

(Security Code 8803)

Year Ended March 31, 2021

**NOTICE CONCERNING THE CONVOCATION OF
THE 101st ORDINARY GENERAL SHAREHOLDERS' MEETING**

Date of the Meeting: June 24, 2021 (Thursday), 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

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Heiwa Real Estate Co., Ltd.

Security Code 8803
May 31, 2021

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

Dear Shareholders:

NOTICE CONCERNING THE CONVOCAION OF THE
101st ORDINARY GENERAL SHAREHOLDERS' MEETING

We are pleased to inform you that the 101st 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 exercise your voting rights in advance in writing or via the Internet, etc. and not attend the Meeting in order to prevent the spread of the novel coronavirus infection (COVID-19) and secure your safety.

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., Wednesday, June 23, 2021.

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., Wednesday, June 23, 2021.

1. Date of the Meeting: June 24, 2021 (Thursday), 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 101st fiscal year from April 1, 2020 to March 31, 2021; 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 101st fiscal year.
 - Items to be voted upon:
 - <Company proposals (from Agenda Item No. 1 to No.3)>
 - Agenda Item No. 1: Proposed Appropriation of Surplus
 - Agenda Item No. 2: Assignment of Nine Directors
 - Agenda Item No. 3: Assignment of One Statutory Auditor
 - <Shareholder proposals (from Agenda Item No. 4 to No.6)>
 - Agenda Item No. 4: Partially amend the Articles of Incorporation with a provision to prohibit appointments of officials from Japan Exchange Group, Inc.
 - Agenda Item No. 5: Partially amend the Articles of Incorporation with a provision to include required experience of directors
 - Agenda Item No. 6: Partially amend the Articles of Incorporation with a provision to dispose cross-shareholdings
- If any major changes occur in the operation of the Meeting due to future circumstances, we will announce them on the Company's website (<https://www.heiwa-net.co.jp/en/ir/stock/meeting.html>).

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 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., Wednesday, June 23, 2021

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., Wednesday, June 23, 2021

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, 2021 (Thursday), 10:00 a.m.

[Treatment of the Exercise of Voting Rights]

If there is no indication of a vote for or against a proposal, it shall be treated as a vote "for" the proposal for proposals submitted by the Company, and a vote "against" the proposal for proposals submitted by shareholders.

(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, ESTABLISHMENT OF A CORPORATE STRUCTURE TO ENSURE THE PROPER CONDUCT OF BUSINESS AND THE STATUS OF ITS OPERATIONS, and BASIC PRINCIPLES CONCERNING THE CONTROL OF A STOCK COMPANY (*KABUSHIKI KAISHA*) 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 on the Internet (<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 Reference Documents for the General Shareholders' Meeting, 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

<Company Proposals (from Agenda Item No. 1 to No.3)>

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

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

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

¥45 per share of the Company's common stock Total amount ¥1,676,224,305

(Note) The annual dividend for this fiscal term, together with the interim dividend of ¥32, will be ¥77 per share, an increase of ¥21 from the annual dividend of the previous fiscal year.

(3) Effective date of appropriation of surplus

June 25, 2021

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


The office term of all of the nine 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 (FY2020)
1	Kiyoyuki Tsuchimoto Reappointed	Representative Director and President Chief Executive Officer	4 years	10/10 (100%)
2	Norio Iwasaki Reappointed	Representative Director and Senior Managing Executive Officer	6 years	10/10 (100%)
3	Kazuo Yamada Reappointed	Director and Senior Managing Executive Officer	10 years	10/10 (100%)
4	Hiroki Mizuta Reappointed	Director and Managing Officer	1 year	9/9 (100%)
5	Tomoharu Nakao Reappointed	Director and Managing Officer	1 year	9/9 (100%)
6	Kiichiro Masui Reappointed External Independent	External Director	4 years	10/10 (100%)
7	Junji Ota Reappointed External Independent	External Director	3 years	10/10 (100%)
8	Takahiro Moriguchi Reappointed External Independent	External Director	1 year	9/9 (100%)


No.	Name	Current position of the Company	Term of office	Attendance at Board of Directors' Meetings (FY2020)
9	Junko Utsunomiya <u>Reappointed</u> <u>External</u> <u>Independent</u> <u>Female</u>	External Director	1 year	8/9 (88.9%)


