



Keihanshin Building Co., Ltd.

**Keihanshin Building Co., Ltd.
Sustainability-Linked Financing Framework**

February 2025

Table of Contents

1	Introduction.....	1
1.1	Overview of Keihanshin Building.....	1
1.2	Management Policy.....	2
1.3	Long-Term Business Plan	3
1.4	Keihanshin Building's Sustainability Initiatives	4
■	Sustainability Promotion System.....	4
■	Materiality	5
■	Materiality Indicators and Targets.....	5
2	Sustainability-Linked Financing Framework.....	8
2.1	Selection of KPIs	8
2.2	Setting of Sustainability Performance Targets (SPTs).....	9
2.3	Characteristics of Bonds and Loans.....	9
2.4	Reporting	10
2.5	Verification	11
3	Revision history.....	11

1 Introduction

Providing Valuable Commercial Space to Connect People, Communities, and the Future

Keihanshin Building Co., Ltd. (hereafter, “the Company”) has formulated a Sustainability-Linked Financing Framework (hereafter, “the Framework”). Through the execution of finance (Sustainability-Linked Bonds or Sustainability-Linked Loans) based on the Framework, we will promote strongly our Sustainability Policy and one of our materiality, “Strengthening of resilience to climate change.”

1.1 Overview of Keihanshin Building

Our group (hereafter “the Group”) consists of Keihanshin Building Co., Ltd. and two consolidated subsidiaries. Our main business is real estate leasing, and we also engage in related businesses such as building management. We established an overseas subsidiary in the United States in May 2024 with the aim of expanding our overseas business in the United States.

Keihanshin Building Co., Ltd. 100% Consolidated subsidiary	
Keihanshin Building Maintenance Co., Ltd. * dormant company	Keihanshin Building America Co., Ltd.

The Group operates under a single segment of the “Building lease business,” which is primarily engaged in the leasing of land and buildings.

The business divisions operated by our group are as follows.

			
Office Building	Datacenter Building	WINS Building	Commercial Building, Logistics Warehouse, and Other Properties
Based on our principles of safety, comfort and consideration for the environment, we develop people-friendly office space that are highly convenient for transportation with only a few minutes walk from the nearest station and are equipped with the latest features.	We offer urban-type buildings that boast the latest specs such as advanced disaster-prevention features, reliable power supply using emergency generators, and advanced security systems.	We have leased off-track betting parlors (WINS buildings) to the Japan Racing Association (JRA) since our establishment, and are striving to beautify the facilities and improve the equipment.	With strong tenants that cater to needs of the local community entering our commercial facilities, we provide high value-added logistics bases which comply with the tenants' requests.

1.2 Management Policy

Based on the Corporate Philosophy and Sustainability Policy set out below, the Company aims to contribute to the realization of a sustainable society by implementing initiatives to resolve social issues through our corporate activities, and to achieve sustainable growth as a company.

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

Sustainability Policy
We will actively address environmental issues and aim to balance between a rich environment in the future and business activities.
1. Responding to climate change
2. Sustainable use of resources and contribution to recycle-oriented society
We will aim for the continuous development of society as a whole through collaboration with our stakeholders.
3. Contribution to customers
4. Dialogue with shareholders and investors
5. Collaboration with partner companies
6. Contribution to local communities

7. Initiatives for employees (Well-being initiatives)
We will continue to be highly transparent through maintaining compliance and disclosure of information.
8. Supervision of initiatives for sustainable management
9. Maintaining compliance
10. Disclosure and communication of ESG-related information

1.3 Long-Term Business Plan

In order to achieve greater profit growth and realize higher asset and capital efficiency, the Company reviewed the previous Medium-term Business Plan and formulated a new Long-Term Business Plan targeted at the 10-year period from FY2024/3 to FY2033/3, aiming for further development of foundations and systems to respond to changes in the external environment surrounding the Company, together with the belief that radical reforms are necessary for establishing a foundation for growth focusing on the 100th anniversary of the Company's founding in 2048 under the new system as well as for sustainable management promotion with an awareness of ESG. Taking into consideration dialogues with investors and other stakeholders with a view to realizing management that takes into account capital costs and share price, we have revised our Long-Term Business Plan in September 2024. In order to meet their expectations for the early achievement of our long-term business targets, as well as to establish a target for reducing cross-shareholdings.

