

(Security Code 8803)

Year Ended March 31, 2020

NOTICE CONCERNING THE CONVOCATION OF THE 100th ORDINARY GENERAL SHAREHOLDERS' MEETING

Date of the Meeting: June 24, 2020 (Wednesday), 10:00 a.m. (reception starts at 9:00 a.m.)

Place of the Meeting: The Tokyo Stock Exchange Bldg. 2F, TSE Hall
2-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo, Japan

Deadline for voting: If you are unable to attend the meeting, please exercise your voting rights by mail or via the Internet by no later than June 23, 2020 (Tuesday), 5:00 p.m.

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Heiwa Real Estate Co., Ltd.

Security Code 8803
May 29, 2020

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

Dear Shareholders:

NOTICE CONCERNING THE CONVOCAION OF THE
100th ORDINARY GENERAL SHAREHOLDERS' MEETING

We are pleased to inform you that the 100th Ordinary General Shareholders' Meeting (the "Meeting") of Heiwa Real Estate Co., Ltd. (the "Company") will be held as specified in the attached notice.

We would appreciate it if you would, in light of the spread of novel coronavirus infection (COVID-19), exercise your voting rights in advance by mail or via the Internet, insofar as possible, in order to secure your safety and prevent infection. If you intend to attend the meeting, please take due steps to prevent infection by taking necessary measures such as wearing a mask.

We would appreciate your review of the following attached Reference Documents for the General Shareholders' Meeting and your exercise of the voting rights in advance by 5:00 p.m., Tuesday, June 23, 2020.

Yours faithfully,

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

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, 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

If you cannot attend the meeting, you can exercise your voting rights in writing or by electronic method (the Internet, etc.). We would appreciate your review of the following attached Reference Documents for the General Shareholders' Meeting and your exercise of the voting rights by 5:00 p.m., Tuesday, June 23, 2020.

1. Date of the Meeting: June 24, 2020 (Wednesday), 10:00 a.m.
2. Place of the Meeting: The Tokyo Stock Exchange Bldg. 2F, TSE Hall
2-1, 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 100th fiscal year from April 1, 2019 to March 31, 2020; and
 - 2 Independent Auditor's Report of Consolidated Financial Statements and Audit Report of Consolidated Financial Statements by the Board of Statutory Auditors for the 100th fiscal year.
 - Items to be voted upon:
 - Agenda Item No. 1: Proposed Appropriation of Surplus
 - Agenda Item No. 2: Assigantion of Nine Directors
 - Agenda Item No. 3: Assigantion of Independent Auditor

Guide for Exercising Your Voting Rights

The exercise of voting rights is a shareholder privilege.

You can 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 Attending the Meeting

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

Date of the meeting

June 24, 2020 (Wednesday), 10:00 a.m.

If you are attending the meeting, please submit the enclosed attendance sheet at the reception desk. Please also bring the "Notice Concerning the Convocation" to help conserve paper resources.

We will not provide gifts as souvenirs to shareholders who attend the General Shareholders' Meeting. We appreciate your understanding and cooperation.

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 voting

The sheet must be received by 5:00 p.m., Tuesday, June 23, 2020

Exercise of Voting Rights via the Internet

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

Deadline for voting

The votes must be received by 5:00 p.m., Tuesday, June 23, 2020

Notes:

1. By attending the Meeting, you are not required to exercise your voting rights by postal mail or via the Internet.
2. If you submit the attendance sheet without indicating your vote for or against an agenda item, you will be deemed to have approved that agenda item.

(If you are attending the meeting, please submit the enclosed attendance sheet at the reception desk, without separating it from the proxy forms. For the purpose of saving resources, you are also requested to bring this Notice with you to the meeting.)

(From among the documents to be provided upon the notification of convocation, STOCK ACQUISITION RIGHTS in the Business Report, CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS and NOTES TO CONSOLIDATED FINANCIAL STATEMENTS in the Consolidated Financial Statements, NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS and NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS in the Non-consolidated Financial Statements are disclosed on the Company's website (<https://www.heiwa-net.co.jp/en/ir/stock/meeting.html>) in accordance to laws and regulations and the provisions of Article 16 of the Articles of Incorporation of the Company. Please note that the Attached Documents provided with this Notice formed part of the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Independent Auditor and also formed part of the Business Report and the Consolidated Financial Statements and Non-consolidated Financial Statements audited by the Statutory Auditors.

(If any modifications are made to the Business Report, the Consolidated Financial Statements, and the Non-consolidated Financial Statements, the details will be published on the Company's website at <https://www.heiwa-net.co.jp/en/ir/stock/meeting.html>)

(The contents of the Notice were disclosed on the Company's website at <https://www.heiwa-net.co.jp/en/ir/stock/meeting.html> prior to the delivery of this Notice, for the purpose of early provision of information.)

REFERENCE DOCUMENTS FOR
THE GENERAL SHAREHOLDERS' MEETING

Agenda Item No. 1: “Proposed Appropriation of Surplus”

We make it a basic policy to distribute profit to our shareholders by setting a consolidated payout ratio of approximately 30% as a medium- to long-term target in consideration of the importance of maintaining the internal cash reserves required to increase our corporate value through the stable development of the redevelopment business, the building leasing business, and other businesses of the Company over the long term.

The Company wishes to propose a year-end dividend for the current term by comprehensively considering the above-mentioned policy, the business results for the current term, future business development, and other factors.

Matters regarding year-end dividend

(1) Type of dividends

Cash

(2) Matters related to allotment of dividends and the aggregate amount thereof

¥31 per share of the Company's common stock Total amount ¥1,174,240,878

(Note) The annual dividend for this fiscal term, together with the interim dividend of ¥25, will be ¥56 per share, an increase of ¥8 from the annual dividend of the previous fiscal year.

(3) Effective date of appropriation of surplus

June 25, 2020

Agenda Item No. 2: “Assignment of Nine Directors”

Hiroyuki Iwakuma retired as Director on December 20, 2019, and the office term of the eight Directors in office shall expire at the close of this meeting. Accordingly, the Company proposes the election of nine Directors.

The Company has established a Nominating Committee, a committee chaired by an External Director and the majority of which consists of External Directors, as an advisory body to the Board of Directors. Prior to the Meeting, the Nominating Committee has deliberated on the candidates for Directorship of the Company and reported the results to the Board of Directors. The Board of Directors has then determined the content of this Agenda based on said report.

The candidates for Directorship of the Company are as follows:

No.	Name	Current position of the Company	Term of office	Attendance at Board of Directors' Meetings (FY2019)
1	Kiyoyuki Tsuchimoto <u>Reappointed</u>	Representative Director and President Chief Executive Officer	3 years	14/14 (100%)
2	Norio Iwasaki <u>Reappointed</u>	Representative Director and Managing Executive Officer	5 years	14/14 (100%)
3	Kazuo Yamada <u>Reappointed</u>	Director and Managing Executive Officer	9 years	14/14 (100%)
4	Hiroki Mizuta <u>Newly appointed</u>	Managing Officer	- years	-/ (-%)
5	Tomoharu Nakao <u>Newly appointed</u>	Managing Officer	- years	-/ (-%)
6	Kiichiro Masui <u>Reappointed</u> <u>External</u> <u>Independent</u>	External Director	3 years	14/14 (100%)
7	Junji Ota <u>Reappointed</u> <u>External</u> <u>Independent</u>	External Director	2 years	13/14 (92.9%)

No.	Name		Current position of the Company	Term of office	Attendance at Board of Directors' Meetings (FY2019)
8	Takahiro Moriguchi	Newly appointed External Independent	-	- years	-/ (-%)
9	Junko Utsunomiya	Newly appointed External Independent	-	- years	-/ (-%)

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company		
1	Kiyoyuki Tsuchimoto November 19, 1959 <Reappointed> Attendance at Board of Directors' Meetings: 14/14 (100%) Term of office: 3 years	4,273	April 1982 June 2004 June 2007 October 2007 April 2011 June 2013 June 2014 April 2016 June 2017 June 2018 May 2019 December 2019	1982 2004 2007 2007 2011 2013 2014 2016 2017 2018 2019 2019	Joined Tokyo Stock Exchange, Inc. (TSE) Director of Listing Department of TSE Executive Officer of TSE Standing Governor of Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation) Senior Executive Officer of TSE Managing Director of TSE Director and Senior Executive Officer of TSE Director and Executive Vice President of TSE Director of Heiwa Real Estate Co., Ltd. (the Company) Managing Senior Executive Officer of the Company In charge of Real Estate Marketing Department of the Company In charge of Office Building Development Department of the Company (current position) Representative Director of the Company Acting President of the Company Representative Director and President of the Company (current position) Chief Executive Officer of the Company (current position)
[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).					
[Reason for nominating him as a candidate for Director] Mr. Kiyoyuki Tsuchimoto assumed the office of Director in June 2017 and the office of Representative Director and President in December 2019, and has engaged in the Company's management. He has supervised the Real Estate Marketing Department and Office Building Development Department, and has the knowledge and experience necessary to perform the Company's management in an appropriate and efficient manner. The Company therefore expects that Mr. Kiyoyuki Tsuchimoto will contribute to the enhancement of corporate value of the Company, and thus has nominated him as a candidate for Director.					

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company		
2	Norio Iwasaki May 16, 1957 <Reappointed> Attendance at Board of Directors' Meetings: 14/14 (100%) Term of office: 5 years	7,590	April 1981	Joined Tokyo Stock Exchange, Inc. (TSE)	
			June 2004	Director of General Administration Department of TSE	
			June 2007	Director of Finance Department of TSE	
			August 2007	General Manager of Finance Department of Tokyo Stock Exchange Group, Inc. (TSE Group)	
			June 2009	Executive Officer of TSE Group	
			January 2013	Executive Officer of Japan Exchange Group, Inc.	
			June 2013	Executive Officer of TSE	
			June 2014	Managing Executive Officer of Heiwa Real Estate Co., Ltd. (the Company) (current position) In charge of Finance Department of the Company (current position)	
			November 2014	In charge of Corporate Planning and General Affairs Department (General Affairs) of the Company (current position)	
			January 2015	In charge of Legal Office of the Company (current position)	
June 2015	Director of the Company				
December 2019	Representative Director of the Company (current position)				
[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).					
[Reason for nominating him as a candidate for Director] Mr. Norio Iwasaki assumed the office of Director in June 2015 and the office of Representative Director in December 2019, and has engaged in the Company's management. He has supervised the Finance Department, Corporate Planning and General Affairs Department (General Affairs) and Legal Office, and has the knowledge and experience necessary to perform the Company's management in an appropriate and efficient manner. The Company therefore expects that Mr. Norio Iwasaki will contribute to the enhancement of corporate value of the Company, and thus has nominated him as a candidate for Director.					

