*Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.*

# Consolidated Financial Results for the Three Months Ended June 30, 2024 [Japanese GAAP]

July 30, 2024


Company name: Keihanshin Building Co., Ltd.
Stock exchange listing: Tokyo
Code number: 8818
URL: https://www.keihanshin.co.jp/english/
Representative: Tsuneo Wakabayashi, President
Contact: Matashi Takemoto Executive Officer, General Manager (Finance & Accounting Dept)
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Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on financial results: Yes
Schedule of financial results briefing session: No

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

1. Consolidated Financial Results for the Three Months Ended June 30, 2024 (April 1, 2024 to June 30, 2024)

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

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | |
|---|---|---|---|---|---|---|---|---|
| Three months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| June 30, 2024 | 4,769 | (3.9) | 1,425 | 1.8 | 1,525 | 7.8 | 1,060 | (16.9) |
| June 30, 2023 | 4,962 | 8.5 | 1,399 | (4.2) | 1,415 | (4.3) | 1,276 | (26.3) |

(Note) Comprehensive income: Three months ended June 30, 2024: ¥ 2,060 million [ (20.6) %]
Three months ended June 30, 2023: ¥ 2,593 million [ 154.7%]

| | Basic earnings per share | Diluted earnings per share |
|---|---|---|
| Three months ended | Yen | Yen |
| June 30, 2024 | 21.68 | 21.63 |
| June 30, 2023 | 26.07 | 26.01 |

(Reference) Buisiness profit before depreciation and amortization
Three months ended June 30, 2025: ¥ 2,486 million [ 4.5 %]
Three months ended June 30, 2024: ¥ 2,379 million [ (1.3) %]

The Company has positioned business profit before depreciation and amortization as an important management indecator.
Business profit before depreciation and amortization
=Business profit (Operating Profit + loss (gain) on investments in investment partnerships) + Depreciation and amortization

(2) Consolidated Financial Position

| | Total assets | Net assets | Capital adequacy ratio |
|---|---|---|---|
| As of | Millions of yen | Millions of yen | % |
| June 30, 2024 | 166,457 | 76,005 | 45.6 |
| March 31, 2024 | 166,616 | 74,874 | 44.9 |

(Reference) Equity: As of June 30, 2024: ¥ 75,928 million
As of March 31, 2024: ¥ 74,798 million

2. Dividends

| | Annual dividends | | | | |
|---|---|---|---|---|---|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 31, 2024 | - | 18.00 | - | 19.00 | 37.00 |
| Fiscal year ending March 31, 2025 | - | | | | |
| Fiscal year ending March 31, 2025 (Forecast) | | 18.50 | - | 18.50 | 37.00 |

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

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025(April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Full year | 19,700 | 2.0 | 5,600 | 10.2 | 5,500 | 13.6 | 3,800 | 0.2 | 77.66 |

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

(Reference) Business profit before depreciation and amortization ¥ 9,800 million [7.4%]

* Notes:

(1) Significant changes in the scope of consolidation during the period: No

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

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

1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

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

1) Total number of issued shares at the end of the period (including treasury shares):
June 30, 2024: 49,211,498 shares
March 31, 2024: 49,211,498 shares

2) Number of treasury shares at the end of the period:
June 30, 2024: 283,274 shares
March 31, 2024: 283,234 shares

3) Average number of shares outstanding during the period:
Three months ended June 30, 2024: 48,928,251 shares
Three months ended June 30, 2023: 48,974,979 shares

*Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes(voluntary)

*Appropriate use of business forecasts ; other special items

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

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Operating Results

During the first quarter of the fiscal year ending March 31, 2025, the Japanese economy showed a gradual trend toward recovery, mainly due to increased demand for services and for domestic goods and services by foreign tourists to Japan in line with the normalization of social and economic activities as the country transitioned to a post-pandemic era. Meanwhile, given the prolonged situation in Russia and Ukraine, the ongoing tensions in the Middle East, low real wages, trends in commodity prices, exchange rates and interest rates, and other factors, the economic outlook is expected to remain unclear.

