued at the end of the fiscal year are calculated after deducting the number of shares held as treasury stock.

2. The Company adopted a performance-linked stock compensation plan for directors and executive officers effective from the 100th fiscal year and a stock compensation plan for employees effective from the 102nd fiscal year, and established a trust comprised of common stock for the plans. The Company's stock held in the trust under the plans is recorded as treasury stock in consolidated financial statements and is included in the treasury stock to calculate net assets per share and earnings per share.
3. The amounts for the 102nd fiscal year and thereafter have been adjusted to reflect the Company's adoption, effective from April 1, 2021, of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020).

(6) Status of significant parent companies and subsidiaries -

1) Status of parent companies

Not applicable

2) Status of significant subsidiaries

<u>Company name</u>	<u>Common stock</u>	<u>Percentage of voting rights held by the Company</u>	<u>Major operating business</u>
HEIWA REAL ESTATE Property Management Co., Ltd.	¥134 million	100.0%	Property management, construction management, comprehensive building management, preservation, operation and maintenance of buildings and facilities
Housing Service Co., Ltd.	¥95 million	100.0%	Real estate brokerage, etc.
HEIWA REAL ESTATE Asset Management CO., LTD.	¥295 million	100.0%	Asset management of HEIWA REAL ESTATE REIT, Inc.
The Tokyo Shoken Building Incorporated	¥100 million	100.0%	Ownership and leasing of real estate; management of halls, conference rooms, and restaurants, etc.
Tokyo Hibiya Hotel Corporation	¥10 million	100.0%	Hotel management and administration, etc.

(Note) Tokyo Hibiya Hotel Corporation was added to the Status of significant subsidiaries due to its increased significance following the start of its operation in the fiscal year under review.

(7) Contents of principal businesses of the Group -

Business Segment	Business Activities
Building	Development, leasing, management and sales, etc. of stock exchanges, offices, commercial facilities and housing, etc.
Asset Management	Asset management of HEIWA REAL ESTATE REIT, Inc. and brokerage of real estate, etc.

(8) Principal sales offices -

Heiwa Real Estate Co., Ltd.	Head Office: Chuo-ku, Tokyo Osaka Branch: Chuo-ku, Osaka Nagoya Branch: Naka-ku, Nagoya Fukuoka Branch: Chuo-ku, Fukuoka Sapporo Branch: Chuo-ku, Sapporo
HEIWA REAL ESTATE Property Management Co., Ltd.	Head Office: Chuo-ku, Tokyo Osaka Branch: Chuo-ku, Osaka Nagoya Branch: Naka-ku, Nagoya
Housing Service Co., Ltd.	Chuo-ku, Osaka
HEIWA REAL ESTATE Asset Management CO., LTD.	Chuo-ku, Tokyo
The Tokyo Shoken Building Incorporated	Chuo-ku, Tokyo
Tokyo Hibiya Hotel Corporation	Chiyoda-ku, Tokyo

(9) Employees of the Group -1) Employees of the businesses of the Company group

Business Segment	No. of Employees	Increase/(decrease) as compared with prior period end
Building	140	0
Asset Management	87	0
Corporate (common among the Company group)	28	+2
Total	255	+2

(Notes) 1. Number of employees is number of ordinary employees.

2. Number of employees included in the Corporate (common among the Company group) segment is the number of employees who belong to administrative departments.

2) Employees of the Company

<u>No. of Employees</u>	<u>Increase/(decrease) as compared with prior period end</u>	<u>Average age (years)</u>	<u>Average length of service (years)</u>
98	+2	43.1	15.1

(Note) Number of employees is number of ordinary employees.

(10) Principal creditors and balances of their loans outstanding-

Creditors	Balance (Millions of yen)
Resona Bank, Ltd.	¥27,069
Mizuho Bank, Ltd.	25,489
Sumitomo Mitsui Banking Corporation	25,160
The 77 Bank, Ltd.	17,680
MUFG Bank, Ltd.	10,981

2. Status of Shares:

- | | |
|---|--|
| (1) <u>Number of shares authorized to be issued</u> - | 110,000,000 shares |
| (2) <u>Number of shares issued and outstanding</u> - | 38,859,996 shares
(including 2,901,344 shares
of treasury stock) |
| (3) <u>Number of shareholders</u> - | 23,680 |
| (4) <u>Major shareholders</u> - | |

Name	No. of shares (000's)	Holding ratio (%)
Mitsubishi Estate Co., Ltd.	4,274	11.89
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,239	11.79
CGML PB CLIENT ACCOUNT/COLLATERAL	3,900	10.85
Custody Bank of Japan, Ltd. (Trust Account)	3,105	8.64
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	625	1.74
TAISEI CORPORATION	532	1.48
STATE STREET BANK WEST CLIENT - TREATY 505234	486	1.35
Resona Bank, Ltd.	445	1.24
JP MORGAN CHASE BANK 385781	433	1.21
SSBTC CLIENT OMNIBUS ACCOUNT	427	1.19

(Notes) 1. The holding ratio is calculated after deducting the number of shares held as treasury stock (2,901,344 shares) from the total number of issued shares.

2. The Company holds 2,901,344 shares of treasury stock, which are excluded from the major shareholders listed above. 169,000 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the trust for the stock compensation plan for directors and executive officers and the stock compensation plan for employees are not included in the applicable treasury stock.

(5) Shares issued to corporate officers as consideration for execution of duties during the current fiscal year

Category	No. of shares	No. of eligible corporate officers
Executive Officers	3,500 shares	1 person

(6) Other important matters related to shares

1) Performance-linked stock compensation plan for executive officers and managing officers of the Company and certain subsidiaries

The Company has adopted a performance-linked stock compensation plan for executive officers of the Company (excluding non-residents of Japan) and managing officers of the Company (excluding a managing officer on special appointment who is in charge of the secretariat of the Audit Committee, a group managing officer, and non-residents of Japan), and also for directors of major subsidiaries (excluding part-time directors, those on secondment from the Company, and non-residents of Japan) and managing officers of major subsidiaries (excluding those on secondment from the Company and non-residents of Japan), and established a trust comprised of common stock for the plan.

As of March 31, 2024, the amount of the applicable treasury stock held in the trust totaled 98,700 shares.

2) Stock compensation plan for employees

The Company has adopted a stock compensation plan for employees as an incentive plan for the Company's employees, and established a trust comprised of common stock for the plan.

As of March 31, 2024, the amount of the applicable treasury stock held in the trust totaled 70,300 shares.

3. Stock Acquisition Rights:

1) Stock acquisition rights granted in consideration of the performance of duties and held by Corporate Officers of the Company

Not applicable

2) Stock acquisition rights granted to employees in consideration of the performance of duties during the current fiscal year

Not applicable

4. Matters related to Corporate Officers:

(1) Directors and Executive Officers

1) Directors

Position	Name	Assignment	Significant office(s) concurrently held
Director	Kiyoyuki Tsuchimoto	Nominating Committee member Compensation Committee member	
Director	Kazuo Yamada		
Director	Takahisa Aoyama		
Director	Daisuke Kobayashi	Audit Committee member	
External Director	Kiichiro Masui	Chairman of Nominating Committee	Outside Director of Japan Credit Rating Agency, Ltd. Outside Director of AIZAWA SECURITIES GROUP CO., LTD.
External Director	Takahiro Moriguchi	Nominating Committee member Chairman of Compensation Committee	
External Director	Junko Utsunomiya	Nominating Committee member Audit Committee member	Representative partner of Utsunomiya & Shimizu and Haruki Management Legal Office Outside Director, Audit and Supervisory Committee Member of RAKSUL INC. Outside Director (Audit & Supervisory Committee Member) of PeptiDream Inc. Outside Director, Audit and Supervisory Committee member of ZOZO, Inc.
External Director	Eiji Yamada	Compensation Committee member	Outside Director of The Chiba Kogyo Bank, Ltd. External Director of Kyokuyo Co., Ltd.
External Director	Mitsunobu Yamaguchi	Chairman of Audit Committee	Head of Mitsunobu Yamaguchi CPA Office Outside Director (Audit and Supervisory Committee member) of MEITEC Group Holdings Inc.

(Notes)

1. Kiichiro Masui, Takahiro Moriguchi, Junko Utsunomiya, Eiji Yamada and Mitsunobu

Yamaguchi are External Directors.

2. All of the Company's External Directors are independent officers subject to no possible conflicts of interest with general shareholders that the Company is required to designate under the rules of each stock exchange.
3. Mitsunobu Yamaguchi who is a Chairman of the Audit Committee has professional knowledge and experience as a Certified Public Accountant, and Daisuke Kobayashi who is a member of the Audit Committee has insight related to finance and accounting and management experience through his service as Director and Business Planning Division General Manager at a listed REIT property management company which is a Group member company.
4. From the perspective of enhancing the audit function, the Company selected and appointed Daisuke Kobayashi who has intimate knowledge of Group operations as a full-time member of the Audit Committee.
5. Kiichiro Masui retired as Chairman of the Board of the Japan Securities Research Institute as of June 30, 2023.
6. Junko Utsunomiya retired as External Statutory Auditor of ZOZO, Inc. and assumed the office of Outside Director, Audit and Supervisory Committee member of the company as of June 28, 2023.
7. Eiji Yamada retired as Advisor of Japan Information Processing Service Co., Ltd. as of June 30, 2023.
8. Mitsunobu Yamaguchi retired as Outside Audit & Supervisory Board Member of MEITEC CORPORATION and assumed the office of Outside Director (Audit and Supervisory Committee member) of MEITEC Group Holdings Inc. as of October 1, 2023.

2) Executive Officers

Position	Name	Assignment
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	Nobuhiro Seo	In charge of Real Estate Investment Department
Executive Officer	Takahisa Aoyama	In charge of Corporate Planning Department, General Affairs Department and Finance Department General Manager of Corporate Planning Department

(Notes)

1. No significant office(s) held by the Executive Officers concurrently.
2. Executive Officers transferred as of April 1, 2024 as follows.

Position	Name	Assignment
Representative and Senior Managing Executive Officer	Kazuo Yamada	Assistant to the President In charge of Development Promotion Department I, Development Promotion Department II and Community Co-Creation Department

3. The Company has introduced a Managing Officer system. The Managing Officers and their duties are as indicated hereunder.

Position	Name	Assignment
Managing Officer	Naoyuki Matsumoto	In charge of Finance Department General Manager of Finance Department
Managing Officer	Kiichi Kikuchi	In charge of General Affairs Department and Legal Office General Manager of General Affairs Department and Legal Office
Managing Officer on Special Appointment	Shosaku Shimomura	In charge of Audit Committee Office
Group Managing Officer	Hiroki Mizuta	

4. Shosaku Shimomura retired as Managing Officer on Special Appointment as of March 31, 2023.
5. The Managing Officers appointed as of April 1, 2024 and their duties are as indicated hereunder.

Position	Name	Assignment
Senior Managing Officer	Naoyuki Matsumoto	In charge of Finance Department General Manager of Finance Department
Managing Officer	Ichiro Wagatsuma	In charge of Development Promotion Department I General Manager of Development Promotion Department I

(2) Summary of the Agreement on Limitation of Liability -

In accordance with the provisions in Article 427, Paragraph 1, of the Companies Act, the Company has entered agreements with the Directors (excluding those who are executive directors, etc.) to limit their liabilities for damages as set forth in Article 423, Paragraph 1, of the Companies Act; provided, however, that the limit of the liabilities for damages under such agreements shall be the amount prescribed in the Act.

(3) Summary of the Directors and Officers Liability Insurance Contract -

The Company has concluded a directors and officers liability insurance contract, as stipulated in Article 430-3, Paragraph 1, of the Companies Act, with an insurance company. The insurance covers directors, executive officers, statutory auditors, managing officers and employees of the Company and its subsidiaries. The insurance premiums for the contract are fully borne by the Company. The insurance pays for damages and litigation expenses assumed in the event that a claim for damages is made against the insured person due to an act committed (including errors of omission) by the insured person in his/her capacity as an officer, etc. of the Company, and this contract is to be renewed every year.

The insurance will be renewed with the same contents in December 2024. The insurance includes measures taken to ensure that the appropriateness of duties performed by the insured will not be impaired by setting limits for the amount to be covered.

