



Keihanshin Building Co., Ltd.

# INTEGRATED REPORT 2022

For the fiscal year ended March 31, 2022



# Connect People, Communities, and the Future

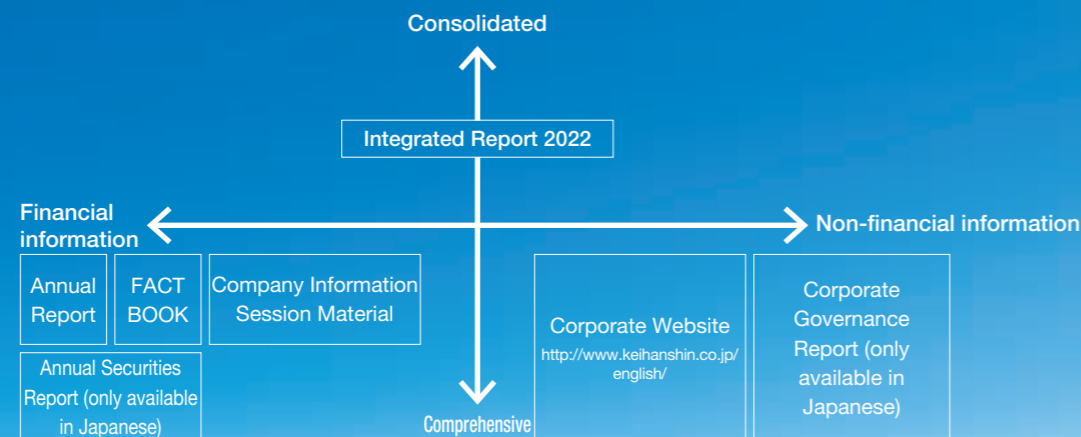
## Corporate Philosophy

- To provide valuable commercial space to customers so as to contribute to the community through the advancement of customers' and our businesses.
- To earn and value our customers', shareholders' and employees' trust by operating our company according to quality-first values.
- To act efficiently, evolve, and create a vital corporate atmosphere.

## Code of Conduct

- The customer comes first**  
 We will earn our customers' trust, meet their needs and provide them with safe, high-quality environments and services.
- Practicing compliance**  
 We will always adhere strictly to laws, ordinances and regulations, and act with a strong social conscience rooted in high ethical standards.  
 In addition, we will conduct business fairly, transparently and appropriately, and maintain healthy and normal relationships with political and administrative persons and organizations.  
 We will have nothing to do with anti-social forces and organizations and resolutely deal with them.
- Social contribution**  
 We will establish a good relationship with the community and actively engage in social contribution activities as a good citizen.
- Disclosure of information**  
 We will communicate openly not only with our shareholders, but also with the community widely, and disclose corporate information timely, accurately, and properly.
- Protecting the environment**  
 We will maintain our awareness that environmental protection is an important facet of business management, and will serve to be proactive in protecting the natural environment in a positive manner.
- Respect for the individual**  
 We will maintain our safe and comfortable workplaces in a manner that inspires employees in their work and encourages their self-actualization, and we will appropriately respect each employee's individuality and personality.

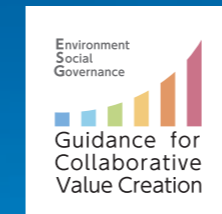
## Information Disclosure System



## Editorial Policy

The Integrated Report 2022 is based on the business operations, strategy and ESG information of Keihanshin Building Co., Ltd., and it is compiled as a comprehensible report for our stakeholders. Through this report, we will continue to provide our financial and non-financial information in good faith.

This report was prepared based on the International Integrated Reporting Framework released by the International Integrated Reporting Council (IIRC), as well as the Guidance for Collaborative Value Creation issued by Ministry of Economy, Trade and Industry of Japan.



## Target Scope

This report introduces major activities of Keihanshin Building Co., Ltd. and its subsidiaries.

## Target Period

This report covers information on corporate activities in the fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022). However, some parts may include past information or information on factors beyond April 1, 2022.

## Note on forward-looking projections

This report contains descriptions of future plans, estimates and projections. Such information is based on the information currently available to the Company. Actual results may differ due to various factors that may arise in the future. We appreciate your understanding on this matter.

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## Message from the President



**Tsuneo Wakabayashi**

President

### TOP MESSAGE

## We will continue to create valuable commercial space through the enhancement of human capital

### My greatest mission is to maximize the Company's strengths by drawing out the abilities of each and every employee

Contributing to the development of society is an important mission of a company. With the intention to continue contributing to the development of our customers and society through the real estate leasing business, Keihanshin Building has declared our goal to "Connect People, Communities, and the Future."

From my own experiences in real estate company management for over 15 years, I strongly believe that the true capabilities of a company are nothing other than the sum of the abilities of its individual employees. Our employees' efforts are the very reason that the Company's strengths, namely our successful relationships with customers and partner companies and our efficient business management by a small number of staff, exist. Accordingly, there can be no improvement of customer satisfaction or growth in our business results without the improvement of human capital. I believe that my greatest mission is to maximize the Company's strengths and to realize our goal by establishing an environment in which our employees are able to demonstrate their own abilities to the fullest.

Our company has a small staff of around 60 of capable directors and employees, who communicate closely with each other as they work side-by-side. Our junior employees, in particular, engage in their work with confidence, while our engineering staff, many of whom are long-serving employees, also work with vigor. Lively intergenerational communication is also a feature of our workforce. Leveraging this corporate culture, we will delegate authority more than ever to foster a culture that encourages employees to take on challenges without fear of failure. We will also enhance our employee training programs to ensure that no single employee misses out on opportunities to demonstrate his or her own abilities to the fullest. In these ways, we hope to encourage employees to make new proposals that will benefit our customers and the Company.

We will create a virtuous circle in which the fruits of these efforts will be passed on to our customers and partner companies in the form of greater satisfaction and to our shareholders in the form of profits. Through that virtuous circle, we hope to realize the sustainable enhancement of corporate value.

The thing to keep in mind in this context is that the meaning of "valuable commercial space" changes significantly with the times and the environment. As new working styles have proliferated with the advancement of remote working prompted by the COVID-19 pandemic, there has been a mounting trend to reconsider what offices should look like. Also, with the growing awareness of climate change and environmental performance, what valuable commercial space looks like for our customers is constantly changing and diversifying.

To continue providing "valuable commercial space" under such circumstances, it is crucial that we stay ahead of the changes in the times and the environment when considering what our customers and society want and that we make proposals that give shape to those wants speedily and in concrete ways. Efficient business management by a small number of staff, which is a characteristic of the Company, brings us closer to our customers and enables quick decision-making by the management team. We also have established a structure in which our sales staff and engineering staff work together to deal with customers, making it possible to meet the demands of our diverse customers in more concrete ways. Leveraging these kinds of strengths, we will continue to provide meticulous responses that are a step ahead of our competitors and that differentiate us from them.

## Message from the President



### Precisely identifying what lies beyond change and connecting it to opportunities for sustainable growth

As I mentioned earlier, what “valuable commercial space” should look like is changing constantly. Nevertheless, if we continue to run our business in the same ways as we have always done, not only will we be unable to maintain the status quo, we may even fall behind the times, and eventually enter into a decline. It is my belief that sustainable growth is achieved by continually changing the way we do business in line with the changes in the environment. Effectively, “without change, there will be no growth.” Today, we are facing two major changes that will transform the nature of “valuable commercial space.”

The first is the changes in society that were triggered by the COVID-19 pandemic. Since the outbreak of the COVID-19 pandemic in 2020, although there has, to date, been no major direct impact on our business results, I believe that changes in people’s behavior after the pandemic will have no small impact on the Company in the future. As a result of the pandemic, many businesses, including the major firms, have started to downsize and consolidate their business locations, and we are already seeing an upward trend in average vacancy rates in the entire office market. Given that the trends in the office market lag behind economic and social trends, there is no predicting future movements in the market.

The other major change is the rapid increase in awareness of environmental issues and natural disasters. This trend also has not necessarily caused a significant impact on the Company’s business to date. My recognition is that the growing momentum toward environmental action, including decarbonization and responses to climate change, will result in changes in real estate demand, leading to the high probability of a major impact on the Company’s business operations.

Whether these changes in the external environment should be viewed as risks from an immediate-term perspective or as

opportunities from more medium- to long-term perspectives depends on one’s way of thinking. I believe that, if we can identify with a degree of precision what lies beyond these ongoing changes and respond to that, it will lead to opportunities for sustainable growth.

The various initiatives that the Company is working on based on such thinking include reducing the burden of our buildings on the environment by shifting to energy-saving equipment, obtaining green building certifications, and undertaking preventive maintenance in anticipation of the growing severity of natural disasters. Through preemptive measures of this nature, we hope to capture the needs of tenants for buildings with high environmental performance and advanced BCP functions in the medium to long term and to connect them to business opportunities that will result in growth for the Company.

The changes in what offices should look like that were prompted by the pandemic would inevitably have occurred eventually with the advent of digital society. I think it is simply a matter of those changes surging suddenly forward much earlier than anticipated. In the past, it was the business owner who would decide which office to move into as a tenant. In the future, however, greater weight will likely be placed on the opinions of employees of those tenant companies. By communicating closely with tenants and gathering information on the ground, we will strive to capture growth opportunities by identifying the viewpoints of workers about new workstyles and providing offices that respond precisely to those needs.

### Two of our development projects, the Toranomom Building and the OBP Building, making steady contributions to business results

In the Medium-Term Business Plan, we have declared our Corporate Vision, namely “While maintaining our uniqueness, we aim to provide valuable business space responding to the needs of the times and ‘expand assets that will be carried over to the next generation.’” Our most recent development projects, the Toranomom Building and the OBP Building, are making steady contributions to our business results, even despite being hit by the unexpected event of the pandemic. I take pride in this achievement, which I see as testament to the fact that these two projects are meeting the needs of the times, in other words, that the Company has come closer to the Corporate Vision.

While net sales have increased thanks to the contributions of these projects, operating profit and ordinary profit have remained on a par with the fiscal year ended March 31, 2019, prior to the Medium-Term Business Plan. However, this is due to the incurring of one-off expenses in line with new property acquisitions, such as the real-estate acquisition tax. Although profit levels have remained unchanged from prior to the Medium-Term Business Plan, the contents of those profits have changed significantly. Ordinary profit after tax before depreciation, which the Company uses as an indicator to manage the progress of the Plan, shows cash on hand after payment to all stakeholders, excluding shareholders. In other words, it is a plain indicator of cash flows attributable to shareholders. It had hovered in the 5 billion-yen range prior to the Plan, but in the fiscal year ended March 31, 2022, it increased to the 7 billion-yen range, primarily due to the contribution of new projects to the performance.

### Seeking out unconventional investment techniques, while aiming for geographical diversification of our portfolio

While we recognize that the Company has only one business segment of the real estate leasing business, the profitability, growth potential, and competitive edge of each of the properties owned by the Company are individually examined at the Board of Directors meeting every year. Currently, we own four types of assets, namely office buildings, datacenter buildings, WINS buildings, and commercial buildings/logistics warehouses, and we believe that it is this kind of diverse portfolio that has enabled us to achieve stable company-wide profits that are less prone to the impact of changes in market conditions.

On the other hand, we also recognize the regional concentration of our portfolio as a material risk. As of the end of March 31, 2022, 19 of our 26 Company-owned properties are located in the Kansai area. This has the potential to cause significant impact on our business due to localized natural disasters and changes in the market environment. From the perspectives on operational and management efficiency, our next datacenter building investment is likely to be conducted in central Osaka. Based on that assumption, for the

In aspects other than new investments, significant progress was made in environmental initiatives, in particular. We have been proceeding with the upgrading of power substations in datacenter buildings and their relocation to upper floors from the perspective of strengthening resilience against climate change. The completion of works in a building that are currently in progress will bring this initiative to a conclusion for all Company-owned datacenter buildings. With floods expected to become increasingly severe due to climate change, we aim to reduce the risk of flood damage by relocating these substations, which can be described as the “heart” of the datacenter buildings in that they supply power in the buildings, to higher floors.

We have also made significant progress in obtaining green building certifications. The Company has long been committed to reducing our environmental burden through greening and shifting to energy-saving equipment and to undertaking preventive maintenance measures in preparation for severe disasters. To receive objective evaluations of these initiatives, we started to obtain third-party certifications in the fiscal year ended March 31, 2021. As of March 31, 2022, the majority of the floor space of Company-owned office buildings has now obtained the highest Rank S for CASBEE for Real Estate certification.

We believe that these initiatives have the potential to become business opportunities that will allow us to capture the needs of tenants for buildings with high environmental performance and advanced BCP functions and lead to the Company’s growth.

geographical diversification of our portfolio, we intend to make the Tokyo metropolitan area our main target for investments in office buildings and commercial buildings/logistics warehouses.

However, in the current conditions of the real estate market, with property prices soaring against a backdrop of protracted monetary easing, acquiring new properties has become challenging. To steadily realize growth investments even under such circumstances, we strengthened our company structure even further by upgrading our Tokyo Office to create the Tokyo Branch Office in April 2021 and by establishing Investment Promotion Department in July 2022.

In terms of what forms such investments should take, instead of adhering strictly to purchasing and owning properties solely by the Company, we will engage flexibly in acquisition and development through alliances with other companies. In addition to considering the option of revolving-type investment, we will also try out new initiatives such as making use of fund schemes, making equity investments in SPCs, and acquiring companies with real estate holdings through M&As.

## Message from the President

### Considering the development of and investment in distinctive assets, such as in healthcare

While the development of new business is essential for corporate growth, we believe that the foundation of the Company's business is to continue to do business based on the corporate philosophy, "to provide valuable commercial space to customers so as to contribute to the community through the advancement of customers' and our businesses." As the nature of "valuable commercial space" from customers' perspective is constantly changing, if we are to address the evolution of our existing business and take on the challenge of new fields, it is crucial that we always think ahead of the curve about what it is that customers and society want.

Regarding office buildings, we expect to see an expansion of new needs such as reduced occupancy space and shared offices due to the spread of remote working. For our buildings to maintain their competitive edge in these circumstances, instead of merely providing space, as workstyles change, it will become important to propose office environments that focus on the viewpoints of workers, who will be the main players in those spaces. In particular, the role of the office as a physical communication space for employees who work there will become more emphasized than ever. Such an office will also need to be equipped with spaces and functions that are able to provide communication not only among employees within a particular tenant in the office building, but also between employees of different tenants in the same building, as well as between employees of tenants in other buildings owned by the Company. With our meticulous sales

system and strong relationships with partner companies, the Company will work to identify workers' needs and develop concrete proposals to realize those needs.

It is expected that the expansion of new workstyles accompanying the spread of remote working and web-conferencing will accelerate the digital transformation (DX) of society and further increase demand for datacenters. To take advantage of the tailwinds that such an environment provide for the Company's growth, going forward, we will seek out investment opportunities not only in central Osaka locations, but also in suburban locations and other areas, while also looking into alliances with other companies.

We also believe that the recent increase in demand in commercial buildings and logistics warehouses is also the result of changes that were expected to arrive further into the future, such as the expansion of the e-commerce market, being brought forward by the COVID-19 pandemic, and we expect demand for logistics to continue to expand. Taking these changes into account, we will actively strive to expand our logistics warehouses business.

We must also take on challenges in new domains outside of our existing four sectors. We will consider the development of and investment in distinctive assets that will allow us, as a company managed by a small number of staff, to maintain our competitive edge. One example of this is in the healthcare area, where market growth can be expected in the future.

### Achieving business growth through initiatives aimed at our materiality

In March 2022, the Company identified as our materiality 13 priority issues to be addressed to enhance its corporate value and realize a sustainable society. For the identification of these material issues, we collected comments from across the entire company on prospective issues that the Company should address, conducted interviews with stakeholders, and surveyed external experts to examine their relevance. Looking ahead, achieving business growth by addressing these material issues will be a key challenge.

We have placed particular emphasis on reducing greenhouse gas (GHG) emissions as a KPI tied to materiality, with a particular focus on the reduction of emissions from our datacenter buildings, which account for more than 90% of the Company's total GHG emissions. The KPIs we have set are for Scope 1 and 2 emissions. Since emissions from the use of electricity in leased rooms, which account for the majority of the Company's total emissions, are classified in Scope 3, they are not a direct target of the KPIs. However, datacenter buildings themselves consume massive volumes of electricity. To contribute to the improvement of energy efficiency of society as a whole through the consolidation of IT devices, which are

currently scattered across multiple locations, into datacenter buildings with high environmental performance and also to the achievement of the target of realizing carbon neutrality by 2050 as declared by the Japanese Government, it is imperative that we pursue initiatives that include the introduction of renewable energy. Going forward, we must strengthen our engagement with tenants in our datacenter buildings even further and work together with them to promote the reduction of emissions.

As I mentioned earlier, I believe that our people are our most important asset for the Company's growth. The growth of a company is nothing other than the sum of the growth of its individual employees. As we have declared the promotion of human resources development as an initiative tied to our materiality, we will set KPIs for investment in human resources training with the aim of growth of individual employees and step up our efforts to support employees' development as a priority.

### Reinforcing the foundations for the enhancement of management efficiency and transparency

It is my assessment that the Company's corporate governance has improved significantly in recent years. The most remarkable evidence of this assessment is the strengthening of the management supervision functions of the Board of Directors and the Nomination and Remuneration Committee, by making the majority of their members Outside Directors. This has strengthened the foundations for the enhancement of management efficiency and transparency. Moreover, we have also introduced the involvement of third parties in the evaluation of the effectiveness of the Board of Directors. This fiscal

year, the Company appointed its first female director. There are some initiatives in the TSE's Corporate Governance Code that the Company finds difficult to accommodate, such as ensuring diversity among manager-level employees. This is due to the Company's unique characteristic of small workforce, which makes it inappropriate to set quantitative targets because the denominator itself is so small. However, in terms of the initiatives that we are able to respond to, we believe that we have done so to a certain standard.



### A company's growth and credibility are nothing other than the accumulation of individual employees' actions

As I mentioned earlier, it is the mission of a company to contribute to society through growth. In addition, a company's growth and credibility are nothing other than the accumulation of individual employees' actions. I believe that, by all employees working together in the same direction toward the realization of the Corporate Philosophy, we will be able to meet the expectations of our stakeholders, and that this will result in the realization of the sustainable growth of the Company.

Accordingly, my aim is for the Company to be a company that cherishes its human capital, in other words, to be a company with a workplace environment that allows employees to work energetically with a sense of reward and to demonstrate their own abilities to the fullest. I believe that numerical results, such as sales and operating profit, will naturally be achieved through the steady accumulation of initiatives toward that end.

## Sources of Competitive Advantage

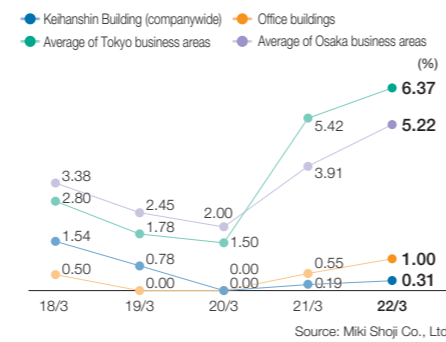


### Competitive edge 1

#### Stable profit from diversified business assets

We mitigate risks such as economic fluctuations to achieve a high operation rate and stable profit by diversifying our portfolio into four types of assets: office buildings, datacenter buildings, WINS buildings, and commercial buildings, and logistics warehouses.

Trends in vacancy rates



### Competitive edge 2

#### Successful relationships with customers and partner companies

Through meticulous building management, we improve tenant satisfaction and quality of communication, and quickly identify changes in their needs. By doing this, we can foresee and capture the movement early when tenants depart, and maintain a high operation rate by finding new tenants smoothly.

We collaborate with our partner companies that perform operations management of buildings based on strong relationships with them to provide high quality services to our tenants. This is the foundation of our stable profit and business management.



### Competitive edge 3

#### Efficient management by a small number of people

We achieve efficient management with a small number of people by focusing on the leasing business. In our building and facility management, our engineering staff in the Property Management Department are comprehensively involved throughout the process from research, planning and development, and operations management to repairs jointly with partner companies.



### Business characteristics 1

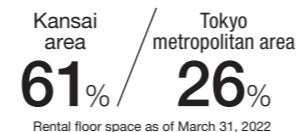
#### Focus on the leasing business

We achieve business efficiency and stable profitability by focusing on business use real estate leasing business, among various types of businesses in real estate.

### Business characteristics 2

#### Diversify asset portfolio around the Kansai Region and Tokyo metropolitan area

Starting with the completion of the Onarimon Building in 2009, we promote investment in the Tokyo metropolitan area to diversify the concentration risk of owned assets in the Kansai region. In November 2020, the Toranomon Building was completed.



8 facilities

### Office Buildings

- Operation mainly in the business areas of Tokyo and Osaka
- Planned renovations and repairs
- Advanced BCP functions gained through datacenter building business
- Meticulous building management

Average vacancy Rates as of March 31, 2022 Source: Miki Shoji Co., Ltd.



#### Vacancy rate for our offices

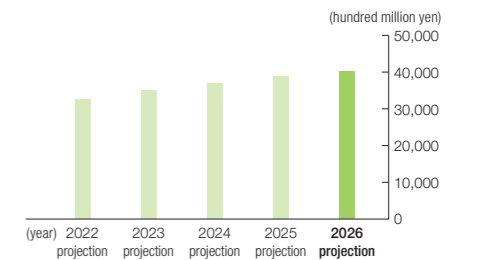


8 facilities

### Datacenter Buildings

- Urban-type datacenter buildings with full communication and transportation infrastructures
- Advanced BCP functions such as seismic isolation structure
- Stable revenue through high-quality building construction and maintenance

Trend in the size of datacenter market

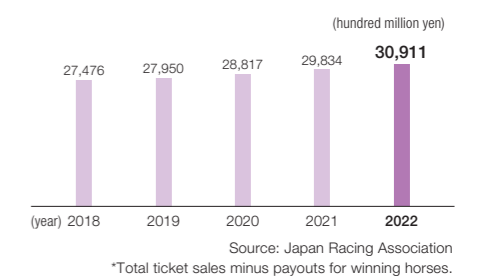


5 facilities

### WINS Buildings

- Over 70 years of business together with our tenants
- Operation in the Keihanshin (Kyoto, Osaka, and Kobe) downtown areas
- High-efficiency business with stable revenues

Trend in the total proceed\* of Japan Racing Association (JRA)

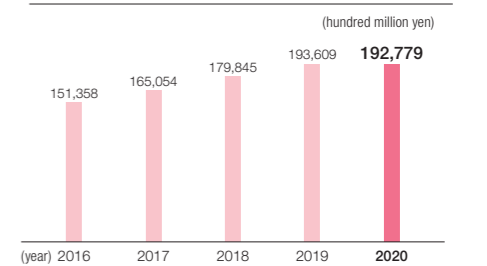


5 facilities

### Commercial Buildings and Logistics Warehouses

- Excellent locations near terminal stations for commercial facilities and trunk roads for logistics warehouses
- Strengths in build-to-suit warehouses such as cooling and freezing warehouses, etc.

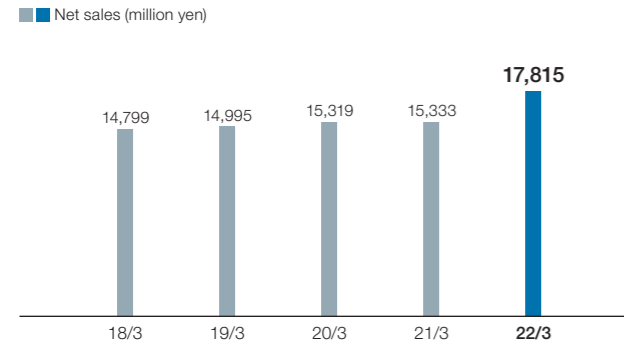
Trend in size of BtoC-EC market in Japan



# Financial and Non-financial Highlights

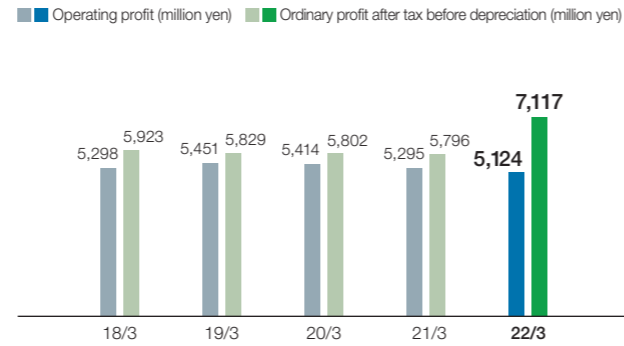
## Financial Data

### Net sales



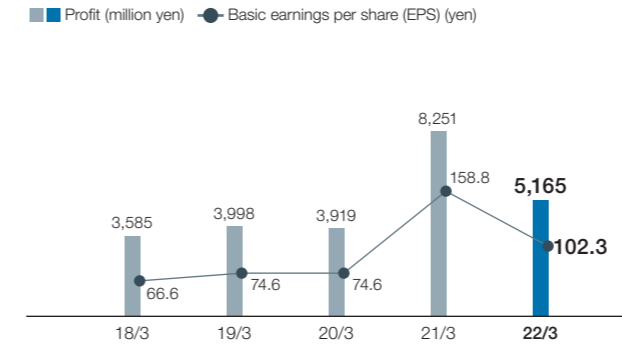
Net sales for the fiscal year ended March 31, 2022 grew considerably year-on-year, contributed mainly by the newly completed OBP Building. The growth trend is expected to continue in line with a further rise in the operation rates of the OBP Building.

### Operating profit/ordinary profit after tax before depreciation



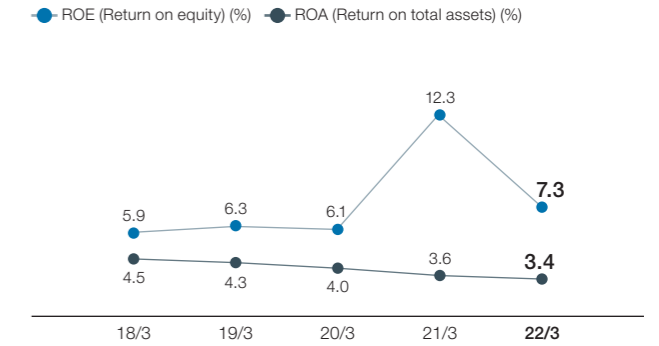
Operating profit for the fiscal year ended March 31, 2022 decreased year-on-year. This was primarily attributable to the recording of a large amount of initial expenses, including real estate acquisition tax, upon the completion of the OBP Building. However, ordinary profit after tax before depreciation, our KPI, increased substantially driven by the contribution from the OBP Building.

### Profit/basic earnings per share (EPS)



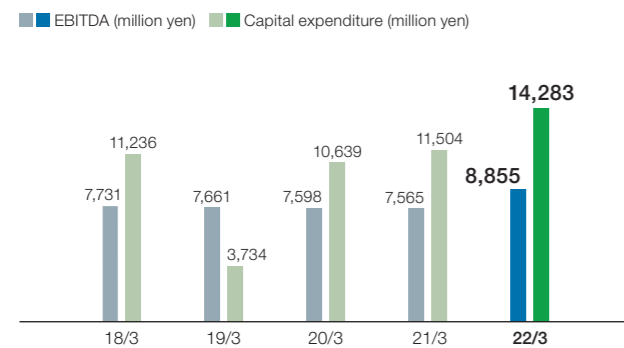
Profit for the fiscal year ended March 31, 2022 fell year-on-year mainly because extraordinary income from sale of investment securities decreased from the previous fiscal year. Although profit fluctuates due to one-off factors, we strive to increase shareholder value through steady growth in earnings per share.

### ROE/ROA



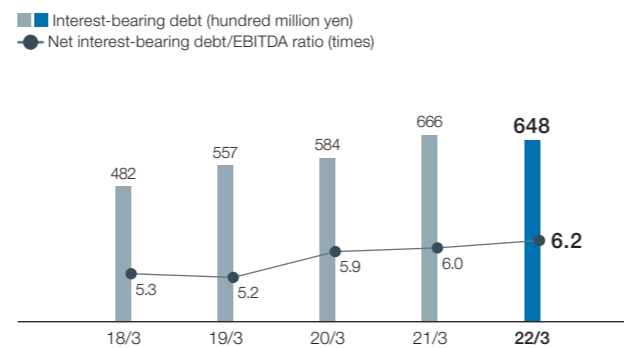
ROE as of March 31, 2022 declined due to the shedding of a large amount of extraordinary income recorded in the previous fiscal year. We give priority to improving ROA, an indicator of the overall investment efficiency of the business, instead of ROE, which is affected by extraordinary income and financial leverage.

### EBITDA/capital expenditure



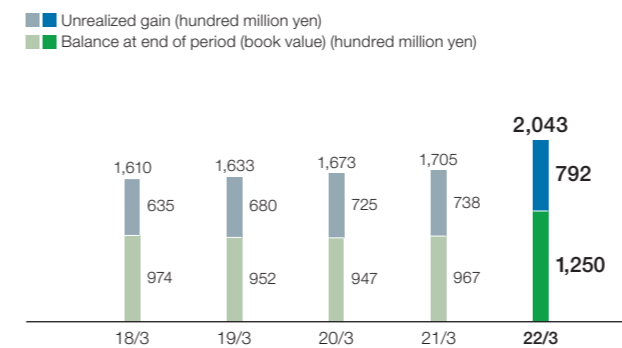
EBITDA had been steady in the 7.0 billion yen range, but rose substantially in the fiscal year ended March 31, 2022 as the OBP Building started making contribution to the operating results. We will continue to use cash flow generated by our businesses as a source of funds, and take a proactive approach to investing in new projects and existing properties for enhancing their value.

### Interest-bearing debt and Net interest-bearing debt/EBITDA ratio



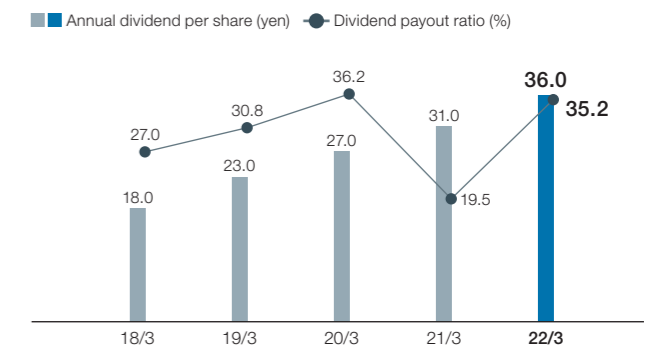
As our financial discipline, we firmly maintain the net interest-bearing debt/EBITDA ratio of 10 times or less, even when the ratio temporarily rises due to financing for new investments. We will actively seek new investments while maintaining the soundness of the financial balance.

### Appraised value of investment and rental properties



Since our basic policy is to hold properties on a long-term basis, the market value is highly dependent on the market conditions at different times. As of March 31, 2022, appraisal value of the properties rose sharply from a year ago due to a marked increase in the period-end balance (book value) following the completion of the OBP Building, as well as reexamined market value of existing properties against the backdrop of robust real estate market.

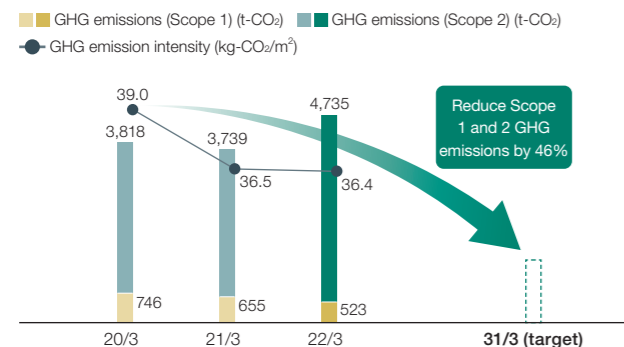
### Annual dividend per share/dividend payout ratio



Our shareholder return policy focuses on stable dividend payouts and dividend increases, with a target dividend payout ratio set at 35% to 40%. We will continue to strive to improve shareholder return over the long term through stable dividend payouts, comprehensively taking into consideration our operating results, business environment, and future business developments.

