[Supplementary Material]
Opinion on (Objection to) Tender Offer for Share Certificates of the Company by Strategic Capital, Inc. and UGS Asset Management Co., Ltd.

November 19, 2020

Keihanshin Building Co., Ltd.



Code No. 8818

Opinion of the Company

The Company's board of directors
is AGAINST the Tender Offer
by Strategic Capital, Inc. and UGS Asset Management Co., Ltd.

The Company would like to ask the shareholders NOT to apply for the Tender Offer.

The Company would like to ask the shareholders who have already applied for the Tender Offer to promptly CANCEL the application*.

*1: Please contact Mita Securities Co., Ltd. or Monex, Inc., which is the tender offer agents regarding how to cancel the application.

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Process of Examination until Expressing the Opinion

The Company carefully decided its opinion based on the response from the Independent Advisory Committee

1. Reason for establishing the Independent Advisory Committee

- The Independent Advisory Committee consisting of independent outside officers was established so that the decision-making of the Company will reflect the results of the review conducted in the standpoint outside the management team to ensure fairness and objectivity

2. Members of the Independent Advisory Committee

- 5 members consisting of outside directors and an outside auditor (either of them are independent outside officers)

  * 4 out of 7 members of the Company's board of directors are independent outside directors

3. Response from the Independent Advisory Committee (Summary)

- After independent consideration and examination based on the explanation from the Company of the reasons for the Company's opinion to object to the Tender Offer, the judgment of the Company that the Tender Offer would not contribute to the enhancement of the corporate value of the Company and the common interests of the shareholders is reasonable
- It would be appropriate for the Company's board of directors to object to the Tender Offer and to ask its shareholders not to apply for the Tender

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Reasons for the Opinion

1	**It is doubtful that the Measures enhance mid-to-long term corporate value**	• The measures Strategic Capital proposes (the "**Measures**")*1 substantially changes the Company's business, which is showing steady performance, differs significantly from the growth strategies the Company draws up, make the business operation of the Company extremely unstable, including the relationship with the tenants (clients) with whom the Company is in long-term contract with trust in each other, and it is doubtful that the measures will contribute to the improvement of corporate value over the medium-to-long term. • The Measures do not contain any specific growth strategy or business plan after implementation of these measures and are considered to be aiming at pursuit of short-term profit only to make dividend resources by transfer of the real estates owned by the Company.
2	**The purpose of Tender Offer disregards shareholders' will**	• The Measures are the same as the shareholder proposals from Strategic Capital that were rejected by objections from an overwhelming majority of the shareholders (approximately 90%) at the annual general meeting of shareholders of the Company held in June. Such objections indicate that the Company's shareholders did not find these measures will contribute to the enhancement of the Company's corporate value over the medium-to-long term and the common interests of the shareholders. • It is unavoidable to determine that the Tender Offer, which was commenced with an aim to implement the Measures shortly after the shareholder proposals were rejected at the General Shareholders' Meeting, disrespects the intention of the shareholders demonstrated at the General Shareholders' Meeting.
3	**The Company's management may seriously be disrupted**	• Although the Company has been sincerely responding to Strategic Capital for more than 2 years, accepting points to be improved, and making efforts to increase corporate value, Strategic Capital has unilaterally commenced the Tender Offer without giving prior notice regarding specific terms to the board of directors of the Company. It is extremely difficult for the Company to build the relationship of trust with such counterpart. • Taking into account the course of events leading to the Tender Offer, if Strategic Capital strengthens its voice and actively intervenes in the Company's business, the Company's management may be hindered.

Due to the reasons above, the Company's board of directors resolved to
OBJECT to the Tender Offer
(a decision which was made considering the response from the Independent Advisory Committee)

*1: Measures to change the business model into the one that specializes in sale of real property for lease, etc. to REIT and in the management and operation of such REIT, which is claimed by Strategic Capital

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1. It is Doubtful that the Measures Enhance Mid-to-Long Term Corporate Value

Our growth strategies, which aims to improve the corporate value in medium-to-long term, differs significantly from the Measures. The Company considers the Measures are aiming at pursuit of profit in extremely short term perspective.