(4) Remuneration paid to Directors and Executive Officers -

1) Policy on decisions pertaining to remuneration for individual Directors, etc.

The Company revised its policy on decisions pertaining to remuneration for individual Directors, etc. (referring to Directors, Executive Officers, and Managing Officers) at the meeting of the Compensation Committee held on July 31, 2023. The Compensation Committee also has conducted sufficient deliberations from various angles on details of remuneration for individual Directors, etc. in the current fiscal year, and has judged that the method of determining the remuneration for individual Directors, etc. and the details of the determined remuneration, etc. are consistent with the relevant Decision-making Policy and are deemed to be in accordance with the Decision-making Policy.

Details of the policy as revised at the meeting of the Compensation Committee held on July 31, 2023 are as follows.

1. Basic policy

- Remuneration, etc. for Directors, Executive Officers, and Managing Officers (hereinafter, the “Officer Compensation”) shall be based on the following basic policy in accordance with the principles of the Corporate Governance Code in order to realize the management policies of the Company.
 - (1) Provide motivation to improve the business performance and enhance corporate value in the medium and long term;
 - (2) Seek shared value with shareholders;
 - (3) Establish standards and systems to contribute to securing excellent human resources; and
 - (4) Maintain a decision-making process with sufficient transparency and impartiality.
 - Officer Compensation shall be composed of the fixed-amount compensation as basic compensation, the bonuses as short-term incentives, and the performance-linked stock compensation plan as medium- and long-term incentives.
 - Directors who concurrently serve as Executive Officers shall only receive compensation for Executive Officers.
 - Compensation for Directors (excluding those who concurrently serve as Executive Officers) and Managing Officers on special appointment managing the secretariat of the Audit Committee shall solely consist of basic remuneration in consideration of their roles and other factors. In addition, compensation for Group Managing Officers shall be in accordance with the remuneration system of each group company in which they execute their duties, and only basic compensation shall be paid by the parent company.
2. Policy on determining amounts of individual remuneration, etc. for basic compensation (monetary remuneration) (including policy on determining time period or conditions for providing remuneration, etc.)
- Basic compensation shall be determined based on the significance of roles and the scope of responsibility for each rank, in consideration of business performance, etc. based on the Officer Compensation system.
 - Basic compensation shall be fixed-amount compensation provided monthly.
3. Policy on determining details and calculation method of amount or number of shares for

performance-linked remuneration, etc. and non-monetary remuneration, etc. (including policy on determining time period or conditions for providing remuneration, etc.)

(1) Bonuses

- Short-term incentives shall be provided through bonuses paid as cash remuneration in June every year in order to raise awareness for improving business performance each fiscal year.
- Bonuses shall be calculated by multiplying the standard amount corresponding to rank by a coefficient corresponding to the results for profit attributable to owners of parent, and then adding an amount obtained by multiplying the monthly fixed-amount compensation for that rank by a coefficient corresponding to individual evaluations and an amount by multiplying the monthly fixed-amount compensation for that rank by a coefficient corresponding to ESG evaluations. The coefficient for profit attributable to owners of parent shall be within the range of 0% to 150%, the coefficient for individual evaluations shall be within the range of 0% to 100%, and the coefficient for ESG evaluations shall be within the range of -20% to 20%. However, the Representative Executive Officer, President and CEO shall not be paid compensation based on individual evaluation or the associated monthly fixed compensation for each position.
- The Compensation Committee has the authority to forgo or reduce bonus payments in cases where an Executive Officer or Managing Officer has been dismissed or where they have caused damage to the Company intentionally or through gross negligence, etc.
- Bonuses for Managing Officers shall be determined in accordance with the bonuses for Executive Officers.

(2) Performance-linked stock compensation

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

<Standards for calculating performance-linked stock compensation>

- The evaluation indices for the performance-linked portion shall be consolidated operating profit, which is a concise indication of the earning power of the core business, and TSR (Total Shareholder Return), 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 determined within the range of 0% to 150%, corresponding to the achievement of performance targets for consolidated operating profit and a comparative assessment of the stock price index for TSR.
- Details shall be prescribed in the stock compensation rules established by the resolution of the Compensation Committee.

4. Policy on determining the proportion of the amounts of monetary remuneration, performance-linked remuneration, etc., and non-monetary remuneration to remuneration

for individual Directors, etc. (excluding Managing Officers)

- The proportion of each type of remuneration for Executive Officers (including those who concurrently serve as Directors) shall be decided by the Compensation Committee in accordance with the report of the Compensation Committee, taking into account the remuneration standards of other companies in the same industry, and the following ratios will be used as an approximate reference for the case in which performance targets are achieved.

Item	Fixed-amount compensation	Bonuses	Performance-linked stock compensation
Position	Basic compensation	Short-term incentive	Medium and long-term incentive
Ratio of total remuneration (approximate)	55% – 60%	25% – 30%	15% – 20%

2) Total amount of remuneration, etc. for the current fiscal year

Category	Total amount of remuneration, etc. (Millions of yen)	Total amount of remuneration, etc. by type (Millions of yen)			Number of eligible officers
		Basic compensation	Performance-linked remuneration, etc.	Performance-linked stock compensation	
Directors (of which, External Directors)	63 (42)	63 (42)	—	—	6 (5)
Executive Officers	262	148	79	33	5

(Note) The total amount of remuneration, etc. for Executive Officers who concurrently serve as Directors and the number of eligible officers are shown in the column of Executive Officers.

3) Performance-linked remuneration, etc.

Performance-linked remuneration, etc. is provided through bonuses paid as short-term incentives with the performance index of profit attributable to owners of parent in order to raise awareness for improving business performance each fiscal year. Bonuses are calculated by multiplying the standard amount corresponding to that rank by a coefficient corresponding to the results for profit attributable to owners of parent, and then adding an amount obtained by multiplying the monthly fixed-amount compensation for that rank (excluding Representative Executive Officer, President and CEO) by a coefficient corresponding to individual evaluations and an amount by multiplying the monthly fixed-amount compensation for that rank by a coefficient corresponding to ESG evaluations. The coefficient for profit attributable to owners of parent is within the range of a minimum of 0% (when profit attributable to owners of parent is negative) and a maximum of 150% (when profit attributable to owners of parent is ¥9,000 million or more), the coefficient for individual evaluations is within five levels from 0% to 100%, with 50% as the standard, and the coefficient for ESG evaluations is within three levels from –20% to 20% with 0% as the standard. Details are as described in “1) Policy on decisions pertaining to remuneration for

individual Directors, etc.”

The performance target for profit attributable to owners of parent for the current fiscal year is ¥8,200 million as initially forecast, and the results are as described in “1. (5) Status of asset and profit and loss of the Group.” Performance-linked remuneration, etc. described in the above table in 2) is the provision for bonuses for directors (and other officers) pertaining to the current fiscal year.

4) Performance-linked stock compensation

The Company has adopted a performance-linked stock compensation plan as medium- to long-term incentives. Said stock compensation is composed of a fixed-amount portion and a performance-linked portion, and the performance-linked stock compensation in the table in Item 2) above includes a fixed-amount portion of ¥22 million and a performance-linked portion of ¥11 million. The evaluation indices for the performance-linked portion shall be consolidated operating profit, which is a concise indication of the earning power of the core business, and TSR (Total Shareholder Return), 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, and the stock compensation for the performance-linked portion shall be determined within the range of 0% to 150%, corresponding to the achievement of performance targets for consolidated operating profit and a comparative assessment of the stock price index for TSR. Furthermore, for each evaluation index, the coefficient is 100%, with a standard level of achievement or comparative assessment of 100% or more and less than 120%. Details are as described in “1) Policy on decisions pertaining to remuneration for individual Directors, etc.”

The performance target for consolidated operating profit for the current fiscal year is ¥12,300 million as initially forecast, and the results are as described in “1. (5) Status of asset and profit and loss of the Group”. The Company has not established a target for the comparative assessment of the stock price index for TSR. The result of the comparative assessment for the current fiscal year is 72%.

Performance-linked stock compensation described in the above table in 2) is the provision for share awards for the current fiscal year based on the said plan.

(5) External Officers -

1) Relationship between the Company and the entities in which Directors concurrently hold significant offices

Category	Name	Status of significant office(s) concurrently held	Relationship with the Company
Director	Kiichiro Masui	Outside Director of Japan Credit Rating Agency, Ltd.	No important relationship exists.
		Outside Director of AIZAWA SECURITIES GROUP CO., LTD.	The Company holds shares of AIZAWA SECURITIES GROUP CO., LTD. At the same time, AIZAWA SECURITIES CO., LTD., a wholly owned subsidiary of AIZAWA SECURITIES GROUP CO., LTD., holds shares of the Company. However, AIZAWA SECURITIES CO., LTD. holds less than 1% of the total number of shares issued by the Company.
Director	Junko Utsunomiya	Representative partner of Utsunomiya & Shimizu and Haruki Management Legal Office	No important relationship exists.
		Outside Director, Audit and Supervisory Committee Member of RAKSUL INC.	No important relationship exists.
		Outside Director (Audit & Supervisory Committee Member) of PeptiDream Inc.	No important relationship exists.
		Outside Director, Audit and Supervisory Committee member of ZOZO, Inc.	No important relationship exists.
Director	Eiji Yamada	Outside Director of The Chiba Kogyo Bank, Ltd.	No important relationship exists.
		External Director of Kyokuyo Co., Ltd.	No important relationship exists.
Director	Mitsunobu Yamaguchi	Head of Mitsunobu Yamaguchi CPA Office	No important relationship exists.
		Outside Director (Audit and Supervisory Committee member) of MEITEC Group Holdings Inc.	No important relationship exists.

2) Principal activities during the current fiscal year

Category	Name	Attendance of Board of Directors' Meetings and Meetings of the Nominating Committee, Compensation Committee, and Audit Committee	Principal activities and duties performed in relation to expected roles
Director	Kiichiro Masui	<p>Board of Directors' Meetings 12/12 (100%)</p> <p>Meetings of the Nominating Committee 2/2 (100%)</p>	<p>He has provided opinions at the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience. In particular, he has played an appropriate role in ensuring the suitable and appropriate management of decision-making by providing supervision and advice from a specialized point of view accumulated in the world of finance and securities. In addition, as a chairman of the Nominating Committee, he attended meetings of the Nominating Committee held in the current fiscal year and took the lead in decision-making and supervising regarding personnel affairs of officers, etc. at the Company from an objective and neutral standpoint.</p>
Director	Takahiro Moriguchi	<p>Board of Directors' Meetings 12/12 (100%)</p> <p>Meetings of the Nominating Committee 2/2 (100%)</p> <p>Meetings of the Compensation Committee 4/4 (100%)</p>	<p>He has provided opinions at the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience. In particular, he has played an appropriate role in ensuring the suitable and appropriate management of decision-making by providing supervision and advice from the standpoint of corporate management and an international perspective. In addition, as a member of the Nominating Committee and a chairman of the Compensation Committee, he attended meetings of the Nominating Committee and the Compensation Committee held in the current fiscal year and decided and supervised personnel affairs of officers, etc. at the Company from an objective and neutral standpoint while taking the lead in decision-making and supervising regarding officer compensation, etc. at the Company.</p>

Category	Name	Attendance of Board of Directors' Meetings and Meetings of the Nominating Committee, Compensation Committee, and Audit Committee	Principal activities and duties performed in relation to expected roles
Director	Junko Utsunomiya	Board of Directors' Meetings 12/12 (100%) the Nominating Committee 2/2 (100%) Meetings of the Audit Committee 12/12 (100%)	She has provided opinions at the Board of Directors from an objective standpoint, taking advantage of her knowledge and experience. In particular, she has played an appropriate role in ensuring the suitable and appropriate management of decision-making by providing supervision and advice from a specialized standpoint as an attorney. In addition, as a member of the Nominating Committee and the Audit Committee, she attended meetings of the Nominating Committee and the Audit Committee held in the current fiscal year and decided and supervised personnel affairs of officers, etc. at the Company while appropriately auditing the business execution from an independent standpoint.
Director	Eiji Yamada	Board of Directors' Meetings 12/12 (100%) Meetings of the Compensation Committee 4/4 (100%)	He has provided opinions at the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience. In particular, he has played an appropriate role in ensuring the suitable and appropriate management of decision-making by providing supervision and advice from a specialized standpoint accumulated in the areas of data communications and system development. In addition, as a member of the Compensation Committee, he attended meetings of the Compensation Committee held in the current fiscal year and decided and supervised officer compensation, etc. at the Company from an objective and neutral standpoint.
Director	Mitsunobu Yamaguchi	Board of Directors' Meetings 12/12 (100%) Meetings of the Audit Committee 12/12 (100%)	He has provided opinions at the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience. In particular, he has played an appropriate role in ensuring the suitable and appropriate management of decision-making by providing supervision and advice from a specialized standpoint as a certified public accountant. In addition, as a chairman of the Audit Committee, he attended meetings of the Audit Committee held in the current fiscal year and took the lead in audit of business execution from an independent standpoint.