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	 <p>Kiyoyuki Tsuchimoto November 19, 1959</p> <p><Reappointed> Attendance at Board of Directors' Meetings: 10/10 (100%)</p> <p>Term of office: 4 years</p>	<p>11,290</p> <p>(Of which, the number of shares to be provided based on the stock compensation plan: 6,194)</p>	<p>April 1982</p> <p>June 2013</p> <p>June 2014</p> <p>April 2016</p> <p>June 2017</p> <p>June 2018</p> <p>May 2019</p> <p>December 2019</p>	<p>1982</p> <p>2013</p> <p>2014</p> <p>2016</p> <p>2017</p> <p>2018</p> <p>2019</p> <p>2019</p>	<p>Joined Tokyo Stock Exchange, Inc. (TSE)</p> <p>Managing Director of TSE</p> <p>Director and Senior Executive Officer of TSE</p> <p>Director and Executive Vice President of TSE</p> <p>Director of Heiwa Real Estate Co., Ltd. (the Company) Senior Managing Executive Officer of the Company In charge of Real Estate Marketing Department of the Company</p> <p>In charge of Office Building Development Department of the Company</p> <p>Representative Director of the Company Acting President of the Company</p> <p>Representative Director and President of the Company (current position) Chief Executive Officer of the Company (current position)</p>
<p>[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).</p>					
<p>[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 overseen tenant leasing and other operations in the building leasing business, while also demonstrating strong leadership since his appointment as Representative Director and President by promoting redevelopment projects in Nihonbashi Kabutocho and Kayabacho and other aspects of the Medium-term Management Plan, etc., as well as management as a whole, including utilizing his management experience at Tokyo Stock Exchange, Inc. and his network of connections within the financial and securities industries based on his past career. Thus, he 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.</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		
2	 <p>Norio Iwasaki May 16, 1957</p> <p><Reappointed> Attendance at Board of Directors' Meetings: 10/10 (100%)</p> <p>Term of office: 6 years</p>	<p>12,133</p> <p>(Of which, the number of shares to be provided based on the stock compensation plan: 3,772)</p>	<p>April 1981</p> <p>January 2013</p> <p>June 2013</p> <p>June 2014</p> <p>November 2014</p> <p>January 2015</p> <p>June 2015</p> <p>December 2019</p> <p>June 2020</p>	<p>1981</p> <p>2013</p> <p>2013</p> <p>2014</p> <p>2014</p> <p>2015</p> <p>2015</p> <p>2019</p> <p>2020</p>	<p>Joined Tokyo Stock Exchange, Inc. (TSE)</p> <p>Executive Officer of Japan Exchange Group, Inc.</p> <p>Executive Officer of TSE</p> <p>Managing Executive Officer of Heiwa Real Estate Co., Ltd. (the Company) In charge of Finance Department of the Company (current position)</p> <p>In charge of Corporate Planning and General Affairs Department (General Affairs) of the Company</p> <p>In charge of Legal Office of the Company (current position)</p> <p>Director of the Company</p> <p>Representative Director of the Company (current position)</p> <p>Senior Managing Executive Officer of the Company (current position) In charge of Corporate Planning and General Affairs Department of the Company (current position)</p>
<p>[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).</p>					
<p>[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 oversees the Company's administrative departments as a whole, including strengthening corporate governance utilizing his management experience, having supervised the Finance Department, Corporate Planning and General Affairs Department and Legal Office, and served as Executive Officer & CFO of Japan Exchange Group, Inc., and utilizing his rich insight related to finance and accounting, management planning, and other areas, based on his past career. Thus, he 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.</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		
3	 <p>Kazuo Yamada February 24, 1957</p> <p><Reappointed> Attendance at Board of Directors' Meetings: 10/10 (100%)</p> <p>Term of office: 10 years</p>	<p>19,876</p> <p>(Of which, the number of shares to be provided based on the stock compensation plan: 3,772)</p>	April	1980	Joined Heiwa Real Estate Co., Ltd. (the Company)
	December	2004	General Manager of Building Department of the Company		
	July	2006	General Manager of Office Building Development Department and Manager of Sapporo Branch of the Company		
	April	2007	General Manager of Finance Department of the Company		
	June	2009	Managing Officer of the Company		
	June	2010	Deputy General Manager of General Affairs Headquarters, and Group Leader of Planning Finance		
	June	2011	Director (current position), Managing Executive Officer, and General Manager of General Affairs and Planning Headquarters of the Company		
	June	2014	In charge of Real Estate Solutions Department of the Company		
	June	2016	In charge of Development Planning Department (Development) of the Company		
June	2018	In charge of Development Promotion Department (Development) of the Company			
June	2020	Senior Managing Executive Officer of the Company (current position) In charge of Development Promotion Department and Real Estate Investment Department of the Company (current position)			
<p>[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).</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
			<p>[Reason for nominating him as a candidate for Director]</p> <p>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 Building Department, General Manager of Finance Department, and other positions, and has abundant experience in the Building Business and financial operations, etc. After assuming the office of Director, he has supervised the Real Estate Solutions Department, Development Promotion Department, Real Estate Investment Department and other departments, and contributed considerably to promotion of the Redevelopment Business and expansion of the Asset Management Business.</p> <p>Thus, he 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.</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		
4	 <p>Hiroki Mizuta June 23, 1964</p> <p><Reappointed> Attendance at Board of Directors' Meetings: 9/9 (100%)</p> <p>Term of office: 1 year</p>	<p>8,617</p> <p>(Of which, the number of shares to be provided based on the stock compensation plan: 2,064)</p>	<p>April</p> <p>April</p> <p>June</p> <p>June</p> <p>June</p> <p>April</p> <p>June</p> <p>June</p>	<p>1987</p> <p>2007</p> <p>2010</p> <p>2012</p> <p>2013</p> <p>2014</p> <p>2014</p> <p>2020</p>	<p>Joined Heiwa Real Estate Co., Ltd. (the Company)</p> <p>Manager of Osaka Branch of the Company</p> <p>Manager of Nagoya Branch of the Company</p> <p>Group Leader of Building Leasing Group, Leasing Headquarters of the Company</p> <p>Managing Officer of the Company (current position) Group Leader of Building Sales Group, Leasing Headquarters of the Company</p> <p>Sales Manager of Osaka Branch of the Company</p> <p>Manager of Osaka Branch of the Company</p> <p>Director of the Company (current position) In charge of Community Co-Creation Department of the Company (current position)</p>
<p>[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).</p>					
<p>[Reason for nominating him as a candidate for Director] Mr. Hiroki Mizuta assumed the office of Director in June 2020 and has engaged in the Company's management. He has served as Manager of Nagoya Branch, Manager of Osaka Branch, and other positions, and has abundant experience in the Building Business as a Managing Officer. After assuming the office of Director, he has supervised the Community Co-Creation Department and contributed considerably to promotion of the Redevelopment Business. Thus, he has the knowledge and experience necessary to perform the Company's management in an appropriate and efficient 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.</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		
5	 <p>Tomoharu Nakao December 6, 1964</p> <p><Reappointed> Attendance at Board of Directors' Meetings: 9/9 (100%)</p> <p>Term of office: 1 year</p>	<p>5,968</p> <p>(Of which, the number of shares to be provided based on the stock compensation plan: 2,064)</p>	<p>April</p> <p>July</p> <p>June</p> <p>October</p> <p>August</p> <p>June</p> <p>June</p> <p>November</p> <p>May</p> <p>June</p> <p>June</p>	<p>1987</p> <p>2006</p> <p>2009</p> <p>2009</p> <p>2011</p> <p>2013</p> <p>2014</p> <p>2014</p> <p>2015</p> <p>2018</p> <p>2020</p>	<p>Joined Tokyo Stock Exchange, Inc. (TSE)</p> <p>General Manager of Corporate Headquarters, Nippon Parking Development Co., Ltd.</p> <p>Outside Corporate Auditor of HoriPro Inc.</p> <p>Director and General Manager of General Affairs Department of Nippon Parking Development Co., Ltd.</p> <p>General Manager of Planning & Finance Group, General Affairs and Planning Headquarters of Heiwa Real Estate Co., Ltd. (the Company)</p> <p>Group Leader of Planning & Finance Group, General Affairs and Planning Headquarters of the Company</p> <p>Managing Officer of the Company (current position) General Manager of Corporate Planning and General Affairs Department of the Company</p> <p>In charge of Corporate Planning and General Affairs Department (Corporate Planning) of the Company In charge of Office of the Council on Urban Development for Investment and Economic Growth of the Company</p> <p>In charge of Urban Development Promotion Office of the Company</p> <p>In charge of Development Promotion Department (Corporate Planning) of the Company</p> <p>Director of the Company (current position) In charge of Office Building Development Department of the Company (current position)</p>
<p>[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).</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
			<p>[Reason for nominating him as a candidate for Director]</p> <p>Mr. Tomoharu Nakao assumed the office of Director in June 2020 and has engaged in the Company's management. He has supervised the Corporate Planning and General Affairs Department (Corporate Planning) and Development Promotion Department (Corporate Planning) as a Managing Officer, and contributes significantly to the planning department of the Company, including utilizing his rich insight based on his past career at other operating companies to attract asset management companies, etc. to invest in the "Global Financial City: Tokyo" vision in Nihonbashi Kabutocho and Kayabacho areas. After assuming the office of Director, he has supervised the Office Building Development Department, and managed overall building leasing business of the Company.</p> <p>Thus, he has the knowledge and experience necessary to perform the Company's management in an appropriate and efficient 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	 <p>Kiichiro Masui July 16, 1950</p> <p>< Reappointed > <External Director> <Independent Officer></p> <p>Attendance at Board of Directors' Meetings: 10/10 (100%)</p> <p>Term of office: 4 years</p>	1,935	<p>April 1973</p> <p>June 2000</p> <p>July 2003</p> <p>September 2005</p> <p>May 2006</p> <p>June 2012</p> <p>July 2013</p> <p>June 2014</p> <p>June 2016</p> <p>June 2017</p>	<p>1973</p> <p>2000</p> <p>2003</p> <p>2005</p> <p>2006</p> <p>2012</p> <p>2013</p> <p>2014</p> <p>2016</p> <p>2017</p>	<p>Entered the Ministry of Finance</p> <p>Director-General of Kinki Local Finance Bureau</p> <p>Director-General of the Planning and Coordination Bureau of the Financial Services Agency (retired in August 2005)</p> <p>Senior Managing Director of Japan Securities Dealers Association</p> <p>Vice-Chairman of Japan Securities Dealers Association (retired in June 2013)</p> <p>Director of the Tokyo Shoken Building Incorporated (retired in June 2017)</p> <p>Chairman of the Japan Investor Protection Fund (retired in June 2018)</p> <p>Chairman of the Board of the Japan Securities Research Institute (current position)</p> <p>Outside Director of Japan Credit Rating Agency, Ltd. (current position)</p> <p>External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)</p>
<p>[Significant office(s) concurrently held]</p> <p>Chairman of the Board of The Japan Securities Research Institute Outside Director of Japan Credit Rating Agency, Ltd.</p>					
<p>[Reason for nominating him as a candidate for External Director and a summary of expected roles]</p> <p>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 served in important positions in securities-related organizations and has abundant experience and deep insight in the world of finance and securities.</p> <p>Mr. Kiichiro Masui plays an appropriate role in providing advice to management and supervising the execution of business from this standpoint. In addition, as a chairman of the Nomination Committee, he has provided opinions from an objective and neutral standpoint regarding the personnel affairs of officers at the Company.</p> <p>For the above reasons, the Company expects that Mr. Kiichiro Masui will continue to contribute to the enhancement of corporate value of the Company as an External Director, and thus has nominated him as a candidate for External Director.</p> <p>After Mr. Kiichiro Masui is elected, the Company expects him to continue to perform the roles mentioned above.</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
			<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 28) 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 February 21, 1948</p> <p>< Reappointed > <External Director> <Independent Officer></p> <p>Attendance at Board of Directors' Meetings: 10/10 (100%)</p> <p>Term of office: 3 years</p>	663	April	1971	<p>Joined Nippon Steel Corporation (currently NIPPON STEEL CORPORATION)</p> <p>June 2001 Director, Member of the Board, Head of Division, Group Companies Planning Div. of Nippon Steel Corporation</p> <p>April 2003 Director, Member of the Board, Head of Division, Corporate Planning Div. of Nippon Steel Corporation</p> <p>April 2005 Managing Director, Member of the Board of Nippon Steel Corporation</p> <p>June 2008 Senior Auditor of Nippon Steel Corporation (retired in June 2012)</p> <p>May 2011 Chairman of Japan Audit & Supervisory Board Member Association, Public Interest Incorporated Association (retired in November 2014)</p> <p>June 2012 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>July 2014 Advisor of NIPPON STEEL & SUMITOMO METAL CORPORATION (currently NIPPON STEEL CORPORATION) (retired in June 2015)</p> <p>November 2014 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 and a summary of expected roles] Mr. Junji Ota has served as a Director, Member of the Board of Nippon Steel Corporation (currently NIPPON STEEL CORPORATION) and an outside director of the other listed companies, and has abundant experience and deep insight as a corporate manager. Mr. Junji Ota plays an appropriate role in providing advice to management and supervising the execution of business from this standpoint. In addition, as a member of the Nomination Committee and Compensation Committee, he has provided opinions from an objective and neutral standpoint regarding the personnel affairs of officers and officer compensation at the Company. For the above reasons, the Company expects that Mr. Junji Ota will continue to contribute to the enhancement of corporate value of the Company as an External Director, and thus has nominated him as a candidate for External Director. After Mr. Junji Ota is elected, the Company expects him to continue to perform the roles mentioned above.				
[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 28) 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	 <p>Takahiro Moriguchi</p> <p>May 22, 1944</p> <p><Reappointed> <External Director> <Independent Officer></p> <p>Attendance at Board of Directors' Meetings: 9/9 (100%)</p> <p>Term of office: 1 year</p>	275	<p>April 1967</p> <p>June 1995</p> <p>April 1996</p> <p>May 1997</p> <p>June 2000</p> <p>July 2001</p> <p>May 2003</p> <p>May 2004</p> <p>June 2005</p> <p>January 2006</p> <p>February 2006</p> <p>April 2006</p> <p>June 2006</p> <p>September 2007</p> <p>July 2016</p> <p>June 2020</p>	<p>1967</p> <p>1995</p> <p>1996</p> <p>1997</p> <p>2000</p> <p>2001</p> <p>2003</p> <p>2004</p> <p>2005</p> <p>2006</p> <p>2006</p> <p>2006</p> <p>2006</p> <p>2006</p> <p>2006</p> <p>2007</p> <p>2016</p> <p>2020</p>	<p>Joined the Bank of Tokyo, Ltd. (currently MUFG Bank, Ltd.)</p> <p>Member of the Board of Directors of the Bank of Tokyo, Ltd. Director and Vice-President of Union Bank (retired in May 1997)</p> <p>Member of the Board of Directors of the Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.)</p> <p>President of UnionBanCal Corporation (retired in June 2001) President of Union Bank of California (retired in June 2001)</p> <p>Managing Director of the Bank of Tokyo-Mitsubishi, Ltd. (BTM) (currently MUFG Bank, Ltd.)</p> <p>Managing Director, General Manager of Treasury Division and E-Commerce Promotion Division of BTM</p> <p>Representative Director, Deputy President, and General Manager of Global Banking Operations Division of BTM</p> <p>Representative Director, Deputy President, and general operations manager of BTM (retired in June 2005)</p> <p>Advisor of BTM</p> <p>Advisor of the Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.) (retired in January 2006)</p> <p>Chairman of J.P. Morgan Securities Asia Pte. Limited Tokyo Branch (currently JPMorgan Securities Japan Co., Ltd.)</p> <p>Chairman of JPMorgan Securities Japan Co., Ltd. (JPMSJ)</p> <p>Representative Director, Chairman, CEO and President of JPMSJ</p> <p>Representative Director and Chairman of JPMSJ (retired in June 2016)</p> <p>Senior Advisor of JPMSJ (retired in December 2016)</p> <p>External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)</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
			<p>[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).</p>
			<p>[Reason for nominating him as a candidate for External Director and a summary of expected roles] Mr. Takahiro Moriguchi has served as Representative Director and Deputy President of the Bank of Tokyo-Mitsubishi, Ltd. (currently MUFG Bank, Ltd.) and Representative Director and Chairman of JPMorgan Securities Japan Co., Ltd. He has served as a president at banks in the U.S., and has broad knowledge on finance and securities, international business experience, and abundant experience and deep insight as a corporate manager. Mr. Takahiro Moriguchi plays an appropriate role in providing advice to management and supervising the execution of business from this standpoint. In addition, as a member of the Nomination Committee and a chairman of the Compensation Committee, he has provided opinions from an objective and neutral standpoint regarding the personnel affairs of officers and officer compensation at the Company. For the above reasons, the Company expects that Mr. Takahiro Moriguchi will continue to contribute to the enhancement of corporate value of the Company as an External Director, and thus has nominated him as a candidate for External Director. After Mr. Takahiro Moriguchi is elected, the Company expects him to continue to perform the roles mentioned above.</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 28) stipulated by the Company. For the above reasons, the Company believes that Mr. Takahiro Moriguchi will not have potential conflicts of interest with general shareholders 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.</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><Reappointed> <External Director> <Independent Officer> <Female></p> <p>Attendance at Board of Directors' Meetings: 8/9 (88.9%)</p> <p>Term of office: 1 year</p>	275	<p>April 2000</p> <p>October 2007</p> <p>November 2011</p> <p>June 2012</p> <p>April 2013</p> <p>September 2013</p> <p>February 2018</p> <p>October 2018</p> <p>October 2019</p> <p>June 2020</p> <p>March 2021</p>	<p>Registered as a lawyer and joined the law firm Nagashima, Ohno & Tsunematsu</p> <p>Seconded to the Tokyo Stock Exchange, Inc. (TSE) (until 2009)</p> <p>Founded Utsunomiya Law Office</p> <p>External Statutory Auditor of Start Today Co., Ltd. (currently ZOZO, Inc.) (current position)</p> <p>Outside Corporate Auditor of Solasto Corporation (retired in June 2020)</p> <p>Outside Director of Adventure Inc. (retired in September 2020)</p> <p>Founding partner of Utsunomiya & Shimizu and Haruki Management Legal Office (current position)</p> <p>Outside Audit & Supervisory Board Member of RAKSUL INC.</p> <p>Outside Director, Audit and Supervisory Committee Member of RAKSUL INC. (current position)</p> <p>External Director of Heiwa Real Estate Co., Ltd. (the Company) (current position)</p> <p>Outside Director (Audit & Supervisory Committee Member) of PeptiDream Inc. (current position)</p>
<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 Director, Audit and Supervisory Committee Member of RAKSUL INC.</p> <p>Outside Director (Audit & Supervisory Committee Member) of PeptiDream Inc.</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
			<p>[Reason for nominating her as a candidate for External Director and a summary of expected roles]</p> <p>Ms. Junko Utsunomiya has acquired high degrees of expertise as an attorney, and although she has never been directly involved in corporate management, she has served as an outside director of other listed companies and has abundant experience and deep insight in the field of corporate legal affairs.</p> <p>Ms. Junko Utsunomiya plays an appropriate role in providing advice to management and supervising the execution of business from this standpoint.</p> <p>For the above reasons, the Company expects that Ms. Junko Utsunomiya will continue to contribute to the enhancement of corporate value of the Company as an External Director, and thus has nominated her as a candidate for External Director.</p> <p>After Ms. Junko Utsunomiya is elected, the Company expects her to continue to perform the roles mentioned above.</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 28) stipulated by the Company.</p> <p>For the above reasons, the Company believes that Ms. Junko Utsunomiya will not have potential conflicts of interest with general shareholders in the Company, such as human relationships, capital relationships, transactional relationships, or any other interests, and that her independence is ensured.</p> <p>The Company has registered her with Tokyo Stock Exchange, Inc. as an independent officer. If her reelection is approved, the Company will continue to appoint her as an independent officer.</p>

