
ESG REPORT



Sustainability Initiatives

The Investment Corporation will engage in corporate management that takes into account the environment, society and governance, contribute to the development of a sustainable society, and endeavor to promote investment management that realizes the interests of unitholders and other stakeholders.



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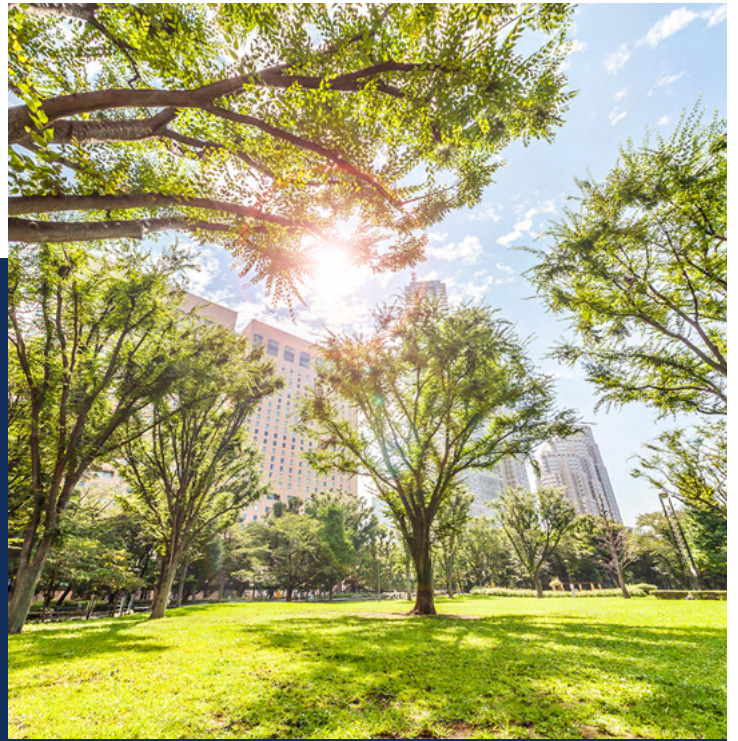
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ESG Report

We have published this report for the purpose of publicizing our approach to ESG and our initiatives to a wide range of stakeholders, including investors.



Message from the Executive Director



Message from the Executive Director

Thank you for your continued support.

Since its stock was first listed in 2005, the Investment Corporation has been investing in and operating medium-sized offices and single and compact residential properties primarily in the 23 wards of Tokyo.

Since the change of sponsor in 2009, the Investment Corporation has been pursuing the interests of investors and steadily grown its business with Heiwa Real Estate Group as its sponsor. Since 2020, the COVID-19 pandemic has been adding to the uncertainty in the real estate market. Amid these conditions, the Investment Corporation announced “NEXT VISION”, its new medium- to long-term targets, in July 2021. Under this, the Investment Corporation will aim for an asset size of 300 billion yen, distributions of 3,300 yen, an AA- rating, and 100% of the electricity it consumes being generated by renewable energy resources. Public interest in ESG has been growing rapidly in recent years. Responses to issues surrounding the environment, society, and corporate governance are important and significantly affect all of the management and business of the Investment Corporation. It recognizes that efforts to build a sustainable society contribute to the sustainable growth of the Investment Corporation. The Investment Corporation establishes ESG targets and strives to achieve them as one of its growth strategies.

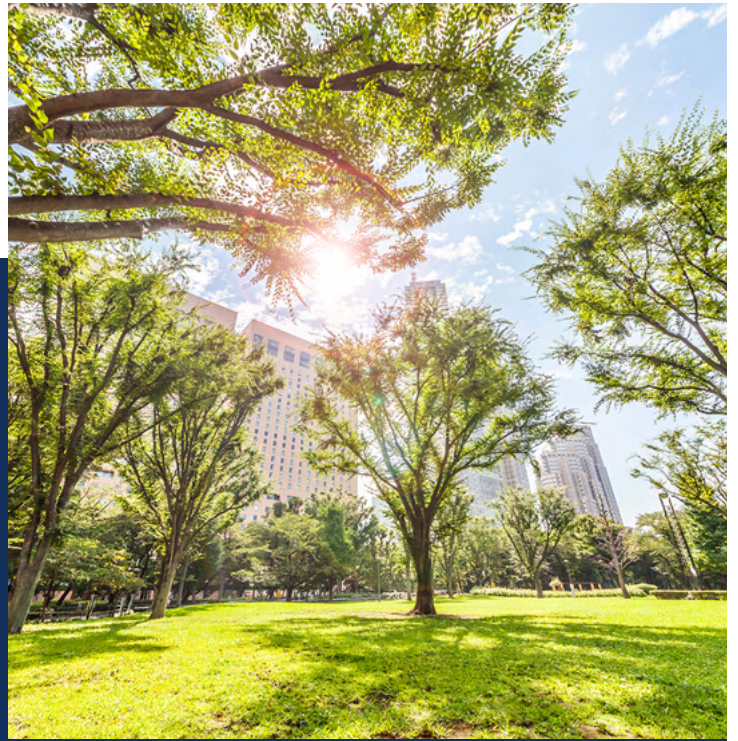
The Investment Corporation aims to contribute to the interests of its investors and all other stakeholders while leveraging the sponsorship of the Heiwa Real Estate Group for both external and internal growth. We earnestly ask for your continued support of our business.



Aya Motomura
Executive Director
HEIWA REAL ESTATE REIT, Inc.



Sustainability Policies and Promotion Structure



ESG Policy

The Heiwa Real Estate Group, as a company pursuing the realization of an affluent urban environment by providing comfortable offices and living spaces, is aware of the weight of its social responsibilities and strictly complies with any and all laws, regulations and rules. Moreover, the Group aims to be a company that perpetually earns the trust of society by observing the highest ethical standards. In accordance with this basic policy established as the Group's Code of Conduct, the Investment Corporation will strive to conduct business operations while taking into consideration the environment, society, and governance (ESG), and contributing to the development of a sustainable society as well as increasing medium- to long-term shareholder value.

1. Realizing sustainable urban development with safety and security

The Investment Corporation will promote disaster preparedness and support for people with disabilities to provide safety and security, and through these actions seek to increase the value of its properties. The Investment Corporation will also consider the risks and opportunities related to climate change and promote the reduction of energy consumption and the introduction of renewable energy to contribute to the realization of a low carbon society, and will advance the adaption of our portfolio to climate change.

2. Contributing to local communities

The Investment Corporation will place importance on coexistence with local communities as a good corporate citizen, and will endeavor to resolve problems faced by local communities by attracting tenants and through other methods, and will build trust by strengthening relations with the local area as well as increase the competitiveness of the Investment Corporation's properties by boosting local-area value through operating properties that contribute to the development of areas to provide a comfortable life.

| 3. Creating a rewarding work environment

In cooperation with the Asset Management Company, the Investment Corporation will promote efforts to create a healthy, rewarding work environment, and will secure mental and physical comfort as well as a sense of affluence. The Investment Corporation will also endeavor to respect each individual employee, eliminate any and all discrimination and harassment, proactively work to enhance the professional expertise of the officers and employees through human resource development including training and support for the acquisition of qualifications, and increase business growth, stability, and operational capacity by securing excellent human resources.

| 4. Strengthening corporate governance

The Investment Corporation will promote the establishment of an effective governance system that ensures the objectivity and diversity of its directors as well as reduce operational risks by strictly complying with laws and regulations pertaining to the Investment Corporation's operations, social norms and corporate ethics.

| 5. Sustainability-related education and awareness building

The Investment Corporation will conduct sustainability-related education and awareness building activities for the officers and employees of the Asset Management Company, the properties managers of the Investment Corporation, other suppliers, tenants, and all others concerned to enhance the level of motivation to achieve sustainability.

| 6. Facilitating communications

The Investment Corporation will endeavor to ensure transparency and communicate extensively with society through the acquisition of external certifications and the timely and accurate disclosure of information, and it will proactively disclose its ESG policies, activities, and other necessary information to unitholders, tenants, local communities, and business partners while seeking to build stakeholder trust and obtain appropriate ratings.

Established: May 14, 2021

Sustainability Promotion Structure

In order to implement the Sustainability Policies of the Investment Corporation, the Asset Management Company has formulated the Sustainability Promotion Rules with the aim of establishing various policies related to sustainability, and setting forth basic policies concerning the Company's internal structure, collaboration with external parties, and information disclosure, etc.

Management Structure



Chief Sustainability Promotion Officer

President & Representative Director

| Members

General Manager, Business Planning Division (Chief Executive); General Manager, Investment Management Division; Manager, Compliance & Risk Management Office; General Manager, Real Estate Investment Department; General Manager, Office Asset Management Department; General Manager, Residence Asset Management Department; General Manager, Planning & Finance Department; General Manager, Business Administration Department

| Frequency of Meetings

In principle at least once every three months

| Matters Considered and Reported

- Consideration of and reporting on various initiatives based on the sustainability policies
- Consideration and formulation of measures → reporting on and evaluation of progress and analysis results → consideration and formulation of improvement measures
- Examination and formulation of various policies, goals and measures related to sustainability
- Ongoing follow-ups regarding remaining challenges to achieving goals and other issues that have been pointed out
- Reporting on various policies, goals and measures

| Number of Sustainability Promotion Committee Meetings

FY2021
4 times

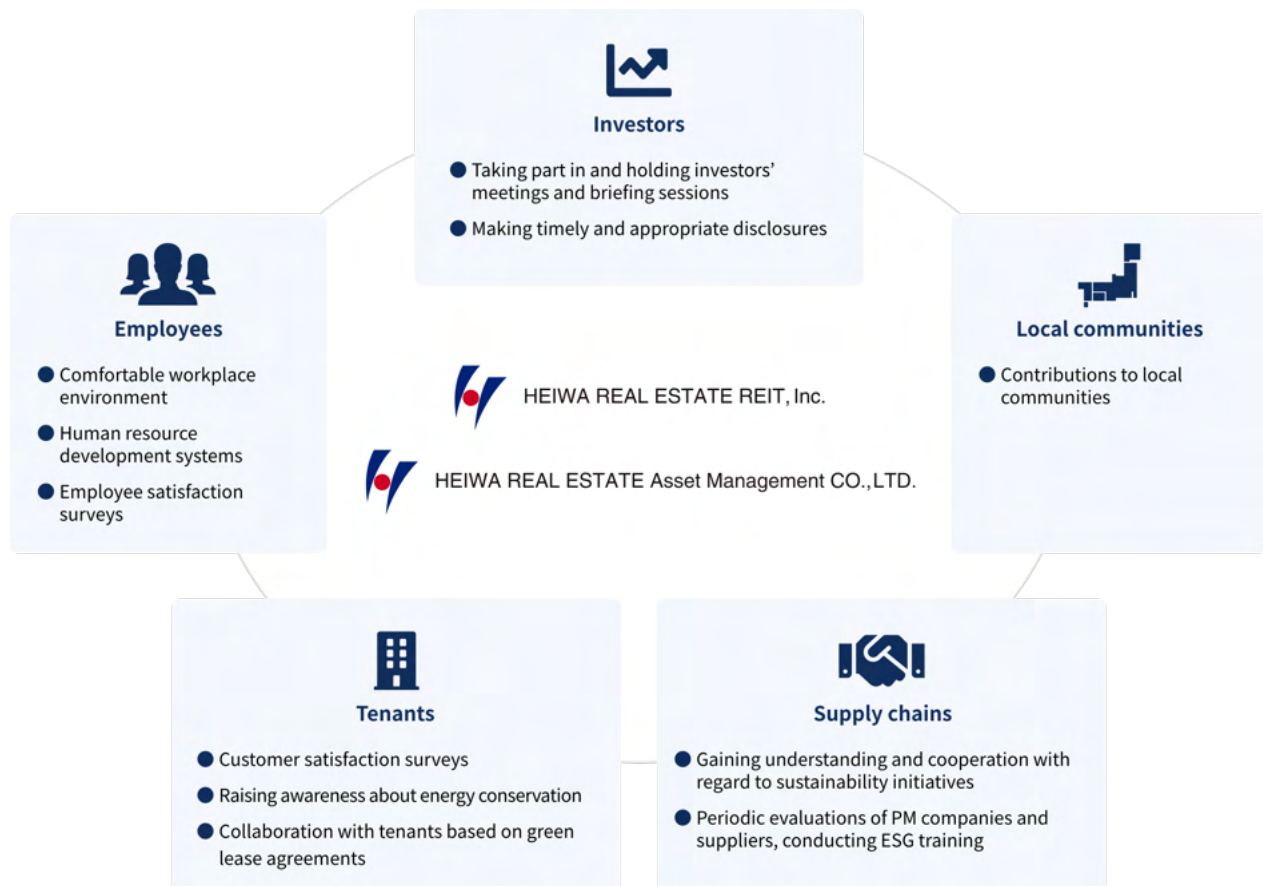
Image of Sustainability Promotion Based on the PDCA Cycle

