



Keihanshin Building Co., Ltd.

INTEGRATED  
REPORT  
2023

For the fiscal year ended March 31, 2023



# Connect People, Communities, and the Future

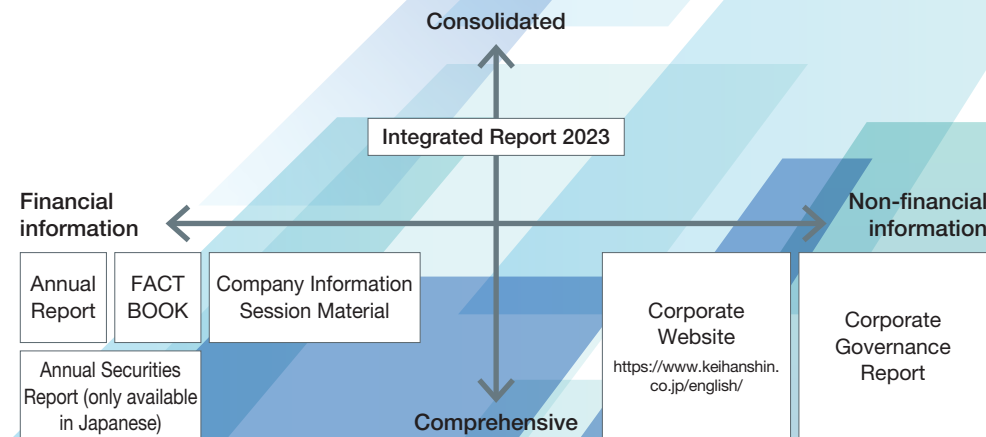
## Corporate Philosophy

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

## Code of Conduct

- 1 **The customer comes first**  
We will earn our customers' trust, meet their needs and provide them with safe, high-quality environments and services.
- 2 **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.
- 3 **Social contribution**  
We will establish a good relationship with the community and actively engage in social contribution activities as a good citizen.
- 4 **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.
- 5 **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.
- 6 **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 2023 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.



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### 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, 2023 (April 1, 2022 to March 31, 2023). However, some parts may include past information or information on factors beyond April 1, 2023.

### 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.

# 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 assets such as office buildings, datacenter buildings, WINS buildings, commercial buildings, logistics warehouses, etc.

**Trends in vacancy rates (%)**

Year	Our buildings (companywide)	Our office buildings	Average of Tokyo business areas	Average of Osaka business areas
19/3	0.78	0.00	2.45	1.78
20/3	0.00	0.00	2.00	1.50
21/3	0.19	0.55	5.42	3.91
22/3	0.31	1.00	6.37	5.22
23/3	1.46	1.49	6.41	5.11

Source: Miki Shoji Co., Ltd.

**Competitive edge**

## 2 Successful relationships with tenants 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 by sharing know-how and deploying information horizontally to provide high quality services to our tenants in an integrated manner. This is the foundation of our stable profit and business management.

**Competitive edge**

## 3 Efficient business operations by a small number of people

The Property Management Department, staffed by highly experienced, specialized technical personnel, is comprehensively involved throughout the process—from due diligence upon property acquisition to operations management and repairs following acquisition and development—and has worked to streamline the management system, including partner companies that maintain and manage buildings.

**Competitive edge**

## 4 High BCP and environmental performance

Based on our Code of Conduct, which stipulates the provision of safe, high-quality environments and services, we are committed to providing safe spaces from the perspectives of both tangible and intangible aspects. This includes the use of seismic isolation devices, securing of an emergency power supply, and joint drills with partner companies assuming a disaster. Moreover, with the aim of objectively evaluating our past efforts to create environmentally friendly buildings and conserve energy, we have been acquiring green building certifications for owned properties in recent years.

**Ratio of properties with green building certifications by total floor space (%)**

Year	Ratio (%)
20/3	0.0
21/3	6.9
22/3	20.7
23/3	38.5
31/3 (target)	50.0 or more

### Office Buildings

- Operation mainly in the business areas of Tokyo and Osaka
- Meticulous building management
- High energy conservation and environmental performance
- BCP functions gained through datacenter building business

**8 facilities**

Keihanshin Toranomon Building

### 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

**8 facilities**

Keihanshin OBP Building

### WINS Buildings

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

**5 facilities**

WINS Umeda A Building

### Commercial Buildings, Logistics Warehouses, and Other Properties

- 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.

**7 facilities**

Shijo-Kawaramachi Building

**Average vacancy Rates as of March 31, 2023**

Area	Rate	Year-on-year
Tokyo business areas	6.41%	+0.04 percentage points
Osaka business areas	5.11%	-0.11 percentage points

Source: Miki Shoji Co., Ltd.

**Trend in the size of datacenter market in Japan**

Year	Size (hundred million yen)
2023 projection	~35,000
2024 projection	~38,000
2025 projection	~40,000
2026 projection	~42,000
2027 projection	~45,000

Source: Comprehensive Survey of Data Center Business Market 2023: Edition of Market (Fuji Chimera Research Institute, Inc.)

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

Year	Proceeds (hundred million yen)
2018	27,950
2019	28,817
2020	29,834
2021	30,911
2022	32,539

Source: Japan Racing Association  
\*Total ticket sales minus payouts for winning horses.

**Trend in size of BtoC-EC market in Japan**

Year	Size (hundred million yen)
2017	165,054
2018	179,845
2019	193,609
2020	192,779
2021	206,950

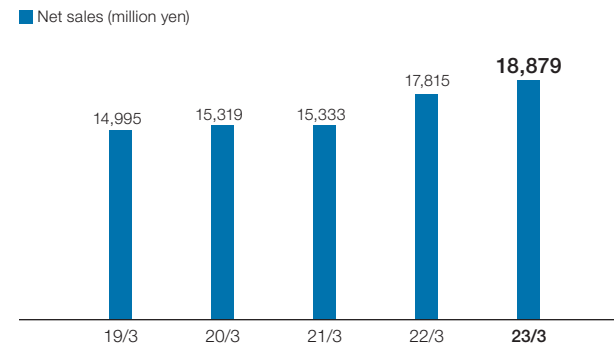
Source: FY2021 E-Commerce Market Survey  
<https://www.meti.go.jp/press/2022/08/20220812005/20220812005-h.pdf>



# Financial and Non-financial Highlights

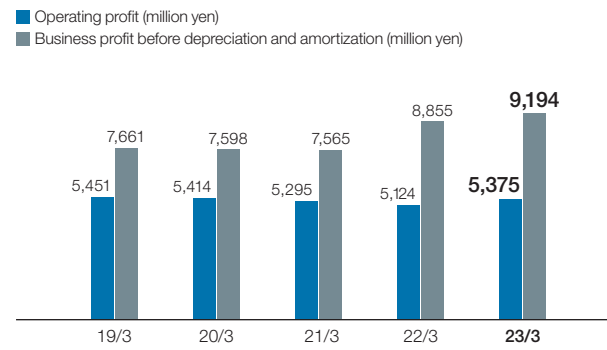
## Financial Data

### Net sales



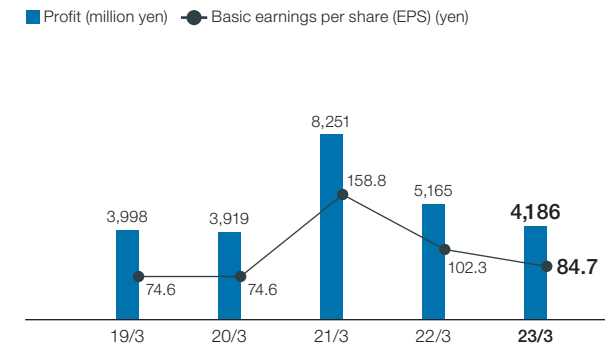
Net sales for the fiscal year ended March 31, 2023 increased year-on-year mainly due to higher operation rates at Keihanshin OBP Building. For Keihanshin OBP Building, revenues are expected to continue to increase in line with a further rise in operation rates.

### Operating profit/ Business profit before depreciation and amortization



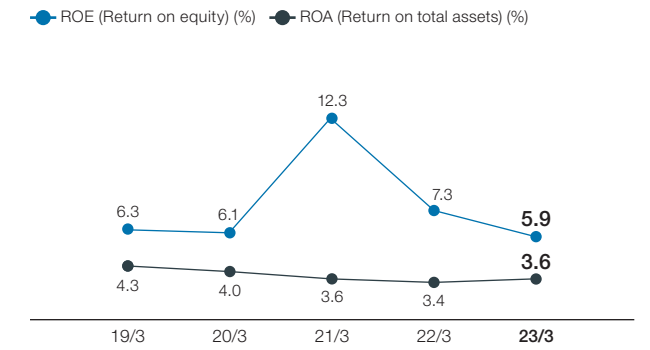
Operating profit for the fiscal year ended March 31, 2023 increased only to a limited extent due to higher electricity and other costs associated with higher energy prices. Business profit before depreciation and amortization, which we set as a KPI, has increased significantly since the fiscal year ended March 31, 2022 due to the contribution of newly developed properties (Keihanshin Toranomon Building and Keihanshin OBP Building) in the previous business plan.

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



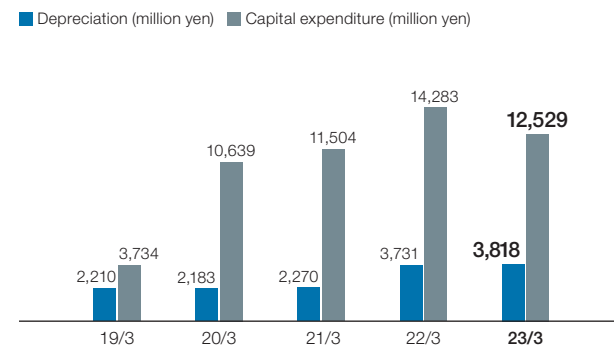
Profit for the fiscal year ended March 31, 2023 fell year-on-year mainly because extraordinary income from sale of investment securities decreased from the previous fiscal year. Although profit fluctuates due to one-off factors, we strive to increase shareholder value through steady growth in earnings per share.

### ROE/ROA



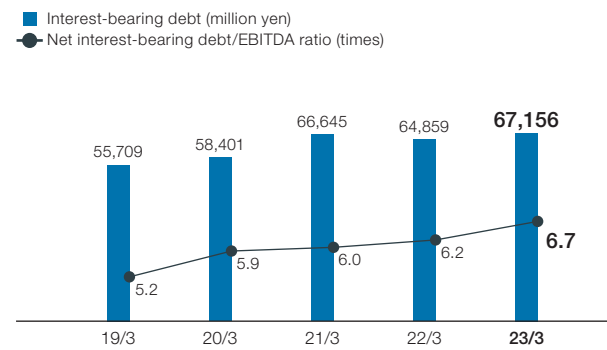
ROE for the fiscal year ended March 31, 2023 decreased from the previous fiscal year due to a decrease in profit. Under the ongoing long-term business plan, we aim to increase ROA and improve ROE by newly engaging in revolving-type investment business in addition to the existing real estate leasing business.

### Depreciation and amortization / capital expenditure



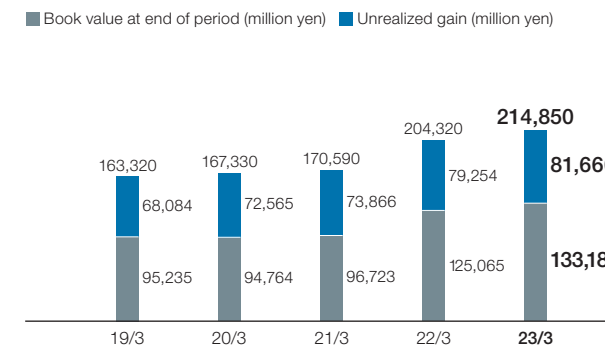
We are striving to further expand cash flow by investing in new projects and existing properties for enhancing their value, using the cash flow generated by our businesses as a source of funds. In the fiscal year ended March 31, 2023, the main capital investment was the acquisition of land in Minami-Aoyama, Minato-ku, Tokyo, and employee dormitory in Osaka-shi.

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



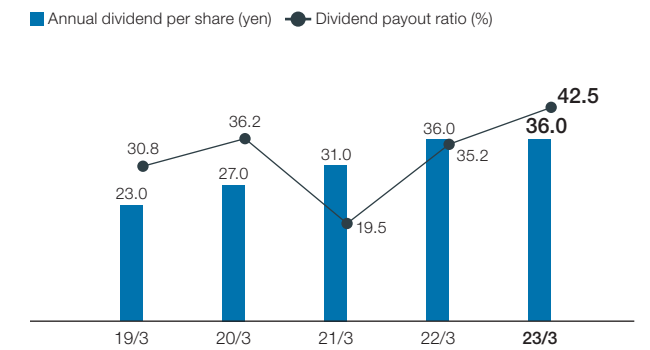
As our financial discipline, we firmly maintain the net interest-bearing debt/EBITDA ratio of about 10 times, even when the ratio temporarily rises due to financing for new investments. We will seek new investments while maintaining the soundness of the financial balance.

### Appraised value of investment and rental properties



The market value of properties held is greatly influenced by the economic conditions at different times, including interest rates. As of the end of the fiscal year ended March 31, 2023, the appraisal value of the properties held increased by approximately 10 billion yen year-on-year, mainly due to the acquisition of new properties and the soaring real estate prices.

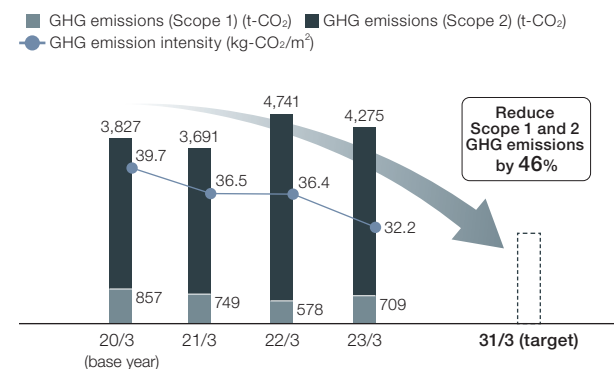
### Annual dividend per share/dividend payout ratio



Our shareholder returns policy focuses on stable dividend payouts and dividend increases, with a target dividend payout ratio set at about 45%. We will continue to strive to improve shareholder return over the long term through the growth of earnings per share and stable dividend payouts, comprehensively taking into consideration our operating results, current investment environment, and future business developments.

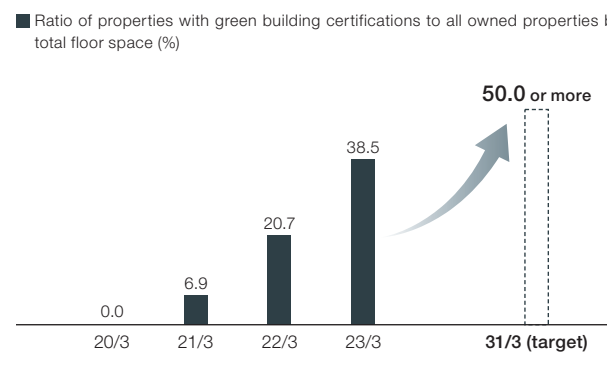
## Sustainability-related Data

### Actual GHG emissions and GHG emission intensity



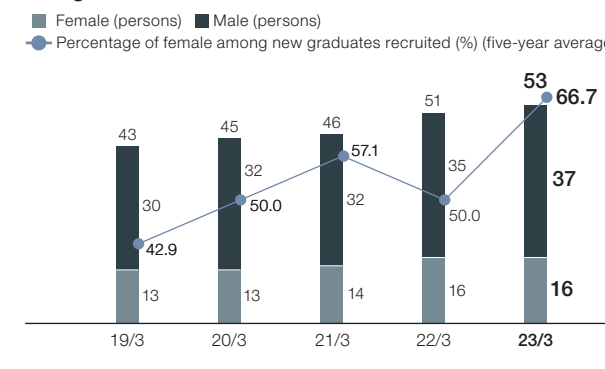
From the perspective of reducing transition risks associated with climate change, we set GHG emission reduction target. Due to the operation of new properties, total emissions have not decreased since the fiscal year ended March 31, 2020, which is the base year, but due to the introduction of electricity derived from renewable energy sources, both total emissions and emission intensity are expected to decrease in the fiscal year ending March 31, 2024.

### Ratio of properties with green building certifications



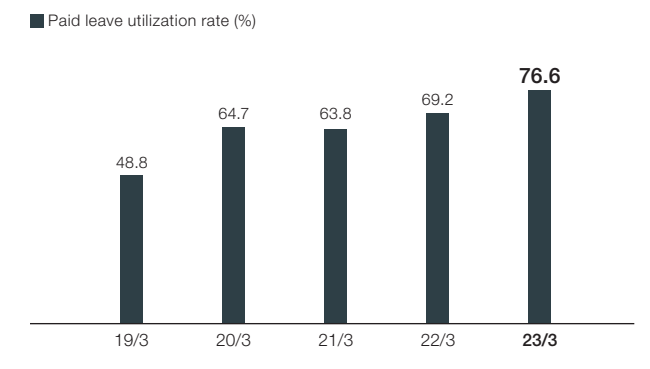
We promote the acquisition of green building certifications, in order to objectively assess the environmental performance of our properties held through external evaluations, and at the same time, to use the results as a reference for further improvement and enhancement. In the fiscal year ended March 31, 2023, we newly received the certifications at four properties.

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



Based on the belief that internalizing diverse values will lead to the Company's development in an increasingly diverse and complex society, we are working to create an environment in which all employees can play their roles evenly according to their abilities. First, we will work to diversify human resources throughout the organization, using the realization of gender diversity in new graduate recruitment as a stepping stone.

### Paid leave utilization rate



In order to achieve efficient management with a small number of employees, we strive to improve productivity and operational efficiency, as well as to create a safe and comfortable work environment, taking into consideration the work-life balance of our employees.

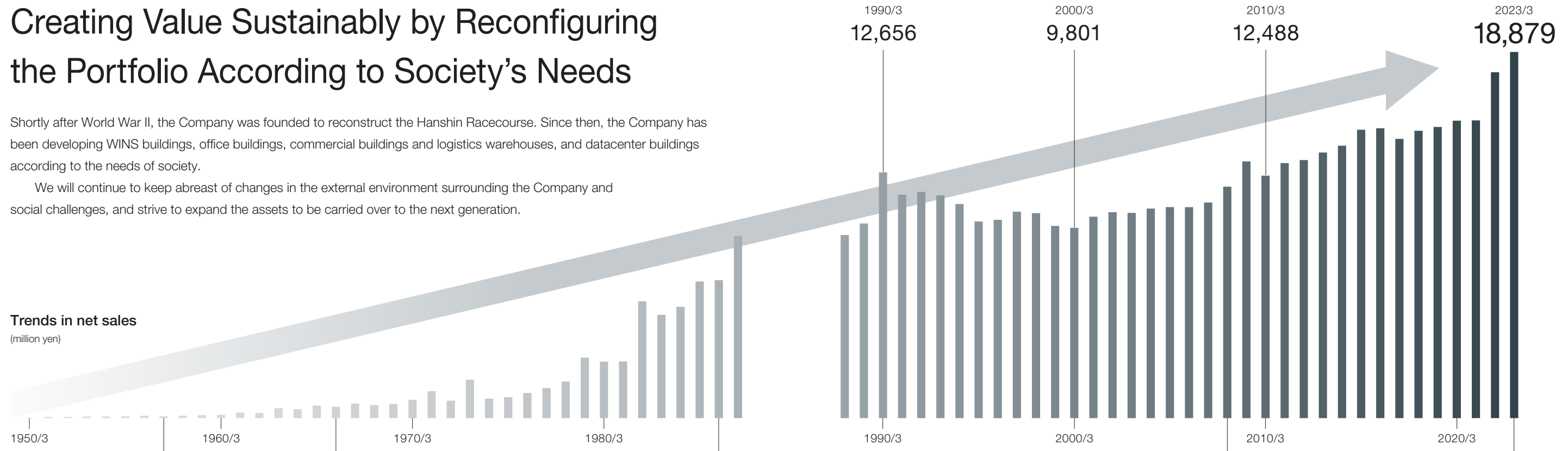
## The History of Value Creation

# Creating Value Sustainably by Reconfiguring the 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.

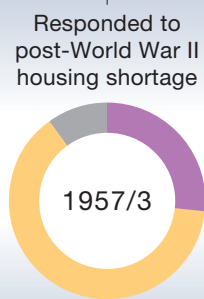
We will continue to keep abreast of changes in the external environment surrounding the Company and social challenges, and strive to expand the assets to be carried over to the next generation.

### Trends in net sales (million yen)



### Trends in net sales by business division

- Office Buildings
- Datacenter Buildings
- WINS Buildings
- Commercial Buildings, Logistics Warehouses, and Other Properties
- Residential sales
- Others



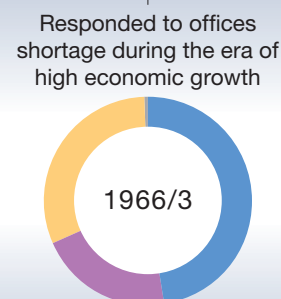
1956

### 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)



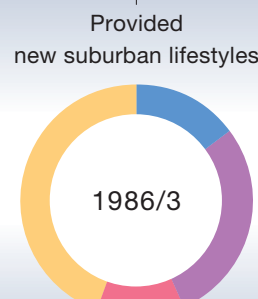
1962

### 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)



1976

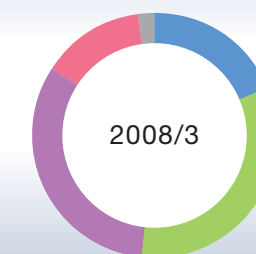
### Entering the office building business

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)

### Provided infrastructure to meet the information processing needs of IT society



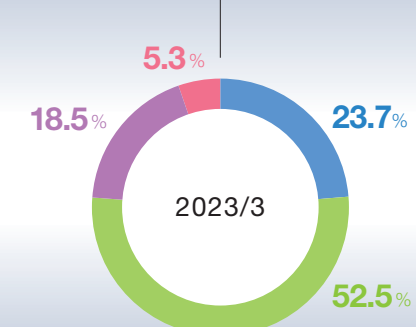
1988

### 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.



Keihanshin 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 Keihanshin Onarimon Building. The Company opened the Tokyo Branch Office in 2014 and has been pursuing to expand its business in the Tokyo metropolitan area.



Keihanshin Onarimon Building (Completed in 2009)

Keihanshin Toranomon Building (Completed in 2020)

2023~

### Long-Term Business Plan Launched

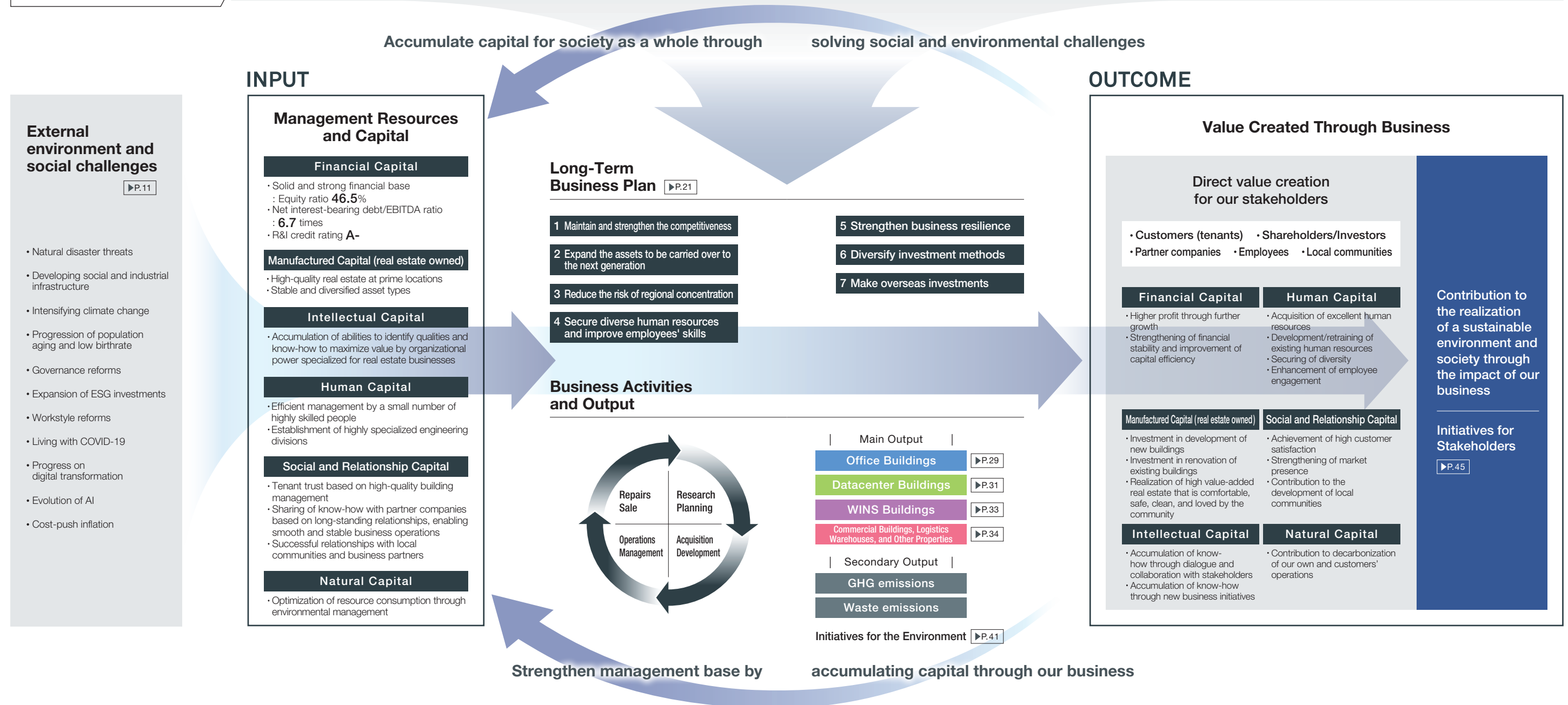
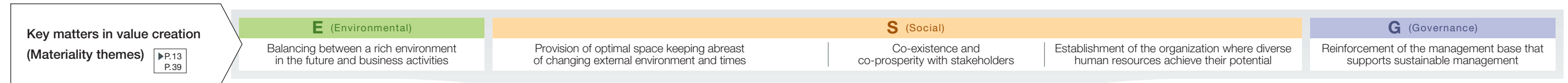
Under the Long-Term Business Plan covering the 10-year period from the fiscal year ending March 31, 2024 to the fiscal year ending March 31, 2033, we are aiming for further development of foundations and systems to respond to changes in the external environment surrounding the Company and promoting initiatives for new businesses. We intend to accelerate growth through improved capital efficiency resulting from the expansion and reconfiguration of our assets and the diversification of our approach to investment.

