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(Securities Code 8818)

May 27, 2020

**To Those Shareholders with Voting Rights**

Koichi Minami  
President  
Keihanshin Building Co., Ltd.  
2-14 Kawaramachi 4-chome, Chuo-ku  
Osaka-shi, Osaka

**NOTICE OF THE 97TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

You are cordially invited to attend the 97th Annual General Meeting of Shareholders of the Company. The meeting will be held as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing or by electronic means, including the Internet. Please review the Reference Documents for the General Meeting of Shareholders and exercise your voting rights by 5:00 p.m. on June 15, 2020 (Monday) in accordance with the instructions on the next page.

- 1. Date and Time:** Tuesday, June 16, 2020 at 10:00 a.m.
- 2. Place:** Grand Ballroom “Korin,” 3rd floor of Rihga Royal Hotel  
5-3-68 Nakanoshima, Kita-ku, Osaka  
\*Please note that the meeting will be held at a different venue to previous years.
- 3. Agenda of the Meeting:**  
**Matters to be reported:**
  1. The Business Report, the Consolidated Financial Statements and the audit results of the Consolidated Financial Statements by the Independent Accounting Auditor and the Audit & Supervisory Board for the 97th fiscal term (from April 1, 2019 to March 31, 2020)
  2. The Non-Consolidated Financial Statements for the 97th fiscal term (from April 1, 2019 to March 31, 2020)

**Proposals to be resolved:**

**(Proposals from the Company)**

- Proposal 1:** Appropriation of Surplus  
**Proposal 2:** Election of Five (5) Directors  
**Proposal 3:** Revision to the Amount of Compensation for Outside Directors  
**Proposal 4:** Decision on Compensation for the Allocation of Restricted Stock to Directors (Excluding Outside Directors)

**(Proposals from Shareholders)**

- Proposal 5:** Election of One Director  
**Proposal 6:** Revision of the Provisions of Articles of Incorporation with Regard to a Change in Business  
**Proposal 7:** Transfer of Important Assets  
**Proposal 8:** Revision of the Provisions of Articles with Regard to the Dissolution of Cross-shareholdings

If you would like to exercise your voting rights in writing, please indicate your votes for or against each of the proposals on the enclosed Voting Rights Exercise Form and return it so that it will reach the Company no later than the deadline stated above.

If you would like to exercise your voting rights via the Internet, please enter your votes for or against each of the proposals on the designated website in accordance with the “Guidance on How to Exercise Your Voting Rights via the Internet” on page 5.

Notes:

- If you attend the meeting, please submit your Voting Rights Exercise Form at the reception desk when you arrive at the venue. The reception desk will open at 9:00 am on the day of the meeting.
- Should any revision be made to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements or the Non-consolidated Financial Statements, the Company will post revised versions on its website (<https://www.keihanshin.co.jp/>).

## Reference Documents for the General Meeting of Shareholders

### Proposals from the Company (Proposal 1 to Proposal 4)

#### **Proposal 1: Appropriation of Surplus**

The Company's basic policy for appropriation of surplus is to increase shareholders' long-term interests comprehensively and to continue to pay out stable dividends, taking account of its future business developments for expanding the sales base and the reinforcement of its corporate structure by increasing internal reserves.

For the 97th fiscal term, with regard to the business result of the Company in the fiscal year ended March 31, 2020, the Company proposes the appropriation of surplus as follows:

- (1) Type of dividend property  
Cash
  
- (2) Matters related to the allotment of dividend property to shareholders and the total amount  
15.50 yen per share of the Company's common stock  
Total amount: 805,476,736 yen  
Since the Company paid an interim dividend of 11.50 yen, the annual dividend per share totals 27 yen.
  
- (3) Effective date of distribution of surplus  
June 17, 2020

## Proposal 2: Election of Five (5) Directors

The terms of office of four (4) of the Company's Directors—Messrs. Kenjiro Nakano, Koichi Minami, Junichi Tada and Kazutomo Kawauchi—will expire, and the Company Directors—Messrs. Shinji Yamamoto and Masakazu Taniguchi—will resign at the conclusion of the meeting. We therefore propose electing five (5) Directors.

If the proposal is approved as originally proposed, the Company plans to designate four (4) out of its seven (7) Directors as independent directors as stipulated by the rules of the Tokyo Stock Exchange. As a result, a majority of the Company's Directors will be independent directors.