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company		
3	Kazuo Yamada February 24, 1957 <Reappointed> Attendance at Board of Directors' Meetings: 14/14 (100%) Term of office: 9 years	15,853	April	1980	Joined Heiwa Real Estate Co., Ltd. (the Company)
			December	2004	General Manager of Building Department
			July	2006	General Manager of Office Building Development Department and Manager of Sapporo Branch of the Company
			April	2007	General Manager of Finance Department of the Company
			June	2009	Managing Officer of the Company
			June	2010	Deputy General Manager of General Affairs Headquarters, and Group Leader of Planning Finance
			June	2011	Director (current position), Managing Executive Officer (current position), and General Manager of General Affairs and Planning Headquarters of the Company
			June	2014	In charge of Real Estate Solutions Department of the Company
			June	2016	In charge of Development Planning Department (Development) of the Company
June	2018	In charge of Development Promotion Department (Development) of the Company (current position)			
[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).					
[Reason for nominating him as a candidate for Director] Mr. Kazuo Yamada assumed the office of Director in June 2011 and has engaged in the Company's management. He has served as General Manager of Finance Department and General Manager of General Affairs and Planning Headquarters, has supervised the Real Estate Solutions Department, Development Planning Department (Development) and Development Promotion Department (Development), and has the knowledge and experience necessary to perform the Company's management in an appropriate and efficient manner. The Company therefore expects that Mr. Kazuo Yamada will contribute to the enhancement of corporate value of the Company, and thus has nominated him as a candidate for Director.					

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company		
4	Hiroki Mizuta June 23, 1964 <Newly appointed> Attendance at Board of Directors' Meetings: -/- (-%) Term of office: - years	6,129	April	1987	Joined Heiwa Real Estate Co., Ltd. (the Company)
			April	2007	Manager of Osaka Branch of the Company
			June	2010	Manager of Nagoya Branch of the Company
			June	2012	Group Leader of Building Leasing Group, Leasing Headquarters of the Company
			June	2013	Managing Officer of the Company (current position) Group Leader of Building Sales Group, Leasing Headquarters of the Company
			June	2014	Manager of Osaka Branch of the Company (current position)
[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).					
[Reason for nominating him as a candidate for Director] Mr. Hiroki Mizuta has accumulated abundant knowledge and experience in the building and other departments, and has the capabilities and insights necessary to perform the execution of duties of Director in an appropriate manner. The Company therefore expects that Mr. Hiroki Mizuta will contribute to the enhancement of corporate value of the Company, and thus has nominated him as a candidate for Director.					

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company		
5	<p>Tomoharu Nakao</p> <p>December 6, 1964</p> <p><Newly appointed></p> <p>Attendance at Board of Directors' Meetings: -/- (-%)</p> <p>Term of office: - years</p>	3,675	April	1987	Joined Tokyo Stock Exchange, Inc. (TSE)
			July	2006	General Manager of Corporate Headquarters, Nippon Parking Development Co., Ltd.
			June	2009	Outside Corporate Auditor of HoriPro Inc.
			October	2009	Director and General Manager of General Affairs Department of Nippon Parking Development Co., Ltd.
			August	2011	General Manager of Planning & Finance Group, General Affairs and Planning Headquarters of Heiwa Real Estate Co., Ltd. (the Company)
			June	2013	Group Leader of Planning & Finance Group, General Affairs and Planning Headquarters of the Company
			June	2014	Managing Officer of the Company (current position) General Manager of Corporate Planning and General Affairs Department of the Company
			November	2014	In charge of Corporate Planning and General Affairs Department (Corporate Planning) of the Company (current position) In charge of Office of the Council on Urban Development for Investment and Economic Growth of the Company
			May	2015	In charge of Urban Development Promotion Office of the Company
			June	2018	In charge of Development Promotion Department (Corporate Planning) of the Company (current position)
<p>[Significant office(s) concurrently held]</p> <p>The candidate concurrently holds no significant office(s).</p>					
<p>[Reason for nominating him as a candidate for Director]</p> <p>Mr. Tomoharu Nakao has accumulated abundant knowledge and experience in the planning and other departments, and has the capabilities and insights necessary to perform the execution of duties of Director in an appropriate manner. The Company therefore expects that Mr. Tomoharu Nakao will contribute to the enhancement of corporate value of the Company, and thus has nominated him as a candidate for Director.</p>					

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company		
6	Kiichiro Masui July 16, 1950 < Reappointed > <External Director> <Independent Officer> Attendance at Board of Directors' Meetings: 14/14 (100%) Term of office: 3 years	1,533	April	1973	Entered the Ministry of Finance
			June	2000	Director-General of Kinki Local Finance Bureau
			July	2003	Director-General of the Planning and Coordination Bureau of the Financial Services Agency (retired in August 2005)
			September	2005	Senior Managing Director of Japan Securities Dealers Association
			May	2006	Vice-Chairman of Japan Securities Dealers Association (retired in June 2013)
			June	2012	Director of the Tokyo Shoken Building Incorporated (retired in June 2017)
			July	2013	Chairman of the Japan Investor Protection Fund (retired in June 2018)
			June	2014	Chairman of the Board of the Japan Securities Research Institute (current position)
			June	2016	Outside Director of Japan Credit Rating Agency, Ltd. (current position)
			June	2017	External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)
[Significant office(s) concurrently held] Chairman of the Board of The Japan Securities Research Institute Outside Director of Japan Credit Rating Agency, Ltd.					
[Reason for nominating him as a candidate for External Director] Mr. Kiichiro Masui serves as Chairman of the Board of The Japan Securities Research Institute. Although Mr. Kiichiro Masui has never been directly involved in corporate management, he has played an appropriate role in the Company's efforts to strengthen the supervisory functions of Board of Directors, etc. from an independent and objective standpoint taking advantage of the specialized knowledge and experience, etc. he has accumulated in the world of finance and securities. The Company therefore expects that Mr. Kiichiro Masui will contribute to the enhancement of corporate value of the Company, and thus has nominated him as a candidate for External Director.					

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company
			<p>[Concerning his independence]</p> <p>There have been transactions related to the leasing of real estate between the Company and The Japan Securities Research Institute, an entity for which Mr. Kiichiro Masui serves as Chairman of the Board. However, the amount of the transactions makes up less than 1% of the consolidated operating revenue (consolidated net sales) of the Company. Therefore, Mr. Kiichiro Masui does not fall in the category of persons who execute the business of the Company's major suppliers (criteria: the suppliers who pay the Company an amount equivalent to more than 2% of the Company's consolidated operating revenue (consolidated net sales)) as defined in the "Standards for Assessing the Independence of Independent Officers" (on page 23) stipulated by the Company, and accordingly does not fall in any of the provisions set forth in the Standards.</p> <p>For the above reasons, the Company believes that Mr. Kiichiro Masui will not have potential conflicts of interest with general shareholders in 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 shares of the Company owned by the candidate	Career summary, position and assignment of the Company		
7	<p>Junji Ota</p> <p>February 21, 1948</p> <p>< Reappointed ></p> <p><External Director></p> <p><Independent Officer></p> <p>Attendance at Board of Directors' Meetings: 13/14 (92.9%)</p> <p>Term of office: 2 years</p>	467	<p>April</p> <p>June</p> <p>April</p> <p>April</p> <p>June</p> <p>May</p> <p>June</p> <p>July</p> <p>November</p>	<p>1971</p> <p>2001</p> <p>2003</p> <p>2005</p> <p>2008</p> <p>2011</p> <p>2012</p> <p>2014</p> <p>2014</p>	<p>Joined Nippon Steel Corporation (currently NIPPON STEEL CORPORATION)</p> <p>Director, Member of the Board, Head of Division, Group Companies Planning Div. of Nippon Steel Corporation</p> <p>Director, Member of the Board, Head of Division, Corporate Planning Div. of Nippon Steel Corporation</p> <p>Managing Director, Member of the Board of Nippon Steel Corporation</p> <p>Senior Auditor of Nippon Steel Corporation (retired in June 2012)</p> <p>Chairman of Japan Audit & Supervisory Board Member Association, Public Interest Incorporated Association (retired in November 2014)</p> <p>Senior Advisor of Nippon Steel Corporation (currently NIPPON STEEL CORPORATION) (retired in June 2014); External Auditor of Nippon Steel Engineering Co., Ltd. (currently NIPPON STEEL ENGINEERING CO., LTD.) (retired in June 2016); External Auditor of Enterprise Turnaround Initiative Corporation of Japan (currently Regional Economy Vitalization Corporation of Japan) (retired in June 2018)</p> <p>Advisor of NIPPON STEEL & SUMITOMO METAL CORPORATION (currently NIPPON STEEL CORPORATION) (retired in June 2015)</p> <p>Chief Advisor of Japan Audit & Supervisory Board Member Association, Public Interest Incorporated Association (retired in November 2016)</p>

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company		
			July 2016		Public Governor, Chair of Self-regulation Board & Vice-Chairman of Japan Securities Dealers Association (retired in June 2019)
			June 2018		External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position) Outside Director of Toshiba Corporation (current position)
[Significant office(s) concurrently held] Outside Director of Toshiba Corporation					
[Reason for nominating him as a candidate for External Director] Mr. Junji Ota has served as a Director, Member of the Board of Nippon Steel Corporation (currently NIPPON STEEL CORPORATION) and has achievements as a corporate manager. He has played an appropriate role in the Company's efforts to strengthen the supervisory functions of Board of Directors, etc. from an independent and objective standpoint taking advantage of his deep knowledge and experience, etc. in corporate management. The Company therefore expects that Mr. Junji Ota will contribute to the enhancement of corporate value of the Company, and thus has nominated him as a candidate for External Director.					
[Concerning his independence] Mr. Junji Ota has no transactional relationship with the Company, and accordingly does not fall in any of the provisions set forth in the "Standards for Assessing the Independence of Independent Officers" (on page 23) stipulated by the Company. For the above reasons, the Company believes that Mr. Junji Ota will not have potential conflicts of interest with general shareholders in 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.					

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company		
8	Takahiro Moriguchi May 22, 1944 <Newly appointed> <External Director> <Independent Officer> Attendance at Board of Directors' Meetings: -/- (-%) Term of office: - years	0	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)			
[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).					