(Note) In addition to the above number of the Board of Directors' Meetings, there were two resolutions in writing that were deemed to have been adopted by the Board of Directors pursuant to Article 370 of the Companies Act and Article 24 of the Company's Articles of Incorporation.

5. Matters related to Independent Auditor:

(1) Name of Independent Auditor -
KPMG AZSA LLC

(2) Amount of Independent Auditor's fee -

1) Total fee the Company will pay Independent Auditor for the current fiscal term
40 million yen

2) Total amount of money and other profits the Company and the Company's subsidiaries
will pay Independent Auditor
45 million yen

(Notes) 1. The total amounts described in "Total fee the Company will pay Independent
Auditors for the current fiscal term" above include Independent Auditors' fee for
audit based on the Companies Act and the Financial Instruments and Exchange
Act, because the Company does not classify fee for audit based on the Companies
Act and fee for audit based on the Financial Instruments and Exchange Act by
audit agreement between the Company and the Independent Auditors.

2. HEIWA REAL ESTATE Asset Management CO., LTD., a consolidated subsidiary
of the Company, entrusts to the Independent Auditor the investigation related to
the value of specified assets, etc., which is a service other than the services
provided in Article 2, Paragraph 1 of the Certified Public Accountants Act.

3. The Audit Committee has obtained necessary materials or received reports from
the related departments and the Independent Auditor and has confirmed and
deliberated the content of the auditing plan, the basis for calculating the
estimated amount of fee, etc., and thereupon has determined to give consent to
the amount of the Independent Auditor's fee.

(3) Policy on determining the dismissal or disapproval of reappointment of the Independent
Auditor -

If the Independent Auditor is deemed applicable to any of the provisions in Article 340,
Paragraph 1, of the Companies Act, the Audit Committee will dismiss the Independent
Auditor upon unanimous approval of all members of the Audit Committee.

Further, if the performance of duties of the Independent Auditor is deemed difficult to be
appropriately performed based on the Audit Committee's review of the Independent
Auditor's audit system, independence, specialization, and performance of duties, or when
the Audit Committee has reasonable grounds to change the Independent Auditor for the
purpose of further enhancing the appropriateness of the audit, the Audit Committee will
decide upon the content of a proposal for the dismissal or disapproval of reappointment of
the Independent Auditor to be submitted to the General Shareholders' Meeting.

6. Establishment of a Corporate Structure to Ensure the Proper Conduct of Business and the Status of its Operations:

(1) Corporate structure to ensure the proper conduct of business

In its efforts to establish a lawful and efficient corporate structure, the Company maintains and operates a structure to ensure that the Executive Officers comply with laws and the articles of incorporation in the execution of their operations, and other structures to ensure the proper conduct of the business of the Company and the businesses of the Company group made up of the Company and its subsidiaries, as follows.

1) Corporate structure to ensure legal compliance and compliance with the articles of incorporation in the execution of operations by Executive Officers and employees of the Company

- (1) The Company elects External Directors as independent officers to reinforce the supervisory functions of the Board of Directors and the audit function of the Audit Committee.
- (2) The Company has established a “Code of Conduct,” “Standards for Behavior of Heiwa Real Estate Group,” and “Compliance Regulations,” and steps are taken to ensure that all of its members are fully aware of their contents. Accordingly, Executive Officers, Managing Officers, and employees of the Company are requested to maintain fair and high ethical principles and strictly adhere to laws, regulations, and the articles of incorporation, in order to secure a management structure on which the community can rely.
- (3) Based on its “Internal Whistleblowing Regulations,” “External Whistleblowing Regulations,” and other relevant regulations, the Company has established a compliance hotline and other systems as contact points for notification and consultation from people in or outside of the Company, including business partners, when problems or other matters related to compliance occur, and detects and responds to any such problems as promptly as possible.
- (4) The Company responds firmly against antisocial forces that jeopardize the order and safety of the civil society.

2) System for the storage and maintenance of information in relation to the performance of duties by the Executive Officers of the Company

The Company properly records the decision-making documents at the General Shareholders’ Meetings, the Board of Directors’ Meetings, the Meetings of Executive Officers, and other important meetings, approval documents, and information related to the performance of duties by the Executive Officers, and properly stores and maintains these documents in accordance with the relevant laws and “Criteria for the Storage and

Disposal of Documents.”

Directors and Executive Officers may access these documents at any time.

- 3) Rules of the Company related to the management of the risk of loss and other systems
 - (1) In recognition of the importance of risk management as a management issue, the Company has established a set of “Risk Management Rules,” has established a “Risk Management Committee” under the rules, and endeavors to secure the effectiveness of risk management by defining the targeted risk and the responsibility for management of the risk.
 - (2) The “Risk Management Committee” reports on the matters under its management to the Board of Directors and the Audit Committee, as necessary.

- 4) System to ensure the efficient performance of duties by the Executive Officers of the Company
 - (1) The Company segregates the functions and responsibilities of management and business execution by adopting an organizational design of a company with nominating committee, etc. and delegating a great deal of decision-making authority for business execution to Executive Officers in order to accelerate the process of decision-making.
 - (2) Through the system for allocating Directors-in-charge, the system for job authorization, and the system for decision-making provided in various in-company regulations, including the “Regulations of the Board of Directors’ Meetings,” the “Regulations of the Meetings of Executive Officers,” and the “Rules on the Division of Authorities,” the Company works to achieve the efficient execution of duties by its Executive Officers.
 - (3) By formulating annual business plans and other plans, the Company establishes company-wide objectives to promote the efficient execution of business.

- 5) System to ensure the proper execution of business by the Company group made up of the Company and its subsidiaries
 - (1) The Company has formulated a set of “Administrative Rules on Subsidiaries and Affiliates” covering the Company and its subsidiaries (collectively the “Company Group”) and endeavors to secure the propriety of operations as the Company Group by defining the responsibility for administration, etc.
 - (2) The Company manages the planning of strategy related to the Company Group, guidance and monitoring related to subsidiaries and other matters pertaining to business administration, financial operations, and administration related to consolidated accounting, the improvement and operation of internal control related to financial reporting and administration related to the evaluation of effectiveness,

and administration related to the operation of business.

- (3) The “Code of Conduct,” the “Standards for Behavior for Heiwa Real Estate Group,” and the “Compliance Regulations” prescribed by the Company also apply to the Company Group, and the Company takes steps to ensure that all members of the Group are fully aware of their contents. Accordingly, the Company requests the officers and employees of the Company Group to maintain fair and high ethical principles and strictly adhere to laws, regulations, and the articles of incorporation so as to secure a management structure on which the community can rely.
 - (4) In recognition of the importance of risk management as a management issue, the Company endeavors to secure the effectiveness of risk management by defining the targeted risk and the responsibility for management of the risk in the Company Group in accordance with a set of “Risk Management Rules” prescribed by the Company.
 - (5) In accordance with a set of “Administrative Rules on Subsidiaries and Affiliates,” the Company made mandatory for subsidiaries to report important matters related to subsidiaries in advance, in principle.
 - (6) The Company dispatches its personnel to serve as Directors and Statutory Auditors of major subsidiaries. The Directors of the Company oversee the performance of the duties of the Directors of the subsidiaries, and the Statutory Auditors of the Company oversee the execution of business of the subsidiaries.
 - (7) In order to report and discuss matters related to consolidated group management, the Company has established a conference with managers from its subsidiaries and meetings with relevant personnel from its subsidiaries to share ownership of business policies, management information, etc., and reports important matters related to subsidiaries to the Board of Directors.
 - (8) The Company has formulated a set of “Basic Principles for the Maintenance and Operation of Internal Control Related to Financial Reporting,” in order to secure reliable financial reporting. The Company has also established an “Internal Control Liaison Committee Related to Financial Reporting” to maintain a cooperative structure that cuts across the whole Company Group for the purpose of realizing the aforesaid principles.
- 6) Matters concerning relevant Directors and employees when the Audit Committee request the deployment of Directors and employees to assist the Audit Committee in its work, matters related to the independence of those Directors and employees from Executive Officers of the Company, and matters to secure the effectiveness of instructions from the Audit Committee to those Directors employees
- (1) The Company has established the Audit Committee Office and deploys dedicated employees to the office. Employees assigned to the office assist the duties performed by the Audit Committee.

- (2) The employees belonging to the Audit Committee Office, when assisting the Audit Committee in their work, follow the orders and instructions of the Audit Committee and do not receive any orders and instructions from the Executive Officers.
 - (3) The appointment and transfer of the employees belonging to the Audit Committee Office require the consent of the Audit Committee, and they are assessed based sufficiently on the Audit Committee's views.
- 7) Policy for handling expenses, etc. incurred from the performance of duties by the members of the Audit Committee of the Company
- If member of the Audit Committee, when performing their duties, request the Company to pay expenses in advance pursuant to Article 404, Paragraph 4 of the Companies Act, the Company shall promptly pay such expenses or debts unless such expenses or debts are determined not to be necessary for the performance of duties by the Audit Committee.
- 8) System of whistleblowing to the Audit Committee of the Company, system to ensure that a person so whistleblowing is not treated unfavorably because of the whistleblowing, and other systems to ensure effective auditing by the Audit Committee of the Company
- (1) The full-time members of the Audit Committee present at important conferences, including the Meetings of Executive Officers, express their views, and obtain copies of the minutes of the meetings and approval documents. The Audit Committee also request to be briefed on these matters. Further, the Audit Committee regularly holds meetings with the Representative Executive Officer, Internal Audit Office, or the Independent Auditor.
 - (2) If a Director or Executive Officer discovers any matters that may cause material damage to the Company, he or she will immediately notify the Audit Committee members or the Audit Committee of those matters.
 - (3) The Company reports to the Audit Committee members or the Audit Committee on important matters, including matters pertaining to the subsidiaries reported at the conferences with managers from its subsidiaries and the meetings with relevant personnel from its subsidiaries, the results of internal audits of subsidiaries, the contents of notifications by the compliance hotline, and other matters.
 - (4) The Company prohibits unfavorable treatment of the officers and employees of the Company Group who report to the Audit Committee members or the Audit Committee due to such whistleblowing, and keeps all of the officers and employees of the Company Group well informed of the prohibition.
- (2) Operations of a corporate structure to ensure the proper conduct of business

Following are the operations of a corporate structure to ensure the proper conduct of business.

1) Initiatives for the compliance structure

The Company established “Standards for Behavior of Heiwa Real Estate Group” and ensures that officers and employees thoroughly and strictly adhere to laws and regulations. The Company also holds training sessions, etc. on compliance, including those for the management, on a regular basis.

The status of annual compliance-related initiatives is reported to the Board of Directors for monitoring.

The Company checks compliance, information security, etc. simultaneously across the Company and makes the results thoroughly known within the Company to foster awareness of compliance.

The Company has put several systems in place to facilitate the early detection of compliance breaches. It has set up an internal whistleblowing system for the entire Group, which includes a hotline made available for officers and employees of subsidiaries, and has taken steps to ensure that all members are aware of the system and how to use it. In addition, the Company has adopted a system of multiple internal and external reporting channels and made reporting mandatory in order to improve the effectiveness of the whistleblowing system.

The Company has also established an external whistleblowing system to allow business partners and other stakeholders from both inside and outside the Group to report on incidents of misconduct. In addition, the Company has established an internal consultation office to provide its members with advice on a wide range of workplace concerns besides those related to misconduct.

The Company has formulated “Our Values,” which include the perspective of strengthening compliance, together with the Long-term Vision and the Heiwa Real Estate Group Purpose, and announced them in March 2024.