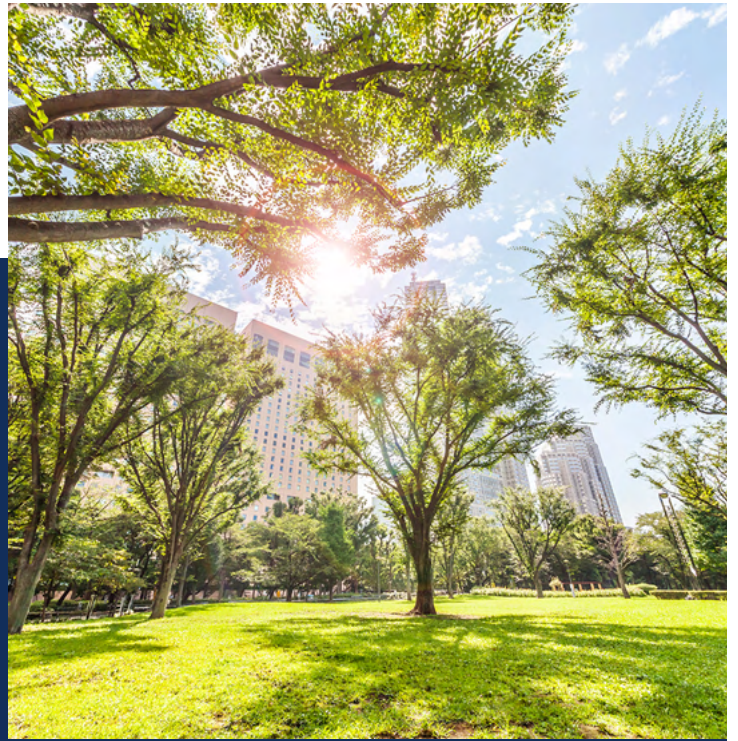


Stakeholder Engagement

The Investment Corporation will strengthen relationships through two-way communication with each stakeholder, provide environmental, social and economic value, and contribute to the formation of a sustainable society.

The Investment Corporation and the Asset Management Company also strive to gain the trust of their stakeholders.





Materiality

Heiwa Real Estate Asset Management Co., Ltd., which manages the assets of HEIWA REAL ESTATE REIT, Inc., has selected materiality as a priority issue to be addressed through the following process in order to promote initiatives related to sustainability.

Materiality identification process

STEP1: Identify issues




Identify a broad range of issues based on awareness of SDGs and other social issues, various guidelines (GRI, etc.), and ESG evaluation items in the real estate sector (GRESB, etc.)

STEP2: Narrow down the proposed issues and prioritize

Narrow down and prioritize issues by taking into account their importance to HEIWA REAL ESTATE REIT, Inc. and stakeholders, their impact on the economy, society, and the environment, and their economic practicality.



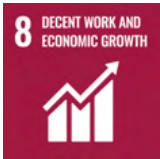




STEP3: Discuss, validate, and approve at the Sustainability Promotion Committee

After discussing and verifying the appropriateness of the materiality identified in Step 2, a decision is made by the Sustainability Promotion Committee, chaired by the President and CEO of Heiwa Real Estate Asset Management Co., Ltd., which has the final authority in decision making.

Materiality		Applicable SDGs	
Environment E	■ Environmentally friendly business operations		
	Basic Policy	<ul style="list-style-type: none">• Environmentally friendly business operations• Climate change mitigation (improvement of building performance and equipment capacity for energy conservation)• Adapting to climate change (flood control measures)• Confirming the results of sustainability activities by obtaining external certification	
	Goals	<ul style="list-style-type: none">• Shifting the power used in all properties to renewable energy-derived. Applies to jointly and partially owned properties whose power is managed by a management association as well as all other properties excluding those with special contracts. For residences, it applies all areas except for exclusively-owned spaces. December 2021: Completed• Approve the proposal for Task Force on Climate-Related Financial Disclosures (TCFD). December 2021: Completed• Adopt FSC paper and bring in vegetable oil-based ink. Applies to all documents sent to investors August 2021: Completed.	<div><div>7 AFFORDABLE AND CLEAN ENERGY</div></div> <div><div>11 SUSTAINABLE CITIES AND COMMUNITIES</div></div> <div><div>13 CLIMATE ACTION</div></div>
	Risk	<ul style="list-style-type: none">• Lowered evaluation by tenants and investors who use sustainability as the basis of assessment• Decreased tenant sales and increased property damage due to physical effects of climate change• Delay in response to tighter environmental regulations and increase in energy-related costs• Decreased tenant satisfaction	
	Opportunities	<ul style="list-style-type: none">• Reduce operating costs by improving the environmental performance of owned properties, improve evaluation by environmentally conscious tenants and investors• Reduce energy-related expenditure• Increase tenant satisfaction and increase demand for rentals	






- Providing tenants with security and peace of mind
- Contributing to local communities
- Creating a rewarding work environment

Social

Basic Policy	<p>Tenants:</p> <p>Improving tenant satisfaction and increasing the value of properties under ownership by providing safety and security through barrier-free and disaster preparedness measures</p> <p>Local community:</p> <p>Managing properties that help solve problems faced by local communities and that create livable urban developments, by attracting childcare, healthcare, and government facilities</p> <p>J-REIT industry:</p> <p>Fostering the future investor base and contributing to the development of the J-REIT industry through J-REIT industry educational activities</p> <p>PM, BM:</p> <p>Promoting sustainability in cooperation with PM companies and operators that manage working assets</p> <p>Executives:</p> <p>Creating strong business results through employees' healthy minds and bodies and enhanced expertise, by managing health, improving the workplace environment, enhancing work-life balance, and providing support to undergo training and obtain qualifications</p>	      
Goals	<ul style="list-style-type: none"> • Conduct environmental training for PM Companies. Applies to all PM companies dealing in properties. <p>Period: Simultaneously once a year</p> <ul style="list-style-type: none"> • Practice health management <p>Includes improving working environment, introducing stress checks, conduct employee satisfaction surveys, achieve a paid leave acquisition rate at 70% or higher.</p> <p>March 2022: Completed</p>	
Risk	<ul style="list-style-type: none"> • Move-outs due to decline in tenant satisfaction, decrease in rental revenue • Greater damage and increased recovery cost in the event of a disaster • Decreased creditworthiness due to deteriorating relations with the community • Reduced transparency of HEIWA REAL ESTATE REIT, Inc. from the viewpoint of unitholders and delay in disseminating information fosters distrust • Decline in operational capacity due to outflow of human resource talent and lower quality of employees • Decline in status of J-REITs as an investment product 	
Opportunities	<ul style="list-style-type: none"> • Increase in rental revenue due to fewer tenant move-outs • Minimize human and material damage and lower recovery cost in the event of a disaster • Strengthen relationships with local community to increase creditworthiness and improve the value of the area to enhance competitiveness of properties • Improve transparency and foster a sense of trust in HEIWA REAL ESTATE REIT, Inc. from the perspective of unitholders and customers • Secure talented human resources to ensure business growth and stability and enhance employees' skills to improve operational capacity • Improve the status of J-REITs as an investment product, increase the presence of HEIWA REAL ESTATE REIT, Inc. 	

■ Strengthening corporate governance

Governance G

Basic Policy	<ul style="list-style-type: none"> Promoting initiatives to ensure corporate ethics across the board Establishing a governance system that ensures the impartiality and diversity of investment corporation directors Promoting investment management with an emphasis on unitholder returns Ensuring transparency 	
Goals	<ul style="list-style-type: none"> Conduct corporate ethics training. Applies to all executives and employees at asset management companies. Period: Once every quarter Create BCP system including pandemic response. April 2022: Completed Write and publish ESG report. Write ESG report and publish on the website. Period: By end of May 2022 	 
Risk	<ul style="list-style-type: none"> Decline in creditworthiness and investors' evaluation Decline in evaluation by sustainability-focused investors Reduced motivation for portfolio management 	
Opportunities	<ul style="list-style-type: none"> Improve investors' evaluation of our sound operational systems and enhance our credibility Improve investors' evaluation through recognition of broad-ranging initiatives and improvement in external assessment Improve motivation for portfolio management 	



International Initiatives / External Evaluations



International Initiatives

| Support for the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations

In December 2021, the Asset Management Company expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which was established by the Financial Stability Board (FSB) to consider how climate-related information should be disclosed and addressed by financial institutions. The Company also joined the TCFD Consortium, an organization made up of Japanese companies that support the TCFD recommendations.



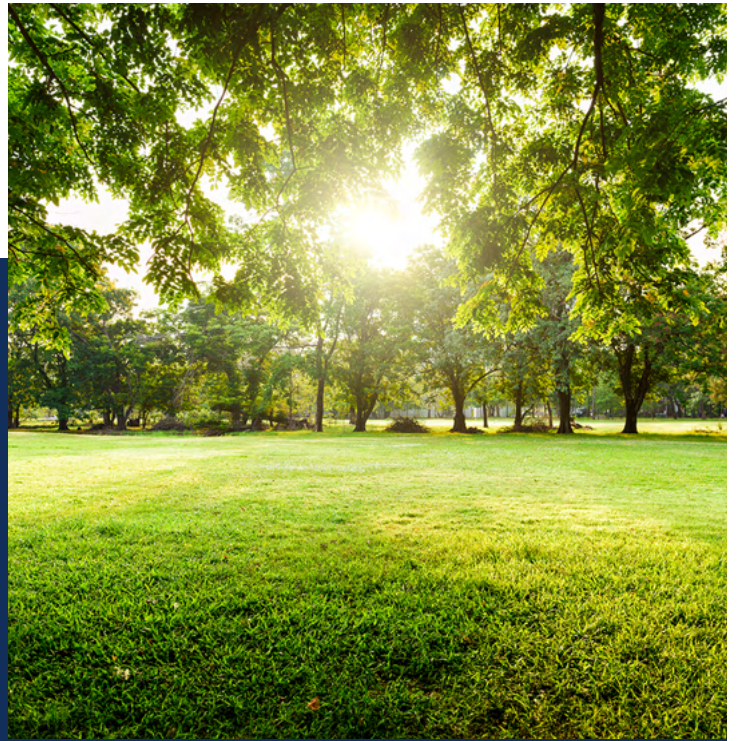
External Evaluations

| GRESB Real Estate Assessment

GRESB is a benchmark system for annually evaluating environmental, social, and governance (ESG) considerations of real estate companies and funds and the organization operating the system, which was established in 2009 primarily by major European pension fund groups that led the Principles for Responsible Investment (PRI). This assessment is not conducted with respect to individual real estate; it is an assessment of the environmental and sustainability initiatives pursued by each real estate company and REIT.

