



Keihanshin Building Co., Ltd.

# CORPORATE REPORT 2020

For the fiscal year ended March 31, 2020



# Connect People, Communities, and the Future

## ■ Corporate Philosophy

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

## ■ Code of Conduct

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

## ■ Information Disclosure System



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### Editorial Policy

The CORPORATE REPORT 2020 is based on the business operations, strategy and ESG information of Keihanshin Building Co., Ltd., and it is compiled as a comprehensible report for our stakeholders. Through this report, we will continue to provide our financial and non-financial information in good faith.

### Target Scope

The business report and ESG information introduce major activities of Keihanshin Building Co., Ltd.

### Target Period

This report covers information on corporate activities in the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020). However, some parts may include past information or information on factors beyond April 1, 2020.

### Note on forward-looking projections

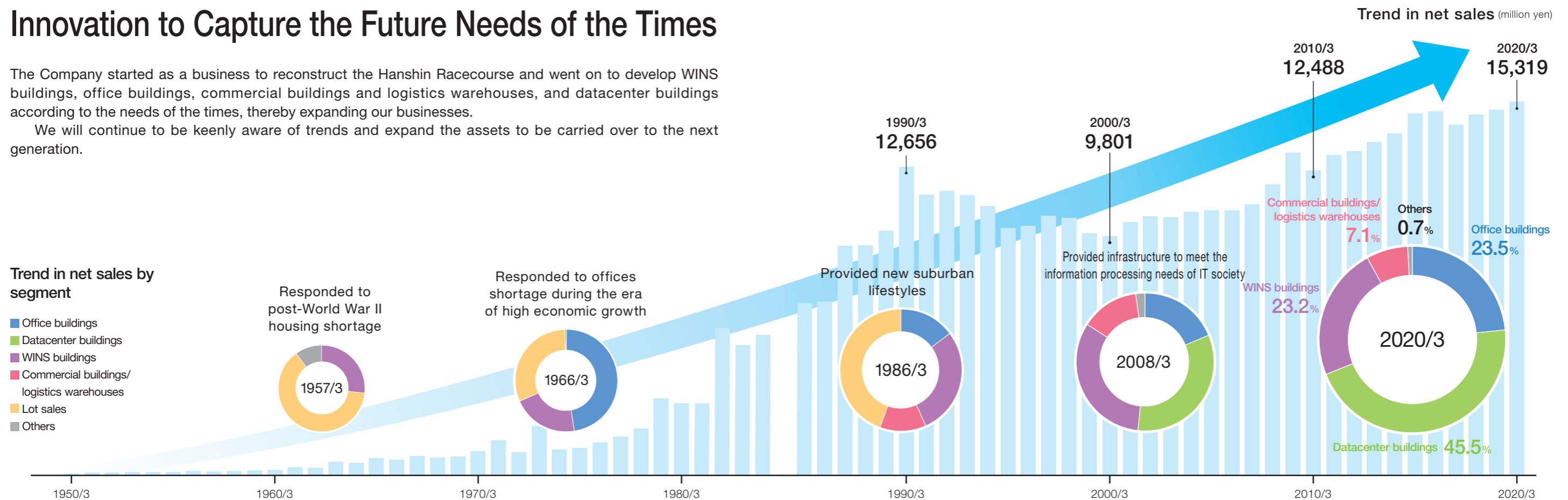
This report contains descriptions of future plans, estimates and projections. Such information is based on the information currently available to the Company. Actual results may differ due to various factors that may arise in the future. We appreciate your understanding on this matter.

# The History of Value Creation

## Innovation to Capture the Future Needs of the Times

The Company started as a business to reconstruct the Hanshin Racecourse and went on to develop WINS buildings, office buildings, commercial buildings and logistics warehouses, and datacenter buildings according to the needs of the times, thereby expanding our businesses.

We will continue to be keenly aware of trends and 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 with the goal of reconstructing the Hanshin Racecourse. The Company's name at the time of its founding was Keihanshin Horse Racing Co., Ltd. Thanks to the relationships with the Hanshin Racecourse, we created an off-track betting parlor in the Keihanshin (Kyoto, Osaka, and Kobe) downtown areas and rented to the Ministry of Agriculture and Forestry (currently the Ministry of Agriculture, Forestry and Fisheries).

### 1956 Transition to a real estate corporation

The racecourse was sold to the newly-launched Japan Racing Association (JRA). With the land and funds acquired from this sale, we started lot sales of housings and leasing of office buildings. In 1956, the corporate name was changed to Keihanshin Real Estate Co., Ltd., marking a fresh start as a full-fledged real estate corporation.

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

Reflecting the lifestyle changes from expansion of motorization, we pursued development and acquisition of suburban roadside commercial facilities across Japan. In the 1980s, leasing of warehouses started, taking advantage of our expertise in leasing commercial facilities.

### 1988 Entering the datacenter building business

With the completion of the first datacenter building, the Shinmachi 1 Building, in 1988, the leasing business for datacenter buildings kicked off. Since then, we have evolved our buildings according to the needs of the times, such as the spread of mobile phones and IT, and have expanded the datacenter building business.

### 2009 Advance into the Tokyo metropolitan area

The Company started advancing into the Tokyo metropolitan area with the completion of its Onarimon Building in 2009. Furthermore, with its management resources concentrated on leasing commercial space, the corporate name was changed to Keihanshin Building Co., Ltd., in 2011. The Tokyo Office opened in 2014.

### 2020 Beyond the 70th anniversary

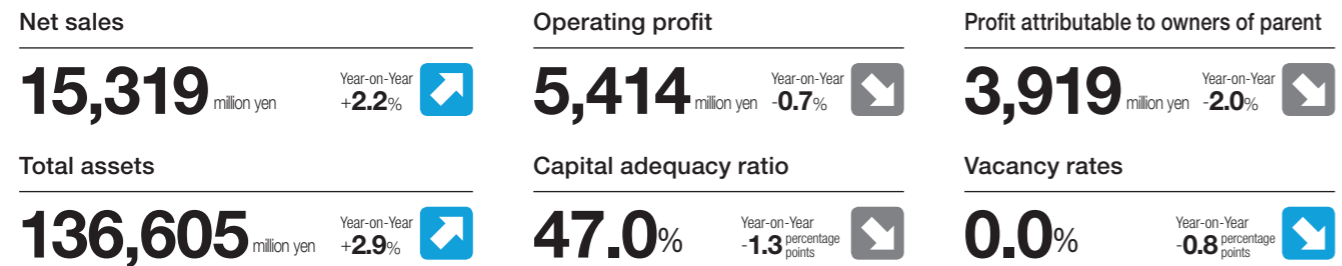
Based on the new Mid-Term Business Plan, developments of office buildings in Tokyo and the eighth datacenter building in Osaka-shi are ongoing. We are also reviewing our existing facilities, selling older buildings and renewing facilities.

# At a Glance

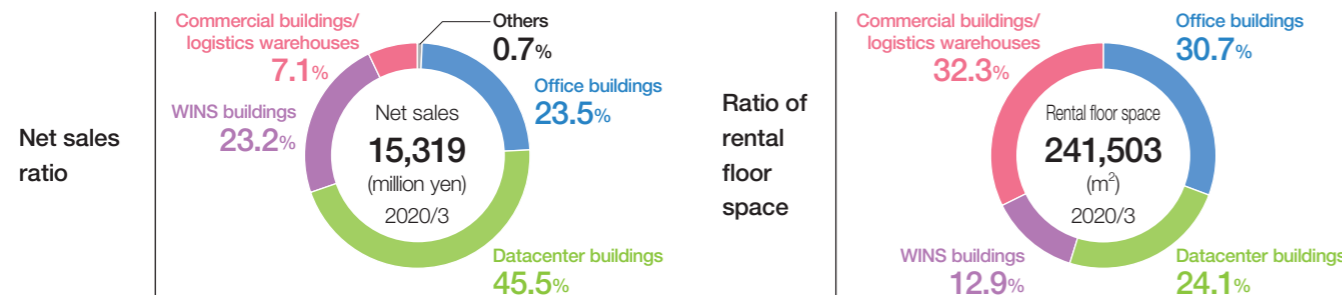
We develop four leasing businesses — office buildings, datacenter buildings, WINS buildings (off-track betting parlors), and commercial buildings and logistics warehouses — across Japan, with a focus on the Kansai region and the Tokyo metropolitan area.

Based on the corporate philosophy, “to provide valuable commercial space to customers so as to contribute to the community through the advancement of customers’ and our businesses,” the Company is working to respond to the needs of the times and develop buildings that are environment- and people-friendly.

## Performance Summary for the Fiscal Year Ended March 31, 2020



## Net Sales Ratio / Ratio of Rental Floor Space



## Business Characteristics of the Company

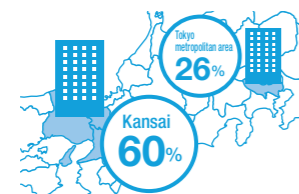
### Focus on the leasing business

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



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

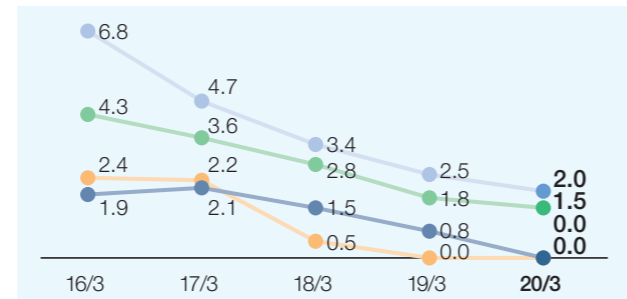
Starting with the completion of the Onarimon Building in 2009, we promote investment in the Tokyo metropolitan area to diversify the concentration risk of owned assets in the Kansai region. We are also currently promoting the construction of a new office building in Toranamom.



### Achieve a high operation rate through a diversified business portfolio

In addition to office buildings, we own datacenter buildings and WINS buildings, which are relatively unaffected by the economy, enabling us to diversify our business portfolio and stably maintain a low vacancy rate.

- Vacancy rate for Keihanshin Building (consolidated)
- Vacancy rate for Keihanshin offices
- Vacancy rate for Tokyo business areas
- Vacancy rate for Osaka business areas (%)



## Business Domains and Market Environments

### Office Buildings

**Features**

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

Average vacancy rates as of March 2020

Tokyo business areas: **1.50%** (Month-on-month -0.01 percentage points)

Osaka business areas: **2.00%** (Month-on-month -0.06 percentage points)

Source: Miki Shoji Co., Ltd.

Number of facilities operated: **7** facilities

### Datacenter Buildings

**Features**

- 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 (hundred million yen)

Source: Comprehensive Survey of Data Center Business Market 2020: Edition of Market (Fuji Chimera Research Institute, Inc.)

Number of facilities operated: **7** facilities

### WINS Buildings

**Features**

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

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

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

Number of facilities operated: **5** facilities

### Commercial Buildings and Logistics Warehouses

**Features**

- 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 (hundred million yen)

Source: "FY2018 E-Commerce Market Survey" (Ministry of Economy, Trade and Industry) (https://www.meti.go.jp/policy/it\_policy/statistics/outlook/H30fy\_kohyoshiryoku.pdf) The chart is created based on data from above.

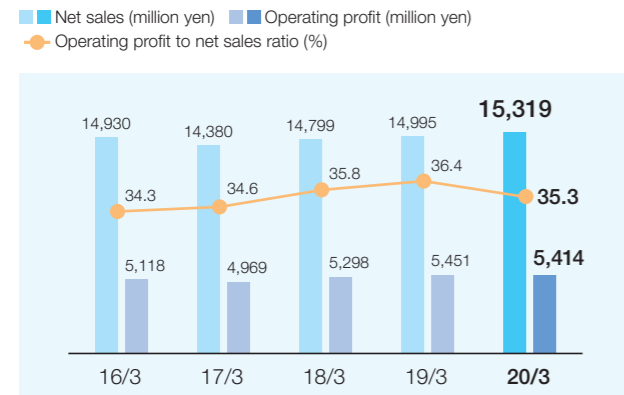
Number of facilities operated: **5** facilities

Total of **24** facilities

# Financial and Non-financial Highlights

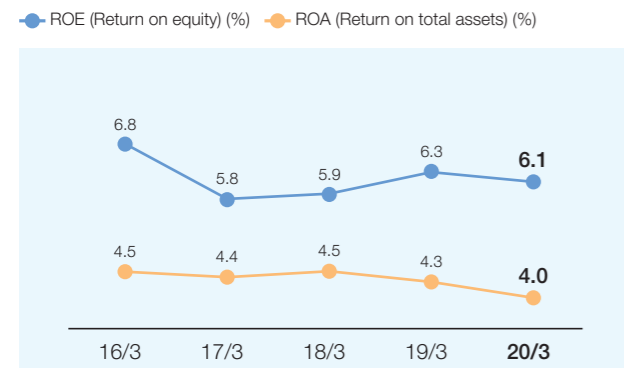
## Financial data

### Net sales/operating profit/operating profit to net sales ratio



Although net sales and operating profit may go slightly up or down due to the sale of properties and other factors, they trend stably. A further increase in revenues is expected due to the completion of properties under development and their contribution to revenues. We are aiming for net sales of ¥22.0 billion and operating profit of ¥8.0 billion in the fiscal year ending March 2026.

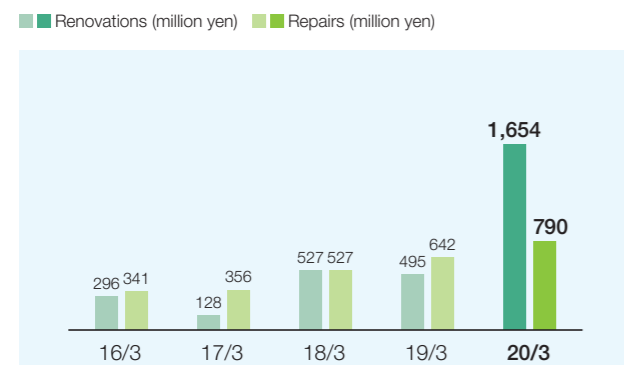
### ROE/ROA



In the new Mid-Term Business Plan, the goal is to maintain an ROA of at least 4%. As for ROE, although no goal has been set, we will strive to increase ROE while keeping balance in mind. (ROE: Profit/equity, ROA: Operating profit/total assets)

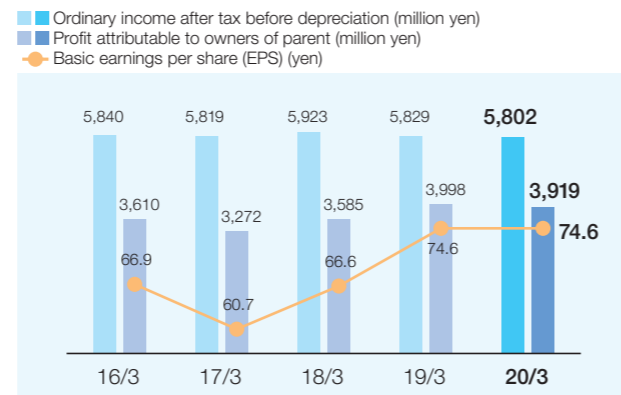
## ESG-related data

### Investments in renovations and repairs



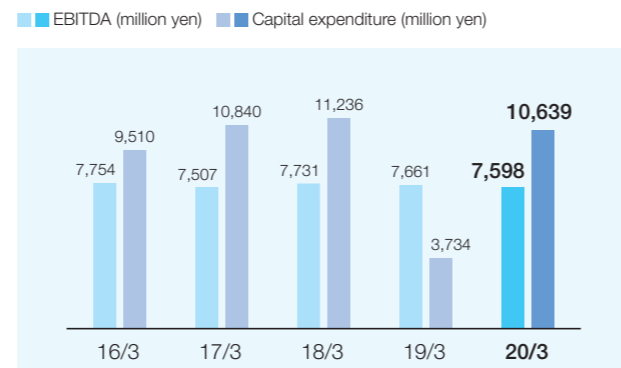
During the fiscal year ended March 2020, we carried out a large-scale renovation of power substations. In addition to planned renovations and repairs in accordance with the new Mid-Term Business Plan, we aim to continue increasing the longevity of our assets into the future based on the concept of "preventive maintenance."

### Ordinary income after tax before depreciation/profit attributable to owners of parent/basic earnings per share (EPS)



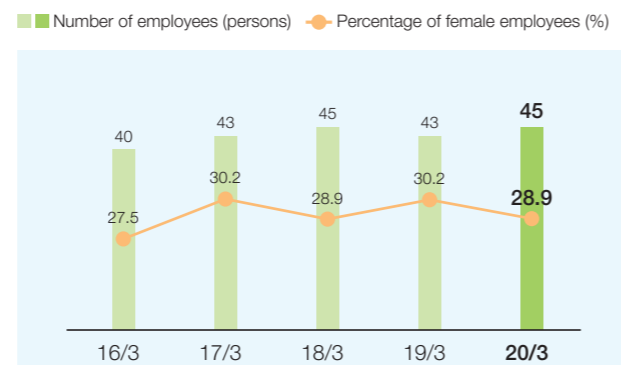
Ordinary income after tax before depreciation has been added as a key financial indicator for the Company in the new Mid-Term Business Plan. This is provided as an important indicator for growth as a company to fulfill our responsibilities to all stakeholders as a corporate citizen. Namely, we ensure to carry out growth investments and consistent dividend by maximizing cash flow after paying taxes, employee salaries, payments to clients, and interest on loans.

### EBITDA/capital expenditure



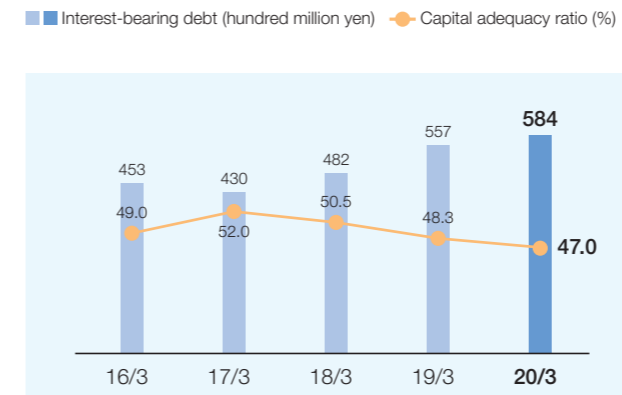
EBITDA has remained about ¥7.0 billion each year, and we are generating stable cash flow in our core business. Capital investment has been on the rise over the past several years, with the promotion of property developments. We also plan to invest a total of ¥100.0 billion under the new Mid-Term Business Plan.

### Number of employees/percentage of female employees



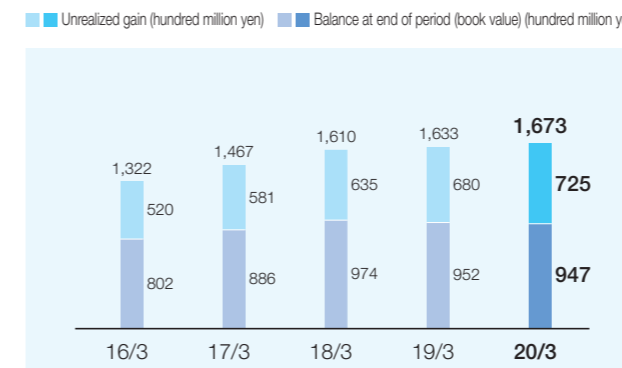
With 45 employees at the end of March 2020, the number of employees compared to a dozen or so years ago has been gradually increasing as the business expands. With further company growth expected from implementation of the new Mid-Term Business Plan, we will continue to further strengthen our workforce in addition to the active participation of women.

### Interest-bearing debt/capital adequacy ratio



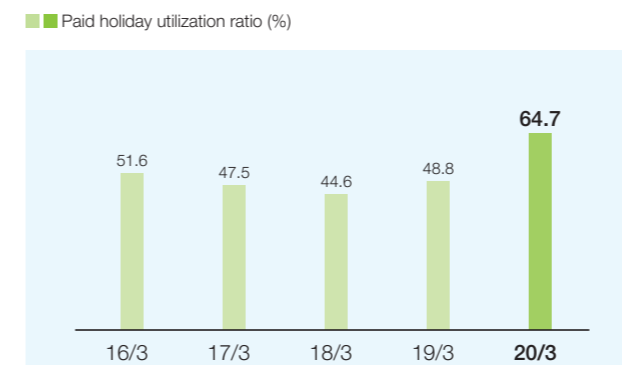
Interest-bearing debt is trending upward due to issuing bonds to finance development projects, etc. The capital adequacy ratio is on a downtrend as a result, but we will continue to maintain the soundness of the financial balance by securing a capital adequacy ratio of 30% or more even when the Company raises funds for further new investments in the future.

### Appraised value of investment and rental properties



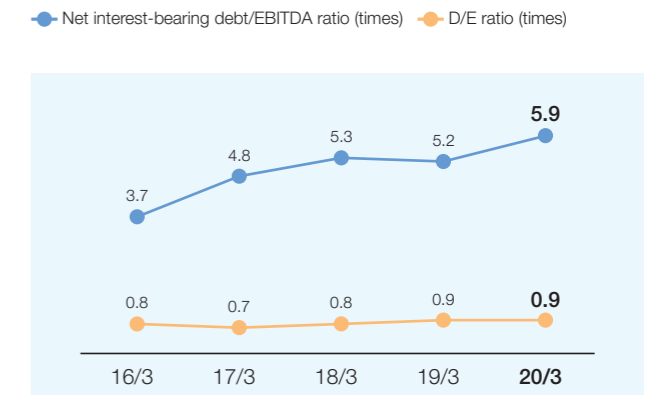
In contrast with a strong real estate market through the end of 2019, the outlook for real estate prices has been uncertain due to the economic slowdown caused by the recent spread of the novel coronavirus infection (COVID-19). The Company will keep a close eye on the market and consider the implementation of measures such as reshuffling of assets without missing the timing. We will strive to secure stable cash flows by effectively utilizing our assets.