The candidates for Director are as follows:

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions	Number of shares of the Company held
1	Kenjiro Nakano (August 13, 1947)	<p>April 1971      Joined The Sumitomo Bank, Limited</p> <p>June 1998      Director, The Sumitomo Bank, Limited</p> <p>June 2002      Managing Executive Officer, Sumitomo Mitsui Banking Corporation (SMBC)</p> <p>April 2004      Managing Director and Managing Executive Officer, SMBC</p> <p>June 2005      Senior Managing Representative Director and Senior Managing Executive Officer, SMBC</p> <p>April 2006      Representative Director and Deputy President, SMBC</p> <p>April 2008      Representative Director and Vice President, SMBC</p> <p>June 2010      President, Keihanshin Real Estate (currently Keihanshin Building)</p> <p>June 2016      Chairman, the Company (to present)</p> <p>(Significant concurrent positions)</p> <p>Outside Director, Maruichi Steel Tube, Ltd.</p> <p>Outside Director, Audit and Supervisory Committee Member, H<sub>2</sub>O Retailing Corporation</p>	44,000
(Reason for nomination as a candidate for Director)			
Mr. Kenjiro Nakano has many years of experience in corporate management and abundant knowledge of economic and financial markets in Japan and overseas. Since 2010, he has served as President and then Chairman of the Company. The Company has re-nominated him as a candidate for Director due to his thorough understanding of the Company's businesses and industry environment.			
2	Koichi Minami (March 21, 1955)	<p>April 1977      Joined The Sumitomo Bank, Limited</p> <p>June 2005      Executive Officer and General Manager, Credit Dept. II, Wholesale Banking Unit, Sumitomo Mitsui Banking Corporation (SMBC)</p> <p>April 2008      Managing Executive Officer, SMBC</p> <p>April 2011      Director and Senior Managing Executive Officer, SMBC</p> <p>June 2013      Standing Corporate Auditor, Sumitomo Mitsui Financial Group, Inc.</p> <p>Corporate Auditor, SMBC</p> <p>June 2016      President, the Company (to present)</p>	24,000
(Reason for nomination as a candidate for Director)			
Mr. Koichi Minami has abundant knowledge of business assessment and auditing covering corporate management as well as economic and industry trends, etc., gained from many years of experience in business operations. As President of the Company, he established the new Mid-Term Business Plan in October, 2019, and is currently engaged in its implementation. For these reasons, the Company has re-nominated him as a candidate for Director.			

No.	Name (Date of birth)	Career summary, positions and responsibilities at the Company, and significant concurrent positions		Number of shares of the Company held
3	* Seisuke Isemura (March 21, 1959)	April 1981 April 2014 March 2017 April 2019	Joined KAJIMA CORPORATION Group Manager, Quotation and Procurement Group, Building Construction Department, Kansai Branch, KAJIMA CORPORATION General Manager, Building Construction Works Department, Kansai Branch, KAJIMA CORPORATION Board member, Sub-manager of Property Management Department, the Company (to present)	500
(Reason for nomination as a candidate for Director) Mr. Seisuke Isemura has a thorough knowledge of building construction works and all aspects of management, gained from many years of experience in business operations. The Company has nominated him as a candidate for Director, in the expectation that he will be responsible for managing technical aspects of the Company's buildings businesses.				
4	Kazutomo Kawauchi (May 18, 1947)	April 1971 June 2002 June 2003 June 2007 June 2015 June 2016 April 2017 June 2019	Joined Mainichi Broadcasting System, Inc. Director, Mainichi Broadcasting System, Inc. Managing Director, Mainichi Broadcasting System, Inc. President, Mainichi Broadcasting System, Inc. Chairman, Mainichi Broadcasting System, Inc. Director, the Company (to present) Chairman, MBS Media Holdings, Inc. Supreme Advisor, MBS Media Holdings, Inc. (to present) (Significant concurrent positions) Outside Director, RKB Mainichi Holdings Corporation Outside Director, Kin-Ei Corp.	0
(Reason for nomination as a candidate for Outside Director) Mr. Kazutomo Kawauchi has extensive experience as a corporate manager and possesses diverse insights. The Company has re-nominated him as a candidate for Outside Director in the expectation that he can supervise management from an objective viewpoint independent of the management team that executes the Company's business.				
5	* Takashi Tsuji (October 3, 1942)	April 1966 October 1983 December 1983 December 1987 December 1989 June 2000 June 2017	Joined Ube Industries, Ltd. Joined Konoike Transport Co., Ltd.; Full-time Advisor Senior Managing Director, Konoike Transport Co., Ltd. Representative Director and Vice President, Konoike Transport Co., Ltd. Representative Director and President, Konoike Transport Co., Ltd. Representative Director and Chairman, Konoike Transport Co., Ltd. Director and Chairman, Konoike Transport Co., Ltd. (to present) (Significant concurrent positions) Director and Chairman, Konoike Transport Co., Ltd.	0
(Reason for nomination as a candidate for Outside Director) Mr. Takashi Tsuji has extensive experience as a corporate manager and possesses diverse insights. The Company has nominated him as a candidate for Outside Director in the expectation that he can supervise management from an objective viewpoint independent of the management team that executes the Company's business.				

