



Strategic Capital

株式会社 ストラテジックキャピタル

Japanese Small Cap – The world left behind

Active Passive Investor Summit

2020/10/8

Strategic Capital, Inc.



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- I. **Who we are**
- II. **Why Japan has such opportunity for activism**
- III. **KEIHANSHIN**

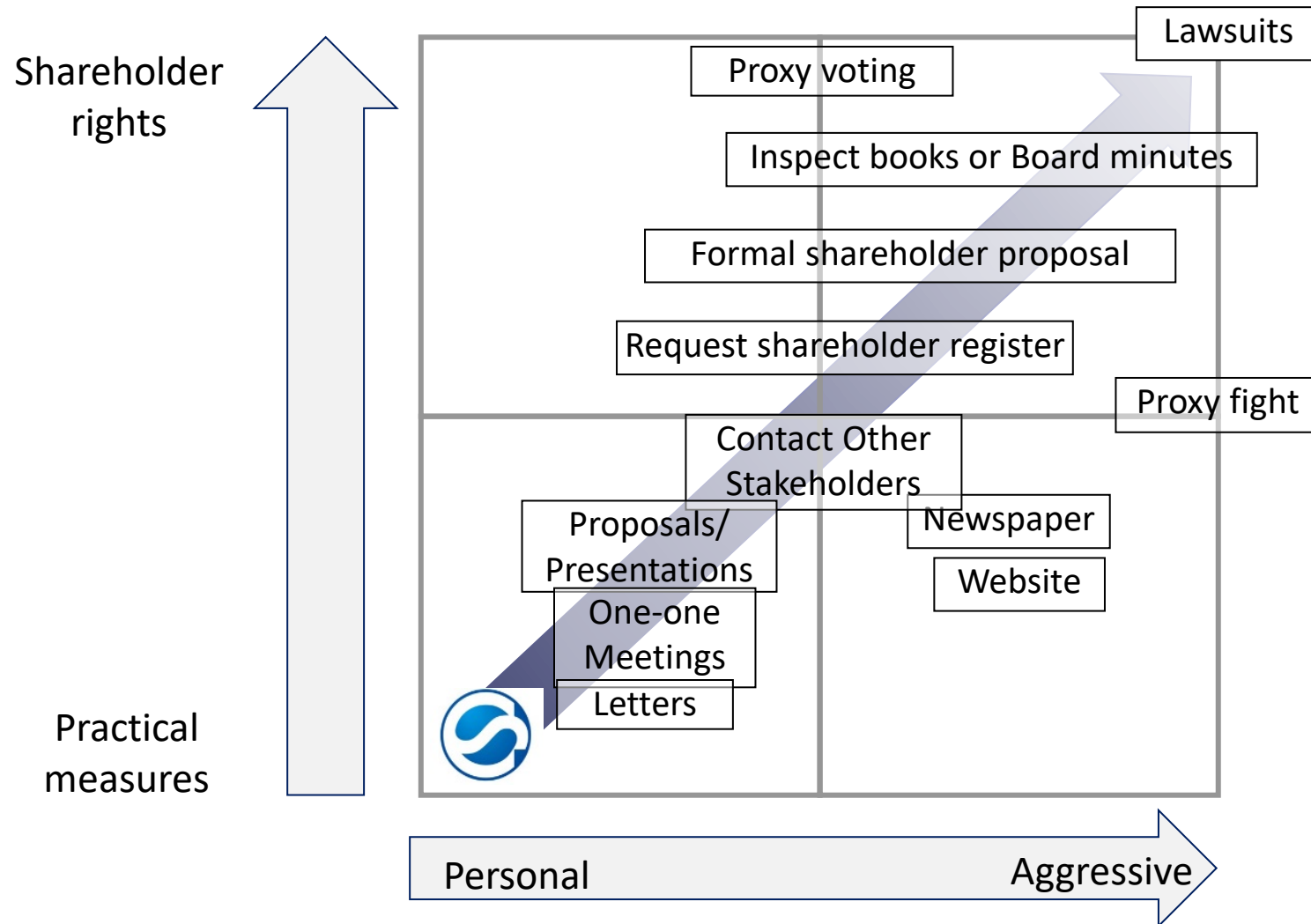


Established	2012
Location	Tokyo, Japan
Key Persons	Tsuyoshi Maruki, Dan Kato

What we do

Invest in asset-rich mid and small cap Japanese companies with relatively stable cash flows which are trading at substantial discounts due to corporate governance issues and use **ACTIVISM to unlock shareholder value.**

Use the full spectrum



Reasons for activism in Japan

Corporate Governance policy improvements

But...

