



Keihanshin Building Co.,Ltd.

Sustainability
Report
2024



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Message from the President

We will combine our existing real estate leasing business with new businesses to create sustainable corporate value and contribute to the realization of a sustainable society.



We formulated a new Long-Term Business Plan for the ten years from fiscal year ended March 31, 2024 to fiscal year ending March 31, 2033, aiming for further development of foundations and systems to respond to changes in the external environment surrounding the Company, led by the belief that fundamental reforms are necessary for establishing a foundation for growth focusing on the 100th anniversary of the Company's founding under the new system and promoting sustainable management.

Under the Long-Term Business Plan, we aim to develop a business model through which we can create sustainable corporate value in every economic environment by newly engaging in revolving-type investment business in addition to our existing real estate leasing business. By diversifying investment methods, we will decrease economic change risks and expand our stable revenue base. Through this, we aim to produce 14.0 billion yen or more in business profit* by the fiscal year ending March 31, 2033, which is the final year of the Plan. Furthermore, to promote capital measures that take capital costs and capital efficiency into consideration, we have

also set targets of 8% or higher ROE and a dividend payout ratio of roughly 45%.

In non-financial aspects, we will pursue the implementation and promotion of sustainable management from a variety of approaches. These include further strengthening our corporate governance, reducing our cross-shareholdings, strengthening compliance such as raising the compliance awareness of officers and employees, and implementing human capital enhancement and health improvement measures for employees.

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

To our stakeholders

We will continue to strive to create sustainable corporate value together with our shareholders and all of our other stakeholders, always keeping in mind our corporate philosophy, to "provide valuable commercial space." I would like to ask each of you for your continued support.

President

若林常夫

Sustainability Policy

Under our corporate philosophy of “to provide valuable commercial space to customers so as to contribute to the community through the advancement of customers’ and our businesses,” we aim to contribute to the society through various corporate activities. We believe that our efforts to solve social issues through our corporate activities will contribute to the sustainable development of society and significantly affect our medium- to long-term corporate value enhancement. Therefore, we have established the following as our Sustainability Policy and will implement sustainability initiatives through our business activities.

We are committed to continuously implementing initiatives based on this policy and addressing sustainability issues as a unified organization.

We will actively address environmental issues and aim to balance between a rich environment in the future and business activities.

1. Response to climate change

We will evaluate the impact of our business activities on climate change, a highly uncertain phenomenon that occurs over many years, while striving to build internal systems, improve efficiency of energy use, reduce greenhouse gas emissions, and take other actions so that we can appropriately respond to medium- to long-term changes, including the transition to a decarbonized society as well as the physical impacts from climate change, sea level rise, and other causes.

2. Sustainable use of resources and contribution to recycle-oriented society

We will strive to make effective use of limited resources through extending the service life of buildings, reducing waste, conserving water or other methods, thereby contributing to the realization of a recycle-oriented society.

We will aim for the continuous development of society as a whole through collaboration with our stakeholders.

3. Contribution to customers

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

4. Dialogue with shareholders and investors

We aim to solve social issues and enhance corporate value by actively engaging in dialogue with shareholders and investors, and using the knowledge gained through such dialogue.

5. Collaboration with partner companies

We will strive to establish fair and good relationships with partner companies that manage and operate buildings, and work together with them to promote sustainability.

6. Contribution to local communities

As a real estate company fully grounded in the local communities, we will work to revitalize the local communities through efforts such as participation in events and support for cultural and artistic activities, thereby growing together with the local communities.

7. Initiatives for employees (Well-being initiatives)

We do our utmost to create a healthy, safe, and comfortable workplace where diverse employees can play an active role, while committing to active human resource development.

We will continue to be highly transparent through maintaining compliance and disclosure of information.

8. Supervision of initiatives for sustainable management

The Board of Directors views issues surrounding sustainability from the perspective of improving corporate value over the medium- to long-term and supervises the progress of initiatives to address such issues.

9. Maintaining compliance

We will thoroughly comply with laws and regulations, conduct fair transactions, manage information, and prevent corruption and conflict-of-interest transactions, with an aim to be a company that is even more trusted by society through fair business operations.

10. Disclosure and communication of ESG-related information

We will disclose information on ESG to our diverse stakeholders in a timely and appropriate manner, and respond sincerely to opinions and requests from them to promote initiatives to address sustainability issues.

Sustainability Promotion System

The Company has established Sustainability Promotion Regulations based on our Sustainability Policy set by the Board of Directors, and based on these regulations we have developed a system for promoting sustainability initiatives.

The President serves as the Chief Sustainability Officer in charge of the execution of business activities based on the policy set forth by the Board of Directors, and the Executive Officer responsible for Administration serves as the Sustainability Executive in charge of the execution of individual measures.

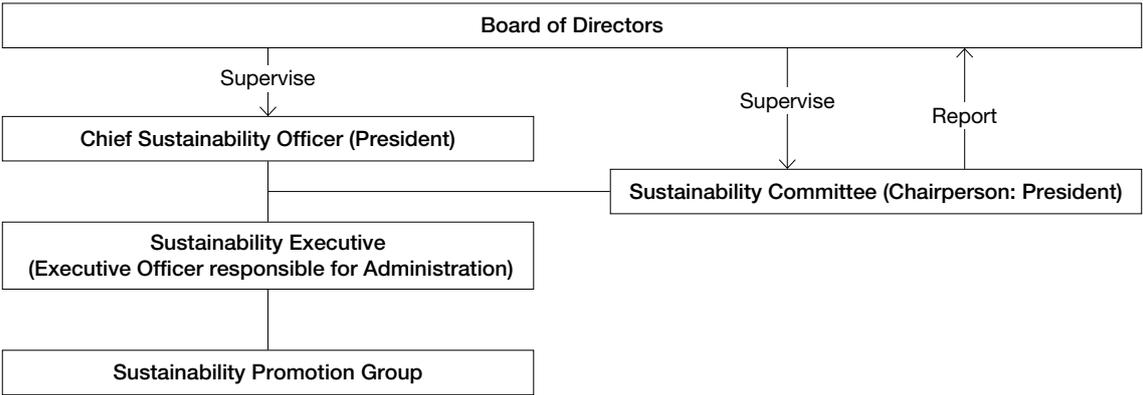
As organs for promoting sustainability initiatives, the Company has established the Sustainability Committee to study and formulate various policies, targets, and measures, and the Sustainability Promotion Group to develop the system and execute various measures. The President serves as the chairperson of the Sustainability Committee, which consists of members of the Sustainability Promotion Group and appointed by various departments.

Sustainability Committee

In order to cross-sectionally promote sustainability, we have established the Sustainability Committee as an organization directly controlled by the President. The Sustainability Promotion Group is at the center of the Committee to work on various measures together with each department and periodically report their content to the Management Meeting and the Board of Directors.

Sustainability Promotion Group

Under the Executive Officer responsible for Administration, who serves as the Sustainability Executive, the Sustainability Promotion Group establishes systems and implements various measures related to sustainability promotion, and reports to the Sustainability Committee and the President, who serves as the Chief Sustainability Officer.



As a general rule the Committee holds a meeting at least once every three months to mainly respond to the following matters on a companywide basis in cooperation with each department.

- 1 Considering policies for addressing sustainability
- 2 Identifying, evaluating, and managing risks and opportunities related to sustainability
- 3 Managing the status of initiatives to reduce risks and expand opportunities related to sustainability
- 4 Setting indicators and targets to manage progress on sustainability initiatives

Materiality

The Company has identified issues to be addressed with high priority as materiality from among those of high importance, in order to continuously enhance its corporate value and realize a sustainable society.



	Themes	Key issues (Materiality)
E Environmental	Balancing between a rich environment in the future and business activities	<ul style="list-style-type: none"> ● Strengthening of resilience to climate change ● Sustainable use of resources by measures to reduce the burden on the environment
S Social	Provision of optimal space keeping abreast of changing external environment and times	<ul style="list-style-type: none"> ● Provision of safe, secure, and comfortable spaces ● Promotion of the business keeping abreast of the changing environment and times
	Co-existence and co-prosperity with stakeholders	<ul style="list-style-type: none"> ● Conducting constructive dialogue with investors and shareholders in line with sustainable management ● Collaboration with partner companies while being aware of ESG issues ● Co-existence and co-prosperity with local communities
	Establishment of the organization where diverse human resources achieve their potential	<ul style="list-style-type: none"> ● Respect of human rights, diversity and inclusion ● Improvement of human capital
G Governance	Reinforcement of the management base that supports the sustainable management	<ul style="list-style-type: none"> ● Financial strategy to adapt to a changing business environment ● Strengthening of organizational resilience ● Improvement of the effectiveness of the Board of Directors ● Implementation of compliance that supports sustainable management

Processes for Identifying Materiality

STEP 1

Identification of social issues

With the aim of identification of materiality, taking into consideration of the management policy based on corporate philosophy and Code of Conduct, the Company examined a wide range of issues, including SDGs and other various international frameworks, various issues focused on by ESG rating agencies such as MSCI*1 and FTSE*2, and other companies' initiatives, and identified potential social issues that the Company should address.

*1 MSCI is a financial services company based in New York, USA. It provides a wide range of services including stock index calculation and portfolio analysis.

*2 FTSE is a joint venture between the London Stock Exchange and the Financial Times, a British newspaper that focuses on business and financial affairs. It specializes in the construction and calculation of indices.

STEP 2

Collection of comments on the identified social issues and examination of their relevance

The Company collected internal comments on the identified social issues at all levels (i.e., the management team, the Sustainability Committee, departments and groups, and employees), and conducted interviews with stakeholders and questionnaire surveys of external experts. Then, the Company analyzed those issues from the ESG perspective and examined their relevance.

STEP 3

Examination of importance and comprehensiveness as those to be addressed by the Company

After further examination, the Company reexamined, on a company-wide basis, the importance of those social issues from a long-term perspective, and their comprehensiveness and consistency with the issues facing society. Based on this reexamination, the Company summarized them into 13 aspects of materiality.

STEP 4

Identification of the Company's materiality

The Company identified its materiality through deliberation at the Management Meeting and the Board of Directors' Meeting.

Sustainability Initiatives

UN Global Compact (UNGC)

The UN Global Compact (UNGC) is a voluntary effort by corporations and organizations to act as good social citizens by exercising responsible, creative leadership and participate in building a global framework for achieving sustainable growth.

Companies and organizations that are signatories to the UNGC uphold the 10 principles of the UNGC, including protecting human rights, eliminating all forms of unfair labor, undertaking environmental initiatives, and working to prevent corruption. Under the direct commitment of their top management, they continuously strive to realize those principles. Keihanshin Building became a signatory to the UN Global Compact in March 2020 and joined Global Compact Network Japan. We will further clarify our commitment to promoting SDGs initiatives and sustainability-conscious management, and work to implement our initiatives.



Science Based Targets (SBT)

The Science Based Targets (SBT) initiative is a global, collaborative initiative established in 2015 as a collaboration between CDP, the UN Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). It provides SBT approval for GHG emissions reduction targets based on scientific evidence. To receive SBT approval, GHG emissions reduction targets must be conformant with the standards required by the Paris Agreement global framework (limiting the maximum rise in global average temperature since the Industrial Revolution due to climate change to below 2°C and striving to keep it below 1.5°C).

Keihanshin Building's GHG emissions reduction target of cutting Scope 1 and Scope 2 GHG emissions by 46% by FY2031/3 (compared to FY2020/3) was deemed conformant with the standards of the Paris Agreement and received the SBT approval.



Task Force on Climate-related Financial Disclosures (TCFD)

In November 2021, the Company announced its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD). Taking this opportunity, the Company is assessing the impact of climate change on its business, and from June 2022, has been disclosing climate change-related information in line with the framework recommended by the TCFD.

In view of the need to enhance information disclosure on the financial impact that climate change and other sustainability issues have on a company, which enables investors to make appropriate investment decisions, the Company recognizes anew that initiatives to address climate change and other sustainability issues will contribute to the medium- to long-term enhancement of its corporate value.



Sustainable Financing

To diversify fund procurement methods and promote the realization of decarbonized society, the Company actively engages in sustainable financing with an aim of continuously enhancing corporate value.

Formulation of Sustainability-Linked Financing Framework

As a framework for procuring funds for pursuing sustainable management, the Company has formulated the Sustainability-Linked Financing Framework (the "Framework"). Through procurement of funds under the Framework, we will strengthen relationships with financial institutions and investors, while working to continuously enhance the Company's corporate value and resolve social issues.



Sustainability-Linked Financing Framework [PDF: 826 KB]

Initiative Results

Sustainability-Linked Bonds

Name of the bonds	Keihanshin Building Co., Ltd. 14th series of unsecured bonds (with limited inter-bond pari passu clause) (Sustainability-Linked Bonds)				
Maturity	7 years	Issuance amount	5.0 billion yen	Amount of each bond	0.1 billion yen
Interest rate	1.359% annually	Paid-in amount	100 yen for 100 yen of the amount of each bond	Maturity amount	100 yen for 100 yen of the amount of each bond
Determination date of issuance terms	November 22, 2023 (Wednesday)	Paid-in date	November 29, 2023 (Wednesday)	Maturity date	November 29, 2030 (Friday)

News Releases Regarding Sustainable Financing

October 27, 2023 Notice Concerning Issuance of Sustainability-Linked Bonds

November 22, 2023 Notice Concerning Determination of Terms and Conditions of Sustainability-Linked Bonds

Stakeholder Engagement

We will realize sustainable growth together with stakeholders through our business and aim to contribute to the realization of a sustainable society while providing environmental, social, and economic value.



