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## Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]

July 29, 2022

Company name: Keihanshin Building Co., Ltd.  
 Stock exchange listing: Tokyo  
 Code number: 8818  
 URL: <http://www.keihanshin.co.jp/english/>  
 Representative: Tsuneo Wakabayashi, President  
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 Scheduled date of filing quarterly securities report: August 05, 2022  
 Scheduled date of commencing dividend payments: -  
 Availability of supplementary briefing material on quarterly financial results: Yes  
 Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down)

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (April 01, 2022 to June 30, 2022)

#### (1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2022	4,574	5.9	1,460	69.7	1,478	70.9	1,732	188.6
June 30, 2021	4,317	14.2	860	(43.0)	865	(44.2)	600	(63.3)

(Note) Comprehensive income: Three months ended June 30, 2022: ¥ 1,018million [ 477.7%]  
 Three months ended June 30, 2021: ¥ 176million [(94.9)%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	34.55	34.44
June 30, 2021	11.72	11.68

(Reference) Ordinary income after tax before depreciation Three months ended June 30, 2022: ¥ 1,975million [ 30.4%]  
 Three months ended June 30, 2021: ¥ 1,515million [ (6.9)%]

The Company has positioned ordinary income after tax before depreciation as an important management indicator.  
 Ordinary income after tax before depreciation = (ordinary profit × (1-effective tax rate) + depreciation)

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of June 30, 2022	148,708	70,500	47.4
March 31, 2022	149,994	70,510	46.9

(Reference) Equity: As of June 30, 2022: ¥ 70,424 million  
 As of March 31, 2022: ¥ 70,390 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	-	15.50	-	20.50	36.00
Fiscal year ending March 31, 2023	-				
Fiscal year ending March 31, 2023 (Forecast)		18.00	-	18.00	36.00

(Note) Revision to the forecast for dividends announced most recently: No

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023(April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	18,700	5.0	5,200	1.5	5,000	2.5	4,300	(16.8)	85.63

(Note) Revision to the financial results forecast announced most recently: No

(Reference) Ordinary income after tax before depreciation ¥ 7,200 million [1.2%]

### \* Notes:

(1) Changes in significant subsidiaries during the three months ended June 30, 2022  
(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2022: 50,309,498 shares

March 31, 2022: 50,309,498 shares

2) Total number of treasury shares at the end of the period:

June 30, 2022: 95,940 shares

March 31, 2022: 161,781 shares

3) Average number of shares during the period:

Three months ended June 30, 2022: 50,154,163 shares

Three months ended June 30, 2021: 51,220,344 shares

\*This summary is not subject to review procedures by a certified public accountant or audit firm.

\*Appropriate use of business forecasts ; other special items

Information described in this document, such as projections, is prepared based on available information at the time of the release this document and certain assumptions that the Company judged as rational. Actual results may be significantly different due to various factors.

## Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results .....	2
(1) Explanation of Operating Results .....	2
(2) Explanation of Financial Condition .....	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information .....	4
2. Quarterly Consolidated Financial Statements and Principal Notes .....	5
(1) Quarterly Consolidated Balance Sheets .....	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income .....	7
(3) Notes to Quarterly Consolidated Financial Statements .....	9
(Notes on going concern assumption) .....	9
(Notes in case of significant changes in shareholders' equity) .....	9
(Segment information) .....	9
(Significant subsequent events) .....	9

## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the first quarter of the fiscal year ending March 31, 2023, expectations mounted for the Japanese economy to recover, due to easing of movement restrictions caused by COVID-19. However, there was a rapid increase in COVID-19 cases in recent days, and a surge in energy costs caused by the escalating tension in Russia and Ukraine and rapid depreciation of the yen have made the economic outlook increasingly unclear. In the real estate leasing industry, there has been an increasing trend toward downsizing and withdrawal of business sites against the backdrop of the proliferation of remote working and other new workstyles and the reduction of fixed costs, while the supply of office buildings is likely to increase due to the new large-scale development at business areas. It is necessary to keep a close watch on the future real estate market conditions.