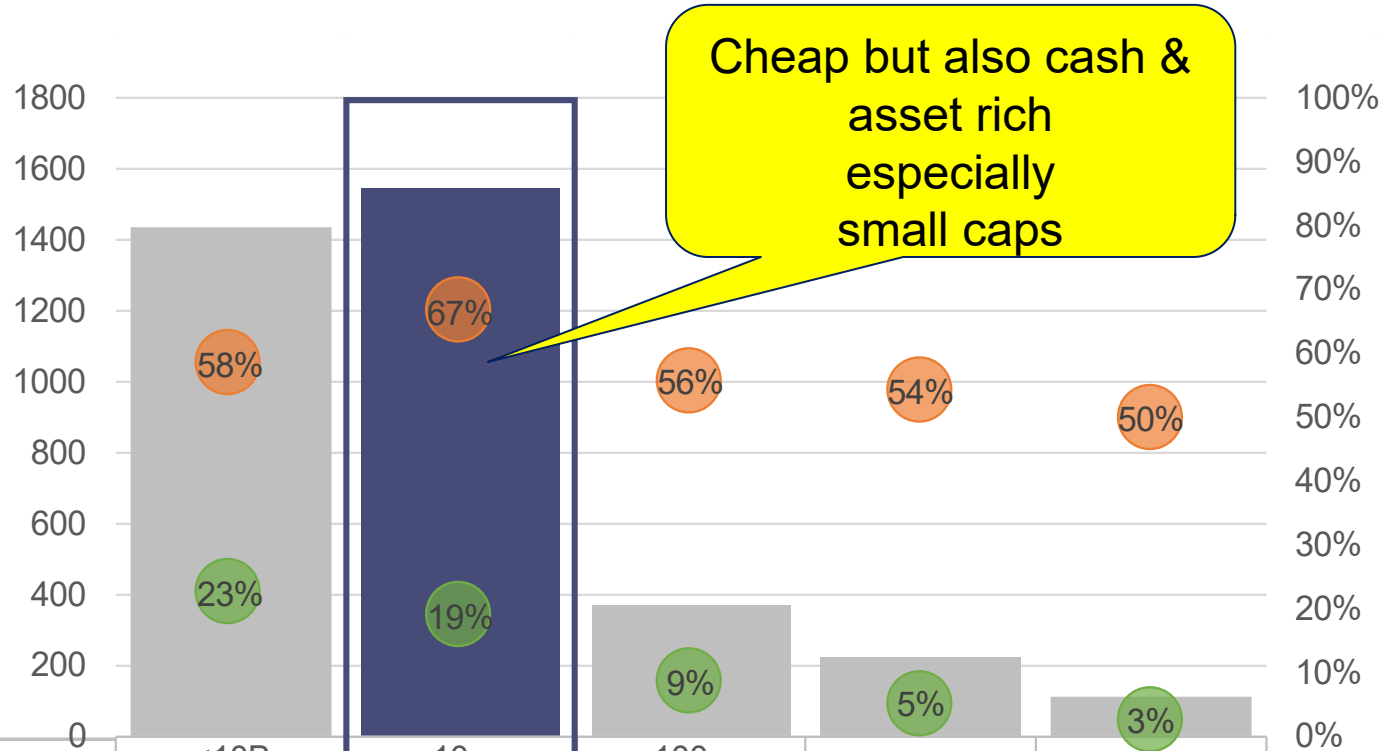
Lack of investor voice
Management ignorance

Results in...