(Overview of Long-Term Business Plan)

Target period	10 years from FY2024/3 to FY2033/3
Basic policy	1. Aim to continuously enhance corporate value by realizing sustainable management 2. Assess changes in the investment environment and expand our business size and create new profit models through increasing the portfolio
Corporate vision in 10 years' time	A company that will continue to contribute to a sustainable society with each and every employee growing through inventiveness and challenges and providing valuable commercial space that meet the needs of the times

Among the priority measures set out in this Plan, we have positioned the following two points as issues that we should focus on addressing: strategy of investing in new businesses toward the next growth, and sustainability strategy with an awareness of ESG. We will accelerate efforts to that end. The following sets out the details on the two issues that we should focus on address.

(1) Strategy of investing in new businesses toward the next growth

- (a) Acquisition of office buildings, logistics warehouses, and urban-type commercial buildings with a focus on the Tokyo metropolitan area.
- (b) Acquisition of land for the development of new datacenter buildings to cope with the recent growth in data communication volume
- (c) Diversification of investment methods, such as initiatives toward flow businesses (revolving-type investment business, equity investment)
- (d) Further diversification of asset types (residences for lease aimed at corporations, healthcare facilities, etc.)
- (e) Overseas investments that include alliances with other companies

(2) Sustainability strategy with an awareness of ESG

- (a) Proactive response to climate change issues through efforts to implement TCFD recommendations
- (b) Decisions on issues to be addressed and KPIs that are linked to our materiality (important issues), and their progress management (for example, setting GHG emission reduction targets, setting targets on the ratio of area of properties with Green Building Certification, etc.)
- (c) Strengthening of initiatives toward human capital management (human resource development, securing diverse talents, human resource composition that supports the Long-Term Business Plan, development of work environment, promotion of Digital Transformation, etc.)

While working on the abovementioned issues that should be focused on, we will continue to fulfill the mandate of our stakeholders by steadily promoting the Long-Term Business Plan while remain agile in responding to changes in the external environment and the real estate market conditions going forward.

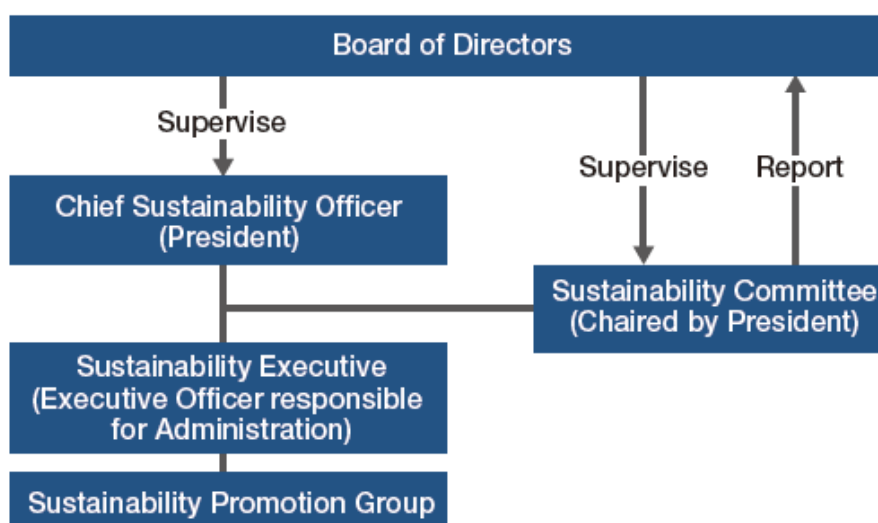
1.4 Keihanshin Building's Sustainability Initiatives

■ Sustainability Promotion System

The Company has established Rules on Promoting Sustainability based on the Sustainability Policy established by the Board of Directors, and we have put in place a system for promoting sustainability in accordance with these Rules.