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company
			<p>[Reason for nominating him as a candidate for External Director] 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., and has achievements as a corporate manager. He is expected to play an appropriate role in the Company's efforts to strengthen the supervisory functions of Board of Directors, etc. from an independent and objective standpoint taking advantage of the deep knowledge he has accumulated in the fields of finance and securities and his experience, etc. in corporate management. The Company therefore expects that Mr. Takahiro Moriguchi will contribute to the enhancement of corporate value of the Company, and thus has nominated him as a candidate for External Director.</p> <p>[Concerning his independence] Mr. Takahiro Moriguchi has no transactional relationship with the Company, and accordingly does not fall in any of the provisions set forth in the "Standards for Assessing the Independence of Independent Officers" (on page 23) 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 in the Company, such as human relationships, capital relationships, transactional relationships, or any other interests, and that his independence is ensured. If his election is approved, the Company will newly register him with Tokyo Stock Exchange, Inc. as an independent officer.</p>

No.	Name and date of birth	Number of shares of the Company owned by the candidate	Career summary, position and assignment of the Company		
9	<p>Junko Utsunomiya</p> <p>Official name on the family register: Junko Morita</p> <p>June 21, 1971</p> <p><Newly appointed></p> <p><External Director></p> <p><Independent Officer></p> <p>Attendance at Board of Directors' Meetings: -/- (-%)</p> <p>Term of office: - years</p>	0	April 2000		Registered as a lawyer and joined the law firm Nagashima, Ohno & Tsunematsu
			October 2007		Seconded to the Tokyo Stock Exchange, Inc. (TSE) (until 2009)
			November 2011		Founded Utsunomiya Law Office
			June 2012		External Statutory Auditor of Start Today Co., Ltd. (currently ZOZO, Inc.) (current position)
			April 2013		Outside Corporate Auditor of Solasto Corporation (current position; scheduled to retire in June 2020)
			September 2013		Outside Director of Adventure Inc. (current position)
			February 2018		Founding 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)
<p>[Significant office(s) concurrently held]</p> <p>Founding partner of Utsunomiya & Shimizu and Haruki Management Legal Office</p> <p>External Statutory Auditor of ZOZO, Inc.</p> <p>Outside Corporate Auditor of Solasto Corporation (scheduled to retire in June 2020)</p> <p>Outside Director of Adventure Inc.</p> <p>Outside Director, Audit and Supervisory Committee Member of RAKSUL INC.</p>					
<p>[Reason for nominating her as a candidate for External Director]</p> <p>Ms. Junko Utsunomiya has engaged in corporate legal affairs as an attorney, and although she has never been directly involved in corporate management, she is expected to play an appropriate role in the Company's efforts to strengthen the supervisory functions of Board of Directors, etc. from an independent and objective standpoint taking advantage of the specialized knowledge and experience, etc. she has accumulated in the legal profession. The Company therefore expects that Ms. Junko Utsunomiya will contribute to the enhancement of corporate value of the Company, and thus has nominated her as a candidate for External Director.</p>					
<p>[Concerning her independence]</p> <p>Ms. Junko Utsunomiya has no transactional relationship with the Company, and accordingly does not fall in any of the provisions set forth in the "Standards for Assessing the Independence of Independent Officers" (on page 23) 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 in the Company, such as human relationships, capital relationships, transactional relationships, or any other interests, and that her independence is ensured.</p> <p>If her election is approved, the Company will 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. Mr. Kiichiro Masui, Mr. Junji Ota, Mr. Takahiro Moriguchi and Ms. Junko Utsunomiya are candidates for External Directors.
3. The Company has entered into agreements with Mr. Kiichiro Masui and Mr. Junji Ota 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. In addition, if the election of Mr. Takahiro Moriguchi and Ms. Junko Utsunomiya is approved, the Company will enter into liability limitation agreements with them under the same conditions. The Company has entered into liability limitation agreements with all of the External Directors in office.
4. In October 2019, the Company announced an instance of illicit transactions conducted by former employees of the Company. Although Mr. Kiichiro Masui and Mr. Junji Ota were unaware of the said illicit transactions, they had habitually provided reminders on the importance of compliance, etc. at the Board of Directors' meetings and other gatherings. Since the revelation of the aforementioned illicit transactions, they requested a prompt investigation of all the facts and causes connected with the said illicit transactions, and offered suggestions necessary to formulate measures to prevent recurrence.
5. Mr. Junji Ota is an Outside Director of Toshiba Corporation. During his term of office, fictitious transactions and circular transactions involving a subsidiary (a consolidated sub-subsidiary) of Toshiba Corporation as a contracting party were revealed. While that subsidiary was not acknowledged to be either proactively, deliberately, or organizationally involved in the transactions in question, and while Mr. Junji Ota was furthermore unaware of that subsidiary's involvement in advance, he had habitually offered suggestions at Toshiba Corporation, mainly from a standpoint of group compliance. Since the revelation of the aforementioned transactions, Mr. Junji Ota has appropriately performed his duties mainly by expressing opinions in support of measures to prevent recurrence.
6. Ms. Junko Utsunomiya is an External Director of Adventure Inc. During her term of office, an employee of a subsidiary of Adventure, Inc. was revealed to have embezzled funds from the subsidiary. Although she was unaware of the said fact in advance, she had habitually offered suggestions at Adventure Inc. from a standpoint of legal compliance and compliance management. Since the revelation of the aforementioned fact, she has appropriately performed her duties mainly by calling for a thorough investigation and formulation of recurrence prevention measures and supervising the company's initiatives.

<Reference: Expertise possessed by candidates for Director >

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

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

(Reference)

Standards for Assessing the Independence of Independent Officers

The Company judges that external directors and external statutory auditors (hereinafter referred to as the “External Officers”) 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 exchanges.

1. Policies for Election of External Officers

In the election of External Officers, 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 Officers

- (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 operating revenue 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 operating revenue 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.

Agenda Item No. 3: “Assignment of Independent Auditor”

The office term of the current Independent Auditor of the Company, Crowe Toyo & Co., shall expire at the close of this meeting, and Crowe Toyo & Co. will thereupon retire as the Independent Auditor. Accordingly, the Company proposes the election of KPMG AZSA LLC to the new Independent Auditor based on the determination of the Board of Statutory Auditors of the Company.

1. Reason for selecting KPMG AZSA LLC as a candidate for Independent Auditor

Under the present circumstances where the relevant stakeholders have pooled together their efforts to improve financial auditing, the Board of Statutory Auditors of the Company has also established a System for Re-evaluation of Independent Auditor with a view to objectively assess the status of the Independent Auditor’s efforts toward quality control and other elements. Before this system was established, the Board of Statutory Auditors also updated the Standards for Selecting Independent Auditor and the Standards for Evaluating and Assessing the Reappointment of Independent Auditor, in the previous fiscal term.

By setting a milestone every ten years to evaluate and compare the audit effectiveness and other elements of the current Independent Auditor with those of other audit corporations without considering the past audit results and other elements accumulated in the Company, the system aims to reveal issues that are difficult to detect under conditions where the same audit corporation is continuously reappointed over a long period, and thereby to continuously increase the effectiveness of accounting audits.

The Company has so far undergone accounting audits by the current Independent Auditor in an appropriate and reasonable manner. As a result of the implementation of the system, however, the Company has decided that KPMG AZSA LLC is an appropriate candidate to become Independent Auditor in comprehensive consideration of various factors, including the expectation of new advice and enhanced efficiency of accounting audits based on the characteristics of the Company’s management and business environment.

2. Candidate for Independent Auditor

An overview of a candidate for Independent Auditor of the Company is as follows:

(As of March 31, 2020)

Name	KPMG AZSA LLC		
Office	Principal office	1-2 Tsukudo-cho, Shinjuku-ku Tokyo	
	Number of offices	12	
History	July 1969	Asahi & Co. was established.	
	July 1985	Asahi Shinwa & Co. was established.	
	October 1993	Asahi Shinwa & Co. merged with Inoue Saito Eiwa Audit Corporation (established in April 1978) and changed its name to Asahi & Co.	
	January 2004	Asahi & Co. merged with AZSA & Co. (established in February 2003) and changed its name to KPMG AZSA & Co.	
	July 2010	KPMG AZSA & Co. became a limited liability audit corporation and changed its name to KPMG AZSA LLC.	
Profile	Capital	¥3,000 million	
	Member/Staff composition	Certified Public Accountants (CPAs):	3,167 persons
		Successful examinees for CPA qualification, etc.:	1,087 persons
		Auditing assistant staff:	1,107 persons
		Administration:	744 persons
		Total	6,105 persons
	Number of clients (audit certification business)	3,701 entities	

(Attached Documents)

BUSINESS REPORT

1. Outline of Operations for the period from April 1, 2019 to March 31, 2020:

(1) Update and Results of Business -

In fiscal 2019, ended March 31, 2020, the Japanese economy had continued to show positive signs, including improvements in employment and personal income conditions. The outlook for the Japanese economy, however, became increasingly uncertain due to an increase in the consumption tax rate enacted in October, unpredictable factors in the global economy, including the ongoing trade war between the United States and China along with the growing impact of the global coronavirus pandemic, which caused economic downside risks to spread internationally and the performance of capital markets to fluctuate.

In Japan's real estate industry, demand for office space was solid as corporations moved or expanded their operations against the backdrop of the improving domestic economy. Consequently, vacancy rates remained low and rental rates continued to rise in the office building leasing market. In the real estate investment market, property acquisitions remained active amid favorable loan procurement conditions. The Japanese real estate investment trust (J-REIT) market was also bullish. Nevertheless, the impact of the spread of coronavirus on Japan's real estate market has been a growing cause of concern.

In that operating environment, the Heiwa Real Estate Group set a time frame for establishing a business growth platform aimed at continuously increasing corporate value in the Phase II of its medium- to long-term management plan, "Over the NEXT DECADE," spanning from fiscal 2017 to fiscal 2019. Accordingly, the Group executed projects under the plan and made steady progress in its redevelopment of the Nihonbashi Kabutocho and Kayabacho Revitalization Project in Tokyo.

As a result of those efforts and other factors, the Company posted record-high consolidated financial results in the fiscal year under review. Operating revenue amounted to ¥46,639 million, an increase of ¥7,159 million (18.1%) year on year, and operating income totaled ¥10,903 million, up ¥1,568 million (16.8%), surpassing the Company's fiscal 2023 target of ¥10,000 million set in the aforementioned medium- to long-term management plan. Meanwhile, ordinary income was ¥10,006 million, up ¥1,575 million (18.7%), and net income attributable to owners of parent came in at ¥7,046 million, an increase of ¥872 million (14.1%) compared with the previous fiscal year.

The operating results for the respective business segments are as summarized below:

Leasing Business

[Principal business: Development, leasing, management and operation, etc. of stock exchanges, offices, commercial facilities and housing, etc.]

In the Leasing Business, revenue from building leasing totaled ¥20,560 million, an increase of ¥1,793 million (9.6%) year on year. The increase was mainly due to the contribution of leasing revenue from buildings acquired in the previous fiscal year, namely the Hotel Emisia Sapporo (Sapporo-shi, Hokkaido) and Sakae Sun City Building (Nagoya-shi, Aichi), and in the first half of the fiscal year under review, specifically Solala Plaza (Sendai-shi, Miyagi), as well as to upwardly revised leasing rates for properties owned by the Company, particularly the Tokyo Stock Exchange Building (Chuo-ku, Tokyo). By property type, the total amount of leasing revenue was comprised of ¥3,317 million from stock exchange buildings, ¥13,931 million from office buildings, and ¥3,311 million from commercial facilities. Combined with operating revenue from other types of Company-owned properties, total operating revenue in the Leasing Business amounted to ¥22,508 million, an increase of ¥2,196 million (10.8%). Operating income amounted to ¥9,080 million, up ¥1,922 million (26.9%) year on year, reflecting the increase in operating revenue and significantly lower repair expenses than in the same period of the previous fiscal year, specifically expenses associated with the reconstruction of the Kabutocho Heiwa Building No. 5 (Chuo-ku, Tokyo).