Gwashing

Similar to greenwashing it is “an attempt to make a business seem committed to Corporate **G**overnance, when it is not”

Low Valuations



Japan small cap is the world left behind

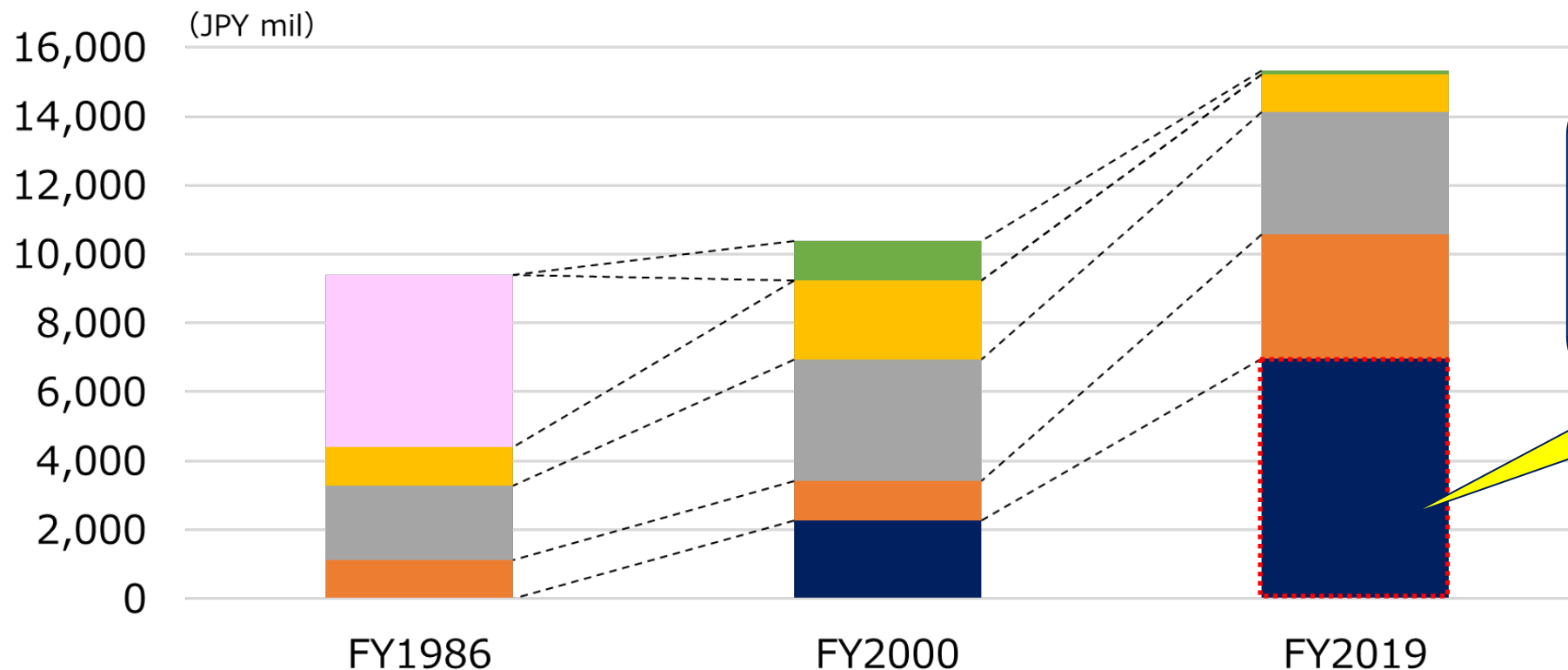
Market Cap in JPY Billions	<10B JPY	10 - 100B	100 - 300B	300 - 1T	>1T JPY
■ Total No Companies	1441	1549	373	227	114
● Net Cash Positive	58%	67%	56%	54%	50%
● Net Cash more than 50%	23%	19%	9%	5%	3%
PBR	0.8	1.0	1.2	1.5	2.0
ROIC	2.9	5.8	6.1	5.4	7.6
Shareholder Eq Ratio	49.9	56.1	52.3	52.1	48.0
Cheap*	240	209	17	7	1

