Keihanshin Building Co.,Ltd.



INTEGRATED REPORT 2024

For the fiscal year ended March 31, 2024



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.

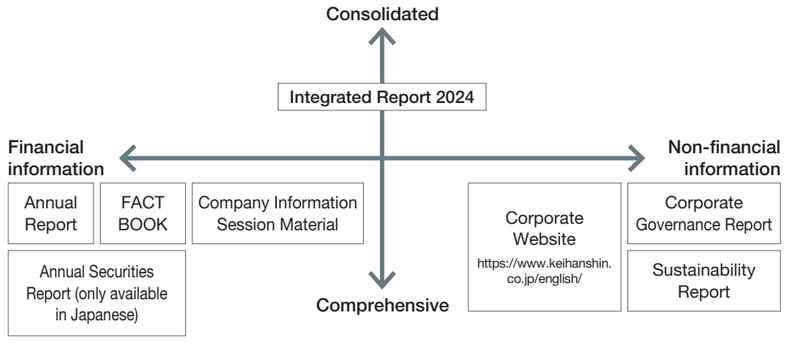
3 Social contribution
We will establish a good relationship with the community and actively engage in social contribution activities as a good citizen.

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



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Editorial Policy

The Integrated Report 2024 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 nonfinancial 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.

Environment Social Governance
Guidance for Collaborative Value Creation

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, 2024 (April 1, 2023 to March 31, 2024). However, some parts may include past information or information on factors beyond April 1, 2024.

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

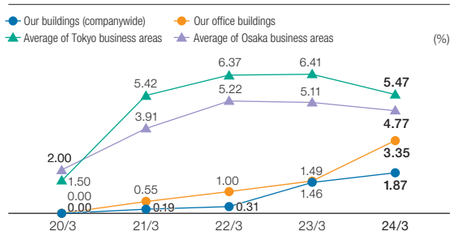
Our Competitive Edge

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



Source: Miki Shoji Co., Ltd.

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.



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.



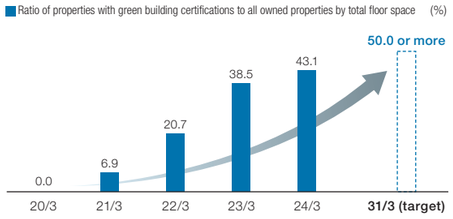
4

Advanced BCP functions and high 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, we are working to create environmentally friendly buildings through efforts such as introduction of energy conservation equipment. With the aim of objectively evaluating these initiatives, we have been acquiring green building certifications for owned properties in recent years.

BCP : business continuity plan

Ratio of properties with green building certifications



Real Estate Leasing Business

Office Buildings



Keihanshin Toranomon Building

8 facilities

- 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

Average vacancy
Rates as of March 31, 2024

Tokyo business areas
5.47%
Year-on-year
-0.94 percentage points

Osaka business areas
4.77%
Year-on-year
-0.34 percentage points

Vacancy rate for our offices
3.35%
Year-on-year
+1.86 percentage points

Source: Miki Shoji Co., Ltd.

Datacenter Buildings

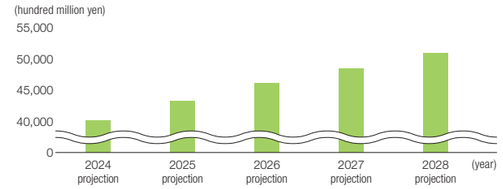


Keihanshin OBP Building

8 facilities

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

Trend in the size of datacenter market in Japan



Source: Comprehensive list of data center business market studies 2024 Edition of Market (Fuji Chimera Research Institute, Inc.)

WINS Buildings

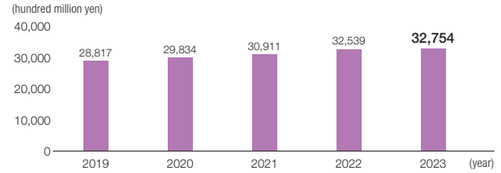


WINS Umeda A Building

5 facilities

- 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

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



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

Commercial Buildings, Logistics Warehouses, and Other Properties

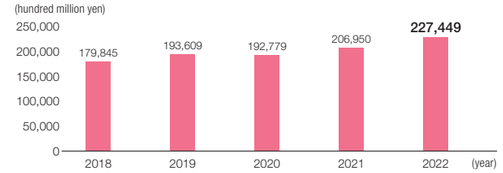


Shijo-Kawaramachi Building

7 facilities

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

Trend in size of BtoC-EC market in Japan

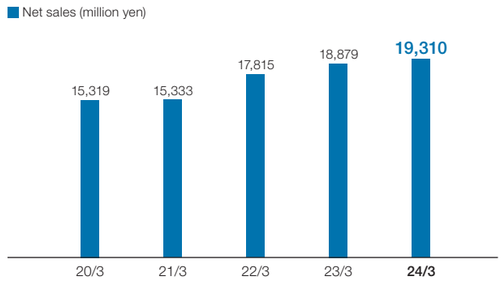


Source: FY2022 E-Commerce Market Survey
https://www.meti.go.jp/press/2023/08/20230831002/20230831002-1.pdf

Financial and Non-financial Highlights

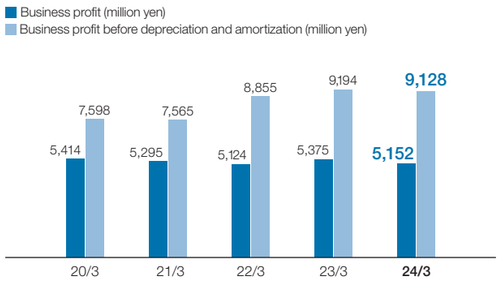
Financial Data

Net sales



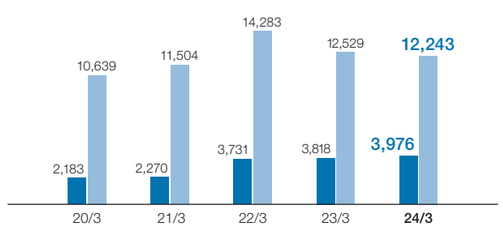
Net sales for the fiscal year ended March 31, 2024 increased year-on-year mainly due to contribution of new properties. In the fiscal year ending March 31, 2025, net sales are expected to increase due to factors such as higher operation rates of equipment rooms in the datacenter buildings, occupancy of tenants in office buildings, and full-year contribution of the Asakusa Ekimae Building.

Business profit/Business profit before depreciation and amortization



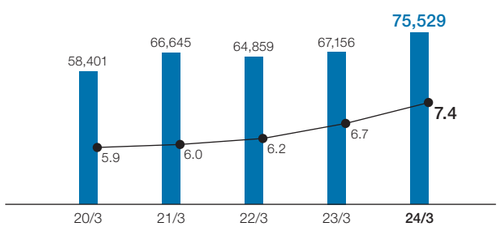
Business profit for the fiscal year ended March 31, 2024 decreased due to an increase in expenses such as taxes and public dues and repair costs. For the fiscal year ending March 31, 2025, both operating profit and ordinary profit are expected to reach record highs due to factors such as decreases in repair costs and depreciation. The Company has listed business profit before depreciation and amortization a key performance indicator.

Depreciation and amortization/capital expenditure



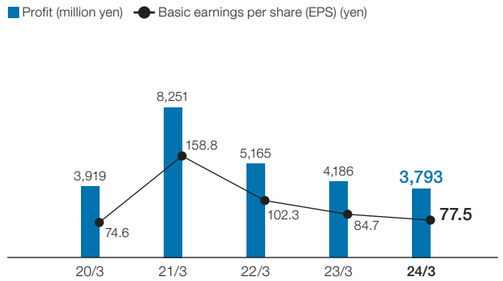
We are striving to further expand cash flow by investing in new projects and existing properties for enhancing their value, using the cash flow generated by our businesses as a source of funds. In the fiscal year ended March 31, 2024, the main capital investments were the acquisition of the Asakusa Ekimae Building, investments in the U.S. real estate fund, and investments in SPCs.

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



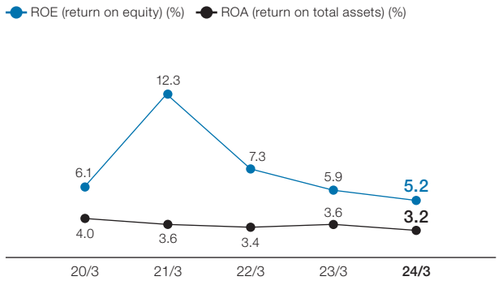
As our financial discipline, we firmly maintain the net interest-bearing debt/EBITDA ratio of about 10 times, even when the ratio temporarily rises due to financing for new investments. We will seek new investments while maintaining the soundness of the financial balance.

Profit/basic earnings per share (EPS)



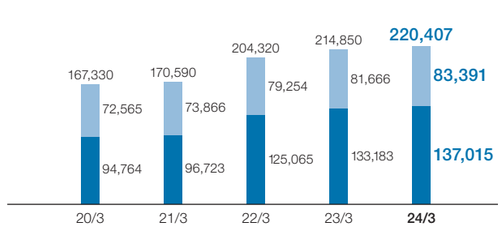
Profit for the fiscal year ended March 31, 2024 fell year-on-year mainly because extraordinary income from sale of investment securities decreased from the previous fiscal year. Although profit fluctuates due to one-off factors, we strive to increase shareholder value through steady growth in earnings per share.

ROE/ROA



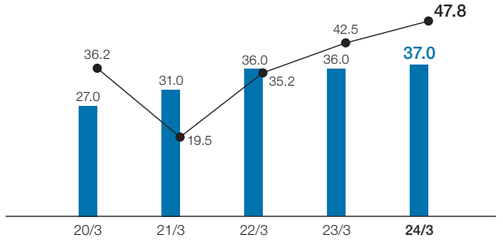
ROE for the fiscal year ended March 31, 2024 decreased from the previous fiscal year due to a decrease in profit. Under the ongoing long-term business plan, we aim to increase ROA and improve ROE by newly engaging in revolving-type investment business in addition to the existing real estate leasing business. (Financial Capital Strategies P.27)

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, 2024, the appraisal value of the properties held increased by approximately 5.5 billion yen year-on-year, mainly due to the acquisition of new properties and increased rental income resulting from a higher occupancy rate.

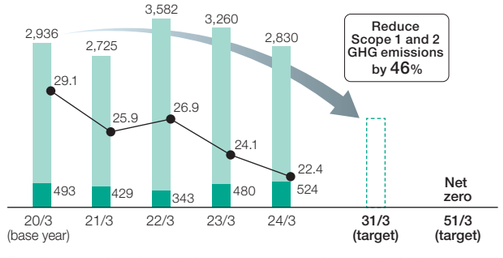
Annual dividend per share/dividend payout ratio



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.

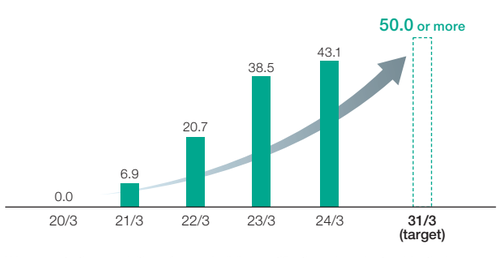
Sustainability-related Data

Actual GHG emissions and GHG emission intensity



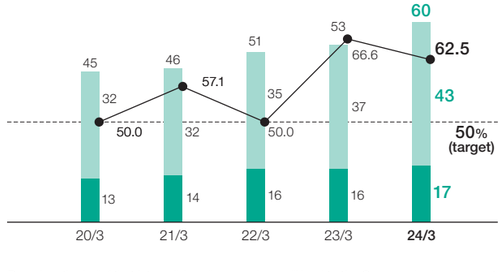
From the perspective of reducing transition risks associated with climate change, we set GHG emission reduction target. In the fiscal year ended March 31, 2024, both total emissions and emissions intensity decreased due to a switch to electricity derived from renewable energy sources at properties held and the operation of solar panels. (P.47)

Ratio of properties with green building certifications



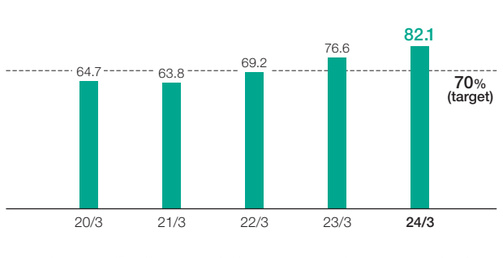
We promote the acquisition of green building certifications, in order to objectively assess the environmental performance of our properties held through external evaluations, and at the same time, to use the results as a reference for further improvement and enhancement. In the fiscal year ended March 31, 2024, we newly received the certifications at two properties. (P.47)

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. (P.57)

Paid leave utilization rate

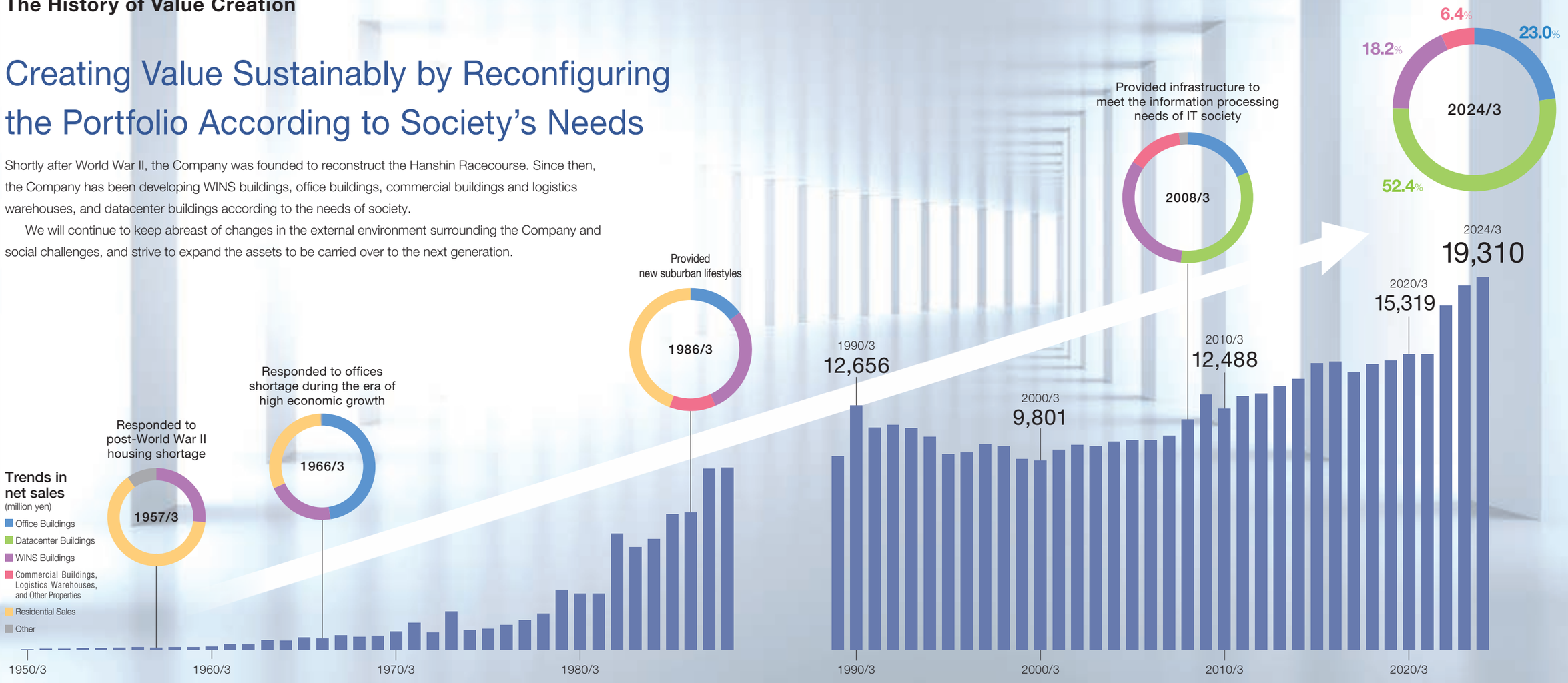


In order to achieve efficient management with a small number of employees, we strive to improve productivity and operational efficiency, as well as to create a safe and comfortable work environment, taking into consideration the work-life balance of our employees.

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.



1948

Reconstruction of the Hanshin Racecourse

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



Hanshin Racecourse
(Completed in 1949)

1956

Transition to a real estate company

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



Housing lot
(Takarazuka-shi, Hyogo)

1962

Entering the office building business

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



Keihanshin Kawaramachi Building
(Completed in 1962)

1976

Entering the commercial buildings and logistics warehouses business

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



Hirakata Warehouse
(Completed in 1983)

1988

Entering the datacenter building business

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



Keihanshin Shinmachi 1 Building
(Completed in 1988)



Keihanshin OBP Building
(Completed in 2021)

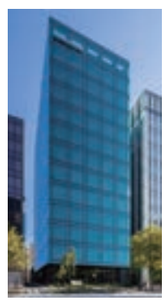
2009

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 ended 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. In fiscal 2024 and beyond, the Company will continue to make new investments and promote the development of internal systems in an effort to accelerate growth ahead of schedule, and work to improve corporate value.

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.

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.

Key matters in value creation (Materiality themes) ▶P.13 P.43

- **E** (Environmental): Balancing between a rich environment in the future and business activities
- **S** (Social): Provision of optimal space keeping abreast of changing external environment and times; Co-existence and co-prosperity with stakeholders; Establishment of the organization where diverse human resources achieve their potential
- **G** (Governance): Reinforcement of the management base that supports sustainable management

Accumulate capital for society as a whole through solving social and environmental challenges

INPUT

External environment and social challenges (Risks and opportunities) ▶P.11

- Natural disaster threats
- Recession concerns due to a weaker yen
- Intensifying climate change
- Progression of population aging and low birthrate
- Tougher environmental regulations
- Expansion of sustainable investment
- Workstyle reforms
- Living with COVID-19, response to post-pandemic era
- Advances in digitization of society
- Global political instability
- Cost-push inflation

Management Resources and Capital

Financial Capital

- Solid and strong financial base: Equity ratio **44.9**%
- Net interest-bearing debt/EBITDA ratio: **7.4** times
- R&I credit rating: **A-**

Manufactured Capital (real estate owned)

- High-quality real estate at prime locations
- Stable and diversified asset types

Intellectual Capital

- Accumulation of abilities to identify qualities and know-how to maximize value by organizational power specialized for real estate businessess

Human Capital

- Efficient management by a small number of highly skilled people
- Establishment of highly specialized engineering divisions

Social and Relationship Capital

- Tenant trust based on high-quality building management
- Sharing of know-how with partner companies based on long-standing relationships, enabling smooth and stable business operations
- Successful relationships with local communities and business partners

Natural Capital

- Optimization of resource consumption through environmental management

Long-Term

Our Business Activities

Provide valuable commercial space

Real estate leasing business

Create new revenue models

New businesses ▶P.39

- Revolving-type investment business
- Equity investments
- Overseas investments

Business Plan ▶P.21

Results of Business Activities

- Office Buildings ▶P.31
- Datacenter Buildings ▶P.33
- WINS Buildings ▶P.35
- Commercial Buildings, Logistics Warehouses, and Other Properties ▶P.36

Business profit **5.15** billion yen
Business profit before depreciation and amortization **9.12** billion yen
Dividend payout ratio **47.8**%
ROA **3.2**%
ROE **5.2**%
Dividend per share **37**yen
(Results for fiscal year ended March 31,2024)

Secondary output
- GHG emissions ▶P.47
- Waste emissions ▶P.48

Corporate social responsibility
- Initiatives for the environment ▶P.45

OUTCOME

Results for Management Resources and Capital

Financial Capital

- Higher profit through further growth
- Strengthening of financial stability and improvement of capital efficiency

Manufactured Capital (real estate owned)

- Investment in development of new buildings
- Investment in renovation of existing buildings
- Realization of high value-added real estate that is comfortable, safe, clean, and loved by the community

Intellectual Capital

- Accumulation of know-how through dialogue and collaboration with stakeholders
- Accumulation of know-how through new business initiatives

Human Capital

- Acquisition of excellent human resources
- Development/retraining of existing human resources
- Securing of diversity
- Enhancement of employee engagement

Social and Relationship Capital

- Achievement of high customer satisfaction
- Strengthening of market presence
- Contribution to the development of local communities

Natural Capital

- Contribution to decarbonization of our own and customers' operations

Contribution to Society

Developing social and industrial infrastructure

- Providing a comfortable office to work
- Responding to demand for datacenter buildings



Initiatives for Stakeholders

▶P.49



Strengthen management base by accumulating capital through our business

Risks and Opportunities

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

(For more information on our risk management, please see pages 42 and 73.)

Awareness towards External Environment	Risks and Opportunities	
Economy ● Real estate market remaining high ● Continued concentration in Tokyo ● EXPO 2025 OSAKA, KANSAII ● Attracting integrated resort (IR) investments ● Expansion of ESG investment ● Soaring energy prices and commodity prices ● Changes in the interest rate outlook	**Risks** ● Increase of vacancy rates due to oversupply of leasing properties ● Concentration in Tokyo causing shrinking demand in other cities ● Increase in funds procurement costs due to higher interest rates ● Soaring construction costs and property management costs	**Opportunities** ● Vacancy rates and rent levels backed by solid real estate demand ● Stronger business foundation through more opportunities for constructive dialogue with stakeholders ● Improved corporate value brought by stronger governance ● Diversification of funds procurement methods through ESG investments
Society ● Progression of population aging and low birthrate ● Declining labor population ● Workstyle reforms ● Lifestyle changes ● Upward pressure on wages in response to inflation ● Heightened awareness of sustainability ● Increase in information volume (data traffic) ● Global political instability	**Risks** ● Long-term shrinkage of real estate demand due to population decline ● Intensified competition by shrinkage of real estate market ● Changes in existing business needs ● Impact of geopolitical risks on the domestic economy	**Opportunities** ● New real estate needs and market changes ● Needs arising for new-style offices ● Expanding demand for logistics warehouses due to the popularization of EC ● Growing demand for datacenter buildings as elements of societal infrastructure
Environment ● Intensifying climate change ● Frequently occurring natural disasters ● Tougher environmental regulations	**Risks** ● Greater scale and frequency of building damage due to large-scale natural disasters occurring more often ● Increase in capital expenditure in relation to tougher regulations ● Higher tax burden due to introduction of carbon tax, etc.	**Opportunities** ● Greater awareness toward BCP and environmental performance ● Growing demand for safe and secure buildings
Technology ● Progress in technological innovation ● Spread of AI and IoT, and promotion of digital transformation	**Risks** ● Changes in demand for datacenter buildings due to lower power consumption and downsizing of server equipment ● Intensified competition in the datacenter building market ● Soaring development costs for datacenter buildings	**Opportunities** ● Expanding demand for datacenter buildings due to further progress of digitalization

Identification of key issues

(materiality)

Governance

Identifying, evaluating, and managing risks and opportunities	Managing the status of initiatives to reduce risks and expand opportunities	Setting targets and reflecting them in 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
- Renew our buildings to become compatible with business continuity 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
- Advance initiatives for flow-type business (revolving-type investment business, equity investments) to boost ROA and ROE
- Advance investments 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.

Key ESG issues + Key economic issues ▶ **Key management issues**

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 / Major risks and opportunities / Why we consider these issues important

ESG	Corporate vision	Key issues (Materiality)	Risks	Opportunities	Perspective of sustainable corporate value enhancement	Perspective of realizing a sustainable society
E 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	Risks of increased response costs if a carbon tax is introduced or it becomes illegal to lease or sell properties with poor environmental performance	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 the risk of future cash flow impairment due to anticipated stricter energy conservation regulations and higher windstorm and flooding countermeasure costs • Expand future cash flows by providing buildings with high environmental performance to bolster competitiveness	• Contribute to mitigating social losses resulting from climate change • Contribute to the creation of a disaster-resilient city with buildings that can withstand increasingly severe natural disasters
		Sustainable use of resources by measures to reduce the burden on the environment	Risk of shrinking profit due to soaring resource and energy prices, and tighter regulations including carbon taxes	Cost reductions due to reduced and more efficient use of resources and energy	• Lower operating costs by reducing water consumption and waste volume • Improve profit and capital efficiency through long-term use of buildings and facilities	• Contribute to the mitigation of social losses resulting from the environmental load of waste disposal
S 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	Risk of increased vacancy rates and a decrease in rental income caused by a decline in customer satisfaction	Maintaining high occupancy rates by providing properties with high customer satisfaction	• Bolster competitiveness, expand business, and ultimately increase future cash flows derived	• 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."
		Promotion of the business keeping abreast of the changing environment and times	Risk of declining competitiveness due to inability to respond to changes in the business environment or times (needs)	Expansion of the scale of business and improvement of competitiveness through management that captures changes in the business environment and times (needs)		
		Conducting constructive dialogue with investors and shareholders in line with sustainable management	Risk of increased capital-raising costs due to inability to understand investors' expectations	Reduce capital-raising costs by understanding investors' expectations	• Reduce cost of capital and enhance corporate value by reinforcing perception of reliability of the Company's management on the part of investors • Strengthen management foundation by responding appropriately to issues identified through dialogue	–
		Collaboration with partner companies while being aware of ESG issues	Risk of instability in business operations due to lack of cooperation with partner companies that manage and operate buildings	Smooth business operations through collaboration with partner companies that manage and operate buildings	• 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	• Realize a sustainable society by contributing to the resolution of societal issues related to the environment and human rights
		Co-existence and co-prosperity with local communities	Risk of the occurrence of troubles due to lack of cooperation with local and neighboring communities	Increase asset value by improving area appeal	• Facilitate property operations and future redevelopment • Increase property asset value by improving area appeal	• Cooperate in revitalizing local communities to enhance appeal
		Respect of human rights, diversity and inclusion	Risks of declining business competitiveness due to inability to understand the needs of the environment and the times based on diverse values	Understanding the increasing complex and diverse needs of the business environment by acquiring diverse values	• Improving corporate value through timely and appropriate decision-making • Remain competitive in talent acquisition	• Practice diversity and inclusion by cultivating an environment in which diverse human resources can contribute equally in line with their abilities
		Improvement of human capital	Risks of declining labor productivity and competitiveness	Improving competitiveness by improving labor productivity and employee engagement	• Business growth and enhanced corporate value through individual employee growth	–
G Governance	We will continue to be highly transparent through maintaining compliance and disclosure of information.	Improvement of the effectiveness of the Board of Directors	Risks of overlooked risks and opportunities due to insufficient governance	Optimization of business strategy through timely and appropriate decision-making	• Recognize and oversee risks and opportunities and make appropriate business decisions to enhance corporate value • Ensure diversity to reduce the risk of groupthink	–
		Strengthening of organizational resilience	Risks of increased losses due to delayed risk responses caused by lack of organizational resilience	Enhancement of corporate value due to higher certainty of future cash flows	• Reduce the risk of future cash flow impairment by establishing a system for appropriate assessment, recognition, management, and supervision of risk	–
		Financial strategy to adapt to a changing business environment	Risks of missed investment opportunities due to lack of financial capacity	Realization of investment and capturing of growth opportunities in response to changes in the business environment	• Secure financial capacity to be able to expand assets that will be carried over to the next generation	–
		Implementation of compliance that supports sustainable management	Risks of declining corporate value due to deterioration of corporate image, outflow of human resources, or other factors	Enhancement of corporate image	• 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	–



President
Tsuneo Wakabayashi

Message from the President

TOP MESSAGE

Keihanshin Building will create new value by leveraging the flexibility passed down through a decades-long track record.