(Notes)

1. No conflict of interest exists between the Company and the candidates for Director.
2. The number of shares of the Company owned by the candidate as stated includes the number of shares of the Company to be granted after retirement under the performance-linked stock compensation plan as stated in parentheses (number of shares equivalent to the points already granted under said plan). In principle, a Director may receive shares of the Company equivalent to 70% of the points that have been granted up until the completion of his/her term upon retirement. For the remaining points granted, a cash amount equivalent to the market price of the shares of the Company will be paid in place of Company shares after it has been converted.
3. Mr. Kiichiro Masui, Mr. Junji Ota, Mr. Takahiro Moriguchi and Ms. Junko Utsunomiya are candidates for External Directors.
4. The Company has entered into agreements with Mr. Kiichiro Masui, Mr. Junji Ota, Mr. Takahiro Moriguchi and Ms. Junko Utsunomiya to limit their liability for damages as set forth in Article 423, Paragraph 1 of the Companies Act in accordance with Article 427, Paragraph 1 of the Act; provided, however, that the limit thereof under such agreements shall be the amount prescribed in the Act. If their reelection is approved, the Company will renew the liability limitation agreements under the same conditions. The Company has entered into liability limitation agreements with all of the External Directors in office.
5. The Company has concluded a directors and officers liability insurance contract, as

stipulated in Article 430-3, Paragraph 1 of the Companies Act, with an insurance company that insures directors, statutory auditors, managing officers and employees of the Company and its subsidiaries. The insurance premiums for the contract are fully borne by the Company. The insurance contract covers damages and litigation expenses assumed in the event that a claim for damages is made against the insured person due to an act committed (and including results of inaction) by the insured person in his/her capacity as an officer, etc. of the Company, and this contract is to be renewed every year. Each of the candidates for Director are already insured and will continue to be insured after the reelection. The insurance contract will be renewed with the same contents in December 2021. The insurance contract includes measures taken to ensure that the appropriateness of duties performed by the insured person will not be impaired by setting limits for the amount to be covered.

6. Mr. Junji Ota has assumed the position as Outside Director of Toshiba Corporation since June 2018. 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.
7. Ms. Junko Utsunomiya was an External Director of Adventure Inc. from September 2013 to September 2020. During her term of office, an employee of a subsidiary of Adventure, Inc. was revealed to have embezzled funds from the subsidiary. Although she was unaware of the said fact in advance, she had habitually offered suggestions at Adventure Inc. from a standpoint of legal compliance and compliance management. Since the revelation of the aforementioned fact, she has appropriately performed her duties mainly by calling for a thorough investigation and formulation of recurrence prevention measures and supervising the company's initiatives.

<Reference: 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.

Agenda Item No. 3: “Assignment of One Statutory Auditor”


The Company proposes the election of one Statutory Auditor due to the expiration of the office term at the close of this meeting of the present Statutory Auditor: Masayuki Hirose.

The Board of Statutory Auditors previously gave its approval.

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 candidate for Statutory Auditor 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 candidate for Statutory Auditor of the Company is as follows:

Name and date of birth	Number of shares of the Company owned by the candidate	Career summary and position		
 <p>Shosaku Shimomura July 10, 1963</p> <p><Newly appointed> <External Statutory Auditor> <Independent Officer></p> <p>Attendance at Board of Directors' Meetings: -/- (-%)</p> <p>Attendance at Board of Statutory Auditors' Meetings: -/- (-%)</p> <p>Term of office: - years</p>	0	April	1987	Joined Tokyo Stock Exchange
		June	2010	Seconded to Financial Accounting Standards Foundation as Research Specialist and General Manager of Planning Division of Accounting Standards Board of Japan (until June 2012)
		June	2012	Director of Participant Examination and Inspection Department of Tokyo Stock Exchange Regulation (currently Japan Exchange Regulation)
		April	2014	Director of Participant Examination Department of Japan Exchange Regulation
		June	2014	Director of Listing Examination Department of Japan Exchange Regulation
		April	2016	Management of Planning in General Administration Office of Japan Exchange Regulation
		June	2016	Standing Auditor of Japan Exchange Regulation (retired in March 2021)
<p>[Significant office(s) concurrently held] The candidate concurrently holds no significant office(s).</p>				

Name and date of birth	Number of shares of the Company owned by the candidate	Career summary and position
<p>[Reason for nominating him as a candidate for External Statutory Auditor]</p> <p>Mr. Shosaku Shimomura has business experience at the Financial Accounting Standards Foundation and possesses substantial expertise and knowledge in finance and accounting. Additionally, he has served as Standing Auditor of Japan Exchange Regulation, which is a body with a certain amount of independence from exchanges ensured by the Financial Instruments and Exchange Act, and has achievements taking responsibility for that auditing process. Although he has never been directly involved in corporate management, the Company believes he is able to make use of his specialized knowledge and experience, etc. he has acquired in such audits for the audit system of the Company from an independent and objective standpoint. The Company therefore has nominated him as a candidate for External Statutory Auditor.</p>		
<p>[Concerning his independence]</p> <p>Mr. Shosaku Shimomura 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 28) stipulated by the Company.</p> <p>For the above reasons, the Company believes that Mr. Shosaku Shimomura 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>If his election is approved, the Company will newly register him with Tokyo Stock Exchange, Inc. as an independent officer.</p>		

(Notes)

1. No conflict of interest exists between Mr. Shosaku Shimomura and the Company.
2. Mr. Shosaku Shimomura is a candidate for External Statutory Auditor.
3. If the election of Mr. Shosaku Shimomura is approved, the Company will enter into an agreement with him to limit his 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. The Company has entered into liability limitation agreements with all of the Statutory Auditors in office.
4. The Company has concluded a directors and officers liability insurance contract, as stipulated in Article 430-3, Paragraph 1 of the Companies Act, with an insurance company that insures directors, statutory auditors, managing officers and employees of the Company and its subsidiaries. The insurance premiums for the contract are fully borne by the Company. The insurance contract covers damages and litigation expenses assumed in the event that a claim for damages is made against the insured person due to an act committed (and including results of inaction) by the insured person in his/her capacity as an officer, etc. of the Company, and this contract is to be renewed every year. If Mr. Shosaku Shimomura is elected, he will be newly included in the insured persons under such insurance contract. The insurance contract will be renewed with the same contents in December 2021. The insurance contract includes measures taken to ensure that the appropriateness of duties performed by the insured person will not be impaired by setting limits for the amount to be covered.