Company Profile

Company Name	Keihanshin Building Co., Ltd. (KEIHANSHIN)
Established	1948
Description	Real Estate Owner leasing its assets developed by itself
Ticker	8818 on Tokyo Stock Exchange 1 st Section
Type of security	Ordinary share
Stock Price	JPY 1,726 as of Sep 25th
Market Cap	Approx. JPY 90.1 Billion (858 million USD)
Head Office	Osaka, Japan
Employees	45

Datacenter oriented real-estate leasing business

Breakdown of sales over time (99% is from land and business leasing)



Unique portfolio as 45.5% of sales is generated from Datacenter

■ Datecenter bldg.

■ Off track betting bldg.

■ Houses & lots

■ Office bldg.

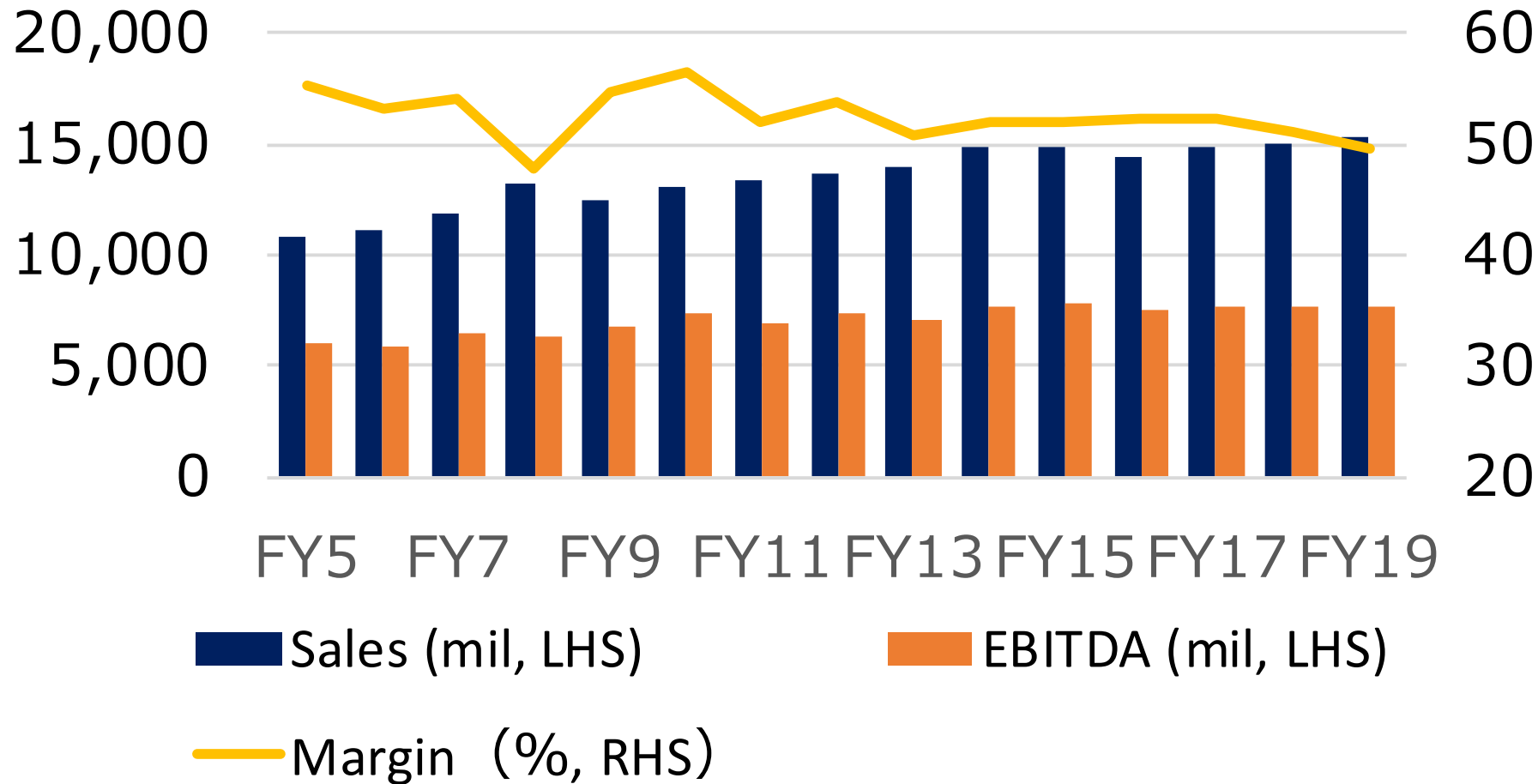
■ Commercial logistics bldg.