2) Initiatives for risk management system

As a part of the Group’s internal controls, the Company applies “Risk Management Rules” to subsidiaries as well, and thereby has established a system necessary for risk management for the Group as a whole. The Company holds a Risk Management Committee (four times in the current term) chaired by the Representative Executive Officer, President and CEO to understand risks that have actualized in the Group and deliberates on measures to prevent the recurrence of risks, etc. in accordance with the Risk Management Rules.

With regards to the acquisition and sale of property, the Company holds a meeting of the “Investment Committee” prior to deliberations at the Meetings of Executive Officers. The committee analyzes risks associated with the acquisition and sale of property, confirms that related procedures are carried out properly, handles other relevant matters, and

reports the results of these activities to the Meetings of Executive Officers.

The Company has established a “Business Continuity Plan (BCP),” prepared a response manual based thereon, regularly checks the same, conducts periodic drills, and thereby strives to mitigate corporate crisis risk at times of emergency.

- 3) Initiatives for a system to ensure the efficient performance of duties by Executive Officers
The Company has delegated a large amount of decision-making authority for business execution to Executive Officers to accelerate the process of decision-making and improve management efficiency.

When formulating the “annual business plan,” an important agenda item for deliberation at the Board of Directors meetings, the plan is fully deliberated at each department, the issues to address in the management plan and the measures to respond to them are discussed, organized, and summarized at the conferences with managers from its subsidiaries and the Meetings of Executive Officers, and the business plan is thereupon submitted to the Board of Directors. By adopting these procedures, the Company promotes the efficient performance of duties.

In order to evaluate the effectiveness of the Board of Directors, the Company conducts a self-assessment questionnaire targeting all Directors. Based on the evaluation results from the questionnaires, arguments for improvement are discussed in an effort of enhancing the effectiveness of the Board of Directors.

The Company has established an Independent External Directors Council, to facilitate information exchange and creation of consensus among Independent External Directors, to help put in place through such activities an appropriate management model for the Group.

- 4) Initiatives for the Company group system

The Company has determined the departments in charge of business execution of subsidiaries in the “Administrative Rules on Subsidiaries and Affiliates” to strengthen business cooperation in the Group.

The Company periodically holds conferences with managers from its subsidiaries in order to monitor the progress of the subsidiaries’ business plans. The Company also verifies that internal control systems are properly implemented throughout the Group at periodically held meetings with relevant personnel from its subsidiaries.

The Company administrates subsidiaries by dispatching to subsidiaries its officers that concurrently serve as officers of the subsidiaries to oversee or audit the execution of duties by the Directors, etc. of the subsidiaries. The Company has introduced a Group Managing Officer system to strengthen the management of group companies.

- 5) Initiatives for system for auditing by the Audit Committee

Full-time members of the Audit Committee attend the Meetings of Executive Officers and other important meetings, express their opinions, receive copies of the minutes of such meetings, approval documents, etc., and request reports on them.

In addition, members of the Audit Committee hold a meeting for deliberations with Representative Executive Officers, the Internal Audit Office, and the Independent Auditor on a regular basis.

The Company deploys one employee to assist the Audit Committee in its work. To ensure the independence of the employee from Executive Officers, the employee is assessed based sufficiently on the Audit Committee's views.

Based on the "Internal Whistleblowing Regulations," an internal whistleblowing system is operated as a hotline available for use by the officers and employees of the Company Group. The Company has established a system under which officers and employees of the Company Group who report to the Audit Committee are not to be unfavorably treated due to such whistleblowing.

7. Basic Policy with Regards to the Role of Any Person Controlling the Decision over Financial and Business Policies of the Company:

1. Outline of Basic Policy with Regards to the Role of Any Person Controlling the Decision over Financial and Business Policies of the Company

In the event of a purchase proposal being made by a specified party that would entail a transfer of controlling rights over the Company, the final say on whether to respond to or reject such a move should be based on the opinions of all shareholders of the Company. However, the Company believes that a person who controls the decisions on financial and business policies of the Company should have a good understanding of the financial situation and business description of the group of the Company as well as the source of the corporate value of the Company, and should continue to increase the corporate value of the Company and the common interest of our shareholders. Furthermore, some large-volume purchase activities, etc. could be prejudicial to the corporate value of the Company or the common interests of shareholders that the Company has been consistently building up.

In light of this, all of the shareholders of the Company believe that all shareholders must have the opportunity to assess carefully the impact of large-volume purchase activities, etc. on corporate value or common shareholder interests. Regarding the purpose and terms of any large-volume purchase and the possible impact on corporate value or common interests of the shareholders, we believe that necessary and sufficient information and opinions should be provided to shareholders of the Company, by both the large-volume buyer and the Board of Directors of the Company, and that the large-volume buyer and the Board of Directors should necessarily be given a sufficient deliberation period for consideration of both of these questions (in other words, avoiding as far as possible a situation in which influences on the judgment of shareholders are coercive in nature).

Based on such fundamental thinking, the Board of Directors of the Company shall require the provision of necessary and sufficient information by the would-be large-volume buyer enabling shareholders to make an appropriate judgment as to whether or not to proceed with any large-volume sale, in order to ensure optimization of corporate value and common shareholder interests. In addition, the Company shall take measures deemed appropriate within the scope of the Financial Instruments and Exchange Act, the Companies Act and other laws and regulations, and the Articles of Incorporation, including disclosure in a timely and appropriate manner of information so provided.

2. Outline of Efforts to Realize the Basic Principles

(1) Special Efforts to Realize the Basic Principles

1) Efforts to Increase Corporate Value

At the Board of Directors' meeting held on March 29, 2024, a decision was made to formulate the Heiwa Real Estate Group Purpose, "Enriching everyone's future with *Bazukuri* that draws people in," and the Long-term Vision "WAY 2040" as roadmaps toward the future. In the new medium-term management plan, "WAY 2040 Stage 1" (fiscal 2024 to fiscal 2026), we have positioned this period as the initial sprint toward dynamic growth. This involves establishing the Nihonbashi Kabutocho and Kayabacho district brand, undertaking our largest-ever redevelopment projects, located in Sapporo, and venturing into new business domains to realize our vision, characterized by the slogan: Pursue perpetual dynamic growth to become the "Bazukuri Company." In accordance with these plans, the Group will work to expand its redevelopment business, cultivate profit growth while enhancing capital efficiency, boost social value, and strengthen business foundations.

2) Efforts to Improve Corporate Governance Structure

The Company considers the enhancement of corporate governance as an important business issue, and the Company's group as a whole endeavors to strengthen corporate governance in order to meet the trust placed in us by shareholders and other stakeholders and carry out fair and efficient corporate management.

In line with such thinking, the Company decided to transition to the "company with nominating committee, etc." and changed the composition of the Board of Directors to have a majority of External Directors at the 102nd Ordinary General Shareholders' Meeting held on June 24, 2022, with the aim of further refining its governance system.

(2) Measures to Prevent Persons Deemed Inappropriate in Light of the Basic Policy from Controlling Decisions on Financial and Business Policies of the Company

At a meeting of the Board of Directors held on May 14, 2021, the Company approved a resolution to discontinue "measures against large-volume purchases of shares of the Company (Defense Measures Against Takeover)," because the policy expired as of the conclusion of the 101st Ordinary General Shareholders' Meeting on June 24, 2021.

The Company shall require the provision of necessary and sufficient information by the would-be large-volume buyer enabling shareholders to make an appropriate judgment as to whether or not to proceed with any large-volume sale. In addition, the Company shall take measures deemed appropriate within the scope of the Financial Instruments and Exchange Act, the Companies Act and other laws and regulations, and the Articles of Incorporation, including disclosure in a timely and appropriate manner of information so provided.

3. Decisions on Specific Measures by the Board of Directors and the Reasons for Such Decisions

The Company judges that the measures described in 2 above are in accordance with the basic policy in 1. above and contribute to ensure and enhance the corporate value of the Group as well as the common interests of our shareholders, and neither damage the common interests of our shareholders nor are intended to maintain the positions of the officers of the Company.

8. Policy on Determination of Distribution of Surplus, etc.:

When returning profits to shareholders, it is assumed that the Company will secure the internal reserves necessary to enhance our shareholder value through the stable development of the redevelopment business, the building business, and other businesses of the Company over the long term. We make it a basic policy to return profits to shareholders with a target consolidated total return ratio of around 70% for the period from fiscal 2020 to fiscal 2023, taking into consideration the level of returns on business investments, and maintaining an awareness of the cost of capital and capital efficiency.

Based on the above-mentioned policy, by the resolution of the Board of Directors' meeting held on May 17, 2024, the year-end dividend for the current term is ¥108 per share (including a special dividend of ¥50), and the annual dividend for this fiscal term, together with the interim dividend, will be ¥166 per share, an increase of ¥62 from the annual dividend of the previous fiscal year. The effective date and the state date of payment are June 3, 2024.

The Company newly established the provisions in the Articles of Incorporation that allow the distribution of surplus, etc. to be paid by a resolution of the Board of Directors.

CONSOLIDATED BALANCE SHEET

MARCH 31, 2024

ASSETS

	(Millions of yen)
Current assets:	
Cash and deposits	¥20,416
Trade accounts receivable	2,114
Securities	8,005
Real estate for sale	20,645
Real estate for sale in process	567
Operating investments in capital	551
Other	956
Allowance for doubtful accounts	(0)
Total current assets	53,257
Non-current assets:	
Property, plant and equipment -	
Buildings and structures	84,557
Machinery, equipment and vehicles	425
Tools, furniture and fixtures	829
Land	184,669
Construction in progress	5,039
Total property, plant and equipment	275,522
Intangible assets -	
Leasehold interests in land	30,492
Goodwill	645
Other	181
Total intangible assets	31,320
Investments and other assets -	
Investment securities	38,072
Deferred tax assets	250
Other	7,175
Total investments and other assets	45,498
Total non-current assets	352,341
Deferred assets -	
Bond issuance costs	381
Total deferred assets	381
Total assets	405,979

CONSOLIDATED BALANCE SHEET

MARCH 31, 2024

LIABILITIES AND NET ASSETS

(Millions of yen)

<u>Liabilities</u>	
Current liabilities:	
Trade accounts payable	¥1,923
Current portion of bonds payable	3,624
Short-term borrowings	800
Current portion of long-term borrowings	16,681
Income taxes payable	1,674
Accrued consumption taxes	1,738
Provision for bonuses for directors (and other officers)	109
Provision for bonuses	272
Other	2,228
Total current liabilities	29,052
Non-current liabilities:	
Bonds payable	27,864
Long-term borrowings	173,703
Long-term accounts payable – other	8,391
Leasehold and guarantee deposits received	23,636
Deferred tax liabilities	9,466
Deferred tax liabilities for land revaluation	7,186
Provision for share awards	213
Retirement benefit liability	126
Asset retirement obligations	683
Other	9
Total non-current liabilities	251,282
Total liabilities	280,334
<u>Net Assets</u>	
Shareholders' equity:	
Share capital	21,492
Capital surplus	19,720
Retained earnings	61,012
Treasury shares	(9,989)
Total shareholders' equity	92,235
Accumulated other comprehensive income:	
Valuation difference on available-for-sale securities	17,339
Deferred gains or losses on hedges	(6)
Revaluation reserve for land	16,076
Total accumulated other comprehensive income	33,409
Total net assets	125,645
Total liabilities and net assets	405,979

CONSOLIDATED STATEMENT OF INCOME

FROM: APRIL 1, 2023

TO: MARCH 31, 2024

	(Millions of yen)
Net sales	¥44,433
Cost of sales	25,863
Gross profit	18,569
Selling, general and administrative expenses	5,547
Operating profit	13,022
Non-operating income -	
Interest and dividend income	400
Miscellaneous income	44
Total non-operating income	444
Non-operating expenses -	
Interest expenses	1,440
Interest expenses on bonds	223
Amortization of bond issuance costs	50
Miscellaneous losses	287
Total non-operating expenses	2,003
Ordinary profit	11,463
Extraordinary income -	
Gain on sales of investment securities	1,215
Subsidy income	2
Total extraordinary income	1,218
Extraordinary losses -	
Loss on retirement of non-current assets	20
Impairment losses	66
Loss on tax purpose reduction entry of non-current assets	2
Loss on valuation of investment securities	181
Total extraordinary losses	271
Profit before income taxes	12,409
Income taxes - current	4,040
Income taxes - deferred	(81)
Profit	8,450
Profit attributable to owners of parent	8,450

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM: APRIL 1, 2023
TO: MARCH 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	21,492	19,720	56,298	(9,997)	87,513
Changes during period					
Dividends of surplus			(4,027)		(4,027)
Profit attributable to owners of parent			8,450		8,450
Purchase of treasury shares				(12)	(12)
Disposal of treasury shares		0		20	20
Reversal of revaluation reserve for land			290		290
Net changes in items other than shareholders' equity					
Total changes during period	—	0	4,713	7	4,721
Balance at end of period	21,492	19,720	61,012	(9,989)	92,235

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total accumulated other comprehensive income	
Balance at beginning of period	15,443	—	16,366	31,810	119,324
Changes during period					
Dividends of surplus					(4,027)
Profit attributable to owners of parent					8,450
Purchase of treasury shares					(12)
Disposal of treasury shares					20
Reversal of revaluation reserve for land					290
Net changes in items other than shareholders' equity	1,896	(6)	(290)	1,599	1,599
Total changes during period	1,896	(6)	(290)	1,599	6,321
Balance at end of period	17,339	(6)	16,076	33,409	125,645

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Basis of presenting consolidated financial statements]

1. Scope of consolidation

(1) Consolidated subsidiaries: 5

Names of consolidated subsidiaries: Heiwa Real Estate Property Management Co., Ltd., Housing Service Co., Ltd., HEIWA REAL ESTATE Asset Management CO., LTD., The Tokyo Shoken Building Incorporated, Tokyo Hibiya Hotel Corporation

(2) Names, etc. of major non-consolidated subsidiaries-

Major non-consolidated subsidiaries

The Company has no major non-consolidated subsidiaries to report.