Initiatives for the environment

We will contribute to energy conservation and the creation of cities that harmonize with nature.



Relations with tenants (customers)

We will provide valuable commercial space to advance together with our customers.



Dialogue with shareholders and investors

We aim to enhance corporate value through appropriate information disclosure and active dialogue.



Together with partner companies

We will strive to build strong, cooperative relationships with companies as partners who embark on the same journey together.



Relations with local communities

We will develop businesses that are rooted in local communities while cooperating with them.



Initiatives on human resource development and workstyle reforms

We work to create a comfortable work environment where everyone can play an active role.



Environment

Initiatives for Climate Change

- 12 • Basic Concept
 - Sustainable Use of Resources and Contribution to Recycle-Oriented Society
- 13 • Initiatives Based on Risks and Opportunities
- 14 • Progress and Results of Targets and KPIs

Initiatives for Water Resources

- 16 • Basic Concept
 - Targets: KPIs and Numerical Targets
 - Specific Initiatives

Initiatives to Reduce the Volume of Waste and Prevent Pollution

- 17 • Basic Concept
 - Targets: KPIs and Numerical Targets
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Initiatives for Climate Change

Basic Concept

We will evaluate the impact of our business activities on climate change, a highly uncertain phenomenon that occurs over many years, while striving to build internal systems, improve efficiency of energy use, reduce greenhouse gas emissions, and take other actions so that we can appropriately respond to medium- to long-term changes, including the transition to a decarbonized society as well as the physical impacts from climate change, sea level rise, and other causes.

Sustainable Use of Resources and Contribution to Recycle-Oriented Society

We will strive to make effective use of limited resources through extending the service life of buildings, reducing waste, conserving water or other methods, thereby contributing to the realization of a recycle-oriented society.

Major risks and opportunities related to climate change

The Company has identified risks and opportunities based on analysis of 1.5°C Scenario and 4°C Scenario, in accordance with the framework recommended by the TCFD to refer to multiple scenarios including 2°C or less.

Risks		Description
Transition risk	Stricter energy conservation regulations	<ul style="list-style-type: none"> ● Increase in costs of facility renovations and building demolition as a measure to respond to cases if it becomes illegal to lease or sell properties with poor environmental performance
	Progress and spread of renewable energy and energy saving	<ul style="list-style-type: none"> ● Increase in capital investment and management costs due to the introduction of renewable energy and energy-saving technologies
	Increase in procurement price	<ul style="list-style-type: none"> ● Hike in material purchase prices due to environmentally friendly procurement ● Increase in construction, renovation, and repair costs due to decline in productivity as a result of extreme heat ● Increase in construction and maintenance costs due to ZEB*1/ZEH*2 compliance and more stringent energy-saving regulations
Physical risk	Intensification of natural disasters such as typhoons and floods	<ul style="list-style-type: none"> ● Increase in costs of countermeasures against wind and flooding damage due to larger typhoons and increased heavier rainfall, as well as increase in insurance and repair costs
	Rising sea level due to higher average temperature	<ul style="list-style-type: none"> ● Increase in costs of countermeasures against submersion due to storm surge, etc., occurrence of damages and moving out

*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 of realizing ZEB on average for new constructions by the year 2030. In addition, ZEB here refers to ZEB in a broad sense, including "ZEB Ready" and "Nearly ZEB."

*2 Stands for "net Zero Energy House." It refers to houses that consume less primary energy while leveraging renewable energy and other means to achieve a net primary energy consumption of zero or less.

Opportunities	Description
Improving brand power by strengthening business resilience	<ul style="list-style-type: none"> ● Increase in opportunities for gaining tenants and rental income due to improved brand image through strengthening environmental and BCP response, and suppression of falling rental values ● Decrease in capital costs due to timely and appropriate information disclosure
Increase in needs for moving into disaster-resistant buildings	<ul style="list-style-type: none"> ● Differentiation from other properties and increase and maintenance of property values through high BCP performance ● Increase in opportunities to attract tenants and rental income, curbing rental income declines
Increase in needs for moving into buildings with high environmental performance	<ul style="list-style-type: none"> ● Differentiation from other properties and increase and maintenance of property values through high environmental performance ● Increase in opportunities to attract tenants and rental income, curbing rental income declines
Increase in demand for datacenters thanks to the progress of digital transformation (DX) and green transformation (GX)	<ul style="list-style-type: none"> ● Capturing of demand for datacenters with the acceleration of digital transformation (DX) and green transformation (GX) and demand for disaster-resistant datacenters, and increase in rental income

Initiatives Based on Risks and Opportunities

1.5~2 °C Scenario

A scenario in which progress is made in addressing climate change due to stricter government regulations, etc.

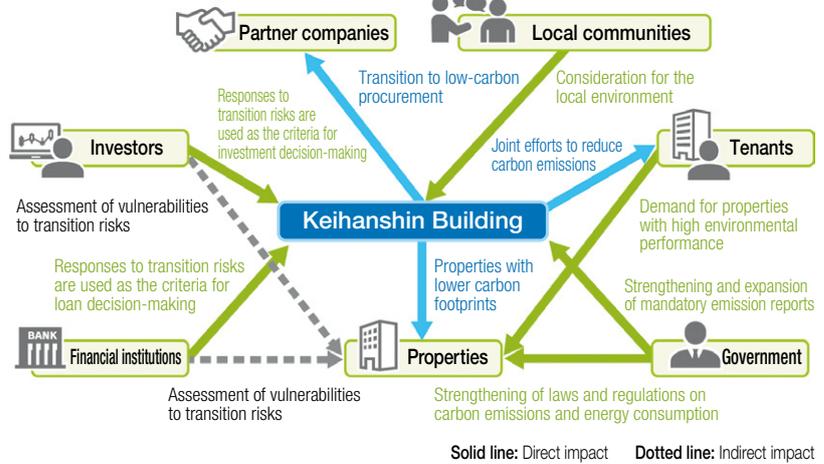
Scenario overview

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

Major impacts

- Laws and regulations on carbon emissions and energy consumption may be strengthened.
- While demand for properties with high environmental performance may increase, rents for properties with low environmental performance may decrease. However, it is expected that the promotion of initiatives to reduce the burden on the environment, such as the introduction of electricity derived from renewable energy sources and carbon emission reduction initiatives in cooperation with tenants (customers), will help improve and maintain property competitiveness.

World view of the 1.5°C Scenario



Examples of initiatives

Shifting to energy-saving equipment

We are progressively switching to energy-saving lighting and air conditioning equipment at the timing of facility renewals or tenant replacement. One of the objectives of this is to reduce costs in response to stricter energy conservation regulations assumed in the 1.5°C Scenario. We have introduced LED lightings mainly at office buildings, while progressively upgrading power substations and shifting to energy-saving air-conditioning facilities at datacenter buildings. We plan to invest a total of approximately 1.6 billion yen in shifting to energy-saving equipment for properties owned as of FYE March 2024, through FYE March 2031.

Acquisition of green building certifications

We promote the acquisition of green building certifications, such as CASBEE Real Estate Certification and BELS Certification, in order to objectively assess the condition of our buildings through external evaluations, and at the same time, to use them as a reference for further improvement and enhancement, in anticipation of further expansion of occupancy needs for buildings with high environmental performance.

4 °C Scenario

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

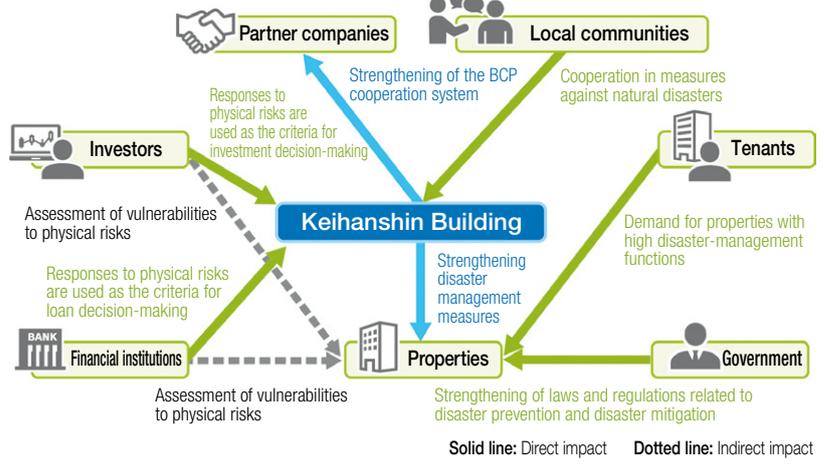
Scenario overview

- Insufficient progress is made in addressing climate change, global warming worsens, and natural disasters intensify and increase.

Major impacts

- While costs may increase to strengthen disaster prevention measures, as we have already put various measures in place under the concept of "preventive maintenance," no serious damage is expected to occur.

World view of the 4°C Scenario



Examples of initiatives

Investment in countermeasures against wind and flooding damage

For mitigating damage and costs in response to intensified wind and flooding assumed in the 4°C Scenario, we have been taking measures to reduce the risk of inundation in our owned properties. These include, based on the idea of preventive maintenance, relocating extra high-voltage power substations to upper floors, which receive power from outside and supply it to the inside of the buildings, and roof waterproofing, in addition to installing flood-control panels. We plan to invest a total of approximately 2.7 billion yen in countermeasures against wind and flooding damage for properties owned as of FYE March 2024, through FYE March 2031.

Collaborative drills with partner companies

We regularly conduct drills in cooperation with partner companies responsible for building management and operations to strengthen resilience in terms of software, for reducing damage and costs in response to intensified wind and flooding damage assumed in the 4°C Scenario and expanding revenue opportunities due to occupancy needs for buildings with high BCP performance as part of our objectives. In the drills, we actually perform a series of flows including installation of flood-control panels assuming flooding and operating emergency-use generators in preparation for the interruption of electricity supply from outside. By strengthening resilience in terms of both hardware and software, we strive to provide highly reliable commercial spaces for our tenant companies.

Progress and Results of Targets and KPIs

GHG emissions reduction

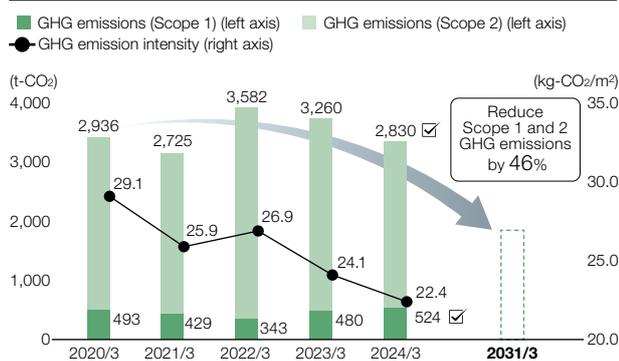
KPI Reduce GHG emissions (Scope 1 and 2) by 46% by FYE March 2031 (compared to the FYE March 2020)
Achieve net-zero emissions by FYE March 2051

In the fiscal year ended March 31, 2024, Scope 3 GHG emissions accounted for about 96% of the Company's total supply chain GHG emissions. Of Scope 3 GHG emissions, approximately 88% are GHG emitted by the business activities of tenants (customers) of our leasing properties (Category 13), and approximately 85% of the Company's total supply chain GHG emissions consists of those emitted by the business activities of tenants (customers) of our leasing properties. This distinctive figure is due to the fact that we lease datacenter buildings.

Compared to office buildings, datacenter buildings use a larger amount of electricity to operate and cool IT equipment. However, we believe that we are making a certain contribution to energy conservation and GHG emissions reduction in society as a whole through efforts such as having datacenter users transfer and consolidate their servers and other IT equipment scattered across multiple locations into a state-of-the-art datacenter building with high energy efficiency.

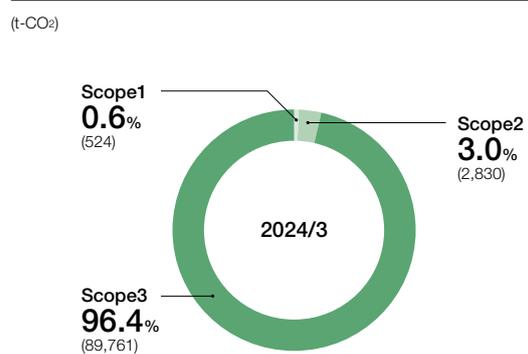
We believe that in order to reduce GHG emissions across the entire Company, it is essential to promote energy conservation initiatives in cooperation with tenants (customers) and encourage them to consider the use of renewable energy. We will continue to work to reduce GHG emissions in cooperation with tenants (customers).

Actual GHG emissions and GHG emission intensity



Prior year results have been revised due to a review of the findings of a third-party verification organization.
 Figures with check marks have been verified by a third-party organization.

