

(Security Code 8803)

Year Ended March 31, 2025

NOTICE CONCERNING THE CONVOCAION OF THE 105th ORDINARY GENERAL SHAREHOLDERS' MEETING

Date of the Meeting: June 24, 2025 (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

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Heiwa Real Estate Co., Ltd.

Security Code 8803

May 30, 2025

(Date of commencement of electronic provision measures: May 29, 2025)

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

Dear Shareholders:

NOTICE OF THE 105th ORDINARY GENERAL SHAREHOLDERS' MEETING

We hereby inform you that the 105th 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 23, 2025.

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 24, 2025 (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 105th fiscal year from April 1, 2024 to March 31, 2025; and
 - 2 Independent Auditor's Report of Consolidated Financial Statements and Audit Report of Consolidated Financial Statements by the Audit Committee for the 105th 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 23, 2025

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 23, 2025

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 24, 2025 (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 16, 2025, to pay a year-end dividend for the 105th fiscal year (from April 1, 2024 to March 31, 2025) as follows.

- (1) Year-end dividend
¥109 per share (including a special dividend of ¥30)
(The annual dividend for this fiscal term, combined with the interim dividend of ¥63, will be ¥172 per share)
- (2) Effective date and payment commencement date
June 2, 2025

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 (FY2024)
1	Kiyoyuki Tsuchimoto [Male] <u>Reappointment</u>	Representative Executive Officer, President and CEO Nominating Committee member Compensation Committee member	8 years	14/14 (100%)
2	Akehiko Tomita [Male] <u>New appointment</u>	Representative and Senior Managing Executive Officer In charge of Development Promotion Department I and Development Promotion Department II	- years	-/- (-%)
3	Takahisa Aoyama [Male] <u>Reappointment</u>	Managing Executive Officer In charge of Corporate Planning Department, Alliance Project Promotion, and Finance Department General Manager of Corporate Planning Department	3 years	14/14 (100%)
4	Daisuke Kobayashi [Male] <u>Reappointment</u> <u>Non-executive</u>	Audit Committee member	3 years	14/14 (100%)

No.	Name	Current position	Term of office	Attendance of Board of Directors' Meetings (FY2024)
5	Takahiro Moriguchi [Male] <div>Reappointment External Independent</div>	External Director Nominating Committee member Chairman of the Compensation Committee	5 years	14/14 (100%)
6	Junko Utsunomiya [Female] <div>Reappointment External Independent</div>	External Director Nominating Committee member Audit Committee member	5 years	14/14 (100%)
7	Eiji Yamada [Male] <div>Reappointment External Independent</div>	External Director Compensation Committee member	3 years	14/14 (100%)
8	Mitsunobu Yamaguchi [Male] <div>Reappointment External Independent</div>	External Director Chairman of the Audit Committee	3 years	14/14 (100%)
9	Tomoko Ito [Female] <div>New appointment External Independent</div>	-	- years	-/- (-%)


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	 Kiyoyuki Tsuchimoto November 19, 1959 <Reappointment> Attendance of Board of Directors' Meetings: 14/14 (100%) Attendance at Meetings of the Nominating Committee: 4/4 (100%) Attendance at Meetings of the Compensation Committee: 4/4 (100%) Term of office: 8 years	30,758 (Of which, the number of shares to be provided based on the stock compensation plan: 22,646)	April	1982	Joined Tokyo Stock Exchange, Inc. (TSE)
			June	2013	Managing Director of TSE
			June	2014	Director and Senior Executive Officer of TSE
			April	2016	Director and Executive Vice President of TSE
			June	2017	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
			June	2018	In charge of Office Building Development Department of the Company
			May	2019	Representative Director of the Company Acting President of the Company
			December	2019	Representative Director and President of the Company Chief Executive Officer of the Company
			June	2022	Representative Executive Officer, President and CEO of the Company (current position)
[Significant office(s) concurrently held] No significant office(s) held by the candidate concurrently.					
[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. 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.					


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		
2	 Akehiko Tomita July 18, 1960 <New appointment> Attendance of Board of Directors' Meetings: -/- (-%) Term of office: - years	1,910 (Of which, the number of shares to be provided based on the stock compensation plan: 1,910)	April	1984	Joined TAISEI CORPORATION
			August	2010	General Manager of Marketing & Sales Department, Marketing & Sales (Building Construction) Division II, TAISEI CORPORATION
			April	2014	Director, Deputy Chief of Marketing & Sales, Taisei-Yuraku Real Estate Co., Ltd.
			April	2015	Executive Officer, Chief of Marketing & Sales (Facility Management), Taisei-Yuraku Real Estate Co., Ltd.
			May	2016	Deputy Chief of Urban Development Division, General Manager of PPP Projects Department, TAISEI CORPORATION
			July	2016	Deputy Chief of Urban Development Division, TAISEI CORPORATION
			April	2019	Director, Deputy Chief of Urban Development Division, TAISEI CORPORATION
			April	2022	Executive Fellow, Deputy Chief of Urban Development Division, TAISEI CORPORATION
			April	2024	Executive Fellow, Deputy Chief of Urban Development Division, in charge of international development business, TAISEI CORPORATION (retired in June 2024)
			July	2024	Managing Executive Officer of the Company In charge of Development Promotion Department I and Development Promotion Department II of the Company (current position)
			April	2025	Representative and Senior Managing Executive Officer 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. Akehiko Tomita assumed the office of Representative and Senior Managing Executive Officer in April 2025 and has engaged in the Company's management. He has supervised the Company's development departments, and has contributed considerably to the promotion of the Company's redevelopment business by leveraging his management experience at TAISEI CORPORATION and its group companies, as well as his extensive knowledge of development based on his past career.</p> <p>Mr. Tomita has management experience at the Company and at TAISEI CORPORATION and its group companies, and deep expertise and experience in the Redevelopment Business; 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 redevelopment projects and others, he enables the Board of Directors to gain appropriate understanding of the status of business operations. The Company therefore expects that Mr. Akehiko Tomita 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		
3	 Takahisa Aoyama August 29, 1969 <Reappointment> Attendance of Board of Directors' Meetings: 14/14 (100%) Term of office: 3 years	10,367 (Of which, the number of shares to be provided based on the stock compensation plan:7,301)	April	1993	Joined Heiwa Real Estate Co., Ltd. (the Company)
			June	2014	General Manager of Finance Department of the Company
			June	2017	General Manager of Real Estate Marketing Department of the Company
			June	2018	General Manager of Office Building Development Department of the Company
			June	2020	Managing Officer of the Company In charge of Real Estate Investment Department of the Company General Manager of Real Estate Investment Department of the Company
			June	2022	Director of the Company (current position) Executive Officer of the Company 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
			April	2023	In charge of Corporate Planning Department, General Affairs Department and Finance Department of the Company General Manager of Corporate Planning Department of the Company (current position)
			April	2025	Managing Executive Officer of the Company (current position) In charge of Corporate Planning Department, Alliance Project Promotion and Finance 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 Director in June 2022 and the office of Managing Executive Officer in April 2025, 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	 Daisuke Kobayashi May 3, 1969 <Reappointment> <Non-executive> Attendance of Board of Directors' Meetings: 14/14 (100%) Attendance at Meetings of the Audit Committee: 14/14 (100%) Term of office: 3 years	3,720	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)	
	[Significant office(s) concurrently held] No significant office(s) held by the candidate concurrently.				
[Reasons for nominating as a candidate for Director] 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. 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.					