# 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.



# 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 38 and 63.)

## Awareness towards external environment

Risks and Opportunities		
<b>Economy</b> <ul style="list-style-type: none"> <li>● Real estate market remaining high</li> <li>● Continued concentration in Tokyo</li> <li>● EXPO 2025 OSAKA, KANSAI</li> <li>● Attracting integrated resort (IR) investments</li> <li>● Expansion of ESG investment</li> <li>● Soaring energy prices and commodity prices</li> <li>● Changes in the interest rate outlook</li> </ul>	<b>Risks</b> <ul style="list-style-type: none"> <li>● Increase of vacancy rates due to oversupply of leasing properties</li> <li>● Concentration 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>	<b>Opportunities</b> <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>● Living with COVID-19, response to post-pandemic era</li> <li>● Upward pressure on wages in response to inflation</li> <li>● Heightened awareness of sustainability</li> <li>● Increasingly complex international situation</li> <li>● Increase in information volume (data traffic)</li> <li>● Global political instability</li> </ul>	<b>Risks</b> <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>● Changes in existing business needs</li> <li>● Impact of social changes on business activities associated with living with COVID-19 and post-pandemic era</li> <li>● Impact of geopolitical risks on the domestic economy</li> </ul>	<b>Opportunities</b> <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> <li>● Growing demand for datacenter buildings as elements of societal infrastructure</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>	<b>Risks</b> <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>	<b>Opportunities</b> <ul style="list-style-type: none"> <li>● Greater awareness toward 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 digital transformation</li> </ul>	<b>Risks</b> <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>	<b>Opportunities</b> <ul style="list-style-type: none"> <li>● Expanding demand for datacenter buildings due to further progress of digitalization</li> </ul>

### Identification of key issues (materiality)

## Governance

Risk Management

Adequate validity assessment

Incorporation into medium- to long-term business strategies

### Keihanshin Building's measures toward realizing the enhancement of corporate value and contributing to a sustainable society

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 by creation of added value
- Further reinforce relations with tenants 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
- Consider flow-type business (revolving-type investment business, equity investment) to boost ROA and ROE
- Consider investing in countries where population and economic growth are expected

Measures to strengthen value creation foundation and resources

#### Develop management foundations in line with the external environment

- Establish a solid corporate governance system and strengthen it further
- Management with consciousness of cost of capital
- 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
- Promoting energy conservation and improving building envelope performance to achieve ZEB (Net Zero Energy Building)\*
- Continuous hiring of experienced personnel and new graduates
- 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 of realizing ZEB on average for new constructions by the year 2030. In addition, ZEB here refers to ZEB in a broad sense, including "ZEB Ready" and "Nearly ZEB".



# 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.



## Processes for Identifying Materiality

- STEP 1 Identification of social issues**  
 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\*1 and FTSE\*2, and other companies' initiatives, and identified potential social issues that the Company should address.
- \*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.
- STEP 2 Collection of comments on the identified social issues and examination of their relevance**  
 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.
- STEP 3 Examination of importance and comprehensiveness as those to be addressed by the Company**  
 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 summarized them into 13 aspects of materiality.
- STEP 4 Identification of the Company's materiality**  
 The Company identified its materiality through deliberation at the Management Meeting and the Board of Directors' Meeting.

## Keihanshin Building's Materiality

	Corporate vision	Key issues (Materiality)
<b>E</b> (Environmental)	We will actively address environmental issues and aim to balance between a rich environment in the future and business activities.	Strengthening of resilience to climate change Sustainable use of resources by measures to reduce the burden on the environment
<b>S</b> (Social)	We will aim for the continuous development of society as a whole through collaboration with our stakeholders.	Provision of safe, secure, and comfortable space
		Promotion of the business keeping abreast of the changing environment and times
		Conducting constructive dialogue with investors and shareholders in line with sustainable management
		Collaboration with partner companies while being aware of ESG issues
		Co-existence and co-prosperity with local communities
<b>G</b> (Governance)	We will continue to be highly transparent through maintaining compliance and disclosure of information.	Respect of human rights, diversity and inclusion
		Improvement of human capital
		Financial strategy to adapt to a changing business environment
		Strengthening of organizational resilience Improvement of the effectiveness of the Board of Directors Implementation of compliance that supports sustainable management

## Why we consider these issues important

Materiality	Perspective of sustainable corporate value enhancement	Perspective of realizing a sustainable society
Strengthening of resilience to climate change	<ul style="list-style-type: none"> <li>Reduce the risk of future cash flow impairment due to anticipated stricter energy conservation regulations and higher windstorm and flooding countermeasure costs</li> <li>Expand future cash flows by providing buildings with high environmental performance to bolster competitiveness</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to mitigating social losses resulting from climate change</li> <li>Contribute to the creation of a disaster-resilient city with buildings that can withstand increasingly severe natural disasters</li> </ul>
Sustainable use of resources by measures to reduce the burden on the environment	<ul style="list-style-type: none"> <li>Lower operating costs by reducing water consumption and waste volume</li> <li>Improve profit and capital efficiency through long-term use of buildings and facilities</li> </ul>	<ul style="list-style-type: none"> <li>Contribute to the mitigation of social losses resulting from the environmental load of waste disposal</li> </ul>
Provision of safe, secure, and comfortable space	<ul style="list-style-type: none"> <li>Bolster competitiveness, expand business, and ultimately increase future cash flows derived</li> </ul>	<ul style="list-style-type: none"> <li>Realize our corporate philosophy: "to provide valuable commercial space to customers so as to contribute to the community through the advancement of customers' and our businesses."</li> </ul>
Promotion of the business keeping abreast of the changing environment and times		
Conducting constructive dialogue with investors and shareholders in line with sustainable management	<ul style="list-style-type: none"> <li>Reduce cost of capital and enhance corporate value by reinforcing perception of reliability of the Company's management on the part of investors</li> <li>Strengthen management foundation by responding appropriately to issues identified through dialogue</li> </ul>	-
Collaboration with partner companies while being aware of ESG issues	<ul style="list-style-type: none"> <li>Protect the human rights of employees of partner companies with which the Company co-operates buildings, and conduct appropriate transactions with such companies, thereby mitigating the risk of degradation of quality in outsourced operations due to personnel loss at partner companies</li> </ul>	<ul style="list-style-type: none"> <li>Realize a sustainable society by contributing to the resolution of societal issues related to the environment and human rights</li> </ul>
Co-existence and co-prosperity with local communities	<ul style="list-style-type: none"> <li>Facilitate property operations and future redevelopment</li> <li>Increase property asset value by improving area appeal</li> </ul>	<ul style="list-style-type: none"> <li>Cooperate in revitalizing local communities to enhance appeal</li> </ul>
Respect of human rights, diversity and inclusion	<ul style="list-style-type: none"> <li>Understand the increasingly complex and diverse needs of the environment and the society by having diverse values</li> <li>Remain competitive in talent acquisition</li> </ul>	<ul style="list-style-type: none"> <li>Practice diversity and inclusion by cultivating an environment in which diverse human resources can contribute equally in line with their abilities</li> </ul>
Improvement of human capital	<ul style="list-style-type: none"> <li>Business growth and enhanced corporate value through individual employee growth</li> </ul>	-
Financial strategy to adapt to a changing business environment	<ul style="list-style-type: none"> <li>Secure financial capacity to be able to expand assets that will be carried over to the next generation</li> </ul>	-
Strengthening of organizational resilience	<ul style="list-style-type: none"> <li>Reduce the risk of future cash flow impairment by establishing a system for appropriate assessment, recognition, management, and supervision of risk</li> </ul>	-
Improvement of the effectiveness of the Board of Directors	<ul style="list-style-type: none"> <li>Recognize and oversee risks and opportunities and make appropriate business decisions to enhance corporate value</li> <li>Ensure diversity to reduce the risk of groupthink</li> </ul>	-
Implementation of compliance that supports sustainable management	<ul style="list-style-type: none"> <li>Reduce the risk of damage to the Company's image and loss of personnel resulting from the occurrence of laws and regulations violations, human rights infringements and ethics violations</li> </ul>	-

\*See page 39 and 40 for initiatives and KPIs linked to materiality.



## Message from the President



**We aim to combine our traditional real estate leasing business with new businesses to achieve sustainable growth**

**Tsuneo Wakabayashi**  
President

### **Focused on reinforcing information gathering system for new investments during first year in office**

My primary focus during my first year as president of Keihanshin Building was to strengthen the information gathering system for new investments. In accepting the nomination for the position of president, it was explained to me by the Nomination and Remuneration Committee and the Board of Directors that I was expected to leverage my experience in real estate company management and my personal connections in the industry to accelerate the growth of the Company. Given this, it became clear to me that my initial mission would be to achieve investment that would contribute to our future growth at any cost.

Our company, which has walked the path of specializing in the real estate leasing business, however, differs from the companies I have experience managing in many respects in terms of its business model and investment policy. Therefore, I decided that my initial step should be to learn firsthand about our business, so I toured all of our properties and met with all of our employees. I also met directly with people at all of our partner companies, encompassing cleaning, security, and facility management companies.

Learning about our business in this way reminded me that this is a quality business that has been carefully protected and nurtured over a long period of time. Although we have fewer properties than our listed peers, I believe that the fact that we have been able to maintain a rental property occupancy rate surpassing the market average is proof that we have been providing business space that is in great demand by society. And, although our workforce numbers is just over 50, our business is supported by our property management staff, who are responsible for maintaining favorable relations with tenants, our highly specialized technical staff, and our partner companies who share our management philosophy, “to provide valuable commercial space.”

Meanwhile, I reached the conclusion that it would be very difficult for us to continue to respond to varied changes in the economic environment and achieve sustainable growth under our business model, exclusively real estate leasing. In particular, when real estate prices remain high—as they have in recent years—new investment properties decline in terms of profitability, making it extremely difficult to secure the desired returns solely through rental income. If a company’s business model involved the option of revolving assets, soaring real estate prices would end up being more of an opportunity to recover the investment. As a result, a negative difference in profit growth between us and peers in our industry over the past few years has become evident.

To overcome this situation, we established the Investment Promotion Department in July immediately after I took office for the purpose of gathering information and planning new investments. We have dramatically increased the number of projects being considered by assigning dedicated staff and

expanding our information sources. We succeeded in acquiring land in Minami Aoyama, Tokyo in November 2022, our first real estate investment since the OBP Building.

The project in Minami Aoyama was a new type of investment for us—it entailed us acquiring land with land leasehold rights with an eye toward future redevelopment—and it has enabled us to gather information on projects that we hadn’t tackled previously to. Our subsequent acquisition of a rental residence in Osaka-shi has expanded the range of asset types about which we can acquire information. We feel that a virtuous cycle is being created in which the realization of investments leads to even more investments, as evidenced by the June 2023 acquisition of a commercial building close to Asakusa Station in Tokyo from among the newly expanded options.

### **Long-Term Business Plan formulated with a view to responding to changes in business environment**

The end of the previous fiscal year marked the completion of the fourth year of Keihanshin Building’s seven-year Medium-Term Business Plan. The first year of the Medium-Term Business Plan saw changes in the external environment that were not anticipated when the plan was formulated, such as the outbreak of COVID-19, soaring real estate prices and inflation due to global-scale monetary easing, and skyrocketing energy prices triggered by Russia’s invasion of Ukraine.

Despite this challenging environment, we succeeded in smoothly completing both the Toranomom Building and OBP Building projects. If being assessed only by profits, the Company does not seem to have grown greatly since prior to the start of the plan. However, this is due to a large increase in depreciation expenses associated with the development of the OBP Building—the largest project in Keihanshin Building’s history. In fact, cash flows from operating activities, which had been around 5 billion yen annually until the fiscal year ended March 31, 2019 prior to the plan, grew significantly to around 9 billion yen by the fiscal year ended March 31, 2023. This cash flow allowed us to undertake new investments in properties such as the land in Minami Aoyama and the building close to Asakusa Station, so the previous Medium-Term Business Plan absolutely contributed to our growth.

Meanwhile, it is also true that the previous plan did not enable us to stock up on investment opportunities following the OBP Building. We had to make new investments on a considerable scale to achieve the final targets in the remaining three years of the plan. Company executives and the Board of Directors had meticulous discussions on whether the Company should continue to invest to achieve its goals or revise its plan. From an early stage, there was consensus that aggressive investment in the current market environment—given our specialization in the real estate leasing business—could damage the efficiency of the total assets in our portfolio.

## Message from the President



Based on our recognition of these issues, the new Long-Term Business Plan aims to construct a business model that enables sustainable growth regardless of economic environment by engaging in revolving-type business in addition to our traditional real estate leasing business. We also hope to mitigate risks such as economic fluctuations and expand our stable revenue base by diversifying our methods of investment, including investment in corporate rental residences, healthcare facilities, and other new asset types of properties, equity investments in SPCs through alliances with other companies, and overseas real estate investments.

### Foster a corporate atmosphere that embraces new challenges

All of the new businesses outlined in the Business Plan are, however, firsts for the Company, and there are several challenges that may impede their promotion. Unlike the leasing business—where revenue comes in the form of rental income from tenants—revenue for the revolving-type business is obtained in the form of the added value recognized by the buyer of the property, although they are in the same real estate business. Consequently, approaches to maximize revenue differ in many ways. Investing in overseas real estate requires us not only to develop an information collection system, but also to comply with legal and accounting systems, which also means we must accumulate know-how.

Moreover, we have been operating our business with a small

number of people—emphasizing efficiency—and this has presented us with workforce-related challenges. We plan to double our workforce in 10 years from just above 50 at the end of the previous fiscal year. We do assume, though, that it will take some time to expand human capital and augment the system. This is why, as for new businesses, we have temporarily designated the first five years of the 10-year Long-Term Business Plan as preparatory period, with no expectation of recording full-fledged earnings during that time.

As we move forward with our plan amidst prevailing conditions, I believe that my most significant mission is to foster an environment in which employees are able to fully demonstrate their individual capabilities. I am constantly saying, “True capabilities of a company are nothing other than the sum of the abilities of its individual employees.” As a prerequisite for employees to demonstrate these strengths, however, it is essential to enhance employee satisfaction, without which there will be no improvement in customer satisfaction and no business growth for us. With this in mind, immediately following my appointment to the position of president, I initiated a review of our training system and work environment. With the intention of valuing the opinions of our young employees—who will bear responsibility for our company’s future—we have formed a project team led by younger staff and will promote a review of the training system and workplace environment that reflects their recommendations, with the aim of fostering a corporate atmosphere that encourages the acceptance of new challenges.

### Emphasize business profit before depreciation and amortization as an indicator of profit, and ROA as an indicator of efficiency

The Long-Term Business Plan presents key performance indicators (KPIs) and their targets. We place particular emphasis on business profit before depreciation and amortization as an indicator of profit and ROA as one of efficiency, with the ultimate goal of achieving an ROE of 8.0% or higher.

Business profit before depreciation and amortization is the sum of operating profit and share of profit (loss) of entities accounted for using equity method plus depreciation and amortization, and this indicator represents the total cash flow generated by business strategy-based investments. Since one of our new investment methods will be to invest in SPCs through alliances with other companies, we established this indicator—which includes share of profit (loss) of entities accounted for using equity method—as a KPI. We plan to invest 250 billion yen over the next 10 years, and hope to increase cash flow and boost corporate value by expanding business profit before depreciation and amortization.

Even if absolute cash flow does increase, however, a decline in capital efficiency would render it meaningless. As such, we also emphasize ROA as an indicator of efficiency and plan to improve ROE as a result. While the basic concept of improving ROE through ROA enhancement adheres fundamentally to the previous business plan, the current plan also sets a new final ROE target of 8.0%. The 8.0% target represents the minimum level that we recognize will be necessary to secure a price-to-book ratio of at least 1x in response to the market’s evaluation of Keihanshin Building at a ratio of less than 1x.

As a method to meet these indicators, we intend to maximize overall portfolio earnings by integrating our existing recurring income-type real estate leasing business with one-time-fee businesses and overseas real estate business. Therefore, we will periodically review every property to determine whether we should continue to hold it and generate cash flow or to dispose of it and earn gain on sale.

### Combining new investment methods to achieve sustainable growth while focusing on the leasing business

The real estate leasing business—the core of our operations—is what we call a recurring income-type business, and the source of our earnings is the rental income we receive from our customers in return for providing them with valuable commercial space by leveraging our strengths, which include meticulous building management. We are targeting 18 billion yen in business profit before depreciation and amortization for the final year of the plan, of which approximately 70%, or 13 billion yen, is expected to be generated by the real estate leasing business. This means that we

will accumulate 4 billion yen through new investments on top of 9.1 billion yen in the fiscal year ended March 31, 2023.

In making new investments, to mitigate the concentration of the portfolio in the Kansai area—one of the key risks the Company faces—we are targeting the Tokyo metropolitan area. In the fiscal year ended March 31, 2023, sales outside the Kansai area accounted for about 15% of total net sales, but we hope to boost this to 30% over the next 10 years. With regard to investment methods, to this point we have only made direct investments on our own. Going forward, however, we will consider making equity investments in SPCs in anticipation of acquiring actual real estate upon exit, or, as with the land we recently acquired in Minami Aoyama, we will consider making investments such as purchasing sites with an eye toward future redevelopment.

The aim of the revolving-type business, which falls under one-time-fee businesses, is to generate revenue through disposal of properties after increasing their value by leveraging our strengths. There are two approaches to enhancing property value: a tangible approach, represented by building and facility renovations, and an intangible approach, which entails improving income and expenditures by attracting tenants who understand the property’s added value. In either case, new approaches must be taken to create added property value, so it is necessary to apply more creativity and ingenuity in promoting our business.

During the term of the business plan, we intend to invest 180 billion yen in acquiring real estate, against which we aim to recover 80 billion yen by turning the assets around. As properties valued at more than 10 billion yen will have lower liquidity at exit, the main targets for the revolving-type business are presumed to be investments of several billion yen per property. In addition to the office buildings and commercial buildings which we have committed to so far, we intend to expand the type of assets to revolve to encompass corporate rental residences—for which buyers are easy to find as management is recognized to be stable—and healthcare facilities, for which steady demand is expected amidst the aging of society, thereby expanding our sound business foundation through asset type diversification.

We are investigating the feasibility of a business scheme in which, after having sold a property, to a fund for instance, we are entrusted with asset management services and continue to offer valuable commercial space to tenants by leveraging our strengths to earn fee revenue, rather than relinquishing the property entirely, all while maintaining the efficiency of the business.

### Developing a multi-layered strategy to respond to business environment changes

The rapid spread of remote work due to the pandemic, among other factors, has led to a review of the office operation paradigm. Our office building vacancy rate was 1.49% as of March 31, 2023, compared with the market average of 5-6% in the Tokyo and Osaka office districts, representing our high occupancy rate. Tenants are moving out of our properties, however, due to



## Message from the President

consolidation of business locations or reviews of office space needs. While there are those who are pessimistic about office needs going forward, I believe that accurately ascertaining and responding to the changes currently occurring could lead to opportunities for sustainable growth.

With the aim of increasing satisfaction and retaining existing tenants, beginning the fiscal year ending March 31, 2024, we have expanded the scope of our customer satisfaction survey to tenant at a larger number of our properties to collect real feedback from more people employed with our corporate tenants about the environment and other factors that make them want to work in our offices. We share the comments and assessment with our partner companies—including security, cleaning, and facility management companies—in hopes of creating a virtuous cycle that will result in improved services companywide.

In attempting to attract successor tenants in the event vacancies occur, we seek to differentiate our properties from others not only by the convenience of locations and the comfort of our buildings, but also by our environmental and BCP performance built through our commitment to sustainability.

Moreover, as of the end of the previous fiscal year, office buildings accounted for about a quarter of the Company's total net sales. Given this, even if the office building demand outlook were to follow a pessimistic scenario, it would not immediately negatively impact our overall business. As demonstrated, we are working to formulate multi-layered strategies and measures to address the risks surrounding our business environment.

### Plan calls for 10 billion yen in environmental and human resource investments

We have established a Sustainability Committee as our governing body—chaired by myself, the President—to identify, assess, and manage risks and opportunities related to sustainability. For risks and opportunities determined to be of particularly high priority, as the chief executive, I direct the formulation of countermeasure plans. These plans are then reflected in company-wide business plans and financial strategies, and implemented.

We have identified as our materiality 13 issues that should be given special priority among the most important issues to continuously enhance our corporate value and realize a sustainable society. Of these material issues, we have incorporated “Strengthening of resilience to climate change” for “E” (Environment) and “Improvement of human capital / Diversity and inclusion” for “S” (Society) into our business strategy as being of particular importance. The Long-Term Business Plan calls for a cumulative investment of 10 billion yen over 10 years: 7 billion yen in environmental investments and 3 billion yen for human resources.

With regard to “Strengthening of resilience to climate change,” from the perspective of risk, we recognize that the increased facility update costs and other expenses in the

event that regulations are established for the leasing and sale of properties that have demonstrated poor environmental performance, and increased repair costs and other expenses resulting from severe storm and flood damage, in particular, will significantly impact our corporate value. We have already been working to provide facilities with high environmental performance and to prevent storm and flood damage. And, in our Long-Term Business Plan, as an extension of these efforts, we plan to invest in updating energy-saving equipment and in countermeasures against storm and flood damage.

Looking at opportunities, to capitalize on the growth opportunity of heightened demand for occupancy in buildings with high environmental performance, we aim to raise the proportion of floor area of green-building-certified properties in our portfolio from the current 38.5% to over 50% of our total floor area by the fiscal year ending March 31, 2031, and to acquire green building certifications for all future development properties. With the control of climate change becoming a global issue, we have also established greenhouse gas (GHG) emission reduction targets that comply with the levels required by the Paris Agreement and have been certified as science based targets (SBT). It is our view that customers will place higher priority on the environmental performance of a building as one of the selection criteria. Amidst these conditions, if we can bolster our competitiveness by providing buildings with high environmental performance, our business will generate a higher cash flow, leading to enhanced corporate value.

The reason why we selected “Improvement of human capital / Diversity and inclusion” as our materiality essentially mirrors my belief that “true capabilities of a company are nothing other than the sum of the abilities of its individual employees.” We will promote four specific measures to improve human capital: promote human resources development, improve operational efficiency and productivity, create a pleasant work environment, and address diversification of human resources. Through these efforts, we hope to cultivate an environment in which each employee can fully demonstrate his or her skills and capabilities, “to act efficiently, evolve, and create a vital corporate atmosphere,” as stipulated in our management philosophy.

As I noted earlier, we intend to invest a cumulative total of 3 billion yen over the 10-year-period of the Long-Term Business Plan into these human capital initiatives. This includes the cost of employee training and investment for office environment improvement. Moreover, as part of our institutional initiatives, we are expanding the environment to enable diversity in work styles, including support for childcare and nursing care. We are further introducing a career interview system to support employees' self-actualization. We hope through these initiatives to not only raise capabilities and productivity, but also to diversify our human resources—in terms of gender and in other respects as well—and form a culture in which each employee becomes more inventive and more willing to accept new challenges than ever before.



### Keep communicating corporate vision in 10 years' time until every employee is convinced it is his or her own vision

The Long-Term Business Plan's 10-year vision of “A company that will continue to contribute to a sustainable society with each and every employee growing through inventiveness and challenges and providing valuable commercial space that meet the needs of the times” is not only a commitment to our stakeholders, but also an objective which all of our officers and employees should share and work to achieve. And I believe that when each officer and employee succeeds in aligning their directions toward a common goal, the Company can demonstrate its strength to the fullest extent.

Increases in the number of people in an organization tends to limit opportunities for communication between management and employees. This can lead to a lack of understanding of the organization's philosophy and vision or they are simply acknowledged but lose substance. In this respect, our relatively small workforce allows us to communicate directly with each employee until he or she is convinced that the organization's vision is his or her own.

To continue to provide “valuable commercial space that meets the needs of the times,” as stated in our “Corporate vision in 10 years' time,” it is essential to repeat the PDCA cycle consisting of constantly considering what is valuable to

our customers, crafting proposals, receiving evaluations from customers, and reflecting those in improvement. To instill this awareness in our employees, whether in daily communication with employees in the office, at monthly morning meetings, or at social gatherings, I tell them directly in my own words to “always look one step ahead,” “confirm things with your own eyes, not relying on hearsay,” “think for yourself, don't simply accept what you hear or read,” and “take on challenges without fear of failure.” It is difficult to determine whether our philosophy and goals have penetrated throughout the company. We believe, however, that if we can maximize the power of each employee, we will first see returns in the form of increased customer satisfaction, which will then be reflected in our sales and profit figures.



# Long-Term Business Plan (FY2024/3–FY2033/3)

We have formulated a new business plan aiming for further development of foundations and systems to respond to changes in the external environment surrounding the Company in belief that reforms are necessary for establishing a foundation for growth focusing on the 100th anniversary of the Company's founding under the new system and promoting sustainable management.

Corporate Philosophy

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

Long-Term Business Plan Basic policy

- 1 Aim to continuously enhance corporate value by realizing sustainable management
- 2 Assess changes in the investment environment and expand our business size and create new revenue models through increasing the portfolio

Corporate vision in 10 years' time

A company that will continue to contribute to a sustainable society with each and every employee growing through inventiveness and challenges and providing valuable commercial space that meet the needs of the times

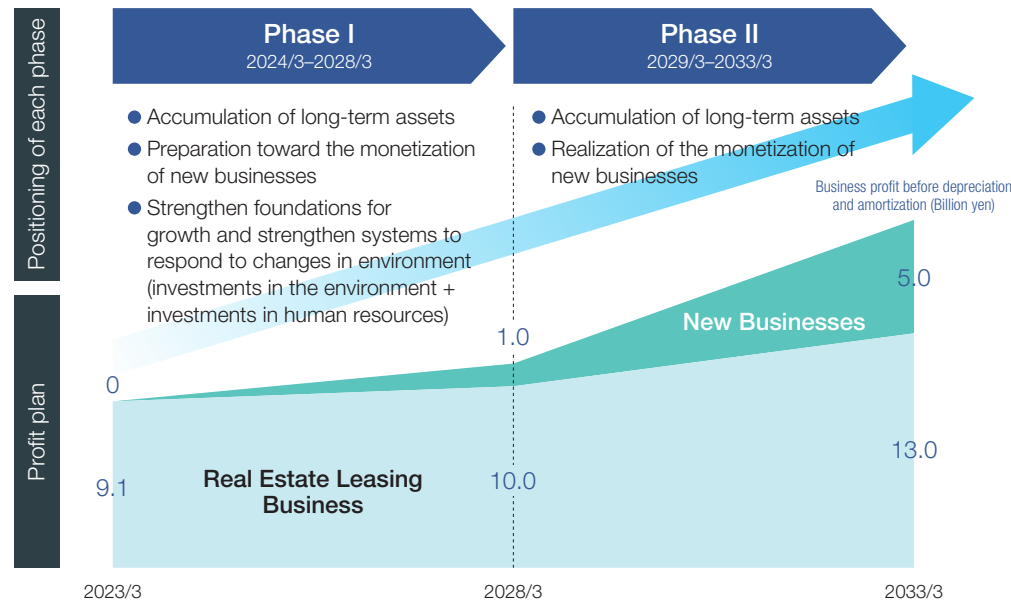
## Numerical targets

	2023/3	Phase I 2024/3–2028/3	Phase II 2029/3–2033/3
<b>Business profit</b> <small>(Operating profit + Share of profit (loss) of entities accounted for using equity method)</small>	5.3 billion yen	7.0 billion yen (FY2028/3)	14.0 billion yen (FY2033/3)
<b>Business profit before depreciation and amortization</b> <small>(Business profit + depreciation)</small>	9.1 billion yen	11.0 billion yen (FY2028/3)	18.0 billion yen (FY2033/3)
<b>Equity ratio</b>	46.5%	30% or more*	
<b>Net interest-bearing debt/EBITDA ratio</b>	6.7 times	Approximately 10 times	
<b>ROA</b> <small>(Business profit/total assets)</small>	3.6%	4.0% or more (FY2028/3)	5.0% or more (FY2033/3)
<b>ROE</b> <small>(Profit/equity)</small>	5.9%	6.0% or more (FY2028/3)	8.0% or more (FY2033/3)

\*This has been set as a lower limit for maintaining financial discipline, and the Company intends to maintain a sound financial position, with a planned equity ratio of around 40% in the final year of the plan.

