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

Consolidated Financial Results for the Nine Months Ended December 31, 2024 [Japanese GAAP]

January 31, 2025

Company name: Keihanshin Building Co., Ltd.
Stock exchange listing: Tokyo
Code number: 8818
URL: https://www.keihanshin.co.jp/english/
Representative: Tsuneo Wakabayashi, President
Contact: Matashi Takemoto Executive Officer, General Manager (Finance & Accounting Dept)
Phone: 06-6202-7331
Scheduled date of commencing dividend payments: -
Availability of supplementary briefing material on financial results: Yes
Schedule of financial results briefing session: No

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

1. Consolidated Financial Results for the Nine Months Ended December 31, 2024 (April 1, 2024 to December 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2024	14,674	0.1	4,018	(4.0)	4,052	0.9	3,833	18.2
December 31, 2023	14,655	4.1	4,185	(3.7)	4,016	(5.4)	3,242	(10.7)

(Note) Comprehensive income: Nine months ended December 31, 2024: ¥ 3,238 million [(24.1)%]
Nine months ended December 31, 2023: ¥ 4,268 million [41.3%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2024	78.40	78.23
December 31, 2023	66.20	66.05

(Reference) Buisiness profit before depreciation and amortization
Nine months ended December 31, 2024: ¥ 7,105 million [(0.8)%]
Nine months ended December 31, 2023: ¥ 7,164 million [(0.6)%]

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

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
December 31, 2024	164,784	75,723	45.9
March 31, 2024	166,616	74,874	44.9

(Reference) Equity: As of December 31, 2024: ¥ 75,647 million
As of March 31, 2024: ¥ 74,798 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	-	18.00	-	19.00	37.00
Fiscal year ending March 31, 2025	-	18.50	-		
Fiscal year ending March 31, 2025 (Forecast)				21.50	40.00

(Note) Revision to the forecast for dividends announced most recently: Yes

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

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	19,700	2.0	4,900	(3.6)	4,800	(0.9)	4,300	13.3	88.09

(Note) Revision to the financial results forecast announced most recently: Yes

(Reference) Business profit before depreciation and amortization ¥ 9,100 million [(0.3)%]

* Notes:

(1) Significant changes in the scope of consolidation during the period: Yes

Newly included: 1 (Company name: Keihanshin Building America Co., Ltd.)

Excluded: -

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

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

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

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

3) Changes in accounting estimates: No

4) Retrospective restatement: No

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

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

December 31, 2024: 49,211,498 shares

March 31, 2024: 49,211,498 shares

2) Number of treasury shares at the end of the period:

December 31, 2024: 641,708 shares

March 31, 2024: 283,234 shares

3) Average number of shares outstanding during the period:

Nine months ended December 31, 2024: 48,896,921 shares

Nine months ended December 31, 2023: 48,981,992 shares

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

*Appropriate use of business forecasts ; other special items

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

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1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Quarterly Period under Review

During the nine months ended December 31, 2024, the Japanese economy showed a gradual trend toward recovery, mainly due to an improvement in employment and income conditions, as well as brisk demand for domestic goods and services by foreign tourists to Japan resulting in the normalization of social activities. Meanwhile, given increasing geopolitical risks, fluctuations in exchange rates affected by monetary and financial policies in each country, trends in commodity prices and interest rates, and other factors, the economic outlook is still expected not to be optimistic.

In the real estate leasing industry, while a variety of work styles including working at home are becoming more established, the current occupancy rate remained relatively strong, driven by improved corporate earnings and a trend toward returning to office.

Under such circumstances, Keihanshin Building Co., Ltd. ("the Group") focused on operating activities such as finding new tenants when tenants depart, and continued to maintain a high occupancy rate, including the vacancy rate improving to 1.01% as of December 31, 2024 from 1.87% as of March 31, 2024. In addition, based on its Long-Term Business Plan, the Group established a U.S. subsidiary, Keihanshin Building America Co., Ltd. in May 2024, and made equity investments to the multifamily residence in Miami, Florida in U.S. as a new investment in August 2024. The Group also strived to capture and examine new investment opportunities toward the next growth. In terms of existing buildings, we will continuously work on enhancing asset value of them through preventive maintenance against natural disasters and promotion of energy efficiency and conservation.