The Company's medium-term management plan (for 7 years from fiscal year ending March 2020 to fiscal year ending March 2026)

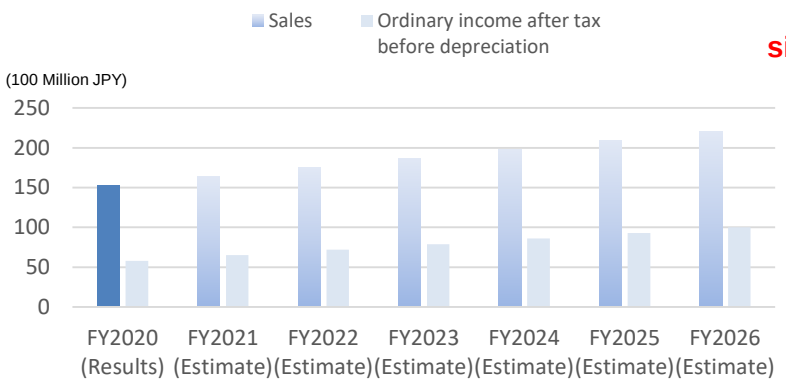
"Challenges from here: Into the new stage of growth"

Basic Policy

- Further growth and expansion of distinctive existing 4 businesses
- Expanding sustainable growth and size of business, by looking at the change in investment environment
- Looking for new business coming after existing business

Realize sustainable growth and improvement in corporate value with society

Performance Plan for 7 years



Differs significantly

The Measures Strategic Capital proposes

Sell real estates for leasing etc. to REIT or others

↓

Return the proceeds from sale after tax reduction to the shareholders as special dividends

↓

If real estates for leasing etc. is sold to REIT, the Company's only business is to manage and operate such REIT

↓

Details of growth strategies and business plans after selling real estates for leasing etc. are not provided

■Company information documents link: https://www.keihanshin.co.jp/ir/archive/materials/

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2. The Purpose of Tender Offer Disregards Shareholders' Will

Strategic Capital's demand is the same as the shareholder proposal that was rejected by approximately 90% of the shareholders at the general shareholders' meeting held in June 2020. The Tender Offer is forcefully implemented in disregard of intention of the Company's shareholders

Shareholder Proposals made by Strategic Capital (matters for resolution)		Against	For	Holding ration of Strategic Capital	Recommendation of ISS*1 (Reasons)	Recommendation of GL*1 (Reasons)
Proposal 5	• Election of One Director – Election of Mr. Maruki, a representative director of Strategic Capital	78.8%	21.2%	5.6%*2	For (He will bring an investor's viewpoint to the board of directors)	**Against** (We find no reason to support the dissident nominee and believe that the proponent of this proposal has failed to make a case that the proposed candidate would maximize shareholder value)
Proposal 6	• **Revision of the Provisions of Articles (Business Objectives)** – Addition of management of REIT in the objectives – Removal of "lease" from the objectives	**89.8%**	**10.2%**		**Against** (Management should make decisions under due supervision of the board of directors)	**Against** (We do not find a clear showing by the proponent that the adoption of this proposal will clearly lead to an increase in shareholder value)
Proposal 7	• **Transfer of Important Assets** – Sale of all possessed real estate for lease at a fair price	**89.9%**	**10.1%**			
Proposal 8	• **Revision of the Provisions of Articles with Regard to the Dissolution of Cross-shareholdings** – Dissolution of all cross-shareholding during FY2020	89.8%	10.2%			

Demands by Strategic Capital to pursue short-term profits were rejected and medium-to-long-term management plan of the Company was SUPPORTED

1: Abbreviation for Institutional Shareholder Services Inc., Glass, Lewis & Co., a large US proxy-advisory firm
*2: Based on the Company's shareholder registry as of the end of March 2020
Source: Various disclosed materials

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3. The Company's Management may Seriously be Disrupted

Although the Company has been engaged in interview based on Strategic Capital's demand for more than 2 years, the Tender Offer was commenced unilaterally without any prior notice regarding specific terms to the board of directors of the Company.