Notes:

1. There are no special interests between the Company and each of the candidates.

2. The candidates with asterisks above their names are new candidates.
3. Mr. Kazutomo Kawauchi and Mr. Takashi Tsuji are candidates for Outside Director. They are also candidates for independent director, a position that the Tokyo Stock Exchange requires listed companies to assign to one or more of their Directors. The position can be held only by a person whose interests cannot conflict with the interests of general shareholders.
4. Mr. Kazutomo Kawauchi will have served as Outside Director for four (4) years at the conclusion of this General Meeting of Shareholders.
5. In accordance with the provisions of the Company's Articles of Incorporation, the Company has concluded an agreement with Mr. Kazutomo Kawauchi to limit his liability for damage pursuant to Article 427, Paragraph 1 of the Companies Act. The maximum amount of liability under the agreement is the amount stipulated by laws and regulations. If his appointment is approved, the Company will maintain the agreement.
6. If the appointment of Mr. Takashi Tsuji is approved, the Company will conclude an agreement with Mr. Takashi Tsuji to limit his liability for damage pursuant to Article 427, Paragraph 1 of the Companies Act, in accordance with the provisions of the Company's Articles of Incorporation. The maximum amount of liability under the agreement is the amount stipulated by laws and regulations.

**Proposal 3: Revision to the Amount of Compensation for Outside Directors**

Monetary compensation for Directors of the Company not exceeding a total of 220 million yen (including a total of no more than 30 million yen for Outside Directors, but not including compensation received in the capacity of an employee, for Directors serving concurrently as employees) was approved at the 93rd Annual General Meeting of Shareholders of the Company held on June 21, 2016.

As presented in Proposal 2, the Company proposes to increase the number of Outside Directors by one (1), for the purpose of further strengthening corporate governance.

Pursuant to this increase, in order to respond to changes in the environment in which Outside Directors operate, the Company proposes to increase the upper limit for the total amount of monetary compensation for Outside Directors from 30 million yen to 50 million yen, while leaving the upper limit for the total amount of compensation for all Directors (220 million yen) unchanged.

At present, the Company has eight (8) Directors, of which three (3) are Outside Directors. If Proposal 2 is approved as proposed, then the Company will have seven (7) Directors, of which four (4) will be Outside Directors.

#### **Proposal 4: Decision on Compensation for the Allocation of Restricted Stock to Directors (Excluding Outside Directors)**

Monetary compensation for Directors of the Company not exceeding a total of 220 million yen (including no more than a total of 30 million yen for Outside Directors, but not including compensation received in the capacity of an employee, for Directors serving concurrently as employees) was approved at the 93rd Annual General Meeting of Shareholders held on June 21, 2016. In addition to this monetary compensation, share-based compensation consisting of the grant of share acquisition rights as stock options for Directors who are not Outside Directors was also approved, up to a total annual limit of 50 million yen.

As part of a review of the compensation system for corporate officers, the Company proposes to allot common shares of the Company, subject to certain restrictions on transfer and gratis acquisition under certain circumstances (hereinafter the “Restricted Stock”), to the Company’s Directors (excluding Outside Directors; hereinafter the “Eligible Directors”), in place of the current system of share-based compensation through the grant of share acquisition rights, in order to further increase awareness of shareholder-focused management.