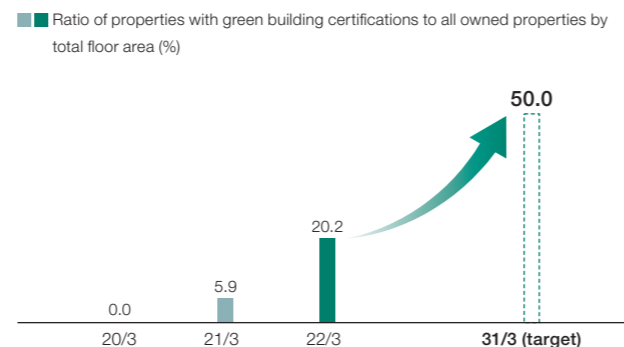
## Sustainability-related Data

### Actual GHG emissions and GHG emission intensity, and GHG emission reduction target



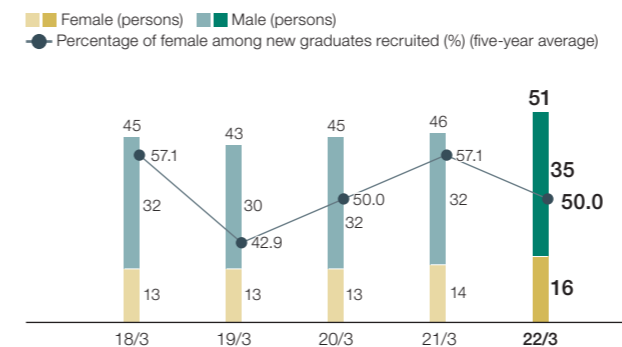
For GHG emissions and emission intensity from owned properties, we monitor the emissions by Scope, and aim to reduce Scope 1 and 2 emissions by 46% by the fiscal year ending March 31, 2031, as compared to the fiscal year ended March 31, 2020.

### Ratio of properties with green building certifications



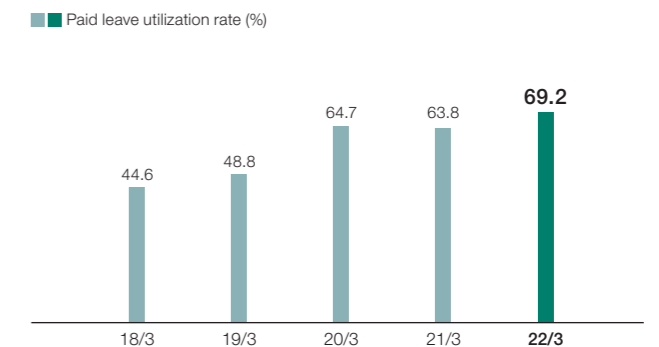
In order to continually enhance the value of the owned buildings, we will continue to actively promote a variety of initiatives to improve tenant satisfaction, including energy conservation measures.

### Number of employees and male-to-female ratio of new graduate hires



In order to drive further business expansion and the Company's growth, we continuously hire new graduates. We will continue to further strengthen our workforce and organizations, while encouraging female employees to play an active role.

### Paid leave utilization rate



Paid leave of up to 20 days plus 2 days of special leave are granted annually. We offer various plans to encourage employees to take leaves, while moving forward with initiatives to improve operational efficiency.

## The History of Value Creation

# Creating Value Sustainably by Building a Portfolio According to Society's Needs

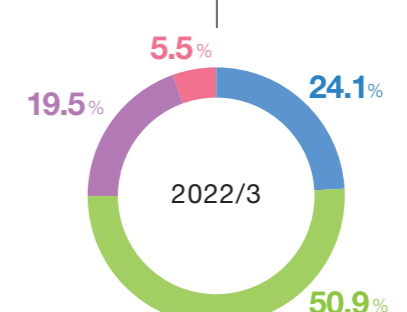
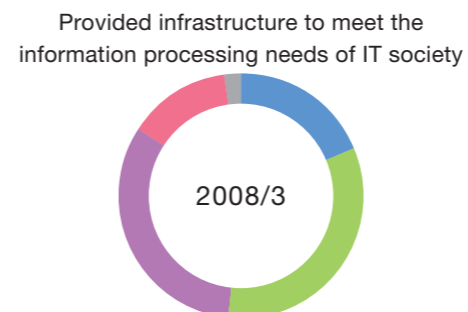
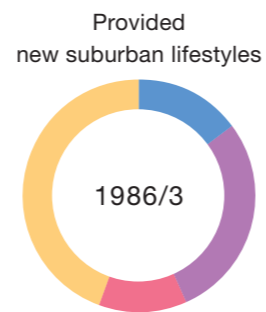
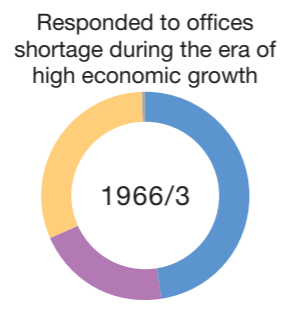
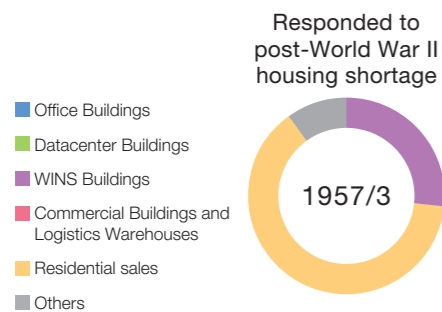
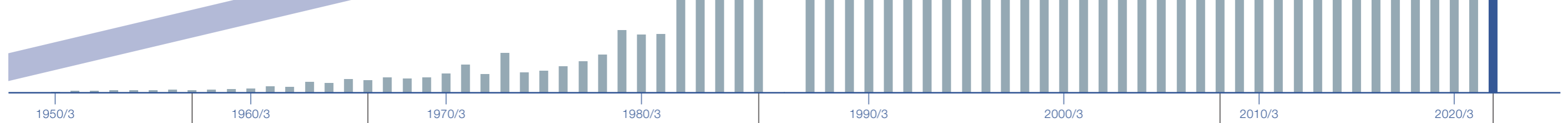
Shortly after World War II, the Company was founded to reconstruct the Hanshin Racecourse. Since then, the Company has been developing WINS buildings, office buildings, commercial buildings and logistics warehouses, and datacenter buildings according to the needs of society.

We will continue to keep abreast of changes in the external environment surrounding the Company and social challenges, and strive to expand the assets to be carried over to the next generation.

1990/3 12,656  
2000/3 9,801  
2010/3 12,488  
2022/3 17,815

### Trend in net sales by business division

Trend in net sales (million yen)



1948 — 1956 — 1962 — 1976 — 1988 — 2009 — 2019~

### 1948 Reconstruction of the Hanshin Racecourse

The Company was founded by the Kansai business community and horse owners to revive a pastime that had been suspended due to the ravages of war.



Hanshin Racecourse (Completed in 1949)

### 1956 Transition to a real estate company

The racecourse was sold to the Japan Racing Association (JRA). With the land and funds acquired from this sale, the Company converted itself to a real estate company. Initially, the Company focused on the residential sales business against the backdrop of the postwar housing shortage.



Housing lot (Takarazuka-shi, Hyogo)

### 1962 Entering the office building business

Against the backdrop of offices shortage during the era of high economic growth, our first office building, Keihanshin Kawaramachi Building, was completed along Midosuji Road, a main street in Osaka.



Keihanshin Kawaramachi Building (Completed in 1962)

### 1976 Entering the commercial buildings and logistics warehouses business

Reflecting the lifestyle changes from the progress of motorization, we pursued development and acquisition of roadside commercial facilities across Japan. In the 1980s, we entered the leasing business for warehouses, taking advantage of our expertise in the real estate business.



Hirakata Warehouse (Completed in 1983)

### 1988 Entering the datacenter building business

With the completion of the first datacenter building, the Shinmachi 1 Building, we entered the leasing business for datacenter buildings. Since then, we have evolved our buildings according to the needs of society, and have expanded the business.



Shinmachi 1 Building (Completed in 1988)

### 2009 Advance into the Tokyo metropolitan area

The Company started advancing into the Tokyo metropolitan area with the completion of the Onarimon Building. The Company opened the Tokyo Branch Office in 2014 and has been pursuing to expand its business in the Tokyo metropolitan area.



Onarimon Building (Completed in 2009)

### 2019~ Into the new stage of growth

The Company announced its seven-year Medium-Term Business Plan "Challenges from here: Into the new stage of growth." The Toranomom Building and the OBP Building were completed in 2020 and 2021, respectively, as investment projects under the plan.



Toranomom Building (Completed in 2020) OBP Building (Completed in 2021)



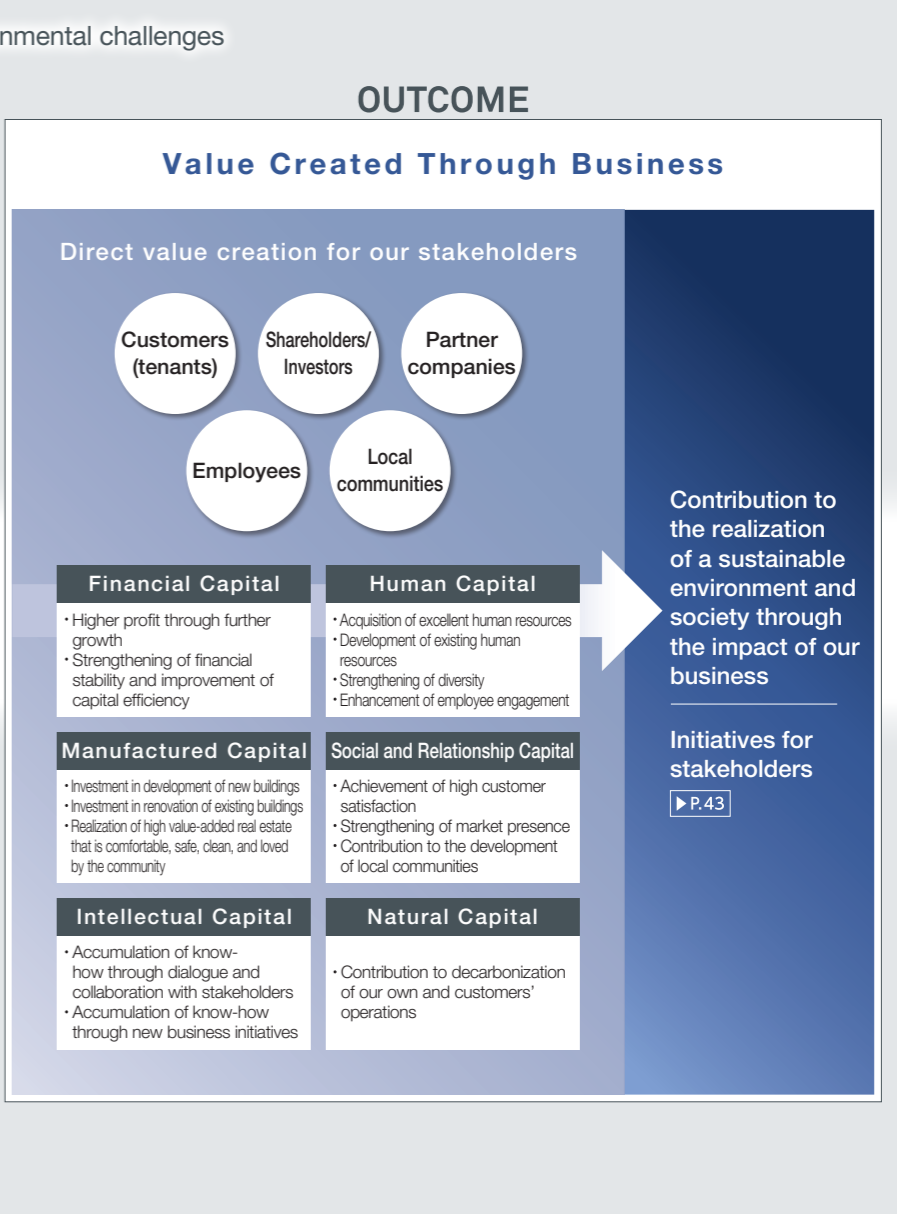
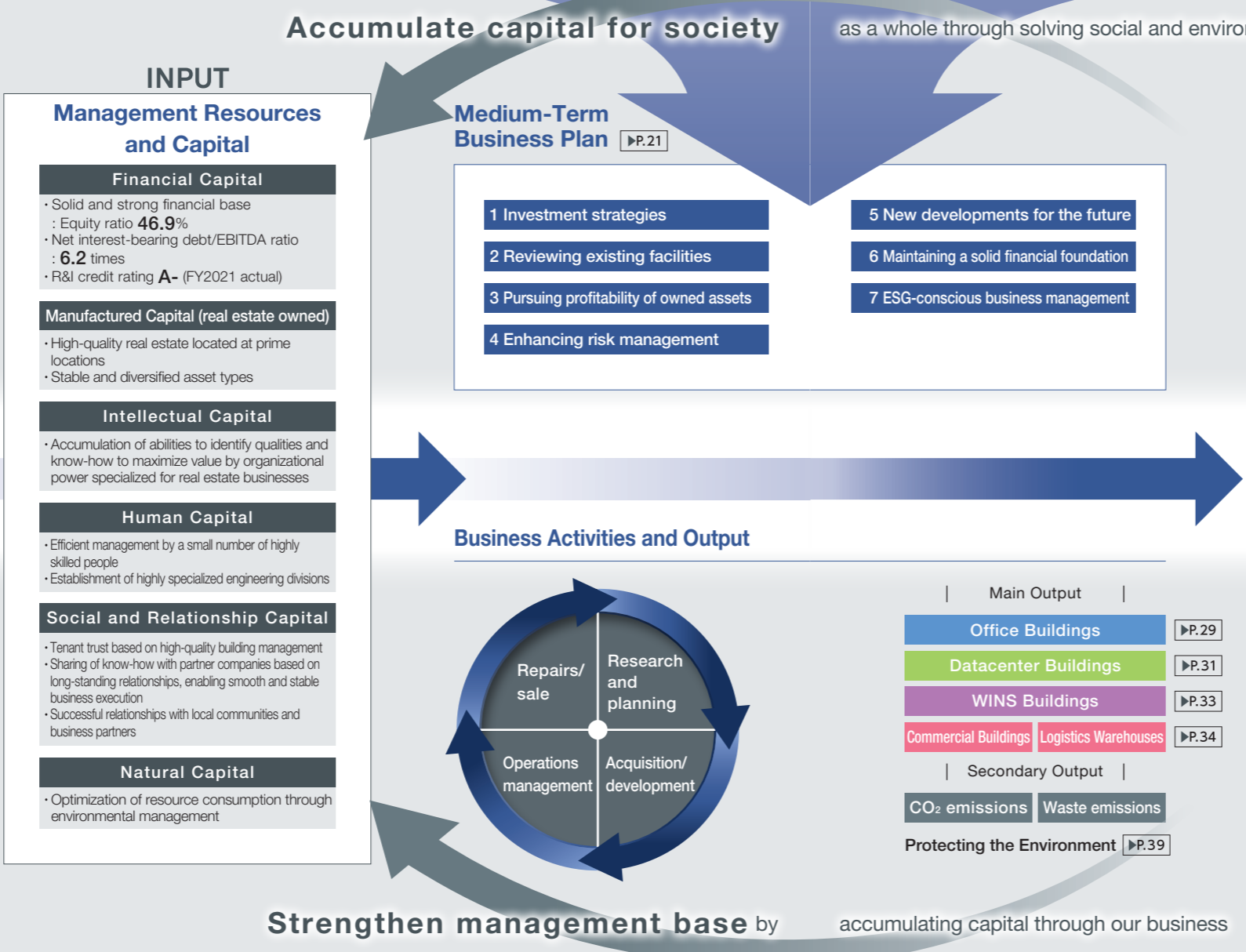
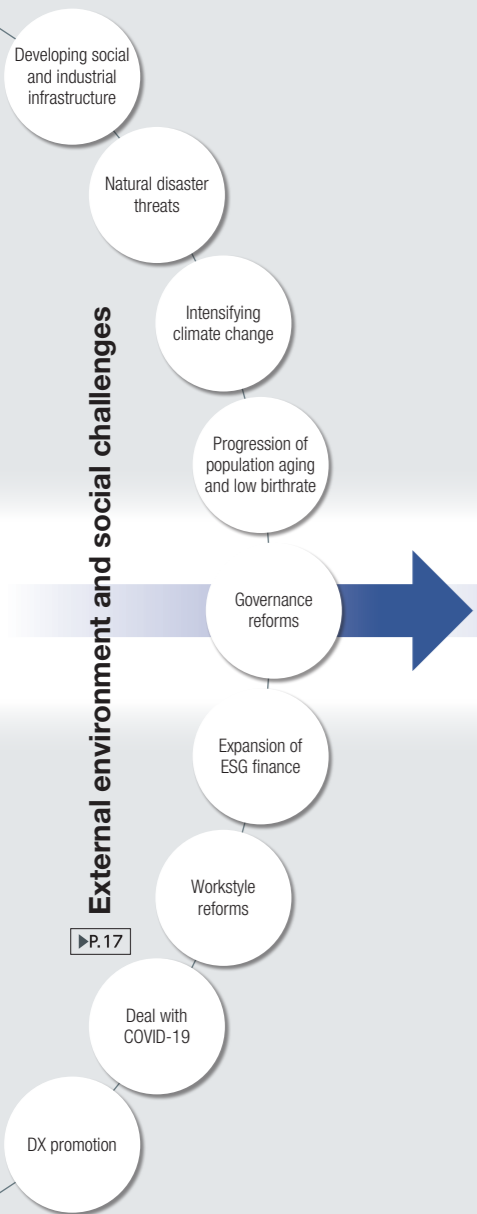
# The Value Creation Process

Based on the Company's corporate philosophy, we are pursuing safe, comfortable and environment-friendly building development by leveraging our intangible assets such as the expertise we have accumulated over the years, and trusting relationships with our customers.

We will continue to create valuable commercial space together with our stakeholders and achieve sustainable growth as a corporation to provide new values to society.

<b>Corporate Philosophy</b>	<b>1</b> To provide valuable commercial space to customers so as	to contribute to the community through the advancement of customers' and our businesses.
	<b>2</b> To earn and value our customers', shareholders' and	employees' trust by operating our company according to quality-first values.
	<b>3</b> To act efficiently, evolve, and create a vital corporate	atmosphere.

<b>Key matters in value creation (Materiality themes)</b> ▶P.37	<b>E (Environmental)</b>	<b>S (Social)</b>	<b>G (Governance)</b>
	Balancing between a rich environment in the future and business activities	Provision of optimal space keeping abreast of changing external environment and times	Co-existence and co-prosperity with stakeholders
		Establishment of an organization where diverse human resources achieve their potential	Reinforcement of the management base that supports the sustainable management



**Strengthen management base** by accumulating capital through our business

## Risks and Opportunities

The Company recognizes and evaluates the impact of various external environmental factors on its business in terms of both risks and opportunities. By implementing appropriate measures to address these factors, we will improve our corporate value and contribute to a sustainable society.

(For more information on our risk management, please see page 64.)

### Awareness towards external environment

	Risks	Opportunities
<b>Economy</b> <ul style="list-style-type: none"> <li>● Real estate market remaining high</li> <li>● Overconcentration in Tokyo</li> <li>● Regional revitalization</li> <li>● EXPO 2025 OSAKA, KANSAI</li> <li>● Attracting integrated resorts (IR) investments</li> <li>● Expansion of ESG investment</li> <li>● Soaring oil prices and commodity prices</li> </ul>	<ul style="list-style-type: none"> <li>● Increase of vacancy rates due to oversupply of leasing properties</li> <li>● Overconcentration in Tokyo causing shrinking demand in other cities</li> <li>● Increase in funds procurement costs due to higher interest rates</li> <li>● Soaring construction costs</li> </ul>	<ul style="list-style-type: none"> <li>● Vacancy rates and rent levels backed by solid real estate demand</li> <li>● Stronger business foundation through more opportunities for constructive dialogue with stakeholders</li> <li>● Improved corporate value brought by stronger governance</li> <li>● Diversification of funds procurement methods through ESG investments</li> </ul>
<b>Society</b> <ul style="list-style-type: none"> <li>● Progression of population aging and low birthrate</li> <li>● Declining labor population</li> <li>● Workstyle reforms</li> <li>● Lifestyle changes</li> <li>● COVID-19 pandemic</li> <li>● Increasingly complex international situation</li> </ul>	<ul style="list-style-type: none"> <li>● Long-term shrinkage of real estate demand due to population decline</li> <li>● Intensified competition by shrinkage of real estate market</li> <li>● Possibility of change/shrinkage in existing business</li> <li>● Changes in office needs due to the spread of telework</li> <li>● Impact on business operations from the COVID-19 pandemic</li> <li>● Impact of geopolitical risks on the domestic economy</li> </ul>	<ul style="list-style-type: none"> <li>● New real estate needs and market changes</li> <li>● Needs arising for new-style offices</li> <li>● Expanding demand for logistics warehouses due to the popularization of EC</li> </ul>
<b>Environment</b> <ul style="list-style-type: none"> <li>● Intensifying climate change</li> <li>● Frequently occurring natural disasters</li> <li>● Tougher environmental regulations</li> </ul>	<ul style="list-style-type: none"> <li>● Greater scale and frequency of building damage due to large-scale natural disasters occurring more often</li> <li>● Increase in capital expenditure in relation to tougher regulations</li> <li>● Higher tax burden due to introduction of carbon tax, etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Greater awareness toward security, BCP, and environmental performance</li> <li>● Growing demand for safe and secure buildings</li> </ul>
<b>Technology</b> <ul style="list-style-type: none"> <li>● Progress in technological innovation</li> <li>● Spread of AI and IoT, and promotion of DX</li> </ul>	<ul style="list-style-type: none"> <li>● Changes in demand for datacenter buildings due to lower power consumption and downsizing of server equipment</li> </ul>	<ul style="list-style-type: none"> <li>● Expanding demand for datacenter buildings due to further progress of digitalization</li> </ul>

### Risks and Opportunities

Governance

Risk Management

Adequate validity assessment

Incorporation into medium- to long-term business strategies

### Keihanshin Building's measures

Business measures

Direction toward sustainable growth

- Increase investments in urban properties located at prime locations to diversify the regional portfolio
- Development of new datacenter buildings
- Rebuild or sell relatively old properties
- Improve operation rates and raise rents
- Further reinforce tenant relations with a thorough customer-oriented approach
- Renewal to buildings with BCP measures
- Study the prospects of new leasing businesses that utilize strengths of existing businesses
- Implement strategic preventive maintenance in view of the intensification of natural disasters

Measures to strengthen foundations for value creation and resources

Develop management foundations in line with the external environment

- Establish a solid corporate governance system and strengthen it further
- Improved corporate value and shareholders returns through sustainable growth
- Contributing to the vitalization of local communities by supporting local events, etc.
- Workstyle reforms to promote employees' active participation
- Fair and proper business dealings for sustainable procurement
- Energy-saving and improvement of building exterior performance to achieve ZEB (Net Zero Energy Building)\*
- Continuous mid-career and new-graduates recruiting
- Enhance information disclosure
- Secure stable funds procurement

\*ZEB, which combines IT, energy-saving technologies, and renewable energy while maintaining a comfortable indoor environment, realizes virtually zero energy consumption. In Japan, the government has set a policy target with a goal of establishing ZEB as the average standard for new constructions by the year 2030.

# Materiality

## Keihanshin Building's Sustainability Policy

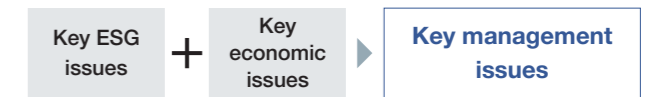
Keihanshin Building aims to contribute to society through various corporate activities under the corporate philosophy "To provide valuable commercial space to customers so as to contribute to the community through the advancement of customers' and our businesses." We believe that our initiatives for solving social issues through corporate activities will contribute to the sustainable development of society and will have a significant impact on our medium- to long-term enhancement of corporate value. Based on this belief, we will implement sustainability initiatives through business activities, setting forth our "Sustainability Policy" as follows.

We will make a united effort to implement initiatives based on the Policy and address sustainability-related challenges on an ongoing basis.

<p><b>We will actively address environmental issues and aim to balance between a rich environment in the future and business activities.</b></p>	<p><b>1 Responding to climate change</b> We will evaluate the impact of our business activities on climate change, a highly uncertain phenomenon that occurs over many years, while striving to build internal systems, improve efficiency of energy use, reduce greenhouse gas emissions, and take other actions so that we can appropriately respond to medium- to long-term changes, including the transition to a decarbonized society as well as the physical impacts from climate change, sea level rise, and other causes.</p>
	<p><b>2 Sustainable use of resources and contribution to recycle-oriented society</b> We will strive to make effective use of limited resources through extending the service life of buildings, reducing waste, conserving water or other methods, thereby contributing to the realization of a recycle-oriented society.</p>
	<p><b>3 Contribution to customers</b> The Company aims to provide safe and comfortable commercial spaces that meet the needs of the times to support our customers' businesses and achieve mutual growth.</p>
	<p><b>4 Dialogue with shareholders and investors</b> We aim to solve social issues and enhance corporate value by actively engaging in dialogue with shareholders and investors, and using the knowledge gained through such dialogue.</p>
<p><b>We will aim for the continuous development of society as a whole through collaboration with our stakeholders.</b></p>	<p><b>5 Collaboration with partner companies</b> We will strive to establish fair and good relations with partner companies that manage and operate buildings, and work together with them to promote sustainability.</p>
	<p><b>6 Contribution to local communities</b> As a real estate company fully grounded in the local community, we will work to revitalize the local community through efforts such as participation in events and support for cultural and artistic activities, thereby growing together with the local community.</p>
	<p><b>7 Initiatives for employees (Well-being initiatives)</b> We strive to create a healthy, safe, and comfortable workplace where diverse employees can play an active role. At the same time, we are committed to actively developing human resources.</p>
	<p><b>8 Supervision of initiatives for sustainable management</b> The Board of Directors views issues surrounding sustainability from the perspective of improving corporate value over the medium- to long-term, and supervises the progress of initiatives to address such issues.</p>
<p><b>We will continue to be highly transparent through maintaining compliance and disclosure of information.</b></p>	<p><b>9 Maintaining compliance</b> We will thoroughly comply with laws and regulations, conduct fair transactions, manage information, and prevent corruption and conflict-of-interest transactions, with an aim to be a company that is even more trusted by society through fair business operations.</p>
	<p><b>10 Disclosure and communication of ESG-related information</b> We will disclose information on ESG to our diverse stakeholders in a timely and appropriate manner, and respond sincerely to opinions and requests from them to promote initiatives to address sustainability issues.</p>

## Keihanshin Building's Materiality

The Company has identified issues to be addressed with high priority as materiality from among those of high importance, in order to continuously enhance its corporate value and realize a sustainable society.



	Theme	Key issues (Materiality)
<b>E</b> (Environmental)	Balancing between a rich environment in the future and business activities	<ul style="list-style-type: none"> <li>● Strengthening of resilience to climate change</li> <li>● Sustainable use of resources by measures to reduce the burden on the environment</li> </ul>
<b>S</b> (Social)	Provision of optimal space keeping abreast of changing external environment and times	<ul style="list-style-type: none"> <li>● Provision of safe, secure, and comfortable space</li> <li>● Promotion of the business keeping abreast of changing environment and times</li> </ul>
	Co-existence and co-prosperity with stakeholders	<ul style="list-style-type: none"> <li>● Conduct of constructive dialogue with investors and shareholders in line with the sustainable management</li> <li>● Collaboration with partner companies conscious of ESG issues</li> <li>● Co-existence and co-prosperity with local communities</li> </ul>
	Establishment of the organization where diverse human resources achieve their potential	<ul style="list-style-type: none"> <li>● Respect of human rights, diversity and inclusion</li> <li>● Improvement of human capital</li> </ul>
<b>G</b> (Governance)	Reinforcement of the management base that supports the sustainable management	<ul style="list-style-type: none"> <li>● Financial strategy to adapt to a changing business environment</li> <li>● Strengthening of organizational resilience</li> <li>● Improvement of the effectiveness of the Board of Directors</li> <li>● Implementation of compliance that supports the sustainable management</li> </ul>

\*See page 38 for KPIs for each key issue.

## Processes for Identifying Materiality

<p><b>STEP 01</b></p>	<p><b>Identification of social issues</b></p> <p>With the aim of identification of materiality, taking into consideration of the management policy based on corporate philosophy and code of conduct, the Company examined a wide range of issues, including SDGs and other various international frameworks, various issues focused on by ESG rating agencies such as MSCI*<sup>1</sup> and FTSE*<sup>2</sup>, and other companies' initiatives, and identified potential social issues that the Company should address.</p> <p><small>*1 MSCI is a financial services company based in New York, USA. It provides a wide range of services including stock index calculation and portfolio analysis. *2 FTSE is a joint venture between the London Stock Exchange and the Financial Times, a British newspaper that focuses on business and financial affairs. It specializes in the construction and calculation of indices.</small></p>
<p><b>STEP 02</b></p>	<p><b>Collection of comments on the identified social issues and examination of their relevance</b></p> <p>The Company collected internal comments on the identified social issues at all levels (i.e., the management team, the Sustainability Committee, departments and groups, and employees), and conducted interviews with stakeholders and questionnaire surveys of external experts. Then, the Company analyzed those issues from the ESG perspective and examined their relevance.</p>
<p><b>STEP 03</b></p>	<p><b>Examination of importance and comprehensiveness as those to be addressed by the Company</b></p> <p>After further examination, the Company reexamined, on a company-wide basis, the importance of those social issues from a long-term perspective, and their comprehensiveness and consistency with the issues facing society. Based on this reexamination, the Company classified them into five themes and summarized them into 13 aspects of materiality.</p>
<p><b>STEP 04</b></p>	<p><b>Identification of the Company's materiality</b></p> <p>The Company identified its materiality through deliberation at the Management Meeting and the Board of Directors meeting.</p>

## Medium-Term Business Plan

# Challenges from here: Into the new stage of growth

In contrast with the continued difficulties in acquiring new profitable properties due to protracted surge in the real estate market prices, both the Toranomon Building and the OBP Building, the two investment projects under the Medium-Term Business Plan, were completed on schedule and started to make contributions to the business results as planned. To achieve our targets by the fiscal year ending March 31, 2026, the final year of the Plan, we will seek to further grow and expand our existing businesses while exploring new businesses for the future.

Target Period FY2020/3 to FY2026/3 / 7 years

### Corporate Vision

While maintaining our uniqueness, we aim to provide valuable commercial space responding to the needs of the times and “expand assets that will be carried over to the next generation.”

### Basic Policy

We aim to achieve further growth and expansion of our existing four distinct businesses by materializing various measures to strengthen our revenue foundation as set forth in the previous Medium-Term Business Plan. We will also assess changes in the investment environment accurately for the near term, and aim for long-lasting and sustainable growth and expansion of our business size during the seven years of the Plan, in order to achieve the growth strategies for our new stage, while we continue to seek the establishment of new businesses in addition to the existing.