### Paid holiday utilization ratio



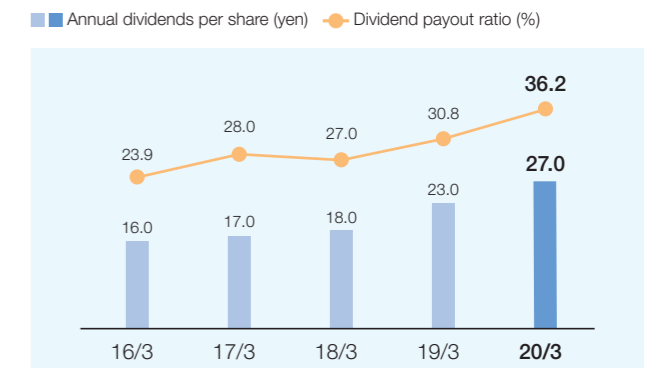
Paid holiday of up to 20 days plus 5 days of special leave are granted annually, with an average annual utilization ratio of about 50%. In the fiscal year ended March 2020, we reviewed the vacation system and the utilization ratio increased significantly. We have established various systems to promote utilization so that employees can lead fulfilling lives.

### Net interest-bearing debt/EBITDA ratio D/E ratio



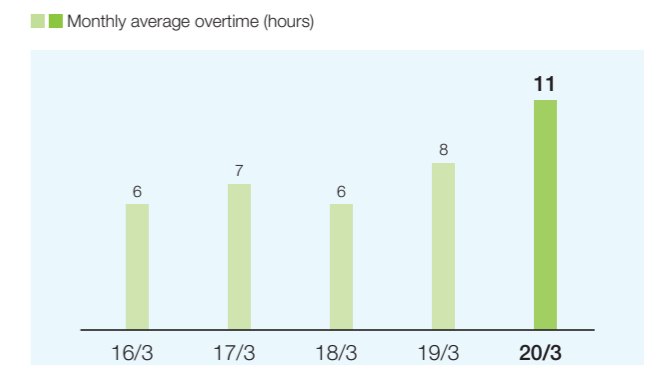
Although we plan to invest a total of ¥100.0 billion under the new Mid-Term Business Plan, the Company will maintain the soundness level of the financial balance, while continuing to actively invest, by keeping the net interest-bearing debt/EBITDA ratio to 10 times or less.

### Annual dividend per share/dividend payout ratio



With the policy focusing mainly on stable and continuous dividend payments, the Company targets the dividend payout ratio of 35 to 40%, up 5 to 10 percentage points from the current figure, under the new Mid-Term Business Plan. In addition, the annual dividend for the fiscal year ended March 2020 was ¥27, an increase of ¥4 over the previous year, representing six consecutive years of increasing dividends.

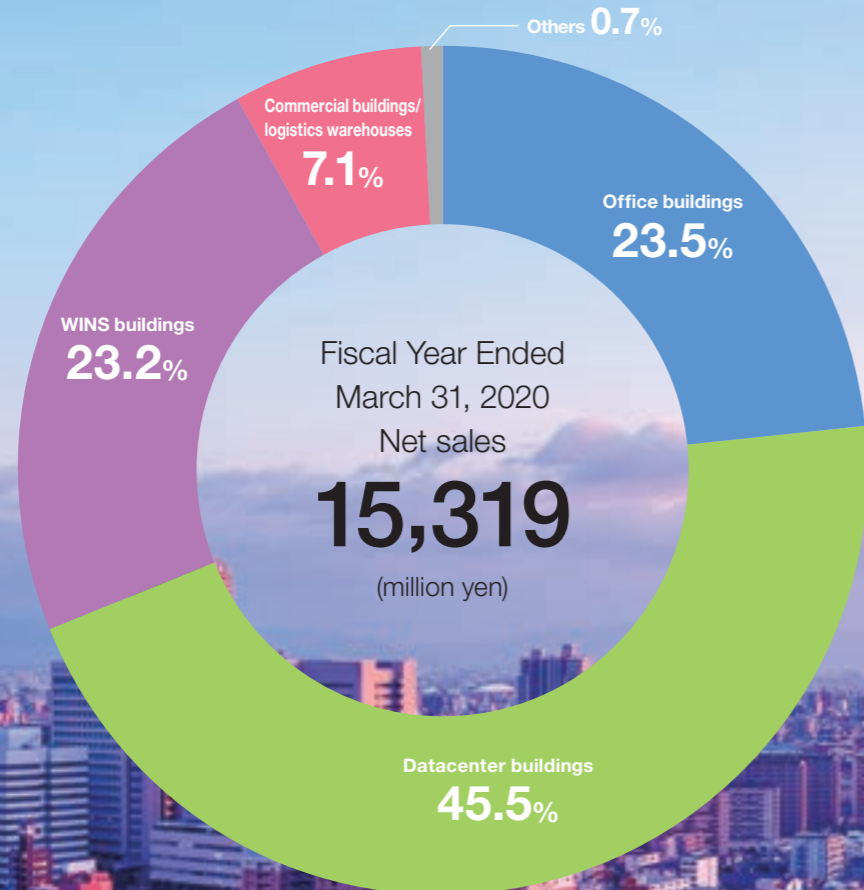
### Monthly average overtime (hours per person)



We are striving to create a healthy and active workplace for all employees by achieving a healthy work-life balance through efforts such as optimally allocating personnel and creating an environment where each person can maximize his or her abilities.

# Business Model and Sources of Competitive Advantage

## Secure stable and high profitability by specializing in leasing business



## Our Competitive Edge

### 1 Stable profit from a diversified business portfolio and high building operation rate

Stable and high profit can be secured because datacenter buildings and WINS buildings are less susceptible to economic trends, and the business is relatively difficult for other companies to enter. Meanwhile, excessive concentration on datacenter buildings is also a risk. In response to this risk, we have office buildings, commercial buildings and logistics warehouses, which maintain the balance of our entire portfolio.



### 2 Successful relationships with customers and partner companies cultivated over the long history

Throughout our 72-year history, we have aimed to build good relationships with our customers and partner companies. These long and successful relationships support our stable profit and business operations.



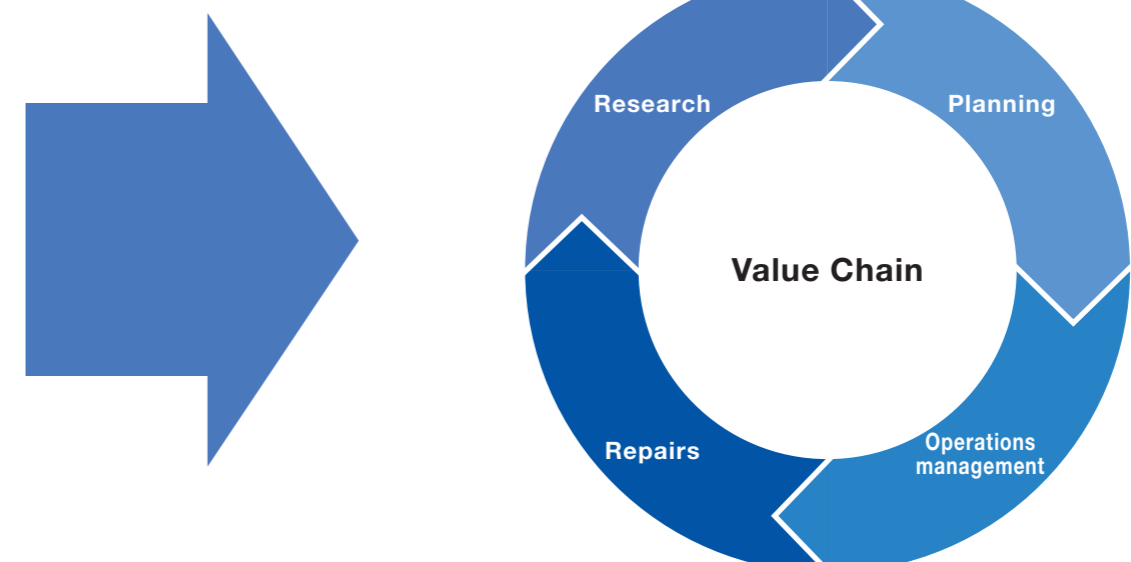
### 3 Efficient management by a small group of highly skilled people

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



<b>Social and Relationship Capital</b>	Relations with local communities, tenants and partner companies	<ul style="list-style-type: none"> <li>Donations and other initiatives for local communities <b>11</b> (FY 2019 Results)</li> </ul>
<b>Human Capital</b>	Every individual as a professional and a multi-player	<ul style="list-style-type: none"> <li>Number of employees <b>45</b> persons (Consolidated, as of March 31, 2020)</li> </ul>
<b>Intellectual Capital</b>	Expertise on planning, development, and operation of buildings	<ul style="list-style-type: none"> <li>Number of qualification holders <b>25</b> persons (As of March 31, 2020) (First-class registered architects, construction management engineers, etc.)</li> </ul>
<b>Natural Capital</b>	United efforts at environmental management	<ul style="list-style-type: none"> <li>Investments in renovations and repairs <b>2,444</b> million yen (FY 2019 Results)</li> </ul>
<b>Financial Capital</b>	A solid financial base	<ul style="list-style-type: none"> <li>Credit rating <b>A-</b> (R&amp;I)</li> <li>Capital adequacy ratio <b>47.0%</b></li> <li>Net interest-bearing debt/EBITDA ratio <b>5.9</b> times</li> </ul>

## Source of Competitive Advantage in the Value Chain



# 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.



# Risks and Opportunities

The Company accurately identifies risks and opportunities emerging from external factors through governance. By appropriately evaluating their validity, we then incorporate them into our mid- to long-term business strategies, improving our corporate value and contributing to a sustainable society.

## Awareness towards external environment

- Economy**
- Soaring real estate market
  - Consumption tax increase
  - Overconcentration in Tokyo
  - Regional revitalization
  - Tokyo Olympic and Paralympic Games
  - EXPO 2025 OSAKA, KANSAI
  - Attracting integrated resorts (IR) investments

- Society**
- Progression of aging/low birthrate society
  - Declining labor population
  - Workstyle reforms
  - Lifestyle changes
  - Expansion of sharing economy
  - COVID-19 pandemic

- Environment**
- Intensifying climate change
  - Frequently occurring natural disasters
  - Tougher environmental regulations

- Technology**
- Progress in technological innovation
  - Spread of AI and IoT

## Risks and Opportunities

<b>Risks</b>	<ul style="list-style-type: none"> <li>● Increase of vacancy rates due to oversupply of leasing properties</li> <li>● Overconcentration in Tokyo causing shrinking demand in other cities</li> <li>● Economic slowdown due to the consumption tax increase</li> <li>● Increase in funds procurement costs due to higher interest rates</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>● Vacancy rates and rent levels backed by solid real estate demands</li> <li>● Stronger business foundation through more opportunities for constructive dialogue with stakeholders</li> <li>● Improved corporate value brought by stronger governance</li> <li>● Expansion of ESG investment</li> </ul>
<b>Risks</b>	<ul style="list-style-type: none"> <li>● Long-term shrinkage of real estate demands due to population decline</li> <li>● Intensified competition brought by shrinkage of real estate market</li> <li>● Possibility of change/shrinkage in existing business</li> <li>● Changes in office needs due to the popularization of telework</li> <li>● Changes in demand for commercial facilities due to the popularization of EC</li> <li>● Labor shortages</li> <li>● Impact on business operations from the COVID-19 pandemic</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>● New real estate needs and market changes</li> <li>● Needs arising for new-style offices</li> <li>● Expanding demands for logistics warehouses due to the popularization of EC</li> </ul>
<b>Risks</b>	<ul style="list-style-type: none"> <li>● Greater scale and frequency of damage due to large-scale natural disasters occurring more often</li> <li>● Increase in capital expenditure in relation to tougher regulations</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>● Greater awareness toward security, BCP, and environmental performance</li> </ul>
<b>Risks</b>	<ul style="list-style-type: none"> <li>● Changes in demand for datacenter buildings due to lower power consumption and downsizing of server equipment</li> </ul>
<b>Opportunities</b>	<ul style="list-style-type: none"> <li>● Expanding demands for datacenter buildings due to further progress of digitalization</li> </ul>



## Keihanshin Building's measures

### Business measures Direction toward sustainable growth

- Advance into the Tokyo metropolitan area to diversify the regional portfolio
- Investment in urban properties located at prime locations
- Development of new datacenter buildings
- Rebuild or sell relatively old properties
- Improve operation rates and raise rents
- Further reinforce tenant relations with a thorough customer-oriented approach
- Renewal to buildings with BCP measures
- Study the prospects of new leasing businesses that leverage strengths of existing businesses

### Measures to strengthen foundations for value creation and resources Develop management foundations in line with the external environment

- Establish a solid corporate governance system and strengthen it further
- Collaborative creation with stakeholders
- Improved corporate value and returns to shareholders through sustainable growth
- Contributing to the vitalization of local communities by supporting local events, etc.
- Employment of women and seniors as well as better welfare benefits to promote employees' active participation
- Fair and proper business dealings for sustainable procurement
- Initiatives for energy conservation and greening such as BEMS for ZEB
- Continuous mid-career and new-graduates recruiting
- Enhance information disclosure
- Secure stable funds procurement



## Message from the President

We will ensure the smooth progress of the Toranomom Building and the OBP Building, and keep our eyes open for the next investment opportunity.



**Koichi Minami**  
President

### We provide valuable commercial space, and contribute to the community

Under our corporate philosophy, we have engaged in business with a constant focus on the mission “to provide valuable commercial space so as to contribute to the community through the advancement of customers’ and our business.”

The construction and operation of the Hanshin Racecourse soon after the World War II provided the opportunity for the Company’s founding, and we proceeded to engage in the maintenance and operation of the major WINS buildings (off-track betting parlors) in the Keihanshin area, providing places of recreation for the general public during the turbulent post-War era.

As Japan’s economy developed, we entered into the office buildings leasing business, and also launched a leasing business for suburban commercial buildings and logistics warehouses, in line with the changes in lifestyles due to the advancement of motorization. In 1988, with the increasingly universal use of office computers, we spearheaded entry into the leasing business for datacenter buildings, which were buildings devoted entirely to computers.

Stable and steady growth through a business portfolio constructed to meet the needs of the times, has been the Company’s strength since the time of its founding. We

now engage in the leasing business in four different business domains: office buildings, datacenter buildings, WINS buildings, and commercial buildings and logistics warehouses. While diversifying risks through the portfolio, we are engaged in promoting plans for new business development, as announced in our Mid-Term Business Plan.

The BtoB leasing business feels the effects, albeit with some delay, of both positive and negative changes in the business climate. The office buildings domain experiences the effect of changes relatively quickly, while WINS buildings and logistics warehouses are slow to register any effects. In this way, these domains complement each other. Datacenter buildings, which have long contract terms, are even more stable. For this reason, the Company as a whole has the strength of being able to continue stable business operations.

In addition, we have been able to enhance management efficiency by focusing on the leasing business, allowing us to develop businesses with a small workforce of only around fifty employees.

We consider it is our mission to ensure the continuation of these business operations into the future, from a long term perspective in view of digitalization and response to environmental issues.

### Making solid preparations in anticipation of all kinds of risks

At the same time, we must anticipate each of the various risks we may face during the course of business operation, and make solid preparations for them.

The impact of COVID-19 on our business results has not materialized at present, and we also expect that any impact in the future will be relatively mild, due to the fact that our business is diversified over four different leasing business domains, as well as the nature of each business domain. We must remain vigilant, however, as long delays are expected in ending the pandemic.

In addition, countermeasures are indispensable for the frequent natural disasters occurring in Japan, through which the Company’s assets may be destroyed or rendered dysfunctional. In this context, we will construct new buildings with the durability to withstand natural disasters, and systematically renew existing buildings to be BCP-ready and withstand any disaster based on forecasts for disaster frequency and scale. For datacenter buildings in particular, which require large amounts of electrical power, we have implemented extensive countermeasures, including installing emergency generators and stockpiling the

fuel necessary for their operation in preparation for emergency power outage.

Moreover, because the Company’s properties are primarily located in the Osaka and Kansai region, they may suffer significant damage in the event of a large-scale earthquake or other disaster in the Kansai area. We will endeavor to prioritize new investment in properties in the Tokyo metropolitan area in the future, in order to increase the geographical diversification of the Company’s property portfolio.

The popularization of telework is expected to accelerate, due to workstyle reforms and the effect of pandemics such as the recent spread of COVID-19. For a company like ours, engaged in the business of office space leasing, this change brings the risk of a decline in demands for offices. We believe however, that places for doing business and interacting with other people will never totally disappear, and we will proactively provide offices to meet the needs of the times, taking into consideration the form and nature of offices, as well as the locations where the offices should be.

## Message from the President

### Focusing on our two major projects - the Toranomom Building and the OBP Building

In February 2017, we established our Mid-Term Business Plan, setting out our policies and goals for the following five years. We reviewed the Plan at the half-way point in October 2019, in order to reacknowledge the business environment surrounding the Company and its direction, based on changes in our assumptions regarding the external and internal environment since the Plan was established. The soaring real estate market represented a particularly large change in assumptions. We judged that there was a high risk of engaging in investment simply to achieve quantitative targets, and determined to review the Plan from a long-term perspective, to ensure that investment decisions were reasonable.

The new Mid-Term Business Plan comprises the

seven years from fiscal year ended March 31, 2020 to fiscal year ending March 31, 2026, under the slogan "Challenges from here: Into the new stage of growth."

Under the new Mid-Term Business Plan we will steadily proceed to reap the fruit of our advanced investments in two major projects for an office building and a datacenter building; the Toranomom Building and the OBP Building. Both of these investments represent development projects, where we manage each stage from land purchase to construction and attracting tenants, and hold the key to advancing our business. At the same time, we also plan to take a longer term perspective in our search for new investment targets, patiently seeking the right timing for future opportunities.

### Upholding financial discipline as we engage in new investment

Regarding our current progress on the new Mid-Term Business Plan, conditions are favorable for office buildings, with vacancy rates lowering amid strong demand for offices. The Toranomom Building is scheduled for completion in November 2020, and tenant leasing activities are progressing smoothly. Rental income from this project will start to contribute to a certain extent to our business results during the fiscal year ending March 2021, and will contribute fully from the fiscal year ending March 2022.

Of our four business divisions, datacenter buildings contribute significantly to overall revenue. The OBP Building is scheduled for completion in April 2021, and will

contribute to revenue from the fiscal year ending March 2022. The Nishishinsaibashi Building, our seventh datacenter building, achieved full operation around five years after construction was completed, and our business plan also assumes a lead time of four to five years before the OBP Building is fully operational. However, as leasing for the OBP Building is progressing smoothly, revenue contribution is expected to commence sooner than originally anticipated.

At the same time, WINS buildings and commercial buildings and logistics warehouses are also producing stable revenues that underpin our performance.

Investment under the new Mid-Term Business Plan totals ¥100 billion, including ¥92 billion in real estate investment and ¥8 billion for investment in renovations and repairs. Of the real estate investment above, ¥34 billion is for the aforementioned two major projects, and the remaining ¥58 billion will be directed to new investments.

For new real estate investment, we are considering projects including office buildings, mainly in the Tokyo metropolitan area, and datacenter buildings in Osaka as well as the Tokyo metropolitan area.

Investment in renovations and repairs is also indispensable, to maintain revenue from existing buildings. For datacenter buildings, in addition to renewing aging facilities, we are progressively investing to relocate high-voltage power substations from the basements of these buildings to rooftops or high floors, in order to avoid the risk of flooding during storms.

We also consider it vital to build our strength and resilience to cope with unexpected circumstances, and will

maintain financial discipline, targeting the capital adequacy ratio being 30% or more, and the net interest-bearing debt/EBITDA ratio being 10 times or lower. We currently maintain a margin of safety in both indicators, with the capital adequacy ratio of 47%, and the net interest-bearing debt/EBITDA ratio of 5.9 times. We will firmly maintain financial discipline as we engage in new investments.

Ordinary income after tax before depreciation has been included as a new indicator under the new Mid-Term Business Plan. This new indicator embodies our desire to fulfill our responsibilities to all stakeholders, by distributing consistent dividend to shareholders through the maximization of ordinary income after tax before depreciation, after completing our duties as a corporate citizen, including paying taxes, employee salaries, outsourcing fees to partner companies, and interest.

In terms of shareholder returns, in addition to focusing on the continued payment of stable dividend, we have set a target dividend payout ratio of 35-40%.

### Further promotion of initiatives for ESG management

Under the new Mid-Term Business Plan, we will advance ESG (Environmental/Social/Governance) management initiatives, in order to "expand assets that will be carried over to the next generation."

Environmental initiatives, in particular, we regard as of the same degree of importance to the Company as enhancing revenue.

We have already focused our efforts on BEMS (Building Energy Management System), a building management system designed to optimize indoor environments and energy performance, and have commenced a quantitative assessment of the results of initiatives to reduce CO<sub>2</sub> emissions at the Yodoyabashi Building, in order to further enhance accuracy. We will use this data to calculate the return on investment, and implement more efficient initiatives to reduce CO<sub>2</sub> emissions. We will also consider issuing green bonds and obtaining environmental performance ratings, as a way to gauge the level of our initiatives against global standards.

Our non-current assets are distributed across various regions, and it is our mission as a corporate citizen to co-exist with each local community. As well as monthly clean-up activities by Head Office employee volunteers in Midosuji Road, we also cooperate with and support local events. We also promote workstyle reforms to enhance job satisfaction, encourage employees to take paid leave, and engage in the creation of work-friendly environment and systems.

In addition, with our small team of highly skilled employees, we consider the support of our partner companies indispensable for our business. We have established a system of awards to recognize the particularly distinguished work of people from the businesses involved in managing our buildings each year. We have established a relationship of trust with our partner companies, which we treat as part of the group family.

Regarding governance, we are engaged in reforms each year, such as ensuring the separation of management and business execution functions, enhancing our team of Outside Directors, and establishing a Nomination and Remuneration Committee. We will continue to work towards thoroughly transparent management.