Specifically, the Company proposes to abolish the provisions on compensation amounts for share-based compensation consisting of the grant of share acquisition rights as stock options described above, and, upon comprehensive consideration of a range of factors including the contribution made to the Company by Eligible Directors, to establish a total annual limit of 50 million yen pertaining to the monetary compensation rights (monetary claims) for Restricted Stock to be allotted to Eligible Directors, in addition to the limit for monetary compensation for Directors (excluding Outside Directors) described above.

The allotment of the Restricted Stock has been decided upon comprehensive consideration of a range of factors including the contribution made to the Company by Eligible Directors, and is deemed appropriate.

If this proposal is approved and passed, the existing provisions on compensation amounts for share-based compensation consisting of the grant of share acquisition rights as stock options to Directors who are not Outside Directors, and Audit & Supervisory Board Members who are not Outside Audit & Supervisory Board Members, described above, shall be abolished, and no further allotment of share acquisition rights as stock options shall be made based on the current provisions on compensation amounts for share-based compensation.

If Proposal 2 and Proposal 4 are approved and passed, then three (3) Directors who are not Outside Directors will be eligible for allotment.

#### **Specific Details and Number of Shares of the Restricted Stock**

##### **1. Allotment and Payment of the Restricted Stock**

The Company shall grant monetary compensation rights pertaining to the Restricted Stock to Eligible Directors, based on a resolution of the Company’s Board of Directors, within the annual compensation limit shown above. Eligible Directors shall pay all these monetary compensation rights to the Company as a contribution in kind, and receive in return an allotment of shares of Restricted Stock.

The amount payable for each share of the Restricted Stock shall be determined by the Company’s Board of Directors, based on the closing price of the Company’s common shares on the Tokyo Stock Exchange on the business day immediately preceding the day of the meeting of the Board of Directors where the issuance or disposal of the Restricted Stock is decided (or the closing price on the most recent preceding trading day, if trading was not conducted on the day in question), and at a level that does not specifically advantage the Eligible Directors who will be allotted shares of the Restricted Stock.

The grant of the monetary compensation rights indicated above to Eligible Directors shall be conditional upon their consent to the said contribution in kind, as well as the conclusion of a restricted stock allotment agreement

containing the provisions described in 3. below.

## 2. Total Number of Shares of the Restricted Stock

The total number of shares of Restricted Stock to be allotted to Eligible Directors, 70,000 shares, shall also be the maximum number that may be allotted in any fiscal year.

However, the Company may reasonably adjust the total number of shares of the Restricted Stock where such an adjustment becomes necessary, due to the execution of a stock split or stock consolidation pertaining to the Company's common shares (including a gratis allotment of the Company's common shares), or other equivalent reason.

## 3. Content of the Restricted Stock Allotment Agreement

The restricted stock allotment agreement, to be concluded between the Company and Eligible Directors when allotting the Restricted Stock, shall contain the following items, based on a resolution of the Company's Board of Directors.

### (1) Details of the transfer restrictions

Eligible Directors who have received an allotment of the Restricted Stock cannot transfer, use as collateral or pledge as security, gift inter vivos, bequeath or otherwise dispose of the allotted shares of Restricted Stock (hereinafter the "Allotted Shares") in any way, during the period of time from the date when the Restricted Stock was received to the date when they cease to serve as either Director or Executive Officer of the Company (hereinafter the "Transfer Restriction Period"; these restrictions are hereinafter referred to as the "Transfer Restrictions").

### (2) Gratis acquisition of the Restricted Stock

Where an Eligible Director who has received an allotment of the Restricted Stock ceases to serve as either Director or Executive Officer of the Company after the commencement date of the Transfer Restriction Period and before the date of the first subsequent Annual General Meeting of Shareholders of the Company, the Company shall rightfully acquire the Allotted Shares free of charge, except in cases where the Company's Board of Directors recognizes reasonable cause.

Where, at the time when the Transfer Restriction Period prescribed in (1) above expires, the Transfer Restrictions pertaining to some or all of the Allotted Shares have not been removed in accordance with the provisions regarding cause for removal in (3) below, the Company shall rightfully acquire these free of charge.

### (3) Removal of the Transfer Restrictions

Where an Eligible Director who has received an allotment of the Restricted Stock has served continuously as either a Director or Executive Officer of the Company from the commencement date of the Transfer Restriction Period until the date of the first subsequent Annual General Meeting of Shareholders of the Company, the Company shall remove the Transfer Restrictions pertaining to all the Allotted Shares at the conclusion of the Transfer Restriction Period.