■ Others

Stable business



Sales & EBITDA in 15 years



Source: QUICK

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Attractive B/S



Balance sheet as of Jun. 2020

Cash
12.2bil

Current Assets
13.0bil

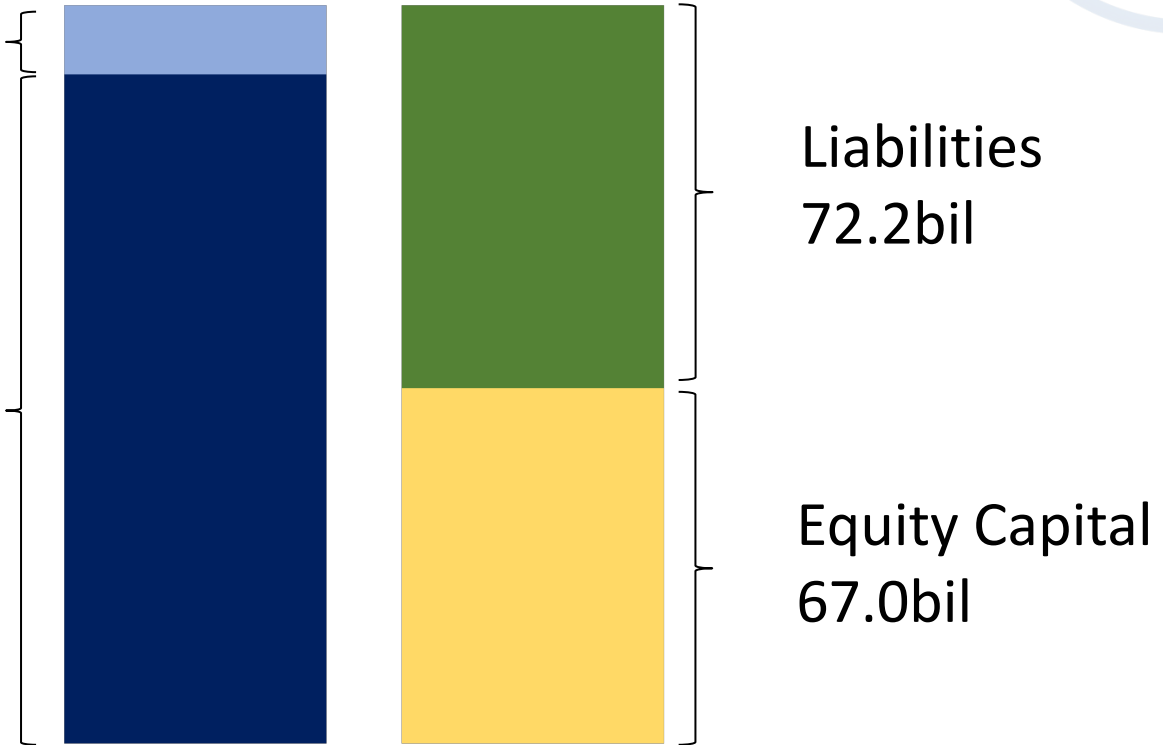
Cross-
shareholdings
15.3bil

Fixed Assets
126.2bil

Book value of real-estate 94.8bil

Market value of real-estate 167.3bil