(Reference)

Name	Current position of the Company	Male ● Female ○	Term of office	Attendance at Board of Directors' Meetings, etc. (FY2020)
Naoto Kato	Statutory Auditor (full-time)	●	6 years	Board of Directors' Meetings: 10/10 (100%) Board of Statutory Auditors' Meetings: 11/11 (100%)
Shosaku Shimomura	—	●	— years	Board of Directors' Meetings: -/- (-%) Board of Statutory Auditors' Meetings: -/- (-%)
Chikami Tsubaki	External Statutory Auditor	○	7 years	Board of Directors' Meetings: 10/10 (100%) Board of Statutory Auditors' Meetings: 11/11 (100%)
Jun Sekine	External Statutory Auditor	●	3 years	Board of Directors' Meetings: 10/10 (100%) Board of Statutory Auditors' Meetings: 11/11 (100%)

(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.

<Shareholder Proposals>

Agenda Item No. 4 to No.6 were submitted by one shareholder (hereinafter, the “Shareholder”). The names of proposals, their content, and reasons for their submission are provided as written on the shareholder proposal forms submitted by the Shareholder who submitted the proposals.

Shareholder Proposals

Agenda Item No. 4: Partially amend the Articles of Incorporation with a provision to prohibit appointments of officials from Japan Exchange Group, Inc.

1. Content of the proposal

Include the following new provision to the Company’s Articles of Incorporation.

(Amended text is underlined)

Existing provision	Amendment
None	<u>Prohibition of appointments of officials affiliated with Japan Exchange Group, Inc.</u> <u>Article 20, Paragraph 2: The Company shall not accept individuals as candidates for director if they have five or more years of experience working as officers or employees of Japan Exchange Group, Inc., or one of its subsidiaries or affiliated companies.</u>

2. Reasons for the proposal

The Tokyo Stock Exchange Building, which houses the Tokyo Stock Exchange (hereafter, “TSE”), is the most valuable property owned by the Company, yet numerous officials from the TSE have served as the Company’s president and representative director, including Sakutaro Kimbara, Hiroyuki Iwakuma, Sadao Yoshino, and the current president, Kiyoyuki Tsuchimoto, while many others have been appointed as directors. The lease amount for the building has declined significantly since 1998, when negotiations between the Company and the TSE led to a fixed lease agreement spanning several years. Mr. Iwakuma was responsible for those negotiations with the Company while working for the TSE.

Since March 2006, the end of the fiscal year immediately before Mr. Kimbara became president, the lease amount per tsubo of the Tokyo Stock Exchange Building decreased 38% by March 2021, compared with an average increase of 9% for office space in large buildings located in the nearby Tsukiji, Shintomi, and Kayabacho districts over the same period, according to data published by Sanko Estate Co., Ltd. In monetary terms, while monthly leases averaged ¥23,500 per tsubo in those nearby districts as of March 2021, the amount for the Tokyo Stock Exchange Building was approximately ¥16,650, or 29% lower.

These unsound business transactions have continued to harm the interests of the Company’s shareholders for many years, and the main reason can be attributed to this conflict of interest

through which officials from the TSE, a tenant of the Company, are given seemingly guaranteed appointments to executive management and director positions.

This practice of appointing these officials to management positions along with cross-shareholding, to be discussed below, deviate from global standards for capital markets, and should be ended as the first step towards the Company's lofty goal of transforming the Nihonbashi Kabutocho and Kayabacho districts into an international financial center.

[Opinions of the Board of Directors]

Opposition	Based on the reasons explained below, the Company's Board of Directors decided to oppose this proposal.
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The Company established its Nominating Committee to ensure impartiality and transparency in the selection of directors and corporate auditors. Positioned under the Board of Directors, the committee is chaired by an outside director and a majority of its members are outside directors (at present, three of the Board's four independent outside directors are committee members). The committee nominates director and corporate auditor candidates who have outstanding character and the capabilities and expertise required to perform their respective duties. The Board of Directors decides on the candidates based on the committee's deliberations and reports about each candidate.

The Company has also formulated a management succession plan, by which the Nominating Committee selects a candidate to succeed the president and representative director based on the individual's skills and abilities. Based on a report from the committee, the Board of Directors decides on the candidate for president and representative director. The evaluation, selection and dismissal of the president and representative director are also included in this process, which has been designed to ensure impartiality, timeliness, and transparency.

As with the selection of the president and representative director, the Company has established the same kind of process for ensuring impartiality and transparency when selecting or dismissing directors and corporate auditors, and makes such decisions with a view to raise corporate value and shareholder gains. Therefore, the accusation in the Proposal that the appointments of former officials from Tokyo Stock Exchange, Inc., to certain senior management positions was somehow preferential has no validity.

Furthermore, when noting that the monthly lease amount for the Tokyo Stock Exchange Building is ¥16,650 per tsubo based on total floor area, the Shareholder did not take into account that the amount is for the entire building. Therefore, it is mistaken to assess this amount by simply comparing it with lease amounts of office buildings in nearby districts. In the past, the Company has sincerely negotiated the lease amount with Tokyo Stock Exchange, Inc., and upwardly revised the amount in April 2019, demonstrating its efforts to maximize corporate value and shareholder gains. Therefore, there is no conflict of interest in this relationship as the Shareholder asserted. In the future, the Company intends to continue working to raise the property value of the Tokyo Stock Exchange Building in order to increase corporate value and shareholder gains.

In addition, the Company's Board of Directors believes that it and the Nominating Committee should evaluate and decide on candidates for directors while taking into account diverse viewpoints, and, therefore, the substance of the Proposal in this case is inadequate for amending the Articles of Incorporation, as they form the basic principles for the Company.

Based on the reasons explained above, the Company's Board of Directors decided to oppose the Proposal.

Shareholder Proposals

Agenda Item No. 5: Partially amend the Articles of Incorporation with a provision to include required experience of directors

1. Content of the proposal

Add the following provision to the Company's Articles of Incorporation.

(Amended text is underlined)

Existing provision	Amendment
<p>Method of electing directors</p> <p>Article 20: Directors shall be elected at a shareholders' meeting.</p> <p>Paragraph 2: Directors shall be elected by a majority vote at a shareholders' meeting in which at least one-third of shareholders entitled to exercise voting rights are present.</p> <p>Paragraph 3: Directors shall not be elected through a cumulative voting process.</p>	<p>Method of electing directors</p> <p>Article 20</p> <p>(No change to paragraphs 1 to 3)</p> <p><u>Paragraph 4: At least two-thirds of the Company's directors, excluding outside directors, must have a minimum of 10 years of practical experience in the real estate industry, including real estate investment.</u></p>

2. Reasons for the proposal

Many of the officials from the TSE who were appointed as the Company's president and representative director had specialized in human resources and general affairs. Likewise, of the Company's five current inside directors, two were not directly involved in the real estate industry in their previous position. None of the four outside directors have managerial experience in the real estate industry. Therefore, for a company that primarily operates in this industry, we must conclude that its Board of Directors lacks relevant expertise and experience. Over many years, the Company's market capitalization has declined relative to its net asset value (NAV), calculated as the combined value of the property portfolio (accounting for after-tax unrealized gains from real estate held for lease) and held investment securities minus net liabilities. While NAV is an indicator used to evaluate companies that own real estate, like Heiwa Real Estate, the Company's closing share price of ¥3,655 on April 16 was 30% lower than its NAV per share of ¥5,249 as of September 30, 2020. This demonstrates that the Company's internal directors have not effectively utilized the capital entrusted to them from shareholders.

Due to the aforementioned practice of appointing TSE officials to senior management positions, the Company's career employees have no path to become president. With respect to the past scandal in which several employees received illicit payments from brokers, "decrease in loyalty to the Company" due to "dissatisfaction about remuneration" were main justifications for their actions according to the Company's news release, "Notice on Preventative Measures in

Response to Receipt of Investigation Report from Internal Investigation Committee,” issued on December 13, 2019. This proposal is intended to open pathways for career employees to climb the ranks of management, and to raise not only employees’ motivation but also their loyalty.

[Opinions of the Board of Directors]

Opposition	Based on the reasons explained below, the Company's Board of Directors decided to oppose this proposal.
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Under the leadership of the Board of Directors, as it is currently comprised, the Company posted record-high net income attributable to owners of parent over four consecutive fiscal years from fiscal 2017, and tripled its annual dividend per share from ¥26 per share in fiscal 2016 to ¥77 per share in fiscal 2020. Moreover, between March 31, 2011, when the Company began redeveloping the Nihonbashi Kabutocho and Kayabacho districts, and May 10, 2021, the Company's share price rose 4 times from ¥960 (amount after adjustment by reverse stock split) to ¥3,910 per share, and total shareholder returns increase by 391.0%. Given these results, the Board of Directors is confident that its membership, both past and present, has been appropriate and is related to the increase in the Company's corporate value and shareholder gains. Consequently, it regards the assertions of the Shareholder in this regard as unjustified.

The Company intends to continue raising corporate value and shareholder gains by executing its medium-term management plan, "Challenge & Progress," spanning from fiscal 2020 to 2023, which includes measures for promoting redevelopment projects, acquiring gains on sales of properties by utilizing unrealized gains on leased real estate, and boosting the level of shareholder returns.

At the Company's shareholders' meeting in June 2020, nominations of each director were approved by over 99% of shareholders, an extremely high rate. The approval rates were also high in recent years, indicating that the composition of the Board of Directors is supported by a majority of shareholders.

The Shareholder also argued that the impossibility of career employees to become president due to the practice of preferential management appointments was a cause of the illicit transactions involving the Company in December 2019. As explained above, however, the Company does not actually engage in such an appointment practice in the first place, and the assertion that career employees cannot become president is a complete misunderstanding. Furthermore, no such causal relationship was presented by the Internal Investigation Committee at the time of its report.

In addition, the Company has adopted an executive officer system, through which executive officers are responsible for the execution of the Company's operations. Of the eight executive officers currently assigned, five have over ten years of practical experience in the real estate industry. Therefore, the Board of Directors believes that the ability of the Company to conduct its business in the real estate industry is not a cause for concern.

The Board of Directors believes that placing limits on the required experience of directors in the Articles of Incorporation, as put forth in the Proposal, will hinder the Company's ability to opportunely and flexibly determine the Board's membership, and reduce the diverse range of skills possessed by the Board and the flexibility of its management. These consequences could potentially be detrimental to corporate value.

Based on the reasons explained above, the Company's Board of Directors decided to oppose the Proposal.

Shareholder Proposals

Agenda Item No. 6: Partially amend the Articles of Incorporation with a provision to dispose cross-shareholdings

1. Content of the proposal

Include the following new provision to the Company's Articles of Incorporation.