In addition to these ESG initiatives, we will continue to contribute to achieving SDGs through our business operations, and have recently announced our participation in the United Nations Global Compact, with the aim of achieving even higher targets.

We will continue to provide valuable commercial space while thoroughly implementing ESG activities, to achieve sustainable growth as a corporation, and provide new values to society.

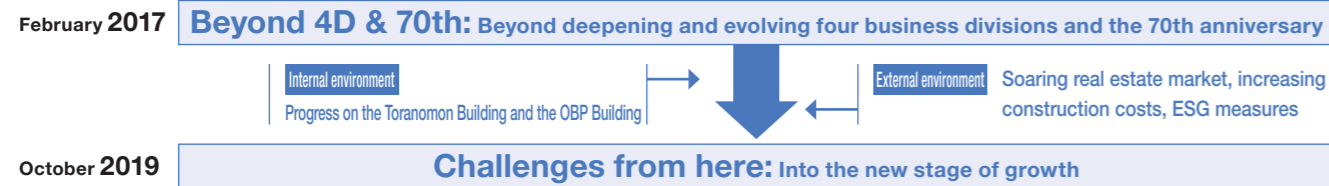
**We will achieve sustainable growth, and provide new values to society.**



# New Mid-Term Business Plan

## Challenges from here: Into the new stage of growth

In contrast with the difficulty in acquiring profitable properties in recent years due to the deterioration in the investment environment caused by soaring real estate market prices, both the Toranomon Building and the OBP Building, the two projects that form the central pillars of the Mid-Term Business Plan, are progressing on schedule. Construction is approaching completion, allowing us to forecast the upcoming contribution to the Company's business results. We have taken this opportunity to review our plan, in order to incorporate these new revenue sources into our numerical targets and investment plans, and reacknowledge the business environment surrounding the Company and its direction.



### Target Period

FY2020/3 to FY2026/3 / 7 years

### Basic Policy

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

### Corporate Vision

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

### Priority Measures

#### 1 New investment strategies

##### Office Buildings

- Promote the construction of the Toranomon Building and secure full occupancy at an early stage
- Promote investment in the central Tokyo area by enhancing brand strength in the Tokyo area
- Specialize in medium-sized buildings
- Participate in redevelopment projects through partnerships with other companies

##### Commercial Buildings

- Acquire urban-type commercial buildings located near the commercial centers or terminal stations in the Tokyo metropolitan area and regional core cities

#### 2 Reviewing existing facilities

- Steadily reconstruct or sell properties relatively old or no longer profitable
- Improve profitability by attracting tenants from new areas of business through effective use of building characteristics

##### Datacenter Buildings

- Promote the construction of the OBP Building and attract tenants at an early stage
- Acquire lands for developments and construct a new urban-type datacenter building to meet strong demand in the Osaka area
- Consider datacenter building business in the Tokyo area and the Osaka suburban area, leveraging our high public profile in the datacenter industry
- Consider investment in datacenter buildings through business alliances

##### Logistics Warehouses

- Acquire build-to-suit warehouses (for specific companies) with facilities and functionalities that meet customer needs
- Acquire large multi-tenant warehouses at convenient locations

#### 3 Pursuing profitability of owned assets

- Pursue high operation rates with prime building facilities
- Further reinforce tenant relations with a thorough customer-oriented approach
- Develop new customers by strengthening proposal capabilities

### Numerical Targets

#### Business plan

	2020/3 (Results)	2026/3 (Final target)
Net sales	15.3 billion yen	22.0 billion yen
Operating profit	5.4 billion yen	8.0 billion yen
Ordinary profit	5.2 billion yen	7.5 billion yen
Ordinary income after tax before depreciation	5.8 billion yen	10.0 billion yen
Total assets	136.6 billion yen	195.0 billion yen
Net interest-bearing debt	45.1 billion yen	92.0 billion yen
Net interest-bearing debt/EBITDA ratio	5.9 times	7.3 times
Shareholders' equity	64.2 billion yen	82.0 billion yen
Capital adequacy ratio	47.0%	42.0%

#### Investment plan

	Investments	Investment amount (cumulative)
Real estate investment	<ul style="list-style-type: none"> <li>Part of the construction costs of the Toranomon Building and OBP Building</li> <li>Acquisition of profitable properties</li> </ul>	92.0 billion yen
Repair and renovation investment	<ul style="list-style-type: none"> <li>Large-scale repairs of owned properties</li> </ul>	8.0 billion yen
Total		100.0 billion yen

#### 4 Enhancing risk management

- Diversify the regional portfolio of the owned properties
- Systematically renew buildings incorporating BCP measures, etc.

#### 5 New developments for the future

- Consider diversifying and expanding business through business alliances, etc.
- Consider diversifying investment methods
- Consider real estate investment overseas focused on developed countries such as the United States

#### 6 Maintaining a solid financial foundation

- Strive for stable financing at low interest rates by paying attention to the balance between direct financing and indirect financing
- Maintain the soundness of the financial balance while adhering to the capital adequacy ratio of at least 30% and a net interest-bearing debt of ten times EBITDA (operating profit before depreciation) or less
- Pursue a rating upgrade while maintaining a good credit rating
- Maintain ROA (operating profit/total assets) at 4% level

#### 7 ESG-conscious business management

- E (Environmental)**
  - Prolong building life through preventive maintenance
  - Promote greening and energy-saving initiatives
  - Consider obtaining various certifications
- S (Social)**
  - Contribute to the local community through BCP, the maintenance of disaster preparedness equipment, etc.
  - Initiate regional revitalization through event sponsorship and donations
  - Improve productivity through workstyle reforms
- G (Governance)**
  - Reinforce management integrity and transparency through reviewing the board structure, further diversifying executive members, etc.

### Shareholder Returns

The dividend payout ratio will be 35 to 40%, up 5 to 10 percentage points from the current figure, under the policy focusing mainly on stable and continuous dividend payments. In addition, returns to shareholders will be studied with a full awareness of capital efficiency, comprehensively taking into account the economic situation and the Company's stock price.

Planning to construct a globally competitive large-scale datacenter building with the highest standard of safety, reliability and efficiency



History of our datacenter building business and the reason for our commitment

Our datacenter building business started with the completion of the Shinmachi 1 Building in 1988. It was at the time mainly used as a site for general-purpose arithmetic units for companies, but as personal computers and mobile phones gained popularity in the 1990s and the 2000s, the datacenter buildings became a site for telecommunications equipment. Nowadays many of them are utilized to store servers for cloud and other services. We have expanded business by constantly advancing our buildings over the years to meet the needs of the times.

With the advances in AI and IoT technologies, the volume of data communications is expected to further increase, as well as the importance of datacenters as a part of social infrastructure. Especially, the demand is growing in Osaka, where needs for backup facilities to the Tokyo metropolitan area are increasing and more global corporations are searching for a business base in Japan. Seeing this as a great opportunity to use our accumulated experience, expertise, and relations, the Company is developing the OBP Building as the Company's largest-ever urban-type datacenter building. We are proceeding with work aimed for completion in April 2021.



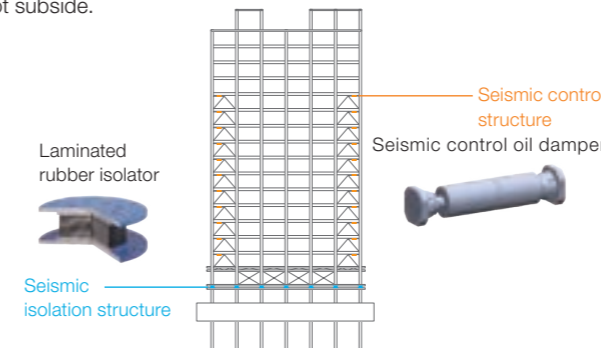
Construction site as of June 2020

Features of the Keihanshin OBP Building

Safety

Earthquake countermeasures

We have adopted a mid-story isolation structure with the capacity to withstand more than twice the level of massive earthquakes like Nankai Trough Earthquake or Uemachi Fault Earthquake. Seismic control oil dampers counter small to medium earthquakes while laminated rubber isolators counter major earthquakes, minimizing shaking of the building. In addition, the building is upheld by rods that extend deep down into the stable ground foundations, so that even if liquefaction occurs in the surface subsoil, the building will not subside.



Flooding countermeasures

Although OBP is located in an area considered to be at a low risk for tsunamis or flooding of landside waters, as contingency measures, the first floor is raised off the ground while the power supply room and leasing rooms are placed on the second floor or higher.

Securing power sources

The power supply is secured at the high capacity (46 MW) by the 2-line power receiving system of main and backup power supplies. The building is also equipped with a large in-house generator that can continually operate at least for 48 hours without oil supply even during a large-scale blackout, to supply electric power for the entire building.

Security

A high level of security is provided through a state-of-the-art security system and manned guarding available 24 hours a day, 365 days a year.

Location

Situated near the IX\*, OBP stands in the heart of the Osaka metropolitan area where telecommunication infrastructure is concentrated. It is located in the north end of the Uemachi Plateau, which has one of the strongest soil and foundation in Osaka-shi. The high altitude makes this location highly resistant to flood damage. In addition, it is near major trunk roads and stations, allowing for a swift access in emergency situations.

\* IX (Internet Exchange) is a facility which interconnects networks of several business operators, including providers and datacenter operators.

Environment

As for today's needs for energy conservation and greening measures, we aim at an environment-friendly datacenter building with the rank A certification under CASBEE Osaka.

Future outlook

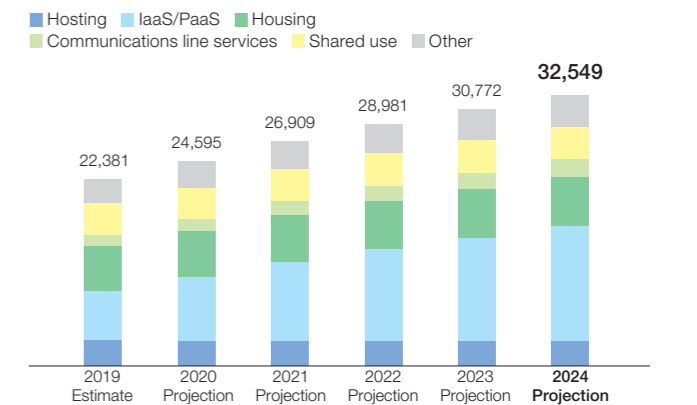
With the completion of this building, the leasable area for datacenter building business is expected to increase by approximately 30%. We will steadily continue this project toward the completion in April 2021 while also actively engaging in the tenant leasing going forward.

As the amount of data communication increases with the growth of AI and IoT, the datacenter market is expected to continue expanding after this building is completed in 2021, leading to greater demand for datacenter buildings.

We will actively expand the scale of our business through the operation of this building, while aiming to develop our ninth datacenter building as we try to leverage our experience with the OBP Building to develop more metropolitan and suburban datacenter buildings. We will continue to meet the expectations of our stakeholders by providing the public with high-quality datacenter buildings to serve as infrastructure for the information society.

Trend in the size of datacenter market (hundred million yen)

Source: Comprehensive Survey of Data Center Business Market 2020: Edition of Market (Fuji Chimera Research Institute, Inc.)



Keihanshin OBP Building Project Outline		
Name	Keihanshin OBP Building	
Address	Chuo-ku, Osaka-shi	
Site area	6,671.94m <sup>2</sup>	
Total floor space	38,796.97m <sup>2</sup> (planned)	
Structure	B1/16F	
Purpose	Datacenter, partly offices	
Design and supervision	Nikken Sekkei Ltd	
Construction	KAJIMA CORPORATION	
Completion	Planned for April 2021	

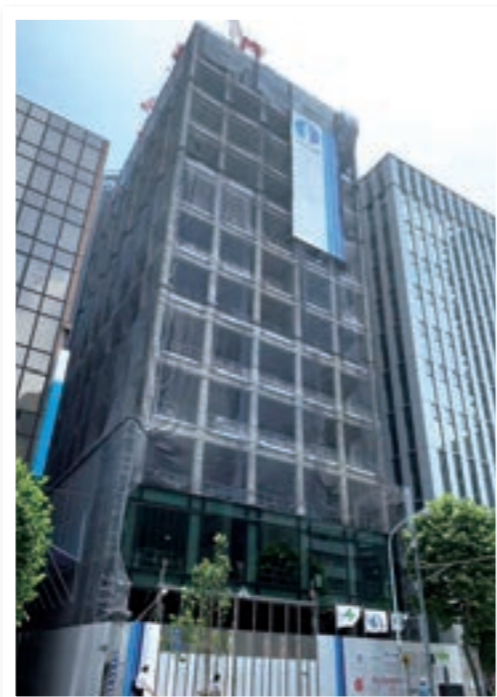
High-quality offices that stimulate people and businesses, to be inherited by the next generation



**Background of our entry to the Tokyo metropolitan area and the development of the Keihanshin Toranomon Building**

The majority of the properties we own are located in the Kansai region, particularly in Osaka. If a major disaster occurs in Osaka, many of our assets may be damaged, possibly having a severe impact on our performance and financial standing. In order to reduce such risk, as part of our plan to decentralize our portfolio, we have begun to expand outside the Kansai region into the Tokyo metropolitan area in particular, the center of Japan where the biggest market lies. With the completion of the Onarimon Building in 2009, we began a full-scale entry into the Tokyo metropolitan area. Since the establishment of our Tokyo Office in 2014, we have acquired four properties in the Tokyo metropolitan area. Furthermore, looking at the growth potentials in the Tokyo metropolitan area where a series of large-scale redevelopments are taking place in preparation for the Tokyo Olympic and Paralympic Games, we acquired the land for the Toranomon Building in 2017.

We are working on the development of this building as our flagship in the Tokyo metropolitan area, with the aim to provide a high-value added office building leveraging our expertise gained through the datacenter building business. Scheduled for completion in November 2020, the construction and tenant leasing are progressing smoothly.



Construction site as of June 2020

**Features of the Keihanshin Toranomon Building**

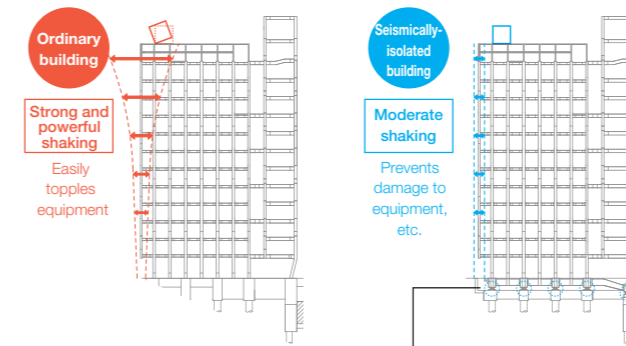
**Location**

The building is positioned in Japan's foremost business district next to Kasumigaseki, where capital functions such as government sectors and the Supreme Court are concentrated. The site is a two-minute walk from the Tokyo Metro Ginza Line, Toranomon Station and a six-minute walk from the JR Shinbashi Station, as well as accessible using four other train lines.



**Safety**

Leveraging our expertise gained through the datacenter building business, we install seismic isolation structures, emergency-use generators, and BCP-ready elevated tanks, as well as secure lines for extra power supply using a dual-line power receiving system, among other safety measures. As such, we not only contribute to maintaining building safety but also the business functionality of our customers.



**Environment**

High-spec power-saving equipment such as airflow window method is installed in an effort to conserve energy. Also, by actively greening the surroundings and rooftop of the building, the building design takes into consideration biodiversity conservation and helps alleviate the heat island effect. Furthermore, it offers a relaxing space where building users can enjoy the greenery right in the heart of the city.

**Future outlook**

As large-scale redevelopment projects are in progress successively in the Toranomon area, it is expected to become even more attractive as an area for international business exchange. With the completion of the Toranomon Building, we will demonstrate our proactive business development in the Tokyo metropolitan area for both domestic and international community. We will continue to invest in promising areas based on location and future prospects.

The office building market in the Tokyo metropolitan area is expected to remain solid going forward bolstered by various demand for office buildings due to workstyle innovations and robust business performances of companies. The metropolitan area is certainly not an easy market as it has greater supply of offices and intensified competition with other companies compared to the Kansai region. However, we focus on high-grade buildings in prime locations where firm demand such as from medium-sized firms can be anticipated. By providing high-value added buildings we achieved in datacenter building business, we are going to differentiate ourselves from our competitors.

Keihanshin Toranomon Building Project Outline	
<b>Name</b>	Keihanshin Toranomon Building
<b>Address</b>	1-chome Nishi-Shinbashi, Minato-ku, Tokyo
<b>Access</b>	Two-minute walk from the Tokyo Metro Ginza Line, Toranomon Station Six-minute walk from the JR Shinbashi Station Four-minute walk from the Toei Mita Line, Uchisaiwaicho Station Four-minute walk from the Tokyo Metro Marunouchi Line/Hibiya Line/Chiyoda Line, Kasumigaseki Station
<b>Site area</b>	977.61m <sup>2</sup>
<b>Total floor space</b>	7,137m <sup>2</sup> (planned)
<b>Structure</b>	B1/13F
<b>Purpose</b>	Business offices, partly retails
<b>Design and supervision</b>	Nikken Sekkei Ltd
<b>Construction</b>	Sumitomo Mitsui Construction Co., Ltd.
<b>Completion</b>	Planned for November 2020

## Feature 3 Creating Value in BCP Measures and Investment

As a company operating real estate leasing business, we are strengthening our BCP initiatives. The level of both hardware and software, including BCP drills, stock maintenance and equipment maintenance, are being improved. We also carry out planned investment in renovations and repairs based on internal standards so that buildings can be comfortably and safely far into the future. This initiative can also be called one of our BCP measures as it is intended to keep buildings safe. In this report, we will introduce the status of BCP implementation and cases of BCP investment.

### BCP measures

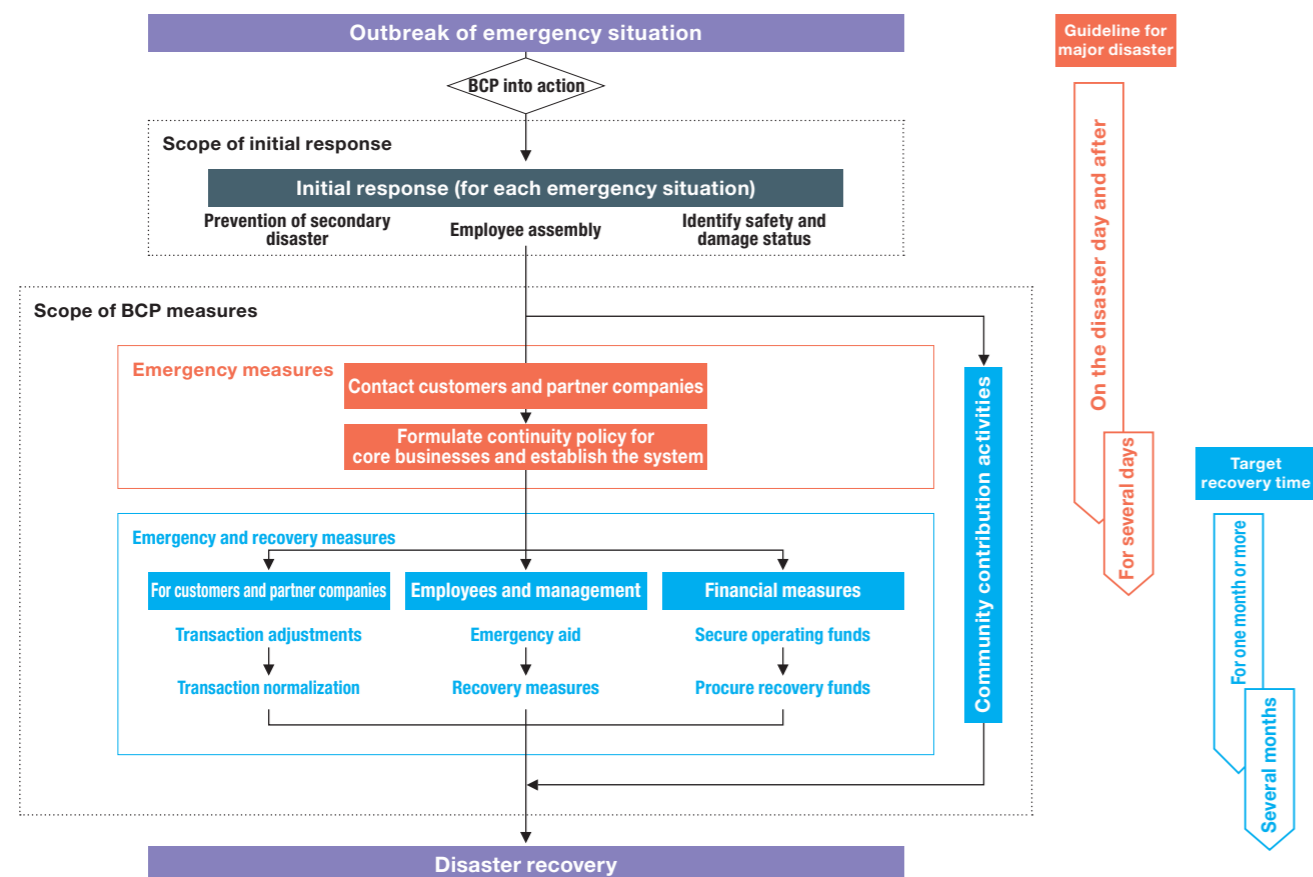
#### Implementation of BCP drills

We have formulated a BCP to protect the safety of our customers, employees, and partner companies as well as to continue our business.

Based on the BCP, we conduct BCP drill on January 17 of each year on the anniversary of the Great Hanshin Earthquake. We check supplies and equipment for emergency use, conduct communication drills with partner companies, and promote overall improvement in awareness and of BCP by sharing emergency protocols, with an aim to create a disaster-resilient company and society.