Vision for Keihanshin Building

In 2023, Keihanshin Building celebrated the 75th anniversary of its founding. The Company was founded in 1948 as a company that operates the Hanshin Racecourse, and transitioned to a real estate company in 1956. Since then, the Company has changed its portfolio according to the changing needs of society with the times, and provided "valuable commercial space," as stated in its corporate philosophy. Currently, our operations are focused on the real estate leasing business, where we deal in office buildings, datacenter buildings, WINS buildings, commercial buildings, logistics warehouses, and other facilities that serve as bases to support corporate manufacturing and the provision of services. Property development, maintenance, and management enjoy constant involvement from our technical staff, who have a wealth of field experience at major general contractors. Meanwhile, property management staff work with our technical staff and partner companies to engage in close communication with tenants (see page 29 onward). As a result, we have realized high-quality building construction and meticulous building management, and furthermore maintained high occupancy rates.

We have specialized in the real estate leasing business for many years, and have achieved steady growth by expanding our asset size. However, faced with changes in the business environment, such as soaring energy prices and soaring real estate prices associated with global monetary easing, it has become difficult for the real estate leasing business on its own to achieve the required yield. Therefore, in May 2023, the Company formulated a new Long-Term Business Plan laying out our future direction for improving capital efficiency and our stock price. Under this plan, the Group will continue to position the real estate leasing business as its core business, and aim to accelerate growth and improve capital efficiency by engaging in new businesses such as equity investments and revolving-type investment business.

The posture of identifying customer needs, which has been long-cultivated since the Company's founding, will continue to be passed on. Going forward, we have the sensitivity to identify needs that will change in the coming years, and to advance initiatives rapidly reflected in new businesses. Therefore our aim is to build an organization in which employees broaden their horizons and knowledge with curiosity, bring ideas together, and put them into practice, so, too, does it become my mission to achieve this aim.

Targets and approach to capital efficiency

In the Long-Term Business Plan, business profit before depreciation and amortization is listed as a KPI indicating profit. It represents the total cash flow generated by business strategy-based investments, and we aim to grow by expanding it. Business profit before depreciation and amortization is the sum of operating profit, investment profit (loss) from investment partnerships, etc., and depreciation and amortization.

In addition, the Company reviewed its Long-Term Business Plan in September 2024 in order to meet expectations for the early achievement of long-term business targets and improve capital efficiency (page 21). With regard to ROE, the Company has revised its interim target from 6.0% or more to 7.0% or more, and is aiming to ultimately achieve a level of 8.0% or more. In addition to achieving the launch and monetization of all new businesses ahead of schedule, the Company has set a target of reducing cross-shareholdings. Furthermore, the Company has maintained its financial soundness thanks to its steady management over many years, and has received an A- rating from credit rating agency R&I for 28 consecutive years. As for its financial discipline, the Company has defined targets of 30% or more in equity ratio and a net interest-bearing debt/EBITDA ratio of around 10 times. While maintaining these levels, the Company aims to improve ROE through leveraging to the extent that it does not compromise safety.

In terms of shareholder returns, we continue to target a dividend payout ratio of about 45%, while also setting a new target of implementing progressive dividend payments. Under our plan, we will not stay content with our current stock price and price book-value ratio levels, but will aim for steady growth and an improvement in the stock price as a result.



Initiatives and positioning for fiscal 2023: focusing on building foundations for growth

In fiscal 2023, the first year of the plan, we invested 13.0 billion yen to launch new businesses and maintain the value of existing properties. As a new investment in profitable properties, the Company acquired Asakusa Ekimae Building, a commercial building, in June 2023. The property is located in close proximity to Tokyo Metro Asakusa Station, and offers promising asset value growth ahead due to its strong location and convenience. Therefore, we have positioned this property as one capable of supporting our strategies in both the revolving-type investment business and the real estate leasing business.

As for equity investments, we made equity investments in an office building located in Tokyo's Minato Ward in October of the same year and in a healthcare facility located in Hyogo Prefecture's Nishinomiya City in March 2024. The office building in Minato Ward offers a strong location and the promise of future redevelopment; this means that as long as they are held, they can provide profits. Demand for healthcare facilities is expected to increase in line with Japan's aging population, and we intend to use this investment as a springboard to accumulate expertise in healthcare facilities, an area where we have no previous experience, leading to the next round of investments. In addition, we will work to build relationships with joint investors for our future second and third projects.

In overseas business, the Company invested in a real estate fund located in the United States in October 2023 for the purpose of gathering information and accumulating expertise. The United States offers promising economic growth and secure legal transparency in the real estate market, and therefore the Company has selected the U.S. as its first investment destination. In addition, this investment led to the launch of a U.S. local subsidiary in May 2024 and equity investment in rental housing in Florida in August of the same year.

During the past year, all Keihanshin Building officers and employees worked under shared aims codified in the Long-Term Business Plan. While keeping our eyes firmly focused on where we want to go, we worked to create a framework in which we can all align our vectors and demonstrate our organizational power in a unified direction. In order to sustainably increase corporate value and realize a sustainable society, the Company has identified issues of high importance as materiality. Then, to enhance the effectiveness of sustainable management, the Company has reviewed the indicators and targets for initiatives linked to materiality (page 44). Furthermore, "ROE" has been newly added alongside "business profit before depreciation and amortization", and "sustainability initiatives" which were previously selected as indicators to be used in the calculation of performance-linked remuneration. The Long-Term Business Plan is incorporated into the annual targets of each department and employee, leading to a shared vision among all employees.

Issues and initiatives for fiscal 2024 and beyond: a year of action to take one step forward

In fiscal 2024, the second year of the Long-Term Business Plan, we will further advance the development of an internal system for developing new businesses. Partly because the Company has specialized in the real estate leasing business for many years, it is necessary to accumulate expertise in order to advance new businesses.

In the revolving-type investment business, it is necessary to establish methods to increase property value, such as renovating buildings and facilities and improving income and expenditures by attracting tenants. Furthermore, we are considering expanding our methods of simply selling assets to external parties to include launching a private placement fund, for example, and replacing assets in that way. In order to achieve this, it is necessary for the Company to have an asset management function, and while securing specialist human resources, we will advance the accumulation of revolving assets to be included in the fund, while also considering alliances with other companies.

With regard to equity investments, while continuing to promote alliances with other companies, the Company will strike a balance between investments that generate dividends while funds are invested and those that generate capital gains through sales after development. In the first year of the plan, the Company has used up more than half of its investment budget for Phase I (FYE March 2024 to FYE March 2028). However, since investments depend on acquiring highly promising properties as they appear, the Company will continue to make proactive investments when strong deals arise.

As for overseas investment, in August 2024, the Company invested in multi-family rental housing located in Florida, the United States. In the area where the property is located, population inflows are expected in the future, the housing complex market is favorable, and corporate activities are brisk. Starting with this project, we aim to expand our business in the U.S by building relationships with local developers.

Within the 10-year period of the Long-Term Business Plan, the Company planned to build an internal system and accumulate expertise for new businesses during the five years of Phase I (FYE March 2024 to FYE March 2028), and to realize the monetization during the five years of Phase II (FYE March 2029 to FYE March 2033). However, changes in the business environment in recent years have been dizzying. In order to respond to changes such as soaring building prices and rising interest rates, as well as to meet the expectations of investors as a company listed on the Tokyo Stock Exchange Prime Market, it is necessary to compress action timeframes and work with a sense of speed. We will engage in repeated trial and error without fear of failure, doing business with a sense of speed and being able to think on the fly. We will further accelerate the investments that we were able to make in the first year of the plan and work to achieve our targets early.

On the other hand, in the real estate leasing business, it is necessary to make investment decisions while closely watching changes in the market. With regard to office buildings, workstyle reforms among companies have progressed in response to the COVID-19 pandemic, and the state of office buildings has changed. At the same time, supply has increased in line with the redevelopment of large-scale properties in the Tokyo metropolitan area and the Kansai region. We intend to closely monitor future supply-demand trends to capture opportunities. We will also look for opportunities in commercial buildings and logistics warehouses while monitoring future e-commerce trends. Demand for datacenter buildings is expected to increase as digital transformation advances. However, as it is difficult for us to purchase and develop land in urban areas on our own due to soaring real estate prices, we are considering new investment methods. As for WINS buildings, although over half of racetrack betting tickets are now sold online, the properties owned by the Company have high transportation convenience, and are important bases that also serve as advertising towers for the Japan Racing Association, which is a customer of the Company. Therefore, the Company believes that these buildings will function as stable profit-generating facilities for the time being.

In this way, the Company has reduced the risk of economic fluctuations by developing various asset types. Going forward, the Company will continue to transform its portfolio and diversify risks. First, with regard to our regional portfolio, in order to ease the concentration of properties in the Kansai region in Japan, we will strive to reduce the risk of disasters such as earthquakes through the acquisition of properties in the Tokyo metropolitan area. In response

to Japan's aging population and low birthrates, which are expected to worsen going forward, as well as the shrinkage of the domestic market and intensifying competition, we will respond by investing in assets that respond to the aging society, such as healthcare facilities, and by investing in overseas areas where economic growth is expected. In terms of our business portfolio, we aim to build a structure that can flexibly adapt to the rapidly changing investment environment by combining our core real estate leasing business with equity investments, revolving-type investment business, and overseas investments.

Company growth: the sum of each employee's growth

In the Long-Term Business Plan, our corporate vision in 10 years' time is "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." In order to maintain efficient management with a small number of people, it is essential to improve the skills of each and every employee, and in order to advance new initiatives such as new businesses and future office creation, it is necessary to adopt new perspectives and have a spirit of challenge. To respect the diverse values of our employees and create an environment in which each and every employee can demonstrate their capabilities, we have set "improvement of human capital" and "diversity and inclusion" as materiality themes. As for investment in human resources, in Phase I (FYE March 2024 to FYE March 2028), we will strengthen our foundations for growth and plan to invest 3.0 billion yen over 10 years.

In the workstyle reform project, which is a stepping stone toward improving our workplace environment, we have advanced a number of initiatives based on proposals from young employees who will lead the Company in the future, such as career interviews, job-specific training, open training, and the introduction of a flextime system. By doing this, we have worked to create an environment aimed at improving productivity while also supporting employees' voluntary career development and work-life balance. Furthermore, in order to raise employee motivation and create an office that grows alongside the Company, we have established a new multipurpose space that embraces the ideas of employees. It encourages communication among employees and provides a workplace with well-being that is both comfortable and relaxing (page 26). There are various conditions for the office to be chosen, such as rent, good location, safety, and comfort. As employees have greater freedom in where they work and competition for the recruitment of human resources is expected to intensify in the future in line with Japan's population aging and low birthrate, there is a need for proposals for offices from a worker-first perspective that will make people want to come to work. Therefore, we believe that multipurpose spaces will also play the role of model rooms when leasing. Going forward, we will continue to try various things by reflecting the concepts and ideas generated from communication among employees in our businesses. Even if an attempt does not lead to success, it's all right to devise new methods, and I hope that a spirit of trying things out will help our employees in their work. As a result of the workstyle reform project, employees have begun to have the desire to innovate and take on challenges, and the atmosphere within the Company has begun to change along with this. My sense is that systems and environments for engaging in new initiatives have been established to a certain extent, and how to translate this into action and achieve the goals of the Long-Term Business Plan is an important theme for the second year of the plan and beyond.

Generating added value with environmental performance

The Company has established "strengthening of resilience to climate change" as a materiality theme, and recognizes a number of business risks, including an increase in facility renovation costs and other costs in the event that regulations are established regarding the leasing and trading of properties with low environmental performance, as well as an increase in repair costs and other costs as a result of intensifying windstorms and flooding. At the same time, the Company sees growing demand for properties that aid decarbonization and properties with advanced business continuity planning (BCP) functions for customers as growth opportunities. Accordingly, we have switched to energy-saving equipment for air conditioning and lighting, and relocated the extra high-voltage power substations of datacenter buildings to upper floors as a flood countermeasure. To objectively assess these initiatives, we aim to raise the proportion of floor area of green-building-certified properties in our portfolio to over 50% of our total floor area by the fiscal year ending March 31, 2031, and to acquire green building certifications for all new properties in the future. In June 2023, Fujisawa Shopping Facility, and in February 2024, WINS Umeda B Building, were awarded Rank S, the highest rank, under the CASBEE for Real Estate. These buildings earned particularly strong evaluations for their high energy-saving capabilities and natural disaster countermeasures suited to their locations.

In addition, in order to further advance the reduction of greenhouse gas emissions, we have expressed our support for the Japanese government's policy of achieving carbon neutrality by 2050, and set a long-term reduction target of our own toward 2050. Currently, we have set a medium-term target of a 46% reduction in Scope 1 and 2 GHG emissions by the fiscal year ending March 31, 2031 (compared to FYE March 2020), and a long-term target of net-zero emissions by the fiscal year ending March 31, 2051. As a related initiative, as of the fiscal year ended March 31, 2024, the Company uses electricity derived from renewable energy sources in seven office buildings and some of its datacenter buildings, and has installed solar panels in the Fuchu Building.

As for environmental investments, we plan to invest 7.0 billion yen over 10 years.



In conclusion

In light of the level of capital efficiency required of publicly listed companies in recent years, we are entering an era when business as usual is no longer an option. As a result, the number of listed companies specializing in real estate leasing is decreasing, but I feel that there is great potential for the Company to propose a new style of real estate business. Just as we have grown since our founding through transforming our portfolio over time, I feel that we will expand opportunities for growth by continuing to change through taking on the challenge of new initiatives. The famed intellectual Shoin Yoshida left the world with these words. "Without a dream, there is no ideal. Without an ideal, there is no plan. Without a plan, there is no execution. And without execution, there is no success. Therefore, there is no success without a dream." He taught at Shokasonjuku Academy during the turbulent times at the end of the Edo period, and many of his pupils went on to make a significant impact on the modernization of Japan. We expect our employees not to be bound by the conventional way of thinking, but to have ideas and actions to set goals and take on new challenges without fear of failure. It is my dream and mission to achieve the goals of the Long-Term Business Plan while encouraging each and every employee to have dreams that they would like to achieve together with the Company, to be happy with their own growth, and to take on new challenges while feeling motivated to work.

In addition, the Company aims to enhance its corporate value by providing management with feedback on the lessons learned through dialogue not only with employees but also with tenants, partner companies, and shareholders. As we continue to work toward our goals, I would like to ask each of you for your continued understanding and support.

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

We formulated a Long-Term 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

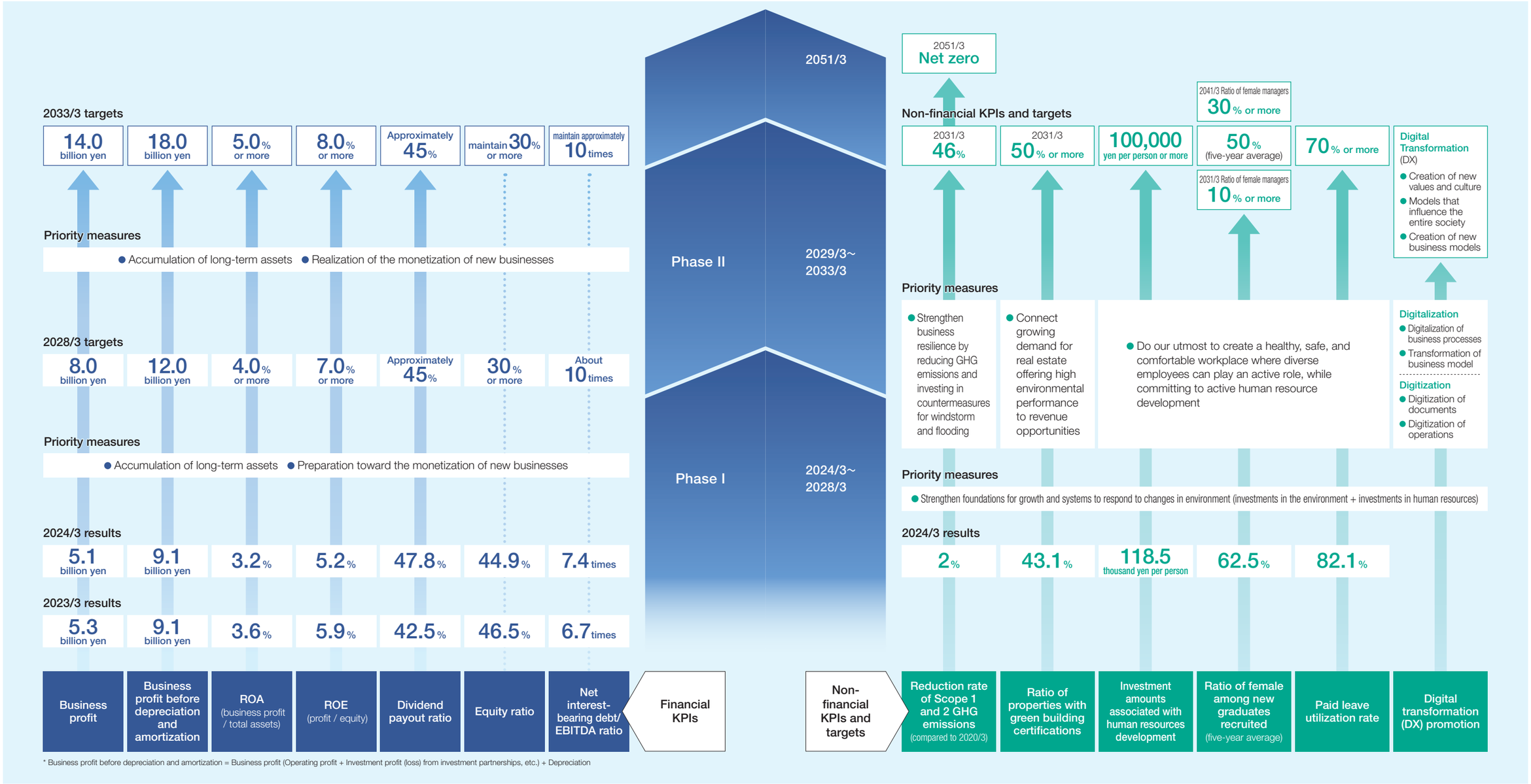
1. To provide valuable commercial space to customers so as to contribute to the community through the advancement of customers' and our businesses.
2. To earn and value our customers', shareholders' and employees' trust by operating our company according to quality-first values.
3. To act efficiently,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



* Business profit before depreciation and amortization = Business profit (Operating profit + Investment profit (loss) from investment partnerships, etc.) + Depreciation

Long-Term Business Plan

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

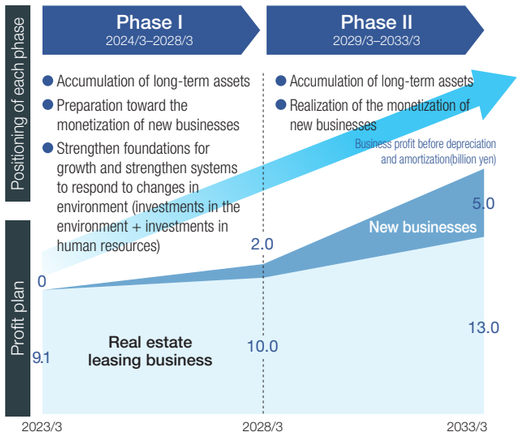
Revenue structure

Existing businesses	Stock business	● Real estate leasing business
+		
New businesses	Flow business	● Revolving-type investment business ● Equity investments ● Overseas investments

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

Asset type

Existing assets	● Office buildings ● Datacenter buildings ● WINS buildings ● Commercial buildings ● Logistics warehouses
+	
New assets	● Residences for lease aimed at corporations ● Healthcare buildings ● Other asset types



Financial Capital Strategies (Financial Capital Strategies P.27)

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

Financial strategy

$$\text{ROA}\uparrow\ \left(\frac{\text{Profit}}{\text{Total assets}}\right) \times \text{Financial leverage}\ \left(\frac{\text{Total assets}}{\text{Equity}}\right) = \text{ROE}\uparrow\ \left(\frac{\text{Profit}}{\text{Equity}}\right)$$

Making ROA improvement the top priority	Restraining excessive burden of financial leverage	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

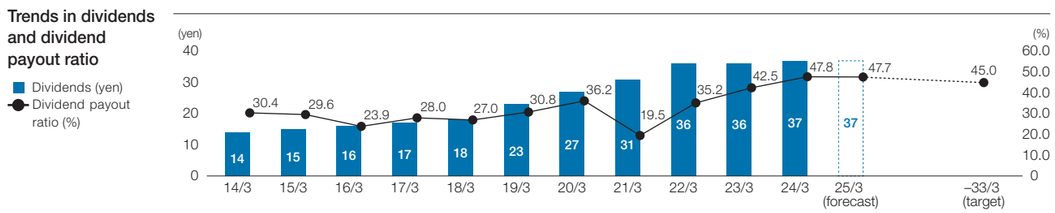
	2024/3	Long-Term Business Plan target
Dividend payout ratio	47.8%	Approximately 45%

Put in a place progressive dividend system that is focused on earnings per share

Raise the previous dividend payout ratio of 35% to 40% in the previous Medium-Term Business Plan to approximately 45%

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

Trends in dividends and dividend payout ratio

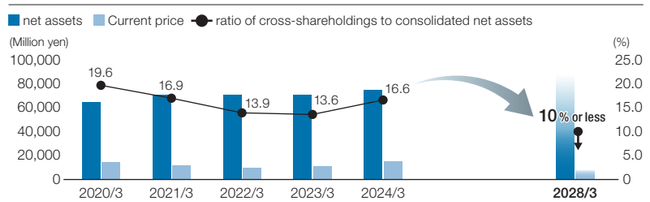


Business Strategy

Cross-shareholdings reduction plan

Reduce the ratio of cross-shareholdings to consolidated net assets to 10% or less by the final fiscal year of Phase I (FY2028/3)

Changes in the ratio of cross-shareholdings to consolidated net assets



Real estate leasing business (Business Overview P.31–)

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 Target (2033/3)	
Tokyo metropolitan area, etc. : 30%	Kansai area : 70%

Revolving-type investment business (Business Overview P.39)

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	80.0 billion yen

Equity investments (Business Overview P.39)

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	16.0 billion yen

Overseas investments (Business Overview P.40)

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	25.0 billion yen

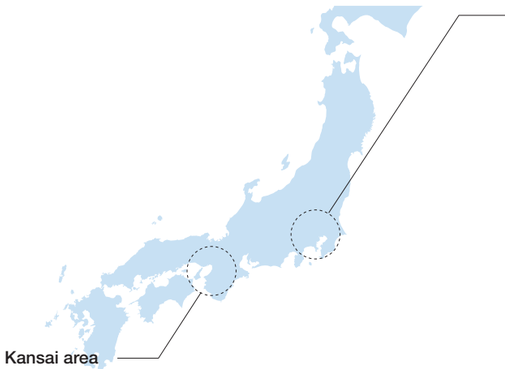
Long-Term Business Plan

Business Strategy

Investment plans

		Results for FYE Mar. 31, 2024	Phase I FYE Mar. 31, 2024– FYE Mar. 31, 2028 (cumulative)	Phase II FYE Mar. 31, 2029– FYE Mar. 31, 2033 (cumulative)	Total
Investments in real estate	Acquisition of profitable properties	5.5 billion yen	50.0 billion yen	130.0 billion yen	180.0 billion yen
	Equity investments	4.7 billion yen	8.0 billion yen	8.0 billion yen	16.0 billion yen
	Overseas investments	0.1 billion yen	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	2.5 billion yen	10.0 billion yen	10.0 billion yen	20.0 billion yen
Total		13.0 billion yen	77.0 billion yen	173.0 billion yen	250.0 billion yen
Investment recovery	Sale of profitable properties	–	–	80.0 billion yen	80.0 billion yen
Net investment amount		–	77.0 billion yen	93.0 billion yen	170.0 billion yen

Investment Results



Tokyo metropolitan area



Asakusa Ekimae Building

- Contributes to asset portfolio diversification and reduces the risk of regional concentration due to its status as a commercial building in the Tokyo metropolitan area
- This property offers potential in two businesses: revolving-type investment business through renovations, etc. to enhance value, and the real estate leasing business through stable rental income

Address	Date of acquisition	Total floor space	Structure
1-1-2 Asakusa, Taito-ku, Tokyo	June 2023	1,788 m²	B1/7F

Healthcare Facility in Hyogo

- Acquired in March 2024 through equity investments
- First acquisition of this asset type for the Company

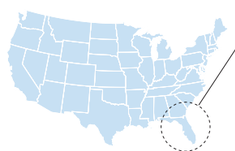
Office building in central Tokyo

- Acquired in October 2023 through equity investments
- Located in convenient central office districts of the Tokyo metropolitan area

The United States

Investment in U.S. real estate fund

- The Company selected the United States as its first investment destination, where economic growth is expected to continue and legal transparency in the real estate market is ensured



Development of Multifamily Residence in Maiami

- Made the equity investment into the multifamily residence in Miami, Florida in August 2024
- Located in the Sun Belt region where population inflow is expected to continue in the future
- Multifamily residence is that is a good asset type in the U.S.

Sustainability Strategy

Environmental investments (P.45–)

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 (P.55–)

Priority measures

- Employee skill improvement
- Securing of diverse human resources
- Improvement of in-house environment
- Digital transformation (DX) promotion

Investment plans

		Results for FYE Mar. 31, 2024	Phase I FYE Mar. 31, 2024– FYE Mar. 31, 2028 (cumulative)	Phase II FYE Mar. 31, 2029– FYE Mar. 31, 2033 (cumulative)	Total
Environmental investments	● Investment in renovations and repairs for energy-saving equipment and BCP measures ● Use electricity derived from renewable energy sources ● Acquisition of green building certifications	0.7 billion yen	3.0 billion yen	4.0 billion yen	7.0 billion yen
Investment in human resources	● Improvement in workplace environment ● Investment in personnel training ● Recruitment of experienced, professional personnel	0.2 billion yen	1.0 billion yen	2.0 billion yen	3.0 billion yen
Total		0.9 billion yen	4.0 billion yen	6.0 billion yen	10.0 billion yen

Initiative Results

Cultivation of corporate culture (toward our corporate vision in 10 years' time)

Based on the idea that the true capabilities of a company are the sum of the abilities of its individual employees, we strive to foster an environment in which employees are able to fully demonstrate their individual capabilities. In fiscal 2022, the Company launched a new workstyle reform project team consisting mainly of young employees who will lead the Company in the future. Since that time, we have reviewed our workplace environment and human resources development system based on the team's recommendations. By exchanging opinions between employees, they were able to consider the "valuable commercial space" stated in the Corporate Philosophy and what kind of office suits modern working styles, presenting an opportunity for the employees to directly face their own career prospects. Going forward, we will continue to develop internal systems to encourage the creation of new businesses through a process of trial, error, and trial again, and strive to foster a corporate atmosphere that enables each and every employee to grow through creativity and challenge, in keeping with our corporate vision in 10 years' time in the Long-Term Business Plan.