In the internal system, the President serves as the Chief Sustainability Officer, who is the highest-ranking officer in the Sustainability Promotion System, and the Executive Officer responsible for Administration serves as the Sustainability Executive in charge of the execution of individual measures. We have established a Sustainability Committee whose purpose is to review and formulate various policies, targets, and measures, as well as the Sustainability Promotion Group whose purpose is to establish systems and implement various measures. The Sustainability Committee is chaired by the President and comprises of committee members who are members of the Sustainability Promotion Group as well as members appointed by each department.

Structure of the Sustainability Promotion System



■ Materiality

We consider it important to evaluate the impact of sustainability initiatives on the Company's business activities, in order of the degree of impact starting with the sustainability issues considered to be of relatively high importance, and to incorporate these into our business strategies.

Based on this stance, we have identified the issues that should be addressed with high priority, from among the issues of high importance, as our materiality, in order to continuously enhance the Company's corporate value and realize a sustainable society.



	Theme	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 space Promotion of the business keeping abreast of changing environment and times
	Co-existence and co-prosperity with stakeholders	<ul style="list-style-type: none"> Conduct of constructive dialogue with investors and shareholders in line with the sustainable management Collaboration with partner companies conscious 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 the sustainable management

■ Materiality Indicators and Targets

We have set KPIs linked to each materiality as our indicators and targets, in order to manage the progress of sustainability-related initiatives, based on deliberations and reviews conducted within the Sustainability Committee.

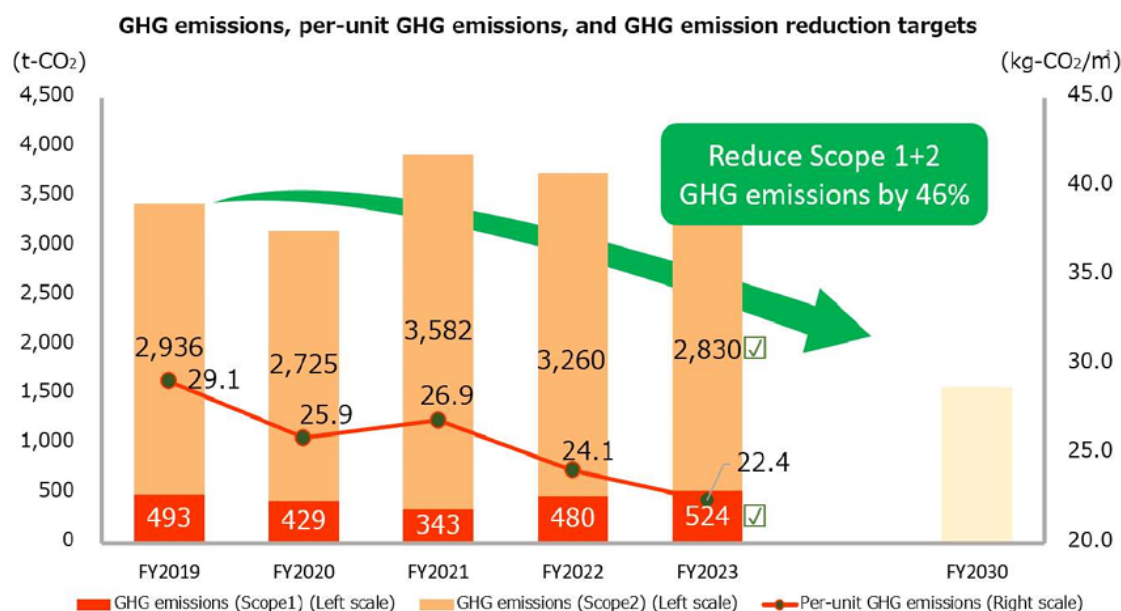
Among our materiality, we recognize “strengthening of resilience to climate change” and “improvement of human capital” alongside “diversity and inclusion” to be of especial importance. Within this framework, we have adopted “Reduce Scope 1 and 2 GHG emissions by 46% by FY2031/3 (compared to FY2020/3)” as our target KPI and SPT for “strengthening of resilience to climate change.” By implementing Sustainability-Linked Financing based on this framework, we aim to commit more strongly to GHG emission reduction targets that contribute to “strengthening of resilience to climate change.”