(Amended text is underlined)

Existing provision	Amendment
None	<u>Chapter 7: Disposal of cross-shareholdings</u> <u>Disposal of cross-shareholdings</u> <u>Article 41: The Company shall dispose all shares of Japan Exchange Group, Inc., it holds as cross-shareholdings by March 31, 2022.</u>

2. Reasons for the proposal

According to its securities report submitted on June 23, 2020, the Company held 28 cross-shareholdings worth a total of ¥12,820 million on its balance sheets as of March 31, 2020. As of the same date, this total accounted for over 10% of the consolidated net assets of ¥107,320 million posted on its balance sheets, and about half of total was comprised of shares of Japan Exchange Group, Inc. (hereafter, "JPX") amounting to ¥6,113 million.

In a statement in the securities report about the purpose of owning JPX's shares, JPX is described as having a solid track record with respect to real estate leasing as a tenant of the Company's flagship buildings, particularly the Tokyo Stock Exchange Building and Osaka Securities Exchange Building, and measures for strengthening the business relationship with JPX is considered as beneficial to the medium- and long-term growth of the Company's business. As explained above, however, the lease amount of the Tokyo Stock Exchange Building has continuously declined and is lower than average amount in nearby districts, attributable to the Company's practice of appointing TSE officials to senior management positions.

Contrary to being beneficial for the Company, ownership of JPX's shares is actually harming the interests of the Company's shareholders. It is a main reason why the Company's closing share price of ¥3,655 on April 16 was 30% lower than its NAV per share of ¥5,249 as of September 30, 2020. Therefore, we can see no purpose for this ownership.

Furthermore, given that the TSE is requesting listed companies to reduce their cross-shareholdings, there is absolutely no rationale for the Company to own the shares of JPX, the parent company of the TSE, as cross-shareholdings. Accordingly, the Company should promptly dispose of these shares, as any objection from the TSE would be inconceivable.

[Opinions of the Board of Directors]

Opposition	Based on the reasons explained below, the Company's Board of Directors decided to oppose this proposal.
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The Company owns cross-shareholdings for the purposes of improving business relations, facilitating financing, and strengthening business tie-ups, which are considered to be beneficial to business growth over the medium and long terms. Each year, the Board of Directors assesses whether each of the Company's cross-shareholdings effectively meets these purposes while taking full account of the benefits that come with such shareholdings, as well as capital costs and other factors. If certain shareholdings are deemed as unacceptable based on the results of the assessments, the Company will sell the shares after the share price and market trends are considered, thereby reducing its cross-shareholdings.

In its current medium-term management plan, the Company has made a commitment to reducing its cross-shareholdings, and set out to realize this objective from fiscal 2021. With respect to the shares of Japan Exchange Group, Inc., raised by the Shareholder, the Company intends to progressively sell the majority of these shares in the future as they account for a relatively large amount of the cross-shareholdings currently held on its consolidated balance sheets.

The Board of Directors believes that the disposal of cross-shareholdings is a management issue that it should deliberate, and it has already initiated sufficient measures for reducing such shareholdings. Therefore, the Board regards the substance of the Proposal in this case to be inadequate for amending the Articles of Incorporation, as they are the basic principles for the Company.

Based on the reasons explained above, the Company's Board of Directors decided to oppose the Proposal.

(Attached Documents)

BUSINESS REPORT

1. Outline of Operations for the period from April 1, 2020 to March 31, 2021:

(1) Update and Results of Business -

In fiscal 2020, ended March 31, 2021, economic conditions in Japan remained severe as a result of the worldwide COVID-19 pandemic. Although economic activity resumed and continued to pick up following various measures implemented by the government, the impact of the COVID-19 situation on the domestic and global economy will need to be closely monitored going forward.

In Japan's real estate industry, vacancy rates increased in the office building leasing market as companies adopted remote work practices in response to the COVID-19 situation. In the real estate investment market, demand was bullish and properties continued to be actively acquired as investors demonstrated strong interest in investing in Japanese real estate amid favorable financing conditions and a comparably insignificant effect from the pandemic. Nevertheless, the impact of the COVID-19 situation on Japan's real estate market will need to be continually monitored.

In that business environment, the Heiwa Real Estate Group worked to increase its corporate value under its Medium-term Management Plan, Challenge & Progress, which was announced on April 30, 2020, by promoting redevelopment projects and pursuing external growth in its Building Business and Asset Management Business. The Group also took steps to prevent the further spread of coronavirus infections by having its employees telecommute and use online meeting systems, and by digitalizing in-house work procedures.

Among consolidated financial results in the fiscal year under review, operating revenue totaled ¥35,048 million, a decrease of ¥11,590 million (24.9%) year on year. Operating income was ¥11,228 million, up ¥324 million (3.0%), and ordinary income came to ¥10,244 million, an increase of ¥238 million (2.4%). Net income attributable to owners of parent amounted to ¥7,118 million, an increase of ¥72 million (1.0%) compared with the previous fiscal year.

Effective from the fiscal year ended March 31, 2021, the Company's reportable segments were changed as follows: the Leasing Business segment was renamed as the Building Business segment, and the Real Estate Solutions Business segment was renamed as the Asset Management Business segment. This change was limited to reportable segment names only, and had no effect on segment reporting.

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

Building Business

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

In the Building Business segment, revenue from building leasing increased by ¥550 million (2.7%) year on year to ¥21,110 million. This was mainly due to the contribution of leasing revenue from Solala Plaza (Sendai-shi, Miyagi), acquired in the previous fiscal year, and the Kabutocho Heiwa Building No. 7 (Chuo-ku, Tokyo), Shimbashi Square Building (Minato-ku, Tokyo), and Heiwa Real Estate Nihonbashi Building (Chuo-ku, Tokyo), which were acquired in the fiscal year under review. This contribution offset decreases in revenues from other operations caused by the impact of COVID-19. By property type, the total amount of leasing revenue was comprised of ¥3,317 million from stock exchange buildings, ¥14,617 million from office buildings, and ¥3,175 million from commercial facilities. Combined with operating revenue from other types of Company-owned properties, total operating revenue in the Building Business segment amounted to ¥21,713 million, down ¥794 million (3.5%) year on year. Operating income totaled ¥8,573 million, a decrease of ¥507 million (5.6%), largely as a result of increases in operating asset management expenses and property taxes.

As of March 31, 2021, the overall vacancy rate of leased buildings of the Building Business segment was 1.96%. Excluding buildings for which leases have been suspended due to redevelopment in the Nihonbashi Kabutocho and Kayabacho districts, the vacancy rate would be 1.50%.

Asset Management Business

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

In the Asset Management Business segment, although management fees increased by ¥147 million (12.3%) to ¥1,343 million, operating revenue from developed real estate decreased by ¥9,890 million (54.8%) to ¥8,160 million, mainly due to decreased sales of inventories (real estate properties). Combined with the results for leasing revenue from developed real estate and brokerage commissions, operating revenue amounted to ¥11,969 million, a decrease of ¥10,166 million (45.9%) compared with the same period of the previous fiscal year. On the other hand, operating income increased by ¥809 million (25.9%) year on year to ¥3,937 million, largely due to increased sales of inventories.

Other Businesses

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

In the Other Businesses segment, operating revenue decreased by ¥630 million (31.6%) to ¥1,365 million, and operating income fell by ¥95 million (52.9%) to ¥84 million year on year.

(2) Investment in fixed assets -

During the fiscal year ended March 31, 2021, the Company paid out total capital expenditures of ¥30,872 million, including the expenditure for the construction of KABUTO ONE (Chuo-ku, Tokyo) and the acquisition of Kabutocho Heiwa Building No. 7 (Chuo-ku, Tokyo).

(3) Status of financing -

During the fiscal year ended March 31, 2021, the Company issued unsecured bonds and raised ¥7,000 million in total.

(4) Issues to be resolved by the Company -

The Japanese economy is expected to continue recovering on the back of various measures implemented by the government, but careful monitoring is continuously required for the effects of the spread of the novel coronavirus infections on 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. In the real estate investment market, real estate investors are expected to maintain a proactive stance toward investment, supported by financial easing and other factors.

Under the business environment, the Group executes the following business strategies in the Medium-term Management Plan, “Challenge & Progress” for the period from fiscal 2020 to fiscal 2023.

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 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.

(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.

(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).

2) Strengthening corporate governance

- We will work to further strengthen our corporate governance, including reduction in cross-shareholdings and ongoing review of Director and Officer compensation. 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 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.

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

Fiscal year Classification	The 98th fiscal year (Fiscal year ended March 31, 2018)	The 99th fiscal year (Fiscal year ended March 31, 2019)	The 100th fiscal year (Fiscal year ended March 31, 2020)	The 101st fiscal year (Current fiscal year) (Fiscal year ended March 31, 2021)
Operating revenue	¥32,698 million	¥39,480 million	¥46,639 million	¥35,048 million
Operating income	9,432 million	9,335 million	10,903 million	11,228 million
Ordinary income	8,395 million	8,430 million	10,006 million	10,244 million
Net income attributable to owners of parent	5,288 million	6,174 million	7,046 million	7,118 million
Net income per share (in exact yen)	132.57	158.73	184.82	189.76
Total assets	300,243 million	335,572 million	339,545 million	381,353 million
Net assets	104,900 million	109,075 million	107,302 million	118,639 million
Net assets per share (in exact yen)	2,630.07	2,819.82	2,837.29	3,190.09

(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 100th fiscal year, the Company adopted a 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 REAL ESTATE Property Management Co., Ltd.	¥134 million	100.0%	Property management, 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.

Note: Heiwa Service Co., Ltd. was renamed HEIWA REAL ESTATE Property Management Co., Ltd. on March 1, 2021.