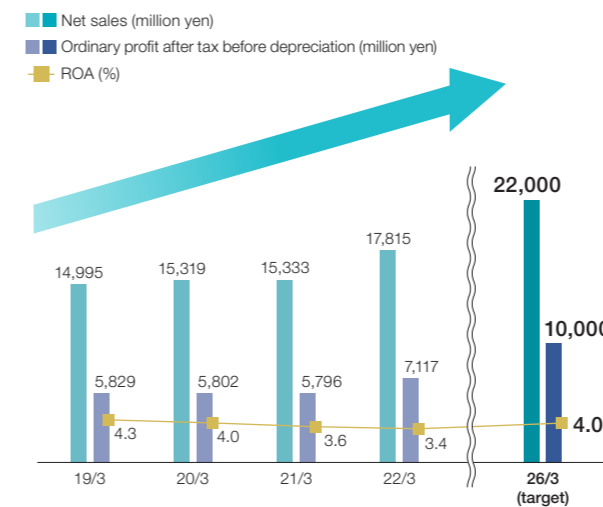
### Business Plan & Progress

	2019/3 (Results)	2020/3 (Results)	2021/3 (Results)	2022/3 (Results)	2026/3 (Final target)
Net sales	14.9 billion yen	15.3 billion yen	15.3 billion yen	17.8 billion yen	<b>22.0 billion yen</b>
Operating profit	5.4 billion yen	5.4 billion yen	5.2 billion yen	5.1 billion yen	<b>8.0 billion yen</b>
Ordinary profit	5.2 billion yen	5.2 billion yen	5.0 billion yen	4.8 billion yen	<b>7.5 billion yen</b>
Ordinary profit after tax before depreciation	5.8 billion yen	5.8 billion yen	5.7 billion yen	7.1 billion yen	<b>10.0 billion yen</b>

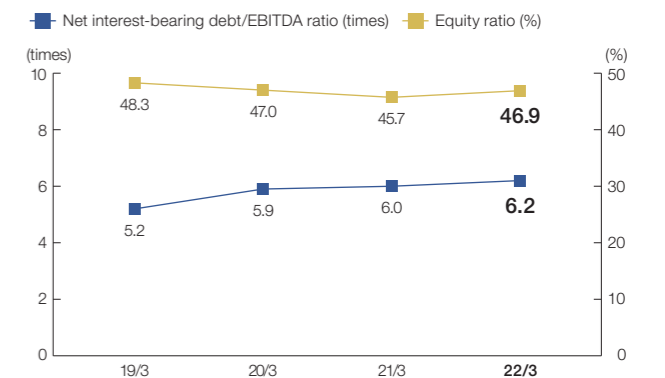
	2019/3 (Results)	2020/3 (Results)	2021/3 (Results)	2022/3 (Results)	2026/3 (Final target)
Total assets	132.7 billion yen	136.6 billion yen	154.0 billion yen	149.9 billion yen	<b>195.0 billion yen</b>
Net interest-bearing debt	39.7 billion yen	45.1 billion yen	45.0 billion yen	54.9 billion yen	<b>92.0 billion yen</b>
Shareholders' equity	64.1 billion yen	64.2 billion yen	70.4 billion yen	70.3 billion yen	<b>82.0 billion yen</b>

### Progress



### Financial Foundation

To maintain the soundness of the financial balance, the Company shall secure an equity ratio of 30% or more and a net interest-bearing debt/EBITDA ratio of 10 times or less.



### Investment Results



#### Keihanshin Toranomon Building

- Conveniently located in the center of capital functions
- BCP functions gained through data-center building business
- A high-quality office building, the Company's fourth property in the Tokyo metropolitan area

Address	1-7-14 Nishi-Shinbashi, Minato-ku, Tokyo
Completion	November 2020
Total floor area	7,263 m <sup>2</sup>
Structure	B1/13F



#### Keihanshin OBP Building

- Located in the north end of the Uemachi Plateau, which has one of the strongest foundations in Osaka-shi
- Equipped with various disaster preparedness facilities to ensure high reliability even in times of disasters
- A world-class, urban large-scale datacenter building

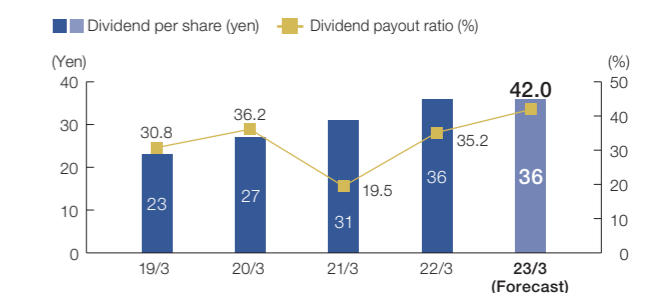
Address	Chuo-ku, Osaka-shi, Osaka
Completion	April 2021
Total floor area	42,132 m <sup>2</sup>
Structure	B1/16F

### Investment Plans

	Investments	Investment results (To 2022/3)	Investment amount (Final target)
Investments in real estate	Part of the construction costs of the Toranomon Building and the OBP Building Acquisition of profitable properties	<b>33.2 billion yen</b>	<b>92.0 billion yen</b>
Investments in renovations and repairs	Large-scale repairs and renovations of owned properties	<b>5.2 billion yen</b>	<b>8.0 billion yen</b>
Total		<b>38.4 billion yen</b>	<b>100.0 billion yen</b>

### Shareholder Returns

Under the policy focusing on stable and continuous dividend payouts, the Company aims for a dividend payout ratio of 35% to 40%. In addition, shareholder returns are implemented with a full awareness of capital efficiency, comprehensively taking into account the economic situation and the Company's stock price.



Medium-Term Business Plan

Medium-Term Business Plan Actions

		Priority measures	Progress	Future challenges and strategies
New investment strategies	Office Buildings	<ul style="list-style-type: none"> <li>Promote the construction of the Toranomon Building and secure full occupancy at an early stage.</li> <li>Promote investment in the central Tokyo area by enhancing brand power in the Tokyo area.</li> <li>Specialize in medium-sized buildings.</li> <li>Participate in redevelopment projects through partnerships with other companies.</li> </ul>	<ul style="list-style-type: none"> <li>The Toranomon Building was completed on schedule with leasing activities successfully concluded, and achieved a 100% occupancy.</li> <li>Gather information on properties to make investments, including negotiation transactions that have yet to emerge on the market.</li> <li>Posted our corporate advertisement in Tokaido Shinkansen's Tokyo Station to enhance our brand power in the Tokyo area.</li> </ul>	<ul style="list-style-type: none"> <li>Established Investment Promotion Department in July 2022 to further promote new investments, and gather upstream information on prospective properties for acquisition.</li> <li>Continue posting advertisements in the Tokyo area to enhance brand power there.</li> </ul>
	Datacenter Buildings	<ul style="list-style-type: none"> <li>Promote the construction of the OBP Building and attract tenants at an early stage.</li> <li>Acquire lots for developments and construct new urban-type datacenter buildings to meet strong demand in the Osaka area.</li> <li>Consider business opportunities in the Tokyo area and suburban datacenter business in the Osaka area, leveraging our high public profile in the datacenter industry.</li> <li>Consider investment in datacenter buildings through business alliances.</li> </ul>	<ul style="list-style-type: none"> <li>The OBP Building was completed on schedule in April 2021, and the building has achieved an occupancy rate of 100%.</li> <li>Gather information from various sources on lots for datacenter buildings, and conduct due diligence on lots for new development projects.</li> <li>Hold exchanges of opinions, etc., to look into alliance possibilities.</li> </ul>	<ul style="list-style-type: none"> <li>Provide equipment construction support to tenants of the OBP Building, and pursue building management in collaboration with partner companies.</li> <li>Acquire and develop lots for new datacenter buildings.</li> <li>Review details of the alliance for specific projects.</li> </ul>
	Commercial Buildings and Logistics Warehouses	<ul style="list-style-type: none"> <li>Acquire urban-type commercial buildings located near the commercial centers or terminal stations in the Tokyo metropolitan area and regional core cities.</li> <li>Acquire build-to-suit warehouses (for specific companies) with facilities and functionalities that meet customer needs.</li> <li>Acquire large and convenient multi-tenant warehouses.</li> </ul>	<ul style="list-style-type: none"> <li>Gather information on profitable properties mainly in the Tokyo metropolitan area.</li> </ul>	<ul style="list-style-type: none"> <li>Acquire urban-type commercial buildings located near the commercial centers or terminal stations in the Tokyo metropolitan area and regional core cities.</li> <li>Consider acquisition of large multi-tenant warehouses, in addition to conventional build-to-suit logistics warehouses.</li> </ul>
Reviewing existing facilities		<ul style="list-style-type: none"> <li>Steadily rebuild or sell unprofitable or older properties.</li> <li>Improve profitability by attracting tenants from new areas of business through effective use of building characteristics.</li> </ul>	<ul style="list-style-type: none"> <li>Sold the Toyahama Warehouse in April 2020.</li> <li>Maintain high occupancy and high rents through a wide range of tenant leasing.</li> </ul>	<ul style="list-style-type: none"> <li>Steadily rebuild or sell older buildings in accordance with policies determined by the Board of Directors.</li> <li>Maintain high occupancy rates.</li> </ul>
Pursuing profitability of owned assets		<ul style="list-style-type: none"> <li>Pursue high operation rates with prime building facilities.</li> <li>Further reinforce relations with tenants with a thorough customer-oriented approach.</li> <li>Develop new customers by strengthening proposal capabilities.</li> </ul>	<ul style="list-style-type: none"> <li>Maintain building quality through preventive maintenance.</li> <li>Strengthen relationships with tenants through highly satisfactory building management.</li> <li>Continue to facilitate switching to LED lighting.</li> </ul>	<ul style="list-style-type: none"> <li>Provide buildings with advanced features tailored to energy conservation and tenant needs under the concept of preventive maintenance.</li> <li>Make improvements based on the results of the customer satisfaction survey, and strive to provide safe and secure commercial space.</li> <li>Develop new customers by strengthening direct marketing capabilities.</li> </ul>
Enhancing risk management		<ul style="list-style-type: none"> <li>Diversify the regional portfolio of the owned properties.</li> <li>Systematically renew buildings to incorporate BCP measures.</li> </ul>	<ul style="list-style-type: none"> <li>Focus on gathering information on new investment properties in the Tokyo metropolitan area.</li> <li>Diversify regional portfolio by selling properties in the Kansai area (Toyahama Warehouse).</li> <li>Carry out renovation work for extra-high voltage power substations at datacenter buildings from the perspective of BCP.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to boost gathering of property information mainly in the Tokyo metropolitan area to promote diversification of regional portfolio.</li> <li>Carry out planned renovations to incorporate BCP measures.</li> </ul>
New developments for the future		<ul style="list-style-type: none"> <li>Consider diversifying and expanding business through business alliances.</li> <li>Consider diversifying investment methods.</li> <li>Consider real estate investment overseas focused on developed countries such as the United States.</li> </ul>	<ul style="list-style-type: none"> <li>Exchange information with funds and operating companies that explore collaboration in the datacenter business.</li> <li>Consider the real estate fund business and M&amp;A transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Consider the specifics of business diversification and scale expansion through business alliances.</li> <li>Advance studies on overseas real estate investments.</li> </ul>
Maintaining a solid financial foundation		<ul style="list-style-type: none"> <li>Pay attention to the balance between direct financing and indirect financing, and strive for stable financing at low interest rates.</li> <li>Maintain the soundness of the financial balance while adhering to the equity ratio of at least 30% and net interest-bearing debt of ten times EBITDA (operating profit before depreciation) or less.</li> <li>Pursue a rating upgrade while maintaining a good credit rating.</li> <li>Maintain ROA (operating profit/total assets) at 4% level.</li> </ul>	<ul style="list-style-type: none"> <li>Focus on relationships with financial institutions, including information gathering on green leases and other sustainable financing options.</li> <li>In terms of financial balance, firmly maintain the targets for equity ratio and net interest-bearing debt/EBITDA (operating profit before depreciation) ratio.</li> <li>ROA fell below the target because of investments in the OBP Building in fiscal 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Continue to study the feasibility of sustainable financing.</li> <li>Pay attention to the balance between direct financing and indirect financing, and strive for stable financing at low interest rates.</li> <li>Aim to increase operating profit by making highly profitable new investments while maintaining financial discipline.</li> </ul>
ESG-conscious business management	E (Environmental)	<ul style="list-style-type: none"> <li>Prolong building life through preventive maintenance.</li> <li>Promote greening and energy-saving initiatives.</li> <li>Consider obtaining various certifications.</li> </ul>	<ul style="list-style-type: none"> <li>Established the Sustainability Committee and Sustainability Promotion Group in fiscal 2020 and 2021 respectively, formulated a sustainability basic policy, developed initiatives and KPIs to address materiality, and expressed our endorsement for the TCFD recommendations and disclosed information accordingly.</li> <li>Acquired green building certifications (CASBEE, Rank S) for the Midouji Building, the Fuchu Building, and the Yodoyabashi Building.</li> <li>Based on social situation, formulate a medium- to long-term plan with a focus on energy conservation (e.g., use of LED lighting) and implement renovations and repairs.</li> </ul>	<ul style="list-style-type: none"> <li>Consider prolonging the life of buildings through preventive maintenance.</li> <li>Encourage greening and energy-saving initiatives at existing buildings and new buildings.</li> <li>Consider obtaining additional green building certifications and various certifications, such as GRESB rating.</li> </ul>
	S (Social)	<ul style="list-style-type: none"> <li>Contribute to the local community through BCP updates and the maintenance of disaster preparedness equipment.</li> <li>Initiate regional revitalization through event sponsorship and donations.</li> <li>Improve productivity through workstyle reform.</li> </ul>	<ul style="list-style-type: none"> <li>Launched in-house workshop on BCP for infectious diseases, and formulated and took specific actions.</li> <li>Continue to perform BCP drills based on the scenario of a disaster occurring on holiday or at night.</li> <li>Donated wheelchairs to two welfare facilities in Osaka.</li> <li>Acquired continued certification as a Health &amp; Productivity Management Outstanding Organization.</li> </ul>	<ul style="list-style-type: none"> <li>Refine our BCP and contribute to local communities through the maintenance of disaster preparedness equipment.</li> <li>Continue with donations and other activities that benefit communities.</li> <li>Improve productivity through further promotion of flexible workstyles and digitalization.</li> </ul>
	G (Governance)	<ul style="list-style-type: none"> <li>Reinforce management soundness and transparency through reviewing the board structure and securing the diversity of executive members.</li> </ul>	<ul style="list-style-type: none"> <li>Introduced restricted stock compensation plan.</li> <li>Reviewed officer compensation system and introduced performance-linked compensation.</li> <li>Increased the number of Independent Outside Directors to constitute a majority of the Board of Directors.</li> <li>Strengthen the executive structure.</li> <li>Shortened the terms of office of directors.</li> <li>Appointed a female director.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen governance in view of requests from institutional investors.</li> <li>Develop human resources with the aim of appointing officers from within the Company.</li> <li>Ensure diversity of the Board of Directors.</li> </ul>

## Financial Capital Strategies



### Maximizing corporate value through appropriate allocation of capital

**Junichi Tada,**  
Managing Executive Officer responsible for Administration

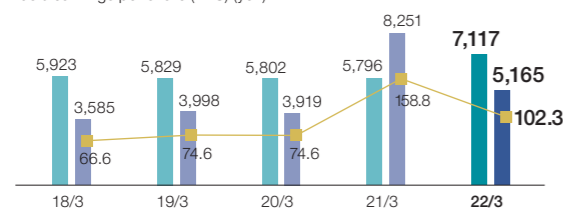
#### Performance in fiscal year ended March 31, 2022

Consolidated net sales for the fiscal year ended March 31, 2022 increased by 16.2% year-on-year to 17,815 million yen, chiefly due to the contribution of the newly-completed OBP Building. However, operating profit declined by 3.2% year-on-year to 5,124 million yen and ordinary profit dropped by 4.0% year-on-year to 4,879 million yen, mainly because of real estate acquisition tax and other initial expenses incurred in connection with the completion of the OBP Building. Furthermore, profit fell by 37.4% year-on-year to 5,165 million yen, with the main factor being a decrease in extraordinary gains from the sale of investment securities.

However, ordinary profit after tax before depreciation, our performance indicators, increased substantially by 22.8% year-on-year to 7,117 million yen, driven by a smooth contribution from the OBP Building.

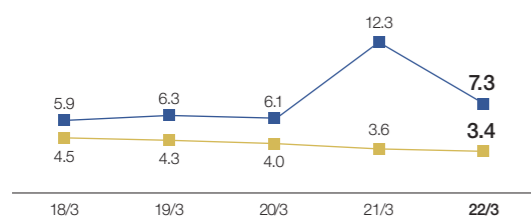
#### Ordinary profit after tax before depreciation, profit, and basic earnings per share (EPS)

■ Ordinary profit after tax before depreciation (million yen) ■ Profit (million yen)  
■ Basic earnings per share (EPS) (yen)



#### ROE and ROA

■ ROE (Return on equity) (%) ■ ROA (Return on assets) (%)

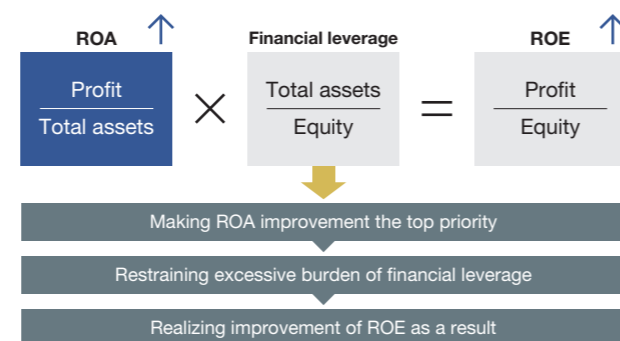


#### Approach to performance indicators

Our Medium-Term Business Plan, which we are currently implementing, calls for the achievement of targets of 10 billion yen in ordinary profit after tax before depreciation and ROA of 4.0% in the year ending March 2026, the final fiscal year of the plan.

Ordinary profit after tax before depreciation, which we use as an earnings indicator, shows post-tax cash flows generated by all our core operations. With it, depreciation is added back on to after-tax profit from all core operations after taking interest payments into account. It is a plain indicator of cash on hand after payment to all stakeholders excluding shareholders, which include partner companies, employees, creditors, the national and local governments. Our choice of ordinary profit after tax before depreciation as a performance metric reflects our commitment to expand cash flow attributable to shareholders after rewarding all our other stakeholders, and to meet the expectations of shareholders by properly returning value to them and investing for growth.

As an efficiency indicator, meanwhile, we emphasize ROA. This is because we recognize that increasing the earning efficiency of all assets by improving the profitability of businesses and enhancing human capital better contributes to improvement in more essential corporate value than would making increasing ROE a direct goal, as ROE can also be boosted by adjusting financial leverage and booking extraordinary gains. As ROE is calculated by multiplying ROA by financial leverage, we intend to increase ROE as a result of improving ROA.



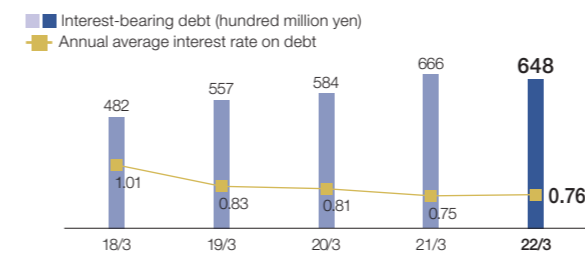
#### Optimal capital structure

In the Medium-Term Business Plan, we have targeted an equity ratio of 42% in the final fiscal year of the plan. Although the ratio may drop temporarily as we procure funding for new investment during the execution of the plan, we intend to keep the equity ratio at 30% or higher and the net interest-bearing debt / EBITDA (operating profit before depreciation) ratio at 10 times or lower as our financial discipline.

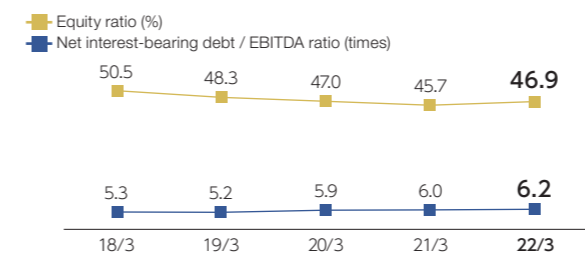
Although curtailing the cost of capital by increasing leverage can lead to maximizing corporate value, to continue providing services to customers even in the event of contingencies such as storm and flood damage incidents, which are feared to become more severe in the future due to climate change, and also earthquakes, it is essential to be resilient to chance events so that a certain degree of risk can be tolerated. Furthermore, with the goal of maintaining the quality and enhancing the value of the buildings we own, we have always planned and executed large-scale investments. Given this nature of our business, we believe that it is optimal to adopt a capital structure where debt financing is limited to a certain level.

However, we acknowledge that our capital structure as of March 31, 2022 does provide adequate room to invest. For many years, our stable management policy has been well received, and we have received favorable ratings from credit rating agencies. Therefore, when making new investments, we intend to widen the EVA spread and improve our corporate value through mainly debt financing at low and long-term-fixed interest rates and curbing our cost of capital.

#### Interest-bearing debt / annual average interest rate on debt



#### Equity ratio, and net interest-bearing debt / EBITDA ratio



#### Approach to new investment

Under the Medium-Term Business Plan, which we are currently implementing, we have set aside just under 60 billion yen for investment in the acquisition of new property. This figure excludes the investments in the Toranomon Building and the OBP Building.

Making investment decisions is extremely difficult in the current environment, as real-estate prices continue to soar and the cost of construction skyrockets due to rising prices in general, but

especially resource prices. Yet precisely because of this environment, we wish to steadily acquire assets as the source of future growth and earnings. To gather information, we will utilize the Investment Promotion Department, which we established in July 2022, and in addition to investing in line with our traditional buy-and-hold policy, we are exploring a variety of other investment methods, such as fund schemes and M&A deals with companies that own real estate.

Moreover, given the possibility of localized natural or other disasters, the fact that the bulk of our properties are located in the Kansai region poses a risk to our business. Therefore, when making new investments, we intend to emphasize regional portfolio diversification. From the perspective of efficiency in property management, our next datacenter building investment is highly likely to be conducted in central Osaka, so for the geographical diversification of our portfolio, we have made areas outside Kansai, such as the Tokyo metropolitan area, our main targets for investments in office buildings, and commercial buildings/logistics warehouses.

When making investment decisions, in addition to looking at quantitative factors such as comparisons with the cost of capital and investment recovery periods, we also investigate qualitative aspects such as area potential, and as a hurdle rate, we place most emphasis on cash flow relative to the investment amount, i.e., the NOI return. This approach is based on our view that we wish to make positive investment decisions even in the case of transactions that would impose a temporary depreciation burden, provided that we deem that they would contribute to the Company's growth over the medium to long term.

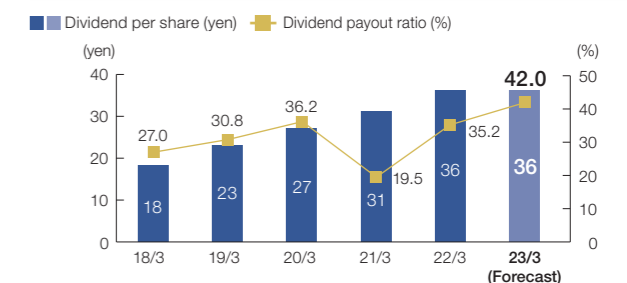
#### Shareholder returns

Our shareholder return policy traditionally focuses on delivering stable dividend payouts and dividend increases by growing earnings per share, and in the Medium-Term Business Plan we have set a target dividend payout ratio of 35% to 40%.

Despite publicly predicting that our earnings would be lower than the previous year in the fiscal year ended March 31, 2022, we still increased dividends. This is because the profit drop was primarily attributable to a large amount of initial expenses upon the completion of the OBP Building, and because we expect the contribution of the OBP Building to ensure strong performance going forward.

In recent years, we have conducted share repurchases as a flexible means of returning value when we have recorded extraordinary gains. Nonetheless, we intend to maintain a basic policy of shareholder returns centered on dividends. That being said, we will explore timely and appropriate shareholder return methods, with share repurchases among our options depending on our stock price and market conditions.

#### Trends in annual dividend per share and dividend payout ratio



## Message from the Officer of Business Promotion Division



### Creating distinctive buildings that embody the Keihanshin Building brand

**Shinji Yamamoto,**  
Senior Managing Executive Officer responsible for Business Promotion Division

#### Leveraging as a strength the trust that arises from amicable and close relationships

Our corporate philosophy is “to provide valuable commercial space to customers so as to contribute to the community through the advancement of customers’ and our businesses.” With that in mind, we operate the real-estate leasing business, and I believe that the specific value offered by our sales departments takes three forms.

The first is the way we strive to forge close relationships with our tenants. A sales person, on the *soft* side, and an engineer, on the *hard* side, are in charge of each property, and they are always working together to find out what tenants want and about anything they are dissatisfied with and make improvements, with the aim of reassuring them that they can have peace of mind about occupying office spaces in the building of Keihanshin Building.

The second is the fact that we have built deep relationships of trust with our partner companies involved in building maintenance and other tasks, including with cleaning, security, and facility management companies. Our personnel inform partner companies of issues they notice as they do the rounds of our buildings, and encourage them to make improvements. This ensures that comfort and safety are maintained on a day-to-day basis.

And the third is our internal Property Management Department, a team of experts specialized in the management of the physical aspects of buildings, such as the electrics and air conditioning. Of our 50 or so employees, more than 10 veteran professionals with experience in technical positions at general contractors and other companies are in the department, which ensures that maintenance is always thorough.

Although the buildings we own include ones that were constructed many years ago, by leveraging these three strengths, we can earn rents that are by no means inferior to those for new buildings in the surrounding area, and tenants can remain occupants for long periods. This gives us a business model that allows us to keep stable and continuous rental revenue. We also view the fact that vacancy rates in our office buildings are low compared with the market average as a testament to the value we offer being highly regarded in the marketplace.

#### Superior know-how gained from continuous relationships with tenant companies

Looking back at our history, we were founded in 1948 to revive and redevelop the Hanshin Racecourse to provide entertainment

to the people, whose spirits were shattered due to the war. The new Hanshin Racecourse, which was completed the following year, was sold to the Japan Racing Association (JRA) a few years later. However, the off-track betting parlors (WINS Buildings) in the Keihanshin area still remain in our possession and we have leased them to the JRA. Because horse races take place at weekends, the parlors are packed with punters on Saturdays and Sundays, so fixtures such as escalators get a full workout. Therefore, to prevent accidents, all personnel are committed to proper maintenance on a daily basis. This attitude has built us a relationship of trust with the JRA over more than 70 years, and has provided the foundation to our approach to business.

Since the Company completed its first office building in Osaka-shi in 1962, it has leveraged the three strengths I discussed at the beginning to steadily increase the number of buildings in its portfolio. In addition, we employ a made-to-order development approach for customers of our commercial buildings and logistics warehouse business, which got its start in 1983 with the construction of the Hirakata Warehouse (Hirakata-shi, Osaka). This presents the significant challenge of initially attracting tenants, but offers the prospect of stable earnings as the tenants use the facilities for a long time.

In 1988 the Company launched an “intelligent building” (now called a “datacenter building”), which saw the opening of buildings to be fitted out with mainframe computers, and this business has grown rapidly along with the spread of the Internet. Since then, we have accumulated know-how related to datacenter buildings by meeting the specifications demanded by customers one by one. These include the ability to withstand high loads so that heavy servers can be placed in them, air conditioning systems needed to keep servers running reliably, and massive power intake to cope with the huge amounts of electricity consumed. As critical social infrastructure, we make sure that our buildings can withstand large earthquakes. We also implement rigorous BCP measures by, for example, securing alternative electricity sources that can be activated during power outages following disasters. As an independent building owner with no connections to telecommunications companies, another of our strengths is that we can accept all tenants on a neutral basis.

In this way, we have flexibly altered our asset portfolio in line with the needs of the times, built up strong and ongoing relationships by responding to tenants’ requests and working together with them to get our buildings just right, and deployed the maintenance and BCP know-how and techniques we have accumulated in each business in other fields. These efforts have given us a

competitive advantage and led us to a unique business approach. We currently operate our business in four fields, office buildings, datacenter buildings, WINS buildings, and commercial buildings and logistics warehouses, in a well-balanced manner. However, we believe that we must launch new businesses, such as a fifth or a sixth, to embark on our next stage of growth.

#### Thorough measures to tackle natural disasters such as flood damage

The environment surrounding our business is in a constant state of flux, which raises the question of how to identify growth opportunities while still adapting to the changes in our environment. The spread of COVID-19 since 2020 has accelerated the adoption of teleworking at companies, and people have started to question the meaning of traditional offices. The tenants of our buildings are all proactive about teleworking, but they also understand the importance of face-to-face communication in a physical setting, so we are aware that the trends of reducing or vacating office spaces are limited. Nevertheless, as we continue to operate our office building business going forward, we will have to adapt to the diversification of office-space requirements as workstyles change.

With the progress of DX, demand for datacenter buildings is rising, but the recent power supply pressures and soaring electricity charges raise the question of how to respond. A close eye also needs to be kept on the impact of climate change. Above all, measures need to be taken in anticipation of overflowing rivers following torrential rains and tsunamis following earthquakes. One example of the actions we are taking in this area is the upgrading and relocation of extra high-voltage power substations. In the case of past property developments, we sometimes installed the substation in the basement, but doing that runs the risk of the equipment being submerged and put out of action in the event of a flood. So we have begun relocating such substations to the upper floors when we replace them with new ones.

Furthermore, regarding the geographical locations of properties, a big issue for us is diversifying our portfolio from one centered on the Keihanshin region, where the occurrence of a Tonankai and Nankai megathrust earthquake could spell huge disaster for the Kansai area, to one that also encompasses other areas such as the Tokyo metropolitan area.

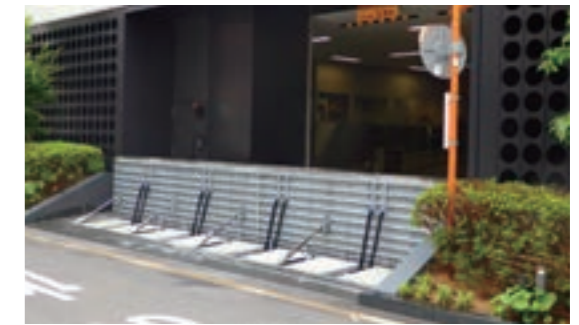


Oil tanks

Our datacenter buildings are fitted out with large emergency-use generators and oil tanks, which can produce enough electricity for the building even if power from the commercial power grid is interrupted. In the brand new OBP Building they can run continuously for at least for 48 hours without being refueled, allowing for continued datacenter operation.



Emergency-use generator



Flood-control panels

To protect against urban flooding, including inland flooding following sudden torrential downpours, we have installed flood-control panels in all our office and datacenter buildings.

#### Smooth communication and cooperation with partner companies that allows the business to be run with a low headcount

We have around 50 employees for the four business domains in which we operate, and what enables us to get by is our vigorous internal communication. Officers and employees all work on the same floor, new graduate hires work as one team with mid-career hires, our talent pool is balanced in terms of age group with both younger and middle-aged employees, and a culture of each individual sharing their specialist knowledge with the others is firmly rooted. A daily report from each person can be shared within the Company, so everyone can find out what is going on. This also creates a sense of unity whereby everyone is in the same direction as they work, and this could be said to be our greatest strength of all.

Another key factor underpinning our ability to operate as a small, hand-picked team is our close cooperation with around 30 partner companies, which include cleaning, security, and facility management companies. Every half year, we give awards to people from partner companies who work on the frontline at each building. Our personnel in charge of each building recommends people for the awards, and by sharing the desire to create better buildings with our partner companies on a day-to-day basis, we aim to operate buildings that add even more value.

#### A corporate culture that provides a foundation for sustainability

As I have been saying, ever since we were founded, we have cherished our connections with all our stakeholders, including tenants, partner companies, and employees. We have built stable and long-term relationships of trust, and grown our business. Recently, there has been a lot of talk about management that is conscious of sustainability, but I would like to emphasize that we established awareness of sustainability as our corporate culture many years ago.

With that past as a base, we have determined a sustainability policy, and defined as materiality themes those issues that we should address as a matter of priority. We have also set, and are working to achieve, targets for each of the ESG components.

Going forward, we at Keihanshin Building will continue to create distinctive buildings that embody the Keihanshin Building brand by leveraging our inimitable strengths and excellence.