As of March 31, 2020, the overall vacancy rate of leased buildings in the property portfolio was 1.72%. Excluding buildings for which leases have been suspended due to redevelopment in the Nihonbashi Kabutocho and Kayabacho districts, the vacancy rate would be 1.22%.

Real Estate Solutions Business

[Principal business: Development, sales, operation and management of income properties, development and sales of houses, and brokerage of real estates, etc.]

In the Real Estate Solutions Business, operating revenue from developed real estate totaled ¥18,050 million, increasing ¥4,767 million (35.9%) year on year mainly due to increased sales of inventories. On the other hand, management fees collected by the Company decreased ¥114 million (8.7%) to ¥1,196 million. Combined with the results for leasing revenue from developed real estate and brokerage commissions, total operating revenue amounted to ¥22,136 million, an increase of ¥4,642 million (26.5%). Operating income, however, came in at ¥3,128 million, a decrease of ¥270 million (8.0%) compared with the previous fiscal year mainly due to a decrease in gains on sales of inventory.

Other Business

[Principal business: Management of buildings and facilities, etc., contracting of repair work, and insurance agency business, etc.]

In the Other Businesses segment, operating revenue increased by ¥320 million (19.1%) to ¥1,995 million, while operating income decreased by ¥21 million (10.8%) to ¥180 million year on year.

(2) Investment in fixed assets -

During the fiscal year ended March 31, 2020, the Company paid out total capital expenditures of ¥12,633 million, including the expenditure for the acquisition of Solala Plaza (Sendai-shi, Miyagi).

(3) Status of financing -

Not applicable

(4) Issues to be resolved by the Company -

The Group formulated the Medium- to Long-term Management Plan “Over the NEXT DECADE” in 2014, defining a vision to become a company that contributes to revitalizing districts through the Nihonbashi Kabutocho and Kayabacho Revitalization Project. Following the implementation of this Plan, the Group has achieved excellent outcomes with both internal and external growth, as well as the successful commercialization of KABUTO ONE, the first project in the revitalization of the district. In addition, the Plan set out the numerical target of around ¥10 billion in consolidated operating income by fiscal 2023, but the Group reached this target four years early in fiscal 2019 and reported record-breaking earnings.

Meanwhile, the business climate in which the Group is operating has changed significantly, including the need to manage risk from natural disasters, further developments in corporate governance, and growing awareness of Environmental, Social, and Governance (ESG) and Sustainable Development Goals (SDGs). The Group also needs to pay close attention to the impact the new coronavirus pandemic is having on real estate market conditions and domestic and overseas economies.

In the real estate industry, we must pay attention to the impact on the demand for leased offices in the office building leasing market due to various changes such as diversifying workstyles and lifestyles and the downturn in business performance stemming from the spread of the novel coronavirus infections. In the real estate investment market, we must also pay close attention to trends in real estate prices and the demand for real estate investment under the effects of the spread of the novel coronavirus infections.

As well as responding to such changes in the external environment, the Group has also formulated the new Medium-term Management Plan, “Challenge & Progress” for the period from fiscal 2020 to fiscal 2023 in order to take on and further progress the business strategies implemented in the previous Medium- to Long-term Management Plan.

Vision for the Heiwa Real Estate Group

As a “company that contributes to revitalizing districts,” the Group strives to help our society become more sustainable while also improving corporate value, by increasing satisfaction through interactive communication with stakeholders and providing solutions to environmental and social issues.

◇ Making society sustainable as a company that contributes to revitalizing districts

The Company will help our society become more sustainable and promote the revitalization of safe and secure districts, taking into account environmental and disaster-preparedness, through initiatives such as the revitalization of Nihonbashi Kabutocho and Kayabacho, the Sapporo redevelopment, and asset management.

◇ Improving shareholder value as a listed real-estate company

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

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

(Fiscal 2020–Fiscal 2023)

The new plan is positioned as a period for tackling the challenge of, and making progress in, the vision of becoming a company that contributes to revitalizing districts, by helping to make our society better positioned to address the social issue of sustainability, as well as refocusing our business model on added-value creation through external and internal growth, commercialization of the Sapporo redevelopment, and revitalization of Nihonbashi Kabutocho and Kayabacho.

Business strategy (fiscal 2020–fiscal 2023)

(1) Redevelopment Business

1) Nihonbashi Kabutocho and Kayabacho revitalization

· We will make progress in revitalizing diverse and sustainable districts through initiatives to create prosperity across the entire target district and to support the “Global Financial City: Tokyo” vision, as well as actual district redevelopment, including KABUTO ONE and other new project starts.

2) Progress in commercializing Sapporo redevelopment

· The Company will make real progress in the Sapporo redevelopment, through participation in the district redevelopment of the Sapporo Station South Exit North 4 West 3 zone (area around the Sapporo Ekimae Godo Bldg.), as well as commercialization of the Dogin Bldg. redevelopment.

(2) Building Business

1) Pursuing external and internal growth

- We will generate earnings from the sale of properties during the process of renewing the portfolio, while building up our portfolio through the acquisition of new lease assets. We also intend to improve portfolio profitability by raising leasing rates based on trends in the office leasing market.
- 2) Sustainable building operations to improve environmental specifications and disaster preparedness
 - We are guided by our long-term vision to reduce CO₂ emissions through investment in building facilities and operations to help address social issues like disaster preparedness and environmental concerns.

Note: The former Leasing Business has been renamed the Building Business.

(3) Asset Management Business

- 1) Growing asset management earnings
 - We aim to grow Heiwa Real Estate Group earnings, including asset management fees, by supporting growth of HEIWA REAL ESTATE REIT, Inc.
- 2) Generating earnings from inventory sales
 - We aim to maximize value through development, lease up, and renewal projects, with the goal of generating earnings from the sale of profitable assets and further development of the HF Residence series.

Note: The former Real Estate Solutions Business has been renamed the Asset Management Business.

(4) Corporate activities

- 1) Promotion of capital policy that takes into account capital costs and capital efficiency
 - To promote capital policy that takes into account capital costs and capital efficiency, we have set the following targets as KPIs for the period from fiscal 2020 to fiscal 2023: at least 6% ROE and around 70% consolidated total return ratio (consolidated dividend payout ratio around 50% by fiscal 2023).

Note: We target ROE of at least 5% in fiscal 2020 in light of the impact of the new coronavirus pandemic.

- 2) Strengthening corporate governance
 - We will work to further strengthen our corporate governance, including ongoing review of Director and Officer compensation, reduction in cross-shareholdings, and taking steps ahead of deadlines for takeover defense measures. We will also promote initiatives for improved compliance such as enhancing awareness of compliance matters among our officers and employees.
- 3) Practicing sustainable management
 - We will establish a Sustainability Committee (tentative name) to work on resolving social issues through our corporate activities, working towards SDGs, thereby achieving a

sustainable society and growth. This will be even more effective when the plan-do-check-act (PDCA) cycle is monitored by the management team and executive employees. We also aim to increase corporate value by making our organization more dynamic through promotions to improve the health of employees and internal communication.

During the fiscal year under review, illicit transactions conducted by former employees of the Company were revealed. We deeply apologize to our shareholders, business partners, and other stakeholders for causing a great deal of inconvenience and concern.

The Company has continued to work on the implementation of preventative measures with a view to raising awareness of the officers and employees, strengthening and improving the management system, and promoting the whistleblowing system to further strengthen compliance. We look forward to your ongoing understanding and support.

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

Fiscal year Classification	The 97th fiscal year (Fiscal year ended March 31, 2017)	The 98th fiscal year (Fiscal year ended March 31, 2018)	The 99th fiscal year (Fiscal year ended March 31, 2019)	The 100th fiscal year (Current fiscal year) (Fiscal year ended March 31, 2020)
Operating revenue	¥41,747 million	¥32,698 million	¥39,480 million	¥46,639 million
Operating income	9,673 million	9,432 million	9,335 million	10,903 million
Ordinary income	8,431 million	8,395 million	8,430 million	10,006 million
Net income attributable to owners of parent	4,514 million	5,288 million	6,174 million	7,046 million
Net income per share (in exact yen)	113.17	132.57	158.73	184.82
Total assets	293,025 million	300,243 million	335,572 million	339,545 million
Net assets	97,524 million	104,900 million	109,075 million	107,302 million
Net assets per share (in exact yen)	2,444.84	2,630.07	2,819.82	2,837.29

(Notes) 1. Net income 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. Effective from the fiscal year ended March 31, 2020, the Company adopted a new performance-linked stock compensation plan for directors and executive officers, and established a trust comprised of common stock for the plan. The Company's stock held in the trust under the plan is recorded as treasury stock in consolidated financial statements and is included in the treasury stock to calculate net assets per share and net income per share.

(6) Status of significant parent companies and subsidiaries -

1) Status of parent companies

Not applicable

2) Status of significant subsidiaries

<u>Company name</u>	<u>Common stock</u>	<u>Percentage of voting rights held by the Company</u>	<u>Major operating business</u>
Heiwa Service Co., Ltd.	¥134 million	100.0%	Management of buildings and facilities, contracting of repair work, and insurance agency, etc.
Housing Service Co., Ltd.	¥95 million	100.0%	Real estate brokerage, etc.
HEIWA REAL ESTATE Asset Management CO., LTD.	¥295 million	100.0%	Asset management of HEIWA REAL ESTATE REIT, Inc.
The Tokyo Shoken Building Incorporated	¥100 million	100.0%	Ownership and leasing of real estate; management of halls, conference rooms, and restaurants, etc.