(Reason for exclusion from scope of consolidation)

Non-consolidated subsidiaries are small-scale businesses whose combined total assets, net sales, profit/loss (corresponding to the equity owned by the Company), and retained earnings (corresponding to the equity owned by the Company) have no significant effect on the overall results of the consolidated financial statements.

2. Application of the equity method:

(1) Names of major non-consolidated subsidiaries not accounted for using the equity method-

The Company has no major non-consolidated subsidiaries to report.

(2) Reason for exclusion from application of equity method accounting-

A non-consolidated subsidiary or affiliate not accounted for using the equity method is excluded from the scope of application of equity method accounting due to the minimal effect that the exclusion has on the consolidated financial statements, taking into account its relatively low profit/loss (corresponding to the equity owned by the Company), retained earnings (corresponding to the equity owned by the Company), etc., and its relative immateriality as a whole in the context of the consolidated financial statements.

3. Matters related to the fiscal year period of consolidated subsidiaries:

The accounting year of consolidated subsidiary Tokyo Hibiya Hotel Corporation, ends on the last day of February. This closing date was used for the preparation of these consolidated financial statements, however, if any significant transactions occur between March 1 and the end of the consolidated fiscal year on March 31, adjustments for the consolidated financial statements will be implemented as necessary.

4. Accounting policy:

(1) Method and basis of valuation of important assets

1) Method and basis of valuation of marketable securities and other investments-

Held-to-maturity bonds: Held-to-maturity bonds are valued at cost, with cost being determined using the amortized cost method (straight-line method).

Other marketable securities and investments:

a. Investments other than non-marketable securities:

The market value method is used for investments other than non-marketable securities (differences in valuation are included directly in net assets, and costs of securities sold are calculated using the moving-average method).

b. Non-marketable securities:

Non-marketable securities are mainly valued at cost, determined using the aggregate average method.

2) Method and basis of valuation of inventory -

Inventories are valued at cost determined by the specific identification method (the value on the consolidated balance sheet is appraised by the write-down of the book value of inventories based on the deterioration of profitability)

(2) Depreciation method for important depreciable assets:

1) Property, plant and equipment (excluding leased assets) -

Depreciation of property, plant and equipment is computed using the declining balance method, except for the Tokyo Stock Exchange Building, one other building, buildings (excluding attached facilities) acquired on or after April 1, 1998, and facilities and structures attached to buildings acquired on or after April 1, 2016, for which the straight-line method is used. Depreciation of consolidated subsidiaries' property, plant and equipment is computed using the straight-line method.

The principal useful lives of property, plant and equipment are as follows.

Buildings and structures	2-65 years
Machinery, equipment, and vehicles	2-30 years
Tools, furniture and fixtures	2-20 years

2) Intangible assets (excluding leased assets)-

Amortization of intangible assets is computed using the straight-line method. The cost of software for internal use is amortized using the straight-line method based on the expected useful life of the software (five years).

3) Leased assets -

Leased assets are depreciated using the straight-line method over the lease period without residual value.

(3) Method of accounting of significant deferred assets:

Bond issuance costs are amortized using the straight-line method over the period until bond redemption.

(4) Basis of accounting for significant allowances and provisions:

1) Allowance for doubtful accounts -

An allowance for doubtful accounts is provided to cover losses on trade accounts receivable and bad debts at an amount estimated based on the historical write-off ratio for general accounts receivables. For doubtful accounts receivable, the allowance is determined at the amount estimated to be uncollectible on an individual basis.

2) Provision for bonuses for directors (and other officers) -

Provision for bonuses for directors (and other officers) is calculated based on the total amount of estimated bonus payments.

3) Provision for bonuses -

Provision for bonuses for employees is calculated based on the total amount of estimated bonus payments.

4) Provision for share awards -

The provision for share awards was calculated based on the expected amount of stock compensation obligations as of the end of the fiscal year under review in order to provide the Company's stock as compensation to executive officers and managing officers of the Company and certain subsidiaries in accordance with its share-based remuneration rules, and as compensation to the Company's employees in accordance with share-based remuneration rules concerning the trust for the Company's employee stock ownership plan.

(5) Basis for calculating significant revenues and expenses:

Details regarding the primary performance obligations of the Group's main businesses that generate revenue from contracts with customers, and the points in time at which such performance obligations are generally satisfied (and, accordingly, when revenues are recognized) are as follows.

1) Building Business -

- Revenue from sales of properties

The Company generates revenue from sales and acquisitions of properties by increasing the value of properties it has acquired through development, lease-ups, and renovations, and then selling them for prices that exceed their acquisition prices. The Company has performance obligations to deliver properties based on real estate sales agreements.

These performance obligations are met at the time of delivering a property, and revenue is recognized once the property is delivered.

2) Asset Management Business -

- Asset management revenue from management fees

The Company generates asset management revenue from management fees obtained through asset management services provided to Heiwa Real Estate REIT, Inc. Based on property lease agreements, the Company has performance obligations to manage properties, handle leasing and financing, and acquire and transfer ownership of properties.

Its performance obligations to manage properties and handle leasing and financing are met by providing these services over their specified periods of time, and revenue is recognized in proportion to the degree these performance obligations are met.

Its performance obligations to acquire and transfer ownership of properties are met once an acquisition or transfer of a property has been completed, and revenue is recognized at either of those points in time.

(6) Method of significant hedge accounting:

1) Method of hedge accounting -

Deferral hedge accounting is applied. The special treatment applies to interest rate swaps that meet the requirements for the special treatment.

2) Hedging instruments and hedged items -

Hedging instruments: interest rate swaps

Hedged items: interest rates of borrowings

3) Policy of hedging transactions -

Interest rate swap transactions are conducted to reduce the exposure to fluctuations in the interest rates of borrowings.

4) Method of assessing hedge effectiveness -

Hedge effectiveness is assessed by comparing the percentage differences between amounts of cash flow items subject to hedging and cash flow items for which hedging instruments are applied.

Interest rate swaps for which special treatment is applied, however, are excluded from this assessment of effectiveness.

(7) Method and period of goodwill amortization

Goodwill is amortized using the straight-line method over the period in which it has an effect.

(8) Other important matters for the preparation of consolidated financial statements:

1) Accounting for retirement benefits-

Retirement benefit liability is calculated at an amount equal to the projected benefit obligation as of the end of the current consolidated fiscal year minus the fair value of pension assets. Retirement benefit liability is not calculated at any consolidated subsidiary that has a defined contribution retirement plan.

2) Accounting for consumption taxes -

In principle, non-deductible consumption taxes were treated as expenses in the fiscal year under review.

[Notes to accounting estimates]

(Impairment losses on non-current assets)

(1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

Property, plant and equipment	¥275,522 million
Leasehold interests in land and goodwill in intangible assets	¥31,138 million
Impairment losses	¥66 million

(2) Information related to the details of significant accounting estimates for items identified

1) Calculation method for the amounts recorded in the consolidated financial statements for the current fiscal year

The Company identifies indications of impairment based on the minimum unit generating cash flows in a manner largely independent of cash flows provided by other assets (or asset groups) (at the individual asset level, in principle).

The Company considers continuous negative income from operating activities, etc., significant deteriorations in the management environment, significant declines in market prices, and other factors as indications of impairment.

If it is recognized that there is an indication of impairment, the Company assesses the necessity of recognizing an impairment loss. If, as a result of this assessment, the total of undiscounted future cash flows is found to be less than total book value on comparison of these two items, the book value is written down to a recoverable amount (the net sales value or value in use, whichever is higher), and the Company records the amount of the reduction in the book value as an impairment loss.

2) Major assumptions used in significant accounting estimates

For market prices, the Group uses amounts based on the Real Estate Appraisal Standard by independent real property appraisers, etc. (“independent valuation amounts, etc.”). In addition, future cash flows and recoverable amounts are estimated based on independent valuation amounts, etc. and the operating plans of assets (or asset groups), combined with the assumptions about levels of rental fees, occupancy rates, operating costs, etc. in the

future.

In addition, regarding redevelopment projects in Nihonbashi Kabutocho and Kayabacho, as well as Sapporo, the Company classifies multiple assets into same asset groups from when it may be judged that the redevelopment projects are feasible, based on negotiations with land rights holders and other factors.

- 3) Impact on the consolidated financial statements for the following consolidated fiscal year
The major assumptions stated in 2) above are the best estimates based on information available at the end of the current fiscal year. However, the Group's business performance may be affected owing to the reporting of impairment losses or other reasons if there are changes in the above assumptions, including changes in development plans, market conditions, etc.

(Valuation of real estate for sale)

- (1) Amount recorded in the consolidated financial statements for the current consolidated fiscal year

Real estate for sale	¥20,645 million
Real estate for sale in process	¥567 million

- (2) Information related to the details of significant accounting estimates for items identified

- 1) Calculation method for the amounts recorded in the consolidated financial statements for the current fiscal year

If the net sales value of real estate for sale and real estate for sale in process, minus future expected building and construction costs and expected sales expenses, etc., falls below the book value, the difference is reported under operating costs as loss on revaluation of inventories.

- 2) Major assumptions used in significant accounting estimates

The Group estimates expected sales values after considering independent valuation amounts, etc. or estimating rental fees, expected yields, etc., together with the impact of any future worsening of demand, etc.

As of March 31, 2023, assets for which the Group estimated expected sales values after estimating rental fees, expected yields, etc. were used for residential purposes, and the Company did not assume any significant fluctuations in rent rates or expected yields in future real estate markets.

- 3) Impact on the consolidated financial statements for the following consolidated fiscal year
The major assumptions stated in 2) above are the best estimates based on information available at the end of the current fiscal year. However, the Group's business performance may be affected owing to the reporting of loss on revaluation of inventories or other reasons if there are changes in the above assumptions, including a decline in estimated sales values as a result of a worsening of demand in the real estate market, etc.

[Additional information]

(A performance-linked stock compensation plan for executive officers and managing officers of the Company and certain subsidiaries)

The Company has adopted a performance-linked stock compensation plan for executive officers of the Company (excluding non-residents of Japan) and managing officers of the Company (excluding managing officer on special appointment who is in charge of the secretariat of the Audit Committee, group managing officer, and non-residents of Japan), and also for directors of major subsidiaries (excluding part-time directors, those on secondment from the Company, and non-residents of Japan) and managing officers of major subsidiaries (excluding those on secondment from the Company and non-residents of Japan, hereinafter collectively the “Executive Officers and Managing Officers of the Company and Certain Subsidiaries”), and established a trust comprised of common stock for the plan.