# Office Buildings



Keihanshin Yodoyabashi Building

## Providing commercial spaces focused on “safety,” “comfort,” and “environmentally-friendly,” with a long-term perspective for our building management

The Company owns and leases a total of eight office buildings, mainly in business areas of Osaka and Tokyo. Our newest properties are equipped with advanced BCP functions based on our expertise in datacenter building operations. Even in older buildings, we strive to provide comfortable and safe business spaces that compare favorably with those in newly constructed buildings through planned facility renovations and maintenance.

With the spread of COVID-19, workstyle reform has been accelerated and the ideal form of office has been reexamined. As a result, vacancy rates have continued to rise in the office market. However, at present, the impact on our office building business is immaterial, allowing us to maintain a high occupancy rate.

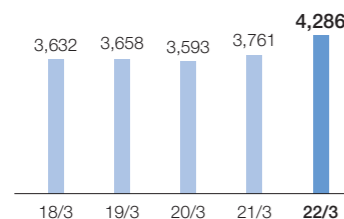
Net sales from the office building business for the fiscal year ended March 31, 2022 were 4,286 million yen, a 524 million yen increase from the previous fiscal year. This is mainly owing to a full-year contribution of the Toranomon Building and an increase in rental income due to the improvement of occupancy rates of existing buildings.

### Assessment of Current Business Environment

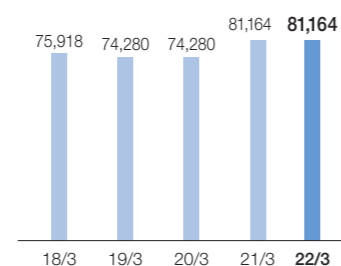


### PERFORMANCE

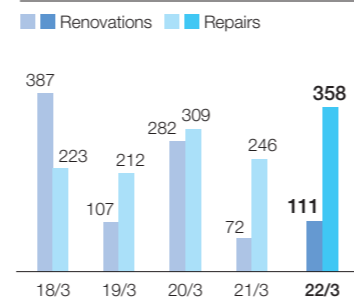
Net sales (million yen)



Rental floor space (m²)



Investments in renovations and repairs (million yen)



### Progress and Projections on the Medium-Term Business Plan

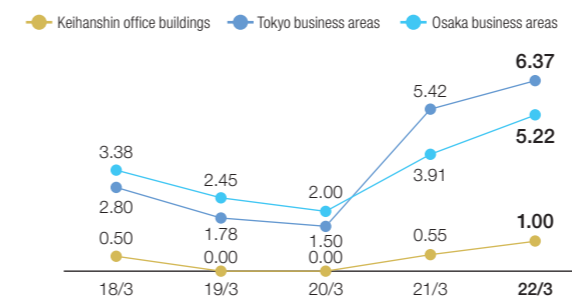
The Keihanshin Toranomon Building, developed in accordance with our Medium-Term Business Plan and completed in November 2020, has been fully contributing to earnings since the fiscal year ended March 31, 2022 as initial costs such as real estate acquisition tax were no longer recorded.

Securing profitability from new investments has been challenging as the real estate market is soaring against a backdrop of monetary easing. Under this environment, we will continue to strive to expand our assets by gathering information mainly in the Tokyo metropolitan area.

Meanwhile, average vacancy rates in the market are rising as office demand weakened due to accelerated workstyle reforms associated with the spread of COVID-19. However, we improve the quality of communication with tenants of our office buildings through meticulous building management, and quickly identify changes in their needs. Even when tenants depart, we find new tenants smoothly, maintaining a high operation rate.

Through these efforts, we maintain vacancy rates of office buildings at a lower level compared to the market average, securing stable profit.

Trends in vacancy rates (Source: Miki Shoji Co., Ltd.)



### Business Strategy Going Forward

- Diversify the regional portfolio through new investments, particularly in the Tokyo metropolitan area
- Boost information gathering activities
- Enhance brand power in the Tokyo area
- Focus on investments in high-spec, medium-sized buildings
- Promote introduction of environmentally friendly and energy conservation equipment
- Participate in redevelopment projects through partnerships with other companies

### Advanced Safety Gained Through the Datacenter Building Business

In operating office buildings, we create business synergies such as advanced safety and reliability by using the expertise gained through the datacenter building business.

In terms of hardware, the latest buildings in particular have a high level of seismic performance comparable to that of datacenter buildings. The Toranomon Building and the Midousuji Building not only have seismic isolation structures but also

contribute to securing BCP functions for tenants in the event of emergency such as disasters by being equipped with emergency-use generators and lines for standby power supply.

In terms of soft aspects as well, the Property Management Department, our engineering division, centrally manages all of our properties regardless of asset types. This allows the operational expertise of datacenter buildings, for which stable operation is essential, to be shared in other business areas as well, thereby achieving a high level of reliability.

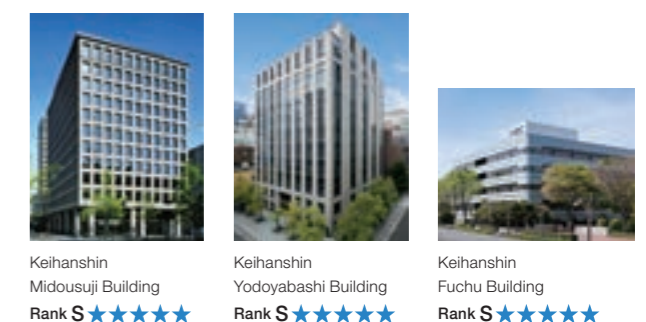
### Relevant Materiality Themes

Materiality	Key initiatives
Strengthening of resilience to climate change	<ul style="list-style-type: none"> <li>• Flood countermeasures such as installation of flood-control panels</li> <li>• Acquisition of real estate certification</li> </ul>
Sustainable use of resources by measures to reduce the burden on the environment	<ul style="list-style-type: none"> <li>• Shifting to energy-saving equipment</li> <li>• Extending the service life of buildings with planned repairs</li> </ul>
Provision of safe, secure, and comfortable space	<ul style="list-style-type: none"> <li>• Maintaining building quality through preventive maintenance</li> </ul>
Co-existence and co-prosperity with local communities	<ul style="list-style-type: none"> <li>• Joining town planning conferences</li> <li>• Providing spaces for community events</li> </ul>
Collaboration with partner companies conscious of ESG issues	<ul style="list-style-type: none"> <li>• Implementing disaster prevention drills and establishing award programs together with partner companies</li> </ul>

### Sustainability Initiatives

The Company promotes the acquisition of third-party building environmental certification to objectively evaluate initiatives for our materiality themes—“Sustainable use of resources by measures to reduce the burden on the environment” and “Provision of safe, secure, and comfortable space.” In the fiscal year ended March 31, 2022, the Fuchu Building and the Yodoyabashi Building were certified for Rank S in the CASBEE Real Estate Certification assessment. As a result, the majority of the floor space of office buildings we own has now obtained the environmental certification. In order to continually enhance the value of the buildings we own, we will actively promote initiatives to improve tenant satisfaction, while also taking energy conservation measures.

### CASBEE Real Estate Certification





# Datacenter Buildings



Keihanshin Nishishinsaibashi Building

## Developing urban-type buildings dedicated to datacenter based on over 30 years of experience in the leasing business

The Company owns and leases eight urban-type datacenter buildings in Osaka. The Company's datacenter buildings boast the latest features such as advanced disaster-prevention functions with seismic isolation structures, stable electric power supply with large emergency-use generators, and advanced security systems. Our extensive maintenance and management services, based on abundant track records of over 30 years in the datacenter leasing business, are also highly regarded.

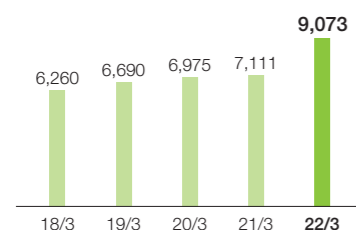
Net sales from the datacenter building business for the fiscal year ended March 31, 2022 were 9,073 million yen, an increase of 1,961 million yen from the previous fiscal year. This is due to a contribution of income of the OBP Building completed in April 2021 and higher operation rates of equipment rooms of existing buildings. We expect a gradual increase in revenues for the fiscal year ending March 31, 2023 and beyond, mainly thanks to rising operation rates of the OBP Building.

### Assessment of Current Business Environment

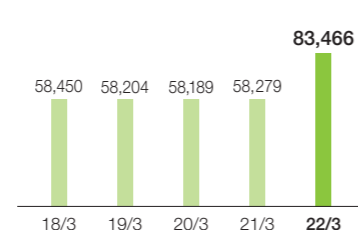
<ul style="list-style-type: none"> <li>Specialization in convenient urban-type datacenter buildings where infrastructure is concentrated</li> <li>Accumulated experience of the datacenter building business extending over 30 years since the early days</li> <li>Strong collaboration with partner companies in building management and operation</li> </ul>	<p><b>Strengths</b></p>	<ul style="list-style-type: none"> <li>Increase in demand for datacenter buildings thanks to expanding digital transformation (DX)</li> <li>Increase in demand for datacenter buildings in the Kansai Region as a means of providing decentralization and backup environments as part of BCP measures</li> <li>Collaborations with other companies, leveraging our public profile in the industry</li> </ul>	<p><b>Opportunities</b></p>
<ul style="list-style-type: none"> <li>Lack of track record in developing business outside the heart of the Osaka central area</li> </ul>	<p><b>Weaknesses</b></p>	<ul style="list-style-type: none"> <li>Competition and oversupply due to the entry of major real estate companies</li> <li>Intensified competition when acquiring land</li> <li>Increase in operating costs due to decarbonization and reduction of GHG emissions</li> <li>Increase in electricity costs due to soaring crude oil prices</li> </ul>	<p><b>Risks</b></p>

### PERFORMANCE

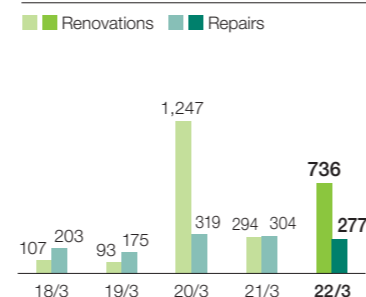
Net sales (million yen)



Rental floor space (m²)



Investments in renovations and repairs (million yen)



### Progress and Projections on the Medium-Term Business Plan

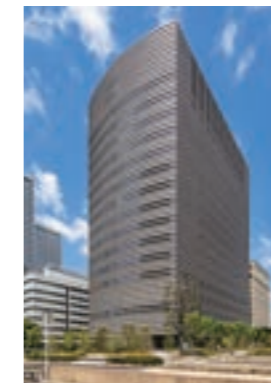
The Keihanshin OBP Building, developed in accordance with our Medium-Term Business Plan and completed in April 2021, is fully occupied against the backdrop of strong demand thanks to increased data communication volume, contributing to business performance ahead of the initial plan. Although a large amount of initial costs such as real estate acquisition tax were recorded for the building for the fiscal year ended March 31, 2022, we expect it to start to contribute to profit from the fiscal year ending March 31, 2023.

Due to the popularization of telework and promotion of digital transformation (DX) in companies, data communication volume has been increasing, and the COVID-19 pandemic has accelerated the pace of the increase. As a result, the demand for and interest in datacenters is growing further. Although it continues to be difficult to secure land for development due to soaring real estate market prices, we will proceed with proactive information gathering activities for investing in new datacenter buildings in light of the business environment where strong demand is expected.

### Completion of the Keihanshin OBP Building

In April 2021, the Keihanshin OBP Building, the Company's eighth datacenter building, was completed. The Keihanshin OBP Building is a global standard, large-scale datacenter building, consolidating the expertise of the Company's datacenter building business accumulated over 30 years.

The building is located in the north end of the Uemachi Plateau, which is considered to be a strong foundation in Osaka-shi, and stands in the heart of the metropolitan area with good access to transportation where electrical and telecommunication infrastructure are concentrated. Furthermore, the Keihanshin OBP Building is equipped with various disaster prevention measures including a mid-story isolation structure to ensure extremely high reliability. The building is also equipped with large emergency-use generators that can continually operate up to 48 hours without oil supply during a blackout, allowing for continued operation of the datacenter in the event of an emergency.



Keihanshin OBP Building

Location	Chuo-ku, Osaka-shi
Completion	April 2021
Total floor area	42,132 m²
Structure	B1/16F

### Business Strategy Going Forward

- Establishment of operations in collaboration with our tenants and partner companies for full-fledged operation of the OBP Building
- Boost information gathering activities to acquire and develop land for new datacenter buildings
- Expand our datacenter building business domain, including consideration of suburban type datacenters in the Kansai Region.
- Make planned repair and renovation investments, such as replacing key facilities, in the aim of thoroughly implementing preventive maintenance.

### Relevant Materiality Themes

Materiality	Key initiatives
Strengthening of resilience to climate change	<ul style="list-style-type: none"> <li>Renovating power substations and relocating them to upper floors</li> </ul>
Sustainable use of resources by measures to reduce the burden on the environment	<ul style="list-style-type: none"> <li>Planned shifting to energy-saving equipment</li> <li>Extending the service life of buildings with planned repairs</li> </ul>
Provision of safe, secure, and comfortable space	<ul style="list-style-type: none"> <li>Ensuring reliability by conducting periodic actual load testing of emergency-use generators*</li> <li>High level of seismic isolation and vibration control performance</li> </ul>
Promotion of the business keeping abreast of changing environment and times	<ul style="list-style-type: none"> <li>Contributing to improving energy efficiency in society as a whole by consolidating servers into datacenters</li> </ul>
Collaboration with partner companies conscious of ESG issues	<ul style="list-style-type: none"> <li>Holding conferences, implementing disaster prevention drills, and establishing award programs together with partner companies</li> </ul>

\* Actual load testing of emergency-use generators

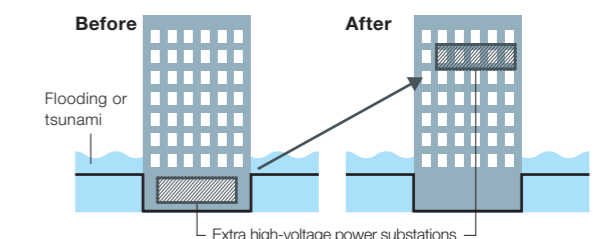
At regular intervals, we recreate a state of blackout by artificially cutting off the commercial electricity from the power company to automatically start the emergency-use generator, and check whether the generated electricity is normally supplied to the building without interruption and all facilities operate properly.

### Sustainability Initiatives

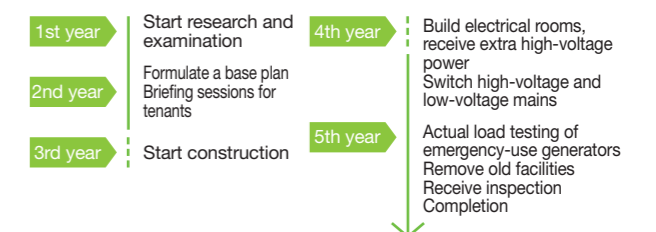
As part of initiatives for "strengthening of resilience to climate change," one of our materiality themes, the Company is progressively renovating extra high-voltage power substations of our properties to relocate them from basements to upper floors. Extra high-voltage power substations are facilities that supply electric power drawn from outside into buildings. By relocating the power substations to upper floors, we aim to reduce the risk of submersion in the event of severe flooding due to climate change.

As datacenter buildings operate 24 hours a day, 365 days a year, electricity supply must never be interrupted, even for a short period of time. Although it is extremely difficult to renovate and relocate power substations while keeping the building in operation, we are making favorable progress in cooperation with our partner companies.

We will continue to strive to strengthen resilience, reduce the burden on the environment, and provide safe, secure, and comfortable space through planned renovations and repairs of datacenter buildings.



### Example schedule of renovation work for extra high-voltage power substations



## WINS Buildings



WINS Umeda B Building

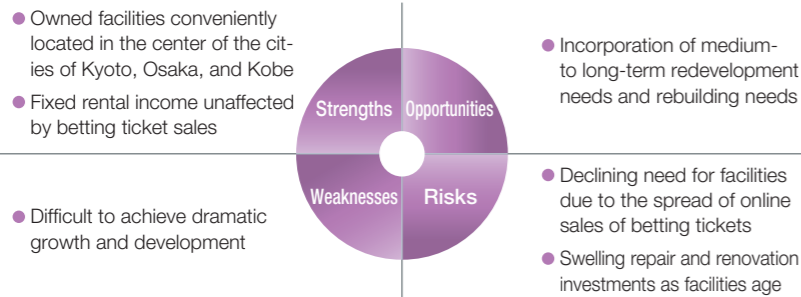
### Maintaining and operating fine facilities together with Japan Racing Association (JRA) and local communities

WINS buildings refer to the facilities that sell off-track betting tickets for Japan Racing Association (JRA) races held all over Japan. The Company owns and leases a total of five WINS buildings in the central area of the cities of Kyoto, Osaka, and Kobe. The WINS buildings business dates back to the Company's founding, and has been one of our core businesses that generate stable revenue for many years.

Although the share of sales at WINS buildings is in a declining trend as online betting is spreading due to the COVID-19 pandemic, the impact on the business performance is minor as the buildings are leased at fixed rents.

Net sales from the WINS building business for the fiscal year ended March 31, 2022 were 3,473 million yen.

#### Assessment of Current Business Environment



#### Progress and Projections on the Medium-Term Business Plan

Although issues such as temporary closure due to the COVID-19 pandemic occurred, the impact on the WINS buildings business was minor, and the business has continued to secure stable profitability. With this long-established business having continued since the founding of the Company, we will continue to make planned investments in renewal, repair, and renovation of buildings, in order to provide facilities that can be sustainably used for many years to come.

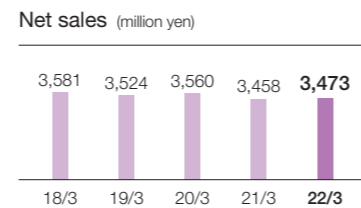
#### Business Strategy Going Forward

- Make planned repair and renovation investments
- Strengthen relations with local communities, including active participation in local events
- Reinforce relations with Japan Racing Association (JRA)

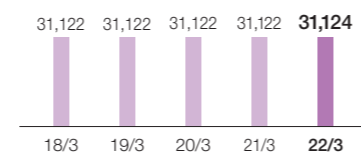
#### Relevant Materiality Themes

Materiality	Key initiatives
Strengthening of resilience to climate change	● Flood countermeasures such as installation of flood-control panels
Sustainable use of resources by measures to reduce the burden on the environment	● Planned shifting to energy-saving equipment ● Extending the service life of buildings with planned repairs
Provision of safe, secure, and comfortable space	● Maintaining and operating fine facilities together with tenants
Co-existence and co-prosperity with local communities	● Contributing to increasing the attractiveness of local communities through proactive participation in their communities

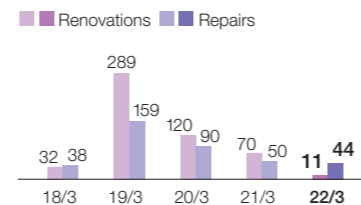
#### PERFORMANCE



#### Rental floor space (m<sup>2</sup>)



#### Investments in renovations and repairs (million yen)



Work for converting to LED lighting

## Commercial Buildings and Logistics Warehouses



Shijo-Kawaramachi Building

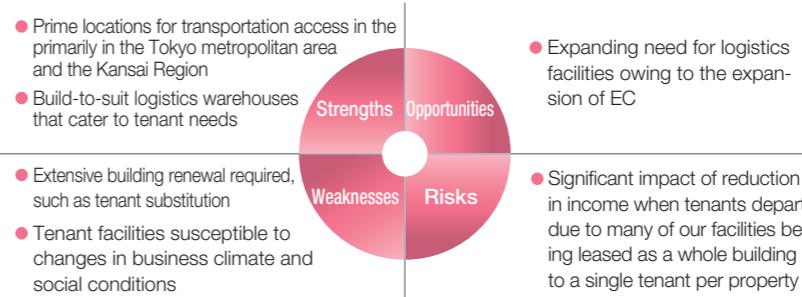
### Developing high value-added facilities that support life of local communities

The Company has been developing the leasing business for commercial buildings and logistics warehouses since 1970s. As of March 31, 2022, the Company owns and leases five commercial buildings and logistics warehouses in the country, particularly in the Kansai Region and the Tokyo metropolitan area. We used to have road-side-type commercial facilities located across Japan, but these have been progressively sold in response to changing needs of the times and we are currently promoting acquisition of more conveniently located properties in accordance with our Medium-Term Business Plan.

The impact of the COVID-19 pandemic on our commercial buildings was minor as they were 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 electric commerce (EC).

Net sales from the Commercial Buildings and Logistics Warehouses business for the fiscal year ended March 31, 2022 were 982 million yen.

#### Assessment of Current Business Environment



#### Progress and Projections on the Medium-Term Business Plan

The environment surrounding the Commercial Buildings and Logistics Warehouses business has been undergoing great changes as our lifestyle has changed due to the COVID-19 pandemic. In particular, as strong demand for logistics warehouses is expected to continue due to the expansion of EC (E-Commerce), we will continue further information gathering activities with the aim of acquiring profitable properties at good locations.

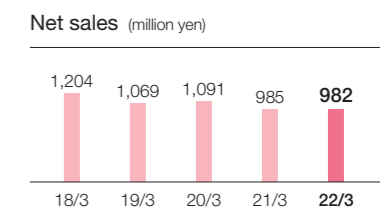
#### Business Strategy Going Forward

- For commercial buildings, promote acquisition of urban-type commercial buildings located near the commercial centers or terminal stations in the Tokyo metropolitan area and regional core cities.
- For logistics warehouses, consider acquisition of large multi-tenant warehouses in addition to build-to-suit warehouses.

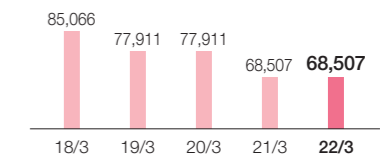
#### Relevant Materiality Themes

Materiality	Key initiatives
Sustainable use of resources by measures to reduce the burden on the environment	● Planned shifting to energy-saving equipment ● Extending the service life of buildings with planned repairs
Provision of safe, secure, and comfortable space	● Providing convenient facilities that meet tenants' needs
Promotion of the business keeping abreast of changing environment and times	● Providing infrastructure that supports growth of the EC market

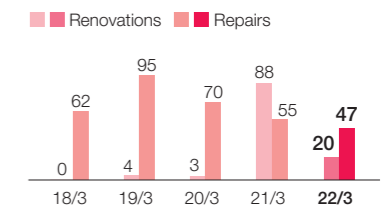
#### PERFORMANCE



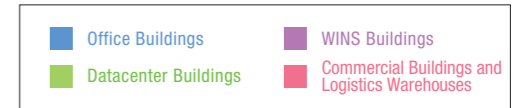
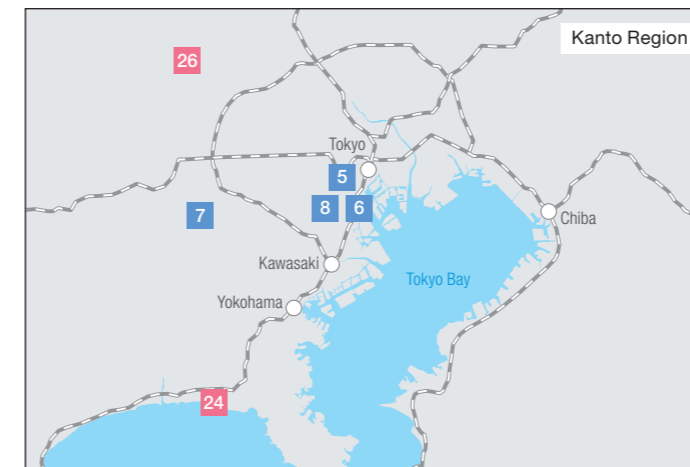
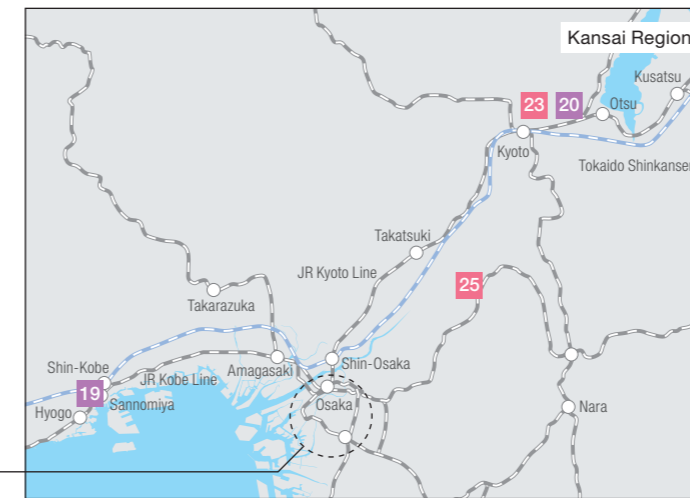
#### Rental floor space (m<sup>2</sup>)



#### Investments in renovations and repairs (million yen)



# List of Owned Properties (As of June 18, 2022)



**1 Keihanshin Midousuji Building**  
 Address: 3-2-1 Doshomachi, Chuo-ku, Osaka-shi, Osaka  
 Two minutes on foot from the Osaka Metro Midousuji Line Yodoyabashi Station  
 Structure: B1/14F  
 Total floor area: 19,872 m<sup>2</sup>

**5 Keihanshin Toranomon Building**  
 Address: 1-7-14 Nishi-Shinbashi, Minato-ku, Tokyo  
 Two minutes on foot from the Tokyo Metro Ginza Line Toranomon Station  
 Structure: B1/13F  
 Total floor area: 7,263 m<sup>2</sup>

**9 Keihanshin OBP Building**  
 Address: Chuo-ku, Osaka-shi, Osaka  
 Structure: B1/16F  
 Total floor area: 42,132 m<sup>2</sup>

**2 Keihanshin Kawaramachi Building**  
 Address: 4-2-14 Kawaramachi, Chuo-ku, Osaka-shi, Osaka  
 Two minutes on foot from the Osaka Metro Midousuji Line Honmachi Station  
 Structure: B3/9F  
 Total floor area: 16,520 m<sup>2</sup>

**6 Keihanshin Onarimon Building**  
 Address: 6-16-12 Shinbashi, Minato-ku, Tokyo  
 Two minutes on foot from the Toei Mita Line Onarimon Station  
 Structure: B1/9F  
 Total floor area: 3,885 m<sup>2</sup>

**10 Keihanshin Nishishinbashi Building**  
 Address: Nishi-ku, Osaka-shi, Osaka  
 Structure: B1/10F  
 Total floor area: 18,061 m<sup>2</sup>

**3 Keihanshin Yodoyabashi Building**  
 Address: 4-4-7 Imabashi, Chuo-ku, Osaka-shi, Osaka  
 Two minutes on foot from the Osaka Metro Midousuji Line Yodoyabashi Station  
 Structure: B1/11F  
 Total floor area: 12,136 m<sup>2</sup>

**7 Keihanshin Fuchu Building**  
 Address: 5-22-5 Sumiyoshicho, Fuchu-shi, Tokyo  
 Six minutes on foot from the Keio Line Nakagawara Station  
 Structure: 6F  
 Total floor area: 35,907 m<sup>2</sup>

**11 Keihanshin Kitahorie Building**  
 Address: Nishi-ku, Osaka-shi, Osaka  
 Structure: B1/7F  
 Total floor area: 14,456 m<sup>2</sup>

**4 Keihanshin Azuchimachi Building**  
 Address: 3-4-10 Azuchimachi, Chuo-ku, Osaka-shi, Osaka  
 One minute on foot from the Osaka Metro Midousuji Line Honmachi Station  
 Structure: B1/7F  
 Total floor area: 3,505 m<sup>2</sup>

**8 Keihanshin Yoyogi-koen Building**  
 Address: 1-12-10 Tomigaya, Shibuya-ku, Tokyo  
 Two minutes on foot from the Tokyo Metro Chiyoda Line Yoyogi-koen Station  
 Structure: B1/6F  
 Total floor area: 5,079 m<sup>2</sup>

**12 Keihanshin Shinmachi 1 Building**  
 Address: Nishi-ku, Osaka-shi, Osaka  
 Structure: B1/9F  
 Total floor area: 16,162 m<sup>2</sup>

**13 Keihanshin Shinmachi 2 Building**  
 Address: Nishi-ku, Osaka-shi, Osaka  
 Structure: B1/7F  
 Total floor area: 14,646 m<sup>2</sup>

**14 Keihanshin Shin-Esaka Building**  
 Address: Suita-shi, Osaka  
 Structure: B1/7F  
 Total floor area: 11,970 m<sup>2</sup>

**15 Keihanshin Toyosaki Building**  
 Address: Kita-ku, Osaka-shi, Osaka  
 Structure: 6F  
 Total floor area: 3,365 m<sup>2</sup>

**16 Keihanshin Nakatsu Building**  
 Address: Kita-ku, Osaka-shi, Osaka  
 Structure: 8F  
 Total floor area: 4,010 m<sup>2</sup>

**17 WINS Umeda A Building**  
 Address: 2-1-16 Shibata, Kita-ku, Osaka-shi, Osaka  
 Total floor area: 5,037 m<sup>2</sup>

**18 WINS Umeda B Building**  
 Address: 2-2-33 Shibata, Kita-ku, Osaka-shi, Osaka  
 Total floor area: 8,425 m<sup>2</sup>

**19 WINS Kobe B and C Building**  
 Address: 3-7-1 Motomachidori, Chuo-ku, Kobe-shi, Hyogo  
 Total floor area: 4,720 m<sup>2</sup>

**20 WINS Kyoto Building**  
 Address: 1 Komatsucho, Shijosagaru-yonchome, Yamato-oidori, Higashiyama-ku, Kyoto-shi, Kyoto  
 Total floor area: 2,517 m<sup>2</sup>

**22 Nagano Shopping Facility**  
 Address: 3-22-1 Wakasato, Nagano-shi, Nagano  
 Total floor area: 34,381 m<sup>2</sup>

**23 Shijo-Kawaramachi Building**  
 Address: 354 Shimo-osakacho, Kawaramachi-dori Shijoagaru, Nakagyo-ku, Kyoto-shi, Kyoto  
 Total floor area: 4,968 m<sup>2</sup>

**24 Fujisawa Shopping Facility**  
 Address: 610-1 Fujisawa, Fujisawa-shi, Kanagawa  
 Total floor area: 7,354 m<sup>2</sup>

**25 Hirakata Warehouse**  
 Address: 2-9-12 Kasuga-kitamachi, Hirakata-shi, Osaka  
 Total floor area: 11,123 m<sup>2</sup>

**26 Kawagoe Distribution Center**  
 Address: 1-10-12 Minamidai, Kawagoe-shi, Saitama  
 Total floor area: 11,201 m<sup>2</sup>