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	 Takahiro Moriguchi May 22, 1944 <Reappointment> <External Director> <Independent> Attendance of Board of Directors' Meetings: 14/14 (100%) Attendance at Meetings of the Nominating Committee: 4/4 (100%) Attendance at Meetings of the Compensation Committee: 4/4 (100%) Term of office: 5 years	1,557	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		
6		1,557	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)	
[Significant office(s) concurrently held] 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.					


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 has served as an outside director of other listed companies. Although she has never been directly involved in corporate management, she 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 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		
7	 <p>Eiji Yamada</p> <p>July 18, 1955</p> <p><Reappointment> <External Director> <Independent></p> <p>Attendance of Board of Directors' Meetings: 14/14 (100%)</p> <p>Attendance at Meetings of the Compensation Committee: 4/4 (100%)</p> <p>Term of office: 3 years</p>	0	April	1978	Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)
			June	2005	Senior Vice President of NTT DATA Corporation (currently NTT DATA Group Corporation)
			June	2011	Director and Executive Vice President of NTT DATA Corporation
			June	2012	Representative Director and Senior Executive Vice President of NTT DATA Corporation
			June	2015	Advisor of NTT DATA Corporation (retired in June 2017) President and Representative Director of Japan Information Processing Service Co., Ltd. (retired in June 2021)
			June	2017	Outside Director of The Chiba Kogyo Bank, Ltd. (current position)
			June	2021	Advisor of Japan Information Processing Service Co., Ltd. (retired in June 2023) External Director of Kyokuyo Co., Ltd. (current position)
			June	2022	External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)
[Significant office(s) concurrently held] Outside Director of The Chiba Kogyo Bank, Ltd. External Director of Kyokuyo Co., Ltd.					
[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 (currently NTT DATA Group 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.					

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	
8	 Mitsunobu Yamaguchi January 24, 1958 <Reappointment> <External Director> <Independent> Attendance of Board of Directors' Meetings: 14/14 (100%) Attendance at Meetings of the Audit Committee: 14/14 (100%) Term of office: 3 years	0	September 1983	Joined Tetsuzo Ota & Co. (currently Ernst & Young ShinNihon LLC)
		August 1987	Registered as a Certified Public Accountant	
		July 1996	Assigned to Detroit offices of Ernst & Young in the United States	
		May 2001	Employee of Century Ota Showa & Co. (currently Ernst & Young ShinNihon LLC)	
		May 2007	Representative of ShinNihon LLC (currently Ernst & Young ShinNihon LLC) (retired due to retirement age in June 2020)	
		July 2020	Established Mitsunobu Yamaguchi CPA Office, Head (current position)	
		June 2021	Outside Audit & Supervisory Board Member of MEITEC CORPORATION (retired in October 2023)	
		June 2022	External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)	
		October 2023	Outside Director (Audit and Supervisory Committee member) of MEITEC Group Holdings Inc. (scheduled to retire in June 2025)	
	[Significant office(s) concurrently held] Head of Mitsunobu Yamaguchi CPA Office			
[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.				

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>

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>Tomoko Ito</p> <p>September 11, 1956</p> <p><New appointment> <External Director> <Independent></p> <p>Attendance of Board of Directors' Meetings: -/- (-%)</p> <p>Attendance at Meetings of the Audit Committee: -/- (-%)</p> <p>Term of office: - years</p>	0	April	1979	Joined Quotation Information Center K.K. (currently, QUICK Corp.)
			March	2013	Director, General Manager of Customer Support Head Office, QUICK Corp.
			January	2015	Director, General Manager of Customer Support Head Office, and Assistant in charge of Promoting Business Reform, QUICK Corp.
			March	2016	Managing Director, General Manager of Customer Support Head Office, and Assistant in charge of Promoting Business Reform, QUICK Corp.
			April	2016	Managing Director, in charge of Human Resources, General Affairs, and Labor, and Assistant in charge of Promoting Business Reform, QUICK Corp.
			April	2017	Managing Director, Supervisor of StepUp Promotions, in charge of Human Resources, General Affairs, and Labor, and Assistant in charge of Promoting Business Reform, QUICK Corp.
			January	2018	Managing Director, Supervisor of StepUp Promotions, in charge of Human Resources, General Affairs, and Labor, QUICK Corp.
			March	2018	Managing Director, Supervisor of Human Resources, General Affairs, and Labor, and StepUp Promotions, QUICK Corp.
			January	2019	Managing Director, Supervisor of Human Resources Development and Labor, QUICK Corp.
			March	2019	Executive Managing Director, in charge of Human Resources Development and Labor, QUICK Corp.
			March	2021	Advisor, in charge of Human Resources, QUICK Corp. (retired in March 2024)
			June	2024	Outside Director, Yamatane Corporation (current position)
[Significant office(s) concurrently held] Outside Director, Yamatane Corporation					