Multipurpose space

Environmental investments

- Launched use of renewable energy at seven office buildings and some datacenter buildings
- Newly acquired green building certifications for two buildings

Operational streamlining

- Reviewed meeting management, documents for digitization, and internally-shared documents to facilitate business execution
- Outsourced a part of our operations based on the operation content and costs

Investment in human resources

Expanded office space in our Head Office

- Expanded office space in Osaka Head Office to improve productivity and prepare for future increase in personnel
- Established a multipurpose space that is both comfortable to work in and a relaxing space

Strengthened hiring of experienced personnel and new graduates

Career interviews and consultation systems

- Encouraged to establish a work-life balance with career development based on their intrinsic interests and desires and skills, such as wanting to take on new businesses and other new work

Training system by duty and grade

- Significantly expanded training items by job type and position to improve employees' skills

Financial Capital Strategies

Toward implement management that is conscious of cost of capital and stock price



Managing Executive Officer
responsible for Administration

Junichi Tada

Overview of operating results for the fiscal year ended March 31, 2024

Consolidated net sales for the fiscal year ended March 31, 2024 increased by 431 million yen (2.3%) year-on-year to 19,310 million yen due mainly to the contribution from new investment properties. As for cost of sales, gross profit decreased by 201 million yen (2.8%) year-on-year to 6,883 million yen, due to an increase in taxes and public dues, repair costs, and other expenses. Accordingly, operating profit decreased by 292 million yen (5.4%) year-on-year to 5,083 million yen and ordinary profit decreased by 198 million yen (3.9%) year-on-year to 4,842 million yen.

Our awareness of cost of shareholders' equity

For Keihanshin Building, the cost of shareholders' equity is calculated based on historical trends based on the capital asset pricing model (CAPM), as well as the opinions of experts, investors, etc. Our awareness based on this framework is that our cost of shareholders' equity is between 5% and 7%.

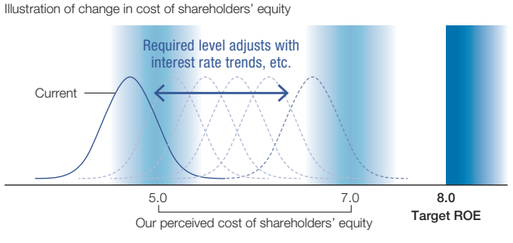
To date, the Company has specialized in real estate leasing business, holding high-quality stock for long periods and generating stable cash flows. Because of this high level of business stability (low risk), the Company recognizes that the cost of shareholders' equity is at a level considerably lower than that of general operating companies.

As a result, we recognize that the cost of shareholders' equity is currently around 5% and that we have secured an appropriate equity spread. In fact, we see no significant discrepancy in this perception, as ROE is also around 5% when calculated from the price book-value ratio (PBR) and price earnings ratio (PER) at the end of March 2024 based on the formula of PBR = ROE × PER.

Due to expected interest rate increases and other factors ahead, we believe that the cost of shareholders' equity, as perceived by investors, will move to a corresponding level.

Our perceived cost of shareholders' equity

Illustration of change in cost of shareholders' equity



In this context, we recognize that we can continue to secure appropriate equity spread by revising the ROE target of our Long-Term Business Plan to attain 7.0% or more by the fiscal year ending March 31, 2028 in Phase I and 8.0% or more, as soon as possible by the fiscal year ending March 31, 2033 in Phase II. The Company will continue to take into consideration the possibility of an increase in the cost of shareholders' equity, and aim to improve ROE so that it continuously exceeds this cost.

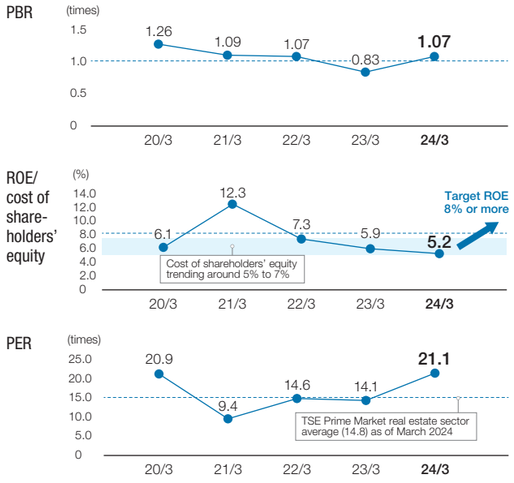
Situation analysis

We analyzed PBR and PER, which are indicators of our assessment in the market, and ROE, which is a capital profitability indicator, based on the formula of PBR = ROE × PER.

We believe it is important to maintain the current PER level.

Therefore, in order to realize management that is conscious of capital cost and stock price as requested by the Tokyo Stock Exchange in order to improve corporate value, we recognize that it is particularly important to improve ROE in order to first exceed a PBR of 1x and then aim for further improvement.

Trends in our PBR, ROE, and PER



Challenges and initiatives for improving ROE

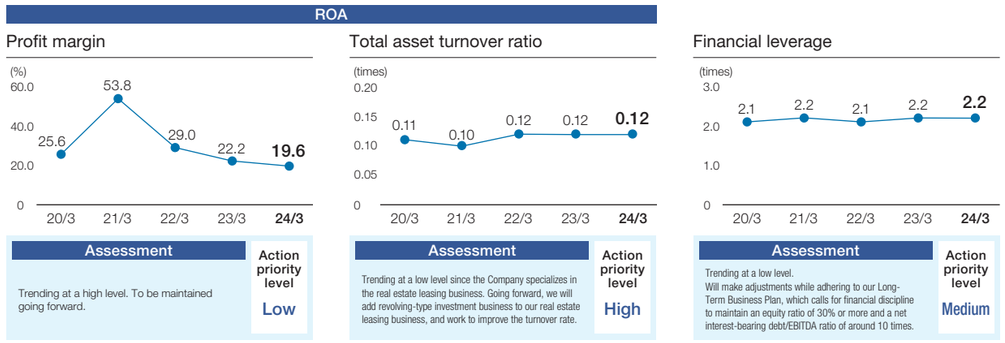
Based on the formula of ROE (profit/equity) = profit margin (profit/net sales) × total asset turnover ratio (net sales/total assets) × financial leverage (total assets/shareholders' equity), we have broken down ROE into the three elements of profit margin, total asset turnover ratio, and financial leverage, and examined challenges toward improving ROE.

First, the profit margin is currently at a reasonably high level. Going forward, we believe it is necessary to maintain a high level to the extent possible.

As for the total asset turnover ratio, this is currently at a reasonably low level because the Company has specialized in the real estate leasing business. Going forward, in line with the Long-Term Business Plan announced in May 2023, we will add revolving-type investment business to our existing real estate leasing business, and otherwise work to improve the turnover rate.

The Company's financial leverage has also trended at a low level. There is no change to the management policy in our Long-Term Business Plan, which calls for financial discipline to maintain an equity ratio of 30% or more and a net interest-bearing debt/EBITDA ratio of around 10 times. However, going forward, we will consider fine adjustments to this policy while maintaining management stability.

Trends in profit margin, total asset turnover ratio, and financial leverage



As a result of our analysis, the Company will steadily implement the measures (business strategy and sustainability strategy) set forth in the Long-Term Business Plan, and will achieve business improvement toward reaching our ROE target.

To date, the Company has specialized in real estate leasing business, a business operated by a small number of people, and has maintained high profit margins by recording stable profits every year from the approximately 30 properties it currently owns. On the other hand, if we consider the period from acquisition to sale when establishing structures like a revolving-type investment business and enhancing the value of acquired properties as stated in our Long-Term Business Plan, it will take at least one to three years for the value enhancement of existing properties, and three to five years for development properties. In consideration of this business span and the current personnel structure, the Company has formulated the Long-Term Business Plan of 10 years, believing this to be a realistic period required for the transformation of our business structure where we specialize in real estate leasing business.

The Long-Term Business Plan is divided into Phase I, which is a period for the accumulation of long-term assets and the preparation toward the monetization of new businesses, and Phase II, which is a period for the realization of the monetization of new businesses in addition to the accumulation of long-term assets, and consists of long-term targets and measures to achieve them.

In Phase I, which is a period of preparatory investment for new businesses, we expect a temporary contraction in profit margins and other indicators, partly due to the burden of depreciation. However, we believe it is important to steadily seize new investment opportunities to establish a foundation for future growth by incorporating new assets and increasing turnover. In Phase II, we will further accumulate long-term assets and monetize new businesses to raise each indicator. During Phase I, despite a generally lower cap rate in the immediate term, we will actively make investments, including in new asset types, in places where we are confident of improving future returns to achieve this goal. When making investment decisions, our policy is to use NOI yield as the hurdle rate in our real estate leasing business and internal rate of return (IRR) in revolving-type investment business.

In order to concretely carry out our plan, we will also focus on and steadily work toward investment in human resources such as the recruitment of experienced, professional personnel, which is an element of our sustainability strategy.

We are aware that investors expect us to quickly achieve our targets, and we will seek to do so as early as we can.
(Please refer to pages 21-26 for details about the Long-Term Business Plan.)

Optimal capital structure and shareholder returns

In our Long-Term Business Plan, as mentioned previously, we intend to make proactive investments while adhering to our business plan, which 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 throughout the period. The equity ratio for the fiscal year ending March 31, 2033, the final year of the Long-Term Business Plan, is expected to be around 33%.

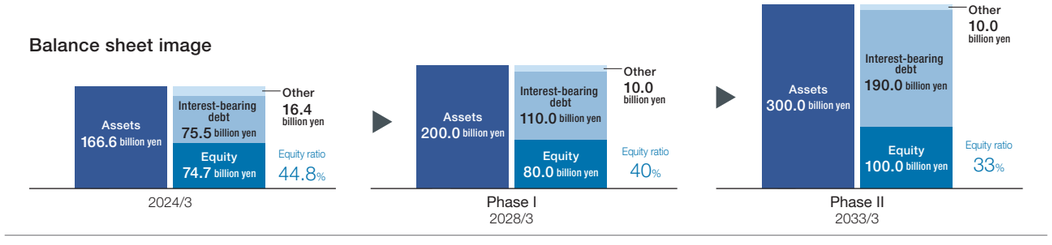
Though many real estate companies have an equity ratio of between 20% and 30%, the above capital structure is assumed taking into consideration the Company's scale and the fact that we have consistently been centered on the leasing business.

For many years, our stable management policy has been well received, and we have received favorable ratings from credit rating agencies. Therefore, when making new investments, we intend to improve our corporate value through mainly debt financing at low interest rates and curbing our cost of capital while maintaining the aforementioned financial discipline.

In terms of shareholder returns, we are targeting a dividend payout ratio of about 45% in the Long-Term Business Plan. Our basic approach is to pay progressive dividends, focusing on stable dividends and dividend increases through growth in earnings per share, and, while comprehensively taking into consideration the economic situation and the status of the Company's stock price, explore timely and appropriate shareholder return methods with share repurchases among our options.
(Please refer to pages 5 and 6 for changes in net interest-bearing debt/EBITDA ratio and annual dividends per share/dividend payout ratio.)

	2024/3 (Results)	Phase I 2024/3 to 2028/3	Phase II 2029/3 to 2033/3
Equity ratio	44.9%	30% or more	
Net interest-bearing debt/EBITDA ratio	7.4 times	About 10% times	
ROE * Profit/equity	5.2%	7.0% or more	8.0% or more

Balance sheet image



Message from the Officer of Business Promotion Division

Toward new growth unique to Keihanshin Building



Senior Managing
Executive Officer responsible for
Business Promotion Division

Shinji Yamamoto

Toward Keihanshin Building's new challenges

The advancement of workstyle reforms has led to a certain entrenchment of remote work and broader adoption of offices with non-fixed seating assignments through the COVID-19 pandemic. As a result, companies are reassessing how to utilize office space, which is interacting with the large-scale supply of floor space for rent due to large-scale redevelopment. In addition, the business environment surrounding Keihanshin Building is extremely harsh due to factors such as persistently high real estate prices, soaring construction and material costs, rising personnel costs, prolonged construction periods, and continuously high electricity and gas rates.

This has led to a greater need than ever for ingenuity in the maintenance and management of existing buildings. With regard to new investments, I believe that we need to broaden the scope of our strategies, not only for leasing based on the conventional assumption that properties will be held over the long term, but also for revolving-type investment businesses where properties are bought and sold over a relatively short period of time, as well as equity investments. At the same time, we also need to establish clearer strategies based on these factors.

Revenue structure

Existing businesses	Stock business ● Real estate leasing business
+	
New businesses	Flow business ● Revolving-type investment business ● Equity investments ● Overseas investments

Asset type

Existing assets	● Office buildings ● Datacenter buildings ● WINS buildings ● Commercial buildings ● Logistics warehouses
+	
New assets	● Residences for lease aimed at corporations ● Healthcare buildings ● Other asset types

On the other hand, it has been suggested that demand for datacenter buildings will increase significantly alongside the accelerated evolution of generative AI and the steady progress of digital transformation (DX). As a company engaged in the datacenter building business, there is a possibility that this will be a major business opportunity for us at Keihanshin Building, and it will be necessary for us to determine the best timing and method for initiatives in this area.

Amid this harsh environment, the Company has formulated the Long-Term Business Plan in 2023, and is taking on new challenges to meet the expectations of investors and other stakeholders.

If we look back through our own history, we can see that our four types of assets by no means started out in a secure state. The Company was established with the aim of reconstructing the Hanshin Racecourse. Since turning to the real estate business, the Company has expanded the range of its businesses by taking on the challenge of new businesses in line with the times, including WINS buildings, office buildings, commercial buildings, logistics warehouses, and datacenter buildings. Today, our WINS buildings are assets that have been built over many years by our predecessors working together with the Japan Racing Association and local residents. When our first datacenter building was built in 1988, the word "datacenter" had not even come into the public consciousness. Thanks to our steady initiatives with an attentive ear to feedback from tenants, we have eight datacenter buildings as it is today. It seems that the time has come for us to take on new challenges in order to achieve sustainable growth, a time that was also faced by our predecessors.



WINS Kyoto in 1951

Continuing to provide safe, secure, and comfortable commercial space

To have our buildings be chosen from among many others, we must achieve highly value-added building management recognized as being unique to Keihanshin Building.

One of our efforts to add value is to create buildings that are resilient in the face of natural disasters. Drawing on nearly 40 years of expertise in the operation of datacenter buildings, the Company ensures other types of buildings safety through careful and meticulous maintenance and management. The Company also takes all possible measures to prepare for natural disasters, including the installation of flood-control panels and seismic isolation and vibration control structures to prepare for possible flooding of rivers and inland waters associated with heavy rains, as well as tsunamis and storm surges following earthquakes, and the provision of power by emergency generators in the event of a disruption in commercial power supply.

One example of the actions we are taking against the risk of power outages in datacenter buildings is the upgrading and relocation of extra high-voltage power substations. By relocating large-scale power substation facilities, installed underground on the initial building completion, to upper floors to coincide with renovations, we prevent electrical facilities from being submerged and shutting down in the event of flooding due to water damage. Despite the extreme difficulty of renovating core facilities on a building that is still operating at full capacity even after more than 30 years, our steady step-by-step renovations have gained the deep trust of each tenant.

In addition, based on the concept of preventive maintenance, we are proceeding with the repair and replacement of buildings and facilities in a efficient and planned manner in accordance with certain internal standards. By avoiding the risk of causing inconvenience to tenants as much as possible, preventive maintenance ultimately results in highly cost-effective capital investment by the Company.

Furthermore, our twin system for sales units organizationally supports the Company's safe and secure building construction. This system stipulates that two employees, specifically a sales staff member in charge of each building and a veteran engineer from the Property Management Department with a high level of knowledge and abundant experience at a major general contractor or other entity, work together at all times, thereby creating a one-stop system capable of quickly and efficiently responding to requests from tenants. In this way, the Company, as a landlord with a personal touch, has build the relationship of trust with tenants, and by increasing touchpoints it has been able to early capture tenant needs such as increasing floor space and vacating, leading to a smooth leasing process.

Enhancing and strengthening of human (intellectual) capital

In December of 2023, the Company celebrated the 75th anniversary of its founding. It was around the time of this anniversary that, amid a wave of major changes in the business environment, the Company formulated its Long-Term Business Plan. This plan calls for further enhancement of the existing recurring income-type business while also taking on the challenge of the flow business field, in order to realize quantitative growth that follows robust qualitative improvements.

In our stock business, we are generating greater added value, thereby maximizing the rent unit price x active leasable area and retaining its steadfast support as the backbone of the Company's business.

As we take on the challenge of flow businesses in the future, it will become increasingly important to secure stable earnings in our stock business. To achieve this, the Business Department and the Property Management Department will continue to work together to ensure the appropriate operation of each property and to improve and secure stable earnings.

On the other hand, since Keihanshin Building is a company of about 60 people, it is vital that the entire Company, not only the Investment Promotion Department, works together to advance our flow business. To date, the Business Department has been involved in new investments from the perspective of leasing, and the Property Management Department has been involved in new investments from the perspective of renovation and repair work. In the future, we intend to devote ourselves to bringing about new businesses empowered with every ounce of expertise and relationships we can bring to bear.

However, Keihanshin Building is a company that has, for many years, been specialized in the leasing business. It goes without saying that we will make use of what we have been able to cultivate in our existing businesses, but pure reliance on existing resources will make it challenging to bring about new businesses, including revolving-type investment businesses and overseas investments. Accordingly, it is necessary to secure human resources with the necessary experience and skills from outside the Company, as well as to evolve the employees who are already with us. With this in mind, we have established a project team consisting mainly of personnel with experience in external recruitment, in addition to existing employees, and are currently making preparations for revolving-type investment businesses.

The Company's recruitment has always been centered on new graduates, and for engineers in the Property Management Department, we hire experienced veterans around the age of 60, and for mid-level workers, we hire experienced personnel with high skills; non-new graduates are hired throughout the year. This has already given us a foundation to flexibly accept a diverse range of human resources. In addition, the Company has expanded external training programs for new graduates, including training system by grade, secondment to other companies, and overseas training. Through these programs, the Company is working to expand opportunities for each new graduate to play an active role in a wider range of business fields, and to foster a vibrant workplace where employees with a wealth of individuality and diverse knowledge, experience, and skills work together in friendly competition. In order to achieve the new business domains set forth in the Long-Term Business Plan, the development of human resources is of the utmost importance. Based on the belief that "the growth of a company is nothing other than the sum of the growth of its individual employees," the Company focuses on creating an environment in which each and every employee can work comfortably and enhance their skills as professionals.

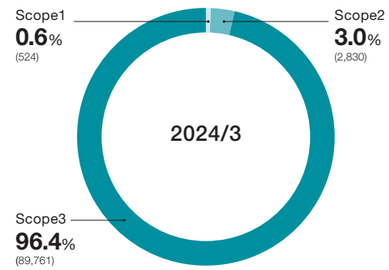
Seeking sustainable business development

Recent years have seen growing calls for sustainable business management. At the Company, awareness of improving business sustainability has been deeply rooted in our management as part of our internal culture since our founding, and the Company has grown its business while placing importance on long-term and stable relationships of trust with all stakeholders. We believe that we, as the building owner, cannot increase the value of a building alone; it must be nurtured while collaborating with tenant companies in addition to the partner companies to whom we outsource facility management, security, cleaning, and other operations, as well as local communities. This is reflected in our tagline: "A good building grows even after it has been built."

In the fiscal year ended March 31, 2024, in order to promote ESG initiatives throughout the Company's value chain, we have formulated the Sustainable Procurement Policy, conducted interviews with major partner companies, formulated the Human Rights Policy, and based on the policy, identified potential human rights risks in the Company's business operations and identified key issues. All of these initiatives are necessary for the Company to realize sustainable management. For example, in order to achieve the Company's GHG emissions target of net zero for Scopes 1, 2, and 3 for the fiscal year ending March 31, 2051, it is necessary to cooperate with partner companies to reduce GHG emissions corresponding to Scope 3 generated by renovation and repair work and other sources. In addition, if business operations are conducted in a proper manner that respects human rights, the trust of partner companies, employees, and local communities can be obtained, resulting in greater stability of operations.

By steadily implementing each of these initiatives, the Company's approach has been appreciated by tenant companies, and I believe that this has led to stable and high building occupancy rates. With the aim of sustainably developing our businesses, we will continue to advance initiatives in cooperation with various stakeholders.

Ratio of Scope 1, 2, and 3 for FYE Mar. 31, 2024 (t-CO_2)



Enhancing and strengthening human (intellectual) capital



Real Estate Leasing Business

Office Buildings



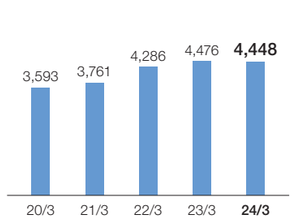
Keihanshin Toranomon Building

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

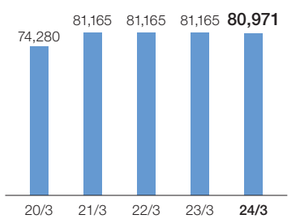
The Company owns and leases a total of eight office buildings, mainly in business areas of Osaka and Tokyo. Our office buildings have strengths in comfort and high environmental performance, in addition to the advanced BCP functions which have been cultivated through datacenter building operations. We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

Performance

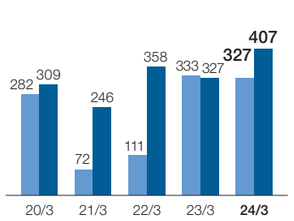
Net sales (million yen)



Rentable floor space (m²)



Investments in renovations and repairs (million yen)



Assessment of Current Business Environment

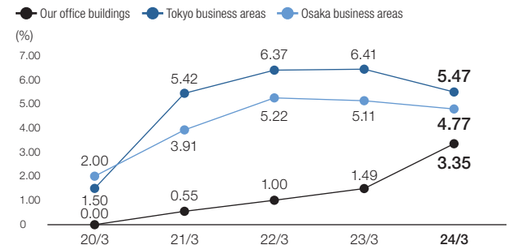


- Properties owned in prime locations near stations, such as Midousuji, Osaka’s main road, and Toranomon in the Tokyo metropolitan area
- High BCP features, such as equipping with emergency-use generators and seismic isolation devices
- Meticulous preventive maintenance of buildings and facilities
- Close communication with our tenants as landlords with a personal touch
- Limited capability of responding to needs for relocation for expansion due to being specialized in medium-sized office buildings
- Lack of name recognition and brand strength outside the Kansai area
- Increase in demand for medium-sized office buildings due to the growth of start-up companies and office relocations and scale-down by large companies
- Increase in needs for moving into buildings with high environmental performance and BCP performance
- Decrease in demand for office buildings due to workstyle reforms and the spread of remote working
- Intensified competition due to large supply of new office buildings and competitors’ large scale properties being leased out in smaller units to tenants
- Departure of large tenants from property leased as a whole building to a single tenant per property and other properties

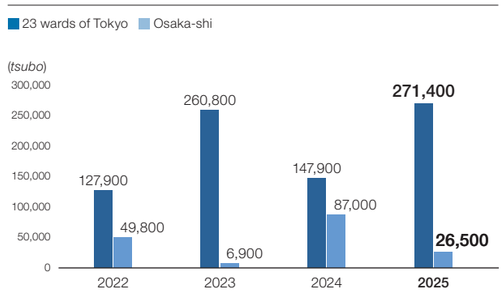
Assessment of Current Business Environment and Projection

In the office market, the vacancy rate has been relatively stable in recent months, supported by improvements in corporate earnings and companies getting their employees back to offices. The vacancy rate of our office buildings as of the end of March 2024 was 3.35% due to the departures of some tenants. As a result, net sales from the office building business for the fiscal year ended March 31, 2024 amounted to 4,448 million yen, a decrease of 27 million yen year-on-year. Although concerns remain that the vacancy rate will increase due to a large supply of new office buildings, the impact on our business is minor at present and ours are being leased out smoothly.

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

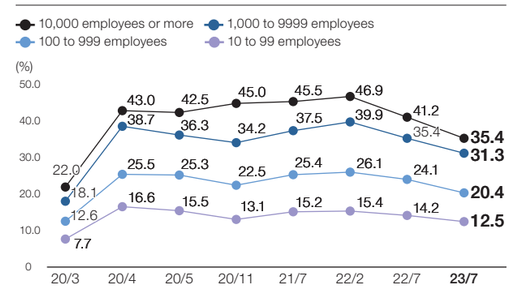


New office supply forecast Source: Sanko Estate Co., Ltd.



* 1 *tsubo* = about 3.3m²

Ratio of teleworkers by company size (full-time employees) PERSOL RESEARCH AND CONSULTING CO.,LTD



Business Strategy and Initiatives

- **Promote investments mainly in the central Tokyo area from the perspective of portfolio area diversification**
- **Diversify investment methods such as investment through SPCs**
  Made an equity investment in an office building in central Tokyo in October 2023 (P.39)
- **Provide medium-sized office buildings at prime locations with high environmental performance and BCP performance**

Location	Owned properties are located within a one-six minutes walk from the nearest station
Environmental performance	Out of the 8 properties, 6 are certified for CASBEE Rank S. We will continue to promote the acquisition of green building certifications.
BCP performance	All owned properties meet the new quake-resistance standards. Installation of emergency generations and tide screens for tenants.

- **Increase name recognition by strengthening advertising activities mainly in the Tokyo metropolitan area**
  Place advertisements on the Shinkansen platforms at Tokyo Station



Advertisement at Tokyo Station

Sustainability Initiatives

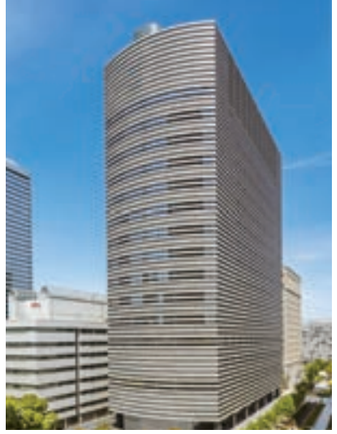
With the cooperation of our customers, we take measures to save energy and resource use in our buildings and are switching to electricity derived from renewable energy sources.

- **Promoting measures to save energy and resource use in buildings in a planned manner, such as shifting to LED lightings and introducing water-saving equipment**
- **Introduced electricity derived from renewable energy sources in 7 out of the 8 office buildings in the fiscal year ended March 31, 2024**

Initiatives for the Environment (P.47)

Real Estate Leasing Business

Datacenter Buildings



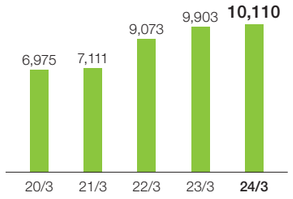
Keihanshin OBP Building

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

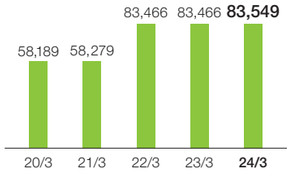
The Company owns and leases eight urban-type datacenter buildings in Osaka. The Company's datacenter buildings are equipped with the latest features such as advanced disaster-prevention functions, stable electric power supply, and advanced security systems, and enable tenants to continue their business 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.