## Setting of Initiatives and KPIs Linked to Materiality

ESG	Key issues (Materiality)	Initiatives	KPIs
 <p>Environmental</p>	Strengthening of resilience to climate change	<ul style="list-style-type: none"> <li>● Conduct assessment and monitoring of the impact of climate change on business</li> <li>● Reduce GHG emissions, water usage, and the volume of waste</li> <li>● Promote the acquisition of green building certifications</li> <li>● Promote compliance with ZEB (Net Zero Energy Buildings) in line with the "Roadmap for the realization and spread of ZEB"</li> <li>● Promote energy conservation in buildings</li> </ul>	<ul style="list-style-type: none"> <li>● Climate change monitoring by the Sustainability Committee: At least once a year</li> <li>● GHG emissions: 46% reduction of Scope 1 and 2 portions by the fiscal year ending March 31, 2031 Of the above, 10% reduction of GHG emissions by reducing energy use through energy-conservation efforts</li> <li>● Water usage: No quantitative targets*</li> <li>● Volume of waste: No quantitative targets*</li> <li>● Promoting the acquisition of green building certifications by the fiscal year ending March 31, 2031 (Acquire certifications for all newly constructed properties, 50% or more of the total floor area of all properties)</li> </ul>
	Sustainable use of resources by measures to reduce the burden on the environment	<ul style="list-style-type: none"> <li>● Use renewable energy</li> <li>● Prolong the lives of buildings</li> </ul>	<ul style="list-style-type: none"> <li>● Introduction of electricity derived from renewable energy sources</li> </ul>
* The Company is currently preparing basic data for the volume of waste and water usage and accordingly, has yet to set quantitative targets. The Company plans to set and disclose quantitative targets as soon as they are ready.			
 <p>Social</p>	Provision of safe, secure, and comfortable space	<ul style="list-style-type: none"> <li>● Maintain building quality through preventive maintenance</li> <li>● Strengthen BCP and BCM</li> <li>● Improve the health and comfort performance of office buildings</li> </ul>	<ul style="list-style-type: none"> <li>● Maintaining a track record of 100% progress in the preventive maintenance plan</li> <li>● Periodic reviews of the manual of BCP measures</li> <li>● Customer satisfaction survey: At least once a year</li> </ul>
	Promotion of the business keeping abreast of the changing environment and times	<ul style="list-style-type: none"> <li>● Consider new businesses</li> <li>● Diversify regional portfolio</li> <li>● Strengthen the leasing of datacenter buildings</li> </ul>	—
	Conducting constructive dialogue with investors and shareholders in line with sustainable management	<ul style="list-style-type: none"> <li>● Promote fair, timely, and appropriate information disclosure and constructive dialogue</li> </ul>	<ul style="list-style-type: none"> <li>● Holding briefings: At least four times a year</li> </ul>
	Collaboration with partner companies conscious of ESG issues	<ul style="list-style-type: none"> <li>● Collaborate with partner companies on environmental and social issues (including seminars)</li> <li>● Promote sustainable procurement (Promote respect for human rights, and health and safety at partner companies)</li> </ul>	<ul style="list-style-type: none"> <li>● Regular meetings with business partners: At least four times a year</li> <li>● Conducting surveys on human rights</li> </ul>
	Co-existence and co-prosperity with local communities	<ul style="list-style-type: none"> <li>● Conduct activities to contribute to local communities</li> <li>● Improve relationships with local communities (Ensure opportunities for the exchange of information)</li> </ul>	<ul style="list-style-type: none"> <li>● Conducting social contribution activities: At least 10 times a year</li> <li>● Participation in the meetings of local communities: 90% or more</li> </ul>
	Respect for human rights, diversity and inclusion	<ul style="list-style-type: none"> <li>● Diversify human resources</li> <li>● Accept outside human resources</li> </ul>	<ul style="list-style-type: none"> <li>● Conducting workshops on human rights: Once a year</li> <li>● A 50% male-to-female ratio among new recruits (Five-year average)</li> </ul>
	Improvement of human capital	<ul style="list-style-type: none"> <li>● Improve business efficiency and productivity (Promote DX)</li> <li>● Promote human resources development</li> <li>● Work to improve the health of employees</li> </ul>	<ul style="list-style-type: none"> <li>● Paid leave utilization rate: 70% or higher</li> <li>● Disclosure of investment amounts associated with human resources development*</li> <li>● Maintaining 100% health checkup uptake rate</li> </ul>
*Figures will be disclosed as soon as they are ready.			
 <p>Governance</p>	Financial strategy to adapt to a changing business environment	<ul style="list-style-type: none"> <li>● Maintaining a solid financial base (Take advantage of our creditworthiness to realize low-cost financing)</li> </ul>	<ul style="list-style-type: none"> <li>● Maintaining an issuer credit rating of A- or higher</li> <li>● Equity ratio of 30% or higher</li> <li>● Net interest-bearing debt/EBITDA ratio of 10 times or lower</li> </ul>
	Strengthening of organizational resilience	<ul style="list-style-type: none"> <li>● Periodically review of the Corporate Governance Guidelines</li> <li>● Conducting BCP drills</li> <li>● Formulation of measures suited to each risk and implementation of progress management by the Risk Management Committee</li> </ul>	<ul style="list-style-type: none"> <li>● Review of the Corporate Governance Guidelines: Once a year</li> <li>● BCP drill: Once a year</li> <li>● Holding of the Risk Management Committee: At least four times a year</li> </ul>
	Improvement of the effectiveness of the Board of Directors	<ul style="list-style-type: none"> <li>● Involve a third party in the evaluation of the effectiveness of the Board of Directors</li> <li>● Ensure the diversity of the Board of Directors</li> <li>● Provide training, etc. to Directors</li> <li>● Maintain the ratio of Outside Directors constituting a majority of the Nomination and Remuneration Committee</li> <li>● Secure adequate deliberation time (Provide explanations in advance and review the criteria for deliberations)</li> </ul>	<ul style="list-style-type: none"> <li>● Maintaining the ratio of Outside Directors constituting a majority of the Board of Directors</li> <li>● Appointment of at least one female Director</li> <li>● Maintaining the ratio of Outside Directors constituting a majority of the Nomination and Remuneration Committee</li> </ul>
	Implementation of compliance that supports sustainable management	<ul style="list-style-type: none"> <li>● Provide compliance education and training to employees at all levels</li> <li>● Assess and investigate the implementation status of compliance measures by the Compliance Committee</li> <li>● Operate the In-House Reporting System with outside attorneys as contact points</li> </ul>	<ul style="list-style-type: none"> <li>● Conducting compliance training: Once a year</li> <li>● Holding of the Compliance Committee: At least four times a year</li> </ul>

## Protecting the Environment

### Basic Policy on Environment

We will actively address environmental issues and aim to balance between a rich environment in the future and business activities.

### Responding to Climate Change

We will evaluate the impact of our business activities on climate change, a highly uncertain phenomenon that occurs over many years, while striving to build internal systems, improve efficiency of energy use, reduce greenhouse gas (GHG) emissions, and take other actions so that we can appropriately respond to medium- to long-term changes, including the transition to a decarbonized society as well as the physical impacts from climate change, sea level rise, and other causes.

### Sustainable Use of Resources and Contribution to Recycle-oriented Society

We will strive to make effective use of limited resources through prolonging the lives of buildings, reducing waste, conserving water or other methods, thereby contributing to the realization of a recycle-oriented society.

### Targets of Initiatives

- 1 Reduce Scope 1 and 2 GHG emissions by 46% by the fiscal year ending March 31, 2031** (compared to the fiscal year ended March 31, 2020)  
Of the above, 10% of GHG emissions will be reduced by reducing energy use through energy-conservation efforts.
- 2 Promote the acquisition of green building certifications by the fiscal year ending March 31, 2031** (Acquire certifications for 50% or more of the total floor area of all properties)  
With an aim to acquire green building certifications for 50% or more of the total floor area of all properties, we will promote building performance improvement in terms of energy conservation, safety, and water conservation while prolonging the lives of building structures.

### Initiatives

#### Greenhouse gas (GHG) reduction initiatives

Anticipating future needs for Net Zero Energy Buildings (ZEB)\*, we work to make our buildings environment-friendly such as by adopting energy-saving facilities.

<b>Air conditioning and lighting systems</b>	We have introduced the zoning air-conditioning, which divides floors into multiple zones and adjusts the temperature of each zone, as well as the automatic light-adjusting system, which controls illumination according to the natural light coming in through windows detected by sensors. With the fine control of energy consumptions, we strive for efficient use of energy.
<b>Switching to energy-saving equipment</b>	We are implementing a series of facility upgrades to energy-saving models for lighting and air-conditioning devices at the timing of facility renewals or tenant replacement. We are introducing LED lightings mainly at office buildings and upgrading power substations and air-conditioning facilities at datacenter buildings.
<b>Introduction of renewable energy</b>	As a measure to reduce Scope 1 and 2 GHG emissions by 46% by the fiscal year ending March 31, 2031 from the fiscal year ended March 31, 2020 baseline, in addition to the introduction of renewable energy, we are considering the introduction of experimental solar power generation systems in some of our buildings.

\*ZEB, which combines IT, energy-saving technologies, and renewable energy while maintaining a comfortable indoor environment, realizes virtually zero energy consumption. In Japan, the government has set a policy target of realizing ZEB on average for new constructions by the year 2030.

The majority of the Company's total supply chain GHG emissions consists of those from tenants (customers) of our leasing properties (Scope 3, Category 13).

Compared to office buildings, datacenter buildings use a larger amount of electricity to operate and cool IT equipment. However, we believe that we are making a certain contribution to energy conservation and GHG emissions reduction in society as a whole through efforts such as having datacenter users transfer and consolidate their servers and other IT equipment scattered across multiple locations into a state-of-the-art datacenter building with high energy efficiency. Going forward, we will work to reduce GHG emissions across an entire property by promoting energy-conservation initiatives in cooperation with tenants (customers) and encouraging them to consider the use of renewable energy.

#### Acquisition of green building certifications (Management of buildings with high energy-saving and safety performance)

We promote the acquisition of green building certifications, such as CASBEE Real Estate Certification and BELS Certification, in order to objectively assess the condition of our buildings through external evaluations, and at the same time, to use them as a reference for further improvement and enhancement.

#### Overview of CASBEE Real Estate Certification

The CASBEE (Comprehensive Assessment System for Building Environmental Efficiency) is a method for rating the environmental performance of buildings. The method comprehensively assesses building quality, including interior comfort and attention to the surrounding scenery, in addition to care for the environment (such as use of materials and equipment that conserve energy with a minimal environmental impact). For more information on CASBEE, please see the link below.

CASBEE website <https://www.ibec.or.jp/CASBEE/english/>

#### CASBEE Real Estate Certification assessment ranking

The CASBEE Real Estate Certifications we have obtained are as follows:

<b>Keihanshin Midosuji Building</b> Assessment rank: Rank S ★★★★★	<b>Keihanshin Yodoyabashi Building</b> Assessment rank: Rank S ★★★★★	<b>Keihanshin Fuchu Building</b> Assessment rank: Rank S ★★★★★
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These buildings were highly rated on the following points in particular.

- High energy conservation performance and water conservation performance
- High safety performance (seismic isolation structures and measures to prolong life of building structure)
- Greenery management and natural disaster preparedness that are appropriate for the site conditions

#### Overview of BELS Certification

BELS (Building-Housing Energy-efficiency Labeling System) assesses and labels non-residential buildings in terms of energy conservation performance, etc. based on the Evaluation Guidelines for Indicating Energy Conservation Performance of Non-Housing Buildings (2013) established by Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT). BELS uses an assessment method that conforms to the revised Energy Conservation Standards (fully enforced on April 1, 2014). For more information on BELS, please see the link below (available in Japanese only).

BELS website <https://www.hyoukakyukai.or.jp/bels/info.html>

#### BELS Certification assessment ranking

The BELS Certification we have obtained is as follows:

<b>Keihanshin OBP Building</b> Assessment rank: ★★☆☆☆
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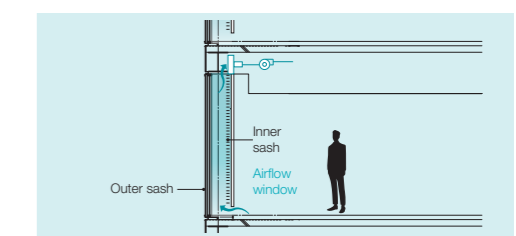
#### Prolonging of the lives of buildings

Instead of resorting to the scrap-and-build approach, we are making efforts to reduce the environmental impact by using buildings over a long period of time to reduce waste emissions and saving resources, while switching aging equipment to new energy-saving devices.

#### High energy conservation performance (example of the Toranomon Building)

The Toranomon Building uses airflow windows\*, a zoned air conditioning system, and LED lighting for system ceilings. The building contributes to the environment with its high-spec energy-conservation performance, such as automatic light adjustment by sensors.

\*Airflow is directed between an outer and an inner layer of glass, mitigating the afternoon sun in summer and the cold in winter, and achieving both comfort and energy conservation.



Cross-section view of an airflow window

## Disclosure Based on TCFD Recommendations

# Initiatives for TCFD Recommendations

The Company will assess the impact of climate change on its business and proactively disclose climate change-related information in line with the framework recommended by the TCFD. With a renewed recognition that initiatives against climate change will contribute to the sustainable development of society and the medium- to long-term enhancement of corporate value, the Company will further promote initiatives toward sustainability.

### Governance

As regards the system to promote sustainable management including responses to climate change, the President serves as the Chief Sustainability Officer at the Company while the Executive Officer responsible for Administration serves as the Sustainability Executive. In addition, the Company has established the Sustainability Committee, chaired by the President, to study and formulate various policies, targets and measures, as well as the Sustainability Promotion Group to develop the system and execute various measures. The Committee studies policies and targets for addressing

sustainability and manages their progress. It also deliberates and reports on matters related to climate change responses, including the identification and assessment of the impact of climate change, the management of risks and opportunities, the management of the status of adaptation and mitigation initiatives, and the setting of metrics and targets. The Sustainability Executive periodically reports these activities to the Management Meeting and the Board of Directors, and the Board of Directors supervises the sustainability initiatives accordingly.

### Strategy

The financial impact of climate change on the Company was assessed, and to incorporate such impact into the Company's medium- to long-term business strategies, a scenario analysis was conducted in line with the framework recommended by the TCFD. (See the right page for the world view of each scenario.)

### Risk Management

The Sustainability Executive and the Sustainability Promotion Group assess such factors as the feasibility of risks and opportunities and return on investment, and periodically report the progress and results of identifying risks and opportunities to the Sustainability Committee. The Sustainability Committee prioritizes the matters requiring risk management among the risks reported to formulate and implement appropriate measures to address them. In addition,

the Chief Sustainability Officer instructs the relevant departments and persons in charge to consider the important climate-related risks in terms of the business and finance plans in the existing risk management framework by cooperating with the Risk Management Committee, in an effort to integrate the risk identification, assessment, and management processes.

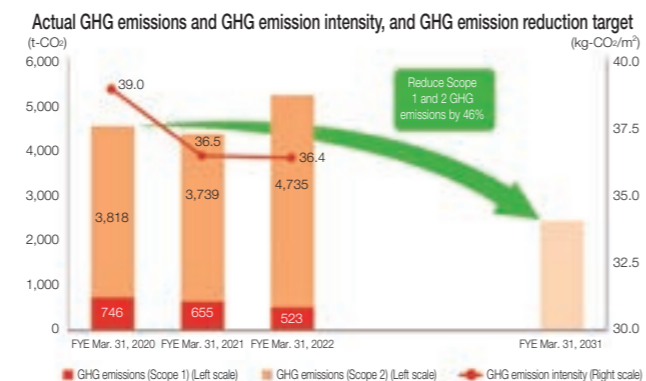
### Measures for major risks

Classification		Description of risks	Status of responses to risks
Transition risks	Policies and legislation	Stricter energy conservation regulations and the introduction of a carbon tax as the decarbonization of business is strongly demanded	<ul style="list-style-type: none"> <li>Strengthening of efforts to promote energy conservation</li> <li>Consideration of the use of renewable energy</li> </ul>
Physical risks	Intensification of disasters	Intensification of disasters caused by rising temperatures	<ul style="list-style-type: none"> <li>Relocation of critical facilities to upper floors, installation of flood-control panels, and strengthening of preventive maintenance</li> <li>Strengthening of resilience through developing BCP and holding drills</li> </ul>

### Metrics and Targets

**Targets:** Reduce greenhouse gas (GHG) emissions by 46% (compared to the fiscal year ended March 31, 2020) by the fiscal year ending March 31, 2031

- KPIs:**
- Reduce GHG emissions by 10% (compared to the fiscal year ended March 31, 2020) by the fiscal year ending March 31, 2031 by reducing energy use through energy-conservation efforts.
  - Use renewable energy
  - Raise the ratio of certified green buildings to all the owned properties by floor space (%) to 50% by the fiscal year ending March 31, 2031 and acquire green building certifications for all newly constructed properties in the future



The following website outlines the four themes presented in the TCFD recommendations: Governance, Strategy, Risk Management, and Metrics and Targets.

For information disclosure based on the TCFD recommendations, please refer to our website. <https://www.keihanshin.co.jp/english/sustainability/>

## 1.5–2°C Scenario

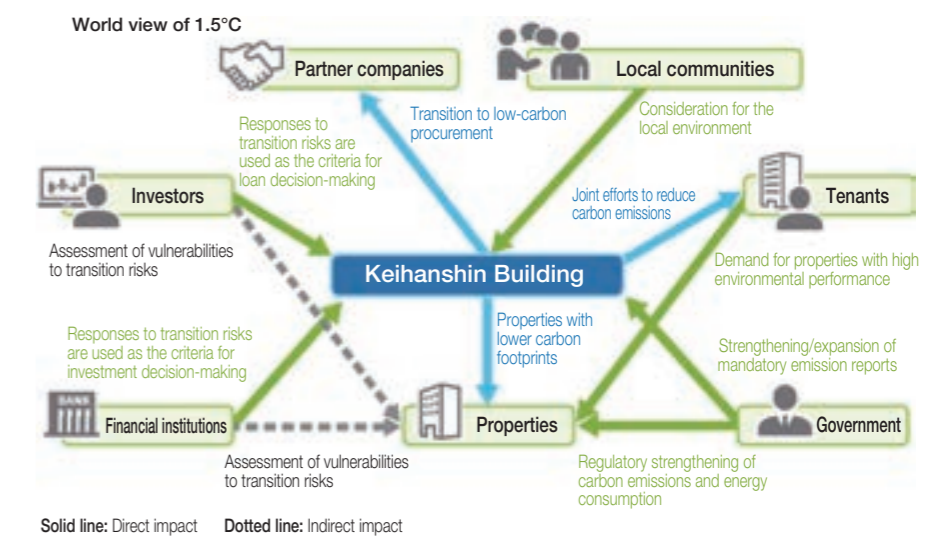
A scenario in which progress is made in addressing climate change due to stricter government regulations, etc.

### Scenario overview:

- Progress is made in addressing climate change due to stricter government environmental regulations.

### Major impacts:

- Laws and regulations on carbon emissions and energy consumption may be strengthened.
- While demand for properties with high environmental performance may increase, rents for properties with low environmental performance may decrease. However, it is expected that the promotion of environmental initiatives, such as the introduction of electricity derived from renewable energy sources, and carbon emission reduction initiatives in cooperation with tenants (customers), will help improve and maintain property competitiveness.



## 4°C Scenario

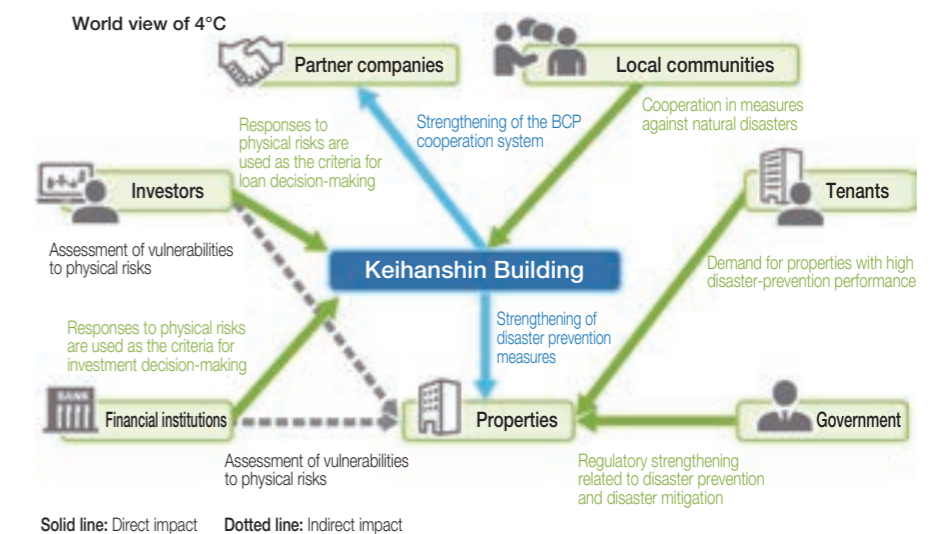
A scenario in which insufficient progress is made in addressing climate change, global warming worsens, and natural disasters intensify and increase.

### Scenario overview:

- Insufficient progress is made in addressing climate change, global warming worsens, and natural disasters intensify and increase.

### Major impacts:

- While costs may increase to strengthen disaster prevention measures, as we have already put various measures in place under the concept of "preventive maintenance," no serious damage is expected to occur.



## Initiatives for Stakeholders

### Basic Policy on Stakeholders

We will aim for the continuous development of society as a whole through collaboration with our stakeholders.

### Contribution to Tenants (Customers)

The Company aims to provide safe and comfortable commercial spaces that meet the needs of the times to support our customers' businesses and achieve mutual growth.

### Targets of Initiatives

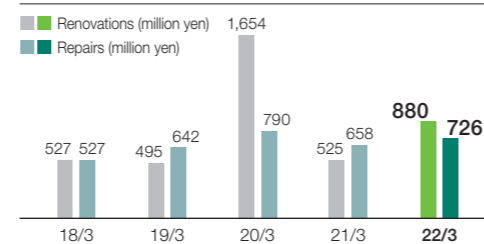
- 1 Provide safe and comfortable commercial spaces that meet the needs of the times
- 2 Improve the health and comfort performance of office buildings

### Initiatives

#### Initiatives to provide safe and comfortable commercial spaces

In order to provide safety and comfort to our customers, we implement planned repairs and renovations aimed to prevent major accidents based on the concept of "preventive maintenance," which defines the useful life period (in years or hours) for each facility and replaces the facility after a certain period of use, even if it has not broken down.

#### Investments in renovations and repairs



The value to offer	Our initiatives	Description
Safety	Earthquake countermeasures	Adoption of seismic isolation devices • Our main datacenter buildings and office buildings adopt advanced seismic isolation devices. • Comprehensive seismic strengthening measures are also applied to existing buildings.
		Earthquake countermeasures for elevators • Elevators are fully equipped with a system for safe evacuation of passengers at the time of earthquake. • Emergency supplies are equipped within elevators in case passengers are trapped.
		Developing BCP and holding drills • Periodic reviews of BCP and regular drills are conducted.
	Flooding countermeasures	Installation of flood-control panels • Flood-control panels have been installed at the entrances to buildings to prevent flooding.
		Equipment rooms set on the second floor or higher • The risk of submersion has been reduced.
	Securing power sources	Receiving power from multiple lines • Datacenter buildings and some office buildings receive power from multiple lines.
Comfort	Enhancing tenant services	Twin system by Business Department and Property Management Department • A twin system by Business Department and Property Management Department has been set up, allowing for accurate understanding of and quick response to customer needs.
		Preventive maintenance • Repairs and renovations of facilities are carried out in a planned way, based on the concept of preventive maintenance.
		Upgrading amenities • Customer satisfaction surveys are conducted to implement improvements based on their requests.
		Improving accessibility • Signs in braille are installed along with remodeling of buildings to be handicapped accessible.

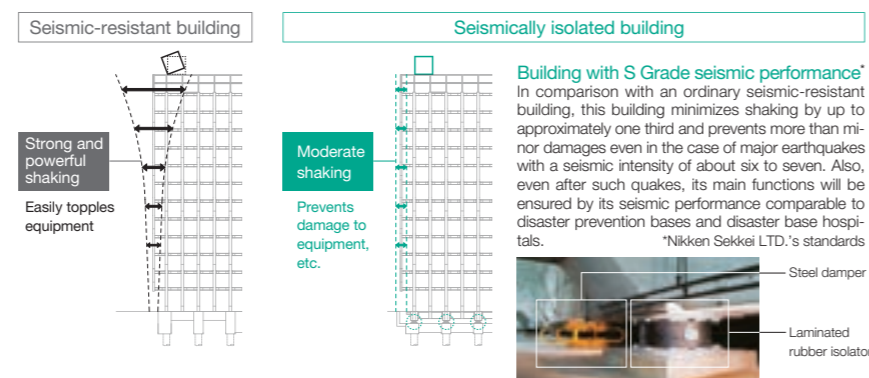
### Disaster-Prevention Functions

#### Emergency-use generators

Emergency-use generators are installed in case electricity supply is cut during disasters or unexpected events. In addition to lighting leased rooms to a level of brightness that allows business to operate unimpeded, they will also allow the use of some computers, televisions, and other equipment.

#### Seismic isolation devices

Laminated rubber isolators and steel dampers will reduce earthquake shaking and minimize shaking of the building. Not only do they secure building users' safety, but they also prevent furniture and fixtures from being damaged by falling.



#### Satisfaction surveys for tenants' employees

By understanding our customers' direct feedback, needs and level of satisfaction, and having discovered issues and areas for improvement, we will work to provide safer and more comfortable commercial spaces.



Satisfaction survey for tenants' employees

### Collaboration with Partner Companies

We will strive to establish fair and good relations with partner companies that manage and operate buildings, and work together with them to promote sustainability.

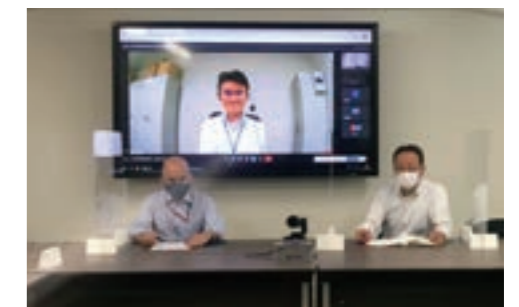
### Targets of Initiatives

- 1 Collaborate with partner companies on environmental and social issues (hold regular meetings at least four times a year)
- 2 Promote sustainable procurement (promote respect for human rights and safety and health at partner companies)

### Initiatives

#### Implementation of regular meetings with partner companies

We hold regular meetings between partner companies and staff from our Business Department and Property Management Department to share information. In addition to schedules and progress of constructions, we report on actual cases of customer complaints, improvement requests, or safety management initiatives conducted at each company. We work to share information and spread expertise, so as to maintain joint operation systems for close communication.



#### Establishment of fair and good relations with partner companies

In 2015, the Company established a Cooperative Partner Company Award program. The award is given twice a year to recognize works provided and contributions made by the employees of partner companies responsible for managing our properties. Recommendations from the Company, along with self-recommendations from partner companies, are both accepted.



#### Fair and appropriate business transactions

The Company takes an equal and fair stance for its business transactions with partner companies. Furthermore, Audit Department regularly conducts audits to verify whether transactions are performed in compliance with laws, regulations, and designated in-house processes.

#### Promotion of sustainable procurement

Aiming to obtain the understanding of partner companies about the Company's policy for procurement activities and to contribute to the realization of a sustainable society by the entire supply chain, we plan to explain the Company's approach to procurement activities and conduct a survey regarding sustainable procurement.

## Initiatives for Stakeholders

### Contribution to Local Communities

As a real estate company fully grounded in the local communities, we will work to revitalize the local communities through efforts such as participation in events and support for cultural and artistic activities, thereby growing together with the local communities.

### Targets of Initiatives



- 1 Implement contribution activities to local communities (implement at least 10 contribution activities per year)
- 2 Improve relations with local communities (achieve 90% or more participation in local community meetings)

### Initiatives

#### Contribution to local communities

Under our Code of Conduct of “We will establish a good relationship with the community and actively engage in social contribution activities as a good citizen,” as a company fully grounded in the local communities, we are engaged in donations and participation in litter clean-up activities. We believe such contribution activities help to revitalize local communities and increase their attractiveness, which will also lead to the Company’s sustainable growth.

#### 1. Revitalization of Local Communities

Activities	Description	Supported Organization (Contact Point)
Midosuji litter clean-up activity	Conduct litter clean-up activities for the roadside of Midosuji once a month 	Roadside of Midosuji from Honmachi to Yodoyabashi
Support for Nakanoshima Children's Book Forest	Donate to facilities development to enable local children to experience various forms of arts and culture	Osaka City
Supporting the Osaka Classic	Support the music event held in autumn in Osaka-shi	Osaka Classic Executive Committee
Support for Midosuji Illumination	Support the illumination project to revitalize Midosuji Road 	Osaka Prefecture
Donation to the Flowers and Greenery Urban Renewal Fund	Donate to conservation activities for the avenue of ginkgo trees and decorative flowers along Midosuji Road	Osaka City

#### 2. Social Welfare

Activities	Description	Supported Organization (Contact Point)
Donation to welfare facilities	Donated wheelchairs to two welfare facilities in the prefecture	Osaka Prefecture

#### Improvement of relations with local communities

As an initiative to improve relations with local communities, the Company participates in the association, Midosuji Machizukuri Network (Midosuji Urban Development Network) as a board member. This association aims to enhance the value of the Midosuji area, where the Company’s head office is located, as a “business area with vitality and dignity.” The association promotes revitalization initiatives in cooperation with the local communities, by examining issues and improvement measures for Midosuji from a local perspective and working in partnership with the local government, economic organizations, and other institutions.

### Dialogue with Our Shareholders and Investors

We aim to solve social issues and enhance corporate value by actively engaging in dialogue with shareholders and investors, and using the knowledge gained through such dialogue.

### Targets of Initiatives

- 1 Disclose information in a fair, timely and appropriate manner, and promote constructive dialogue

### Initiatives

#### Timely and appropriate information disclosure

In an effort to enhance disclosure information, we have decided to substantially revamp the contents of the previous Corporate Report and issue the Integrated Report. In addition, in order to further promote the elimination of the information gap between Japan and overseas, we have made it a policy to basically disclose information in English as well. Certain information, such as consolidated financial results and briefing session materials for analysts, are disclosed in Japanese and English simultaneously. The Annual Securities Report and the Corporate Governance Report are not currently disclosed in English. We will consider disclosing these reports in English.

Name of documents	Status of Response
Consolidated financial results	The English version is disclosed simultaneously.
Briefing session materials for analysts	
Timely disclosure materials to exchanges	The English version is disclosed at a later date.
Other disclosure materials	Disclosure of the English version is determined individually based on the policy of disclosing them in English.
Notice of General Meeting of Shareholders	Part of the information is disclosed in English.
Annual Report	The English version is prepared and disclosed.
Annual Securities Report	Disclosure of the English version is considered.
Corporate Governance Report	

#### Dialogue with our shareholders and investors

The Company aims to improve corporate value while pursuing management efficiency and transparency by promoting deeper understanding of the Company among shareholders and investors through appropriate information disclosure together with active communication, as well as by flexibly taking in diverse opinions. We hold company briefing sessions for investors, where the President is in charge of giving explanations, in principle.

While it remains difficult to hold various on-site IR activities and briefing sessions due to the COVID-19 pandemic, we have made efforts to encourage dialogue, including by holding online briefing sessions and online and telephone meetings. In addition to enhancing the range of information disclosed on our corporate website, we continued to engage in dialogue with domestic and overseas investors. We are fully committed to providing fair and appropriate information disclosure for all our shareholders.

	Activities	Results for fiscal 2021
For institutional investors	Briefing sessions for analysts	Held twice
	One-on-one meetings	Held 54 times (cumulative total)
	Enhancement of disclosures in English	Mitigate the information gap between Japan and overseas in our corporate website, publish English translation of disclosure materials
For individual investors	Briefing sessions for individual investors in major cities nationwide	Held three times (two of which were held online and the other in Tokyo)
Feedbacks on opinions received through IR activities	Activities report at the Board of Directors' Meetings	Held five times

#### Enhancement of opportunities

To allow shareholders who are unable to attend the General Meeting of Shareholders in person to view the meeting, we have introduced live-streaming of meetings via the Internet from the 98th Annual General Meeting of Shareholders for the fiscal year ended March 31, 2021.



## Initiatives for Stakeholders

### Initiatives for Employees (Well-being Initiatives)

We do our utmost to create a healthy, safe, and comfortable workplace where diverse employees can play an active role. At the same time, we are committed to actively working to develop human resources.

#### Targets

- 1 Promote human resources development**
- 2 Promote the health of employees** (maintain 100% health checkup uptake rate)
- 3 Improve operational efficiency and productivity** (achieve paid leave utilization rate of 70% or more)
- 4 Diversify human resources**  
We aim to achieve five-year average of 1:1 for the male-to-female ratio in the recruiting of new graduates. We internally promote awareness of human rights.