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. Tomoko Ito has served as Executive Managing Director of QUICK Corp., a major financial information company, and has also served as an outside director of another listed company. She has broad knowledge on finance and securities, extensive experience in IT/DX, human resources, human resources development, and labor, and deep insight as a corporate manager. For the above reasons, the Company expects that Ms. Tomoko Ito 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 independence]</p> <p>There are real estate leasing transactions between the Company and QUICK Corp., where Ms. Tomoko Ito served as Executive Managing Director until March 2021. However, the transaction amount accounts for less than 1% of the Company's consolidated operating profit (consolidated net sales), and she does not fall under the "Persons who execute the business of the Company's major suppliers (an entity that pays the Company an amount equivalent to more than 2% of the Company's consolidated net sales) for the past three (3) years" or any other category under the "Standards for Assessing the Independence of External Directors" (on page 28) stipulated by the Company, and therefore satisfies such standards.</p> <p>For the above reasons, the Company believes that Ms. Tomoko Ito 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 plans to newly register her with Tokyo Stock Exchange, Inc. 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. Takahiro Moriguchi, Ms. Junko Utsunomiya, Mr. Eiji Yamada, Mr. Mitsunobu Yamaguchi and Ms. Tomoko Ito are candidates for External Director.
4. The Company has entered into agreements with Mr. Daisuke Kobayashi, 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. If the election of Ms. Tomoko Ito is approved, the Company will enter into the same agreement with her. 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 2025. Of the candidates for Director, candidates to be reelected and Mr. Akehiko Tomita are already insured and will continue to be insured after the election or reelection. If Ms. Tomoko Ito is elected, she will also be insured under the same contract. 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.

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

Candidate No. 5: 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 19 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. 6: 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 16 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 25 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	●				●	●		●		●
Akehiko Tomita	●			●		●				
Takahisa Aoyama	●	●				●	●			
Daisuke Kobayashi	●	●				●			●	
Takahiro Moriguchi	●	●		●	●	●		★		
Junko Utsunomiya			●					●	●	
Eiji Yamada	●					●	●	●		★
Mitsunobu Yamaguchi		●		●					★	
Tomoko Ito	●				●	●	●			●

★: 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, ¥954 million (selling price) worth of shares was sold off by the Company in the year ended March 31, 2025. 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. In line with this, and with the aim of further promoting management conscious of capital costs and stock price, the Company is accelerating its efforts to reduce cross-shareholdings by more than half from the balance of cross-shareholdings that was approximately ¥17.5 billion as of the end of December 2024. (Reference: Consolidated net assets as of the end of December 2024 was approximately ¥114.1 billion.)

(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, 2024 to March 31, 2025):

(1) Update and Results of Business -

In fiscal 2024, ended March 31, 2025, 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 ongoing rising prices, the trends in U.S. policies such as trade policies, and financial capital market trends 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 continued to decline in central Tokyo and average rents have increased, reflecting a rebound in demand for office space driven by improvements in workplace environments. In the real estate investment market, strong investment appetite for domestic real estate remained firm and stable despite the Bank of Japan's termination of negative interest rates and subsequent rate hikes.

In this operating environment, the Company's consolidated financial results were as follows. Net sales totaled ¥42,075 million, a decrease of ¥2,357 million (5.3%) compared with the previous fiscal year. Operating profit increased by ¥174 million (1.3%) to ¥13,196 million, while ordinary profit rose by ¥188 million (1.6%) to ¥11,651 million. Profit attributable to owners of parent increased by ¥1,115 million (13.2%) to ¥9,565 million.

Building Business

In the Building Business segment, leasing revenue increased by ¥1,135 million (4.3%) year on year to ¥27,517 million, primarily due to contributions from building opened in the previous fiscal year, namely the Mercure Hotel Tokyo Hibiya (in Chiyoda-ku, Tokyo) and buildings acquired in the previous fiscal year, as well as to the leasing of newly occupied office space and rent revisions. Revenue from sales of properties decreased by ¥3,815 million (29.9%) to ¥8,965 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 ¥37,997 million, a decrease of ¥2,547 million (6.3%) compared with the previous fiscal year. On the other hand, segment operating profit rose by ¥371 million (2.9%) to ¥13,010 million.

As of March 31, 2025, the vacancy rate of buildings leased by the Heiwa Real Estate Group (excluding buildings for which leases have been suspended due to redevelopment) was 3.25%.

Asset Management Business

In the Asset Management Business segment, asset management revenue increased by ¥215 million (8.4%) to ¥2,781 million, and brokerage commissions decreased by ¥25 million (1.9%) to ¥1,296 million. As a result, segment net sales came to ¥4,078 million, up ¥189 million (4.9%) year on year. Segment operating profit totaled ¥2,355 million, an increase of ¥157 million (7.2%) compared with the previous fiscal year.

(2) Investment in fixed assets -

During the fiscal year ended March 31, 2025, the Company paid out total capital expenditures of ¥24,514 million, including expenditures related to the Odori Nishi 4 south area, Type 1 District Redevelopment Project (Sapporo-shi, Hokkaido) and the Sapporo Station South Exit North 4 West 3, Type 1 District Redevelopment Project (Sapporo-shi, Hokkaido).