In the real estate leasing industry, although remote working is becoming more established in some areas due to the progress of workstyle reforms, the current vacancy rate remained relatively firm, driven by improved corporate earnings and a trend toward returning to office.

Under such circumstances, Keihanshin Building Co., Ltd. ("the Group") focused on operating activities such as leasing, and continued to maintain a high occupancy rate, including the vacancy rate improving to 1.47% as of June 30, 2024 from 1.87% as of March 31, 2024. In addition, the Group strived to capture and examine new investment opportunities toward the next growth based on its Long-Term Business Plan. Also, in terms of existing buildings, we worked on enhancing asset value of them through preventive maintenance against natural disasters and promotion of energy efficiency and conservation.

For the three months ended June 30, 2024, consolidated net sales decreased by 193 million yen (3.9%) year-on-year to 4,769 million yen due mainly to a decrease in electricity expenses received by office buildings and datacenter buildings and the impact of partial rent revisions to WINS buildings.

However, with respect to cost of sales, operating profit increased by 25 million yen (1.8%) year-on-year to 1,425 million yen due in part to declines in repair costs, electricity payments, and other costs, and ordinary profit increased by 110 million yen (7.8%) year-on-year to 1,525 million yen due mainly to the recording of gain on investments in investment partnerships through equity investments in non-operating income. However, profit attributable to owners of parent amounted to 1,060 million yen, a decrease of 215 million yen (16.9%) year-on-year, chiefly due to the absence of contribution received for construction, which was recorded as extraordinary income during the previous fiscal year.

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

| | Three months ended June 30, 2023 | | Three months ended June 30, 2024 | |
|---|---|---|---|---|
| | Net sales (million yen) | Rate (%) | Net sales (million yen) | Rate (%) |
| Office Building Business | 1,126 | 22.7 | 1,097 | 23.0 |
| Datacenter Building Business | 2,588 | 52.2 | 2,511 | 52.7 |
| WINS Building Business | 978 | 19.7 | 834 | 17.5 |
| Commercial Building, Logistics Warehouse, and Other Properties Business | 269 | 5.4 | 326 | 6.8 |
| Total | 4,962 | 100.0 | 4,769 | 100.0 |

#### 1) Office Building Business

The Group owns and leases a total of eight medium-sized office buildings, mainly in business areas of Osaka and Tokyo. Our newest properties are equipped with advanced BCP functions developed through datacenter building operations, such as being outfitted with emergency-use generators and seismic isolation structures. Even in older buildings, we strive to provide comfortable and safe business spaces that compare favorably with those in newly constructed buildings through planned facility renovations and maintenance, etc.

Although there are concerns about intensifying competition due to the large supply of new office

buildings, etc., the impact on the Group's office building business has been minimal and occupancy rates remain higher than the market average.

Due in part to the temporary impact from the departures of tenants, consolidated net sales from the office building business for the three months ended June 30, 2024 amounted to 1,097 million yen, a decrease of 28 million yen (2.6%) year-on-year.

2) Datacenter Building Business

The Group owns and leases a total of eight datacenter buildings in the Osaka central area. The datacenter buildings, which operate 24 hours a day, 365 days a year, ensure high reliability through advanced disaster-prevention functions with seismic isolation structures, stable electric power supply with large emergency-use generators, and advanced security systems, etc. Our extensive maintenance and management services, based on over 30 years of experience in the datacenter leasing business, are also highly regarded.

Mainly owing to a decline in electricity expenses received, consolidated net sales from the datacenter building business for the three months ended June 30, 2024 amounted to 2,511 million yen, a decrease of 77 million yen (3.0%) year-on-year.

3) WINS Building Business

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

Although the share of sales at WINS buildings is in a declining trend as online betting is spreading, the impact on the business performance is limited as the buildings are leased at fixed rents.

Due in part to the impact of rent revisions for some facilities, consolidated net sales from the WINS building business for the three months ended June 30, 2024 amounted to 834 million yen, a decrease of 143 million yen (14.7%) year-on-year.

