

CORPORATE REPORT 2021

For the fiscal year ended March 31, 2021



Keihanshin Building Co., Ltd.

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 2021 is based on the business operations, strategy and ESG information of Keihanshin Building Co., Ltd., and it is compiled as a comprehensible report for our stakeholders.

Through this report, we will continue to provide our financial and non-financial information in good faith.

This report was prepared based on the International Integrated Reporting Framework released by the International Integrated Reporting Council (IIRC), as well as the Guidance for Collaborative Value Creation issued by Ministry of Economy, Trade and Industry of Japan in May 2017.



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, 2021 (April 1, 2020 to March 31, 2021). However, some parts may include past information or information on factors beyond April 1, 2021.

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

Shortly after World War II, the Company was founded when the Hanshin Racecourse reconstruction project started. Since then, the Company has been developing WINS buildings, office buildings, commercial buildings and logistics warehouses, and datacenter buildings according to the needs of the times.

We will strive to provide valuable commercial space 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 them to the then Ministry of Agriculture and Forestry at that time (currently the Ministry of Agriculture, Forestry and Fisheries).



Hanshin Racecourse (Completed in 1949)

Off-track betting parlor (in Osaka-shi) (Completed in 1949)

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.



Keihanshin Kawaramachi Building (Completed in 1962)

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.



WINS Umeda A Building (Completed in 1982)

Hirakata Warehouse (Completed in 1983)

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.



Keihanshin Shinmachi 1 Building (Completed in 1988)

Nagano Shopping Facility (Nagano-shi) (Acquired in 1998)

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 Company opened the Tokyo Branch Office (currently Tokyo Branch Office) in 2014 and has been pursuing to acquire properties in the metropolitan area.



Keihanshin Onarimon Building (Completed in 2009)

Keihanshin Nishishinsaibashi Building (Completed in 2012)

2021 Into the new stage of growth

In November 2020, the Toranomom Building was completed, making it the sixth property in the Tokyo metropolitan area. In April 2021, the OBP Building was completed, making it our eighth datacenter building.

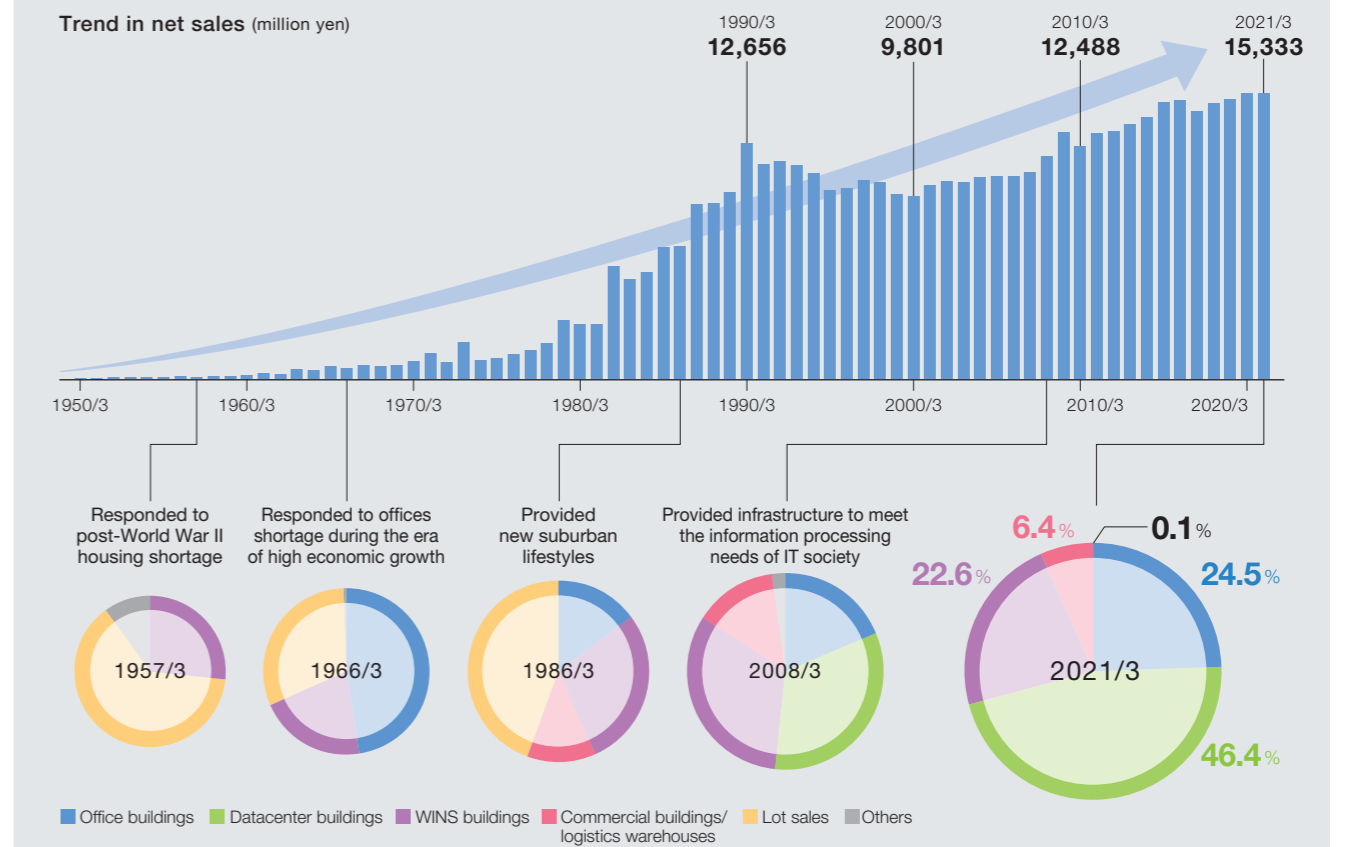
To fulfill the goals of the Mid-Term Business Plan for the fiscal year ending March 2026, we will strive to further expand our assets and expedite the process of taking on challenges into the new stage.



Keihanshin Toranomom Building (Completed in 2020)

Keihanshin OBP Building (Completed in 2021)

Trend in net sales by segment



At a Glance

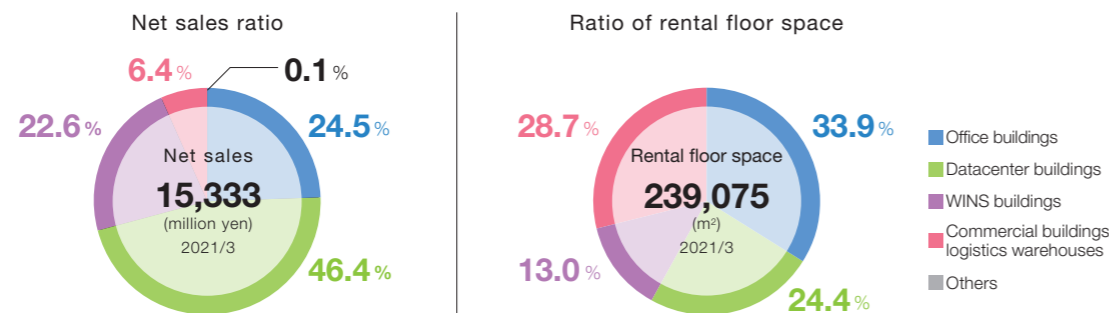
We develop four leasing businesses — office buildings, datacenter buildings, WINS buildings (off-track betting parlors), and commercial buildings and logistics warehouses — across Japan, with a focus on the Kansai region and the Tokyo metropolitan area.

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, 2021

Net sales	Operating profit	Profit attributable to owners of parent
15,333 million yen	5,295 million yen	8,251 million yen
Year-on-Year +0.1% ▲	Year-on-Year -2.2% ▼	Year-on-Year +110.6% ▲
Total assets	Capital adequacy ratio	Vacancy rates
154,043 million yen	45.7%	0.2%
Year-on-Year +12.8% ▲	Year-on-Year -1.3 percentage points ▼	Year-on-Year +0.2 percentage points ▲

Net Sales Ratio / Ratio of Rental Floor Space



Business Characteristics of the Company

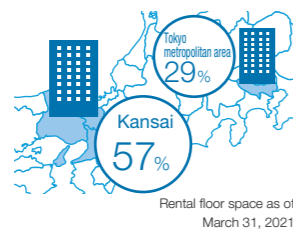
Focus on the leasing business

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

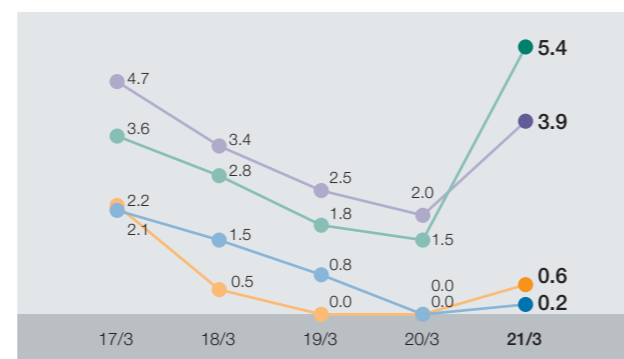
Starting with the completion of the Onarimon Building in 2009, we promote investment in the Tokyo metropolitan area to diversify the concentration risk of owned assets in the Kansai region. In November 2020, the Toranomon Building was completed, making it the sixth property in the Tokyo metropolitan area.



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 (%)



Source: Miki Shoji Co., Ltd.

Total of **26** facilities

As of June 2021



Office Buildings

Number of facilities operated: **8** facilities

- 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 2021

Tokyo business areas: **5.42%** Month-on-Month **+0.18** percentage points ▲

Osaka business areas: **3.91%** Month-on-Month **+0.17** percentage points ▲

Source: Miki Shoji Co., Ltd.

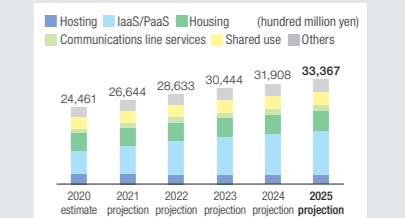


Datacenter Buildings

Number of facilities operated: **8** facilities

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

Trend in the size of datacenter market

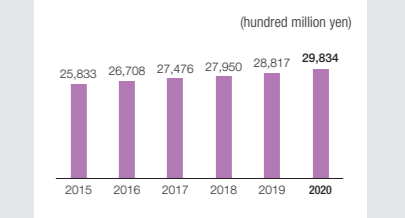


WINS Buildings

Number of facilities operated: **5** facilities

- 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 Japan Racing Association (JRA)

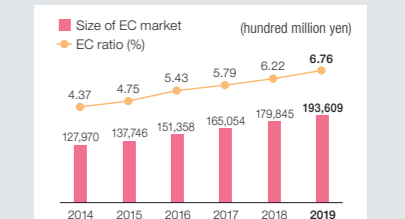


Commercial Buildings and Logistics Warehouses

Number of facilities operated: **5** facilities

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

Trend in size of BtoC-EC market in Japan

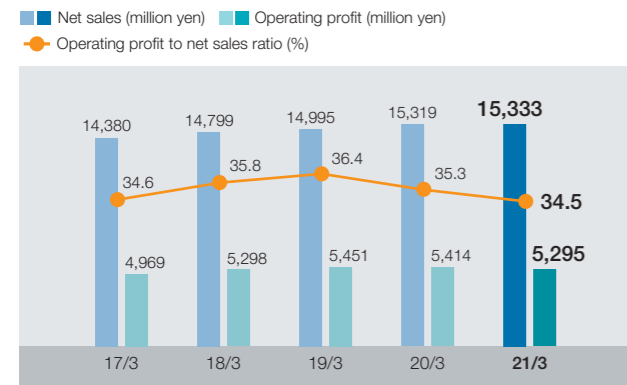


Source: "FY2019 E-Commerce Market Survey" (Ministry of Economy, Trade and Industry) (https://www.meti.go.jp/policy/it_policy/statistics/outlook/200722_new_hokokusho.pdf) The chart is created based on data from above.

Financial and Non-financial Highlights

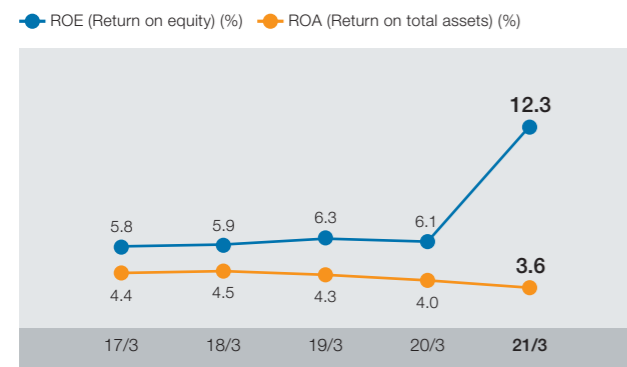
Financial data

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



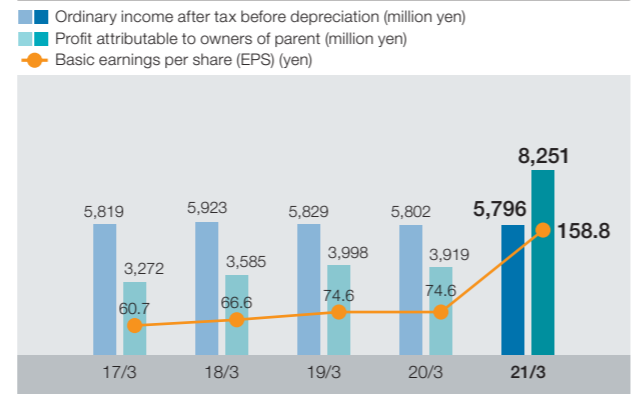
Net sales have been steadily increasing in recent years reflecting factors such as the higher occupancy rates of the properties we own. The completion of the Toranomon Building and the OBP Building is expected to bring a further rise in revenues. Operating profit is expected to be on an upward trend in the future, despite some ups and downs due to the initial cost of the newly constructed buildings.

ROE/ROA



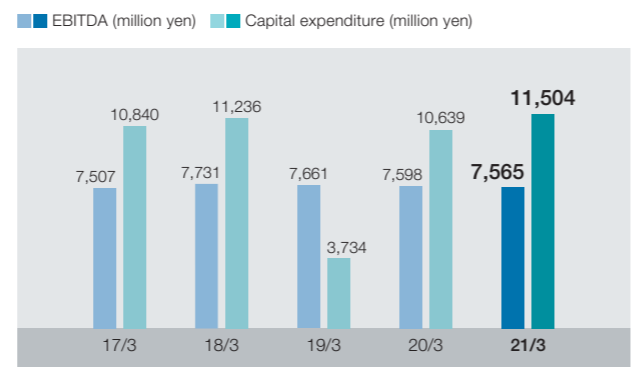
ROE as of March 31, 2021 rose significantly year-on-year, due to the recording of a large amount of extraordinary income. ROA figures are particularly important to us, and our goal is to maintain an ROA in the 4% range. We strive to improve the ROA, aiming for a better ROE. (ROE: Profit/equity, ROA: Operating profit/total asset)

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



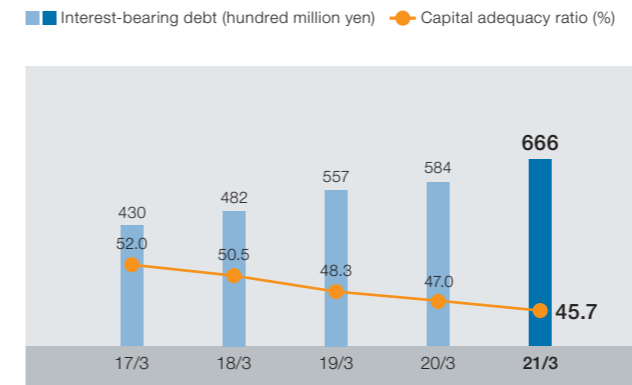
Profit for the fiscal year ended March 2021 rose significantly due to the recording of extraordinary income from sales of investment securities. Ordinary income after tax before depreciation, one of our key indicators, is expected to grow steadily in the future, thanks to the earnings contribution from the Toranomon Building and the OBP Building.

EBITDA/capital expenditure



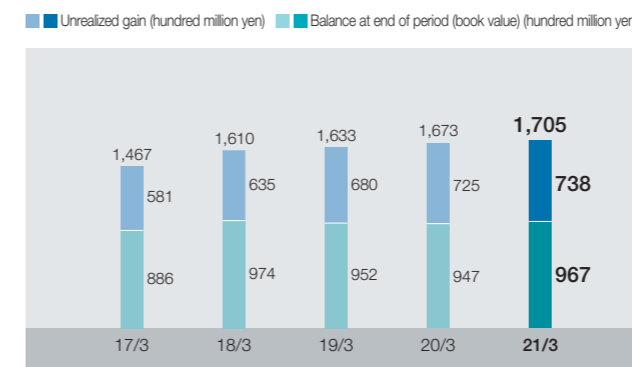
EBITDA has remained about 7.0 billion yen each year, and we are generating stable cash flow in our core business. Capital investment has been on the rise over the past several years, in line with the Toranomon Building and the OBP Building development. We will continue to take a proactive approach to investments in new construction and renovation projects.

Interest-bearing debt/capital adequacy ratio



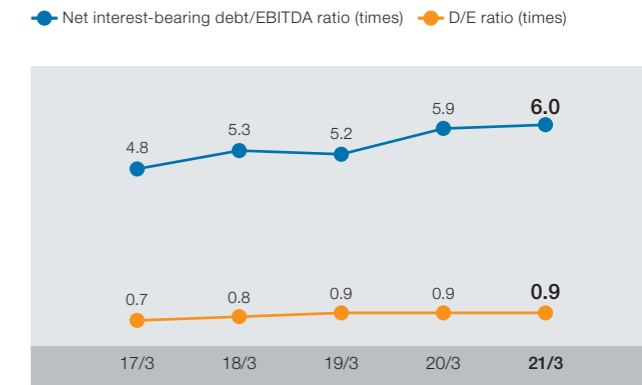
Interest-bearing debt is trending upward due to issuing bonds to finance development projects. The capital adequacy ratio is on a downtrend as a result, but, as our financial discipline, we will continue to secure the ratio of 30% or more and maintain the soundness of the financial balance, while actively seeking new investments.

Appraised value of investment and rental properties



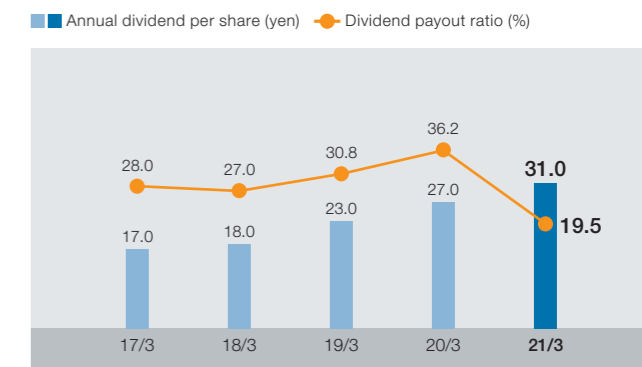
We own properties on a long-term basis due to the nature of our business, so the amount of unrealized gains or losses is highly dependent on the market at the time. Under such circumstances, we will strive to secure stable cash flows by effectively utilizing our assets, including reshuffling of assets.

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



Our financial position remains sound. We believe that a certain leverage will be necessary for aggressive investment in the future, but the fundamental management policy of the Company is to avoid excessive leverage and to maintain a stable financial foundation.

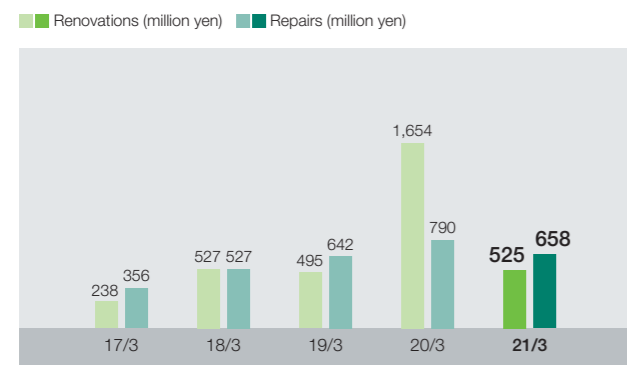
Annual dividend per share/dividend payout ratio



With the policy focusing mainly on stable and continuous dividend payments, we also place emphasis on increasing the amount of dividend per share, with a target dividend payout ratio set at 35% to 40%. The dividend for the fiscal year ended March 2021 fell significantly below the target level due to the recording of extraordinary income, but the dividend amount increased by 4 yen year-on-year, resulting in increased dividends for seven consecutive years.

ESG-related data

Investments in renovations and repairs



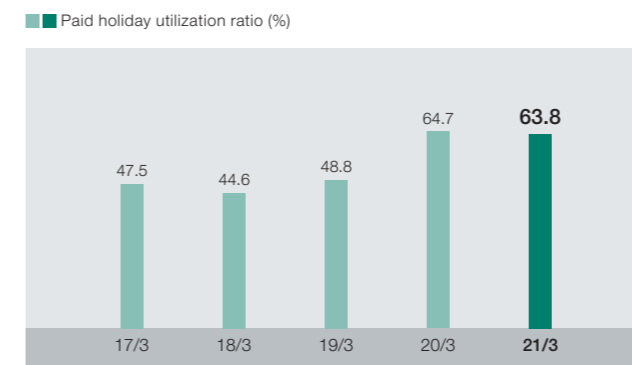
During the fiscal year ended March 2020, we carried out a large-scale renovation of power substations. In addition to planned renovations and repairs, we strive to continue increasing the longevity of our assets into the future based on the concept of "preventive maintenance."

Number of employees/percentage of female employees



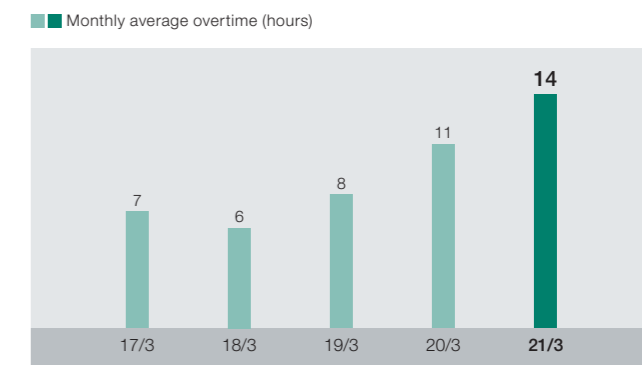
We have gradually increased the number of employees as our business has expanded. In order to continue expanding our business and accelerate the Company's growth, we will continue to further strengthen our workforce while encouraging female employees to play an active role.