(3) Status of financing -

During the fiscal year ended March 31, 2025, in order to fund investments in the Odori Nishi 4 south area, Type 1 District Redevelopment Project, the Company entered into a committed syndicate loan agreement with five financial institutions, using a syndication method, with a maximum facility amount of ¥72.0 billion.

(4) Issues to be resolved by the Company -

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 ongoing rising prices, the trends in U.S. policies such as trade policies, and financial capital market trends will need to be closely observed going forward.

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 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.

To realize the Heiwa Real Estate Group Long-term Vision, “WAY 2040,” the Company entered into a capital and business alliance agreement with TAISEI CORPORATION in June 2024 and established a tripartite cooperative relationship for the alliance among TAISEI CORPORATION, Mitsubishi Estate Co., Ltd., and the Company. Through this alliance with TAISEI CORPORATION, the Group will aim to establish a medium- to long-term collaborative relationship and work to enhance corporate value for both companies. This will be achieved by further leveraging their respective strengths in business foundations, expertise, and other domains to (1) expand and accelerate redevelopment business, (2) collaborate on new business areas such as investments in new real estate (asset classes), and (3) promote business alliances in the fields of sustainability and DX.

Background and Positioning of the Medium-Term Management Plan

In the 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 fiscal 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—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.

- As announced on January 31, 2025, in the release titled “Initiatives for Further Advance Management Conscious of the Cost of Capital and the Company’s Stock Price, etc.,” ROE for fiscal 2025 and fiscal 2026 is expected to be 8% or higher, reflecting an increase in gain on sale of investment securities recorded as extraordinary income as we implement efforts to accelerate reduction of cross-shareholdings.

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 102nd fiscal year (Fiscal year ended March 31, 2022)	The 103rd fiscal year (Fiscal year ended March 31, 2023)	The 104th fiscal year (Fiscal year ended March 31, 2024)	The 105th fiscal year (Current fiscal year) (Fiscal year ended March 31, 2025)
Net sales	¥57,818 million	¥44,522 million	¥44,433million	¥42,075 million
Operating profit	12,615 million	10,784 million	13,022 million	13,196 million
Ordinary profit	11,572 million	9,647 million	11,463 million	11,651 million
Profit attributable to owners of parent	8,705 million	9,137 million	8,450 million	9,565 million
Earnings per share (in exact yen)	236.74	254.27	236.13	283.11
Total assets	376,210 million	398,333 million	405,979 million	419,541 million
Net assets	119,278 million	119,324 million	125,645 million	117,999 million
Net assets per share (in exact yen)	3,269.74	3,334.34	3,510.66	3,534.16

(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. Effective from the beginning of the 105th fiscal year (the current consolidated fiscal year), the Company applied the revised Accounting Standard for Current Income Taxes (Statement No. 27) issued by the Accounting Standards Board of Japan (ASBJ) on October 28, 2022.

Significant parent companies and subsidiaries -

1) Status of parent companies

Not applicable

2) Status of significant subsidiaries

Company name	Common stock	Percentage of voting rights held by the Company	Major operating business
HEIWA REAL ESTATE Property Management	¥134 million	100.0%	Property management, construction

Co., Ltd.

			management, comprehensive building management, preservation, operation and maintenance of buildings and facilities Real estate brokerage, etc.
Housing Service Co., Ltd.	¥95 million	100.0%	
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) Although this does not fall under the category of significant changes in subsidiaries, Tokyo Nihonbashi Kabutocho Hotel Co., Ltd. was newly established during the fiscal year under review and has been included in the scope of consolidation.

(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	142	+2
Asset Management	86	-1
Corporate (common among the Company group)	31	+3
Total	259	+4

(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

No. of Employees	Increase/(decrease) as compared with prior period end	Average age (years)	Average length of service (years)
103	+5	42.5	14.6

(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.	¥30,737
Sumitomo Mitsui Banking Corporation	28,889
Mizuho Bank, Ltd.	25,850
The 77 Bank, Ltd.	17,980
MUFG Bank, Ltd.	14,351

2. Status of Shares (as of March 31, 2025):

- | | |
|-------------------------------------------------------|------------------------------------------------------------------------|
| (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 5,303,774 shares
of treasury stock) |
| (3) <u>Number of shareholders</u> - | 22,676 |
| (4) <u>Major shareholders</u> - | |

Name	No. of shares (000's)	Holding ratio (%)
TAISEI CORPORATION	6,750	20.12
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,157	12.39
Aya Nomura	2,444	7.29
Mitsubishi Estate Co., Ltd.	1,776	5.29
Reno, Inc.	1,492	4.45
Custody Bank of Japan, Ltd. (Trust Account)	1,315	3.92
STATE STREET BANK AND TRUST COMPANY 505001	459	1.37
Resona Bank, Ltd.	445	1.33
Sumitomo Mitsui Banking Corporation	402	1.20
JP MORGAN CHASE BANK 385781	386	1.15

(Notes) 1. The holding ratio is calculated after deducting the number of shares held as treasury stock (5,303,774 shares) from the total number of issued shares.

2. The Company holds 5,303,774 shares of treasury stock, which are excluded from the major shareholders listed above. 168,000 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

Not applicable

(6) Other important matters related to shares

1) Acquisition of treasury stock

At the meeting held on June 7, 2024, the Company's Board of Directors resolved to have the Company acquire its own shares in accordance with the provisions of Article 156 of the Companies Act of Japan, applicable pursuant to Article 165, Paragraph 3, of the said act, and acquired treasury stock as follows.

Acquisition of treasury stock based on the resolution of the Board of Directors meeting held on June 7, 2024

Class and number of shares acquired: 2,400,000 shares of common stock

Aggregate amount of acquisition cost: ¥9,048,000,000

Period of acquisition: From June 10, 2024

2) 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, 2025, the amount of the applicable treasury stock held in the trust totaled 98,700 shares.

3) 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, 2025, the amount of the applicable treasury stock held in the trust totaled 69,300 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.