Ratio of Scope 1, 2, and 3 for FYE Mar. 31, 2024



Ratio of electricity derived from renewable energy sources

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

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

Applies only to electricity usage for Scope 2.

Energy consumption intensity

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

Items	2020/3	2021/3	2022/3	2023/3	2024/3
Energy consumption (MWh)	10,784	10,105	11,513	12,605	11,933
Number of target facilities	10	11	12	12	12
Total floor space (m ²)	117,858	121,647	146,191	154,977	149,814
Energy consumption intensity (kWh/m ²)	91.50	83.06	78.75	77.85	79.65

Figures are totals for Scope 1 and 2, and do not include properties being leased as a whole building to a single tenant. Total floor space is calculated based on the occupancy rate.

Ratio of properties with green building certifications

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

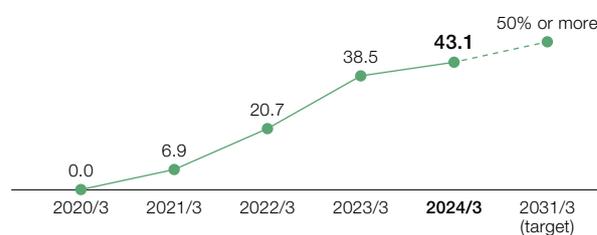
CASBEE (Comprehensive Assessment System for Built Environment Efficiency)

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

BELS

● OBP Building: Two stars

Ratio of properties with green building certifications by total floor space



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

Initiatives for Water Resources

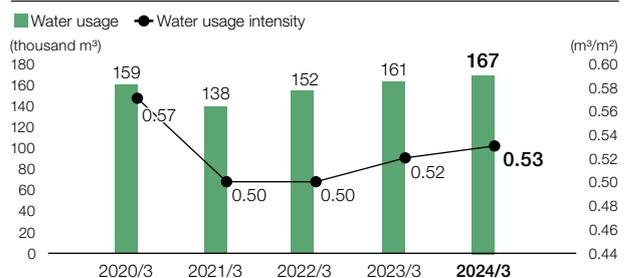
Basic Concept

We recognize the conservation and efficient use of water resources as initiatives that help reduce our environmental impact, ensure compliance with wastewater-related regulations—such as the Water Pollution Prevention Act—and local ordinances, and reduce our operational costs. Based on this recognition, we strive to use water resources sustainably by appropriately assessing and managing the usage of water by the buildings we own and by implementing various water conservation measures.

Targets: KPIs and Numerical Targets

Target: Reduce water usage intensity (m^3/m^2) from the previous fiscal year

Trends in water usage and water usage intensity



Specific Initiatives

Introducing water-saving equipment

We have been working to reduce water usage as well as improve comfort by updating equipment in water-related areas, such as toilets, in our properties one after another.



Water-saving toilet at Keihanshin Kawaramachi Building

Rainwater infiltration and groundwater preservation

To protect groundwater by preventing large amounts of rainwater from flowing into rivers and the ocean at the same time, we use techniques to infiltrate rainwater into the ground, such as permeable pavement in building exteriors, sidewalks, parking lots and other areas.

Water risks

We use Aqueduct, a water risk evaluation tool provided by WRI*, to evaluate the water risk and water stress of our properties.

Currently, we do not conduct businesses in areas where the water risk is classified as high or above. However, we will regularly monitor water risk for the areas where our buildings are located and the water usage by individual buildings.

* WRI (World Resources Institute): An independent, non-profit global research institute that engages in environmental and social issues in order to create a sustainable future

Initiatives to Reduce the Volume of Waste and Prevent Pollution

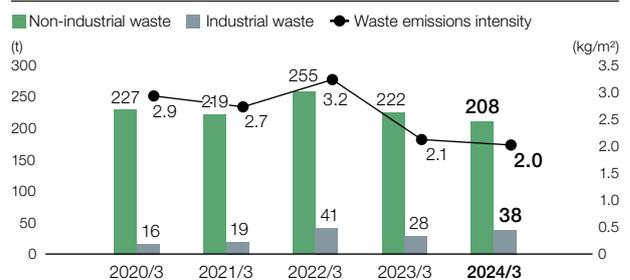
Basic Concept

We recognize that reducing waste from the buildings we own and manage, as well as reducing and managing hazardous waste products, are important tasks necessary to protect soil, water resources, and the health and safety of workers and community members. We also recognize that these efforts are vital for fulfilling our corporate social responsibility and maintaining positive relationships with stakeholders. We appropriately identify and manage waste, striving to reduce it through various initiatives and contributing to the realization of a recycling-oriented society.

Targets: KPIs and Numerical Targets

Target: Reduce waste emissions intensity (kg/m²) from the previous fiscal year

Waste emissions and waste emissions intensity



Specific Initiatives

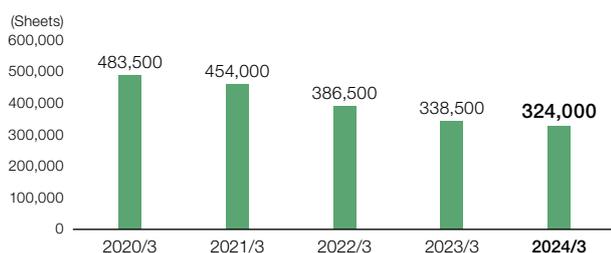
Working with customers to reduce and recycle waste

In cooperation with our cleaning partner companies, we have been asking customers to work with us for the separation and recycling of waste. We have placed waste sorting boxes on tenant floors with the cooperation of customers, and work together with them to reduce and recycle waste.

Reducing paper consumption at our offices

The Company has been working to reduce the amount of paper used in its offices by digitalizing operations and adopting paperless work processes.

Trends in paper consumption at our offices



Prolonging the lives of buildings and improving durability

The Company strives to prolong the service life of buildings by adopting long-life, high-durability materials and appropriately managing and repairing buildings based on the idea of "preventive maintenance," in an effort to conserve limited resources and reduce the volume of waste. By making improvements in the interior, facilities, the building structure, and other parts, we enable buildings that have been in service for many years, such as the Kawaramachi Building that houses the Company's Head Office, to offer greater convenience and comfort. This has led tenants to use them for many years.



Keihanshin Kawaramachi Building 1F lobby

Appropriate management of hazardous waste

For asbestos, PCB, CFCs and other hazardous wastes, we conduct surveys and dispose of them appropriately in accordance with relevant laws and regulations.



Social

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Initiatives for Human Rights

Basic Concept

Keihanshin Building's corporate philosophy is "To provide valuable commercial space to customers so as to contribute to the community," and we aim to contribute to society through a wide range of corporate activities. Our Code of Conduct also advocates fostering a corporate atmosphere, "Respect for the individual," and we recognize respect for the individuality and personality of employees as a matter of priority. Our Human Rights Policy below sets forth our stance on respect for human rights in conducting corporate activities with respect for the dignity and basic human rights of employees as well as all the people who are related to our business, and we will put it into practice as the basis of all our corporate activities.

 Keihanshin Building Human Rights Policy [PDF: 87 KB]

Targets: KPIs and Numerical Results

We conduct education and training (such as human rights training programs and internal awareness-raising activities) to prevent and reduce any negative impact on human rights that might arise due to a lack of knowledge or understanding of human rights by our employees, as well as to foster a corporate atmosphere that respects human rights.

Initiatives	KPIs / Targets and results	
Diversify human resources Workshops on human rights	Target ● At least once a year	Result for FYE March 2024 ● Held once

Initiatives for Human Rights

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

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

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

Initiatives for Employees

► Initiatives for Human Capital

Comment from General Manager of Personnel & General Affairs Department



Yoshikatsu Okada

Executive Officer and General Manager of Personnel
& General Affairs Department

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

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

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

| Policies

Policy on human resources development

1. Keihanshin Building has established in its corporate philosophy: “to act efficiently, evolve, and create a vital corporate atmosphere.” To achieve sustainable future growth, we will focus our efforts on developing the human resources that are at the heart of this corporate atmosphere.
2. Based on the belief that “the growth of a company is nothing other than the sum of the growth of its individual employees,” we will actively work to acquire diverse human resources and develop each employee according to his/her individuality, personality, and values.
3. We will encourage our diverse human resources to autonomously grow in the right places, whether they are new graduates or experienced hires, regardless of their gender or age.

Policy on workplace environment development

1. In order to achieve efficient management with a small number of employees, we will create a workplace environment where employees with diverse individualities, personalities, and values respect each other, and where every employee can achieve their full potential according to their abilities.
2. We promote health and productivity management and strive to maintain and improve the health of our employees so that they can thrive both physically and mentally.
3. We strive to improve productivity and operational efficiency, as well as to create a safe and comfortable work environment that maximizes the potential of each and every one of our employees by developing structures and systems that enable diverse work styles that take into consideration the work-life balance of our employees.

Strategies

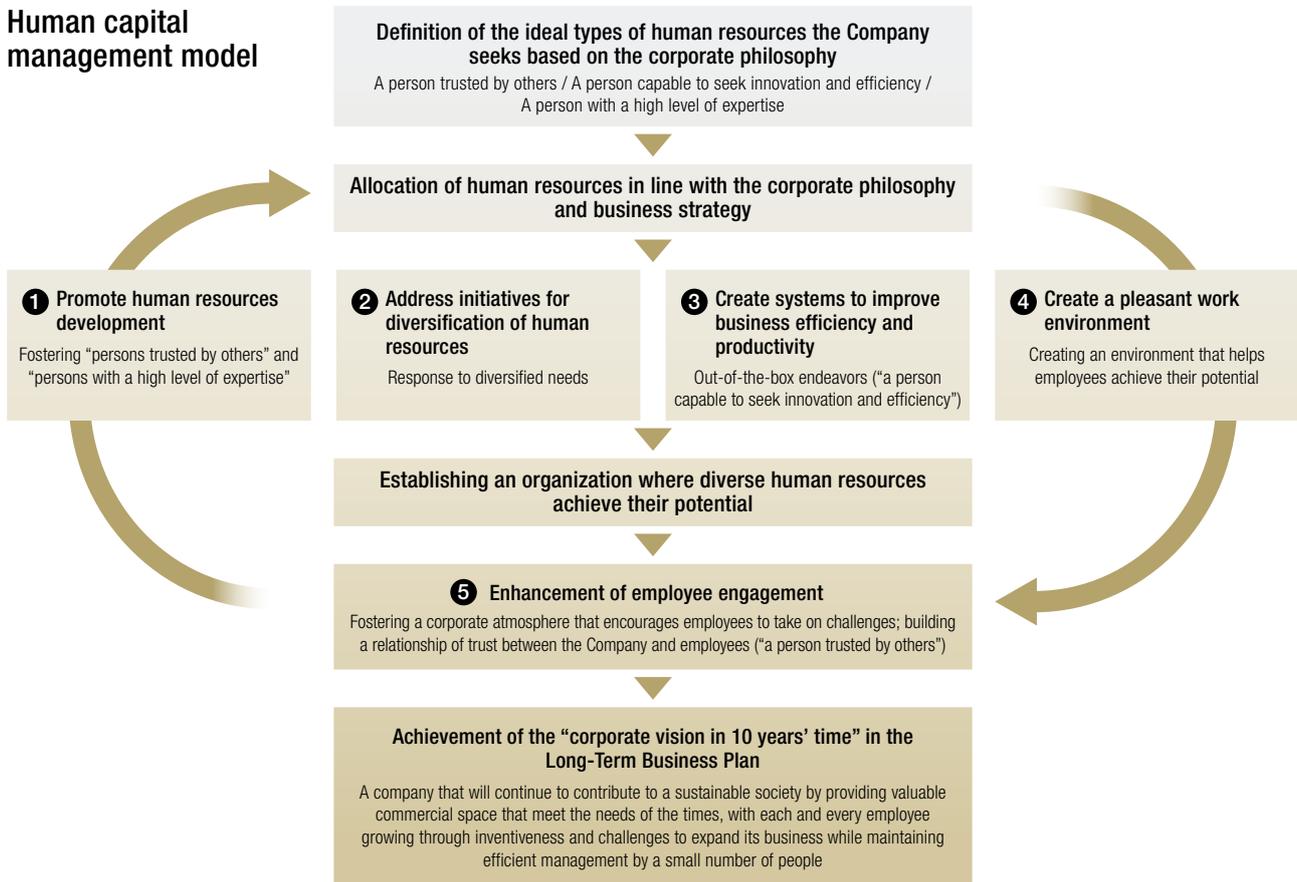
The Company is committed to improving its human capital based on the belief that the company growth is nothing other than the sum of each employee's growth. We have defined the ideal types of human resources we seek based on our corporate philosophy, and are pursuing a human resources strategy linked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

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

Ideal types of human resources Keihanshin Building seeks

 <p>A person trusted by others</p>	<ul style="list-style-type: none"> A person with a sense of responsibility able to build a relationship of trust with stakeholders from a long-term perspective; a person who has strong business execution capabilities <p>To develop/recruit such human resources</p> <ul style="list-style-type: none"> Develop employees' business execution capabilities, expertise, and communication skills through daily work and projects Cultivate employees' sense of ownership and mindset of participation in management through participation in various projects and an employee stock ownership plan
 <p>A person capable to seek innovation and efficiency</p>	<ul style="list-style-type: none"> A person capable of bringing about changes in business models and business operations in response to changes in the business environment A person who can act with motivation to grow and take on challenges <p>To develop/recruit such human resources</p> <ul style="list-style-type: none"> Secure human resources who will lead new businesses and efficiency improvement by supporting employees' independent career development and hiring experienced personnel Foster an atmosphere that encourages employees to take on challenges by holding training programs and inviting applications for various projects
 <p>A person with a high level of expertise</p>	<ul style="list-style-type: none"> A person with specialized skills related to his/her duties and real estate who can increase the Company's corporate value <p>To develop/recruit such human resources</p> <ul style="list-style-type: none"> Hire expert human resources Develop expertise through job- and rank-specific training programs and the qualification support system

Human capital management model



Initiatives

Promote human resources development

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

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

	Real estate leasing business	Revolving-type investment business	Equity investments	Overseas investments
Human resources strategy	Allocate personnel with appropriate skills and aptitudes			
	A person with a wealth of experience and knowledge in the real estate business			
	Recruitment	A person with a wealth of experience and knowledge in building and facility management	A person with a wealth of experience and knowledge in the investment management business	A person with business experiences overseas, mainly in the United States
Development	<ul style="list-style-type: none"> Development through training system by duty and grade, and OJT Support for obtaining qualifications (Real Estate Notary, Certified Building Administrator, ARES Certified Master, TOEIC, etc.) Secondment to other companies with expertise in the revolving-type investment business, equity investment, and overseas investment 			

■ New businesses

Training system by duty and grade

We have created training programs for individual duties and grades to develop future candidates for executive positions.