#### Our BCP activation flow



### BCP investment

#### Introduction of renovation work for extra-high voltage power substations

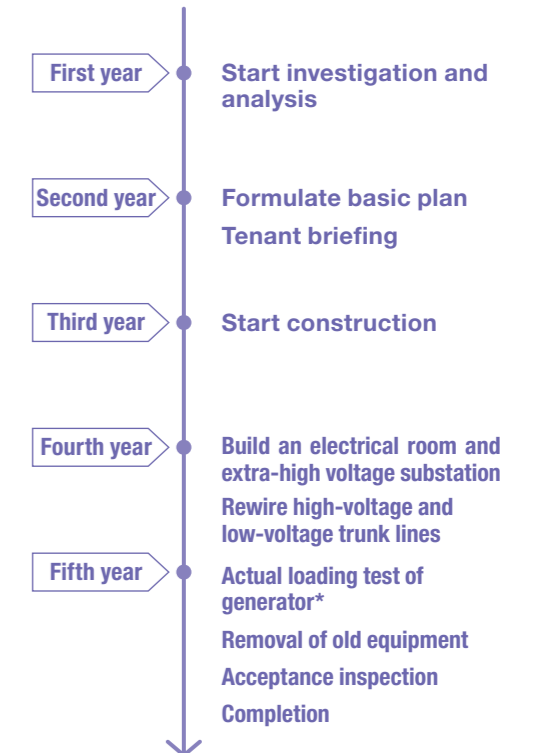
We invest in renovations and repairs of our datacenter buildings based on the concept of “preventive maintenance” for the purpose of maintaining highly reliable power supply, strengthening our ability to respond to the natural disasters that occur frequently in recent years, and extending the life of buildings.

In order to ensure the reliability of the power supply of datacenter buildings, we have now upgraded power substations, and relocated important equipment on the lower floors to upper floors to avoid the risk of flooding.

A datacenter building operates 24 hours a day, 365 days a year, and the power supply cannot be stopped even for a fraction of time. It was extremely difficult to carry out renovation and relocation of the power substations without a power stoppage as they were receiving a large amount of electricity and constantly operating to supply stable power throughout the building. With the cooperation of the tenants and each partner company, however, we were able to complete the work safely.

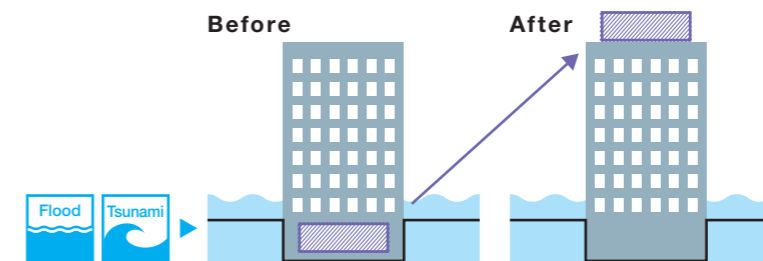
We will continue to make planned investments in renovations and repairs so that buildings can be used with peace of mind for a long time, and we will continue to work to increase their value.

#### Schedule of renovation work (example)



\* Actual loading test of generator  
There are two methods for testing a generator: the actual loading test and the simulated loading test, and the Company employs the actual loading test. The generator is periodically checked to confirm whether the electric power is supplied to the building normally and each facility functions properly by operating the generator under an actual power failure state with external electric power shut off.

#### Image of relocation of power substations



#### Basic Policy Buy and Hold

We secure stable long-term profits by specializing in the real estate leasing business and holding good buildings over a long period of time, and achieve efficient business operations with our small team of highly skilled employees. Using a building for a long term instead of practicing scrap and build, we also aim to minimize the environmental impact.

#### Results of Review (As of April 2020)

**1. Reconstruction/ large-scale repairs**  
**WINS Umeda B Building**  
**Kawaramachi Building**

**2. Sales**  
**Sold due to considerations such as management efficiency, age, and future potential**  
Four properties since fiscal 2015

**3. Continued ownership**  
**Long term investment in renovations and repairs over 5 to 10 years**  
**Planned preventive maintenance**  
E.g. Renovation of extra-high voltage power substations of datacenter buildings, repair of outer wall of Kawaramachi Building

#### About the Future

We are successively renovating the extra-high voltage power substations of older datacenter buildings. Going forward, we will continue to enhance the value of our properties, and in turn our corporate value, by appropriately updating our facilities and providing customers with a stable and high-quality business space based on our property ownership policy.

# Office Buildings

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



Keihanshin Midousuji Building



Keihanshin Yodoyabashi Building



Keihanshin Onarimon Building



Keihanshin Kawaramachi Building



Keihanshin Yoyogi-koen Building

## Business Overview

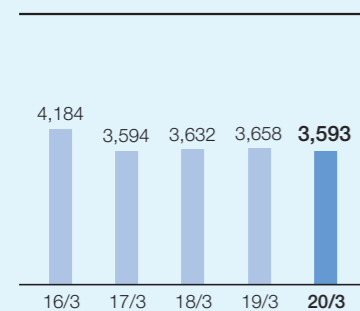
As of the end of March 2020, the Company owns and leases a total of seven office buildings, mainly in city centers of Osaka and Tokyo. The status of market condition for domestic offices in fiscal 2019 was steady, with stable vacancy rates and rent levels, especially for prime office buildings in the city centers. In the future, however, it is also expected that the real estate leasing industry will be affected by the economic slowdown caused by the COVID-19 pandemic, and the outlook remains uncertain.

Net sales from the office building business in fiscal 2019 were ¥3,593 million, a ¥64 million (-1.8%) decrease from the previous fiscal year due to a decrease in rent income caused by the departure of some tenants during the period. Tenants succeedingly moved in thereafter during the period, and as of the end of March 2020, office buildings were fully occupied again.

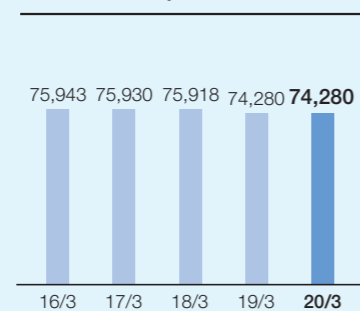
**Feature Keihanshin Toranomon Building** For more details, see page 23

## PERFORMANCE

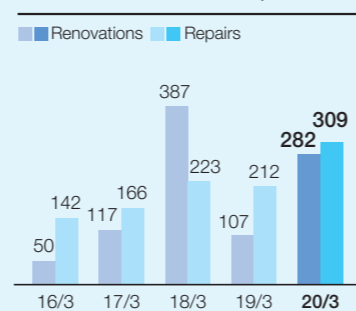
Net sales (million yen)



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



Investments in renovations and repairs (million yen)



## Features of Our Office Buildings

### Feature 1 Prime locations

We consider location to be extremely important. Midousuji Road, on which four office buildings exist, is Osaka's main road, and the area covering from Yodoyabashi to Honmachi is one of the most prestigious office areas in Osaka. Our three office buildings in the Tokyo metropolitan area, as well as the Toranomon Building currently under construction, are all situated in prime locations near stations or on major trunk roads.



### Feature 3 Environment and society

#### Energy conservation

We are actively employing various types of energy-saving technologies to conserve energy, such as airflow windows and BEMS (Building Energy Management System).

#### Greening

Our buildings are designed to be environment-friendly, incorporating greenery on the roofs and walls to alleviate the heat island effect.

#### Local communities

We plan building projects and manage operations in harmony with local communities through efforts such as creating exteriors with attention to the surrounding scenery and supporting local events held in the premises of our buildings.

### Feature 2 Advanced features

We focus on usability when developing buildings and strive to provide business space in older buildings that is equally comfortable as in new buildings through planned renewals and maintenance. Also, leveraging our expertise gained over the years in the management of datacenter buildings, we introduced seismic isolation structure and emergency-use generator facilities, responding to the rising need for BCP measures.

#### Seismic isolation devices

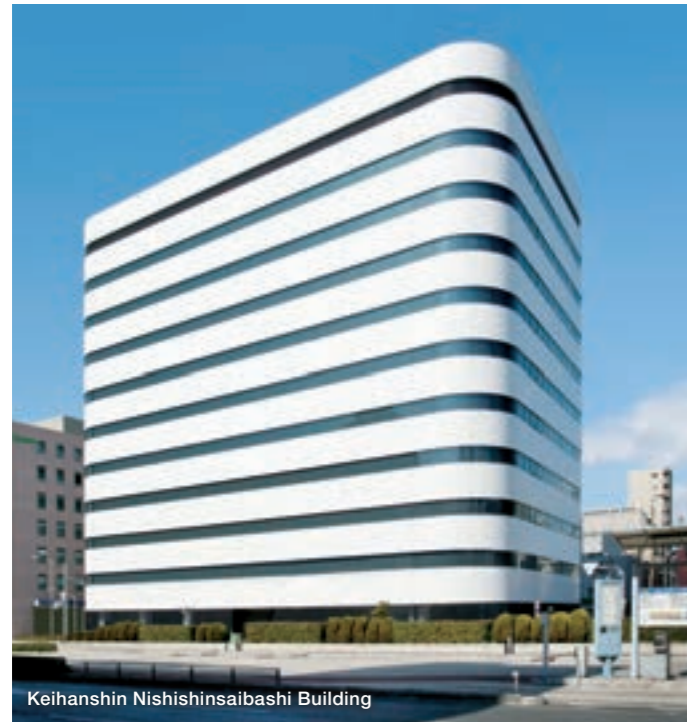
The Midousuji Building features seismic isolation devices equivalent to those installed in our datacenter buildings, such as laminated rubber isolators and various types of dampers.

#### Emergency-use generators

The Midousuji Building is equipped with emergency-use generators and UPS (uninterruptible power supplies) for critical electricity systems, designed to secure the electricity in the building until the power is restored. The Toranomon Building is also scheduled to be equipped with emergency-use generators from a BCP perspective.

# Datacenter Buildings

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



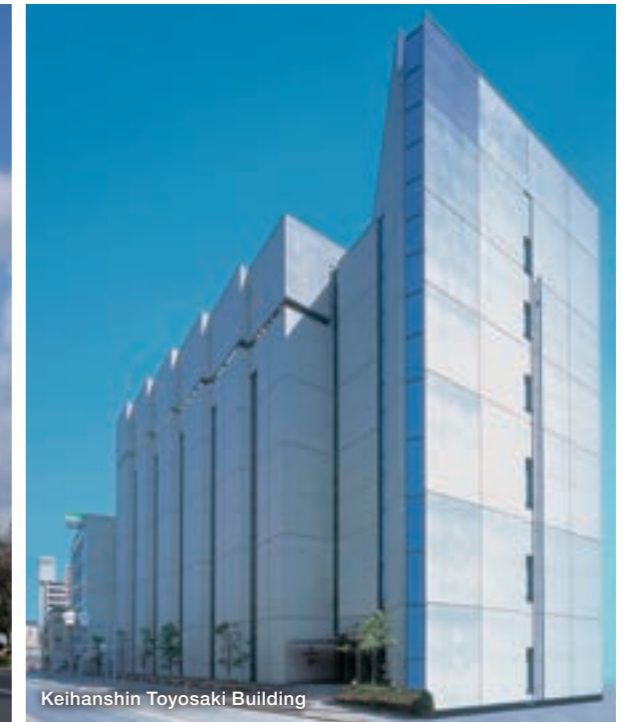
Keihanshin Nishishinsaibashi Building



Keihanshin Kitahorie Building



Keihanshin Shinmachi 1 Building



Keihanshin Toyosaki Building

## Business Overview

We own and lease a total of seven datacenter buildings, mainly in the city center of Osaka.

The datacenter market remained steady in fiscal 2019, with an increase in data communication volume owing to development in cloud services and others. The Company also performed well with the improved operation rate of our

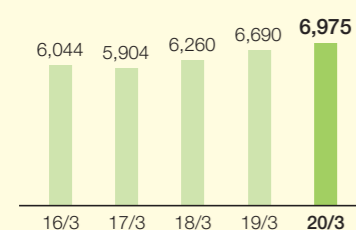
existing buildings and new tenants moving into buildings that were partially vacant. As a result, net sales from the datacenter building business in fiscal 2019 were ¥6,975 million, an increase of ¥284 million (4.3%) from the previous fiscal year.

**Feature Keihanshin OBP Building/Creating Value in BCP Measures and Investment**

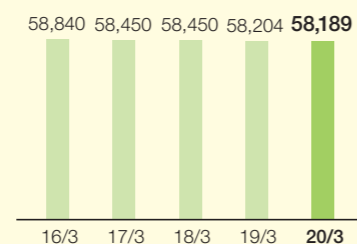
For more details, see page 21 and 25

## PERFORMANCE

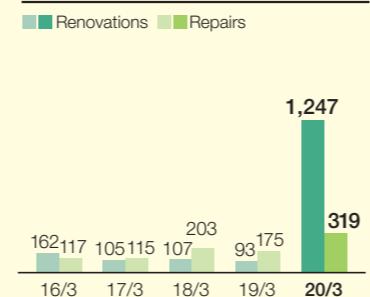
Net sales (million yen)



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



Investments in renovations and repairs (million yen)



## Features of Our Datacenter Buildings

### Feature 1 Advanced disaster-prevention functions

#### Earthquake countermeasures

The Nishishinsaibashi Building employs advanced seismic isolation devices and is built to maintain datacenter functions even when hit by a direct seven-class earthquake on the Japanese intensity scale.



#### Flooding countermeasures

We are also taking precautions against risks for urban flooding, such as those caused by the torrential downpours, which have become frequent in recent years. Thorough measures are implemented, such as installation of flood-control panels in building entrances, and positioning of equipment such as incoming power units and leased machine rooms on the second floor or higher.

### Feature 2 High-capacity electrical equipment

Each datacenter building receives high-capacity and high-voltage electricity through multiple lines, in principle. If one is severed, other lines will still provide sufficient power for operations.

In the event of a blackout, the large emergency-use generator will be able to maintain power in the datacenter buildings until the power is restored.



### Feature 3 Security measures

The entrances of datacenter buildings are equipped with security gates using contactless smart cards. Security personnel are always on duty and visitors are allowed entrance through face-to-face reception.

Specialized engineers are permanently on call in the central monitoring center of each datacenter building, and building interiors are under surveillance 24 hours a day, 365 days a year.



### Feature 4 Convenient urban-type buildings

Our datacenter buildings are located in the central part of Osaka-shi, where the western Japan communication networks are focused. This enables fast and high-quality Internet connections to be established, and allows engineers to swiftly arrive on-site should an issue occur.

### Feature 5 Design and operations management with an awareness of customers' convenience

We design our buildings giving due consideration to client implementation works from the designing stage so that our tenants can move into the building without any problem. Additionally, based on the concept of "preventive maintenance," we conduct planned renovations and repairs in an effort to allow our customers to use our facilities safely and comfortably.



# WINS Buildings

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



WINS Umeda B Building



WINS Kyoto Building



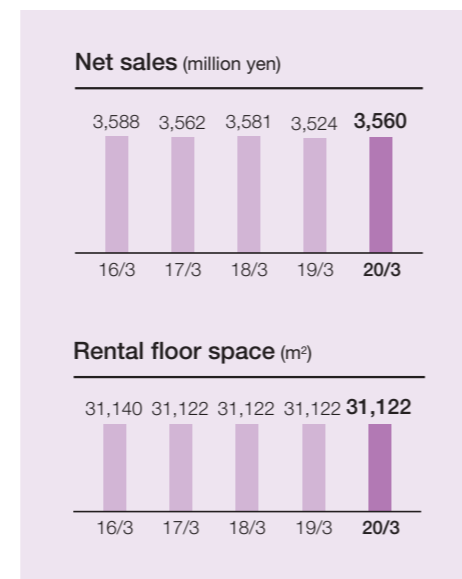
WINS Kobe B and C Building

### Business Overview

WINS buildings refer to the facilities that sell off-track betting tickets for Japan Racing Association (JRA) races held all over Japan. Operating WINS buildings requires special construction specifications and uses, making it difficult for new competitors to enter the business. This is why the WINS building business is one of our core businesses that generate stable revenue. On the other hand, this business also calls for attentive services such as establishing good relationships with local communities. Although the share of sales at WINS buildings is in a declining trend due to the spread of online betting, we will continue to provide excellent buildings for horse racing fans for their ongoing use.

Net sales from the WINS buildings business in fiscal 2019 was ¥3,560 million, up ¥36 million (1.0%) from the previous fiscal year.

### PERFORMANCE



### Features of Our WINS Buildings

#### Feature 1 Over 70 years of business together with our tenants

The WINS building business is the oldest business of the Company. We own major WINS buildings in the Keihanshin area and lease them to JRA because of our involvement in the construction and operation of the Hanshin Racecourse soon after the World War II.

#### Feature 2 Operation in the Keihanshin downtown areas

Of the WINS buildings across the country, we own and lease five WINS buildings in the city centers of the Keihanshin area that feature excellent transportation convenience.

#### Feature 3 Together with local communities

Together with JRA, we are working on various initiatives including development of buildings with attention to the surrounding scenery and active participation in local events so as to create WINS buildings beloved by local communities.

#### Feature 4 Enhancing value by renewing buildings

Aiming to provide safe, comfortable and convenient WINS buildings, we are working on enhancing their value by carrying out planned renovations and repairs of escalators, air conditionings and other equipment.

# Commercial Buildings and Logistics Warehouses

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



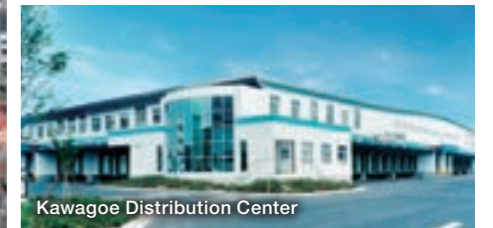
Shijo-Kawaramachi Building



Nagano Shopping Facility



Fujisawa Shopping Facility



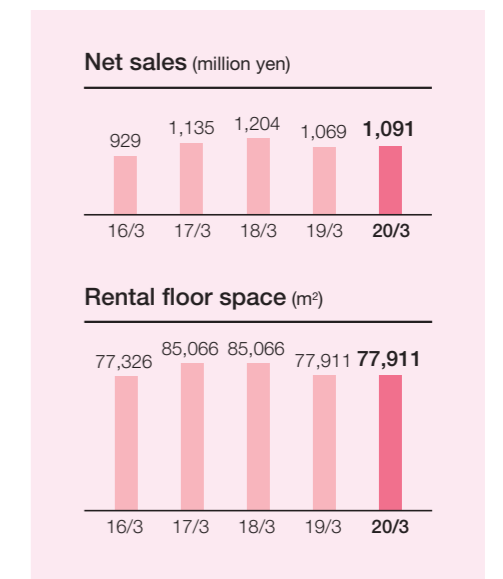
Kawagoe Distribution Center

### Business Overview

The Company has been developing the leasing business for commercial buildings and logistics warehouses since 1970s. We used to have road-side-type commercial facilities located across Japan, but currently we are proceeding with efforts to transition our properties from roadside to rail-side based on the Mid-Term Business Plan. In recent years, the environment surrounding commercial facilities is undergoing great changes owing to lifestyle changes, such as the proliferation of EC (electric commerce) and the return to urban centers. Additionally, due to the increased logistics demand caused by the spread and expansion of EC, logistics warehouses have become larger and an introduction of automation facilities and robotic technology has also progressed, which leads to the supply-demand balance being continuously tight. The trend in the logistics market is expected to remain steady into the future, with strong demand exceeding supply as the supply of new logistics warehouses continues to increase.

Net sales from the commercial buildings and logistics warehouses business for fiscal 2019 were ¥1,091 million, which was an increase of ¥21 million (2.0%) from the previous fiscal year. With the sale of Toyahama Warehouse in April 2020, we now own and lease five commercial buildings and logistics warehouses in Japan, with a focus on the Kansai region and the Tokyo metropolitan area.

### PERFORMANCE



### Features of Our Commercial Buildings and Logistics Warehouses

#### Feature 1 Excellent transportation access

Located primarily in the Tokyo metropolitan area and the Kansai region, our commercial facilities are built near terminal stations, and logistics warehouses on main trunk roads, both of which are prime locations for transportation access.

#### Feature 2 Highly visible commercial facilities

In addition to convenient transportation access, our commercial facilities are all buildings highly visible from trunk roads.

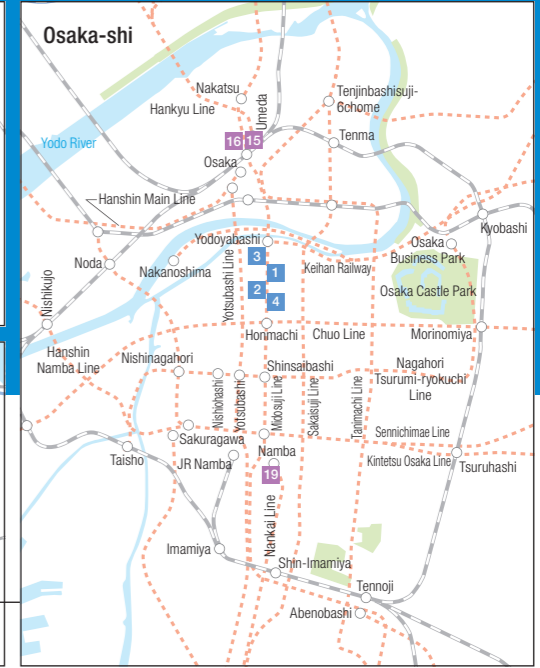
#### Feature 3 Strengths in build-to-suit warehouses for cooling and freezing warehouses, etc.

Our strengths lie in build-to-suit logistics warehouses that cater to tenant needs, from small-scale storage to warehouse for cooling and freezing.

#### Feature 4 Close relationships with tenants

Many of our commercial buildings and logistics warehouses are leased as a whole building to a single tenant per property, contracting with tenants with high credibility. We build tenant relations directly without going through a management company, which allows us to manage the operation speedily and meticulously to meet customers' needs.