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 I, Development Promotion Department II, and Community Co-Creation Department
Managing Executive Officer	Akehiko Tomita	In charge of Development Promotion Department I and Development Promotion Department II
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. Akehiko Tomita newly assumed the office of Managing Executive Officer on July 1, 2024, pursuant to a resolution of the Board of Directors meeting held on June 25, 2024.
3. Kazuo Yamada retired as Representative and Senior Managing Executive Officer as of March 31, 2025.
4. Executive Officers transferred as of April 1, 2025 as follows.

Position	Name	Assignment
Representative and Senior Managing Executive Officer	Akehiko Tomita	In charge of Development Promotion Department I and Development Promotion Department II
Representative and Senior Managing Executive Officer	Tomoharu Nakao	In charge of Office Building Development Department
Managing Executive Officer	Nobuhiro Seo	In charge of Real Estate Investment Department
Managing Executive Officer	Takahisa Aoyama	In charge of Corporate Planning Department, Alliance Project Promotion, and Finance Department General Manager of Corporate Planning Department

5. The Company has introduced a Managing Officer system. The Managing Officers and their duties as of April 1, 2025 are as indicated hereunder.

Position	Name	Assignment
Senior Managing Officer	Naoyuki Matsumoto	In charge of Finance Department General Manager of Finance Department
Senior Managing Officer	Kiichi Kikuchi	In charge of General Affairs Department and Legal Office
Managing Officer	Ichiro Wagatsuma	In charge of Development Promotion Department I and Community Co-Creation Department General Manager of Development Promotion Department I
Group Managing Officer	Hiroki Mizuta	

(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 Contents 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 2025. 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 resolved 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 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%

At the Compensation Committee meeting held on February 12, 2025, the Company resolved to partially revise the policy effective April 1 of the same year. The main changes are as follows:

- The bonus calculation formula will be changed to a method that uses a coefficient calculated by multiplying the achievement rate against the profit target of the current fiscal year (the earnings forecast announced at the beginning of the fiscal year) by the rate of increase or decrease compared to the previous fiscal year's target.
- Based on the concept of promoting management from the same perspective as shareholders, External Directors and Directors (full-time Audit Committee Members) will be newly included as eligible persons under the stock compensation plan.

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)	64 [42]	64 [42]	—	—	6 [5]
Executive Officers	319	169	96	52	6

(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 ¥8,500 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 ¥25 million and a performance-linked portion of ¥27 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 130%.

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.	Although AIZAWA SECURITIES GROUP CO., LTD. and the Company hold each other's shares, AIZAWA SECURITIES GROUP 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	Board of Directors' Meetings 14/14 (100%) Meetings of the Nominating 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 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.
Director	Takahiro Moriguchi	Board of Directors' Meetings 14/14 (100%) Meetings of the Nominating Committee 4/4 (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 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.

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	<p>Board of Directors' Meetings 14/14 (100%)</p> <p>the Nominating Committee 4/4 (100%)</p> <p>Meetings of the Audit Committee 14/14 (100%)</p>	<p>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.</p>
Director	Eiji Yamada	<p>Board of Directors' Meetings 14/14 (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 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.</p>
Director	Mitsunobu Yamaguchi	<p>Board of Directors' Meetings 14/14 (100%)</p> <p>Meetings of the Audit Committee 14/14 (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 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.</p>

(Note) In addition to the above number of the Board of Directors' Meetings, there was one resolution in writing that was 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
42 million yen

2) Total amount of money and other profits the Company and the Company's subsidiaries
will pay Independent Auditor
47 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 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.

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.

Under the theme of “Compliance efforts owned by each individual and training that makes employees want to learn for the sake of their own work,” the Company also promoted initiatives to encourage voluntary compliance enhancement within each department.

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.

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 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

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. For shareholder returns from fiscal 2024 to fiscal 2026, the Company has set a basic policy of maintaining a consolidated dividend payout ratio of 50%, in consideration of the cost of shareholders' equity, capital efficiency, and other factors. The Company also plans to flexibly implement share buybacks, taking into account factors such as stock price levels, investment plans, and financial condition.

Based on the above-mentioned policy, by the resolution of the Board of Directors' meeting held on May 16, 2025, the year-end dividend for the current term is ¥109 per share (including a special dividend of ¥30), and the annual dividend for this fiscal term, together with the interim dividend, will be ¥172 per share, an increase of ¥6 from the annual dividend of the previous fiscal year. The effective date and the state date of payment are June 2, 2025.

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, 2025

ASSETS

(Millions of yen)

Current assets:

Cash and deposits	¥19,343
Trade accounts receivable	2,291
Securities	5,997
Real estate for sale	29,821
Real estate for sale in process	32
Operating investments in capital	1,173
Other	1,376
Allowance for doubtful accounts	(0)
Total current assets	60,036

Non-current assets:

Property, plant and equipment -	
Buildings and structures	79,319
Machinery, equipment and vehicles	371
Tools, furniture and fixtures	804
Land	170,597
Construction in progress	31,257
Total property, plant and equipment	282,350

Intangible assets -

Leasehold interests in land	30,374
Goodwill	602
Other	187
Total intangible assets	31,164

Investments and other assets -

Investment securities	37,027
Deferred tax assets	243
Other	8,391
Total investments and other assets	45,662

Total non-current assets 359,177

Deferred assets -

Bond issuance costs	326
Total deferred assets	326

Total assets 419,541

CONSOLIDATED BALANCE SHEET

MARCH 31, 2025

LIABILITIES AND NET ASSETS

(Millions of yen)