Dialogue with Strategic Capital for more than 2 years

- Around February 2018, the Company got in contact from Strategic Capital and started dialogue and interview.
- Since then, the Company has set up interviews each time depending on Strategic Capital's request (agenda includes explanation on quarterly financial results). Depending on the agenda, the Company has selected suitable personnel such as the president, officers in charge, and outside directors, and respond sincerely.→ Approximately 20 interview in more than 2 years
- On June, 2020, the Company received Shareholder Proposals by Strategic Capital at the annual general meeting of shareholders of the Company and responded sincerely.

Detail of the dialogue immediately before Strategic Capital announced the implementation of the Tender Offer

Date	Dialogue with Strategic Capital (Dialogue immediately before the Tender Offer)
October 7, 2020	Received a letter from Strategic Capital regarding a request for cooperation with due diligence to consider a tender offer.
October 23, 2020	Upon receipt of the above letter, an Independent Advisory Committee consisting of 5 members of outside directors and an outside auditor was set up to consult opinions from a fair standpoint.
	The first Independent Advisory Committee was held on the same day, and a questionnaire was sent to Strategic Capital based on the committee's report with a deadline of November 6th.
October 26, 2020	Strategic Capital decided that our response was "earning time" and answered not to answer the questionnaire.
November 4, 2020	Announcement of "one-sided" tender offer by Strategic Capital and UGS Asset Management (Notified on November 5).

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[Reference]
1. Initiatives of the Company in recent years

In recent years, the Company has been implementing a variety of initiatives, including strengthening corporate governance and promoting shareholder returns, in order to enhance corporate value over the medium-to-long term and realize shareholders' common interests.

Enhanced board independence

- June 2016: Increased the no. of outside directors to two
- June 2019: Increased the no. of outside directors to three
- June 2020: Increased the no. of outside directors to four
  →Majority of the board of directors are now independent outside directors

Establishment of Nomination and Remuneration Committee

- May 2018: Established the Nomination and Remuneration Committee
  - An outside director chairs the committee, and the majority of members are outside directors

Increased dividends for 7 consecutive terms and improved dividend payout ratio

- FY 2013: JPY 14 per share → FY 2020: JPY 31 per share (+ JPY 17 per share)
- FY 2015: 23.9% → FY 2019: 36.2% (+ 12.3 %)

(Since FY 2015, dividend payout ratio has been improving year by year)

Acquisition of own shares

- FY 2018: Acquisition of approx. JPY 1 billion in own shares, improvement in capital efficiency
- FY 2019: Acquisition of approx. JPY 1 billion in own shares, improvement in capital efficiency

Reduction of cross-shareholdings

- FY 2017: Approx. JPY 200 million
- FY 2018: Approx. JPY 300 million
- FY 2019: Approx. JPY 800 million
- FY 2020: Approx. JPY 1 billion

Since the implementation of the Corporate Governance Code, sold a total of approx. JPY 2.3 billion