Paid holiday utilization ratio



Paid holiday of up to 20 days plus 2 days of special leave are granted annually. We also offer several different types of holiday plans to encourage employees to take quarterly or anniversary leaves. The paid holiday utilization ratio thus reaches over 60%.

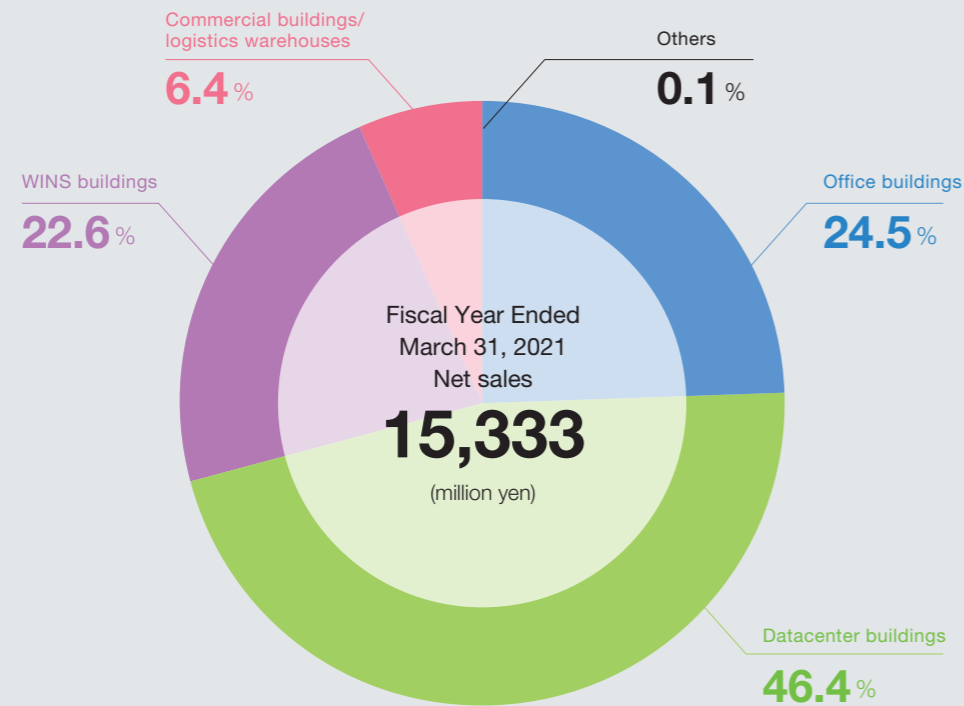
Monthly average overtime (hours per person)



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

- #### 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 invest in office buildings, commercial buildings and logistics warehouses, maintaining the balance of our entire portfolio.
- #### Successful relationships with customers and partner companies cultivated over the long history

Throughout our 73-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.
- #### Efficient management by a small number 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 development, and operations management to repairs jointly with partner companies.

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.

Social Challenges

- Developing social and industrial infrastructure
- Natural disaster threats
- Intensifying climate change
- Further progression of population decline and aging/low birthrate society
- Compliance
- Workstyle reforms

Business-related SDGs



Corporate Philosophy

- To provide valuable commercial space to customers the advancement of customers' and our businesses.
- To earn and value our customers', shareholders' and according to quality-first values.
- To act efficiently, evolve, and create a vital corporate

so as to contribute to the community through employees' trust by operating our company atmosphere.

Business Operations

- Office Buildings ▶ P.29
- Datacenter Buildings ▶ P.31
- WINS Buildings ▶ P.33
- Commercial Buildings and Logistics Warehouses ▶ P.34

Mid-Term Business Plan

Challenges from here:
Into the new stage of growth

- New investment strategies
- Reviewing existing properties
- Pursuing profitability of owned assets
- Enhancing risk management
- New developments for the future
- Maintaining a solid financial foundation
- ESG-conscious business management

▶ P.21

Foundation for Value Creation

Various capitals supporting value creation

Social and Relationship Capital	Relations with local communities, tenants and partner companies	
Human Capital	Every individual as a professional and a multi-player	Number of employees 46 persons
Intellectual Capital	Expertise on planning, development, and operation of buildings	Number of qualification holders 25 persons <small>First-class registered architects, construction management engineers, etc.</small>

Financial capital		
A solid financial base		
Capital adequacy ratio	Net interest-bearing debt/EBITDA ratio	Credit rating
45.7%	6.0 times	A- (R&I)

Value Chain ▶ P.10

Corporate Governance ▶ P.49

Creating Valuable Commercial Space

- Safety**
 - Advanced security
 - Reliability in electricity distribution
 - Advanced disaster-prevention functions
 - BCP measures
- Comfort**
 - High-quality building management
 - Prime locations
 - High-quality tenant relations
 - Simple and high-quality designs
- Environment**
 - Efforts toward energy conservation
 - Introducing BEMS
 - Promotion of greening of buildings
 - Improved life of buildings

Providing Value to Society

- Customers**
 - People-friendly buildings
 - Buildings able to withstand disasters
 - Environmentally-friendly buildings
- Environment**
 - Investments in renovations and repairs
 - 1,183** million yen
- Shareholders/Investors**
 - Long-term stable returns to shareholders
 - Dividends increased for **7** consecutive years
- Partner Companies**
 - Fair and appropriate business dealings
 - Building excellent cooperative relationships
- Employees**
 - Improved work-life balance
 - Paid holiday utilization ratio **63.8%** (ratio per person, with up to 20 days given annually)
- Local communities**
 - Vitalizing local communities and increasing their attractiveness

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.



Message from the President



Koichi Minami
President

Steady start for two projects. We will take more risks and develop a new growth strategy.

Overcoming the COVID-19 pandemic risk

Since the time of the Company's founding, specializing in the building leasing business, we have selected assets to be leased to match the social demands and customer needs of the times. As a result, we now engage in the leasing business in four domains: office buildings, datacenter buildings, WINS buildings, and commercial buildings and logistics warehouses. This has created business opportunities in each domain while diversifying risks through the portfolio. A variety of risks have already arisen together with the changes in the external environment surrounding the Company. These risks include population decline and aging, frequent occurrence of large-scale natural disasters due to climate change, and the overconcentration in Tokyo. However, the new risk of the COVID-19 pandemic has recently been added to these existing risks. With a strong understanding of these risks, we will continue to engage in business with a constant focus on our corporate philosophy "to provide valuable commercial space so as to contribute to the community through the advancement of customers' and our business."

In particular, the spread of the COVID-19 pandemic has prompted more widespread remote working and the advancement of workstyle reforms. In the office buildings domain, the trend of reducing person-to-person contact has become established from the perspective of infection control, and online meetings, rather than face-to-face meetings, are becoming more common. As a result, vacancy rates have started rising and rents have started falling. Although there has been a similar trend to move out or request rent reductions among some of our customers, the Company has been building positive relationships through steadfast and constant communication with customers and hopes to respond flexibly while sharing the pain. In addition, as the very nature of office space is called into question, we will assess location and future potential in proceeding with investments, while also considering new needs such as reduced occupancy space and shared offices.

In the datacenter buildings domain, in addition to advancements in 5G and IoT, data traffic has grown in conjunction with increased opportunities for remote working and online meetings, which has served as a tailwind. Going forward, we will look for investment opportunities not only in central Osaka locations close to our Head Office, but also in suburban locations, while also looking into alliances with other companies. More-

over, in the commercial buildings and logistics warehouses domain, there has been a boom in logistics warehouses in particular due to the increase in demand for e-commerce amid the COVID-19 pandemic. In the WINS buildings domain, income is stable due to fixed rent. As online purchase of betting tickets increases, we will need to consider the possibility of closures of regional and suburban off-track betting parlors over the long term. Nevertheless, the facilities owned by the Company are in prime locations, and we consider they will contribute to earnings in a stable manner for the time being.

We believe that the COVID-19 pandemic will serve as a turning point for the Company to seize new business opportunities with an eye to the next trend. We hope to continue being a company with a strong presence in society through each of our four business domains while closely monitoring changes in the environment.

Developing a growth strategy to continue growing

There are many challenges and important issues that we should be aware of, and we need to ensure that we transform such issues into opportunities for growth. The biggest risk is whether the Company can continue growing as a business entity in the future. As I mentioned earlier, the Company generates stable earnings by operating businesses in the four domains. However, these domains alone will not be enough to continue meeting the expectations of stakeholders. We believe we must steadily seize business opportunities that will lead to further growth and develop a sound growth strategy in order to bring such opportunities to fruition.

New investment is vital for a growth strategy. In April, 2021, we upgraded our Tokyo Office to create the Tokyo Branch Office and recruited a person with a thorough knowledge of the real estate business and an extensive network of contacts to serve as the branch manager. Taking advantage of this network, we will boost our gathering of information in the Tokyo metropolitan area more than ever before to ensure that we identify opportunities and translate them into earnings. In terms of the form of investment, we will not stick to purchasing and developing properties by ourselves, and will flexibly consider joint development with other companies as an option. We will also look for business opportunities in new domains outside of the four in which we currently operate

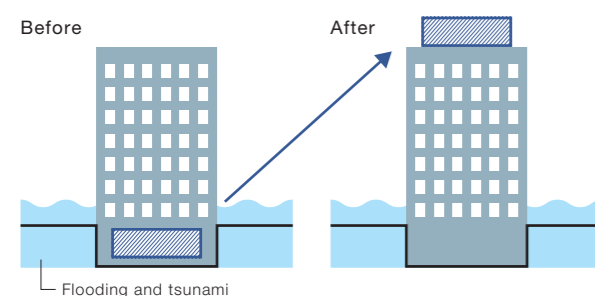
Message from the President



businesses. This will include the life care sector and overseas real estate investments focused on developed countries such as the United States.

Together with new investment, investment in repairs and renovations is also important to maintain and increase the value of existing buildings. The Company carries out thorough preventive maintenance to implement repairs and renovations before buildings and equipment become degraded in order to prolong building life for as long as possible. This not only gives customers a sense of security, but also avoids urgent repairs and keeps costs down. We focus on BCP investment so that our customers can use our buildings with peace of mind over the long term. One such initiative is renovation work for extra high-voltage power substations. In many older buildings, power substations are located in basements. In the event of flooding, there is a risk of submersion and emergency generators may not operate. Therefore, we are in the process of progressively relocating power substations to upper floors.

Image of relocation of power substations



Engaging in business with an awareness of sustainability

Another important issue is responding to the changes in the external social environment. The issues for which society requires solutions have become increasingly diverse, including the Corporate Governance Code, consideration for the environment, the SDGs, and others. It is now an era when the conventional approaches will not only result in missed business opportunities but will also damage our reputation as a company. The Company will continue promoting sustainable management and working actively to address these issues. Although there may be temporary costs to bear, we believe that growth lies ahead.

In particular, we recognize that management which addresses ESG (Environment, Society, Governance) issues will serve as a source of competitiveness to support sustained corporate growth and established the Sustainability Committee with overall responsibility for managing these activities in fiscal 2020. We will verify the priorities for the Company's materiality (key sustainability issues) in reflection of social demands, create a roadmap, and implement activities systematically and efficiently while maintaining company-wide consistency and coherence.

I will present some of our specific initiatives. Firstly in the area of the environment (E), amid an awareness of the risks of more severe climate change and frequent natural disasters, the Japanese government has declared its aim to realize net zero greenhouse gas emissions, so-called carbon neutral or decarbonized society, by 2050. The Company is currently promoting

energy saving by converting to LED lighting and working to obtain green building certifications. We also plan to measure CO₂ emissions data for owned buildings, verify the methods and costs of making reductions, and provide a roadmap on emission reductions for when and how we will proceed.

In the area of society (S), while the Company's business is based on the tangible assets of buildings, we also consider the people who manage and operate the buildings to be important assets. Our business operations will also be hindered if our employees are not able to work in good physical and mental health. Therefore, in order to objectively grasp the levels of the health promotion initiatives we have implemented so far through third-party evaluation, we took on the challenge of being certified under the Certified Health & Productivity Management Outstanding Organizations Recognition Program, a program that awards corporations, including large enterprises and SMEs, that practice health management, and successfully obtained certification. We also believe that the connections and trusting relationships we have with all of our stakeholders are important capital for creating the Company's value. For example, our partner companies which are responsible for managing and operating buildings are indispensable for the Company in the development of its business. Since 2015, to help our partner companies also develop through their business with the Company, we have been running the Cooperative Partner Company Award based on evaluations of the way their staff work, to build close ties and deepen our relationships with our partner companies.

In the area of governance (G), strengthening governance will lead to the enhancement of the Company's corporate value, in addition to compliance with the stricter Corporate Governance Code. Therefore, in recent years, we have been working to make management more transparent and to speed up decision-making. In 2018, we introduced the Executive Officer System to separate management execution and supervision, strengthen the supervisory function of the Board of Directors, and streamline business execution. In addition, we recently increased the number of Outside Directors to four, making them a majority of the seven Directors, and have appointed a female Audit & Supervisory Board Member to increase diversity.

Into the next growth stage through new challenges

The Company formulated Challenges from here: Into the new stage of growth, a seven-year Mid-Term Business Plan commencing in the fiscal year ended March 2020. Before the spread of the COVID-19 pandemic, it was difficult to acquire profitable properties due to the deterioration in the investment environment caused by soaring real estate market prices, and the plan was based on this assumption. In contrast with this, the Toranomom Building and the OBP Building, the two projects that form the central pillars of our business for the time being, have progressed on schedule, and their contribution to the Company's business results is starting to be seen. Regarding the timing of the operation of the two buildings

as a new stage of growth, the plan's slogan expresses our enthusiasm for taking up new challenges going forward and developing our next growth strategy.

Of the two buildings, the Toranomom Building was completed in November 2020 and the OBP Building was completed in April 2021, and both buildings have been making a steady start. Moreover, once operations are on track, the buildings are expected to make a significant contribution to the earnings targets in the Mid-Term Business Plan. In addition, although real estate prices have remained high even during the COVID-19 pandemic, we believe that a suitable phase for investment is bound to come in the future and that making further steps forward and taking risks will be a new challenge for us in this context. The Toranomom Building was purchased at the time when the real estate market was beginning to soar, and it was a difficult project as we handled it from the development stage. However, as a result, the leasing market rose further, and we succeeded in making the project generate a solid profit. The OBP Building was also a big challenge for the Company, and we started the project with some concerns about how much demand there would be from tenants in order to recover our investment. Initially, we estimated it would take approximately five years after completion for the building to be fully operational. However, it was leased as soon as it was completed, putting it on track to contribute to earnings at an early stage. The achievement of better-than-expected results while taking bigger risks than previously has given our employees significant confidence. I hope that we will take on the challenge of even difficult development projects with determination while having a strong grasp of the risks and utilizing the know-how we have cultivated to date.

Business plan	2026/3 (Final target)
Net sales	22.0 billion yen
Operating profit	8.0 billion yen
Ordinary profit	7.5 billion yen
Ordinary income after tax before depreciation	10.0 billion yen
Total assets	195.0 billion yen
Net interest-bearing debt	92.0 billion yen
Net interest-bearing debt/EBITDA ratio	7.3 times
Shareholders' equity	82.0 billion yen
Capital adequacy ratio	42.0%

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

Message from the President

Completion of two projects that will serve as the driving force of business

The properties owned by the Company are concentrated in Kansai, particularly in Osaka. In order to geographically diversify our business portfolio, we commenced our full-scale entry into the Tokyo metropolitan area starting with the Onarimon Building in 2009. Furthermore, anticipating more growth potential in the Tokyo metropolitan area, in 2017 we acquired the land for the Toranomom Building, located in a prime location, a two-minute walk from Toranomom Station on the Tokyo Metro Ginza Line. We developed the property as our flagship building to make our presence felt in the Tokyo metropolitan area. The total investment for the land and the building stands at 15.0 billion yen. With one basement floor and 13 floors above ground, the building draws on the know-how we have cultivated in datacenter buildings, taking account of safety and business continuity with a seismic isolation and vibration control structure in addition to being equipped with emergency-use generators and lines for extra power supply using a dual-line power receiving system. In terms of environmental considerations, hi-spec power saving-equipment such as the airflow window is installed. Also, greening of the surroundings of the building alleviates the heat island effect and helps with biodiversity conservation. At the time of



Keihanshin Toranomom Building | For more details, see page 27

completion, almost all floors had been tenanted by customers, and we hope that the remaining floors will be occupied by customers who can appreciate the unique value offered by the Toranomom Building.

The OBP Building, which will be the Company's eighth datacenter building, is a 16-floor building with one basement floor, and is our largest urban-type datacenter building. It is located on the Uemachi Plateau, known for its solid ground in Osaka-shi, and the area has always been high ground level with a low risk of flooding. In addition to the seismic isolation and vibration control structure, the floor loading capacity is the highest of our datacenter buildings so that it can adequately stand the weight of the servers. Additionally, the height of the ceiling has been increased to improve air conditioning efficiency as servers generate a lot of heat. Moreover, we have ensured a very large-capacity power supply (45 MW) and a dual-line power receiving system of main and backup lines. The building is also equipped with emergency-use generators that can continually operate for at least 48 hours without oil supply even during a large-scale blackout, to supply electric power for the entire building.

Involvement in these two major projects has fostered teamwork among our employees and created the confidence to take on new challenges.



Keihanshin OBP Building | For more details, see page 25

Maintaining a solid financial foundation

To maintain a solid financial foundation, in the Mid-Term Business Plan, the Company has set a target to keep the capital adequacy ratio at 30% or higher and the net interest-bearing debt/EBITDA (operating profit before depreciation) ratio at 10 times or lower. We consider these figures to be the minimum standard for maintaining a stable financial foundation in making investment decisions. At present, we have been able to fully achieve the figures, and have ample margin for investment, so we plan to continue taking risks and investing more proactively while remaining mindful of financial soundness.

The Company also focuses on ROA (Return on total assets) as a management indicator and aims to ensure a level in the 4% range. Our goal is to improve ROE by avoiding the excessive burden of financial leverage and by working to increase ROA. To achieve this, we hope to improve ROA by investing all our owned assets efficiently to ensure returns. For new investments that serve to increase our assets, while the return at the time of investment will form the basis for investment decisions, we will work to increase the value of properties during operation to expand profits even for properties with low yields at the time of investment.

Ordinary income after tax before depreciation is another of the management indicators the Company emphasizes. We established this indicator to maximize cash flow generated by our core businesses without allowing the increase in depreciation when making new investments, which, on the surface, inevitably results in a drop in profit, to slow down our investment decisions. This indicator embodies our desire to fulfill our responsibilities to all stakeholders, by maximizing cash on hand to secure a source of funds for dividends and funding for investment in further growth after completing our duties as a corporate citizen, including paying taxes, employee salaries, fees for outsourcing to partner companies, and interest. In addition, from the current fiscal year, we have included performance-linked remuneration in the Company's officer remuneration system. Ordinary income after tax before depreciation is also used as the base indicator for the calculation of performance-linked remuneration to provide an incentive for officers to be committed to achieving the indicator.

In order to increase the quality of assets, we have to steadily pursue profitability for each owned property. For older properties, we will not only carry out repairs and renovations, but will also consider selling them to replace assets while increasing the value of our business portfolio as a whole.



Providing stable dividends is the basis for shareholder returns

For shareholder returns, the Company's top priority is to provide stable dividends. In the past, we have increased the dividend while maintaining the dividend payout ratio by increasing earnings per share. We have increased the target dividend payout ratio from 30% in the previous Mid-Term Business Plan to 35-40%, and we have nearly doubled the annual dividend over the past five years.

In the fiscal year ended March 2021, the sale of owned assets generated a one-time profit, which the Company returned to shareholders through the share repurchase. Although the dividend payout ratio is temporarily lower on this occasion, we hope to obtain the understanding of shareholders as the total return ratio exceeds the target for the dividend payout ratio through share repurchase. In addition, from the perspective of providing fair return of profits to all shareholders, we will discontinue the Shareholder Special Benefit Plan as of the fiscal year ended March 2021. We thank our shareholders for their understanding.

We believe that dialogue with shareholders and investors is a key theme. We will hold briefing sessions for institutional investors and individual investors as appropriate and aim to further enhance corporate value by increasing management efficiency and transparency through extensive dialogue aimed at open management and incorporation of diverse opinions.

Overview and Progress on the Mid-Term Business Plan

Challenges from here: Into the new stage of growth

In contrast with the difficulty in acquiring new 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, were completed on schedule. We forecast that these properties will contribute to the Company's business results in the fiscal year ending March 2022. We will seek to further grow and expand our four existing businesses while exploring new businesses for the future.

■ 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.”

Numerical Targets

[Business plan]		[Investment plan]	
	2021/3 (Results)	2026/3 (Final target)	
Net sales	15.3 billion yen	22.0 billion yen	Real estate investment
Operating profit	5.2 billion yen	8.0 billion yen	
Ordinary profit	5.0 billion yen	7.5 billion yen	
Ordinary income after tax before depreciation	5.7 billion yen	10.0 billion yen	
Total assets	154.0 billion yen	195.0 billion yen	Repair and renovation investment
Net interest-bearing debt	45.0 billion yen	92.0 billion yen	
Net interest-bearing debt/EBITDA ratio	6.0 times	7.3 times	Total
Shareholders' equity	70.4 billion yen	82.0 billion yen	
Capital adequacy ratio	45.7 %	42.0%	

Shareholder Returns

The dividend payout ratio will be 35 to 40%, up 5 to 10 percentage points from the previous Mid-Term Business Plan, 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.

