

April 20th, 2020

To Whom It May Concern,

Strategic Capital, Inc.

Tsuyoshi Maruki, President & CEO

Re: Shareholder Proposal to Keihanshin Building Co., Ltd.

Strategic Capital, Inc. (hereinafter referred to as "Strategic Capital") is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (hereinafter referred to as the "Fund") and the Fund and Strategic Capital hold over 300 units of voting right of Keihanshin Building Co., Ltd. (hereinafter referred to as "Keihanshin bldg." or the "Company" as the context requires) over 6 months.

The Fund and Strategic Capital are pleased to announce that, on April 16th, 2020, we notified Keihanshin bldg. of our execution of the shareholders' right to make a proposal at the annual shareholder meeting held in the coming June and confirmed that, on April 17th, 2020, Keihanshin bldg. certainly received the documents of the proposal.

We would like to explain the context of our proposal as following;

1. Overview of our proposal and
2. The detailed translation of our proposal.

1. Overview of our proposal

(1). Change the management policy to enhance shareholder value

With the majority of the Board of Directors occupied by the members from Sumitomo Mitsui Banking Corporation, they have virtually made the Company their own. Under such opaque corporate governance conditions, we cannot expect that the current management will enhance shareholder value. In order to promote measures to enhance shareholder value, including the proposals listed below, we are proposing that Tsuyoshi Maruki, our representative, be elected as outside director and participate in the Company's Board.

(2). Transform the business model that does not meet investors' expectation for return

One of the reasons of its low valuation is that profitability of the Company does not

meet the expected level required by investors. We therefore propose that the Company withdraw from the low profitable leasing business and to become a REIT operator.

(3). Realizing the potential value of rental properties

In the case the Company withdraws from the leasing business, it should sell the rental properties it currently holds at a fair price. The buyer should not be limited to the REIT established by the Company and the Company should seek the best offer. At the very least, we propose that the properties should be sold at price higher than the market price the Company disclosed in its financial statement.

(4). Sell cross-shareholdings to improve capital efficiency

The Company discloses the purpose of cross-shareholdings as "for the rental leasing business". Those shares give an unnecessary impact by their price movements on financial results of the Company. Also, as we propose above, in the case the Company no longer operates as a leasing business, the original purpose above no longer exists. We therefore propose to sell these unnecessary assets and hope the proceeds will be used to enhance shareholder value.

2. The detailed translation of our proposal

(1). Election of one director

Appoint the candidate below as an outside director of the Board.

[Name (date of birth)]

Maruki Tsuyoshi

(July 23, 1959)

[Brief personal history]

April 1982

Joined Nomura Securities Co., Ltd.

August 1999

Executive vice-president, M & A Consulting Inc.

May 2006

CEO, MAC Asset Management Co., Ltd.

February 2010

Representative Director, TNP Strategic Capital Co., Ltd.

September 2012

Representative Director (current position), Strategic Capital

[Significant concurrent positions]

Representative Director, Strategic Capital Co., Ltd.

[Number of Company Shares Owned]

0 shares

[Reason for nomination for candidate as an outside director]

As of April 10th, 2020, four of five full-time Board directors are the members from Sumitomo Mitsui Banking Corporation. Even though Sumitomo Mitsui Banking Corporation holds only 4% of total outstanding shares of the Company, those Board directors virtually make the Company their own. In order to correct this opaque corporate governance, we are nominating the candidate as an outside director to increase the number of outside directors and with the expectation that he will provide an objective perspective that is independent of the current management.

In addition, it is expected that he can contribute to the enhancement of the Company's shareholder value through his knowledge on capital markets gained from business activity at Nomura Securities Co., Ltd. and through his experience as a representative and an investment manager of an investment management company.

Also, Strategic Capital, whose representative is the candidate, manages the Fund holding 5.46% of the total outstanding shares of the Company as of March 31, 2020. As the amount is less than 10% of voting rights, the Fund is not a major shareholder.

(notes)

1. There is no particular interest between the candidate and the Company.
2. Strategic Capital, whose representative is the candidate, holds 100 shares of the Company's shares as of the end of March 31, 2020. Also, Strategic Capital is under a discretionary investment contract with INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP (the Fund) and the Fund holds 2,887,700 shares of the Company's shares as of the same day.
3. If the candidate is elected, the Company will register him as an independent director in accordance with the Tokyo Stock Exchange's rules and regulations.

(2). Revision of the provisions of articles with regard to a change in business.

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.

(3). Transfer of Important Assets

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

(4). Revision of the provisions of articles with regard to the Dissolution of Cross-shareholdings

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.

Contact Information

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