Performance

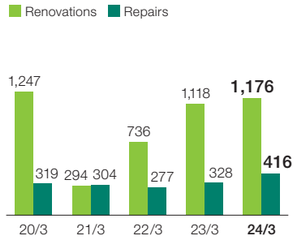
Net sales (million yen)



Rentable floor space (m^2)



Investments in renovations and repairs (million yen)



Assessment of Current Business Environment



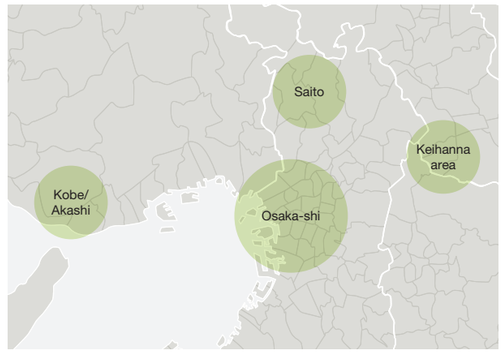
- Specialization in convenient urban-type datacenter buildings where infrastructure is concentrated
- Accumulated experience of the datacenter building business extending over 30 years
- Strong collaboration with partner companies in building management and operation
- Lack of track record in developing business outside the Osaka central area
- Increase in demand for datacenters thanks to expanding digital transformation (DX)
- Increase in demand for datacenter buildings in the Kansai area as a means of providing decentralization and backup environments as part of BCP measures
- Collaborations with other companies, leveraging our public profile in the industry
- Competition and oversupply due to the entry of major real estate companies
- Intensified competition when acquiring land
- Increase in operating costs due to decarbonization and reduction of GHG emissions
- Increase in electricity costs due to soaring resource prices

Assessment of Current Business Environment and Projection

With the promotion of digital transformation (DX) in society, data communication volume has been increasing. As a result, the demand for datacenters is expected to remain strong in the future.

Under these circumstances, net sales from the datacenter building business were 10,110 million yen, an increase of 206 million yen year-on-year, mainly due to the higher occupancy of the OBP Building.

Since the start of our datacenter building business, we have concentrated our investments mainly in Osaka-shi. By having experienced technical and sales teams in the city including at the local properties and at the Head Office, we have responded to the trust of customers while achieving efficient management and operation of the datacenter buildings. Datacenters in Japan are concentrated in the Tokyo metropolitan area and a few parts of the Kansai region. In the Kansai region, they are concentrated in the areas such as Saito and Keihanna areas in addition to Osaka-shi, but we will continue to seek to develop datacenter buildings in urban locations to leverage the strengths we have built up.



Datacenter concentrations in the Kansai region

Business Strategy and Initiatives

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 and advancing them. As for new development, although datacenter operators are eager to expand their datacenters, developing datacenter buildings by ourselves alone as we have done in the past is now more difficult. The soaring real estate market has raised the hurdles for the acquisition of lands for urban-type datacenter buildings which have been our strength, and datacenter buildings getting increasingly sophisticated and larger in scale require larger investments. These are combined with the recent rise in construction costs. Under these circumstances, in the Long-Term Business Plan, we will also consider joint investments through alliances with other parties such as datacenter operators and construction companies by leveraging our high public profile and relationships.

1980s to early 1990s



Keihanshin Shinmachi 1 Building

Late 1990s to early 2000s



Keihanshin Shinmachi 2 Building

Developed as a site for installing office computers for enterprises

Properties: Shinmachi 1 Building and Shin-Esaka Building

Business Strategy

- Establish a business strategy for older datacenter buildings

[Conversion to office buildings, etc., attracting datacenter-related tenants, etc.]

Developed as telecommunication-related base stations, etc.

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

Business Strategy

- Maintain stable operation
- Carry over operation and management expertise
- Carry out planned renewals

Late 2000s to present



Keihanshin OBP Building

Long-Term Business Plan

Developed as a server installation site for datacenter operators

Properties: Kitahorie Building, Nishishinsaibashi Building, and OBP Building

Business Strategy

- Maintain stable operation
- Carry over operation and management expertise
- Carry out planned renewals

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

Sustainability Initiatives

- **Measuring and reducing GHG emissions through communication with tenants**

While datacenter buildings are important infrastructure for society, they generate GHG emissions from the use of a large amount of electricity. We strive to accurately measure GHG emissions through communication with our customers, and work with them to reduce GHG emissions by making energy-saving investments and using renewable energy.

Initiatives for the Environment (P.47)

Real Estate Leasing Business

WINS Buildings

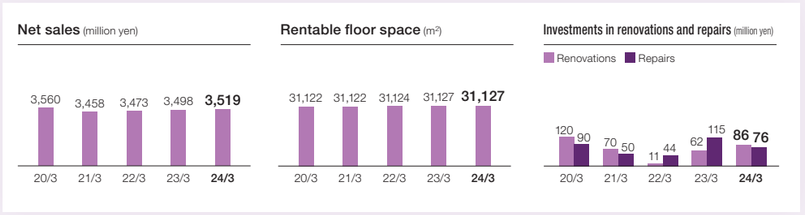


WINS Umeda B Building

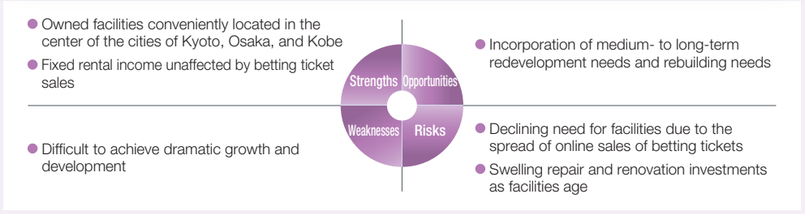
Maintaining and operating fine facilities together with Japan Racing Association (JRA) and local communities

WINS buildings refer to the facilities that sell off-track betting tickets for JRA races held all over Japan. The Company has owned and leased since its founding 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. It has strived to create facilities that are loved by horse racing fans and the local communities in tandem with the JRA.

Performance



Assessment of Current Business Environment



Assessment of Current Business Environment and Projection

While the share of sales at WINS buildings of total net sales of betting tickets is in a declining trend as online betting is spreading, all of our properties are located in downtown areas, functioning as advertising towers, and are used by many horse racing fans.

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. As these factors generate long-term stable revenue, net sales from the WINS building business for the fiscal year ended March 31, 2024 were 3,519 million yen, an increase of 21 million yen year-on-year.

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 and Initiatives

- **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 JRA and enhance the value of the facilities based on the needs of our tenant**

In 2022, to renew Gate J. Osaka (a horse racing and equine culture information center and a goods shop) and improve the environment for people working at the WINS buildings, we renewed the first floor of WINS Umeda B Building and the first basement floor of WINS Umeda A Building.

Sustainability

In February 2024, WINS Umeda B Building was certified for Rank S under CASBEE for Real Estate, a green building certification system.

Initiatives for the Environment (P.47)

Real Estate Leasing Business

Commercial Buildings, Logistics Warehouses, and Other Properties

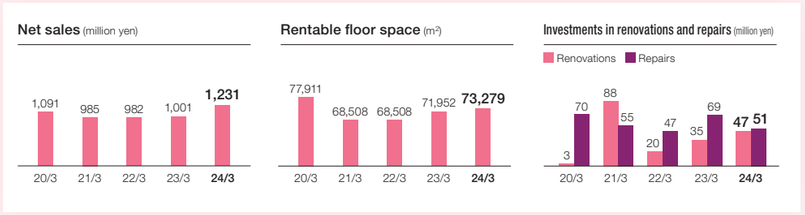


Shijo-Kawaramachi Building

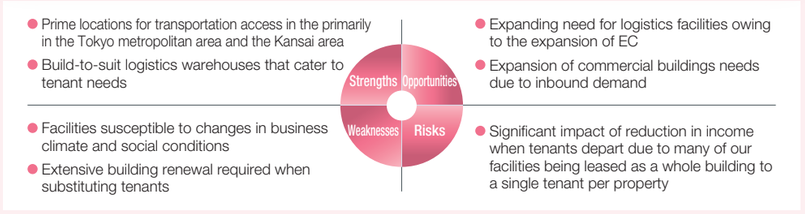
Developing high value-added facilities that support life of local communities

The Company has been developing the leasing business for commercial buildings and logistics warehouses since the 1970s. As of March 31, 2024, 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.

Performance



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).

Net sales from these businesses for the fiscal year were 1,231 million yen, an increase of 230 million yen year-on-year, due partly to the contribution of the Asakusa Ekimae Building acquired in June 2023.

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 and Initiatives

- **Acquire urban-type commercial buildings located near the commercial centers or terminal stations in the Tokyo metropolitan area and regional core cities.**
  Acquired Asakusa Ekimae Building in June 2023
- **Acquire convenient logistics sites as the scale of the EC market expands**
- **Rebuild or sell older properties appropriately**
- **Verify investment efficiency and expand types of assets such as residential and healthcare facilities**
  Made an equity investment in a healthcare facility in Hyogo in March 2024 (P.39)

Sustainability

In June 2023, Fujisawa Shopping Facility was certified for Rank S under CASBEE for Real Estate, a green building certification system.

Initiatives for the Environment (P.47)

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 m²



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 m²



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 m²



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 m²



5 Keihanshin Toranomon Building
Address: 1-7-14 Nishi-Shinbashi, Minato-ku, Tokyo
Two minutes on foot from the Tokyo Metro Ginza Line Toranomon Station
Structure: B1/13F
Total floor space: 7,834 m²



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 m²



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 m²



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 m²

Datacenter Buildings



9 Keihanshin OBP Building
Address: Chuo-ku, Osaka-shi, Osaka
Structure: B1/16F
Total floor space: 42,671 m²



10 Keihanshin Nishishinsaibashi Building
Address: Nishi-ku, Osaka-shi, Osaka
Structure: B1/10F
Total floor space: 18,066 m²



11 Keihanshin Kitahorie Building
Address: Nishi-ku, Osaka-shi, Osaka
Structure: B1/7F
Total floor space: 14,456 m²



12 Keihanshin Shinmachi 1 Building
Address: Nishi-ku, Osaka-shi, Osaka
Structure: B1/9F
Total floor space: 16,164 m²



13 Keihanshin Shinmachi 2 Building
Address: Nishi-ku, Osaka-shi, Osaka
Structure: B1/7F
Total floor space: 14,646 m²



14 Keihanshin Shin-Esaka Building
Address: Suita-shi, Osaka
Structure: B1/7F
Total floor space: 11,762 m²



15 Keihanshin Toyosaki Building
Address: Kita-ku, Osaka-shi, Osaka
Structure: 6F
Total floor space: 3,365 m²



16 Keihanshin Nakatsu Building
Address: Kita-ku, Osaka-shi, Osaka
Structure: 8F
Total floor space: 4,010 m²

WINS Buildings



17 WINS Umeda A Building
Address: 2-1-16 Shibata, Kita-ku, Osaka-shi, Osaka
Total floor space: 5,037 m²



18 WINS Umeda B Building
Address: 2-2-33 Shibata, Kita-ku, Osaka-shi, Osaka
Total floor space: 8,425 m²



19 WINS Kobe B and C Building
Address: 3-7-1 Motomachidori, Chuo-ku, Kobe-shi, Hyogo
Total floor space: 4,720 m²



20 WINS Kyoto Building
Address: 1 Komatsucho, Shijosagaru-yonchome, Yamato-ojidori, Higashiyama-ku, Kyoto-shi, Kyoto
Total floor space: 2,517 m²



21 WINS Namba
(in Namba Parks)
Address: 2-10-70 Nambanaka, Naniwa-ku, Osaka-shi, Osaka
Total floor space: 20,531 m²
(A joint enterprise with the Nankai Electric Railway)

Commercial Buildings, Logistics Warehouses, and Other Properties



22 Nagano Shopping Facility
Address: 3-22-1 Wakasato, Nagano-shi, Nagano
Total floor space: 42,741 m²



23 Shijo-Kawaramachi Building
Address: 354 Shimo-osakacho, Kawaramachi-dori Shijoagaru, Nakagyo-ku, Kyoto-shi, Kyoto
Total floor space: 4,961 m²



24 Fujisawa Shopping Facility
Address: 610-1 Fujisawa, Fujisawa-shi, Kanagawa
Total floor space: 7,739 m²



25 Asakusa Ekimae Building
Address: 1-1-2 Asakusa, Taito-ku, Tokyo
Total floor space: 1,788 m²



26 Hirakata Warehouse
Address: 2-9-12 Kasuga-kitamachi, Hirakata-shi, Osaka
Total floor space: 11,212 m²

27 Kawagoe Distribution Center
Address: 1-10-12 Minamidai, Kawagoe-shi, Saitama
Total floor space: 11,446 m²



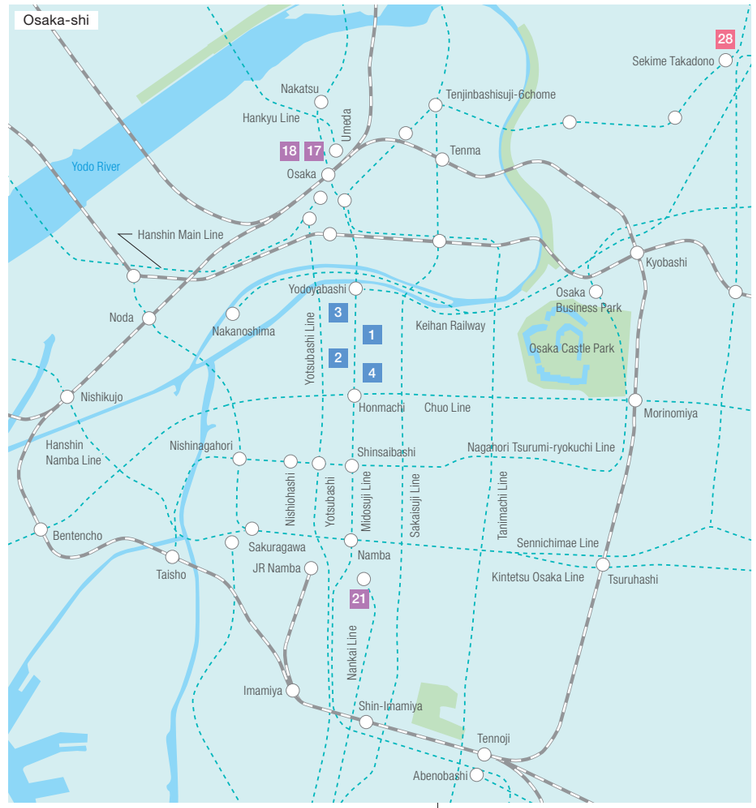
28 Sekime Takadono Residence
Address: 4-22 Takadono, Asahi-ku, Osaka-shi, Osaka
Total floor space: 3,505 m²

Rentable floor space (As of March 31, 2024)

Kansai area	
Office Buildings	31,323m²
Datacenter Buildings	83,549m²
WINS Buildings	31,127m²
Commercial Buildings, Logistics Warehouses, and Other Properties	18,284m²
Subtotal	**164,284m²**

Tokyo metropolitan area	
Office Buildings	49,647m²
Commercial Buildings, Logistics Warehouses, and Other Properties	20,613m²
Subtotal	**70,261m²**

Other	
Commercial Buildings, Logistics Warehouses, and Other Properties	34,381m²
Subtotal	**34,381m²**



New Businesses

The Company thus far has specialized in the real estate leasing business and focused its investments in office buildings, datacenter buildings, commercial buildings, and logistics warehouses in Japan based on long-term ownership. This has led to the solidness of the Company's financial base and efficient business operations by a small number of people, but in the current business environment surrounding the Company, following this strategy alone will hardly bring growth to meet the expectations of shareholders and investors.

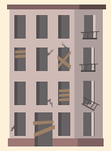
Under these circumstances, with an aim to improve capital efficiency, we will work to widen the variety of types, regions, ownership periods, and forms of ownership of our assets. This will include pursuing the revolving-type investment business that resell properties in a relatively short period of time to generate capital gains, making equity investments through alliances with other companies, and investing in real estate in the United States, as well as investing in properties such as healthcare facilities and employee dormitories.

New business 1 Revolving-type Investment Business

In the revolving-type investment business, the Company plans first to accumulate assets in Phase I , and to recover investments through selling assets and launch the asset management (AM) business in Phase II in the Long-Term Business Plan. As typical projects to enhance the value of an existing property require at least one to three years, and typical development projects starting with land acquisition require three to five years, project plans need to be based on these periods. At present, preparations for the launch of the revolving-type investment business are being carried out mainly by a project team for the revolving-type investment business organized across departments.

Going forward, the Company will increase the dedicated project staff and accelerate preparations for the launch of the AM business, while building up the stock of assets for resale, in order to accelerate the launch of the revolving-type investment business.

Acquire properties with a decreased value → **Enhance the value** → **Sale**



- Implement renewal construction work
- Reduce management costs
- Change tenants
- Make arrangements of rights, etc.



Risks and opportunities

Risks
- Purchase of overpriced properties
- Prolonged investment recovery period due to delay in value-enhancing upgrades, leasing, etc.
- Property inventories swelling due to real estate market changes, etc.
- Delay in the launch of the AM business due to strengthened financial regulations, shortage of human resources etc.

Opportunities
- Capital gain on sale of properties
- Acquisition of AM fees

New business 2 Equity Investments

The Company has thus far invested in physical real estate based on a sole ownership, but due to the soaring real estate market, making new investments using our conventional investment style is getting increasingly difficult. Thus, to diversify our investment methods and promote investment for growth, we have listed in our Long-Term Business Plan “Equity Investments” as one of our new businesses.

Forming alliances with reliable companies to jointly invest in SPCs and other entities owning real estate has allowed us to invest in projects that would have been too large in scale for us to undertake alone, as well as in assets in which we had relatively little know-how. Using this method, we invested in an office building in central Tokyo in October 2023, and in a healthcare facility in Hyogo in March 2024. Both properties not only can bring rental income, but also will be suitable for redevelopment or sale when we need an exit strategy. In equity investments, we used more than half of the amount budgeted for Phase I within the first year. We will continue to make investments when we find promising projects regardless of the investment plan.



Healthcare facility in Hyogo

Risks and opportunities

Risks
- Unsuccessful operation of the investment target may result in a loss
- In the case of joint investment, flexible operation as in the case of a sole ownership is difficult

Opportunities
- The company can invest in projects that would be difficult for it to undertake alone
- Risks can be diversified through joint investments with other companies



New business 3 Overseas Investments

The Company thus far has developed its business only in Japan, but there are concerns that the Japanese real estate market will shrink in the future due to the declining birthrate and aging of population as well as declining population. In view of this, the Company’s Long-Term Business Plan states that it will invest overseas as a medium-to long-term growth strategy.

After internally studying various countries, regions, and forms of investment, we selected the United States as the first destination of our overseas investment, where economic growth is expected to continue and legal transparency in the real estate market is ensured. We invested in a U.S. real estate fund in October 2023. The amount of investment is just a little over 100 million yen, but through this fund, we are acquiring local information and know-how for launching our overseas business.

As a next step, we established a U.S. subsidiary in May, and made an equity investment in a multifamily residence development project in Miami, Florida in August, utilizing the knowledge and know-how we acquired.



Rendition of a property



Rendition of a lobby



Reasons for choosing the United States as an investment destination

- The political environment is relatively stable
- Steady population growth and economic growth are expected
- Because the real estate market is highly liquid and has many players, it is easy to formulate an exit strategy
- The market is mature and the investment risk is lower than in emerging countries

Risks and opportunities

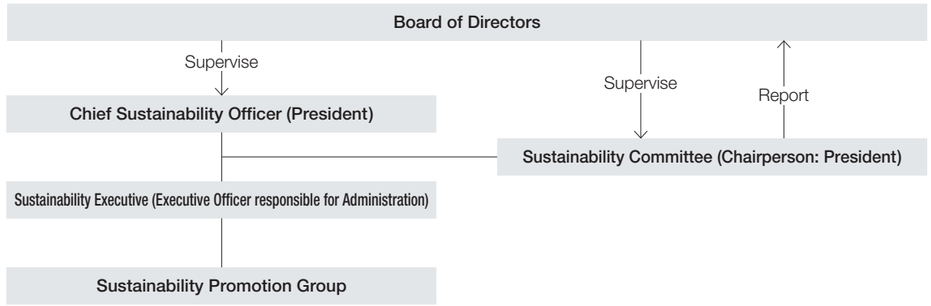
Risks
- Cost increase due to inflation and steadily high interest rates
- Changes in asset demand due to factors such as the real estate market conditions and interest rates
- Changes in the flow of people leading to wider disparities among areas
- Foreign exchange risk

Opportunities
- Flexible investment in growth assets taking into account of changes in the real estate market, etc.
- Increase in property value due to preference for the investment area

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 companywide basis in cooperation with each department.

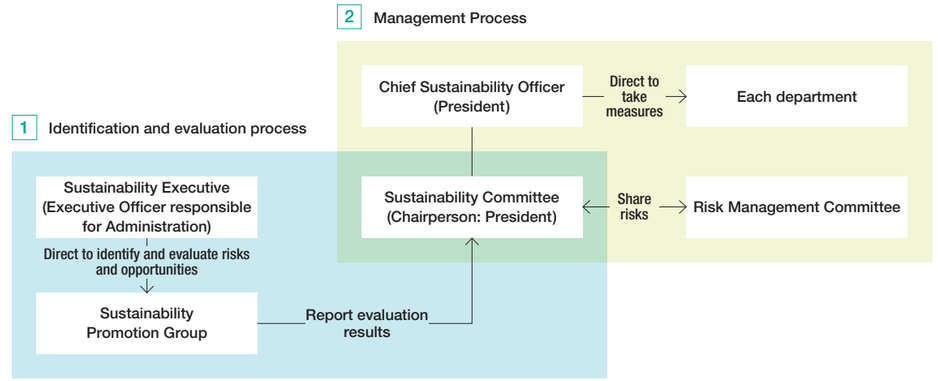
1. Considering policies for addressing sustainability
2. Identifying, evaluating, and managing risks and opportunities related to sustainability
3. Managing the status of initiatives to reduce risks and expand opportunities related to sustainability
4. Setting metrics and targets to manage progress on 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, 2024 Main agenda items of the Board of Directors related to sustainability initiatives

Month in which the meeting was held	Description
April 2023	● Resolved on the formulation of policies concerning sustainability ● Reported on the activities of the Sustainability Committee
June 2023	● Reported on the progress of preparation of the TCFD Report
July 2023	● Reported on actions related to the TCFD Report ● Resolved on the formulation of the Human Rights Policy
November 2023	● Reported on a governance survey
December 2023	● Periodic verification of the Corporate Governance Guidelines ● Resolved on change in the Corporate Governance Report ● Reported on the activities of the Sustainability Committee
February 2024	● Discussed the results of the survey for the evaluation of the effectiveness of the Board of Directors
March 2024	● Reported on the activities of the Sustainability Committee

Risk Management



1 Process for identifying and evaluating risks and opportunities

STEP 1

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.

STEP 2

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.

STEP 3

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

STEP 1

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.

STEP 2

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.

STEP 3

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.

Indicators and Targets for Initiatives Linked to Materiality

To increase the Company's corporate value over the medium- to long-term toward the 100th anniversary of its foundation, we believe flexible approaches to respond to the rapid changes in the external environment and to achieve sustainable growth are necessary. Based on this idea, the Company reviewed its materiality and KPIs in fiscal 2024. At present, there have been no changes in our materiality. The KPIs are set in line with the business environment and our business plans.

Going forward, the materiality and KPIs will be reviewed annually to respond to changes in the business environment, and the results of each review will be subject to approval by the Board of Directors.

ESG	Key issues (Materiality)	Initiatives	KPIs	Indicators	Targets	Results (FYE March 2024)
E Environmental	Strengthening of resilience to climate change	Reduce GHG emissions, water usage, and the volume of waste	★	GHG emissions	Reduce GHG emissions (Scope 1 and 2) by 46% by FYE March 2031 (compared to the FYE March 2020)	Reduced by 2% (compared to the FYE March 2020)
					Achieve net-zero emissions by FYE March 2051	
		Use renewable energy	★	Ratio of electricity derived from renewable energy sources	Achieve 100% by FYE March 2051	35.6%
		Promote energy conservation	★	Energy consumption intensity	Reduce by 10% by FYE March 2031 (compared to the FYE March 2020)	Reduced by 13% (compared to the FYE March 2020)
		Promote the acquisition of green building certifications	★	Ratio of properties with green building certifications	Acquire certifications for 50% or more of the total floor space of all properties by FYE March 2031	43.1%
	Sustainable use of resources by measures to reduce the burden on the environment	Develop and operate environmentally friendly buildings	—	Water usage intensity	Year-on-year reduction	0.53 m^3/m^2 (+0.01 point)
			—	Waste emissions intensity	Year-on-year reduction	2.0 kg/m^2 (-0.1 point)
S Social	Provision of safe, secure, and comfortable space	Carry out preventive maintenance works to prevent problems in buildings and facilities	★	Number of incidents related to buildings and facilities	Zero serious incidents*1	No incidents
		Provide properties and services with high customer satisfaction	—	Number of customer satisfaction surveys	At least once a year	Conducted
	Promotion of the business keeping abreast of the changing environment and times	Diversify regional portfolio	—	Composition ratio of sales by area	Increase the ratio of sales outside the Kansai area to 30% or more by FYE March 2033	15.8%
		Launch new businesses				
	Co-existence and coprosperity with local communities	Improve relationships with local communities; Engage in contribution activities for local communities	—	Number of social contribution activities	At least 10 times a year	Conducted social contribution activities at least 10 times a year
	Collaboration with partner companies while being aware of ESG issues	Collaborate with partner companies on environmental and social issues	—	Number of regular meetings with business partners	At least four times a year	Held regular meetings at least four times a year
		Promote respect for human rights and safety and health at partner companies	—	Number of surveys on human rights	At least once a year	Conducted
	Conducting constructive dialogue with investors and shareholders in line with sustainable management	Promote fair, timely, and appropriate information disclosure and constructive dialogue	—	Number of briefing sessions for shareholders/ investors	At least four times a year	Held seven briefings (two briefings for analysts and five briefings for individual investors)
	Respect of human rights, diversity and inclusion	Diversify human resources	★	Male-to-female ratio among new recruits (Five-year average)	50% (five-year average)	62.5%
			—	Ratio of female managers	Achieve 10% or more by FYE March 2031	8.3%
					Achieve 30% or more by FYE March 2041	
			—	Number of workshops on human rights	At least once a year	Conducted
	Improvement of human capital	Develop a work environment with a good work-life balance	★	Paid leave utilization rate	70% or more	82.1%
		Improve business efficiency and productivity (Promote digital transformation)	—	Average monthly working hours per person	Year-on-year reduction	155 hours/month (±0 hours)
		Promote human resources development	★	Investment amounts associated with human resources development (per person)	100 thousand yen per person	118.5 thousand yen
		Promote health and productivity management	★	Health checkup uptake rate	Maintain 100%	Recognized as a Certified Health & Productivity Management Outstanding Organization with a 100% health checkup uptake rate
G Governance	Improvement of the effectiveness of the Board of Directors	Ensure the diversity of the Board of Directors	★	Number of female Directors	At least one female Director	One female Director
			—	Ratio of female officers	Achieve 30% or more by FYE March 2031*2	10% (one out of 10)
		Maintaining the ratio of Outside Directors constituting a majority of the Nomination and Remuneration Committee	★	Ratio of Outside Directors (Board)	Maintain above 50%	57% (four out of seven)
			★	Ratio of Outside Directors (Nomination and Remuneration Committee)	Maintain above 50%	67% (four out of six)
		Provide training, etc. to Directors	—	Number of training sessions for Directors	At least once a year	Conducted
	Financial strategy to adapt to a changing business environment	Maintain a solid financial base	—	Credit rating (R&I credit rating)	Maintain "A -" or higher	Credit rating of A– (R&I credit rating)
			★	Equity ratio	Maintain 30% or more	44.9%
		Achieve low-cost financing based on creditworthiness	★	Net interest-bearing debt/EBITDA ratio	Maintain a level of 10 times or so	7.4 times
	Strengthening of organizational resilience	Conduct BCP drills	—	Number of BCP drills	At least once a year	Conducted
		Formulate measures for each risk and implement progress management by the Risk Management Committee	★	Number of information security incidents	Zero incidents	Zero incidents
	Implementation of compliance that supports sustainable management	Provide compliance education and training to all employees	—	Number of compliance education and training sessions provided to all employees	At least once a year	Conducted
		Assess and investigate the implementation status of compliance measures by the Compliance Committee	★	Number of serious compliance violations	No violations	No violations

*1 A serious incident refers to a situation in which the operation of a tenant is suspended due to a malfunction of the building or facility.
*2 Ratio of women among the Board of Directors and Auditors.