For five years running the Investment Corporation has been given the "**Green Star**," which designates a company with excellent performance on both the "Management Component" and "Performance Component" regarding its environmental and sustainability initiatives. The score has been continuously improving except in FY2020 when the evaluation standard was significantly changed.





Environmental Initiatives

Environmental Initiatives

The Investment Corporation and the Asset Management Company In accordance with its environmental policies, Heiwa Real Estate REIT, Inc. has established specific strategies for reducing environmental impact with regard to important environmental issues, including saving energy and water and reducing waste output at properties under its ownership, and is working to tackle these issues.

Environmental Management

1. Resource and energy conservation efforts

We endeavor to promote the efficient use of resources and energy at the real estate we manage by introducing technologies and systems designed to conserve resources and energy.

2. Reducing environmental impact

To reduce environmental impact, we consult with parties related to the real estate investment and management business, promote water conservation, waste reductions, reuse and recycling, and make every effort to create a recycling-oriented society.

3. Compliance with environmental laws, regulations and other requirements

We observe environmental laws, regulations and other rules, and endeavor to preserve the environment.

4. Education and awareness-raising on the environment

We conduct educational and awareness-raising activities concerning the environment and strive to raise awareness of environmental conservation.

5. Promoting environmental communication

We engage in a wide range of communication with society and endeavor to make the necessary disclosures regarding our environmental policies and the status of our environmental initiatives to investors, tenants, local communities, business partners and other stakeholders.

Target Setting

Heiwa Real Estate REIT, Inc. sets annual targets with regard to the following environmental indicators, and works to ascertain and manage progress in achieving them.

Indicator (unit base)	Target
Energy consumption	Improve overall unit energy consumption for properties requiring submission of notification in accordance with the Act on the Rational Use of Energy by at least 1% year on year As a medium term target, reduce average unit energy consumption over a five year period by at least 1%
GHG (greenhouse gas) emissions	Do not allow overall GHG emissions to increase for properties requiring submission of notification in accordance with the Act on the Rational Use of Energy
Water consumption	Do not allow overall water consumption to increase for properties requiring submission of notification in accordance with the Act on the Rational Use of Energy
Waste output	Increase overall recycling rates for offices (excluding assets under indirect management) year on year

Performance Data

Energy Consumption

Fiscal Year	2018	2019	2020	Percentage change year on year
Total consumption (MWh)	19,013	17,441	17,218	-1.28%
Consumption Intensity(MWh/m ²)	0.138	0.120	0.119	-1.00%

GHG (CO2) Emissions

Fiscal Year	2018	2019	2020	Percentage change year on year
Total consumption (t-CO ₂)	10,173	8,057	7,635	-5.24%
Emissions Intensity (t-CO ₂ /m ²)	0.074	0.055	0.053	-4.96%

Water consumption

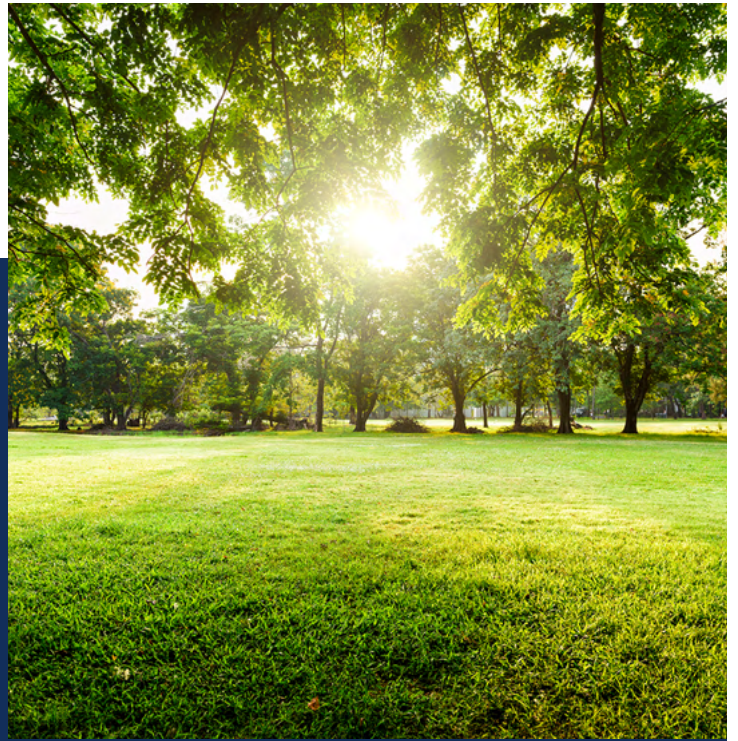
Fiscal Year	2018	2019	2020	Percentage change year on year
Total consumption (m ³)	131,847	134,298	133,644	-0.49%
Consumption Intensity (m ³ /m ²)	0.856	0.923	0.921	-0.2%

| Waste output

Fiscal Year	2018	2019	2020	Percentage change year on year
Total output (t)	999	997	986	-1.15%
Recycling rate (%)	55.2	50.7	51.7	1.95%

Notes regarding the above performance data

- The above data displays actual values for common parts of residences, common and private parts of office buildings under the ownership of Heiwa Real Estate REIT, Inc. Values for shared properties are calculated according to percentage ownership.
- Unit values are calculated after adjustment for ownership period and occupancy rate for each property.



Climate Change Initiatives

The Investment Corporation and the Asset Management Company understand that climate change is an important (material) issue that brings about drastic changes to natural environmental conditions and social structures, seriously affecting the Investment Corporation and the Company's operations as well as businesses overall

The Company's understanding on climate-related issues

The following statements show the Asset Management Company's understanding with respect to the Company's resilience against climate change and climate-related issues.

- Progress in climate change is a scientific fact as indicated mainly by the Paris Agreement (2015), IPCC Special Report (2018) and IPCC Sixth Assessment Report (Working Group 1, 2021). Progress in climate change is an (material) issue that brings drastic changes to natural environmental conditions and social structures, seriously affecting the Asset Management Company's operations and businesses overall.
- Weather and climate disasters, such as the intensification of typhoons and heavy rainfalls, frequent heat waves and droughts, and rising global sea levels, are expected to occur more frequently or spread more broadly due to progress in climate change. This may have a serious impact on the Asset Management Company's business.
- A shift to a decarbonized society and economy is expected to take place as a result of global initiatives for the mitigation of climate change, such as the establishment of a scheme aimed at reducing greenhouse gas emissions, tightening of emission control regulations, etc. The change may have a significant impact on the Asset Management Company's businesses.
- Based on the understanding that the climate change issue represents a systemic risk to financial operations, many stakeholders including investors have been requesting the disclosure of information on risks and opportunities related to climate change. In particular, the Asset Management Company needs to address the serious issue of increasing

transparency through the promotion of climate-related risk disclosures according to the recommendations made by the Task Force on Climate-related Financial Disclosures (TCFD).

- The Asset Management Company should enhance the resilience of its businesses by identifying, assessing and managing risks and opportunities that may be brought about by climate change. These efforts are essential from a range of perspectives, including the securing of the Investment Corporation's sustainable and stable profitability on a long-term basis.

HEIWA REAL ESTATE REIT, Inc. (hereinafter referred to as the “Investment Corporation”) announced today that HEIWA REAL ESTATE Asset Management CO., LTD. (hereinafter referred to as the “Asset Management Company”), the company to which the Investment Corporation entrusts its asset management operations, has declared support for the TCFD (Task Force on Climate-related Financial Disclosures) Recommendations.



Requests	Governance	Strategies	Risk Management	Metrics and Targets
Item Details	Disclose the organization's governance regarding climate-related risks and opportunities	Disclose the actual and potential impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning when such information is important.	Disclose how the organization will identify, assess and manage climate-related risks.	Disclose indicators and goals used when assessing and managing climate-related risks and opportunities when such information is important.
Recommended Disclosures	a) Explain the system for the organization's board of directors to supervise efforts to address climate-related risks and opportunities.	a) Explain the short-, medium- and long-term climate-related risks and opportunities identified by the organization.	a) Explain the process the organization uses to identify and evaluate climate-related risks.	a) Disclose the indicators used to evaluate climate-related risks and opportunities in line with the organization's strategy and risk management processes.
	b) Explain the roles of management in the evaluation and management of climate-related risks and opportunities.	b) Explain the impact of climate-related risks and opportunities on the business, strategic and financial planning of the organization.	b) Explain the process the organization uses to manage climate-related risks.	b) Disclose greenhouse gas (GHG) emissions and related risks in Scope 1, Scope 2 and, if applicable, Scope 3.
		c) Explain the resilience of the organization's strategy taking into consideration various climate-related scenarios, including a 2°C or lower scenario.	c) Explain how the process the organization uses to identify, evaluate and manage climate-related risks is integrated into the organization's general risk management.	c) Explain the goals the organization uses to manage climate-related risks and opportunities and its track record for the achievement of the goals.

Basic policy and commitment

Based on this understanding, the Asset Management Company has decided to establish its basic policy and represent its commitment with respect to climate change and resilience. Details are as follows.

- The Asset Management Company supports the global targets set forth in the Paris Agreement and will work continuously to reduce greenhouse gas emissions to contribute to the mitigation of climate change.

Governance

The Investment Corporation has decided to establish the following governance system to deal with climate-related risks and opportunities pertaining to the Investment Corporation and the Asset Management Company.

- The chief executive officer for climate-related issues shall be a representative director who has the authority to make final decisions in conjunction with the promotion of sustainability.
- The operating officer for climate-related issues shall be the general manager of the Business Planning Division who is responsible for the promotion of sustainability.
- The chief executive officer for climate-related issues shall make decisions on climate change-related initiatives after such initiatives are discussed and reviewed by the sustainability promotion committee.
- The operating officer for climate-related issues shall periodically provide a report about matters related to climate change initiatives, such as the identification and evaluation of the impact of climate change, management of risks and opportunities, progress of initiatives pertaining to adaptation and mitigation, and establishment of metrics and targets, to a chief executive officer for climate-related issues at a sustainability committee meeting.

Strategy

The Asset Management Company will establish a process to identify, evaluate and manage the impact of climate-related risks and opportunities on the management activities, strategies and financial plans of the Investment Corporation, and put the process into use properly. It aims to identify and evaluate climate-related risks and opportunities systematically and objectively by utilizing scientific and academic findings.

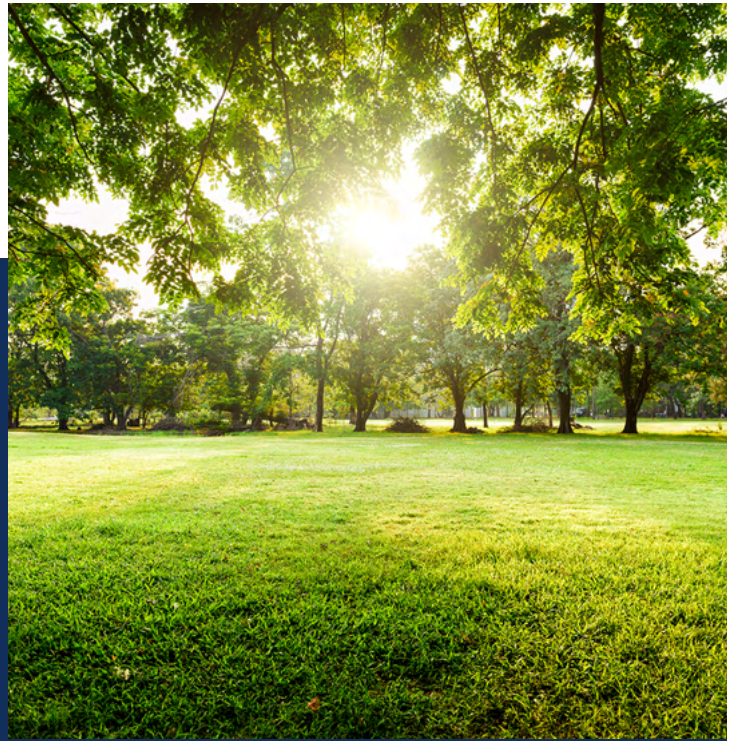
Risk management

The Asset Management Company will move forward with initiatives to manage identified climate-related risks and opportunities and raise resilience levels, thereby helping the Investment Corporation reduce business risks and create value creation opportunities. Through such efforts, it aims to secure profitability sustainably and stably on a long-term basis.