(7) Contents of principal businesses of the Group -

Business Segment	Business Activities
Building	Development, leasing, management and operation, etc. of stock exchanges, offices, commercial facilities and housing, etc.
Asset Management	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 REAL ESTATE Property Management Co., Ltd.	Head Office: Chuo-ku, Tokyo Osaka Branch: Chuo-ku, Osaka Nagoya Branch: Naka-ku, Nagoya
Housing Service Co., Ltd.	Chuo-ku, Osaka
HEIWA REAL ESTATE Asset Management CO., LTD.	Chuo-ku, Tokyo
The Tokyo Shoken Building Incorporated	Chuo-ku, Tokyo

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

Business Segment	No. of Employees	Increase/(decrease) as compared with prior period end
Building	72	-3
Asset Management	90	+6
Other	51	+1
Corporate (common among the Company group)	27	-1
Total	240	+3

(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>
102	-4	42.5	14.8

(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.	¥33,376
Mizuho Bank, Ltd.	25,779
Sumitomo Mitsui Banking Corporation	22,110
The 77 Bank, Ltd.	19,180
MUFG Bank, Ltd.	11,106

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 1,610,567 shares of treasury stock)
(3) <u>Number of shareholders</u> -	16,724
(4) <u>Major shareholders</u> -	

Name	No. of shares (000's)	Holding ratio (%)
Mitsubishi Estate Co., Ltd.	4,274	11.47
CGML PB CLIENT ACCOUNT/COLLATERAL	3,255	8.74
Custody Bank of Japan, Ltd. (Trust Account)	3,076	8.26
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,415	6.48
JP MORGAN CHASE BANK 385632	1,369	3.68
THE BANK OF NEW YORK 133970	618	1.66
TAISEI CORPORATION	532	1.43
Custody Bank of Japan, Ltd. (Trust Account 5)	518	1.39
JP MORGAN CHASE BANK 385781	499	1.34
SSBTC CLIENT OMNIBUS ACCOUNT	493	1.33

(Notes) 1. The holding ratio is calculated after deducting the number of shares held as treasury stock (1,610,567 shares) from the total number of issued shares.

2. The Company holds 1,610,567 shares of treasury stock, which are excluded from the major shareholders listed above. 59,300 shares of the Company's stock held by Custody Bank of Japan, Ltd. (Trust Account) as trust assets of the trust for the stock compensation plan for directors and executive officers are not included in the applicable treasury stock.

(5) Shares granted to corporate officers as consideration of the performance of duties during the current fiscal year -

Details of the stock compensation granted during the current fiscal year are as follows.

Category	Class and number of shares	Number of recipients
Directors (excluding External Directors)	900 shares of the Company's common stock	1

(Notes) 1. Details of the Company's stock compensation are described in "3. (4) Remuneration paid to Directors and Statutory Auditors" (on page 51).

2. The above description refers to shares granted to a Director who retired at the close of the 100th Ordinary General Shareholders' Meeting held on June 24, 2020.

(6) Other important matters related to shares -

1) Acquisition of treasury stock

At meetings held on April 30, 2020 and January 29, 2021, the Company's Board of Directors resolved to have the Company acquire its own shares in accordance with the provisions of Article 156 of the Companies Act of Japan, applicable pursuant to Article 165, Paragraph 3, of the said act, and acquired treasury stock as follows.

Acquisition of treasury stock based on the resolution of the Board of Directors meeting held on April 30, 2020

Class and number of shares acquired	349,800 shares of common stock
Aggregate amount of acquisition cost	¥999,837,968
Period of acquisition	From May 1, 2020 to September 4, 2020

Acquisition of treasury stock based on the resolution of the Board of Directors meeting held on January 29, 2021

Class and number of shares acquired	276,100 shares of common stock
Aggregate amount of acquisition cost	¥999,840,000
Period of acquisition	From February 1, 2021 to March 2, 2021

2) 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 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, 2021, the amount of the applicable treasury stock held in the trust under the plan totaled 59,300 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	
Representative Director and Senior Managing Executive Officer	Norio Iwasaki	Supervising Corporate Planning and General Affairs Department, Finance Department and Legal Office
Director and Senior Managing Executive Officer	Kazuo Yamada	Supervising Development Promotion Department and Real Estate Investment Department
Director and Managing Officer	Hiroki Mizuta	In charge of Community Co-Creation Department
Director and Managing Officer	Tomoharu Nakao	In charge of Office Building Development Department
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
External Director	Takahiro Moriguchi	
External Director	Junko Utsunomiya	Founding partner of Utsunomiya & Shimizu and Haruki Management Legal Office External Statutory Auditor of ZOZO, Inc. Outside Director, Audit and Supervisory Committee Member of RAKSUL INC. Outside Director (Audit & Supervisory Committee Member) of PeptiDream Inc.
Statutory Auditor (full-time)	Naoto Kato	
External Statutory Auditor (full-time)	Masayuki Hirose	
External Statutory Auditor	Chikami Tsubaki	
External Statutory Auditor	Jun Sekine	

(Notes)

1. Kiichiro Masui, Junji Ota, Takahiro Moriguchi and Junko Utsunomiya 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 Kiichiro Masui, Junji Ota, Takahiro Moriguchi and Junko Utsunomiya, 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. Hiroki Mizuta, Tomoharu Nakao, Takahiro Moriguchi and Junko Utsunomiya newly assumed the position of Director at the 100th Ordinary General Shareholders' Meeting held on June 24, 2020.
8. Shinichi Hayashi, Motoya Aizawa and Kunitaro Saida retired as Director at the close of the 100th Ordinary General Shareholders' Meeting held on June 24, 2020.
9. Changes in the position and assignment of Directors during the current fiscal year:

Name	Before change	After change	Date of change
Kiyoyuki Tsuchimoto	Representative Director, President and Chief Executive Officer in charge of Office Building Development Department	Representative Director, President and Chief Executive Officer	June 24, 2020
Norio Iwasaki	Representative Director and Managing Executive Officer in charge of Corporate Planning and General Affairs Department (General Affairs), Finance Department and Legal Office	Representative Director and Senior Managing Executive Officer in charge of Corporate Planning and General Affairs Department, Finance Department and Legal Office	June 24, 2020

Name	Before change	After change	Date of change
Kazuo Yamada	Director and Managing Executive Officer Supervising Development Promotion Department (Development)	Director and Senior Managing Executive Officer Supervising Development Promotion Department and Real Estate Investment Department	June 24, 2020

10. Managing Officers include Directors Kiyoyuki Tsuchimoto, Norio Iwasaki, Kazuo Yamada, Hiroki Mizuta, Tomoharu Nakao, and the following three persons whose duties are as indicated hereunder:

Managing Officer	Nobuhiro Seo	In charge of Corporate Planning and General Affairs Department and Legal Office, General Manager of Corporate Planning and General Affairs Department and Legal Office
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Managing Officer	Takahisa Aoyama	In charge of Real Estate Investment Department and General Manager of Real Estate Investment Department
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Managing Officer	Akihito Takano	In charge of Development Promotion Department and General Manager of Development Promotion Department
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(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) Summary of the Directors and Officers Liability Insurance Contract -

The Company has concluded a directors and officers liability insurance contract, as stipulated in Article 430-3, Paragraph 1, of the Companies Act, with an insurance company.

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

The insurance will be renewed with the same contents in December 2021. The insurance includes measures taken to ensure that the appropriateness of duties performed by the insured will not be impaired by setting limits for the amount to be covered.

(4) Remuneration paid to Directors and Statutory Auditors -

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

The Company revised its policy on decisions pertaining to remuneration for individual Directors, etc. (referring to Directors and Managing Officers) (hereinafter, the “Decision-making Policy”) at the Board of Directors meeting held on February 26, 2021. Upon making this resolution of the Board of Directors, the Board of Directors consulted with the Compensation Committee, which is mainly composed of External Directors, and received their report regarding the content of said resolution in advance.

Details of the policy on decisions pertaining to remuneration for individual Directors, etc. are as follows.

1. Basic policy

- Remuneration, etc. for Directors and Managing Officers (hereinafter, the “Officer Compensation”) shall be based on the following basic policy in accordance with the principles of the Corporate Governance Code in order to realize the management policies of the Company.
 - i) Provide motivation to improve the business performance and enhance corporate value in the medium and long term;
 - ii) Seek shared value with shareholders;
 - iii) Establish standards and systems to contribute to securing excellent human resources; and
 - iv) Maintain a decision-making process with sufficient transparency and impartiality.
- Officer Compensation shall be composed of the fixed-amount compensation as basic compensation, the bonuses as short-term incentives, and the performance-linked stock compensation plan as medium- and long-term incentives. However, remuneration for External Directors shall be composed only of basic compensation in view of their roles and independence.

2. Policy on determining amounts of individual remuneration, etc. for basic compensation (monetary remuneration) (including policy on determining time period or conditions for providing remuneration, etc.)

- Basic compensation shall be determined based on the significance of roles and the scope of responsibility for each rank, in consideration of business performance, etc. based on the Officer Compensation system. External Directors, who take on the supervisory function, shall only be provided basic compensation in view of their responsibilities.
- Basic compensation shall be fixed-amount compensation provided monthly.

3. Policy on determining details and calculation method of amount or number of shares for performance-linked remuneration, etc. and non-monetary remuneration, etc. (including policy on determining time period or conditions for providing remuneration, etc.)

(1) Bonuses

- Short-term incentives shall be provided through bonuses paid as cash remuneration in June every year in order to raise awareness for improving business performance each fiscal year.
- Bonuses shall be calculated by multiplying the standard amount corresponding to rank by a coefficient corresponding to the results for net income attributable to owners of parent, and then adding an amount obtained by multiplying the monthly fixed-amount compensation for that rank by a coefficient corresponding to

individual evaluations (including ESG evaluations). The coefficient for net income attributable to owners of parent shall be within the range of 0% to 150%, and the coefficient for individual evaluations (including ESG evaluations) shall be within the range of 0% to 100%.

- The total amount of bonuses for Directors shall be limited to 5% of the total amount of dividends for the relevant accounting period in consideration of providing a balance with shareholder returns.
- Bonuses for Managing Officers shall be determined in accordance with the bonuses for Directors

(2) Performance-linked stock compensation

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

<Standards for calculating performance-linked stock compensation>

- The evaluation indices for the performance-linked portion shall be consolidated operating income, which is a concise indication of the earning power of the core business, and TSR (Total Shareholder Return), which indicates the return provided to shareholders as a result of increased corporate value, from the viewpoint of improving business performance over the medium to long term.
- Stock compensation for the performance-linked portion shall be determined within the range of 0% to 150%, corresponding to the achievement of performance targets for consolidated operating income and a comparative assessment of the stock price index for TSR.
- Details shall be prescribed in the stock compensation rules established by the resolution of the Board of Directors.