## Long-Term Business Plan

Promote Business in Two Periods



## Business Strategy

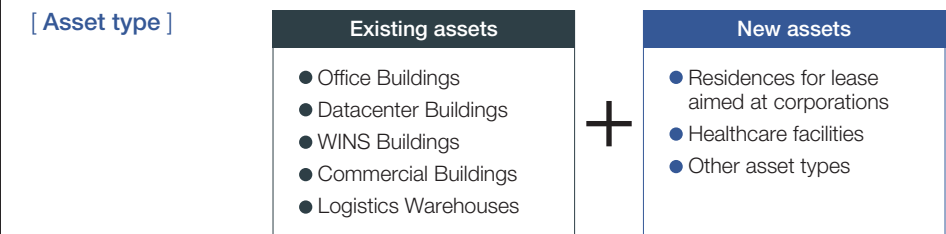
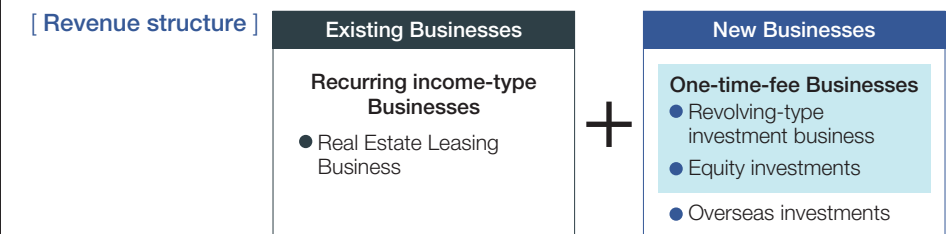
Promoting growth by leveraging our strengths

### The Company's Strengths

Diversified asset types    Sound financial balance    Meticulous building management    Highly efficient existing businesses

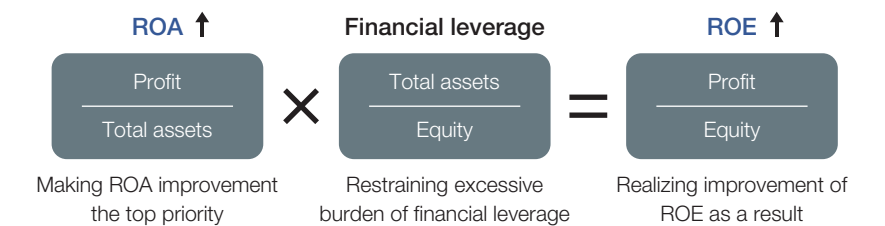
Transition to a revenue structure that maintains balance between recurring income-type businesses and one-time-fee businesses

Expand a stable revenue base by decreasing economic change risks through diversified asset types



## Financial and Capital Strategy

**[ Financial Strategy ]** Aim for enhanced ROA through initiatives for one-time-fee business, thereby realizing improvement of ROE as a result



Pay attention to the balance between direct financing and indirect financing, and strive for stable financing at low interest rates

### [ Shareholder returns ]

	2023/3	Long-Term Business Plan Targets
<b>Dividend payout ratio</b>	42.5%	Approximately 45%

Continue stable dividends and increased dividends with an emphasis on earnings per share

Raise the dividend payout ratio of 35% - 40% in the previous business plan to approximately 45%

Consider shareholder returns with an awareness of capital efficiency, including share repurchases, comprehensively taking into account the economic situation and the Company's stock price

# Long-Term Business Plan

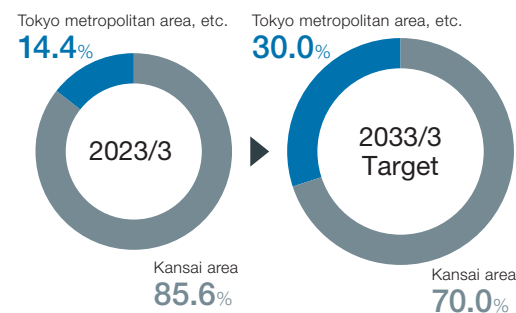
## Business Strategy

Investment Plans		Phase I 2024/3–2028/3	Phase II 2029/3–2033/3	Total
Investments in real estate	Acquisition of profitable properties	50.0 billion yen	130.0 billion yen	180.0 billion yen
	Equity investments	8.0 billion yen	8.0 billion yen	16.0 billion yen
	Overseas investments	5.0 billion yen	20.0 billion yen	25.0 billion yen
	Reconstruction of existing properties	4.0 billion yen	5.0 billion yen	9.0 billion yen
Investments in renovations and repairs	Large-scale repairs of owned properties	10.0 billion yen	10.0 billion yen	20.0 billion yen
<b>Total</b>		<b>77.0 billion yen</b>	<b>173.0 billion yen</b>	<b>250.0 billion yen</b>
Investment recovery	Sale of profitable properties	—	80.0 billion yen	80.0 billion yen
<b>Net investment amount</b>		<b>77.0 billion yen</b>	<b>93.0 billion yen</b>	<b>170.0 billion yen</b>

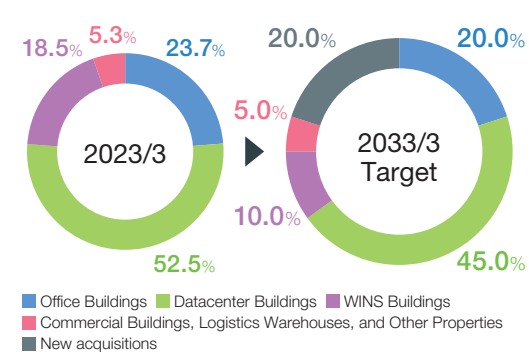
### Real Estate Leasing Business

- Priority measures**
- Continue to position the real estate leasing business as the Company's core business while striving to maintain and bolster competitiveness
  - Expand assets to be inherited by the next generation by assessing location and profitability
  - Raise the composition ratio of sales outside the Kansai area to 30% to mitigate the risk of regional concentration
  - Achieve a balanced asset portfolio and aim to establish a stable revenue foundation

#### Regional portfolio sales



#### Asset portfolio sales



### Revolving-type investment business

- Objectives**
- Aim to maximize earnings and enhance ROA and ROE by divesting assets and reinvesting the proceeds in growth areas
  - Aim to maximize earnings through the reconfiguration of assets while maintaining financial balance
- Priority measures**
- In Phase I, the Company will establish an internal system and launch operations to enhance asset value through tenant replacement and renovation, and sell them
  - In Phase II, the Company will establish an asset management business and set up a fund business as an outlet for the revolving-type investment business to realize further growth and asset efficiency improvement

Phase I 2024/3–2028/3	Phase II 2029/3–2033/3	Cumulative amount recovered
Launch asset accumulation and asset value enhancement projects	Enter asset management field, establish business	<b>80.0 billion yen</b>

### Equity investments

- Objectives**
- In addition to acquiring properties on its own, the Company will diversify its investment methods, including property acquisitions through alliances with other companies
- Priority measures**
- In Phase I, the Company will initiate equity investments and expand equity stake
  - In Phase II, the Company will achieve its targeted investment scale by accumulation of its equity stake through diversification of investment methods

Phase I 2024/3–2028/3	Phase II 2029/3–2033/3	Cumulative investment scale
Accumulation of equity investments	Diversify investment methods to achieve targeted investment scale	<b>16.0 billion yen</b>

### Overseas Investments

- Objectives**
- As there is a concern over the contraction of the domestic market in future, the Company aims to acquire properties overseas as a medium- to long-term growth strategy.
- Priority measures**
- Execute investments by identifying countries with potential for population and economic growth
  - In Phase I, the Company will focus its investment on acquiring minority stakes in SPCs through alliances with Japanese companies.
  - In the second half of Phase I, the Company will establish local structures and consider investments in physical real estate.

Phase I 2024/3–2028/3	Phase II 2029/3–2033/3	Cumulative investment scale
Development of internal structure, and investment in funds, SPCs, and physical real estate	Realize stable investment in SPCs and physical real estate	<b>25.0 billion yen</b>

## Sustainability Strategy

Investment Plans		Phase I 2024/3–2028/3	Phase II 2029/3–2033/3	Total
Environmental investments	<ul style="list-style-type: none"> <li>Investment in renovations and repairs for energy-saving equipment and BCP measures</li> <li>Use electricity derived from renewable energy sources</li> <li>Acquisition of green building certifications</li> </ul>	3.0 billion yen	4.0 billion yen	7.0 billion yen
Investment in human resources	<ul style="list-style-type: none"> <li>Improvement in workplace environment</li> <li>Investment in personnel training</li> <li>Recruitment of experienced, professional personnel</li> </ul>	1.0 billion yen	2.0 billion yen	3.0 billion yen
<b>Total</b>		<b>4.0 billion yen</b>	<b>6.0 billion yen</b>	<b>10.0 billion yen</b>

### Environmental Investments

- Priority measures**
- Strengthen business resilience by reducing GHG emissions and investing in countermeasures for windstorm and flooding
  - Promote the acquisition of green building certifications to connect growing demand for real estate offering high environmental performance to revenue opportunities

### Investment in human resources

The Company's human resources are not sufficient—neither in terms of the size of the workforce, nor in terms of know-how—to achieve the business expansion and promotion of new businesses outlined in the business plan, as its focus has been on efficiency, operating with a small number of employees.

By striking a balance between appointing personnel from external sources and developing human resources in-house, we will maintain business efficiency through the management of a small number of employees while supplementing insufficient resources, and focus on the cultivation of personnel that will form the foundation underpinning our corporate atmosphere to realize sustainable growth.

Priority measures	1 Employee skill improvement	Significant expansion of job- and rank-specific training
	2 Securing of diverse human resources	Hiring of experienced workers, active use of older individuals, and improvement of gender diversity
	3 Improvement of in-house environment	Establishment of systems that encourage diverse work styles, including enhancement of support systems such as childcare and nursing care leave, etc.
	4 Digital transformation (DX) promotion	Leveraging of digital technology to enhance services and competitive advantage

## Financial Capital Strategies

Aiming to construct a sound foundation for the implementation of the Long-Term Business Plan

Junichi Tada | Managing Executive Officer responsible for Administration



### Analysis of operating results

Consolidated operating profit and ordinary profit for the fiscal year ended March 31, 2023 were 5,375 million yen and 5,040 million yen, up only 4.9% and 3.3% year on year, respectively. The limited increases were attributable to the contribution to profit from the elimination of initial expenses of completion of the OBP Building—recorded in the previous fiscal year—having been partially offset by cost increases due to a sharp rise in electricity costs.

The increase in electricity costs is due to the significant volume of electricity consumed at datacenter buildings, which account for half of our net sales. We expect the impact on profits of the increase in electricity costs to be smaller in the fiscal year ending March 31, 2024 and beyond, however, as discussions with our customers led to us reviewing our cost structure. Still, recent price hikes have affected the business in the form of higher material procurement and outsourcing costs. Given that real estate lease contracts are generally concluded over a period of several years, and in light of recent concerns regarding the climb in vacancy rates, flexibly passing on increased costs to prices will be challenging. The environment surrounding the real estate leasing business is forecast to remain difficult for the foreseeable future.

### Approach to performance indicators

Even when profit margins are seen falling, by using financial leverage to aggressively undertake new investments and expand the scale of operations, it may be possible to achieve profit growth and ROE improvement. However, we believe that relying on the accumulation of past profits to make reckless investments that will worsen the profitability and financial soundness of our business could reduce the Company's resilience to changes that occur over a 10- or 20-year time horizon—a far cry from sustainable management. As such, since the previous plan, we have placed the highest priority on ROA as an indicator of efficiency and have been working to improve ROE by boosting ROA.

In the new Long-Term Business Plan announced in May 2023, we have set forth a policy to engage in revolving-type investment business in addition to the existing real estate leasing business with the aim of achieving sustainable profit growth even in the face of changes in the business environment, including modulations in the real estate market sparked by changes in monetary policy. We have also presented several KPIs as numerical targets. Among these, we emphasize business profit before depreciation and amortization as an indicator of profit and ROA as an indicator of efficiency, and we have also disclosed our ROE target.

The profit indicator, business profit before depreciation and amortization, is the sum of operating profit and share of profit (loss) of entities accounted for using equity method, plus depreciation and amortization. This indicator represents income based on

business strategy on a cash flow basis. Our aim is to create a virtuous cycle of increasing corporate value by expanding cash flow and achieving further business expansion through new investments funded by cash generated.

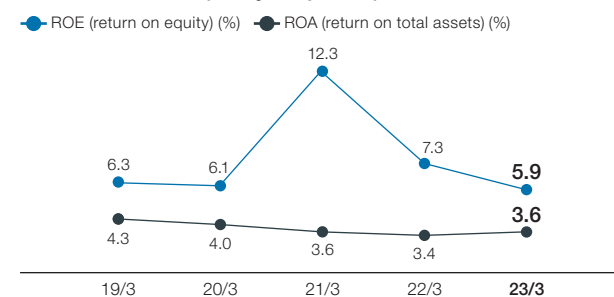
The concept of emphasizing ROA as an indicator of efficiency follows the conventional policy I noted earlier. We have established a target of 5.0% or higher for ROA in the plan's final fiscal year. The target for ROE, which we intend to achieve through ROA improvement, is set at 8.0% or higher. This is based on the formula of PBR = PER x ROE, and is set at the minimum level to be achieved for the Company to secure a PBR of 1x or more.

### Long-Term Business Plan numerical targets

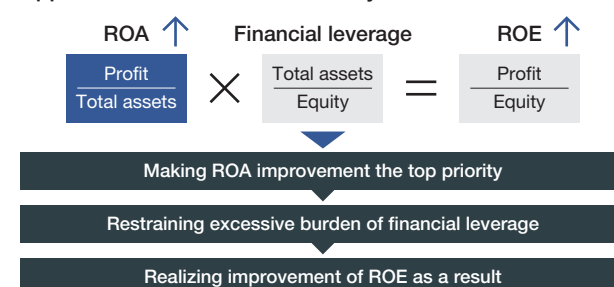
	2023/3	Phase I 2024/3–2028/3	Phase II 2029/3–2033/3
Business profit <sup>1</sup>	5.3 billion yen	7.0 billion yen (FYE Mar. 31, 2028)	14.0 billion yen (FYE Mar. 31, 2033)
Business profit before depreciation and amortization <sup>2</sup>	9.1 billion yen	11.0 billion yen (FYE Mar. 31, 2028)	18.0 billion yen (FYE Mar. 31, 2033)
Equity ratio	46.5%	30% or more	
Net interest-bearing debt/EBITDA ratio	6.7 times	About 10 times	
ROA <sup>3</sup>	3.6%	4.0% or more ; 5.0% or more	
ROE <sup>4</sup>	5.9%	6.0% or more ; 8.0% or more	

<sup>1</sup> Business profit = Operating profit + Share of profit (loss) of entities accounted for using equity method  
<sup>2</sup> Business profit before depreciation and amortization = Business profit + Depreciation  
<sup>3</sup> ROA = Business profit ÷ total assets    <sup>4</sup> ROE = Profit ÷ equity

### ROA/ROE trends (five-year period)



### Approach to investment efficiency



### Approach to new investment

The new Long-Term Business Plan calls for a total investment of 250 billion yen over the 10-year period, with a plan to recover 80 billion yen through revolving assets. In an environment in which real estate prices are rising significantly, it is difficult to undertake investments that contribute to achieving performance targets based solely on returns from rental income. Given this, depending on the economic environment and the situation of each individual property, we intend to bring our plan to fruition by combining investments in assets we plan to hold with those we intend to revolve.

### Investment plans

	Phase I 2024/3–2028/3	Phase II 2029/3–2033/3	Total
Investments in real estate (A)	67.0 billion yen	163.0 billion yen	230.0 billion yen
Investments in renovations and repairs (B)	10.0 billion yen	10.0 billion yen	20.0 billion yen
Investment recovery (C)	—	80.0 billion yen	80.0 billion yen
Net investment (A + B - C)	77.0 billion yen	93.0 billion yen	170.0 billion yen

Investment in sustainability (environmental investment + human resource investment)	4.0 billion yen	6.0 billion yen	10.0 billion yen
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We use NOI yield as a hurdle rate in our real estate leasing business in making investment decisions. The standard for office buildings is 4%, datacenter buildings 6%, commercial buildings, logistics warehouses, and other properties 5%. In an environment in which real estate prices are rising rapidly, however, it is extremely challenging to secure investments that exceed the hurdle rate, so we also combine qualitative assessments, such as of the growth potential of the area. The land in Minami Aoyama we acquired in the previous fiscal year, for instance, was an investment based on this type of qualitative assessment.

For investments that assume revolving, it takes a certain amount of time to add value to the building's tangible aspects, such as building renovation, in addition to adding value to intangible aspects, such as tenant replacement. Therefore we intend to make investment decisions using the internal rate of return (IRR) as a hurdle rate over a period of approximately three to five years. IRR, however, is also an indicator that fluctuates considerably depending on exit timing, so it will be determined on an individual basis, while viewing it from the perspective of NOI yield.

I have alluded to a variety of real estate investments, but our highest priority at present is to invest in the development of a system to put our Long-Term Business Plan on track. In our investment plan, we have positioned this as an investment in human resources. Assuming that the Company, with the current small workforce, will achieve the objectives of this plan, there is inevitably a gap between the current and desired situations with regard to human capital, both in terms of know-how and workforce. I recognize, as the person responsible for administration, that bridging this gap is our most immediate priority. We intend to meet the expectations of our shareholders, investors, and other stakeholders ahead of schedule by improving our human capital. We will accomplish this by expanding our training system to raise the quality of our internal human resources and recruiting human resources from outside the company, and by establishing an optimal system as soon as possible.

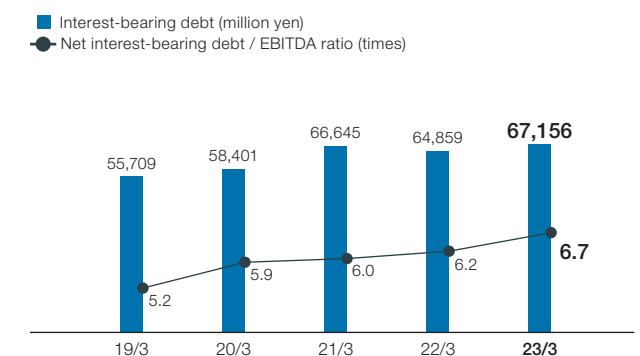
### Optimal capital structure

Although we have stipulated aggressive investment in our Long-Term Business Plan, our goal is to promote sustainable management, and it would be a mistake to undermine our financial soundness by committing to investments beyond our financial capacity. Based on this recognition, the business plan calls for financial discipline, to maintain an equity ratio of at least 30% and a net interest-bearing debt of up to around 10 times of EBITDA (earnings before interest, taxes, depreciation, and amortization) throughout the period.

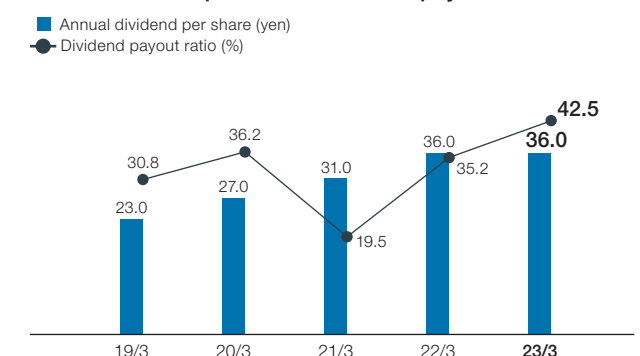
We recognize that there is sufficient capacity for investment in our capital structure as of March 31, 2023. And, since we have received a positive evaluation for our stable management policy from the past and garnered favorable ratings from rating agencies for a long time, we intend to increase the economic value added (EVA) spread and enhance corporate value by raising funds at low interest rates and fixed, long-term rates—primarily through debt—for new investments and by controlling the cost of capital.

Moreover, since the aforementioned capacity for investment means it is not necessary to aggressively accumulate equity capital in the current phase, we have raised the dividend payout ratio target in the new Long-Term Business Plan to around 45% from 35–40% in the previous plan. Our basic approach to shareholder returns follows the existing policy of centering on stable dividends and dividend increases through growth in earnings per share. However, in situations where real estate market conditions make appropriate investments challenging, we will explore timely and appropriate shareholder return methods with share repurchases among our options depending on our stock price.

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



### Annual dividend per share / dividend payout ratio





## Message from the Officer of Business Promotion Division

Toward new challenges unique to Keihanshin Building

Shinji Yamamoto | Senior Managing Executive  
Officer responsible for Business Promotion Division



### Providing safe, secure, and comfortable commercial space

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 this in mind, we operate our real estate business. To pursue customers to choose our buildings from among many others, we must achieve value-added building management that will be recognized as being unique to Keihanshin Building.

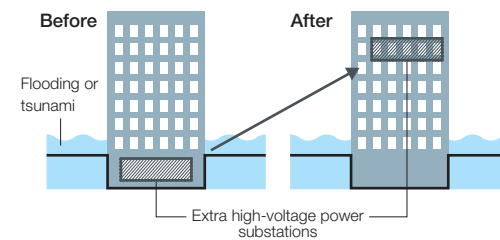
Our basic approach to building management is that we, as the building owner, cannot increase the value of a building alone; it must be nurtured together with tenant companies in addition to the partner companies to whom we outsource facility management, security, cleaning, and other operations. This sentiment is reflected in the tagline we use in our corporate advertising: “A good building grows even after it has been built.”



Corporate advertisement

One of our efforts to add value to our properties is to create buildings that are resilient in the face of natural disasters. We have considerable experience operating datacenter buildings, and we apply our expertise in earthquake preparedness and BCP measures—including the installation of flood-control panels and seismic isolation and vibration control structures—to the operation of office buildings and other facilities, and make the most effective use possible of these buildings and facilities through well-balanced, meticulous maintenance and management. Even in older datacenter buildings, we are working to mitigate water damage risk by relocating power receiving and transforming facilities that had initially been installed in the basement to the upper floors, and to enhance functionality of emergency-use generators by increasing fuel reserves.

### Relocation of power receiving and transforming facilities (rendition)



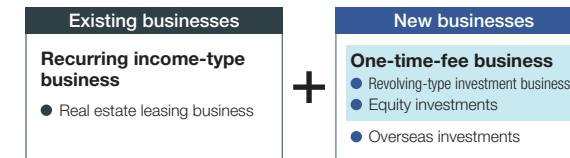
Moreover, our value-added approach to building management is based on the notion of preventive maintenance, which is implemented over the long term. We take a long-term view of each building’s life cycle in line with our buy-and-hold basic management policy, and renovate and repair buildings and facilities prior to failure or malfunction in accordance with our internal standards. This has made possible building operation without inconveniencing or burdening our tenants, resulting in highly cost-effective capital investment.

We support these efforts to improve added value systematically by a twin-front system of sales and technology. The sales and technical staff members assigned to each building work together at all times to promptly and efficiently respond to tenant requests. Most notably, we have more than a dozen highly knowledgeable, veteran technical personnel with abundant on-site experience at companies such as major general contractors. They fully demonstrate their skills on a daily basis.

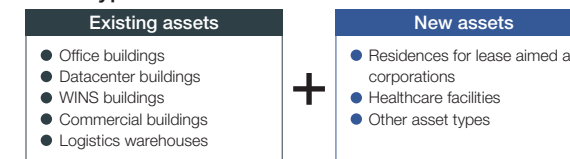
### Toward realizing the Long-Term Business Plan

The business environment surrounding our company is changing at a frenetic pace in response to changing work styles with a view to the post-pandemic era, increasingly diverse utilization of office space, high real estate prices, skyrocketing construction costs and prices, labor shortages, an energy supply crunch, and concerns over rising interest rates. In May 2023, we formulated a Long-Term Business Plan covering the 10-year period through the fiscal year ending March 31, 2033, to enable us to respond to these external environment changes and achieve sustainable growth. The new Long-Term Business Plan calls for further evolution of the existing recurring income-type business—or buy-and-hold real estate leasing business—and the diversification of the earnings structure through entry into revolving-type investment business and undertaking equity investments, as well as launching more specific feasibility studies for overseas investments.

### Revenue structure



### Asset type



The business model of a company specializing in real estate leasing is a relatively stable, solid structure, with the key to sales activities being the adding of value to maximize the rent unit price x leasable area. Due to expectations, however, that the high cost of investing in physical real estate will continue given factors such as rising prices, it is not easy to enhance assets exclusively through real estate leasing. To achieve profit growth even amidst such conditions, we would like to consider leveraging our financial capacity to undertake investments and working with other companies to take on large-scale projects, and—depending on real estate market conditions—we will flexibly consider holding properties with a view to disposing of them later.

Additionally, changes in how assets are held result in the diversification of human resources required, and thinking with regard to business and personnel evaluation systems will change as well. In this regard, we already have a foundation to flexibly accept a diverse range of human resources, as we originally hired new graduates, followed by technical personnel with ample experience at other companies, and skilled mid-level workers. By capitalizing on this foundation and expanding opportunities to a broader range of business fields, we hope to foster a vibrant workplace where diverse human resources with a host of different skills can engage in friendly competitions.

### Be fully prepared for a wide range of risks

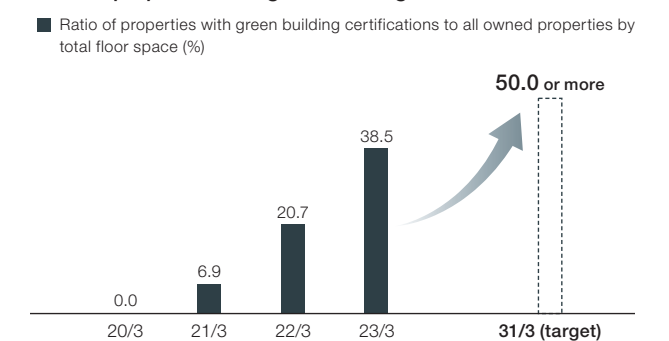
In the current office market, as telecommuting and remote work have taken root following the pandemic, demand is contracting as the trend toward office space downsizing has become normalized and apparent among companies. Vacancy rates in Tokyo business areas are still rising and average rents continue to soften. In Osaka business areas, developers are pushing forward with plans for new large-scale office buildings in preparation for the EXPO 2025 Osaka, Kansai, and supply-demand balance of the office space for lease is expected to loosen as a result of the large supply of floors for rent in office buildings.

We must further enhance the added value of our properties to persuade our customers to choose them even amidst these conditions and to realize sustainable growth. With this in mind, we believe that it will be vital to work steadily to address the material issues we have identified with the aim of sustainably enhancing our corporate value and realizing a sustainable society.

While sustainable management has attracted increasing attention in recent years, our awareness of sustainability is deeply ingrained in the Company’s original internal culture. We

reorganized this and formulated a Sustainability Policy in 2021, and identified 13 key issues (materiality) in 2022. Of these materiality themes, for example, by promoting the acquisition of green building certifications as part of our efforts toward “strengthening of resilience to climate change,” we will be able to visualize the added value of our buildings like environmental performance and make them more competitive in the face of heightened social environmental awareness. Moreover, related to the “provision of safe, secure, and comfortable commercial space,” we can differentiate our properties from others by enacting BCP measures for natural disasters such as earthquakes and improving the health performance and comfort of office buildings. I am convinced that our approach of implementing each of these initiatives toward materiality themes will be appreciated by our tenants, which should lead to stable building occupancy and sustainable growth for Keihanshin Building.

### Ratio of properties with green building certifications



### Fostering a sustainable work environment where employees feel job satisfaction

Since our founding, we have developed our business in a stable, long-term manner, with an emphasis on relationships of trust with all stakeholders, including tenants, partner companies, shareholders, and employees. Among our stakeholders, it is the employees who are ultimately responsible for the business. As the president says, “true capabilities of a company are the sum of the abilities of its individual employees.” Without growth in human capital, we cannot increase the value we provide to tenants, partner companies, shareholders, and other stakeholders. With this in mind, we focus on cultivating an environment in which each employee can continuously hone their skills and are rewarded for their efforts. In concrete terms, we are expanding training programs—such as seconding workers to other companies, organizing cross-industrial exchanges, and training abroad—to develop the human resources necessary to realize the new businesses we have set forth in our Long-Term Business Plan. We expect to broaden the scope of our business through interaction with people outside the company, in addition to supporting our employees as they hone their own skills.