Measurement criteria and targets

The Asset Management Company will establish metrics and targets to manage climate-related risks and opportunities, and in doing so, it shall pay attention to consistency between the Asset Management Company's management strategies and comprehensive risk management in conjunction with metrics. In addition, it will disclose established targets including results in comparison with such targets.

The Asset Management Company, which endorses the TCFD recommendations, will disclose the Investment Corporation's climate-related information to investors and other stakeholders under the disclosure framework presented in the recommendations.

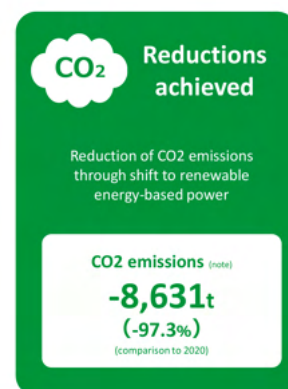


Initiatives to Address Environmental Issues

Toward the Realization of Low-carbon Society

Shift to renewable energy

The Investment Corporation will change the power used in all properties that it owns to power from renewable energy. Shift generally to power plans conforming to the RE100 standards was completed at all 106 properties subject to the shift by the end of the fiscal period under review. The shift is expected to result in the reduction of CO₂ emissions by 8,631 tons (down 97.3%) compared to the level in 2020. The Investment Corporation plans to apply the shift to properties acquired from now on. It aims to reduce CO₂ emissions by 90% compared to the level in 2020 in the future and as a member of society, contributing to the realization of a low-carbon society. The Investment Corporation will continue to apply the shift to properties that will be acquired going forward, thereby aiming to contribute to the realization of a low-carbon society as a member of society.



(Note) Renewable power will be introduced at all properties except properties where a management association manages power, such as properties whose ownership is shared and properties owned by unit owners, and properties where contracts with tenants are unusual. The individually owned portions of residential properties are excluded.

| Eco-friendly initiatives

Efforts are being made to reduce the volume of fossil fuel used. A switchover to LED lamps is in progress for curbing the use of electricity in rooms for rent, common space at office properties and common space at residential properties. The switchover was completed at 112 properties of all 114 properties owned, excluding properties that have been acquired recently. Equipment that consumes less energy will be introduced during air-conditioner replacement.



| Eco-friendly initiatives: FSC paper and Glassine

| Glassine, FSC-certified paper and Vegetable Ink

This Investment Corporation has been sending distribution payment statements and the asset management report to investors after the settlement of accounts for each fiscal period. FSC-certified paper and Vegetable ink are used for those documents, and glassine is used for the window section of an envelope used for mailing them. FSC is an abbreviation of the Forest Stewardship Council, an international organization. FSC has established standards for cutting down trees necessary for economic activity, while curbing deforestation and preserving forest resources for future generations. The Investment Corporation uses FSC-certified products to eliminate the risk of being involved in environmental destruction and contribute to preserving forest resources. Glassine is a translucent paper material. Unlike the window section made of plastic, a glassine window section does not need to be separated from paper for disposal. The whole envelope can be recycled without the need for separation. It is an environmentally friendly product.



Source : FSC Japan



Source : Japan Printing Ink Makers Association



Cooperation with Tenants and Stakeholders on Environmental Issues

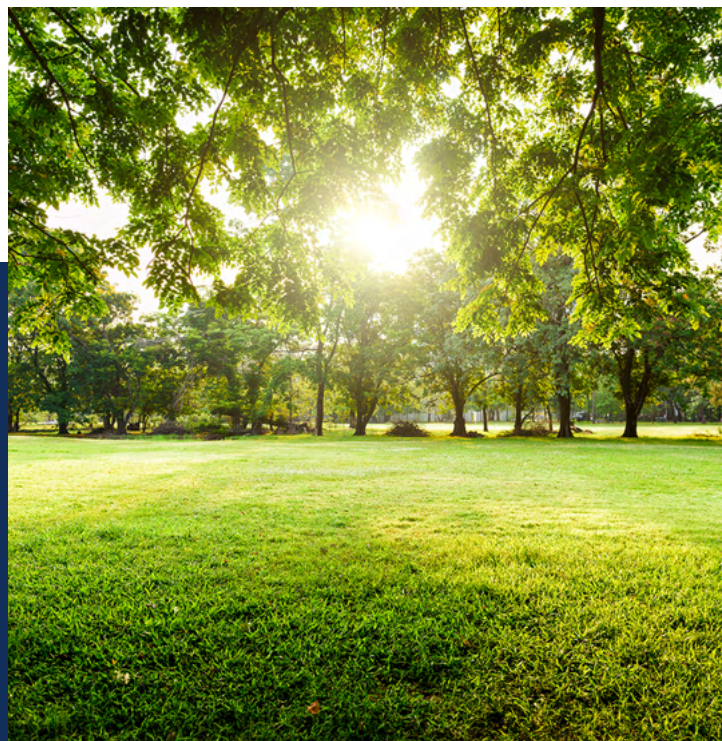
Promotion of Green lease contract

The Investment Corporation aims for a win-win relationship that benefits both building owners and tenants through reduced utilities expenses by establishing written agreements and memoranda on the reduction of environmental burdens through efforts such as energy conservation at properties owned and improvement of the working environment in cooperation with tenants. As of now, it has signed a contract with one tenant.

The Investment Corporation will strive to achieve this goal despite difficulties in implementing this in medium-sized offices.

	Number of properties	Percentage of properties with which agreements have been concluded
Conclusion of green lease agreement	1 property	1.2%

Note: Calculated by dividing the number of tenants with whom green lease agreements have been concluded by the total number of tenants as of November 30, 2021 (79 tenants).



Acquisition of External Assessment and External Rating

External Certification Status

Mar.2022

	Number of Properties	Coverage Rate	Total Floor Space (m ²)	Coverage Rate
DBJ Green Building	5	14.2%	43,939	12.6%
CASBEE	6	17.1%	38,857	11.1%
BELS (Building Energy-efficiency Labeling System)	2	5.7%	10,201	2.9%
SMBC Sustainable Building Assessment Loan System	1	2.8%	13,160	3.7%
Total Certified Properties	11	31.4%	70848.61	20.2%

(Total coverage rate is calculated after the removal of duplicates.)

DBJ Green Building Certification Program

DBJ Green Building Certification Program was launched by the Development Bank of Japan (“DBJ”) in April, 2011 for the purpose of supporting the properties which give proper care to environment and society (Green Building).

The program evaluates, certifies and supports properties which are required by society and economy. It makes comprehensive assessment of properties, while evaluating various factors which range from properties' environmental features to their communication with stakeholders, such as disaster prevention and proper care for surrounding communities.

For details of the System, please refer to the following URL.

DBJ Green Building (DBJ and Japan Real Estate Institute operate jointly)

<http://igb.jp/en/index.html> 

Properties with the best class environmental & social awareness	Properties with exceptionally high environmental & social awareness	Properties with excellent environmental & social awareness	Properties with high environmental & social awareness	Properties with satisfactory environmental & social awareness
 DBJ Green Building 2017 	 DBJ Green Building 2017 	 DBJ Green Building 2017 	 DBJ Green Building 2017 	 DBJ Green Building 2017 

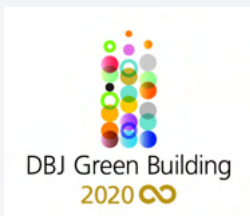
The followings are DBJ Green Building Certification acquired by HEIWA REAL ESTATE REIT, Inc.



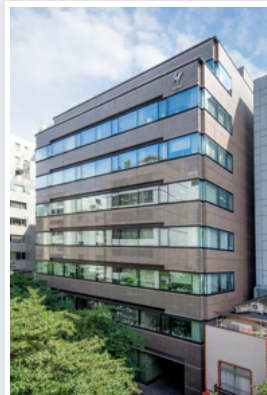
HF SAKURADORI BUILDING



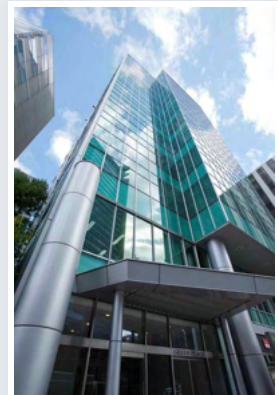
HF KOMAZAWA-KOEN
RESIDENCE TOWER



HF SHIROKANETAKANAWA
RESIDENCE



KAYABACHO HEIWA BUILDING



HF SENDAI HONCHO
BUILDING

CASBEE

Comprehensive Assessment System for Built Environment Efficiency (CASBEE) is a method for evaluating and rating the environmental performance of buildings and the built environment. It is a comprehensive assessment of the quality of a building, evaluating features such as interior comfort and scenic aesthetics, in consideration of environment practices that include using materials and equipment that save energy or achieve smaller environmental loads. The CASBEE assessment is ranked in five grades: Superior (S), Very Good (A), Good (B+), Slightly Poor (B-) and Poor (C).

S rank★★★★★



KABUTO-CHO UNI-SQUARE

S rank★★★★★



ARK Mori Building



HF SAKURADORI
BUILDING



HF SENDAI HONCHO
BUILDING

A rank★★★★



HF NIHONBASHI HAMACHO
BUILDING



HF UENO BUILDING

BELS(Building Energy-efficiency Labeling System)

BELS is a scheme for assessing and displaying the energy-saving performance of residential and non-residential buildings. It was started in 2013. The energy-saving performance of each building is assessed by a third-party organization (regardless of whether it is a new or existing building), and displayed using a five-star ranking system (from one to five stars).



KOBE KYUKYORYUCHI
HEIWA BUILDING

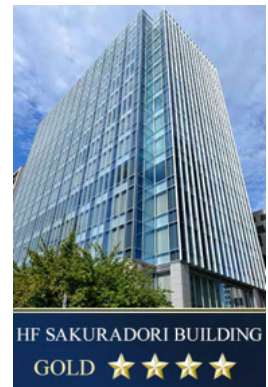


HF TABATA RESIDENCE

SMBC Sustainable Building Assessment Loan System

The SMBC Sustainable Building Assessment Loan System is a system to evaluate buildings owned and constructed by companies for their environmental performance, etc. based on the original evaluation criteria prepared by Sumitomo Mitsui Banking Corporation and Woonerf Inc.

HF SAKURADORI BUILDING which we own, have participated in this system and received high evaluations.





Social Policy and Social Initiatives



Social Policy

In accordance with the ESG policy, the Investment Corporate and Asset Management Company will establish concrete measures to provide safety and security to tenants, contribute to local communities and build a fulfilling workplace environment, and continue to address these challenges.

Goals

Conduct environmental training for PM Companies.