(7) Contents of principal businesses of the Group -

Business Segment	Business Activities
Leasing	Development, leasing, management and operation, etc. of stock exchanges, offices, commercial facilities and housing, etc.
Real Estate Solutions	Development, sale, operation and management of income property, development and sales of houses, and brokerage of real estate, etc.
Other	Management of buildings and facilities, etc., contracting of repair work, and insurance agency business, 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 Service 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

(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
Leasing	75	-2
Real Estate Solutions	84	+1
Other	50	0
Corporate (common among the Company group)	28	+2
Total	237	+1

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

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

2) Employees of the Company

<u>No. of Employees</u>	<u>Increase/(decrease) as compared with prior period end</u>	<u>Average age (years)</u>	<u>Average length of service (years)</u>
106	-2	43.0	15.5

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

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

Creditors	Balance (In millions of yen)
Resona Bank, Ltd.	¥29,872
The 77 Bank, Ltd.	19,180
Sumitomo Mitsui Banking Corporation	18,300
Mizuho Bank, Ltd.	18,080
Development Bank of Japan Inc.	8,500

2. Status of Shares:

- | | |
|---|--|
| (1) <u>Number of shares authorized to be issued</u> - | 110,000,000 shares |
| (2) <u>Number of shares issued and outstanding</u> - | 38,859,996 shares
(including 981,258 shares of
treasury stock) |
| (3) <u>Number of shareholders</u> - | 17,664 |
| (4) <u>Major shareholders</u> - | |

Name	No. of shares (000's)	Holding ratio (%)
Mitsubishi Estate Co., Ltd.	4,274	11.28
Japan Trustee Services Bank, Ltd. (Trust Account)	2,856	7.54
CGML PB CLIENT ACCOUNT/COLLATERAL	2,646	6.99
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,180	5.76
JP MORGAN CHASE BANK 385632	1,859	4.91
Japan Trustee Services Bank, Ltd. (Trust Account 5)	741	1.96
DFA INTL SMALL CAP VALUE PORTFOLIO	687	1.82
JP MORGAN CHASE BANK 385151	639	1.69
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/ABERDEEN STANDARD SICAV I CLIENT ASSETS	605	1.60
TAISEI CORPORATION	532	1.41

(Notes) 1. The holding ratio is calculated after deducting the number of shares held as treasury stock (981,258 shares) from the total number of issued shares.

2. The Company holds 981,258 shares of treasury stock, which are excluded from the major shareholders listed above. 60,200 shares of the Company's stock held by Japan Trustee Services Bank, Ltd. (Trust Account) as trust assets of the trust for the stock compensation plan for directors and executive officers are not included in the applicable treasury stock.

(5) Other important matters related to shares -

1) Acquisition of treasury stock

At a meeting held on April 25, 2019, 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.

Class and number of shares acquired	800,000 shares of common stock
Aggregate amount of acquisition cost	¥1,947,844,658
Period of acquisition	From April 26, 2019 to October 31, 2019

2) Cancellation of treasury stock

At a meeting held on April 25, 2019, the Company's Board of Directors resolved to have the Company cancel a part of its own shares held, in accordance with the provisions of Article 178 of the Companies Act of Japan, and completed cancellation on May 31, 2019.

Class and number of shares cancelled	1,200,000 shares of common stock
Total number of issued shares after cancellation	38,859,996 shares
Date of the cancellation	May 31, 2019

3) Adoption of a performance-linked stock compensation plan for directors and executive officers

Pursuant to a resolution of the 99th Ordinary General Shareholders' Meeting held on June 26, 2019, the Company adopted a new performance-linked stock compensation plan for directors (excluding external directors and non-residents of Japan) and executive officers (excluding non-residents of Japan), and established a trust comprised of common stock for the plan.

As of March 31, 2020, the amount of the applicable treasury stock held in the trust under the plan totaled 60,200 shares.

3. Matters related to Corporate Officers:

(1) Directors and Statutory Auditors -

Position	Name	Assignment; significant office(s) concurrently held
Representative Director, President and Chief Executive Officer	Kiyoyuki Tsuchimoto	Supervising Office Building Development Department
Representative Director and Managing Executive Officer	Norio Iwasaki	Supervising Corporate Planning and General Affairs Department (General Affairs), Finance Department and Legal Office
Director and Managing Executive Officer	Kazuo Yamada	Supervising Development Promotion Department (Development)
Director and Managing Officer	Shinichi Hayashi	Deputy in charge of Office Building Development Department
External Director	Motoya Aizawa	Advisor of AIZAWA SECURITIES CO., LTD.
External Director	Kunitaro Saida	External Director of Sumitomo Osaka Cement Co., Ltd. External Director of Canon Inc.
External Director	Kiichiro Masui	Chairman of the Board of The Japan Securities Research Institute Outside Director of Japan Credit Rating Agency, Ltd.
External Director	Junji Ota	Outside Director of TOSHIBA CORPORATION
Statutory Auditor (full-time)	Naoto Kato	
External Statutory Auditor (full-time)	Masayuki Hirose	
External Statutory Auditor	Chikami Tsubaki	Director (outside director), Audit & Supervisory Committee Member of Seiko Epson Corporation
External Statutory Auditor	Jun Sekine	Outside Director of Shinhan Bank Japan

(Notes)

1. Motoya Aizawa, Kunitaro Saida, Kiichiro Masui and Junji Ota are External Directors.

2. Masayuki Hirose, Chikami Tsubaki and Jun Sekine are External Statutory Auditors.
3. Statutory Auditor, Naoto Kato, possesses substantial expertise and knowledge in finance and accounting gained through his abundant experience and achievements in business operations of finance and general affairs.
4. External Statutory Auditor, Chikami Tsubaki, has professional knowledge and experience as Certified Public Accountant and possesses substantial expertise and experience in finance and accounting.
5. External Statutory Auditor, Jun Sekine, has long experience at the Bank of Japan and possesses substantial expertise and experience in finance and accounting.
6. Directors Motoya Aizawa, Kunitaro Saida, Kiichiro Masui and Junji Ota, and Statutory Auditors Masayuki Hirose, Chikami Tsubaki and Jun Sekine 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.
7. Changes in the position and assignment of Directors during the current fiscal year:

Name	Before change	After change	Date of change
Hiroyuki Iwakuma	Representative Director, President and Chief Executive Officer in charge of Development Promotion Department	Advisor (full-time)	December 20, 2019
Kiyoyuki Tsuchimoto	Director and Managing Senior Executive Officer in charge of Office Building Development Department	Representative Director, Acting President and Managing Senior Executive Officer in charge of Office Building Development Department	May 17, 2019
	Representative Director, Acting President and Managing Senior Executive Officer in charge of Office Building Development Department	Representative Director, President and Chief Executive Officer in charge of Office Building Development Department	December 20, 2019

Name	Before change	After change	Date of change
Norio Iwasaki	Director and Managing Executive Officer in charge of Corporate Planning and General Affairs Department (General Affairs), Finance Department and Legal Office	Representative Director and Managing Executive Officer in charge of Corporate Planning and General Affairs Department (General Affairs), Finance Department and Legal Office	December 20, 2019
Shinichi Hayashi	Director and Managing Officer in charge of Real Estate Solutions Department	Director and Managing Officer deputy in charge of Office Building Development Department	January 1, 2020

8. Managing Officers include Directors Kiyoyuki Tsuchimoto, Norio Iwasaki, Kazuo Yamada, Shinichi Hayashi, and the following two persons whose duties are as indicated hereunder:

Managing Officer	Hiroki Mizuta	Manager of Osaka Branch
Managing Officer	Tomoharu Nakao	In charge of Corporate Planning and General Affairs Department (Corporate Planning) and Development Promotion Department (Corporate Planning)

(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.) and the Statutory Auditors 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) Policy for determining Remuneration payable to Directors, etc. -

The Company has established the compensation committee, a committee chaired by an external director and the majority of which consists of external directors, at its discretion under the Board of Directors to ensure the objectivity and transparency of the remuneration for directors.

The remuneration for directors consists of the fixed-amount basic compensation, the bonuses as short-term incentives, and the performance-linked stock compensation plan as medium- and long-term incentives (basic compensation only for external directors) under a system ensuring motivation to improve the business performance and enhance corporate value in the medium and long term, securing excellent human resources, and considering shared value with shareholders.

The remuneration for directors is determined by a resolution of the Board of Directors, based on deliberations and reporting by the compensation committee on the basic policy for remuneration, etc. for directors, the total amount of remuneration, etc. and the specifics of remuneration, etc. for individual directors. In addition, the compensation committee expresses opinions to the Board of Directors regarding the agenda item concerning remuneration, etc. payable to directors, which the Board of Directors submits to the general shareholders' meeting, upon consultation with the Board of Directors.

(4) Remuneration paid to Directors and Statutory Auditors-

Category	Number of persons	Amount Paid
Director (of which, External Directors)	9 (4)	¥251 million (¥28 million)
Statutory Auditors (of which, External Statutory Auditors)	4 (3)	¥56 million (¥35 million)
Total (of which, External Directors and External Statutory Auditors) (Notes)	13 (7)	¥307 million (¥64 million)

1. The above includes one Director who resigned on December 20, 2019.
2. The amount of remuneration, etc. for Directors (excluding External Directors) shall be set within ¥250 million per year (the amount of remuneration for Directors does not include the employee salaries of Directors who serve concurrently as employees) by a resolution of the 88th Ordinary General Shareholders' Meeting held on June 26, 2008, and the amount of remuneration, etc. for External Directors shall be set within ¥40 million per year by a resolution of the 98th Ordinary General Shareholders' Meeting held on June 26, 2018.
3. Apart from the amount of remuneration, etc. for Directors mentioned in (Notes) 2 above, the Company adopted a new performance-linked stock compensation plan for directors (excluding external directors and non-residents of Japan) and executive officers (excluding non-residents of Japan; hereinafter collectively "Directors and Officers") and established a trust comprised of common stock for the plan, pursuant to a resolution of the 99th Ordinary General Shareholders' Meeting held on June 26, 2019. It was resolved at the Meeting that the funds

contributed by the Company to the trust for the acquisition of the Company's shares to be awarded to Directors and Officers as stock compensation shall be set within ¥150 million for the period of three fiscal years.

The amount of remuneration, etc. for Directors mentioned above includes ¥24 million recorded as an expense in the current fiscal year as performance-linked stock compensation.

4. The amount of remuneration, etc. for Statutory Auditors shall be set within ¥70 million per year by a resolution of the 98th Ordinary General Shareholders' Meeting held on June 26, 2018.
5. The amount of remuneration, etc. for Directors mentioned above includes ¥55 million of bonuses for Directors in addition to basic compensation. Bonuses for Directors of the Company shall be paid within the limit of the amount of remuneration, etc. as stated in (Notes) 2 above by a resolution of the general shareholders' meeting.
6. The amount of remuneration, etc. for Directors mentioned above does not include ¥20 million of condolence money paid to the former Representative Director and President, who deceased in the current fiscal year.
7. With regard to the posting of extraordinary loss resulting from illicit transactions by former employees of the Company announced in October 2019 and the extension of the due date of submission of quarterly securities report for the 2nd quarter of the fiscal year ended March 31, 2020, etc., the Company has set the executive compensation at reduced levels since December 2019 in order to clarify the responsibility of management, as follows. In addition, the Statutory Auditor (full-time) voluntarily returned compensation.