Training system by duty and grade (outline)

Eligible personnel	Details of training		Dispatched outside the Company	Qualification support system
Officers	Officers training	<ul style="list-style-type: none"> Legal affairs Business strategy Business analysis and financial strategy Corporate ethics 	<ul style="list-style-type: none"> Cross-industry exchange training Secondment Overseas training Outside seminars 	The Company pays a bonus for qualifications individually accredited by the Company according to difficulty, or bears the cost of acquiring the qualification.
General manager - assistant general manager	Senior manager training	<ul style="list-style-type: none"> Management Skills to formulate business strategy and plans 		
Section head - deputy section head	Manager training	<ul style="list-style-type: none"> Management 		
Assistant manager	Workplace leader training	<ul style="list-style-type: none"> Management 	<ul style="list-style-type: none"> Secondment Overseas training Outside seminars 	
Assistant manager	Training to improve capability of young employees	<ul style="list-style-type: none"> Problem-solving skills Situational judgment skills 		
New employee	New employee training	<ul style="list-style-type: none"> Business manners Accounting basics 		

Training for managers and candidates for managerial positions

We offer open training programs with the aim of developing managers. Training participants who are managers or candidates for managerial positions deepen their understanding of the actions required of managers, human resource management, business strategy, and other matters through assignments issued by outside experts. Through these training programs, they strive to improve their management skills and heighten their expertise.

Training assignment examples	<ul style="list-style-type: none"> Logical thinking and facilitation Leadership and human resource management Business strategy Marketing Accounting and finance
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Qualification support system

The qualifications recommended by each section are clearly disclosed within the Company with the aim of developing human resources with high expertise to lead the Company's businesses. A bonus is paid according to the difficulty of the qualifications.

Recommended qualifications (excerpt)

	Common to all employees	Business Department	Property Management Department	Investment Promotion Department	Administration
Name of qualification	<ul style="list-style-type: none"> Real Estate Notary The Official Business Skill Test in Bookkeeping 2nd Grade The Official Business Skill Test in Bookkeeping 3rd Grade TOEIC (Score of 800 or more) 	<ul style="list-style-type: none"> Building Sanitation Engineer (Building Manager) Licensed Representative of Condominium Management Company Real Estate Consulting Master Certified Building Administrator 	<ul style="list-style-type: none"> Building Sanitation Engineer (Building Manager) 	<ul style="list-style-type: none"> Certified Real Estate Appraiser ARES Certified Master 	<ul style="list-style-type: none"> Labor and Social Security Attorney Class-2 Health Officer Securities analyst The Japan Accounting and Financial Analysis Examination 2nd Grade Information Technology Passport Others

Initiatives for workplace diversity

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

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

Initiatives	KPIs / Targets and results	
Increase the ratio of female managers Training for female candidates for managerial positions, measures to support human resources development, and support for balancing work and childcare	KPIs*/Targets <ul style="list-style-type: none"> Increase the ratio of female managers to 10% or more by FYE March 2031 Increase the ratio of female managers to 30% or more by FYE March 2041 Achieve 50% for the male-to-female ratio in recruitment of new recruits (five-year average)* 	Result for FYE March 2024 <ul style="list-style-type: none"> Ratio of female managers: 8.3% Percentage of females among new graduates recruited: 62.5%

Initiatives	Results					
Increase diversity in skills and industry experiences; senior age employees playing more active roles Recruit professional and experienced personnel from outside to provide valuable commercial space with high BCP performance, environmental performance, and comfort ▶ Share and inherit the wealth of knowledge and experience from senior age employees and others experienced in the real estate and construction industries	20/3	21/3	22/3	23/3	24/3	
	Number of senior age* employees (persons)	13	14	14	14	19
	*60 years or older					

Initiatives	KPIs / Targets and results	
Diversify human resources Workshops on human rights	Target <ul style="list-style-type: none"> At least once a year 	Result for FYE March 2024 <ul style="list-style-type: none"> Held once

Active participation of senior human resources

We hire technical personnel who have a wealth of field experience at major general contractors. Property development, maintenance, and management enjoy constant involvement from our technical staff. Meanwhile, our technical staff work with our property management staff and our partner companies to engage in close communication with tenants. As a result, we have realized high-quality building construction and meticulous building management, and furthermore maintained high occupancy rates.

Creating systems to improve operational efficiency and productivity

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

Issues	Policy for addressing the issues	Initiatives
<p>Response to labor shortages due to a population decline</p> <p>To aim to improve operational efficiency and productivity to maintain competitiveness with a limited number of personnel</p>	<ul style="list-style-type: none"> Maintain efficient management by a small number of people by providing a workplace environment that helps diverse human resources to play active roles and every employee to achieve their full potential Offer various work style options, such as flexible work scheduling (offer a variety of work style options for different stages of life) 	<ul style="list-style-type: none"> Introduced a flextime system to allow employees to work on flexible schedules Developed an environment to allow employees to work remotely
<p>Leveraging digital technology to improve operational efficiency and provide new services</p> <p>To create new value and improve efficiency by leveraging various digital technologies</p>	<ul style="list-style-type: none"> Increase productivity by improving business processes and increasing efficiency through digitalizing operations Develop infrastructure to improve operational efficiency and provide new services (promotion of digital transformation) using digital technology (building infrastructure for data utilization) 	<ul style="list-style-type: none"> Reviewed, streamlined, and digitalized business processes Outsourced part of operations Digitalized operations to prepare the basis for promoting digital transformation Strengthened information security

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

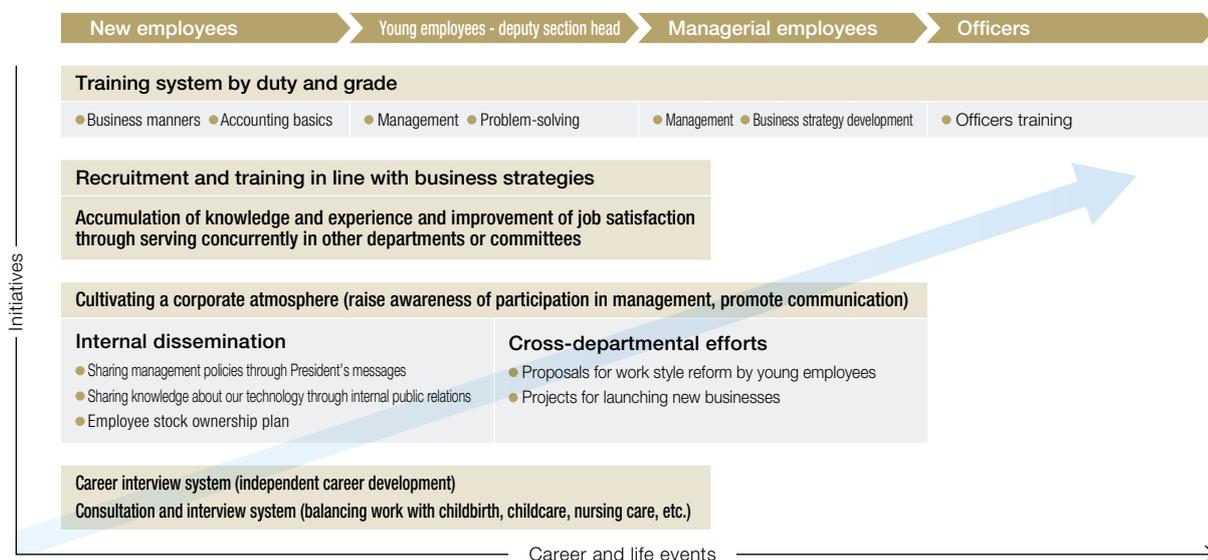
Creating a pleasant work environment

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

Initiatives	KPIs / Targets and results																							
<p>Improve productivity by allowing employees to maintain good balance between work and personal lives</p> <ul style="list-style-type: none"> Consecutive leave and anniversary leave systems 	<p>KPIs*/Targets</p> <ul style="list-style-type: none"> Paid leave utilization rate: 70% or higher* Reduce average monthly working hours per person year-on-year 	<p>Result for FYE March 2024</p> <table border="1"> <thead> <tr> <th></th> <th>20/3</th> <th>21/3</th> <th>22/3</th> <th>23/3</th> <th>24/3</th> </tr> </thead> <tbody> <tr> <td>Number of individuals who took maternity/childcare leave (persons)</td> <td>1</td> <td>2</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Number of individuals who returned to work (persons)</td> <td>1</td> <td>0</td> <td>1</td> <td>2</td> <td>1</td> </tr> </tbody> </table>						20/3	21/3	22/3	23/3	24/3	Number of individuals who took maternity/childcare leave (persons)	1	2	1	1	1	Number of individuals who returned to work (persons)	1	0	1	2	1
		20/3	21/3	22/3	23/3	24/3																		
Number of individuals who took maternity/childcare leave (persons)		1	2	1	1	1																		
Number of individuals who returned to work (persons)	1	0	1	2	1																			
<p>Help employees to balance work and personal lives</p> <ul style="list-style-type: none"> Encourage employees to take childcare/nursing care leave Flextime system 	<ul style="list-style-type: none"> 155 hours per month (±0 hours compared to the previous year) 																							
<p>Improve a workplace environment</p> <ul style="list-style-type: none"> Expand office space to improve productivity and prepare for future increase in personnel 																								

Enhancement of employee engagement

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



The Company will work to continuously brush up on its human capital management by measuring employee engagement through organizational diagnosis surveys* and dialogue with employees.

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

Process for driving human capital management



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

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



Multipurpose space

Supporting employees in building assets

We have established an employee stock ownership plan and a defined contribution pension system. In addition to promoting their asset formation, we hope that the participation of employees in the employee stock ownership plan will foster greater interest among them in our stock price fluctuations and our management, serving to heighten their mindset of participating in management.

► Health and Safety

| Basic Concept

We strive to enhance our human capital based on the idea that the true capabilities of a company are the sum of the abilities of its individual employees. We believe that the health and safety of our employees, who form the foundation of our business, are vital to increasing our corporate value over the medium to long term. We promote health and productivity management by creating healthy, safe, and comfortable workplace environments where employees can thrive both physically and mentally.

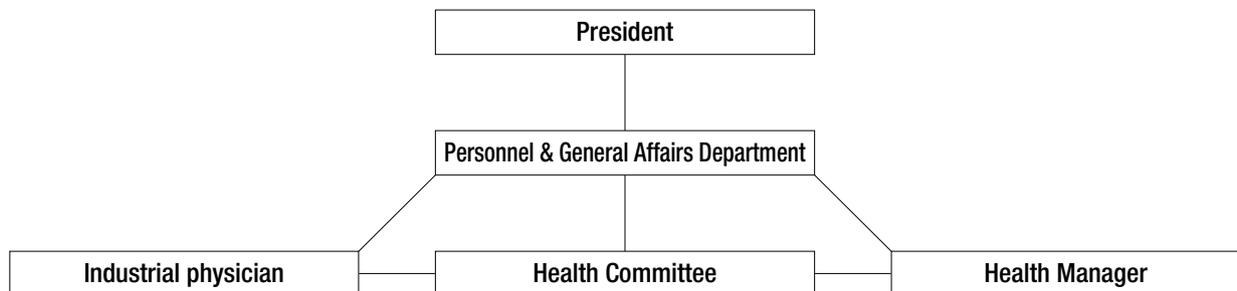
Health and Productivity Management Declaration

One of the principles under our corporate philosophy is “To provide valuable commercial space to customers so as to contribute to the community through the advancement of customers’ and our businesses.” We believe that in order to realize this philosophy it is important for each of our employees to improve productivity and performance through maximizing their own abilities while aiming to maintain and improve their health, and we declare our commitment to health and productivity management.