# List of Owned Properties (As of June 16, 2020)



## Office Buildings



**1 Keihanshin Midousuji Building**  
 Address: 3-6-1 Doshomachi, Chuo-ku, Osaka-shi, Osaka  
 Two minutes on foot from the Osaka Metro Midousuji Line Yodoyabashi Station  
 Structure: B1/14F  
 Total floor area: 19,872 m<sup>2</sup>



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



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



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



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



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



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

## Datacenter Buildings



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



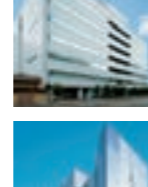
**9 Keihanshin Kitahorie Building**  
 Address: Nishi-ku, Osaka-shi, Osaka  
 Structure: B1/7F  
 Total floor area: 14,456 m<sup>2</sup>



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



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



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



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

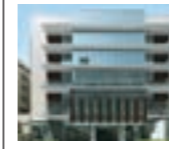


**14 Keihanshin Nakatsu Building**  
 Address: Kita-ku, Osaka-shi, Osaka  
 Structure: 8F  
 Total floor area: 4,010 m<sup>2</sup>

## WINS Buildings



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



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



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

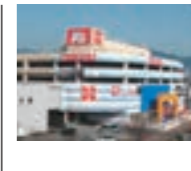


**18 WINS Kyoto Building**  
 Address: 1 Komatsucho, Shijosagaru-yoncho, Yamato-oidori, Higashiyama-ku, Kyoto-shi, Kyoto  
 Total floor area: 2,517 m<sup>2</sup>



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

## Commercial Buildings and Logistics Warehouses



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



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



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



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



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

# Directors/Audit & Supervisory Board Members and Executive Officers (As of June 16, 2020)



Executive Officer <b>Toshiki Tabuchi</b>	Managing Executive Officer <b>Junichi Tada</b>	Senior Managing Executive Officer <b>Shinji Yamamoto</b>	Outside Audit & Supervisory Board Member <b>Chiho Takeda</b>	Outside Audit & Supervisory Board Member <b>Masanobu Tomitaka</b>	Audit & Supervisory Board Member (Standing) <b>Shigeru Nishida</b>	
Outside Director <b>Takashi Yoshida</b>	Outside Director <b>Kazutomo Kawauchi</b>	Chairman <b>Kenjiro Nakano</b>	President and Chief Executive Officer <b>Koichi Minami</b>	Director and Executive Officer <b>Seisuke Isemura</b>	Outside Director <b>Masao Nomura</b>	Outside Director <b>Takashi Tsuji</b>

## Directors

**Kenjiro Nakano** Chairman (Board Chairman)

Born August 13, 1947  
 April 2008 Vice President and Executive Officer, Sumitomo Mitsui Banking Corporation  
 June 2010 President, Keihanshin Real Estate (Currently Keihanshin Building)  
 June 2016 Chairman (current), Keihanshin Building

**Significant concurrent positions**  
 Outside Director, Maruichi Steel Tube, Ltd.  
 Outside Director, Audit and Supervisory Committee Member, H<sub>2</sub>O Retailing Corporation

**Koichi Minami** President

Born March 21, 1955  
 June 2013 Standing Corporate Auditor, Sumitomo Mitsui Financial Group Corporate Auditor, Sumitomo Mitsui Banking Corporation  
 June 2016 President, Keihanshin Building  
 June 2018 President and Chief Executive Officer (current), Keihanshin Building

**Seisuke Isemura** Director (In charge of Property Management)

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

**Masao Nomura** Director/Independent Officer **Outside**

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

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

**Kazutomo Kawauchi** Director/Independent Officer **Outside**

Born May 18, 1947  
 April 1971 Joined Mainichi Broadcasting System  
 June 2007 President, Mainichi Broadcasting System  
 June 2015 Chairman, Mainichi Broadcasting System  
 June 2016 Director (current), Keihanshin Building  
 April 2017 Chairman, MBS Media Holdings  
 June 2019 Counselor, Supreme Advisor (current), MBS Media Holdings

**Significant concurrent positions**  
 Outside Director, RKB Mainichi Holdings  
 Outside Director, Kin-Ei Corp

**Takashi Tsuji** Director/Independent Officer **Outside**

Born October 3, 1942  
 April 1966 Joined Ube Industries, Ltd.  
 October 1983 Joined Konoike Transport Co., Ltd.  
 December 1989 Representative Director and President, Konoike Transport Co., Ltd.  
 June 2000 Representative Director, Chairman and President, Konoike Transport Co., Ltd.  
 June 2003 Representative Director and Chairman, Konoike Transport Co., Ltd.  
 June 2017 Director and Chairman (current), Konoike Transport Co., Ltd.  
 June 2020 Director (current), Keihanshin Building

**Significant concurrent positions**  
 Director and Chairman, Konoike Transport Co., Ltd.

**Takashi Yoshida** Director/Independent Officer **Outside**

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

**Significant concurrent positions**  
 Outside Member of the Audit & Supervisory Board, JTEKT CORPORATION

## Audit & Supervisory Board Members

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

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

**Masanobu Tomitaka** Audit & Supervisory Board Member **Outside**

Born February 3, 1952  
 June 2002 Executive Officer, Manager, Corporate Credit Department 3, Sumitomo Mitsui Banking Corporation  
 June 2005 Managing Director, the Resolution and Collection Corporation  
 June 2009 President-director, Sohgho Real Estate  
 June 2017 Audit & Supervisory Board Member (current), Keihanshin Building

**Chiho Takeda** Audit & Supervisory Board Member/Independent Director **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 (current), Keihanshin Building

## Executive Officers

**Koichi Minami** President and Chief Executive Officer

See details under Directors section

**Shinji Yamamoto** Senior Managing Executive Officer, Director of Sales and Manager-Tokyo

Born March 6, 1960  
 April 2012 Sub-manager, Corporate Banking Division, Sumitomo Mitsui Banking Corporation  
 June 2013 Director, Director of Sales, Keihanshin Building  
 April 2018 Managing Director, Managing Executive Officer, Director of Sales and Manager-Tokyo, Keihanshin Building  
 June 2020 Senior Managing Executive Officer, Director of Sales and Manager-Tokyo (current), Keihanshin Building

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

See details under Directors section

**Toshiki Tabuchi** Executive Officer, Accounting Manager

Born January 29, 1961  
 April 1983 Joined Konoike Construction  
 April 2004 Joined Keihanshin Building  
 April 2015 Accounting Manager, Keihanshin Building  
 April 2018 Executive Officer and Accounting Manager (current), Keihanshin Building

**Junichi Tada** Managing Executive Officer Administration and General Affairs Manager

Born November 13, 1963  
 April 2016 Deputy General Manager, Corporate Advisory Headquarters, Board member, Sumitomo Mitsui Banking Corporation  
 June 2018 Director and Executive Officer, Administration and Planning Manager, Keihanshin Building  
 June 2020 Managing Executive Officer, Administration and General Affairs Manager (current), Keihanshin Building

# Corporate Governance

## Basic Concept

We believe in the importance of improving management efficiency and integrity through enhancing corporate governance, which contributes 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 the social environment to conduct a fair, transparent and appropriate business in an atmosphere of free competition. In this way, we show stakeholders that we value the trust that they place in us.

Our Company's staff are small in number, allowing for uncomplicated information gathering and operations management when compared to a large-scale corporation with many staff members. This is why our corporate system is in line with the actual situation. 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.

### Efforts to enhance corporate governance (transition)

- 2006 Established the Risk Management Committee and the Compliance Committee
- 2011 Appointed one Outside Director
- 2016 Increased the number of Outside Directors to two, adopted stock compensation-type stock option, and discontinued Directors' retirement benefits
- 2017 Started effectiveness evaluations of the Board of Directors
- 2018 Introduced the Executive Officer System, and established the Nomination and Remuneration Committee
- 2019 Increased the number of Outside Directors to three
- 2020 Increased the number of Outside Directors to four.  
Four out of seven Directors are Independent Outside Directors, representing the majority of the Board of Directors.  
Introduced a restricted stock compensation plan.  
Discontinued provisions on compensation amounts for stock compensation-type stock option consisting of the grant of share acquisition rights as stock options.

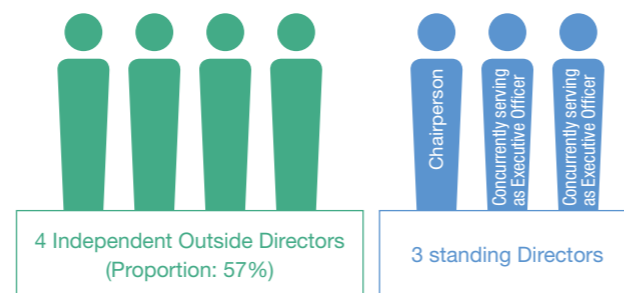
## Further reinforcing corporate governance system by appointing Outside Directors to be a majority of the Board of Directors

We established the further reinforcement of corporate governance as part of the measures under our new Mid-Term Business Plan "Challenges from here: Into the new stage of growth," in order to further boost our corporate value. Based on these policies, it was resolved at the Annual General Meeting of Shareholders held on June 16, 2020 to decrease the number of standing Executive Directors by two, and increase the number of Outside Directors by one, making a majority of four of the seven Directors in the Board of Directors Independent Outside Directors. The resulting enhancement of the supervisory function of the Board of Directors over management team increases the transparency and objectivity of corporate management, and achieves a further reinforcement of the corporate governance system.

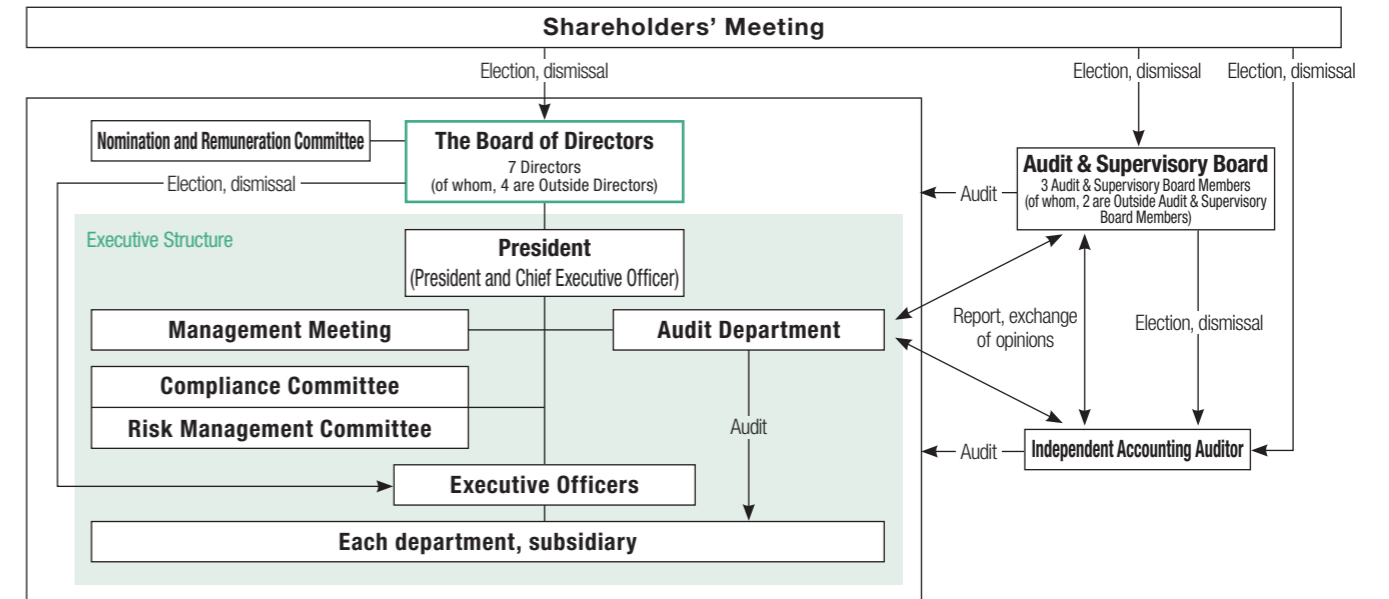
At the same time, the number of dedicated Executive Officers was increased from one to three, in addition to the two Executive Officers concurrently serving as Directors, making a total of five Executive Officers responsible for business execution.

### Composition of the Board of Directors

7 Directors (of whom, 2 concurrently serve as Executive Officers)



## Corporate Governance Structure (from June 16, 2020)



## Corporate Governance System

### Overview of the system

The Board of Directors convenes once a month in principle to make decisions concerning important management issues and supervise business execution by receiving periodical reports. Our Directors are appointed based on

their abundant experience or highly specialized expertise and skills. We strive to further enhance the transparency and integrity of our corporate activities.

### Corporate Governance Summary (FY2020)

Organization type	Company with Audit & Supervisory Board
Board Chairman	Chairman
Number of Directors	7, of whom, 4 are Outside Directors (from June 16, 2020)
Number of Audit & Supervisory Board Members	3, of whom, 2 are Outside Audit & Supervisory Board Members
Adoption of the Executive Officer System	Yes
Term of Directors	2 years
Number of Independent Officers	5 persons (from June 16, 2020)
<b>Board of Directors' Meeting details for FY2019</b>	
Number of meetings held	11
Director attendance ratio	100%
Audit & Supervisory Board Member attendance ratio	100%
<b>Audit &amp; Supervisory Board Meeting details for FY2019</b>	
Number of meetings held	12
Audit & Supervisory Board Member attendance ratio	100%
Important meetings in which Audit & Supervisory Board Members participate	Audit & Supervisory Board Meetings, Board of Directors' Meetings, Management Meetings, subsidiary director meetings
Determining remuneration, etc., for Directors	The amount of remuneration, etc., is determined for each Director according to the position they hold on the Board of Directors, and the amount shall be within the remuneration limit decided at the Shareholders' Meeting. The total remuneration amount for FY2019 was ¥202 million for the 9 Directors <sup>*1, *2</sup> (of which, ¥21 million was for Outside Directors).
Implementation of incentives for Directors	Restricted stock compensation
Involvement of Outside Directors in determining remuneration	Yes (deliberation by the Nomination and Remuneration Committee)
Determining remuneration, etc., for Audit & Supervisory Board Members	The amount is determined following deliberations by the Audit & Supervisory Board based on their activity status as Audit & Supervisory Board Members, and the amount shall be within the remuneration limit decided at the Shareholders' Meeting. The total remuneration amount for FY2019 was ¥37 million for the 5 Audit & Supervisory Board Members <sup>*3</sup> (of which, ¥13 million was for Outside Audit & Supervisory Board Members).
Independent Accounting Auditor	GYOSEI & CO.

\*1 The total amount includes 1 Outside Director who retired at the conclusion of the 96th Annual General Meeting of Shareholders held on June 18, 2019.

\*2 An additional ¥38 million in wages was paid to Directors also serving as employees.

\*3 The total amount includes 1 Audit & Supervisory Board Member and 1 Outside Audit & Supervisory Board Member who retired at the conclusion of the 96th Annual General Meeting of Shareholders held on June 18, 2019.

# Corporate Governance

## Summary of Boards, Meetings, and Committees

Name	Chairperson	Summary	Number of meetings held (FY2019)
The Board of Directors	Chairman	The board approves important management issues proposed by the President, who is responsible for the execution of management, and appropriately supervises business execution.	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	At the meeting, attended by the President, heads of each section, and Audit & Supervisory Board Members as observers, deliberations are carried out regarding important issues to support President's decision-making.	11 times
Executives and Managers Meeting	President	At the meeting, attended by the President, heads of each section, and Audit & Supervisory Board Members, information primarily on practical operations is reported and shared.	Once a week
Nomination and Remuneration Committee	Outside Director	The committee appoints Directors and deliberates on personnel matters, in response to consultation by the Board of Directors. Matters such as compensation for Directors are also deliberated. The chairperson and the majority of the committee members are Outside Directors.	3 times
Compliance Committee	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
Risk Management Committee	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

More details are available on our website.

<https://www.keihanshin.co.jp/english/ir/policy/governance/>



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

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



Inspection of the OBP Building construction site by Outside Directors and Audit & Supervisory Board Members

## Outside Directors and Outside Audit & Supervisory Board Members

Four out of seven Directors of the Company are Outside Directors. By reflecting their objective viewpoints as well as abundant experience and knowledge in the management, we strive to reinforce the corporate governance system. In addition, in accordance with laws and regulations, two out of the three Audit & Supervisory Board Members are outside members, enhancing the objectivity and fairness of management supervision. The Outside Directors and Outside Audit & Supervisory Board Members receive internal audit reports from the Audit Department at the Board of

Directors' Meetings. Furthermore, in addition to receiving reports from both the Audit Department and the Independent Accounting Auditor at the Audit & Supervisory Board, the Outside Audit & Supervisory Board Members works to promote collaboration such as by bringing together the Audit Department and the Independent Accounting Auditor to exchange views. Four Outside Directors and one Outside Audit & Supervisory Board Member, a total of five officers, are registered as Independent Officers.

Outside Director	Reason for appointment	Attendance of the Board of Directors' Meetings (held 11 times)
Kazutomo Kawauchi*	Mr. Kawauchi has extensive experience as a corporate manager and possesses diverse insights.	11/11
Takashi Yoshida*	Mr. Yoshida has extensive experience as a certified public accountant and possesses diverse insights.	11/11
Masao Nomura*	Mr. Nomura has extensive experience as a corporate manager and possesses diverse insights.	9/9 (appointed in June 2019)
Takashi Tsuji*	Mr. Tsuji has extensive experience as a corporate manager and possesses diverse insights.	Appointed in June 2020

\* Independent Officer

Outside Audit & Supervisory Board Member	Reason for appointment	Attendance at the Board of Directors' Meetings and the Audit & Supervisory Board Meetings	
		The Board of Directors (held 11 times)	Audit & Supervisory Board (held 12 times)
Masanobu Tomitaka	Based on his extensive experience, Mr. Tomitaka has abundant knowledge and deep insights on business evaluation, corporate management, etc.	11/11	12/12
Chiho Takeda*	Ms. Takeda has broad and specialized knowledge and experience as a lawyer in civil and commercial laws in general as well as corporate law.	9/9 (Appointed in June 2019)	10/10

\* Independent Officer

## Independence Criteria for Outside Directors

The Company currently does not have detailed criteria regarding the independence of Outside Directors. In accordance with standards including the independence criteria stipulated by the financial instruments exchange, Outside

Directors are appointed after confirming that the candidates do not have possible conflict of interest with general shareholders.

## Support System for Outside Directors and Outside Audit & Supervisory Board Members

The General Affairs Department is in charge of communications with and support for Outside Directors and Outside Audit & Supervisory Board Members, including general coordination required for their attendance at important meetings of the Company. If needed, Executive Officers responsible for administration, and/or managers of the divisions in charge, give advance briefings to Outside Directors attending the Board of Directors' Meetings, along with provision of materials by visits, phone calls, or e-mails.

As a fundamental rule, the Company conducts preliminary deliberations at Management Meetings for items on the agenda for Board of Directors' Meetings. Standing Audit & Supervisory Board Members, who participate in Management Meetings, brief the Outside Audit & Supervisory Board Members on the content of the Board of Directors' Meeting to allow them to form opinions for Audit & Supervisory Board Meetings. They also report important matters to Outside Audit & Supervisory Board Members at Audit & Supervisory Board Meetings.

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

The Audit & Supervisory Board Members consult with the Independent Accounting Auditors and share information as appropriate, receive reports on audit results, and reviews financial statements and other documents. In addition, the Audit & Supervisory Board holds periodic meetings five times a year with the Independent Accounting Auditor and about three times a year with the President.

With the Audit Department, which is a part of the internal auditing division, the Audit & Supervisory Board holds a

meeting at the start of the fiscal year on the annual auditing plan, and receives reports on internal audit results as they become available. Since fiscal 2016, regular liaison meetings between the Audit & Supervisory Board Members (Standing) and the Audit Department have been held monthly.

Furthermore, we have a system in place that allows the Audit & Supervisory Board Members to freely make use of law firms and Independent Accounting Auditors.

## Establishment of Voluntary Committees, Their Members, and Attributes of Chairpersons

With an aim to reinforce the independence, objectivity, and accountability of the functions of the Board of Directors with regard to issues including nomination and remuneration of Directors, a Nomination and Remuneration Committee was established under the Board of Directors. The majority of

committee members, including the chairperson, are Independent Outside Directors.

The Nomination and Remuneration Committee is held as necessary, to deliberate the following matters and provide advice or suggestions to the Board of Directors.

### 1. Personnel matters for Directors

- 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. required to resolve 1 above
- Other matters recognized as necessary by the Nomination and Remuneration Committee

### 2. Matters concerning remuneration of Directors

- Details of remuneration, etc. of individual Directors
- Establishment, revision, or abolishment of basic policies, rules, procedures, etc. required to resolve 1 above
- Other matters recognized as necessary by the Nomination and Remuneration Committee

Name of the committee	Total committee members (persons)	Standing members (persons)	Internal Directors (persons)	Outside Directors (persons)	Outside experts (persons)	Other (persons)	Chairperson
Nomination and Remuneration Committee	6	6	2	4	0	0	Outside Director

# Corporate Governance

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

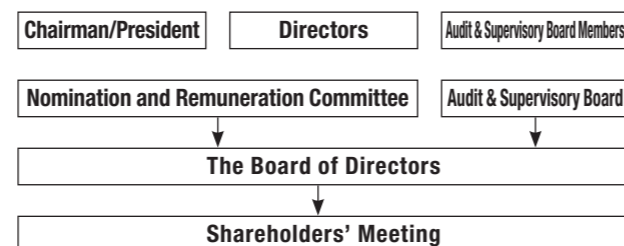
Candidates for Board Members are selected through comprehensive evaluations based on their character, knowledge, capabilities, experience, and potential to contribute to the Company.

The President prepares a list of candidates for Directors and consults with the Nomination and Remuneration Committee, the advisory body of the Board of Directors, after which the Board of Directors deliberates and makes decisions.

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 President will be deliberated and decided at the Board of Directors based on the report of 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.