Progress of the Mid-Term Business Plan Actions in FY2021/3 and Future Challenges and Strategies

		Progress	Future challenges and strategies	
1	New investment strategies	Office Buildings	<ul style="list-style-type: none"> The Toranomon Building was completed on schedule in November 2020, and the building has an occupancy rate of 91%. Gathered information on profitable properties mainly in the Tokyo metropolitan area. Posted our corporate advertisement in Tokyo Metro's Toranomon Station to enhance our brand strength in the Tokyo area. 	<ul style="list-style-type: none"> Boost information gathering activities at the Tokyo Branch Office to acquire medium-sized buildings. Continue posting advertisements in the Tokyo area to enhance brand strength there.
		Data-center Buildings	<ul style="list-style-type: none"> The OBP Building was completed on schedule in April 2021, and it reached 100% occupancy of machine rooms. Gathered and reviewed information on land for new datacenter buildings. Gathered information on alliances and engaged in discussions. 	<ul style="list-style-type: none"> Provide support to tenants of machine rooms in the OBP Building and pursue building management in collaboration with partner companies. Acquire and develop land for new datacenter buildings. Consider business expansion in the Tokyo area leveraging our public profile in the datacenter industry. Review alliance methods for specific projects.
		Commercial Buildings	<ul style="list-style-type: none"> Gathered information on profitable properties mainly in the Tokyo metropolitan area. 	<ul style="list-style-type: none"> Boost information gathering activities at the Tokyo Branch Office to acquire urban-type commercial buildings located near the commercial centers or terminal stations in the Tokyo metropolitan area and regional core cities. As for logistics warehouses, consider the acquisition of large multi-tenant warehouses, in addition to conventional build-to-suit warehouses (for specific companies).
		Logistics Warehouses		
2	Reviewing existing facilities	<ul style="list-style-type: none"> Sold the Toyahama Warehouse in April 2020. Maintained high occupancy and high rents through a wide range of tenant leasing. 	<ul style="list-style-type: none"> Steadily rebuild or sell older buildings. Engage in leasing activities with an eye toward tenant departures due to the COVID-19 pandemic. 	
3	Pursuing profitability of owned assets	<ul style="list-style-type: none"> Maintained the buildings through preventive maintenance. Strengthened relationships with tenants through highly satisfactory building management. Implemented measures against COVID-19 in the common spaces of buildings. 	<ul style="list-style-type: none"> Provide buildings with advanced features by formulating a mid- to long-term repair plan tailored to energy conservation and tenant needs for each building under the philosophy on preventive maintenance. Strengthen tenant relations and make improvements based on the results of the customer satisfaction survey. Develop new customers by strengthening proposal capabilities. 	
4	Strengthening risk management	<ul style="list-style-type: none"> Diversified regional portfolio by selling properties in the Kansai area (Toyahama Warehouse). Focused on gathering information on new investment properties in the Tokyo area. Commenced renewal plan for extra-high voltage power substations at datacenter buildings from the perspective of BCP. 	<ul style="list-style-type: none"> Continue to boost gathering of property information in areas outside of Kansai (mainly the Tokyo area) to promote diversification of regional portfolio. Systematically renew buildings incorporating BCP measures with energy saving in mind. 	
5	New developments for the future	<ul style="list-style-type: none"> Exchanged information with operating companies that explored collaboration in the datacenter business. 	<ul style="list-style-type: none"> Consider diversifying and expanding business through business alliances after identifying specific projects. For overseas real estate investment, focus on information gathering and conduct surveys for future expansion, because site visits are not possible due to the COVID-19 pandemic. 	
6	Maintaining a solid financial foundation	<ul style="list-style-type: none"> Extended the average repayment period and lowered average funding rate using long-term bond issuance. In terms of financial balance, firmly maintained the targets for capital adequacy ratio and net interest-bearing debt/EBITDA (operating profit before depreciation) ratio, with ROA falling below the target because of the heavy investments in the OBP Building and the Toranomon Building. 	<ul style="list-style-type: none"> Strive for stable financing at low interest rates by paying attention to the balance between direct financing and indirect financing. Aim to increase operating profit and make highly profitable new investments while maintaining financial discipline. 	
7	ESG-conscious business management	E (Environmental)	<ul style="list-style-type: none"> Established an internal Sustainability Committee, became a signatory to the UN Global Compact, and acquired a green building certification (CASBEE, Rank S) for the Midousuji Building. Based on social situation, formulated a mid- to long-term plan with a focus on energy conservation (use of LED lighting and introduction of BEMS) and implemented repair and renovation work. 	<ul style="list-style-type: none"> Consider prolonging building life through preventive maintenance mindful of the SDGs. Encourage greening and energy-saving initiatives at existing buildings and new buildings. Consider obtaining additional green building certifications and various certifications, such as GRESB.
		S (Social)	<ul style="list-style-type: none"> Launched in-house workshop on BCP for infectious diseases, formulated and took specific actions. Performed BCP drills based on the scenario of a disaster occurring on a holiday or at night. Donated to the Children's Future Fund, the Disaster Relief Fund, the Osaka Flowers and Greenery Urban Renewal Fund, and other funds. Acquired certification as a Health & Productivity Management Outstanding Organization. Provided the infrastructure for working from home, such as introducing digital approval system and leasing thin client terminals. 	<ul style="list-style-type: none"> Refine the content of our BCP and contribute to local communities through the maintenance of disaster preparedness equipment. Continue with donations that benefit communities. Consider flexible workstyles and improve productivity through workstyle reforms enabled by the further promotion of digitalization.
		G (Governance)	<ul style="list-style-type: none"> Introduced restricted stock compensation plan. Reviewed officer compensation system and introduced performance-linked compensation. Increased Independent Outside Directors to four (majority of the Board of Directors). Strengthened the executive structure. 	<ul style="list-style-type: none"> Seek and deliberate an optimal board structure after examining the positives and negatives for each board structure. Formulate a human resources development plan aimed at appointing officers from within the Company. Ensure diversity of the Board of Directors.

Financial Capital Strategies

To achieve sustainable corporate growth, we aim to boost profitability through further expansion of our four distinctive businesses, while maintaining a solid financial foundation and emphasizing a balanced portfolio.

Basic Concept

The real estate industry faces an uncertain outlook as it is unclear when the COVID-19 pandemic will end. In this environment, the impact on the Company's results in the fiscal year ended March 2021 was minor as we have few tenants in industries such as restaurants and retail stores, which are vulnerable to the spread of COVID-19.

Going forward, we will continue to boost profitability and utilize and allocate capital efficiently while enhancing risk management and maintaining a stable and sound financial foundation through the diversification of our business portfolio.

Cash Allocation

We believe it is important to balance investment in growth and shareholder returns for the Company's sustainable growth.

Investment in Growth

New investment is vital for a company's sustainable growth. The Company, which is engaged in the real estate leasing business, plans to be more proactive than ever before in expanding its assets, which will serve as the source of future profits.

Under the Mid-Term Business Plan, we have planned total investment of 100.0 billion yen over seven years with aims to acquire new properties as well as investing in repairs and renovations to increase the value of existing properties.

[Investment plan]

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

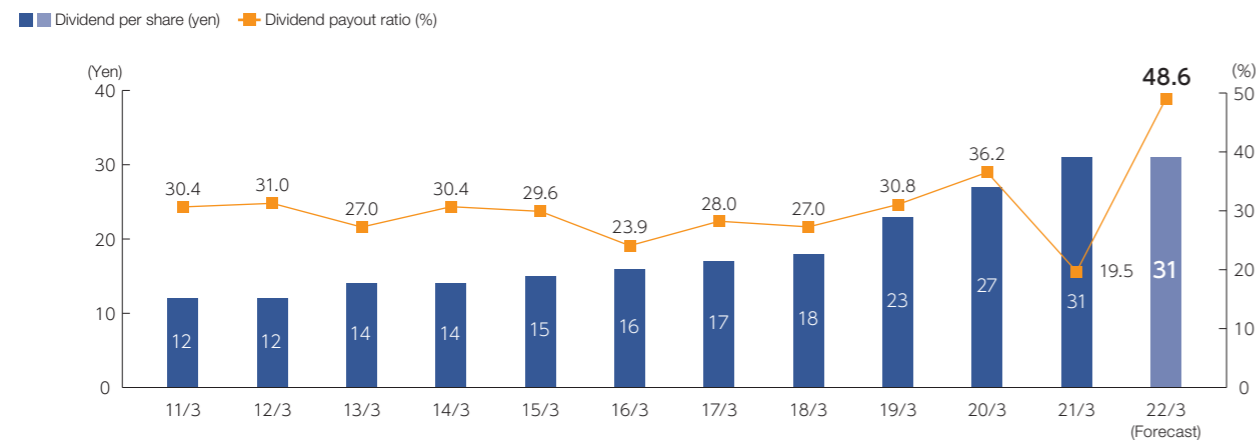
Shareholder Returns

The basic policy for shareholder returns will focus on stable and continuous dividend payments. The target for the dividend payout ratio will be 35 to 40%, and we will ensure increases in earnings per share to continue increasing dividends while maintaining the dividend payout ratio.

In the fiscal year ended March 2021, the Company recorded a one-off profit due to sales of investment securities, which we

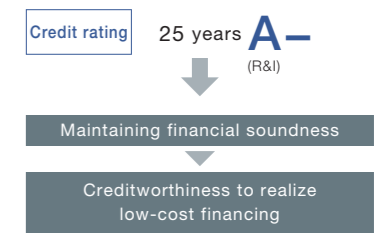
decided to return to shareholders through the share repurchase. Although the dividend payout ratio declined temporarily, we hope to obtain the understanding of shareholders as the total return ratio exceeded the target for the dividend payout ratio. The Company will provide optimal returns, taking into account the management environment and the conditions at the time.

Trends in Annual Dividend per Share and Dividend Payout Ratio

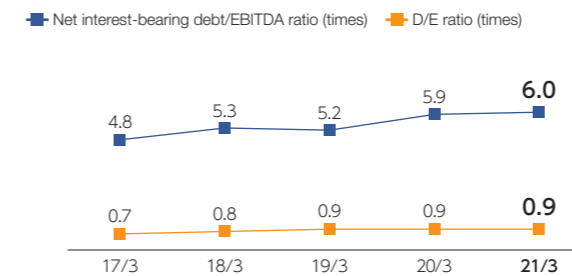


Financial Foundation

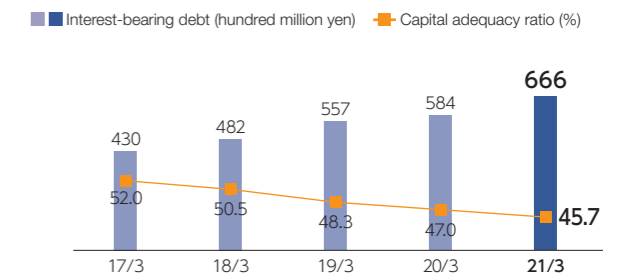
The business model in the real estate leasing business requires a long period of time from investment until return, and we believe that a solid financial foundation is crucial for the continuation of business. Under the Mid-Term Business Plan, the Company has set a target to keep the capital adequacy ratio at 30% or higher and the net interest bearing debt/EBITDA ratio at 10 times or lower in order to maintain a stable financial foundation even while proactively investing. In addition, the Company has a high rating, having obtained an A- rating from credit rating institution Rating & Investment Information, Inc. (R&I) for 25 years in a row. Taking advantage of our creditworthiness allows us to realize low-cost financing through the issuance of bonds and other measures.



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



Interest-bearing debt/capital adequacy ratio

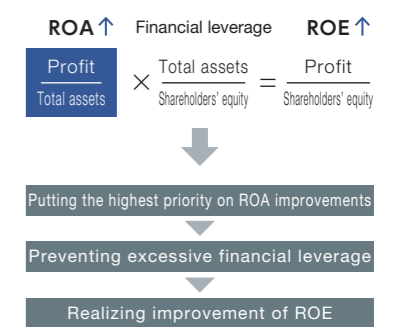


Policy on Enhancing Management Efficiency

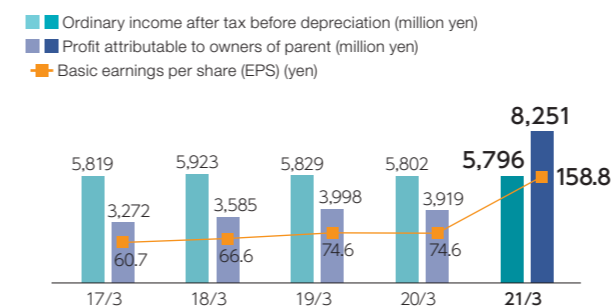
The Company highly values return on total assets (ROA) as a measure of management efficiency. Our goal is to improve ROE by avoiding an excessive burden of financial leverage and by working to improve ROA.

We believe that how efficiently we can use our owned assets to produce profits is important for the growth of the Company.

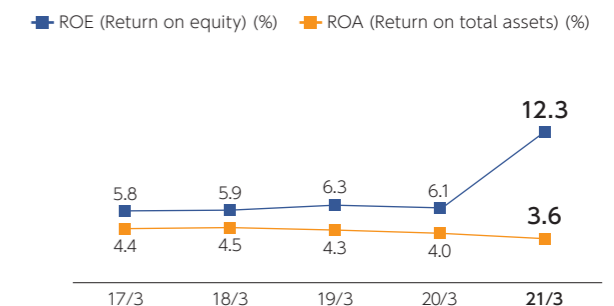
Therefore, we have introduced ordinary income after tax before depreciation as a key indicator for management which is unique to Keihanshin Building. As an indicator for fulfilling our responsibilities to all stakeholders, by maximizing profit from our core business for dividends and investment in growth after paying taxes, employee salaries and outsourcing fees to partner companies, and interest, we have set a target to achieve 10.0 billion yen in the final fiscal year of the Mid-Term Business Plan.



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



ROE/ROA



Keihanshin OBP Building Completed

A world-class, urban large-scale datacenter building with the highest standard of safety, reliability and efficiency, built on a solid foundation

The Company's eighth datacenter building

After long-ongoing works, construction of the new-build OBP Building, the Company's eighth datacenter building, reached safe completion in April 2021. The Company has developed its urban-type datacenter building leasing business in Osaka. The OBP Building is a globally competitive large-scale datacenter building with the highest standard of safety, reliability and efficiency, consolidating the Company's datacenter building expertise accumulated to date.

The OBP Building is located in the north end of the Uemachi Plateau, which has one of the strongest soil and foundation in Osaka-shi, and stands in the heart of the Osaka metropolitan area where ease of access and infrastructure (electrical and telecommunication) are concentrated. Various disaster countermeasures have been implemented and the power supply is secured at the high capacity by the dual-line power receiving system of main and backup lines. The building is also equipped with large emergency-use generators that can continually operate at least for 48 hours without oil supply during a blackout, allowing continued operation of the datacenter.

The datacenter building has also been made environmentally friendly with attention to energy conservation, thereby acquiring Rank A under the city's environmental performance assessment for constructions, CASBEE Osaka Mirai.



Overview of Keihanshin OBP Building

Name	Keihanshin OBP Building
Address	Chuo-ku, Osaka-shi
Site area	6,671 m ²
Total floor space	42,132 m ²
Structure	B1/16F
Purpose	Datacenter, partly offices
Design and supervision	Nikken Sekkei Ltd
Construction	KAJIMA CORPORATION
Completion	April 2021

Design Features

State-of-the-art datacenter building with secured electrical capacity of 45 MW

- Urban-type datacenter located in the Osaka Business Park (OBP) on the north of Osaka Castle.
- An electrical capacity of 4.5 MW can be supplied per floor.
- Ensures ten 2,000-m² squared tenant floors (server rooms), structured for ease of use.
- Guarantees floor load capacity of 1.8 t/m², allowing installation of high-load, high-density server racks (Heavy-load areas can bear up to 2.3 t/m²).
- Construction work for tenant floor move-in facilitated by service shafts at all four corners of the building and large loading elevators.
- Saves energy consumption by improving envelope performance and employing high-efficiency equipment, thus certified as Rank A under CASBEE Osaka Mirai.

Facility Information

Completely safe configuration of the building's power substations

Power receiving system	Amount of fuel stockpiled
Power received via 77-kV extra-high voltage main and backup lines	Fuel for 48 hours of continuous operation

Power generation equipment

- Gas turbine power generators (N+1 configuration)
- Eight 6,000-kVA generators (installed), four 6,000-kVA generators (for expansion to meet electricity demand)
- One 1,000-kVA generator (for emergency use only)

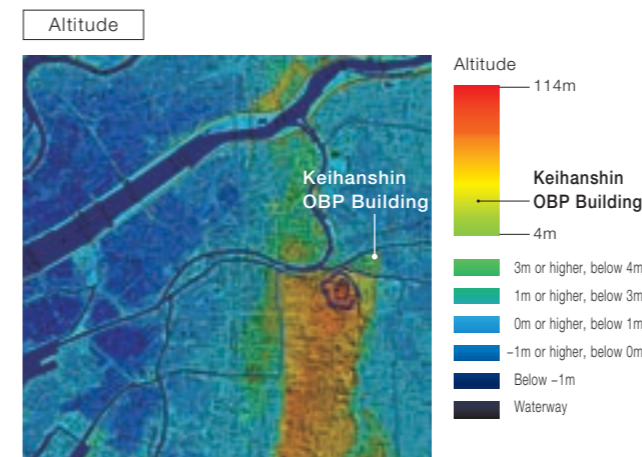
High security standards

Security equipment

- Entrances : electric locks, contactless IC card readers
- Leasing room entrances: electric locks and contactless IC card readers available; biometric authentication security system available
- Surveillance cameras : installed at building perimeter, building entrances, parking lot, all elevator halls and inside all elevators

Hazard Map (As of June 2021)

Safe location resistant to flood damage



Source: Osaka 1:25,000 Digital Elevation Topographic Map (August 2006), Geospatial Information Authority of Japan

Comprehensive disaster countermeasures to safeguard datacenter function

- A mid-story isolation structure to withstand possible massive earthquakes, such as occurring at offshore Nankai Trough or inland Uemachi Fault.
- Seismic isolation and vibration control to limit acceleration rate in server rooms to 250 gal or less.
- Large emergency-use generators that can supply electricity for 48 hours during a blackout, with its fuel in reserve at all times.
- Uses two incoming power lines and four communication lines to diversify risks.
- Comprehensive security equipment to safeguard tenant floors.

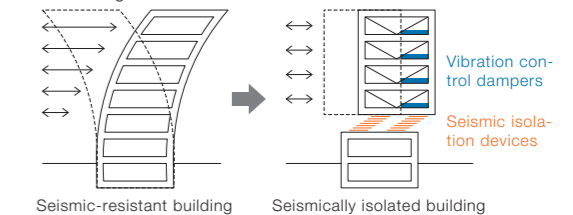
Structural Design

Mid-story isolation structure with the capacity to withstand not less than twice the level of deformation occurring during major earthquakes

By ensuring high ductility, this safe structure is prepared for Nankai Trough Earthquake (inter-plate earthquake) or Uemachi Fault Earthquake (inland earthquakes), massive earthquakes exceeding the category of major earthquakes that are expected to cause significant damage in the Osaka area.

Seismic isolation and vibration control (limit shaking (acceleration rate) in server rooms to 250 gal or less)

Shaking in server rooms in this building will be significantly damped by the combination of seismic isolation and vibration control structures. Vibration control dampers counter medium earthquakes while seismic isolation devices (lead rubber bearing isolators) counter major earthquakes, minimizing server room acceleration rate to 250 gal or less.*



*The acceleration rate at which computers are said to be generally able to operate stably without system errors is 250 gal or less.

Care for the Environment

- CASBEE Osaka Mirai Rank A environmental performance
- Consideration toward energy conservation through LED lighting throughout the building
- Planting of over 25% of open space, comprising about 1,000 m²



Southern space

Keihanshin Toranomon Building Completed

High-quality offices themed around green glass, to be inherited by the next generation

Created as the Company's flagship building, accelerating our advance into the Tokyo metropolitan area

The Toranomon Building, the Company's fourth office building in the Tokyo metropolitan area, was completed in November 2020. Although completion was achieved half a month later than initially planned due to the COVID-19 pandemic, we were able to reach completion with provisional arrangements in place with tenants for 11 out of 12 floors.

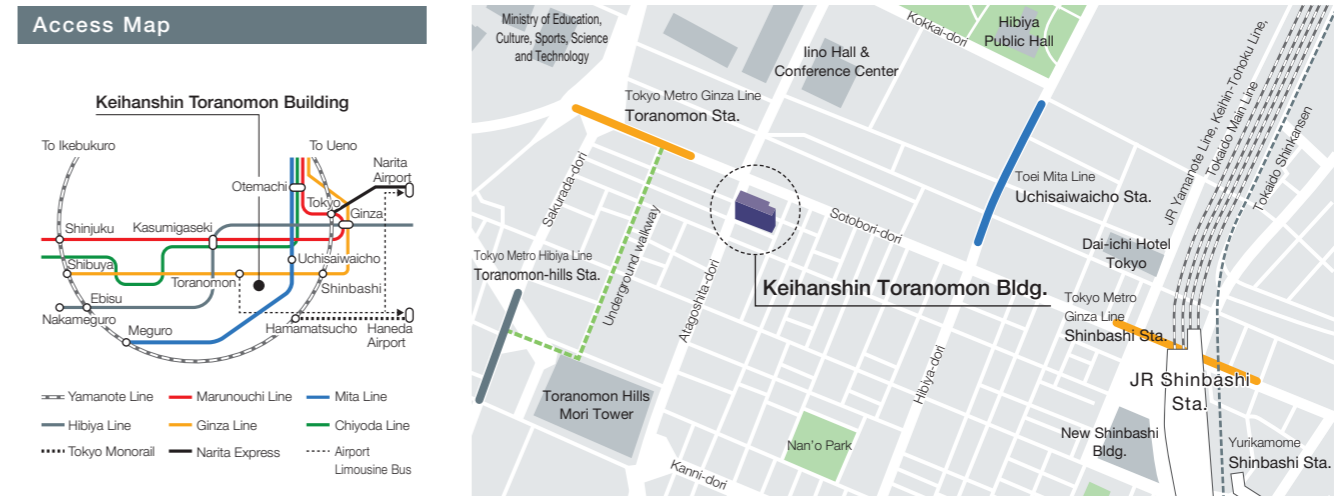
The Toranomon Building is positioned in Japan's foremost business district next to Kasumigaseki, where capital functions such as government sectors and the Supreme Court are concentrated. The site is a two-minute walk from the Tokyo Metro Ginza Line, Toranomon Station and a six-minute walk from the JR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

The exterior, themed around green glass, takes on different aspects as the light changes according to the weather and the time of day, creating a beautiful look for the area with its soft light.