#### Initiatives

##### Promotion of human resources development

As of the end of March 2022, the Company operates with a small number of staff members of only 51 employees. To enable operations to be carried out by this small group and to realize effective business management, the workplace must be where a safe and pleasant work environment is ensured as well as where the personality and individuality of each employee is respected so that everyone can maximize their potential. We will continue to promote workstyle reforms to achieve an appropriate work-life balance for our employees and work toward reinforcing human resource foundation.

##### Personnel system reform

We have abolished career categories such as “managerial” and “general,” allowing employees to increase the range of their job responsibilities and take on higher-level duties depending on their motivations and abilities, which enabled us to expand roles of employees. In addition, officers in charge provide each employee with feedback on his or her evaluation annually, such as conducting reviews of works in the year and confirming expectations for his or her roles, thereby promoting initiatives to help each employee make the maximum use of his or her abilities.

##### Qualification support system

The Company has established a system to support employees acquire qualifications, with the aim of providing opportunities for self-improvement and encouraging them to acquire qualifications and improve their skills. The Company fully covers the expenses for seminars and exams for qualifications individually accredited by the Company, including the qualification of real estate notary.

Qualifications	Number of qualification holders (persons)
First-class registered architect	6
First-class registered construction management engineer	6
Registered electric works execution manager	3
Chief electricity engineer	2
Real estate notary	14

As of the end of March 2022

##### Promotion of the health of employees

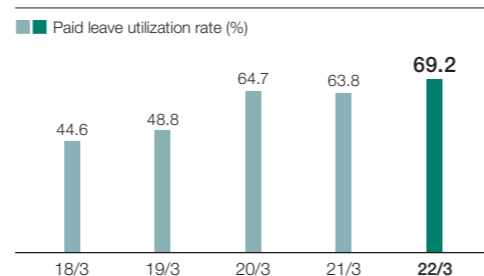
##### Healthcare of our employees

The healthcare of our employees is extremely important for us. The Company’s annual health checkup provides a thorough medical examination which far exceeds the level required by laws and regulations. All employees are eligible and the expense is entirely covered by the Company. We have also established a system to provide a fee coverage for the spouses of our employees.

##### Encouraging utilization of paid leave

The Company has a consecutive leave system where employees can take a leave up to five days consecutively once a year, which allows them to refresh mentally and physically. Together with the anniversary leave system, which was introduced in 2019, we have a unique leave system that helps to achieve a paid leave utilization rate of 70% or more, which is one of our KPIs.

##### Paid leave utilization rate



##### Promotion of health and productivity management

For the realization of sustainable growth, it is important to keep all of our employees healthy both mentally and physically. The Company has, therefore, made a Health and Productivity Management Declaration.

##### Health and Productivity Management Declaration

One of the principles under our Corporate Philosophy is “To provide valuable commercial space to customers so as to contribute to the community through the advancement of customers’ and our businesses.” At the same time as realizing this philosophy, we believe that, in order to improve productivity and performance, it is important for each of our employees to maximize their own abilities while aiming to maintain and improve their health, and we declare our commitment to health and productivity management.

President Tsuneo Wakabayashi

##### Recognized 2022 Certified Health & Productivity Management Outstanding Organization (SME Category)

The Company was recognized as a 2022 Certified Health & Productivity Management Outstanding Organization (SME Category) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, an organization that operates the recognition program.



##### Improvement of operational efficiency and productivity

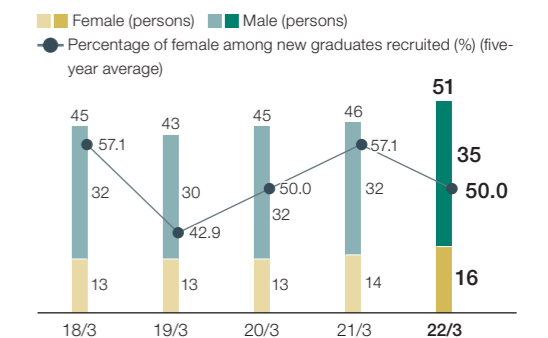
##### Creating a remote working system

As part of its efforts to promote workstyle reforms, the Company has been proceeding with the digitalization of documents and the adoption of various systems. We are promoting initiatives such as the distribution of thin client devices to all employees and building a system that allows flexible working at home or remotely.

##### Diversification of human resources (respect for human rights, diversity, and inclusion)

We aim to continue recruiting new graduates and achieve five-year average of 1:1 for their male-to-female ratio. The Company has recently seen an increase in the retention rate of female employees hired as new graduates, backed by the development of a work environment that takes work-life balance into consideration. Currently, female employees account for half of all employees below the managerial level, and opportunities for them to play an active role in the Company have been expanding in recent years. At the same time, we are promoting diversification of our human resources mainly through mid-career recruitment and active use of the senior generation, as well as advancing internal awareness-raising activities for human rights.

##### Number of employees and male-to-female ratio of new graduate hires



##### Creation of a pleasant work environment

The Company strives to create a pleasant work environment so that all employees can play active roles, including enhancing support systems, such as leave programs for childcare and family nursing, and actively hiring from the senior generation.

##### Number of individuals who took maternity/childcare leave, and who returned to work (persons)

	18/3	19/3	20/3	21/3	22/3	Total
Number of individuals who took maternity/childcare leave	0	0	1	2	1	4
Number of individuals who returned to work	1	1	1	0	1	4

##### Monthly average overtime\*

	18/3	19/3	20/3	21/3	22/3
Monthly average overtime	6	8	11	14	14

\* Overtime is calculated based on the Company’s prescribed working hours (7 hours).

##### Number of senior employees (aged 60 or older) (persons)

	18/3	19/3	20/3	21/3	22/3
Number of senior employees	13	12	13	14	14

## Interview with Outside Expert and Board Chairman



**Koichi Minami**

Board Chairman (Chairman)

**Koji Shimada**

Deputy Director, Division of General Planning and Development, the Ritsumeikan Trust  
Professor (Doctorate Holder), College of Economics, Ritsumeikan University

## We are working with stakeholders to step into a new stage of growth as we inherit our tangible and intangible assets.

Sustainable management is an essential task for ensuring that a company is accepted by society and can continue to survive. We spoke with Koichi Minami, Chairman of the Board, and Koji Shimada, a professor of the College of Economics, Ritsumeikan University. They discussed the importance of sustainable management, and gave their assessments of Keihanshin Building's approach to sustainable management, and highlighted related issues.

**Q. As someone who specializes in employing approaches from economics and other social sciences to tackle environmental problems, how do you view the importance of sustainable management?**

**Shimada** ———

40 years ago, when I was studying environmental science at university, pollution and environmental contamination were the main topics, and I conducted research on technologies and measures for treating waste to ensure that it would not contaminate the environment. Later, from the 1990s to the 2000s, the need arose for steps to prevent CO<sub>2</sub> and waste

emissions from manufacturing and service processes. And in recent years, sustainability in areas where the environment, economy, and society intersect, has become essential. As a result, questions have started to be asked about the very nature of corporate management and activity as we endeavor to achieve sustainability.

In the past, environment-related government policies and regulations were regarded as an impediment to corporate activity, but at the beginning of the 1990s, the American management scholar, Michael Porter put forward the hypothesis that “companies that respond to properly designed environmental policies and regulations as opportunities become

more productive and competitive.” This notion created ripples through not only academia but also in the business world. I was also interested, and verified whether the hypothesis applied to Japanese companies.. I found that companies that comply with environmental regulations and transform workstyles generate added value and become more competitive.

**Minami** ———

That was very informative. I think the term “sustainable management” has only grabbed the limelight in the past few years, but for a long period now our corporate philosophy has been “to provide valuable commercial space to customers so as to contribute to the community through the advancement of customers’ and our businesses.” In addition, “protecting the environment” is one of the six items in our Code of Conduct. In the past, there was a tendency to first make a profit, and then use that money to contribute to society, but caring for the environment is a duty for companies, and there’s a need for a paradigm shift in approach, to one based on the idea that unless we fulfill that duty and become a company of the like that society demands, we will not be able to obtain economic value. I actually renewed this awareness after listening to what you’ve said.

**Shimada** ———

In my papers, I classify companies as either post-regulatory adaptive firms or pre-regulatory adaptive firms, and what you’ve just said indicates that your company falls into the latter category. Companies that read societal trends ahead of time and take action with a sense of duty are what society demands, and they are the ones that will survive.

**Q. What perspectives were emphasized when the Company’s materiality themes were being determined?**

**Minami** ———

We have 70-odd years of history, and during that time we have been proactive in anticipating and responding to demands from society, and changed the shape of the Company. After the war, when society had been devastated, the Company restarted its horse racing business as a way of bringing fun back to society, and it constructed office buildings as the economy recovered as well as commercial facilities in line with the development of motorized society. We also foresaw the information society of today. Back then we called them “intelligent buildings,” but later we launched our Datacenter Buildings business. With international issues such as the COVID-19 pandemic and Russia’s invasion of Ukraine piling up, right now we need to think about how to see such developments coming and respond to them ahead of time.

To achieve further growth as a company, we believe that it is vital to provide stakeholders with information that is easy

to understand, so from among issues of high importance, we determined and disclosed as materiality themes those issues that we should address as a matter of priority. We defined 13 themes this time, and while they are all important, I feel that the most important one is “strengthening of resilience to climate change.” On November 26, 2021 we endorsed the TCFD recommendations, and we recognize that efforts to tackle climate change will support the sustainable development of society and increases in our corporate value over the medium to long term. As such, we are proactively exploring ways of further reducing energy use and adopting renewable energy to cut our CO<sub>2</sub> emissions.

“Improvement of human capital” is also crucial. We run an efficient business with only around 50 employees, but I believe that building an organization in which diverse employees are nurtured and able to demonstrate their capabilities, even though they may be few in number, is the key to sustainable management.

**Shimada** ———

Listening to what you’ve said, I felt keenly that Keihanshin Building has identified changes in the times, and run its business in a sound fashion while responding to demands from tenants. In the area of sustainability management, too, you have invested in the refurbishment of your buildings, which is a steady and low-profile action. But by doing it, you have made progress. For instance, three of your office buildings have gained the CAS-BEE real estate certification, and received the highest grade, S, which is worthy of attention. The assessment of such initiatives to certify the value of real estate has yet to take root in Japan, but in other advanced countries, the benefits have been proven. It would be a good idea to promote internally and externally the effects and benefits of the energy-saving initiatives you have pursued for many years and your acquisition of the CASBEE certification by quantifying and visualizing their impact on each building you own. By doing that, not only will your reputation among outsiders rise, but your employees will become more motivated, I believe.

**Minami** ———

Indeed, obtaining the CASBEE certification means that we ourselves have come to know the value of our buildings. Our basic management policy stresses a buy-and-hold approach, whereby we keep our buildings for as long as we can. And we’ve gained confidence from winning praise for working on preventive maintenance with our customers from an early stage. Emphasizing that value to customers will lead to even more value being added to our buildings. Furthermore, as you have said, I feel that our employees themselves have been reminded of the value of our buildings, have come to feel pride in the buildings we own, and have developed a greater desire to share that value with our customers.

## Interview with Outside Expert and Board Chairman



**Q. Do you feel that there are any issues with Keihanshin Building's approach to sustainable management? If so, please tell us about them.**

**Shimada** ——

The Company needs to achieve carbon neutrality by 2050, and in the interim, a 46% reduction by 2030. It must therefore articulate a vision of how it is going to make a transition to low carbon, and ultimately decarbonization over the medium to long term as it strives to meet these targets.

Datacenter buildings, in particular, consume huge amounts of power, so you've entered a tricky phase in which you need to think about how you're going to procure electricity for them. You need to set out a strategy. And to hit the targets at costs that are as reasonable as possible, it will be important to hold discussions with various stakeholders as you settle on a roadmap.

I understand that the Sustainability Committee, which was set up under leadership from the top, is playing the central role in pursuing carbon neutrality, but when it comes to formulating a strategy, I think you will need to create opportunities to think things over together and consult with stakeholders, and especially with customers, including tenants, and with partner companies, people in the areas where buildings are located, power companies, construction and air-conditioning companies, and financial institutions. In the manufacturing sector, a big trend right now is open innovation, whereby companies innovate their businesses by tapping into outside knowledge. By involving your external stakeholders and fans, you should be able to achieve more dynamism.

**Minami** ——

The datacenter buildings we own house the IT devices that were previously kept and managed in the server rooms of individual companies. This allows electricity to be used efficiently thanks to the latest equipment and air conditioning being installed. So from the point of view of society as a whole,

efficiency in electricity usage is vastly improved, so datacenter buildings have an important role.

And going forward, as we advance to become a "smart society," datacenters will be indispensable, and demand is likely to continue rising. That being said, because each datacenter building consumes a massive amount of electricity, interest in that aspect will also grow.

The total of Scope 1 emissions (direct emissions), Scope 2 emissions (indirect emissions), and Scope 3 emissions (other emissions) needs to be identified as total supply-chain greenhouse gas emissions, and in our case, the lion's share of total supply-chain greenhouse gas emissions arise from energy used in the business activities of our tenants (Scope 3). In that sense, and as you have just pointed out, I also believe it is essential to increase opportunities for communication with each of our stakeholders so that we can achieve carbon neutrality overall. Datacenter companies, which are our tenants, are all well-known domestic or international corporations, so they also view cutting their power usage as a key task, and are independently and enthusiastically taking steps to curb their use of electricity. For our part, we intend to share information with them on how to use electricity, the adoption of more efficient air-conditioning methods, and so on. And as we proceed, we would also like to gain cooperation from the external stakeholders you mentioned, such as power companies and air-conditioner manufacturers.

We have recently set targets for 2030 and 2050, and are taking action to achieve them, and I also think it is extremely important to think about how to convey this attitude to the next generation. Based on our sustainability policy, I feel that we need to involve young employees in defining a direction for the Company. And we must manage our operations through teamwork that crosses temporal and spatial boundaries, so that the employees of the future also inherit our convictions.

**Q. You teach at a university. What changes have you noticed in the attitudes of the younger generation? And how has education changed as a result?**

**Shimada** ——

The young people of today, the so-called Generation Z, have been exposed to themes related to the SDGs since they were in elementary and junior high school. And in research classes at high school, the SDGs are a big study topic, so they are deeply interested in and conscious of environmental issues, gender issues, poverty, and so on. The trigger for translating that awareness into action is the experiences they have in the field. By stepping on to the frontline, they suddenly notice things for the first time. If people assigned to desk work in the office, such as in the general affairs or accounting departments, are able to see for themselves how their own jobs are

connected to the business of sustainable buildings, I think their motivation will increase.

To be a company that Generation Z are interested in and choose to work for, information dissemination is vital. In my interactions with students, I have come to realize that to attract members of this generation, who are concerned about social issues, a company must be seen to be serious about pursuing sustainability and showcasing how its employees are enthusiastic about their work. Female students, for instance, want to know whether women employees can actually work at the company for a long time with a sense of fulfillment. For that reason, too, it is important to nurture a corporate climate in which employees pursue sustainability and strive to increase added value in ways that show it actually matters to them personally.

**Minami** ——

For us to survive over the medium to long term, I feel that we must become a company that students choose. A key point is whether we are selected by students, and whether, as employees, they can feel loyalty toward the Company soon after they join us. We are therefore taking steps to get young employees to feel that their jobs are worthwhile by, for example, entrusting them with work at an early stage, and getting them to play a role as a team leader in committee activities. We also emphasize all-employee-participation-based management, whereby themes are allocated to everyone in order to accomplish tasks, and each initiative is shared.

The younger generation of employees also sometimes come up with new ideas that we hadn't thought of, and we often make important discoveries. So we are going to work even harder to ensure that we continue to be a company that young employees feel proud to work for.

**Q. Please remind us of your vision for Keihanshin Building 10 or 20 years from now.**

**Minami** ——

One goal is to remain a company that contributes to society by providing valuable commercial space in which safety and security take top priority, and developing alongside our stakeholders. In our Medium-Term Business Plan, we have stated that "while maintaining our uniqueness, we aim to provide valuable business space responding to the needs of the times and *expand assets that will be carried over to the next generation.*" Here, "assets that will be carried over" encompasses not only buildings, which are non-current assets, but also tangible and intangible assets, including tenants, partner companies and all our other stakeholders related to our buildings. We also want to move into a new stage of growth.



**Q. What are your hopes for the management of Keihanshin Building going forward?**

**Shimada** ——

Aiming for a decarbonized society means reducing not only one's own emissions, but rather, reducing the total of all emissions related to business activities. This will require investment, but I believe that establishing highly valuable tangible assets with a view to Scope 3 will lead to an even warmer reception in the marketplace and the generation of value in unexpected ways.

I'd also like to say something about the importance of know-how, i.e., intangible assets, obtained from the process of implementing sustainable management. Know-how about maintaining buildings so that they can be used for many years is sustainability itself. In Japan, there's a culture of tearing down houses and buildings and putting up new ones in their place, but finally, we're on the verge of entering an era in which buildings that have been well looked after for many years will have value.

Keihanshin Building's efforts to maintain and improve its tangible and intangible assets will be increasingly highly regarded. I hope it will lead Japan's building management sector and continue striving to create valuable and sustainable commercial space in the future.

**Minami** ——

Thank you very much. You've made me realize that possessing tangible and intangible assets that are welcomed by customers and society can also lead to economic benefits. We will stay confident, and further advance our current initiatives to become the company of choice.

## Outside Directors' Discussion



Outside Director  
Chiho Takeda

Outside Director  
Takashi Tsuji

Outside Director  
Masao Nomura

Outside Director  
Takashi Yoshida

### Aiming to further enhance the value of Keihanshin Building

Our four outside directors got together to talk about the management of Keihanshin Building, which is aiming to sustainably increase its corporate value.

#### Utilizing their respective fields of expertise to fulfill their monitoring function

**Yoshida:** I spent almost 40 years auditing mainly listed companies as a CPA at KPMG AZSA LLC. And for the final 10 years, I served as a managing director, overseeing the firm as a whole and participating in its management. As an independent accounting auditor, I was able to view the management style and governance structure of each company from the outside. I intend to use that experience, and also the knowledge of financial accounting I have gained as a CPA, to contribute to the Company's growth.

**Nomura:** I served as president of Iwatani Corporation from 2012 to 2017, and before that I was a director and executive officer, so I have a total of around a decade of experience in senior management. As a corporate manager, what I focused on more than anything also was approaching management

with common sense. I hope I can also apply that sort of perspective to the running of Keihanshin Building.

**Tsuji:** I worked for 17 years at a general chemicals manufacturer, and I spent five of those years at our U.S. subsidiary. Later, I succeeded to the business of Konoike Transport Co., Ltd., and I served as president and chairman for 32 years until June 2021. I hope I can put my knowledge of management, gained in a different business environment, to use here, and I will endeavor to present opinions from the viewpoint of someone who followed a career in an industry different from the real-estate sector.

**Takeda:** I registered as an attorney in 2001, and joined Miyake Joint Partnership Law Office, which operates mainly in the field of corporate law. I spent the next 20 years working chiefly in corporate law. This is the third company for me to serve as an outside director. As a woman, and someone from a generation

that is closer to the employees than that of the other directors, I think I need to play the role of speaking on behalf of the employees. And in the legal realm, I also have no intention of forgetting to question whether we can exercise accountability from the point of view of shareholders and investors.

#### Progress with Medium-Term Business Plan

**Yoshida:** The Medium-Term Business Plan calls for net sales of 22.0 billion yen and ordinary profit of 7.5 billion yen in the year ending March 31, 2026. Although it's obviously important to achieve growth, these targets are not going to be easy to hit, and questions are being asked about how the remaining 58.0 billion yen for new investment will be spent. With the real-estate market soaring, it is extremely difficult to see where investments can be made, and even if they are made, there is a risk that the investments will be in property that does not generate much profit. It will be important to keep an eye on things to ensure that this doesn't happen. I also think the Company needs to explore the option of revising the figures in the Medium-Term Business Plan, if necessary, rather than investing carelessly in ways that could harm the profitability of the business as a whole.

**Nomura:** The Company runs a datacenter building business, and this is a strength that no other companies have. When it comes to know-how regarding datacenter buildings, I think the Company is one or two steps ahead of other firms in the real-estate sector. As the Company executes the Medium-Term Business Plan, the important thing is not to expand its portfolio of run-of-the-mill buildings in the way that rival companies are doing, but rather to look ahead to the future and invest in areas in which it can build on its own unique strengths. I want it to stay calm, identify new fields in which growth can be expected in the future, and aim to become a company with an imposing presence.

**Tsuji:** Business plans come in various forms: long term, medium term, and short term. But whatever the timeframe, I think it is vital that the content is not determined and imposed solely by the management side. If employees have also been involved, and the plan represents the result of everyone thinking together about what they want the company to be like going forward, they will feel a greater sense of unity and be able to work better on implementing it. At the company I was at before, everyone worked together to execute what we called Apollo Business Plans. These were drawn up every three years and contained targets for seven terms in total, with each successive plan given the names Luna, Mars, and Mercury. The objective circumstances are always changing, so I think it's also essential to reexamine plans flexibly in response to risks.

**Takeda:** The real-estate leasing business starts with deciding what to invest in. Then the building is completed and the tenants move in, after which maintenance is carried out. It's a really long-lasting business, with new investments required to keep repeating the process. When making investment

decisions, there will be no prospects for growth unless risks are taken on, so I'm constantly reminded that it's incredibly difficult to invest steadily. For future investments, the Investment Promotion Department has been established to explore possibilities and explore new investment approaches, so I have high hopes for the future.

#### Recognizing risks, and avoiding complacency in addressing them

**Yoshida:** I view natural disasters as the biggest risk facing the Company. However, to be ready for them, a robust BCP has been formulated, so proper steps have been taken. And regarding action on environmental issues and sustainability, for which the bar has recently been set higher with the update of the Corporate Governance Code, the Company has set up the Sustainability Promotion Group and is taking steps steadily and sincerely. The Board of Directors has also deepened its discussions. As for risks that still remain, I would point to the question of how the Company can maintain its current style of business administration, which is handled by a small, hand-picked team and constitutes the Company's strength. It will be critical to acquire high-caliber talent through new-graduate and mid-career recruitment, and to think about how to develop these human resources.

**Nomura:** I see the electric power problem as the most pressing risk. As you all know, datacenters consume an extremely large amount of electricity. Recently, the electric power supply-demand balance has come under pressure, but because datacenters are part of the infrastructure that supports today's Internet society, it is also a societal responsibility to supply electricity with no interruption. In addition, soaring electricity charges have begun to emerge as a significant business risk, so a close eye will need to be kept on the situation. And from a medium-to long-term perspective, efforts to achieve sustainability must be made. The 13 materiality themes that have been determined this time all constitute high hurdles, but if the employees can all work together to achieve the targets, surmount these high hurdles, and convert them into business opportunities, I think that will be a good thing. I myself will be offering support in various ways.

**Tsuji:** I think if you look at the situation right now, you could say that the Company has achieved a very stable level of performance. But if you peer in a bit deeper, you might argue that with regard to office buildings, if the proliferation of teleworking accelerates in the future, office buildings aren't going to be as essential as they are now. And if you look across the real-estate sector as a whole, you see that the companies vary immensely in terms of size and type of business, and with respect to Keihanshin Building, whose scale and strength puts it in the middle, the question of how it is going to demonstrate uniqueness in the sector is going to be increasingly asked. Moreover, with the domestic real-estate market slowly reaching saturation point, the perspective of how to seek out business opportunities overseas must not be forgotten. In an industry that is

## Outside Directors' Discussion

changing so fast that if you stop to rest for even a moment you will be left behind, the Company needs to ask itself how it is going to pool its wisdom to weave its own distinctive characteristics into the crafting of its vision.

**Takeda:** All of you have already mentioned them, but there are four issues for the Company: new investment going forward, the cost of electricity, the future of office buildings, and human resource development. I regard them as risks. From my point of view, the one I'd like to emphasize is human resource development. From the perspective of promoting active participation of female employees in the workplace, I believe it will be important to get them to feel enthusiastic about aiming for promotion to a management post at some point when they are done with having and raising their children. To that end, it's important to put systems in place, but it's even more important to consider how to ensure that those systems are properly implemented. If a female employee who can serve as a role model emerges, the female employees below her will want to do their best to follow in her footsteps. This can't be accomplished overnight. I think that this sort of motivation is gradually nurtured through day-to-day efforts, so I hope that management will focus on that.



### Making the Board of Directors even more effective

**Yoshida:** Whenever I attend a meeting of the Board of Directors, I'm always reminded of how disciplined this company is. Various materials are accurately prepared, and during the meetings themselves, the Chairman creates an atmosphere in which each and every person there is encouraged to express their opinions. In the early days of my participation in the meetings, the Chairman assigned me the role of being the first one to speak. He let me present my views before the others. I also feel that the Board is highly effective in terms of enabling everyone to make remarks freely. However, I do have one request. While preparing materials and providing explanations in advance is extremely considerate, the same explanations are given in full at the meetings, which I feel is a waste of time. At Board meetings, I think effectiveness would be enhanced if it were assumed that explanations have already been provided, with the limited time available being allocated to discussion, as that would invigorate the debate.

**Nomura:** Indeed. As you say, the time allocated to a meeting of the Board of Directors is two hours, but we pretty much never end at the allotted time, as we're usually having lively discussions, so perhaps more consideration should be given to striking a balance. Because the debate frequently heats up, I would love for there to be more time for discussions. Regarding transparency, when I first became an outside director in 2019, the Board comprised five inside directors and three outside directors, but now there are three insiders and four outsiders, so outside directors are in the majority. Furthermore, the Nomination and Remuneration Committee consists of the Chairman and the President from the inside and four outside directors. So given those figures, I guess transparency and objectivity is being ensured to a fairly high degree. I myself serve as chair of the Nomination and Remuneration Committee, and as I administer the meetings, I'm always conscious of how to maintain objectivity during discussions.

**Tsuji:** The inside directors are obviously well versed when it comes to the real-estate sector, and I feel that there are limits to the comments outside directors can make when the topic concerns the sector itself. Instead, the role required of us is to state our opinions as laypersons who can perceive things in ways that are not colored by the established thinking in the sector. Personally, I live by the maxim "better ask than go astray." That is to say, to ask is embarrassing for a moment but not to ask could lead to a lifetime of embarrassment. For example, we might say that though this or that might be the case in the real-estate sector, from where we're standing, we think it might be wrong. The established thinking of the sector is not necessarily the established thinking of the rest of the world, so I want to be a nagging presence.



**Takeda:** Mr. Yoshida mentioned that the Chairman of the Board of Directors endeavors to draw out our opinions, and I agree. Not only do outside directors make up over half of the Board members, but even when it seems as though all opinions have been presented, he sometimes says, "Does anyone have any other opinions?" This conveys his commitment to truly demanding opinions from the outside directors. As for issues I've pointed out at Board meetings, a response comes surprisingly fast. When I served as an outside Audit & Supervisory Board Member prior to becoming an outside director, I was immediately accommodated whenever I had a request, such as

wanting to receive training or asking for an opinion-exchange meeting for outside officers to be organized.

### Process of appointing the President via the Nomination and Remuneration Committee

**Nomura:** Regarding the recent change in the President, in October last year we began considering candidates based on the succession plan, and on the assumption that the new President would take up their post in June 2022. After getting the list of candidates, we met three or four times, and engaged in deliberate and honest discussions. Finally, in February, at another meeting of the Nomination and Remuneration Committee, we settled on Mr. Minami for Chairman and Mr. Wakabayashi for President. With regard to President Wakabayashi, in particular, he had been an outside director for the year until then, so I knew his personality, and I was impressed with his deep insight into and views on the real-estate sector, as well as his long years of experience as a senior manager. All the Committee members agreed, and we recommended him to the Board of Directors.

**Yoshida:** This time, too, the President was appointed from outside, so as part of the process of maturing and growing the Company, I hope that in the future it will be possible to select a president from inside the Company. To that end, I think consideration must also be given to human resource development.

**Nomura:** It's fantastic when someone from within rises to top management. In connection with that, given that the Company's business is going to expand going forward, I also think it will be necessary to think about whether the current structure of a small, hand-picked team of personnel can continue to work. By boosting the headcount, there will be more internal personnel to choose from, which should lead to the appointment of a president from inside the Company.



### Future expectations for Keihanshin Building

**Yoshida:** I hope that the Company will achieve growth in line with its corporate philosophy, which is "to provide valuable commercial space to customers so as to contribute to the community through the advancement of customers' and our

businesses," and make a contribution to society through that growth. I want to keep an eye on how the Company draws up its growth strategy for each of its four portfolios, namely office buildings, datacenter buildings, WINS buildings, and commercial buildings / logistics warehouses, and whether it takes on the challenge of new business fields. At the same time, when a potential investment shows up, I want to scrutinize the deal sincerely and ensure that it will lead to the further development of the Company.



**Nomura:** Companies have the role of passing on their business to the next generation. And to do that, they have to keep growing. That's why medium-term business plans are formulated. To achieve further growth, it is important for companies to expand their business while eliminating risks related to their operations. I intend to fulfill my duties as an outside director for that purpose.

**Tsuji:** Two whole years have passed since I became an outside director. As I've observed the Company's management since then, what I've noticed is that the Company has stuck with an autonomous and independent approach within the real-estate sector. The recent change of the president also reflects that clearly, I feel. With there being so many real-estate firms that it's impossible to count them, I believe that honing one's individuality in a way that is only possible with autonomy and independence will make the Company stronger. So with that goal in mind, I would urge all the employees to put their heads together, have discussions, and articulate a clear vision.

**Takeda:** In the past, maybe all a company needed to do was turn a profit, but we're now in an age in which firms that fail to recognize their role in society will be weeded out. Keihanshin Building is a company that acts with rigor and care in every area, be it governance, compliance, or sustainability. All the more for this, it may need to decide what kind of company it wants to be if it is to aim higher while maintaining its uniqueness, and to adjust its headcount to match that ambition. The demands placed on companies are only going to increase, so I'll be here ready to offer advice about what society is demanding.

# Corporate Governance

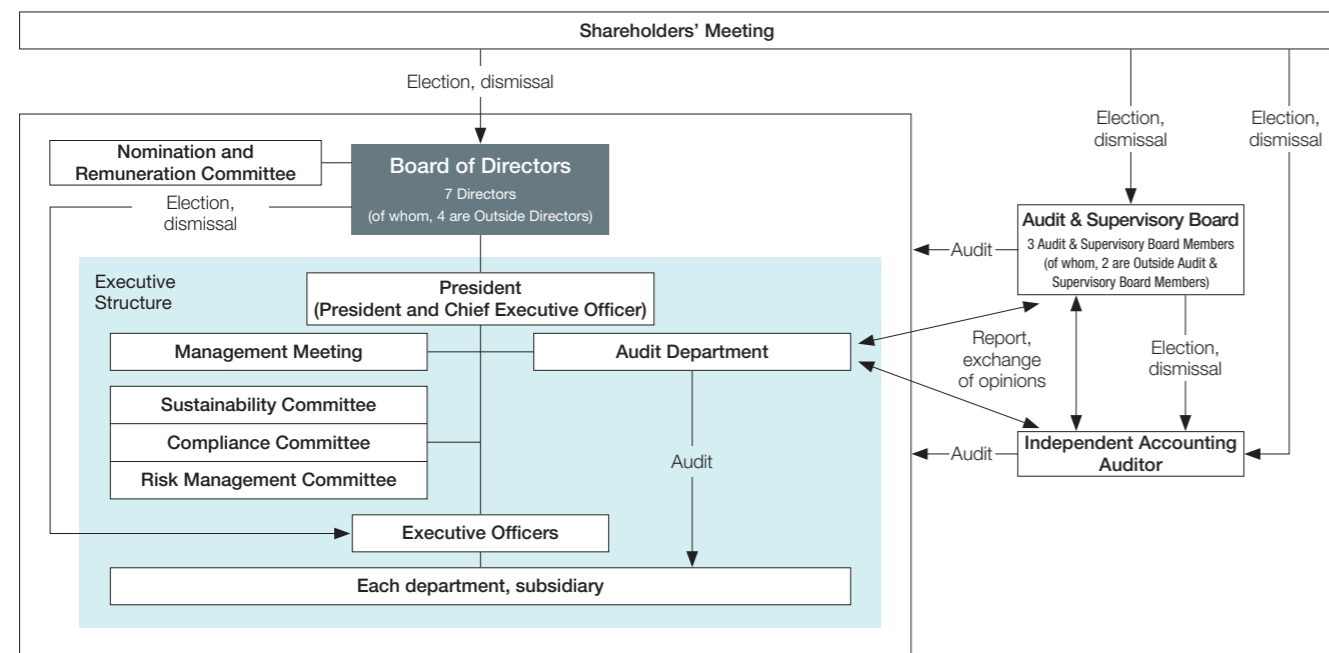
## Basic Concept

We believe in the importance of improving management efficiency and integrity through establishing a transparent and fair management organization, speeding up the decision-making for important matters on the management, and strengthening the supervisory function of business execution, all of which contribute to improving corporate value.