Representative Director, President and Chief Executive Officer	Monthly compensation reduced by 30% for three months
Representative Director and Managing Senior Executive Officer	Monthly compensation reduced by 20% for three months
Director and Managing Executive Officer	Monthly compensation reduced by 10% for three months
Director and Managing Officer (in charge of Real Estate Solutions Department)	Monthly compensation reduced by 20% for three months
Statutory Auditor (full-time)	Voluntarily returned 10% of his monthly compensation for one month

(5) External Officers -

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

Category	Name	Status of significant office(s) concurrently held	Relationship with the Company
Director	Motoya Aizawa	Advisor of AIZAWA SECURITIES CO., LTD.	The Company and AIZAWA SECURITIES CO., LTD. hold each other's shares. However, AIZAWA SECURITIES CO., LTD. holds less than 1% of the total number of the Company shares issued.
Director	Kunitaro Saida	External Director of Sumitomo Osaka Cement Co., Ltd.	No important relationship exists.
		External Director of Canon Inc.	No important relationship exists.
Director	Kiichiro Masui	Chairman of the Board of The Japan Securities Research Institute	There have been transactions related to the leasing of real estate between the Company and The Japan Securities Research Institute. However, the amount of the transactions makes up less than 1% of the consolidated operating revenue of the Company.
		Outside Director of Japan Credit Rating Agency, Ltd.	No important relationship exists.
Director	Junji Ota	Outside Director of TOSHIBA CORPORATION	No important relationship exists.
Statutory Auditor	Chikami Tsubaki	Director (outside director), Audit & Supervisory Committee Member of Seiko Epson Corporation	No important relationship exists.
Statutory Auditor	Jun Sekine	Outside Director of Shinhan Bank Japan	No important relationship exists.

2) Principal activities during the current fiscal year

Category	Name	Attendance at Board of Directors' Meetings and Board of Statutory Auditors' Meetings	Principal activities
Director	Motoya Aizawa	Board of Directors' Meetings 14 out of 14 (100%)	He has provided appropriate advice to contribute to the decision-making of the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience.
Director	Kunitaro Saida	Board of Directors' Meetings 14 out of 14 (100%)	He has provided appropriate advice to contribute to the decision-making of the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience.
Director	Kiichiro Masui	Board of Directors' Meetings 14 out of 14 (100%)	He has provided appropriate advice to contribute to the decision-making of the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience.
Director	Junji Ota	Board of Directors' Meetings 13 out of 14 (92.9%)	He has provided appropriate advice to contribute to the decision-making of the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience.
Statutory Auditor	Masayuki Hirose	Board of Directors' Meetings 14 out of 14 (100%) Board of Statutory Auditors' Meetings 12 out of 12 (100%)	Taking advantage of his knowledge and experience, he carried out discussions on important matters relating to audits and posed questions and pointed out pertinent issues, as necessary, to ensure appropriate and suitable management of the decision-making process of the Board of Directors.
Statutory Auditor	Chikami Tsubaki	Board of Directors' Meetings 13 out of 14 (92.9%) Board of Statutory Auditors' Meetings 11 out of 12 (91.7%)	Taking advantage of her knowledge and experience, she carried out discussions on important matters relating to audits and posed questions and pointed out pertinent issues, as necessary, to ensure appropriate and suitable management of the decision-making process of the Board of Directors.
Statutory Auditor	Jun Sekine	Board of Directors' Meetings 13 out of 14 (92.9%) Board of Statutory Auditors' Meetings 11 out of 12 (91.7%)	Taking advantage of his knowledge and experience, he carried out discussions on important matters relating to audits and posed questions and pointed out pertinent issues, as necessary, to ensure appropriate and suitable management of the decision-making process of the Board of Directors.

(Note) Outline of response to the illicit transactions, etc. of the Company

In October 2019, the Company announced an instance of illicit transactions conducted by former employees of the Company. Although each of the Directors and Statutory Auditors was unaware of the said illicit transactions in advance, they had habitually provided reminders on the importance of compliance, etc. at the Board of Directors' meetings and other gatherings. Since the revelation of the aforementioned illicit transactions, they requested a prompt investigation of all the facts and causes connected with the said illicit transactions, and offered suggestions necessary to formulate measures to prevent recurrence.

4. Matters related to Independent Auditor:

(1) Name of Independent Auditor -
BDO Toyo & Co.

(2) Amount of Independent Auditor's fee -

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

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

(Notes) 1. The total fee the Company will pay Independent Auditor for the current fiscal term includes fee for additional auditing services in relation to the illicit transactions conducted by former employees of the Company, which were revealed during the current fiscal term.

2. The total amount described in 1) above includes fee for audit based on the Securities and Exchange Law, because the Company does not classify fee for audit based on the Companies Act and fee for audit based on the Securities and Exchange Law by audit agreement between the Company and the Independent Auditor.

3. The Board of Statutory Auditors 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, audit results for the previous fiscal year, trends of the Independent Auditor's fee, 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 Board of Statutory Auditors will dismiss the Independent Auditor upon unanimous approval of all the Statutory Auditors.

Further, if the performance of duties of the Independent Auditor is deemed difficult to be appropriately performed based on the Board of Statutory Auditors' review of the Independent Auditor's audit system, independence, specialization, and performance of duties, or when the Board of Statutory Auditors has reasonable grounds to change the Independent Auditor for the purpose of further enhancing the appropriateness of the audit, the Board of Statutory Auditors 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.

5. 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 Directors 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 Directors and employees of the Company

(1) The Company elects External Directors and External Auditors as independent officers to reinforce the management and supervisory functions of the Board of Directors and the audit function of Statutory Auditors.

(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, Directors, Corporate 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 Reporting 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 Directors of the Company

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

Directors and Statutory Auditors 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 Board of Statutory Auditors, as necessary.

- 4) System to ensure the efficient performance of duties by the Directors of the Company
 - (1) The Company has implemented a Corporate Officer system and endeavors to use the system to segregate the functions and responsibilities of management and business execution and 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 Corporate Officers’ Meetings,” and the “Rules on the Division of Authorities,” the Company works to achieve the efficient execution of duties by its Directors.
 - (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 management conference among subsidiaries and affiliates and an administrative contact committee among subsidiaries and affiliates 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 employees when Statutory Auditors of the Company request the deployment of employees to assist Statutory Auditors in their work, matters related to the independence of those employees from Directors of the Company, and matters to secure the effectiveness of instructions from the Statutory Auditors of the Company to those employees
- (1) The Company has established an Auditors Office and deploys dedicated employees to the office to assist Statutory Auditors in matters related to auditing and the duties performed by the Statutory Auditors.
 - (2) The employees, when assisting Statutory Auditors in their work, follow the orders and instructions of the Statutory Auditors and do not receive any orders and instructions from the Directors.
 - (3) Employees are appointed and transferred to the Auditors Office to assist the Statutory Auditors, with the consent of the Statutory Auditors, and are assessed based sufficiently on the Statutory Auditors’ views.

7) Policy for handling expenses, etc. incurred from the performance of duties by the Statutory Auditors of the Company

If Statutory Auditors, when performing their duties, request the Company to pay expenses in advance pursuant to Article 388 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 Statutory Auditors.

8) System of reporting to Statutory Auditors of the Company, system to ensure that a person so reporting is not treated unfavorably because of the reporting, and other systems to ensure effective auditing by the Statutory Auditors of the Company

(1) The Statutory Auditors present at important conferences, including the Board of Directors' Meetings and Corporate Officers' Meetings, express their views, and obtain copies of the minutes of the meetings and approval documents. The Statutory Auditors also request to be briefed on these matters. Further, the Statutory Auditors regularly hold meetings with the Representative Director, the Internal Audit Office, or the Independent Auditor.

(2) If a Director discovers any matters that may cause material damage to the Company, he or she will immediately notify the Board of Statutory Auditors of those matters.

(3) The Company reports to the Statutory Auditors on important matters, including matters pertaining to the subsidiaries reported at the management conference among subsidiaries and affiliates and the administrative contact committee among subsidiaries and affiliates, 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 Statutory Auditors due to such reporting, and keeps all of the officers and employees of the Company Group well informed of the prohibition.

(2) Operations of a corporate structure to ensure the proper conduct of business

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

1) Initiatives for the compliance structure

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

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.

An internal reporting system has been adopted by the Group as a whole and is operated as a hotline available for use by the officers and employees of subsidiaries. In the current fiscal year, an external whistleblowing system was newly established as a means for receiving reports from business partners, etc., and an internal consultation office was newly established as a point of contact for members of the Company to receive advice on a wide range of workplace concerns that are not limited to misconduct. Through these systems, the Company strives to detect compliance issues in their early stages.

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 (5 times in the current term) chaired by the Representative Director and President 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 regard to the acquisition and sale of property, the Company holds a "Working Group to Review Investment Risk, etc." prior to deliberations at the Board of Directors meetings. The working group 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 Managing Officers' Meetings.

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

3) Initiatives for a system to ensure the efficient performance of duties

The Company has introduced a Managing Officer system, and the Managing Officers' Meetings conduct swift decision-making on the execution of business operations.

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 management conference among subsidiaries and affiliates and the Managing Officers' Meetings, and the business plan is thereupon submitted to the Board of Directors. By adopting these procedures, the Company promotes the efficient performance of duties.

The Company has established the Nomination Committee and Compensation Committee as discretionary advisory bodies to the Board of Directors, and ensures the objectivity and transparency of personnel affairs relating to Directors and Statutory Auditors and

compensation for Directors and Executive Officers by having External Directors chair both committees and make up the majority of their members.

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

The Regulations of the Corporate Officers' Meetings were revised in the current fiscal year in order to increase the required information to be submitted by subordinates to these meetings concerning the sale of inventories, thereby increasing the ability of the officers to supervise subordinates.

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 regularly holds a management conference among subsidiaries and affiliates to confirm and discuss the progress of the subsidiaries' business plans and regularly holds an administrative contact committee among subsidiaries and affiliates to check the operation of internal control systems within the Group.

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.

5) Initiatives for system for auditing by the Statutory Auditors

The Statutory Auditors attend the Board of Directors meetings and other important meetings, request explanations on the details of deliberations as necessary, and regularly exchange opinions with the Representative Director and President, the Internal Audit Office, and the Independent Auditor on the status of controls within the Group.

The Company deploys one employee to assist Statutory Auditors in their work. To ensure the independence of the employee from Directors, the employee is assessed based sufficiently on the Statutory Auditors' views.

Based on the "Internal Reporting Regulations," an internal reporting 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 Statutory Auditors are not to be unfavorably treated due to such reporting.

(3) Basic principles concerning the control of a stock company (*kabushiki kaisha*) -

The Company received the approval of its shareholders for the continuous adoption of the “measures against large volume purchase of shares of the Company (Defense Measures Against Takeover)” (hereinafter, the “Plan”) at the 98th Ordinary General Shareholders’ Meeting held on June 26, 2018. The main outline of the Defense Measures Against Takeover is as follows.

1) Basic Policy with Regard to the Role of Any Person Controlling the Decision over Financial and Business Policies of the Company

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 subsequently the common interest of our shareholders.

Also, if a purchase of a large volume of the Company’s shares benefits the corporate value of the Company, and subsequently the common interest of our shareholders, we will not deny it; and the Company believes that whether we are to accept an offer concerning the purchase of a large volume of the Company’s shares that accompanies the transfer of the power of control of the Company should be ultimately determined based on the intent of our shareholders.