President Tsuneo Wakabayashi

| Promotion Structure

With Personnel & General Affairs Department at the center of our structure, our industrial physician and the Health Committee cooperate to manage the progress of various measures related to health and safety, identify issues in creating internal environments, and implement improvements.



| Targets: KPIs and Numerical Results

Initiatives	KPIs / Targets and results	
Promote health and productivity management Health checkup uptake endorsement	KPI ● Health checkup uptake rate: Maintain 100%	Result for FYE March 2024 ● 100%

External Evaluation

The Company was recognized as a 2024 Certified Health and Productivity Management Outstanding Organization (SME Category) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, an organization that operates the recognition program.



Specific Initiatives

Initiatives for health management and preventive measures

Health checkup	The Company makes medical checkups available to all employees, with all expenses borne by the Company, regardless of age, medical history, or other factors. Furthermore, the Company bears the expenses of re-examinations to help prompt identification and treatment of health issues.
Implementation of stress checks	To prevent mental health issues in advance, we conduct stress checks once a year and have maintained a 100% participation rate since the system was introduced in fiscal 2022.
Initiatives on prevention of infectious disease	To limit the health impact of influenza and to maintain the continuity of our business activities by taking preventive measures for infections, we offer subsidies for the costs of influenza vaccinations for all employees and their dependent family members who wish to receive them.

Initiatives for maintaining and improving health

Initiatives for promoting exercise opportunities	To motivate employees to exercise regularly, we provide subsidies for sports club usage, gym usage, yoga, and other activities.
Support for activities on internal events	We promote better health and greater communication between employees by providing support for activities such as voluntary golf competitions and bowling contests.

Initiatives related to creating safe and comfortable workplace environments

Establishment of a contact point for workplace environment improvement and health consultation	We have added a form to our internal portal that employees can use anytime to anonymously share opinions, ask questions, and consult regarding their workplace environment. The opinions and other feedback sent via this form are shared with and discussed by the Health Committee and are used to improve workplace environments.
Creating workplace environments that match work duties and situations	Large displays are lent to employees who wish to use them to perform their work more efficiently, in addition to laptops. Furthermore, besides individual work desks, we have also created multipurpose spaces (P.25) and soundproof private booths. Through these efforts, we are committed to providing employees with comfortable working environments that match their work duties and situations.
Disaster preparations	To prepare for the possibility of a disaster during working hours, disaster protection supplies (safety shoes, helmets, and emergency supply sets) have been distributed to all employees.

Initiatives with Partner Companies

Basic Concept

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

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

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

Targets and Numerical Results

As our initiatives for collaboration with partner companies on environmental and social issues, we strive to hold at least four regular meetings with business partners each year. In addition, to promote respect for human rights and safety and health at partner companies, we have set a target of conducting surveys on human rights at least once a year.

Initiatives	Targets and results	
Smooth business operations through collaboration with partner companies	Target <ul style="list-style-type: none"> Hold at least four regular meetings a year 	Result for FYE March 2024 <ul style="list-style-type: none"> Held at least four regular meetings a year
Promotion of respect for human rights and safety and health at partner companies	Target <ul style="list-style-type: none"> Conduct a survey on human rights at least once a year 	Result for FYE March 2024 <ul style="list-style-type: none"> Conducted a survey on human rights

Specific Initiatives

Regular meetings

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

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

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

Promotion of Sustainable Procurement

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

Process

STEP 1	<input checked="" type="checkbox"/> Giving information on the Company’s Sustainable Procurement Policy to partner companies (suppliers/contractors)
STEP 2	<input checked="" type="checkbox"/> Conducting questionnaire surveys with partner companies (suppliers/contractors) (identification of risks)
STEP 3	<input checked="" type="checkbox"/> Conducting interviews on responses and improvement measures for the identified risks
STEP 4	<input type="checkbox"/> Conducting regular questionnaire surveys and further identifying potential risks and status of improvement

Conducted

Relations with Tenants (Customers)

Basic Concept

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

Targets: KPIs and Numerical Results

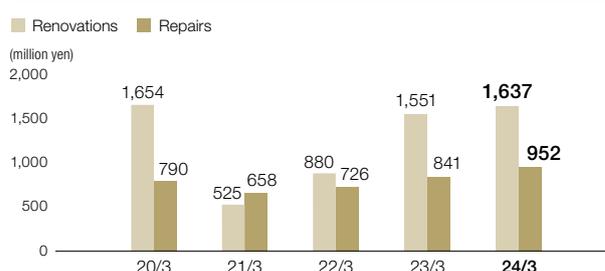
Initiatives	KPIs / Targets and results	
Provide properties and services with high customer satisfaction Customer satisfaction surveys	Target ● Conduct a customer satisfaction survey at least once a year	Result for FYE March 2024 ● Conducted a customer satisfaction survey
Provide safe, secure, and comfortable spaces Preventive maintenance works	KPI / Target ● Zero serious incidents	Result for FYE March 2024 ● Zero incidents

Specific Initiatives

Planned repair and renovation investments

In order to provide safety, security and comfort to our customers, we implement planned repairs and renovations aimed to prevent major accidents based on the concept of preventive maintenance, which defines the useful life period (in years or hours) based on our own standards for each facility and replaces the facility before it breaks down or malfunctions.

Investments in renovations and repairs



Investments in renovations and repairs (examples)

The value to offer	Our initiatives	Description	
Safety	Earthquake countermeasures	Earthquake countermeasures for building frames	<ul style="list-style-type: none"> ● Our main datacenter buildings and office buildings adopt advanced seismic isolation devices. ● Comprehensive seismic strengthening measures are also applied to existing buildings.
		Earthquake countermeasures for elevators	<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 drills are conducted.
	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.
		Electrical rooms and equipment rooms set on the second floor or higher	<ul style="list-style-type: none"> ● The risk of submersion has been reduced.
	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		<ul style="list-style-type: none"> ● In the event of a blackout, emergency-use generators are operated to ensure power. 	
Comfort	Enhancing tenant services	Twin system by Business Department and Property Management Department	<ul style="list-style-type: none"> ● A twin system by Business Department and Property Management Department has been set up, allowing for accurate understanding of and quick response to customer needs.
		Preventive maintenance	<ul style="list-style-type: none"> ● Repairs and renovations of facilities are carried out in a planned way, based on the concept of preventive maintenance.
		Upgrading amenities	<ul style="list-style-type: none"> ● Customer satisfaction 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.

Implementation of Tenant Employee Satisfaction Survey

By understanding direct feedback from our customers, their needs and levels of satisfaction, and finding issues and areas for improvement, we will work to provide safer and more comfortable commercial spaces.

Initiatives for Shareholders and Investors

Basic Concept

We aim to solve social issues and enhance corporate value by actively engaging in dialogue with shareholders and investors, and using the knowledge gained through such dialogue.

Targets and Numerical Results

Initiatives	Targets and results	
Promote fair, timely, and appropriate information disclosure and constructive dialogue	Target <ul style="list-style-type: none"> Hold at least four briefing sessions for shareholders/investors a year 	Result for FYE March 2024 <ul style="list-style-type: none"> Held seven briefing sessions (two for analysts and five for individual investors)

Initiatives to Enhance Corporate Value Through Information Disclosure

We are enhancing information disclosure so that our stakeholders, such as shareholders and investors, can better understand the Company. We will confirm the assessment of the Company from a third-party perspective and issues we face through responses to external evaluation organizations and active engagement in dialogue with shareholders/investors, and improve such issues, thereby enhancing corporate value.

Timely and Appropriate Information Disclosure

In order to eliminate the information gap between domestic investors and overseas investors, we have made it a policy to basically disclose information in English as well. Certain information, such as consolidated financial results and briefing session materials for analysts, are disclosed in Japanese and English simultaneously. Disclosure of annual securities report in English is an issue to be considered in the future.

Name of documents	Status of response
Consolidated financial results	The English version is disclosed simultaneously.
Briefing session materials for analysts	
Corporate Governance Report	
Timely disclosure materials to TSE	
Other disclosure materials	Disclosure of the English version is determined individually based on the policy of disclosing them in English.
Notice of General Meeting of Shareholders	Part of the information is disclosed in English.
Audited financial statements in English (Annual Report)	The English version is prepared and disclosed.
Annual Securities Report	To be considered in the future.

Promotion of Constructive Dialogue

For more information on policies for constructive dialogue with shareholders/investors, please see P.44. (Policy on Constructive Dialogue with Shareholders and Investors)

Relations with Local Communities

Basic Concept

As a real estate company fully grounded in the local communities, we will work to revitalize the local communities through efforts such as participation in events and support for cultural and artistic activities, thereby growing together with the local communities.

Targets and Numerical Results

Initiatives	Targets and results	
<p>Improve relations with local communities; Implement contribution activities to local communities</p> <p>Vitalization of local communities, litter clean-up activity</p>	<p>Target</p> <ul style="list-style-type: none">● Implement at least 10 contribution activities per year	<p>Result for FYE March 2024</p> <ul style="list-style-type: none">● Conducted social contribution activities at least 10 times a year

Improvement of Relations with Local Communities

As an initiative to improve relations with local communities, the Company participates in the association, Central Midosuji Network (Midosuji Urban Development Network) as a board member. This association aims to enhance the value of the Midosuji area, where the Company's head office is located, as a "business area with vitality and dignity." The association promotes revitalization initiatives in cooperation with the local communities, by examining issues and improvement measures for Midosuji from a local perspective and working in partnership with the local government, economic organizations, and other institutions.

Contribution to Local Communities

Under our Code of Conduct of “We will establish a good relationship with the community, and actively engage in social contribution activities as a good citizen,” as a company fully grounded in the local communities, we are engaged in donations and participation in litter clean-up activities. We believe such contribution activities help to revitalize local communities and increase their attractiveness, which will also lead to the Company’s sustainable growth.

Activities	Description	Supported Organization (Contact Point)
Litter clean-up activity	<p>Conduct litter clean-up activities for the roadside of our buildings and parks near our buildings</p> 	—
Supporting “Open House Osaka”	<p>Support the event to enhance Osaka’s urban appeal and to deepen understanding of “architecture,” a major component of the city, and interest in urban development</p>	Executive committee of Living Architecture Museum Festival Osaka
Supporting “Project to support Children’s Dream in Osaka”	<p>Support the event that aims at creating opportunities to experience success through the challenge of setting Guinness World Record and fostering children’s healthy growth and their ability to live positively</p> 	OSAKA KOUMIN Action Platform
Support for Midosuji Illumination	<p>Support the illumination project to revitalize Midosuji Road</p> 	Osaka Prefecture
Donation to the Flowers and Greenery Urban Renewal Fund	<p>Donate to conservation activities for the avenue of gingko trees and decorative flowers along Midosuji Road</p>	Osaka City



Governance

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Corporate Governance

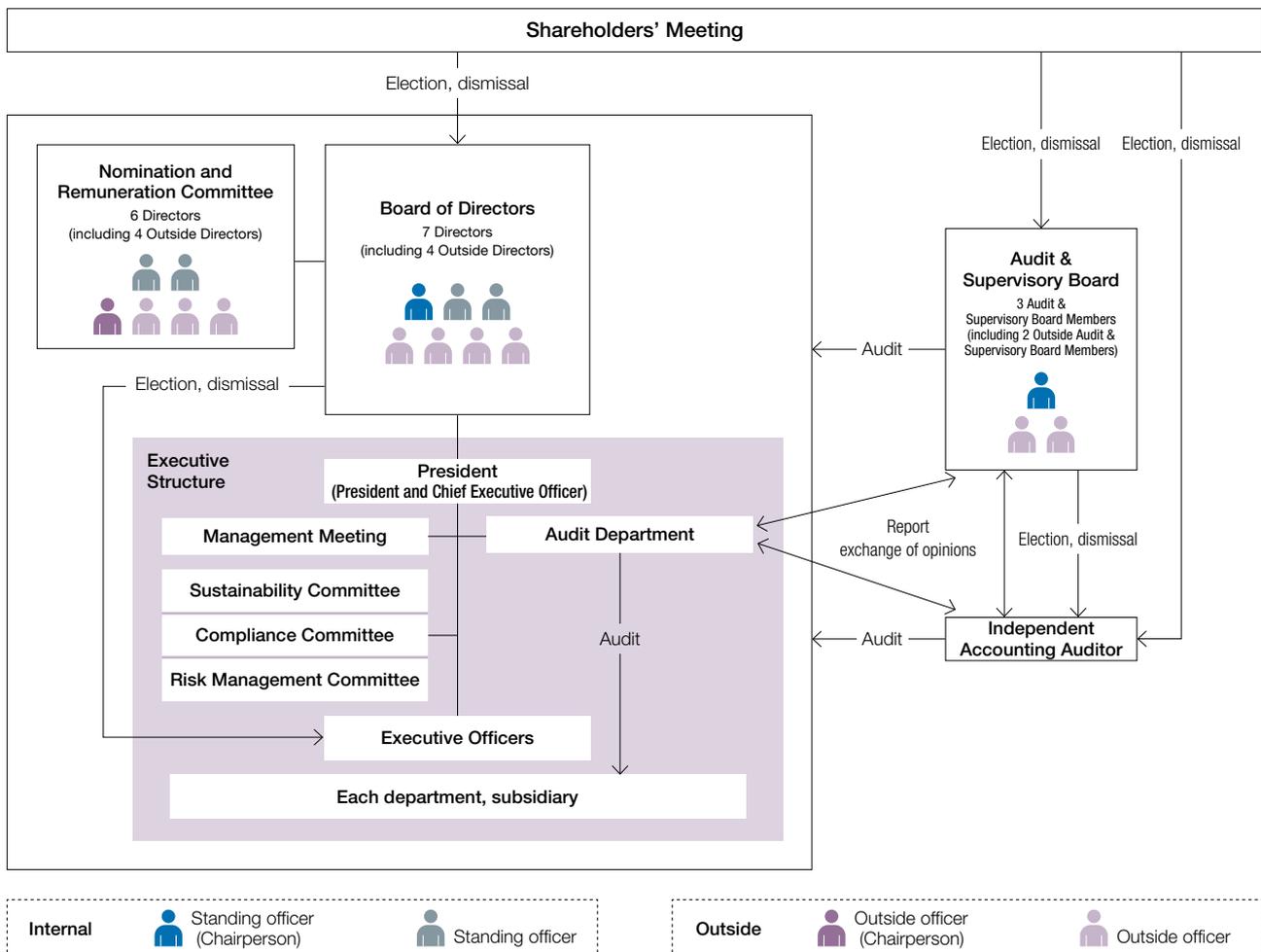
Basic Concept

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

We are well aware that it is the duty of the Company's directors and employees to put these ideas into practice, as well as complying with all laws and regulations and maintaining discipline, with consideration towards environmental and social issues to conduct a fair, transparent, and appropriate business in an atmosphere of free competition. In this way, we show all stakeholders, including our shareholders, customers, business partners, employees, and local communities, that we value the trust that they place in us.