## Office Buildings



Keihanshin Yodoyabashi Building

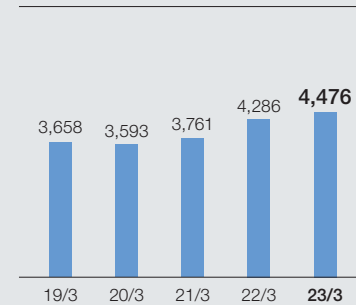
### Providing commercial spaces focused on “safety,” “comfort,” and “environmentally-friendly,” with a long-term perspective for our building management

The Company owns and leases a total of eight office buildings, mainly in business areas of Osaka and Tokyo. Our office buildings have strengths in comfort and high environmental performance, in addition to the advanced BCP functions which have been cultivated through datacenter building operations.

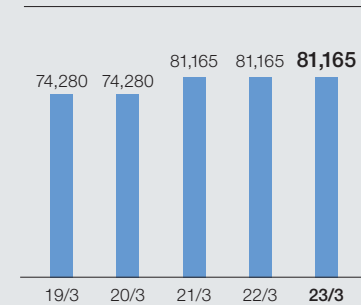
In the office market, vacancy rates have continued to rise due to the acceleration of workstyle reforms and a series of large supply of new office buildings. Under these circumstances, we identify the needs of tenants through meticulous building management, and even when tenants depart, we detect it and find new tenants at an early stage. Through these operating efforts, we have maintained a higher occupancy rate compared to the market average (vacancy rates at end of period of 1.49%). As a result, net sales from the office building business for the fiscal year ended March 31, 2023 amounted to 4,476 million yen, an increase of 189 million yen year-on-year.

## PERFORMANCE

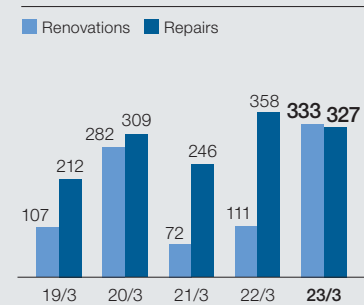
Net sales (million yen)



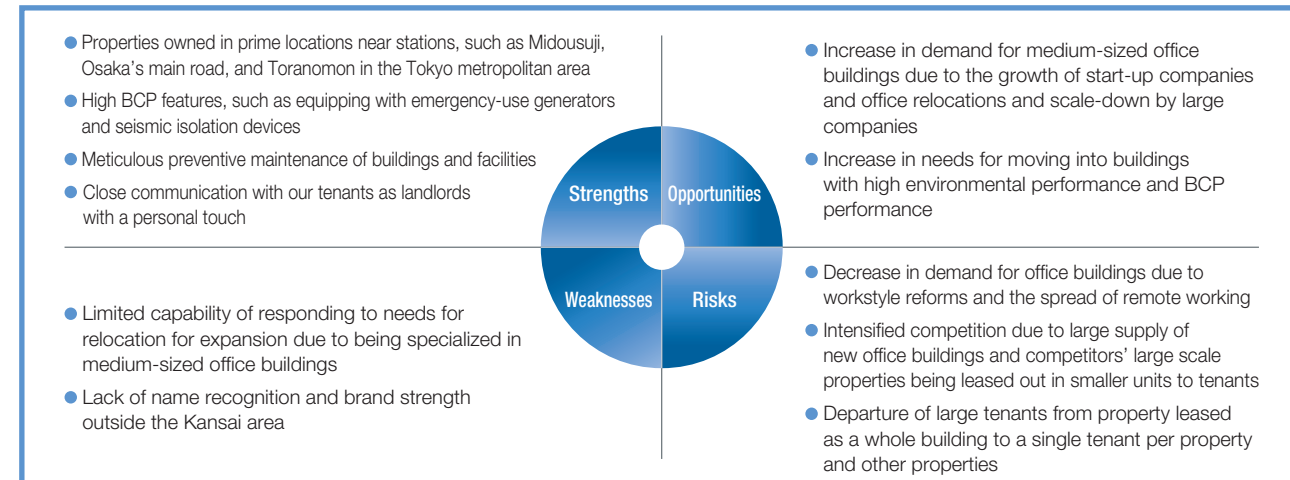
Rentable floor space (m<sup>2</sup>)



Investments in renovations and repairs (million yen)



## Assessment of Current Business Environment



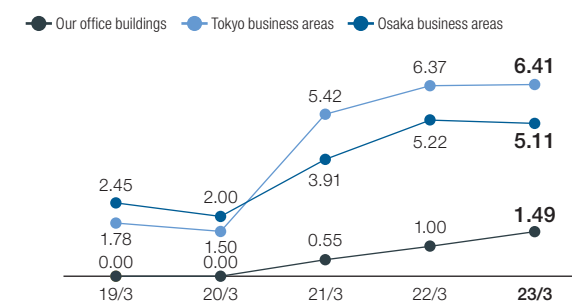
## Assessment of Current Business Environment and Projection

In the office market, competition has intensified with declining office demand as a result of the acceleration of workstyle reforms and new supply of large-scale offices; however, we specialize in medium-sized office buildings that can meet both the expansion and relocation needs of start-up companies and small and medium-sized companies, and the relocation and scale-down needs of large companies.

We have maintained our competitiveness by providing valuable commercial space by meticulously responding to the needs of our tenants. Going forward, we will listen to the opinions of a wider range of office workers and expand the number of buildings that are subject to customer satisfaction survey for tenant employees to provide office buildings that can respond to the diversification of workstyles.

Regarding new investments, with transaction prices remaining high in the real estate market, we will consider projects which are expected to increase the value of real estate for the future from various perspectives such as the site conditions and possibility of redevelopment, in addition to transportation access. Furthermore, we will continue to work on asset expansion in the Tokyo metropolitan area, thereby reducing regional portfolio concentration risk on a company-wide basis.

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



## Business Strategy Going Forward

- Promote investments mainly in the central Tokyo area from the perspective of portfolio area diversification
- Diversify investment methods such as investment through SPCs
- Provide new office buildings that take into account diversification of workstyles, based on the results of customer satisfaction survey for tenant employees
- Increase name recognition by strengthening advertising activities mainly in the Tokyo metropolitan area

## 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 tangible factors, 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 intangible factors 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 important, to be shared in the office building business areas as well, thereby achieving a high level of reliability.

## Relevant Materiality Themes

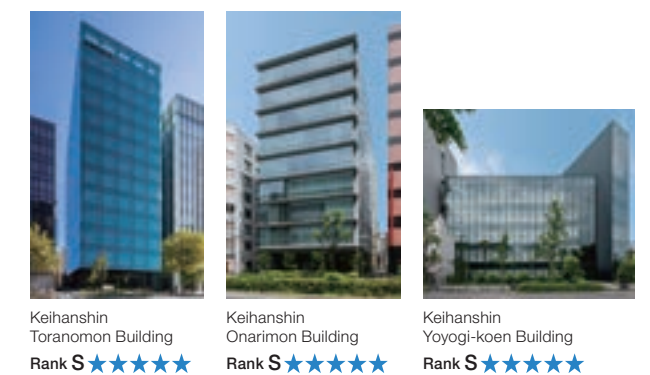
Materiality	Key initiatives
Strengthening of resilience to climate change	<ul style="list-style-type: none"> <li>Flood countermeasures such as installation of flood-control panels</li> <li>Acquiring green building certification</li> </ul>
Sustainable use of resources by measures to reduce the burden 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 while being aware of ESG issues	<ul style="list-style-type: none"> <li>Implementing disaster prevention drills and establishing award programs together with partner companies</li> <li>Formulating a sustainable procurement policy</li> </ul>

## Sustainability Initiatives

The Company's materiality includes "Strengthening of resilience to climate change", "Sustainable use of resources by measures to reduce the burden on the environment" and "Provision of safe, secure, and comfortable space." The Company promotes the acquisition of third-party building environmental certification to objectively evaluate initiatives based on our materiality. We believe that positive evaluation of our properties' high environmental performance will enable us to meet the needs of environmentally conscious tenants, which will lead to the enhancement of our corporate value.

In October 2022, the Toranomon Building, the Onarimon Building, and the Yoyogi-koen Building were certified for Rank S in the CASBEE Real Estate Certification. The ratio of properties with green building certifications to all the owned properties by floor space (%) reached 38.5% as of the end of March 31, 2023. Going forward, we will aim to raise the ratio of properties with green building certifications to all the owned properties by floor space to 50% and higher by the fiscal year ending March 31, 2031.

## CASBEE Real Estate Certification





## Datacenter Buildings



Keihanshin OBP Building

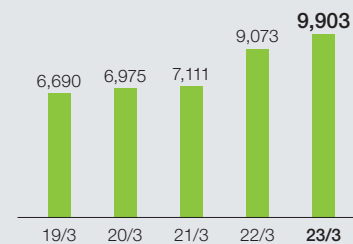
## Developing urban-type buildings dedicated to datacenter based on over 30 years of experience in the leasing business

The Company owns and leases eight urban-type datacenter buildings in Osaka. The Company's datacenter buildings are equipped with the latest features such as advanced disaster-prevention functions, stable electric power supply, and advanced security systems, and enable tenants to continue their business operations even in the event of a major disaster or other emergency. In addition, our maintenance and management services, based on the expertise accumulated over 30 years, are also highly regarded, and are one of our strengths.

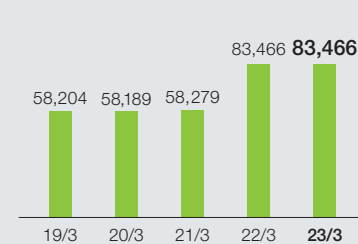
Net sales from the datacenter building business for the fiscal year ended March 31, 2023 were 9,903 million yen, an increase of 830 million yen from the previous fiscal year. This is due mainly to the contribution of higher operation rate of an equipment room of Keihanshin OBP Building completed in April 2021.

## PERFORMANCE

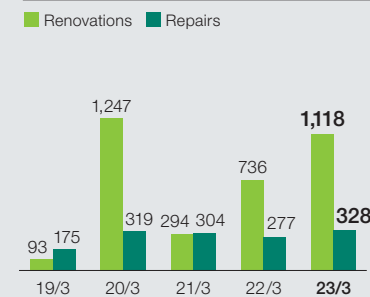
Net sales (million yen)



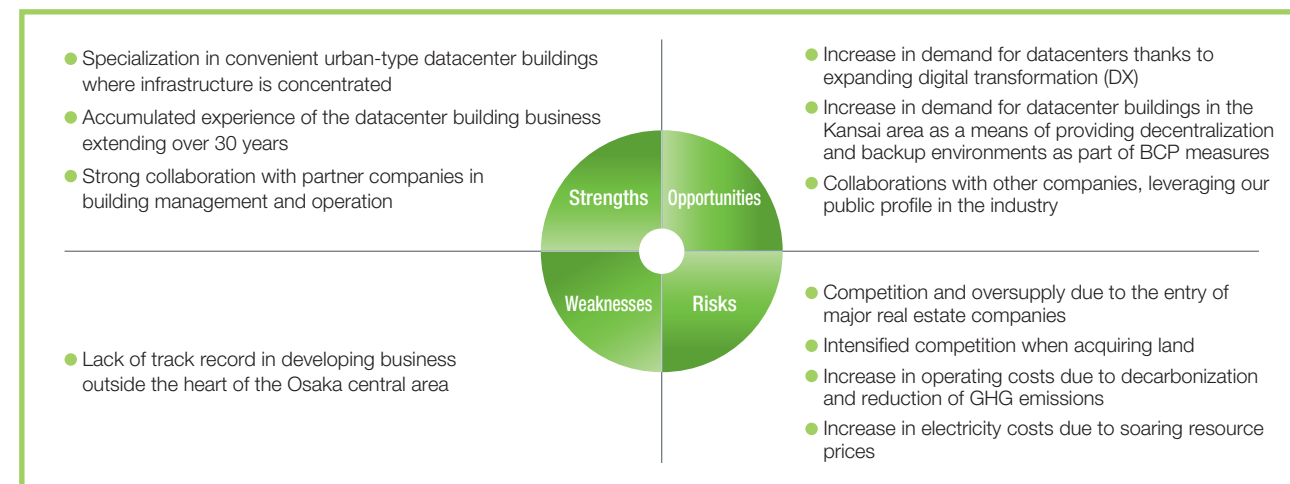
Rentable floor space (m<sup>2</sup>)



Investments in renovations and repairs (million yen)



## Assessment of Current Business Environment



## Assessment of Current Business Environment and Projection

With the popularization of telework due to the acceleration of workstyle reforms as well as promotion of digital transformation (DX) in companies, data communication volume has been increasing. As a result, the demand for datacenters is expected to remain strong in the future. The OBP Building, which was completed in April 2021, started its operation with full occupancy, and we expect an increase in rental income due to higher operation rate of equipment room in the future. On the other hand, the outlook for electricity prices is uncertain, and the impact on cost of sales should continue to be closely monitored.

Although it has been difficult to secure land for development due to soaring real estate market prices, we will not only develop and own properties, but also consider investment methods such as acquisition and development of properties through alliances with other companies, in light of the business environment where strong demand is expected.

## Business Strategy Going Forward

We entered the datacenter building business in the 1980s in anticipation of the advent of IT society, and since then we have been involved in the development and operation of buildings that meet the needs of our tenants. Since the eight buildings currently owned by the Company have different usages and functionalities, depending on the year of completion, we have included measures to be promoted for each building in the Long-Term Business Plan.

1980s to early 1990s



The Shinmachi 1 Building

### Developed as a site for installing office computers for enterprises

Properties The Shinmachi 1 Building and The Shin-Esaka Building

#### Business Strategy

- Establish a business strategy for older datacenter buildings
- (Examples) conversion to office buildings, etc., attracting datacenter-related tenants, etc.

Late 1990s to early 2000s



The Shinmachi 2 Building

### Developed as telecommunication-related base stations, etc.

Properties The Toyosaki Building, The Nakatsu Building, and The Shinmachi 2 Building

#### Business Strategy

- Maintain stable operation
- Carry over operation and management expertise
- Systematically renew buildings

Late 2000s to present



The Nishishinsaibashi Building

### Developed as a server installation site for datacenter operators

Properties The Kitahorie Building, The Nishishinsaibashi Building, and The OBP Building

#### Business Strategy

- Maintain stable operation
- Carry over operation and management expertise
- Systematically renew buildings

## Long-Term Business Plan

### Development of new datacenter buildings

#### Business Strategy

- Establish a business model that catches the needs of the times
- Develop new datacenter buildings that meet customer needs
- Consider investments in datacenter buildings through alliances with other companies, etc., leveraging our high public profile in the datacenter industry

## 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> <li>Contributing to improving energy efficiency in society as a whole by providing data centers with our tenants as a place to consolidate their servers</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>Adopt seismic isolation and active vibration control construction methods</li> </ul>
Promotion of the business keeping abreast of the changing environment and times	<ul style="list-style-type: none"> <li>Reinforcing datacenter building leasing business (Strengthening information-gathering capabilities)</li> </ul>
Collaboration with partner companies while being aware of ESG issues	<ul style="list-style-type: none"> <li>Holding regular meetings with partner companies</li> <li>Disaster prevention drills together with partner companies</li> </ul>

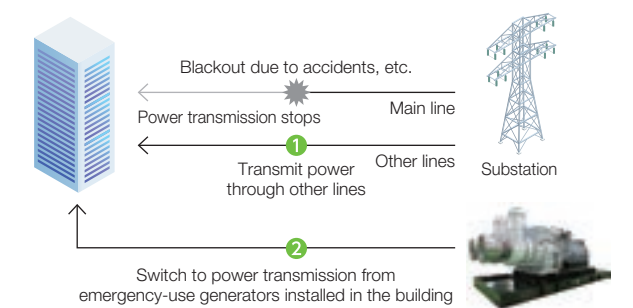
## Sustainability Initiatives

As part of initiatives for "Provision of safe, secure, and comfortable space," one of our materiality themes, the Company has established a dual backup system for power supply in our datacenter buildings, with multiple lines drawing power from external sources and emergency-use generators inside the buildings supplying power. We believe that meeting the needs of our tenants who demand high BCP functions by reducing the risk of blackouts in the buildings will increase the credibility of our business, which will also lead to the enhancement of corporate value.

Our datacenter buildings receive power from a power company through multiple lines, and when the power supply from one line is cut off due to an accident or other reasons, they can receive power through other lines (①). Furthermore, in the event that the external power supply itself stops due to a disaster and other reasons, emergency-use generators fueled by heavy oil will start up to supply power to the building (②). At the latest datacenter building (The OBP building), it is possible to supply power for 48 hours continuously without oil supply, even at a maximum output, allowing for continued operation of the datacenter in the event of an emergency.

## Power Backup System

- Step ① Power transmission from other lines
- Step ② Switch to power transmission from emergency-use generators



Switching between external power supply and power supply from an emergency-use generator is fully automated so that human intervention is not required. The Company conducts periodic actual load testing in which external power supply is actually cut off, in cooperation with a maintenance management company, to ensure that this switching operation functions properly.



## WINS Buildings



WINS Umeda B Building

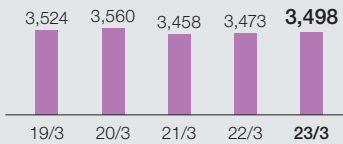
## Maintaining and operating fine facilities together with Japan Racing Association (JRA) and local communities

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, including Umeda in Osaka and Gion in Kyoto, which are prime locations for transportation access. The history of our WINS buildings dates back to the Company's founding. In addition to the uniqueness of specifications and usages of the buildings, which makes it difficult for our competitors to newly enter the market, the buildings are leased at fixed rent. These factors generate long-term stable revenue.

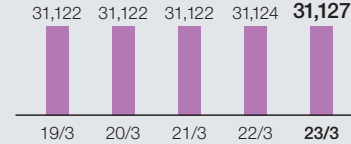
Net sales from the WINS building business for the fiscal year ended March 31, 2023 were 3,498 million yen.

### PERFORMANCE

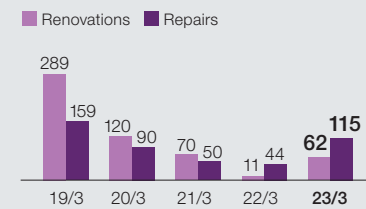
Net sales (million yen)



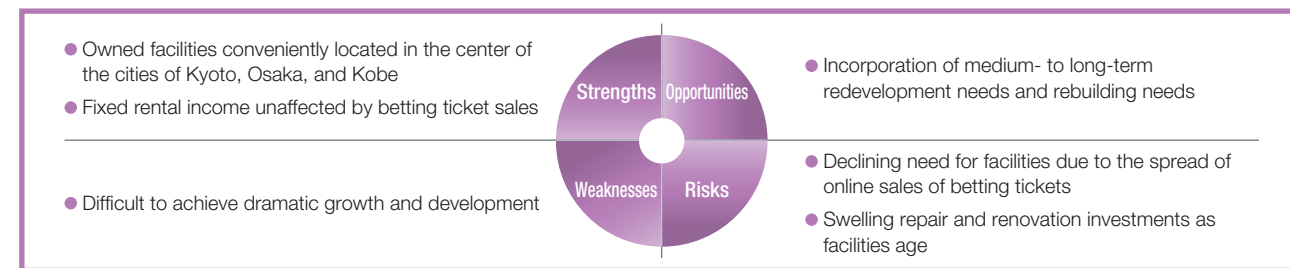
Rentable floor space (m<sup>2</sup>)



Investments in renovations and repairs (million yen)



## Assessment of Current Business Environment



## Assessment of Current Business Environment and Projection

The share of sales at WINS buildings of total net sales of betting tickets is in a declining trend as online betting is spreading. On the other hand, all of our properties are located in downtown areas, functioning as advertising towers, and are used by many horse racing fans. We will strive to enhance the value of the buildings by making investments in renewals, renovations and repairs of buildings that meet the needs of the tenant, in order for our properties to continue to be used.

## Business Strategy Going Forward

- Make planned repair and renovation investments
- Develop facilities that are loved by the local communities through active participation in local events and other means
- Reinforce relations with Japan Racing Association (JRA) and enhance the value of the facilities based on the needs of our tenant

## 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 ● Implement planned renovations and 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

## Commercial Buildings, Logistics Warehouses, and Other Properties



Shijo-Kawaramachi Building

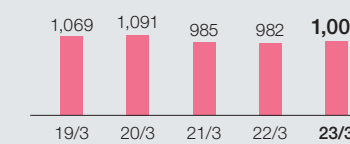
## Developing high value-added facilities that support life of local communities

The Company has been developing the leasing business for commercial buildings and logistics warehouses since the 1970s. As of June 30, 2023, the Company owns and leases seven commercial buildings, logistics warehouses, and other properties in the country, particularly in the Kansai area 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 currently aim at asset expansion by acquiring more conveniently located properties, including new types of assets such as residential and healthcare facilities in our investment targets.

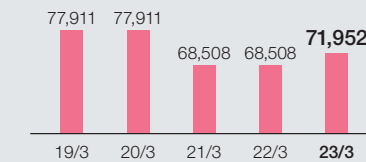
Net sales from the Commercial Buildings, Logistics Warehouses, and Other Properties business for the fiscal year ended March 31, 2023 were 1,001 million yen.

### PERFORMANCE

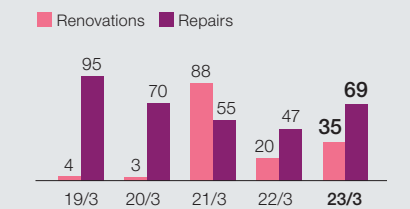
Net sales (million yen)



Rentable floor space (m<sup>2</sup>)



Investments in renovations and repairs (million yen)



## Assessment of Current Business Environment



## Assessment of Current Business Environment and Projection

The economy is showing a moderate recovery as personal consumption has increased and demand for domestic goods and services by foreign tourists to Japan has grown due to easing of movement restrictions for preventing the spread of COVID-19. Strong demand for logistics warehouses is also expected to continue due to the expansion of electric commerce (EC).

Going forward, we will accelerate our growth by expanding new assets such as residential and healthcare facilities that are less likely to be affected by the economic and social conditions while acquiring convenient properties.

## Business Strategy Going Forward

- Acquire urban-type commercial buildings located near the commercial centers or terminal stations in the Tokyo metropolitan area and regional core cities.
- Acquire convenient logistics sites as the scale of the EC market expands
- Rebuild or sell older properties appropriately
- Verify investment efficiency and expand new types of assets such as residential and healthcare facilities

## 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 ● Implement planned renovations and repairs
Provision of safe, secure, and comfortable space	● Providing convenient facilities that meet tenants' needs
Promotion of the business keeping abreast of the changing environment and times	● Providing infrastructure that supports growth of the EC market ● Investing in new asset types such as residential and healthcare facilities

# List of Owned Properties

## Office Buildings

**1 Keihanshin Midosuji Building**  
 Address: 3-6-1 Doshomachi, Chuo-ku, Osaka-shi, Osaka  
 Two minutes on foot from the Osaka Metro Midosuji Line Yodoyabashi Station  
 Structure: B1/14F  
 Total floor space: 19,872 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 Midosuji Line Honmachi Station  
 Structure: B3/9F  
 Total floor space: 16,520 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 Midosuji Line Yodoyabashi Station  
 Structure: B1/11F  
 Total floor space: 12,136 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 Midosuji Line Honmachi Station  
 Structure: B1/7F  
 Total floor space: 3,505 m<sup>2</sup>

**5 Keihanshin Toranomom Building**  
 Address: 1-7-14 Nishi-Shinbashi, Minato-ku, Tokyo  
 Two minutes on foot from the Tokyo Metro Ginza Line Toranomom Station  
 Structure: B1/13F  
 Total floor space: 7,834 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 space: 3,885 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 space: 36,200 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 space: 5,373 m<sup>2</sup>

## Datacenter Buildings

**9 Keihanshin OBP Building**  
 Address: Chuo-ku, Osaka-shi, Osaka  
 Structure: B1/16F  
 Total floor space: 42,671 m<sup>2</sup>

**10 Keihanshin Nishishinsaibashi Building**  
 Address: Nishi-ku, Osaka-shi, Osaka  
 Structure: B1/10F  
 Total floor space: 18,066 m<sup>2</sup>

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

**12 Keihanshin Shinmachi 1 Building**  
 Address: Nishi-ku, Osaka-shi, Osaka  
 Structure: B1/9F  
 Total floor space: 16,164 m<sup>2</sup>

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

**14 Keihanshin Shin-Esaka Building**  
 Address: Suita-shi, Osaka  
 Structure: B1/7F  
 Total floor space: 11,762 m<sup>2</sup>

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

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

## WINS Buildings

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

**18 WINS Umeda B Building**  
 Address: 2-2-33 Shibata, Kita-ku, Osaka-shi, Osaka  
 Total floor space: 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 space: 4,720 m<sup>2</sup>

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

**21 WINS Namba (in Namba Parks)**  
 Address: 2-10-70 Nambanaka, Naniwa-ku, Osaka-shi, Osaka  
 Total floor space: 20,531 m<sup>2</sup>  
 (A joint enterprise with the Nankai Electric Railway)

## Rentable floor space (As of June 30, 2023)

Kansai area	
Office Buildings	31,082m <sup>2</sup>
Datacenter Buildings	83,458m <sup>2</sup>
WINS Buildings	31,127m <sup>2</sup>
Commercial Buildings, Logistics Warehouses, and Other Properties	18,284m <sup>2</sup>
<b>Subtotal</b>	<b>163,953m<sup>2</sup></b>
Tokyo metropolitan area	
Office Buildings	49,647m <sup>2</sup>
Commercial Buildings, Logistics Warehouses, and Other Properties	20,613m <sup>2</sup>
<b>Subtotal</b>	<b>70,261m<sup>2</sup></b>
Other	
Commercial Buildings, Logistics Warehouses, and Other Properties	34,381m <sup>2</sup>
<b>Subtotal</b>	<b>34,381m<sup>2</sup></b>

## Commercial Buildings, Logistics Warehouses, and Other Properties

**22 Nagano Shopping Facility**  
 Address: 3-22-1 Wakasato, Nagano-shi, Nagano  
 Total floor space: 42,741 m<sup>2</sup>

**23 Shijo-Kawaramachi Building**  
 Address: 354 Shimo-osakacho, Kawaramachi-dori Shijogaru, Nakagyo-ku, Kyoto-shi, Kyoto  
 Total floor space: 4,961 m<sup>2</sup>