Under such circumstances, the Group maintained high occupancy rate, with the vacancy rate at 0.39%. In terms of existing buildings, we will strive to enhance their asset value through preventive maintenance against natural disasters and promotion of energy saving, maintain competitive edge against surrounding buildings and actively work on new investment strategies for our future growth.

For the three months ended June 30, 2022, consolidated net sales increased by 256 million yen (5.9%) year-on-year to 4,574 million yen due to the enhanced occupancy rate of the OBP Building, which was completed in April last year.

Additionally, as for cost of sales, due to a decrease in one-time expenses including real estate acquisition tax associated with the OBP Building recorded in the previous fiscal year (652 million yen), operating profit increased by 600 million yen (69.7%) year-on-year to 1,460 million yen, ordinary profit increased by 613 million yen (70.9%) to 1,478 million yen and profit attributable to owners of parent amounted to 1,732 million yen, an increase of 1,132 million yen (188.6%) year-on-year, due to the recording of extraordinary income from the sale of investment securities.

The Group operates under a single segment of the “Building lease business,” which is primarily engaged in the leasing of land and buildings. The status of each business division operated by the Group is as follows.

	Three months ended June 30, 2021		Three months ended June 30, 2022	
	Net sales (million yen)	Rate (%)	Net sales (million yen)	Rate (%)
Office building business	1,055	24.4	1,076	23.5
Datacenter building business	2,155	49.9	2,382	52.1
WINS building business	862	20.0	869	19.0
Commercial buildings and logistics warehouses business	244	5.7	245	5.4
Total	4,317	100.0	4,574	100.0

#### 1) Office Building Business

The Group owns and leases a total of eight office buildings, mainly in business areas of Osaka and Tokyo. We are developing safe and comfortable office buildings equipped with the latest features. Even with aged buildings, we strive to offer comfortable business spaces comparable to new buildings by means of systematic facility renewal and maintenance. Furthermore, at the newest buildings, we meet BCP needs by leveraging our expertise in the operation of datacenter buildings.

While office vacancy rates have been increasing due to the progress of workstyle reforms triggered by the COVID-19 pandemic, the impact on the Group’s office building business has been currently minimal and we have maintained high occupancy rates. Owing to the contribution from rental income thanks to an improved occupancy rate of the Toranomom Building, consolidated net sales from the office building business for the three months ended June 30, 2022 amounted to 1,076 million yen, an increase of 21 million yen (2.0%) year-

on-year.

## 2) Datacenter Building Business

The Group is developing datacenter buildings mainly in the city center of Osaka, and owns and leases a total of eight datacenter buildings, including the OBP Building, which was completed in April 2021. The Group's urban-type datacenter buildings boast the latest specifications including advanced disaster-prevention functions by the adoption of seismic isolation structures, among others, stable power supplies in emergencies utilizing large emergency-use generators, and state-of-the-art security systems. Furthermore, our solid maintenance and management services based on our rich track record of datacenter building leases over more than 30 years are also highly regarded.

Against the backdrop of promotion of digital transformation (DX), the demand for datacenters is expected to remain robust, along with increases in data communication volume. Owing to an increased occupancy rate for equipment rooms of the OBP Building, consolidated net sales from the datacenter building business for the three months ended June 30, 2022 stood at 2,382 million yen, an increase of 227 million yen (10.5%) year-on-year.

## 3) WINS Building Business

WINS buildings refer to the facilities that sell off-track betting tickets for Japan Racing Association (JRA) races held all over Japan. The Group owns and leases a total of five WINS buildings in the central area of the cities of Kyoto, Osaka, and Kobe. Since the Group's founding, the WINS building business has continued to be one of our core businesses that generate stable revenue. To provide safe, convenient, and comfortable premises to horse-racing fans, we have continued to clean up and make improvements to the facilities.