- Applies to all PM companies dealing in properties.
- Period: Simultaneously once a year

Practice health management

- Includes improving working environment, introducing stress checks, conduct employee satisfaction surveys, achieve a paid leave acquisition rate at 70% or higher.
- March 2022: Completed

Initiatives for Local Communities

Community Involvement

Supplying drinking water at the time of disaster

The Investment Corporation has concluded an agreement on supplying drinking water at the time of disaster with Chuo-ku, Tokyo and a neighborhood disaster mitigation association. If drinking water is in short supply due to a major earthquake, the Investment Corporation will supply drinking water from a water receiving tank installed in HF HATCHOBORI BUILDING, through the Bureau of Waterworks.



*The right image is a photo of a page about the availability of drinking water at the time of disaster on the website of Chuo-ku, Tokyo. (Only available in Japanese)

Supporting local restaurants

As the COVID-19 pandemic is prolonged, declines in the performance of restaurants, in particular, are getting more and more serious. In this environment, the Heiwa Real Estate Group supports restaurants in the Nihonbashi-kabutocho area, where Heiwa Real Estate is based. The Group pays half of the prices of lunches and take-out meals on business days for officers and employees, thereby encouraging them to use local restaurants and aiming to contribute to maintaining local business performance.



Sponsoring a jazz event

A jazz event was held at the Tokyo Stock Exchange (TSE Hall) on December 15, 2021. It was a live concert with the themes of “a fusion of music and financial services” and “the development of young musicians,” where young and talented musicians, who will carry on the future jazz culture, gathered and played together. It involved the local community and many residents participated. Continuing from last year, the Asset Management Company and Heiwa Real Estate, as the sponsor, also cooperated in the event.



Participation in the Sanno Festival

The Sanno Festival is Hie Shrine's festival and ritual rich in traditional and history. Hie Shrine is located in Nagatacho, Chiyoda-ku, Tokyo, and the guardian deity of EDO, the old name for Tokyo, has been worshipped there from the time of Shogun Tokugawa in the EDO Period. During the Tokugawa era, the Sanno Festival was celebrated on a large scale as "Tenka Matsuri," or supreme festival meaning a festival at which successive Shoguns after the third Shogun Iemitsu Tokugawa watched and worshipped the sacred portable shrine being carried into the grounds of Edo Castle together with the procession. This festival is famous as the top of the three largest Edo festivals, and at the same time as one of the three major festivals of Japan together with the Gion Festival in Kyoto and the Tenjin Festival in Osaka. (Excerpt from the website of Chiyoda City Tourism Association.) In the neighboring grounds of Nihonbashi-Kabutocho district in Chuo City, where both HEIWA REAL ESTATE REIT, Inc. (hereinafter, "HEIWA REIT") and the Asset Management Company are located, Nihonbashi Hie Jinja shrine, an auxiliary shrine of Hie Jinja shrine, stands as a popular shrine called Sanno Deity enshrined in Nihonbashi-Kayabacho, and has been designated as "Otabisho" since the Kan-ei era of the early Edo period which means a place where a sacred portable shrine carrying an object for worship is lodged for a rest and a Shinto ritual is conducted during the procession of the Sanno Festival. In the precinct of Nihonbashi Hie Jinja shrine, one sacred portable shrine and two Emperor's vehicles with a phoenix statue on the top of the house, called Horen are placed in line, creating a solemn atmosphere. In cooperation and coordination with the local neighborhood association, our sponsor company, Heiwa Real Estate Co., Ltd., and other companies located in the neighboring area, the executives and employees of the Asset Management Company endeavor to contribute to, and revitalize the local community by participating in the parade of sacred portable shrines in the Sanno Festival.



Cleaning around Kabuto-cho district

As a member of the local community, the executives and employees of the Asset Management Company engage in cleaning activities in the Kabuto-cho district, home to our sponsor company, Heiwa Real Estate Co., Ltd. We will cooperate with the local neighborhood association and other companies in the area to contribute to the local community.

*It was canceled in 2020 due to the effects of the COVID-19.



Initiatives for Tenants

Tenant Satisfaction Surveys

The Investment Corporation regularly conducts tenant satisfaction surveys with the aim of improving tenant convenience and comfort.

We work to actively address requests that arise from the tenant surveys.

Initiatives to Improve Tenant Satisfaction

At office properties, we implement improvements including the installation of LED lighting in tenant spaces and upgrades to plumbing during large-scale repairs and renovations. At some properties we have installed AEDs (47% installation rate), placed emergency supply cabinets in elevator compartments (38% installation rate) and installed vending machines that can function during a disaster (2.7% installation rate). At residential properties, we have installed unattended delivery boxes (98% installation rate), intercom systems with video monitors (92.3% installation rate) and introduced free internet facilities (100% installation rate).

Note: Excludes whole-building lease properties.



Unattended delivery boxes



AED



Elevator emergency kit



Vending machines

Measures to Deal with COVID-19

At residential properties, we have posted "How to Prevent COVID-19 Infections" information in the elevator lobby of each property. We also warn residents and provide information on who to contact when an infection is suspected.

When cleaning the common areas of all office and residential properties, we have introduced disinfecting processes.

Alcohol-based disinfectant spray is also placed at office entrances.



Supply Chain Initiatives

Cooperation with Partners

Once a year, the Investment Corporation conducts ESG training for PM and BM companies, which are its business partners in the supply chain. Outside experts are brought in as instructors to raise awareness about ESG and share information about the stance adopted by the Investment Corporation, in order to ensure the firm development of environmental and social initiatives while establishing a strong governance base.

Awareness-Raising of J-REIT and Promotional Activities

The Asset Management Company actively takes part in various seminars with the aim of increasing the recognition of J-REIT as investment products.





Initiatives for Asset Management Company Employees



Securing Human Resources and Human Resource Development Strategies

| Employee Development Policy

We recognize that diversity in perspectives and values is important to achieve new growth. We work to ensure diversity in our workforce, offer fair opportunities for skills development and career promotion to all employees, and aim to develop self-directed employees with growth mindsets and strong motivation.

| Initiatives for Employees

The Asset Management Company pays costs for employee training and examinations to acquire or maintain various qualifications and to maintain and improve expert skills by taking various seminars and other courses, in order to give employees opportunities for career advancement, or to acquire and improve their expert knowledge.

Number of Qualification Holders at the Asset Management Company

As of March 31, 2022

Item	Number of Qualification Holders
Real estate notary	23
ARES Certified Master	19
Certified Building Administrator	17
CMA	3
Certified real estate consulting master	2
Class-1 Architect	1
Tax accountant	1
Real estate appraiser (incl. external committee member)	1
Lawyer (incl. external committee member)	1

(includes duplicates)

Evaluation System

As an initiative to build healthy relationships between employees and the Company, each year the Asset Management Company conducts interviews between employees and the manager of their assigned department and runs employee satisfaction surveys. Through these activities, the Company monitors the level of satisfaction with the workplace environment and fields requests, such as for the introduction of various systems. At the same time, this system is also used as tool to uncover harassment, and is used in an effort to build a better workplace environment.

* For results of the employee satisfaction survey, please see the section on "Implementation of Employee Satisfaction Surveys" under Initiatives for Health and Comfort below.

| Dispatch of Personnel from Sponsors, etc.

Number of Seconded Personnel (Employees) from Sponsors, etc. (as of March 31, 2022)

- Heiwa Real Estate Co., Ltd.: 2
- Tokyo Stock Exchange: 1

| Human Rights

| Heiwa Real Estate Group Human Rights Policy

The Heiwa Real Estate Group Human Rights Policy (the Policy) clarifies the Company's position on human rights as they pertain to our business activities. As a corporate citizen, we respect human rights in our activities in line with the Policy. We expect all stakeholders in our business to understand and put into practice this respect for human rights described in the Policy and aim to work collaboratively with stakeholders to promote respect for human rights.

| 1. Prohibition of Discrimination

Heiwa Real Estate does not discriminate on the basis of nationality, race, religions, beliefs, ideas, gender, age, sexual orientation, and disability.

| 2. Prohibition of Harassment

The Group prohibits sexual harassment, power harassment, and any other forms of harassment in the workplace. We will not tolerate any harassing behavior including verbal and physical actions.

| 3. Prevention of Forced Labor

The Group prohibits all forms of forced labor and works to prevent this.

| 4. Prevention of Child Labor

We support and are implementing programs to effectively abolish child labor.

| 5. Prevention of Overwork and Reduced Overtime

We strive to prevent employees from overworking and reduce overtime, in order to promote work-life balance and help employees lead healthy lifestyles. In Japan, we also observe the "36 agreement" (named after Article 36 of the Labor Standards Act, this provision states that any work in excess of 8 hours a day or 40 hours a week, or on holidays, requires an advance written agreement between the employer and the relevant labor union).

6. Employee Health and Safety

We aim to create workplaces where employees can work safely and in good health, following laws on labor standards and other laws and ordinances in all countries and regions.

7. Respect for Freedom of Association and the Right to Collective Bargaining

Heiwa Real Estate respects the rights of employees regarding freedom of association and collective bargaining.

8. Wage Payments above the Minimum Wage

We pay wages that are above the minimum wage, in line with labor laws and ordinances and to ensure employees have stable living conditions.

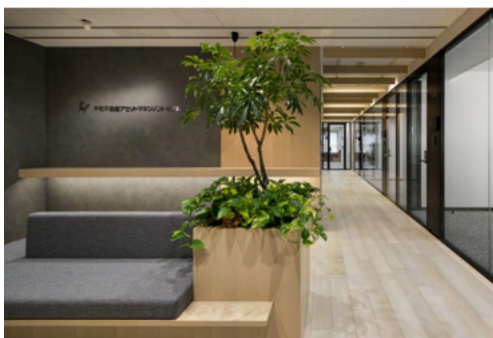
Creating a Comfortable Workplace Environment and Promoting Work-Life Balance

Improvement of work environment

The Asset Management Company relocated its office and introduced telecommuting for the purpose of improving work environment.

It will raise operation efficiency and promote communication by gathering work spaces on a single floor, enable flexible working styles by introducing, hotdesking, telecommuting, and a workflow system, and promote paperless operations.

Placement of a refreshing space allows a switch between work and rest in the office, helping employees reduce stress from their duties.



Cafeteria Plan

The Asset Management Company has introduced a cafeteria plan that enables employees to choose from a range of welfare services to improve employee self-help efforts and satisfaction.

Introduction of a Cumulative Investment Unit Investment System

The Asset Management Company has introduced this system, which includes incentives contingent on certain conditions, in order to facilitate and promote the acquisition and long-term ownership of investment units in the Investment Corporation on the part of officers and employees, thereby enhancing their welfare and boosting their sense of participation in management.

Promoting the Taking of Paid Leave

To Asset Management Company aims for a paid leave utilization rate of at least 70%, to help each officer and employee achieve a healthy balance between work and their private lives.

List of employee programs

	Employees (no contractual terms)	Employees (with contractual terms)	Contract employees		Employees (no contractual terms)	Employees (with contractual terms)	Contract employees
Gender-equal childcare leave	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Caregiving leave	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Child nursing care leave	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Reserved paid leave	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Short working hour system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Hourly paid leave	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Maternity leave	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Summer vacation system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Plus one leave system	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Flextime	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Telecommuting	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Financial aid for regular medical checkups and health screening	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Financial aid for medical checkups and PET scan of dependent spouse	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Occupational health physician	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Stress checks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Defined contribution pension plan	<input type="radio"/>	<input type="radio"/>	
Cafeteria plan	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Cumulative investment unit investment program	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Initiatives for Health and Comfort

Health Support

Asset Management Company develops working environments that will enable its employees to work with security and peace of mind in the long term.