Initiatives for the Environment

Addressing 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.

Initiatives	KPIs and Targets, Results	
Reduce GHG emissions ● Use electricity derived from renewable energy sources	**KPIs/Targets** ● Reduce GHG emissions (Scope 1 and 2) by **46%** by FYE March 2031 (compared to the FYE March 2020) ● Achieve net-zero emissions by FYE March 2051	**Result for FYE March 2024** ● Reduced by **2%** (compared to the FYE March 2020) (GHG emissions, P.44)
Utilize renewable energy ● Use solar power generation	**KPIs/Targets** ● Achieve **100%** by FYE March 2051	**Result for FYE March 2024** ● **35.6%** (Ratio of electricity derived from renewable energy sources, P.44)
Promote energy conservation ● Shift to LED lightings ● Repair air conditioning heat source equipment	**KPIs/Targets** ● Reduce by **10%** by FYE March 2031 (compared to the FYE March 2020)	**Result for FYE March 2024** ● Reduced by **13%** (compared to the FYE March 2020) (Energy consumption intensity, P.44)
Promote the acquisition of green building certifications	**KPIs/Targets** ● Acquire certifications for **50%** or more of the total floor space of all properties by FYE March 2031	**Result for FYE March 2024** ● **43.1%** (Ratio of properties with green building certifications, P.44)

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.

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

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

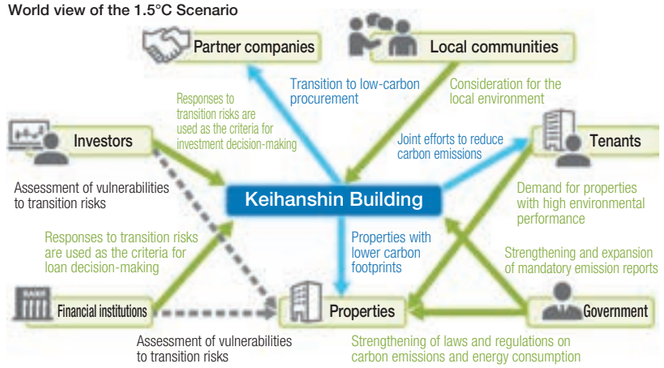
● Progress is made in addressing climate change due to stricter government environmental regulations.

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.

World view of the 1.5°C Scenario



Solid line: Direct impact **Dotted line:** Indirect impact

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. We have introduced LED lightings mainly at office buildings, while progressively upgrading power substations and shifting to energy-saving air-conditioning facilities at datacenter buildings.

We plan to invest a total of approximately 1.6 billion yen in shifting to energy-saving equipment for properties owned as of FYE March 2024, 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.

4 °C Scenario

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

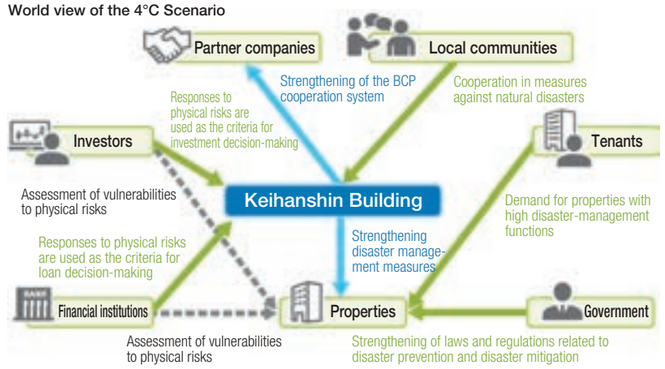
Scenario overview

● 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.

World view of the 4°C Scenario



Solid line: Direct impact **Dotted line:** Indirect impact

Examples of initiatives

Investment in countermeasures against wind and flooding damage

For mitigating damage and costs in response to intensified wind and flooding assumed in the 4°C Scenario, we have been taking measures to reduce the risk of inundation in our owned properties. These include, based on the idea of preventive maintenance, relocating extra high-voltage power substations to upper floors, which receive power from outside and supply it to the inside of the buildings, and roof waterproofing, in addition to installing flood-control panels.

We plan to invest a total of approximately 2.7billion yen in countermeasures against wind and flooding damage for properties owned as of FYE March 2024, 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 reduction

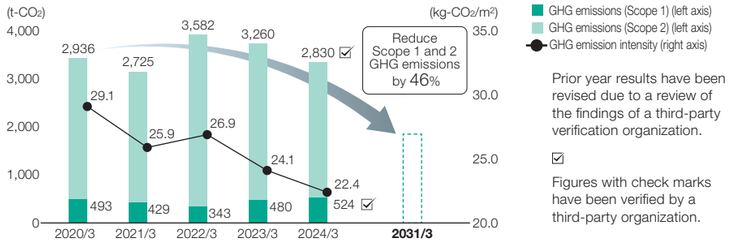
KPI **Reduce GHG emissions (Scope 1 and 2) by 46% by FYE March 2031 (compared to the FYE March 2020)**
Achieve net-zero emissions by FYE March 2051

In the fiscal year ended March 31, 2024, Scope 3 GHG emissions accounted for about 96% of the Company's total supply chain GHG emissions. Of Scope 3 GHG emissions, approximately 88% are GHG emitted by the business activities of tenants (customers) of our leasing properties (Category 13), and approximately 85% 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).

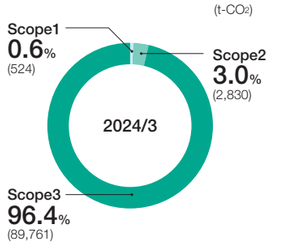
Actual GHG emissions and GHG emission intensity



Prior year results have been revised due to a review of the findings of a third-party verification organization.

☑ Figures with check marks have been verified by a third-party organization.

Ratio of Scope1, 2, and 3 for FYE Mar. 31, 2023



Ratio of electricity derived from renewable energy sources

KPI **Achieve a ratio of electricity derived from renewable energy sources of 100% in Scope 2 by FYE March 2051**

Items	2020/3	2021/3	2022/3	2023/3	2024/3
Electricity usage (MWh)	8,634	8,331	10,007	10,273	10,129
Usage of electricity from renewable energy sources (MWh)	0	0	0	0	3,604
Ratio of electricity from renewable energy sources (%)	**0**	**0**	**0**	**0**	**35.6**

Applies only to electricity consumption for Scope 2.

Energy consumption intensity

KPI **Reduce per-unit energy consumption by 10% (compared to FY2020/3) by FY2031/3 through energy-saving efforts.**

Items	2020/3	2021/3	2022/3	2023/3	2024/3
Energy consumption (MWh)	10,784	10,105	11,513	12,605	11,933
Number of target facilities	10	11	12	12	12
Total floor space (m²)	117,858	121,647	146,191	154,977	149,814
Energy consumption intensity (kWh/m²)	**91.50**	**83.06**	**78.75**	**77.85**	**79.65**

Figures are totals for Scope1 and 2, and do not include properties being leased as a whole building to a single tenant. Total target floor area is calculated based on the occupancy rate.

Ratio of properties with green building certifications

KPI **Raise the ratio of the area of properties with the Green Building Certification to 50% or more by FY2030**

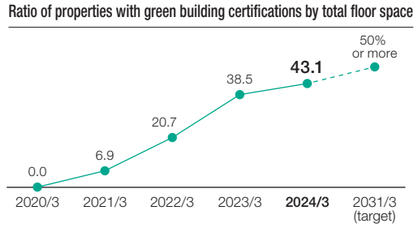
CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

- Midosuji Building: Rank S
- Yodoyabashi Building: Rank S
- Onarimon Building: Rank S
- Fujisawa Shopping Facility: Rank S
- WINS Umeda B Building: Rank S
- Fuchu Building: Rank S
- Toranomon Building: Rankk S
- Yoyogi-koen Building: Rank S

BELS

- OBP Building: Two stars

Ratio of properties with green building certifications by total floor space



Of net sales of 19.3 billion yen for the fiscal year ended March 31, 2024, net sales from seven properties with green building certifications are 7.0 billion yen, accounting for approximately 36% of total net sales.

Initiatives to Reduce Water Usage and the Volume of Waste

The Company believes that the appropriate utilization of limited resources is essential for its sustainable growth, as it leads to protection of the environment and local communities as well as contributes to the realization of a recycling-oriented society. Based on this recognition, the Company has formulated policies to reduce its water usage and the volume of waste, and has been working to save water and reduce waste.

Initiatives	Targets and results	
Reduce water usage ● Upgrade to water-saving toilets	**Targets** ● Reduce water consumption intensity from the previous fiscal year	**Result for FYE March 2024** ● **0.53 (m^3/m^2)** (Water use intensity, P.44)
Reduce the volume of waste	**Targets** ● Reduce waste generation intensity from the previous fiscal year	**Result for FYE March 2024** ● **2.0 (kg/m^2)** (Waste emissions intensity, P.44)

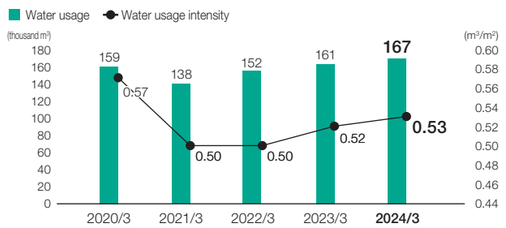
Initiatives to reduce water usage and conserve water resources

Initiatives	Description
Introducing water-saving equipment	We have been working to reduce water usage as well as improve comfort by updating equipment in water-related areas, such as toilets, in our properties one after another.  Water-saving toilet at Keihanshin Kawaramachi Building
Rainwater infiltration and groundwater preservation	To protect groundwater by preventing large amounts of rainwater from flowing into rivers and the ocean at the same time, we use techniques to infiltrate rainwater into the ground, such as permeable pavement in building exteriors, sidewalks, parking lots and other areas.

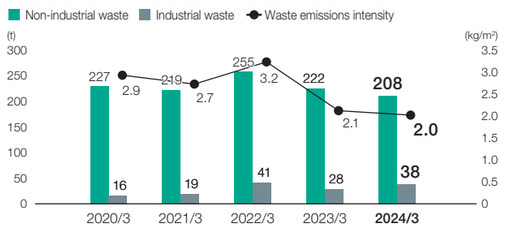
Initiatives to reduce the volume of waste

Initiatives	Description
Prolonging the lives of buildings and improving durability	The Company strives to prolong the service life of buildings by adopting long-life, high-durability materials and appropriately managing and repairing buildings based on the idea of "preventive maintenance," in an effort to conserve limited resources and reduce the volume of waste. By making improvements in the interior, facilities, the building structure, and other parts, we enable buildings that have been in service for many years, such as the Kawaramachi Building that houses the Company's Head Office, to offer greater convenience and comfort. This has led tenants to use them for many years.
Working with customers to reduce and recycle waste	In cooperation with our cleaning partner companies, we have been asking customers to work with us for the separation and recycling of waste. We have placed waste sorting boxes on tenant floors with the cooperation of customers, and work together with them to reduce and recycle waste.
Reducing paper consumption at our offices	The Company has been working to reduce the amount of paper used in the its offices by digitalizing operations and adopting paperless work processes.
Appropriate management of hazardous waste	For asbestos, PCB, CFCs and other hazardous wastes, we conduct surveys and dispose of them appropriately in accordance with relevant laws and regulations.

Trends in water usage and water usage intensity



Waste emissions and waste emissions intensity



Funds procurement for sustainable management

As a framework for procuring funds for pursuing sustainable management, the Company has formulated the Sustainability-Linked Financing Framework (the "Framework"). Through procurement of funds under the Framework, we will strengthen relationships with financial institutions and investors, while working to continuously enhance the Company's corporate value and resolve social issues. In November 2023, the Company issued the 14th unsecured corporate bond (Sustainability-Linked Bonds,seven years, 5.0 billion yen) under the Framework.

Initiatives for Stakeholders

Respect for human rights

The Company formulated its Human Rights Policy in August 2023 in conducting corporate activities with respect for the dignity and basic human rights of employees as well as all the people who are related to its business.

In fiscal 2023, we identified potential negative impact on human rights that may arise associated with the Company's business operations and conducted internal programs for human rights education. Going forward, we will work to prevent negative impact on human rights through business activities and respect for human rights of stakeholders through dialogue with stakeholders including employees, partner companies, and local communities, and proposing improvement measures.

Initiatives to prevent and mitigate impacts on human rights

☑ Conducted

STEP 1 **Formulating commitments and developing a structure**	☑ Formulate and disclose a Human Rights Policy ☑ Establish consultation contact points for employees ☑ Conduct human rights education programs
STEP 2 **Identifying and evaluating negative impact on human rights**	☑ Conduct questionnaire surveys within the Company and partner companies ▶ Identify human rights risks in business and human rights risks that may arise within the Company or at business partners ☑ Evaluate risks in terms of severity and likelihood, and identify particularly significant human rights risks
STEP 3 **Response to negative impact on human rights**	☐ Implement measures to prevent and mitigate human rights risks that should be given a higher priority for response (Conduct human rights education programs, dialogues on improvement measures etc.)
STEP 4 **Regular implementation of monitoring and STEPs 2 to 4**	☐ Evaluate human rights risks and responses through carrying out human rights due diligence ☐ Report to the Board of Directors on the results of due diligence and the number of consultations regarding human rights, etc.

Identifying and responding to human rights risks

We have identified human rights risks that may arise associated with our business operations, and have mapped the identified human rights risks in terms of severity and likelihood. We will manage the following items in particular as human rights risks that should be given priority for response action in working to prevent and mitigate business risks.

Priority matters	Status of response
Discrimination and harassment	We work to raise awareness of discrimination and harassment through the activities of the Compliance Committee, disseminating information by holding study meetings and other means.
Work environment	We work to create a safe and comfortable work environment for our employees. For partner companies, we conduct a questionnaire every year to understand their working conditions and working environments.
Access to remedy	The Company has established consultation contact points for employees. Now considerations are underway to establish and operate consultation contact points for partner companies.
Rights of local residents in development, operation and management	We collect information about the neighborhoods of owned properties in to prevent problems beforehand, by attending meetings in the local communities and holding regular meetings with partner companies. In addition, we strive to build better relationships with local residents through community contribution activities.
Protection of human rights in the supply chain	The Company informs its partner companies of its Procurement Policy, and conducts a questionnaire survey every year about what risks are present including human rights risks as well as their current responses.

Workshops on human rights	Target: **Once a year**	Result in FYE March 2024: **Once**

Remedial measures

We will implement remedial measures through appropriate means in the event that our corporate activities are found to have caused or contributed to negative impacts on human rights. Even in situations where we have not directly caused or contributed to negative impacts on human rights, but where our business partners or other stakeholders are directly involved in such negative impacts through their businesses or other factors, we will strive to improve the situation by engaging in discussions with the business partners in question.

Promotion of sustainable procurement

To promote ESG-friendly initiatives across the Group's value chain, the Company has established "Sustainable Procurement Policy" as selection standards for the productions and services procured by the Company, selection and evaluation standards for partner companies (suppliers), and guidelines for the operation of these standards.

In selecting partner companies, we position the initiatives related to the following sustainability issues as a selection and evaluation standard, in addition to other standards such as quality, price, credibility, and service.

1 **Resource and energy saving**	10 **Response to climate change**
2 **Reduction of environmental pollutants, etc.**	11 **Adoption of environmental management systems**
3 **Conservation of biodiversity and ecosystems**	12 **Promotion of sustainable procurement by business partners**
4 **Long-term usability**	13 **Appropriate working environment, and health and safety**
5 **Reusability and recyclability**	14 **Respect for human rights and diversity**
6 **Use of recycled materials, etc., and acquisition of environmental labels**	15 **Corporate ethics**
7 **Ease of processing and disposal**	16 **Community engagement**
8 **Reduction of total procurement volume**	17 **Building a disaster risk management system**
9 **Promotion of decarbonization**	

The Company will identify sustainability risks, including human rights risks, through publicly available information, questionnaire surveys and other sources, and strive to prevent and mitigate business risks through dialogue and support for improvement across the whole of the value chain.

Process

☑ Conducted

STEP 1	☑ **Giving information on the Company's Sustainable Procurement Policy to partner companies (suppliers/contractors)**
STEP 2	☑ **Conducting questionnaire surveys with partner companies (suppliers/contractors) (identification of risks)**
STEP 3	☑ **Conducting interviews on responses and improvement measures for the identified risks**
STEP 4	☐ **Conducting regular questionnaire surveys and further identifying potential risks and status of improvement**

Results for fiscal 2023

We conducted a questionnaire survey with a total of nine companies, which include five building maintenance service contractors, three construction companies, and one electric power company. As some of them were found to have issues related to supply chain management and human rights education, we conducted interviews regarding improvement measures. No fatal risks were identified.

Target: **Conducting surveys on human rights**

Initiatives for Stakeholders

Initiatives for Tenants (Customers)

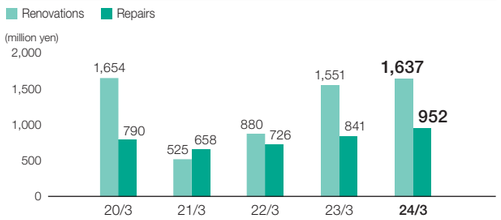
The Company aims to provide safe and comfortable commercial spaces that meet the needs of the times to support our customers' businesses and achieve mutual growth.

Initiatives	KPIs / Targets and results	
Provide properties and services with high customer satisfaction ● Customer satisfaction surveys	**Targets** ● Conduct a customer satisfaction survey at least once a year	**Result for FYE March 2024** ● Conducted a customer satisfaction survey (Number of customer satisfaction surveys, P.44)
Provision of safe, secure, and comfortable space ● Preventive maintenance works	**KPIs/Targets** ● Zero serious incidents	**Result for FYE March 2024** ● Zero incidents (Number of incidents related to buildings and facilities, P.44)

Provide safe, secure, and comfortable spaces

In order to provide safety, security 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) based on our own standards for each facility and replaces the facility before it breaks down or malfunctions.

Investments in renovations and repairs



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

Improvement of tenant (customer) satisfaction

By understanding direct feedback from our tenants (customers), their needs and levels of satisfaction, finding issues and areas for improvement, and responding to them promptly, we will work to provide safer and more comfortable commercial spaces. In the future, we are considering quantifying tenant (customer) satisfaction to introduce quantitatively evaluation.

Initiatives for Partner Companies

The cooperation of partner companies and their staff in charge of the management and operation of buildings is essential to achieving our corporate philosophy of providing valuable commercial space. Based on this belief, the Company strives to build fair and good relationships with them.

Initiatives	Targets and results	
Smooth business operations through collaboration with partner companies ● The Partner Company Award program	**Targets** ● Hold at least four regular meetings a year	**Result for FYE March 2024** ● Held at least four regular meetings a year (Number of regular meetings with business partners, P.44)
Promotion of respect for human rights and safety and health at partner companies	**Targets** ● Conduct a survey on human rights at least once a year	**Result for FYE March 2024** ● Conducted a survey on human rights (Number of surveys on human rights, P.44)

Establishment of good relations

To build good relationships with our partner companies, we need to understand the work undertaken by the staff of partner companies on the front lines at each site and what they feel about their work. Based on this belief, we conducted interviews with the staff of partner companies and introduced them in our internal newsletter.

We also established the Partner Company Award program in 2015 to commend the staff members of partner companies who manage our properties.



Regular meetings

For smooth business operations, we have established rules to hold Building Management Council meetings for sharing information with facility management companies, and Construction Safety Council meetings for sharing information with construction companies and facility work companies as regular meetings. By coordinating closely with partner companies engaged in the management and operation of buildings, we reduce the risk of instability in business operations due to lack of cooperation, as well as achieving our management philosophy, "to provide valuable commercial space."

Main agendas of Building Management Council meetings and Construction Safety Council meetings in fiscal 2023

Building Management Council	Construction Safety Council
Briefing on evacuation drills	Explanation of renovation and repair work plans and processes
Training system and examples of training for facility management and cleaning operations	Reports on complaints, accidents and troubles in the buildings
Building inspections during the rainy season and response to forecasts of approaching typhoons and heavy rain	Response to the rainy season and typhoons (BCP measures)
Sustainable Procurement Policy	Measures to ensure safety in fire equipment inspections
Improving the standard of management of buildings	Response to the strengthening of overtime restrictions for constructors
Lecture on labor accidents	Securing of materials, equipment and workers, etc., and delivery date

Fair and appropriate business transactions

The Company takes an equal and fair stance for its business transactions with partner companies. Our Audit Department regularly conducts audits to verify whether transactions are performed in compliance with laws, regulations, and designated in-house processes, and we pay proper and appropriate compensation for the work of partner companies.

Initiatives for Stakeholders

Initiatives for 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.

Initiatives	Targets and results	
Improve relations with local communities; Implement contribution activities to local communities ● Vitalization of Local Communities ● Litter clean-up activity	**Targets** ● implement at least **10** contribution activities per year	**Result for FYE March 2024** ● Conducted social contribution activities at least **10** times a year (Number of social contribution activities, P.44)

Improvement of relations with local communities

As an initiative to improve relations with local communities, the Company participates in the association, Central Midosuji 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.

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 gingko trees and decorative flowers along Midosuji Road	Osaka City

Initiatives for 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.

Initiatives	Targets and results	
Promote fair, timely, and appropriate information disclosure and constructive dialogue	**Targets** ● Hold at least four briefing sessions for shareholders/investors a year	**Result for FYE March 2024** ● Held seven briefing sessions (two for analysts and five for individual investors) (Number of briefing sessions for shareholders/investors, P.44)

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. We will 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.

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	
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 P.72.
(Policy on constructive dialogue with shareholders and investors)

MESSAGE

Comment from General Manager of Personnel & General Affairs Department



Yoshikatsu Okada

Executive Officer and General Manager of Personnel & General Affairs Department

In February 2023, we established our policies on human resources development and workplace environment development. Based on the belief that "the growth of a company is nothing other than the sum of the growth of its individual employees," these declare that we will actively work to acquire diverse human resources and develop each employee according to his/her individuality, personality, and values, and develop a workplace environment where all employees can play an active role according to their abilities.

As actions toward achieving these, to secure diverse human resources, we continue to recruit new graduates while hiring also experienced individuals and proactively making effective use of senior individuals. To improve employees' skills, we established an organized training system in March 2023 to utilize trainings at business schools and trainings abroad as part of job- and rank-specific training for employees. We have also significantly enhanced our qualification support system to provide employees with opportunities for self-improvement. Through these efforts, we would like to achieve sustainable corporate management by providing valuable commercial space that meet the diversifying needs of the times with each and every employee growing through inventiveness and challenges. As investment amounts associated with human resources development, we have set a target investment of 100,000 yen a year per employee, and we plan to invest a total of 3 billion yen during the period of the Long-Term Business Plan in areas such as the improvement of the workplace environment and personnel training.

As promoting women's empowerment is essential to sustainable corporate growth, we aim to increase the proportion of women in our new graduate hires to a five year average of 50% as a KPI. In addition, appointments to managerial positions are made fairly regardless of gender based on merit, and we have a target ratio of 30% or more of women in managerial positions to be achieved by FYE March 2041. To ensure that all employees can continue to work with peace of mind, we have been introducing and developing systems to allow a variety of working styles, including flextime systems and working at home, with considerations for work-life balance and employees' requests.

The Company is committed to improving its human capital based on the belief that the company growth is nothing other than the sum of each employee's growth. We have defined the ideal types of human resources we seek based on our corporate philosophy, and are pursuing a human resources strategy linked to our Long-Term Business Plan.

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.**

Ideal types of human resources Keihanshin Building seeks

A person trusted by others	● A person with a sense of responsibility able to build a relationship of trust with stakeholders from a long-term perspective; a person who has strong business execution capabilities	To develop/ recruit such human resources: • Develop employees' business execution capabilities, expertise, and communication skills through daily work and projects • Cultivate employees' sense of ownership and mindset of participation in management through participation in various projects and an employee stock ownership plan
A person capable to seek innovation and efficiency	● A person capable of bringing about changes in business models and business operations in response to changes in the business environment ● A person who can act with motivation to grow and take on challenges	To develop/ recruit such human resources: • Secure human resources who will lead new businesses and efficiency improvement by supporting employees' independent career development and hiring experienced personnel • Foster an atmosphere that encourages employees to take on challenges by holding training programs and inviting applications for various projects
A person with a high level of expertise	● A person with specialized skills related to his/her duties and real estate who can increase the Company's corporate value	To develop/ recruit such human resources: • Hire expert human resources • Develop expertise through job- and rank-specific training programs and the qualification support system

Human capital management model

Definition of the ideal types of human resources the Company seeks based on the corporate philosophy

A person trusted by others / A person capable to seek innovation and efficiency / A person with a high level of expertise

Allocation of human resources in line with the corporate philosophy and Business Strategy

❶ Promote human resources development
Fostering "persons trusted by others" and "persons with a high level of expertise"

❷ Address initiatives for diversification of human resources
Response to diversified needs

❸ Create systems to improve business efficiency and productivity
Out-of-the-box endeavors ("a person capable to seek innovation and efficiency")

❹ Create a pleasant work environment
Creating an environment that helps employees achieve their potential

Establishing an organization where diverse human resources achieve their potential

❺ Enhancement of employee engagement
Fostering a corporate atmosphere that encourages employees to take on challenges; building a relationship of trust between the Company and employees ("a person trusted by others")

Achievement of the "corporate vision in 10 years' time" in the Long-Term Business Plan
A company that will continue to contribute to a sustainable society by providing valuable commercial space that meet the needs of the times, with each and every employee growing through inventiveness and challenges to expand its business while maintaining efficient management by a small number of people

Promote human resources development

In addition to the existing real estate leasing business, the Company has announced in its Long-Term Business Plan to engage in new businesses including revolving-type investment business. As the achievement of the Long-Term Business Plan involves a challenge of having human resources who will lead new businesses, we will strive to recruit, train and allocate specialist human resources in line with the business strategy, to improve the Company's corporate value while maintaining efficient management by a small number of people.