strengthening corporate governance

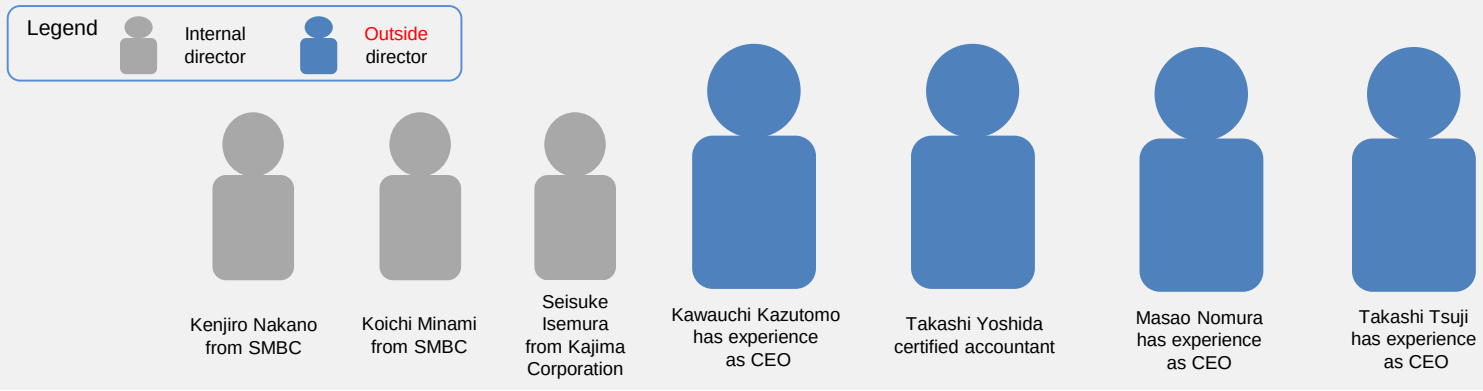
promoting shareholder returns

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2. Board Composition (Corporate Governance)

The majority of the board of directors of the Company are independent outside directors *1, ensuring a high degree of independence. As of August 2020, companies where independent outside directors represent a majority of the board of directors are 4.9% *2 of the companies listed on the TSE, and the Company is one of those few.

Composition of the Board (As of November 19, 2020)



Majority of the members of our board are independent outside directors

(Reference) Number of Independent Outside Directors per Company*2

Calculated subjects	No. of companies	Number of Independent Outside Directors and Percentage on the Board of Directors					
		0 persons	1 person	2 persons	3 or more persons	1/3 or more of the board of directors	Majority of the board
All listed companies	3,677	4.4%	17.2%	37.9%	40.5%	47.6%	4.9%

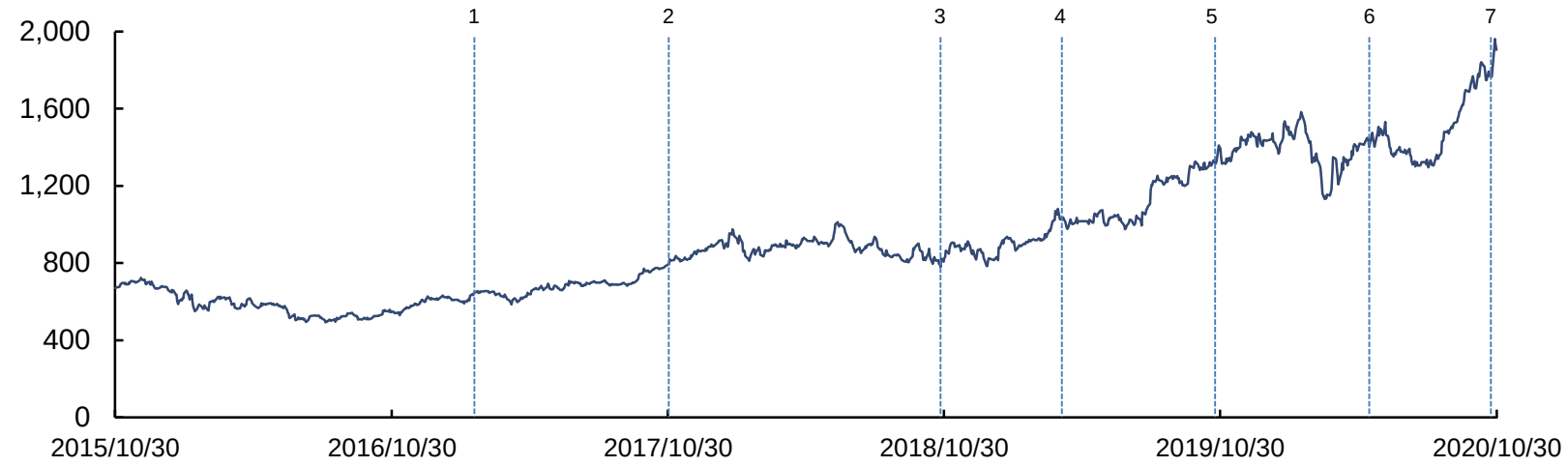
1: Independent outside directors refer to outside directors who are unlikely to cause conflicts of interest with general shareholders.
2: Stated based on Tokyo Stock Exchange "Status of Election of Independent Outside Directors and Establishment of Nomination and Remuneration Committees at TSE-listed Companies" (September 7, 2020)
Source: Various Disclosure Materials