Asset Management Company has been recognized as a 2022 Certified Health and Productivity Management Outstanding Organization under the Certified Health & Productivity Management Organization Recognition Program, under which the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi recognize outstanding organizations engaged in health management initiatives. This is the fourth consecutive certification since FY2019. In addition, the company received Silver Certification as a Healthy Company by the Tokyo Federation of the National Federation of Health Insurance Societies. Moving forward, we will continue working to promote health management as we pursue further operational achievements.



Implementation of Employee Satisfaction Surveys

Employee satisfaction surveys are conducted once a year.

	FY2018	FY2019	FY2020
Employee Satisfaction Survey Response Rate	100%	100%	100%
Percentage of employees giving an overall satisfaction rating of at least "quite satisfied" or "satisfied" in the employee satisfaction survey	64%	84%	78%

Introduction of Industrial Physicians and Establishment of a Health Committee

To prevent employee health issues and to maintain and advance employee health, the Asset Management Company has introduced an industrial physician system and set up a Health Committee that convenes once a month. (100% meeting implementation rate since September 2021 launch)

| Measures to Deal with COVID-19

The Asset Management Company has taken the following action as measures to protect its employees from COVID-19. Installation of panels to prevent droplet-borne infection, antibacterial coating inside offices, installation of sensors providing information about the CO2 ventilation environment, distribution of masks, systems for shorter working hours to avoid rush-hour commutes, recommending that employees work from home

| Diversity & Inclusion Initiatives

The officers of the Investment Corporation and the external committee members of the Asset Management Company are not hired from Group companies; investment decisions are made from an objective standpoint. In addition, we pursue diversity among officers and employees and incorporate expertise in multiple fields for asset management, while striving to link multi-faceted perspectives with corporate competitiveness.

| Initiatives for Senior Employees

In accordance with the revised Act on Stabilization of Employment of Elderly Persons due to go into effect on April 1, 2021 (which prescribes an obligation to make efforts to ensure employment opportunities for employees up to age 70), we have set up opportunities for healthy and willing mandatory retirees who have a wealth of experience and knowledge to continue working.

Under certain conditions, these employees can continue to work up to the end of the month during which they reach 70 years of age. (Number of employees aged between 65 and 70: 1)

Personnel Data for the Investment Management Company

Item		FY2018	FY2019	FY2020
Total Employees		32	34	34
	Number of Directly Hired Employees	29	29	29
		Men: 22 Women: 7	Men: 22 Women: 7	Men: 22 Women: 7
	Temporary Employees	2	2	2
		Men: 0 Women: 2	Men: 0 Women: 2	Men: 0 Women: 2
	Number of Employees Seconded from Sponsors	1	3	3
		Men: 1 Women: 0	Men: 3 Women: 0	Men: 3 Women: 0
Percentage of Female Employees		24%	24%	24%
Number of Directors (including part-time directors)		5	5	5
	Number of Female Directors (including part-time directors)	0	0	0
	Percentage of Female Directors in the Board of Directors	0%	0%	0%
Number of Managers		26	25	23
		Men: 20, Women: 6	Men: 19, Women: 6	Men: 17, Women: 6
Percentage of Women in Managerial Positions		23%	24%	26%
Number of Employees Aged 65 or Older		0	0	1
Employment of Persons with Disabilities		0%	0%	0%
Number of Newly Hired Employees (Including Temporary Employees)		4	3	3
Turnover Rate		0%	3%	7%
Average Years of Continuous Service	Male Employees	7.3 years	8.0 years	8.3 years
	Female Employees	8.3 years	9.3 years	10.3 years
Paid Leave Utilization Rate		82.9%	81.2%	73.3%
Cases of Childcare Leave		0	0	0
Average Monthly Overtime		14.6 hours	9.7 hours	27. 0 hours
Percentage of Employees Undergoing Medical Checkups		100%	100%	100%
Number of Fatal Occupational Accidents		0	0	0



Governance Policy and Corporate Governance



Governance Policy

As a means of strengthening corporate governance, the Investment Corporation and the Asset Management Company will set forth concrete measures and tackle these challenges to promote initiatives aimed at thoroughly enforcing corporate ethics, build a governance structure that ensures third party objectivity and diversity among officers of the Investment Corporation, promote asset management that emphasizes the interests of unitholders, and develop assurances of transparency.

Goals

Conduct corporate ethics training.

- Applies to all executives and employees at asset management companies.
- April 2022: Completed

Create BCP system including pandemic response.

- Period: By end of 2021

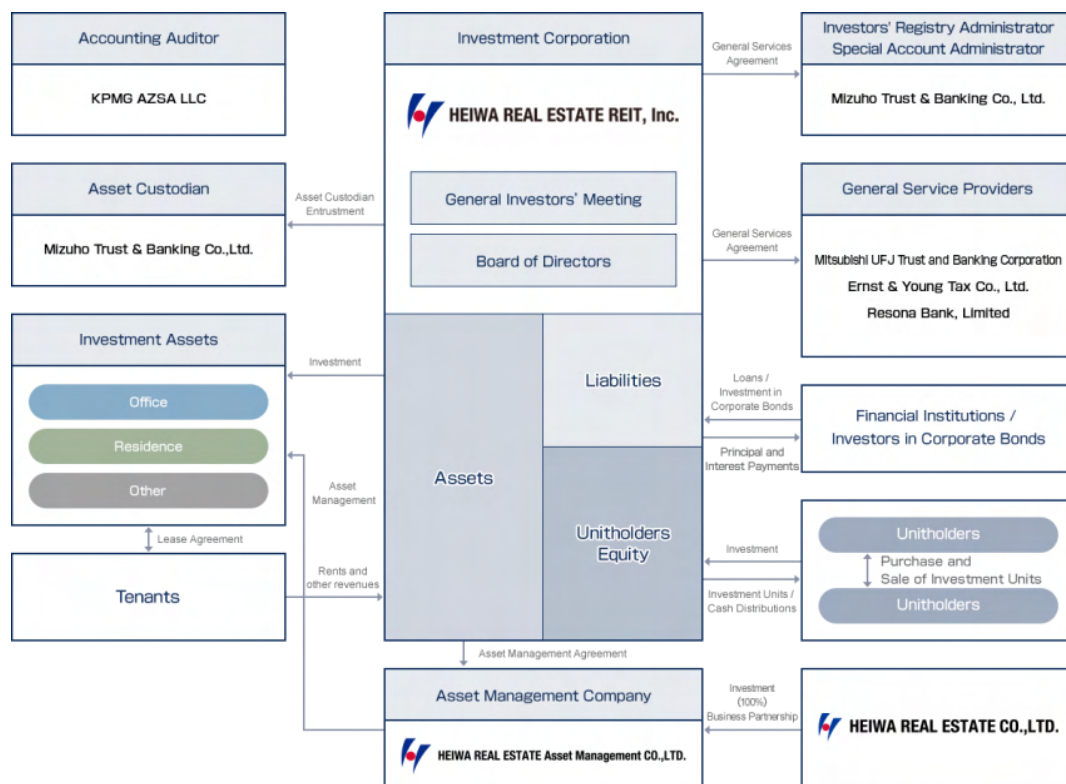
Write and publish ESG report.

- Write ESG report and publish on the website.
- April 2022: Completed

Corporate Governance

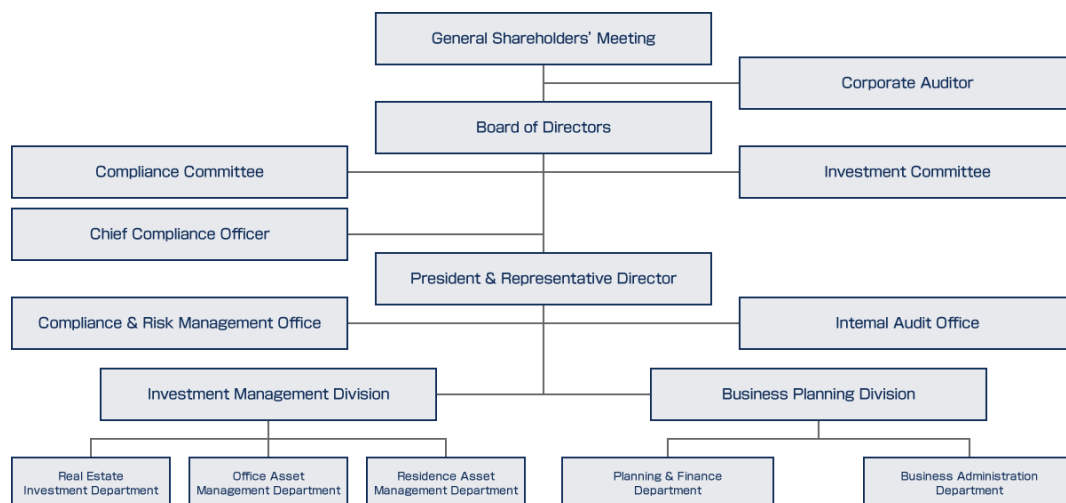
Management of the Investment Corporation's assets is entrusted to HEIWA REAL ESTATE Asset Management CO., LTD. The Asset Management Company, recognizing that the management operations of the Investment Corporation's assets comprise management of the capital of the Investment Corporation's unitholders, determines various regulations and conducts decision-making procedures for the purpose of confirming the status of compliance with laws, regulations and other requirements, and for executing appropriate and fair business management.

Organization Diagram



For more information, please visit the [HEIWA REAL ESTATE REIT, Inc. website](#). 

Management Structure



Name of Committee		Overview
Board of Directors		<ul style="list-style-type: none"> • Important matters related to general shareholders' meetings • Important matters related to general management • Important matters related to shares, share acquisition rights and corporate bonds • Important matters related to the organization, personnel affairs and regulations • Important matters related to directors and auditors • Important matters related to the asset management business • Matters related to internal audits and legal compliance
	Members	Chairperson: President and Representative Director Members: All directors
	Frequency of Meetings	At least once every three months
Investment Committee		<ul style="list-style-type: none"> • Conclusion and modification of asset management entrustment agreements • Formulation and modification of investment guidelines • Conclusion of agreements pertaining to the acquisition and sale of managed assets • Formulation and modification of plans, etc. related to the investment and management of managed assets • Procurement and prepayment of funds related to the Investment Corporation
	Members	Chairperson: General Manager, Investment Management Division Members: President & Representative Director, managing directors, General Manager of the Business Planning Division, Chief Compliance Officer, General Manager of the Real Estate Investment Department, General Manager of the Office Asset Management Department, General Manager of the Residence Asset Management Department, General Manager of the Planning & Finance Department; in addition to these committee members, when deemed necessary by the chairperson, experts on matters such as real estate investment or appraisal may be appointed as outside committee members.
Compliance Committee		<ul style="list-style-type: none"> • Status of legal compliance in the establishment, revision or abolition of the Articles of Incorporation, regulations and other rules • Status of legal compliance in the formulation and modification of policies, plans and other initiatives related to the investment and management of managed assets • Status of legal compliance in the process of executing the acquisition or sale of managed assets • Status of legal compliance in general business affairs • Existence of transactions with interested parties and their validity
	Members	Chairperson: Chief Compliance Officer Members: President & Representative Director, managing directors, General Manager of the Business Planning Division, General Manager of the Planning & Finance Department, General Manager of the Business Administration Department, and outside members. Note that an outside member refers to a person who has never been the officer or employee of the Asset Management Company or its shareholders, and is an expert with deep knowledge of compliance-related matters (such as attorney and certified public accountant) who has been appointed as a member based on the approval of the Board of Directors.
	Frequency of Meetings	At least once every three months

Criteria for the Appointment of Officers

In selecting candidates for director, appointments are made through a resolution of the General Investors' Meeting, on the assumption that they do not fall under any of the grounds for disqualification set forth in various laws and regulations including the Investment Trust Act (Articles 98 and 100 of the Investment Trust Act, Article 244 of the Ordinance for Enforcement of the Investment Trust Act).