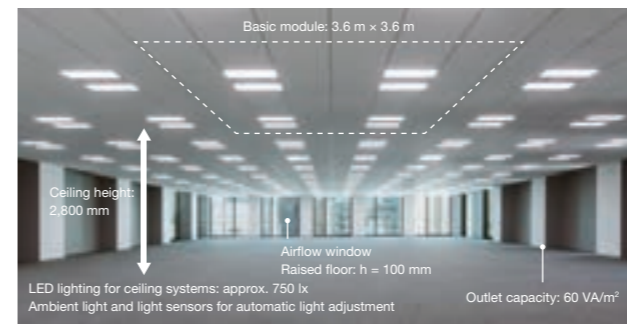
Furthermore, the building has extremely high-level specifications for a medium-sized office building, being fully equipped with power-saving equipment with advanced features such as the airflow window system, in addition to seismic isolation structures and emergency-use generators that enhance the disaster-prevention functions. We are also engaged in greening the surroundings of the building, helping to alleviate the heat island effect and other issues. Furthermore, the building offers a relaxing space where greenery can be enjoyed right in the heart of the city.



Overview of Keihanshin Toranomon Building	Name	Keihanshin Toranomon Building	Site area	977 m ²
	Address	1-7-14 Nishi-Shinbashi, Minato-ku, Tokyo	Total floor space	7,263 m ²
Access	Access	Two-minute walk from the Tokyo Metro Ginza Line, Toranomon Station	Structure	B1/13F
		Six-minute walk from the JR Shinbashi Station	Structures	Seismic isolation structure; steel structure (partially reinforced concrete and steel-reinforced concrete structures)
		Four-minute walk from the Toei Mita Line, Uchisaiwaicho Station	Purpose	Business offices, partly retails
		Four-minute walk from the Tokyo Metro Marunouchi Line/Hibiya Line/Chiyoda Line, Kasumigaseki Station	Design and supervision	Nikken Sekkei Ltd
		Four-minute walk from the Tokyo Metro Hibiya Line, Toranomon-hills Station	Construction	Sumitomo Mitsui Construction Co., Ltd.
			Completion	November 2020



Office Space

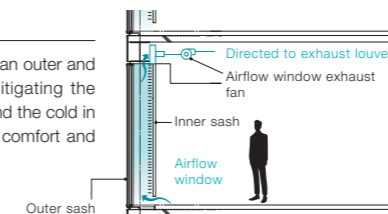


Zoned air conditioning (14 zones per floor)

HVAC can be switched and controlled individually by basic module, aiming for flexible and meticulous air-conditioning tailored to workers.

Airflow window

Airflow is directed between an outer and an inner layer of glass, mitigating the afternoon sun in summer and the cold in winter, and achieving both comfort and energy conservation.



Security through contactless cards

Using contactless IC cards for entering and exiting the building allows you to use the offices 24 hours a day, 365 days a year, in addition to ensuring security.

Ventilation windows

Openable windows are installed in 10 locations. They can be left open to promote ventilation.

Lounge space

The building has a terrace on the 13th floor, which includes a smoking area and vending machines. This can be used for recharging during work breaks.



Bicycle sharing service

The building has a parking for the bicycle sharing service installed on the first floor, contributing to issues such as health promotion and CO₂ emissions reduction by increasing customers' convenience and promoting bicycle use.



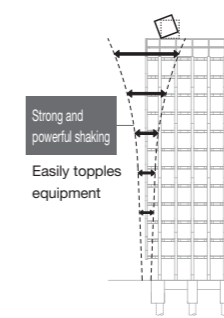
Disaster-Prevention Functions

Emergency-use generators

Emergency-use generators are installed in case electricity supply is cut during disasters or unexpected events. In addition to lighting leasing rooms to a level of brightness that allows business to operate unimpeded, they will also allow use of a proportion of computers, televisions and other equipment.

Seismic isolation devices

Laminated rubber isolators and steel dampers will reduce earthquake shaking and minimize shaking of the building. Not only do they secure building users' safety, they also prevent furniture and fixtures breaking or being damaged by falling.



Building with S Grade seismic performance*

In comparison with an ordinary seismic-resistant building, this building minimizes shaking by up to approximately one third and prevents more than minor damages even in the case of major earthquakes with a seismic intensity of about six to seven. Also, even after such quakes, its main functions will be ensured by its seismic performance comparable to disaster prevention bases and disaster base hospitals. *Nikken Sekkei standards

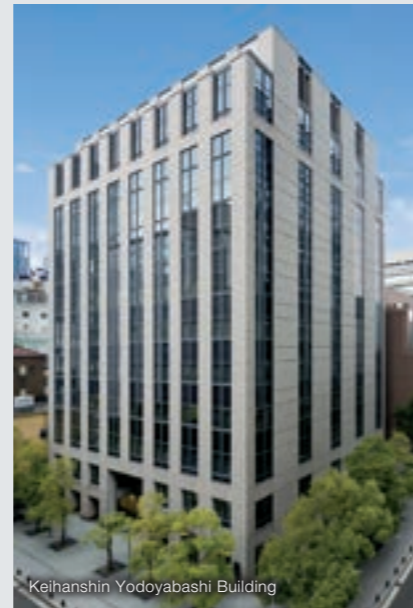


Office Buildings

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

As of the end of March 2021, the Company owns and leases a total of eight office buildings, mainly in city centers of Osaka and Tokyo. While the COVID-19 pandemic affected economic activity, the 2020 domestic office market saw steady demand for newly constructed buildings and contracts remained stable, especially for large-scale buildings. At the same time, various changes are occurring due to the COVID-19 pandemic, such as office scale-downs and closures and consolidation of hubs, and vacancy rates are on an upward trend.

Net sales from the office building business for the fiscal year ended March 2021 were 3,761million yen, a 168 million yen (4.7%) increase from the previous fiscal year due in part to rental income resulting from the completion of the Toranomon Building during the period. As of the balance sheet date, vacancy rates for office buildings remain low, at only 0.6%.



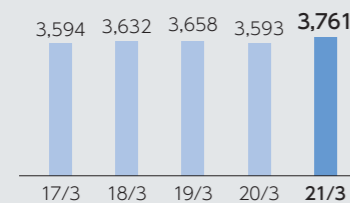
Keihanshin Yodoyabashi Building

Assessment of Current Business Environment

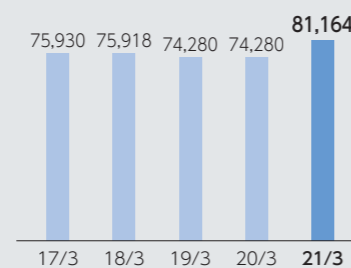


PERFORMANCE

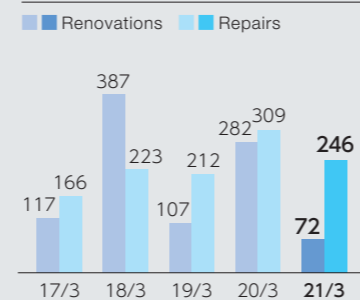
Net sales (million yen)



Rental floor space (m²)



Investments in renovations and repairs (million yen)



Progress and Projections on the Mid-Term Business Plan

Our office building business has seen completion of the Toranomon Building, the Company's fourth office building in the Tokyo metropolitan area, and steady progression in the building of the revenue foundation set forth in our Mid-Term Business Plan. The Toranomon Building is expected to make a full-scale contribution to revenues from the fiscal year ending March 2022 onward, and to contribute significantly to the fulfillment of the Mid-Term Business Plan.

Currently, we are seeing changes, such as teleworking and office scale-downs, due to the spread of COVID-19, but, at present, the impact on our office building business is minor, with the vacancy rate at a low level.

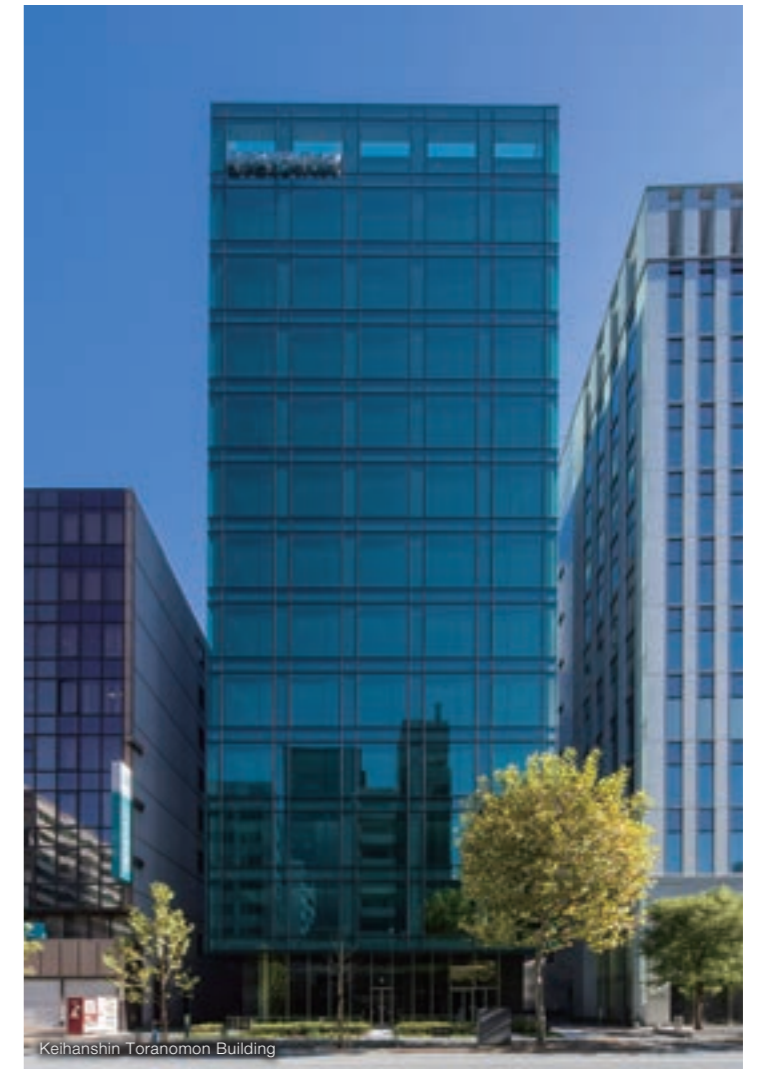
While assessing the investment environment, we will continue to gather information on profitable properties, especially in the Tokyo metropolitan area, and to promote the expansion of our assets.

Business Strategy Going Forward

- Diversify the regional portfolio through new investments, particularly in the Tokyo metropolitan area
- Boost information gathering activities in the Tokyo Branch Office
- Enhance brand strength in the Tokyo area
- Focus on investments in high-spec, medium-sized buildings
- Promote introduction of environmentally friendly and energy conservation equipment
- Participate in redevelopment projects through partnerships with other companies

Sustainability Initiatives

- Midousuji Building was certified for Rank S for CASBEE Real Estate



Keihanshin Toranomon Building

CASBEE for Real Estate certification obtained on this occasion is as follows.



Property name	Keihanshin Midousuji Building
Assessment rank	Rank S ★★★★★

This building was highly rated on the following points in particular.

High energy conservation performance and water conservation performance

High safety performance (seismic isolation structures and measures to prolong life of building structure)

In order to continually enhance the value of our buildings, we will continue to actively promote a variety of initiatives to improve tenant satisfaction, including energy conservation measures.



Keihanshin Midousuji Building

Datacenter Buildings

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

The Company is developing datacenter buildings mainly in the city center of Osaka, and owns and leases a total of eight datacenter buildings, including the OBP Building, which was newly completed in April 2021. The datacenter market continues to remain steady, with an increase in data communication volume owing to development in cloud services and others.

Net sales from the datacenter building business for the fiscal year ended March 2021 were 7,111 million yen, an increase of 136 million yen(2.0%) from the previous fiscal year, mainly due to higher operation rates for existing tenants. Rental income from the OBP Building is expected to contribute from the fiscal year ending March 2022 onward.

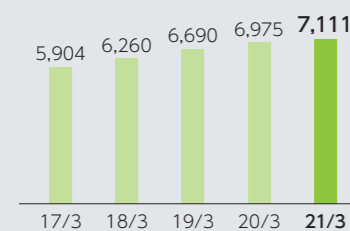


Assessment of Current Business Environment

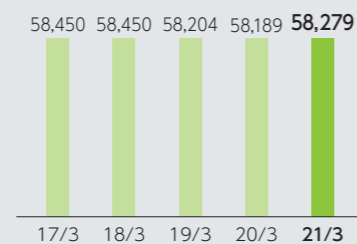


PERFORMANCE

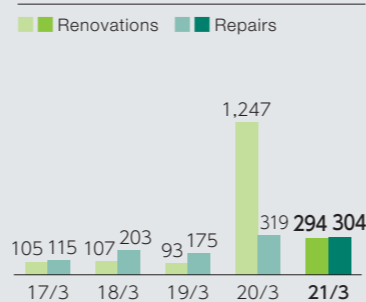
Net sales (million yen)



Rental floor space (m²)



Investments in renovations and repairs (million yen)



Progress and Projections on the Mid-Term Business Plan

Our datacenter building business has seen completion of the OBP Building, the Company's eighth office building. In the current strong market environment, its contribution to revenues will commence sooner than initially planned, with machine rooms contracted across all floors. The OBP Building is the largest among our datacenter buildings and is expected to make a significant contribution to fulfillment of the goals of the Mid-Term Business Plan.

Our existing properties continue to be fully occupied. With factors such as the popularization of telework and promotion of digital transformation (DX), the demand for and profile of datacenters is expected to continue to grow further, along with anticipated further increases in data communication volume.

While considering business development and suburban development in the Tokyo area for investment in new datacenter buildings, we will proceed with proactive information gathering activities for acquiring land.

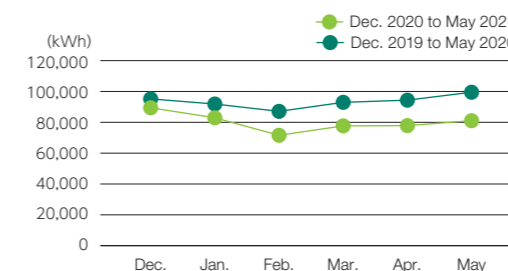
Business Strategy Going Forward

- Organize collaborations with our tenants and partner companies for full operation of the OBP Building
- Acquire and develop land for new datacenter buildings
- Expand our datacenter building business domain, including suburban datacenters in the Kansai Region.
- Make systematic repair and renovation investments, such as replacing generator facilities, in the aim of thoroughly implementing preventive maintenance.

Sustainability Initiatives

Datacenter operators, the tenants of datacenter buildings, consume a large volume of electricity as operation rates increase. As old-model, inefficient datacenters of each company are transformed or consolidated into cutting-edge, high-efficiency datacenters, efficiency and energy conservation will improve across Japan. Within this context, the Company has a head start in promoting initiatives such as switching to LED lighting and implementing renovation of air conditioners in shared areas of our buildings. Going forward, we also plan to proceed with similar initiatives in tenant-dedicated areas together with our tenants. From a sustainable perspective, we will contribute to the realization of a low-carbon society, including adoption of renewable energy.

Comparison of electricity consumption before and after renovation of air conditioners (Example building where air conditioner renovations were carried out in December 2020)



- OBP Building obtains Rank A for CASBEE Osaka Mirai

As well regarded for its various energy conservation and greening measures, the OBP Building obtained Rank A for CASBEE Osaka Mirai.



CO ₂ emissions reduction	★★★★☆
Greening and heat island measures	★★★★☆
Thermal insulation properties	★★★★☆
Energy saving	★★★★☆

CASBEE Osaka Mirai: a system for assessing the comprehensive environmental performance of constructions according to the Comprehensive Environmental Assessment Standards for Constructions (enacted April 1, 2015) formulated by Osaka-shi with consideration of the local characteristics of the city and based on CASBEE (Comprehensive Assessment System for Building Environmental Efficiency).

WINS Buildings

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

WINS buildings refer to the facilities that sell off-track betting tickets for Japan Racing Association (JRA) races held all over Japan. The Company owns and leases a total of five WINS buildings in the central area of the cities of Kyoto, Osaka, and Kobe. Since the Company's founding, the WINS buildings business has continued to be one of our core businesses that generate stable revenue. Although we experienced temporary closure of the buildings in 2020 due to the COVID-19 pandemic, the impact on the Company's rental income was minor. While the share of sales at WINS buildings is in a declining trend due to the spread of online betting, we will endeavor to enhance the value of facilities for their ongoing use.

Net sales from the WINS buildings business for the fiscal year ended March 2021 were 3,458 million yen, down 102 million yen (2.9%) from the previous fiscal year.



WINS Umeda B Building

Assessment of Current Business Environment



Progress and Projections on the Mid-Term Business Plan

The WINS buildings business continues to secure stable profitability and although issues such as temporary closure of facilities due to the COVID-19 pandemic have occurred, resulting in yet a minor impact on the business. With this long-established business having continued since the founding of the Company, we will make systematic investments in renewal, repair, and renovation of buildings, in order to provide our tenant JRA with facilities that can be sustainably used for many years to come.

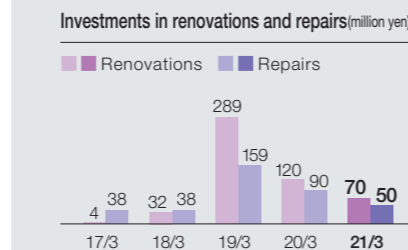
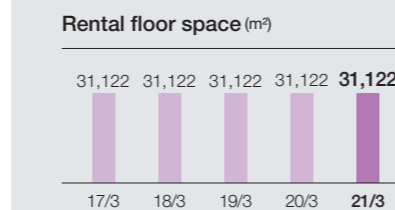
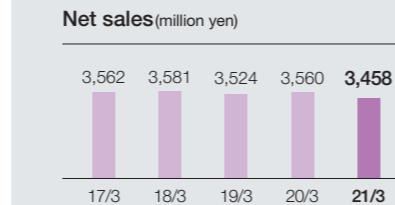
Business Strategy Going Forward

- Make systematic repair and renovation investments
- Strengthen relations with local communities, including active participation in local events
- Reinforce relations with tenant (JRA)

Sustainability Initiatives

Since 2016, donation vending machines with a proportion of their sales donated to Arts Support Kansai, which supports arts and cultural activities in Kansai, have been installed in the WINS buildings we own.

PERFORMANCE



Donation vending machines

Commercial Buildings and Logistics Warehouses

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

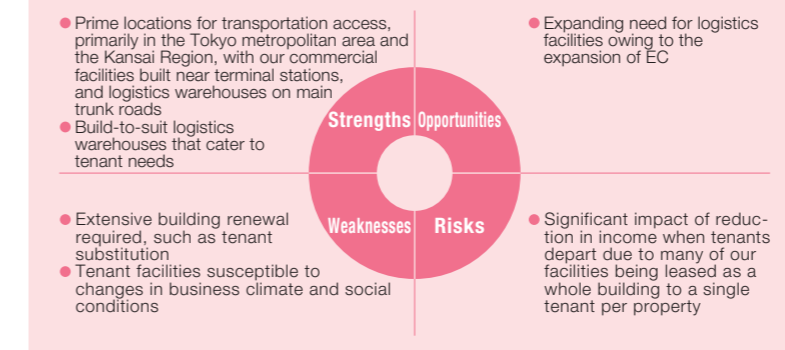
The Company has been developing the leasing business for commercial buildings and logistics warehouses since 1970s. We used to have road-side-type commercial facilities located across Japan, but these have been progressively sold in response to changing needs and we are currently promoting acquisition of more conveniently located properties in accordance with our Mid-Term Business Plan. The Company owns and leases five commercial buildings and logistics warehouses in the country, particularly in the Kansai Region and the Tokyo metropolitan area. The impact of the COVID-19 pandemic on our facilities has been minor even for comparatively easily affected commercial buildings, as they are leased to retailers of daily necessities such as supermarkets. Also, strong demand for logistics warehouses is predicted to continue due to factors such as the proliferation of electric commerce (EC).

Net sales from the commercial buildings and logistics warehouses business for the fiscal year ended March 2021 were 985 million yen, which was a decrease of 105 million yen (9.7%) from the previous fiscal year due to the sale of Toyahama Warehouse in April 2020.



Shijo-Kawaramachi Building

Assessment of Current Business Environment



Progress and Projections on the Mid-Term Business Plan

Our commercial buildings and logistics warehouses business saw progression of our portfolio review, with the sale of Toyahama Warehouse, an older property, in April 2020. Recently, the business environment has been undergoing great changes in our lifestyle, such as remote working, working from home and the expansion of EC. As strong demand for logistics warehouses is expected to continue due to the expansion of EC, we will continue further information gathering with the aim of acquiring profitable properties at good locations.

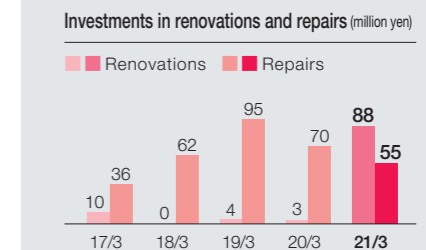
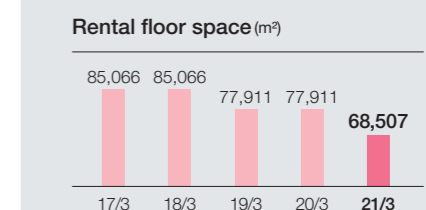
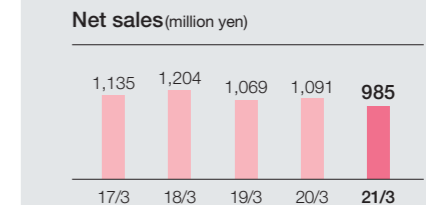
Business Strategy Going Forward

- For commercial buildings, promote acquisition of urban-type commercial buildings located near the commercial centers or terminal stations in the Tokyo metropolitan area and regional core cities.
- For logistics warehouses, promote acquisition of large multi-tenant warehouses in addition to build-to-suit warehouses.