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3. Movement of Stock Price

The Company has valued communication with all of our shareholders and stakeholders and has strived to enhance the shareholder's value over the mid-to-long term by taking their opinions sincerely and reflecting them in management.

(Stock price: JPY)



#	Date	Corporate Action by the Company
1	2017/2/24	Preparation of the mid-to-long term management plan / Announcement upward modification of expected dividends
2	2017/11/1	Announcement upward modification of expected dividends
3	2018/10/26	Announcement upward modification of expected dividends (commemorative dividend) / Announcement of acquisition of treasury shares (JPY 1 billion)
4	2019/4/4	Announcement of the start of construction of Keihanshin OBP Bldg.
5	2019/10/25	Preparation of the new mid-to-long term management plan/ Announcement upward modification of expected dividends/ Announcement of acquisition of treasury shares (JPY 1 billion)
6	2020/5/14	Announcement of increase of dividends and increase in outside directors
7	2020/10/23	Announcement of earnings forecast/ expected dividends modified upward

Sources: Disclosed materials

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4. Movement of Management Index and Dividends

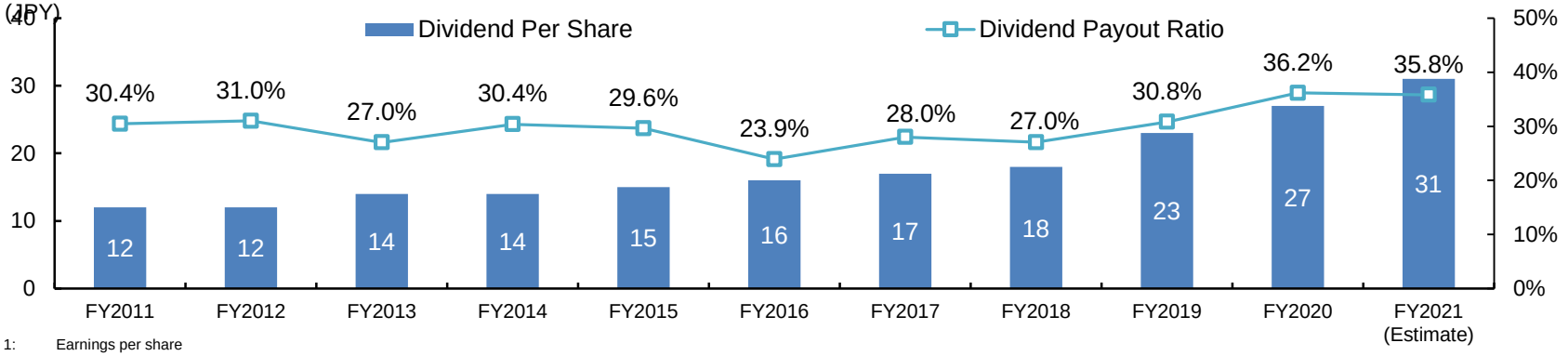
Company has achieved stable earnings growth, accumulated net assets, and stable and active distribution of shareholders' return.