However, where an Eligible Director ceases to serve as either Director or Executive Officer of the Company, after the commencement date of the Transfer Restriction Period and before the date of the first subsequent Annual General Meeting of Shareholders of the Company, for a reason deemed proper by the Company's Board of Directors, the number of Allotted Shares from which the Transfer Restrictions are removed, and the timing of this removal, shall be adjusted as necessary.

(4) Treatment in the case of organizational restructuring etc.

Where a merger agreement with the Company as the non-surviving company, a share exchange agreement where the Company becomes a wholly-owned subsidiary, a share transfer plan or other proposal concerning an organizational restructuring etc. is approved by the Company's General Meeting of Shareholder (or the Company's Board of Directors, for organizational restructuring etc. that does not require the approval of the General Meeting of Shareholders) during the Transfer Restriction Period, the Transfer Restrictions may be removed before the effective date of the organizational restructuring etc. by resolution of the Board of Directors of the Company, for a number of the Allotted Shares to be determined reasonably based upon the length of the period from the day when the Transfer Restriction Period commenced to the day when the organizational restructuring etc. was approved.

In this case, the Company shall rightfully acquire, free of charge, the remaining Allotted Shares for which the Transfer Restrictions have not been removed, immediately subsequent to the removal of Transfer Restrictions in accordance with the provisions above.

(Reference)

After the conclusion of this General Meeting of Shareholders, the Company intends to allot restricted stock similar to the Restricted Stock described above, to Executive Officers of the Company.



or Proposal 8 is not passed, the candidate will be able to assume the role of proposing measures to enhance shareholder value to the Board of Directors, and continually encouraging discussion concerning them.

#### **[Opinion of the Board of Directors on Proposal 5]**

The Board of Directors of the Company opposes Proposal 5.

##### Reasons

- 1) The concerns over governance presented in the proposal are unfounded

The Company considers the enhancement of management efficiency and corporate soundness as matters of the utmost importance, which contribute to increasing corporate value. These are achieved through the establishment of transparent and fair management bodies, swifter decision-making with regard to important matters of corporate management, and a stronger supervisory function over the execution of duties.

Based on this policy, the Board of Directors of the Company emphasizes strengthening the supervisory function utilizing Outside Directors (all of whom are registered as Independent Officers with the Tokyo Stock Exchange). Independent Outside Directors, who compose three (3) of the eight (8) members of the Board of Directors, and three (3) of the five (5) members of the arbitrary Nomination and Remuneration Committee, supervise the Company from an objective perspective independent of the Company's executive management.

In recent years, the Company has been engaged in initiatives to further enhance corporate governance, such as introducing a system of executive officers, establishing a Nomination and Remuneration Committee, and increasing the number of Outside Directors. If the Company's Proposal 2 is passed at this General Meeting of Shareholders, then the four (4) Independent Outside Directors will constitute a majority among the seven (7) Directors, allowing the Company to utilize Outside Directors to further strengthen the objectivity and fairness of management. The concerns raised in this proposal over matters such as the appropriation of management by some Directors and the lack of clarity in governance, are therefore unfounded.

- 2) A suitable Director of the Company should be able to bring about the enhancement of medium and long-term benefits for a wide range of stakeholders

The Company considers that constructive dialogue with shareholders and the exchange of opinions contribute to sustainable growth and the enhancement of corporate value. Based on this belief, the Company has engaged in dialogue for some time, with the one of Proposing Shareholders, Strategic Capital, Inc. and its Representative Director, Mr. Tsuyoshi Maruki, who is also the candidate in this proposal. However, the suggestions received in the course of this dialogue have been centered around the sale of assets to fund stronger short-term shareholder returns, and not the enhancement of the Company's medium and long-term corporate value. The discontinuance of the real estate leasing business and the sale of all assets, which the candidate above has clearly indicated that he would promote if appointed Director of the Company, are actions aimed at locking-in short-term profits. They do not reflect the perspective of enhancing medium and long-term benefits for the Company's broad range of stakeholders, including shareholders, employees, trading partners and local communities. The Company aims to respond to the trust placed in by these diverse stakeholders, by engaging in the commercial real estate leasing business from the perspective of bringing about stable, steady, medium and long-term growth in it. The Board of Directors considers that people with comprehensive and balanced insight into value enhancement for our diverse stakeholders, and not simply enhancement of short-term shareholder value, should be appointed as Directors of the Company.