Sustainability Initiatives

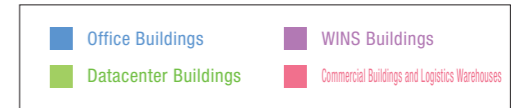
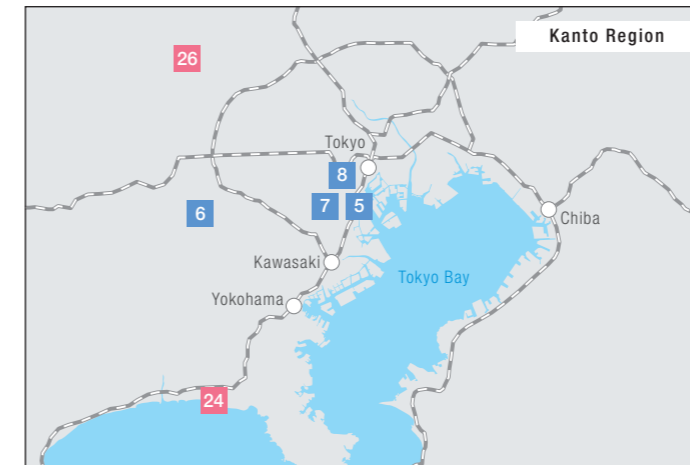
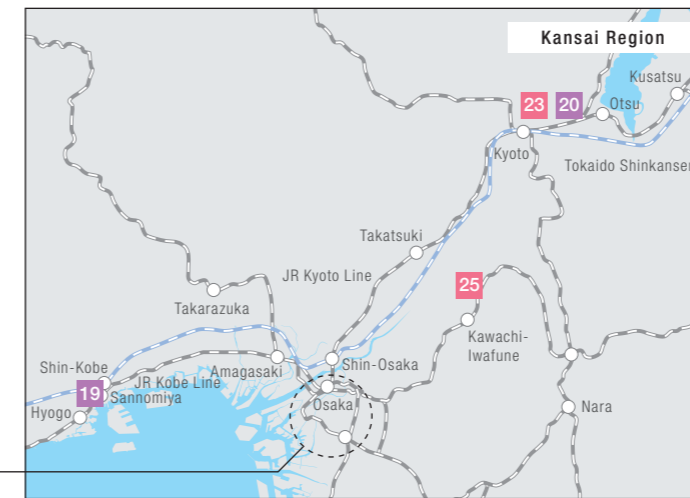
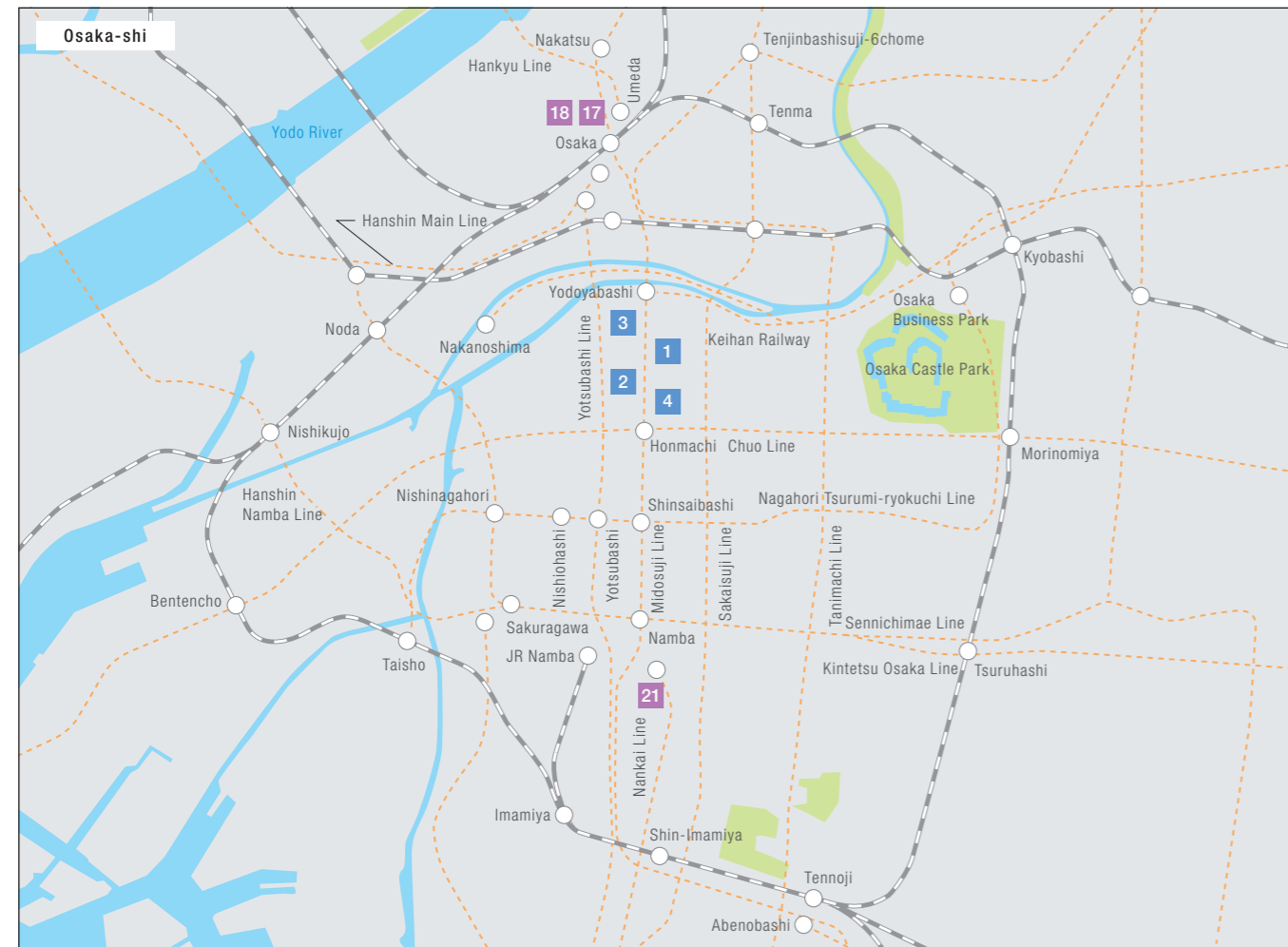
At Nagano Shopping Facility, we overhauled heat source equipment for air-conditioning to extend its lifespan and increase its thermal efficiency. The increased thermal efficiency will reduce excessive energy consumption.

PERFORMANCE



Maintenance work on heat source equipment

List of Owned Properties (As of June 18, 2021)



1 Keihanshin Midousuji Building
 Address: 3-2-1 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 m²

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 m²

9 Keihanshin Nishishinbashi Building
 Address: Nishi-ku, Osaka-shi, Osaka
 Structure: B1/10F
 Total floor area: 18,061 m²

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 m²

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 m²

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

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 m²

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 m²

11 Keihanshin Shinmachi 1 Building
 Address: Nishi-ku, Osaka-shi, Osaka
 Structure: B1/9F
 Total floor area: 16,162 m²

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 m²

8 Keihanshin Toranomon Building
 Address: 1-7-14 Nishi-Shinbashi, Minato-ku, Tokyo
 Two minutes on foot from the Tokyo Metro Ginza Line Toranomon Station
 Structure: B1/13F
 Total floor area: 7,263 m²

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

13 Keihanshin Shin-Esaka Building
 Address: Suita-shi, Osaka
 Structure: B1/7F
 Total floor area: 11,970 m²

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

22 Nagano Shopping Facility
 Address: 3-22-1 Wakasato, Nagano-shi, Nagano
 Total floor area: 34,381 m²

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

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

23 Shijo-Kawaramachi Building
 Address: 354 Shimo-osakacho, Kawaramachi-dori Shijoagaru, Nakagyo-ku, Kyoto-shi, Kyoto
 Total floor area: 4,968 m²

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

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

24 Fujisawa Shopping Facility
 Address: 610-1 Fujisawa, Fujisawa-shi, Kanagawa
 Total floor area: 7,354 m²

16 Keihanshin OBP Building
 Address: Chuo-ku, Osaka-shi, Osaka
 Structure: B1/16F
 Total floor area: 42,132 m²

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

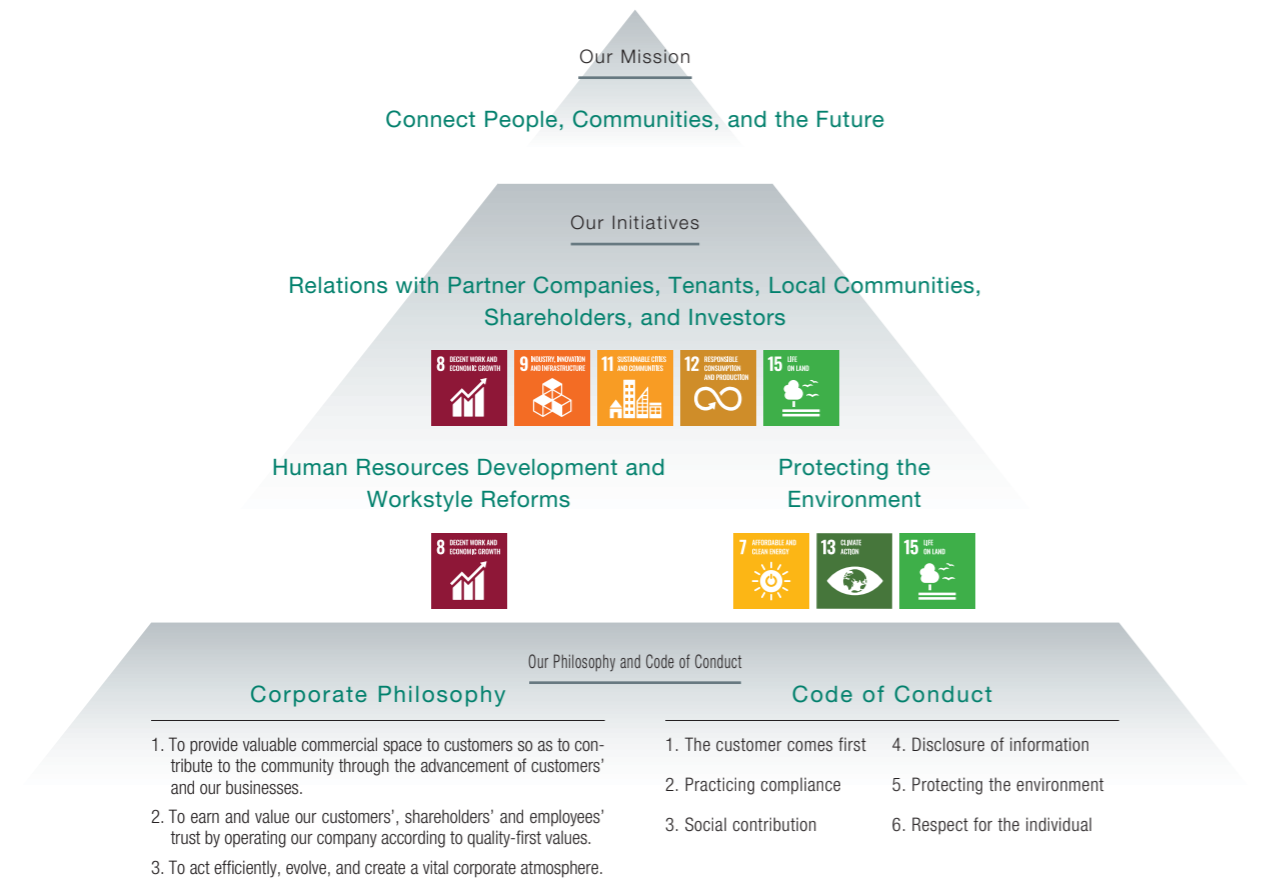
25 Hirakata Warehouse
 Address: 2-9-12 Kasuga-kitamachi, Hirakata-shi, Osaka
 Total floor area: 11,123 m²

26 Kawagoe Distribution Center
 Address: 1-10-12 Minamidai, Kawagoe-shi, Saitama
 Total floor area: 11,201 m²

Sustainability Initiatives

Through its businesses, Keihanshin Building will achieve sustainable growth together with its stakeholders and aims to contribute to the realization of a sustainable society.

The Company has been operating real estate business under the corporate philosophy "To provide valuable commercial space to contribute to the community." We believe that initiatives for solving social issues through business will lead to the realization of a more sustainable society and to the Company's growth. Having established a Sustainability Committee in fiscal 2020, we are pursuing various sustainability initiatives.



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



Human rights	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.
Labor	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.
Environment	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.
Anti-Corruption	Businesses should	Principle 10: work against corruption in all its forms, including extortion and bribery.

Our Sustainability Themes

Contribution to related SDGs	7 AFFORDABLE AND CLEAN ENERGY	13 CLIMATE ACTION	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	15 LIFE ON LAND
Main Targets of Our Initiatives	Environment	Shareholders, employees and partner companies	Customers	Local communities	Customers, local communities, environment	Environment and local communities	
Relationship to Our Business	<ul style="list-style-type: none"> Environmental performance of buildings Energy procurement 	<ul style="list-style-type: none"> Management system and goals How employees work Relations with partner companies 	<ul style="list-style-type: none"> All businesses (particularly the datacenter building business that plays a strong role in social infrastructure) 	<ul style="list-style-type: none"> Tangible and intangible disaster countermeasures Regional revitalization focused on buildings Building accessibility Community contribution activities 	<ul style="list-style-type: none"> Construction and acquisition of new buildings Operation management and disposal of existing buildings 	<ul style="list-style-type: none"> Procurement of materials Greening of buildings 	
Examples of Initiatives	<ul style="list-style-type: none"> Reduction of energy consumption through energy conservation Reduction of greenhouse gases ZEB investigation and verification 	<ul style="list-style-type: none"> Execution of business plan Workstyle reforms Maintaining appropriate business transactions Health and Productivity Management Declaration 	<ul style="list-style-type: none"> Uncovering demand and resolving issues through activities such as interviews with tenants Research into advanced technologies related to building construction 	<ul style="list-style-type: none"> Improving earthquake resistance Implementation of BCP and disaster prevention drills Regional revitalization centered around buildings Universal design Human and financial contribution to the local community 	<ul style="list-style-type: none"> Reduction of waste Appropriate daily maintenance Renewal of buildings 	<ul style="list-style-type: none"> Implementation of environment-friendly procurement Greening activities 	
Goals and Policies	<ul style="list-style-type: none"> Establish CSR (or environmental) policies Formulate and promote an energy plan (procurement, energy conservation) Promote ZEB Promote CSR procurement (responsible procurement) 	<ul style="list-style-type: none"> Mid-Term Business Plan Formulate and promote a capital distribution plan Formulate and promote a human resources development plan Promote CSR procurement (responsible procurement) 	<ul style="list-style-type: none"> Provide valuable commercial space 	<ul style="list-style-type: none"> BCP measures Adopt a policy of long-term ownership and preventive maintenance Conform to barrier free standards Adopt a policy for community contribution activities 	<ul style="list-style-type: none"> Formulate and promote a waste reduction plan Adopt a policy of long-term ownership and preventive maintenance 	<ul style="list-style-type: none"> Establish CSR (or environmental) policies Promote CSR procurement (responsible procurement) 	

Relations with Partner Companies, Tenants, Local Communities, Shareholders, and Investors

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.



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 meetings 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.



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 welcomed participants from our partner companies in our BCP drills, and were able to check our contact systems and emergency response. Due to the COVID-19 pandemic, we conducted online drills for emergency contact in fiscal 2020.



BCP drill in fiscal 2019

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.




Distribution of disinfectant to partner companies

In spring 2020, when there was a shortage of disinfectant due to the COVID-19 pandemic, the Company distributed disinfectant to partner company employees working in our office buildings and datacenter buildings. As a member of the team engaged in the operation of our buildings, we believe that it is important to maintain a relationship of mutual assistance and cooperation.

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 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.

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

Satisfaction surveys for tenants' employees

As an initiative aimed at improving customer satisfaction, we conducted surveys for employees of tenants of the Company's office buildings. With an understanding of our tenants' direct feedback, needs and level of satisfaction, and having discovered issues and areas for improvement, we will work to utilize this information for better operational management of our buildings.



Online questionnaire for tenant employee satisfaction survey

Relations with Partner Companies, Tenants, Local Communities, Shareholders, and Investors

Relations with Local Communities

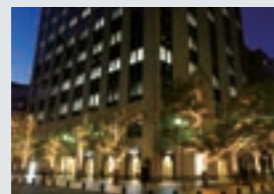
Under our Code of Conduct of “We will establish a good relationship with the community and actively engage in social contribution activities as a good citizen”, as a real estate company fully grounded in the local community, we are continuously and actively engaged in local

contribution 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 also lead to the Company’s growth.

Type of Support	Target of Support	Description	Supported Organization (Contact Point)
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	Disaster relief fund for the Heavy Rain Event of July 2020	Made donations through the Japanese Red Cross Society to support recovery in affected regions	The Japanese Red Cross Society
Culture and Arts	Support for <i>the Kokoro no Gekijo</i> (Theater of Heart) of the Shiki Theatre Company	Supported performances in the Osaka area as opportunities to experience the arts and invited children to musicals free of charge *Suspended in fiscal 2020 due to the COVID-19 pandemic	Shiki Theatre Company
	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
Revitalization of Local Communities	Donation to the Children’s Future Fund	Made donations to the fund created to support children in economic hardship	Osaka Prefecture
	Donation to the Kansai COVID-19 Healthcare System Support Fund	Made donations to this fund established in the aim of strengthening and supporting the healthcare system, including in monitoring the progress of the COVID-19 pandemic in Kansai municipalities and accommodating critically ill patients	Kansai Economic Federation (Kankeiren)
	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 *Suspended in fiscal 2020 due to the COVID-19 pandemic	Osaka Classic Executive Committee
	Support for Midosuji Illumination	Donated to the illumination fund to revitalize Midosuji Road 	Osaka Prefecture
	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-shi

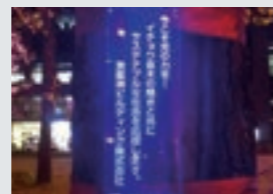
Yodoyabashi Building Illumination

As part of our local community initiatives, we decorate the camphor trees surrounding the Yodoyabashi Building with lights every year, from November through Christmas. Numerous LED light bulbs paint the wintertime Yodoyabashi Building with a warm light.



Midosuji Illumination Supporters’ Trees

Through the Supporters’ Trees Project, participated in by donors to the Midosuji Illumination Fund, message plaques are mounted on the ginkgo trees along Midosuji Road. Every year, the Company invites employees to propose messages and actively participates in this project that dovetails with the illuminations and helps to invigorate the area.



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.

While various on-site IR activities and briefing sessions on-site were suspended or postponed due to the COVID-19 pandemic in fiscal 2020, we made efforts to encourage dialogue, including by holding online briefing sessions and online and telephone meetings. In addition to enhancing the range of information disclosed on our corporate website, we continued to engage in dialogue with domestic and overseas 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
	One-on-one meetings	42 times (total)
For foreign investors	Overseas IR Tours	Canceled due to the COVID-19 pandemic
	Enhancement of disclosures in English	Ease 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	Three times (two of which were held online and the other in Sapporo)
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

Online briefing sessions for investors



For institutional investors



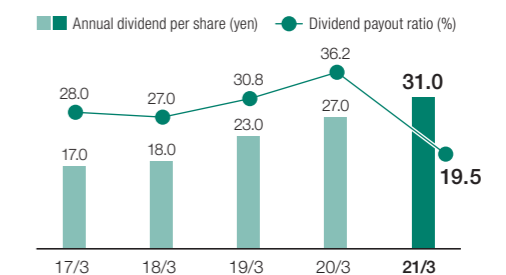
For individual investors

Dividends and Shareholder Returns

The Company’s basic policy for shareholder returns continues to focus on stable and continuous dividend payments, and the amount of dividends is determined after consideration of business results, the management environment and future developments. In addition, the Special Benefit Plan for Shareholders will be abolished after a final awarding of benefits to shareholders registered in the Company’s Shareholder Registry as of March 31, 2021. The Company’s shareholder returns policy prioritizes the improvement of profit returns through dividends and principally aims to increase overall corporate value on a long-term basis while maintaining stable dividends for all our shareholders and considering the balance of internal reserves and other factors.

Under our flexible shareholder returns policy, which takes capital efficiency into account, we will also consider share repurchase or retirement, as appropriate.

Annual dividend per share and dividend payout ratio



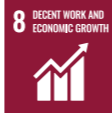
Share repurchase and retirement

FY2018	Approx. 1.0 billion yen share repurchase and retirement
FY2019	Approx. 1.0 billion yen share repurchase and retirement
FY2020–FY2021	Approx. 3.0 billion yen share repurchase and retirement (planned)

Human Resources Development and Workstyle Reforms

Basic Concept

As of the end of March 2021, the Company operates with a small number of staff members of only 46 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

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)

	17/3	18/3	19/3	20/3	21/3	Total
No. of individuals who took maternity/childcare leave	1	0	0	1	2	4
No. of individuals who returned to work	1	1	1	1	0	4

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

	17/3	18/3	19/3	20/3	21/3
Monthly average overtime	7	6	8	11	14
Paid holiday utilization ratio	47.5	44.6	48.8	64.7	63.8

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

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

	17/3	18/3	19/3	20/3	21/3
No. of senior employees	12	13	12	13	14

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 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.

Qualifications	Number of qualification holders (persons)
First-class registered architects	5
First-class registered construction management engineers	4
Registered electric works execution managers	3
Real estate notary	13

As of the end of March 2021

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. The Company fully covers the expenses for seminars and exams for individually recognized qualifications, including that for a real estate notary for which the Company fully covers the expenses for seminars and exams.

TOPIC

For the realization of sustainable growth, it is important to keep each of our employees healthy both mentally and physically. The Company has, therefore, prepared a Health and Productivity Management Declaration.

Health and Productivity Management Declaration

Recognized 2021 Certified Health & Productivity Management Outstanding Organization (SME Category)

One of the principles under our Corporate Philosophy is "To provide valuable commercial space to customers so as to contribute to the community through the advancement of customers' and our businesses." At the same time as realizing this philosophy, we believe that, in order to improve productivity and performance, it is important for each of our employees to maximize their own abilities while aiming to maintain and improve their health, and we declare our commitment to health and productivity management.