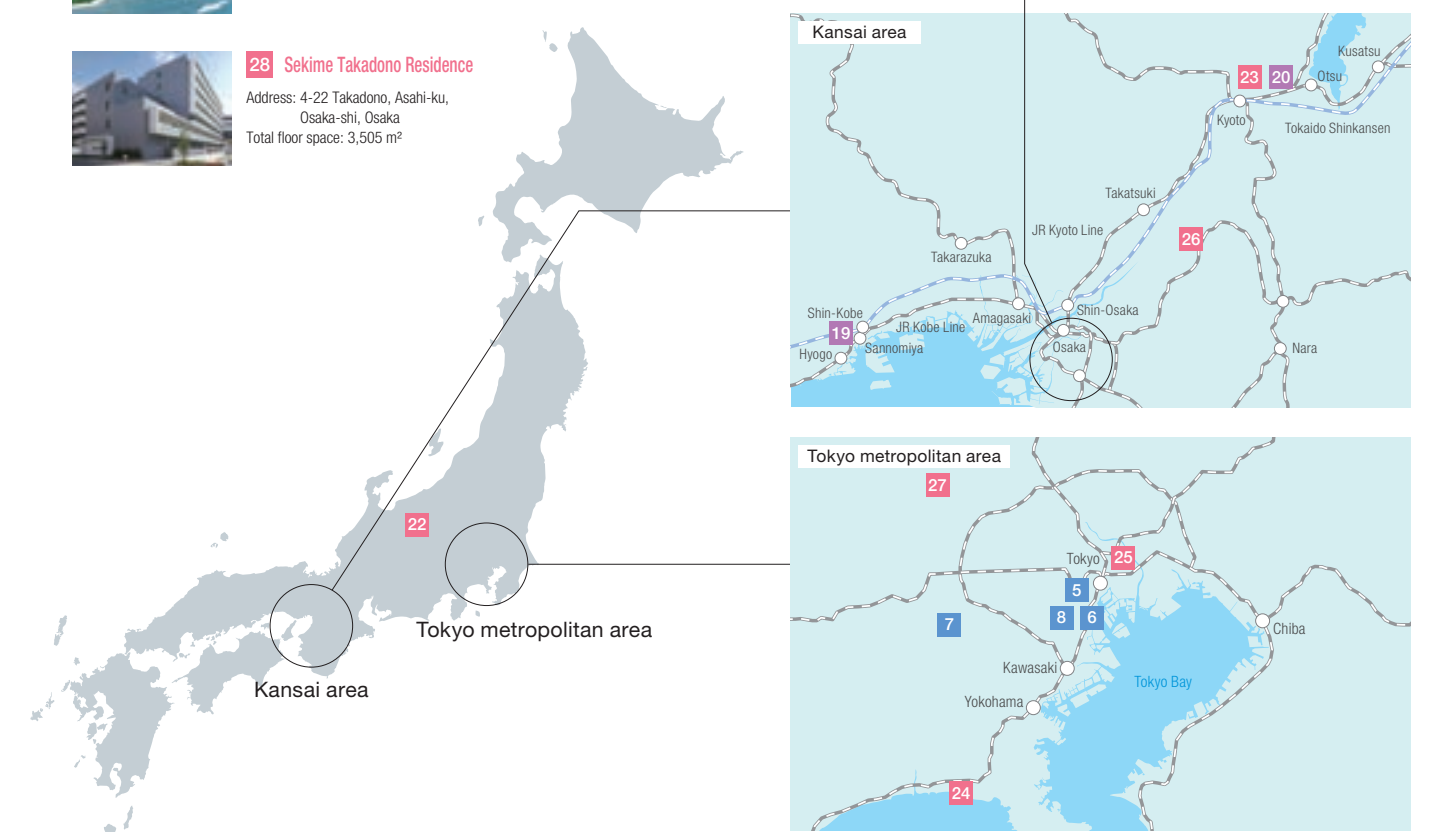
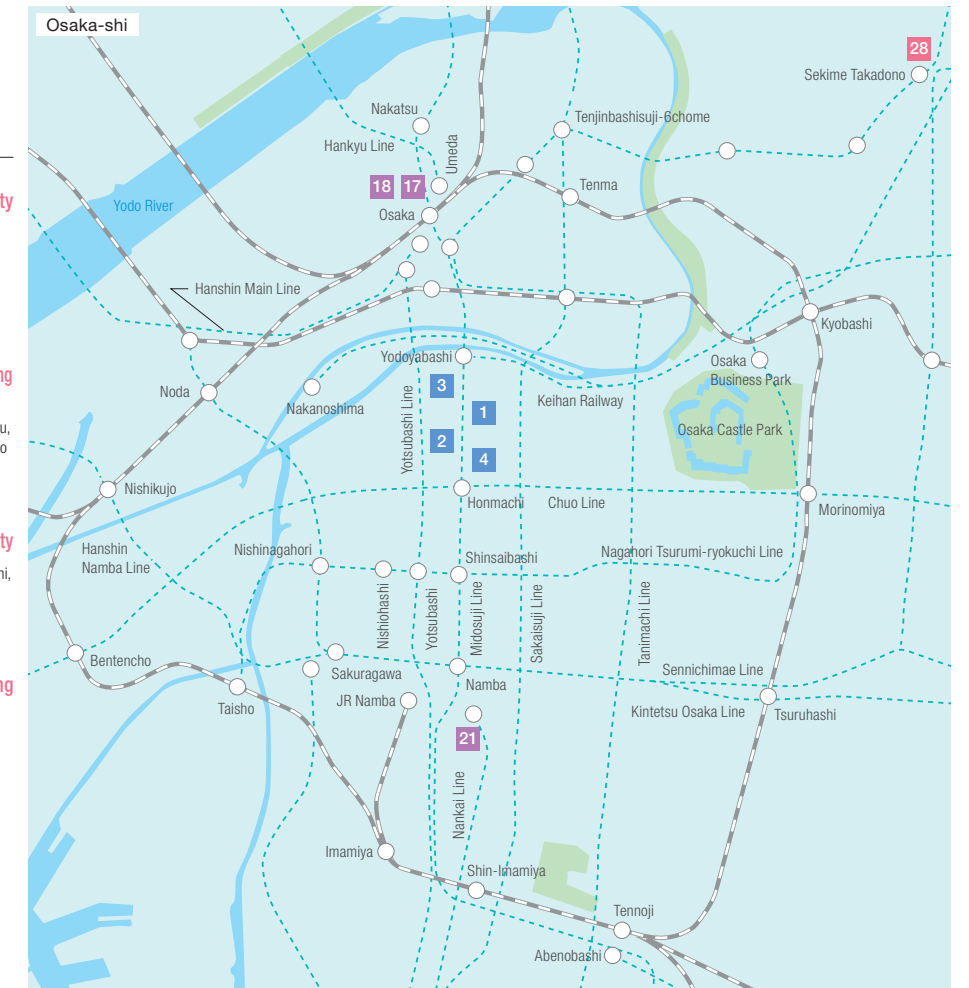
**24 Fujisawa Shopping Facility**  
 Address: 610-1 Fujisawa, Fujisawa-shi, Kanagawa  
 Total floor space: 7,739 m<sup>2</sup>

**25 Asakusa Ekimae Building**  
 Address: 1-1-2 Asakusa, Taito-ku, Tokyo  
 Total floor space: 1,788 m<sup>2</sup>

**26 Hirakata Warehouse**  
 Address: 2-9-12 Kasuga-kitamachi, Hirakata-shi, Osaka  
 Total floor space: 11,212 m<sup>2</sup>

**27 Kawagoe Distribution Center**  
 Address: 1-10-12 Minamidai, Kawagoe-shi, Saitama  
 Total floor space: 11,446 m<sup>2</sup>

**28 Sekime Takadono Residence**  
 Address: 4-22 Takadono, Asahi-ku, Osaka-shi, Osaka  
 Total floor space: 3,505 m<sup>2</sup>

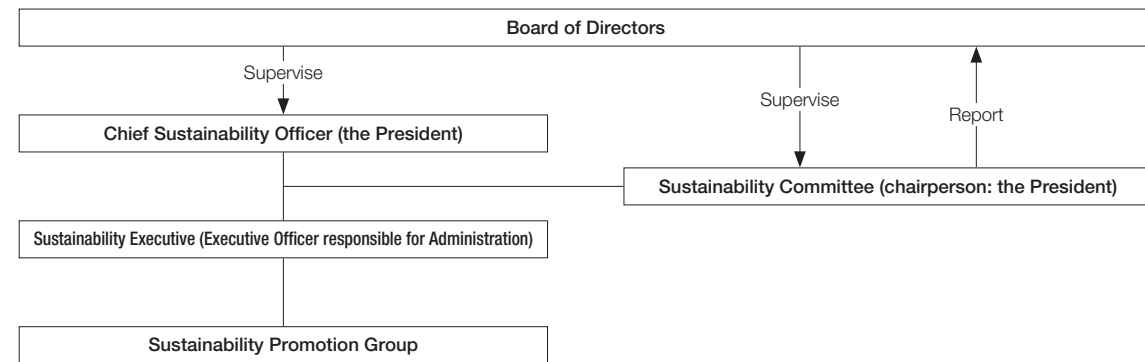




# Governance and Risk Management for Sustainability Issues

## Governance

The Company has established Sustainability Promotion Regulations based on our Sustainability Policy set by the Board of Directors, and based on these regulations we have developed a system for promoting sustainability. As regards the internal system, 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 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 President serves as the chairperson of the Sustainability Committee, which consists of members of the Sustainability Promotion Group and appointed by various departments.



As a general rule the Committee holds a meeting at least once every three months to mainly respond to the following matters on a company-wide basis in cooperation with each department.

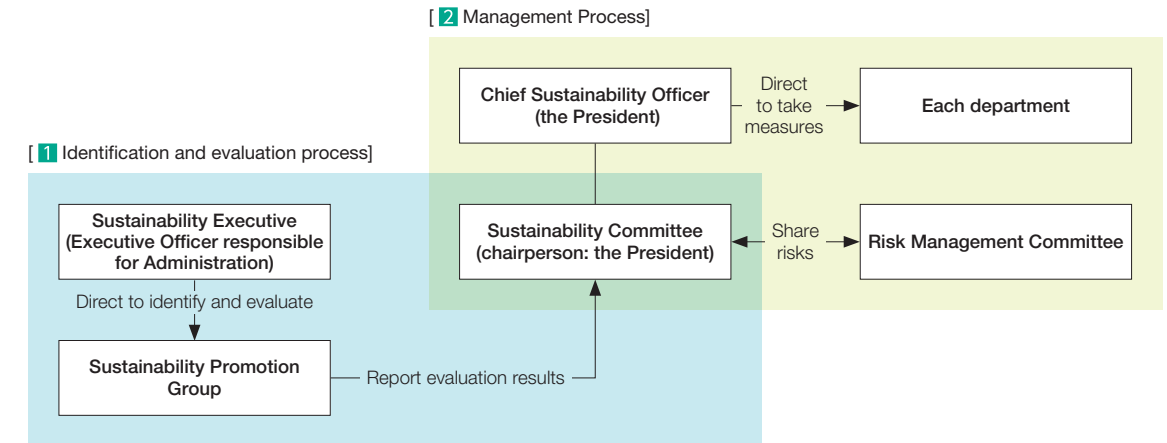
- 1 Considering policies for addressing sustainability
- 2 Identifying, evaluating, and managing risks and opportunities related to sustainability
- 3 Managing the status of initiatives to reduce risks and expand opportunities related to sustainability
- 4 Setting metrics and targets to manage progress on sustainability initiatives

The President, who is the Chief Sustainability Officer, makes decision on sustainability initiatives based on the deliberation and consideration of each agenda item by members of the Sustainability Committee. The Executive Officer responsible for Administration, who is the Sustainability Executive, reports these activities of the Sustainability Committee to the Management Meeting and the Board of Directors at least once a year, and the Board of Directors supervises the sustainability initiatives accordingly. In addition, as part of initiatives to ensure that the Board of Directors continues to appropriately fulfill its supervisory function, we have incorporated sustainability issues, including climate change, into the themes of the training conducted annually for Directors and Audit & Supervisory Board Members to maintain and improve appropriate knowledge.

### FYE Mar. 31, 2023 Main agenda items of the Board of Directors related to sustainability initiatives

Month in which the meeting was held	Description
April 2022	Reported on the status of the Company's response to the sustainability-related provisions of the TSE's Corporate Governance Code
May 2022	Reported on the status of consideration of KPIs linked to materiality and progress of the preparation of TCFD report for the previous year
June 2022	Resolved to set KPIs linked to materiality, issue TCFD reports, etc.
November 2022	Periodic verification of the Corporate Governance Guidelines
February 2023	Resolved on policies on human resources development and workplace environment development
March 2023	Discussed the results of the survey for the evaluation of the effectiveness of the Board of Directors

## Risk Management



### 1 Process for identifying and evaluating risks and opportunities

Executive Officer responsible for Administration, who is the Sustainability Executive, directs the Sustainability Promotion Group to identify and evaluate risks and opportunities related to sustainability issues at least once a year.

The Sustainability Promotion Group verifies the degree of financial impact, likelihood of occurrence, and return on investment of each risk and opportunity, and reports its progress and assessment results to the Sustainability Committee.

Regarding the risks and opportunities identified by the Sustainability Promotion Group, the Sustainability Committee prioritizes those to be addressed based on the assessment results of the degree of their financial impact and likelihood of occurrence.

### 2 Process for managing risks and opportunities



The President, who is the Chief Sustainability Officer, designates a department or person in charge of addressing each of the risks and opportunities with high priority, based on the results of the Sustainability Committee's deliberations on them, and directs to formulate measures to address them.

The measures formulated by the designated department or person in charge have been incorporated into the company-wide business and financial plans and implemented after having been deliberated by the Sustainability Committee, the Risk Management Committee, the Management Meeting, the Board of Directors, or other relevant internal committees, etc. according to their contents.

The risks related to sustainability issues are also shared with the Risk Management Committee, and the process for identifying, assessing, and managing risks related to sustainability issues is integrated with the company-wide risk identification, assessment, and management process.



## Setting of Initiatives and KPIs Linked to Materiality

ESG	Key issues (Materiality)	Major risks and opportunities	Initiatives	KPIs	Results (FYE March 2023)
 <b>E</b> (Environmental)	<b>Strengthening of resilience to climate change</b>	<b>Risks</b> Risks of increased response costs if a carbon tax is introduced or it becomes illegal to lease or sell properties with poor environmental performance	Conduct assessment and monitoring of the impact of climate change on business	Conduct monitoring: At least once a year	Conducted
		<b>Opportunities</b> Reduction of carbon tax burden, and creation of opportunities to attract tenants by differentiating properties from others through high environmental performance and acquisition of certifications	Reduce GHG emissions	Reduce energy consumption intensity by 10% by FYE March 2031	Decrease of 18.8% from FYE March 2020
	<b>Sustainable use of resources by measures to reduce the burden on the environment</b>	<b>Risks</b> Risk of shrinking profit due to soaring resource and energy prices, and tighter regulations including carbon taxes	Promote the acquisition of green building certifications	Promote the acquisition of green building certifications by FYE March 2031 and acquire certifications for 50% or more of the total floor space of all properties	Acquisition rate: 38.5%
		<b>Opportunities</b> Cost reductions due to reduced and more efficient use of resources and energy	Prolong the lives of buildings Reduce water usage and the volume of waste	— Water usage: reduce intensity compared to the previous year Waste emissions: reduce intensity compared to the previous year	Operation based on preventive maintenance plan Formulated water and waste reduction policies
 <b>S</b> (Social)	<b>Provision of safe, secure, and comfortable space</b>	<b>Risks</b> Risk of increased vacancy rates and a decrease in rental income caused by a decline in customer satisfaction	Maintain building quality through preventive maintenance	Maintaining a track record of 100% progress in the preventive maintenance plan	Addressing the issues based on the plan
		<b>Opportunities</b> Maintaining high occupancy rates by providing properties with high customer satisfaction	Strengthen BCP and BCM	Periodic reviews of the manual of BCP measures	Conducted
			Improve the health and comfort performance of buildings	Customer satisfaction survey: at least once a year	Conducted
	<b>Promotion of the business keeping abreast of the changing environment and times</b>	<b>Risks</b> Risk of declining competitiveness due to inability to respond to changes in the business environment or times (needs)	Consider new businesses	—	Consider overseas real estate businesses
		<b>Opportunities</b> Expansion of the scale of business and improvement of competitiveness through management that captures changes in the business environment and times (needs)	Diversify regional portfolio		Strengthen the datacenter building business
	<b>Co-existence and co-prosperity with local communities</b>	<b>Risks</b> Risk of the occurrence of troubles due to lack of cooperation with local and neighboring communities	Contribution to local communities	Conducting social contribution activities: At least 10 times a year	Conducted social contribution activities at least 10 times a year
		<b>Opportunities</b> Increase asset value by improving area appeal	Improve relationships with local communities (Ensure opportunities for the exchange of information)	Participation in the meetings of local communities: 90% or more	Participation rate: 90.6%
	<b>Collaboration with partner companies while being aware of ESG issues</b>	<b>Risks</b> Risk of instability in business operations due to lack of cooperation with partner companies that manage and operate buildings	Collaborate with partner companies on environmental and social issues	Regular meetings with business partners: At least four times a year	Held regular meetings at least four times a year
		<b>Opportunities</b> Smooth business operations through collaboration with partner companies that manage and operate buildings	Promotion of sustainable procurement (promote respect for human rights and safety and health at partner companies)	Conduct surveys on human rights	Formulated a sustainable procurement policy to conduct surveys on human rights
	<b>Conducting constructive dialogue with investors and shareholders in line with sustainable management</b>	<b>Risks</b> Risk of increased capital-raising costs due to inability to understand investors' expectations	Promote fair, timely, and appropriate information disclosure and constructive dialogue	Holding briefings: At least four times a year	Held five briefings (two briefings for analysts and three briefings for individual investors)
<b>Opportunities</b> Reduce capital-raising costs by understanding investors' expectations		Diversify human resources	Conducting workshops on human rights: Once a year	Conducted	
<b>Respect of human rights, diversity and inclusion</b>	<b>Risks</b> Risks of declining business competitiveness due to inability to understand the needs of the environment and the times based on diverse values		A 50% male-to-female ratio among new recruits (Five-year average)	Percentage of female among new graduates recruited: 66.7%	
	<b>Improvement of human capital</b>	<b>Risks</b> Risks of declining labor productivity and competitiveness	Develop a work environment with a good work-life balance	Paid leave utilization rate: 70% or higher	Paid leave utilization rate: 76.6%
<b>Opportunities</b> Business growth and enhanced corporate value through individual employee growth		Improve business efficiency and productivity (Promote digital transformation)	Investment amounts associated with human resources development: 100,000 yen/person	Investment amounts associated with human resources development: 56,000 yen/person	
 <b>G</b> (Governance)	<b>Improvement of the effectiveness of the Board of Directors</b>	<b>Risks</b> Risks of overlooked risks and opportunities due to insufficient governance <b>Opportunities</b> Optimization of business strategy through timely and appropriate decision-making	Involvement of a third party in the evaluation of the effectiveness of the Board of Directors	—	Conducted a questionnaire by an external organization
			Ensure the diversity of the Board of Directors	Appointment of at least one female Director	Appointed one female Director
			Maintaining the ratio of Outside Directors constituting a majority of the Nomination and Remuneration Committee	Maintaining the ratio of Outside Directors constituting a majority of the Nomination and Remuneration Committee	Maintained the majority (four Outside Directors out of seven Directors)
			Provide training, etc. to Directors	—	Conducted training once
			Secure adequate deliberation time (Provide explanations in advance and review the criteria for deliberations)	—	Conducted review of standards for submission of proposals and briefings in advance
	<b>Financial strategy to adapt to a changing business environment</b>	<b>Risks</b> Risks of missed investment opportunities due to lack of financial capacity	Maintaining a solid financial base (Take advantage of our creditworthiness to realize low-cost financing)	Maintaining a credit rating of A– or higher (R&I credit rating)	Credit rating of A– (R&I credit rating)
		<b>Opportunities</b> Realization of investment and capturing of growth opportunities in response to changes in the business environment		Equity ratio of 30% or higher	46.5%
				Maintaining Net interest-bearing debt/EBITDA ratio at about 10 times	Net interest-bearing debt/EBITDA ratio: 6.7 times
	<b>Strengthening of organizational resilience</b>	<b>Risks</b> Risks of increased losses due to delayed risk responses caused by lack of organizational resilience <b>Opportunities</b> Enhancement of corporate value due to higher certainty of future cash flows	Periodic review of the Corporate Governance Guidelines	Review once a year	Conducting reviews as appropriate
			Conducting BCP drills	BCP drill: Once a year	Conducted BCP drill once in each of Osaka and Tokyo
Formulation of measures for each risk and implementation of progress management by the Risk Management Committee			Holding of the Risk Management Committee: At least four times a year	Five meetings held	
<b>Implementation of compliance that supports sustainable management</b>	<b>Risks</b> Risks of declining corporate value due to deterioration of corporate image, outflow of human resources, or other factors <b>Opportunities</b> Enhancement of corporate image	Provide compliance education and training to all employees	Conducting trainings: Once a year	Three compliance education/training sessions conducted (information security, insider trading, and harassment)	
		Assess and investigate the implementation status of compliance measures by the Compliance Committee	Holding of the Compliance Committee: At least four times a year	Four assessments/investigations conducted	
		Operate the In-House Reporting System with outside attorneys as contact points	—	The In-House Reporting System is in operation with the establishment of contact points	

# Initiatives for 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 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

- Reduce Scope 1 and 2 GHG emissions by 46% by FYE March 2031**  
(compared to the FYE March 2020)
- 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 space of all properties)

With an aim to acquire green building certifications for 50% or more of the total floor space 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.

### Major risks and opportunities related to climate change

The Company has identified risks and opportunities based on analysis of 1.5°C Scenario and 4°C Scenario, in accordance with the framework recommended by the TCFD to refer to multiple scenarios including 2°C or less.

#### Major risks

	Risks	Description
Transition risk	Stricter energy conservation regulations	• Increase in costs of facility renovations and building demolition as a measure to respond to cases if it becomes illegal to lease or sell properties with poor environmental performance
	Progress and spread of renewable energy and energy saving	• Increase in capital investment and management costs due to the introduction of renewable energy and energy-saving technologies
	Increase in procurement price	• Hike in material purchase prices due to environmentally friendly procurement • Increase in construction, renovation, and repair costs due to decline in productivity as a result of extreme heat • Increase in construction and maintenance costs due to ZEB/ZEH compliance and more stringent energy-saving regulations
Physical risk	Intensification of natural disasters such as typhoons and floods	• Increase in costs of countermeasures against wind and flooding damage due to larger typhoons and increased heavier rainfall, as well as increase in insurance and repair costs
	Rising sea level due to higher average temperature	• Increase in costs of countermeasures against submersion due to storm surge, etc., occurrence of damages and moving out

#### Major opportunities

	Opportunities	Description
	Improving brand power by strengthening business resilience	• Increase in opportunities for gaining tenants and rental income due to improved brand image through strengthening environmental and BCP response, and suppression of falling rental values • Decrease in capital costs due to timely and appropriate information disclosure
	Increase in needs for moving into disaster-resistant buildings	• Differentiation from other properties and increase and maintenance of property values through high BCP performance • Increase in opportunities to attract tenants and rental income, curbing rental income declines
	Increase in needs for moving into buildings with high environmental performance	• Differentiation from other properties and increase and maintenance of property values through high environmental performance • Increase in opportunities to attract tenants and rental income, curbing rental income declines
	Increase in demand for datacenters thanks to the progress of digital transformation (DX) and green transformation (GX)	• Capturing of demand for datacenters with the acceleration of digital transformation (DX) and green transformation (GX) and demand for disaster-resistant datacenters, and increase in rental income

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

### Initiatives based on risks and opportunities

#### 1.5–2°C Scenario

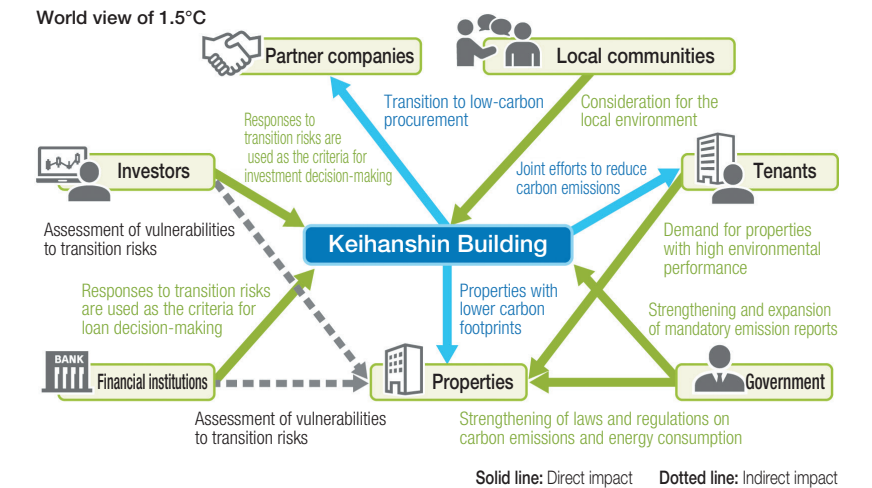
A scenario in which progress is made in addressing climate change due to stricter government regulations, etc.

#### 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 initiatives to reduce the burden on the environment, 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.



#### Examples of initiatives

##### Shifting to energy-saving equipment

We are progressively switching to energy-saving lighting and air conditioning equipment at the timing of facility renewals or tenant replacement. One of the objectives of this is to reduce costs in response to stricter energy conservation regulations assumed in the 1.5°C scenario. So far, we have introduced LED lightings mainly at office buildings and progressively upgraded power substations and shifted to energy-saving air-conditioning facilities at datacenter buildings. We plan to invest a total of approximately 2.2 billion yen in shifting to energy-saving equipment for properties owned as of FYE March 2023, through FYE March 2031.

##### Acquisition of green building certifications

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, in anticipation of further expansion of occupancy needs for buildings with high environmental performance. For more information on the results of the acquisition of green building certifications as of FYE March 2023, please see page 43 "Progress and results of targets and KPIs."

#### 4°C Scenario

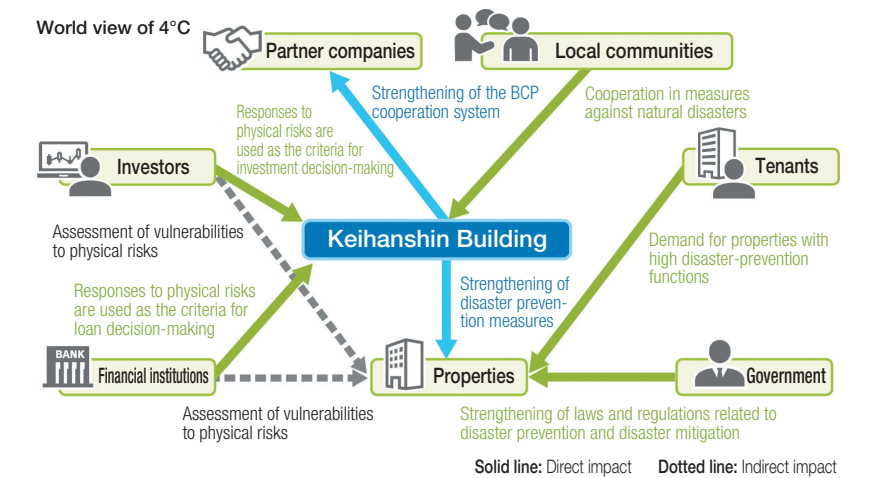
A scenario in which insufficient progress is made in addressing climate change, global warming worsens, and natural disasters intensify and increase.

#### 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.



#### Examples of initiatives

##### Investment in countermeasures against wind and flooding damage

We are progressively installing flood-control panels, as well as renovating extra high-voltage power substations and relocating them from basement to upper floors in the owned properties, for reducing damage and costs in response to intensified wind and flooding damage assumed in the 4°C scenario as one of the objectives. Extra high-voltage power substations are facilities that supply electric power drawn from outside into buildings. By relocating them to upper floors, we can reduce the risk of submersion due to intensified wind and flooding damage. We plan to invest a total of approximately 1.4 billion yen in countermeasures against wind and flooding damage for properties owned as of FYE March 2023, through FYE March 2031.

##### Collaborative drills with partner companies

We regularly conduct drills in cooperation with partner companies responsible for building management and operations to strengthen resilience in terms of software, for reducing damage and costs in response to intensified wind and flooding damage assumed in the 4°C scenario and expanding revenue opportunities due to occupancy needs for buildings with high BCP performance as part of our objectives. In the drills, we actually perform a series of flows including installation of flood-control panels assuming flooding and operating emergency-use generators in preparation for the interruption of electricity supply from outside. By strengthening resilience in terms of both hardware and software, we strive to provide highly reliable commercial spaces for our tenant companies.