As a result of careful consideration regarding candidates for Director, covering these points, the Nomination and Remuneration Committee reported back to the Board of Directors that suitable candidates for Director of

the Company should be able to realize medium and long-term enhancement of benefits for the Company's diverse stakeholders, and that a Board of Directors composed of the candidates proposed by the Company would contribute to the medium and long-term enhancement of the Company's corporate value. The Board of Directors presents these candidates to the General Meeting of Shareholders for approval in Proposal 2. The Board of Directors of the Company therefore opposes Proposal 5.

## **Proposal 6: Revision of the Provisions of Articles with Regard to a Change in Business**

### 1. Details of the Proposal

Add new item (1) below to Article 2 of the current Articles of Incorporation, change the current item (1) to (2), and delete the word “lease” from the current item (1). Also, add Supplementary Provisions concerning the implementation date.

#### Article 2 (Purposes)

- (1) [New] Controlling and managing the business activities of the investment management company by owning shares in the company
- (2) [Change from current Article 2 (1)] Ownership and management of real estate. (Hereafter, Articles 2 (2)-(6) of the Articles of Incorporation are moved forward to (3)-(7) respectively)

#### Supplementary Provisions

##### Article 2 (Implementation date)

The amendment of Article 2 (2) of the Articles of Incorporation shall come into effect as of the record date of voting rights at the 98th Annual General Meeting of Shareholders, and the provision of this Article shall be deleted on the same day.

### 2. Reason for the Proposal

The investment and rental properties held by the Company have a fair value of 163.3 billion yen, according to the disclosure in the Company’s Annual Securities Report for the fiscal year ended March 31, 2019 (the “Securities Report”). The Company’s net assets per share, after adjusting for unrealized gains from these investment and rental properties, is calculated to be 2,235 yen. The Company’s share price, however, is significantly below this amount.

The Company’s cost of capital is 8%, as estimated by the shareholders making this proposal; however, the Company’s ROE (return on equity) is significantly below this level, at 5.8%. The shareholders making this proposal consider it extremely unlikely that the shares of the Company, which is primarily engaged in the real estate leasing industry, will provide the return expected by the investors that hold them. They believe that the Company should transfer management of the real estate that it holds for leasing purposes to a REIT (real estate investment trust), and respond to investors’ expectations from the dividend yield of the REIT.

To this end, the Company’s purposes should be altered, and a wholly-owned subsidiary of the Company established to manage the REIT. Next, it is proposed that the Company should utilize a moratorium of approximately one year before “lease (of real estate)” is removed from its business purposes, to transfer management of the real estate from which it derives rental income to a REIT. The Company’s wholly-owned subsidiary should manage this REIT in the capacity of a real estate investment management company. It is proposed that the Company should continue any currently progressing real estate developments, and transfer these to the REIT as soon as the development has been completed.

A fair price should be set when transferring management of the Company’s real estate assets to the REIT; however, when where sale at a higher price is possible to a buyer other than the REIT, the Company may sell the assets to this third-party buyer. The Company should use the proceeds from the sale of real estate assets to the REIT or third-party buyer, along with the proceeds from dissolving the cross-shareholdings proposed in Proposal 8 below, and the cash already held by the Company, firstly for the redemption of interest-bearing liabilities, and then to return money to the Company’s shareholders through payment of a special dividend.

## [Opinion of the Board of Directors on Proposal 6]

The Board of Directors of the Company opposes Proposal 6.

### Reasons

The Company places great importance on management and financial stability, and will respond to the expectations of all stakeholders in the medium and long-term, through measures such as increasing shareholder returns and social contribution.

As stated in the Corporate Philosophy that the Company has promoted for some time, the Company is managed from the perspective of achieving stable and steady business growth, premised on perpetual continuation of the business, in order to enhance medium and long-term benefits for our diverse stakeholders.

The Company has grown its real estate leasing business steadily over the long-term, thanks to the trust placed in it by shareholders, employees, business partners and local communities. Proposal 6 demands the Company discontinue this business together with proposals for the sale of all real estate held by the Company and all cross-shareholdings (Proposal 7 and Proposal 8), it requires the Company to hastily liquidate almost all of the assets recognized on its balance sheets, and to return these funds to shareholders through the payment of a special dividend. These proposals conflict with the Company's management policy, which is based on stable and steady growth, including the continued enhancement of shareholder value. Furthermore, they would bring about the loss of the balanced financial base that should serve as the Company's foundation, as well as the loss of relationships with tenants and partner companies.