We are well aware that it is the duty of the Company's directors and employees to put these ideas into practice, as well as complying with all laws and regulations and maintaining discipline, with consideration towards environmental and social issues to conduct a fair, transparent and appropriate business in an atmosphere of free competition. In this way, we show all stakeholders, including our shareholders, customers, business partners, employees, and local communities, that we value the trust that they place in us.

Our Company's officers and employees are small in number, allowing for uncomplicated information gathering and operations management when compared to a large-scale corporation with many staff members. Our corporate organization reflects this feature. We also appropriately arrange our human resources and strive to maintain a sense of balance between each department and committee to fully exert the functions of our organization.

## Corporate Governance Structure



## Summary of Boards, Meetings, and Committees

Name	Chairperson	Summary	Number of meetings held (FY2021)
Board of Directors	Chairman	As a general rule, the board holds a meeting once a month to determine important matters on the management and supervise the status of execution of duties.	11 times
Audit & Supervisory Board	Audit & Supervisory Board Member (Standing)	The board audits the Directors' execution of duties and the Company's internal control system, and receives reports from the Independent Accounting Auditor on matters including the quarterly financial results and the year-end audit report.	12 times
Management Meeting	President	The standing officers and general managers in charge of each department attend this meeting to report and review the status and plans of such operation under the basic policy determined by the Board of Directors.	11 times
Nomination and Remuneration Committee	Outside Director	The committee deliberates on personnel matters, including the election and dismissal of the management team. Matters such as compensation for the management team are also deliberated. The chairperson and the majority of the committee members are Independent Outside Directors.	4 times
Sustainability Committee	President	The committee, which is chaired by the President, consists of members of the Sustainability Promotion Group and several members selected from various departments. It convenes regularly and reports on its activities to the Management Meeting and the Board of Directors if necessary.	11 times
Compliance Committee	Executive Officer in Charge	The committee, which is an organization under the direct control of the President, consists of a chairperson and several members selected from various departments. It convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.	4 times
Risk Management Committee	Executive Officer in Charge	The committee, which is an organization under the direct control of the President, consists of a chairperson and several members selected from various departments. It convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.	5 times

## Appointment Process for Directors and Audit & Supervisory Board Members

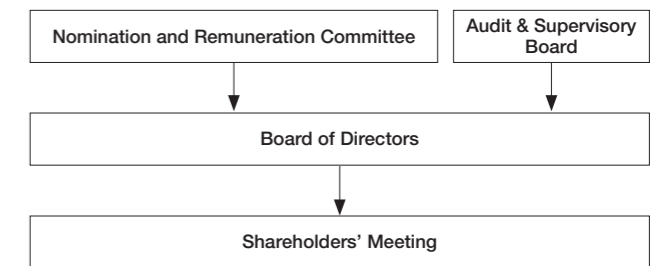
Candidates for Directors and Audit & Supervisory Board Members of the Company are selected through comprehensive evaluations of their character, knowledge, capabilities, experience, and potential to contribute to the Company. In particular, the Company focuses on the perspective of enhancement of the supervisory function by utilizing licensed lawyers and accountants with highly specialized expertise as well as persons with experience in corporate management, as outside directors.

The President prepares a list of candidates for Directors, and the Board of Directors deliberates and makes decisions in light of reports on the results of deliberations in the Nomination and Remuneration Committee.

The President prepares a list of candidates for Audit & Supervisory Board Members and gains the consent of the Audit & Supervisory Board in accordance with the provisions of the Companies Act, after which the Board of Directors deliberates and makes decisions.

Appointment or dismissal of the Chairman and the President will be deliberated and decided at the Board of Directors based on the deliberations in the Nomination and Remuneration Committee.

With regard to the dismissal of the Chairman or the President, if deemed necessary by the Nomination and Remuneration Committee, the Nomination and Remuneration Committee may exclude Internal Directors from its composition and report to the Board of Directors after seeking opinions of Outside Directors and Outside Audit & Supervisory Board Members.



## Members of the Boards (skill matrix and meeting attendance)

	Name	Nomination and Remuneration Committee	Gender	Attendance at the Board of Directors' Meetings in FY2021	Term of office	Expertise (◎ represents the outside members' specialty)					
						Corporate Management	Finance & Accounting	Legal Risk Management	Industrial Expertise	Architecture	Technology Energy
Board of Directors	Koichi Minami	Standing	Male	11/11	6 years	●	●	●	●		
	Tsuneo Wakabayashi	Standing	Male	11/11	1 year	●	●	●	●		
	Seisuke Isemura	Standing	Male	11/11	2 years			●		●	●
	Takashi Yoshida	Outside Independent	Male	11/11	5 years		◎	●			
	Masao Nomura	Outside Independent	Male	11/11	3 years	◎	●	●			◎
	Takashi Tsuji	Outside Independent	Male	11/11	2 years	◎	●	●			
	Chiho Takeda	Outside Independent	Female	11/11	—			◎			
Audit & Supervisory Board	Shigeru Nishida	Standing	Male	11/11	3 years		●	●			
	Hideharu Nagasawa	Outside Independent	Male	9/9	1 year	◎	●	●			◎
	Hideyuki Kamijo	Outside Independent	Male	—	—	●	◎	●	◎		

(Note) The list above does not represent all of the expertise and experience that each member possesses.

# Corporate Governance

## Independence Criteria for Independent Outside Officers

The Company has formulated the following criteria regarding the independence of outside officers, in order to ensure objectivity and transparency in the corporate governance of the Company. If outside officers do not fall under any of the following items, it is judged that they are sufficiently independent from the Company.

1	A person who is a principal business partner <sup>(Note 1)</sup> of the Company or its business executor <sup>(Note 2)</sup>
2	A person for whom the Company is a principal business partner or its business executor
3	A principal shareholder <sup>(Note 3)</sup> of the Company (If this is a corporation, association, or any other organization, this refers to a person belonging to such organization.)
4	A business executor of a corporation of which the Company is a principal shareholder
5	A person who belongs to an auditing firm that serves as the Company's Independent Accounting Auditor
6	A consultant, accounting expert, or legal expert who receives money or other assets exceeding 10 million yen annually from the Company in addition to officer remuneration (If the person receiving such assets is a law firm, auditing firm, consulting firm, or any other corporations, or association or any other organization, this refers to a person belonging to such organization.)
7	A person who receives donations exceeding 10 million yen annually from the Company (If the person receiving such large amount of donations is a corporation, association, or any other organization, this refers to a person belonging to such organization.)
8	A person who belongs to a company with whom the Company has a relationship for the mutual appointment of Officers
9	A person whose spouse or relative within the second degree of kinship falls under any of the above items 1 through 8
10	A person who fell under any of the above items 1 through 8 within the past three years
11	A person who has been in office for a total of more than 8 years as an outside officer
12	In addition to the preceding items, a person who may have a conflict of interest with general shareholders, and who is reasonably judged to be unable to perform his or her duties as an independent outside officer

(Notes) 1. A "principal business partner" refers to any of the followings:  
 (1) A person who has transactions with the Company, and the annual transaction amount is 2% or more of the consolidated net sales of either the Company or said person; or  
 (2) A financial institution from which the Company makes loans, and the outstanding loans from such institution are 2% or more of the Company's total consolidated assets.  
 2. A "business executor" refers to an executive director, corporate officer or executive officer.  
 3. A "principal shareholder" refers to a shareholder who holds 10% or more of the Company's voting rights in his or her own or another name as of the end of the most recent fiscal year.

## Activity Status of Nomination and Remuneration Committee

With an aim to ensure objectivity and transparency in matters related to the personnel and remuneration of the management team, we have established a Nomination and Remuneration Committee. The majority of the committee members, including the chairperson, are Independent Outside Directors. The Nomination and Remuneration Committee deliberates on the following matters in advance of the Board of Directors, and reports the results of these deliberations to the Board of Directors.

The Board of Directors makes final decisions on matters deliberated by the Nomination and Remuneration Committee, but we believe that independence and authority of the committee are fully secured because the majority members of the Board of Directors are Independent Outside Directors concurrently serving as the Nomination and Remuneration Committee members.

Personnel matters for management executives	Proposals for the Shareholders' Meeting regarding the appointment of candidate Directors and dismissal of Directors
	Establishment, revision, or abolishment of basic policies, rules, procedures, etc., regarding the appointment of Directors
	Appointment and dismissal of the President and the Chairman
	Succession of the President and Chief Executive Officer
	Appointment and dismissal of Executive Officers
Matters concerning remuneration of management executives	Other matters recognized as necessary by the Nomination and Remuneration Committee
	Details of remuneration of individual Directors and Executive Officers
	Establishment, revision, or abolishment of basic policies, rules, procedures, etc., regarding the remuneration of Directors and Executive Officers
	Other matters recognized as necessary by the Nomination and Remuneration Committee

Name of the committee	Total committee members	Internal Directors		Chairperson	Number of meetings held (FY2021)
		Internal Directors	Outside Directors		
Nomination and Remuneration Committee	6 persons	2 persons	4 persons	Outside Director	4 times

## Remuneration to Officers

### Remuneration paid to officers in the fiscal year ended March 2022

Classification	Number of members paid	Subtotal by type of remuneration			Total amount of remuneration
		Base remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors	8 persons	129,300 thousand yen	14,314 thousand yen	31,307 thousand yen	174,921 thousand yen
Outside Directors	5 persons	33,000 thousand yen			33,000 thousand yen
Audit & Supervisory Board Members	4 persons	40,200 thousand yen			40,200 thousand yen
Outside Audit & Supervisory Board Members	3 persons	15,300 thousand yen			15,300 thousand yen

(Notes) 1. The number of members paid includes one Director who resigned from office and one Audit & Supervisory Board Member who retired due to expiration of the term of office at the conclusion of the 98th Annual General Meeting of Shareholders held on June 18, 2021.  
 2. In addition to the above, employee salaries of 17,665 thousand yen are paid to Directors who concurrently serve as employees.

### Policy for determining Directors' remuneration

We determine remuneration for Directors in line with the shareholders' interests so that it will serve as an appropriate incentive program leading to a sustainable increase in the shareholder value. As a basic policy, we aim to secure appropriate levels of remuneration for Director, corresponding to the degree of their responsibilities.

The policy for determining the remuneration and the amount of individual remuneration will be resolved by the Board of Directors through the deliberations in the Nomination and Remuneration Committee, whose majority is composed of Independent Outside Directors.

Remuneration system	Executive Directors	The remuneration consists of base remuneration as fixed remuneration, bonuses as performance-linked remuneration, and restricted stock as non-monetary remuneration in line with the shareholders' interest. The Nomination and Remuneration Committee will decide on the ratio of individual remuneration, where the performance-linked remuneration is set higher for the upper ranking positions reflecting the expected roles for achieving the goals of the Medium-Term Business Plan.
	Chairman	The remuneration consists of the base remuneration as fixed remuneration and restricted stock as non-monetary remuneration as the Chairman will perform the expected role as a chairperson of the Board of Directors for increasing the shareholder value in the medium to long term, despite being not directly involved in business operations.
	Outside Directors	The Company will pay only the base remuneration to Outside Directors in consideration of their duties.
	Remuneration composition * In the case of the performance indicators achieved at 100%	<p>Legend: ■ Base remuneration, ■ Bonuses (performance-linked remuneration), ■ Restricted stock</p>
Remuneration amount	Base remuneration	It is provided as fixed remuneration monthly. The amount is determined based on the Company's performance, individual's duties, abilities, and the degree of contribution to the Company's sustainable growth in a comprehensive manner.
	Bonuses (performance-linked remuneration)	It is provided as cash reflecting the performance indicators to raise awareness for improving the Company's performance in each fiscal year. The amount is calculated based on one of our key performance indicators, the achievement levels of goals set in the Medium-Term Business Plan for the consolidated ordinary profit after tax before depreciation for each fiscal year. This remuneration is provided as bonuses at a certain time each year. (Reference) Actual ordinary profit after tax before depreciation and the target for the final fiscal year of the Medium-Term Business Plan (million yen)
	Restricted stock	It is granted in the form of stock compensation linked to the shareholder value. The number of shares given at a certain time each year will be calculated based on the duties and abilities of Chairman and Executive Directors, along with their contributions to the Company's sustainable growth in a comprehensive manner.
Determining method	For determining the amount of individual remuneration, the President prepares the remuneration plan, and the Board of Directors reviews and determines the amount, based on the results of deliberations in the Nomination and Remuneration Committee. In addition, the Board of Directors will also determine the number of restricted shares allotted to individual Directors, based on the results of deliberations in the Nomination and Remuneration Committee.	

## Corporate Governance

### Cross-Shareholdings

#### Policy on Cross-Shareholdings

We will not have any cross-shareholdings that are not expected to support the Company's sustainable growth and medium- to long-term enhancement of corporate value. Every year, the Board of Directors will examine the validity of cross-shareholdings in terms of the quantitative perspectives, such as whether dividends and rental income are commensurate with cost of capital, and the qualitative perspectives found in business relations. We will consider divesting any shareholdings which are deemed to be less effective.

Consequently, we have divested all shares of four listed stocks we had owned as part of our cross-shareholdings policy since 2015 when the corporate governance code was enacted. As of March 31, 2022, we own 26 listed stocks. We also sold part of the

shares of the three listed stocks. The total amount of sales during this period was about 10.0 billion yen.

#### Trend in cross-shareholdings of listed companies

	FYE Mar. 31, 2019	FYE Mar. 31, 2020	FYE Mar. 31, 2021	FYE Mar. 31, 2022
Amount recorded on year-end balance sheet (million yen)	14,761	12,286	11,567	9,432
Amount sold during the fiscal year (million yen)	351	784	6,530	2,468

### Policy and Status of Review Regarding Business Portfolio

Although the Company's leasing business covers a variety of properties including office buildings, datacenter buildings, WINS buildings, and commercial buildings and logistics warehouses, we recognize our business portfolio as a single segment of the building lease business, aiming for sustainable growth from a medium- to long-term perspective. New investments are made with a focus on regional diversification and location in an effort to minimize the risk of loss in the event of economic fluctuations and disasters. Furthermore, we work to prevent profitability decline such as by reshuffling assets and investing to increase their value.

Every year, the profitability, growth potential, and competitive edge of properties owned by the Company are individually examined at the Board of Directors' Meeting from both a quantitative

point of view, such as comparison with capital cost and investment recovery period, and a qualitative point of view, such as investment policy in the business plan and area potential.

#### (Reference) Properties acquired and sold in the past five years

Acquisition/sale	Period (month and year)	Properties
Sale	April 2018	Asahikawa Shopping Facility
Sale	July 2018	Sakasegawa Building
Sale	April 2020	Toyahama Warehouse
Acquisition	November 2020	Toranomon Building
Acquisition	April 2021	OBP Building

### Analysis and Evaluation of the Effectiveness of the Board of Directors

With the purpose of ensuring effectiveness in the Board of Directors and enhancing the corporate value, self-assessments have been carried out by the Board of Directors since 2017.

In 2022, an external institution sent out a questionnaire to all Directors and Audit & Supervisory Board Members in January and February. In March, a discussion was held based on the summary of the questionnaire conducted by the external institution.

As a result, opinions were given that the Board of Directors was functioning effectively in general. Among the issues pointed out last year, with regard to those related to providing training

opportunities to the outside directors, we verified that there was an improvement as we held training sessions on selected themes of deep interest to outside directors. In addition, while the Board of Directors was evaluated as being properly operated on the whole, we received constructive feedback and suggestions regarding a briefing on each agenda item and the allocation of time for deliberation.

On the other hand, we shared recognition of issues, such as with providing opportunities for exchanging opinions among outside directors other than at board meetings and the supervisory functions of the Board of Directors over sustainability initiatives.

#### Progress on the issues

Issues pointed out in the past	Details of progress on the issues
Diversity of the Board of Directors	<ul style="list-style-type: none"> <li>Increased the number of Independent Outside Directors gradually to constitute a majority of the board</li> <li>Appointed a female board member</li> </ul>
Conducting a more objective evaluation of the effectiveness	<ul style="list-style-type: none"> <li>Conducting a survey by the external institution and evaluating the effectiveness based on the summary report annually</li> </ul>
Promoting active discussions on business plans	<ul style="list-style-type: none"> <li>Regularly discussing an agenda set up for the Board of Directors concerning the progress on business plans</li> </ul>
Providing sufficient information to outside officers	<ul style="list-style-type: none"> <li>Held training sessions for officers on selected themes of deep interest to outside officers.</li> <li>Holding a briefing session on industry trends, along with a site tour of properties we own</li> </ul>

### Executive Officer System

The Company has introduced the Executive Officer System since April 2018. Executive Officers attend the monthly Management Meetings, and as necessary, the Board of Directors' Meetings. They carry out their duties based on resolutions of the Board of Directors' Meetings and report the operation policies and plans they have established. The Executive Officer System was adopted

to separate business execution from supervision and reinforce the supervisory functions of the Board of Directors and improve the efficiency of business execution so as to revitalize the Board of Directors. Another purpose of the system is to ensure diversity of the Board of Directors by establishing a foundation for developing officer candidates within the Company's human resources.

### Policy on constructive dialogue with shareholders

Executive Officers responsible for administration are in charge of dialogue between the Company and shareholders. The related departments within the Company coordinate with the officers accordingly in providing necessary information to promote constructive engagement between them.

We make every effort to help our shareholders to understand our management strategy and business environment better by holding briefing sessions with the presence of the President or Executive Officers responsible for administration and disclosing information on the corporate website.

When we receive opinions and requests from shareholders or analysts at our briefing sessions, etc., we value them to strengthen our dialogue and relay them to the related departments and the management, using them to actively review our business strategies.

During the silent period before announcing our financial results, we will restrict dialogue with our shareholders and keep the insider information strictly confidential.



Briefing sessions for individual investors  
Held online in light of the COVID-19 pandemic

### Training for Directors and Audit & Supervisory Board Members

The Company provides training for newly appointed Directors and Audit & Supervisory Board Members on issues such as their legal authority and obligations, utilizing outside institutions when needed. This is followed by more learning opportunities including training related to themes affecting the duties of Directors and Audit & Supervisory Board Members and inspections of the Company's properties.

In the fiscal year ended March 31, 2022, in addition to a site tour of our properties, we held training sessions on the themes of addressing climate change and disclosing information.



Outside officers visiting the OBP Building

### Status of Coordination between Audit & Supervisory Board Members, Independent Accounting Auditors, and Internal Auditing Division

Audit & Supervisory Board Members regularly receive audit reports from an Independent Accounting Auditor. In addition, Audit & Supervisory Board Members share information with the Independent Accounting Auditor on changes in accounting standards and policies and other matters that may have a significant impact on the Company's business results by holding meetings as necessary.

Audit & Supervisory Board Members share information with the internal auditing division by holding liaison meetings monthly

between the Audit & Supervisory Board Member (Standing) and the Audit Department. In addition, the Audit & Supervisory Board receives quarterly internal audit reports directly from the Head of the Audit Department.

In this manner, we strive to improve the effectiveness of audits through close coordination between the Audit & Supervisory Board Members, the Independent Accounting Auditor, and the internal auditing division.

### Activity Status of Internal Auditing Division

The Audit Department, which is a part of the internal auditing division, conducts interviews with directors and employees of various departments and examinations of documents, etc., based on the internal control system resolved by the Board of Directors. It also conducts audits on the status of compliance activities and risk

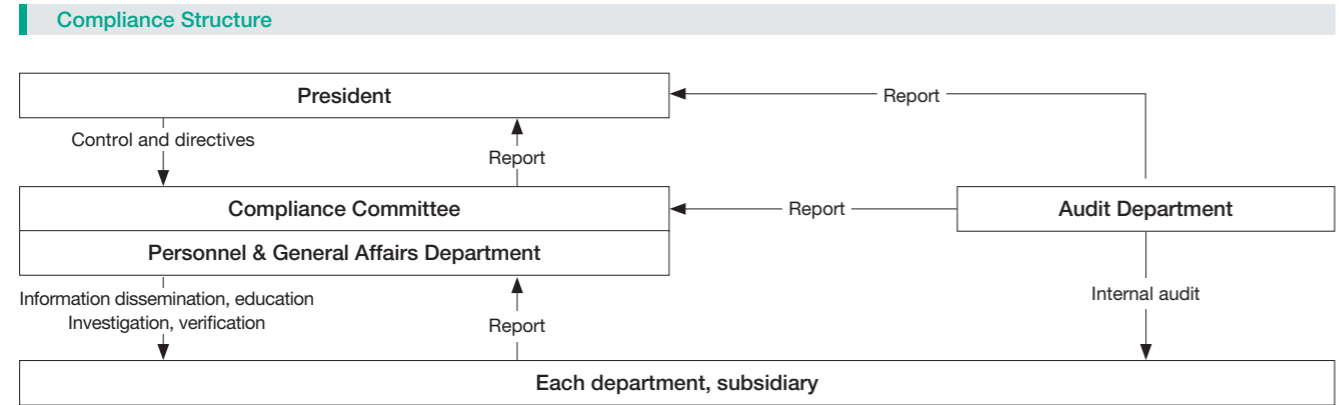
management led by each committee, and directly reports the results to the Board of Directors and Audit & Supervisory Board. If a problem is pointed out as a result of the internal audits, suggestions for improvements are made as necessary, followed by checks to see if the problem is improved as intended.



# Compliance

## Basic Concept

We position compliance as one of our most important management issues. We have created Compliance Regulations to comply with laws, regulations, and other social norms, as well as in-house standards, such as our internal rules. Based on these regulations, we have developed a compliance structure and implemented various measures.



## Promotional Framework

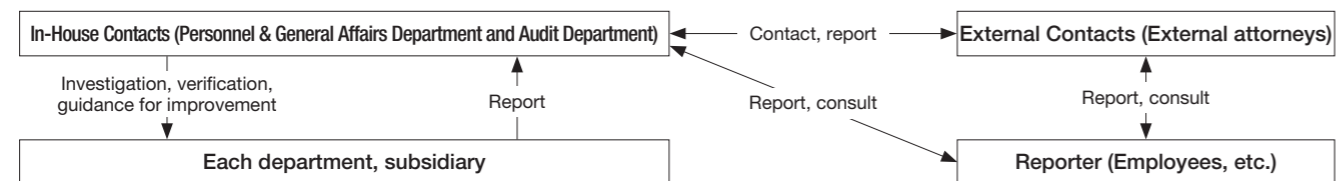
### Compliance Committee

We have established a company-wide Compliance Committee under the direct control of the President to ensure an in-house system based on compliance management and to maintain and enhance a sound corporate culture. The committee convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary. The committee formulates the Behavioral Standards, assesses the implementation status of compliance measures, and devises recurrence prevention measures. In addition, compliance education and training are provided to employees at all levels through in-house study sessions and other learning opportunities.

### In-House Reporting System

The Company has established an In-House Reporting System to receive reports from employees and provide consultations on compliance violations. In addition to the in-house contact point, an outside law firm has been designated as a contact point, and appropriate measures are taken to prohibit any disadvantageous treatment of individuals who report violations and to ensure that their work environment will not be deteriorated. Moreover, the Board of Directors oversees the status of operation of the system through regular reports by the executive officer in charge to the Board of Directors.

## In-House Reporting System

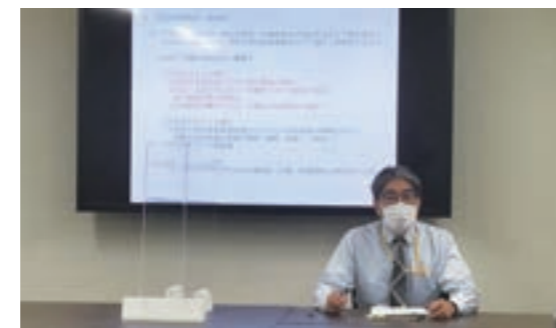


## Protecting Personal Information

The Company acquires personal information through legal and fair means, and utilizes it only to the extent necessary for its operations, such as business activities, exercise of shareholder rights, and performance of obligations. Personal information obtained is managed strictly and safely, in accordance with regulations stipulated by the Company. We take the necessary and rational measures against

### Audit Department

The Audit Department works separately from the Compliance Committee to conduct compliance status audits appropriately. The results of these audits are reported to the President and Compliance Committee, and to the Management Meeting and the Board of Directors if necessary.



In-house study session

unauthorized access from outside and other frauds including leakage, loss, or fabrication of personal information. In case of entrusting personal information to external parties, we strictly supervise and manage the handling of personal information by such trustees.

# Risk Management

## Basic Concept

For risk management, the Company is committed to realizing business policies and taking measures to eliminate as much as possible every risk that may occur in the course of its corporate activities. It aims to ensure the safety and benefit of all stakeholders and aims for a swift response and recovery at times of emergency.

## Promotional Framework

The Company established its fundamental policies on risk management and responses towards various risks it faces in the Risk Management Regulations. Also, the Risk Management Committee was established as a company-wide organization under the direct control of the President to conduct overall management based on these regulations. The committee convenes regularly and reports on its activities to the President, as well as the Management Meeting

and the Board of Directors if necessary. The committee confirms and evaluates each risk that the Company faces, formulates measures suited to the nature of each risk, follows the progress of such measures and regularly reexamines them. As such, the committee comprehensively brings together information on risk management status.

## Measures for Major Risks

Classification	Description of the risk	Status of risk response	
Operating risk	Building lease business	<ul style="list-style-type: none"> <li>● Possibility that lower rents and higher vacancy rates may affect the Company's business results due to the impact of economic trends, performance of tenant companies, and fluctuations in building supply and demand</li> <li>● Possibility that the business results may fluctuate significantly due to a large amount of real estate acquisition tax or registration license tax at the time of real estate acquisition being recorded as an expense</li> </ul>	<ul style="list-style-type: none"> <li>● Minimizing the impact of market fluctuations by diversifying leasing properties, including office buildings, datacenter buildings, WINS buildings, and commercial buildings and logistics warehouses</li> <li>● Promoting balanced development of these four leasing businesses while reducing risks by focusing on medium- to long-term profitability in new investments</li> </ul>
	Regional concentration	<ul style="list-style-type: none"> <li>● Possibility that the business results may be significantly affected by a large-scale disaster and fluctuations in the supply and demand trends for real estate leasing in the Osaka area due to the concentration of properties in the Kansai area (particularly in Osaka)</li> </ul>	<ul style="list-style-type: none"> <li>● More investments outside the Kansai area, mainly in the Tokyo metropolitan area, to diversify the regional concentration risk</li> </ul>
	Dependence on specific clients	<ul style="list-style-type: none"> <li>● Possibility that the Company's business results may be impacted by the performance of three clients that provide over 10% of all net sales</li> </ul>	<ul style="list-style-type: none"> <li>● Diversifying our tenants by attracting them to vacant properties in existing buildings and through development and acquisition of new buildings.</li> <li>● Offering appropriate services and building stronger relationships with tenants in order to reduce risks of current tenants moving out and to maintain and improve our fee levels</li> </ul>
	Fluctuation in resource prices	<ul style="list-style-type: none"> <li>● Possibility of increase in operating costs due to higher rates of electricity</li> <li>● Possibility of increase in development costs due to higher prices of building materials</li> </ul>	<ul style="list-style-type: none"> <li>● Striving to gather appropriate information and disclose the impact although it is difficult to avoid the risks</li> </ul>
Disaster risk	Natural disasters and man-made disasters	<ul style="list-style-type: none"> <li>● Possibility that our customers, buildings and facilities may be damaged and the business results and financial condition may also be affected (in the event of a large-scale natural disaster, such as an earthquake, windstorm or flooding, or a man-made disaster, such as fire or a terrorist attack)</li> </ul>	<ul style="list-style-type: none"> <li>● Renewing our buildings to become compatible with business continuity measures.</li> <li>● Strengthening resilience through developing BCP and holding drills.</li> </ul>
	Spread of infectious disease	<ul style="list-style-type: none"> <li>● Possibility that the economy may deteriorate and the Company's business results may be adversely affected by the prolonged spread of the COVID-19 pandemic</li> <li>● Possibility that the business activities may be negatively affected by the spread of infection within the Company, while the small number of staff allows for efficient business management</li> </ul>	<ul style="list-style-type: none"> <li>● Relatively low impact on the business results due to a small number of tenants engaged in the restaurants and retail businesses</li> <li>● Maintaining the health and safety of employees by promoting flexible workstyles (working from home, staggered shift patterns) and by encouraging them to take thorough infection prevention measures such as disinfection.</li> </ul>
Climate change risk	Transition risk	<ul style="list-style-type: none"> <li>● Possibility of increase in costs and tax burden in response to stricter energy conservation regulations and the introduction of a carbon tax</li> </ul>	<ul style="list-style-type: none"> <li>● Strengthening efforts to promote energy savings.</li> <li>● Considering the use of renewable energy.</li> </ul>
	Physical risk	<ul style="list-style-type: none"> <li>● Possibility that our customers, buildings and facilities may be damaged and the business results and financial condition may also be affected due to intensification of windstorm or flooding</li> </ul>	<ul style="list-style-type: none"> <li>● Relocating critical facilities to upper floors, installing flood-control panels, and strengthening preventive maintenance.</li> <li>● Strengthening resilience through developing BCP and holding drills.</li> </ul>
Financial risk	Fluctuation in asset values	<ul style="list-style-type: none"> <li>● Possibility that impairment losses may be recognized in the event of a fall in market prices of our assets (such as land, buildings, and investment securities)</li> </ul>	<ul style="list-style-type: none"> <li>● Working to prevent profitability decline such as by reshuffling properties and increasing their value.</li> <li>● Examining investment securities individually on an annual basis at the Board of Directors meeting as well as considering sale of securities that are deemed to have little significance.</li> </ul>
	Dependency on interest-bearing debt	<ul style="list-style-type: none"> <li>● Possibility of fluctuations in interest rates for interest-bearing debts</li> </ul>	<ul style="list-style-type: none"> <li>● Leveraging the current low interest environment to reduce and fix the interest rates.</li> <li>● Prolonging the average repayment period.</li> </ul>
	Amendments to laws, regulations, and tax systems	<ul style="list-style-type: none"> <li>● Possibility that any changes to the laws and regulations related to real estate and construction may restrict the execution of operations in the building lease business and building management business and affect the business results</li> <li>● Possibility that changes in tax and accounting systems may affect the Company's business results and financial condition</li> </ul>	<ul style="list-style-type: none"> <li>● Gathering appropriate information on related laws, regulations, tax systems, and accounting systems, and disclosing the impact, although it is difficult to avoid the risks</li> </ul>
Information risk	Information security	<ul style="list-style-type: none"> <li>● Possibility of information loss or falsification by employees</li> <li>● Possibility of leakage of information related to our corporate activities and business operations, as well as personal information, through unauthorized access from outside and other frauds</li> <li>● Possibility that cyberattacks on in-house systems may disrupt business operations</li> </ul>	<ul style="list-style-type: none"> <li>● Raising employee awareness of compliance by developing internal rules.</li> <li>● Asking external parties entrusted with the handling of personal information to disclose the purpose of use and the handling of personal information, and strictly supervising and managing such trustees.</li> <li>● Implementing an information security management system.</li> </ul>

## Directors, Audit & Supervisory Board Members, and Executive Officers



Director and Executive Officer <b>Seisuke Isemura</b>	Audit & Supervisory Board Member (Standing) <b>Shigeru Nishida</b>	Outside Audit & Supervisory Board Member <b>Hideharu Nagasawa</b>	Outside Audit & Supervisory Board Member <b>Hideyuki Kamijo</b>		
Outside Director <b>Chiho Takeda</b>	Outside Director <b>Takashi Tsuji</b>	Chairman <b>Koichi Minami</b>	President and Chief Executive Officer <b>Tsuneo Wakabayashi</b>	Outside Director <b>Masao Nomura</b>	Outside Director <b>Takashi Yoshida</b>

### Directors

<p><b>Koichi Minami</b> <span style="float: right;">Chairman</span></p> <p>Born March 21, 1955                  April 1977 Joined The Sumitomo Bank, Limited                  June 2013 Standing Corporate Auditor, Sumitomo Mitsui Financial Group                  Corporate Auditor, Sumitomo Mitsui Banking Corporation                  June 2016 President, Keihanshin Building                  April 2018 President and Chief Executive Officer, Keihanshin Building                  June 2022 Chairman (current), Keihanshin Building</p>	<p><b>Tsuneo Wakabayashi</b> <span style="float: right;">President</span></p> <p>Born April 29, 1959                  April 1983 Joined Hankyu Corporation                  June 2011 Director, Hankyu Hanshin Holdings, Inc.                  April 2013 Senior Managing Director, Hankyu Corporation                  April 2018 President and Representative Director, Hankyu Hanshin Properties Corp.                  April 2021 Director, Hankyu Hanshin Hotels Co., Ltd.                  June 2021 Director, Keihanshin Building                  June 2022 President and Chief Executive Officer (current), Keihanshin Building</p>
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**Seisuke Isemura** Director (In charge of Property Management)

Born March 21, 1959  
 April 1981 Joined KAJIMA CORPORATION  
 March 2017 General Manager, Building Construction Works Department, Kansai Branch, KAJIMA CORPORATION  
 April 2019 Board member, Sub-manager of Property Management Department, Keihanshin Building  
 June 2020 Director and Executive Officer, General Manager of Property Management Department (current), Keihanshin Building

**Takashi Yoshida** Director/Independent Officer Outside

Born July 24, 1953  
 November 1978 Joined Audit Corporation Asahi Accounting Firm (currently KPMG AZSA LLC)  
 May 1994 Registered as a United States Certified Public Accountant (California)  
 July 2015 Senior Partner, KPMG AZSA LLC  
 July 2016 Representative (current), Yoshida Certified Public Accountant Office  
 June 2017 Director (current), Keihanshin Building

**Masao Nomura** Director/Independent Officer Outside

Born August 2, 1949  
 March 1972 Joined Iwatani Corporation  
 June 2012 President, Iwatani Corporation  
 April 2017 Member of the Board, Counselor and Executive Officer, Iwatani Corporation  
 June 2017 Counselor (current), Iwatani Corporation  
 June 2019 Director (current), Keihanshin Building

**Significant concurrent positions**  
 Member of the Board of Directors, Outside Director, ONO PHARMACEUTICAL CO., LTD.  
 Outside Director, NEW COSMOS ELECTRIC CO., LTD.