Requirements for ideal human resources for new businesses (industry experience and skills)

		Real estate leasing business	Revolving-type investment business	Equity investments	Overseas investments
Human resources strategy	Allocate personnel with appropriate skills and aptitudes				
	Recruitment	A person with a wealth of experience and knowledge in the real estate business			
		A person with a wealth of experience and knowledge in building and facility management		A person with a wealth of experience and knowledge in the investment management business	A person with business experiences overseas, mainly in the United States
	Development	● Development through training system by duty and grade, and OJT ● Support for obtaining qualifications (Real Estate Notary, Certified Building Administrator, ARES Certified Master, TOEIC, etc.) ● Secondment to other companies with expertise in the revolving-type investment business, equity investment, and overseas investment			

Initiatives for Stakeholders

Initiatives for workplace diversity

We believe that incorporating diverse values in the Company will lead to its development in a society that is becoming increasingly diverse and complex. We encourage our diverse human resources to autonomously grow in the right places, whether they are new graduates or experienced hires, regardless of their gender, age or nationality.

To drive the fostering of female managers, the Company has been working to help employees balance work and childcare, foster a corporate atmosphere that encourages employees to take childcare leave, and support their career development through trainings and other programs.

Initiatives	KPIs / Targets and results	
Increase the ratio of female managers Training for female candidates for managerial positions, measures to support human resources development, and support for balancing work and childcare	**KPIs★/Targets** ● Increase the ratio of female managers to **10%** or more by 2030 ● Increase the ratio of female managers to **30%** or more by 2040 ● Achieve **50%** for the male-to-female ratio in recruitment of new recruits (five-year average)★	**Results as of March 2024** ● Ratio of female managers: **8.3%** ● Percentage of females among new graduates recruited: **62.5%** (P.44)

Initiatives	Results
Increase diversity in skills and industry experiences; senior age employees playing more active roles Recruit professional and experienced personnel from outside to provide valuable commercial space with high BCP performance, environmental performance, and comfort ▶ Share and inherit the wealth of knowledge and experience from senior age employees and others experienced in the real estate and construction industries	

	20/3	21/3	22/3	23/3	24/3
Number of senior age* employees (persons) *60 years or older	13	14	14	14	19

Initiatives	Targets and results	
Internal awareness-raising activities Encourage all employees to take part in human rights training programs and universal manners tests to help employees accept diversity and maintain a sound workplace environment without discrimination	**Targets** ● Number of workshops on human rights At least once a year	**Result in FYE March 2024** ● Held once

Creating systems to improve operational efficiency and productivity

Under the commitment to act efficiently, evolve, and create a vital corporate atmosphere stated in the Company's corporate philosophy, we strive to improve our operational efficiency and productivity with the aim of strengthening our capabilities to drive business froward.

Issues	Policy for addressing the issues	Initiatives
Response to labor shortages due to a population decline To aim to improve operational efficiency and productivity to maintain competitiveness with a limited number of personnel	● Maintain efficient management by a small number of people by providing a workplace environment that helps diverse human resources to play active roles and every employee to achieve their full potential ● Offer various work style options, such as flexible work scheduling (offer a variety of work style options for different stages of life)	● Introduced a flextime system to allow employees to work on flexible schedules ● Developed an environment to allow employees to work remotely
	● Increase productivity by improving business processes and increasing efficiency through digitalizing operations	● Reviewed, streamlined, and digitalized business processes with replacement of accounting systems ● Outsourced part of operations
Leveraging digital technology to improve operational efficiency and provide new services To create new value and improve efficiency by leveraging various digital technologies	● Develop infrastructure to improve operational efficiency and provide new services (promotion of digital transformation) using digital technology (building infrastructure for data utilization)	● Digitalized operations to prepare the basis for promoting digital transformation ● Strengthened information security

By improving a work environment and promoting digital transformation, we will strengthen and maintain our competitiveness through improved productivity, more efficient operations, and business model reforms while avoiding risks associated with changes in the business environment, through which we aim to enhance the Company's corporate value.

Target: **Reduce average monthly working hours per person year-on-year**	Result in FYE March 2024: **155hours per month (±0 hours compared to the previous year)**

Creating a pleasant work environment

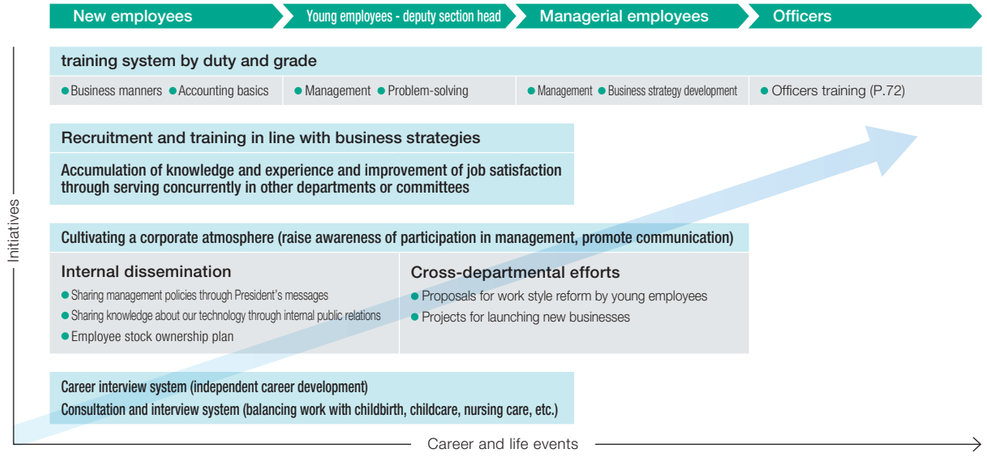
The Company strives to create a safe and comfortable work environment that helps every employee to achieve their full potential. By helping employees to balance their work and personal lives, we will increase our competitiveness in the recruitment market, while maintaining efficient management by a small number of people.

Initiatives	KPIs / Targets and results
Improve productivity by allowing employees to maintain good balance between work and personal lives ● Consecutive leave and anniversary leave systems	**KPI / Target** Paid leave utilization rate: **70%** or higher **Results for FYE March 2024** (Paid Leave Utilization Rate, P.6)
Help employees to balance work and personal lives ● Encourage employees to take childcare/nursing care leave ● Flextime system	
Improve a workplace environment ● Expand office space to improve productivity and prepare for future increase in personnel	

	20/3	21/3	22/3	23/3	24/3
Number of individuals who took maternity/ childcare leave (persons)	1	2	1	1	1
Number of individuals who returned to work (persons)	1	0	1	2	1

Enhancement of employee engagement

The Company strives to foster a corporate atmosphere in which employees can achieve their potential with a sense of purpose. To increase employee engagement (empathy, attachment, and willingness to contribute to the Company), the Company will work to raise employees' awareness of participation in management and encourage them to take on challenges on their own. These will lead to the Company's business growth and enhancement of its corporate value.



Going forward, the Company will work to continuously brush up on its human capital management by measuring employee engagement through organizational diagnosis surveys* and dialogue with employees. We will continue to work to promote new businesses and sustainable management through a process of trial, error, and trial again, and strive to foster a corporate atmosphere that enables each and every employee to grow through creativity and challenges, in keeping with our corporate vision in 10 years' time in the Long-Term Business Plan.

*Surveys on all the experiences gained by employees through their involvement with the company,conducted once a year.

Process for driving human capital management

1 Formulate policies and implement initiatives → 2 Identify issues (conduct an organization diagnosis survey) → 3 Respond to the issues → 4 Implement monitoring and STEPs 2 - 4 on regular basis

Health and Productivity Management

The Company is committed to health management based on the understanding of the importance of the health and safety of employees who are the foundation of its business. The Company was recognized as a 2024 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.

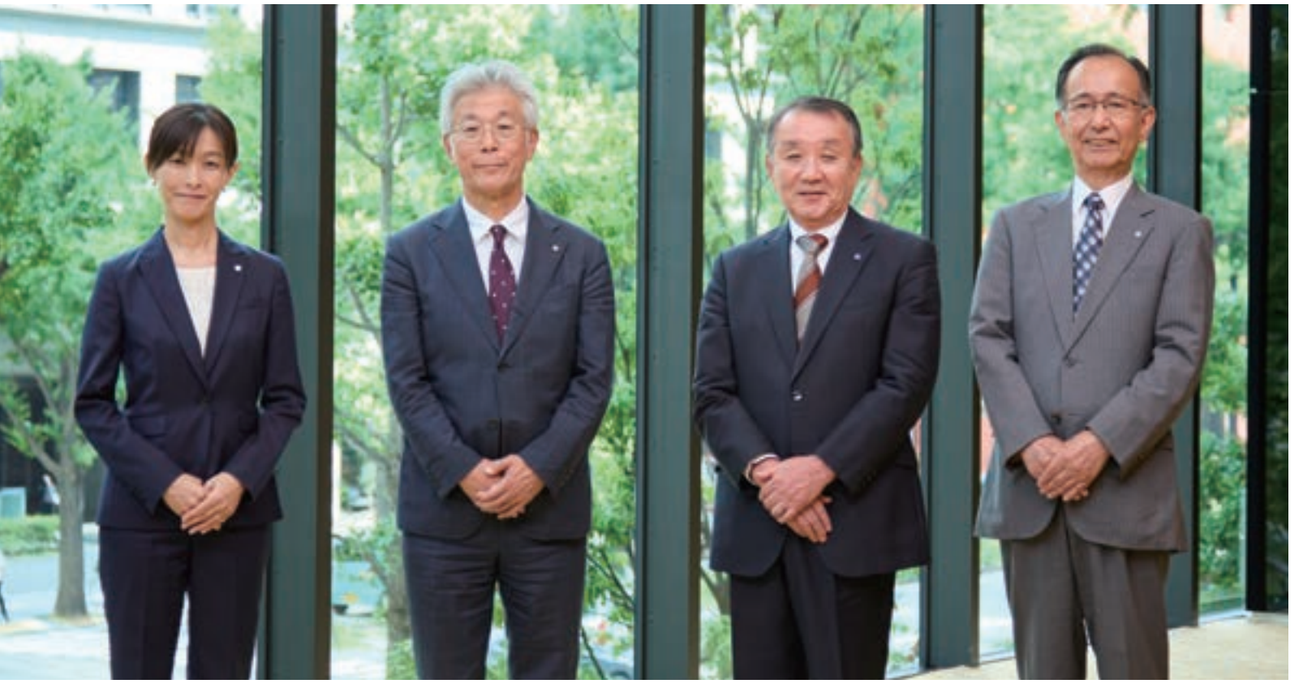
2024 健康経営優良法人 Health and productivity

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." We believe that in order to realize this philosophy it is important for each of our employees to improve productivity and performance through maximizing their own abilities while aiming to maintain and improve their health, and we declare our commitment to health and productivity management.

President Tsuneo Wakabayashi

Health checkup uptake rate (KPI): **100%**	Result in FYE March 2024: **100%**



Outside Director
Chiho Takeda

Outside Director
Atsushi Miyanoya

Outside Director
Masao Nomura

Outside Director
Takashi Yoshida

Assessing risks and returns, and aiming to achieve targets in our Long-Term Business Plan

Our four outside directors discussed the growth strategies and challenges for Keihanshin Building, which has completed the first year of Phase Ⅰ of the Long-Term Business Plan.

Evaluation of the first year of the Long-Term Business Plan

Yoshida In Phase Ⅰ of the Long-Term Business Plan (from the fiscal year ended March 31, 2024 to the fiscal year ending March 31, 2028), we have planned to make new investments of a total of 67.0 billion yen excluding renovations and repairs, and made investments of around 10.5 billion yen in the first fiscal year of this phase. This investment includes 5.5 billion yen for the acquisition of profitable properties, 4.7 billion yen for equity investments, and 0.1 billion yen for overseas investments, indicating a smooth start. The types of investments vary widely, including the acquisition of an office building in the central Tokyo area and the equity investment in a healthcare facility in Hyogo Prefecture.

Takeda In line with the Long-Term Business Plan that was formulated based on the awareness that it would be difficult to achieve an ROE of 8.0% or higher with the existing buy and hold business alone, we invested in equity investments and overseas business in addition to the revolving-type investment business that we had not addressed until now, and we believe that the fact that we were able to start a new business is a significant achievement.

Need to speed up

Nomura However, there are voices from investors questioning our speed, demanding that our plan be accelerated and saying that 10 years is too long a period to achieve the target figures. Even if we maintain the current pace of investment, half-hearted efforts would not bring us to reach our targets of 7.0% or more ROE in Phase Ⅰ and 8.0% or more at the end of the plan. While demonstrating a stance of working to rapidly commercialize businesses, I would like the Company to move its plan forward while discussing how to build governance regarding the risks from new businesses.

Yoshida In terms of the process to increase ROE, it is important to delineate a pathway that includes not only new businesses but also how to utilize existing assets.

Takeda Investor's interests have focused on how to reinforce the human resources necessary to develop new businesses. In particular, a wealth of knowledge is required for overseas business, so we are also thoroughly discussing how to recruit experienced personnel.

Miyanoya In order to rapidly launch a new business with a small but elite team of only 60 people, it is necessary to streamline operations in order to increase profitability while engaging in recruitment. It will also be essential to be mindful of deftly utilizing DX.

The Board of Directors discussion process

Takeda The Company's beginning journeys into new businesses has led to greatly diversified questions and opinions raised by Outside Directors. In particular, with regard to overseas business, some Outside Directors have experience of being stationed overseas, and useful suggestions have been made based on their own experience.

Yoshida Important issues such as the appropriateness of new businesses and investment in overseas projects are not resolved after a single discussion. Instead, after discussions at meetings of the Board of Directors to arrange opinions from internal and external officers as matters to be reported, based on the results of the discussions, they are finally raised as deliberation agenda items, leading to detailed discussions.

Miyanoya I feel that discussions at the Board of Directors meetings are very lively. This lively discussion is founded on the prompt submission of proposals and sufficient time secured for discussion. My impression is that the Board of Directors is composed of persons with diverse backgrounds, including Audit & Supervisory Board Members, and that discussions are multifaceted.

Toward further enhancement of the Board of Directors' effectiveness

Nomura Tablets are distributed to Outside Directors, and detailed records of meetings with institutional investors, which amount to 40 meetings per year, are posted each time on the tablet. By checking these records, Outside Directors are able to understand the viewpoints of investors and the situation surrounding the Company, etc., and use them as reference for discussions.



Takeda The materials prepared to promote understanding of the Company are detailed and easy to understand, and the status of discussions at the Management Meeting is provided in an open manner, so I feel that there are no boundaries regarding information outside the Company.

Yoshida As one of the measures to enhance the effectiveness of the Board of Directors, last year we had an opportunity to engage in social interactions with General Managers. In today's situation, which we can call a turning point for the Company, I was able to hear directly from General Managers how they feel about our current situation. The next opportunity I would like to have is to ask young employees how they feel about the Company.

Nomura I believe that the effectiveness of the Board of Directors would be improved if there were opportunities for Executive Officers to provide the Board with information such as what issues they feel about the business units they are in charge of, how they are tackling these issues on the ground, and what they would like to know about these issues.

Yoshida By providing these opportunities to talk with Outside Directors, I think it will let us feel a sense of urgency that we need to take another look at what we need to do and get it done. I also hope that it will be an opportunity to understand what is actually being felt in the field, and that it will also lead to the strengthening of the supervisory function.

Miyanoya As for the method of interviewing Executive Officers, I think it is better to interview them one by one. That is because there can be an atmosphere where Executive Officers have a tough time speaking up among their peers. If they are able to discuss their work, what they are proud of, and the issues they are facing, it will be easier to hear their true opinions, which provides valuable information when selecting members of top management.

Outside Directors' Discussion

Takeda For example, though some of the Company's investments in new businesses may evaporate in practice, if we can understand why an investment was halted, we can make use of those lessons in the next project. Now is the time to gain experience in new businesses, and I hope that we will be able to grasp all of this information and engage in effective discussions.

Practice of sustainable management

Nomura With regard to sustainability, the Company has identified two materiality themes for the environment, seven for society, and four in governance, as well as KPIs linked to materiality. The Board of Directors monitors the progress of these issues and regularly reviews them. For example, with regard to governance, the Company is working to ensure the diversity of the Board of Directors with the aim of improving its effectiveness. When I took office as an Outside Director in 2019, the Company had six Internal Directors and two Outside Directors. At present, we have three Inside Directors and four Outside Directors, one of whom is a woman. And this time, the Company has set a new target of increasing the proportion of female officers to 30% by the fiscal year ending March 31, 2031. Although sustainability initiatives do not produce immediate results, we believe that steady efforts will lead to the improvement of corporate value by mitigating medium - to long-term risks and seizing opportunities.

Miyanoya The COVID-19 pandemic has changed lifestyles, and so too has it led to dramatic changes in real estate needs. This has raised the question of what kind of value tenants will be able to find in a building. Going forward, we expect to see an increase in the number of customers who choose buildings not simply because of low rents, but also because of the environment and ease of working. In order not to fall into simple price competition, I think it is necessary to capture these kinds of needs.



Takeda In order to promote sustainability initiatives in a concrete manner, it is important to instill the Company's way of thinking in each and every employee and for them to apply it in their daily work. It is clear that employees are working with great diligence, but it is also important how they link this to creating specific business opportunities. In order to realign this activity, we have revised our KPIs.

Yoshida The reality is that ESG evaluations of the Company by rating agencies are still low compared to industry peers. In order to improve the Company's evaluation, I think it is also important to determine the areas in which to focus efforts and demonstrate the Company's unique qualities. For example, the Company owns datacenter buildings, which emit a large amount of greenhouse gases. I feel that one point to consider is what measures can be taken in this area while maintaining close communication with customers who use electricity.

Takeda When considering what kind of value tenants find in a building and how they choose a building to occupy, we can obtain insights from various viewpoints by incorporating diverse opinions, regardless of nationality or gender. In this regard, it is important to further increase the opportunities for female employees to play active roles. Over the past 10 years, women have accounted for half of the new graduates hired by the Company, yet when it comes to the appointment of female officers, the Company is still in a transition period. I should also note that I feel the Company is making progress in securing excellent human resources to take charge of new businesses.



Nomura Under the Long-Term Business Plan, the Company plans to increase the number of employees from the current 60 to 100. Even if that number were to increase to 100, it is still a small number. Still, it would be almost twice the Company's current size, which I believe will lead to significant changes in organizational management. Although the Company places great emphasis on human capital investment, its status as a small group of elite employees makes it necessary to keep a close eye on employees so that they do not become complacent. The so-called "big company syndrome" can find its way in at any juncture, and it is important to take various opportunities to convey the idea that a company depends on the efforts of each and every employee. In addition, if the Company is to strengthen its overseas businesses, I believe that it should consider new working conditions and compensation systems. This could be the introduction of job-type recruitment to secure talent with capabilities different from those of our existing employees.

Yoshida As Mr. Miyanoya mentioned in the first half, one of the objectives of human capital investment is to improve operational efficiency and productivity. It is essential to improve operational efficiency in order to produce results with a small number of elite personnel. At the Company, the Digital Transformation (DX) Promotion Department is in charge of introducing new systems and updating existing systems, and I would like to see these initiatives actively promoted. In addition, I would like to see the utilization of AI proceed where possible.

Miyanoya Speaking of the utilization of AI, one example is that it has become possible to judge the mental and physical condition of an employee who comes to work from his or her body temperature. By adding functions like these to office buildings, Keihanshin Building may be able to differentiate itself from other players in the office building space. I think it is important to approach utilization by flexibly generating ideas.

Toward enhancing corporate value

Yoshida In the real estate industry, the Company has consistently and steadily generated earnings through a buy and hold approach, but the demands of society have changed, meaning that the Company must practice management with an awareness of capital costs. Return on equity (ROE) is the best indicator of this. The key to achieving the ROE target of 8.0% or more set out in the Long-Term Business Plan as soon as possible will be how to secure growth potential in new businesses. Although the Company has just begun its journey, I hope it will proceed with investments while assessing risks.

Nomura It is important how to build an earnings structure that balances the buy and hold business that the Company has been working on to date with the one-time-fee business for focus going forward. However, even though the Company will practice the same real estate business, at least in name, completely different kinds of businesses will coexist, so I think it is necessary for each and every employee to have the mindset of creating a new, second Keihanshin Building. When going up against major companies, Keihanshin Building cannot compete in terms of funding and information capacity. Therefore, I think it is important to create a one-time-fee business concept that is unique to Keihanshin Building. Conversely, management by a small number of people offers flexibility, so I think the Company should develop unique businesses that take advantage of that strength.

Miyanoya It is necessary to recognize the level of return that investors seek, and work on new businesses accordingly. To cultivate new businesses, it is important to possess information. It is also necessary to brush up on how to collect high-quality information.

Takeda Though the Company should steadily engage in new businesses based on the Long-Term Business Plan, I do not believe this means it should change its core and flagship buy and hold business. I believe that there is a way for Keihanshin Building to strike a balance in this area and operate in its own unique way and also like a company listed on the Tokyo Stock Exchange Prime Market.

Roles to be fulfilled as an Outside Director

Takeda My usual work is as an attorney, so my thought processes habitually focus on risks. At meetings of the Board of Directors, I believe it is my role to verify whether the necessary information is in place to consider the risks that may arise when accelerating the company to expand its business. In addition, as I am the only female Outside Director, I would also like to provide a woman's perspective in my remarks.

Miyanoya I newly assumed the position of Outside Director in June 2024. For 37 years, I served at the Bank of Japan, where I engaged in research on financial markets and checking financial institutions for many years, offering me advantages in risk management. I currently serve as Chairman of NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, a consulting firm, where I have built up experience in proposing solutions to social issues. I also served as Outside Director of DAIBIRU CORPORATION, a peer company to Keihanshin Building. Drawing on these experiences, I would like to contribute to the Company by actively expressing opinions while being aware of the risks and returns of new businesses and how they will be evaluated by the market.

Nomura Five years have passed since I assumed the position of Outside Director, and I feel that the responsibilities required of Outside Directors are becoming increasingly heavy. I would like to go back to basics, shed my preconceptions, and firmly supervise management from an independent standpoint with a sense of mission.



Yoshida As an accountant, I am in a position as an accounting specialist to supervise the Company in terms of its data and figures. As the business of Keihanshin Building enters a turning point, I would like to carefully determine the balance between what needs to be done for the Company to grow and how risks and returns should be handled.

Message from the Board Chairman



Maintain high-quality management through effective supervision and improved governance

Board Chairman Koichi Minami

Role of the Board of Directors and Nomination and Remuneration Committee

The Company's Board of Directors is primarily responsible for governance(corporate governance), determining the direction of basic management policies and strategies, "confirming and evaluating whether business operations are being executed appropriately, and making course corrections according to circumstances." Directors, Audit & Supervisory Board Members and almost all Executive Officers are present at meetings of the Board of Directors, where agenda items and discussions of basic policies and strategies are confirmed and shared. For this reason, the authority for the formulation and implementation of strategies and tactics in line with our basic policies is delegated almost entirely to the execution side. This is based on the belief that timing and the gathering of detailed information are essential for strategies to be effective. The Board of Directors also plays an important role in overseeing protective actions, including compliance, and supporting growth strategies.

On the other hand, an important responsibility of the Nomination and Remuneration Committee is to select candidates for the positions of Director and Executive Officer and formulate succession plans, in addition to setting and evaluating appropriate incentives for Directors and Executive Officers. We hold discussions on our ideal people who will be responsible for our management strategies and bring about sustainable growth, and select candidates in turn through character evaluation within the internal and external pools of human resources. With respect to young candidates for future leadership, we also focus on fostering ownership while providing guidance and training through interviews with top management and Outside Directors.

Assessment of fiscal 2023 initiatives

In May 2023, we formulated our Long-Term Business Plan, for which the first year was completed in March 2024. In formulating the plan, a number of discussions were held at the employee, manager, and Board of Directors levels regarding issues arising from changes in the Company's environment, the level of management indicators required of a company listed on the Tokyo Stock Exchange Prime Market, and management strategies to be taken, such as ESG measures. These discussions led to a consensus that the transformation should start as soon as possible.

In the first year of the plan, we made investments to launch new businesses and expanded the number of new graduates and mid-career hires, which is leading to the multiplication of business channels, as well as investments to improve the workplace environment, which we realizes is improving internal morale. The Board of Directors was briefed several times during the past year on the progress of this plan, and the adequacy of the progress was discussed from both quantitative and qualitative perspectives for each individual topic. Although the evaluation of our performance in the first year is that we have effected a smooth start to the plan, a policy was also shared that in the second and third years we should work with a sense of more urgency, including the development of internal frameworks, to achieve our goals.

Issues and initiatives for fiscal 2024 and beyond

Strengthening the Board of Directors' function as a monitoring board is a constant theme, and we will continue to appropriately oversee the progress of targets in the second year of the Long-Term Business Plan, and continue to orient ourselves toward new management issues in response to changes in the business environment. Our Long-Term Business Plan reflects the unwavering will of all officers and employees to be aware of the various issues surrounding changes in the business environment and to reshape our corporate form to meet external demands, such as improving capital efficiency. On the other hand, in order for the Company, which is run by a small number of people, to achieve our goals in wide-ranging transformation topics, the key will be prioritization of initiatives in light of the importance of each issue and the timelines involved, and a sense of ownership to drive transformation from both top-down and bottom-up perspectives. It is also necessary to have a spirit of challenge to address new issues as well as to upgrade each person's capabilities. In particular, the Board of Directors recognize that securing and developing human resources is one of the most important issues, and we will continue to invest in human capital, including securing human resources to promote new businesses, as the cornerstone of promoting our Long-Term Business Plan.

In addition, based on the belief that the cornerstone of corporate management is the sustainable enhancement of corporate value, though we have had a history of increasing corporate value per share by expanding and enriching our portfolio, discussions have shifted to answer the question of how we balance business expansion and capital efficiency improvement while absorbing the long lead times and heavy initial depreciation and interest burden inherent in the real estate industry in order to achieve higher capital efficiency and cost-of-capital management, as well as timelines. The main prerequisite for discussion is that the Company's unique challenges and transformation measures are consistent with and shared by all stakeholders, including shareholders. For this reason, the Board of Directors receives reports from the executive side on the opinions and evaluations received from investors and others through active investor and shareholder relations activities, and uses these as a basis to elevate various initiatives and policies and to stimulate discussions.

Monitoring function

In our promotion of the Long-Term Business Plan and the pursuit of sustainable growth, risk management is fundamental to corporate management. To control risks, the Risk Management Committee, under the direct purview of the President, categorizes various risks, including operating, disaster, and financial risks, reviews and identifies risks on a case-by-case basis, prioritizes responses in terms of the level of impact and probability of occurrence, and implements said responses. The Board of Directors receives reports on the status of risk management from the Risk Management Committee, and each Director makes suggestions based on their expertise to further enhance management. As the location and degree of risk diversifies with changes in the business environment, it is also important to strengthen our constant monitoring function through the sharing of the latest information and various training programs.

In addition, while sustainability initiatives are also an important management issue, our targets and evaluation axes are not always clear and are subject to change, so we believe that all officers and employees should be constantly gathering information and honing their skills with relation to this topic. Based on this awareness, the Sustainability Committee, chaired by the President, shares issues, sets targets, and takes actions on a companywide basis. The Board of Directors receives reports from the Sustainability Committee and monitors them through several rounds of discussions, including the formulation of various policies. Since fiscal 2023, we have added the level of achievement of sustainability initiatives to the indicators used in the calculation of officer remuneration and evaluate this annually to ensure the effectiveness of sustainable management and to confirm progress and issues to be addressed in the following fiscal year.