Our Company's officers and employees are small in number, allowing for uncomplicated information gathering and operations management when compared to a large-scale corporation with many staff members. Our corporate organization reflects this feature. We also appropriately arrange our human resources and strive to maintain a sense of balance between each department and committee to fully exert the functions of our organization.

Corporate Governance Structure



Summary of Boards, Meetings, and Committees

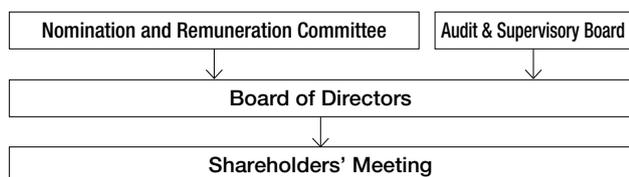
Name	Chairperson	Summary	Number of meetings held (FYE March 2024)
Board of Directors	 Chairman of the Board	As a general rule, the board holds a meeting once a month to determine important matters on the management and supervise the status of execution of duties.	11 times
Audit & Supervisory Board	 Audit & Supervisory Board Member (Standing)	The board audits the Directors' execution of duties and the Company's internal control system, and receives reports from the Independent Accounting Auditor on matters including the quarterly financial results and the year-end audit report.	12 times
Management Meeting	 President	The standing officers and general managers in charge of each department attend this meeting to report and review the status and plans of such operation under the basic policy determined by the Board of Directors.	11 times
Nomination and Remuneration Committee	 Outside Director	The committee deliberates on personnel matters, including the election and dismissal of the management team. Matters such as compensation for the management team are also deliberated. The chairperson and the majority of the committee members are Independent Outside Directors.	5 times
Sustainability Committee	 President	The committee, which is chaired by the President, consists of members of the Sustainability Promotion Group and several members selected from various departments. It convenes regularly and reports on its activities to the Management Meeting and the Board of Directors if necessary.	5 times
Compliance Committee	Executive Officer in Charge	The committee, which is an organization under the direct control of the President, consists of a chairperson and several members selected from various departments. It convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.	4 times
Risk Management Committee	Executive Officer in Charge	The committee, which is an organization under the direct control of the President, consists of a chairperson and several members selected from various departments. It convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.	5 times

Appointment Process for Directors and Audit & Supervisory Board Members

The President prepares a list of candidates for Directors, and the Board of Directors deliberates and makes decisions in light of reports on the results of deliberations in the Nomination and Remuneration Committee.

The President prepares a list of candidates for Audit & Supervisory Board Members and gains the consent of the Audit & Supervisory Board in accordance with the provisions of the Companies Act, after which the Board of Directors deliberates and makes decisions.

Appointment or dismissal of the Chairman and the President will be deliberated and decided at the Board of Directors based on the deliberations in the Nomination and Remuneration Committee. With regard to the dismissal of the Chairman or the President, if deemed necessary by the Nomination and Remuneration Committee, the Nomination and Remuneration Committee may exclude Internal Directors from its composition and report to the Board of Directors after seeking opinions of Outside Directors and Outside Audit & Supervisory Board Members.



Members of the Boards (skill matrix and meeting attendance)

Candidates for Directors and Audit & Supervisory Board Members of the Company are selected through comprehensive evaluations of their character, knowledge, capabilities, experience, and potential to contribute to the Company. In particular, the Company focuses on the perspective of enhancement of the supervisory function by utilizing licensed lawyers and accountants with highly specialized expertise as well as persons with experience in corporate management, as outside officers. Furthermore, from the perspective of ensuring diversity, the Company has set a goal related to materiality of achieving a proportion of female officers of 30% by FYE March 2031, and will continue to secure human resources toward achieving this goal.

	Name		Nomination and Remuneration Committee	Gender	Attendance at the Board of Directors' Meetings in FY2023	Term of office	Expertise (◎ A field for which Outside Officers are particularly expected)					
							Corporate Management	Finance & Accounting	Legal Risk Management	Industrial Expertise	Architecture	Technology Energy
Board of Directors	Koichi Minami	Standing	●	Male	11/11	8 years	●	●	●	●		
	Tsuneo Wakabayashi	Standing	●	Male	11/11	3 years	●	●	●	●		
	Seisuke Isemura (retired)	Standing		Male	11/11	4 years			●		●	●
	Yoshikazu Asakusa (newly appointed)	Standing		Male	—	—			●		●	●
	Takashi Yoshida	Outside	Independent	●	Male	11/11	7 years		◎	●		
	Masao Nomura	Outside	Independent	●	Male	11/11	5 years	◎	●	●		◎
	Takashi Tsuji (retired)	Outside	Independent	●	Male	9/11	4 years	◎	●	●		
	Chiho Takeda	Outside	Independent	●	Female	11/11	2 years			◎		
	Atsushi Miyano (newly appointed)	Outside	Independent	●	Male	—	—		●	●	◎	
Audit & Supervisory Board	Shigeru Nishida	Standing		Male	11/11	5 years		●	●			
	Hideharu Nagasawa	Outside	Independent		Male	11/11	3 years	◎	●	●		◎
	Hideyuki Kamijo	Outside	Independent		Male	11/11	2 years	●	◎	●	◎	

(Notes) The above table does not present a complete list of the expertise and experience possessed by each officer.

The Director, Ms. Chiho Takeda was in office for three years as Outside Audit & Supervisory Board Member of the Company before taking office as Director.

The Audit & Supervisory Board Member, Mr. Shigeru Nishida was in office for four years as Director of the Company before taking office as Audit & Supervisory Board Member.

Independence Criteria for Independent Outside Officers

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

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

*1. A "principal business partner" refers to any of the followings:

- (1) A person who has transactions with the Company, and the annual transaction amount is 2% or more of the consolidated net sales of either the Company or said person; or
- (2) A financial institution from which the Company makes loans, and the outstanding loans from such institution are 2% or more of the Company's total consolidated assets.

*2. A "business executor" refers to an executive director, corporate officer or executive officer.

*3. A "principal shareholder" refers to a shareholder who holds 10% or more of the Company's voting rights in his or her own or another name as of the end of the most recent fiscal year.

Overview and Activity Status of Nomination and Remuneration Committee

With an aim to ensure objectivity and transparency in matters related to the personnel and remuneration of the management team, we have established a Nomination and Remuneration Committee. The majority of the committee members, including the chairperson, are Independent Outside Directors. The Nomination and Remuneration Committee deliberates on the following matters in advance of the Board of Directors, and reports the results of these deliberations to the Board of Directors.

The Board of Directors makes final decisions on matters deliberated by the Nomination and Remuneration Committee, but we believe that independence and authority of the committee are fully secured because the majority members of the Board of Directors are Independent Outside Directors concurrently serving as the Nomination and Remuneration Committee members.

Personnel matters for management executives	Proposals for the Shareholders' Meeting regarding the appointment of candidate Directors and dismissal of Directors
	Establishment, revision, or abolishment of basic policies, rules, procedures, etc., regarding the appointment of Directors
	Appointment and dismissal of the President and the Chairman of the Board
	Succession of the President and Chief Executive Officer
	Appointment and dismissal of Executive Officers
	Other matters recognized as necessary by the Nomination and Remuneration Committee
Matters concerning remuneration of management executives	Details of remuneration of individual Directors and Executive Officers
	Establishment, revision, or abolishment of basic policies, rules, procedures, etc., regarding the remuneration of Directors and Executive Officers
	Other matters recognized as necessary by the Nomination and Remuneration Committee

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

Succession Planning

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

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

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

Remuneration to Officers

Remuneration paid to officers in FYE March 2024

(thousand yen)

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

*1. In addition to the above, employee salaries of 18,607 thousand yen are paid to Directors who concurrently serve as employees.

*2. The Company pays bonuses to Directors (excluding Outside Directors and Non-Executive Directors) as performance-linked remuneration. The details of such performance-linked remuneration are as described in the "Policy for determining Directors' remuneration."

*3. The Company grants restricted stock remuneration to Directors (excluding Outside Directors) as non-monetary remuneration. The details of such remuneration are as described in the "Policy for determining Directors' remuneration."

*4. In determining the details of remuneration to individual Directors for the fiscal year, the Nomination and Remuneration Committee, whose majority is composed of Independent Outside Directors, conducts multifaceted examinations of remuneration proposals, including their consistency with the determination policy. The Board of Directors honors the Committee's recommendations, in principle, and thus judges that they are in line with the determination policy.

Policy for determining Directors' remuneration

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

The policy for determining the remuneration and the amount of individual remuneration will be resolved by the Board of Directors through the deliberations in the Nomination and Remuneration Committee, whose majority is composed of Independent Outside Directors.

Remuneration system	Executive Directors	The remuneration consists of base remuneration as fixed remuneration, bonuses as performance-linked remuneration, and restricted stock as non-monetary remuneration in line with the shareholders' interest. The Nomination and Remuneration Committee will decide on the ratio of individual remuneration, where the performance-linked remuneration is set higher for the upper ranking positions reflecting the expected roles for achieving the goals of the Long-Term Business Plan.										
	Chairman of the Board	The remuneration consists of the base remuneration as fixed remuneration and restricted stock as non-monetary remuneration as the Chairman will perform the expected role as a chairperson of the Board of Directors for increasing the shareholder value in the medium to long term, despite being not directly involved in business operations.										
	Outside Directors	The Company will pay only the base remuneration to Outside Directors in consideration of their duties.										
	Remuneration composition *In the case of the performance indicators achieved at 100%	<p>Legend: Base remuneration (dark purple), Bonuses (performance-linked remuneration) (medium purple), Restricted stock (light purple)</p>										
Remuneration amount	Base remuneration	It is provided as fixed remuneration monthly. The amount is determined based on the Company's performance, individual's duties, abilities, and the degree of contribution to the Company's sustainable growth in a comprehensive manner.										
	Bonuses (performance-linked remuneration) Short-term incentive	<p>It is provided as cash remuneration reflecting the performance indicators, and is provided at a certain time each year. The indicators used to calculate performance-linked remuneration are the degree of achievement of "business profit before depreciation and amortization" and "initiatives on sustainability," as set forth as targets in the Long-Term Business Plan, and also achievement of "ROE," which has been included beginning in the fiscal year ending March 2025, and these are comprehensively taken into consideration in the calculation, in order to realize sustainable enhancement of corporate value and to expand the scale of the Company and create new profit model through portfolio expansion.</p> <p>(Reference) Actual business profit before depreciation and amortization and the target for the final fiscal year of the Long-Term Business Plan (million yen)</p> <table border="1"> <thead> <tr> <th></th> <th>2022/3</th> <th>2023/3</th> <th>2024/3</th> <th>2033/3 (target)</th> </tr> </thead> <tbody> <tr> <td></td> <td>8,855</td> <td>9,194</td> <td>9,128</td> <td>18,000</td> </tr> </tbody> </table>		2022/3	2023/3	2024/3	2033/3 (target)		8,855	9,194	9,128	18,000
		2022/3	2023/3	2024/3	2033/3 (target)							
	8,855	9,194	9,128	18,000								
Restricted stock Medium- to long-term incentive	It is granted in the form of stock compensation linked to the shareholder value. The number of shares given at a certain time each year will be calculated based on the duties and abilities of Chairman of the Board and Executive Directors, along with their contributions to the Company's sustainable growth in a comprehensive manner.											
Determining method	For determining the amount of individual remuneration, the President prepares the remuneration plan, and the Board of Directors reviews and determines the amount, based on the results of deliberations in the Nomination and Remuneration Committee. In addition, the Board of Directors will also determine the number of restricted shares allotted to individual directors, based on the results of deliberations in the Nomination and Remuneration Committee.											