Title	Name	Attendance at Board of Directors Meetings (Note)
Executive Director	Aya Motomura	100% (Attended 20 of 20 meetings)
Supervisory Director	Noriyuki Katayama	100% (Attended 20 of 20 meetings)
Supervisory Director	Toshio Suzuki	100% (Attended 20 of 20 meetings)

Note: From April 2021 to March 2022.

Compensation, etc. of Executive Directors and Supervisory Directors

The compensation of executive directors and supervisory directors is an amount not exceeding 800,000 yen a month per executive director and 300,000 yen a month per supervisory director, with the specific amounts determined at Board of Directors meetings.

Title	Names of Officers	Main Concurrent Posts	Total Compensation Per Position
			FY2021
Executive Director	Aya Motomura	Attorney-at-law	5,004,000 yen
Supervisory Director	Noriyuki Katayama	Attorney-at-law	3,600,000 yen
	Toshio Suzuki	Certified Public Accountant	3,600,000 yen

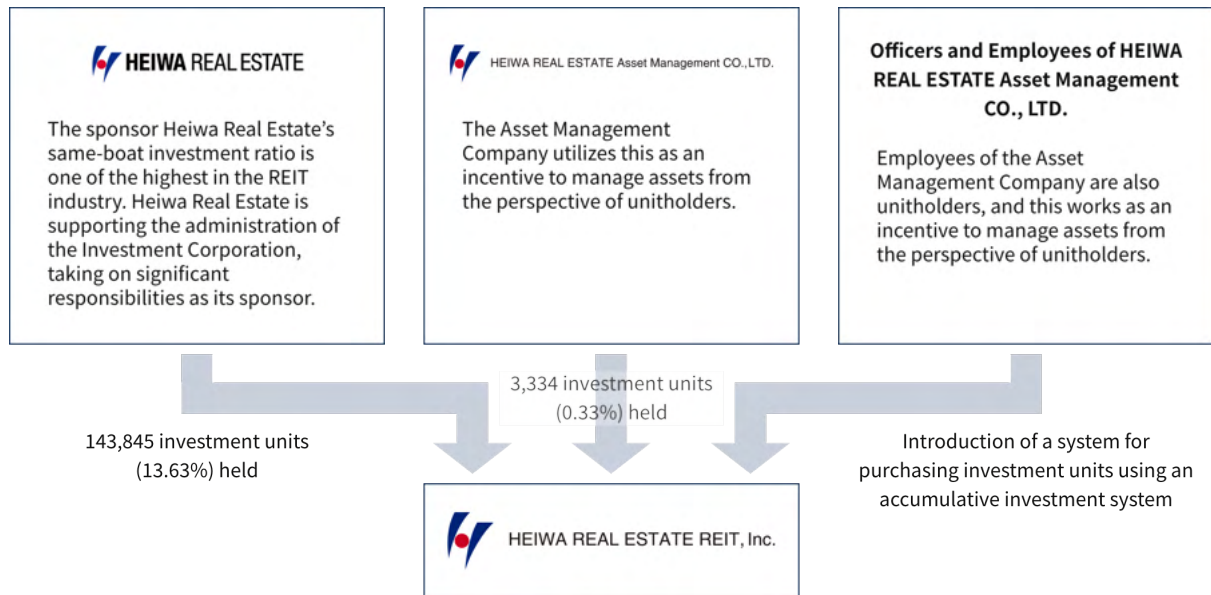
Asset Management Fees for the Asset Management Company

Asset management fees for the Asset Management Company comprise Management Fee 1, Management Fee 2, Management Fee 3, Acquisition Fee, Transfer Fee and Merger Fee. The calculation methods and payment timings for each fee are given below.

Management Fees Structure	Calculation Method / Maximum Amount
Management Fee 1	<p>For each business period, the maximum amount shall be the amount obtained by multiplying the total assets listed on the balance sheet at the end of the previous fiscal period (limited to those approved by the Board of Directors pursuant to Article 131, Paragraph 2 of the Investment Trust Act) by 0.30%, and multiplying that amount by the number of months in the business period divided by 12.</p> <p>The payment timing shall be within one month following approval of financial statements, etc. (meaning financial statements, asset investment reports and statements on the distribution of monies, and their annexed detailed statements as set forth in Article 129 of the Investment Trust Act; hereinafter the same) for the business period in question by the Board of Directors.</p>
Management Fee 2	<p>For each business period, the maximum amount shall be the amount obtained by multiplying FFO (*1) for the business period in question by 4.50%. However, if there is an undisposed deficit for the period on the last day of the business period, there shall be no such compensation.</p> <p>*1: Funds From Operation (FFO) is the amount obtained by adding profit before the deduction of Management Fee 2 and Management Fee 3 (including expenses in the business period in question due to consumption tax and local consumption tax pertaining to these fees) to depreciation and amortization and an amount equivalent to loss on the transfer of managed assets (*2), and subtracting an amount equivalent to the gain on transfer of managed assets and gain on bargain purchase. However, if there is an undisposed deficit at the end of the previous business period, the amount shall be obtained by deducting that undisposed deficit from the above amount.</p> <p>*2: Managed assets refers to specific assets subject to asset management as set forth in Article 26 (however, this excludes securities described in Paragraph 4 of the same article [government securities, etc. only]).</p> <p>The payment timing shall be within one month following approval of financial statements, etc. for the business period in question by the Board of Directors.</p>
Management Fee 3	<p>The maximum amount shall be the amount obtained by multiplying the dividend per investment unit related to the business period in question ("per unit dividend," hereafter) by 50,000. Here the per unit dividend is calculated by adding profit before deduction of Management Fee 3 (including expenses in the business period in question due to consumption tax and local consumption tax pertaining to this fee) to an amount equivalent to the reversal of retained earnings (excluding the amount equivalent to the reversal of retained earnings subject to the payment of Management Fee 2 in the past), and dividing that amount by the total number of investment units issued as of the end of the relevant business period.</p> <p>Also note that when the number of investment units fluctuates due to the splitting or consolidation of investment units, from the business period during when the fluctuation in question occurred, the maximum amount shall be the amount obtained by multiplying the relevant percentage change by 50,000, and multiplying that figure by the per unit dividend.</p> <p>The payment timing shall be within one month following approval of financial statements, etc. for the business period in question by the Board of Directors.</p>

Management Fees Structure	Calculation Method / Maximum Amount
Acquisition Fee	<p>When managed assets have been newly acquired (except for succession based on an absorption type merger where the Investment Corporation is the surviving corporation), the maximum amount shall be the amount obtained by multiplying the acquisition price of the managed assets (*3) by 1.00%.</p> <p>Note that when managed assets have been obtained from an interested party ("interested person or other close affiliate" as defined in Article 201, Paragraph 1 of the Investment Trust Act and each item of Article 123 of the Enforcement Order of the Investment Trust Act, a company or other party holding more than 10% of the voting rights of all shareholders of the Asset Management Company, a company or other party holding more than 50% of the voting rights of all shareholders of such a company, or any company or other party engaged in providing advice, etc. regarding the investment or management of said assets; hereinafter the same), the maximum amount shall be the total amount obtained by multiplying the above percentages by one-half.</p> <p>*3: The acquisition price shall be the amount listed in the purchase agreement, and shall exclude consumption tax, local consumption tax and costs associated with the acquisition.</p> <p>The payment timing shall be the end of the month following the month in which the managed asset acquisition date falls.</p>
Transfer Fee	<p>When managed assets have been transferred (excluding succeeded assets in an absorption-type merger in which the Investment Corporation is extinguished in the merger, or in an incorporation type merger), the maximum amount shall be the amount obtained by multiplying the transfer price of the managed assets (*4) by 1.00%, or by multiplying the capital gains of each transferred asset (*5) by one-half, whichever amount is the smallest.</p> <p>Note that when managed assets have been transferred to an interested party, the maximum amount shall be the amount obtained by multiplying the transfer price of the managed assets by 0.50%, or by multiplying the capital gains of each transferred asset by one-half, whichever amount is the smallest.</p> <p>Additionally, in each of these cases, no transfer fees shall arise for the transfer of managed assets that result in a loss on transfer.</p> <p>*4: The transfer price shall be the amount listed in the purchase agreement, and shall exclude consumption tax, local consumption tax and costs associated with the transfer.</p> <p>*5: Gain on transfer is the difference when the transfer price exceeds the book value of the managed asset at the time of transfer.</p> <p>The payment timing shall be the end of the month following the month in which the managed asset transfer date falls.</p>
Merger Fee	<p>When an absorption-type merger is carried out with another investment corporation in which the Investment Corporation is the surviving corporation, the maximum amount shall be the amount obtained by multiplying the appraised value of the assets to be succeeded by the Investment Corporation due to the merger as of the effective date of the merger by 1.00%.</p> <p>When an absorption-type merger is carried out with another investment corporation in which the Investment Corporation is the corporation extinguished in the merger, or when an incorporation-type merger is carried out, the maximum amount shall be the amount obtained by multiplying 1.00% by the appraised value at the effective time of the merger of those assets held by the counterparty and held as the surviving corporation, or the appraised value at the effective time of the merger of those assets that will be succeeded to the corporation established by the incorporation-type merger.</p> <p>Note that when a merger is carried out with an interested party, the maximum amount shall be the total amount obtained by multiplying each of the above percentages by one-half.</p> <p>The payment timing shall be within three months from the last day of the month in which the effective date of the merger falls.</p>

Three-Layered Same-Boat Investment

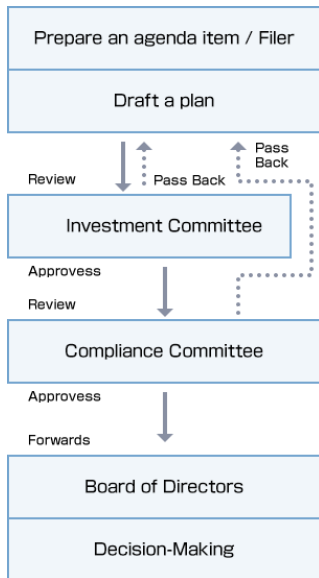


Restraints on Transactions with Stakeholders

- ① The scope of stakeholders, in addition to stakeholders, etc., stipulated in the Act on Investment Trust and Investment Corporations, is determined to include, pursuant to the Regulations to Prevent Acts in Conflict of Interest as internal regulations of the Asset Management Company, companies, etc., holding more than 10% of the voting rights of all shareholders in the Asset Management Company; companies, etc., in which such companies, etc., hold more than 50% of the voting rights of all their shareholders; and companies, etc., to which these parties provide advice and other services with regard to the management and maintenance of their assets.
- ② Regarding transactions with stakeholders, the Asset Management Company shall comply with relevant laws and regulations, etc., and engage only in transactions satisfying the terms stipulated in the Regulations to Prevent Acts in Conflict of Interest. In addition, in certain cases prescribed by the regulations of the Investment Corporation, proposals shall be submitted to the Investment Corporation and the approval of its Board of Directors obtained. When engaging in transactions with stakeholders as transactions satisfying the terms of regulations stipulated by the Investment Corporation, written notification shall be provided to the Investment Corporation without delay, while information pertaining to transactions conducted with stakeholders shall be disclosed pursuant to the Basic Information Disclosure Policy prescribed by the Asset Management Company.