Strengthening the function of the Board of Directors

As a result of our efforts to ensure diversity to strengthen the function of the Board of Directors, we believe that our current team, including Audit & Supervisory Board Members, is well rounded as a result of the selection of people with diverse skills and experience. At each meeting, we receive opinions and suggestions from a wide variety of perspectives from many different stakeholders, and the discussions are filled with a sense of gravity.

We have set a target of 30% or more female officers by FYE March 2031, to which we have added the additional target of 10% or more female managers by FYE March 2031,and 30% or more by FYE March 2041. In addition, we are promoting human resource development with adherence to the KPI of a 50% male-to-female ratio among new recruits (five-year average). Meanwhile, thanks to our low turnover rate, we have been making gradual progress in appointing female employees to managerial positions, including middle management. This has led to a state of great anticipation of the appointment of female officers from within.

As the business environment is changing at a dizzying pace, including external requests for sustainability initiatives, shareholder and investor views and evaluations, market fluctuations, and future prospects, it is also essential to constantly evolve the Board of Directors to maintain and strengthen an appropriate monitoring function. In addition to a system in place to share with each Director the latest information that is available on the executive side, the Company also holds training sessions with invited outside experts for all Directors and Audit & Supervisory Board Members.

We also recognize that annual effectiveness evaluations are an important tool for strengthening the function of the Board of Directors. In fiscal 2023, a questionnaire survey involving a third party was administered to all Directors and Audit & Supervisory Board Members in December and January, and the results were compiled and discussed based on the comments of each respondent. The questionnaire items and questions covered a wide range of areas, from the management style of the Board of Directors to the state of governance and more. Issues identified in the effectiveness evaluation are addressed on a case-by-case basis, and improvements are confirmed at the next evaluation to further strengthen the functionality of the Board of Directors. We also aim for management transparency by including the contents of these reports in our Integrated Report and Corporate Governance Report. In fiscal 2023, the evaluation was generally favorable for the Board's effectiveness, and resulted in challenges being shared.

(→P.69 Analysis and evaluation of the effectiveness of the Board of Directors)

Invigorating Board discussions

In order to invigorate discussions at the Board of Directors, we believe it is essential to provide sufficient advance explanations of the agenda to each Outside Director with a clear awareness of the issues on the executive side of management and the main issues to be discussed at the Management Meeting. During Board proceedings, we endeavor to ensure time is provided based on the relative importance of each proposal item so that discussions do not become scattered. In order to focus on the issues, I ask attendees to explain which part of the Long-Term Business Plan each agenda item corresponds to and whether it is consistent with the plan.

Although Audit & Supervisory Board Members and Directors have different missions under the law, we do not distinguish these during discussions, asking all of them for their opinions and engaging in extensive discussions. The Audit & Supervisory Board holds discussions based on the audit status reports from the Audit Department and shares issues by reporting their findings to the Board of Directors. In response to recommendations made in the effectiveness evaluation of the Board of Directors, the Company has also established meetings for exchange of opinions solely among outside officers and joint study sessions among Directors and Audit & Supervisory Board Members to strengthen cooperation.

Commitment

Although I am not in a position to execute business, I believe that my greatest mission as Chairman of the Board is to make the Board of Directors a forum for effective discussion as the hub between the President and other Executive Officers who are in charge of execution, and the Outside Directors and Outside Audit & Supervisory Board Members who are in charge of supervision. I try to lead the discussion from a neutral perspective between execution and supervision, but at times I offer my opinions and participate in the discussion as a Director imbued with the expectations of shareholders and other stakeholders, and as someone with experience in execution. My desire is to think alongside top management and the executive side about what they want to be and support them in realizing that vision.

Corporate Governance

Basic Concept

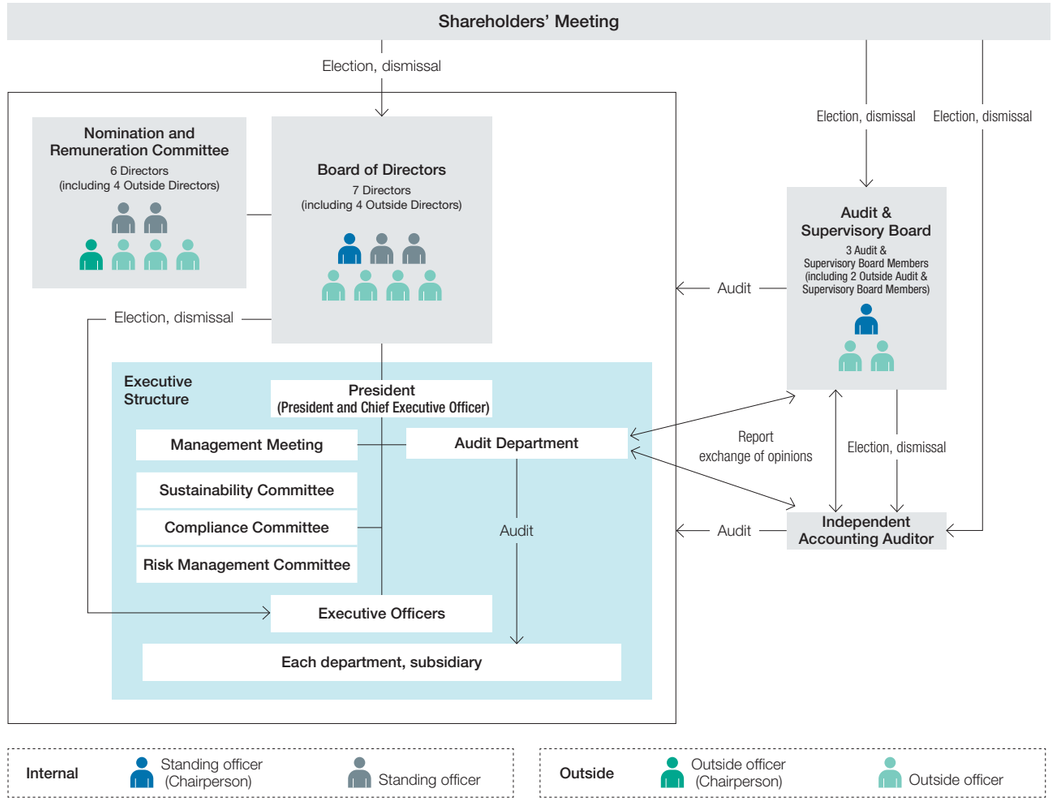
We believe in the importance of improving management efficiency and integrity through establishing a transparent and fair management organization, speeding up the decision-making for important matters on the management, and strengthening the supervisory function of business execution, all of which contribute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

Year	Composition of the Board of Directors	Effectiveness Evaluation of the Board of Directors	Nomination and Remuneration	Other
2015				
2016	Outside Directors 2 Proportion of Outside Directors on the board 25.0% Internal Directors 6		Adopted stock compensation-type stock options and abolished retirement benefits for officers	
2017				
2018	Introduced executive officer system	Began evaluation of the effectiveness of the Board of Directors	Established the Nomination and Remuneration Committee Appointed an Outside Director as chairperson of the Nomination and Remuneration Committee	
2019	Outside Directors 3 Proportion of Outside Directors on the board 37.5% Internal Directors 5			Appointed one female Outside Audit & Supervisory Board Member (serving as Outside Director since 2022)
2020	Outside Directors 4 Proportion of Outside Directors on the board 57.1% Internal Directors 3		Introduced restricted stock compensation plan	Established the Sustainability Committee
2021		Began evaluation of the effectiveness of the Board of Directors with involvement of a third party		Disclosure of skills matrix Established the Corporate Governance Guidelines
2022	Maintaining the proportion of Outside Directors on the board Female 1 Proportion of female Directors on the board 16.7% Male 6		Introduced performance-linked remuneration Take sustainability initiatives into consideration in officer remuneration	
2023				

Corporate Governance Structure



Summary of Boards, Meetings, and Committees

Name	Chairperson	Summary	Number of meetings held (FYE March 2024)
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.	12 times
Management Meeting	President	The standing officers and general managers in charge of each department attend this meeting to report and review the status and plans of such operation under the basic policy determined by the Board of Directors.	11 times
Nomination and Remuneration Committee	Outside Director	The committee deliberates on personnel matters, including the election and dismissal of the management team. Matters such as compensation for the management team are also deliberated. The chairperson and the majority of the committee members are Independent Outside Directors.	5 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.	5 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

Corporate Governance

Members of the Boards (skill matrix and meeting attendance)

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. Furthermore, from the perspective of ensuring diversity, the Company has set a goal related to materiality of achieving a proportion of female officers of 30% by FYE March 2031, and will continue to secure human resources toward achieving this goal.

	Name			Nomination and Remuneration Committee	Gender	Attendance at the Board of Directors' Meetings in FY2023	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	8 years	●	●	●	●		
	Tsuneo Wakabayashi	Standing		●	Male	11/11	3 years	●	●	●	●		
	Seisuke Isemura (retired)	Standing			Male	11/11	4 years			●		●	●
	Yoshikazu Asakusa (newly appointed)	Standing			Male	—	—			●		●	●
	Takashi Yoshida	Outside	Independent	●	Male	11/11	7 years		◎	●			
	Masao Nomura	Outside	Independent	●	Male	11/11	5 years	◎	●	●			◎
	Takashi Tsuji (retired)	Outside	Independent	●	Male	9/11	4 years	◎	●	●			
	Chiho Takeda	Outside	Independent	●	Female	11/11	2 years			◎			
	Atsushi Miyanoya (newly appointed)	Outside	Independent	●	Male	—	—		●	●	◎		
Audit & Supervisory Board	Shigeru Nishida	Standing			Male	11/11	5 years		●	●			
	Hideharu Nagasawa	Outside	Independent		Male	11/11	3 years	◎	●	●			◎
	Hideyuki Kamijo	Outside	Independent		Male	11/11	2 years	●	◎	●	◎		

(Notes) 1. The above table does not present a complete list of the expertise and experience possessed by each Officer.
2. The Director, Ms. Chiho Takeda was in office for three years as Outside Audit & Supervisory Board Member of the Company before taking office as Director.
3. The Audit & Supervisory Board Member, Mr. Shigeru Nishida was in office for four years as Director of the Company before taking office as Audit & Supervisory Board Member.

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 (Note 1) of the Company or its business executor (Note 2)
2	A person for whom the Company is a principal business partner or its business executor
3	A principal shareholder (Note 3) 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

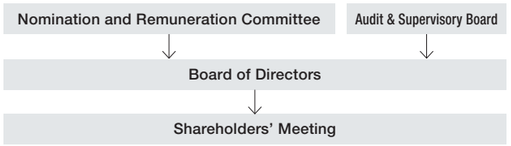
(Notes) 1. A "principal business partner" refers to any of the followings:
(1) A person who has transactions with the Company, and the annual transaction amount is 2% or more of the consolidated net sales of either the Company or said person; or
(2) A financial institution from which the Company makes 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.

Appointment Process for Directors and Audit & Supervisory Board Members

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.



Overview and 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.

Name of the committee	Total committee members	Internal Directors	Outside Directors	Chairperson	Number of meetings held (FYE March 2024)
Nomination and Remuneration Committee	6 persons	2 persons	4 persons	Outside Director	5 times

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

Succession Planning

The Nomination and Remuneration Committee believes that members of the top management of the Company need to possess the six qualities presented below in order to execute the Long-Term Business Plan and enhance corporate value, in addition to the basic qualities of "A person trusted by others," "A person capable to seek innovation and efficiency," and "A person with a high level of expertise," which are derived from the Company's corporate philosophy.

Succession planning of top management is an important management issue. At a time of great change in the environment surrounding the Company when it is transforming its structure away from that of a company specializing in the leasing industry, the importance of the Company's top management and its succession plan is increasing. We will continue discussing and examining the matter at the Nomination and Remuneration Committee.

Qualities required of top management	Comprehensive experience and capabilities related to overall management	Leadership
	Knowledge of the real estate industry	Empathy with employees
	Ability to respond to changes in the market environment, determination, and courage	Human networks in the business community

Corporate Governance

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 2024, the Company followed the process shown below to analyze and evaluate the effectiveness of the board, and confirmed that the Board of Directors was being operated appropriately overall.

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.

Analysis and Evaluation Process

Questionnaire survey

A questionnaire survey of all Directors and Audit & Supervisory Board Members was conducted by an external institution between December 2023 and January 2024.

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Analysis and evaluation

Objective analysis and evaluation of responses by the external institution

Summary of evaluation

- Active discussions are being held, enabled by pre-meeting briefings on agenda items and matters to be reported and also by adequate time allocation.
- At meetings of the Board of Directors, all Directors and Audit & Supervisory Board Members actively express their opinions with a clear awareness of the issues and based on their respective knowledge and experience.
- Efforts are being made to improve on issues that had been recognized in the past effectiveness evaluations.
- The Board of Directors is being operated appropriately overall. However, the standards required of the Board of Directors are becoming more sophisticated and complex, which calls for continuous efforts to make improvements.

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Discussion

In February 2024, a discussion was held among all Directors and all Audit & Supervisory Board Members based on the survey results put together by the external institution.

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Response to issues pointed out in the survey

- The Board of Directors will hold deep and thorough discussions on the progress of the Long-Term Business Plan, management with consciousness of capital costs and stock price, and validity of cross-shareholdings.
- In response to an increase in new investments and new business-related projects, the Company will further streamline the running of the Board of Directors.
- With regard to supervisory function of the Board of Directors over initiatives for sustainability, the Company will continue regular and long-term monitoring.
- The exchange of opinions between outside officers and employees will be continued.

Progress on the issues pointed out in the 2023 survey

● Providing opportunities for exchanging opinions between outside officers and executive officers other than at the Board of Directors' Meetings	● Provided opportunities for Outside Directors and executive officers engaged in business operations to meet and talk outside of the Board of Directors' Meetings.
● Strengthening the supervisory function of the Board concerning initiatives for sustainability	● Held sustainability training sessions for officers

Main agenda items of the Board of Directors (FYE March 2024)

Matters resolved	Matters reported
● Formulation of Long-Term Business Plan	● Evaluation of the effectiveness of the Board of Directors
● New investments	● Progress with the Long-Term Business Plan
● Important personnel matters (directors, executive officers, and members of the Nomination and Remuneration Committee) and remuneration	● Reports on business execution by various departments
● Examination of validity of cross-shareholdings	● Reports on activities of various committees (Sustainability, Risk Management, Compliance)
● Examination of business portfolio	● Reports on the implementation of internal audits
● Settlement of accounts	
● Formulation of Human Rights Policy	
● Formulation of sustainability-related policies	

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.

On the other hand, we announced a target to reduce the ratio of cross-shareholdings to net assets from 16.6% at the end of March 2024 to 10% or less by Phase (through the FYE March 2028). Going forward, we will proceed with the sale of them to a certain extent in order to achieve its targets based on the results of the examination of the validity of cross-shareholdings at the Board of Directors meeting.

As of March 31, 2024, we own 25 listed stocks and seven unlisted stocks. We have divested all shares of eight stocks we had owned as part of our cross-shareholdings policy, also sold part of the shares of three listed stocks. since 2015 when the corporate governance code was enacted. The total amount of sales during this period was 11.7 billion yen.

		2020/3	2021/3	2022/3	2023/3	2024/3
Amount recorded on year-end balance sheet (million yen)		12,629	11,910	9,775	9,607	12,449
Amount sold during the fiscal year (million yen)		784	6,530	2,468	1,087	297
Ratio of cross-held shares to net assets (%)		19.7	17.0	13.9	13.6	16.6
Number of listed stocks cross-held	Listed	27	27	26	26	25
	Unlisted	8	8	8	7	7

Criteria for the Exercise of Voting Rights Attached to Cross-Shareholdings

With regard to the exercise of voting rights pertaining to cross-held shares, we make comprehensive judgements before voting for or against, from the perspective of whether or not the investee company is conducting management that leads to the maintenance and improvement of corporate value over the medium to long term in order to meet the expectations of shareholders and other stakeholders.

In the event of any situation at an investee company, such as a protracted slump in the performance, unstable management, or a scandal involving violation of laws and regulations, we carefully examine the purpose of each proposal and vote against any proposal that would harm our interests as a shareholder, whether it is proposed by the investee company or by its shareholder.

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.

Corporate Governance

Remuneration to Officers

Remuneration paid to officers in FYE March 2024

(thousand yen)

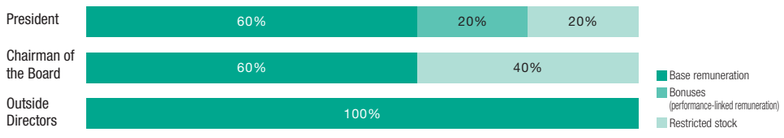
Classification		Number of members paid	Subtotal by type of remuneration			Total amount of remuneration
			Base remuneration	Performance-linked remuneration	Non-monetary remuneration	
Directors		7 persons	123,870	15,764	43,729	183,363
	Outside Directors	4 persons	33,600			33,600
Audit & Supervisory Board Members		3 persons	40,800			40,800
	Outside Audit & Supervisory Board Members	2 persons	15,600			15,600

(Note) In addition to the above, employee salaries of 18,607 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%	
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) Short-term incentive	It is provided as cash remuneration reflecting the performance indicators, and is provided at a certain time each year. The indicators used to calculate performance-linked remuneration are 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 also achievement of "ROE," which has been included beginning in the fiscal year ending March 2025, and these 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.
	Restricted stock Medium- to long-term incentive	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.	

(Reference) Actual business profit before depreciation and amortization and the target for the final fiscal year of the Long-Term Business Plan (million yen)

2022/3	2023/3	2024/3	2033/3 (target)
8,855	9,194	9,128	18,000

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 FYE March 2024

Target	Number of dialogues held (cumulative total)
Coverage analysts	10
Domestic institutional investors	8
Foreign institutional investors	14
Individual investors	6
Total	38

Main topics and concerns of the dialogue

Topics and concerns (FYE March 2024)

- Timeline of the Long-Term Business Plan
- Progress in new businesses and recruitment of personnel
- Disclosure of capital costs
- Improvement of stock price and capital efficiency
- Status of reducing cross-shareholdings
- Strengthening of link between Directors' remuneration and shareholder value

Status of Response

Based on the opinions and suggestions from shareholders and investors, and after discussions at the Board of Directors, we have implemented the following measures.

Measures implemented

- Launched new businesses ahead of schedule
- Promoted recruitment
- Disclosed capital costs
- Formulated a plan for reducing cross-shareholdings
- Added ROE achievement level to the KPIs of performance-linked remuneration for Directors

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 FYE March 2024, we held a training session on the theme of sustainability (business and human rights).



At a training session for officers

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

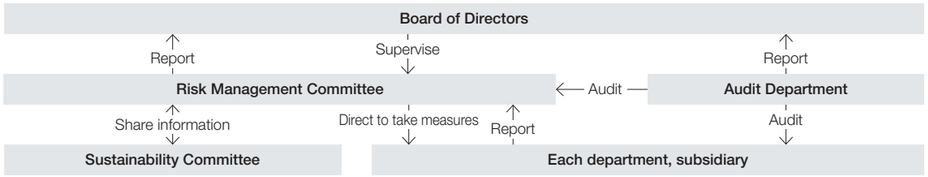
For risk management, the Company is committed to realizing business policies and taking measures to eliminate as much as possible every risk that may occur in the course of its corporate activities. It aims to ensure the safety and benefit of all stakeholders and aims for a swift response and recovery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

We laid down the Code of Conduct and Compliance Regulations, and then 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, we provide compliance education and training to all officers and employees.

Compliance with Laws, Regulations, etc., Thorough Practice of Fair Trade and Competition, Prevention of Corruption, and Elimination of Dealings with Antisocial Forces

To prevent misconducts in its business operation, the Company has established the Code of Conduct and Behavioral Standards.

Excerpts from the Code of Conduct and Behavioral Standards

1	We will always adhere strictly to all laws, ordinances and regulations including those relevant to our business as well as our internal regulations, and act with good common sense as a member of society in our daily lives.
2	In all transactions, we will conduct business in a fair and impartial manner based on economic rationality and free competition, and without taking advantage of our superior positions. We will also maintain moderation in the relationships with our business partners.
3	We will maintain healthy and normal relationships with political and administrative persons and organizations, and will not bribe, make illegal political contributions, or offer illegal benefit.
4	We will take a firm stand against anti-social forces and organizations and never offer them any benefit.

Other Initiatives: Protection of personal information, environmental protection, prohibition of insider trading, respect for human rights, and appropriate handling of information

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.

Compliance Training

Aiming to increase the compliance awareness of all officers and employees, the Company holds compliance training sessions on a regular basis on such topics as human rights, harassment, insider trading, and information security.

Measures for Major Risks

We evaluate each risk from the perspective of the level of impact and probability, identify material risks and take measures against them.

Classification		Description of the risk	Status of risk response
Operating risk	Land and building rental business	● 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 ● 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	● Minimizing the impact of market fluctuations by developing business with diversified asset types
	Regional concentration	● 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)	● More investments outside the Kansai area, mainly in the Tokyo metropolitan area, to reduce the regional concentration risk
	Dependence on specific clients	● Possibility that the Company's business results may be impacted by the performance of three clients that provide over 10% of all net sales	● Diversify our tenants through development and acquisition of new properties ● 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
	Fluctuation in resource prices	● Possibility of increase in operating costs due to higher rates of electricity ● Possibility of increase in development costs due to higher prices of building materials	● Gather appropriate information and disclose the impact
Disaster risk	Natural disasters and man-made disasters	● 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)	● Renewing our buildings to become compatible with business continuity measures ● Strengthening resilience through developing BCP and holding drills
	Spread of infectious disease	● Possibility that the economy may deteriorate and the Company's business results may be adversely affected by the spread of new infectious diseases ● 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	● Maintaining the health and safety of employees by revising work regulations including on remote work and taking infection prevention measures
Climate change risk	Transition risk	● Possibility of increase in costs and tax burden in response to stricter energy conservation regulations and the introduction of a carbon tax	● Strengthening efforts to promote energy savings ● Introduction of renewable energy
	Physical risk	● 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	● Reducing the risk of submersion by relocating critical facilities to upper floors and installing flood-control panels ● Strengthening resilience through preventive maintenance, developing BCP, and holding drills
Financial risk	Fluctuation in asset values	● 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) or a decline in profitability	● Working to prevent profitability decline such as by reshuffling properties and increasing their value ● 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
	Dependency on interest-bearing debt	● Possibility of rising interest rates for interest-bearing debts	● Leveraging the current low interest environment to reduce and fix the interest rates ● Prolonging the average repayment period.
	Amendments to laws, regulations, and tax systems	● 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 ● Possibility that changes in tax and accounting systems may affect the Company's business results and financial condition	● Gathering appropriate information on related laws, regulations, tax systems, and accounting systems, and disclosing the impact
Compliance risk	Violation of laws, regulations, etc.	● Loss of social credibility and restrictions on business activities due to compliance violations	● Selecting Compliance Committee members from various departments and regularly verifying the status of initiatives in the departments ● Using the Compliance Committee to disseminate information on compliance with laws, regulations, etc. through training sessions and other means
Information risk	Information security	● 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 ● Possibility that cyberattacks on in-house systems may disrupt business operations	● Implementing security measures to prevent unauthorized access, etc. ● 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 ● Establishing an information security management system and conducting training on the handling of information

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 properties of all stakeholders through business continuity or early recovery in the event of a disaster.

We hold BCP drills on a company-wide basis annually, under scenarios assuming different types of disaster occurring at different times of day, 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 2024, we held a BCP drill with an eye on the coordination of disaster response in the Kansai area and the Tokyo metropolitan area, and offered life-saving and self-defense education for officers and employees, among others.



Conducting BCP drills (setting up BCP headquarters)

Directors, Audit & Supervisory Board Members, and Executive Officers



Director
Executive Officer
Yoshikazu Asakusa

Audit & Supervisory Board Member (Standing)
Shigeru Nishida

Outside Audit & Supervisory Board Member
Hideharu Nagasawa

Outside Audit & Supervisory Board Member
Hideyuki Kamijo

Outside Director
Chiho Takeda

Outside Director
Atsushi Miyanoya

Chairman of the Board
Koichi Minami

President
Chief Executive Officer
Tsuneo Wakabayashi

Outside Director
Masao Nomura

Outside Director
Takashi Yoshida

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

Yoshikazu Asakusa — Director (In charge of Property anagement)

Born December 17, 1961
- April 1987 Joined KAJIMA CORPORATION
- April 2018 Group Manager, CS Renewal Group, Building Construction Department, Kansai Branch, KAJIMA CORPORATION
- April 2020 General Manager, Building Construction Works Department, Kansai Branch, KAJIMA CORPORATION
- April 2023 Board member, Sub-manager of Property Management Department, Keihanshin Building
- April 2024 Executive Officer, General Manager of Property Management Department (current), Keihanshin Building
- June 2024 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 position
Member of the Board of Directors, Outside Director, ONO PHARMACEUTICAL 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 positions
Outside Director (Member of the Board), NICHIDAI CORPORATION
Outside Director, DAIHATSU DIESEL MFG. CO., LTD.