(1) Strengthening of resilience to climate change

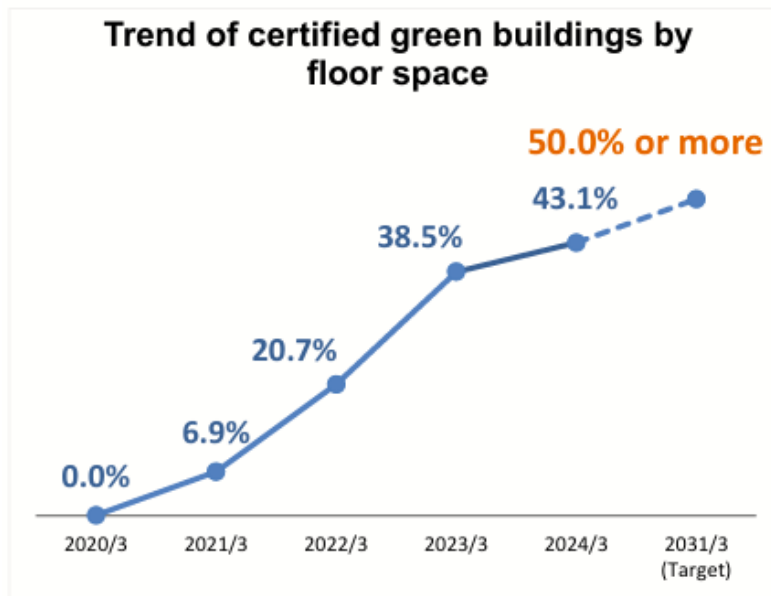
For the main purposes of mitigating transition risks and expanding earning opportunities, the Company has established the following greenhouse gas (GHG) reduction targets and KPIs with regard to GHG emissions and emission basic units from the Company’s properties. Alongside monitoring emissions for each Scope, the Company will also cooperate with tenants and partner companies to continuously reduce emissions.

Target 1	Reduce GHG emissions (Scope 1 and 2) by 46% by FYE March 2031 (compared to the FYE March 2020) The Company’s GHG emissions reduction targets have been approved as Science-based targets (SBT) in compliance with the standards required by the Paris Agreement.
Target 2	Achieve net-zero emissions by FYE March 2051

KPI 1	Achieve a ratio of electricity derived from renewable energy sources of 100% in Scope 2 by FYE March 2051.
KPI 2	Reduce per-unit energy consumption by 10% (compared to FYE March 2020) by FY2031/3 through energy-saving efforts.
KPI 3	Raise the ratio of the area of properties with the Green Building Certification to 50% or more by FYE March 2031.



(Note) Prior year results have been revised due to a review of the calculation method and other factors.



(2) Improvement of human capital, diversity and inclusion

(a) Percentage of females among new graduates recruited (five-year average)

Target: 50%

With regard to the employment of experienced mid-career human resources and seniors, the ratio is currently skewed due to the historical background and other influencing factors. However, we have adopted the percentage of females among new graduates recruited as an indicator for driving the diversification of human resources in the employment of fresh graduates, who will carry the future of the Company, and creating an environment where all employees, regardless of gender, can play an active role according to their abilities.