Movement of Management Index and Stock Price

(JPY)

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	2Q of FY2021
EPS*1	39.4	38.7	51.8	46.1	50.6	66.9	60.7	66.6	74.6	74.6	—
BPS*2	835.4	862.5	927.9	893.9	960.6	1,010.8	1,091.6	1,154.7	1,217.3	1,236.5	1,322.2
Modified BPS*3	1,400.6	1,440.1	1,552.4	1,453.8	1,574.0	1,679.6	1,840.1	1,973.0	2,114.1	2,205.6	2,291.3
Stock Price	424	390	675	526	710	598	613	891	1,081	1,336	1,707

Movement of Amount of Dividends and Payout Ratio



1: Earnings per share
2: Benefit per share
3: Modified benefit per share. Total net assets at the end of the latest quarter plus unrealized gains on real estate. Unrealized gains on real estate are calculated as follows:
Unrealized gains on real estate = (Market value of rental and other real estate at the end of the latest fiscal year - book value) x (1 - effective tax rate)

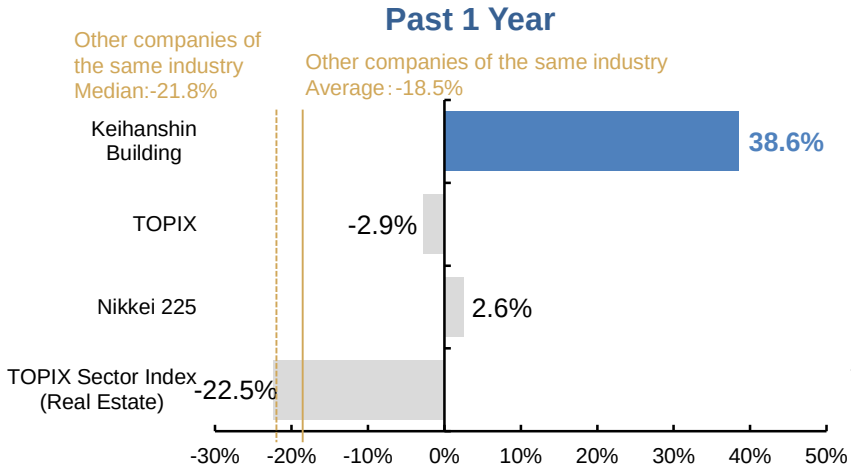
Note: Forecasts are based on company forecasts.
Dividend payout ratio is calculated by dividing the annual dividend for each fiscal year by net income.
The total return ratio is calculated by dividing the sum of the annual dividend for each fiscal year and the amount of acquired treasury stock by net income for the period.