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 medium to long term enhancement of corporate value. Every year, the Board of Directors will examine the validity of cross-shareholdings in terms of the quantitative perspectives, such as whether dividends and rental income are commensurate with cost of capital, and the qualitative perspectives found in business relations.

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

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

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

Criteria for the exercise of voting rights attached to cross-shareholdings

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

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

Policy and Status of Review Regarding Business Portfolio

Based on our distinct leasing business, encompassing diverse facilities including office buildings, datacenter buildings, WINS buildings (off-track betting parlors), commercial buildings, logistics warehouses, and other properties, we aim for sustainable growth from a medium- to long-term perspective. New investments are made with a focus on regional diversification and location in an effort to minimize the risk of loss in the event of economic fluctuations and disasters. Furthermore, we work to prevent profitability decline such as by reshuffling assets and investing to increase their value.

Under our current business strategies, we place a high priority on maximizing cash flows generated by our business in our efforts to enhance corporate value. We also recognize the importance of achieving returns that exceed capital costs on a profit basis, and the Board of Directors annually examines our business portfolio. Specifically, policies for continuous property ownership, rebuilding, and sales are individually examined at the Board of Directors' Meeting from both a quantitative point of view, such as comparison of capital cost and profitability and investment recovery period, and a qualitative point of view, such as compatibility with investment policy in the business plan and growth potential of the area where the property is located.

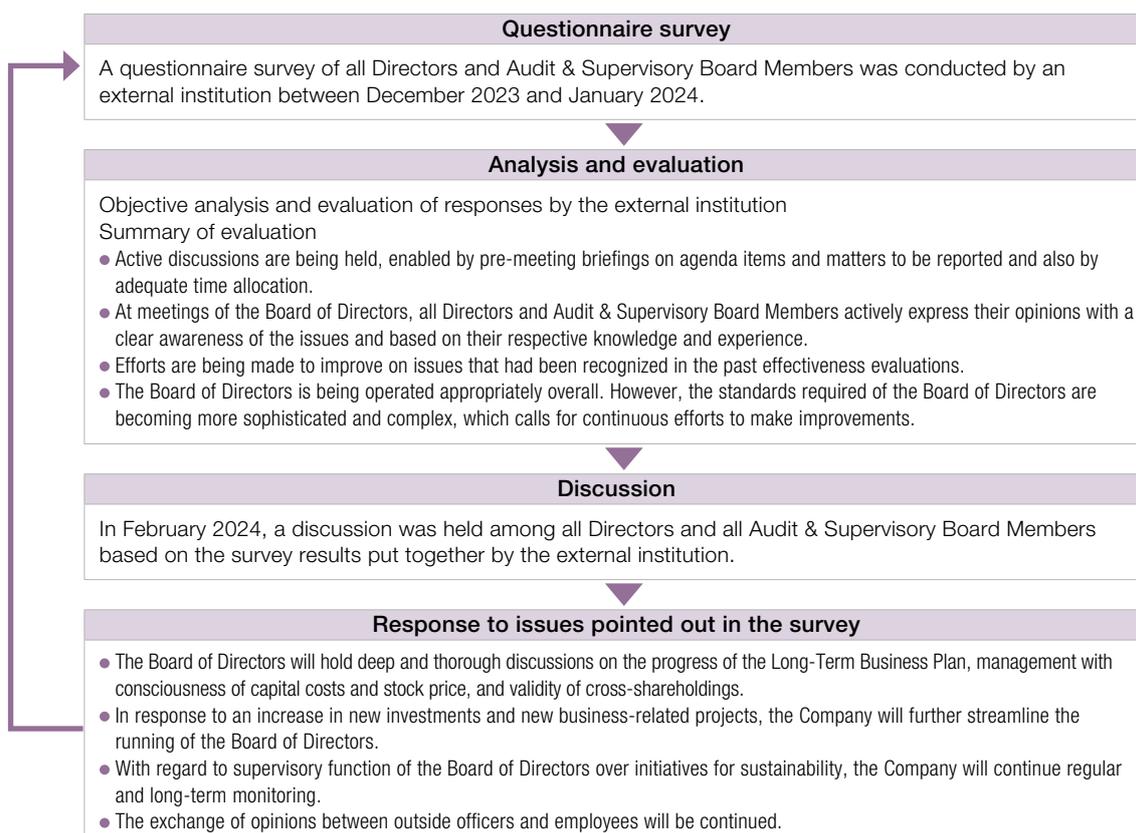
Based also on the result of the portfolio examination, we recognize that maximizing profit through revolving assets and improving capital efficiency are necessary to continue to achieve returns that exceed capital costs over the medium- to long-term. In the newly formulated Long-Term Business Plan, we aim to improve capital efficiency through the engagement in revolving-type investment business in addition to the real estate leasing business.

Analysis and Evaluation of the Effectiveness of the Board of Directors

With the purpose of ensuring effectiveness in the Board of Directors and enhancing the corporate value, self-assessments have been carried out by the Board of Directors since 2017. In 2024, the Company followed the process shown below to analyze and evaluate the effectiveness of the board, and confirmed that the Board of Directors was being operated appropriately overall.

We will continue to engage in enhancing the function of the Board of Directors by implementing periodic analysis and evaluation of the board's effectiveness.

Analysis and evaluation process



Progress on the issues pointed out in the 2023 survey

Issues	Initiatives
<ul style="list-style-type: none"> ● Providing opportunities for exchanging opinions between outside officers and executive officers other than at the Board of Directors' Meetings 	<ul style="list-style-type: none"> ● Provided opportunities for Outside Directors and executive officers engaged in business operations to meet and talk outside of the Board of Directors' Meetings.
<ul style="list-style-type: none"> ● Strengthening the supervisory function of the Board concerning initiatives for sustainability 	<ul style="list-style-type: none"> ● Held sustainability training sessions for officers

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

Matters resolved	Matters reported
<ul style="list-style-type: none"> ● Formulation of Long-Term Business Plan 	<ul style="list-style-type: none"> ● Evaluation of the effectiveness of the Board of Directors
<ul style="list-style-type: none"> ● New investments 	<ul style="list-style-type: none"> ● Progress with the Long-Term Business Plan
<ul style="list-style-type: none"> ● Important personnel matters (directors, executive officers, and members of the Nomination and Remuneration Committee) and remuneration 	<ul style="list-style-type: none"> ● Reports on business execution by various departments
<ul style="list-style-type: none"> ● Examination of validity of cross-shareholdings 	<ul style="list-style-type: none"> ● Reports on activities of various committees (Sustainability, Risk Management, Compliance)
<ul style="list-style-type: none"> ● Examination of business portfolio 	<ul style="list-style-type: none"> ● Reports on the implementation of internal audits
<ul style="list-style-type: none"> ● Settlement of accounts 	
<ul style="list-style-type: none"> ● Formulation of Human Rights Policy 	
<ul style="list-style-type: none"> ● Formulation of sustainability-related policies 	

Policy on Constructive Dialogue with Shareholders and Investors

Executive Officers responsible for administration are in charge of dialogue between the Company and shareholders/investors. Each department within the Company coordinates with the officers accordingly in providing necessary information to promote constructive engagement between them.

In terms of providing opportunities for dialogue, we have established briefing sessions with the presence of the President or Executive Officers responsible for administration and individual meetings, and issue an integrated report and other IR materials and disclose information on the corporate website as well to help our shareholders and investors to understand our management strategy and business environment better.

The opinions and requests received from shareholders and investors through dialogue are reported to the Board of Directors on a quarterly basis, and dialogue records are always shared among Directors and Audit & Supervisory Board Members. These opinions and requests are valued to further strengthen our dialogue, and relayed to the management and related departments to use for active review of our business strategies.

During the silent period before announcing our financial results, we restrict dialogue with our shareholders and keep the insider information strictly confidential. Information deemed to be a material fact is managed centrally by the Executive Officers responsible for administration to prevent any leaks. We disclose immediately if the information is determined to correspond to information requiring disclosure as well.

Number of dialogues with investors held in FYE March 2024

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

Main topics and concerns of the dialogue

Topics and concerns (FYE March 2024)	
● Timeline of the Long-Term Business Plan	● Progress in new businesses and recruitment of personnel
● Disclosure of capital costs	● Improvement of stock price and capital efficiency
● Status of reducing cross-shareholdings	● Strengthening of link between Directors' remuneration and shareholder value

Status of response

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

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

Training for Directors and Audit & Supervisory Board Members

In order to optimize our business strategies through timely and appropriate decision-making by the Board of Directors, the Company provides Directors and Audit & Supervisory Board Members with opportunities for training related to themes according to the business environment and inspections of the Company's properties. Especially for newly appointed Directors and Audit & Supervisory Board Members, the Company provides trainings on issues such as their legal authority and obligations, also utilizing outside institutions. Whether these opportunities are being appropriately provided is also verified during the annual evaluation of the effectiveness of the Board of Directors.

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



At a training session for officers

Executive Officer System

In April 2018, the Company introduced an executive officer system. Executive Officers attend monthly Management Meetings and, when necessary, Board of Directors meetings to report on the execution of business operations based on resolutions of the Board of Directors, as well as to report on business execution policies and plans formulated. The executive officer system was introduced to separate the execution and supervision of management, strengthen the supervisory function of the Board of Directors, increase the efficiency of business execution, and invigorate discussions by the Board of Directors. The system also aims to lay the groundwork for the promotion of internal personnel to the Board of Directors to ensure the diversity of Board members.

Status of Coordination between Audit & Supervisory Board Members, Independent Accounting Auditor, and Internal Auditing Division

Audit & Supervisory Board Members regularly receive audit reports from an Independent Accounting Auditor. In addition, Audit & Supervisory Board Members share information with the Independent Accounting Auditor on changes in accounting standards and policies and other matters that may have a significant impact on the Company's business results by holding meetings as necessary.

Audit & Supervisory Board Members share information with the internal auditing division by holding liaison meetings monthly between the Audit & Supervisory Board Member (Standing) and the Audit Department. In addition, the Audit & Supervisory Board receives quarterly internal audit reports directly from the Head of the Audit Department.

In this manner, we strive to improve the effectiveness of audits through close coordination between the Audit & Supervisory Board Members, the Independent Accounting Auditor, and the internal auditing division.

Status of Activities of Internal Auditing Division

Based on the internal control system approved by the resolutions of the Board of Directors, the Audit Department, which is the internal auditing division, interviews officers and employees of each department, examines documents, and audits, as appropriate, the state of compliance activities and risk management, focusing on each committee. The Audit Department reports the results directly to the Board of Directors and the Audit & Supervisory Board. When an issue is identified as a result of an internal audit, the Audit Department suggests improvements, as necessary, and follows up to check that the issue has been corrected as suggested.

Compliance

Basic Concept

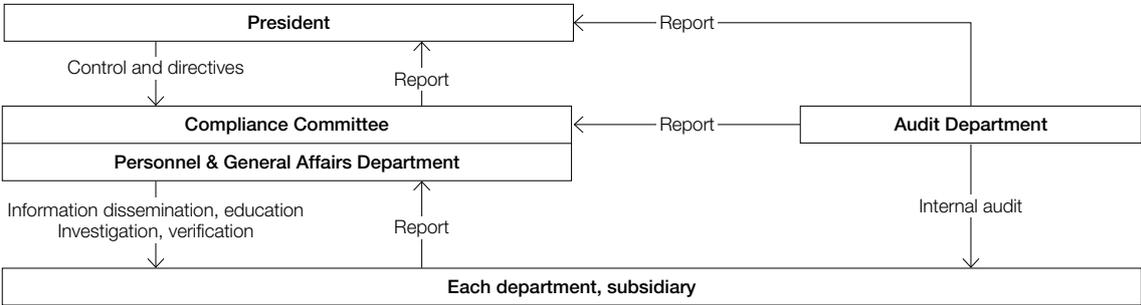
The Company positions the establishment of compliance as one of its important management issues and fulfills its social responsibility as a company by complying with laws, regulations, and other social norms, as well as in-house standards, such as its internal rules.

Compliance Promotion Structure

We laid down the Code of Conduct and Compliance Regulations, and then established a company-wide Compliance Committee under the direct control of the President to comply with laws, regulations, and other social norms, as well as in-house standards, such as our internal rules and to maintain and enhance a sound corporate culture. The committee convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.

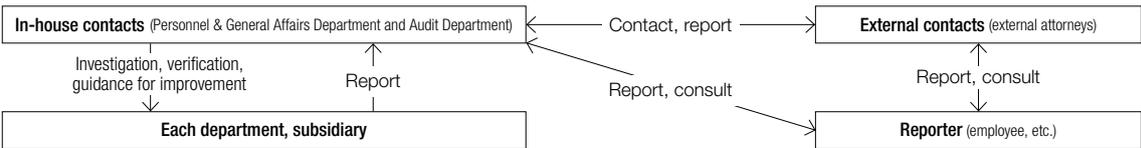
The committee takes charge of formulating the Behavioral Standards to ensure compliance, assessing the implementation status of compliance measures, and devising recurrence prevention measures against compliance violations. In addition, we provide compliance education and training to all officers and employees.