For the nine months ended December 31, 2024, consolidated net sales increased by 19 million yen (0.1%) year-on-year to 14,674 million yen due mainly to the contribution by Asakusa Ekimae Building acquired in June 2023, and an increase in rental income with some tenants of datacenter buildings that shifted to formal contracts, despite a decrease in sales from the WINS building business due to the impact of partial rent revisions.

Meanwhile, we strategically invested in costs to accelerate the achievement of our Long-Term Business Plan, such as carrying out repair work ahead of schedule in cost of sales, appropriating general and administrative expenses increasing number of employees, and research and examination to promote new investments in selling, general and administrative expenses. Accordingly, operating profit decreased by 166 million yen (4.0%) year-on-year to 4,018 million yen. However, ordinary profit increased by 35 million yen (0.9%) year-on-year to 4,052 million yen due mainly to the recording of gain on investments in investment partnerships through equity investments in non-operating income.

As extraordinary income was recorded through sale of investment securities, profit attributable to owners of parent amounted to 3,833 million yen, an increase of 591 million yen (18.2%) year-on-year.

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

	Nine months ended December 31, 2023		Nine months ended December 31, 2024	
	Net sales (million yen)	Rate (%)	Net sales (million yen)	Rate (%)
Office Building Business	3,352	22.9	3,357	22.9
Datacenter Building Business	7,715	52.6	7,817	53.3
WINS Building Business	2,682	18.3	2,522	17.2
Commercial Building, Logistics Warehouse, and Other Properties Business	905	6.2	975	6.6
Total	14,655	100.0	14,674	100.0

1) Office Building Business

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

Although there are concerns about intensifying competition due to the large supply of new office buildings, etc., the impact on the Group's office building business has been minimal and occupancy rates remain higher than the market average.

Due in part to the improved vacancy rates by finding new tenants, consolidated net sales from the office building business for the nine months ended December 31, 2024 amounted to 3,357 million yen, an increase of 5 million yen (0.2%) year-on-year.

2) Datacenter Building Business

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

Owing to an increase in rental income with some tenants who shifted to formal contracts, consolidated net sales from the datacenter building business for the nine months ended December 31, 2024 amounted to 7,817 million yen, an increase of 102 million yen (1.3%) year-on-year.

3) WINS Building Business

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

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

Due in part to the impact of rent revisions for some facilities, consolidated net sales from the WINS building business for the nine months ended December 31, 2024 amounted to 2,522 million yen, a decrease of 159 million yen (5.9%) year-on-year.

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

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

Consolidated net sales from the commercial building, logistics warehouse, and other properties business for the nine months ended December 31, 2024 amounted to 975 million yen, an increase of 70 million yen (7.8%) year-on-year, partly due to the contribution by Asakusa Ekimae Building, acquired in June 2023.

(2) Overview of Financial Condition for the Quarterly Period under Review

Total assets at the end of the nine months ended December 31, 2024 amounted to 164,784 million yen, a decrease of 1,831 million yen (1.1%) from the end of the previous fiscal year. This was mainly due to a decrease of 2,554 million yen in property, plant and equipment resulting from the progress of depreciation, despite an increase of 492 million yen in investment securities mainly arising from equity investments made in U.S.

Total liabilities at the end of the nine months ended December 31, 2024 amounted to 89,061 million yen, a decrease of 2,680 million yen (2.9%) from the end of the previous fiscal year. This was mainly due to a decrease of 2,117 million yen in interest-bearing debt.

Total net assets at the end of the nine months ended December 31, 2024 amounted to 75,723 million yen, an increase of 848 million yen (1.1%) from the end of the previous fiscal year. This was mainly due to an increase of 1,998 million yen in retained earnings resulting from the recording of 3,833 million yen of profit attributable to owners of parent, offset by 1,835 million yen in dividends of surplus, despite decreases of 569 million yen due to purchase of treasury shares and 563 million yen in valuation difference on available-for-sale securities partly due to sale of some securities held.

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

The consolidated financial results forecast has been revised from the forecast in “Consolidated Financial Results for the Year Ended March 31, 2024 [Japanese GAAP]” announced on May 14, 2024. For further details, please refer to “Notice Concerning the Revisions to Financial Results Forecast and Dividend Forecast (Increase)” announced on January 31, 2025.