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

With the purpose of ensuring effectiveness in the Board of Directors, self-assessments have been carried out by the Board of Directors since 2017. In 2020, self-assessment questionnaires were carried out for all Directors and Audit & Supervisory Board Members between February and March. The Board of Directors engaged in discussions at its meeting held in March 2020, based on the results of the survey.

As a result, the opinion was given that the Board of Directors was functioning effectively in general, and its effectiveness was judged to be steadily increased through active discussion. At the same time, constructive opinions and suggestions were presented by Directors and Audit & Supervisory Board Members in regard to the structure of the Board of Directors (diversity and increase in number of outside officers, etc.), stimulation of more active discussion on business plans, securing time for consideration of specific proposals prior to Board of Directors' Meetings, and stronger liaison with outside officers and the internal auditing division, and understanding of such issues were shared accordingly. Moreover, the opinion was given that a

third-party agency should be used during the evaluation process to ensure objectivity, and this was determined as an issue to be taken at discussion for the next time onward.

The Company will continue to regularly analyze and evaluate the effectiveness of its Board of Directors in order to continuously improve its functions.

### Implementation process

The analysis and evaluation of the effectiveness for fiscal 2019 were conducted based on the following timeline.

February 2020	Conduct surveys
Mid-March 2020	Collect surveys and aggregate the assessment results
End of March 2020	Hold discussions on effectiveness evaluation of the Board of Directors

## Remuneration to Officers

In 2016, the Company discontinued Directors' retirement benefits, adopting a stock compensation-type stock option, which was replaced in 2020 by a restricted stock compensation plan. This system is one of the share-based compensation plans where the sale of these shares is re-

stricted for a period of time, and has been introduced for Directors (excluding Outside Directors), with an aim to increase shareholder-oriented management awareness among them.

### Remuneration to officers in fiscal 2019

Classification of officers	Total remuneration, etc. (thousand yen)	Total remuneration by type (thousand yen)	
		Monetary remuneration	Stock options
Directors	6 persons 181,713	149,550	32,163
Outside Directors	3 persons 21,150	21,150	—
Audit & Supervisory Board Members	2 persons 23,721	20,175	3,546
Outside Audit & Supervisory Board Members	3 persons 13,800	13,800	—

\* The total amount includes 1 Director, 1 Audit & Supervisory Board Member and 1 Outside Audit & Supervisory Board Member who retired at the conclusion of the 96th Annual General Meeting of Shareholders held on June 18, 2019.  
We have not adopted a performance-linked remuneration system. An additional ¥38,250 thousand in wages was paid to Directors also serving as employees.

## Amount of Officer Remuneration and Policy for Deciding the Calculation Method

Our officer remuneration system comprises monetary remuneration and restricted stock compensation. The total amount for each type of remuneration has been approved at the Annual General Meeting of Shareholders. The annual limit of the monetary remuneration is ¥220 million for Directors (including ¥50 million for Outside Directors) and ¥50 million for Audit & Supervisory Board Members. The annual limit of the restricted stock compensation is ¥50 million for Directors (excluding Outside Directors).

Remuneration to our Directors must be within the amount approved at the Shareholders' Meeting. The amount is decided by comprehensively taking into account

factors such as the Company's performance, and the Director's duties, abilities, and contribution to the Company. In April 2018, we have established a Nomination and Remuneration Committee, of which the majority of members are Independent Outside Directors. Remuneration is decided with reference to deliberations by the committee. Remuneration to the Audit & Supervisory Board Members is decided at the Audit & Supervisory Board.

The Company regards the method of deciding officer remuneration to be a key element of corporate governance. We will continue to seek better operation taking into account various trends of the times.

## Executive Officer System

The Company has introduced the Executive Officer System in April 2018. Executive Officers attend the monthly Management Meetings and the Board of Directors' Meetings as necessary, and carry out their duties based on resolutions of the Board of Directors. They also report on the formulation of policies and plans to conduct their duties. The Executive Officer System was adopted to separate business

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

## Internal Controls

### System to ensure that the execution of duties by Directors complies with laws and regulations and the Articles of Incorporation.

#### Compliance Committee

For more details, see page 43

We strive to promote and thoroughly implement compliance through education and awareness-raising activities for all directors and employees, based on our Corporate Philosophy and Code of Conduct. In addition, we have established a Compliance Committee to examine measures to prevent recurrence of compliance violations.

The committee is under the direct control of the President and functions as a cross-sectional company-wide organization attended by selected members of each department. It convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.

### Regulations for risk management of loss and other systems

#### Risk Management Committee

For more details, see page 44

To manage various risks the Company faces, responsible departments are specified for each risk, and the Risk Management Committee is established to confirm and evaluate each risk, determine response procedures, and handle the overall management. The Risk Management Committee is under the direct control of the Presi-

dent and functions as a cross-sectional company-wide organization attended by selected members of each department. It convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.

#### Audit Department

For more details, see page 43

The Audit Department conducts interviews with directors and employees of various departments and examinations of documents, etc., based on the internal control system. It also conducts audits on the status of compliance activities and risk management led by each

committee, and reports the results to the President, the Management Meeting and the Board of Directors. If a problem is found as a result of the audits, suggestions for improvements are made as necessary, followed by checks to see if the problem is improved as intended.

## Information Security

We regard all the information acquired through our corporate activities, or that comes into our possession in the course of our business operations, as highly valuable assets for the Company, and as such strive to properly manage these information assets. We have developed an information security management system and internal rules, based on which we undertake specific actions, such as cyberattack countermeasures and education for our employees. We aim to prevent information leakage or falsification in advance, and at the same time to minimize the damage if an information security incident does occur, while swiftly pinpointing the cause and taking recurrence prevention measures.

## Protecting Personal Information

The Company acquires personal information through legal and fair means, and utilizes it only to the extent necessary for its operations. Such information is managed strictly and safely, in accordance with regulations stipulated by the Company. We take the necessary and rational measures against unauthorized access from outside and other frauds including leakage, loss, or fabrication of personal information. In case of entrusting personal information to external parties, we disclose the purpose of use and strictly supervise and manage such trustees.

# Compliance

## Basic Concept

We position compliance as one of our most important management issues. We have created Compliance Regulations to comply with laws, regulations, and other social norms, as well as in-house standards, such as our Articles of Incorporation. Based on these standards, we have developed systems and measures to promote compliance within the Company.

## Promotional Framework

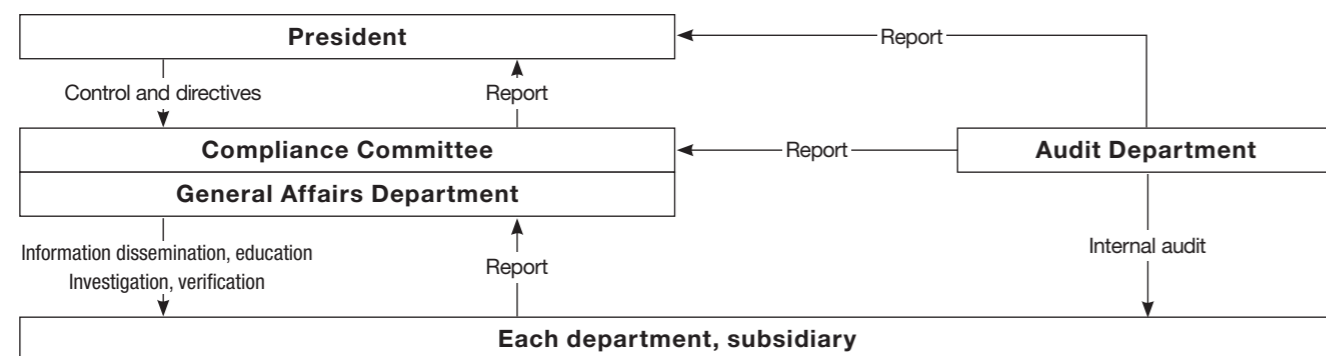
### Compliance Committee

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

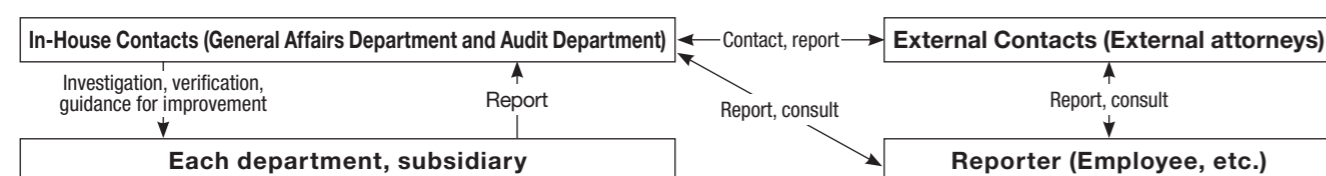
### In-House Reporting System

The Company has established an In-House Reporting System that receives reports and provides consultations on compliance violations. The General Affairs Department, the Audit Department, and outside attorneys nominated by the Company are the contact points to receive reports from and provide consultations to the Company's employees and others. This system has been developed so that individuals who report violations will not be treated disadvantageously.

### Compliance Structure



### In-House Reporting System



### Audit Department

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



In-house study session

# 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 profitability of all stakeholders and aims for a swift response and recovery at times of emergency.

## Promotional Framework

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

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

### Measures for Major Risks

Risks	Description of the risk	Status of risk response
<b>Natural disasters, man-made disasters, etc.</b>	The Company's buildings and facilities may be damaged and its business results and financial condition may also be affected in the event of a large-scale natural disaster, such as an earthquake or sudden accident, or a man-made disaster, such as a terrorist attack.	As a measure to mitigate these risks, the Company has been renewing its buildings to incorporate BCP measures. Furthermore, not just new buildings, but existing buildings are being transformed to structures that can withstand disasters, and the preparation and training for BCP measures are carried out for the implementation, in an effort to control the effects that such risks may have on business results and financial condition.
<b>Building lease business</b>	Lease business, such as rental buildings, tends to be easily affected by economic trends and fluctuations in building supply and demand. There is the risk of our business results being affected by a fall in lease fees and a rise in vacancy rate. Any real estate acquisition tax or registration license tax imposed on real estate acquisition is expensed when incurred. Therefore, there is a possibility that the business results will fluctuate greatly due to expenses incurred in the event that the Company acquires large amounts of real estate.	As the Company's leasing business covers a variety of properties including office buildings, datacenter buildings, WINS buildings, and commercial buildings and logistics warehouses, the impact of market fluctuations is comparatively small. We will continue our efforts to reduce risks by promoting balanced development of these four leasing businesses.
<b>Business developments in the Osaka area</b>	Our leasing properties are focused in the Kansai region (particularly in Osaka). Sales for the building lease business in Osaka showed a high ratio during the fiscal year ended March 2020, at 78.6%. Consequently, there is a possibility that the Company's business results will be impacted by a large-scale disaster, such as an earthquake, and fluctuations in the supply and demand trends for real estate leasing in the Osaka area.	As we have noted in our new Mid-Term Business Plan, we are vigorously promoting investments in the Tokyo metropolitan area to reduce risks that may occur from excessive business concentration in the Kansai region.
<b>The level of dependence on specific clients</b>	The Company has two clients that provide over 10% of all net sales. There is a possibility that the performance of these companies will greatly impact our business results.	We will strive to diversify our tenants by actively attracting tenants to vacant properties in existing buildings and through development and acquisition of new buildings. Furthermore, we aim to maintain and improve our lease and fee standards. To this end, we will continue to offer appropriate services and build strong relationships with tenants.
<b>Fluctuation in asset values</b>	In the event of a fall in market prices or profitability of our assets (such as land, buildings, investment securities), there is a possibility that the Company's business results will be affected by fixed asset impairment losses and processing based on financial instruments accounting.	We are striving to minimize the impact of a fall in market prices through distribution of regional portfolio and investments with a focus on location. Furthermore, we will work to prevent profitability decline such as by reshuffling assets and increasing their value. Every year, investment securities are individually examined at the Board of Directors' Meeting from both a quantitative and qualitative point of view, and sales are considered for securities that are deemed to have little significance.
<b>Spread of infectious disease</b>	The situation remains uncertain regarding when and how the COVID-19 will come to an end. Since we rent various properties such as office buildings, datacenter buildings, WINS buildings, and commercial buildings and logistics warehouses at fixed rents, we are aware that fluctuations in market conditions have relatively little impact on our business performance. However, if the pandemic continues long-term, or if an exponential surge of COVID-19 cases locally occurs, the Company's business results may be affected.	We have a small number of employees, and most of them work at the head office. While this contributes to our efficient business, personal damage to our employees and others, in the event of an outbreak of infectious diseases, may negatively affect the Company's business activities. We are striving to maintain the health and safety of employees by promoting flexible workstyles such as working from home and commuting at different hours, through general infection prevention measures such as hand washing and gargling, as well as holding health seminars by industrial physicians.
<b>Dependency on interest-bearing debt</b>	The Company has promoted development and acquisition of leasing properties with an aim to expand and stabilize its business foundation. However, much of the funds for construction and acquisitions are procured by loans from financial institutions or bond issues. Although most of the interest-bearing debts have a fixed interest rate, there is still a possibility of the Company's business results being impacted by fluctuations in interest rates in regards to loan renewals and new future investments.	We will take advantage of the current low interest environment to reduce the average procurement interest rate for interest-bearing debts. We are also taking measures to prolong the average repayment period to benefit from the merits of the low interest rates for longer periods of time.
<b>Amendments to laws, regulations, and tax systems</b>	In addition to the mainstay building lease business, the Company offers other services that accompany the core business, such as building management and construction contracting. Therefore, the Company's business is required to comply with laws and regulations, such as those related to real estate and construction. Any changes to these laws and regulations may impact the Company's business and performance. Furthermore, related tax system changes may affect the Company's business results and financial condition.	We strive to constantly gather information on revisions in related laws, regulations and tax systems, and implement appropriate measures.

## Roundtable Discussions with Outside Directors



Corporate governance has become increasingly important since the establishment of the corporate governance code in 2015. Four Outside Directors of seven Directors of the Company held a roundtable discussion to talk about the Company's corporate stance and issues regarding corporate governance as seen from the outside.

### About the features and strengths of Keihanshin Building

**Yoshida:** During the history as a real estate leasing company for more than 70 years since its establishment, the Company has developed four businesses: office buildings, datacenter buildings, WINS buildings, and commercial buildings and logistics warehouses. I think it has a solid and stable business portfolio.

**Kawauchi:** The outstanding aspect is that in all matters businesses are carried out steadily and thoroughly. Though it may be partially due to the character of the real estate leasing business, this is especially evident in its solid manner of business execution, which is leading to stable management.

**Nomura:** Keihanshin Building is a company of which corporate culture embodies its three corporate philosophies, one of which is "to provide valuable commercial space to customers so as to contribute to the community through the advancement of customers' and our businesses." In terms of business, the relative importance of datacenter buildings, which have particularly high needs, is increasing, and I feel that there is great potential for business growth.

### To provide valuable commercial space

**Yoshida:** The initiative "to provide valuable business space" is particularly focused on providing safe and secure buildings. For example, I strongly feel the attitude of "preventive maintenance" by which the Company takes measures in anticipation of a disaster, such as moving the power substations of datacenter buildings from the basement to the upper floors so that they do not get inundated with water due to wind or flood damage.

**Nomura:** Capital investment for safety and security is costly, so these issues tend to be dealt with only after the event. Practicing "preventive maintenance" has led to earning the trust of customers.

**Kawauchi:** From the perspective of our relationship with the local community, the Company continues the clean up activity of Midosuji Road every month, and this year donation was made to the exhibition facility for the stonewall of Osaka Castle. It is commendable that the Company values its relationship with the community while pursuing profit.

### Roles and responsibilities of Outside Directors

**Yoshida:** In addition to giving opinions and recommendations regarding the Company's growth strategy from an external perspective, I think that my main role as a certified public accountant is to understand and point out risks, especially from the perspective of a supervisory function. Last year, when we formulated the new Mid-Term Business Plan, I asked what kind of initiatives were considered regarding SDGs. At the time, President Minami answered that the Company would tackle environmental issues by moving forward with initiatives or reduction of environmental burdens while keeping an eye on environmental changes and risks. I felt he had a firm awareness of the issue. Each area of SDGs should be addressed with balance, and even more proactive initiatives are going to be expected.

**Kawauchi:** My opinion is based on the experience as a president of a media company. Among projects the Company is currently developing, the OBP building is the largest datacenter buildings of the Company. I feel that it is necessary to publicize the Company's strengths accumulated over the years of experience, and raise the brand awareness of Keihanshin Building as an expert in datacenter buildings, which should lead the business to the next investment.

**Nomura:** I try to give advice with a corporate management perspective in mind, based on my five years of experience as a president of an energy-related trading company. Regarding ESG, I would like us to discuss together as to specific action plans based on the six items of the Code of Conduct.

### Issues regarding corporate governance

**Yoshida:** At the General Meeting of Shareholders, opinions were given in regard to a need for ensuring diversity among Directors. In particular, from a gender perspective, I think there is room to consider adding female Directors.

In addition, the Company is working on disclosure diligently, and starting from this fiscal year, further disclosure of non-financial information is required in securities reports. It will be necessary to deepen discussions at the Board of Directors Meeting by, for example, asking for further disclosure on measures against risks such as natural disasters and the recent COVID-19 pandemic.

**Kawauchi:** The Company is pursuing highly transparent management, and it is important to foster a culture of freely exchanging opinions by further increasing opportunities for dialogue among officers and places for communications. By doing so, I believe it will be possible to further increase the transparency and objectivity of management.

**Nomura:** The reduction of cross-shareholdings is a corporate governance issue that every company needs to address.

The Company is holding these shares because it is necessary as a part of the relationship with business partners, but they have to be closely examined for further reduction.

### Challenges for future growth

**Yoshida:** From the perspective of business portfolio, the office buildings are heavily concentrated in the Kansai region. To diversify risks, the Company needs to further strengthen the Tokyo metropolitan area. In addition, the replacement of assets such as older office buildings, commercial buildings and logistics warehouses is an issue to be addressed going forward.

**Kawauchi:** The Company has already taken all possible measures against natural disasters. However, anticipating every kind of disasters, I expect the Company to be fully ready and prepared.

**Nomura:** The operational efficiency of the Company is remarkable that it can manage this much of business with such a small number of employees, 40 some people even on the consolidated basis. However, considering future growth strategies, how to keep on securing and retaining human resources while maintaining and improving the quality of employees is a major issue. Each task in the Company's operations individually requires highly specialized skills, and I feel that how to effectively develop human resources and also how to develop the next leaders are our challenge.

### Looking ahead for further growth

**Tsuji:** I was appointed as Director of the Company in June. I hope to contribute, to the best of my ability, to the Company's new stage of growth, by providing a new perspective rooted in my experience as a corporate manager while also aiming to further energize the Board of Directors.

**Yoshida:** New investment is an important point to note in order to grow the Company stably over the long term. Currently, the real estate market is soaring which makes the investment environment difficult, but the willingness to invest in the spirit of taking on a challenge is needed while assessing future market conditions. If there is an opportunity, I think the Company should proceed while considering the risks.

**Kawauchi:** As for new businesses, I would like to see the Company to pursue opportunities, not in businesses separate from real estate leasing but in fields close to existing businesses.

**Nomura:** Demand in the area of strength the Company currently has, especially the datacenter building business, is expected to grow further going forward, and how to expand this is very important. I believe the Company should proceed with new investments in addition to the OBP Building currently in progress.



# Sustainability Initiatives

## Practicing Sustainability-conscious Management by Utilizing the Company's Various Capitals

Keihanshin Building has been operating real estate business under the corporate philosophy "To provide valuable commercial space to contribute to the community." The real estate business involves long-term operations, from the construction to the demolition when the building has completed its mission. In order to continue our business, we believe that it is important to manage with a long-term perspective and awareness of how various factors are connected to each other, such as environment, society, and relationship with all stakeholders involved in our businesses.

We also believe that these, including environment, society, relationship with partner companies and customers, employees, shareholders, and our accumulated expertise, are the important capitals that shape the Company in our businesses. Supported by these capitals, and also by taking advantage of these various capitals, we believe that new value through our business activities is to be created.

It is our mission to keep practicing sustainability-conscious management by leveraging the various capitals that are the foundation of our business. Through them, we aim to contribute to the sustainable growth of the Company and the realization of a sustainable society.

## Contribution to SDGs through Our Businesses



We have extracted the items relevant to our business from among the 17 goals included in the SDGs. We recognize that these items in particular are issues that we should contribute to or consider in our business. With the aim of

solving social issues through our business, we will continue to promote initiatives and management in the future that are conscious of our contribution to the SDGs.