While the share of sales of betting tickets at WINS buildings is on a declining trend as online betting has become widespread due to the COVID-19 pandemic, the impact on our business performance is minimal owing to the leasing system by fixed rent. Consolidated net sales from the WINS building business for the three months ended June 30, 2022 amounted to 869 million yen, an increase of 7 million yen (0.9%) year-on-year.

## 4) Commercial Buildings and Logistics Warehouses Business

The Group has been developing the leasing business for commercial buildings and logistics warehouses since the 1970s. We used to have road-side-type commercial facilities located across Japan, but these have been progressively sold in response to changing needs and we are currently promoting acquisition of more conveniently located properties in accordance with our Mid-Term Business Plan. The Group owns and leases five commercial buildings and logistics warehouses in the country, particularly in the Kansai Region and the Tokyo metropolitan area.

The impact of the COVID-19 pandemic on our facilities has been minor for commercial buildings, as they are leased to retailers of daily necessities such as supermarkets. Also, strong demand for logistics warehouses is predicted to continue due to factors such as the proliferation of electronic commerce (EC). Consolidated net sales from the commercial buildings and logistics warehouses business for the three months ended June 30, 2022 stood at 245 million yen, an increase of 0 million yen (0.3%) year-on-year.

## (2) Explanation of Financial Condition

Total assets at the end of the three months ended June 30, 2022 amounted to 148,708 million yen, a decrease of 1,286 million yen (0.9%) from the end of the previous fiscal year. This was mainly due to a decrease of 1,850 million yen in consumption taxes refund receivable due to tax refund, a decrease of 1,121 million yen in investment securities due to sale and a decrease of 886 million yen in property, plant and equipment due to the recording of depreciation, despite an increase of 2,317 million yen in cash and deposits.

Total liabilities at the end of the three months ended June 30, 2022 amounted to 78,207 million yen, a decrease of 1,276 million yen (1.6%) from the end of the previous fiscal year. This was mainly due to a

decrease of 665 million yen in accounts payable - facilities and a decrease of 587 million yen in interest-bearing debt as a result of repayment.

Total net assets at the end of the three months ended June 30, 2022 amounted to 70,500 million yen, a decrease of 9 million yen (0.0%) compared to the end of the previous fiscal year. This was mainly due to a decrease of 714 million yen in valuation difference on available-for-sale securities due to the sale of investment securities, despite the recording of 1,732 million yen of profit attributable to owners of parent in retained earnings and an increase of 654 million yen due to 1,028 million yen of divided of surplus.

### (3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

There is no change in the consolidated financial results forecast announced on May 13, 2022. The consolidated financial results at the end of the three months ended June 30, 2022 are as originally planned.

While it is uncertain when the spread of COVID-19 will be contained, in the real estate leasing industry as well, it is necessary to continue to keep a close watch on the rise in vacancy rates against the backdrop of the downsizing of office spaces as a result of reexamination of the significance of offices, and we cannot be optimistic about the future outlook. However, the impact of COVID-19 on the Group's business performance has been currently minimal as the number of tenant departures and requests for rent reductions by tenants have been limited.

At the moment, it is unclear how the electricity price increase caused by surging crude oil prices and transportation costs due to aggravated or prolonged conflict between Russia and Ukraine will affect our business in the future. We will continue to keep a close watch on the situation and, going forward, properly disclose information if there is any change.

Quarterly Consolidated Financial Statements  
Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31,2022	As of June 30,2022
<b>Assets</b>		
Current assets		
Cash and deposits	9,876,282	12,193,735
Accounts receivable - trade	381,901	411,383
Other	2,002,494	401,521
Total current assets	12,260,678	13,006,640
Non-current assets		
Property, plant and equipment		
Buildings and structures	102,575,415	102,578,917
Accumulated depreciation	(42,648,900)	(43,530,133)
Buildings and structures, net	59,926,514	59,048,783
Land	52,058,390	52,058,390
Buildings in trust	3,343,060	3,343,060
Accumulated depreciation	(1,586,289)	(1,628,279)
Buildings in trust, net	1,756,770	1,714,781
Land in trust	11,038,280	11,038,280
Construction in progress	80,790	112,440
Other	1,036,864	1,051,730
Accumulated depreciation	(738,174)	(751,743)
Other, net	298,690	299,987
Total property, plant and equipment	125,159,437	124,272,663
Intangible assets	126,838	121,682
Investments and other assets		
Investment securities	9,775,728	8,654,007
Other	2,671,886	2,653,311
Total investments and other assets	12,447,614	11,307,318
Total non-current assets	137,733,890	135,701,664
Total assets	149,994,569	148,708,304