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

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

Item	Fixed-amount compensation	Bonuses	Performance-linked stock compensation
Position	Basic compensation	Short-term incentive	Medium and long-term incentive
Ratio of total remuneration (approximate)	55% – 65%	20% – 30%	10% – 20%

5. Delegation of determination of details in relation to remuneration for individual Directors
- Regarding the determination of individual remuneration amounts, specific details shall be delegated to the Representative Director and President based on the resolution of the Board of Directors, and said authority shall include the amount of basic compensation and the amount of bonuses for each Director, etc.
 - The Board of Directors, to ensure that said authority is properly exercised by the Representative Director and President, shall consult with the Compensation Committee, which is composed mainly of External Directors, and receive their reports with regard to a draft prepared by the Representative Director and President, and the Representative Director and President to whom the above authority has been delegated must make such decisions in accordance with said reports.

Furthermore, based on explanations of the method of determining remuneration for individual Directors, etc. from the Representative Director and President, confirmation of the content of the findings of the Compensation Committee, and other factors, the Board of Directors has judged that the method of determining the remuneration for individual Directors, etc. in the current fiscal year and the details of the determined remuneration, etc. are consistent with the Decision-making Policy as resolved by the Board of Directors, and has confirmed that the reports from the Compensation Committee have been respected and that said remuneration, etc. is in accordance with the Decision-making Policy.

Basic compensation for the current fiscal year has been determined based on the Decision-making Policy prior to revision. Portions of the Decision-making Policy related to basic compensation prior to revision are as follows.

Basic compensation

Fixed-amount compensation, which is basic compensation, shall be determined in consideration of business performance, etc. based on the Officer Compensation system in accordance with the rank of the Directors, etc. and Managing Officers. Basic compensation for External Directors shall be commensurate with their roles.

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

Category	Total amount of remuneration, etc. (In millions of yen)	Total amount of remuneration, etc. by type (In millions of yen)			Number of eligible officers
		Basic compensation	Performance-linked remuneration, etc.	Performance-linked stock compensation	
Director (of which, External Directors)	261 (28)	173 (28)	68	19	12 (6)
Statutory Auditors (of which, External Statutory Auditors)	56 (35)	56 (35)	—	—	4 (3)
Total (of which, External Directors and External Statutory Auditors)	317 (64)	229 (64)	—	—	16 (9)

(Notes)

- The above includes three Directors (including two External Directors) who retired at the close of the 100th Ordinary General Shareholders' Meeting held on June 24, 2020.

2. The amount of remuneration, etc. for Directors (excluding External Directors) (the number of eligible Directors at the time of the resolution was seven) 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 (the number of eligible External Directors at the time of the resolution was four) 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; hereinafter, the same applies in this paragraph) and executive officers (excluding non-residents of Japan; hereinafter, the same applies in this paragraph) 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. The number of eligible Directors was five and the number of eligible executive officers who do not concurrently serve as Directors was two at the time of the resolution. 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 Managing 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 ¥19 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. The number of eligible Statutory Auditors at the time of the resolution was four.

3) Performance-linked remuneration, etc.

Performance-linked remuneration, etc. is provided through bonuses paid as short-term incentives with the performance index of net income attributable to owners of parent in order to raise awareness for improving business performance each fiscal year. Bonuses are calculated by multiplying the standard amount corresponding to that rank by a coefficient corresponding to the results for net income attributable to owners of parent, and then adding an amount obtained by multiplying the monthly fixed-amount compensation for that rank by a coefficient corresponding to individual evaluations (including ESG evaluations). The coefficient for net income attributable to owners of parent is within the range of a minimum

of 0% (when net income attributable to owners of parent is negative) and a maximum of 150% (when net income attributable to owners of parent is ¥9,000 million or more), and the coefficient for individual evaluations (including ESG evaluations) is within five levels from 0% to 100%, with 50% as the standard. Details are as described in “3. (4) 1) Policy on decisions pertaining to remuneration for individual Directors, etc.” (on page 51).

The performance target for net income attributable to owners of parent for the current fiscal year is ¥6,000 million as initially forecast, and the results are as described in “1. (5) Status of asset and profit and loss of the Group” (on page 41). Performance-linked remuneration, etc. described in the above table in 2) is the provision of accrued bonuses for directors pertaining to the current fiscal year. 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.

4) Performance-linked stock compensation

The Company has adopted a performance-linked stock compensation plan as medium- to long-term incentives. Said stock compensation is composed of a fixed-amount portion and a performance-linked portion, and the performance-linked stock compensation in the table in Item 2) above includes a fixed-amount portion of ¥11 million and a performance-linked portion of ¥8 million. The evaluation indices for the performance-linked portion shall be consolidated operating income, which is a concise indication of the earning power of the core business, and TSR (Total Shareholder Return), which indicates the return provided to shareholders as a result of increased corporate value, from the viewpoint of improving business performance over the medium to long term, and the stock compensation for the performance-linked portion shall be determined within the range of 0% to 150%, corresponding to the achievement of performance targets for consolidated operating income and a comparative assessment of the stock price index for TSR. Furthermore, for each evaluation index, the coefficient is 100%, with a standard level of achievement or comparative assessment of 100% or more and less than 120%. Details are as described in “3. (4) 1) Policy on decisions pertaining to remuneration for individual Directors, etc.” (on page 51).

The performance target for consolidated operating income for the current fiscal year is ¥9,500 million as initially forecast, and the results are as described in “1. (5) Status of asset and profit and loss of the Group” (on page 41). The Company has not established a target for the comparative assessment of the stock price index for TSR. The result of the comparative assessment for the current fiscal year is 98%.

The status of provisions for the current fiscal year is as described in “2. (5) Shares granted to corporate officers as consideration of the performance of duties during the current fiscal year” (on page 46). Performance-linked stock compensation described in the above table in 2) is the provision for share-based remuneration for the current fiscal year based on the said plan.

5) Delegation of decisions on remuneration for individual Directors, etc.

The Board of Directors has delegated the determination of the amount of basic compensation and the amount of bonuses for each Director, etc. to the Representative Director and President, Kiyoyuki Tsuchimoto. The reason for delegating this authority is because the Company has judged the Representative Director and President to be the most suitable person to evaluate each Director, etc., while maintaining a comprehensive view of the Company's overall performance, etc. The Board of Directors, to ensure that said authority is properly exercised by the Representative Director and President, shall consult with the Compensation Committee, which is composed mainly of External Directors, and receive their reports with regard to a draft prepared by the Representative Director and President, and the Representative Director and President to whom the above authority has been delegated must make such decisions in accordance with said reports.

The members of the Compensation Committee during the current fiscal year are as follows.

Chairman: Takahiro Moriguchi (External Director)

Member: Junji Ota (External Director)

Member: Kiyoyuki Tsuchimoto (Representative Director and President)

(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	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.
Director	Junko Utsunomiya	Founding partner of Utsunomiya & Shimizu and Haruki Management Legal Office	No important relationship exists.
		External Statutory Auditor of ZOZO, Inc.	No important relationship exists.
		Outside Director, Audit and Supervisory Committee Member of RAKSUL INC.	No important relationship exists.
		Outside Director (Audit & Supervisory Committee Member) of PeptiDream Inc.	No important relationship exists.

2) Principal activities during the current fiscal year

Category	Name	Attendance at Board of Directors' Meetings and Board of Statutory Auditors' Meetings	Principal activities and duties performed in relation to expected roles as External Directors
Director	Kiichiro Masui	Board of Directors' Meetings 10/10 (100%)	He has provided opinions at the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience. In particular, he has played an appropriate role in ensuring the suitable and appropriate management of decision-making by providing supervision and advice from a specialized point of view accumulated in the world of finance and securities. In addition, as a chairman of the Nomination Committee, he attended meetings of the Nomination Committee held in the current fiscal year and assumed leadership for the supervisory function in the decision process for personnel affairs of officers at the Company from an objective and neutral standpoint.
Director	Junji Ota	Board of Directors' Meetings 10/10 (100%)	He has provided opinions at the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience. In particular, he has played an appropriate role in ensuring the suitable and appropriate management of decision-making by providing supervision and advice from the standpoint of corporate management. In addition, as a member of the Nomination Committee and Compensation Committee, he attended meetings of the Nomination Committee and the Compensation Committee held in the current fiscal year and has taken on the supervisory function in the decision process for personnel affairs of officers and officer compensation, etc. at the Company from an objective and neutral standpoint.

Category	Name	Attendance at Board of Directors' Meetings and Board of Statutory Auditors' Meetings	Principal activities and duties performed in relation to expected roles as External Directors
Director	Takahiro Moriguchi	Board of Directors' Meetings 9/9 (100%)	He has provided opinions at the Board of Directors from an objective standpoint, taking advantage of his knowledge and experience. In particular, he has played an appropriate role in ensuring the suitable and appropriate management of decision-making by providing supervision and advice from the standpoint of corporate management and an international perspective. In addition, as a member of the Nomination Committee and a chairman of the Compensation Committee, he attended meetings of the Nomination Committee and the Compensation Committee held in the current fiscal year and has assumed leadership for the supervisory function in the decision process for personnel affairs of officers and officer compensation, etc. at the Company from an objective and neutral standpoint.
Director	Junko Utsunomiya	Board of Directors' Meetings 8/9 (88.9%)	She has provided opinions at the Board of Directors from an objective standpoint, taking advantage of her knowledge and experience. In particular, she has played an appropriate role in ensuring the suitable and appropriate management of decision-making by providing supervision and advice from a specialized standpoint as an attorney.
Statutory Auditor	Masayuki Hirose	Board of Directors' Meetings 10/10 (100%) Board of Statutory Auditors' Meetings 11/11 (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 suitable and appropriate management of the decision-making process of the Board of Directors.
Statutory Auditor	Chikami Tsubaki	Board of Directors' Meetings 10/10 (100%) Board of Statutory Auditors' Meetings 11/11 (100%)	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 suitable and appropriate management of the decision-making process of the Board of Directors.

Category	Name	Attendance at Board of Directors' Meetings and Board of Statutory Auditors' Meetings	Principal activities and duties performed in relation to expected roles as External Directors
Statutory Auditor	Jun Sekine	Board of Directors' Meetings 10/10 (100%) Board of Statutory Auditors' Meetings 11/11 (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 suitable and appropriate management of the decision-making process of the Board of Directors.

(Note) Directors Takahiro Moriguchi and Junko Utsunomiya were elected at the Ordinary General Shareholders' Meeting held on June 24, 2020. Accordingly, the above only describes their attendance after they have assumed office.