4) Commercial Building, Logistics Warehouse, and Other Properties Business

The Group owns and leases a total of seven commercial buildings, logistics warehouses, and other properties particularly in the Tokyo metropolitan area and the Kansai area. We are working on information gathering activities targeting prime locations for transportation access, such as locations near terminal stations for commercial facilities and trunk roads for logistics warehouses, in order to acquire profitable properties. Under our Long-Term Business Plan, we are striving to expand our assets by acquiring properties, including new assets types such as residences and healthcare buildings.

Consolidated net sales from the commercial building, logistics warehouse, and other properties business for the three months ended June 30, 2024 amounted to 326 million yen, an increase of 57 million yen (21.3%) year-on-year, partly due to the contribution by Asakusa Ekimae Building, acquired in June 2023.

(2) Explanation of Financial Condition

Total assets at the end of the three months ended June 30, 2024 amounted to 166,457 million yen, a decrease of 158 million yen (0.1%) from the end of the previous fiscal year. This was mainly due to decreases of 976 million yen in cash and deposits and 938 million yen in property, plant and equipment, while investment securities rose 1,439 million yen due to a rise in stock prices.

Total liabilities at the end of the three months ended June 30, 2024 amounted to 90,452 million yen, a decrease of 1,288 million yen (1.4%) from the end of the previous fiscal year. This was mainly due to decreases of 825 million yen in interest-bearing debt and 561 million yen in income taxes payable as a result of the determination and payment of taxes, etc.

Total net assets at the end of the three months ended June 30, 2024 amounted to 76,005 million yen, an increase of 1,130 million yen (1.5%) from the end of the previous fiscal year. This was mainly due to an increase of 131 million yen in retained earnings resulting from the recording of 1,060 million yen of profit

attributable to owners of parent, offset by 929 million yen in dividends of surplus, as well as an increase of 999 million yen in valuation difference on available-for-sale securities.

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

There is no change in the consolidated financial results forecast announced on May 14, 2024. The consolidated financial results at the end of the three months ended June 30, 2024 are as originally planned.

In the real estate leasing industry, it is necessary to continue to keep a close watch on the rise in the vacancy rate against the backdrop of a new supply of completed large-scale properties, and we cannot be optimistic about the future outlook. However, in the current situation, the impact on the Group's business performance has been minimal as the number of tenant departures and requests for rent reductions by tenants have been limited.

In addition, attention must be paid to trends in crude oil and resource prices caused by ongoing international instability and the weakening of the yen, etc., along with the trend in electricity prices in response to these factors. At the moment, it is unclear how these matters will affect our business in the future. We will continue to keep a close watch on the situation and, going forward, properly disclose information if there is any change.

Quarterly Consolidated Financial Statements

Quarterly Consolidated Balance Sheets

(Thousands of yen)

| | As of March 31, 2024 | As of June 30, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and deposits | 8,668,714 | 7,692,851 |
| Accounts receivable - trade | 486,123 | 529,281 |
| Other | 230,414 | 526,264 |
| Total current assets | 9,385,252 | 8,748,397 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 105,765,523 | 105,776,537 |
| Accumulated depreciation | (48,795,378) | (49,662,138) |
| Buildings and structures, net | 56,970,145 | 56,114,398 |
| Land | 52,660,042 | 52,660,042 |
| Buildings in trust | 3,986,740 | 3,986,740 |
| Accumulated depreciation | (1,998,911) | (2,063,912) |
| Buildings in trust, net | 1,987,829 | 1,922,828 |
| Land in trust | 25,235,263 | 25,235,263 |
| Construction in progress | 17,640 | 18,040 |
| Other | 1,136,189 | 1,137,519 |
| Accumulated depreciation | (854,943) | (874,151) |
| Other, net | 281,246 | 263,367 |
| Total property, plant and equipment | 137,152,167 | 136,213,941 |
| Intangible assets | 107,436 | 100,945 |
| Investments and other assets | | |
| Investment securities | 17,382,863 | 18,822,080 |
| Other | 2,588,377 | 2,572,605 |
| Total investments and other assets | 19,971,240 | 21,394,686 |
| Total non-current assets | 157,230,845 | 157,709,572 |
| Total assets | 166,616,097 | 166,457,970 |