**Takashi Tsuji** Director/Independent Officer Outside

Born October 3, 1942  
 April 1966 Joined Ube Industries, Ltd.  
 October 1983 Joined Konoike Transport Co., Ltd.  
 December 1989 Representative Director and President, Konoike Transport Co., Ltd.  
 June 2000 Representative Director and Chairman, Konoike Transport Co., Ltd.  
 June 2017 Director and Chairman, Konoike Transport Co., Ltd.  
 June 2020 Director (current), Keihanshin Building

**Chiho Takeda** Director/Independent Officer Outside

Born February 9, 1973  
 October 2001 Registered lawyer in the Osaka Bar Association  
 Joined Miyake Joint Partnership Law Office (currently Miyake & Partners)  
 May 2016 Partner (current), Miyake & Partners  
 June 2019 Audit & Supervisory Board Member, Keihanshin Building  
 June 2022 Director (current), Keihanshin Building

**Significant concurrent position**  
 Outside Director (Member of the Board), NICHIDAI CORPORATION

### Audit & Supervisory Board Members

**Shigeru Nishida** Audit & Supervisory Board Member (Standing)

Born October 8, 1960  
 April 1984 Joined The Sumitomo Bank, Limited  
 April 2013 Manager, Corporate Credit Department, Sumitomo Mitsui Banking Corporation  
 June 2015 Director, General Manager of General Affairs Department, Keihanshin Building  
 April 2018 Director and Executive Officer, General Manager of General Affairs Department, Keihanshin Building  
 June 2019 Audit & Supervisory Board Member (Standing) (current), Keihanshin Building

**Hideharu Nagasawa** Audit & Supervisory Board Member/Independent Auditor Outside

Born September 23, 1960  
 April 1984 Joined SANYO Electric Co., Ltd.  
 January 2012 Director, Managing Executive Officer and General Manager, Corporate Planning Division, SANYO Electric Co., Ltd.  
 April 2015 Planning and Administration Manager, Assistant to the Executive Officer in charge of Technology, Panasonic Corporation  
 January 2018 Adviser, DAIHATSU DIESEL MFG. CO., LTD.  
 June 2021 Audit & Supervisory Board Member (current), Keihanshin Building  
 March 2022 Executive Officer (current), DAIHATSU DIESEL MFG. CO., LTD.

**Hideyuki Kamijo** Audit & Supervisory Board Member/Independent Auditor Outside

Born March 15, 1955  
 April 1977 Joined Ishikawajima-Harima Heavy Industries Co., Ltd.  
 August 1987 Joined Sekisui House, Ltd.  
 April 2014 Executive Officer and General Manager, Accounting and Finance Department, Sekisui House, Ltd.  
 December 2015 Auditor, Konoike Construction Co., Ltd.  
 April 2019 Managing Officer, Sekisui House, Ltd.  
 April 2021 Managing Partner, Hideyuki Kamijo Tax Accountant Office (current)  
 June 2022 Audit & Supervisory Board Member (current), Keihanshin Building

### Executive Officers

<p><b>Tsuneo Wakabayashi</b></p> <p>President and Chief Executive Officer</p>	<p><b>Shinji Yamamoto</b></p> <p>Senior Managing Executive Officer responsible for Business Promotion Division</p>	<p><b>Junichi Tada</b></p> <p>Managing Executive Officer responsible for Administration</p>
<p><b>Seisuke Isemura</b></p> <p>Executive Officer and General Manager of Property Management Department</p>	<p><b>Toshiki Tabuchi</b></p> <p>Executive Officer and General Manager of Finance &amp; Accounting Department</p>	<p><b>Takao Matsumoto</b></p> <p>Executive Officer and General Manager of Business Department</p>
<p><b>Yoshikatsu Okada</b></p> <p>Executive Officer and General Manager of Personnel &amp; General Affairs Department</p>	<p><b>Takao Hori</b></p> <p>Executive Officer, General Manager of Corporate Planning Department, and Head of Sustainability Promotion Group</p>	<p><b>Kazuma Ohashi</b></p> <p>Executive Officer, Head of Tokyo Branch Office, and Head of Investment Promotion Department</p>

## Main Consolidated Financial Data

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3
	Unit: millions of yen										
<b>Profit or loss (fiscal year)</b>											
Net sales	13,291	13,679	14,031	14,852	14,930	14,380	14,799	14,995	15,319	15,333	<b>17,815</b>
Gross profit	5,254	5,507	5,410	5,996	6,256	6,259	6,566	6,770	6,831	6,842	<b>6,664</b>
Operating profit	4,404	4,634	4,463	4,966	5,118	4,969	5,298	5,451	5,414	5,295	<b>5,124</b>
EBITDA	6,843	7,298	7,076	7,705	7,754	7,507	7,731	7,661	7,598	7,565	<b>8,855</b>
Ordinary profit	3,448	3,800	3,699	4,457	4,782	4,740	5,044	5,214	5,214	5,081	<b>4,879</b>
Ordinary profit after tax before depreciation*	4,487	5,019	4,906	5,609	5,840	5,819	5,923	5,829	5,802	5,796	<b>7,117</b>
Profit attributable to owners of parent	1,740	2,331	2,369	2,732	3,610	3,272	3,585	3,998	3,919	8,251	<b>5,165</b>
<b>Financial condition (end of fiscal year)</b>											
Total assets	110,671	114,577	115,015	115,243	111,418	113,204	122,964	132,780	136,605	154,043	<b>149,994</b>
Interest-bearing debt	60,940	63,440	56,750	51,286	45,317	43,085	48,294	55,709	58,401	66,645	<b>64,859</b>
Net assets	38,792	41,733	48,250	51,850	54,556	58,862	62,227	64,228	64,377	70,539	<b>70,510</b>
	Unit: %										
<b>Main indicators</b>											
Rate of return on equity (ROE)	4.6	5.8	5.3	5.5	6.8	5.8	5.9	6.3	6.1	12.3	<b>7.3</b>
Return on total assets (ROA)	4.1	4.1	3.9	4.3	4.5	4.4	4.5	4.3	4.0	3.6	<b>3.4</b>
Equity ratio	35.1	36.4	42.0	45.0	49.0	52.0	50.5	48.3	47.0	45.7	<b>46.9</b>
	Unit: millions of yen										
Net interest-bearing debt	56,168	53,259	44,467	47,709	28,765	35,883	41,243	39,791	45,196	45,094	<b>54,983</b>
Depreciation	2,438	2,663	2,612	2,738	2,636	2,538	2,433	2,210	2,183	2,270	<b>3,731</b>
Capital expenditure	5,054	751	472	9,572	9,510	10,840	11,236	3,734	10,639	11,504	<b>14,283</b>
	Unit: yen										
<b>Per share information</b>											
Profit (EPS)	38.7	51.8	46.1	50.6	66.9	60.7	66.6	74.6	74.6	158.8	<b>102.3</b>
Net assets (BPS)	862.5	927.9	893.9	960.6	1,010.8	1,091.7	1,154.8	1,217.3	1,236.5	1,362.0	<b>1,403.7</b>
Dividends per share	12.0	14.0	14.0	15.0	16.0	17.0	18.0	23.0	27.0	31.0	<b>36.0</b>
	Unit: millions of yen										
<b>Cash flows (fiscal year)</b>											
Cash flows from operating activities	3,676	6,091	4,607	7,086	4,919	4,717	6,884	5,259	6,693	7,693	<b>2,736</b>
Cash flows from investing activities	(2,922)	(2,644)	128	(9,644)	14,818	(10,939)	(11,249)	(1,619)	(9,705)	(5,566)	<b>(8,652)</b>
Free cash flow	754	3,447	4,736	(2,558)	19,738	(6,222)	(4,364)	3,639	(3,012)	2,126	<b>(5,916)</b>
Cash flows from financing activities	2,833	1,961	(2,633)	(6,148)	(6,762)	(3,127)	4,213	5,227	298	6,219	<b>(5,757)</b>
Net increase (decrease) in cash and cash equivalents	3,588	5,408	2,102	(8,706)	12,976	(9,350)	(150)	8,867	(2,713)	8,345	<b>(11,674)</b>
Cash and cash equivalents at end of period	4,771	10,180	12,283	3,576	16,552	7,202	7,051	15,918	13,205	21,550	<b>9,876</b>

\*Ordinary profit after tax before depreciation = ordinary profit × (1 – effective statutory tax rate) + depreciation

## Analysis of Operating Results and Financial Condition, etc.

### Operating Results

During the fiscal year ended March 31, 2022, expectations mounted midway through the fiscal year for the Japanese economy to recover in terms of personal consumption and corporate revenue, due to progress in COVID-19 vaccination, easing of movement restrictions, and other relevant factors. However, the emergence of the Omicron variant hampered the rebound of personal consumption after the turn of the year to 2022, and the economic recovery remained moderate. In addition, a surge in crude oil prices caused by the escalating tension in Russia and Ukraine has accelerated the rise in energy and material costs, which has 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 as well as spreading out of offices to suburban areas against the backdrop of the proliferation of remote working and other new workstyles, which raised the vacancy rate and put a downward pressure on rent levels. Meanwhile, demand for datacenters remained strong on the whole, thanks to an increase in data communication volume due to development in cloud services driven by the spread of remote working, among other factors.

Under such circumstances, the Company focused on operating activities and maintained an extremely high occupancy rate, with the vacancy rate as of March 31, 2022 at 0.31%. In April 2021, we completed the construction of the OBP Building, a datacenter building in Osaka-shi which we had been working on as an investment project under our Medium-Term Business Plan

“Challenges from here: Into the new stage of growth.” This has contributed to the expansion of our business foundations.

As a result, consolidated net sales for the fiscal year ended March 31, 2022 increased by 2,481 million yen (16.2%) year-on-year to 17,815 million yen, chiefly due to proceeds from the OBP Building. However, gross profit declined by 178 million yen (2.6%) year-on-year to 6,664 million yen due to an increase in cost of sales, including real estate acquisition tax and other initial expenses of the OBP Building. Accordingly, operating profit declined by 170 million yen (3.2%) year-on-year to 5,124 million yen.

Non-operating income or expenses for the fiscal year ended March 31, 2022 totaled a net expense of 245 million yen, up 31 million yen year-on-year from a net expense of 213 million yen. As a result, ordinary profit declined by 202 million yen (4.0%) year-on-year to 4,879 million yen.

Net extraordinary income for the fiscal year ended March 31, 2022 stood at 2,547 million yen, down by 4,276 million yen year-on-year from 6,824 million yen, chiefly due to a decrease in extraordinary income from the sale of investment securities. As a result, profit attributable to owners of parent amounted to 5,165 million yen, a decrease of 3,086 million yen (37.4%) year-on-year.

Unit: millions of yen

Account	2021/3	2022/3	Increase (decrease) %
Net sales	15,333	17,815	16.2
Cost of sales/General and administrative expenses	10,038	12,690	26.4
Operating profit	5,295	5,124	(3.2)
Non-operating income	303	273	(9.8)
Non-operating expenses	517	519	0.4
Ordinary profit	5,081	4,879	(4.0)
Extraordinary income	6,837	2,586	(62.2)
Extraordinary losses	12	39	205.7
Income taxes	3,654	2,261	(38.1)
Profit attributable to owners of parent	8,251	5,165	(37.4)

### Financial Condition

Total assets at the end of the fiscal year ended March 31, 2022 amounted to 149,994 million yen, a decrease of 4,048 million yen (2.6%) from the end of the previous fiscal year. This was mainly due to a decrease of 11,674 million yen in cash and deposits as a result of the final payment for the OBP Building and a decrease of 2,134 million yen in investment securities due to the sale of listed stock, despite an increase of 8,393 million yen in property, plant and equipment due to factors such as the completion of the OBP Building and an increase of 1,850 million yen in consumption taxes refund receivable as a result of posting suspense consumption tax paid in conjunction with the completion of the OBP Building.

Total liabilities amounted to 79,484 million yen, a decrease of 4,019 million yen (4.8%) from the end of the previous fiscal year. This was mainly attributable to a decrease of 2,529 million yen in income taxes payable and a decrease of 1,785 million yen in interest-bearing debt as a result of repayment.

Total net assets amounted to 70,510 million yen, a decrease of 29 million yen (0.0%) compared to the end of the previous fiscal year. This was primarily due to a decrease of 1,284 million yen in valuation difference on available-for-sale securities, despite an increase of 789 million yen in retained earnings and an increase of 465 million yen in treasury shares.

Unit: millions of yen

Account	2021/3	2022/3	Increase (decrease)
Current assets	22,603	12,260	(10,342)
Non-current assets	131,439	137,733	6,293
Total assets	154,043	149,994	(4,048)
Current liabilities	9,578	8,208	(1,370)
Non-current liabilities	73,924	71,275	(2,648)
Total liabilities	83,503	79,484	(4,019)
Shareholders' equity	69,268	70,523	1,254
Total net assets	70,539	70,510	(29)
Total liabilities and net assets	154,043	149,994	(4,048)

### Cash Flows

Cash and cash equivalents at the end of the fiscal year ended March 31, 2022 amounted to 9,876 million yen, a decrease of 11,674 million yen from the end of the previous fiscal year.

Net cash provided by operating activities amounted to 2,736 million yen (7,693 million yen provided in the previous fiscal year). Major inflows were 7,426 million yen in profit before income taxes and 3,731 million yen in depreciation. Major outflows were 4,774 million yen in income taxes paid and extraordinary income including 2,164 million yen in gain on sale of investment securities.

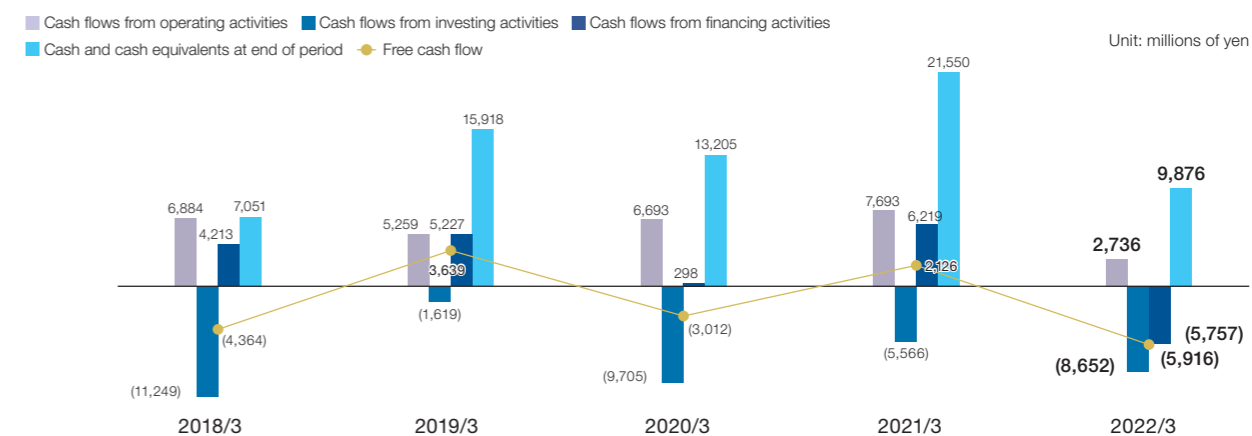
Net cash used in investing activities amounted to 8,652 million yen (5,566 million yen used in the previous fiscal year). Major inflows were 2,468 million yen from the sale of investment securities

and 1,262 million yen from the sale of property, plant and equipment. Major outflows were 12,479 million yen from the purchase of property, plant and equipment.

Free cash flow, calculated as the total of cash flows from operating and investing activities, amounted to a net outflow of 5,916 million yen (compared to a net inflow of 2,126 million yen in the previous fiscal year).

Net cash used in financing activities amounted to 5,757 million yen (6,219 million yen provided in the previous fiscal year). This was due to the share repurchase of 2,290 million yen, repayments of long-term borrowings of 1,785 million yen, and dividends paid of 1,681 million yen.

### Consolidated cash flows



## Consolidated Balance Sheets

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries As of March 31, 2021 and 2022	Unit: millions of yen	
	2021/3	2022/3
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	21,550	9,876
Notes and accounts receivable - trade	331	—
Accounts receivable - trade	—	381
Other	720	2,002
<b>Total current assets</b>	22,603	12,260
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	70,499	102,575
Accumulated depreciation	(39,354)	(42,648)
Buildings and structures, net	31,144	59,926
Land	52,424	52,058
Buildings in trust	3,343	3,343
Accumulated depreciation	(1,418)	(1,586)
Buildings in trust, net	1,924	1,756
Land in trust	11,038	11,038
Construction in progress	19,990	80
Other	932	1,036
Accumulated depreciation	(689)	(738)
Other, net	242	298
Total property, plant and equipment	116,765	125,159
Intangible assets	125	126
Investments and other assets		
Investment securities	11,910	9,775
Leasehold and guarantee deposits	2,193	2,193
Deferred tax assets	12	14
Other	431	463
Total investments and other assets	14,548	12,447
<b>Total non-current assets</b>	131,439	137,733
<b>Total assets</b>	154,043	149,994

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries As of March 31, 2021 and 2022	Unit: millions of yen	
	2021/3	2022/3
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	3	0
Short-term borrowings	4,285	4,090
Income taxes payable	3,043	514
Provision for bonuses	38	43
Other	2,207	3,559
<b>Total current liabilities</b>	9,578	8,208
<b>Non-current liabilities</b>		
Bonds payable	45,000	45,000
Long-term borrowings	17,359	15,769
Long-term leasehold and guarantee deposits received	7,867	7,866
Deferred tax liabilities	1,759	1,093
Deferred tax liabilities for land revaluation	1,214	1,214
Retirement benefit liability	63	67
Asset retirement obligations	114	114
Other	544	150
<b>Total non-current liabilities</b>	73,924	71,275
<b>Total liabilities</b>	83,503	79,484
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	9,827	9,827
Capital surplus	9,199	9,199
Retained earnings	50,938	51,728
Treasury shares	(697)	(232)
<b>Total shareholders' equity</b>	69,268	70,523
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	5,683	4,399
Revaluation reserve for land	(4,532)	(4,532)
<b>Total accumulated other comprehensive income</b>	1,151	(132)
<b>Share acquisition rights</b>	120	120
<b>Total net assets</b>	70,539	70,510
<b>Total liabilities and net assets</b>	154,043	149,994

## Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31, 2021 and 2022	Unit: millions of yen	
	2021/3	2022/3
<b>(Consolidated Statements of Income)</b>		
Net sales	15,333	<b>17,815</b>
Cost of sales	8,491	<b>11,151</b>
Gross profit	6,842	<b>6,664</b>
Selling, general and administrative expenses	1,547	<b>1,539</b>
Operating profit	5,295	<b>5,124</b>
Non-operating income		
Interest income	0	<b>0</b>
Dividend income	290	<b>261</b>
Other	12	<b>11</b>
Total non-operating income	303	<b>273</b>
Non-operating expenses		
Interest expenses	164	<b>164</b>
Interest on bonds	307	<b>335</b>
Bond issuance costs	33	<b>—</b>
Other	12	<b>19</b>
Total non-operating expenses	517	<b>519</b>
Ordinary profit	5,081	<b>4,879</b>
Extraordinary income		
Gain on sale of non-current assets	803	<b>376</b>
Gain on sale of investment securities	6,032	<b>2,164</b>
Other	1	<b>45</b>
Total extraordinary income	6,837	<b>2,586</b>
Extraordinary losses		
Loss on retirement of non-current assets	12	<b>38</b>
Other	—	<b>0</b>
Total extraordinary losses	12	<b>39</b>
Profit before income taxes	11,906	<b>7,426</b>
Income taxes - current	3,735	<b>2,334</b>
Income taxes - deferred	(81)	<b>(72)</b>
Total income taxes	3,654	<b>2,261</b>
Profit	8,251	<b>5,165</b>
Profit attributable to owners of parent	8,251	<b>5,165</b>
<b>(Consolidated Statements of Comprehensive Income)</b>		
Profit	8,251	<b>5,165</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	(160)	<b>(1,284)</b>
Total other comprehensive income	(160)	<b>(1,284)</b>
Comprehensive income	8,091	<b>3,880</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,091	<b>3,880</b>
Comprehensive income attributable to non-controlling interests	—	<b>—</b>


## Consolidated Statements of Changes in Net Assets

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal year ended March 31, 2021	Shareholders' equity				Unit: millions of yen
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,827	9,199	45,281	(1,200)	63,108
Changes during period					
Dividends of surplus			(1,507)		(1,507)
Profit attributable to owners of parent			8,251		8,251
Reversal of revaluation reserve for land			(163)		(163)
Purchase of treasury shares				(467)	(467)
Disposal of treasury shares		(9)		56	47
Cancellation of treasury shares		(914)		914	—
Transfer from retained earnings to capital surplus		923	(923)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	5,657	502	6,160
Balance at end of period	9,827	9,199	50,938	(697)	69,268
Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income	Share acquisition rights	Total net assets
Balance at beginning of period	5,844	(4,696)	1,148	121	64,377
Changes during period					
Dividends of surplus					(1,507)
Profit attributable to owners of parent					8,251
Reversal of revaluation reserve for land					(163)
Purchase of treasury shares					(467)
Disposal of treasury shares					47
Cancellation of treasury shares					—
Transfer from retained earnings to capital surplus					—
Net changes in items other than shareholders' equity	(160)	163	3	(1)	1
Total changes during period	(160)	163	3	(1)	6,161
Balance at end of period	5,683	(4,532)	1,151	120	70,539
Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal year ended March 31, 2022					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	<b>9,827</b>	<b>9,199</b>	<b>50,938</b>	<b>(697)</b>	<b>69,268</b>
Changes during period					
Dividends of surplus			(1,682)		(1,682)
Profit attributable to owners of parent			5,165		5,165
Purchase of treasury shares				(2,290)	(2,290)
Disposal of treasury shares		(1)		64	62
Cancellation of treasury shares		(2,692)		2,692	—
Transfer from retained earnings to capital surplus		2,693	(2,693)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	789	465	1,254
Balance at end of period	<b>9,827</b>	<b>9,199</b>	<b>51,728</b>	<b>(232)</b>	<b>70,523</b>
Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income	Share acquisition rights	Total net assets
Balance at beginning of period	<b>5,683</b>	<b>(4,532)</b>	<b>1,151</b>	<b>120</b>	<b>70,539</b>
Changes during period					
Dividends of surplus					(1,682)
Profit attributable to owners of parent					5,165
Purchase of treasury shares					(2,290)
Disposal of treasury shares					62
Cancellation of treasury shares					—
Transfer from retained earnings to capital surplus					—
Net changes in items other than shareholders' equity	(1,284)	—	(1,284)	—	(1,284)
Total changes during period	(1,284)	—	(1,284)	—	(29)
Balance at end of period	<b>4,399</b>	<b>(4,532)</b>	<b>(132)</b>	<b>120</b>	<b>70,510</b>

## Consolidated Statements of Cash Flows

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries		Unit: millions of yen	
For the fiscal years ended March 31, 2021 and 2022		2021/3	2022/3
<b>Cash flows from operating activities</b>			
Profit before income taxes		11,906	7,426
Depreciation		2,270	3,731
Share-based payment expenses		36	56
Increase (decrease) in retirement benefit liability		(11)	3
Increase (decrease) in provision for bonuses		5	5
Interest and dividend income		(291)	(262)
Interest expenses		164	164
Interest on bonds		307	335
Bond issuance costs		33	—
Loss (gain) on sale of investment securities		(6,032)	(2,164)
Loss (gain) on sale of property, plant and equipment		(803)	(376)
Loss on retirement of property, plant and equipment		12	38
Other extraordinary loss (income)		(1)	(45)
Decrease (increase) in trade receivables		(494)	465
Increase (decrease) in trade payable		2,571	254
Decrease (increase) in consumption taxes refund receivable		—	(1,850)
Increase (decrease) in accrued consumption taxes		(50)	(55)
Other		8	24
Subtotal		9,630	7,751
Interest and dividend received		291	262
Interest paid		(454)	(503)
Income taxes paid		(1,774)	(4,774)
<b>Cash flows from operating activities</b>		<b>7,693</b>	<b>2,736</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(13,344)	(12,479)
Proceeds from sale of property, plant and equipment		1,269	1,262
Purchase of intangible assets		(23)	(24)
Purchase of investment securities		—	(50)
Proceeds from sale of investment securities		6,530	2,468
Proceeds from contribution received for construction		—	143
Other		1	26
<b>Cash flows from investing activities</b>		<b>(5,566)</b>	<b>(8,652)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings		5,000	—
Repayments of long-term borrowings		(1,756)	(1,785)
Proceeds from issuance of bonds		5,000	—
Payments for issuance of bonds		(49)	—
Purchase of treasury shares		(467)	(2,290)
Dividends paid		(1,506)	(1,681)
Other		0	—
<b>Cash flows from financing activities</b>		<b>6,219</b>	<b>(5,757)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>8,345</b>	<b>(11,674)</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>13,205</b>	<b>21,550</b>
<b>Cash and cash equivalents at end of period</b>		<b>21,550</b>	<b>9,876</b>

## Company Overview (As of March 31, 2022)

Company Name	<b>Keihanshin Building Co., Ltd.</b>	
Address	Head Office	2-14 Kawaramachi 4-chome, Chuo-ku, Osaka-shi, Osaka 541-0048, Japan
	Tokyo Branch Office	Kyodo Building 8F, 2 Kanda-Jinbocho 2-chome, Chiyoda- ku, Tokyo 101-0051, Japan
URL	http://www.keihanshin.co.jp/english/	
		
Founded	December 24, 1948	
Business Lines	Lease of office buildings, datacenter buildings, commercial buildings, logistics warehouses and off-track betting parlors (WINS), and building maintenance	
Share capital	9,827.61 million yen	
Stock Listing	Prime Market of the Tokyo Stock Exchange	
Number of employees	51 (consolidated)	
Subsidiary	Keihanshin Building Maintenance Co., Ltd.	

## Stock Information (As of March 31, 2022)

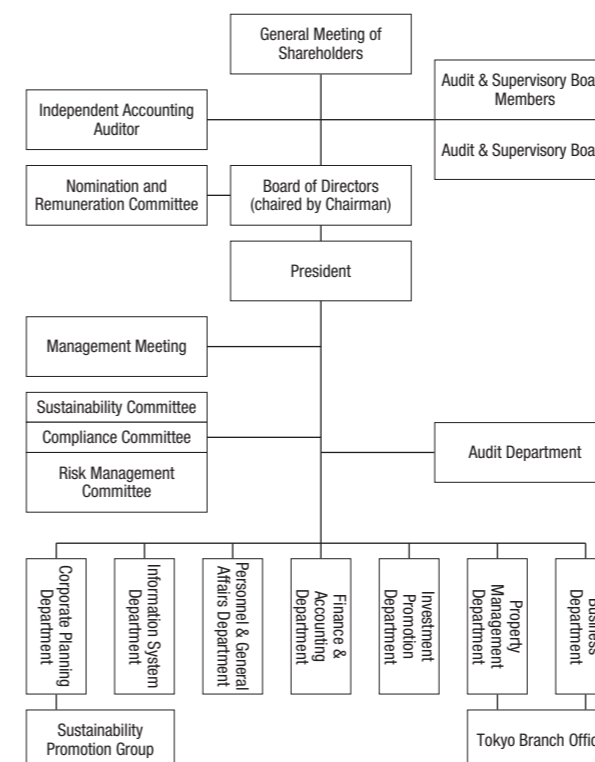
Stock Data	
Number of shares of common stock authorized to issue	80,000,000 shares
Number of shares of common stock issued	50,309,498 shares
Number of shareholders	6,027

### Major Shareholders

Name	Number of shares owned (thousand)	Shareholding ratio (%)
GINSEN Co., Ltd.	6,440	12.8
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,620	9.2
Sumitomo Mitsui Banking Corporation	2,133	4.3
Daikin Industries, Ltd.	1,421	2.8
KINDEN CORPORATION	1,393	2.8
Custody Bank of Japan, Ltd. (Trust Account)	1,392	2.8
KAJIMA CORPORATION	1,376	2.7
San ju San Bank, Ltd.	1,287	2.6
The Hyakujushi Bank, Ltd.	891	1.8
Sansei Technologies, Inc.	865	1.7

(Notes) 1. Shares less than one thousand are rounded down to the nearest thousand.  
2. The Company holds 161,781 treasury shares.  
The shareholding ratio is calculated by subtracting treasury shares.

### Organization Chart (As of March 31, 2022)



### Breakdown of Shareholders (As of March 31, 2022)