4. Matters related to Independent Auditor:

- (1) Name of Independent Auditor -
KPMG AZSA LLC

(Note) The former Independent Auditor of the Company, BDO Toyo & Co., resigned from its position at the conclusion of the 100th Ordinary General Shareholders' Meeting held on June 24, 2020.

- (2) Amount of Independent Auditor's fee -

	KPMG AZSA LLC	BDO Toyo & Co.
Total fee the Company will pay Independent Auditors for the current fiscal term	29 million yen	1 million yen
Total amount of money and other profits the Company and the Company's subsidiaries will pay Independent Auditors	30 million yen	3 million yen

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

2. In addition to the operations provided for in Article 2, Paragraph 1, of the Certified Public Accountants Act, the Company also entrusts operations related to the preparation of comfort letters to the Independent Auditors.

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, 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.

CONSOLIDATED BALANCE SHEET

MARCH 31, 2021

ASSETS

(In millions of yen)

Current assets:	
Cash and deposits	¥29,685
Accounts receivable – trade	1,633
Marketable securities	16
Real estate for sale	30,261
Real estate for sale in process	834
Other inventories	1
Operating investment	1,684
Other	3,850
Allowance for doubtful accounts	(26)
Total current assets	67,942
Fixed assets:	
Tangible fixed assets -	
Buildings and structures	74,133
Machinery, equipment and vehicles	327
Tools, furniture and fixtures	389
Land	154,043
Construction in progress	9,843
Total tangible fixed assets	238,737
Intangible fixed assets -	
Leasehold rights	26,618
Other	97
Total intangible fixed assets	26,716
Investments and other assets -	
Investment securities	43,265
Long-term loans to employees	0
Deferred tax assets	155
Other	4,310
Allowance for doubtful accounts	(0)
Total investments and other assets	47,732
Total fixed assets	313,185
Deferred assets -	
Bond-issuing expenses	224
Total deferred assets	224
Total assets	381,353

CONSOLIDATED BALANCE SHEET

MARCH 31, 2021

LIABILITIES AND NET ASSETS

(In millions of yen)

<u>Liabilities</u>	
Current liabilities:	
Accounts payable – trade	¥1,818
Current portion of bonds	1,891
Short-term loans payable	9,250
Current portion of long-term loans	26,961
Accrued corporation and other taxes	337
Accrued consumption taxes	77
Accrued bonuses for directors	86
Accrued bonuses	213
Assets retirement obligations	1
Other	1,753
Total current liabilities	42,391
Long-term liabilities:	
Bonds	28,216
Long-term loans payable	145,408
Long-term accounts payable	4,000
Long-term deposits received and landlord deposits	22,829
Deferred tax liabilities	11,378
Deferred tax liabilities concerning revaluation	7,663
Provision for share-based remuneration	47
Net defined benefit liability	115
Assets retirement obligations	662
Other	0
Total long-term liabilities	220,322
Total liabilities	262,713
<u>Net Assets</u>	
Shareholders' equity:	
Common stock	21,492
Additional paid-in capital	19,720
Retained earnings	44,740
Treasury stock, at cost	(4,496)
Total shareholders' equity	81,457
Accumulated other comprehensive income:	
Unrealized gain on securities	20,187
Land revaluation surplus	16,995
Total accumulated other comprehensive income	37,182
Total net assets	118,639
Total liabilities and net assets	381,353

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FROM: APRIL 1, 2020

TO: MARCH 31, 2021

	(In millions of yen)
Operating revenue	¥35,048
Cost of sales	19,687
Gross profit	15,361
Selling, general and administrative expenses	4,132
Operating income	11,228
Non-operating income -	
Interest income and dividends earned	456
Miscellaneous non-operating income	65
Total non-operating income	522
Non-operating expenses -	
Interest expenses	1,157
Interest on debentures	174
Amortization of bond issuance cost	54
Miscellaneous non-operating expenses	120
Total non-operating expenses	1,506
Ordinary income	10,244
Extraordinary loss -	
Loss on sales of non-current assets	1
Loss on disposal of fixed assets	18
Impairment loss	8
Total extraordinary loss	27
Income before income taxes	10,216
Corporation, inhabitants and enterprise taxes	1,745
Deferred income taxes	1,351
Net income	7,118
Net income attributable to owners of parent	7,118

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2021

ASSETS

(In millions of yen)

Current assets:	
Cash and deposits	¥26,491
Accounts receivable – trade	955
Marketable securities	16
Real estate for sale	30,261
Real estate for sale in process	834
Operating investments	1,684
Prepaid expenses	45
Short-term loans	2,820
Accounts receivable – other	779
Accrued revenues receivable	0
Advances paid	143
Suspense payments	7
Allowance for doubtful accounts	(26)
Total current assets	64,014
Fixed assets:	
Tangible fixed assets -	
Buildings	71,300
Structures	155
Machinery and equipment	323
Vehicles	0
Tools, furniture and fixtures	352
Land	146,730
Construction in progress	9,843
Total tangible fixed assets	228,705
Intangible fixed assets -	
Leasehold rights	26,618
Trademark right	0
Software	64
Telephone subscription right	9
Right of using facilities	0
Total intangible fixed assets	26,694
Investments and other assets -	
Investment securities	39,975
Investment in securities of affiliates	8,351
Investment in other securities of affiliates	2,512
Investment in partnerships	21
Long-term loans to employees	0
Long-term prepaid expenses	351
Guarantee deposits	3,915
Allowance for doubtful accounts	(0)
Total investments and other assets	55,127
Total fixed assets	310,527
Deferred assets -	
Bond-issuing expenses	224
Total deferred assets	224
Total assets	374,767

NON-CONSOLIDATED BALANCE SHEET

MARCH 31, 2021

LIABILITIES AND NET ASSETS

(In millions of yen)

<u>Liabilities</u>	
Current liabilities:	
Accounts payable – trade	1,528
Current portion of bonds	1,891
Short-term loans payable	11,950
Current portion of long-term loans	26,961
Accounts payable – other	76
Accrued expenses	119
Accrued corporation and other taxes	148
Advances received	1,297
Deposits received	33
Accrued bonuses for directors	68
Accrued bonuses	140
Assets retirement obligations	1
Total current liabilities	44,217
Long-term liabilities:	
Bonds	28,216
Long-term loans payable	145,408
Long-term accounts payable	4,000
Long-term deposits received and landlord deposits	22,007
Deferred tax liabilities	9,489
Deferred tax liabilities concerning revaluation	7,663
Provision for share-based remuneration	47
Accrued severance indemnities for employees	7
Assets retirement obligations	638
Total long-term liabilities	217,479
Total liabilities	261,696
<u>Net assets</u>	
Shareholders' equity:	
Common stock	21,492
Additional paid-in capital	
Capital reserve	19,720
Other capital surplus	0
Total additional paid-in capital	19,720
Retained earnings:	
Legal reserve	1,453
Other retained earnings:	
Reserve for advanced depreciation of fixed assets	2,283
General reserve	10,115
Retained earnings carried forward	25,703
Total other retained earnings	38,102
Total retained earnings	39,555
Treasury stock, at cost	(4,496)
Total shareholders' equity	76,273
Valuation and translation adjustments:	
Unrealized gain on securities	19,802
Land revaluation surplus	16,995
Total valuation and translation adjustments	36,798
Total net assets	113,071
Total liabilities and net assets	374,767

NON-CONSOLIDATED STATEMENT OF PROFIT AND LOSS

FROM: APRIL 1, 2020

TO: MARCH 31, 2021

(In millions of yen)

Operating revenue -	
Revenue from the Building Business	¥20,660
Revenue from the Asset Management Business	9,937
Total operating revenue	30,598
Cost of sales -	
Cost of the Building Business	11,574
Cost of the Asset Management Business	6,544
Total operating cost	18,119
Gross profit	12,479
Selling, general and administrative expenses	2,445
Operating income	10,033
Non-operating income -	
Interest income and dividends earned	1,190
Miscellaneous non-operating income	57
Total non-operating income	1,247
Non-operating expenses -	
Interest expense	1,164
Interest on debentures	174
Amortization of bond issuance cost	54
Miscellaneous non-operating expenses	120
Total non-operating expenses	1,513
Ordinary income	9,767
Extraordinary loss -	
Loss on sales of non-current assets	1
Loss on disposal of fixed assets	13
Impairment loss	8
Total extraordinary loss	22
Income before income taxes	9,744
Corporation, inhabitants and enterprise taxes	1,419
Deferred income taxes	1,290
Net income	7,034

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

Independent Auditor's Report
(English Translation)

May 11, 2021

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

KPMG AZSA LLC
Tokyo Office, Japan

Yohei Morimoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hirofumi Hanyu
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of Heiwa Real Estate Co., Ltd. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2021 and for the year from April 1, 2020 to March 31, 2021 in accordance with Article 444-4 of the Companies Act.

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

Basis for Opinion

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

Responsibilities of Management and Corporate Auditors and the Board of Corporate 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

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

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

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

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

- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

Notes to the Reader of Independent Auditor's Report:

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

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

Independent Auditor's Report
(English Translation)

May 11, 2021

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

KPMG AZSA LLC
Tokyo Office, Japan

Yohei Morimoto
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Hirofumi Hanyu
Designated Limited Liability Partner
Engagement Partner
Certified Public Accountant

Opinion

We have audited the financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and the supplementary schedules (“the financial statements and the supplementary schedules”) of Heiwa Real Estate Co., Ltd. (“the Company”) as at March 31, 2021 and for the 101st fiscal year from April 1, 2020 to March 31, 2021 in accordance with Article 436-2-1 of the Companies Act.

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

Basis for Opinion

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

Responsibilities of Management and Corporate Auditors and the Board of Corporate Auditors for the Financial Statements and the Supplementary Schedules

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

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

Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

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

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

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

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

- Evaluate whether the presentation and disclosures in the financial statements and the supplementary schedules are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and the supplementary schedules, including the disclosures, and whether the financial statements and the supplementary schedules represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide corporate auditors and the board of corporate auditors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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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 101st fiscal year from April 1, 2020 to March 31, 2021, 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. Furthermore, the Statutory Auditors utilized online conference systems for parts of the audit, as a measure to prevent the spread of COVID-19.
 - 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, 2021.

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.
- 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, KPMG AZSA LLC, are fair and reasonable.

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

The auditing methods and results of the Independent Auditor, KPMG AZSA LLC, are fair and reasonable.

May 11, 2021

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

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