## The Relationship between SDGs and the Company's Businesses

Contribution to related SDGs	Main Targets of Our Initiatives	Relationship to Our Business	Priority	Examples of Initiatives	Goals and Policies
	Environment	<ul style="list-style-type: none"> <li>Environmental performance of buildings</li> <li>Energy procurement</li> </ul>	Low  High	<ul style="list-style-type: none"> <li>Reduction of energy consumption through energy conservation</li> <li>ZEB investigation and verification</li> </ul>	<ul style="list-style-type: none"> <li>Establish CSR (or environmental) policies</li> <li>Formulate and promote an energy plan (procurement, energy conservation)</li> <li>Promote ZEB</li> </ul>
	Shareholders, employees and partner companies	<ul style="list-style-type: none"> <li>Management system and goals</li> <li>How employees work</li> <li>Relations with partner companies</li> </ul>	Low  High	<ul style="list-style-type: none"> <li>Execution of business plan</li> <li>Workstyle reforms</li> <li>Maintaining appropriate business transactions</li> </ul>	<ul style="list-style-type: none"> <li>Mid-Term Business Plan</li> <li>Formulate and promote a capital distribution plan</li> <li>Formulate and promote a human resources development plan</li> <li>Promote CSR procurement (responsible procurement)</li> </ul>
	Customers	<ul style="list-style-type: none"> <li>All businesses (particularly the datacenter building business that plays a strong role in social infrastructure)</li> </ul>	Low  High	<ul style="list-style-type: none"> <li>Uncovering demand and resolving issues through activities such as interviews with tenants</li> <li>Research into advanced technologies related to building construction</li> </ul>	<ul style="list-style-type: none"> <li>Provide valuable commercial space</li> </ul>
	Local communities	<ul style="list-style-type: none"> <li>Tangible and intangible disaster countermeasures</li> <li>Regional revitalization focused on buildings</li> <li>Building accessibility</li> <li>Community contribution activities</li> </ul>	Low  High	<ul style="list-style-type: none"> <li>Improving earthquake resistance</li> <li>Implementation of BCP and disaster prevention drills</li> <li>Regional revitalization centered around buildings</li> <li>Human and financial contribution to the local community</li> </ul>	<ul style="list-style-type: none"> <li>BCP measures</li> <li>Adopt a policy of long-term ownership and preventive maintenance</li> <li>Conform to barrier free standards</li> <li>Adopt a policy for community contribution activities</li> </ul>
	Customers, local communities, environment	<ul style="list-style-type: none"> <li>Construction and acquisition of new buildings</li> <li>Operation management and disposal of existing buildings</li> </ul>	Low  High	<ul style="list-style-type: none"> <li>Reduction of waste</li> <li>Appropriate daily maintenance</li> <li>Renewal of buildings</li> </ul>	<ul style="list-style-type: none"> <li>Formulate and promote a waste reduction plan</li> <li>Adopt a policy of long-term ownership and preventive maintenance</li> </ul>
	Environment	<ul style="list-style-type: none"> <li>Environmental performance of buildings</li> <li>Energy procurement</li> </ul>	Low  High	<ul style="list-style-type: none"> <li>Reduction of greenhouse gases</li> <li>ZEB investigation and verification</li> </ul>	<ul style="list-style-type: none"> <li>Establish CSR (or environmental) policies</li> <li>Formulate and promote an energy plan (procurement, energy conservation)</li> <li>Promote ZEB</li> <li>Promote CSR procurement (responsible procurement)</li> </ul>
	Environment and local communities	<ul style="list-style-type: none"> <li>Procurement of materials</li> <li>Greening of buildings</li> </ul>	Low  High	<ul style="list-style-type: none"> <li>Implementation of environment-friendly procurement</li> <li>Greening activities</li> </ul>	<ul style="list-style-type: none"> <li>Establish CSR (or environmental) policies</li> <li>Promote CSR procurement (responsible procurement)</li> </ul>

## Participation in Initiatives

### Sustainable Development Goals (SDGs)

Seventeen Sustainable Development Goals (SDGs) that the international community should work on together for sustainable global development, were set forth in the 2030 Agenda for Sustainable Development, adopted at the United Nations summit held in September 2015. As a member of society, we aim to contribute to these goals through our business activities.



### United Nations Global Compact (UNGC)

The United Nations Global Compact (UNGC) is a voluntary initiative that calls on each business and organization to show responsible and creative leadership to act as a good member of society and participate in the creation of a global framework for achieving sustainable growth.

Companies and organizations that sign the UNGC constantly strive to achieve the ten principles related to the protection of human rights, the elimination of unfair labor

practices, the protection of the environment, and the prevention of corruption based on the commitment of top management who supports these principles. In March 2020, we signed the United Nations Global Compact and joined the Global Compact Network Japan to promote the initiative and further clarify our stance of promoting business management conscious of the SDGs initiative and sustainability.

### The Ten Principles of the UN Global Compact

<b>Human rights</b>	Businesses should	Principle 1: support and respect the protection of internationally proclaimed human rights; and Principle 2: make sure that they are not complicit in human rights abuses.
<b>Labor</b>	Businesses should	Principle 3: uphold the freedom of association and the effective recognition of the right to collective bargaining; Principle 4: the elimination of all forms of forced and compulsory labor; Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect of employment and occupation.
<b>Environment</b>	Businesses should	Principle 7: support a precautionary approach to environmental challenges; Principle 8: undertake initiatives to promote greater environmental responsibility; and Principle 9: encourage the development and diffusion of environment-friendly technologies.
<b>Anti-Corruption</b>	Businesses should	Principle 10: work against corruption in all its forms, including extortion and bribery.



# Social and Relationship Capital



## Basic Concept

We regard our connections and relationships of trust with all stakeholders as an important form of capital for value creation. We believe it is the Company's mission to create new value for society through the various initiatives that we undertake together with our stakeholders. We will continue to promote these initiatives, and build solid relationships with all of our stakeholders.

## Relations with Partner Companies

In pursuing our business operations, companies that work with us to operate and manage buildings are essential partners to the Company. Therefore, we must build an environment where not only our employees but also our partner companies can work pleasantly and achieve business development by working with us. Accordingly, we will continue to not only pursue fair transactions but also establish strong partnerships with our partners as we go hand in hand.

### Partner Company Award

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



### Joint implementation of BCP drills

We hold BCP drills regularly every year. Coordination with the staff of our partner companies is a vital part of our business continuity, and even closer coordination is required in times of emergency. In fiscal 2019, we continued to welcome participants from our partner companies in our BCP drills, and were able to check our contact systems and emergency response.

### Implementation of regular meetings with partner companies

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

### Fair and appropriate business transactions

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

repairs aimed to prevent major accidents. Furthermore, we have established a system that allows us to accurately grasp and quickly respond to customer need by setting up a twin system by Business Department and Property Management Department.

## Relations with Tenants (Customers)

The Company aims to provide safe and comfortable commercial spaces to support our customers' businesses and achieve mutual growth. Based on the concept of "preventive maintenance," in order to provide safety and comfort to our customers, we implement planned renovations and

The value to offer	Our initiatives	Description
Safety	Adoption of seismic isolation devices	<ul style="list-style-type: none"> <li>Our datacenter buildings and new office buildings adopt advanced seismic isolation devices</li> <li>Comprehensive seismic strengthening measures also applied to existing buildings</li> </ul>
	Earthquake countermeasures	<ul style="list-style-type: none"> <li>Earthquake countermeasures for elevators</li> <li>Elevators are fully equipped with a system for safe evacuation of passengers at the time of earthquake</li> <li>Emergency supplies are equipped within elevators in case passengers are trapped</li> </ul>
	Developing BCP and holding drills	<ul style="list-style-type: none"> <li>Periodic reviews of BCP and regular BCP drills</li> </ul>
	Flooding countermeasures	<ul style="list-style-type: none"> <li>Installation of flood-control panels</li> <li>Flood-control panels have been installed at the entrances to buildings to prevent flooding</li> <li>Equipment rooms set on the second floor or higher</li> <li>Additional flooding countermeasures have been implemented, in addition to flood-control panels</li> </ul>
	Securing power sources	<ul style="list-style-type: none"> <li>Receiving power from multiple lines</li> <li>Datacenter buildings and some office buildings receive power from multiple lines</li> <li>Installation of emergency-use generators and UPS (uninterruptible power supply) systems</li> <li>A combination of emergency-use generators and UPS is used to secure the electricity necessary in the building until the power is restored</li> </ul>
Comfort	Twin system by Business Department and Property Management Department	<ul style="list-style-type: none"> <li>Sales representatives and engineers work in tandem to respond to issues quickly and accurately</li> </ul>
	Enhancing tenant services	<ul style="list-style-type: none"> <li>Preventive maintenance</li> <li>Renovations and repairs of facilities are carried out systematically, based on the concept of preventive maintenance</li> <li>Upgrading amenities</li> <li>Customer surveys are conducted to implement improvements based on their requests</li> <li>Improving accessibility</li> <li>Signs in Braille are installed along with remodeling of buildings to be handicapped accessible</li> </ul>

## Relations with 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 real estate company fully grounded in the local community, we are continuously and actively engaged in local contribu-

tion activities such as donations, participation in community clean-up activities, and support for local events. We believe such steady contribution activities in local communities help to invigorate the areas, which will eventually benefit the Company in return.

### Our Initiatives in Fiscal 2019

Type of Support	Description	Supported Organization	
Clean-ups	Midosuji clean-up activity	Conducted clean-up activities for the roadside of Midosuji once a month	Roadside of Midosuji from Honmachi to Yodoyabashi
Disasters	Relief funds for regions damaged by Typhoon Hagibis	Made donations through the Japanese Red Cross Society to support recovery in affected regions	The Japanese Red Cross Society
	Support for the Kokoro no Gekijo (Theater of Heart) of the Shiki Theatre Company	Supported performances in the Osaka area and invited children to musicals free of charge, providing opportunities to experience the arts	Shiki Theatre Company
Culture and Arts	Donation of sales from vending machines installed in WINS buildings	Donated a certain percentage of the sales from 37 vending machines in support for artistic activities	Arts Support Kansai
	Corporate Art Collections	Made art works owned by companies available for public exhibition through donation to initiatives that created opportunities to experience culture and the arts	Kansai Association of Corporate Executives
	Donation to the Osaka Castle Toyotomi Stonewall Exhibition Project	Made donation to the exhibition facility of original stonewall of Osaka Castle, the symbol of Osaka, as a further contribution to the local community	Osaka-shi
Revitalization of Local Communities	Support for Nakanoshima Children's Book Forest	Donated to facilities development to enable local children to experience various forms of arts including culture	Osaka-shi
	Supporting the Osaka Classic	Supported the annual music event held in autumn in Osaka-shi	Osaka Classic Executive Committee
	Support for Midosuji Illumination	Donated to the illumination fund to revitalize Midosuji Road	Osaka-shi
	Support for SOCIAL BUSINESS OSAKA 2019 with Muhammad Yunus	Supported initiatives to motivate achievement of the SDGs, the mission of EXPO 2025 OSAKA, KANSAI, through social business	Yunus Kansai Executive Committee
	Donation to the Flowers and Greenery Urban Renewal Fund	Donated to conservation activities for the avenue of ginkgo trees and decorative flowers along Midosuji Road	Osaka Prefecture
	Donation to seismic reinforcement works for Gion Kobu Kaburenjo Theater	Donated to support seismic reinforcement works for the Kaburenjo Theater which is a Registered Tangible Cultural Property	Kyoto Traditional Performing Arts Foundation

## Dialogue with Our Shareholders and Investors

The Company aims to improve corporate value while heightening management efficiency and transparency by promoting deeper understanding of the Company among shareholders and investors through appropriate information disclosure together with active communication, as well as by flexibly taking in diverse opinions. The Company holds briefing sessions for institutional investors and individual investors, while the President is in charge of giving explanations during overseas IR tours, in principle.

The overseas IR tours which was carried out in the previous year was postponed for fiscal 2019 in view of the social conditions. However, we strived to promote active dialogue through video conferences, etc. In addition to enhancing the range of information disclosed on our corporate website, we continued to engage in dialogue with domestic institutional investors and individual investors. We are fully committed to providing fair and appropriate information disclosure for all our shareholders.

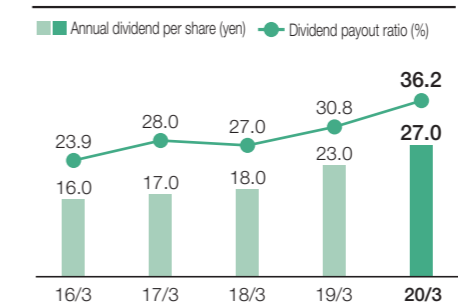
For domestic institutional investors	Briefing sessions for institutional investors	Twice a year in Tokyo, Cumulative total of 84 participants
	One-on-one meetings	55 times (total)
For foreign investors	Overseas IR Tours	None
	Enhancement of disclosures in English	Close the information gap between domestic and overseas in our corporate website, publish English translation of disclosure materials
For individual investors	Briefing sessions for individual investors in major cities nationwide	4 times in Tokyo, once in Osaka, twice in Nagoya, once in Sapporo, once in Fukuoka, and once in Nara Total of 1,861 participants
Feedbacks on opinions received through IR activities	Report at Internal Executives and Managers Meeting	Once a week
	Activities report at the Board of Directors' Meeting	5 times a year

### Dividends and Special Benefit for Shareholders

#### Dividend policy

We consider business results, the management environment and future developments when deciding on the amount of dividends. As a basic policy, we aim to increase overall corporate value on a long-term basis and reinforce our business structure by retaining sufficient internal reserves, while maintaining stable dividends for our shareholders.

#### Annual dividend per share and dividend payout ratio

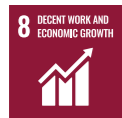


#### Special benefit for shareholders

We have established Special Benefit Plan for Shareholders to thank them for their support of the Company. At the end of March, we send QUO cards to the Company's shareholders. Furthermore, for shareholders who have held our shares for at least two years, extra amounts for long-term holding are added to the standard benefits.



# Human Capital



## Basic Concept

As of the end of March 2020, the Company operates with a small number of staff members of only 45 employees. To enable operations to be carried out by this small group and to realize effective business management, the workplace must be where safe and pleasant work environment is ensured as well as where personality and individuality of each employee is respected so that everyone can maximize their potential. We will continue to promote workstyle reforms to achieve an appropriate work-life balance for our employees and work toward reinforcing human resource foundation.

## Initiatives to Strengthen Human Capital

### Creating a pleasant work environment

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

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

	16/3	17/3	18/3	19/3	20/3	Total
No. of individuals who took maternity/childcare leave	3	1	0	0	1	5
No. of individuals who returned to work	1	1	1	1	1	5

Monthly average overtime\* and paid holiday utilization ratio (hours, %)

	16/3	17/3	18/3	19/3	20/3
Monthly average overtime	6	7	6	8	11
Paid holiday utilization ratio	51.6	47.5	44.6	48.8	64.7

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

No. of senior employees (aged 60 or older) (persons)

	16/3	17/3	18/3	19/3	20/3
No. of senior employees	11	12	13	12	13

### Encouraging utilization of paid leave

The Company has a consecutive leave system where employees can take a leave up to five days consecutively once a year, which allows them to refresh mentally and physically. Together with the anniversary leave system, which was newly introduced in 2019, we have a unique leave system that encourages employees to take 13 days or more paid leave per year.

### Healthcare of our employees

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

### Personnel system reform

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

# Intellectual Capital



## Basic Concept

During more than 70 years of our business history, we have built up the intangible assets that are our strength, such as organization, human resources, networks with customers and partner companies, and expertise in building planning, development and operation, under the business operation to meet the needs of customers in each era. These intangible assets represent the legacy of our predecessors at the Company, accumulated by them over many years. We will strive to protect, utilize and enhance these assets, through which we continue to grow in the future.

## Initiatives to Strengthen Intellectual Capital

Number of qualification holders (persons) As of the end of March 2020

First-class registered architects	5
First-class registered construction management engineers	4
Registered electric works execution managers	3
Real estate notary	13

### Qualification support system

The Company has established a system to support employees acquire qualifications, with the aim of providing opportunities for self-improvement and encouraging them to enhance their skills and motivation. Real estate notary, bookkeeping, and certified building administrator qualifications are a few of the individually recognized qualifications for which the Company fully covers the expenses for seminars and exams.

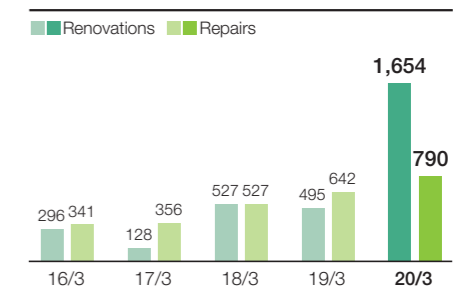
# Natural Capital



## Basic Concept

As a company that specializes in the real estate leasing business, the Company is working to prolong the lives of buildings with a basic policy to "buy and hold." We use external walls with fine appearance from the planning stage and implement planned repairs and renewals to prevent major accidents based on the idea of "preventive maintenance." Such efforts are part of our attempt to prolong the lives of buildings and facilities. We aim to minimize the environmental impact by saving resources, away from the scrap-and-build approach, and using our buildings over a long term while switching aged equipment to new energy-saving devices.

Investments in renovations and repairs (million yen)



## Initiatives Concerning Natural Capital

### Energy-conservation initiatives

Anticipating future needs for ZEB (Zero Energy Buildings)\*1, we work to make our buildings environment-friendly such as by adopting energy-saving facilities and utilizing greening measures.

<b>Introduction of BEMS*2</b>	We are carrying out a project to save energy through efficient equipment operations and management, by applying the building energy management and operation system called BEMS for existing buildings with plans to upgrade their heating systems. Going forward, BEMS is scheduled to be incorporated into other buildings at a similar timing.
<b>Air conditioning and lighting systems</b>	We have introduced the zoning air-conditioning, which divides floors into multiple zones and adjusts the temperature of each zone, as well as the automatic light-adjusting system, which controls illumination according to the natural light coming in through windows detected by sensors. With the fine control of energy consumptions, we strive for efficient use of energy.
<b>Shifting to energy-saving equipment</b>	We are implementing a series of facility upgrades to energy-saving models for lighting and air-conditioning devices at the timing of facility renewals or tenant replacement. In fiscal 2019, we introduced LED lightings mainly at office buildings, and upgraded power substations and air-conditioning facilities at datacenter buildings. In fiscal 2020, we plan to upgrade facilities at several buildings.

\*1 ZEB, which combines IT, energy-saving technologies, and renewable energy while maintaining a comfortable indoor environment, realizes virtually zero energy consumption. In Japan, the government has set a policy target with a goal of establishing ZEB as the average standard for new constructions by the year 2030.

\*2 BEMS is a system that monitors and controls energy consumption in buildings. It realizes improved energy efficiency by gathering information from sensors installed in each facility to visualize the building's energy consumption and performing fine control based on collected data.

### Greening measures for buildings

The Company actively promotes greening of buildings in an aim to mitigate the heat island effect. We also plan on introducing greenery at the OBP Building and the Toranomon Building, in the lounge space as well as in the surroundings of the buildings.

TOPIC	Donation of CO <sub>2</sub> Reduction Credit*1
We have recently donated the CO <sub>2</sub> reduction credit of the Fuchu Building to the Tokyo Metropolitan Government. We are actively engaged in reducing CO <sub>2</sub> emissions at this building, and support "Zero Emission Tokyo" to eliminate CO <sub>2</sub> emissions promoted by the Tokyo Metropolitan Government. We donated 5,554t of the	CO <sub>2</sub> reduction credit to contribute to achieving "Tokyo Zero Carbon 4 Days in 2020" and the "Carbon Offset"*2 Programme for Tokyo 2020 Games." We will continue to actively promote energy conservation and environmentally friendly initiatives into the future.

\*1 This credit refers to the reduction in CO<sub>2</sub>, etc. achieved through the implementation of reduction measures, and can be traded with third parties after certification.

\*2 Carbon offset refers to the concept to use emission reductions from another business to compensate for (offset) any emissions of CO<sub>2</sub>, etc. from business activities, that could not be eliminated through the company's own initiatives.

## Main Consolidated Financial/Non-financial Data

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31	2010/3	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
	Unit: millions of yen										
<b>Gains and losses (fiscal year)</b>											
Net sales	12,488	13,133	13,291	13,679	14,031	14,852	14,930	14,380	14,799	14,995	15,319
Gross profit	5,458	5,825	5,254	5,507	5,410	5,996	6,256	6,259	6,566	6,770	6,831
Operating profit	4,722	4,997	4,404	4,634	4,463	4,966	5,118	4,969	5,298	5,451	5,414
EBITDA	6,795	7,344	6,843	7,298	7,076	7,705	7,754	7,507	7,731	7,661	7,598
Ordinary profit	4,027	4,123	3,448	3,800	3,699	4,457	4,782	4,740	5,044	5,214	5,214
Ordinary income after tax before depreciation*	4,465	4,796	4,487	5,019	4,906	5,609	5,840	5,819	5,923	5,829	5,802
Profit attributable to owners of parent	1,853	1,773	1,740	2,331	2,369	2,732	3,610	3,272	3,585	3,998	3,919
<b>Financial condition (end of fiscal year)</b>											
Total assets	105,779	104,441	110,671	114,577	115,015	115,243	111,418	113,204	122,964	132,780	136,605
Interest-bearing debt	57,507	57,550	60,940	63,440	56,750	51,286	45,317	43,085	48,294	55,709	58,401
Net assets	37,023	37,570	38,792	41,733	48,250	51,850	54,556	58,862	62,227	64,228	64,377
	Unit: %										
<b>Main indicators</b>											
Rate of return on equity (ROE)	5.1	4.8	4.6	5.8	5.3	5.5	6.8	5.8	5.9	6.3	6.1
Return on total assets (ROA)	5.2	4.8	4.1	4.1	3.9	4.3	4.5	4.4	4.5	4.3	4.0
Capital adequacy ratio	35.0	36.0	35.1	36.4	42.0	45.0	49.0	52.0	50.5	48.3	47.0
	Unit: millions of yen										
Net interest-bearing debt	56,007	56,367	56,168	53,259	44,467	47,709	28,765	35,883	41,243	39,791	45,196
Depreciation	2,073	2,347	2,438	2,663	2,612	2,738	2,636	2,538	2,433	2,210	2,183
Capital expenditure	29,555	3,571	5,054	751	472	9,572	9,510	10,840	11,236	3,734	10,639
	Unit: yen										
<b>Per share information</b>											
Profit (EPS)	41.2	39.4	38.7	51.8	46.1	50.6	66.9	60.7	66.6	74.6	74.6
Net assets (BPS)	823.2	835.4	862.5	927.9	893.9	960.6	1,010.8	1,091.7	1,154.8	1,217.3	1,236.5
Dividends per share	12.0	12.0	12.0	14.0	14.0	15.0	16.0	17.0	18.0	23.0	27.0
	Unit: millions of yen										
<b>Cash flows (fiscal year)</b>											
Cash flows from operating activities	3,881	5,862	3,676	6,091	4,607	7,086	4,919	4,717	6,884	5,259	6,693
Cash flows from investing activities	(26,831)	(5,733)	(2,922)	(2,644)	128	(9,644)	14,818	(10,939)	(11,249)	(1,619)	(9,705)
Free cash flow	(22,950)	128	754	3,447	4,736	(2,558)	19,738	(6,222)	(4,364)	3,639	(3,012)
Cash flows from financing activities	22,824	(445)	2,833	1,961	(2,633)	(6,148)	(6,762)	(3,127)	4,213	5,227	298
Net increase (decrease) in cash and cash equivalents	(125)	(316)	3,588	5,408	2,102	(8,706)	12,976	(9,350)	(150)	8,867	(2,713)
Cash and cash equivalents at end of period	1,500	1,183	4,771	10,180	12,283	3,576	16,552	7,202	7,051	15,918	13,205
	Unit: persons										
<b>Non-financial data</b>											
Number of employees (consolidated)	34	38	36	35	38	39	40	43	45	43	45
Number of female employees	11	12	10	10	12	11	11	13	13	13	13
Number of female managers	0	0	0	1	1	1	1	1	1	2	2

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

# Analysis of Operating Results and Financial Condition, etc.

## Operating Results

Some weakness was already evident in the Japanese economy during fiscal 2019, due to a slowdown in overseas economies and international trade, and a drop in private consumption following the consumption tax hike. From January 2020 onward, the global pandemic of COVID-19 brought a significant and dramatic downturn in the business climate, and conditions became extremely challenging.