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

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

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	8,668,714	8,660,787
Accounts receivable - trade	486,123	533,728
Other	230,414	476,524
Total current assets	9,385,252	9,671,040
Non-current assets		
Property, plant and equipment		
Buildings and structures	105,765,523	105,943,780
Accumulated depreciation	(48,795,378)	(51,359,025)
Buildings and structures, net	56,970,145	54,584,755
Land	52,660,042	52,660,042
Buildings in trust	3,986,740	3,986,740
Accumulated depreciation	(1,998,911)	(2,193,914)
Buildings in trust, net	1,987,829	1,792,826
Land in trust	25,235,263	25,235,263
Construction in progress	17,640	72,372
Other	1,136,189	1,155,005
Accumulated depreciation	(854,943)	(902,601)
Other, net	281,246	252,404
Total property, plant and equipment	137,152,167	134,597,665
Intangible assets	107,436	93,222
Investments and other assets		
Investment securities	17,382,863	17,875,037
Other	2,588,377	2,547,584
Total investments and other assets	19,971,240	20,422,621
Total non-current assets	157,230,845	155,113,508
Total assets	166,616,097	164,784,549

(Thousands of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Current portion of bonds payable	-	5,000,000
Short-term borrowings	4,676,616	6,810,216
Income taxes payable	940,767	826,844
Provisions	49,425	-
Other	3,064,272	2,793,855
Total current liabilities	8,731,081	15,430,916
Non-current liabilities		
Bonds payable	50,000,000	45,000,000
Long-term borrowings	20,853,372	16,602,660
Retirement benefit liability	71,550	67,285
Asset retirement obligations	115,694	115,977
Other	11,969,830	11,844,402
Total non-current liabilities	83,010,447	73,630,325
Total liabilities	91,741,528	89,061,242
Net assets		
Shareholders' equity		
Share capital	9,827,611	9,827,611
Capital surplus	9,199,840	9,214,934
Retained earnings	54,459,351	56,457,440
Treasury shares	(382,119)	(951,317)
Total shareholders' equity	73,104,684	74,548,669
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,226,326	5,662,621
Revaluation reserve for land	(4,532,546)	(4,532,546)
Foreign currency translation adjustment	-	(31,541)
Total accumulated other comprehensive income	1,693,780	1,098,532
Share acquisition rights	76,104	76,104
Total net assets	74,874,569	75,723,307
Total liabilities and net assets	166,616,097	164,784,549

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income (For the nine months)

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Net sales	14,655,049	14,674,077
Cost of sales	9,125,899	9,211,135
Gross profit	5,529,149	5,462,941
Selling, general and administrative expenses	1,343,848	1,444,395
Operating profit	4,185,300	4,018,546
Non-operating income		
Interest income	49	1,284
Dividend income	283,911	357,153
Gain on investments in investment partnerships	-	150,904
Other	5,152	12,630
Total non-operating income	289,112	521,972
Non-operating expenses		
Interest expenses	159,735	151,130
Interest expenses on bonds	259,353	304,591
Other	38,639	32,414
Total non-operating expenses	457,728	488,136
Ordinary profit	4,016,684	4,052,382
Extraordinary income		
Gain on sale of investment securities	236,915	1,491,556
Contribution received for construction	406,300	-
Other	28,257	-
Total extraordinary income	671,473	1,491,556
Extraordinary losses		
Loss on retirement of non-current assets	24,397	6,590
Total extraordinary losses	24,397	6,590
Profit before income taxes	4,663,760	5,537,349
Income taxes - current	1,391,002	1,622,349
Income taxes - deferred	30,171	81,332
Total income taxes	1,421,173	1,703,681
Profit	3,242,587	3,833,667
Profit attributable to owners of parent	3,242,587	3,833,667

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

(Thousands of yen)

	For the nine months ended December 31, 2023	For the nine months ended December 31, 2024
Profit	3,242,587	3,833,667
Other comprehensive income		
Valuation difference on available-for-sale securities	1,026,326	(563,705)
Foreign currency translation adjustment	-	(31,541)
Total other comprehensive income	1,026,326	(595,247)
Comprehensive income	4,268,913	3,238,420
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,268,913	3,238,420
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

Not applicable.

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

Not applicable.

(Segment information)

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

(Notes to statements of cash flows)

Quarterly consolidated statements of cash flows for the nine months ended December 31, 2024 have not been prepared. Depreciation and amortization for the nine months ended December 31, 2024 are as follows.

	For the nine months ended December 31 2023	For the nine months ended December 31 2024
Depreciation and amortization	2,979,670 thousand yen	2,936,417 thousand yen

(Significant subsequent events)

Not applicable.