(1) Overview of the compensation system

The trust was established using funds provided by the Company, and acquires company stock to be used as compensation for the Executive Officers and Managing Officers of the Company and Certain Subsidiaries under the plan. Through the trust, company stock or a cash amount equivalent to the value of the stock is delivered to the Executive Officers and Managing Officers of the Company and Certain Subsidiaries in an amount commensurate with the number of points each has earned under the stock compensation plan, based on stock compensation rules set by the Company’s Board of Directors. As a rule, the Executive Officers and Managing Officers of the Company and Certain Subsidiaries will receive this compensation upon retiring from their respective post.

(2) Company stock held in the trust

Company stock held in the trust is calculated based on the book value of the stock (excluding incidental expenses) and is included in treasury shares under net assets. As of March 31, 2024, the book value of the applicable treasury shares amounted to ¥304 million, and the amount of stock totaled 98,700 shares.

(Employee stock ownership plan)

The Company has introduced an employee stock ownership plan as an incentive plan for its employees.

(1) Overview of the ownership plan

The plan compensates employees with the Company's shares or monetary equivalent to the market value of the shares commensurate with a number of points awarded based on stock compensation rules for employees set by the Board of Directors. The shares for the plan are acquired by a trust that has been set up using funds contributed by the Company.

(2) Company stock held in the trust

Company stock held in the trust is calculated based on the book value of the stock (excluding incidental expenses) and is included in treasury shares under net assets. As of March 31, 2024, the book value of the applicable treasury shares amounted to ¥295 million, and the amount of stock totaled 70,300 shares.

[Notes to consolidated balance sheet]

1. Balances of receivables from contracts with customers, contract assets, and contract liabilities

Receivables from contracts with customers (Note 1)	¥281 million
Contract assets (Note 1)	¥510 million
Contract liabilities (Note 2)	¥44 million

(Notes) 1. Receivables from contracts with customers and contract assets are included in in “trade accounts receivable.”

2. Contract liabilities are included in “other” under “current liabilities.”

2. Accumulated depreciation of property, plant and equipment ¥99,885 million

3. Guarantees due from the Company

The Company-guaranteed loans owed by employees to financial institutions are as follows:

Housing loans for employees of Heiwa Real Estate Co., Ltd.	¥91 million
---	-------------

4. Revaluation of land

Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998) and the Act for Partial Revision of the Act on Revaluation of Land (Act No. 19 of March 31, 2001), the Company revalued its land held for business. Corporation taxes equivalent to net unrealized gains are reported as “deferred tax liabilities for land revaluation” in liabilities, and net unrealized gains, net of deferred taxes, are reported as “revaluation reserve for land” in net assets.

(Method of revaluation)

Fair values are determined by applying appropriate adjustments to values computed using the method published by the Commissioner of the National Tax Agency for the calculation of land values that serve as the basis for taxable amounts of land-holding tax set forth in Article 16 of the Land-holding Tax Act as set forth in Article 2, Item 4 of the Order for Enforcement of Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

(Date of the revaluation)

March 31, 2001

(Difference between fair values at the fiscal year-end and book values after the revaluation of the land revaluated)

Since the fair value of the revalued land exceeded the carrying value of the land after the revaluation as of March 31, 2024, the difference between the amounts has not been stated.

5. Investment securities

Assets included under investment securities are as follows:

Investment units of HEIWA REAL	¥21,596 million
ESTATE REIT, Inc.	(151,979 units)

6. Changes in purpose of ownership

An amount of ¥13,035 million was reclassified from non-current assets to real estate for sale due to a change in the purpose of ownership

[Notes to consolidated statement of income]

Revenues from contracts with customers	¥19,719 million
--	-----------------

Net sales from contracts with customers and revenues from sources besides those contracts are not recorded as specific categories under net sales.

[Notes to consolidated statements of changes in equity]

1. Shares issued

Common shares	38,859,996 shares
---------------	-------------------

2. Treasury shares

Common shares	3,070,344 shares
---------------	------------------

(Note) The number of common shares of treasury shares includes the number of shares of the Company's stock held in the trusts for its stock compensation plan for directors and officers and for the stock compensation plan for employees (169,000 shares for the current consolidated fiscal year).

3. Dividends of surplus

(1) Payments of dividends

1) The following was resolved and approved at the Ordinary General Shareholders' Meeting held on May 17, 2023.

Distribution of common shares

• Total amount of dividends	¥1,941 million
• Dividend per share	¥54
• Record date	March 31, 2023
• Effective date	June 5, 2023

(Note) The total amount of dividends includes ¥9 million in dividends for the Company's stock held in the trust for its stock compensation plan for directors and officers and for the stock compensation plan for employees as trust assets.

2) The following was resolved and approved at the Board of Directors' meeting held on October 31, 2023.

Distribution of common shares

• Total amount of dividends	¥2,085 million
• Dividend per share	¥58
• Record date	September 30, 2023
• Effective date	December 1, 2023

(Note) The total amount of dividends includes ¥9 million in dividends for the Company's stock held in the trusts for its stock compensation plan for directors and officers and for the stock compensation plan for employees as trust assets.

(2) Dividends with a record date falling in the current consolidated fiscal year and an effective date falling in the following consolidated fiscal year

The following is scheduled to be resolved and approved at the Board of Directors' meeting to be held on May 17, 2024.

Distribution of common shares

• Total amount of dividends	¥3,883 million
• Source of dividends	Retained earnings
• Dividend per share	¥108
• Record date	March 31, 2024
• Effective date	June 3, 2024

(Note) The total amount of dividends includes ¥18 million in dividends for the Company's stock held in the trusts for its stock compensation plan for directors and officers and for the stock compensation plan for employees as trust assets. The dividend per share includes a special dividend of ¥50 per share.

[Notes to financial instruments]

1. Financial instruments

The Group limits fund management to short-term deposits, etc. and procures funds by borrowing money from banks and other financial institutions.

Among investment securities, the fair value of listed securities is assessed on a quarterly basis.

Borrowings are used for working capital (chiefly for short-term purposes) and funds for capital investments (for long-term purposes). The Company fixes interest expenses by applying interest rate swap transactions to a portion of the long-term borrowings with interest rate volatility risk.

2. Fair value, etc. of financial instruments

The balance sheet amount, the fair value, and the difference between the two were as follows as of March 31, 2024 (settlement date of the current consolidated fiscal year). The following table does not include any non-marketable securities (amount on consolidated balance sheet: ¥524 million (investment securities)). The following table also does not include investments in partnerships and other similar entities for which equity interests are recorded on a net basis on the consolidated balance sheet (amount on consolidated balance sheet: ¥818 million (operating investments in capital and investment securities)) in accordance with the treatment prescribed in Article 24, Paragraph 16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement (Guidance No. 31) issued by the Accounting Standards Board of Japan on June 17, 2021. Also omitted are explanatory notes on cash, and notes on deposits, trade accounts receivable, trade accounts payable, and short-term borrowings, as their fair values are close to carrying amounts due to their short maturities.

	Consolidated balance sheet amount (*)	Market value (*)	(Millions of yen) Difference
(1) Securities	8,005	8,006	1
(2) Investment securities	37,281	37,289	8
(3) Bonds payable	(31,489)	(30,686)	(-802)
(4) Long-term borrowings	(190,384)	(187,705)	(-2,678)
(5) Long-term accounts payable – other	(8,650)	(8,327)	(-322)
(6) Leasehold and guarantee deposits received	(23,636)	(23,103)	(-533)
(7) Derivatives	(9)	(9)	–

(*) Figures in parentheses are presented in Liabilities.

(*) Net receivables and payables arising from derivatives are presented in net.

3. Fair value information by level within the fair value hierarchy

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e., quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Financial assets and financial liabilities measured at fair value

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities				
Shares	15,111	—	—	15,111
Investment trusts, etc.	21,978	—	—	21,978
Total assets	37,090	—	—	37,090
Derivatives				
Interest rate related	—	9	—	9
Total liabilities	—	9	—	9

(2) Financial assets and financial liabilities not measured at fair value

(Millions of yen)

Classification	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Held-to-maturity bonds				
Government bonds	5	–	–	5
Bonds	–	199	–	199
Other	–	8,000	–	8,000
Total assets	5	8,200	–	8,205
Bonds payable	–	30,686	–	30,686
Long-term borrowings	–	187,705	–	187,705
Long-term accounts payable – other	–	8,327	–	8,327
Leasehold and guarantee deposits received	–	23,103	–	23,103
Total liabilities	–	249,823	–	249,823

(Note) A description of the valuation techniques and inputs used in the fair value measurements

Securities and investment securities

The fair value of shares, investment trusts, etc., and government bonds are valued using quoted prices. As these are traded in active markets, their fair value is classified as Level 1. Additionally, commercial paper classified as bonds and other, and money trusts are valued using prices indicated at handling financial institutions, but their fair value is classified as Level 2 because they are not traded frequently in the public market and not considered to have quoted prices in active markets.

Bonds payable

Those with fixed rates are posted at the present value of the bonds payable and are equal to the total of capital and interests discounted by the remaining terms and interest rates adjusted for credit risk. Their fair value is classified as Level 2. Those with floating rates are posted at their book value because floating rates reflect market rates in a short period of time and their fair value approximates their book value. Their fair value is classified as Level 2.

Long-term borrowings and long-term accounts payable – other

Those with fixed rates are calculated by discounting the total principal and interest by the assumed interest rate for a borrowing under the same terms and conditions, and their fair value is classified as Level 2. Those with floating rates are posted at

their book value because floating rates reflect market rates in a short period of time and their fair value approximates their book value. Their fair value is classified as Level 2. Those with floating rates subject to exceptional treatment for interest-rate swaps are calculated by discounting the total of principal and interest accounted for as a unit with the interest-rate swap by an assumed interest rate reasonably estimated for a borrowing under the same terms and conditions.

Leasehold and guarantee deposits received

The fair values are calculated from current market prices, discounted at interest rates that factor in the remaining period until return of deposit amounts and credit risk. Such fair values are classified as Level 2.

Derivatives

The fair values of derivatives are calculated based on the prices provided by financial institutions and classified as Level 2. A derivative transaction subject to exceptional treatment for interest-rate swaps is accounted for as a unit together with long-term borrowings subject to hedge. For this reason, the market value of such a transaction is included in the fair value of the long-term borrowings (Refer to “long-term borrowings and long-term accounts payable – other” above).

[Notes to lease property, etc.]

1. Lease property, etc.

The Company and some subsidiaries own lease office buildings, and lease commercial facilities in Tokyo and other areas.

2. Market value of lease property, etc.

• Amount on the consolidated balance sheet	¥304,487 million
• Market value	¥421,246 million

(Notes)

1. The consolidated balance sheet amount is equal to the acquisition cost minus the accumulated depreciation and accumulated impairment losses.
2. The market value of principal properties, at the end of current consolidated fiscal year are based on the Real Estate Appraisal Standard by independent real property appraisers, and those of other real estate units at the end of this term are calculated by the Company based on the Real Estate Appraisal Standard (including that adjusted using indexes, etc.).

[Notes to revenue recognition]

1. Disaggregation of revenue from contracts with customers

(Millions of yen)

	Reportable segments		Total
	Building Business	Asset Management Business	
Revenue from sales and acquisitions of properties	12,780	–	12,780
Management fees in asset management earnings	–	1,598	1,598
Other	4,017	1,322	5,339
Revenue from contracts with customers	16,797	2,921	19,719
Revenue from other sources (Note)	23,747	966	24,714
Net sales from external customers	40,544	3,888	44,433

(Note) “Revenue from other sources” includes rental/lease income etc. based on the Accounting Standard for Lease Transactions.

2. Useful information in understanding revenue from contracts with customers

Useful information in understanding revenue is as presented in “[Basis of presenting consolidated financial statements] 4. Accounting policy (5) Basis for calculating important revenues and expenses”

3. Information regarding relations between performance obligation satisfaction based on customer contracts and cash flows arising from such contracts, and regarding the timing and totals of revenue expected to be recognized in and from the following consolidated fiscal year, from customer contracts existing at the end of the current consolidated fiscal year.

(1) Contract asset and contract liability balances

(Millions of yen)

	Balance at beginning of period	Balance at end of period
Receivables from contracts with customers	186	281
Contract assets	485	510
Contract liabilities	5	44

Within the portion of revenue recognized as reflecting progress in satisfaction of performance obligations, contract assets primarily relate to Group entitlements to considerations on which no claim has as yet been made. Once the Group has an unconditional right to consideration, it reclassifies contract assets to receivables from contracts with customers.