Investment Management Decision-Making Structure

(A) The following provides an overview of the process from preparing and submitting a review document for making decisions regarding assets under management to the decision itself:



- ① The General Manager of the Planning & Finance Department, the General Manager of the Office Asset Management Department and the General Manager of the Residence Asset Management Department prepare review documents for the said policy or plan for submission to the Investment Committee when establishing or altering the management guidelines, portfolio plans, current business plans, maintenance plans, etc.
- ② The Investment Committee deliberates the said policy or plan and if there are issues, it is returned to the head of the related division for revision(s). If the said policy or plan has passed through the Investment Committee, it shall be allowed to be submitted to the Compliance Committee.
- ③ With respect to the said policy or plan which has passed through the Investment Committee, the Compliance Committee deliberates whether there are any compliance issues in light of related laws and regulations, the “Management Guidelines” and internal rules. Any measures judged to have issues during deliberations are returned to the General Manager of the related division for revision(s).
- ④ The General Manager of the related division refers to the Board of Directors the policy or plan that has passed through the Compliance Committee and attaches results of deliberations conducted at sessions of the Investment Committee and Compliance Committee alongside it. The Board of Directors then makes a final decision concerning the said policy or plan.

(B) The following provides an overview of the process from preparing and submitting a review document for making decisions regarding acquisition or sale, etc. of assets under management:



- 1 The General Manager of the Real Estate Investment Department creates an investment asset acquisition/sale review document for submission to the President and Representative Director, based on management guidelines, portfolio plans and current asset management plans.
- 2 The chair of the Compliance Committee (Chief Compliance Officer) convenes a session of the Compliance Committee to verify whether there are any compliance issues (legal/regulatory) or transactions involving interested parties and HEIWA REAL ESTATE REIT, Inc.
- 3 After approval by the President and Representative Director, the Real Estate Investment Department issues a Request for Settlement/Purchase Certificate or Sales Term Sheet, and begins negotiations with the seller or purchaser.
- 4 The General Manager of the Real Estate Investment Department creates a review document for executing the purchase/sales agreement, and submits it together with a copy of the approved review document (2., above) to the Investment Committee.
- 5 The Investment Committee deliberates on the results of due diligence and the terms of the transaction based on the internal approval memo referred to in the previous paragraph. Transactions deemed as having issues by the Investment Committee are sent back to the General Manager of the Investment Management Division for revision(s). Transactions that have passed through the Investment Committee are allowed to be submitted to the Compliance Committee.
- 6 Based on internal approval memos that have passed through the Investment Committee and based on the results of due diligence and compliance check lists, the Compliance Committee deliberates that the details of the internal approval memo approved by the President and Representative Director and the actual agreement are consistent, and that the terms of the transaction are legal and appropriate. Transactions deemed as having compliance issues by the Compliance Committee are sent back to the General Manager of the Investment Management Division for revision(s). Transactions that have passed through the Compliance Committee are forwarded to the Board of Directors for a final decision.

(C) Processes for deciding the execution of management or leasing of investment assets, or any other processes that are not referred to under 2. of these Guidelines, shall follow investment asset management bylaws and other related bylaws.



Compliance



Basic Approach

In order for the Heiwa Real Estate Group to earn the trust of society and achieve sustainable development, we will consistently maintain an awareness of compliance and conduct business in keeping with our Code of Conduct and the Standards for Behavior for Heiwa Real Estate Group.

To stamp out misconduct and further strengthen compliance, we also enacted the Announcement on Stamping Out Misconduct and Strengthening Compliance in December 2019, and are taking initiatives in keeping with this.

Announcement on Stamping Out Misconduct and Strengthening Compliance

1. No growth that compromises trust

The Company's officers and employees shall constantly be aware that stakeholder trust is the platform for, and driver of, growth. These agents of the Company shall work to improve mindsets in order to regain that trust.

2. Stamping out misconduct

The Company's officers and employees shall carry out their duties in accordance with the highest ethical principles and good sense, and stamp out misconduct by pledging to not engage or become involved in any wrongdoings, with a clear distinction between personal interests and company interests.

3. Strengthening compliance further

The Company's officers and employees shall rigorously adhere to the Code of Conduct and the Standards for Behavior for Heiwa Real Estate Group, and shall place the utmost priority on compliance.

Enacted December 2019

Compliance System

The Group has established a Risk Management Committee, a body for sharing, discussing, and controlling compliance and business risks in the Group. Serious violations of compliance or material emerging risks are reported to the Company's Board of Directors and handled accordingly.

The Corporate Planning and General Affairs Department, which serves as the secretariat for the committee, is responsible for coordinating with Group companies, and promotes improved compliance and risk management function across the entire Group.

Establishment and Implementation of a Compliance Manual

The officers and employees of the Asset Management Company must fully recognize the importance of the publicness of their business activities and their social mission, comply with the Financial Instruments and Exchange Act, the Investment Trust Act, other related laws and regulations, the rules of the Investment Trusts Association, Japan and other groups of which the Company is a member, the rules of the financial instruments exchanges on which the Investment Corporation, which has concluded an asset management agreement with the Asset Management Company, lists investment units, and internal rules and regulations, and perform their duties faithfully. The compliance manual established by the Investment Management Company lays out the basic principles that all officers and employees must observe without exception. The goal of all officers and employees is to achieve fair and appropriate management and to fulfill the social responsibilities imposed upon the Company in the conduct of its business activities.

Corporate compliance is put into practice by having all officers and employees fully understand the significance of compliance, embrace a high sense of corporate ethics, and engage in activities that observe compliance not only in corporate activities but in their daily social lives.

Compliance Hotline

Based on our Internal Reporting Regulations, the Group has established an internal compliance hotline in order for us to rapidly be aware of organizational or individual misconduct or violations of laws and regulations and to take necessary measures in response. This system also promotes ethics and compliance with laws and regulations at Group companies. Reports may be made to internal or external desks. We protect those who provide us with reports, like ensuring that they are not penalized for their use of our compliance hotline.

To promote fair transactions with business partners such as corporations, we have also set up an external reporting desk to receive reports on compliance violations and suspected violations by officers and employees of the Group.

Responding to Compliance Violations

- 1 If any of the following matters arise during the performance of their duties, an officer or employee of the Asset Management Company shall promptly report the matter to the Compliance & Risk Management Office and ask for instructions.
 - (1) When conduct that violates laws, regulations, rules or other requirements has occurred for any reason
 - (2) When there are doubts regarding laws, regulations, rules or other requirements and a determination needs to be made on how to respond
- 2 Of the reports described in the preceding paragraph, for those matters the Compliance & Risk Management Office deems to constitute a case of serious misconduct, such as a violation of business law or criminal law, the Chief Compliance Officer shall promptly report to the Representative Director and convene a meeting of the Compliance Committee to deliberate over the matter.
- 3 The results of deliberations by the Compliance Committee must be reported to the Board of Directors meeting convened immediately afterward.
- 4 The Compliance & Risk Management Office must report to the Compliance Committee and Board of Directors regarding the status of response measures concerning a matter deliberated over by the Compliance Committee in accordance with Paragraph 2.

Combating Anti-Social Forces

1. Basic concept for excluding anti-social forces

We are strongly resolved to combat anti-social forces that threaten the order and security of civil society.

2. Status of measures to exclude anti-social forces

The Company has clearly established a number of policies showing its strong resolve to combat anti-social forces. These can be found in the Code of Conduct, the Standards for Behavior for Heiwa Real Estate Group, the Basic Policy for Building Internal Control Systems, and the Regulations for Exclusion of Anti-Social Forces. We thoroughly disseminate these policies to directors, executive officers, and employees.

The Corporate Planning and General Affairs Department serves as the controlling department for our internal systems in this area. In the event of unreasonable demands and other instances with anti-social forces, this department takes action in coordination with attorneys and related institutions, such as the police department with jurisdiction.

By joining the Tokubouren, a police-run association for the prevention of organized crime, we participate in activities to exclude anti-social forces and gather information, providing details to various departments as necessary.

Prevention of Corruption

The Group has enacted the Code of Conduct and the Standards for Behavior for Heiwa Real Estate Group, and drafted a summary of matters to be complied with in order to act with fairness and honesty without violation of social norms. In keeping with these we maintain an awareness of the gravity of our social responsibility, strictly comply with all laws, regulations, and rules, and seek to be a company that has a strong sense of ethics and can keep the trust of society.

The Standards for Behavior for Heiwa Real Estate Group calls on us to strictly refrain from behavior that may seem like collusion from society's standpoint in our relationships with government and administrative bodies, prohibits entertainment, gifts, and other benefits deviating from social conventions, and concretely defines measures to prevent not only bribery, but corrupt behavior in general. These details are published to our intranet, and are available for employee viewing at any time.

We are also taking a number of actions to improve compliance awareness, such as holding at least five compliance training sessions each year for all officers and employees and thoroughly disseminating the contents of various compliance regulations, including those for the prevention of corruption and bribery.

Furthermore, based on our Internal Reporting Regulations, we have established a compliance hotline at the Company in order for us to rapidly be aware of organizational or individual misconduct or violations of laws and regulations and to take necessary measures in response. This system also promotes ethics and compliance with laws and regulations at Group companies.

To promote fair transactions with business partners such as corporations, we have also set up an external reporting desk to receive reports on compliance violations and suspected violations by officers and employees of the Group.

Corporate Ethics Training for Employees

The Asset Management Company conducts corporate ethics training for all officers and employees. In addition to quarterly in-house training, we have introduced lectures delivered by attorneys and e-learning conduct, with the aim of having officers and employees acquire specialized and practical knowledge that is more wide-ranging and applicable to their duties.



Risk Management



Basic Approach

The Company has put a risk management system in place in order to properly manage and control risks, limit or prevent risks from materializing, and minimize any damage in the event such risks materialize, and smooth control work, minimize damages for corporate resource.

Risk Management System

Organizations	Major Roles
Board of Directors	Oversee the establishment of a risk management system
Manager, Compliance & Risk Management Office	Risk management supervisor and person responsible
Audit	Verifying the appropriateness and effectiveness of the risk management system
Compliance Committee Compliance & Risk Management Office	

BCP Response

The Asset Management Company has prepared measures to ensure that it can continue with important business activities even during a crisis such as a major earthquake, wind or flooding damage, emerging infectious disease or system failures due to a cyber attack. Disaster prevention drills and other activities are also conducted to ensure these measures function effectively.

Cybersecurity

The Investment Corporation ensures that the services hosting its website comply with the Security Guidelines on Computer Systems for Banking and Related Financial Institutions (FISC Security Guidelines and Explanatory Papers) promoted by the Financial Services Agency, and satisfies the levels of security that serve as the standards for financial institutions.

Safety Confirmation System

The Asset Management Company has introduced a safety confirmation system that can confirm the safety of employees and quickly and accurately ascertain the state of damage to offices in the event of a disaster. In addition, regular safety confirmation drills ensure that the system will operate properly should an unexpected event occur.



Policy on ESG-Related Disclosures and Reporting Framework



Information Disclosure Policy

The Asset Management Company aims to disclose important information concerning the Investment Corporation and the Asset Management Company in a fair, timely and appropriate manner in order to promote understanding of the Company among shareholders, investors and all stakeholders, and to ensure its proper evaluation.

Scope and Period of Reporting, Timing of Updates

Scope of reporting:	As a general rule for HEIWA REAL ESTATE REIT, Inc. and HEIWA REAL ESTATE Asset Management CO., LTD.
Reporting period:	April 2021 to March 2022
Timing of updates:	scheduled for around May

GRI Standards Reference Table

Contact for ESG-Related Inquiries

Please use the following contact details for inquiries regarding ESG.

Asset Management Company	HEIWA REAL ESTATE Asset Management CO., LTD.
Telephone number	03-3669-8771 (main switchboard)
Reception Hours	9:00 a.m. to 5:00 p.m. (excluding Saturdays, Sundays, public holidays and Company-designated holidays)