However, there are some cases of the purchase of a large volume of shares which could damage the corporate value of a target company and subsequently the common interest of its shareholders, including the case which (i) obviously violates the corporate value of the target company and subsequently the common interest of its shareholders, (ii) is likely to, in effect, force the shareholders of the target company to sell their shares, or (iii) does not give enough time and information to enable the board of directors or shareholders of the target company to examine the purchase of a large volume, or to enable the board of directors to provide an alternative plan.

Therefore, the Company believes that a person who makes such purchase of a large volume of the Company’s shares which does not benefit the corporate value of the Company and subsequently the common interest of our shareholders is an inappropriate party to control decisions on the financial and business policies of the Company, and that we should take necessary and sufficient countermeasures against such purchase of a large volume of the Company’s shares for the purpose of protecting and ensuring the corporate value of the Company and subsequently the common interest of our shareholders.

2) Outline of Special Efforts to Realize the Basic Policy

1. Efforts to Increase Corporate Value

The Company formulated the Medium- to Long-term Management Plan over the “NEXT DECADE” in April 2014 as an action plan for its task of expanding the building leasing business, and the Company is determined to move toward the next step with the “aim of being a company that contributes to revitalizing districts” over the next decade.

Phase I of the Medium- to Long-term Management Plan (FY2014-2016) defined the following key strategies: the Nihonbashi Kabutocho Revitalization Project; strengthening of the building leasing business; expansion of the fee businesses including REIT AM; and strengthening of organizational controls and maintenance of financial discipline.

As a consequence of these initiatives, we achieved all of our targets for the consolidated operating income, consolidated ordinary income and D/E ratio during phase I of the Medium- to Long-term Management Plan.

During phase II of the Medium- to Long-term Management Plan (FY2017-2019), we entered a new stage in which we launch a full-scale redevelopment of the Nihonbashi Kabutocho and Kayabacho areas. Looking towards the final stage of the Medium- to Long-term Management Plan, we will aim to sustainably increase corporate value by steadily implementing the redevelopment project and by strengthening our building leasing business. The Company has set phase II as three years in which we will build a foundation for business growth, and we will continue to work on the following key strategies.

- (1) The Nihonbashi Kabutocho and Kayabacho Revitalization Project
- (2) Strengthening the building leasing business
- (3) Expansion and diversification of the real estate solution business
- (4) Strengthen the structure for implementing business strategies and provide shareholders with stable returns

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.

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

1. Purpose of the Plan

The purpose of the Plan is to continually and sustainably ensure and increase the corporate value of the Company and, in turn, the common interests of our shareholders

in accordance with the basic policy described in 1) above.

The Board of Directors determined that it is indispensable for the Company to have a framework that enables the Board of Directors (i) to secure time and information necessary for the Company's shareholders to make an appropriate decision on whether or not to accept a takeover proposal, (ii) to secure opportunities for negotiating with a Large-Scale Purchaser, as defined in 3 below, for the benefit of the Company's shareholders, and (iii) to deter large-scale purchases of the Company's shares that would harm the corporate value of the Company and, in turn, the common interests of our shareholders. Thus, as part of our measures to prevent a person who is deemed to be inappropriate in light of the basic policy from controlling decisions on the financial and business policies of the Company, we decided to continue the Plan.

2. Summary of the Plan

The Plan requires a Large-Scale Purchaser who intends to purchase a certain amount or more of the Company's shares to comply with the Purchase Procedures.

The Company may trigger countermeasures if: (i) the Board of Directors determines that the Large-Scale Purchaser does not comply with the Purchase Procedures; or (ii) the purchase by the Large-Scale Purchaser constitutes one of the four categories identified by the Tokyo High Court or a coercive two-tiered tender offer.

In making that determination, the Board of Directors will respect as much as possible any recommendations provided by a committee consisting of external Directors and external Statutory Auditors of the Company as well as external experts, all of whom shall be independent from the management team that executes the operations of the Company (the "Independent Committee").

In addition, the Board of Directors may confirm the intent of our shareholders regarding whether or not to trigger countermeasures based on recommendations provided by the Independent Committee.

The aforementioned countermeasures under the Plan will be implemented in the form of a gratis allotment of share options.

4) Decisions on Measures Above by the Board of Directors and the Reasons for Such Decisions

1. Measures that Contribute to the Realization of the Basic Policy

Each of the measures described in 2) and 3) above are prepared as specific measures for the purpose of continually and sustainably increasing the corporate value of the Company and, in turn, the common interests of our shareholders and will contribute to the realization of the basic policy.

Therefore, such measures are in accordance with the basic policy and are consistent with the common interests of our shareholders, and they are not intended to maintain the positions of the Directors of the Company.

2. Rationality of the Plan

(1) The Plan is in accordance with the basic policy

The Plan is in accordance with the basic policy as the Plan is a framework to ensure the corporate value of the Company and, in turn, the common interests of our shareholders by requesting, when a proposal for a Large-Scale Purchase of the Company's shares is made, the Large-Scale Purchaser to provide the information of the Large-Scale Purchase in advance, thereby ensuring the information and time that are necessary for our shareholders to determine whether they should accept the proposal or not or for the Board of Directors to propose an alternative plan and enabling the Board of Directors to take actions such as negotiating with the Large-Scale Purchaser for the benefit of our shareholders.

(2) The measures neither damage the common interests of our shareholders nor are intended to maintain the positions of the Directors of the Company

Due to the following reasons, the Company believes that measures to prevent persons deemed inappropriate in light of the basic policy from controlling the Company neither damage the common interests of our shareholders nor are intended to maintain the positions of the Directors of the Company.

- a. The Plan completely fulfills the three principles set out in the "Guidelines Regarding Takeover Defense for the Purposes of Protection and Enhancement of Corporate Value and Shareholders' Common Interests" and is in accordance with the content of the "Takeover Defense Measures in light of Recent Environmental Changes."
- b. The Plan has received the approval of our shareholders at a general meeting of shareholders of the Company. There is a provision in the Plan that limits the effective term of the Plan to three years, and even before the expiration of the effective period, the Plan may be abolished if a proposal to abolish the Plan is approved at a general meeting of shareholders of the Company or otherwise.
- c. It is provided in the Plan that countermeasures cannot be triggered unless the predefined reasonable, detailed, and objective requirements are fulfilled.
- d. The Company has established the Independent Committee that is composed of persons who are independent from the Board of Directors of the Company. The Independent Committee will evaluate and consider whether a trigger event has occurred and will provide the Board of Directors with recommendations.
- e. It is provided that the Plan can be abolished by the Board of Directors, which consists of Directors elected at a general meeting of shareholders of the Company.

CONSOLIDATED BALANCE SHEET

MARCH 31, 2020

ASSETS

(In millions of yen)

Current assets:	
Cash and deposits	¥15,766
Accounts receivable – trade	1,121
Marketable securities	13,002
Real estate for sale	24,659
Real estate for sale in process	785
Other inventories	2
Operating investment	485
Other	3,192
Allowance for doubtful accounts	(2)
Total current assets	59,013
Fixed assets:	
Tangible fixed assets -	
Buildings and structures	75,182
Machinery, equipment and vehicles	366
Tools, furniture and fixtures	235
Land	144,010
Construction in progress	2,552
Total tangible fixed assets	222,347
Intangible fixed assets -	
Leasehold rights	22,518
Other	107
Total intangible fixed assets	22,625
Investments and other assets -	
Investment securities	30,751
Long-term loans to employees	2
Deferred tax assets	189
Other	4,374
Allowance for doubtful accounts	(0)
Total investments and other assets	35,317
Total fixed assets	280,291
Deferred assets -	
Bond-issuing expenses	240
Total deferred assets	240
Total assets	339,545

CONSOLIDATED BALANCE SHEET

MARCH 31, 2020

LIABILITIES AND NET ASSETS

(In millions of yen)

<u>Liabilities</u>	
Current liabilities:	
Accounts payable – trade	¥2,236
Current portion of bonds	2,092
Short-term loans payable	6,250
Current portion of long-term loans	5,736
Accrued corporation and other taxes	2,509
Accrued consumption taxes	1,397
Accrued bonuses for directors	68
Accrued bonuses	211
Assets retirement obligations	21
Other	1,727
Total current liabilities	22,251
Long-term liabilities:	
Bonds	23,107
Long-term loans payable	145,791
Long-term accounts payable	4,004
Long-term deposits received and landlord deposits	22,188
Deferred tax liabilities	6,264
Deferred tax liabilities concerning revaluation	7,663
Provision for share-based remuneration	24
Net defined benefit liability	292
Assets retirement obligations	655
Other	1
Total long-term liabilities	209,992
Total liabilities	232,243
<u>Net Assets</u>	
Shareholders' equity:	
Common stock	21,492
Additional paid-in capital	19,720
Retained earnings	39,996
Treasury stock, at cost	(2,487)
Total shareholders' equity	78,722
Accumulated other comprehensive income:	
Unrealized gain on securities	11,584
Land revaluation surplus	16,995
Total accumulated other comprehensive income	28,579
Total net assets	107,302
Total liabilities and net assets	339,545

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FROM: APRIL 1, 2019

TO: MARCH 31, 2020

	(In millions of yen)
Operating revenue	¥46,639
Cost of sales	31,548
Gross profit	15,091
Selling, general and administrative expenses	4,187
Operating income	10,903
Non-operating income -	
Interest income and dividends earned	485
Miscellaneous non-operating income	23
Total non-operating income	509
Non-operating expenses -	
Interest expenses	1,072
Interest on debentures	183
Amortization of bond issuance cost	64
Miscellaneous non-operating expenses	86
Total non-operating expenses	1,407
Ordinary income	10,006
Extraordinary income -	
Gain on sales of non-current assets	256
Total extraordinary income	256
Extraordinary loss -	
Loss on disposal of fixed assets	18
Loss on valuation of investment securities	85
Loss resulting from illicit transactions	177
Impairment loss	8
Total extraordinary loss	289
Income before income taxes	9,972
Corporation, inhabitants and enterprise taxes	3,146
Deferred income taxes	(219)
Net income	7,046
Net income attributable to owners of parent	7,046

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2020

ASSETS

(In millions of yen)