Contract liabilities primarily relate to advances received from customers. Contract liabilities are reversed as revenue is recognized.

(2) Transaction price allocated to the remaining performance obligations

The Group has applied the practical expedient to the transaction prices allocated to the remaining performance obligations and omits this information here as there are no material contracts at the Group that have an original expected duration of over one year. No material amounts exist in which considerations arising from customer contracts are not included in transaction prices.

[Per share data]

Net assets per share	¥3,510.66
Earnings per share	¥236.13

(Note) To calculate net assets per share, the Company's stock held in the trusts for its stock compensation plan for directors and officers and for the stock compensation plan for employees is included in treasury shares subtracted from calculations of the total number of shares issued as of the end of the period (169 thousand shares for the current consolidated fiscal year). To calculate earnings per share, the Company's stock held in the trust is included in treasury shares subtracted from calculations of the average number of shares during the period (170 thousand shares for the current consolidated fiscal year).

[Other notes]

(Notes to impairment losses)

Location	Principal use	Category	Impairment losses
Abiko-shi, Chiba	Stores and other commercial facilities	Land and buildings	¥66 million

The Group recorded impairment losses on the asset group above. To calculate impairment losses, assets are grouped according to the smallest entities that generate cash flows largely independent of cash flows provided by other assets or asset groups.

The book value of lease real estate of which profitability substantially decreased were written down to a recoverable amount, and recorded as impairment losses of ¥66 million under extraordinary losses.

The recoverable amount of this asset group was determined by its net sales value, which was based on amounts assessed by real estate appraisers.

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2024

ASSETS

(Millions of yen)

Current assets:	
Cash and deposits	¥16,152
Trade accounts receivable	1,283
Securities	8,005
Real estate for sale	20,645
Real estate for sale in process	567
Operating investments in capital	551
Prepaid expenses	59
Short-term loans receivable	511
Accounts receivable – other	51
Accrued revenue	1
Advances paid	654
Suspense payments	44
Allowance for doubtful accounts	(0)
Total current assets	48,529
Non-current assets:	
Property, plant and equipment -	
Buildings	80,965
Structures	301
Machinery and equipment	425
Vehicles	0
Tools, furniture and fixtures	776
Land	177,347
Construction in progress	5,039
Total property, plant and equipment	264,856
Intangible assets -	
Leasehold interests in land	30,499
Trademark right	8
Software	118
Goodwill	645
Telephone subscription right	9
Right to use facilities	0
Total intangible assets	31,281
Investments and other assets -	
Investment securities	37,319
Shares of subsidiaries and associates	8,361
Investments in capital	21
Long-term accounts receivable - other	422
Long-term prepaid expenses	1,748
Guarantee deposits	1,281
Total investments and other assets	49,155
Total non-current assets	345,293
Deferred assets -	
Bond issuance costs	381
Total deferred assets	381
Total assets	394,203

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2024

LIABILITIES AND NET ASSETS

(Millions of yen)

<u>Liabilities</u>	
Current liabilities:	
Trade accounts payable	¥1,611
Current portion of bonds payable	3,624
Short-term borrowings	2,500
Current portion of long-term borrowings	16,681
Accounts payable – other	378
Accrued expenses	174
Income taxes payable	1,406
Accrued consumption taxes	1,628
Advances received	1,186
Deposits received	119
Provision for bonuses for directors (and other officers)	79
Provision for bonuses	171
Total current liabilities	29,562
Non-current liabilities:	
Bonds payable	27,864
Long-term borrowings	173,703
Long-term accounts payable – other	8,391
Leasehold and guarantee deposits received	19,249
Deferred tax liabilities	7,527
Deferred tax liabilities for land revaluation	7,186
Provision for share awards	199
Provision for retirement benefits	35
Asset retirement obligations	659
Derivative liabilities	9
Total non-current liabilities	244,826
Total liabilities	274,388
<u>Net assets</u>	
Shareholders' equity:	
Share capital	21,492
Capital surplus	
Capital reserve	19,720
Other capital surplus	0
Total capital surplus	19,720
Retained earnings:	
Legal retained earnings	1,453
Other retained earnings:	
Reserve for tax purpose reduction entry	1,732
General reserve	10,115
Retained earnings brought forward	42,255
Total other retained earnings	54,103
Total retained earnings	55,556
Treasury shares	(9,989)
Total shareholders' equity	86,780
Valuation and translation adjustments:	
Valuation difference on available-for-sale securities	16,964
Deferred gains or losses on hedges	(6)
Revaluation reserve for land	16,076
Total valuation and translation adjustments	33,034
Total net assets	119,815
Total liabilities and net assets	394,203

NON-CONSOLIDATED STATEMENT OF INCOME

FROM: APRIL 1, 2023

TO: MARCH 31, 2024

	(Millions of yen)
Net sales	¥38,891
Cost of sales	24,209
Gross profit	14,682
Selling, general and administrative expenses	3,071
Operating profit	11,610
Non-operating profit -	
Interest and dividend income	1,412
Proceeds from miscellaneous income	35
Total non-operating income	1,447
Non-operating expenses -	
Interest expense	1,445
Interest expenses on bonds	223
Amortization of bond issuance costs	50
Miscellaneous losses	285
Total non-operating expenses	2,005
Ordinary profit	11,052
Extraordinary income -	
Gain on sales of investment securities	1,215
Subsidy income	2
Total extraordinary income	1,218
Extraordinary losses -	
Loss on retirement of non-current assets	7
Impairment losses	66
Loss on tax purpose reduction entry of non-current assets	2
Loss on valuation of investment securities	181
Total extraordinary losses	258
Profit before income taxes	12,012
Income taxes - current	3,562
Income taxes - deferred	(84)
Profit	8,534

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM: APRIL 1, 2023

TO: MARCH 31, 2024

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Legal reserve	Retained earnings			
		Capital reserve	Other capital surplus	Total capital surplus		Other retained earnings			Total retained earnings
					Reserve for advanced depreciation	General reserve	Retained earnings carried forward		
Balance at beginning of period	21,492	19,720	0	19,720	1,453	1,888	10,115	37,302	50,759
Changes during period									
Dividends of surplus								(4,027)	(4,027)
Reversal of reserve for advanced depreciation						(155)		155	–
Profit								8,534	8,534
Purchase of treasury shares									
Disposal of treasury shares			0	0					
Reversal of revaluation reserve for land								290	290
Net changes in items other than shareholders' equity									
Total changes during period	–	–	0	0	–	(155)	–	4,952	4,797
Balance at end of period	21,492	19,720	0	19,720	1,453	1,732	10,115	42,255	55,556

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	(9,997)	81,974	15,105	–	16,366	31,472	113,447
Changes during period							
Dividends of surplus		(4,027)					(4,027)
Reversal of reserve for advanced depreciation		–					–
Profit		8,534					8,534
Purchase of treasury shares	(12)	(12)					(12)
Disposal of treasury shares	20	20					20
Reversal of revaluation reserve for land		290					290
Net changes in items other than shareholders' equity			1,859	(6)	(290)	1,562	1,562
Total changes during period	7	4,805	1,859	(6)	(290)	1,562	6,367
Balance at end of period	(9,989)	86,780	16,964	(6)	16,076	33,034	119,815

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

[Significant accounting policies]

1. Method and basis of valuation of assets:

(1) Method and basis of valuation of marketable securities and other investments -

1) Held-to-maturity bonds: Held-to-maturity bonds are valued at cost, with cost being determined using the amortized cost method (straight-line method).

2) Stocks of subsidiaries and affiliates:

Stocks of subsidiaries and affiliates are valued at cost, determined using the moving-average method.

3) Other marketable securities and investments:

a. Investments other than non-marketable securities:

The market value method is used for investments other than non-marketable securities (differences in valuation are included directly in net assets, and costs of securities sold are calculated using the moving-average method).

b. Non-marketable securities:

Non-marketable securities are mainly valued at cost, determined using the aggregate average method.

(2) Method and basis of valuation of inventory -

Inventories are valued at cost determined by the specific identification method (the value on the non-consolidated balance sheet is appraised by the write-down of the book value of inventories based on the deterioration of profitability).

2. Depreciation method for non-current assets:

(1) Property, plant and equipment -

Depreciation of property, plant and equipment is computed using the declining balance method, except for the Tokyo Stock Exchange Building, one other building, buildings (excluding attached facilities) acquired on or after April 1, 1998, and facilities and structures attached to buildings acquired on or after April 1, 2016, for which the straight-line method is used. The principal useful lives of property, plant and equipment are as follows:

Buildings and structures	2-65 years
Machinery, equipment, and vehicles	2-30 years
Tools, furniture and fixtures	2-20 years

(2) Intangible assets -

Amortization of intangible assets is computed using the straight-line method. The cost of software for internal use is amortized using the straight-line method based on the expected useful life of the software (five years).

3. Method of accounting of deferred assets:

Bond issuance costs are amortized using the straight-line method over the period until bond redemption.

4. Principles for providing allowances and provisions:

(1) Allowance for doubtful accounts -

An allowance for doubtful accounts is provided to cover losses on bad debts at an amount estimated based on the historical write-off ratio plus any amounts deemed necessary to cover possible losses on an individual account.

(2) Provision for bonuses for directors (and other officers) -

Provision for bonuses for directors (and other officers) is calculated based on the estimated payments.

(3) Provision for bonuses-

Provision for bonuses is calculated based on the estimated payments.

(4) Provision for share awards-

The provision for share awards was calculated based on the expected amount of stock compensation obligations as of the end of the fiscal year under review in order to provide the Company's stock as compensation to the Company's executive officers, etc. in accordance with its share-based remuneration rules, and as compensation to the Company's employees in accordance with share-based remuneration rules concerning the trust for the Company's employee stock ownership plan.

(5) Accrued severance indemnities for employees -

Accrued severance indemnities for employees are calculated at an amount equal to the projected benefit obligation minus the fair value of pension assets.

5. Basis for calculating revenues and expenses -

Details about the main performance obligations in the major businesses related to revenue from contracts with the Company's customers and the timing at which the Company typically satisfies these performance obligations (when it typically recognizes revenue) are as follows:

- Revenue from sales and acquisitions of properties

The Company generates revenue from sales and acquisitions of properties by increasing the value of properties it has acquired through development, lease-ups, and renovations, and then selling them for higher prices than their acquisition prices. The Company has performance obligations to deliver properties based on real estate sales agreements. These performance obligations are met at the time of delivering a property, and revenue is recognized once the property is delivered.

6. Method of important hedge accounting:

(1) Method of hedge accounting -

Deferral hedge accounting is applied. The special treatment applies to interest rate swaps that meet the requirements for the special treatment.

(2) Hedging instruments and hedged items -

Hedging instruments: interest rate swaps

Hedged items: interest rates of borrowings

(3) Policy of hedging transactions -

Interest rate swap transactions are conducted to reduce the exposure to fluctuations in the interest rates of borrowings.

(4) Method of assessing hedge effectiveness -

Hedge effectiveness is assessed by comparing the percentage differences between amounts of cash flow items subject to hedging and cash flow items for which hedging instruments are applied.

Interest rate swaps for which special treatment is applied, however, are excluded from this assessment of effectiveness.

7. Method and period of goodwill amortization -

Goodwill is amortized using the straight-line method over the period in which it has an effect

8. Other important matters for the preparation of non-consolidated financial statements:

Accounting for consumption taxes -

As a rule, the non-credited portion is charged as an expense in the period under review in which the consumption taxes are paid.

[Notes to accounting estimates]

(Impairment losses on non-current assets)

(1) Amount recorded in the non-consolidated financial statements for the current fiscal year

Property, plant and equipment	¥264,856 million
Leasehold interests in land and goodwill in intangible assets	¥31,144 million
Impairment losses	¥66 million

(2) Information related to the details of significant accounting estimates for items identified

The calculation methods for the amounts in Item (1) are the same as those described in “[Notes to accounting estimates] (Impairment losses on non-current assets) (2) Information related to the details of significant accounting estimates for items identified” in the Notes to Consolidated Financial Statements.