(b) Paid leave utilization rate

Target: 70% or higher

We have adopted paid leave utilization rate as an indicator for promoting the creation of a safe and comfortable workplace environment where every employee can reach their full potential through the establishment of mechanisms and systems that enable diverse work styles with consideration for work-life balance.

(c) Investments related to human resource development

Target: 100,000 yen/person

Based on the stance that the Company's growth is the sum of the growth of each individual employee, we have reviewed our internal systems, such as the implementation of job grade-based training, with a view to carrying out human resource development that is tailored to the personality, characteristics, and values of each employee. We plan to continue providing opportunities for growth.

2 Sustainability-Linked Financing Framework

Under the Framework, the Company has established the following as our five core elements and obtained a second opinion on their suitability from Rating and Investment Information, Inc. (R&I). The five core elements are aligned with provisions set out in the following guidelines: Sustainability-Linked Bond Principles (SLBP) 2023 of the International Capital Market Association (ICMA), Sustainability-Linked Loan Principles (SLLP) 2023 established by the Loan Market Association (LMA), the Loan Syndications and Trading Association (LSTA), and the Asia Pacific Loan Market Association (APLMA), and the Green Bond and Sustainability-Linked Bond Guidelines and Green Loan and Sustainability-Linked Loan Guidelines 2022 established by the Ministry of the Environment of Japan.

1. Selection of KPIs
2. Setting of Sustainability Performance Targets (SPTs)
3. Characteristics of bonds and loans
4. Reporting
5. Verification

2.1 Selection of KPIs

The Company has selected the following KPI with the aim of more strongly promoting “strengthening of resilience to climate change,” which we have positioned as a materiality of high importance. We will adopt the following KPI each time we implement Sustainability-Linked Financing.

Item	KPI	Target
KPI	Reduce Scope 1 and 2 GHG emissions (compared to fiscal year 2019)	Business sites for which the Company holds energy management authority

The KPI results for the past four years are as follows.

FY2020	FY2021	FY2022	FY2023
8.0%	-14.5%	-9.1%	2.2%

The increases in FY2021 and FY2022 were due to the completion of the construction of the Toranomon Building and the OBP Building.

2.2 Setting of Sustainability Performance Targets (SPTs)

The Sustainability-Linked Financing implemented based on the Framework uses the following Sustainability Performance Targets (SPTs). SPT values are adopted from the following targets for each fiscal year, corresponding to the period of the Sustainability-Linked Financing, and are specified in statutory disclosures such as amended shelf registration statements and shelf registration supplements related to the issuance of Sustainability-Linked Bonds or Sustainability-Linked Loan contracts, etc. (hereafter, "statutory disclosure documents or loan contracts, etc.") based on the Framework.

SPTs: Reduction rates of Scope 1, 2 GHG emissions (compared to FY2019)

FY2026	FY2027	FY2028	FY2029	FY2030
37%	39%	41%	43%	46%

The FY2030 GHG emissions reduction target has obtained SBT approval for consistency with the level of "below 1.5°C."

2.3 Characteristics of Bonds and Loans

Depending on the status of achievement of SPTs, the characteristics of the Sustainability-Linked Bonds or Loans change, and may carry one or more of the following characteristics (1) to (3). Details of the characteristics, etc. are specified in the abovementioned statutory disclosure documents or loan contracts, etc.

Characteristic (1): Donations

If the respective SPTs are not achieved on their evaluation date, an amount corresponding to the percentage of the amount procured through Sustainability-Linked Financing, specified in the aforementioned statutory disclosure documents or loan contracts, etc., will be donated to public interest incorporated associations, public interest incorporated foundations, international organizations, local government-certified NPOs, local governments, or other similar organizations that engage in environmental conservation activities, by the redemption or repayment date. The target donation recipients are organizations that conduct activities aligned with the benefits that the environment and society can reap upon the achievement of the SPTs, such as decarbonization, upon a thorough examination of the reasons for non-achievement of the SPTs. The selection of donation recipients is determined through the necessary institutional decision-making processes.