Compliance Structure



In-House Reporting System

The Company has established the In-House Reporting System to receive reports from employees and provide consultations on compliance violations. In addition to the in-house contact point, external attorneys have been designated as a contact point, and appropriate measures are taken to prohibit any disadvantageous treatment of individuals who report violations and to ensure that their work environment will not be deteriorated. Moreover, the Board of Directors oversees the status of operation of the system through regular reports by the executive officer in charge to the Board of Directors.



Audit Department

Separately from the Compliance Committee, the Audit Department conducts compliance audits as necessary, and reports the results to the President, the Compliance Committee and, when necessary, to the Management Meeting and the Board of Directors.

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

To prevent misconducts in its business operation, the Company has established the Code of Conduct and Behavioral Standards as well as the Anti-Corruption Policy.

Excerpts from the Code of Conduct and Behavioral Standards

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

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

Anti-Corruption Policy



Anti-Corruption Policy [PDF: 20 KB]

Compliance Training

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

Information Security

| Basic Concept, Information Management Structure

The Company has established Standards for Information Security Measures to appropriately protect and utilize our information assets while improving the reliability, safety, and efficiency of our information systems. In addition to implementing various measures to maintain and improve information security, we have established the Rules on Handling of Personal Information to protect the rights and interests of individuals while ensuring the proper and smooth operation of our business. We have also appointed information security managers at each organizational level to manage risks related to various types of information.

| Specific Initiatives

Information security education

We have established the Information Security Policy and Standards for Information Security Measures to appropriately protect and utilize our information assets and to improve the reliability, safety, and efficiency of our information systems. In addition, we provide training for all officers and employees to educate them about the information security environment, examples of incidents, and appropriate countermeasures.

Initiatives for protection of personal information

The Company acquires personal information through legal and fair means, and utilizes it only to the extent necessary for its operations, such as business activities, exercise of shareholder rights, and performance of obligations. Personal information obtained 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 strictly supervise and manage the handling of personal information by such trustees.

Risk Management

Basic Concept

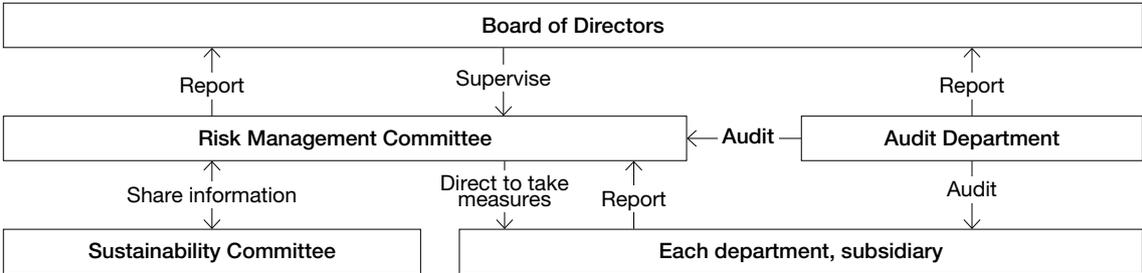
For risk management, the Company is committed to realizing business policies and taking measures to eliminate as much as possible every risk that may occur in the course of its corporate activities. It aims to ensure the safety and benefit of all stakeholders and aims for a swift response and recovery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

Promotional Framework of Risk Management

The Company established its fundamental policies on risk management measures and responses towards risks surrounding its business in the Risk Management Regulations. Also, the Risk Management Committee was established as a company-wide organization under the direct control of the President to conduct risk management on a company-wide basis, based on these regulations.

The committee takes charge of matters including integrated risk management, compilation of response policies, and maintenance and updating of the BCP. It convenes regularly and reports on its activities to the President, as well as the Management Meeting and the Board of Directors if necessary.

In addition, the process for identifying, evaluating, and managing risks related to sustainability issues is shared with the Sustainability Committee to integrate the risk management system on a company-wide basis.



Measures for Major Risks

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

Classification		Description of the risk	Status of risk response
Operating risk 	Land and building rental business	<ul style="list-style-type: none"> ● Possibility that lower rents and higher vacancy rates may affect the Company's business results due to the impact of economic trends, performance of tenant companies, and fluctuations in building supply and demand ● Possibility that the business results may fluctuate significantly due to a large amount of real estate acquisition tax or registration license tax at the time of real estate acquisition being recorded as an expense 	<ul style="list-style-type: none"> ● Minimizing the impact of market fluctuations by developing business with diversified asset types
	Regional concentration	<ul style="list-style-type: none"> ● Possibility that the business results may be significantly affected by a large-scale disaster and fluctuations in the supply and demand trends for real estate leasing in the Osaka area due to the concentration of properties in the Kansai area (particularly in Osaka) 	<ul style="list-style-type: none"> ● More investments outside the Kansai area, mainly in the Tokyo metropolitan area, to reduce the regional concentration risk
	Dependence on specific clients	<ul style="list-style-type: none"> ● Possibility that the Company's business results may be impacted by the performance of three clients that provide over 10% of all net sales 	<ul style="list-style-type: none"> ● Diversify our tenants through development and acquisition of new properties ● Offering appropriate services and building stronger relationships with tenants in order to reduce risks of major tenants moving out and to maintain and improve our fee levels
	Fluctuation in resource prices	<ul style="list-style-type: none"> ● Possibility of increase in operating costs due to higher rates of electricity ● Possibility of increase in development costs due to higher prices of building materials 	<ul style="list-style-type: none"> ● Gather appropriate information and disclose the impact
Disaster risk 	Natural disasters and man-made disasters	<ul style="list-style-type: none"> ● Possibility that our customers, buildings and facilities may be damaged and the business results and financial condition may also be affected (in the event of a large-scale natural disaster, such as an earthquake, windstorm or flooding, or a man-made disaster, such as fire or a terrorist attack) 	<ul style="list-style-type: none"> ● Renewing our buildings to become compatible with business continuity measures ● Strengthening resilience through developing BCP and holding drills
	Spread of infectious disease	<ul style="list-style-type: none"> ● Possibility that the economy may deteriorate and the Company's business results may be adversely affected by the spread of new infectious diseases ● Possibility that the business activities may be negatively affected by the spread of infection within the Company, which is a disadvantage of a company managed by a small number of staff 	<ul style="list-style-type: none"> ● Maintaining the health and safety of employees by revising work regulations including on remote work and taking infection prevention measures
Climate change risk 	Transition risk	<ul style="list-style-type: none"> ● Possibility of increase in costs and tax burden in response to stricter energy conservation regulations and the introduction of a carbon tax 	<ul style="list-style-type: none"> ● Strengthening efforts to promote energy savings ● Introduction of renewable energy
	Physical risk	<ul style="list-style-type: none"> ● Possibility that our customers, buildings and facilities may be damaged and the business results and financial condition may also be affected due to intensification of windstorm or flooding 	<ul style="list-style-type: none"> ● Reducing the risk of submersion by relocating critical facilities to upper floors and installing flood-control panels ● Strengthening resilience through preventive maintenance, developing BCP, and holding drills
Financial risk 	Fluctuation in asset values	<ul style="list-style-type: none"> ● Possibility that impairment losses may be recognized in the event of a fall in market prices of our assets (such as land, buildings, and investment securities) or a decline in profitability 	<ul style="list-style-type: none"> ● Working to prevent profitability decline such as by reshuffling properties and increasing their value ● Examining investment securities individually on an annual basis at the Board of Directors' Meeting as well as selling securities that are deemed to have little significance
	Dependency on interest-bearing debt	<ul style="list-style-type: none"> ● Possibility of rising interest rates for interest-bearing debts 	<ul style="list-style-type: none"> ● Leveraging the current low interest environment to reduce and fix the interest rates ● Prolonging the average repayment period
	Amendments to laws, regulations, and tax systems	<ul style="list-style-type: none"> ● Possibility that any changes to the laws and regulations related to real estate and construction may restrict the execution of operations in the building lease business and building management business and affect the business results ● Possibility that changes in tax and accounting systems may affect the Company's business results and financial condition 	<ul style="list-style-type: none"> ● Gathering appropriate information on related laws, regulations, tax systems, and accounting systems, and disclosing the impact
Compliance risk 	Violation of laws, regulations, etc.	<ul style="list-style-type: none"> ● Loss of social credibility and restrictions on business activities due to compliance violations 	<ul style="list-style-type: none"> ● Selecting Compliance Committee members from various departments and regularly verifying the status of initiatives in the departments ● Using the Compliance Committee to disseminate information on compliance with laws, regulations, etc. through training sessions and other means
Information risk 	Information security	<ul style="list-style-type: none"> ● Possibility of leakage of information related to our corporate activities and business operations, as well as personal information, through unauthorized access from outside and other frauds ● Possibility that cyberattacks on in-house systems may disrupt business operations 	<ul style="list-style-type: none"> ● Implementing security measures to prevent unauthorized access, etc. ● Asking external parties entrusted with the handling of personal information to disclose the purpose of use and the handling of personal information, and strictly supervising and managing such trustees ● Establishing an information security management system and conducting training on the handling of information

Evaluation and Review of BCP

Among the risks surrounding our business, we recognize natural disasters and man-made disasters in particular as material risks that could have a significant impact on our business continuity and financial position. Although it is extremely difficult to measure the likelihood and timing of the emergence of disaster risks, we have formulated a BCP under the control of the Risk Management Committee to protect lives and properties of all stakeholders through business continuity or early recovery in the event of a disaster.

We hold BCP drills on a company-wide basis annually, under scenarios assuming different types of disaster occurring at different times of day, and brush up BCP based on feedback from officers and employees to firmly establish BCP in the organization and improve its quality. In the BCP drill held in the fiscal year ended March 2024, we held a BCP drill with an eye on the coordination of disaster response in the Kansai area and the Tokyo metropolitan area, and offered life-saving and self-defense education for officers and employees, among others.

External Evaluations

Green Building Certifications

We promote the acquisition of green building certifications, such as CASBEE Real Estate Certification and BELS Certification, in order to objectively assess the condition of our buildings through external evaluations, and at the same time, to use them as a reference for further improvement and enhancement.

CASBEE

The CASBEE (Comprehensive Assessment System for Built Environment Efficiency) is a method for rating the environmental performance of buildings. The system 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 minimal environmental impact.

Status of CASBEE Real Estate Certification acquisition

The CASBEE Real Estate Certifications we have acquired are as follows:

● Midosuji Building	Rank S ★★★★★★
● Yodoyabashi Building	Rank S ★★★★★★
● Onarimon Building	Rank S ★★★★★★
● Fujisawa Shopping Facility	Rank S ★★★★★★
● Fuchu Building	Rank S ★★★★★★
● Toranomom Building	Rank S ★★★★★★
● Yoyogi-koen Building	Rank S ★★★★★★
● WINS Umeda B Building	Rank S ★★★★★★



BELS

BELS (Building-Housing Energy-efficiency Labeling System) assesses and labels non-residential buildings in terms of energy conservation performance, etc. based on the Evaluation Guidelines for Indicating Energy Conservation Performance of Non-Housing Buildings (2013) established by Japan's Ministry of Land, Infrastructure, Transport and Tourism (MLIT). BELS uses an assessment method that conforms to the revised Energy Conservation Standards (fully enforced on April 1, 2014).

Status of BELS Certification acquisition

The BELS Certification we have acquired is as follows:

● OBP Building	Two stars ★★
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FTSE Blossom Japan Sector Relative Index

We have been selected as a constituent for the FTSE Blossom Japan Sector Relative Index. The index was established by FTSE Russell, a global index provider, and is designed to be sector-neutral, reflecting the performance of Japanese companies that excel in ESG initiatives. It serves as a key investment decision-making criterion for investors worldwide who focus on corporate ESG initiatives.



**FTSE Blossom
Japan Sector
Relative Index**

S&P/JPX Carbon Efficient Index

We have been selected as a constituent for the S&P/JPX Carbon Efficient Index. This index uses TOPIX, a major stock index that reflects trends in the Japanese market, as its universe, and determines the weighting of its constituents based on the status of environmental information disclosure and the level of carbon efficiency (carbon emissions per net sales).



CDP

We received a “B” rating in the CDP Climate Change Score from CDP, an international non-profit organization focused on environmental information disclosure. We will work to acquire a better evaluation by promoting sustainability management and enhancing information disclosure.



Health and Productivity Management Outstanding Organization

The Company is committed to health management based on the understanding of the importance of the health and safety of employees who are the foundation of its business. The Company was recognized as a 2024 Certified Health and Productivity Management Outstanding Organization (SME Category) by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi, an organization that operates the recognition program.



2024
健康経営優良法人
Health and productivity

Third-Party Assurance

The GHG emissions in fiscal 2023 (Scope 1 and Scope 2) have received third-party assurance from GYOSEI & CO.

 Independent Practitioner's Assurance Report [PDF: 55 KB]

ESG Data

Various sustainability-related data has been compiled and published on our website.



 価値ある事業空間を
京阪神ビルディング