# Initiatives for the Environment

## Progress and results of targets and KPIs

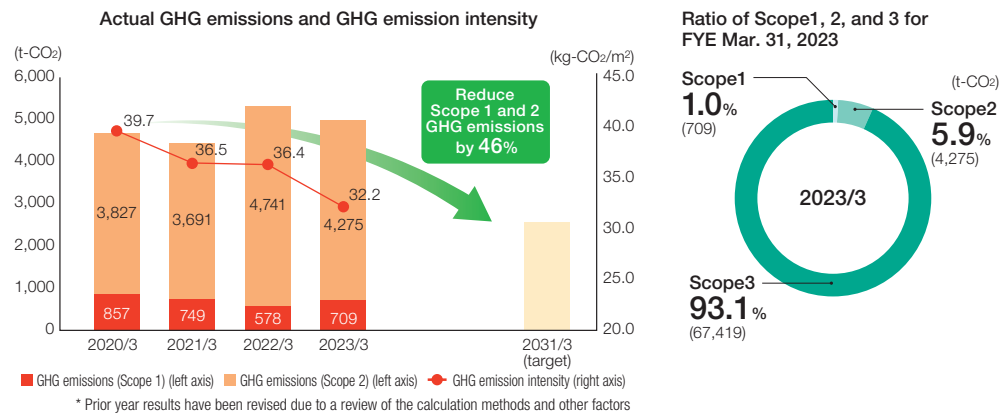
### GHG emissions

**Targets: Reduce Scope 1 and 2 GHG emissions by 46% by FYE March 2031**  
(compared to the FYE March 2020)

Approximately 93% of the Company's total supply chain GHG emissions in the fiscal year ended March 31, 2023 consists of Scope3 GHG emissions. Of Scope3 GHG emissions, approximately 85% are GHG emitted by the business activities of tenants (customers) of our leasing properties (Category 13), and approximately 79% of the Company's total supply chain GHG emissions consists of those emitted by the business activities of tenants (customers) of our leasing properties. This distinctive figure is due to the fact that we lease datacenter buildings.

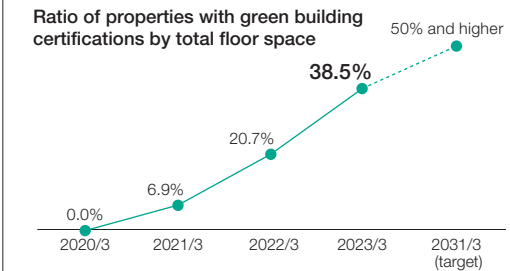
Compared to office buildings, datacenter buildings use a larger amount of electricity to operate and cool IT equipment. However, we believe that we are making a certain contribution to energy conservation and GHG emissions reduction in society as a whole through efforts such as having datacenter users 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.

We believe that in order to reduce GHG emissions across the entire Company, it is essential to promote energy conservation initiatives in cooperation with tenants (customers) and encourage them to consider the use of renewable energy. We will continue to work to reduce GHG emissions in cooperation with tenants (customers).



### Ratio of properties with green building certifications by total floor space

**KPI: raise the ratio of certified green buildings to all the owned properties by floor space (%) to 50% and higher by the fiscal year ending March 31, 2031 and acquire green building certifications for all newly constructed properties in the future**



CASBEE Real Estate Certification (in order of acquisition)	Building	Rank
	Midosuji Building	Rank S ★★★★★
	Fuchu Building	Rank S ★★★★★
	Yodoyabashi Building	Rank S ★★★★★
	Toranomon Building	Rank S ★★★★★
	Onarimon Building	Rank S ★★★★★
	Yoyogi-koen Building	Rank S ★★★★★
BELS Rating	OBP Building	Two stars ★★

Of net sales of 18.8 billion yen for the fiscal year ended March 31, 2023, net sales from seven properties with green building certifications are 5.6 billion yen, accounting for approximately 30% of total net sales.

## Initiatives to realize a recycle-oriented society

### Prolong the lives of buildings

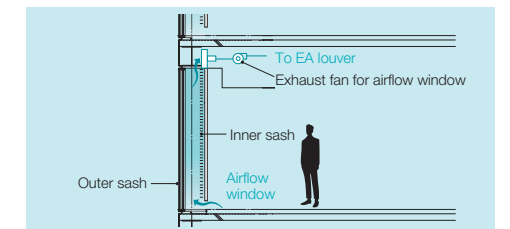
Instead of resorting to the scrap-and-build approach, we are making efforts to use buildings over a long period of time to save resources and control waste emissions. In addition, under the concept of "preventive maintenance," we carry out repairs and renovations as appropriate, thereby preventing major accidents and extending the service life of buildings. The Kawaramachi Building, where our head office is located, was completed in April 1962 and is over 60 years old. The entire building was renovated in 1999, and is still in active operation as an office building with modern features in harmony with the antique interior, with no signs of being obsolescence.



Keihanshin Kawaramachi Building 1F lobby

### 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 reducing the burden on the environment with its high-spec energy-conservation performance, such as automatic light adjustment by sensors.



Cross-section view of an airflow window

\*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.

### Energy usage

**KPI: reduce energy consumption intensity by 10% through energy conservation by the fiscal year ending March 31, 2031 compared to the fiscal year ended March 31, 2020**

Items	2020/3	2021/3	2022/3	2023/3
Energy consumption (MWh)	15,088	14,373	15,653	16,102
Number of target facilities	10	11	12	12
Total floor space (m <sup>2</sup> )	117,858	121,647	146,191	154,977
Energy consumption intensity (kWh/m <sup>2</sup> )	128.02	118.15	107.07	103.90

\* Aggregation of portions corresponding to Scope1 and 2, and properties leased as a whole building to a single tenant per property are excluded. Total floor space is calculated based on operation rate

### Introduction of solar power generation

**KPI: use of renewable energy**

In order to reduce GHG emissions from energy use, we are working to introduce electricity derived from renewable energy sources, in addition to the promotion of energy conservation.

We have switched to electricity derived from renewable energy sources for some of the owned properties, starting from the fiscal year ending March 31, 2024. In addition to purchasing electricity from outside sources, we have installed solar panels on the rooftop of the Fuchu Building.

The introduction of such renewable energy is expected to contribute to the reduction of GHG emissions from our business activities in the fiscal year ending March 31, 2024 and beyond.



Solar panels on the Keihanshin Fuchu Building

### To reduce water usage and the volume of waste

To reduce water usage and waste emissions, a reduction policy was formulated internally. Going forward, we will appropriately disclose these results along with our efforts to reduce water usage and waste emissions.



# 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)

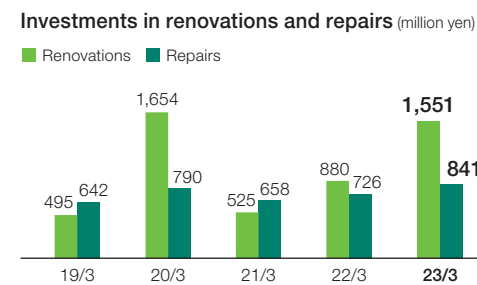
The Company aims to provide safe and comfortable commercial spaces that meet the needs of the times to support our customers' businesses and achieve mutual growth.

- 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 before it breaks down or malfunctions.



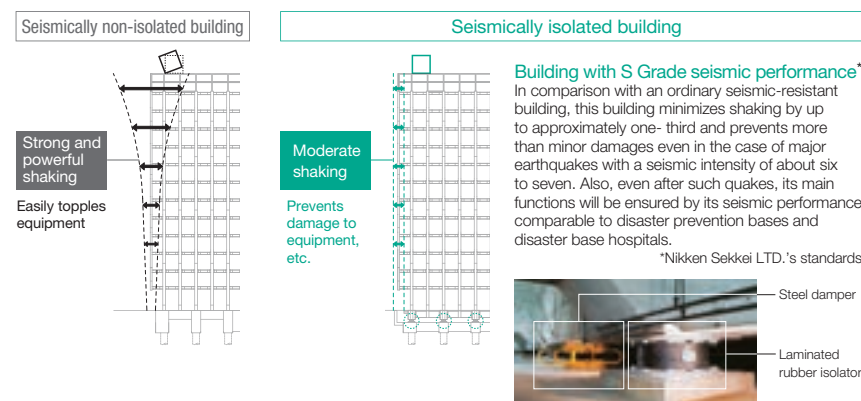
The value to offer	Our initiatives	Description
Safety	Earthquake countermeasures	<b>Earthquake countermeasures for building frames</b> • Our main datacenter buildings and office buildings adopt advanced seismic isolation devices. • Comprehensive seismic strengthening measures are also applied to existing buildings.
		<b>Earthquake countermeasures for elevators</b> • 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.
		<b>Developing BCP and holding drills</b> • Periodic reviews of BCP and regular drills are conducted.
	Flooding countermeasures	<b>Installation of flood-control panels</b> • Flood-control panels have been installed at the entrances to buildings to prevent flooding.
		<b>Equipment rooms set on the second floor or higher</b> • The risk of submersion has been reduced.
	Securing power sources	<b>Receiving power from multiple lines</b> • Datacenter buildings and some office buildings receive power from multiple lines.
<b>Installation of emergency-use generators</b> • In the event of a blackout, emergency-use generators are operated to ensure power.		
Comfort	Enhancing tenant services	<b>Twin system by Business Department and Property Management Department</b> • 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.
		<b>Preventive maintenance</b> • Repairs and renovations of facilities are carried out in a planned way, based on the concept of preventive maintenance.
		<b>Upgrading amenities</b> • Customer satisfaction surveys are conducted to implement improvements based on their requests.
		<b>Improving accessibility</b> • Signs in braille are installed along with remodeling of buildings to be handicapped accessible.

### 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.

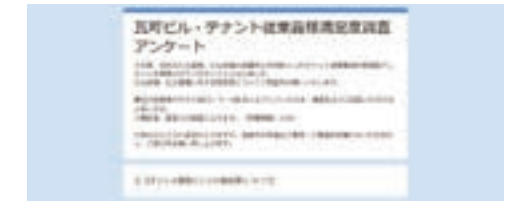
### Emergency-use generators

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.



**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.

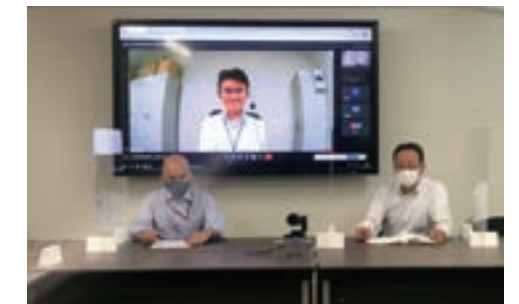
**Targets of Initiatives**

- 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 every 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**

With the understanding of partner companies about the Company's policy for procurement activities, we will aim to contribute to the realization of a sustainable society by the entire supply chain, together with partner companies.

# 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.

Activities	Description	Supported Organization (Contact Point)
Litter clean-up activity	Conduct litter clean-up activities for the roadside of our buildings and parks near our buildings 	—
Supporting “Open House Osaka”	Support the event to enhance Osaka’s urban appeal and to deepen understanding of “architecture,” a major component of the city, and interest in urban development	Executive committee of Living architecture museum festival Osaka
Supporting “Project to support Children’s Dream in Osaka”	Support the event that aims at creating opportunities to experience success through the challenge of setting Guinness World Record and fostering children’s healthy growth and their ability to live positively 	OSAKA KOUMIN Action Platform
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

#### 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.



The Company received a commendation from the Governor of Osaka Prefecture for supporting Midosuji illumination

## 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 Promote fair, timely, and appropriate information disclosure and constructive dialogue**

### Initiatives

#### Initiatives to enhance corporate value through information disclosure

We are enhancing information disclosure so that our stakeholders, such as shareholders and investors, can better understand the Company. As one of those initiatives, our financial and non-financial reports, which used to be published as Corporate Reports, have been revised to Integrated Reports since last year, based on the key points of International Integrated Reporting Framework. As a result, our Integrated Report was selected as one of the “Most-improved integrated reports” by Government Pension Investment Fund (GPIF)’s asset managers entrusted with domestic equity investment. We will continue to confirm the assessment of the Company from a third-party perspective and issues we face through responses to external evaluation organizations and active engagement in dialogue with shareholders/investors, and to improve such issues, thereby enhancing corporate value.

Responses to the issues pointed out as areas for improvement in the Integrated Report 2022	Corresponding page
We have indicated why we consider each materiality theme to be important	P.14
We have outlined our governance and risk management for sustainability issues	P.37
We have listed major risks and opportunities for each materiality theme	P.39

#### Timely and appropriate information disclosure

In order to eliminate the information gap between domestic investors and overseas investors, 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. Disclosure of annual securities report in English is an issue to be considered in the future.

Name of documents	Status of Response
Consolidated financial results	The English version is disclosed simultaneously.
Briefing session materials for analysts	
Corporate Governance Report	
Timely disclosure materials to TSE	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.
Audited financial statements in English (Annual Report)	The English version is prepared and disclosed.
Annual Securities Report	To be considered in the future.

#### Promotion of constructive dialogue

For more information on policies for constructive dialogue with shareholders/investors, please see page 62.

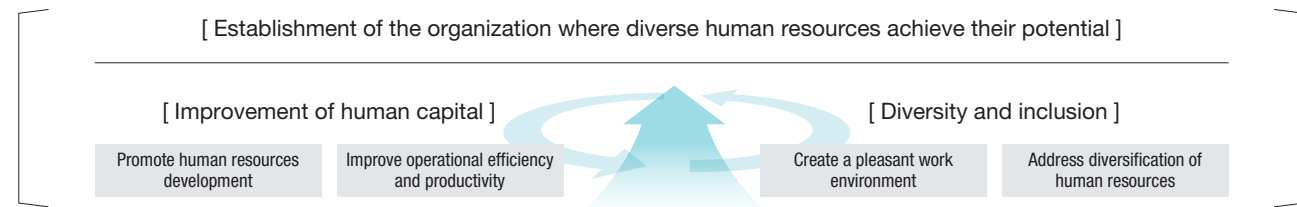


# Initiatives for Stakeholders

## 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 of Initiatives**
- 1 Promote human resources development
  - 2 Improve operational efficiency and productivity
  - 3 Create a pleasant work environment
  - 4 Address diversification of human resources



## Initiatives

### Promote human resources development

#### Conduct training by duty and grade and qualification support system

We will improve the skills of each employee through training by duty and grade of employees as well as qualification support system aimed at providing opportunities for self-improvement.

Keihanshin Building training system by duty and grade (outline)

Eligible personnel	Details of training	Dispatched outside the Company	Qualification support system
Officers	Officers training <ul style="list-style-type: none"> <li>Legal affairs</li> <li>Business strategy</li> <li>Business analysis and financial strategy</li> <li>Corporate ethics</li> </ul>	<ul style="list-style-type: none"> <li>Cross-industry exchange training</li> <li>Secondment</li> <li>Overseas training</li> <li>Outside seminars</li> </ul>	The Company pays a bonus for qualifications individually accredited by the Company according to difficulty, or bears the cost of acquiring the qualification.
General manager - assistant general manager	Senior manager training <ul style="list-style-type: none"> <li>Management</li> <li>Skills to formulate business strategy and plans</li> </ul>		
Section head - deputy section head	Manager training <ul style="list-style-type: none"> <li>Management</li> </ul>		
Assistant manager	Workplace leader training <ul style="list-style-type: none"> <li>Management</li> </ul> Training to improve capability of young employees <ul style="list-style-type: none"> <li>Problem-solving skills</li> <li>Situational judgment skills</li> </ul>		
New employee	New employee training <ul style="list-style-type: none"> <li>Business manners</li> <li>Accounting basics</li> </ul>	<ul style="list-style-type: none"> <li>Secondment</li> <li>Overseas training</li> <li>Outside seminars</li> </ul>	

Number of qualification holders

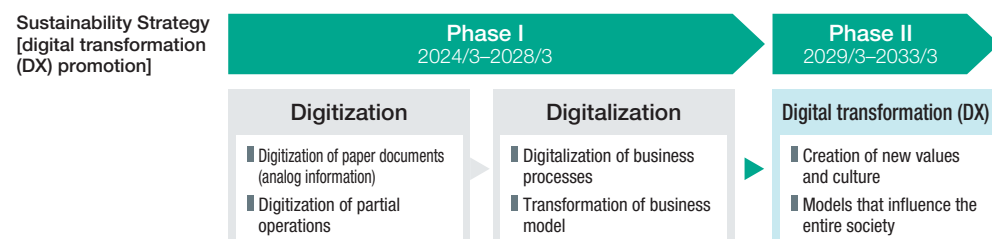
Qualifications	Number of qualification holders (persons)
First-class registered architect	6
First-class registered construction management engineer	6
Registered electric works execution manager	5
Real estate notary	13

As of the end of March 2023

### Improvement of operational efficiency and productivity

Recently, every element of society has been increasingly digitized. In the real estate industry, digitization is shifting from the conventional model that focused on improving productivity through laborsaving and increased efficiency of internal business processes to the model that aims to create added value by combining digital technology with the business itself. Based on this recognition of the environment, we have included the promotion of digital transformation(DX) as one of the sustainability strategies in our business plans, and we aim to improve our services and secure competitive advantage through the use of digital technology.

Currently, we still have many business processes involving paper-based business operations and manual data entry. Therefore, we plan to start from implementing and establishing the digitization of analog information and digitalization of business processes in the first half of our business plan (Phase I), as an effort to bridge the gap between the current status and what we aim to achieve.



### Create a pleasant work environment

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

We will consider introducing a flextime system in the future to support employees to balance work and private life.

Number of individuals who took maternity/childcare leave, and who returned to work	19/3	20/3	21/3	22/3	23/3	Total
Number of individuals who took maternity/childcare leave (persons)	0	1	2	1	2	6
Number of individuals who returned to work (persons)	1	1	0	1	2	5

Monthly average overtime*	19/3	20/3	21/3	22/3	23/3
Monthly average overtime	8	11	14	14	14

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

Number of senior employees (aged 60 or older)	19/3	20/3	21/3	22/3	23/3
Number of senior employees (persons)	12	13	14	14	14

### Healthcare of our employees

The healthcare of our employees is important for us. Our policy is that all employees take annual health checkup, and the expenses are entirely covered by the Company. We have also established a system to provide a fee coverage for the spouses of our employees.

### Promoting 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 and improve productivity. Together with the anniversary leave system, which was introduced in 2020, 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.

For more information ▶ P.6

### Recognized 2023 Certified Health & Productivity Management Outstanding Organization (SME Category)

The Company was recognized as a 2023 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.



### 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

### Address diversification of human resources

We believe that incorporating diverse values in the Company will lead to the development of the Company in a society that is becoming increasingly diverse and complex, and we are working to diversify our human resources throughout our organization by encouraging diverse human resources to autonomously grow in the right places, regardless of the status of new graduates or experienced hires, gender, or age. The Company aims to achieve five-year average of 1:1 for the male-to-female ratio in the recruitment of new graduates. In recent years, female employees have accounted for approximately half of all employees below the managerial level, backed by the development of a work environment that takes work-life balance into consideration, and opportunities for them to play an active role in the Company have been expanding. At the same time, we are promoting diversification of our human resources with hiring experienced personnel and active use of the senior generation.

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



## Outside Directors' Discussion



### Toward further enhancement of the Board of Directors' effectiveness and corporate value

Our four outside directors discussed the growth strategies and challenges for Keihanshin Building, which has formulated a new Long-Term Business Plan.

#### Leverage knowledge in areas of expertise to fulfill responsibilities of outside directors

**Yoshida:** I spent almost 40 years auditing mainly financial statements of listed companies as a CPA at KPMG AZSA & Co. During my career, I was posted to New York and Indianapolis, IN, U.S.A. for a total of six-and-a-half years. And for the final 10 years, I served as a managing director, overseeing the firm as a whole and participating in its management. I will apply my experiences and knowledge to fulfill my duties as an outside director.

**Nomura:** I served as president of Iwatani Corporation from 2012 to 2017 after having worked in all fields of administrative

divisions, including legal affairs, human resources, planning, and accounting. I hope to use this experience and apply what I have practiced with respect to corporate management and governance to the management of Keihanshin Building.

**Tsuji:** I worked for 17 years at Ube Industries, Ltd. (now UBE Corporation), a general chemical manufacturer, mainly in the logistics department. This included five years as an expat at a local subsidiary in New York, U.S.A. I then took over the management of Konoike Transport Co., Ltd., serving as president and chairman for 32 years until 2021. As an outside director, I will endeavor to present opinions from the viewpoint of someone who followed a career in an industry different from the real estate sector and as an expat.

**Takeda:** I registered as an attorney in 2001, and joined Miyake Joint Partnership Law Office, where I focus on corporate law, particularly intellectual property law. I hope to share my feelings candidly, drawing on my experience of having returned to work after taking maternity and childcare leave twice, as well as my insight based on my services as an outside director for several companies since 2016.

#### Reflecting on the first year since establishment of new organization under president Wakabayashi

**Yoshida:** Company president Wakabayashi established the Investment Promotion Department in July 2022 immediately after having taken office in the preceding month. Since then, he has made it clear that he is ready to accept new challenges, achieving three new investments in rapid succession, including types of properties with which we had no previous experience. We are also striving to foster a culture that encourages employees to take on challenges, and I feel that the atmosphere at the company is brighter than it has ever been.

**Nomura:** Although Mr. Wakabayashi has experience in management at a real estate company, I guess there may have been some confusion as he was appointed from a company with a different corporate structure. I am told, however, that he places great importance on dialogue with frontline employees, and he communicates with employees on the floor when time permits. Now that Keihanshin Building has put together its well-prepared Long-Term Business Plan, I sense that the company is united in its determination to accept new challenges.

**Takeda:** President Wakabayashi also actively incorporates the opinions of younger employees. I am told that he solicits and listens to opinions on, for instance, how our office space might be rearranged or on work dress standards. He established the Investment Promotion Department in a very agile manner, and I feel it has resulted in the rapid creation of a virtuous cycle in which new information comes in and investments are made in new properties based on it.

**Tsuji:** My impression is that he has the flexibility to adopt new values and regard opinions with importance. I feel that this has improved the mood of the company.

#### Long-Term Business Plan formulation process

**Takeda:** During the previous Medium-Term Business Plan, we launched two new development projects smoothly, which contributed significantly to earnings. In the meantime, while the company was struggling to undertake new investments due to soaring real estate market prices, we also faced changes in office space demand as a result of the pandemic. The Board of Directors had a lively discussion on whether to continue investing in rental buildings as outlined in the existing Medium-Term Business Plan or to seek new investments to pursue a path of growth.

**Tsuji:** The Tokyo Stock Exchange requires companies with price book-value ratio (PBR) below 1x to improve their capital efficiency. In light of this, we will need to review our growth strategy to determine how to generate earnings in our core business. As a company with middle-ranked scale and strength among other listed real estate companies, we are increasingly being asked how we are going to demonstrate our unique standing in the industry. Through discussions on the review of our business plans, the Board of Directors shared the importance of how to apply our wisdom in developing the unique characteristics of Keihanshin Building.

**Yoshida:** In addition to the points Ms. Takeda raised, other positive aspects of the previous Medium-Term Business Plan include the results achieved with regard to governance, such as increasing the number of outside directors so they comprise a majority of the Board of Directors. Naturally, we are also looking back at what we failed to achieve in formulating a new plan, and our Long-Term Business Plan is to continue existing businesses while also attempting to take on new ones. As outside directors, I believe that it is our mission to check new businesses across the entire life cycle, from sowing to harvesting.

**Nomura:** The previous Medium-Term Business Plan was to be in effect through March 2026. With regard to the revision in the middle of the term, I pointed out that we could not avoid being criticized for making the switch because it was unlikely we would achieve the final goals. However, I was convinced that we were attempting to take on new business challenges from a long-term perspective, in the face of dramatic changes in the business environment. I sense that the Company is determined to make this 10-year period one in which we seriously explore new businesses and firmly establish them. I believe that this will be a historic decade for Keihanshin Building.



#### How to cope with risk

**Takeda:** While expectations are high for the new businesses outlined in the Long-Term Business Plan, there is a shortage of in-house experience and knowledge regarding new businesses, so securing and training the requisite human resources will be a major issue. The company has positioned Phase I, the first half of the 10-year Long-Term Business Plan, as a time to



## Outside Directors' Discussion

prepare for the monetization of new businesses, reinforce the foundation for growth, and augment the structure for dealing with changes in the business environment. I hope that the Company will establish a firm foothold for these issues through the hiring of experienced workers and other measures.

**Nomura:** My focus is also on human capital. Currently, we have a small workforce of just over 50, but in our Long-Term Business Plan we've outlined our plan to increase this number to 100. To maintain our "elite few" structure even if the workforce does grow to 100, we need to ensure that our history, ideas, and methods are passed on to our new employees. It is also vital to ensure that employees are allocated to initiatives that require workforce.

**Yoshida:** Nihon Keizai Shimbun published a ranking in its March 6, 2023 issue of medium-sized listed companies with sales of 30 billion yen or less that examined operating profit per employee, and Keihanshin Building placed first, well ahead of the pack. Our biggest challenge will be how to bring our new business growth strategy to fruition while maintaining this efficient management by a small, elite workforce. Among others, overseas investment is a completely new initiative for us, so the question is how we should recruit and train people.

**Tsuji:** In our existing real estate leasing business, the notion of office buildings are being reevaluated as teleworking becomes more prevalent, and competition for datacenter buildings is intensifying as other companies enter the market. We believe that we must share a sense of crisis in a positive way and, through active discussions, build a structure that will generate solid profits.



### Regularly ascertain feedback from shareholders and investors

**Tsuji:** Dialogues with shareholders and investors are becoming increasingly necessary. As mentioned earlier, as for the issue of PBR below 1x, it is not only an issue required by the Tokyo Stock Exchange to address, but it is also an objective indicator of the minimum responsibility that companies must fulfill for their shareholders and investors. It is incumbent upon us to take this seriously and to develop a path for our growth strategy that is appealing to investors, and we are willing to devise ideas to realize this.

**Nomura:** The opinions we receive daily from investors are available for viewing at all times through tablets shared with our outside directors. It is a lot of information just to look through, but I try to review it thoroughly. Among these comments, we feel that the most common concern is about new businesses. I believe it will take time for results to become evident—particularly for overseas business ventures—but this is an important investment toward the realization of our growth, and we need to sit down and get to work. In my capacity as an outside director, I will endeavor to provide sound advice and opinions on each individual matter.

**Yoshida:** Some investors' comments have been skeptical and harsh regarding the outlook for this fiscal year's financial results and our Long-Term Business Plan. I believe that it is important for us to show we are prepared to launch Phase I properly, and then receive feedback from investors.



**Takeda:** We are constantly trying to determine whether the content of the Board of Directors' discussions are in line with the interests of our investors. The feedback we receive from investors—including explanations of how they arrived at the target stock price—sometimes makes us aware of new perspectives, which serves as a valuable opportunity for us.

### Making the Board of Directors even more effective

**Tsuji:** In addition to the Board of Directors' meetings, the four outside directors also meet twice annually for open discussions, providing an opportunity for the participants to express their ideas more frankly. I personally value opinions from a layman's perspective that can only come from being untainted by industry norms, and I communicate candidly about the potential business opportunities related to logistics warehouse properties based on social trends, my own experience, and location.

**Yoshida:** We respond to an annual questionnaire regarding the evaluation of the effectiveness of the Board of Directors, and the requests I noted in my response are immediately considered and acted on. I have expressed my desire, for instance, to know the thoughts of employees in the field. In response, meetings with general manager-class employees are planned to be arranged for this fiscal year. This was also how we achieved the free discussion forum for outside directors mentioned by Mr. Tsuji. I also appreciate the opportunity I am afforded each year to inspect the properties

that the Company owns, which aids in my understanding of the business.