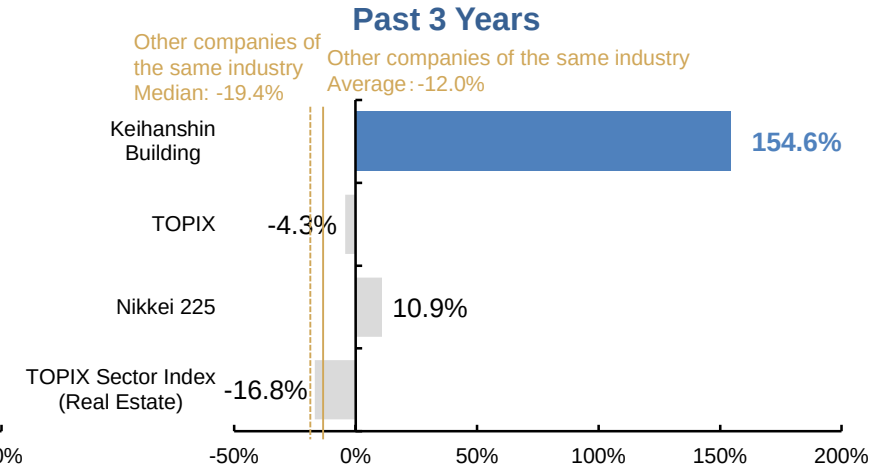
Sources: Disclosed materials

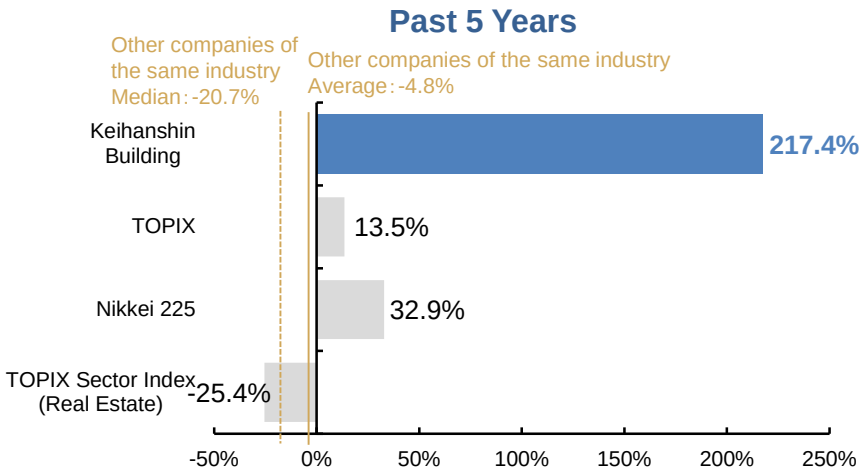
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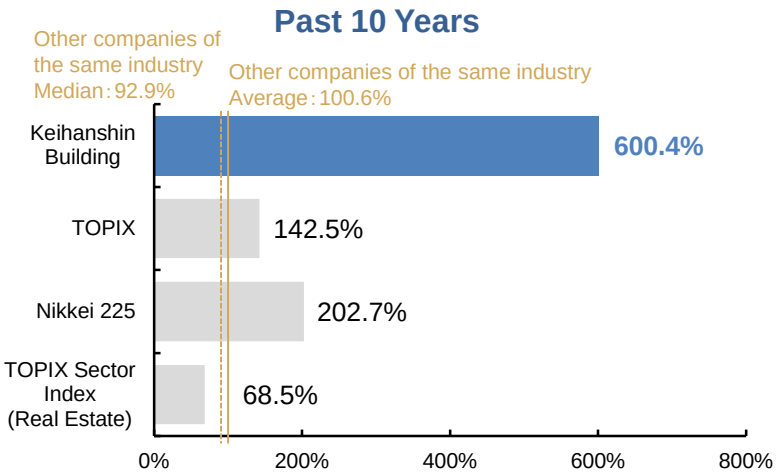
5. Comparison of Total Shareholder Returns

The Company aims to increase corporate value over the mid-to-long term. The total shareholder return, which indicates substantial return to shareholders, is substantially outperforming the average of other companies in the same industry and the market average.









Note: Calculated based on the closing price on October 30, 2020
Total shareholder return = (dividends + capital gains)/investment amount
Calculated based on the assumption that dividends will be reinvested
Sources: Disclosed materials

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6. Company's Approach to Management Efficiency

The Company highly values the return on assets (ROA). Our goal is to improve ROE by avoiding the excessive burden of financial leverage and by working to improve ROA. In addition, the Company sustains high rating "A-" by continuing run with controlling the excessive burden of financial leverage.

Company's Policy for Improvement of Management Efficiency

ROA↑ Financial leverage→ ROE↑

$$\frac{\text{Profits}}{\text{Total assets}} \times \frac{\text{Total assets}}{\text{Capital}} = \frac{\text{Profits}}{\text{Capital}}$$

Putting a highest priority on the improvement of ROA

Preventing excessive burden on financial leverage

Realizing improvement of ROE

Rating of the Company

for 24 years **A-**

(R&I)

Maintaining financial soundness

Realizing low-cost financing system, utilizing its credit

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7. Comparison with other Companies of the Same Industry (PBR etc.)

It is our understanding that the Company's current stock price level is comparable to that of other companies of the industry in terms of PBR and Modified PBR, etc.