Atsushi Miyanoya — Director/ Independent Officer — Outside

Born April 3, 1959
- April 1982 Joined Bank of Japan
- May 2014 Executive Director, General Manager of Osaka Branch, Bank of Japan
- March 2017 Executive Director, Financial System and Bank Examination Department, Currency Issue Department, Public Relations Department, Bank of Japan
- June 2018 Chairman (current), NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, INC.
- June 2024 Director (current), Keihanshin Building

Significant concurrent positions
Chairman, NTT DATA INSTITUTE OF MANAGEMENT CONSULTING, INC.
Outside Director, The Bank of Iwate, 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 (current), Hideyuki Kamijo Tax Accountant Office
- June 2022 Audit & Supervisory Board Member (current), Keihanshin Building

Executive Officers

Tsuneo Wakabayashi
Chief Executive Officer

Shinji Yamamoto
Senior Managing Executive Officer responsible for Business Promotion Division

Junichi Tada
Managing Executive Officer responsible for Administration

Toshiki Tabuchi
Senior Executive Officer and Assistant Director responsible for Administration

Takao Matsumoto
Executive Officer, General Manager of Business Department, and Head of Tokyo Branch Office

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

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

Kazuma Ohashi
Executive Officer and General Manager of Investment Promotion Department

Yoshikazu Asakusa
Executive Officer and General Manager of Property Management Department

Matashi Takemoto
Executive Officer and General Manager of Finance & Accounting Department

Main Consolidated Financial Data and Non-financial Data

Main Consolidated Financial Data

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
											Unit: millions of yen
Profit or loss (fiscal year)											
Net sales	14,031	14,852	14,930	14,380	14,799	14,995	15,319	15,333	17,815	18,879	**19,310**
Operating profit	4,463	4,966	5,118	4,969	5,298	5,451	5,414	5,295	5,124	5,375	**5,083**
Business profit*1	4,463	4,966	5,118	4,969	5,298	5,451	5,414	5,295	5,124	5,375	**5,152**
Business profit before depreciation and amortization*2	7,076	7,705	7,754	7,507	7,731	7,661	7,598	7,565	8,855	9,194	**9,128**
Ordinary profit	3,699	4,457	4,782	4,740	5,044	5,214	5,214	5,081	4,879	5,040	**4,842**
Profit attributable to owners of parent	2,369	2,732	3,610	3,272	3,585	3,998	3,919	8,251	5,165	4,186	**3,793**
Financial condition (end of fiscal year)											
Total assets	115,015	115,243	111,418	113,204	122,964	132,780	136,605	154,043	149,994	152,321	**166,616**
Interest-bearing debt	56,750	51,286	45,317	43,085	48,294	55,709	58,401	66,645	64,859	67,156	**75,529**
Net assets	48,250	51,850	54,556	58,862	62,227	64,228	64,377	70,539	70,510	70,870	**74,874**
											Unit: %
Main indicators											
Rate of return on equity (ROE)	5.3	5.5	6.8	5.8	5.9	6.3	6.1	12.3	7.3	5.9	**5.2**
Rate of business profit on total assets (ROA)	3.9	4.3	4.5	4.4	4.5	4.3	4.0	3.6	3.4	3.6	**3.2**
Equity ratio	42.0	45.0	49.0	52.0	50.5	48.3	47.0	45.7	46.9	46.5	**44.9**
											Unit: millions of yen / times
Net interest-bearing debt	44,467	47,709	28,765	35,883	41,243	39,791	45,196	45,094	54,983	61,843	**66,861**
Net interest-bearing debt/EBITDA ratio	6.3	6.2	3.7	4.8	5.3	5.2	5.9	6.0	6.2	6.7	**7.4**
Depreciation and amortization	2,612	2,738	2,636	2,538	2,433	2,210	2,183	2,270	3,731	3,818	**3,976**
Capital expenditure	472	9,572	9,510	10,840	11,236	3,734	10,639	11,504	14,283	12,529	**12,243**
											Unit: yen
Per share information											
Profit (EPS)	46.1	50.6	66.9	60.7	66.6	74.6	74.6	158.8	102.3	84.7	**77.5**
Net assets (BPS)	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	1,445.5	**1,528.7**
Dividends	14.0	15.0	16.0	17.0	18.0	23.0	27.0	31.0	36.0	36.0	**37.0**
											Unit: millions of yen
Cash flows (fiscal year)											
Cash flows from operating activities	4,607	7,086	4,919	4,717	6,884	5,259	6,693	7,693	2,736	8,917	**8,221**
Cash flows from investing activities	128	(9,644)	14,818	(10,939)	(11,249)	(1,619)	(9,705)	(5,566)	(8,652)	(12,104)	**(11,273)**
Free cash flow	4,736	(2,558)	19,738	(6,222)	(4,364)	3,639	(3,012)	2,126	(5,916)	(3,187)	**(3,051)**
Cash flows from financing activities	(2,633)	(6,148)	(6,762)	(3,127)	4,213	5,227	298	6,219	(5,757)	(1,376)	**6,407**
Net increase (decrease) in cash and cash equivalents	2,102	(8,706)	12,976	(9,350)	(150)	8,867	(2,713)	8,345	(11,674)	(4,563)	**3,355**
Cash and cash equivalents at end of period	12,283	3,576	16,552	7,202	7,051	15,918	13,205	21,550	9,876	5,312	**8,668**

*1 Business profit = Operating profit + Loss (gain) on investments in investment partnerships, etc.
*2 Business profit before depreciation and amortization = Business profit + Depreciation

Main Consolidated Financial Data and Non-financial Data

Non-financial Data

Environmental Indicators	2020/3	2021/3	2022/3	2023/3	2024/3	
GHG emissions(t-CO_2)						
Scope1 direct emissions	493	429	343	480	**524**	☑
Scope2 indirect emissions (market basis)	2,936	2,725	3,582	3,260	**2,830**	☑
Subtotal: Scope1 + 2	3,429	3,154	3,925	3,740	**3,354**	
Scope3 other emissions	66,908	74,833	181,055	68,646	**89,761**	
Total: Scope1 + 2 + 3	70,338	77,988	184,981	72,387	**93,116**	

*Figures with check marks have been verified by a third-party organization.

Reference: Scope 3 emissions					
1 Products and services purchased	9,392	19,164	115,821	9,130	**10,031**
2 Capital goods	—	—	—	—	**—**
3 Fuel and energy activities not included in Scope1 and 2	916	881	989	1,013	**995**
4 Transportation and delivery (upstream)	3	2	3	2	**2**
5 Waste from business activities	19	19	19	19	**20**
6 Business trip	26	13	10	24	**24**
7 Commuting by employers	15	14	17	16	**18**
8 Leased assets (upstream)	—	—	—	—	**—**
9 Transportation and delivery (downstream)	—	—	—	—	**—**
10 Processing of products sold	—	—	—	—	**—**
11 Use of products sold	—	—	—	—	**—**
12 Disposal of products sold	—	78	—	—	**—**
13 Leased assets (downstream)	56,534	54,659	64,194	58,439	**78,667**
14 Franchise	—	—	—	—	**—**
15 Investments	—	—	—	—	**—**

*Scope3-2/8/9/10/11/14/15 are not included in the calculation because there is no emission source.

Energy consumption					
Energy consumption (MWh)	10,784	10,105	11,513	12,065	**11,933**
Number of target properties (buildings)	10	11	12	12	**12**
Total target floor area (m^2)	117,858	121,647	146,191	154,977	**149,814**
Energy consumption per unit (kWh/m^2)	91.50	83.06	78.75	77.85	**79.65**

*Figures are totals for Scope1 and 2, and do not include properties being leased as a whole building to a single tenant.
Total target floor area is calculated based on the occupancy rate.

Electricity consumption					
Electricity consumption (MWh)	8,634	8,331	10,007	10,273	**10,129**
Consumption of electricity from renewable energy (MWh)	0	0	0	0	**3,604**
Ratio of electricity from renewable energy (%)	0	0	0	0	**35.6**

*Applies only to electricity consumption for Scope 2.

Water consumption					
Water usage (thousand m^3)	159	138	152	161	**167**
Water usage intensity (m^3/m^2)	0.57	0.50	0.50	0.52	**0.53**

Waste emissions					
Non-industrial waste(t)	227	219	255	222	**208**
Industrial waste(t)	16	19	41	28	**38**
Recycled waste emissions(t)	193	185	215	186	**183**
Recycling rate (%)	79.1	77.5	72.5	74.2	**74.2**
Waste emissions intensity (kg/m^2)	2.9	2.7	3.2	2.1	**2.0**

Social Indicators		2020/3	2021/3	2022/3	2023/3	2024/3
Number of employees (persons) (consolidated)		45	46	51	53	**60**
Average annual salary (10 thousand yen)		913	934	992	1,070	**1,116**
Percentage of female among new graduates recruited (%)		50.0	57.1	50.0	66.6	**62.5**
Number of senior employees (aged 60 or older) (persons)		13	14	14	14	**19**
Number of mid-career recruits (persons)		3	0	3	5	**6**
Number of non-Japanese employees (persons)		0	0	0	0	**0**
Number of employees with disabilities (persons)		0	0	0	0	**0**
Total working hours per month (hours/month)		151	160	158	155	**155**
Difference in wages between male and female workers (%)	All workers	64.6	64.8	59.3	57.6	**59.5**
	Regular workers	66.0	66.5	59.7	53.7	**55.9**
	Fixed-term workers	—	—	—	97.4	**95.0**
Percentage of female board members (%)*		9.1	10.0	10.0	10.0	**10.0**
Percentage of females in managerial positions (%)		7.7	7.7	7.4	6.7	**8.3**
Career interview implementation rate (%)		—	—	—	100	**100**
Health checkup and medical checkup uptake rate (%)		100	100	100	100	**100**
Paid leave utilization rate (%)		64.7	63.8	69.2	76.6	**82.1**
Number of individuals who took maternity/childcare leave (persons)		1	2	1	1	**1**
Number of male employees who took childcare leave (persons)		1	0	0	1	**0**
Number of female employees who took childcare leave (persons)		0	2	1	0	**1**
Number of individuals who returned to work after maternity/childcare leave (persons)		1	0	1	2	**1**
Number of workshops on human rights		—	—	1	1	**1**
Number of customer satisfaction surveys conducted		0	1	1	1	**1**

*Ratio of women among the Board of Directors and Auditors.

Operating Results

During the fiscal year ended March 31, 2024, the Company focused on operating activities and continued to maintain a high occupancy rate, with the vacancy rate as of March 31, 2024 at 1.87%. 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 a commercial building in Asakusa, Taito-ku, Tokyo in June 2023, and equity investments in office buildings in the Tokyo metropolitan area. Also, in terms of existing buildings, we have been striving to enhance asset value of them through preventive maintenance against natural disasters and promotion of energy saving.

As a result, consolidated net sales for the fiscal year ended March 31, 2024 increased by 431 million yen (2.3%) year-on-year to 19,310 million yen due mainly to the contribution from new investment properties. As of cost of sales, gross profit decreased by 201 million yen (2.8%) year-on-year to 6,883 million yen, due to an increase in taxes and dues, repair costs, and other expenses. Accordingly, operating profit declined by 292 million yen (5.4%) year-on-year to 5,083 million yen and ordinary profit decreased by 198 million yen (3.9%) year-on-year to 4,842 million yen.

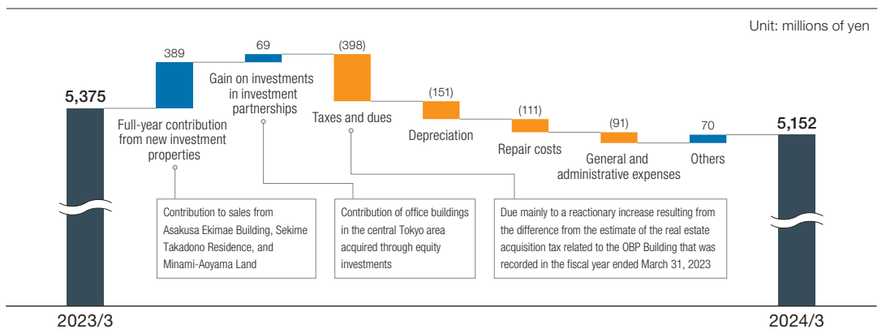
Profit attributable to owners of parent amounted to 3,793 million yen, a decrease of 392 million yen (9.4%) year-on-year due to a decrease in extraordinary income from the sale of investment securities and other factors.

Unit: millions of yen

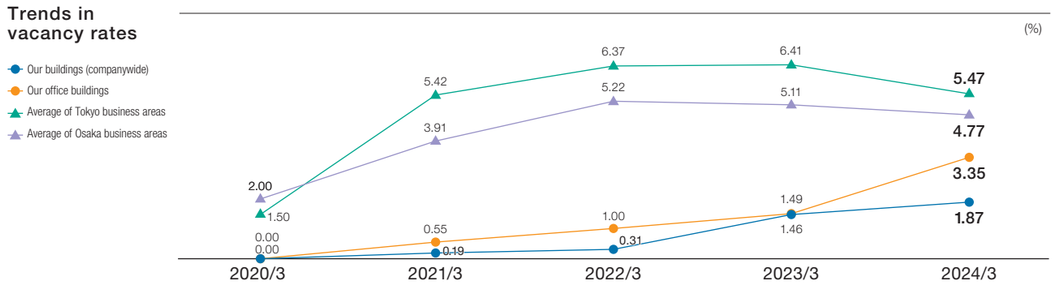
Account	2023/3	2024/3	Increase (decrease) %
Net sales	18,879	**19,310**	2.3
Cost of sales/General and administrative expenses	13,503	**14,227**	5.4
Operating profit	5,375	**5,083**	(5.4)
Non-operating income	312	**371**	19.1
Non-operating expenses	646	**612**	(5.2)
Ordinary profit	5,040	**4,842**	(3.9)
Extraordinary income	1,006	**671**	(33.3)
Extraordinary losses	28	**36**	30.5
Income taxes	1,833	**1,683**	(8.2)
Profit attributable to owners of parent	4,186	**3,793**	(9.4)
Business profit*	5,375	**5,152**	(4.1)

*Business profit (Operating profit + Loss (gain) on investments in investment partnerships, etc.)

Business profit increase / decrease factors



Trends in vacancy rates



Financial Condition

Total assets at the end of the fiscal year ended March 31, 2024 amounted to 166,616 million yen, an increase of 14,294 million yen (9.4%) from the end of the previous fiscal year. This was mainly due to an increase of a total of 5,940 million yen in land in trust and buildings in trust due to acquisition of beneficial interests in trust for Asakusa Ekimae Building in June 2023, and an increase of 7,775 million yen in investment securities due to equity investments in office buildings in the Tokyo metropolitan area and an increase in the market value of securities held in line with a rise in the stock market, in addition to an increase of 3,355 million yen in cash and deposits.

Total liabilities amounted to 91,741 million yen, an increase of 10,291 million yen (12.6%) from the end of the previous fiscal year. This was mainly due to an increase of 8,373 million yen in interest-bearing debt due to financing required for acquisition of non-current assets and other factors.

Total net assets amounted to 74,874 million yen, an increase of 4,003 million yen (5.6%) compared to the end of the previous fiscal year. This was due to increases of 2,052 million yen in valuation difference on available-for-sale securities and 2,022 million yen in retained earnings.

Unit: millions of yen

Account	2023/3	2024/3	Increase (decrease) %
Current assets	6,702	**9,385**	40.0
Non-current assets	145,618	**157,230**	8.0
Total assets	152,321	**166,616**	9.4
Current liabilities	7,887	**8,731**	10.7
Non-current liabilities	73,562	**83,010**	12.8
Total liabilities	81,450	**91,741**	12.6
Shareholders' equity	71,153	**73,104**	2.7
Total net assets	70,870	**74,874**	5.6
Total liabilities and net assets	152,321	**166,616**	9.4

Cash Flows

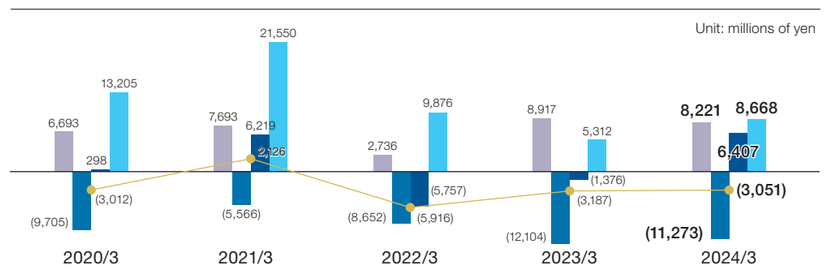
Cash and cash equivalents at the end of the fiscal year ended March 31, 2024 amounted to 8,668 million yen, an increase of 3,355 million yen from the end of the previous fiscal year.

Net cash provided by operating activities amounted to 8,221 million yen (8,917 million yen provided in the previous fiscal year). Major inflows were 5,476 million yen in profit before income taxes, 3,976 million yen in depreciation, and 1,321 million yen in an increase in trade payable such as leasehold received. Major outflows were 1,277 million yen in income taxes paid, 855 million yen in a decrease in accrued consumption taxes, and extraordinary income of 236 million yen in gain on sale of investment securities.

Net cash used in investing activities amounted to 11,273 million yen (12,104 million yen used in the previous fiscal year). Inflows were 297 million yen from the sale of investment securities and 312 million yen from contribution received for construction. Outflows were 6,931 million yen due to the purchase of property, plant and equipment, mainly the acquisition of land in trust and buildings in trust of Asakusa Ekimae Building, and 4,919 million yen from the purchase of investment securities due to equity investments in office buildings in the Tokyo metropolitan area and other assets.

Net cash provided by financing activities amounted to 6,407 million yen (1,376 million yen used in the previous fiscal year). This was due to the dividends paid of 1,761 million yen, share repurchase of 167 million yen, repayments of long-term borrowings of 2,626 million yen, and repayments of short-term borrowings of 300 million yen while raising 6,300 million yen through long-term borrowings as financing required for acquisition of non-current assets and equity investment funds as well as 5,000 million yen through issuance of bonds.

Consolidated cash flows



Consolidated Balance Sheets

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries As of March 31, 2023 and 2024	2023/3	Unit: millions of yen 2024/3
Assets		
Current assets		
Cash and deposits	5,312	**8,668**
Accounts receivable - trade	560	**486**
Other	829	**230**
Total current assets	6,702	**9,385**
Non-current assets		
Property, plant and equipment		
Buildings and structures	104,377	**105,765**
Accumulated depreciation	(45,458)	**(48,795)**
Buildings and structures, net	58,918	**56,970**
Land	52,660	**52,660**
Buildings in trust	3,343	**3,986**
Accumulated depreciation	(1,754)	**(1,998)**
Buildings in trust, net	1,588	**1,987**
Land in trust	19,694	**25,235**
Construction in progress	100	**17**
Other	1,096	**1,136**
Accumulated depreciation	(785)	**(854)**
Other, net	310	**281**
Total property, plant and equipment	133,273	**137,152**
Intangible assets	109	**107**
Investments and other assets		
Investment securities	9,607	**17,382**
Leasehold and guarantee deposits	2,192	**2,192**
Deferred tax assets	13	**12**
Other	422	**383**
Total investments and other assets	12,235	**19,971**
Total non-current assets	145,618	**157,230**
Total assets	152,321	**166,616**

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries As of March 31, 2023 and 2024	2023/3	Unit: millions of yen 2024/3
Liabilities		
Current liabilities		
Notes and accounts payable - trade	0	**—**
Short-term borrowings	3,922	**4,676**
Income taxes payable	498	**940**
Provision for bonuses	44	**49**
Other	3,421	**3,064**
Total current liabilities	7,887	**8,731**
Non-current liabilities		
Bonds payable	45,000	**50,000**
Long-term borrowings	18,234	**20,853**
Long-term leasehold and guarantee deposits received	7,776	**8,451**
Deferred tax liabilities	1,148	**1,975**
Deferred tax liabilities for land revaluation	1,214	**1,214**
Retirement benefit liability	65	**71**
Asset retirement obligations	115	**115**
Other	8	**328**
Total non-current liabilities	73,562	**83,010**
Total liabilities	81,450	**91,741**
Net assets		
Shareholders' equity		
Share capital	9,827	**9,827**
Capital surplus	9,199	**9,199**
Retained earnings	52,436	**54,459**
Treasury shares	(310)	**(382)**
Total shareholders' equity	71,153	**73,104**
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,173	**6,226**
Revaluation reserve for land	(4,532)	**(4,532)**
Total accumulated other comprehensive income	(358)	**1,693**
Share acquisition rights	76	**76**
Total net assets	70,870	**74,874**
Total liabilities and net assets	152,321	**166,616**

Consolidated Statements of Income

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31, 2023 and 2024	2023/3	Unit: millions of yen 2024/3
(Consolidated Statements of Income)		
Net sales	18,879	**19,310**
Cost of sales	11,794	**12,427**
Gross profit	7,084	**6,883**
Selling, general and administrative expenses	1,708	**1,799**
Operating profit	5,375	**5,083**
Non-operating income		
Interest income	2	**0**
Dividend income	264	**293**
Gain on investments in investment partnerships	—	**69**
Other	45	**8**
Total non-operating income	312	**371**
Non-operating expenses		
Interest expenses	160	**212**
Interest expenses on bonds	335	**358**
Other	150	**42**
Total non-operating expenses	646	**612**
Ordinary profit	5,040	**4,842**
Extraordinary income		
Gain on sale of investment securities	1,006	**236**
Other	0	**434**
Total extraordinary income	1,006	**671**
Extraordinary losses		
Loss on retirement of non-current assets	28	**36**
Other	0	**—**
Total extraordinary losses	28	**36**
Profit before income taxes	6,019	**5,476**
Income taxes – current	1,616	**1,704**
Income taxes – deferred	216	**(21)**
Total income taxes	1,833	**1,683**
Profit	4,186	**3,793**
Profit attributable to owners of parent	4,186	**3,793**
(Consolidated Statements of Comprehensive Income)		
Profit	4,186	**3,793**
Other comprehensive income		
Valuation difference on available-for-sale securities	(225)	**2,052**
Total other comprehensive income	(225)	**2,052**
Comprehensive income	3,960	**5,846**
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,960	**5,846**
Comprehensive income attributable to non-controlling interests	—	**—**

Consolidated Statements of Changes in Net Assets

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal year ended March 31, 2023	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	51,728	(232)	70,523
Changes during period					
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	9,827	9,199	52,436	(310)	71,153

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income	Share acquisition rights	Total net assets
Balance at beginning of period	4,399	(4,532)	(132)	120	70,510
Changes during period					
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	4,173	(4,532)	(358)	76	70,870

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal year ended March 31, 2024	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**	**52,436**	**(310)**	**71,153**
Changes during period					
Dividends of surplus			**(1,762)**		**(1,762)**
Profit attributable to owners of parent			**3,793**		**3,793**
Purchase of treasury shares				**(167)**	**(167)**
Disposal of treasury shares		**(9)**		**96**	**87**
Transfer from retained earnings to capital surplus		**9**	**(9)**		**—**
Net changes in items other than shareholders' equity					
Total changes during period	**—**	**—**	**2,022**	**(71)**	**1,951**
Balance at end of period	**9,827**	**9,199**	**54,459**	**(382)**	**73,104**

	Accumulated other comprehensive income				
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income	Share acquisition rights	Total net assets
Balance at beginning of period	**4,173**	**(4,532)**	**(358)**	**76**	**70,870**
Changes during period					
Dividends of surplus					**(1,762)**
Profit attributable to owners of parent					**3,793**
Purchase of treasury shares					**(167)**
Disposal of treasury shares					**87**
Transfer from retained earnings to capital surplus					**—**
Net changes in items other than shareholders' equity	**2,052**	**—**	**2,052**	**—**	**2,052**
Total changes during period	**2,052**	**—**	**2,052**	**—**	**4,003**
Balance at end of period	**6,226**	**(4,532)**	**1,693**	**76**	**74,874**

Consolidated Statements of Cash Flows

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries
For the fiscal years ended March 31, 2023 and 2024

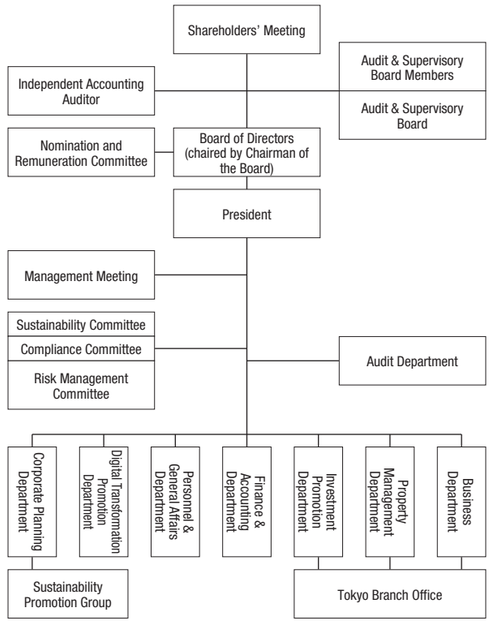
Unit: millions of yen

	2023/3	2024/3
Cash flows from operating activities		
Profit before income taxes	6,019	**5,476**
Depreciation	3,818	**3,976**
Share-based payment expenses	70	**84**
Increase (decrease) in retirement benefit liability	(1)	**6**
Increase (decrease) in provision for bonuses	1	**4**
Interest and dividend income	(267)	**(294)**
Interest expenses	160	**212**
Interest expenses on bonds	335	**358**
Loss (gain) on sale of investment securities	(1,006)	**(236)**
Loss on retirement of property, plant and equipment	28	**36**
Loss (gain) on investments in investment partnerships	—	**(69)**
Contribution received for construction	—	**(406)**
Other extraordinary loss (income)	(0)	**(28)**
Decrease (increase) in trade receivables	(236)	**96**
Increase (decrease) in trade payable	(944)	**1,321**
Decrease (increase) in consumption taxes refund receivable	1,850	**—**
Increase (decrease) in accrued consumption taxes	945	**(855)**
Other	9	**15**
Subtotal	10,782	**9,698**
Interest and dividends received	267	**350**
Interest paid	(497)	**(548)**
Income taxes paid	(1,635)	**(1,277)**
Cash flows from operating activities	8,917	**8,221**
Cash flows from investing activities		
Purchase of property, plant and equipment	(12,895)	**(6,931)**
Purchase of intangible assets	(0)	**(32)**
Purchase of investment securities	(300)	**(4,919)**
Proceeds from sale of investment securities	1,087	**297**
Proceeds from contribution received for construction	—	**312**
Other	3	**—**
Cash flows from investing activities	(12,104)	**(11,273)**
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(700)	**(300)**
Proceeds from long-term borrowings	4,700	**6,300**
Repayments of long-term borrowings	(1,703)	**(2,626)**
Proceeds from issuance of bonds	—	**5,000**
Payments for issuance of bonds	—	**(36)**
Purchase of treasury shares	(1,760)	**(167)**
Dividends paid	(1,912)	**(1,761)**
Other	0	**—**
Cash flows from financing activities	(1,376)	**6,407**
Net increase (decrease) in cash and cash equivalents	(4,563)	**3,355**
Cash and cash equivalents at beginning of period	9,876	**5,312**
Cash and cash equivalents at end of period	5,312	**8,668**

Company Overview (As of March 31, 2024)

Company Name	**Keihanshin Building Co., Ltd.**
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	60 (consolidated)
Subsidiary	Keihanshin Building Maintenance Co., Ltd.

Organization Chart (As of March 31, 2024)



Stock Information (As of March 31, 2024)

Stock Data

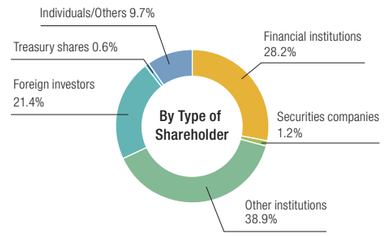
Number of shares of common stock authorized to issue	80,000,000 shares
Number of shares of common stock issued	49,211,498 shares
Number of shareholders	5,838

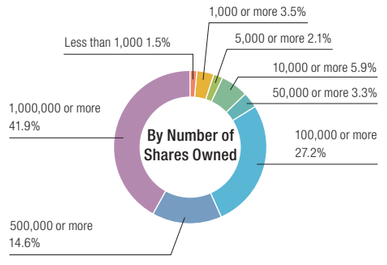
Major Shareholders

Name	Number of shares owned (thousand)	Shareholding ratio (%)
GINSEN Co., Ltd.	6,440	13.2
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,382	9.0
INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP	2,285	4.7
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)	1,222	2.5
The Hyakujushi Bank, Ltd.	891	1.8
SSBTC CLIENT OMNIBUS ACCOUNT	888	1.8

(Notes) 1. Shares less than one thousand are rounded down to the nearest thousand.
2. The Company holds 283,234 treasury shares.
The shareholding ratio is calculated by subtracting treasury shares.

Breakdown of Shareholders (As of March 31, 2024)





(Note) Calculated by subtracting treasury shares.



Keihanshin Building Co., Ltd.

2-14 Kawaramachi 4-chome, Chuo-ku, Osaka-shi, Osaka 541-0048, Japan
Tel: +81-6-6202-7331 Fax: +81-6-6202-7329 https://www.keihanshin.co.jp/english/

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