(Thousand yen)

	As of March 31,2022	As of June 30,2022
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	342	771
Short-term borrowings	4,090,550	3,887,175
Income taxes payable	514,339	700,805
Provisions	43,730	-
Other	3,559,334	3,150,489
Total current liabilities	8,208,296	7,739,240
Non-current liabilities		
Bonds payable	45,000,000	45,000,000
Long-term borrowings	15,769,400	15,385,200
Retirement benefit liability	67,171	70,032
Asset retirement obligations	114,944	115,037
Other	10,324,283	9,898,245
Total non-current liabilities	71,275,799	70,468,515
Total liabilities	79,484,095	78,207,756
<b>Net assets</b>		
Shareholders' equity		
Share capital	9,827,611	9,827,611
Capital surplus	9,199,840	9,199,840
Retained earnings	51,728,266	52,382,577
Treasury shares	(232,293)	(137,743)
Total shareholders' equity	70,523,424	71,272,285
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,399,579	3,684,703
Revaluation reserve for land	(4,532,546)	(4,532,546)
Total accumulated other comprehensive income	(132,966)	(847,842)
Share acquisition rights	120,015	76,104
Total net assets	70,510,473	70,500,548
Total liabilities and net assets	149,994,569	148,708,304



Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income (For the three months)

(Thousand yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Net sales	4,317,833	4,574,282
Cost of sales	3,093,843	2,710,022
Gross profit	1,223,990	1,864,259
Selling, general and administrative expenses	363,436	403,473
Operating profit	860,554	1,460,786
Non-operating income		
Interest income	90	2,842
Dividend income	134,397	138,570
Other	3,104	2,408
Total non-operating income	137,592	143,820
Non-operating expenses		
Interest expenses	42,800	38,624
Interest on bonds	84,065	84,065
Other	5,903	3,010
Total non-operating expenses	132,768	125,699
Ordinary profit	865,377	1,478,907
Extraordinary income		
Gain on sale of investment securities	-	1,006,262
Other	-	500
Total extraordinary income	-	1,006,763
Extraordinary losses		
Loss on sale of non-current assets	317	-
Loss on retirement of non-current assets	40	0
Total extraordinary losses	358	0
Profit before income taxes	865,019	2,485,671
Income taxes - current	305,815	682,088
Income taxes - deferred	(41,224)	70,597
Total income taxes	264,590	752,686
Profit	600,428	1,732,984
Profit attributable to owners of parent	600,428	1,732,984

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Thousand yen)

	For the three months ended June 30,2021	For the three months ended June 30,2022
Profit (loss)	600,428	1,732,984
Other comprehensive income		
Valuation difference on available-for-sale securities	(424,190)	(714,875)
Other comprehensive income	(424,190)	(714,875)
Comprehensive income	176,237	1,018,109
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	176,237	1,018,109
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

(Notes in case of significant changes in shareholders' equity)

Not applicable.

(Segment information)

Statement is omitted as the Group operates under the single segment of the "Building lease business."

(Significant subsequent events)

(Purchase and cancellation of treasury shares)

At the Board of Directors meeting held on July 29, 2022, the Company resolved the matters related to share repurchase pursuant to the provision of Article 156 of the Companies Act as applied by replacing terms pursuant to the provisions of Article 165, Paragraph 3 of the Act, and also resolved share retirement pursuant to the provisions of Article 178 of the Companies Act. For details, please refer to the "Notice Concerning the Decision of Matters Relating to Share Repurchase and Share Retirement," which was announced today (July 29, 2022).