In the real estate leasing industry, some impact from the downturn is expected going forward. However, vacancy rates and rent levels remained stable throughout the fiscal year, led by prime office buildings in the city centers.

In this environment, we succeeded in further reducing vacancy rates from 0.8% at the end of fiscal 2018, to full occupancy at the end of fiscal 2019, as a result of our focus on sales activities. We also established our new Mid-Term Business Plan "Challenges from here: Into the new stage of growth" during fiscal 2019, and simultaneously proceeded with the development of an office building in Toranomon, Minato-ku, Tokyo, and a datacenter building in Osaka-shi.

The consolidated financial results for fiscal 2019 were net sales of ¥15,319 million, an increase of ¥323 million (2.2%) from the previous fiscal year, mainly due to higher operation

rates for existing buildings. Gross profit was ¥6,831 million, an increase of ¥60 million (0.9%), but operating profit was ¥5,414 million, a decrease of ¥37 million (0.7%).

Non-operating expenses (income) improved by ¥37 million, and ordinary profit increased slightly to ¥5,214 million by ¥0.2 million (0.0%) from the previous fiscal year.

Extraordinary losses (income) decreased by ¥41 million. As a result, profit attributable to owners of parent was ¥3,919 million, a decrease of ¥79 million (2.0%) from the previous fiscal year.

Operating results for each segment were as follows (operating profit is before consolidation adjustment).

### 1. Building lease business

Net sales for the building lease business amounted to ¥15,220 million (up ¥277 million, or 1.9% year-on-year), and accounted for 99.4% of total net sales. Operating profit was ¥6,155 million (down ¥33 million, or 0.5% year-on-year).

### 2. Other

Net sales for other businesses amounted to ¥98 million (up ¥46 million year-on-year), and an operating loss of ¥4 million was recorded.

Unit: millions of yen

Account	Fiscal 2018	Fiscal 2019	Increase (decrease) %
Net sales	14,995	15,319	2.2
Real estate lease revenue	14,942	15,220	-
Net sales of construction works	52	98	-
Cost of sales/General and administrative expenses	9,543	9,904	-
Operating profit	5,451	5,414	(0.7)
Non-operating income	303	311	-
Non-operating expenses	540	511	-
Ordinary profit	5,214	5,214	0.0
Extraordinary income	664	697	-
Extraordinary losses	96	170	-
Income taxes	1,784	1,822	-
Profit	3,998	3,919	(2.0)

## Financial Condition

Total assets at the end of fiscal 2019 amounted to ¥136,605 million, an increase of ¥3,824 million (2.9%) from the end of the previous fiscal year. This was mainly due to an increase of ¥9,059 million in property, plant and equipment resulting from new property development, despite a decrease of ¥2,713 million in cash and deposits due to payments for new investment properties, and a decrease of ¥2,475 million in investment securities reflecting falling share prices.

Changes in assets for each segment were as follows.

### 1. Building lease business

Segment assets for the building lease business at the end of fiscal 2019 amounted to ¥110,513 million, an increase of ¥8,983 million (8.8%) from the end of the previous fiscal year.

### 2. Other

Segment assets for other businesses at the end of fiscal 2019 amounted to ¥13 million, a decrease of ¥4 million from the end of the previous fiscal year.

Total liabilities at the end of fiscal 2019 amounted to ¥72,227 million, an increase of ¥3,675 million (5.4%) from the end of the previous fiscal year. This was mainly due to an increase of ¥2,692 million in interest-bearing debt reflecting fund procurement through long-term loans payable, an increase of ¥796 million in accounts payable - facilities, and an increase of ¥578 million in long-term leasehold and guarantee deposited, despite a decrease of ¥702 million in deferred tax liabilities resulting from revaluation of investment securities.

Total net assets at the end of fiscal 2019 amounted to ¥64,377 million, an increase of ¥148 million (0.2%) from the end of the previous fiscal year. This was mainly due to an increase of ¥2,252 million in retained earnings reflecting profit attributable to owners of parent, despite a decrease of ¥1,541 million in the valuation difference on available-for-sale securities, and a decrease of ¥586 million in capital surplus resulting from share retirement.

Unit: millions of yen

Account	Fiscal 2018	Fiscal 2019	Increase (decrease)
Current assets	16,520	13,742	(2,777)
Non-current assets	116,259	122,862	6,602
Total assets	132,780	136,605	3,824
Current liabilities	12,478	8,378	(4,099)
Non-current liabilities	56,073	63,848	7,775
Total liabilities	68,551	72,227	3,675
Shareholders' equity	61,516	63,108	1,592
Total net assets	64,228	64,377	148
Total liabilities and net assets	132,780	136,605	3,824

## Cash Flows

Net cash provided by operating activities amounted to ¥6,693 million (¥5,259 million provided in the previous fiscal year). Major inflows were ¥5,741 million of profit before income taxes, and ¥2,183 million of depreciation. Major outflows were ¥1,821 million of income taxes paid, and ¥696 million in gain on sales of investment securities.

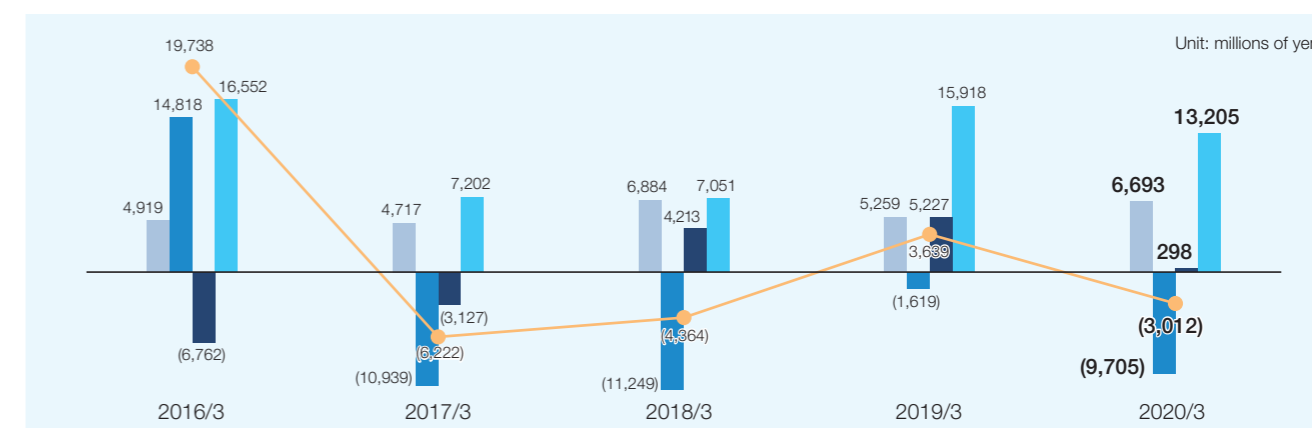
Net cash used in investing activities amounted to ¥9,705 million (¥1,619 million used in the previous fiscal year). Major inflows were ¥784 million from the sale of investment securities. Major outflows were ¥10,432 million from the purchase of property, plant and equipment.

Free cash flow, calculated as the total of cash flows from operating and investing activities, amounted to a net outflow of ¥3,012 million (compared to a net inflow of ¥3,639 million in the previous fiscal year).

Net cash provided by financing activities amounted to ¥298 million (¥5,227 million provided in the previous fiscal year). Major inflows were ¥5,000 million in proceeds from long-term loans payable. Major outflows were ¥2,307 million in repayments of long-term loans payable, ¥1,289 million in cash dividends paid, and ¥1,046 million in purchase of treasury shares.

### Consolidated cash flows

■ Cash flows from operating activities ■ Cash flows from investing activities ■ Cash flows from financing activities ■ Cash and cash equivalents at end of period ● Free cash flow



Unit: millions of yen

## Consolidated Balance Sheets

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries As of March 31, 2019 and 2020	Unit: millions of yen	
	2019/3	2020/3
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	15,918	13,205
Notes and accounts receivable - trade	473	408
Other	128	129
<b>Total current assets</b>	16,520	13,742
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings and structures	65,973	67,041
Accumulated depreciation	(36,788)	(38,143)
Buildings and structures, net	29,185	28,898
Land	52,640	52,664
Buildings in trust	3,343	3,343
Accumulated depreciation	(1,077)	(1,250)
Buildings in trust, net	2,266	2,092
Land in trust	11,038	11,038
Construction in progress	3,118	12,614
Other	791	811
Accumulated depreciation	(638)	(658)
Other, net	152	153
Total property, plant and equipment	98,400	107,460
Intangible assets	79	116
Investments and other assets		
Investment securities	15,104	12,629
Leasehold and guarantee deposits	2,192	2,193
Deferred tax assets	13	12
Other	468	450
Total investments and other assets	17,779	15,285
<b>Total non-current assets</b>	116,259	122,862
<b>Total assets</b>	132,780	136,605

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries As of March 31, 2019 and 2020	Unit: millions of yen	
	2019/3	2020/3
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	7	8
Current portion of bonds	5,000	-
Short-term loans payable	4,422	4,146
Income taxes payable	1,006	1,013
Provision for bonuses	33	32
Other	2,007	3,177
<b>Total current liabilities</b>	12,478	8,378
<b>Non-current liabilities</b>		
Bonds payable	35,000	40,000
Long-term loans payable	11,286	14,255
Long-term leasehold and guarantee deposited	5,634	6,212
Deferred tax liabilities	2,674	1,971
Deferred tax liabilities for land revaluation	1,214	1,142
Net defined benefit liability	66	75
Asset retirement obligations	113	114
Other	82	76
<b>Total non-current liabilities</b>	56,073	63,848
<b>Total liabilities</b>	68,551	72,227
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	9,827	9,827
Capital surplus	9,786	9,199
Retained earnings	43,029	45,281
Treasury shares	(1,126)	(1,200)
<b>Total shareholders' equity</b>	61,516	63,108
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	7,385	5,844
Revaluation reserve for land	(4,768)	(4,696)
<b>Total accumulated other comprehensive income</b>	2,617	1,148
<b>Share acquisition rights</b>	95	121
<b>Total net assets</b>	64,228	64,377
<b>Total liabilities and net assets</b>	132,780	136,605

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

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31, 2019 and 2020	Unit: millions of yen	
	2019/3	2020/3
<b>(Consolidated Statements of Income)</b>		
Net sales	14,995	<b>15,319</b>
Cost of sales	8,224	<b>8,487</b>
Gross profit	6,770	<b>6,831</b>
Selling, general and administrative expenses	1,318	<b>1,416</b>
Operating profit	5,451	<b>5,414</b>
Non-operating income		
Interest income	0	<b>1</b>
Dividend income	282	<b>301</b>
Other	20	<b>9</b>
Total non-operating income	303	<b>311</b>
Non-operating expenses		
Interest expenses	170	<b>164</b>
Interest on bonds	260	<b>295</b>
Bond issuance cost	97	<b>35</b>
Other	11	<b>14</b>
Total non-operating expenses	540	<b>511</b>
Ordinary profit	5,214	<b>5,214</b>
Extraordinary income		
Gain on sales of non-current assets	523	<b>1</b>
Gain on sales of investment securities	138	<b>696</b>
Compensation income	2	<b>—</b>
Total extraordinary income	664	<b>697</b>
Extraordinary losses		
Loss on retirement of non-current assets	9	<b>23</b>
Loss on valuation of investment securities	87	<b>147</b>
Total extraordinary losses	96	<b>170</b>
Profit before income taxes	5,782	<b>5,741</b>
Income taxes - current	1,742	<b>1,826</b>
Income taxes - deferred	41	<b>(3)</b>
Total income taxes	1,784	<b>1,822</b>
Profit	3,998	<b>3,919</b>
Profit attributable to owners of parent	3,998	<b>3,919</b>
<b>(Statements of Comprehensive Income)</b>		
Profit	3,998	<b>3,919</b>
Other comprehensive income		
Valuation difference on available-for-sale securities	56	<b>(1,541)</b>
Revaluation reserve for land	—	<b>72</b>
Total other comprehensive income	56	<b>(1,469)</b>
Comprehensive income	4,054	<b>2,449</b>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,054	<b>2,449</b>
Comprehensive income attributable to non-controlling interests	—	<b>—</b>

## Consolidated Statements of Changes in Equity

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For fiscal year ended March 31, 2019	Shareholders' equity				Unit: millions of yen
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	9,827	9,786	40,187	(97)	59,704
Changes of items during period					
Dividends of surplus			(1,049)		(1,049)
Profit attributable to owners of parent			3,998		3,998
Reversal of revaluation reserve for land			(107)		(107)
Purchase of treasury shares				(1,039)	(1,039)
Disposal of treasury shares		(0)		10	9
Net changes of items other than shareholders' equity					
Total changes of items during period	—	(0)	2,841	(1,029)	1,811
Balance at end of current period	9,827	9,786	43,029	(1,126)	61,516
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 current period	7,329	(4,876)	2,453	69	62,227
Changes of items during period					
Dividends of surplus					(1,049)
Profit attributable to owners of parent					3,998
Reversal of revaluation reserve for land					(107)
Purchase of treasury shares					(1,039)
Disposal of treasury shares					9
Net changes of items other than shareholders' equity					
Total changes of items during period	56	107	164	26	2,001
Balance at end of current period	7,385	(4,768)	2,617	95	64,228
<b>(Consolidated Statements of Changes in Equity)</b>					
Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries					
For fiscal year ended March 31, 2020					
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	<b>9,827</b>	<b>9,786</b>	<b>43,029</b>	<b>(1,126)</b>	<b>61,516</b>
Changes of items during period					
Dividends of surplus			<b>(1,290)</b>		<b>(1,290)</b>
Profit attributable to owners of parent			<b>3,919</b>		<b>3,919</b>
Purchase of treasury shares				<b>(1,046)</b>	<b>(1,046)</b>
Disposal of treasury shares		<b>(3)</b>		<b>13</b>	<b>9</b>
Retirement of treasury shares		<b>(958)</b>		<b>958</b>	<b>—</b>
Transfer from retained earnings to capital surplus		<b>376</b>	<b>(376)</b>		<b>—</b>
Net changes of items other than shareholders' equity					
Total changes of items during period	<b>—</b>	<b>(586)</b>	<b>2,252</b>	<b>(73)</b>	<b>1,592</b>
Balance at end of current period	<b>9,827</b>	<b>9,199</b>	<b>45,281</b>	<b>(1,200)</b>	<b>63,108</b>
Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income	Share acquisition rights	Total net assets
Balance at beginning of current period	<b>7,385</b>	<b>(4,768)</b>	<b>2,617</b>	<b>95</b>	<b>64,228</b>
Changes of items during period					
Dividends of surplus					<b>(1,290)</b>
Profit attributable to owners of parent					<b>3,919</b>
Purchase of treasury shares					<b>(1,046)</b>
Disposal of treasury shares					<b>9</b>
Retirement of treasury shares					<b>—</b>
Transfer from retained earnings to capital surplus					<b>—</b>
Net changes of items other than shareholders' equity					
Total changes of items during period	<b>(1,541)</b>	<b>72</b>	<b>(1,469)</b>	<b>25</b>	<b>(1,443)</b>
Total changes of items during period	<b>(1,541)</b>	<b>72</b>	<b>(1,469)</b>	<b>25</b>	<b>148</b>
Balance at end of current period	<b>5,844</b>	<b>(4,696)</b>	<b>1,148</b>	<b>121</b>	<b>64,377</b>

## Consolidated Statements of Cash Flows

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31, 2019 and 2020	Unit: millions of yen	
	2019/3	2020/3
<b>Cash flows from operating activities</b>		
Profit before income taxes	5,782	5,741
Depreciation	2,210	2,183
Share-based compensation expenses	36	35
Increase (decrease) in retirement benefit liability	10	8
Increase (decrease) in provision for bonuses	4	(1)
Interest and dividend income	(282)	(302)
Interest expenses	170	164
Interest on bonds	260	295
Bond issuance cost	97	35
Loss (gain) on sales of investment securities	(138)	(696)
Loss (gain) on valuation of investment securities	87	147
Loss (gain) on sales of property, plant and equipment	(523)	(1)
Loss on retirement of property, plant and equipment	9	23
Compensation income	(2)	—
Decrease (increase) in operating receivables	(233)	79
Increase (decrease) in operating debt	(214)	845
Increase (decrease) in accrued consumption taxes	(177)	105
Other, net	7	9
Subtotal	7,104	8,675
Interest and dividend income received	282	302
Interest expense paid	(416)	(463)
Income taxes paid	(1,711)	(1,821)
<b>Net cash provided by (used in) operating activities</b>	5,259	6,693
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(3,096)	(10,432)
Proceeds from sales of property, plant and equipment	1,228	1
Purchase of intangible assets	(61)	(59)
Proceeds from sales of investment securities	351	784
Payments for long-term accounts payable-other	(42)	—
Other, net	1	—
<b>Net cash provided by (used in) investing activities</b>	(1,619)	(9,705)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	—	5,000
Repayments of long-term loans payable	(2,542)	(2,307)
Proceeds from issuance of bonds	15,000	5,000
Redemption of bonds	(5,000)	(5,000)
Payments for issuance of bonds	(140)	(57)
Purchase of treasury shares	(1,039)	(1,046)
Cash dividends paid	(1,049)	(1,289)
Other, net	0	0
<b>Net cash provided by (used in) financing activities</b>	5,227	298
<b>Net increase (decrease) in cash and cash equivalents</b>	8,867	(2,713)
<b>Cash and cash equivalents at beginning of period</b>	7,051	15,918
<b>Cash and cash equivalents at end of period</b>	15,918	13,205

## Company Overview (As of March 31, 2020)

<b>Company Name</b>	<b>Keihanshin Building Co., Ltd.</b>	
<b>Address</b>	Head Office	2-14 Kawaramachi 4-chome, Chuo-ku, Osaka-shi, Osaka 541-0048, Japan
	Tokyo Office	Kyodo Building 8F, 2 Kanda-Jinbocho 2-chome, Chiyoda-ku, Tokyo 101-0051, Japan
<b>URL</b>	<a href="http://www.keihanshin.co.jp/english/">http://www.keihanshin.co.jp/english/</a>	
<b>Founded</b>	December 24, 1948	
<b>Business Lines</b>	Lease of office buildings, datacenter buildings, commercial buildings, logistics warehouses and off-track betting parlors (WINS), building maintenance, and subcontracting construction work for lease facilities	
<b>Capital</b>	¥9,827.61 million	
<b>Stock Issued</b>	52.88 million shares	
<b>Stock Listing</b>	First Section of the Tokyo Stock Exchange	
<b>Number of Employees</b>	45 (consolidated)	
<b>Subsidiary</b>	Keihanshin Building Maintenance Co., Ltd.	



## Stock Information (As of March 31, 2020)

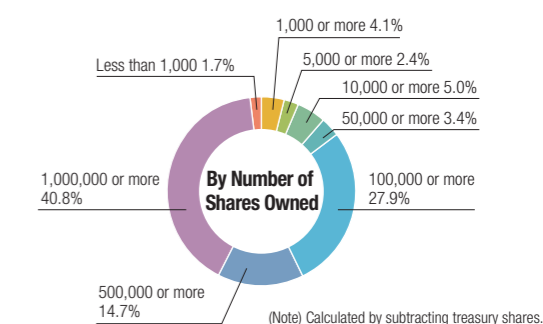
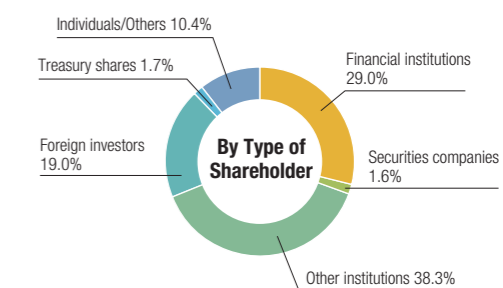
### Stock Data

Number of shares of common stock authorized to issue	80,000,000 shares
Number of shares of common stock issued and outstanding	52,882,298 shares
Number of shareholders	7,879

### Major Shareholders

Name	Number of shares owned (thousand)	Shareholding ratio (%)
GINSEN Co., LTD	6,440	12.4
INTERTRUST TRUSTEES(CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP	2,887	5.6
Sumitomo Mitsui Banking Corporation	2,133	4.1
Japan Trustee Services Bank, Ltd. (Trust Account)	1,638	3.2
Master Trust Bank of Japan, Ltd. (Trust Account)	1,546	3.0
Daikin Industries, Ltd.	1,421	2.7
KINDEN CORPORATION	1,393	2.7
KAJIMA CORPORATION	1,376	2.6
The Mie Bank, Ltd.	1,287	2.5
JAPAN SECURITIES FINANCE CO., LTD.	1,084	2.1

### Breakdown of Shareholders



(Notes) 1. Shares less than one thousand are rounded down to the nearest thousand.  
2. The Company holds 916,057 treasury shares.  
The shareholding ratio is calculated by subtracting treasury shares.





## Keihanshin Building Co.,Ltd.

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