Koichi Minami
President

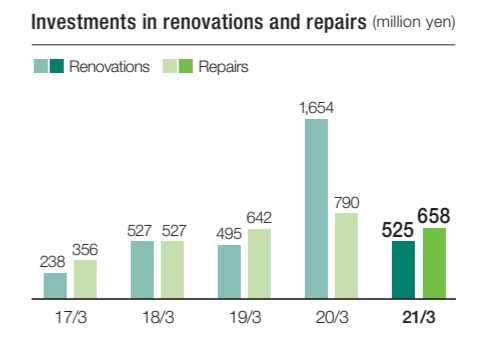


Protecting the Environment

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.



Initiatives

Energy-conservation initiatives

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

Introduction of BEMS*2	At the Yodoyabashi Building, 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. Going forward, we will consider incorporating this system into other buildings, while verifying the energy efficiency of BEMS.
Air conditioning and lighting systems	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.
Shifting to energy-saving equipment	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. We are introducing LED lightings mainly at office buildings and upgrading power substations and air-conditioning facilities at datacenter 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 are introducing greenery in the lounge space as well as the surroundings of the OBP Building and the Toranomom Building, two of our newly constructed buildings.

TOPIC


The Company's Midousuji Building recently acquired a CASBEE real estate certification on March 31, 2021.

Midousuji Building acquires CASBEE



1. Overview of CASBEE Real Estate Certification

The Comprehensive Assessment System for Building Environmental Efficiency (CASBEE) is a method for rating the environmental performance of buildings. The method comprehensively assesses building quality, including interior comfort and attention to the surrounding scenery, in addition to care for the environment (such as use of materials and equipment that conserve energy with a minimal environmental impact). For more information on CASBEE, please see the link below. CASBEE website: <http://www.ibec.or.jp/CASBEE/index.htm>



Property name	Keihanshin Midousuji Building
Assessment rank	Rank S ★★★★★

The building was highly rated on the following points in particular.

- High energy conservation performance and water conservation performance
- High safety performance (seismic isolation structures and measures to prolong life of building structure)

2. CASBEE Real Estate Certification assessment rank

The CASBEE real estate certification we acquired for the building is as follows.

3. Future course

In order to continually enhance the value of the buildings, we will continue to actively promote a variety of initiatives to improve tenant satisfaction, including energy conservation measures.

Interview with Board Chairman and Outside Director



Kenjiro Nakano

Board Chairman (Chairman)

Masao Nomura

Outside Director

Establishing a high quality management structure utilizing external perspectives

In recent years, we have been striving to enhance the supervisory function of our Board of Directors through efforts such as introduction of the Executive Officer System and appointment of Outside Directors to a majority of board positions. Chairman Kenjiro Nakano, who concurrently serves as Board Chairman, and Outside Director Masao Nomura, who concurrently serves as Chairman of the Nomination and Remuneration Committee, discussed the Company's current governance and future tasks.

Q: In the past few years, the Company has enhanced the supervisory function of its Board of Directors and increased the number of Outside Directors. Please tell us what made the Company do so and what does it aim to achieve by that?

Nakano ———

When I first became President in 2010, there was not even one outside director, but later the number gradually increased. When we introduced the Executive Officer System in April 2018, we separated business execution from supervision with the aim of enhancing the supervisory function of the Board of Directors. In 2019, we appointed Ms. Chiho Takeda as an Audit & Supervisory Board Member to ensure diversity. Since June 2020, there have been four Outside Directors, accounting for more than a half of the seven Directors.

The Board of Directors not only performs the functions of making decisions on management directions and supervising

business execution, but also serves as a public instrument of society that checks if management is balanced while looking over all stakeholders such as shareholders, employees, partner companies, and local communities.

Based on these considerations, we believe it is crucial to receive feedback from an external point of view. We have, therefore, appointed Outside Directors to have them account for more than a half of the board members. Moreover, three of the four incumbent Outside Directors have served as president of the companies they belonged to. This shows our desire to hear opinions from those based on personal experience as top management.

Nomura ———

I have been an Outside Director of the Company since June 2019, which I truly feel is a position with strong responsibilities. I have worked as an officer at an energy-related trading company for 10 years, and served as president for five years

there. The key to management is to maintain common sense, and as a manager, I have always reminded me to judge things from a neutral standpoint without prejudice. I hope that by sharing my experience and my personal take on management, I can provide advice and supervision to the Company's management, which will lead to ensuring management transparency and growth potential.

Nakano ———

We operate under three principles of our Corporate Philosophy, including "providing valuable commercial space to customers so as to contribute to the community through the advancement of customers' and our businesses," and six guidelines of our Code of Conduct. We must never deviate from these principles and guidelines. Even if the President or the Chairman makes an extreme management decision, Outside Directors, who forms a majority of the Board of Directors, have the authority to dismiss the President and the Chairman, which brings a higher sense of tension to management. Simply being aware that management is monitored from the outside broadens and deepens top management's way of thinking. Going forward, we will continue to value the fostering of a system and environment that allows us to receive diverse and objective opinions on management.

Q: What do you think about Keihanshin Building's attitude to business and its strengths? Does the Company face any challenges?

Nomura ———

I view Keihanshin Building as "a unique company engaged in the leasing business." During the course since our founding, we have expanded our business domain by constantly grasping the needs of the times. We started with WINS Buildings and expanded our business to office buildings, datacenter buildings, commercial buildings and logistics warehouses. In particular, we entered the datacenter building business in the 1980s with foresight. That business is currently performing well.

Nakano ———

Although we are not a major enterprise, we have been developing our leasing business by keeping a close attention to our business portfolio. We entered the datacenter buildings market in the 1980s, when they were called intelligent buildings. Since then, demand for datacenter buildings rapidly increased following the popularization of mobile phones. They currently contribute to our profit.

Going forward, one major theme is how we can incorporate a new business domain, which can grow into a business like what the datacenter buildings are today, into our portfolio. For example, we will need to think about having datacenter buildings outside of the urban center in a suburban area, as well as considering expanding them outside of Osaka into the Tokyo Metropolitan Area. Also, cooling and freezing warehouses within the commercial buildings and logistics warehouses may be areas with continued demand growth in

the future. We hope to continue to demonstrate our unique strength in niche fields.

Nomura ———

When it comes to the challenges we face, we cannot bypass the impact of the spread of the COVID-19 pandemic. Looking at the Bank of Japan's Tankan survey, non-manufacturing industries have experienced larger impacts than manufacturing industries. At the same time, as the style of working remotely becomes the norm, I think we must pay attention to the changes that will appear in the mid to long term for demand of office buildings.

Nakano ———

The impact is unavoidable for large buildings exceeding approximately 3,300 m² per floor in the post-COVID era. I rather feel that the small to medium sized buildings of around approx. 990 m² that our company offers may actually become more useful depending on their location. I would like to invest in buildings based on two criteria, which are small-to-mid size and location.

Q: How do you see the Company's medium- to long-term investment opportunities and our measures on risk taking?

Nomura ———

Under the seven-year Mid-Term Business Plan ending in fiscal 2025, we have set an aggressive sales target that is approximately 1.5 times the current level through launching new projects while ensuring financial soundness.

The current time is said to be an era of uncertainty, and I feel there is a pretty big hurdle to maintain a wholesome business structure while striving for growth. However, as the Toranomom Building and the OBP Building, two of our recently completed buildings, have begun making a visible contribution to profits, I believe that employees are also getting a real sense of reward as they take steps towards becoming a top-company. As we need to make further investment in order to reach this numerical target, I feel it will be very important to identify the right timing.

Nakano ———

Our business style involves both steadiness and growth while looking five to ten years ahead. There are times of active investment and times of remaining low and steady, with new investments being the main job of top management. In order to grow steadily, I hope to accurately determine the timing for investment by knowing the times, possessing a shrewd ability to identify properties, and thoroughly studying the trends of tenants of our properties. In addition, when investing, the Board of Directors will be asked to give their opinions and Outside Directors will be consulted. At that time, I hope to get advice from as many aspects as you can provide.

Interview with Board Chairman and Outside Director



Nomura

When we consider a new investment opportunity, we make our decision based not only on the business plan, but also whether the investment is in line with the three principles of the Corporate Philosophy and the six guidelines of the Code of Conduct, and whether it incorporates the demands of the new age.

On the other hand, management will be required to have the ability to judge, select businesses and consider how to take on risks that lead to returns. I think the OBP Building and the Toranomon Building are just cases where we were able to take risks and get returns without fear of risk.

I believe that the viewpoints of BCP and the environment will become even more important going forward. Particularly, since Japan is a country prone to many disasters, good BCP measures mean improvements in corporate value. On the flip side, business management without being conscious of the environment will damage corporate value. I hope to contribute my opinions also from this perspective.

Nakano

Earthquakes are considered the largest risk within our BCP, while response to torrential rain disasters is also required in recent years. We have ensured seismic isolation and vibration control structures for our datacenter buildings as well as our office buildings. In addition, we installed flood-control panels on all buildings nearly 10 years ago to prevent rainwater penetration. We take pride in knowing that we have taken the lead in the industry to perform such measures.

Moreover, while we seek cooperation from partner companies on the technical team to manage building air conditioning, we are also cognizant of a relations system that can accurately assess clients' needs by ensuring that clients are always visited by a two-person team, one from our Business Department and the other from our Property Management Department. Such service provision based on the client's perspective also leads to fostering relationships of trust with the clients.

Q: What do you think about discussions at Board of Directors meetings and their operation?

Nomura

Before board meetings, I receive a one-hour briefing on the agenda items in advance. For this reason, I am able to attend

board meetings with a full grasp of the agenda. I feel operation of the Board of Directors is flexible with active discussions.

Nakano

Although the meeting agenda is typically shared with Outside Directors by email in advance, a direct conversation makes it easier to gain a deeper understanding and leads to a livelier discussion. I always bear in mind that meetings must not be a one-sided reporting session and I encourage discussions. We are providing opportunities for site visits at newly constructed buildings, in order to further deepen the understanding of the business. We are grateful to Outside Directors for their opinions from various perspectives, and we refer to them for our business management.

Nomura

As I can receive prompt response on comments I made at board meetings, I feel my responsibility and sense of satisfaction. On the other hand, the meeting frequency is limited to once a month in principle. As for the Mid-term Business Plan, for example, we should be given opportunities, apart from progress reports at Board of Directors meetings, to share the challenges faced by each department to proceed the plan. That would allow us to shed light on other different ideas.

Nakano

I feel board meetings are not a place for making reports, and instead I would like to further increase the time dedicated to substantial discussion. This year, we plan to set up three sessions per year for free discussion on a determined theme.

Q: What are your thoughts on the cultivation of CEO and appointment of a successor, as well as the remuneration system?

Nakano

At the first General Meeting of Shareholders that I attended as Chairman of the Board of Directors, a shareholder asked why the post of President was always occupied by those who had worked at a bank. While it is partly due to our background, as we constantly makes real estate investment and requires funding procurement, we have been looking for candidates for President from banks who possess strength in the financial field, but I also feel that I must take in such a question with sincerity. I feel we do not particularly need to fixate on people with banking experience for president and chairman, and we have the option to recruit personnel from places other than banks.

It would be ideal to cultivate personnel hired and promote them to management. As we are a company run by a small but focused workforce with a small number of employees, however, we have not been able to systematically cultivate human resources. In recent years, we have increased our employees primarily through hiring mid-career professionals. We must take on cultivating the next generation of management personnel with a long-term perspective.

Nomura

That is right. The appointment and cultivation of a successor carries the same importance as cultivating a business does. It is an important mission for a company to fully understand its businesses and cultivate employees who possess the consciousness to further develop those businesses.

Nakano

I agree. To that end, it is essential to create a company that encourages employees to have aspirations. Since I became President, I have been raising employee salaries, increasing returns to shareholders, and reviewing compensation for executives. Over the last decade, employee salaries have gone up significantly.

Compensation for Directors is determined by considering the Company's performance and each Director's duties, abilities and degree of contribution to the Company within the range of the total amount approved by shareholders. In April 2018, we established the Nomination and Remuneration Committee, a voluntary committee where Independent Outside Directors form a majority; compensation is decided after referring to the deliberation by the committee. In addition, we have recently consulted with the Nomination and Remuneration Committee on incorporating the performance-linked portion into compensation.

Nomura

As Chairman of the Nomination and Remuneration Committee, I commented that the period of preparation work should be evaluated, because such a period does not appear to be contributing to business performance on the surface due to the nature of our business but the results of investment are reflected in business performance over the mid to long term. We can step into risky investments only by evaluating those periods.

Nakano

With reference also to the opinion of the Nomination and Remuneration Committee, we have set a rather low ratio for performance-linked remuneration at this time. In order to receive such valuable opinions, we would like to consider the appointment of Outside Directors among mainly those with actual management experience, while also considering the balance of industries represented.

Q: What kind of challenges do you think the Company faces in terms of sustainability?

Nomura

Firstly on the sustainability of the business, I believe the topics to address are to secure human resources, pass on our technology and know-how, and accumulating them at the Company in order to continue our business operations with a small team of professionals, which is our business strength.



Nakano

The Company does not have the capacity to cultivate skilled workers from scratch, and consists largely of those nearing retirement age from major construction companies. Despite the progression of establishing protocols and digitization, we still rely on individual skills in many areas. In 2011, we established an engineer system targeting engineers, in striving to entice them to stay at our company by developing favorable conditions including compensation.

Nomura

From the standpoint of sustainability, measures towards the SDGs are essential. Particularly, efforts to reduce environmental impact, symbolized by carbon neutrality, have been tackled through reducing energy consumption with energy saving efforts up until now. I believe we can further convey our corporate values to stakeholders by continuing and enhancing these efforts and actively promoting them externally.

Q: Lastly, please share with us your thoughts on future sustainable growth.

Nakano

We can reach sustainable growth by adhering to our Corporate Philosophy and operating our business without deviating from it. As the number one key to achieve this lies in human resources, I am constantly thinking about what I can do to foster the growth of our people, including both our employees and those of partner companies. Also, in order to meet the entrustment of shareholders, we would like to give back to shareholders by achieving stable growth with a mid- to long-term business plan.

Nomura

With the declining birthrate and aging population, it is inevitable to see a decline in the labor force. Under such circumstances, it is important to consider how we will achieve sustainable growth while grasping how society will change. I hope to share my opinions from a neutral position without holding back in order to support the Company.

Corporate Governance

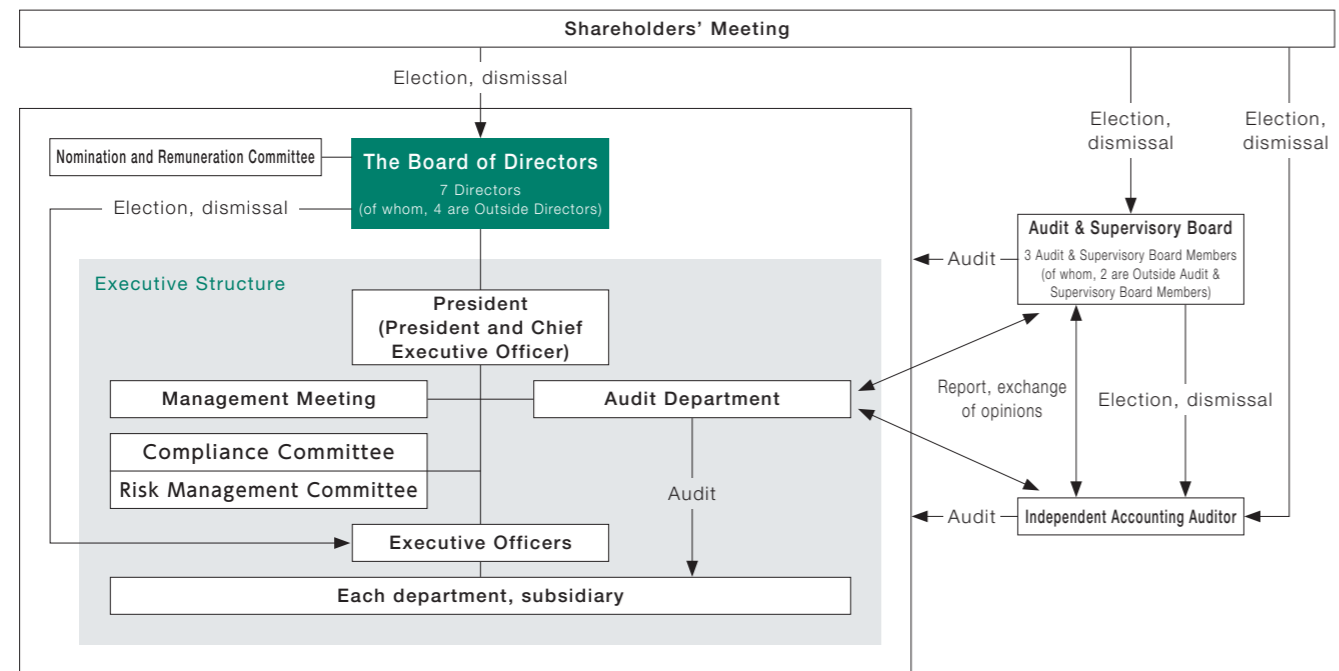
Basic Concept

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.

Corporate Governance Structure (from June 18, 2021)



Summary of Boards, Meetings, and Committees

Name	Chairperson	Summary	Number of meetings held (FY2020)
The Board of Directors	Chairman	As a general rule, the board holds a meeting once a month to determine important matters on the management and supervise the status of duties executed by Directors.	13 times
Audit & Supervisory Board	Audit & Supervisory Board Member (Standing)	The board audits the Directors' execution of duties and the Company's internal control system, and receives reports from the Independent Accounting Auditor on matters including the quarterly financial results and the year-end audit report.	12 times
Management Meeting	President	The standing officers and general managers in charge of each department attend this meeting to improve business operation efficiency by reporting and reviewing the status and plans of such operation under the basic policy determined by the Board of Directors.	12 times
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 Independent Outside Directors.	4 times
Compliance Committee	Executive Officer in Charge	The committee, which is an organization under the direct control of the President, consists of a chairperson and several members selected from various departments. It convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.	3 times
Risk Management Committee	Executive Officer in Charge	The committee, which is an organization under the direct control of the President, consists of a chairperson and several members selected from various departments. It convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.	4 times

More details are available on our website.
<https://www.keihanshin.co.jp/english/ir/policy/governance/>



Appointment Process for Directors and Audit & Supervisory Board Members

Candidates for Board Members of the Company are selected through comprehensive evaluations of their character, knowledge, capabilities, experience, and potential to contribute to the Company. In particular, the Company focuses on the perspective of enhancement of the supervisory function by utilizing licensed lawyers and accountants with highly specialized expertise as well as persons with experience in corporate management, as outside officers.

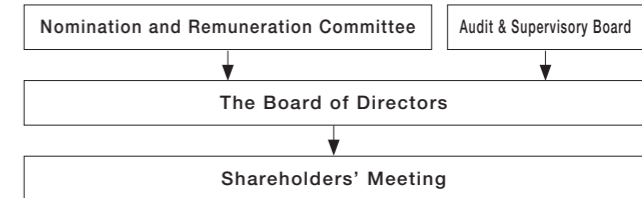
The President prepares a list of candidates for Directors and consults with the Nomination and Remuneration Committee, the advisory body of the Board of Directors, after which the Board of Directors deliberates and makes decisions.

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.



Members of the Boards (skill matrix and meeting attendance)

	Name	Nomination and Remuneration Committee	Gender	Term of office	Expertise (◎ represents the outside members' specialty)					
					Corporate Management	Finance & Accounting	Legal Risk Management	Industrial Expertise	Architecture	Technology Energy
The Board of Director	Kenjiro Nakano	Standing	Male	11 years	●	●	●	●		
	Koichi Minami	Standing	Male	5 years	●	●	●	●		
	Seisuke Isemura	Standing	Male	1 year			●		●	●
	Takashi Yoshida	Outside Independent	Male	4 years		◎	●			
	Masao Nomura	Outside Independent	Male	2 years	◎	●	●			◎
	Takashi Tsuji	Outside Independent	Male	1 year	◎	●	●			
	Tsuneo Wakabayashi	Outside Independent	Male	Newly appointed	◎		●		◎	
Audit & Supervisory Board	Shigeru Nishida	Standing	Male	6 years		●	●			
	Chiho Takeda	Outside Independent	Female	2 years			◎			
	Hideharu Nagasawa	Outside Independent	Male	Newly appointed	◎	●	●			◎

(Notes) 1. The list above does not represent all of the expertise and experience that each member possesses.
 2. Audit & Supervisory Board Member Shigeru Nishida has been in office for a total of four years as a Director and two years as an Audit & Supervisory Board Member.

Corporate Governance

Independence Criteria for Independent Outside Officers

The Company has formulated the following criteria regarding the independence of outside officers, in order to ensure objectivity and transparency in the corporate governance of the Company. If outside officers do not fall under any of the following items, it is judged that they are sufficiently independent from the Company

1	A person who is a principal business partner (Note 1) of the Company or its business executor (Note 2)
2	A person for whom the Company is a principal business partner or its business executor
3	A principal shareholder (Note 3) of the Company (if this is a corporation, association, or any other organization, this refers to a person belonging to such organization.)
4	A business executor of a corporation of which the Company is a principal shareholder
5	A person who belongs to an auditing firm that serve as the Company's Independent Accounting Auditor
6	A consultant, accounting expert, or legal expert who receives money or other assets exceeding 10 million yen annually from the Company in addition to officer remuneration (if the person receiving such assets is a law firm, auditing firm, consulting firm, or any other corporations, or association or any other organization, this refers to a person belonging to such organization.)
7	A person who receives donations exceeding 10 million yen annually from the Company (if the person receiving such large amount of donations is a corporation, association, or any other organization, this refers to a person belonging to such organization.)
8	A person who belongs to a company with whom the Company has a relationship for the mutual appointment of Officers
9	A person whose spouse or relative within the second degree of kinship falls under any of the above items 1 through 8
10	A person who fell under any of the above items 1 through 8 within the past three years
11	A person who has been in office for a total of more than 8 years as an outside officer
12	In addition to the preceding items, a person who may have a conflict of interest with general shareholders, and who is reasonably judged to be unable to perform his or her duties as an independent outside officer

(Notes) 1. A "principal business partner" refers to any of the followings:
 (1) A person who has transactions with the Company, and the annual transaction amount is 2% or more of the consolidated net sales of either the Company or said person; or
 (2) A financial institution from which the Company makes loans, and the outstanding loans from such institution is 2% or more of the Company's total consolidated assets.
 2. A "business executor" refers to an executive director, corporate officer or executive officer.
 3. A "principal shareholder" refers to a shareholder who holds 10% or more of the Company's voting rights in his or her own or another name as of the end of the most recent fiscal year.