Characteristic (2): Purchase of emission credits

If the respective SPTs are not achieved on their evaluation date, emission credits (credits or certificates with the value of the GHG reduction*1) with a value corresponding to the percentage of the amount procured through Sustainability-Linked Financing, specified in the aforementioned statutory disclosure documents or loan contracts, etc., will be purchased by the redemption or repayment date.

*1 The types of emission credits to be purchased are assumed to include J-Credits, renewable energy certificates, etc. The actual names, quantities, and costs of the purchased emission credits will be disclosed on the website. In the event that it becomes impossible to purchase emission credits due to force majeure circumstances, an amount equivalent to the planned expenditure for emission credits will be donated to the entities indicated in Characteristic (1).

Characteristic (3): Raising or lowering of interest rate

If the respective SPTs are not achieved on their evaluation date, interest rate will be raised to the annual rate specified in the aforementioned statutory disclosure documents or loan contracts, etc., starting from the day after the interest payment date immediately following the evaluation date, until the redemption or repayment date, or until the last day of the interest calculation period that the next evaluation date falls under.

Alternatively, if the respective SPTs are achieved by the evaluation date, interest rate will be lowered to the annual rate specified in the aforementioned statutory disclosure documents or loan contracts, etc., starting from the day after the interest payment date immediately following the evaluation date, until the redemption or repayment date, or until the last day of the interest calculation period that the next evaluation date falls under.

In the event that any circumstances arise that prevent the confirmation of the achievement status of SPTs on the evaluation date, the SPTs will be deemed as unachieved. Even if the Company changes the SPTs after the implementation of Sustainability-Linked Financing, the SPTs of Sustainability-Linked Financing that has already been implemented will not be changed.

2.4 Reporting

During the period until the redemption or repayment of the Sustainability-Linked Financing implemented based on the Framework, the Company discloses annually the achievement status of the SPTs for the KPIs and set by the Company, with the inclusion of the following details on our website or in public documents.

Item	Reporting details
KPI results	KPI results as of the last day of each fiscal year
Updates to important information	Information that could potentially have a significant impact on the achievement of SPTs (setting/updating of sustainability strategies, etc.)
Details of emission credit purchases or donations	If the Company purchases emission credits based on the characteristics of bonds or loans, the name, transfer date, and amount of emission credits purchased; if the Company makes a donation, the name of the eligible beneficiary, reason for selection, amount of donation, and scheduled timing of donation.

Furthermore, in the event of circumstances that cannot be predicted at the time of formulating the Framework, and which may have a significant impact on the Framework (such as M&A, changes in regulations in various countries, or abnormal weather conditions), making it necessary to change the definition and scope of KPIs, setting of SPTs, assumptions, or other details, the Company plans to disclose the details of the changes in a timely manner, including the reasons for the changes and the recalculation method.

2.5 Verification

With regard to KPI results from FY2024 and beyond, the acquisition of assurance reports from an independent third-party and disclosure of information on our website or public materials shall be carried out annually from FY2025. *1

We obtain assurance reports from an independent third-party for the achievement status of SPTs for KPIs. The assurance reports obtained are disclosed on our website or public materials.

*1 The GHG emissions in fiscal 2023 (Scope1 and Scope2) have been verified by a third-party organization.

(End)

3 Revision history

Date	Content
October 2023	Formulation of the First edition
February 2025	Update below <ul style="list-style-type: none">● Add “3 Revision history” to Table of Contents● Update of “1.1 Overview of Keihanshin Building”● Add a description concerning review in “1.3 Long-Term Business Plan”● Add and update of KPIs linked to materiality in “1.4 Keihanshin Building’s Sustainability Initiatives” (no changes of KPIs and SPTs in “2 Sustainability-Linked Financing Framework”)● Update of KPI performance in “2.1 Selection of KPIs”● Add notes regarding independence assurance in “2.5 Verification”● Add “3 Revision history”