Liabilities

Current liabilities:	
Trade accounts payable	¥1,698
Current portion of bonds payable	4,259
Short-term borrowings	800
Current portion of long-term borrowings	18,695
Income taxes payable	2,560
Accrued consumption taxes	123
Provision for bonuses for directors (and other officers)	126
Provision for bonuses	301
Other	3,841
Total current liabilities	32,407
Non-current liabilities:	
Bonds payable	23,605
Long-term borrowings	198,320
Long-term accounts payable – other	8,133
Leasehold and guarantee deposits received	23,206
Deferred tax liabilities	7,368
Deferred tax liabilities for land revaluation	7,333
Provision for share awards	310
Retirement benefit liability	180
Asset retirement obligations	675
Total non-current liabilities	269,134
Total liabilities	301,541

Net Assets

Shareholders' equity:	
Share capital	21,492
Capital surplus	19,720
Retained earnings	64,580
Treasury shares	(19,043)
Total shareholders' equity	86,749
Accumulated other comprehensive income:	
Valuation difference on available-for-sale securities	15,265
Deferred gains or losses on hedges	54
Revaluation reserve for land	15,928
Total accumulated other comprehensive income	31,249
Total net assets	117,999
Total liabilities and net assets	419,541

CONSOLIDATED STATEMENT OF INCOME

FROM: APRIL 1, 2024

TO: MARCH 31, 2025

	(Millions of yen)
Net sales	¥42,075
Cost of sales	23,028
Gross profit	19,046
Selling, general and administrative expenses	5,850
Operating profit	13,196
Non-operating income -	
Interest and dividend income	548
Miscellaneous income	26
Total non-operating income	575
Non-operating expenses -	
Interest expenses	1,653
Interest expenses on bonds	238
Amortization of bond issuance costs	52
Miscellaneous losses	176
Total non-operating expenses	2,120
Ordinary profit	11,651
Extraordinary income -	
Gain on sale of investment securities	799
Total extraordinary income	799
Extraordinary losses -	
Loss on retirement of non-current assets	16
Total extraordinary losses	16
Profit before income taxes	12,434
Income taxes - current	4,361
Income taxes - deferred	(1,493)
Profit	9,565
Profit attributable to owners of parent	9,565

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM: APRIL 1, 2024
TO: MARCH 31, 2025

(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	61,012	(9,989)	92,235
Changes during period					
Dividends of surplus			(5,997)		(5,997)
Profit attributable to owners of parent			9,565		9,565
Purchase of treasury shares				(9,058)	(9,058)
Disposal of treasury shares		0		4	4
Net changes in items other than shareholders' equity					
Total changes during period	—	0	3,568	(9,054)	(5,485)
Balance at end of period	21,492	19,720	64,580	(19,043)	86,749

	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	17,339	(6)	16,076	33,409	125,645
Changes during period					
Dividends of surplus					(5,997)
Profit attributable to owners of parent					9,565
Purchase of treasury shares					(9,058)
Disposal of treasury shares					4
Net changes in items other than shareholders' equity	(2,073)	60	(147)	(2,160)	(2,160)
Total changes during period	(2,073)	60	(147)	(2,160)	(7,646)
Balance at end of period	15,265	54	15,928	31,249	117,999

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

[Basis of presenting consolidated financial statements]

1. Scope of consolidation

(1) Consolidated subsidiaries: 6

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, Tokyo Nihonbashi Kabutocho Hotel Co., Ltd.

Tokyo Nihonbashi Kabutocho Hotel Co., Ltd. was newly established during the fiscal year under review, and has therefore been included in the scope of consolidation.

(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 subsidiaries, Tokyo Hibiya Hotel Corporation and Tokyo Nihonbashi Kabutocho Hotel Co., Ltd., 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 changes in accounting policies]

(Application of the Accounting Standard for Current Income Taxes)

Effective from April 1, 2024, the Company applied the revised Accounting Standard for Current Income Taxes (Statement No.27) issued by the Accounting Standards Board of Japan (ASBJ) on October 28, 2022.

Accordingly, the Company applied the revised classification of income taxes, specifically taxation related to other comprehensive income, in accordance with the transitional accounting treatment subject to Paragraph 20-3 of this standard, as well as Paragraph 65-2 (2) of the revised Guidance on Accounting Standard for Tax Effect Accounting (Guidance No. 28) issued by the ASBJ on October 28, 2022. This change in accounting policy did not impact results posted in the consolidated financial statements for the period 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	¥282,350 million
Leasehold interests in land and goodwill in intangible assets	¥30,977 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	¥29,821 million
Real estate for sale in process	¥32 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, 2025, 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, 2025, 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, 2025, the book value of the applicable treasury shares amounted to ¥291 million, and the amount of stock totaled 69,300 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)	¥539 million
Contract assets (Note 1)	¥519 million
Contract liabilities (Note 2)	¥192 million

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

2. Contract liabilities are included in "other" under "current liabilities."

2. Accumulated depreciation of property, plant and equipment ¥96,696 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.	¥69 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, 2025, 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	¥19,984 million
ESTATE REIT, Inc.	(157,979 units)

6. Changes in purpose of ownership

An amount of ¥12,233 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	¥17,649 million
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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
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2. Treasury shares

Common shares	5,471,774 shares
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(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 (168,000 shares for the current consolidated fiscal year).

3. Dividends of surplus

(1) Payments of dividends

1) The following was resolved and approved at the Board of Directors' Meeting held on May 17, 2024.

Distribution of common shares

• Total amount of dividends	¥3,883 million
• 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 trust 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.

2) The following was resolved and approved at the Board of Directors' meeting held on October 31, 2024.

Distribution of common shares

• Total amount of dividends	¥2,114 million
• Dividend per share	¥63
• Record date	September 30, 2024
• Effective date	December 2, 2024

(Note) The total amount of dividends includes ¥10 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 16, 2025.