Activity Status of Nomination and Remuneration Committee

With an aim to 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.

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 the preceding item
	Other matters recognized as necessary by the Nomination and Remuneration Committee
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 the preceding item
	Other matters recognized as necessary by the Nomination and Remuneration Committee

Name of the committee	Total committee members	Internal Directors		Chairperson
		Internal Directors	Outside Directors	
Nomination and Remuneration Committee	6 persons	2 persons	4 persons	Outside Director

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

With the purpose of ensuring effectiveness in the Board of Directors and enhancing the corporate value, self-assessments have been carried out by the Board of Directors since 2017. In 2021, an external institution sent out a questionnaire to all Directors and Audit & Supervisory Board Members in January and February. In March, a discussion was held based on the summary of the questionnaire conducted by the external institution.

As a result, opinions were given that the Board of Directors was functioning effectively in general. As for the composition of the Board of Directors, which has been pointed out as an issue for some time, we verified that the increase in the number of Outside Directors has allowed us to make steady progress in promoting discussion and enhancing the effectiveness.

Among the other issues pointed out last year, with regard to those related to the business plan in terms of active discussion and securing time for consideration, we also verified that there was an improvement as we set the issue as an agenda regularly and provided more information in advance.

On the other hand, it turned out that we still need to improve the coordination among the outside officers and between the outside officers and internal auditing division. We also received constructive feedback on the aspect of providing training opportunities to the outside officers.

Progress on the issues

Issues pointed out in the past	Details of progress on the issues
Diversity of the Board of Directors	<ul style="list-style-type: none"> Increased the number of Independent Outside Directors gradually to constitute a majority of the board Appointed a female board member as Audit & Supervisory Board Member
Conducting a more objective evaluation of the effectiveness	<ul style="list-style-type: none"> Conducted a survey by the external institution and evaluated the effectiveness based on the summary report
Promoting active discussions on business plans	<ul style="list-style-type: none"> Regularly discussing an agenda set up for the Board of Directors concerning the progress on business plans
Providing sufficient information to outside officers	<ul style="list-style-type: none"> Holding an informal gathering on the overall business matters with the top management annually Holding a briefing session on industry trends, along with a site tour of properties we own

Remuneration to Officers

Remuneration paid to officers in fiscal 2020

Classification	Number of members	Subtotal by type		Total amount of remuneration
		Base remuneration	Non-monetary remuneration	
Directors	10 persons	150,700 thousand yen	27,537 thousand yen	178,237 thousand yen
Outside Directors	4 persons	29,250 thousand yen		29,250 thousand yen
Audit & Supervisory Board Members	3 persons	37,500 thousand yen	926 thousand yen	38,426 thousand yen
Outside Audit & Supervisory Board Members	2 persons	14,400 thousand yen		14,400 thousand yen

* The total amount includes remuneration for three Directors who retired at the conclusion of the Annual General Meeting of Shareholders held in June 2020.

Policy for determining Directors' remuneration

We determine remuneration for Directors in line with the shareholders' interests so that it will serve as an appropriate incentive program leading to a sustainable increase in the shareholders' value. As a basic policy, we aim to secure appropriate levels of remuneration for Director, corresponding to the degree of their responsibilities. The policy for determining the remuneration

for Directors will be resolved by the Board of Directors, with due respect given to the opinion and advice from the Nomination and Remuneration Committee, whose majority is composed of Independent Outside Directors. The Board of Directors has approved the policy listed below, effective from the remuneration for the fiscal year ending March 2022.

Remuneration system	Executive Directors	The remuneration consists of base remuneration as fixed remuneration, bonuses as performance-linked remuneration, and restricted stock as non-monetary remuneration in line with the shareholders' interest. The Nomination and Remuneration Committee will decide on the ratio of individual remuneration, where the performance-linked remuneration is set higher for the upper ranking positions reflecting the expected roles for achieving the goals of the Mid-Term Business Plan.												
	Chairman	The remuneration consists of the base remuneration as fixed remuneration and restricted stock as non-monetary remuneration as the Chairman will perform the expected role as a chairperson of the Board of Directors for increasing the shareholders' value in the mid to long term, despite being not directly involved in business operations.												
	Outside Directors	The Company will pay only the base remuneration to Outside Directors in consideration of their duties.												
Remuneration amount	Remuneration composition * In the case of the performance indicators achieved at 100%	<table border="1"> <tr> <td>President</td> <td>60%</td> <td>20%</td> <td>20%</td> </tr> <tr> <td>Chairman</td> <td>80%</td> <td>20%</td> <td></td> </tr> <tr> <td>Outside Directors</td> <td>100%</td> <td></td> <td></td> </tr> </table>	President	60%	20%	20%	Chairman	80%	20%		Outside Directors	100%		
	President	60%	20%	20%										
	Chairman	80%	20%											
Outside Directors	100%													
Base remuneration	It is provided as fixed remuneration monthly. The amount is determined based on the Company's performance, individual's duties, abilities, and the degree of contribution to the Company's sustainable growth in a comprehensive manner.													
Performance-linked remuneration	It is provided as cash reflecting the performance indicators to raise awareness for improving the Company's performance in each fiscal year. The amount is calculated based on one of our key performance indicators, the achievement levels of goals set in the Mid-Term Business Plan for the consolidated ordinary income after tax before depreciation for each fiscal year. This remuneration is provided as bonuses at a certain time each year.													
Non-monetary remuneration	It is granted in the form of restricted stock linked to the shareholders' value. The number of shares given at a certain time each year will be calculated based on the duties and abilities of Chairman and Executive Directors, along with their contributions to the Company's sustainable growth in a comprehensive manner.													
Determining method	For determining the amount of individual remuneration, the President prepares the remuneration plan and seeks advice from the Nomination and Remuneration Committee, then the Board of Directors reviews and determines the amount, giving due respect to the committee's opinion. In addition, the Board of Directors will determine the number of restricted shares allotted to individual Directors, based on the opinion of the Nomination and Remuneration Committee.													

Corporate Governance

Cross-shareholdings

Policy on cross-shareholdings

We will not have any cross-shareholdings that are not expected to support the Company's sustainable growth and mid- to long-term enhancement of corporate value. Every year, the Board of Directors will examine the validity of cross-shareholdings in terms of the quantitative perspectives, such as whether dividends and rental income are commensurate with cost of capital, and the qualitative perspectives found in business relations. We will consider divesting any shareholdings which are deemed to be less effective.

Consequently, we have divested all shares of four listed stocks we had owned as part of our cross-shareholdings policy since 2015 when the corporate governance code was enacted. As of March 31, 2021, we own 27 stocks. We also sold part of the shares of the three stocks. The total amount of sales during this period was 7.8 billion yen.

Trend in cross-shareholdings of listed companies

	Fiscal year ended March 2019	Fiscal year ended March 2020	Fiscal year ended March 2021
Amount recorded on year-end balance sheet (million yen)	14,761	12,286	11,567
Amount sold during the fiscal year (million yen)	351	784	6,530

Policy on constructive dialogue with shareholders

Executive Officers responsible for administration are in charge of dialogue between the Company and shareholders. The related departments within the Company coordinate with the officers accordingly in providing necessary information to promote constructive engagement between them.

We make every effort to help our shareholders to understand our management strategy and business environment better by holding briefing sessions with the presence of the President and Executive Officers responsible for administration and disclosing information on the corporate website.

When we receive opinions and requests from shareholders or analysts at our briefing sessions, etc., we value them to strengthen our dialogue and relay them to the related departments and the management, using them to actively review our business strategies.

During the silent period before announcing our financial results, we will restrict dialogue with our shareholders and keep the insider information strictly confidential.

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.



Outside officers visiting the OBP Building

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 Auditor 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 the Independent Accounting Auditor.

Internal Controls

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

Compliance Committee	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.	For more details, see ► page 55
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Regulations for risk management of loss and other systems

Risk Management Committee	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 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.	For more details, see ► page 56
Audit Department	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.	For more details, see ► page 55

System to ensure that duties by Directors are performed effectively

At the Board of Directors' Meeting held once every month as a general rule, the members determine important matters defined in the "Regulations of the Board of Directors" and supervise the status of duties executed by Directors. At the separately organized Management Meeting composed of standing officers and general managers in charge of each department, the members will carry out operations under the basic policy approved by the Board of Directors, report and review operation plans. In addition, the Board of Directors will appoint Executive Officers to carry out operations under the basic policy approved by the Board of Directors so that Directors can carry out their duties efficiently.

Executive Officer System

The Company has introduced the Executive Officer System since April 2018. Executive Officers attend the monthly Management Meetings, and as necessary, the Board of Directors' Meetings. They carry out their duties based on resolutions of the Board of Directors' Meetings and report the operation policies and plans they have established. 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.

Executive Officers (As of June 18, 2021)

Position	President and Chief Executive Officer	Senior Managing Executive Officer	Managing Executive Officer	Executive Officer	Executive Officer	Executive Officer	Executive Officer
Name	Koichi Minami	Shinji Yamamoto	Junichi Tada	Seisuke Isemura	Toshiki Tabuchi	Takao Matsumoto	Yoshikatsu Okada
Title		Director of Sales	Director responsible for Administration	General Manager of Property Management Department	General Manager of Accounting Department	General Manager of Business Department	General Manager of General Affairs Department

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 ask for them to 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.

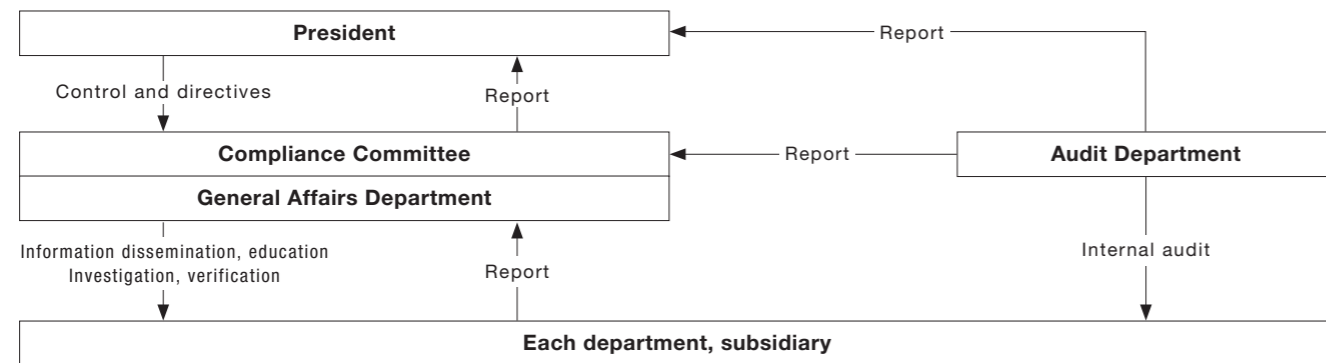
Audit Department

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.

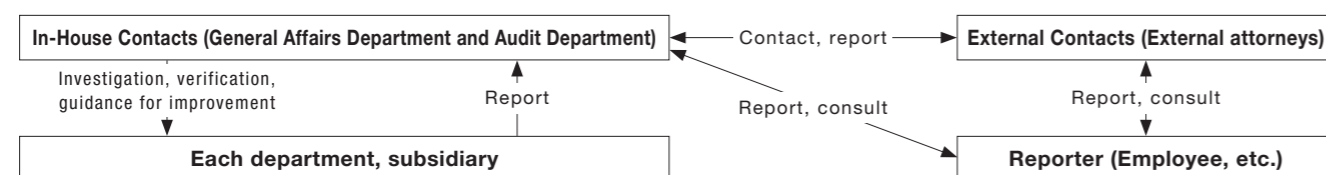


In-house study session

Compliance Structure



In-House Reporting System



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, formulates 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
Natural disasters, man-made disasters, etc.	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, windstorm or flooding, sudden accident, or a man-made disaster, such as fire or 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.
Building lease business	Lease business, such as rental buildings, tends to be easily affected by economic trends, corporate performance, 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 to promote balanced development of these four leasing businesses while reducing risks by focusing on medium- to long-term profitability in new investments.
Business developments in the Osaka area	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 2021, at 79.4%. 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 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.
The level of dependence on specific clients	The Company has three clients that provide over 10% of all net sales. The performance of these clients may have a significant impact on the Company's business.	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 reduce risks of current tenants moving out, and maintain and improve our fee standards. To this end, we will continue to offer appropriate services and build stronger relationships with tenants.
Fluctuation in asset values	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.
Spread of infectious disease	The situation remains uncertain regarding when and how the COVID-19 pandemic 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 for a prolonged period, the worsened economy could adversely affect the Company's business results.	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, by installing non-contact temperature cameras and panels for preventing droplet infection in our offices, and by encouraging them to take thorough general infection prevention measures such as hand washing and alcohol disinfection.
Dependency on interest-bearing debt	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.
Amendments to laws, regulations, and tax systems	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.

Directors/Audit & Supervisory Board Members and Executive Officers (As of June 18, 2021)



Executive Officer	Executive Officer	Executive Officer	Managing Executive Officer	Senior Managing Executive Officer	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Audit & Supervisory Board Member (Standing)
Yoshikatsu Okada	Takao Matsumoto	Toshiki Tabuchi	Junichi Tada	Shinji Yamamoto	Chiho Takeda	Hideharu Nagasawa	Shigeru Nishida
Outside Director	Outside Director	Chairman	President and Chief Executive Officer	Director and Executive Officer	Outside Director	Outside Director	
Takashi Yoshida	Masao Nomura	Kenjiro Nakano	Koichi Minami	Seisuke Isemura	Takashi Tsuji	Tsuneo Wakabayashi	

Directors

<p>Kenjiro Nakano Chairman (Board Chairman)</p> <p>Born August 13, 1947</p> <p>April 2008 Vice President and Executive Officer, Sumitomo Mitsui Banking Corporation</p> <p>June 2010 President, Keihanshin Real Estate (Currently Keihanshin Building)</p> <p>June 2016 Chairman (current), Keihanshin Building</p> <p>Significant concurrent positions Outside Director, Maruichi Steel Tube, Ltd. Outside Director, Audit and Supervisory Committee Member, H2O Retailing Corporation</p>	<p>Koichi Minami President</p> <p>Born March 21, 1955</p> <p>June 2013 Standing Corporate Auditor, Sumitomo Mitsui Financial Group Corporate Auditor, Sumitomo Mitsui Banking Corporation</p> <p>June 2016 President, Keihanshin Building</p> <p>June 2018 President and Chief Executive Officer (current), Keihanshin Building</p>
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<p>Seisuke Isemura Director (In charge of Property Management)</p> <p>Born March 21, 1959</p> <p>March 2017 General Manager, Building Construction Works Department, Kansai Branch, KAJIMA CORPORATION</p> <p>April 2019 Board member, Sub-manager of Property Management Department, Keihanshin Building</p> <p>June 2020 Director and Executive Officer, General Manager of Property Management Department (current), Keihanshin Building</p>	<p>Takashi Yoshida Director/Independent Officer Outside</p> <p>Born July 24, 1953</p> <p>November 1978 Joined Audit Corporation Asahi Accounting Firm (currently KPMG AZSA)</p> <p>May 1994 Registered as a United States Certified Public Accountant (California)</p> <p>July 2015 Senior Partner, KPMG AZSA</p> <p>July 2016 Representative (current), Yoshida Certified Public Accountant Office</p> <p>June 2017 Director (current), Keihanshin Building</p> <p>Significant concurrent positions Outside Member of the Audit & Supervisory Board, JTEKT CORPORATION</p>	<p>Masao Nomura Director/Independent Officer Outside</p> <p>Born August 2, 1949</p> <p>March 1972 Joined Iwatani Corporation</p> <p>June 2012 President, Iwatani Corporation</p> <p>April 2017 Member of the Board, Counselor and Executive Officer, Iwatani Corporation</p> <p>June 2017 Counselor (current), Iwatani Corporation</p> <p>June 2019 Director (current), Keihanshin Building</p> <p>Significant concurrent positions Member of the Board of Directors, Outside Director, ONO PHARMACEUTICAL CO., LTD Outside Director, NEW COSMOS ELECTRIC CO., LTD.</p>
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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.

Tsuneo Wakabayashi Director/Independent Officer **Outside**

Born April 29, 1959

April 1983 Joined Hankyu Corporation

June 2011 Director, Hankyu Hanshin Holdings, Inc.

April 2013 Senior Managing Director, Hankyu Corporation

April 2018 President and Representative Director, Hankyu Hanshin Properties Corp.

April 2020 Counselor, Hankyu Hanshin Properties Corp.

April 2021 Director (current), Hankyu Hanshin Hotels Co., Ltd

June 2021 Director (current), Keihanshin Building

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, General Manager of General Affairs Department, Keihanshin Building

April 2018 Director and Executive Officer, General Manager of General Affairs Department, Keihanshin Building

June 2019 Audit & Supervisory Board Member (Standing) (current), Keihanshin Building

Chiho Takeda Audit & Supervisory Board Member/Independent Auditor **Outside**

Born February 9, 1973

October 2001 Registered lawyer in the Osaka Bar Association

January 2012 Joined Miyake Joint Partnership Law Office (currently Miyake & Partners)

May 2016 Partner (current), Miyake & Partners

June 2019 Audit & Supervisory Board Member (current), Keihanshin Building

Significant concurrent positions
Outside Director (Member of the Board), NICHIDAI CORPORATION

Hideharu Nagasawa Audit & Supervisory Board Member/Independent Auditor **Outside**

Born September 23, 1960

April 1984 Joined SANYO Electric Co., Ltd.

January 2012 Director, Managing Executive Officer and General Manager, Corporate Planning Division, SANYO Electric Co., Ltd.

April 2015 Planning and Administration Manager, Assistant to the Executive Officer in charge of Technology, Panasonic Corporation

January 2018 Adviser (current), DAIHATSU DIESEL MFG. CO., LTD

June 2021 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

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, Keihanshin Building

April 2021 Senior Managing Executive Officer and Director of Sales (current), Keihanshin Building

Junichi Tada Managing Executive Officer Director responsible for Administration

Born November 13, 1963

April 2016 Deputy General Manager, Corporate Advisory Headquarters, Board member, Sumitomo Mitsui Banking Corporation

June 2018 Director, Executive Officer, Director responsible for Administration and General Manager of Corporate Planning Department, Keihanshin Building

June 2020 Managing Executive Officer, Director responsible for Administration and General Manager of General Affairs Department, Keihanshin Building

June 2021 Managing Executive Officer and Director responsible for Administration (current), Keihanshin Building

Seisuke Isemura Executive Officer General Manager of Property Management Department

See details under Directors section

Toshiki Tabuchi Executive Officer General Manager of Accounting Department

Born January 29, 1961

April 1983 Joined Konoike Construction

April 2004 Joined Keihanshin Building

April 2015 General Manager of Accounting Department, Keihanshin Building

April 2018 Executive Officer and General Manager of Accounting Department (current), Keihanshin Building

Takao Matsumoto Executive Officer General Manager of Business Department

Born December 15, 1965

April 1988 Joined Itoman Finance Co., Ltd

October 1994 Joined Keihanshin Building

April 2018 General Manager of Business Department, Keihanshin Building

June 2021 Executive Officer and General Manager of Business Department (current), Keihanshin Building

Yoshikatsu Okada Executive Officer General Manager of General Affairs Department

Born March 1, 1966

April 2016 Deputy Head, Internal Audit Department (Osaka), Sumitomo Mitsui Banking Corporation

June 2020 General Manager of Corporate Planning Department, Keihanshin Building

June 2021 Executive Officer and General Manager of General Affairs Department (current), Keihanshin Building

Main Consolidated Financial/Non-financial Data

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal years ended March 31	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
	Unit: millions of yen										
Gains and losses (fiscal year)											
Net sales	13,133	13,291	13,679	14,031	14,852	14,930	14,380	14,799	14,995	15,319	15,333
Gross profit	5,825	5,254	5,507	5,410	5,996	6,256	6,259	6,566	6,770	6,831	6,842
Operating profit	4,997	4,404	4,634	4,463	4,966	5,118	4,969	5,298	5,451	5,414	5,295
EBITDA	7,344	6,843	7,298	7,076	7,705	7,754	7,507	7,731	7,661	7,598	7,565
Ordinary profit	4,123	3,448	3,800	3,699	4,457	4,782	4,740	5,044	5,214	5,214	5,081
Ordinary income after tax before depreciation*	4,796	4,487	5,019	4,906	5,609	5,840	5,819	5,923	5,829	5,802	5,796
Profit attributable to owners of parent	1,773	1,740	2,331	2,369	2,732	3,610	3,272	3,585	3,998	3,919	8,251
Financial condition (end of fiscal year)											
Total assets	104,441	110,671	114,577	115,015	115,243	111,418	113,204	122,964	132,780	136,605	154,043
Interest-bearing debt	57,550	60,940	63,440	56,750	51,286	45,317	43,085	48,294	55,709	58,401	66,645
Net assets	37,570	38,792	41,733	48,250	51,850	54,556	58,862	62,227	64,228	64,377	70,539
	Unit: %										
Main indicators											
Rate of return on equity (ROE)	4.8	4.6	5.8	5.3	5.5	6.8	5.8	5.9	6.3	6.1	12.3
Return on total assets (ROA)	4.8	4.1	4.1	3.9	4.3	4.5	4.4	4.5	4.3	4.0	3.6
Capital adequacy ratio	36.0	35.1	36.4	42.0	45.0	49.0	52.0	50.5	48.3	47.0	45.7
	Unit: millions of yen										
Net interest-bearing debt	56,367	56,168	53,259	44,467	47,709	28,765	35,883	41,243	39,791	45,196	45,094
Depreciation	2,347	2,438	2,663	2,612	2,738	2,636	2,538	2,433	2,210	2,183	2,270
Capital expenditure	3,571	5,054	751	472	9,572	9,510	10,840	11,236	3,734	10,639	11,504
	Unit: yen										
Per share information											
Profit (EPS)	39.4	38.7	51.8	46.1	50.6	66.9	60.7	66.6	74.6	74.6	158.8
Net assets (BPS)	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	1,362.0
Dividends per share	12.0	12.0	14.0	14.0	15.0	16.0	17.0	18.0	23.0	27.0	31.0
	Unit: millions of yen										
Cash flows (fiscal year)											
Cash flows from operating activities	5,862	3,676	6,091	4,607	7,086	4,919	4,717	6,884	5,259	6,693	7,693
Cash flows from investing activities	(5,733)	(2,922)	(2,644)	128	(9,644)	14,818	(10,939)	(11,249)	(1,619)	(9,705)	(5,566)
Free cash flow	128	754	3,447	4,736	(2,558)	19,738	(6,222)	(4,364)	3,639	(3,012)	2,126
Cash flows from financing activities	(445)	2,833	1,961	(2,633)	(6,148)	(6,762)	(3,127)	4,213	5,227	298	6,219
Net increase (decrease) in cash and cash equivalents	(316)	3,588	5,408	2,102	(8,706)	12,976	(9,350)	(150)	8,867	(2,713)	8,345
Cash and cash equivalents at end of period	1,183	4,771	10,180	12,283	3,576	16,552	7,202	7,051	15,918	13,205	21,550
	Unit: persons										
Non-financial data											
Number of employees (consolidated)	38	36	35	38	39	40	43	45	43	45	46
Number of female employees	12	10	10	12	11	11	13	13	13	13	14
Number of female managers	0	0	1	1	1	1	1	1	2	2	2

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

Analysis of Operating Results and Financial Condition, etc.