(Valuation of real estate for sale)

(1) Amount recorded in the non-consolidated financial statements for the current fiscal year

Real estate for sale	¥20,645 million
Real estate for sale in process	¥567 million

(2) Information related to the details of significant accounting estimates for items identified

The calculation methods for the amounts in Item (1) are the same as those described in “[Notes to accounting estimates] (Valuation of real estate for sale) (2) Information related to the details of significant accounting estimates for items identified” in the Notes to Consolidated Financial Statements.

[Additional information]

(A Performance-linked stock compensation plan for executive officers and managing officers of the Company and certain subsidiaries)

The Company has adopted a performance-linked stock compensation plan for executive officers of the Company (excluding non-residents of Japan) and managing officers of the Company (excluding a managing officer on special appointment who is in charge of the secretariat of the Audit Committee, a group managing officer, and non-residents of Japan), and also for directors of major subsidiaries (excluding part-time directors, those on secondment from the Company, and non-residents of Japan) and managing officers of major subsidiaries (excluding those on secondment from the Company and non-residents of Japan), and established a trust comprised of common stock for the plan.

Details are described in [Additional information] of the Consolidated Financial Statements.

(Employee stock ownership plan)

The Company has introduced an employee stock ownership plan as an incentive measure for Company employees.

Details are described in [Additional information] of the Consolidated Financial Statements.

[Notes to non-consolidated balance sheet]

1. Accumulated depreciation of property, plant and equipment ¥93,117 million

2. Guarantees due from the Company

The Company-guaranteed loans owed by employees to financial institutions are as follows:

Housing loans for employees of Heiwa Real Estate Co., Ltd.	¥91 million
--	-------------

3. Assets or debts due from or to subsidiaries and affiliates

Assets	¥553 million
Debts	¥1,964 million

4. Revaluation of land

Pursuant to the Act on Revaluation of Land (Act No. 34 of March 31, 1998) and the Act for Partial Revision of the Act on Revaluation of Land (Act No. 19 of March 31, 2001), the Company revalued its land held for business. Corporation taxes equivalent to net unrealized gains are reported as “deferred tax liabilities for land revaluation” in liabilities, and net unrealized gains, net of deferred taxes, are reported as “revaluation reserve for land” in net assets.

(Method of revaluation)

Fair values are determined by applying appropriate adjustments to values computed using the method published by the Commissioner of the National Tax Agency for the calculation of land values that serve as the basis for taxable amounts of land-holding tax set forth in Article 16 of the Land-holding Tax Act as set forth in Article 2, Item 4 of the Order for Enforcement of Act on Revaluation of Land (Cabinet Order No. 119 of March 31, 1998).

(Date of the revaluation) March 31, 2001

(Difference between fair values at the fiscal year-end and book values after the revaluation of the land revaluated)

Since the fair value of the revalued land exceeded the carrying value of the land after the revaluation as of March 31, 2024, the difference between the amounts has not been stated.

5. Investment securities

Assets included under investment securities are as follows:

Investment units of HEIWA REAL ESTATE REIT, Inc.	¥21,122 million (148,645 units)
--	------------------------------------

6. Changes in purpose of ownership

An amount of ¥13,035 million was reclassified from non-current assets to real estate for sale due to a change in the purpose of ownership

[Notes to non-consolidated statement of income]

Transactions with subsidiaries and affiliates

Operating transactions	¥1,922 million
Non-operating transactions	¥1,026 million

[Notes to non-consolidated statement of changes in equity]

Treasury shares

Common shares	3,070,344 shares
---------------	------------------

(Note) The number of common shares of treasury shares includes the number of shares of the Company's stock held in the trusts for its stock compensation plan for directors and officers and for the stock compensation plan for employees (169,000 shares for the current fiscal year).

[Notes to tax effect accounting]

Breakdown of deferred tax assets and deferred tax liabilities by major factors

Deferred tax assets

Provision for bonuses	¥52 million
Accrued corporation tax	¥110 million
Amortization of inventories, etc.	¥114 million
Accounts receivable – other	¥37 million
Loss on rebuilding	¥517 million
Impairment losses	¥384 million
Provision for share awards	¥40 million
Provision for retirement benefits	¥10 million
Asset retirement obligations	¥201 million
Asset adjustment account	¥278 million
Other	¥309 million
Sub-total of deferred tax assets	¥2,059 million
Valuation allowance	(¥1,025 million)
Total of deferred tax assets	¥1,033 million
Deferred tax liabilities	
Reserve for tax purpose reduction entry	(¥764 million)
Valuation difference on available-for-sale securities	(¥7,487 million)
Loss on valuation of non-current assets	(¥216 million)
Retirement expense corresponding to asset retirement obligations	(¥86 million)
Other	(¥6 million)
Total of deferred tax liabilities	(¥8,560 million)

Net of deferred tax assets (liabilities)

(¥7,527 million)

[Transactions with affiliated parties]

Not applicable

[Notes to revenue recognition]

Useful information in understanding revenue from contracts with customers is omitted as the same details are presented in [Notes to revenue recognition] of the Consolidated Financial Statements.

[Per share data]

Net assets per share

¥3,347.76

Earnings per share

¥238.46

(Note) To calculate net assets per share, the Company's stock held in the trusts for its stock compensation plan for directors and officers and for the stock compensation plan for employees is included in treasury shares subtracted from calculations of the total number of shares issued as of the end of the period (169 thousand shares for the current fiscal year). To calculate earnings per share, the Company's stock held in the trust is included in treasury shares subtracted from calculations of the average number of shares during the period (170 thousand shares for the current fiscal year).

[Adoption of dividend restrictions on a consolidated basis]

The Company will be subject to dividend restrictions on a consolidated basis once the end of this fiscal year becomes the end of a fiscal year whose financial statements are approved.

[Other notes]

(Notes to impairment losses)

Location	Principal use	Category	Impairment losses
Abiko-shi, Chiba	Stores and other commercial facilities	Land and buildings	¥66 million

The Company recorded impairment losses on the asset group above. To calculate impairment losses, assets are grouped according to the smallest entities that generate cash flow largely independent of cash flows provided by other assets or asset groups.

The book value of lease real estate of which profitability substantially decreased was written down to a recoverable amount, and recorded as impairment losses of ¥66 million under extraordinary losses.

The recoverable amount of this asset group was determined by its net sales value, which was based on amounts assessed by real estate appraisers.

A COPY OF THE AUDIT REPORT OF THE INDEPENDENT AUDITOR ON THE
CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report

May 15, 2024

To the Board of Directors of Heiwa Real Estate Co., Ltd.:

KPMG AZSA LLC
Tokyo Office, Japan

Yohei Morimoto
Designated Limited Liability
Partner
Engagement Partner
Certified Public Accountant

Hirofumi Hanyu
Designated Limited Liability
Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in equity and the related notes of Heiwa Real Estate Co., Ltd. (“the Company”) and its consolidated subsidiaries (collectively referred to as “the Group”), as at March 31, 2024 and for the year from April 1, 2023 to March 31, 2024 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company and its subsidiaries which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent

Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

A COPY OF THE AUDIT REPORT OF THE INDEPENDENT AUDITOR ON THE NON-
CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditor's Report

May 15, 2024

To the Board of Directors of Heiwa Real Estate Co., Ltd.:

KPMG AZSA LLC
Tokyo Office, Japan

Yohei Morimoto
Designated Limited Liability

Partner

Engagement Partner
Certified Public Accountant

Hirofumi Hanyu
Designated Limited Liability

Partner

Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in equity and the related notes, and the accompanying supplementary schedules (“the financial statements and the accompanying supplementary schedules”) of Heiwa Real Estate Co., Ltd. (“the Company”) as at March 31, 2024 and for the 104th fiscal year from April 1, 2023 to March 31, 2024 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and the accompanying supplementary schedules were prepared, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information comprises the business report and its supplementary schedules . Management is responsible for the preparation and presentation of the other information. The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management and the Audit Committee for the Financial Statements and the Accompanying Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the accompanying supplementary schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplementary schedules that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the accompanying supplementary schedules, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The audit committee is responsible for overseeing the executive officers' and directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements and the Accompanying Supplementary Schedules

Our objectives are to obtain reasonable assurance about whether the financial statements and the accompanying supplementary schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if,

individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and the accompanying supplementary schedules.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and the accompanying supplementary schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the accompanying supplementary schedules or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and the accompanying supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the accompanying supplementary schedules, including the disclosures, and whether the financial statements and the accompanying supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Interest required to be disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public

Accountants Act of Japan.

Notes to the Reader of Independent Auditor's Report:

The Independent Auditor's Report herein is the English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

A COPY OF THE AUDIT REPORT OF THE AUDIT COMMITTEE

AUDIT REPORT

We, the Audit Committee, have audited the business activities of the directors and executive officers for the 104th fiscal year from April 1, 2023 to March 31, 2024. We hereby submit our auditing methods and the results to you as follows.

1. Outline of auditing method:

With regard to the resolutions adopted by the Board of Directors regarding the matters set forth in Article 416, Paragraph 1, Items 1 (b) and 1 (e) of the Companies Act and the status of the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, the Audit Committee regularly received reports from the directors, executive officers, and employees on the status of the establishment and operations thereof, requested them for explanations as necessary and expressed opinions, and conducted the audit in the following manner.

- 1) In accordance with the auditing standards, allocation of duties, etc., as determined by the Audit Committee, and in cooperation with the internal control department of the Company, the members of the Audit Committee attended the important meetings to receive reports on matters regarding performance of duties from directors, executive officers, etc. and requested explanations as necessary. Each member also inspected the significant approved documents and examined the status of operations and conditions of assets at its head office and branches. With regards to subsidiaries, each member communicated and exchanged information with Directors and Statutory Auditors, etc. of the subsidiaries and received reports from the subsidiaries on the status of their business, as necessary.
- 2) The basic policies stipulated in Article 118, Item 3 (a) and each of the efforts stipulated in Article 118, Item 3 (b) of Enforcement Regulations of the Companies Act are reviewed based on the status of deliberations of the Board of Directors and other management entities.
- 3) The members of the Audit Committee monitored and verified that Independent Auditor maintained independence and conducted the audits appropriately. Each Statutory Auditor also received reports of the status of the execution of duties from Independent Auditor and requested explanation as necessary. In addition, we were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Corporate Calculation Regulations in accordance with "Standards for the Quality Control of Audits" (Business Accounting Council) from the Independent Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, we reviewed the business reports and supplementary schedules, the non-consolidated financial statements (the non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in equity and notes to the non-consolidated financial statements), and the supplementary schedules, as well as the consolidated financial statements (the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statements), and the supplementary schedules, for the year ended March 31, 2024.

2. Results of Audit

(1) Results of audit of business report

- 1) The business reports and supplementary schedules present fairly the financial condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation of the Company.
- 2) Regarding the performance of duties by Directors and Executive Officers, there were no instances of misconduct or material matters in violation of laws, regulations, nor the Articles of Incorporation of the Company.
- 3) Resolution of the Board of Directors regarding the internal control system is fair and reasonable. There are no matters requiring additional mention regarding the contents of the business report and the execution of duties by Directors and Executive Officers regarding the internal control system.
- 4) The Basic Policy with Regards to the Role of Any Person Controlling the Decision over Financial and Business Policies of the Company stated in the business reports is fair and reasonable. The efforts stipulated in Article 118, Item 3 (b) Enforcement Regulations of the

Companies Act, which are stated in the business reports, are in alignment with the said Basic Policy, do not harm the common interests of the Company's shareholders, and are not aimed at maintaining the status of corporate officers of the Company.

- (2) Results of audit of non-consolidated financial statements and supplementary schedules
The auditing methods and results of the Independent Auditor, KPMG AZSA LLC, are fair and reasonable.
- (3) Results of audit of consolidated financial statements and supplementary schedules
The auditing methods and results of the Independent Auditor, KPMG AZSA LLC, are fair and reasonable.

May 15, 2024

Audit Committee
Heiwa Real Estate Co., Ltd.
Audit Committee member
Mitsunobu Yamaguchi

Audit Committee member
Junko Utsunomiya

Audit Committee member
Daisuke Kobayashi

(Note) Audit Committee members Mitsunobu Yamaguchi and Junko Utsunomiya are External Directors as stipulated in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

The above represents a translation, for reference purposes only, of the original report issued in the Japanese language.