**Nomura:** Previously, the Board of Directors consisted of five internal and three external members; it currently consists of three internal and four external members, one of whom is female. Moreover, the Nomination and Remuneration Committee consists of six members: the four outside directors, the chairman, and the president, which I believe is, among listed companies, a rather progressive approach. Each year, the score of the evaluation of the effectiveness of the Board of Directors has exceeded the average of other companies. Whenever I attend a Board of Directors' meeting, I am always impressed by the highly positive atmosphere and the free, open exchange that takes place among the Board members. It is not just a matter of taking our time; we try to make the discussions efficient and meaningful.

**Takeda:** The discussion at each meeting takes about two and a half hours, and the members are careful not to repeat the explanations they were given in advance, enabling more time to be allotted for discussion. The materials provided in advance are very carefully assembled, so we are able to attend the Board of Directors' meetings with a clearer understanding of the issues. Above all, all members of the Board of Directors can conduct discussions founded on the common goal of how to raise the Company's value, which facilitates speaking up.

### Practicing initiatives toward our materiality

**Takeda:** With regard to the initiatives aimed at our materiality, we are paying particular attention to those related to human capital. As a first step in the activation of women, for instance, we set—and in fact achieved—a goal of making the proportion of male and female new graduates 50% each. If we maintain this approach and foster a comfortable working environment, and if more female employees continue to work despite major life events such as childbirth, the number promoted to management positions will naturally rise. Moreover, the Company is highly aware of compliance and is taking measures in advance, which is reassuring.

**Nomura:** I believe that, instead of addressing 13 materiality themes only from managerial perspectives, if all frontline employees are comprehensively aware of these themes and incorporate them into their own actions, it will naturally lead to better results. Although thorough compliance initiatives and controls are in place, when we engage in new businesses, we feel that compliance-related risks may emerge in a different form. Given this, we need to carefully take steps once again to ensure compliance.

**Yoshida:** Concerning sustainability initiatives, the Company has established a Sustainability Committee and a Sustainability Promotion Group. It is evident that the Company has willingness to establish a solid system in place to handle such issues. Among our environmental initiatives, the reduction of GHG emissions has attracted considerable attention in recent years. And, since our tenants' electricity consumption

accounts for a significant percentage of our supply chain emissions, we need to get those tenants involved in emissions reduction.

**Tsuji:** I completely agree that human investment is an important theme. Today, labor shortages affect all industries, and as such competition for human resources is intense. In this environment, public relations will be key in securing high-quality human resources, and we hope that further cultivation of an environment in which women can play important roles will aid in recruitment.

### Roles outside directors must fulfill going forward

**Yoshida:** The essential role of an outside director is to oversee the execution of duties by management, all while serving as a director and a member of the company's decision-making team. For my part, I will oversee the company from the perspective of numbers—as I am an accountant by trade—and will also advise the company on overseas investments, drawing on my experience abroad.



**Nomura:** I am in my fifth year as an outside director, and I want to maintain a sense of urgency and not fall into a routine. Ten years later, the final year of the Long-Term Business Plan, we plan to have new business account for 40% of total business. I believe that successfully achieving this will determine the future of the Company, so my involvement will be from an external perspective, as I tap into my own experience as top management in formulating and circulating medium-term business plan twice.

**Tsuji:** The outside directors are all from industries other than real estate. We hope to offer advice by integrating different external perspectives, as well as our experience and knowledge. I will do my part by daring to ask questions frankly without shame about things that employees might think "Don't you know that?"

**Takeda:** It has been one full year since I became an outside director. Going forward, we will take on new challenges in business while adhering to our existing basic policy, and I don't think my role as an outside director will change. I would like to offer advice from the viewpoint of compliance based on my experience as an attorney.

## Message from the Board Chairman



Board Chairman  
Koichi Minami

### Aim for the Board of Directors that supports execution of business through an effective supervisory function

#### Strengthening Board structure in line with input from the evaluation of the effectiveness

The composition of our Board of Directors has undergone significant change since the implementation of the Tokyo Stock Exchange Corporate Governance Code in 2015. This change took place as we sought a management structure that is sound, efficient, and suitable for sustainable growth while taking into consideration the demands of the market and the thought behind them. In particular, during that time, the company has implemented reforms such as introducing an executive officer system to transition to a monitoring board structure, establishing the Nomination and Remuneration Committee to strengthen the supervisory function concerning the selection of management and the granting of incentives, gradually increasing the number of independent outside directors until they constitute a majority of the Board, and appointing a female director. Through these efforts, we are confident that an effective supervisory function of our current Board of Directors—with its diverse skills and experience—has been realized.

The functional enhancement that led to the current structure was founded on the opinions, suggestions, and constructive proposals received from directors and Audit & Supervisory Board Members during the annual evaluation of the effectiveness of the Board of Directors. In the evaluation, we first enlist the aid of a third party in creating and issuing a questionnaire for all directors and Audit & Supervisory Board Members, and then discuss the results and comments provided by the respondents. We make sure to take up any issues pointed out, identify the person or department in charge and instruct them to act, and make certain to confirm

progress and improvements upon the next effectiveness evaluation.

In the 2022 assessment, for instance, we received a proposal to create an opinion exchange opportunity exclusively among outside directors to share awareness of issues. In response, we actually arranged an opportunity for them to discuss issues from a variety of perspectives, and the content of the discussion was reported to the Board of Directors. As a result, the 2023 evaluation indicated that the Board of Directors has become more effective. Meanwhile, with regard to an issue identified in 2022—the strengthening of the supervisory function regarding sustainability initiatives—although we have conducted executive training as training opportunities, the issue was raised again in the 2023 evaluation. We are continuing our efforts to improve the situation.

#### Efficient Board of Directors' operation as the hub of executive and supervisory functions

Although I am not currently involved in execution, as someone who has experience in operational execution for the Company, I consider it my responsibility to serve as a hub between the president and other executive officers who are in charge of execution, and the outside directors and Audit & Supervisory Board Members who are responsible for supervision. Based on this belief, as chairman, to ensure that the Board of Directors meetings serve as a forum for effective discussion, I attend the internal Management Meetings held prior to Board meetings. The purpose is to confirm ahead of time where the awareness of the issues for each agenda item resides and, if necessary, encourage the provision of additional information

for Board meetings, thereby ensuring that they are run efficiently.

Moreover, as chairman, I try to lead the discussion at Board meetings from a neutral perspective between execution and supervision, eliciting opinions from each of the directors. Whenever there is a key agenda item or report related to management fundamentals—such as the recent review of the business plan—all directors in attendance, including outside directors and even outside Audit & Supervisory Board Members, are invited to offer opinions.

Meanwhile, we are also conscious of focused, effective, and efficient management so the discussions do not become scattered. In the deliberation of each agenda item, we sort out areas where consensus has been achieved and those where follow-up is required, and for those need to be followed up, we attempt to clarify what needs to be done and by when.

#### The responsibility of the Board of Directors for the realization of the business plan is to conduct appropriate monitoring

In May 2023, Keihanshin Building formulated a new Long-Term Business Plan. At the time, it had just completed the fourth year of its previous seven-year business plan. The Board of Directors alone held three rounds of discussion prior to revising the business plan, on which three years remained. Due to changes in the external environment, such as the evolution in work styles and lifestyles brought about by COVID-19, soaring real estate prices due to monetary easing, and cost increases driven by higher fuel costs, it was no longer possible to meet the external requirements such as the level of capital efficiency that we are expected to achieve as a listed company on the TSE Prime Market with the business strategy set forth in our previous business plan. The consensus was that the transformation should begin as early as possible. This ultimately led to the Board of Directors approving the new Long-Term Business Plan.

The first thing necessary toward achieving the targets of the new business plan is to raise the awareness of officers and employees and establish a shared desire to bring the plan to fruition. The new business plan is naturally based on our awareness of the prevailing business environment and analysis of our strengths, weaknesses, opportunities and risks. Our starting point is a sense of crisis in that we cannot achieve sustainable growth if we stand pat with our present strengths given looming environmental changes and market and investors' demands. Therefore, as the executive side itself promotes concrete measures based on the business plan, it is essential that this sense of crisis serve as the premise for all discussions. I believe that the key to achieving the goals in the business plan lies in how well the plan is disseminated within the company and how well each employee personally internalizes it.

On the other hand, we believe that the most significant roles of the Board of Directors, which is responsible for the supervisory function, to play in achieving the goals of the business plan are the appropriate prioritization of issues to be addressed and selection and concentration of issues to allocate resources to, and the proper monitoring of the management of progress. We have operated our business on the strength of efficient management with a small workforce. We have achieved this by focusing resources only on necessary activities determined through selection and concentration, or simply stated, by “deciding what not to do.” There are many issues, however, that we presently face in the

changing business environment, and with our workforce as currently constituted we cannot possibly tackle all of them at once. If we simply augment our resources, though, the DNA and strengths of efficient management that we have protected and nurtured may be lost.

The opinions and suggestions of our outside directors, who possess extensive experience in a variety of fields, have proven very effective in steering management at the Board of Directors' meetings. The issues identified in the review of the business plan are all relevant and must be addressed head-on, even if the timeframes differ for dealing with each of them. Demands from outside the company for sustainability initiatives, evaluations by shareholders and investors, and the Company's position in the market and among other companies in the industry are constantly changing rapidly, however, and despite the Board of Directors presently being composed of people with a variety of skills and experience, the possibility exists that their knowledge and experiences alone will not be enough to enable proper monitoring. It is vital, therefore, to raise the overall level of the Board of Directors. To accomplish this, we provide each director with the latest information available on the executive side and share environmental awareness, while also emphasizing training sessions and other similar opportunities. As I noted earlier, partly because it was identified as an issue through the evaluation of the effectiveness of the Board of Directors, we will place special emphasis on enhancing training opportunities.

#### Aiming for the Board of Directors capable of supporting business execution

We call the new business plan as Long-Term Business Plan, with performance targets presented on a medium- to long-term time horizon, such as five to ten years from now. This does not mean, however, that we do not need to view things also from a short-term perspective. I believe that the management view that the stock price of a company is a natural result of earnest, diligent work is already becoming a thing of the past. The thinking now is that we must always be aware of market evaluation—including the stock price—from the current shareholders' perspective. As requested by the TSE, we need to incorporate corporate management more conscious of the cost of capital and stock price. I would like to promote discussions at Board of Directors' meetings on how we can learn from stock prices to heighten the value of our business.

A supervision-oriented Board of Directors can have a rather protective image. At our company, we do encounter situations in which the supervisory side put a brake on execution side. It is also a crucial role, however, of the Board of Directors to push forward growth strategies with the aim of achieving medium- to long-term goals. It is a given that we will work to raise shareholder value from the perspective of shareholders and investors. In recent years, there have also been demands for us to further enhance the Company's social value. Amidst the changing business environment surrounding our company, we will work to foster an environment where the executive side can move forward aggressively and with confidence, and contribute to the achievement of the business plan's targets and the enhancement of corporate value.



# Corporate Governance

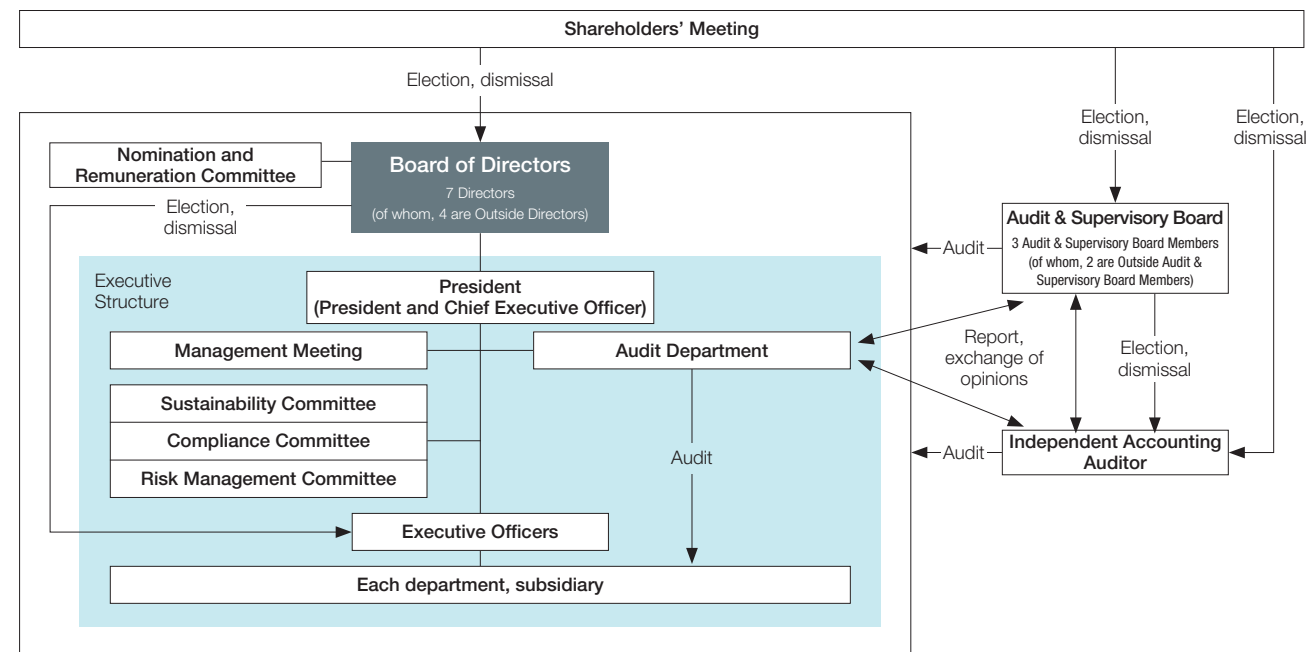
## Basic Concept

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 (FYE March 2023)
Board of Directors	Chairman of the Board	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.	14 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.	3 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.	6 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 officers.

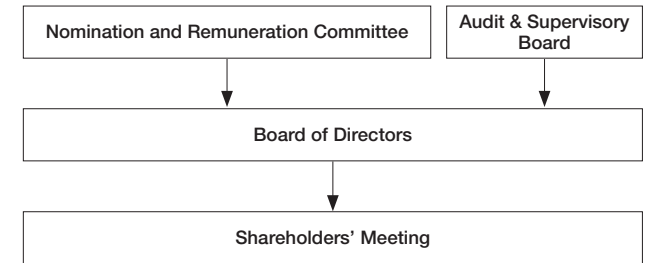
The President prepares a list of candidates for Directors, and the Board of Directors deliberates and makes decisions in light of reports on the results of deliberations in the Nomination and Remuneration Committee.

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 FY2022	Term of office	Expertise (◎ A field for which Outside Officers are particularly expected)					
							Corporate Management	Finance & Accounting	Legal Risk Management	Industrial Expertise	Architecture	Technology Energy
Board of Directors	Koichi Minami	Standing	●	Male	11/11	7 years	●	●	●	●		
	Tsuneo Wakabayashi	Standing	●	Male	11/11	2 years	●	●	●	●		
	Seisuke Isemura	Standing		Male	11/11	3 years			●		●	
	Takashi Yoshida	Outside Independent	●	Male	11/11	6 years		◎	●			
	Masao Nomura	Outside Independent	●	Male	11/11	4 years	◎	●	●			◎
	Takashi Tsuji	Outside Independent	●	Male	11/11	3 years	◎	●	●			
	Chiho Takeda	Outside Independent	●	Female	11/11	1 year			◎			
Audit & Supervisory Board	Shigeru Nishida	Standing		Male	11/11	4 years		●	●			
	Hideharu Nagasawa	Outside Independent		Male	11/11	2 years	◎	●	●			◎
	Hideyuki Kamijo	Outside Independent		Male	9/9	1 year	●	◎	●	◎		

(Note) 1. The list above does not represent all of the expertise and experience that each member possesses.  
 2. Director, Ms. Chiho Takeda had been in office as Outside Audit & Supervisory Board Member of the Company for three years before taking office as Director.  
 3. Audit & Supervisory Board Member, Mr. Shigeru Nishida had been in office as Director of the Company for four years before taking office as Audit & Supervisory Board Member.

# 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 executive <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 of the Board				
	Succession of the President and Chief Executive Officer				
	Appointment and dismissal of Executive Officers				
	Other matters recognized as necessary by the Nomination and Remuneration Committee				
Matters concerning remuneration of management executives	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	Outside Directors	Chairperson	Number of meetings held (FYE March 2023)
Nomination and Remuneration Committee	6 persons	2 persons	4 persons	Outside Director	3 times

## Remuneration to Officers

### Remuneration paid to officers in the fiscal year ended March 2023

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	133,890 thousand yen	16,064 thousand yen	33,353 thousand yen	183,307 thousand yen
Outside Directors	5 persons	33,600 thousand yen			33,600 thousand yen
Audit & Supervisory Board Members	4 persons	40,800 thousand yen			40,800 thousand yen
Outside Audit & Supervisory Board Members	3 persons	15,600 thousand yen			15,600 thousand yen

(Notes) 1. The total amount of remuneration includes the amount paid to one Director who retired due to expiration of the term of office and one Audit & Supervisory Board Member who resigned from office at the conclusion of the 99th Annual General Meeting of Shareholders held on June 21, 2022.  
 2. In addition to the above, employee salaries of 18,223 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 Long-Term Business Plan.										
	Chairman of the Board	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%	President											
	Chairman of the Board											
	Outside Directors											
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 remuneration reflecting the performance indicators, and is provided at a certain time each year. The indicator used to calculate performance-linked remuneration is the degree of achievement of "business profit before depreciation and amortization" and "initiatives on sustainability," as set forth as targets in the Long-Term Business Plan, and both are comprehensively taken into consideration in the calculation, in order to realize sustainable enhancement of corporate value and to expand the scale of the Company and create new profit model through portfolio expansion. (Reference) Actual business profit before depreciation and amortization and the target for the final fiscal year of the Long-Term Business Plan (million yen) <table border="1"> <thead> <tr> <th></th> <th>2021/3</th> <th>2022/3</th> <th>2023/3</th> <th>2033/3 (target)</th> </tr> </thead> <tbody> <tr> <td></td> <td>7,565</td> <td>8,855</td> <td>9,194</td> <td>18,000</td> </tr> </tbody> </table>		2021/3	2022/3	2023/3	2033/3 (target)		7,565	8,855	9,194	18,000
		2021/3	2022/3	2023/3	2033/3 (target)							
	7,565	8,855	9,194	18,000								
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 of the Board 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

## 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 six 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, 2023, we own 26 listed stocks. We also sold part of the shares

of the two listed stocks. The total amount of sales during this period was 11.4 billion yen.

### Trend in cross-shareholdings of listed companies

	2020/3	2021/3	2022/3	2023/3
Amount recorded on year-end balance sheet (million yen)	12,286	11,567	9,432	9,266
Amount sold during the fiscal year (million yen)	784	6,530	2,468	1,085

## Policy and Status of Review Regarding Business Portfolio

Based on our distinct leasing business, encompassing diverse facilities including office buildings, datacenter buildings, WINS buildings (off-track betting parlors), commercial buildings, logistics warehouses, and other properties, we aim 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.

Under our current business strategies, we place a high priority on maximizing cash flows generated by our business in our efforts to enhance corporate value. We also recognize the importance of achieving returns that exceed capital costs on a profit basis, and the Board of Directors annually examines our business portfolio.

Specifically, policies for continuous property ownership, rebuilding, and sales are individually examined at the Board of Directors' Meeting from both a quantitative point of view, such as comparison of capital cost and profitability and investment recovery period, and a qualitative point of view, such as compatibility with investment policy in the business plan and growth potential of the area where the property is located.

Based also on the result of the portfolio examination, we recognize that maximizing profit through revolving assets and improving capital efficiency are necessary to continue to achieve returns that exceed capital costs over the medium- to long-term. In the newly formulated Long-Term Business Plan, we aim to improve capital efficiency through the engagement in revolving-type investment business in addition to the real estate leasing business.

## 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 2023, 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 opportunities for exchanging opinions among outside officers other than at board meetings, we verified that there was an improvement as we provided such opportunities. In addition, based on the evaluation

that the Board of Directors was being operated appropriately overall, constructive opinions and proposals were made regarding the allocation of time for each agenda item, methods for reporting business execution, and exchange of opinions among outside officers and between outside officers and employees.

On the other hand, with regard to the supervisory function of the Board of Directors concerning initiatives for sustainability, which was raised as an issue last year, we continued to share the recognition that further enhancement of the function is necessary.

We will continue to engage in enhancing the function of the Board of Directors by implementing periodic analysis and evaluation of the board's effectiveness.

### 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>Semiannually discussing an agenda set up for the Board of Directors concerning the progress and review of business plans</li> </ul>
Providing opportunities for exchanging opinions among outside officers other than at the Board of Directors' Meetings	<ul style="list-style-type: none"> <li>Establishing meetings for exchanging opinions among outside officers other than at the Board of Directors' Meetings (twice a year)</li> </ul>
Strengthening the supervisory function of the Board of Directors concerning initiatives for sustainability	<ul style="list-style-type: none"> <li>Regularly setting up agenda items concerning sustainability at the Board of Directors and enhance reporting content</li> </ul>

## Policy on constructive dialogue with shareholders and investors

Executive Officers responsible for administration are in charge of dialogue between the Company and shareholders/investors. Each department within the Company coordinates with the officers accordingly in providing necessary information to promote constructive engagement between them.

In terms of providing opportunities for dialogue, we have established briefing sessions with the presence of the President or Executive Officers responsible for administration and individual meetings, and issue an integrated report and other IR materials and disclose information on the corporate website as well to help our shareholders and investors to understand our management strategy and business environment better.

The opinions and requests received from shareholders and investors through dialogue are reported to the Board of Directors on a quarterly basis, and dialogue records are always shared among Directors and Audit & Supervisory Board Members. These opinions and requests are valued to further strengthen our dialogue, and relayed to the management and related departments to use for active review of our business strategies.

During the silent period before announcing our financial results, we restrict dialogue with our shareholders and keep the insider information strictly confidential. Information deemed to be a material fact is managed centrally by the Executive Officers responsible for administration to prevent any leaks. We disclose immediately if the information is determined to correspond to information requiring disclosure as well.

### Number of dialogues with investors held in the fiscal year ended March 2023

Target	Number of dialogues held (cumulative total)
Coverage analysts	12
Domestic institutional investors	16
Foreign institutional investors	14
Individual investors	3
Total	45

### Main topics and concerns of the dialogue

Topics and concerns (FYE March 2023)
Selection process for the President, expected roles after taking office, and changes in the internal environment
Progress of new investments and possibility of revising the previous business plan amid soaring real estate prices
Measures to improve ROE and other capital efficiency (such as share repurchase, etc.)
Enhancement of disclosures in English and the status of initiatives to eliminate a time lag in disclosing Japanese and English materials
Status of reducing cross-shareholdings

### Status of Response

Based on the opinions and suggestions from shareholders and investors, we have implemented the following measures.

Measures implemented
Formulate a new business plan with an eye to improving capital efficiency
Simultaneous disclosure of consolidated financial results in Japanese and English and quarterly disclosure of supplemental materials for consolidated financial results (FACT BOOK)
Preparation of audited financial reports (Annual Report) in English

## Training for Directors and Audit & Supervisory Board Members

In order to optimize our business strategies through timely and appropriate decision-making by the Board of Directors, the Company provides Directors and Audit & Supervisory Board Members with opportunities for training related to themes according to the business environment and inspections of the Company's properties. Especially for newly appointed Directors and Audit & Supervisory Board Members, the Company provides trainings on issues such as their legal authority and obligations, also utilizing outside institutions. Whether these opportunities are being appropriately provided is also verified during the annual evaluation of the effectiveness of the Board of Directors.

In the fiscal year ended March 2023, we conducted inspections of the Company's properties (land in Minami-Aoyama, The Yoyogi-koen Building, and The Fuchu Building) as well as held

a training session on the theme of sustainability (ESG issues and examples of initiatives in the real estate industry).



Outside officers visiting the Fuchu Building

## Status of Coordination between Audit & Supervisory Board Members, Independent Accounting Auditor, 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.

# Risk Management

## Basic Concept

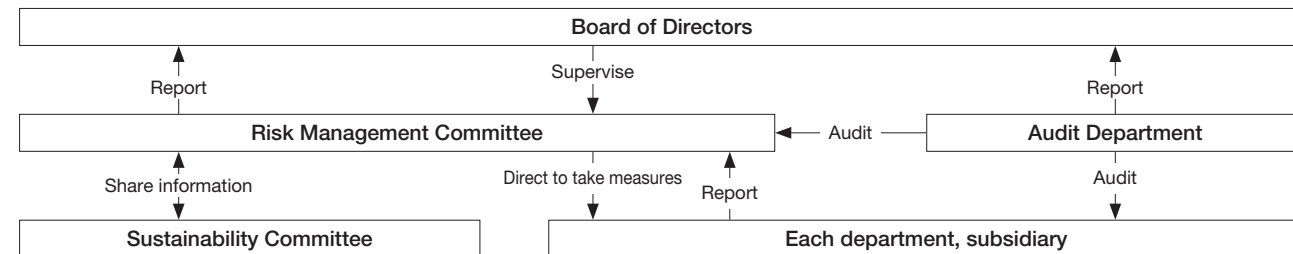
For risk management, the Company is committed to realizing business policies and taking measures to eliminate as much as possible every risk that may occur in the course of its corporate activities. It aims to ensure the safety and benefit of all stakeholders and aims for a swift response and recovery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

## Promotional Framework of Risk Management

The Company established its fundamental policies on risk management measures and responses towards risks surrounding its business 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 risk management on a company-wide basis, based on these regulations.

The committee takes charge of matters including integrated risk management, compilation of response policies, and maintenance and updating of the BCP. It convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.

In addition, the process for identifying, evaluating, and managing risks related to sustainability issues is shared with the Sustainability Committee to integrate the risk management system on a company-wide basis.



## Compliance Committee

We have established a company-wide Compliance Committee under the direct control of the President to comply with laws, regulations, and other social norms, as well as in-house standards, such as our internal rules 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.

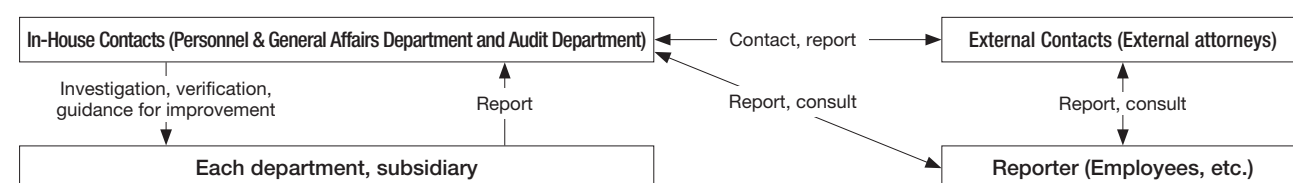
The committee takes charge of formulating the Behavioral Standards to ensure compliance, assessing the implementation status of compliance measures, and devising recurrence prevention measures against compliance violations. In addition, compliance education and training are provided to employees at all levels through in-house study sessions and other learning opportunities.

### In-house compliance training in the previous fiscal year

Implementation period	Theme	Description
August 2022	Harassment in workplace	Information dissemination and awareness building on the prevention of harassment in workplace, including power harassment and sexual harassment
November 2022	Information security	Raising awareness of information security through the subject of information leakage caused by spam emails, etc.
February 2023	Insider trading	Ensure awareness of compliance as an employee of a listed company

## 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, external attorneys have 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.