Operating Results

During fiscal 2020, the Japanese economy was affected by the worldwide spread of the COVID-19 pandemic. Particularly at the beginning of the fiscal year, personal consumption plummeted due to restricted economic activities, and the corporate sector also faced extremely severe conditions, including a cutback in production and capital investment. As economic activities have gradually resumed, there have been some signs of recovery, but the situation remains unpredictable due to concerns over restrictions on economic activities resulting from a rebound of the outbreak.

In the real estate leasing industry, businesses related to restaurants, lodging, and retailing were severely affected by the spread of the infection, and the vacancy rate for office buildings also rose due to downsizing and consolidation of offices as teleworking has become prevalent in the short period.

In this environment, since our business did not rely on the income from renting properties to restaurants or retailers, we managed to maintain an extremely high occupancy rate with a vacancy rate of only 0.2% as of the end of the fiscal year under review by focusing on efforts to acquire new tenants. In November 2020, we completed the construction of the Toranomon Building, an office building in Toranomon, Minato-ku, Tokyo, that we had been working on as an investment project under our Mid-Term Business Plan "Challenges from here: Into the new stage of growth." We have also focused on the Company's sustainable growth and scale expansion by concluding a tentative rental agreement with tenants for all the equipment rooms in the OBP Building, a datacenter building in Osaka-shi, before its completion in April 2021.

For the fiscal year under review, consolidated net sales stood at 15,333 million yen, inching up 14 million yen (0.1%) year-on-year,

due to the improved occupancy rate for the existing buildings and, to some extent, proceeds from the newly completed Toranomon Building, which covered a loss in revenue on the sale of Toyahama Warehouse in Kobe. Consolidated gross profit amounted to 6,842 million yen, edging up 11 million yen (0.2%) year-on-year, due to an increase in the cost of sales, such as the initial expenses of the Toranomon Building, including real estate acquisition tax. As a result, operating income came to 5,295 million yen, down 118 million yen (2.2%) year-on-year, which could not absorb the increase in overhead expenses.

Accordingly, ordinary profit totaled 5,081 million yen, down 133 million yen (2.6%) year-on-year.

Profit attributable to owners of parent amounted to 8,251 million yen, up 4,332 million yen (110.6%) year-on-year as we recorded large gains from the sale of non-current assets and investment securities under extraordinary income.

Operating results for each segment (operating profit before reflecting consolidation adjustments) were as follows.

1 Building lease business

Net sales for the building lease business amounted to 15,317 million yen (up 96 million yen, or 0.6% year-on-year) and accounted for 99.9% of total net sales. Operating profit was 6,140 million yen (down 15 million yen, or 0.3% year-on-year).

2 Other

Net sales for other businesses amounted to 16 million yen (down 81 million yen year-on-year), and an operating loss of 17 million yen was recorded.

Unit: millions of yen

Account	2020/3	2021/3	Increase (decrease) %
Net sales	15,319	15,333	0.1
Real estate lease revenue	15,220	15,317	0.6
Net sales of construction works	98	16	(83.2)
Cost of sales/General and administrative expenses	9,904	10,038	1.4
Operating profit	5,414	5,295	(2.2)
Non-operating income	311	303	(2.6)
Non-operating expenses	511	517	1.2
Ordinary profit	5,214	5,081	(2.6)
Extraordinary income	697	6,837	879.6
Extraordinary losses	170	12	(92.5)
Income taxes	1,822	3,654	100.5
Profit attributable to owners of parent	3,919	8,251	110.6

Financial Condition

Total assets at the end of fiscal 2020 amounted to 154,043 million yen, an increase of 17,438 million yen (12.8%) from the end of the previous fiscal year. This was mainly due to an increase of 9,305 million yen in property, plant and equipment resulting from the progress made in the construction projects, and an increase of 8,345 million yen in cash and deposits reflecting procured funds, while investment securities decreased by 718 million yen after the sale of securities.

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 2020 amounted to 119,756 million yen, an increase of 9,242 million yen (8.4%) from the end of the previous fiscal year.

2 Other

Segment assets for other businesses at the end of fiscal 2020 amounted to 2 million yen, a decrease of 11 million yen from the end of the previous fiscal year.

Total liabilities at the end of fiscal 2020 amounted to 83,503 million yen, an increase of 11,276 million yen (15.6%) from the end of the previous fiscal year. This was mainly due to an increase of 8,243 million yen in interest-bearing debt resulting from long-term loans payable and issuance of bonds, an increase of 2,030 million yen in income tax payable, and an increase of 1,654 million yen in long-term leasehold and guarantee deposited.

Total net assets at the end of fiscal 2020 amounted to 70,539 million yen, an increase of 6,161 million yen (9.6%) from the end of the previous fiscal year. This was mainly due to an increase of 5,657 million yen in retained earnings reflecting profit attributable to owners of parent.

Unit: millions of yen

Account	2020/3	2021/3	Increase (decrease)
Current assets	13,742	22,603	8,860
Non-current assets	122,862	131,439	8,577
Total assets	136,605	154,043	17,438
Current liabilities	8,378	9,578	1,200
Non-current liabilities	63,848	73,924	10,076
Total liabilities	72,227	83,503	11,276
Shareholders' equity	63,108	69,268	6,160
Total net assets	64,377	70,539	6,161
Total liabilities and net assets	136,605	154,043	17,438

Cash Flows

Net cash provided by operating activities amounted to 7,693 million yen (6,693 million yen provided in the previous fiscal year). Major inflows were 11,906 million yen in profit before income taxes, 2,270 million yen in depreciation, and an increase of 2,571 million yen in operating debt including long-term leasehold and guarantee deposited. Major outflows were 6,835 million yen in gain on sales of investment securities and property, plant and equipment, and 1,774 million yen in income taxes paid.

Net cash used in investing activities amounted to 5,566 million yen (9,705 million yen used in the previous fiscal year). Major inflows were 6,530 million yen from the sale of investment securities and 1,269 million yen from the sale of property, plant and equipment.

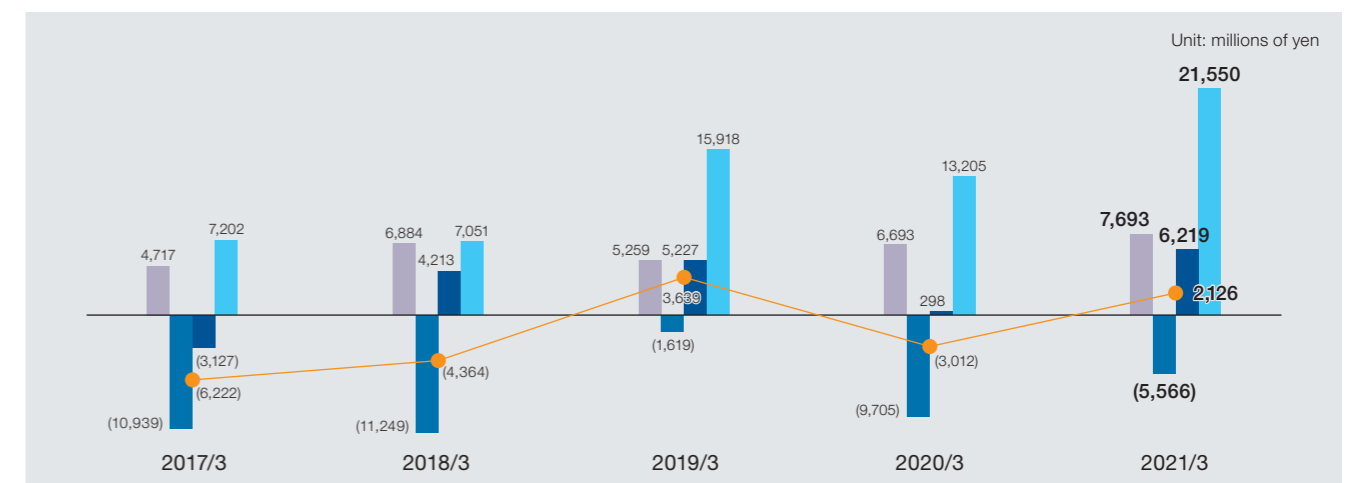
Major outflows were 13,344 million yen from the purchase of property, plant and equipment.

Free cash flow, calculated as the total of cash flows from operating and investing activities, amounted to a net inflow of 2,126 million yen (compared to a net outflow of 3,012 million yen in the previous fiscal year).

Net cash provided by financing activities amounted to 6,219 million yen (298 million yen provided in the previous fiscal year). Major inflows were 10,000 million yen in proceeds from long-term loans payable and the issuance of bonds. Major outflows include 1,756 million yen in repayments of long-term loans payable, 1,506 million yen in cash dividends paid, and 467 million yen in share repurchase.

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



Consolidated Balance Sheets

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries As of March 31, 2020 and 2021	Unit: millions of yen	
	2020/3	2021/3
Assets		
Current assets		
Cash and deposits	13,205	21,550
Notes and accounts receivable - trade	408	331
Other	129	720
Total current assets	13,742	22,603
Non-current assets		
Property, plant and equipment		
Buildings and structures	67,041	70,499
Accumulated depreciation	(38,143)	(39,354)
Buildings and structures, net	28,898	31,144
Land	52,664	52,424
Buildings in trust	3,343	3,343
Accumulated depreciation	(1,250)	(1,418)
Buildings in trust, net	2,092	1,924
Land in trust	11,038	11,038
Construction in progress	12,614	19,990
Other	811	932
Accumulated depreciation	(658)	(689)
Other, net	153	242
Total property, plant and equipment	107,460	116,765
Intangible assets	116	125
Investments and other assets		
Investment securities	12,629	11,910
Leasehold and guarantee deposits	2,193	2,193
Deferred tax assets	12	12
Other	450	431
Total investments and other assets	15,285	14,548
Total non-current assets	122,862	131,439
Total assets	136,605	154,043

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries As of March 31, 2020 and 2021	Unit: millions of yen	
	2020/3	2021/3
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8	3
Short-term borrowings	4,146	4,285
Income taxes payable	1,013	3,043
Provision for bonuses	32	38
Other	3,177	2,207
Total current liabilities	8,378	9,578
Non-current liabilities		
Bonds payable	40,000	45,000
Long-term borrowings	14,255	17,359
Long-term leasehold and guarantee deposited received	6,212	7,867
Deferred tax liabilities	1,971	1,759
Deferred tax liabilities for land revaluation	1,142	1,214
Retirement benefit liability	75	63
Asset retirement obligations	114	114
Other	76	544
Total non-current liabilities	63,848	73,924
Total liabilities	72,227	83,503
Net assets		
Shareholders' equity		
Share capital	9,827	9,827
Capital surplus	9,199	9,199
Retained earnings	45,281	50,938
Treasury shares	(1,200)	(697)
Total shareholders' equity	63,108	69,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,844	5,683
Revaluation reserve for land	(4,696)	(4,532)
Total accumulated other comprehensive income	1,148	1,151
Share acquisition rights	121	120
Total net assets	64,377	70,539
Total liabilities and net assets	136,605	154,043

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, 2020 and 2021	Unit: millions of yen	
	2020/3	2021/3
(Consolidated Statements of Income)		
Net sales	15,319	15,333
Cost of sales	8,487	8,491
Gross profit	6,831	6,842
Selling, general and administrative expenses	1,416	1,547
Operating profit	5,414	5,295
Non-operating income		
Interest income	1	0
Dividend income	301	290
Other	9	12
Total non-operating income	311	303
Non-operating expenses		
Interest expenses	164	164
Interest on bonds	295	307
Bond issuance cost	35	33
Other	14	12
Total non-operating expenses	511	517
Ordinary profit	5,214	5,081
Extraordinary income		
Gain on sales of non-current assets	1	803
Gain on sales of investment securities	696	6,032
Other	—	1
Total extraordinary income	697	6,837
Extraordinary losses		
Loss on retirement of non-current assets	23	12
Loss on valuation of investment securities	147	—
Total extraordinary losses	170	12
Profit before income taxes	5,741	11,906
Income taxes - current	1,826	3,735
Income taxes - deferred	(3)	(81)
Total income taxes	1,822	3,654
Profit	3,919	8,251
Profit attributable to owners of parent	3,919	8,251
(Statements of Comprehensive Income)		
Profit	3,919	8,251
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,541)	(160)
Revaluation reserve for land	72	—
Total other comprehensive income	(1,469)	(160)
Comprehensive income	2,449	8,091
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,449	8,091
Comprehensive income attributable to non-controlling interests	—	—


Consolidated Statements of Changes in Net Assets

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal year ended March 31, 2020	Shareholders' equity				Unit: millions of yen Total shareholders' equity
	Share capital	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	9,827	9,786	43,029	(1,126)	61,516
Changes during period					
Dividends of surplus			(1,290)		(1,290)
Profit attributable to owners of parent			3,919		3,919
Purchase of treasury shares				(1,046)	(1,046)
Disposal of treasury shares		(3)		13	9
Cancellation of treasury shares		(958)		958	—
Transfer from retained earnings to capital surplus		376	(376)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	(586)	2,252	(73)	1,592
Balance at end of period	9,827	9,199	45,281	(1,200)	63,108
Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income	Share acquisition rights	Total net assets
Balance at beginning of period	7,385	(4,768)	2,617	95	64,228
Changes during period					
Dividends of surplus					(1,290)
Profit attributable to owners of parent					3,919
Purchase of treasury shares					(1,046)
Disposal of treasury shares					9
Cancellation of treasury shares					—
Transfer from retained earnings to capital surplus					—
Net changes in items other than shareholders' equity	(1,541)	72	(1,469)	25	(1,443)
Total changes during period	(1,541)	72	(1,469)	25	148
Balance at end of period	5,844	(4,696)	1,148	121	64,377
Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries For the fiscal year ended March 31, 2021					
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	9,827	9,199	45,281	(1,200)	63,108
Changes during period					
Dividends of surplus			(1,507)		(1,507)
Profit attributable to owners of parent			8,251		8,251
Reversal of revaluation reserve for land			(163)		(163)
Purchase of treasury shares				(467)	(467)
Disposal of treasury shares		(9)		56	47
Cancellation of treasury shares		(914)		914	—
Transfer from retained earnings to capital surplus		923	(923)		—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	5,657	502	6,160
Balance at end of period	9,827	9,199	50,938	(697)	69,268
Accumulated other comprehensive income					
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income	Share acquisition rights	Total net assets
Balance at beginning of period	5,844	(4,696)	1,148	121	64,377
Changes during period					
Dividends of surplus					(1,507)
Profit attributable to owners of parent					8,251
Reversal of revaluation reserve for land					(163)
Purchase of treasury shares					(467)
Disposal of treasury shares					47
Cancellation of treasury shares					—
Transfer from retained earnings to capital surplus					—
Net changes in items other than shareholders' equity	(160)	163	3	(1)	1
Total changes during period	(160)	163	3	(1)	6,161
Balance at end of period	5,683	(4,532)	1,151	120	70,539

Consolidated Statements of Cash Flows

Keihanshin Building Co., Ltd., and its Consolidated Subsidiaries		Unit: millions of yen	
For the fiscal years ended March 31, 2020 and 2021		2020/3	2021/3
Cash flows from operating activities			
Profit before income taxes		5,741	11,906
Depreciation		2,183	2,270
Share-based payment expenses		35	36
Increase (decrease) in retirement benefit liability		8	(11)
Increase (decrease) in provision for bonuses		(1)	5
Interest and dividend income		(302)	(291)
Interest expenses		164	164
Interest expenses on bonds		295	307
Bond issuance cost		35	33
Loss (gain) on sales of investment securities		(696)	(6,032)
Loss (gain) on valuation of investment securities		147	—
Loss (gain) on sales of property, plant and equipment		(1)	(803)
Loss on retirement of property, plant and equipment		23	12
Other extra ordinary loss (income)		—	(1)
Decrease (increase) in trade receivables		79	(494)
Increase (decrease) in trade payable		845	2,571
Increase (decrease) in accrued consumption taxes		105	(50)
Other, net		9	8
Subtotal		8,675	9,630
Interest and dividend received		302	291
Interest paid		(463)	(454)
Income taxes paid		(1,821)	(1,774)
Net cash provided by (used in) operating activities		6,693	7,693
Cash flows from investing activities			
Purchases of property, plant and equipment		(10,432)	(13,344)
Proceeds from sales of property, plant and equipment		1	1,269
Purchase of intangible assets		(59)	(23)
Proceeds from sales of investment securities		784	6,530
Other, net		—	1
Net cash provided by (used in) investing activities		(9,705)	(5,566)
Cash flows from financing activities			
Proceeds from long-term loans borrowings		5,000	5,000
Repayments of long-term loans borrowings		(2,307)	(1,756)
Proceeds from issuance of bonds		5,000	5,000
Redemption of bonds		(5,000)	—
Payments for issuance of bonds		(57)	(49)
Purchase of treasury shares		(1,046)	(467)
Dividends paid		(1,289)	(1,506)
Other, net		0	0
Net cash provided by (used in) financing activities		298	6,219
Net increase (decrease) in cash and cash equivalents		(2,713)	8,345
Cash and cash equivalents at beginning of period		15,918	13,205
Cash and cash equivalents at end of period		13,205	21,550

Company Overview (As of March 31, 2021)

Company Name	Keihanshin Building Co., Ltd.	
Address	Head Office	2-14 Kawaramachi 4-chome, Chuo-ku, Osaka-shi, Osaka 541-0048, Japan
	Tokyo Branch Office	Kyodo Building 8F, 2 Kanda-Jinbocho 2-chome, Chiyoda- ku, Tokyo 101-0051, Japan
URL	http://www.keihanshin.co.jp/english/	
		
Founded	December 24, 1948	
Business Lines	Lease of office buildings, datacenter buildings, commercial buildings, logistics warehouses and off-track betting parlors (WINS), building maintenance, and subcontracting construction work for lease facilities	
Capital	9,827.61 million yen	
Stock Issued	52.18 million shares	
Stock Listing	First Section of the Tokyo Stock Exchange	
Number of employees	46 (consolidated)	
Subsidiary	Keihanshin Building Maintenance Co., Ltd.	

Stock Information (As of March 31, 2021)

Stock Data	
Number of shares of common stock authorized to issue	80,000,000 shares
Number of shares of common stock issued and outstanding	52,184,498 shares
Number of shareholders	7,732

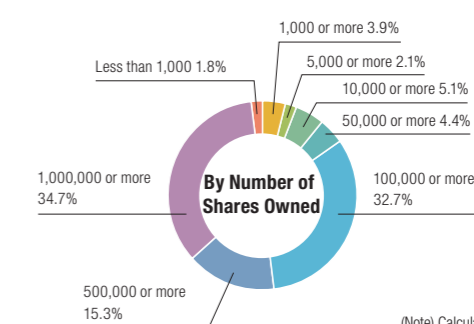
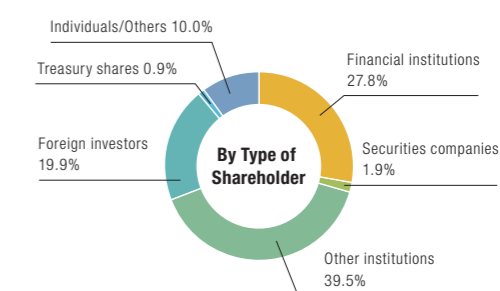
Major Shareholders

Name	Number of shares owned (thousand)	Shareholding ratio (%)
GINSEN Co., LTD	6,440	12.5
Master Trust Bank of Japan, Ltd. (Trust Account)	2,419	4.7
Sumitomo Mitsui Banking Corporation	2,133	4.1
Custody Bank of Japan, Ltd. (Trust Account)	1,466	2.8
Daikin Industries, Ltd.	1,421	2.8
KINDEN CORPORATION	1,393	2.7
KAJIMA CORPORATION	1,376	2.7
The Mie Bank, Ltd.	1,287	2.5
STICHTING PENSIOEN FONDS METAAL EN TECHNIEK	967	1.9
The Hyakujushi Bank, Ltd.	891	1.7

(Notes) 1. Shares less than one thousand are rounded down to the nearest thousand.

2. The Company holds 481,029 treasury shares. The shareholding ratio is calculated by subtracting treasury shares.

Breakdown of Shareholders



(Note) Calculated by subtracting treasury shares.



Keihanshin Building Co.,Ltd.

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