Distribution of common shares

• Total amount of dividends	¥3,657 million
• Source of dividends	Retained earnings
• Dividend per share	¥109
• Record date	March 31, 2025
• Effective date	June 2, 2025

(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 ¥30 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, 2025 (settlement date of the current consolidated fiscal year). The following table does not include any non-marketable securities (amount on consolidated balance sheet: ¥388 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: ¥1,427 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	5,997	5,996	(0)
(2) Investment securities	36,384	36,394	9
(3) Bonds payable	(27,864)	(26,508)	(-1,356)
(4) Long-term borrowings	(217,016)	(212,089)	(-4,926)
(5) Long-term accounts payable – other	(8,391)	(7,812)	(-579)
(6) Leasehold and guarantee deposits received	(23,206)	(22,543)	(-662)
(7) Derivatives	79	79	—

(*) 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	15,753	—	—	15,753
Investment trusts, etc.	20,440	—	—	20,440
Derivatives				
Interest rate related	—	79	—	79
Total assets	36,194	79	—	36,274

(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				
Bonds	—	200	—	200
Other	—	5,996	—	5,996
Total assets	—	6,196	—	6,196
Bonds payable	—	26,508	—	26,508
Long-term borrowings	—	212,089	—	212,089
Long-term accounts payable – other	—	7,812	—	7,812
Leasehold and guarantee deposits received	—	22,543	—	22,543
Total liabilities	—	268,953	—	268,953

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

Securities and investment securities

The fair value of shares and investment trusts, etc., 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 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	¥311,316 million
• Market value	¥439,801 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	8,965	—	8,965
Management fees in asset management earnings	—	1,692	1,692
Other	5,694	1,296	6,991
Revenue from contracts with customers	14,659	2,989	17,649
Revenue from other sources (Note)	23,337	1,088	24,426
Net sales from external customers	37,997	4,078	42,075

(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	281	539
Contract assets	510	519
Contract liabilities	44	192

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	¥3,534.16
Earnings per share	¥283.11

(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 (168 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 (168 thousand shares for the current consolidated fiscal year).

[Other notes]

(Revisions to deferred tax assets and deferred tax liabilities due to changes in income tax rates)

Following the enactment of the "the Act for Partial Amendment of the Income Tax Act, etc." (Act No. 13 of 2025) by the Diet on March 31, 2025, the "Special Defense Corporation Tax" will be imposed beginning with the consolidated fiscal year starting on or after April 1, 2026. In line with this, for deferred tax assets and deferred tax liabilities associated with temporary differences expected to be reversed in or after the consolidated fiscal year beginning April 1, 2026, the statutory effective tax rate has been revised from 30.6% to 31.5%.

As a result of this change, deferred tax liabilities (net of deferred tax assets) increased by ¥226 million, and income taxes - deferred increased by ¥24 million for the fiscal year under review. On the other hand, valuation difference on available-for-sale securities decreased by ¥201 million, and deferred gains or losses on hedges decreased by ¥0 million.

Additionally, deferred tax liabilities for land revaluation increased by ¥210 million, and revaluation reserve for land decreased by the same amount.

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2025

ASSETS

(Millions of yen)

Current assets:	
Cash and deposits	¥15,408
Trade accounts receivable	1,253
Securities	5,997
Real estate for sale	29,821
Real estate for sale in process	32
Operating investments in capital	1,173
Prepaid expenses	33
Short-term loans receivable	509
Accounts receivable – other	1,101
Accrued revenue	1
Advances paid	115
Suspense payments	23
Allowance for doubtful accounts	(0)
Total current assets	55,471
Non-current assets:	
Property, plant and equipment -	
Buildings	75,902
Structures	356
Machinery and equipment	372
Vehicles	0
Tools, furniture and fixtures	755
Land	163,283
Construction in progress	31,248
Total property, plant and equipment	271,919
Intangible assets -	
Leasehold interests in land	30,374
Trademark right	8
Software	134
Goodwill	602
Telephone subscription right	9
Right to use facilities	0
Total intangible assets	31,129
Investments and other assets -	
Investment securities	36,258
Shares of subsidiaries and associates	8,371
Investments in capital	21
Derivative assets	79
Long-term prepaid expenses	2,842
Guarantee deposits	1,273
Total investments and other assets	48,846
Total non-current assets	351,895
Deferred assets -	
Bond issuance costs	326
Total deferred assets	326
Total assets	407,694

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2025

LIABILITIES AND NET ASSETS

(Millions of yen)

<u>Liabilities</u>	
Current liabilities:	
Trade accounts payable	¥1,382
Current portion of bonds payable	4,259
Short-term borrowings	3,600
Current portion of long-term borrowings	18,695
Accounts payable – other	374
Accrued expenses	199
Income taxes payable	2,225
Advances received	2,446
Deposits received	252
Provision for bonuses for directors (and other officers)	95
Provision for bonuses	196
Total current liabilities	33,730
Non-current liabilities:	
Bonds payable	23,605
Long-term borrowings	198,320
Long-term accounts payable – other	8,133
Leasehold and guarantee deposits received	18,339
Deferred tax liabilities	5,364
Deferred tax liabilities for land revaluation	7,333
Provision for share awards	284
Provision for retirement benefits	84
Asset retirement obligations	651
Total non-current liabilities	262,117
Total liabilities	295,847
<u>Net assets</u>	
Shareholders' equity:	
Share capital	21,492
Capital surplus	
Legal capital surplus	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	1,686
General reserve	10,115
Retained earnings brought forward	45,554
Total other retained earnings	57,355
Total retained earnings	58,808
Treasury shares	(19,043)
Total shareholders' equity	80,978
Valuation and translation adjustments:	
Valuation difference on available-for-sale securities	14,884
Deferred gains or losses on hedges	54
Revaluation reserve for land	15,928
Total valuation and translation adjustments	30,868
Total net assets	111,846
Total liabilities and net assets	407,694