(Thousands of yen)

| | As of March 31, 2024 | As of June 30, 2024 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Current portion of bonds payable | - | 5,000,000 |
| Short-term borrowings | 4,676,616 | 4,858,216 |
| Income taxes payable | 940,767 | 379,401 |
| Provisions | 49,425 | - |
| Other | 3,064,272 | 2,573,051 |
| Total current liabilities | 8,731,081 | 12,810,668 |
| Non-current liabilities | | |
| Bonds payable | 50,000,000 | 45,000,000 |
| Long-term borrowings | 20,853,372 | 19,846,268 |
| Retirement benefit liability | 71,550 | 74,578 |
| Asset retirement obligations | 115,694 | 115,789 |
| Other | 11,969,830 | 12,605,644 |
| Total non-current liabilities | 83,010,447 | 77,642,280 |
| Total liabilities | 91,741,528 | 90,452,948 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 9,827,611 | 9,827,611 |
| Capital surplus | 9,199,840 | 9,199,840 |
| Retained earnings | 54,459,351 | 54,590,453 |
| Treasury shares | (382,119) | (382,183) |
| Total shareholders' equity | 73,104,684 | 73,235,722 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 6,226,326 | 7,225,740 |
| Revaluation reserve for land | (4,532,546) | (4,532,546) |
| Total accumulated other comprehensive income | 1,693,780 | 2,693,194 |
| Share acquisition rights | 76,104 | 76,104 |
| Total net assets | 74,874,569 | 76,005,021 |
| Total liabilities and net assets | 166,616,097 | 166,457,970 |

## Quarterly Consolidated Statements of Income and Comprehensive Income

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

(Thousands of yen)

| | For the three months ended June 30, 2023 | For the three months ended June 30, 2024 |
|---|---|---|
| Net sales | 4,962,812 | 4,769,770 |
| Cost of sales | 3,152,307 | 2,887,430 |
| Gross profit | 1,810,504 | 1,882,339 |
| Selling, general and administrative expenses | 411,121 | 457,218 |
| Operating profit | 1,399,382 | 1,425,120 |
| Non-operating income | | |
| Interest income | 10 | 132 |
| Dividend income | 148,009 | 178,272 |
| Gain on investments in investment partnerships | - | 76,164 |
| Other | 821 | 2,238 |
| Total non-operating income | 148,841 | 256,806 |
| Non-operating expenses | | |
| Interest expenses | 45,985 | 51,337 |
| Interest expenses on bonds | 84,065 | 101,285 |
| Other | 3,043 | 3,719 |
| Total non-operating expenses | 133,094 | 156,342 |
| Ordinary profit | 1,415,130 | 1,525,585 |
| Extraordinary income | | |
| Contribution received for construction | 406,300 | - |
| Other | 13,057 | - |
| Total extraordinary income | 419,357 | - |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 2,398 | 3,380 |
| Total extraordinary losses | 2,398 | 3,380 |
| Profit before income taxes | 1,832,089 | 1,522,204 |
| Income taxes - current | 511,050 | 376,184 |
| Income taxes - deferred | 44,314 | 85,281 |
| Total income taxes | 555,365 | 461,465 |
| Profit | 1,276,724 | 1,060,738 |
| Profit attributable to owners of parent | 1,276,724 | 1,060,738 |

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

(Thousands of yen)

| | For the three months ended June 30, 2023 | For the three months ended June 30, 2024 |
|---|---|---|
| Profit | 1,276,724 | 1,060,738 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 1,316,841 | 999,414 |
| Total other comprehensive income | 1,316,841 | 999,414 |
| Comprehensive income | 2,593,566 | 2,060,153 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 2,593,566 | 2,060,153 |
| Comprehensive income attributable to non-controlling interests | - | - |

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Segment information)

[Segment information]

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

(Notes to statements of cash flows)

Quarterly consolidated statements of cash flows for the three months ended June 30, 2024 have not been prepared. Depreciation and amortization for the three months ended June 30, 2024 are as follows.

| | For the three months ended June 30, 2023 | For the three months ended June 30, 2024 |
|---|---|---|
| Depreciation and amortization | 979,992 thousand yen | 985,669 thousand yen |

(Significant subsequent events)

Not applicable.