## 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 developing business with diversified asset types</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 reduce 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>Diversify our tenants through development and acquisition of new properties</li> <li>Offering appropriate services and building stronger relationships with tenants in order to reduce risks of major 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 spread of new infectious diseases</li> <li>Possibility that the business activities may be negatively affected by the spread of infection within the Company, which is a disadvantage of a company managed by a small number of staff</li> </ul>	<ul style="list-style-type: none"> <li>Building a portfolio that does not attach too much importance to tenants engaged in the restaurants and retail businesses</li> <li>Maintaining the health and safety of employees by promoting flexible workstyles, such as working from home and flextime system</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>Introduction 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>Reducing the risk of submersion by relocating critical facilities to upper floors and installing flood-control panels</li> <li>Strengthening resilience through preventive maintenance, 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 selling securities that are deemed to have little significance.</li> </ul>
	Dependency on interest-bearing debt	<ul style="list-style-type: none"> <li>Possibility of rising 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>
Compliance risk	Violation of laws, regulations, etc.	<ul style="list-style-type: none"> <li>Loss of social credibility and restrictions on business activities due to compliance violations</li> </ul>	<ul style="list-style-type: none"> <li>Selecting compliance committee members from various departments and regularly verifying the status of initiatives in the departments</li> <li>Using the Compliance Committee to disseminate information on compliance with laws, regulations, etc. through training sessions and other means</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>

## Evaluation and review of BCP

Among the risks surrounding our business, we recognize natural disasters and man-made disasters in particular as material risks that could have a significant impact on our business continuity and financial position. Although it is extremely difficult to measure the likelihood and timing of the emergence of disaster risks, we have formulated a BCP under the control of the Risk Management Committee to protect lives and property of all stakeholders through business continuity or early recovery in the event of a disaster.

We hold drills on a company-wide basis annually, assuming various cases including loss of power to our offices and the occurrence of disaster after business hours, and brush up BCP based on feedback from officers and employees to firmly establish BCP in the organization and improve its quality. In the BCP drill held in the fiscal year ended March 2023, it was pointed out that

issues to be addressed in the future include coordination of disaster response in the Kansai area and the Tokyo metropolitan area and the improvement of life-saving and self-defense education for officers and employees.



Conducting BCP drills



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



Director 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 of the Board <b>Koichi Minami</b>	President Chief Executive Officer <b>Tsuneo Wakabayashi</b>
		Outside Director <b>Masao Nomura</b>	Outside Director <b>Takashi Yoshida</b>

## Directors

**Koichi Minami** Chairman of the Board

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 of the Board (current), Keihanshin Building

■ Significant concurrent position  
 Outside Corporate Auditor, SHIP HEALTHCARE HOLDINGS, INC

**Tsuneo Wakabayashi** President

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 2020 Counselor, 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

**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)  
 March 1982 Registered as a Certified Public Accountant  
 May 1994 Registered as a United States Certified Public Accountant (California)  
 June 2006 Senior Executive Board Member, KPMG AZSA & Co. (currently KPMG AZSA LLC)  
 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 2007 Member of the Board, Director and Executive Officer, Iwatani Corporation  
 April 2009 Managing Member of the Board and Executive Officer, Iwatani Corporation  
 April 2010 Senior Managing Member of the Board and Executive Officer, Iwatani Corporation  
 June 2012 President, Iwatani Corporation  
 April 2017 Member of the Board, Counselor and Executive Officer, Iwatani Corporation  
 June 2017 Counselor, Iwatani Corporation  
 June 2019 Director (current), Keihanshin Building

■ Significant concurrent positions  
 Member of the Board of Directors, Outside Director, ONO PHARMACEUTICAL 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 1983 Senior Managing Director, Konoike Transport Co., Ltd.  
 December 1987 Representative Director and Vice President, 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

■ Significant concurrent position  
 Outside Director, Matsumoto Yushi-Seiyaku Co., Ltd.

**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  
 Outside Director, DAIHATSU DIESEL MFG. CO., LTD.

## 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.  
 April 2008 Executive Officer and General Manager, Corporate Planning Division, SANYO Electric Co., Ltd.  
 April 2011 Managing Executive Officer and General Manager, Corporate Planning Division, 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 2006 General Manager, Real Estate Investment Management Department, Sekisui House, Ltd.  
 May 2010 General Manager, Accounting and Finance Department, 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 2018 Managing Officer and General Manager, Accounting and Finance Department, Sekisui House, Ltd.  
 April 2019 Managing Officer, Sekisui House, Ltd.  
 September 2020 Registered as a Certified Tax Accountant  
 April 2021 Managing Partner, Hideyuki Kamijo Tax Accountant Office (current)  
 June 2022 Audit & Supervisory Board Member (current), Keihanshin Building

## Executive Officers

**Tsuneo Wakabayashi** President and Chief Executive Officer

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

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

**Seisuke Isemura** Executive Officer and General Manager of Property Management Department

**Toshiki Tabuchi** Executive Officer and General Manager of Finance & Accounting Department

**Takao Matsumoto** Executive Officer and General Manager of Business Department

**Yoshikatsu Okada** Executive Officer and General Manager of Personnel & General Affairs Department

**Takao Hori** Executive Officer, General Manager of Corporate Planning Department, and Head of Sustainability Promotion Group

**Kazuma Ohashi** Executive Officer, Head of Tokyo Branch Office, and Head of Investment Promotion Department

## Main Consolidated Financial Data and Non-financial Data

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3
	Unit: millions of yen										
<b>Profit or loss (fiscal year)</b>											
Net sales	13,679	14,031	14,852	14,930	14,380	14,799	14,995	15,319	15,333	17,815	<b>18,879</b>
Operating profit	4,634	4,463	4,966	5,118	4,969	5,298	5,451	5,414	5,295	5,124	<b>5,375</b>
Business profit*1	4,634	4,463	4,966	5,118	4,969	5,298	5,451	5,414	5,295	5,124	<b>5,375</b>
Business profit before depreciation and amortization*2	7,298	7,076	7,705	7,754	7,507	7,731	7,661	7,598	7,565	8,855	<b>9,194</b>
Ordinary profit	3,800	3,699	4,457	4,782	4,740	5,044	5,214	5,214	5,081	4,879	<b>5,040</b>
Profit attributable to owners of parent	2,331	2,369	2,732	3,610	3,272	3,585	3,998	3,919	8,251	5,165	<b>4,186</b>
	Unit: millions of yen										
<b>Financial condition (end of fiscal year)</b>											
Total assets	114,577	115,015	115,243	111,418	113,204	122,964	132,780	136,605	154,043	149,994	<b>152,321</b>
Interest-bearing debt	63,440	56,750	51,286	45,317	43,085	48,294	55,709	58,401	66,645	64,859	<b>67,156</b>
Net assets	41,733	48,250	51,850	54,556	58,862	62,227	64,228	64,377	70,539	70,510	<b>70,870</b>
	Unit: %										
<b>Main indicators</b>											
Rate of return on equity (ROE)	5.8	5.3	5.5	6.8	5.8	5.9	6.3	6.1	12.3	7.3	<b>5.9</b>
Rate of business profit on total assets (ROA)	4.1	3.9	4.3	4.5	4.4	4.5	4.3	4.0	3.6	3.4	<b>3.6</b>
Equity ratio	36.4	42.0	45.0	49.0	52.0	50.5	48.3	47.0	45.7	46.9	<b>46.5</b>
	Unit: millions of yen / times										
Net interest-bearing debt	53,259	44,467	47,709	28,765	35,883	41,243	39,791	45,196	45,094	54,983	<b>61,843</b>
Net interest-bearing debt/EBITDA ratio	7.3	6.3	6.2	3.7	4.8	5.3	5.2	5.9	6.0	6.2	<b>6.7</b>
Depreciation and amortization	2,663	2,612	2,738	2,636	2,538	2,433	2,210	2,183	2,270	3,731	<b>3,818</b>
Capital expenditure	751	472	9,572	9,510	10,840	11,236	3,734	10,639	11,504	14,283	<b>12,529</b>
	Unit: yen										
<b>Per share information</b>											
Profit (EPS)	51.8	46.1	50.6	66.9	60.7	66.6	74.6	74.6	158.8	102.3	<b>84.7</b>
Net assets (BPS)	927.9	893.9	960.6	1,010.8	1,091.7	1,154.8	1,217.3	1,236.5	1,362.0	1,403.7	<b>1,445.5</b>
Dividends	14.0	14.0	15.0	16.0	17.0	18.0	23.0	27.0	31.0	36.0	<b>36.0</b>
	Unit: millions of yen										
<b>Cash flows (fiscal year)</b>											
Cash flows from operating activities	6,091	4,607	7,086	4,919	4,717	6,884	5,259	6,693	7,693	2,736	<b>8,917</b>
Cash flows from investing activities	(2,644)	128	(9,644)	14,818	(10,939)	(11,249)	(1,619)	(9,705)	(5,566)	(8,652)	<b>(12,104)</b>
Free cash flow	3,447	4,736	(2,558)	19,738	(6,222)	(4,364)	3,639	(3,012)	2,126	(5,916)	<b>(3,187)</b>
Cash flows from financing activities	1,961	(2,633)	(6,148)	(6,762)	(3,127)	4,213	5,227	298	6,219	(5,757)	<b>(1,376)</b>
Net increase (decrease) in cash and cash equivalents	5,408	2,102	(8,706)	12,976	(9,350)	(150)	8,867	(2,713)	8,345	(11,674)	<b>(4,563)</b>
Cash and cash equivalents at end of period	10,180	12,283	3,576	16,552	7,202	7,051	15,918	13,205	21,550	9,876	<b>5,312</b>

\*1 Business profit = Operating profit + Share of profit (loss) of entities accounted for using equity method  
\*2 Business profit before depreciation and amortization = Business profit + Depreciation



## MD&A

### Operating Results

During the fiscal year ended March 31, 2023, the Japanese economy showed a moderate recovery as personal consumption continued to increase due to factors including the easing of movement restrictions for preventing the spread of COVID-19 and the effects of the domestic travel subsidy program, while demand for domestic goods and services by foreign tourists to Japan grew as a result of the relaxation of border control measures and the benefits of a weaker yen. Meanwhile, the economic outlook remained unclear due to the surge in energy costs triggered by the situation in Russia and Ukraine and global inflation.

In the real estate leasing industry, the vacancy rate remained high as the supply of office spaces is likely to increase due to the new large-scale development at business areas while there has been a growing trend to reconsider business locations due to the spread of remote working and other new workstyles.

Under such circumstances, the Company focused on operating activities and continued to maintain a high occupancy rate, with the vacancy rate as of March 31, 2023 at 1.46%. In addition, as part of expansion of assets in the Tokyo metropolitan area, the Company proactively worked on new investments toward the next growth, including the acquisition of the land in Minami-aoyama, Minato-ku, Tokyo in November 2022. Also, in terms of existing buildings, we have been striving to enhance asset value through preventive maintenance against natural disasters and promotion of energy saving.

As a result, consolidated net sales for the fiscal year ended March 31, 2023 increased by 1,063 million yen (6.0%) year-on-year to 18,879 million yen due mainly to the contribution from income of the OBP Building with excellent occupancy rate, which was completed in April 2021. Gross profit increased only by 419 million yen (6.3%) year-on-year to 7,084 million yen due to an increase in cost of sales, including an increase in costs caused by skyrocketing electricity prices, although initial expenses for the acquisition of the OBP Building in the previous fiscal year such as its real estate acquisition tax were no longer recorded. Accordingly, operating profit increased by 250 million yen (4.9%) year-on-year to 5,375 million yen and ordinary profit increased by 161 million yen (3.3%) year-on-year to 5,040 million yen. Profit attributable to owners of parent amounted to 4,186 million yen, a decrease of 978 million yen (18.9%) year-on-year, chiefly due to a decrease in extraordinary income from the sale of investment securities.

Unit: millions of yen

Account	2022/3	2023/3	Increase (decrease) %
Net sales	17,815	18,879	6.0
Cost of sales/General and administrative expenses	12,690	13,503	6.4
Operating profit	5,124	5,375	4.9
Non-operating income	273	312	14.1
Non-operating expenses	519	646	24.5
Ordinary profit	4,879	5,040	3.3
Extraordinary income	2,586	1,006	(61.1)
Extraordinary losses	39	28	(27.7)
Income taxes	2,261	1,833	(19.0)
Profit attributable to owners of parent	5,165	4,186	(18.9)

### Financial Condition

Total assets at the end of the fiscal year ended March 31, 2023 amounted to 152,321 million yen, an increase of 2,326 million yen (1.6%) from the end of the previous fiscal year. This was mainly due to an increase of 8,655 million yen in land in trust due to acquisition of beneficial interests in trust for land in Minami-aoyama in November 2022, despite a decrease of 4,563 million yen in cash and deposits and a decrease of 1,850 million yen in consumption taxes refund receivable due to tax refund.

Total liabilities amounted to 81,450 million yen, an increase of 1,966 million yen (2.5%) from the end of the previous fiscal year. This was mainly due to an increase of 2,296 million yen in interest-bearing debt due to financing required for acquisition of non-current assets and other factors.

Total net assets amounted to 70,870 million yen, an increase of 360 million yen (0.5%) compared to the end of the previous fiscal year. This was due to an increase of 708 million yen in retained earnings, despite a decrease of 225 million yen in valuation difference on available-for-sale securities.

Unit: millions of yen

Account	2022/3	2023/3	Increase (decrease) %
Current assets	12,260	6,702	(45.3)
Non-current assets	137,733	145,618	5.7
Total assets	149,994	152,321	1.6
Current liabilities	8,208	7,887	(3.9)
Non-current liabilities	71,275	73,562	3.2
Total liabilities	79,484	81,450	2.5
Shareholders' equity	70,523	71,153	0.9
Total net assets	70,510	70,870	0.5
Total liabilities and net assets	149,994	152,321	1.6

### Cash Flows

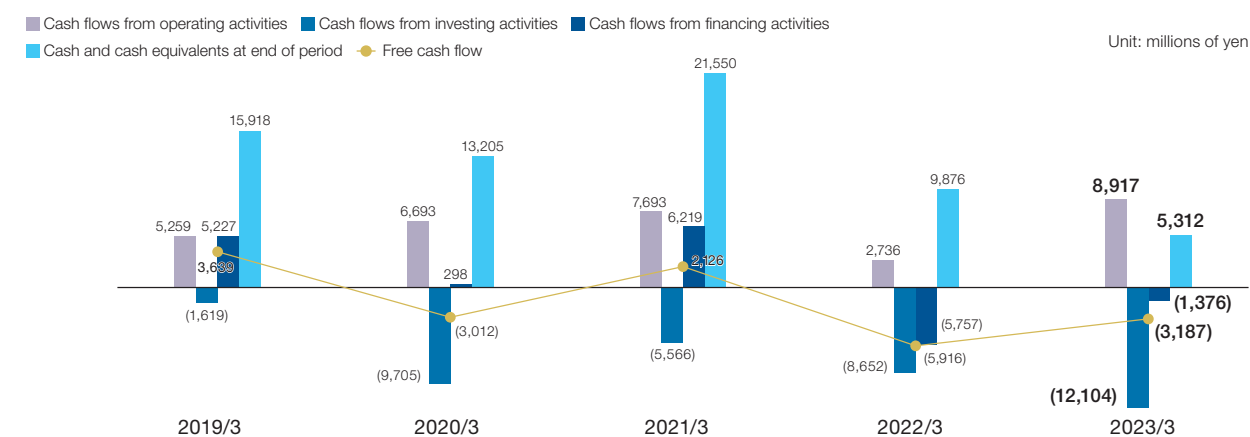
Cash and cash equivalents at the end of the fiscal year ended March 31, 2023 amounted to 5,312 million yen, a decrease of 4,563 million yen from the end of the previous fiscal year.

Net cash provided by operating activities amounted to 8,917 million yen (2,736 million yen provided in the previous fiscal year). Major inflows were 6,019 million yen in profit before income taxes, 3,818 million yen in depreciation, and 1,850 million yen in tax refund of consumption taxes refund receivable posted in the previous fiscal year. Major outflows were 1,635 million yen in income taxes paid and extraordinary income of 1,006 million yen in gain on sale of investment securities.

Net cash used in investing activities amounted to 12,104 million yen (8,652 million yen used in the previous fiscal year). Inflow was 1,087 million yen from the sale of investment securities. Outflow was 12,895 million yen due to the acquisition of beneficial interests in trust for land in Minami-aoyama and property, plant and equipment, including the Sekime-Takadono Apartment Building.

Net cash used in financing activities amounted to 1,376 million yen (5,757 million yen used in the previous fiscal year). This was due to the dividends paid of 1,912 million yen, share repurchase of 1,760 million yen, repayments of long-term borrowings of 1,703 million yen, and repayments of short-term borrowings of 700 million yen while raising 4,700 million yen through long-term borrowings as financing required for acquisition of non-current assets.

### Consolidated cash flows



## Consolidated Balance Sheets

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries As of March 31, 2022 and 2023	Unit: millions of yen	
	2022/3	2023/3
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	9,876	5,312
Accounts receivable - trade	381	560
Other	2,002	829
<b>Total current assets</b>	12,260	6,702
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	102,575	104,377
Accumulated depreciation	(42,648)	(45,458)
Buildings and structures, net	59,926	58,918
Land	52,058	52,660
Buildings in trust	3,343	3,343
Accumulated depreciation	(1,586)	(1,754)
Buildings in trust, net	1,756	1,588
Land in trust	11,038	19,694
Construction in progress	80	100
Other	1,036	1,096
Accumulated depreciation	(738)	(785)
Other, net	298	310
Total property, plant and equipment	125,159	133,273
Intangible assets	126	109
Investments and other assets		
Investment securities	9,775	9,607
Leasehold and guarantee deposits	2,193	2,192
Deferred tax assets	14	13
Other	463	422
Total investments and other assets	12,447	12,235
<b>Total non-current assets</b>	137,733	145,618
<b>Total assets</b>	149,994	152,321

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries As of March 31, 2022 and 2023	Unit: millions of yen	
	2022/3	2023/3
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	0	0
Short-term borrowings	4,090	3,922
Income taxes payable	514	498
Provision for bonuses	43	44
Other	3,559	3,421
<b>Total current liabilities</b>	8,208	7,887
<b>Non-current liabilities</b>		
Bonds payable	45,000	45,000
Long-term borrowings	15,769	18,234
Long-term leasehold and guarantee deposits received	7,866	7,776
Deferred tax liabilities	1,093	1,148
Deferred tax liabilities for land revaluation	1,214	1,214
Retirement benefit liability	67	65
Asset retirement obligations	114	115
Other	150	8
<b>Total non-current liabilities</b>	71,275	73,562
<b>Total liabilities</b>	79,484	81,450
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	9,827	9,827
Capital surplus	9,199	9,199
Retained earnings	51,728	52,436
Treasury shares	(232)	(310)
<b>Total shareholders' equity</b>	70,523	71,153
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	4,399	4,173
Revaluation reserve for land	(4,532)	(4,532)
<b>Total accumulated other comprehensive income</b>	(132)	(358)
<b>Share acquisition rights</b>	120	76
<b>Total net assets</b>	70,510	70,870
<b>Total liabilities and net assets</b>	149,994	152,321



## Consolidated Statements of Income

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31, 2022 and 2023	Unit: millions of yen	
	2022/3	2023/3
<b>(Consolidated Statements of Income)</b>		
Net sales	17,815	<b>18,879</b>
Cost of sales	11,151	<b>11,794</b>
Gross profit	6,664	<b>7,084</b>
Selling, general and administrative expenses	1,539	<b>1,708</b>
Operating profit	5,124	<b>5,375</b>
<b>Non-operating income</b>		
Interest income	0	<b>2</b>
Dividend income	261	<b>264</b>
Other	11	<b>45</b>
Total non-operating income	273	<b>312</b>
<b>Non-operating expenses</b>		
Interest expenses	164	<b>160</b>
Interest expenses on bonds	335	<b>335</b>
Other	19	<b>150</b>
Total non-operating expenses	519	<b>646</b>
Ordinary profit	4,879	<b>5,040</b>
<b>Extraordinary income</b>		
Gain on sale of non-current assets	376	<b>—</b>
Gain on sale of investment securities	2,164	<b>1,006</b>
Other	45	<b>0</b>
Total extraordinary income	2,586	<b>1,006</b>
<b>Extraordinary losses</b>		
Loss on retirement of non-current assets	38	<b>28</b>
Other	0	<b>0</b>
Total extraordinary losses	39	<b>28</b>
Profit before income taxes	7,426	<b>6,019</b>
Income taxes – current	2,334	<b>1,616</b>
Income taxes – deferred	(72)	<b>216</b>
Total income taxes	2,261	<b>1,833</b>
Profit	5,165	<b>4,186</b>
Profit attributable to owners of parent	5,165	<b>4,186</b>
<b>(Consolidated Statements of Comprehensive Income)</b>		
Profit	5,165	<b>4,186</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	(1,284)	<b>(225)</b>
Total other comprehensive income	(1,284)	<b>(225)</b>
Comprehensive income	3,880	<b>3,960</b>
<b>Comprehensive income attributable to</b>		
Comprehensive income attributable to owners of parent	3,880	<b>3,960</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, 2022	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	50,938	(697)	69,268
<b>Changes during period</b>					
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	9,827	9,199	51,728	(232)	70,523
<b>Accumulated other comprehensive income</b>					
	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	5,683	(4,532)	1,151	120	70,539
<b>Changes during period</b>					
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	4,399	(4,532)	(132)	120	70,510
<b>(Consolidated Statements of Changes in Net Assets for the fiscal year ended March 31, 2023)</b>					
	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>51,728</b>	<b>(232)</b>	<b>70,523</b>
<b>Changes during period</b>					
Dividends of surplus			(1,913)		(1,913)
Profit attributable to owners of parent			4,186		4,186
Purchase of treasury shares				(1,760)	(1,760)
Disposal of treasury shares		(62)		180	117
Cancellation of treasury shares		(1,502)		1,502	—
Transfer from retained earnings to capital surplus		1,564	(1,564)		—
Net changes in items other than shareholders' equity					—
Total changes during period	—	—	708	(78)	630
Balance at end of period	<b>9,827</b>	<b>9,199</b>	<b>52,436</b>	<b>(310)</b>	<b>71,153</b>
<b>Accumulated other comprehensive income</b>					
	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>4,399</b>	<b>(4,532)</b>	<b>(132)</b>	<b>120</b>	<b>70,510</b>
<b>Changes during period</b>					
Dividends of surplus					(1,913)
Profit attributable to owners of parent					4,186
Purchase of treasury shares					(1,760)
Disposal of treasury shares					117
Cancellation of treasury shares					—
Transfer from retained earnings to capital surplus					—
Net changes in items other than shareholders' equity	(225)	—	(225)	(43)	(269)
Total changes during period	(225)	—	(225)	(43)	360
Balance at end of period	<b>4,173</b>	<b>(4,532)</b>	<b>(358)</b>	<b>76</b>	<b>70,870</b>

## Consolidated Statements of Cash Flows

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31, 2022 and 2023		Unit: millions of yen	
	2022/3	2023/3	
<b>Cash flows from operating activities</b>			
Profit before income taxes	7,426	6,019	
Depreciation	3,731	3,818	
Share-based payment expenses	56	70	
Increase (decrease) in retirement benefit liability	3	(1)	
Increase (decrease) in provision for bonuses	5	1	
Interest and dividend income	(262)	(267)	
Interest expenses	164	160	
Interest expenses on bonds	335	335	
Loss (gain) on sale of investment securities	(2,164)	(1,006)	
Loss (gain) on sale of property, plant and equipment	(376)	—	
Loss on retirement of property, plant and equipment	38	28	
Other extraordinary loss (income)	(45)	0	
Decrease (increase) in trade receivables	465	(236)	
Increase (decrease) in trade payable	254	(944)	
Decrease (increase) in consumption taxes refund receivable	(1,850)	1,850	
Increase (decrease) in accrued consumption taxes	(55)	945	
Other	24	9	
Subtotal	7,751	10,782	
Interest and dividends received	262	267	
Interest paid	(503)	(497)	
Income taxes paid	(4,774)	(1,635)	
<b>Cash flows from operating activities</b>	2,736	8,917	
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(12,479)	(12,895)	
Proceeds from sale of property, plant and equipment	1,262	—	
Purchase of intangible assets	(24)	0	
Purchase of investment securities	(50)	(300)	
Proceeds from sale of investment securities	2,468	1,087	
Proceeds from contribution received for construction	143	—	
Other	26	3	
<b>Cash flows from investing activities</b>	(8,652)	(12,104)	
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings	—	(700)	
Proceeds from long-term borrowings	—	4,700	
Repayments of long-term borrowings	(1,785)	(1,703)	
Purchase of treasury shares	(2,290)	(1,760)	
Dividends paid	(1,681)	(1,912)	
Other	—	0	
<b>Cash flows from financing activities</b>	(5,757)	(1,376)	
<b>Net increase (decrease) in cash and cash equivalents</b>	(11,674)	(4,563)	
<b>Cash and cash equivalents at beginning of period</b>	21,550	9,876	
<b>Cash and cash equivalents at end of period</b>	9,876	5,312	

## Company Overview (As of March 31, 2023)

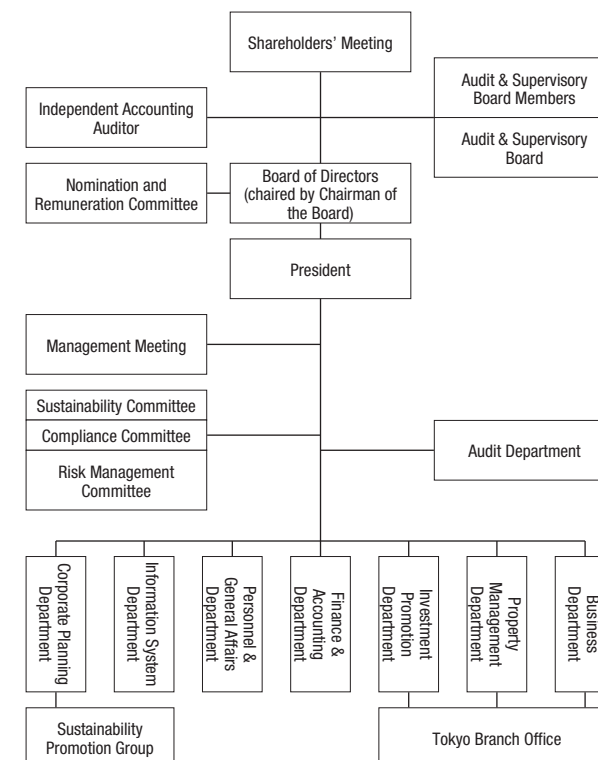
Company Name	<b>Keihanshin Building Co., Ltd.</b>	
Address	Head Office	2-14 Kawaramachi 4-chome, Chuo-ku, Osaka-shi, Osaka 541-0048, Japan
	Tokyo Branch Office	Kyodo Building 8F, 2 Kanda-Jinbocho 2-chome, Chiyoda- ku, Tokyo 101-0051, Japan
Corporate website	https://www.keihanshin.co.jp/english/	
		
Founded	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	53 (consolidated)	
Subsidiary	Keihanshin Building Maintenance Co., Ltd.	

## Stock Information (As of March 31, 2023)

Stock Data		
Number of shares of common stock authorized to issue	80,000,000 shares	
Number of shares of common stock issued	49,211,498 shares	
Number of shareholders	6,689	
Major Shareholders		
Name	Number of shares owned (thousand)	Shareholding ratio (%)
GINSEN Co., Ltd.	6,440	13.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,407	7.0
Sumitomo Mitsui Banking Corporation	2,133	4.4
KINDEN CORPORATION	1,393	2.8
KAJIMA CORPORATION	1,376	2.8
San ju San Bank, Ltd.	1,287	2.6
Custody Bank of Japan, Ltd. (Trust Account)	1,144	2.3
The Hyakujushi Bank, Ltd.	891	1.8
Sansei Technologies, Inc.	865	1.8
SSBTC CLIENT OMNIBUS ACCOUNT	793	1.6

(Notes) 1. Shares less than one thousand are rounded down to the nearest thousand.  
2. The Company holds 236,482 treasury shares.  
The shareholding ratio is calculated by subtracting treasury shares.

## Organization Chart (As of March 31, 2023)



## Breakdown of Shareholders (As of March 31, 2023)