NON-CONSOLIDATED STATEMENT OF INCOME

FROM: APRIL 1, 2024

TO: MARCH 31, 2025

	(Millions of yen)
Net sales	¥35,273
Cost of sales	20,568
Gross profit	14,705
Selling, general and administrative expenses	3,346
Operating profit	11,358
Non-operating profit -	
Interest and dividend income	1,441
Proceeds from miscellaneous income	21
Total non-operating income	1,462
Non-operating expenses -	
Interest expense	1,664
Interest expenses on bonds	238
Amortization of bond issuance costs	52
Miscellaneous losses	166
Total non-operating expenses	2,121
Ordinary profit	10,699
Extraordinary income -	
Gain on sale of non-current assets	12
Gain on sale of investment securities	799
Total extraordinary income	811
Extraordinary losses -	
Loss on retirement of non-current assets	15
Total extraordinary losses	15
Profit before income taxes	11,496
Income taxes - current	3,801
Income taxes - deferred	(1,554)
Profit	9,249

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FROM: APRIL 1, 2024

TO: MARCH 31, 2025

(Millions of yen)

	Shareholders' equity								
	Share capital	Capital surplus			Retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal reserve	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	1,732	10,115	42,255	55,556
Changes during period									
Dividends of surplus								(5,997)	(5,997)
Reversal of reserve for advanced depreciation						(46)		46	—
Profit								9,249	9,249
Purchase of treasury shares									
Disposal of treasury shares			0	0					
Net changes in items other than shareholders' equity									
Total changes during period	—	—	0	0	—	(46)	—	3,299	3,252
Balance at end of period	21,492	19,720	0	19,720	1,453	1,686	10,115	45,554	58,808

	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	(9,989)	86,780	16,964	(6)	16,076	33,034	119,815
Changes during period							
Dividends of surplus		(5,997)					(5,997)
Reversal of reserve for advanced depreciation		—					—
Profit		9,249					9,249
Purchase of treasury shares	(9,058)	(9,058)					(9,058)
Disposal of treasury shares	4	4					4
Net changes in items other than shareholders' equity			(2,079)	60	(147)	(2,166)	(2,166)
Total changes during period	(9,054)	(5,801)	(2,079)	60	(147)	(2,166)	(7,968)
Balance at end of period	(19,043)	80,978	14,884	54	15,928	30,868	111,846

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 changes in accounting policies]

(Application of the Accounting Standard for Current Income Taxes)

Effective from April 1, 2024, the Company applied the revised Accounting Standard for Current Income Taxes (Statement No. 27) issued by the Accounting Standards Board of Japan (ASBJ) on October 28, 2022.

Accordingly, the Company applied the revised classification of income taxes in accordance with the transitional accounting treatment subject to Paragraph 20-3 of this standard. This change in accounting policy did not impact results posted in the financial statements for the period under review.

[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	¥271,919 million
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Leasehold interests in land and goodwill in intangible assets	¥30,977 million
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(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	¥29,821 million
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Real estate for sale in process	¥32 million
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(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 ¥89,615 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.	¥69 million
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3. Assets or debts due from or to subsidiaries and affiliates

Assets	¥533 million
Debts	¥3,091 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, 2025, 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.	¥19,562 million (154,645 units)
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6. Changes in purpose of ownership

An amount of ¥12,233 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	¥2,613 million
Non-operating transactions	¥941 million

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

Treasury shares

Common shares	5,471,774 shares
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(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 (168,000 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	¥60 million
Accrued corporation tax	¥136 million
Amortization of inventories, etc.	¥195 million
Accounts receivable – other	¥38 million
Loss on rebuilding	¥533 million
Impairment losses	¥392 million
Provision for share awards	¥57 million
Provision for retirement benefits	¥26 million
Asset retirement obligations	¥205 million
Asset adjustment account	¥225 million
Compensation received	¥414 million
Other	¥311 million

Total of deferred tax assets	¥2,595 million
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Deferred tax liabilities

Reserve for tax purpose reduction entry	(¥775 million)
Valuation difference on available-for-sale securities	(¥6,851 million)
Loss on valuation of non-current assets	(¥222 million)
Retirement expense corresponding to asset retirement obligations	(¥79 million)
Other	(¥32 million)

Total of deferred tax liabilities	(¥7,960 million)
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Net of deferred tax assets (liabilities)	(¥5,364 million)
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[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	¥3,349.88
Earnings per share	¥273.76

(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 (168 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 (168 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]

(Revisions to deferred tax assets and deferred tax liabilities due to changes in income tax rates)

Following the enactment of the "the Act for Partial Amendment of the Income Tax Act, etc." (Act No. 13 of 2025) by the Diet on March 31, 2025, the "Special Defense Corporation Tax" will be imposed beginning with the fiscal year starting on or after April 1, 2026.

In line with this, for deferred tax assets and deferred tax liabilities associated with temporary differences expected to be reversed in or after the fiscal year beginning April 1, 2026, the statutory effective tax rate has been revised from 30.6% to 31.5%.

As a result of this change, deferred tax liabilities (net of deferred tax assets) increased by ¥168 million, income taxes – deferred decreased by ¥27 million, valuation difference on available-for-sale securities decreased by ¥195 million, and deferred gains or losses on hedges decreased by ¥0 million for the fiscal year under review.

Additionally, deferred tax liabilities for land revaluation increased by ¥210 million, and revaluation reserve for land decreased by the same amount.

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

Independent Auditor's Report

May 14, 2025

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

KPMG AZSA LLC
Tokyo Office, Japan

Partner	Yohei Morimoto Designated Limited Liability Engagement Partner Certified Public Accountant
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Partner	Hirofumi Hanyu Designated Limited Liability Engagement Partner Certified Public Accountant
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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, 2025 and for the year from April 1, 2024 to March 31, 2025 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.
- Plan and perform the audit of the consolidated financial statements to obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries, which forms the basis for our opinion on the consolidated financial statements. We are responsible for the control, supervision and review 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 14, 2025

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, 2025 and for the 105th fiscal year from April 1, 2024 to March 31, 2025 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 105th fiscal year from April 1, 2024 to March 31, 2025. 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, 2025.

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 14, 2025

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.