PBR*1		Modified PBR*2		EV/EBITDA (Forecast for the term)*3	
B Company	1.50x	B Company	0.96x	H Company	20.0x
The Company	1.38x	The Company	0.80x	I Company	19.5x
E Company	1.10x	I Company	0.59x	G Company	18.5x
I Company	1.01x	C Company	0.51x	The Company	18.2x
D Company	0.98x	H Company	0.45x	F Company	17.7x
J Company	0.89x	J Company	0.45x	D Company	17.7x
F Company	0.74x	E Company	0.44x	E Company	16.5x
G Company	0.71x	F Company	0.40x	B Company	16.5x
A Company	0.69x	D Company	0.39x	J Company	16.3x
C Company	0.64x	A Company	0.38x	C Company	16.2x
H Company	0.58x	G Company	0.38x	A Company	4.7x
Average	0.88x	**Average**	0.49x	**Average**	16.4x
Median	0.82x	**Median**	0.44x	**Median**	17.1x

*1: Market value/net assets (end of the most recent quarter)
*2: Market value/adjusted net assets (Net assets (end of the most recent quarter) + unrealized gains on real estate (See below for definitions))
Unrealized gains on real estate = (Market value of leased real estate at the end of the most recent business year – book value) x (1 - Effective tax rate) - Land revaluation difference (end of the most recent quarter)
*3: EV is calculated based on market value and financial figures at the end of the most recent quarter; expected EBITDA is based on market consensus
注: Stock prices are based on the simple average closing price for past one-month as of November 4, 2020, the date of announcement of the Tender Offer.
Sources: Disclosed materials

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8. Comparison with Other Companies of the Same Industry (ROA etc.)

The Company's ROA is comparable to that of other companies in the industry and the Company aims for ROE improvement with expansion of the investment.

ROA*1		Capital Ratio*2		ROE*3	
A Company	5.6%	A Company	80.0%	B Company	13.7%
B Company	5.4%	the Company	47.0%	D Company	11.3%
C Company	4.6%	J Company	40.7%	C Company	9.1%
D Company	4.5%	F Company	32.6%	E Company	8.5%
E Company	4.1%	I Company	31.6%	G Company	8.2%
the Company	4.0%	C Company	30.5%	F Company	7.7%
F Company	4.0%	E Company	29.6%	H Company	6.7%
G Company	3.5%	B Company	25.8%	I Company	6.5%
H Company	3.2%	D Company	24.4%	the Company	6.1%
I Company	3.2%	G Company	24.0%	J Company	5.1%
J Company	3.1%	H Company	23.5%	A Company	5.1%
Average	4.1%	**Average**	34.3%	**Average**	8.2%
Median	4.0%	**Median**	30.1%	**Median**	8.0%

*1: Operating profit (end of the most recent period)/Total assets (average for the period)
*2: Capital (end of the most recent period)/Total assets (end of the most recent period)
*3: Net income (end of the most recent period)/capital (average for the period)
Sources: Disclosed materials

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Conclusion

About Strategic Capital's Measures,

- It is doubtful that the Measures enhance mid-to-long term corporate value
- The purpose of Tender Offer disregards shareholders' will
- The Company's management may seriously be disrupted

Due to the reasons above, the Company's board of directors is
AGAINST the Tender Offer
by Strategic Capital, Inc. and UGS Asset Management Co., Ltd.

The Company would like to ask the shareholders
NOT to apply for the Tender Offer.

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Disclaimer

This document is a reference material to explain the Company's opinion on (objection to) the tender offer for the Company's common shares by Strategic Capital, Inc. and UGS Asset Management Co., Ltd. Regarding the Company's opinion on the tender offer, please refer to "Announcement of Opinion on (Objection to) Tender Offer for Share Certificates of the Company by Strategic Capital, Inc. and UGS Asset Management Co., Ltd." publicized on November 19, 2020.

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