In the Reason for the Proposal, the view is presented that the Company will find it difficult to respond to the return expected by the Proposing Shareholders. However, the Company, with its long-term focus on stable and steady business growth, is managed from a perspective that will contribute to value enhancement for its diverse stakeholders, including shareholders, in accordance with the specific characteristics of its business. In view of recent social conditions, this contribution should be based on comprehensive consideration of a range of management indicators, rather than an overemphasis on ROE alone. Under this policy, the Company has steadily increased returns to shareholders through a focus on its main business of real estate leasing, increasing earnings per share, and raising the amount of dividends per share for five consecutive years from the fiscal year ended March 31, 2015. (Dividends per share were increased from 14 yen to 23 yen, an increase of 9 yen, and will be further increased to 27 yen if Proposal 1 is passed by this General Meeting of Shareholders.) Under the new Mid-Term Business Plan announced last year, the target dividend payout ratio has been raised to 35-40%, up 5-10 percentage points. The Company intends to continue to respond to the expectations of its shareholders into the future, with an emphasis on stability and continuity.

This proposal does not concur with the Company's management policy, as described above, and the Board of Directors therefore opposes Proposal 6.

## **Proposal 7: Transfer of Important Assets**

### 1. Details of the Proposal

Transfer all rental properties held by the Company at a price of 198.5 billion yen or more in total.

### 2. Reason for the Proposal

This item pertains to the case where the Company transfers all real estate it holds for leasing purposes at for a total consideration higher than 198.5 billion yen, which is considered to be the fair value of this real estate.

The reason for the Company to sell the real estate it holds for leasing purposes is presented in Proposal 6. above.

The fair value of 198.5 billion yen is calculated as the sum of 163.3 billion yen, being the fair value of the Company's investment and rental properties recorded on page 58 of the Securities Report; and 35.2 billion yen, being the total planned investment in the Toranomom Building (Minato-ku, Tokyo) and the OBP Building (Chuo-ku, Osaka) as recorded on page 15 of the Securities Report, 56.2 billion yen, after deducting the amount already paid, 21.0 billion yen.

### **[Opinion of the Board of Directors on Proposal 7]**

The Board of Directors of the Company opposes Proposal 7.

#### Reasons

The reasons are as stated in the opinion of the Board of Directors on Proposal 6.

Moreover, Proposal 7 requires the disposal of assets held by the Company. As a Company with a Board of Directors, however, decisions on the disposal of important assets are designated as matters to be determined exclusively by the Company's Board of Directors, under the Companies Act. In addition, this proposal is inappropriate in that it requests a resolution of the General Meeting of Shareholders on this issue, without an amendment to the Articles of Incorporation. It has nonetheless been presented as proposed by the Proposing Shareholders, on consideration of the fact that Proposals 6 to 8 form a single sequence in terms of their content and therefore they should be explained to shareholders as an entire sequence in order to clarify the intention of the Proposing Shareholders, and the fact that the issue of inappropriateness indicated above does not affect the valid operation of the General Meeting of Shareholders.

**Proposal 8: Revision of the Provisions of Articles with Regard to the Dissolution of Cross-shareholdings**

1. Details of the Proposal

Add the following chapter and article to the current Articles of Incorporation.

Chapter 8: Dissolution of Cross-shareholdings

(Dissolution of cross-shareholdings)

Article 42. The Company shall sell all the cross-shareholdings, as of the effective date of the revision of the Articles of Incorporation, immediately during the 98th fiscal period.

2. Reason for the Proposal

As proposed in Proposal 6, when the Company’s subsidiary engages in asset management as an investment company, the Company should sell its unnecessary assets, and use the proceeds of this sale to pay a special dividend, in order to enhance shareholder value.

Please refer to <https://realize-value-keihanshin.com/english/> or the dedicated site link at the top right of homepage of Strategic Capital, Inc. <https://stracap.jp/english/> for details of the above proposals from shareholders.

**[Opinion of the Board of Directors on Proposal 8]**

The Board of Directors of the Company opposes Proposal 8.

Reasons

The reasons are as stated in the opinion of the Board of Directors on Proposal 6.