Current assets:	
Cash and deposits	¥12,844
Accounts receivable – trade	554
Marketable securities	13,002
Real estate for sale	24,659
Real estate for sale in process	785
Operating investments	485
Prepaid expenses	51
Short-term loans	2,822
Accounts receivable – other	15
Accrued revenues receivable	5
Advances paid	144
Suspense payments	23
Allowance for doubtful accounts	(2)
Total current assets	55,395
Fixed assets:	
Tangible fixed assets -	
Buildings	72,173
Structures	169
Machinery and equipment	362
Vehicles	0
Tools, furniture and fixtures	188
Land	136,697
Construction in progress	2,552
Total tangible fixed assets	212,144
Intangible fixed assets -	
Leasehold rights	22,518
Trademark right	1
Software	67
Telephone subscription right	9
Right of using facilities	0
Total intangible fixed assets	22,597
Investments and other assets -	
Investment securities	27,647
Investment in securities of affiliates	8,351
Investment in other securities of affiliates	2,569
Investment in partnerships	21
Long-term loans to employees	2
Long-term accounts receivable – other	363
Long-term prepaid expenses	246
Guarantee deposits	3,717
Allowance for doubtful accounts	(0)
Total investments and other assets	42,919
Total fixed assets	277,662
Deferred assets -	
Bond-issuing expenses	240
Total deferred assets	240
Total assets	333,298

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2020

LIABILITIES AND NET ASSETS

(In millions of yen)

<u>Liabilities</u>	
Current liabilities:	
Accounts payable – trade	1,923
Current portion of bonds	2,092
Short-term loans payable	9,020
Current portion of long-term loans	5,736
Accounts payable – other	93
Accrued expenses	108
Accrued corporation and other taxes	2,343
Accrued consumption taxes	1,316
Advances received	1,238
Deposits received	45
Accrued bonuses for directors	55
Accrued bonuses	136
Assets retirement obligations	21
Total current liabilities	24,131
Long-term liabilities:	
Bonds	23,107
Long-term loans payable	145,791
Long-term accounts payable	4,000
Long-term deposits received and landlord deposits	21,367
Deferred tax liabilities	4,476
Deferred tax liabilities concerning revaluation	7,663
Provision for share-based remuneration	24
Accrued severance indemnities for employees	118
Assets retirement obligations	632
Total long-term liabilities	207,180
Total liabilities	231,311
<u>Net assets</u>	
Shareholders' equity:	
Common stock	21,492
Additional paid-in capital	
Capital reserve	19,720
Total additional paid-in capital	19,720
Retained earnings:	
Legal reserve	1,453
Other retained earnings:	
Reserve for advanced depreciation of fixed assets	2,329
General reserve	10,115
Retained earnings carried forward	20,998
Total other retained earnings	33,443
Total retained earnings	34,896
Treasury stock, at cost	(2,487)
Total shareholders' equity	73,622
Valuation and translation adjustments:	
Unrealized gain on securities	11,368
Land revaluation surplus	16,995
Total valuation and translation adjustments	28,364
Total net assets	101,986
Total liabilities and net assets	333,298

NON-CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FROM: APRIL 1, 2019

TO: MARCH 31, 2020

	(In millions of yen)
Operating revenue -	
Leasing income	21,309
Revenue from real estate solutions	20,138
Total operating revenue	41,448
Cost of sales -	
Cost of leasing	11,789
Cost of real estate solutions	17,521
Total operating cost	29,310
Gross profit	12,137
Selling, general and administrative expenses	2,494
Operating income	9,643
Non-operating income -	
Interest income and dividends earned	1,273
Miscellaneous non-operating income	23
Total non-operating income	1,296
Non-operating expenses -	
Interest expense	1,080
Interest on debentures	183
Amortization of bond issuance cost	64
Miscellaneous non-operating expenses	86
Total non-operating expenses	1,414
Ordinary income	9,525
Extraordinary income -	
Gain on sales of non-current assets	256
Total extraordinary income	256
Extraordinary loss -	
Loss on disposal of fixed assets	15
Loss on valuation of investment securities	85
Loss resulting from illicit transactions	177
Impairment loss	8
Loss on extinguishment of tie-in shares	1,042
Total extraordinary loss	1,329
Income before income taxes	8,452
Corporation, inhabitants and enterprise taxes	2,791
Deferred income taxes	(255)
Net income	5,915

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

Independent Auditor's Report
(English Translation)

May 8, 2020

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

BDO Toyo & Co.
Tokyo Office

Wataru Kobayashi, CPA, Engagement Partner
Noritsugu Adachi, CPA, Engagement Partner

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of profit and loss, the consolidated statement of changes in net assets and the notes to consolidated financial statements of Heiwa Real Estate Co., Ltd. (the "Company") for the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Company Group, which consists of the Company and its consolidated subsidiaries, for the period covered by the consolidated financial statements in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Consolidated Financial Statements." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Statutory Auditors and the Board of Statutory Auditors 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 designing and operating such internal control as management determines is necessary to enable the presentation and fair presentation of the 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 whether it is appropriate to prepare the consolidated financial statements in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Statutory Auditors and the Board of Statutory Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

Our responsibility is 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 express an opinion on the consolidated financial statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and

are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the consolidated financial statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the consolidated financial statements on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the consolidated financial statements in the audit report, or if the notes to the consolidated financial statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the consolidated financial statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the consolidated financial statements are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the consolidated financial statements including related notes, and whether the consolidated financial statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for instructing, supervising, and implementing the audit of the consolidated financial statements, and is solely responsible for the audit opinion.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company or its consolidated subsidiaries requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

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

Independent Auditor's Report
(English Translation)

May 8, 2020

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

BDO Toyo & Co.
Tokyo Office

Wataru Kobayashi, CPA, Engagement Partner
Noritsugu Adachi, CPA, Engagement Partner

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of profit and loss, the non-consolidated statement of changes in net assets and the notes to non-consolidated financial statements, and the accompanying supplementary schedules of Heiwa Real Estate Co., Ltd. (the "Company") for the 100th fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the financial statements and the accompanying supplementary schedules referred to above present fairly, in all material respects, the financial position of the Company as of XX, X, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "Auditor's Responsibility for the Audit of the Financial Statements and the Accompanying Supplementary Schedules." We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of Management, Statutory Auditors and the Board of Statutory Auditors 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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 whether it is appropriate to prepare the financial statements and the accompanying supplementary schedules in accordance with the premise of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Statutory Auditors and the Board of Statutory Auditors are responsible for monitoring the execution of Directors' duties related to designing and operating the financial reporting process.

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

Our responsibility is 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 express an opinion on the financial statements and the accompanying supplementary schedules from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users taken on the basis of the financial statements and the accompanying supplementary schedules.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for the audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, although the purpose of the audit of the financial statements and the accompanying supplementary schedules is not to express an opinion on the effectiveness of the entity's internal control.
- Assess the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the financial statements and the accompanying supplementary schedules on the premise of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the premise of a going concern, the auditor is required to call attention to the notes to the financial statements and the accompanying supplementary schedules in the audit report, or if the notes to the financial statements and the accompanying supplementary schedules pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the financial statements and the accompanying supplementary schedules. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides assessing whether the presentation of and notes to the financial statements and the accompanying supplementary schedules are in accordance with accounting principles generally accepted in Japan, assess the presentation, structure, and content of the financial statements and the accompanying supplementary schedules including related notes, and whether the financial statements and the accompanying supplementary schedules fairly present the transactions and accounting events on which they are based.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Statutory Auditors and the Board of Statutory Auditors regarding the observance of provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Interest

Our firm and engagement partners have no interests in the Company requiring disclosure under the provisions of the Certified Public Accountants Act of Japan.

A COPY OF THE AUDIT REPORT OF THE BOARD OF STATUTORY AUDITORS

AUDIT REPORT

We, the Board of Statutory Auditors, having deliberated the issues based on the reports made by each Statutory Auditor concerning the methods and results of their audit of the business activities of the directors for the 100th fiscal year from April 1, 2019 to March 31, 2020, prepared this Audit Report and hereby submit to you as follows:

1. Outline of auditing method applied by the Statutory Auditors and the Board of Statutory Auditors:

- (1) The Board of Statutory Auditors established the auditing policies and the audit plan, received reports and explanations regarding the status of audits and the results thereof from each Statutory Auditor, as well as reports and explanations regarding the status of the execution of duties from the Directors and Independent Auditor, and requested explanation as necessary.
- (2) In accordance with the auditing standards for Statutory Auditors determined by the Board of Statutory Auditors and the auditing policies and the audit plan, each Statutory Auditor endeavored to collect information and established auditing circumstances through communication with internal audit staff and other employees, and conducted the audit in accordance with the following procedures.
 - 1) Each Statutory Auditor attended the Board of Directors' meeting and other important meetings to receive reports regarding performance of duties from directors and employees and requested explanations as necessary. Each Statutory Auditor also inspected the significant approved documents and examined the status of operations and conditions of assets at its head office and principal offices. With regard to subsidiaries, each Statutory Auditor 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) With regard to the resolutions adopted by the Board of Directors regarding the establishment of the system for ensuring that the directors' duties are performed in conformity of laws, regulations and the Articles of Incorporation of the Company as stated in the business reports, the establishment of the system necessary to ensure proper business operations of the company group, which consists of a *kabushiki kaisha* (joint stock company) and its subsidiaries, as set forth in Article 100, Paragraph 1 and 3, of Enforcement Regulations of the Companies Act, and the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Statutory Auditor regularly received reports from directors and employees on the status of the establishment and operations thereof, requested them for explanations as necessary, and expressed opinions.
 - 3) The contents of the basic policy set forth in Article 118, Item 3 (i) of the Enforcement Regulations of the Companies Act as stated in the business reports and each approach set forth in Item 3 (ii) of the same article are reviewed based on the status of deliberations of the Board of Directors and other management entities.
 - 4) Statutory Auditors monitored and verified that Independent Auditor maintains independence and conduct 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, October 28, 2005)) 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 profit and loss, non-consolidated statement of changes in net assets 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 profit and loss, consolidated statement of changes in net assets and notes to the consolidated financial statements), and the supplementary schedules, for the year ended on March 31, 2020.

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, there were no instances of misconduct or material matters in violation of laws, regulations, nor the Articles of Incorporation of the Company. As stated in the business report, the Company has implemented and operated preventative measures following the revelation of illicit transactions conducted by former employees of the Company. The Board of Statutory Auditors continues to monitor and verify the Company's steady implementation of preventative measures and initiatives to further strengthen compliance; and
- 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 regarding the internal control system.
- 4) There are no matters requiring additional mention with respect to the basic policy on the control of companies stated in the business reports. We acknowledge that, among the approaches set forth in Article 118, Item 3 (ii), of the Enforcement Regulations of the Companies Act, those stated in the business reports conform with the basic policy, are in no way obstructive of any common interests of shareholders, and are not adopted with the intention of maintaining the positions of Directors and Statutory Auditors.

(2) Results of audit of non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Independent Auditor, BDO Toyo & Co., are fair and reasonable.

(3) Results of audit of consolidated financial statements and supplementary schedules

The auditing methods and results of the Independent Auditor, BDO Toyo & Co., are fair and reasonable.

May 15, 2020

Board of Statutory Auditors
Heiwa Real Estate Co., Ltd.
Statutory Auditor (Full-time)
Naoto Kato

External Statutory Auditor (Full-time)
Masayuki Hirose

External Statutory Auditor
Chikami Tsubaki

External Statutory Auditor
Jun Sekine