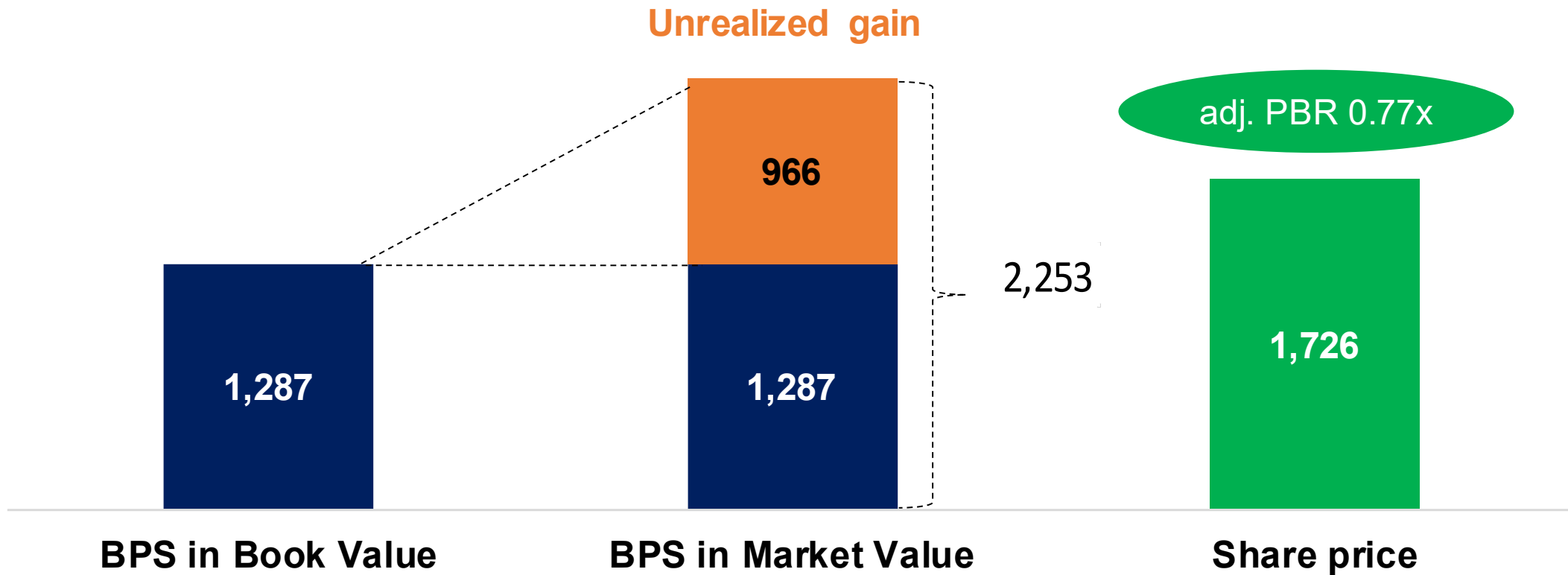
(As of Mar. 2020)



Source: Annual Report (YUHO) & Quarterly Report (TANSHIN)

Unrealized Value on Balance sheet

✓ Unrealized gain increases BPS and adjusted PBR is only 0.77x.

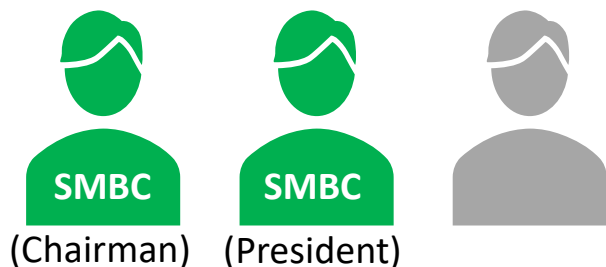


Source: Annual Report (YUHO) & QUICK

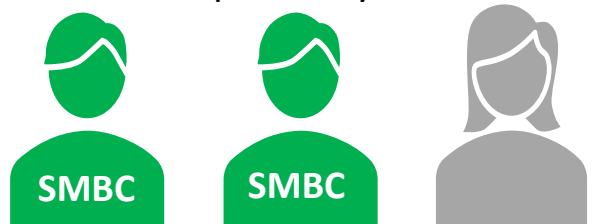
Issue One: Management Structure

Management Structure

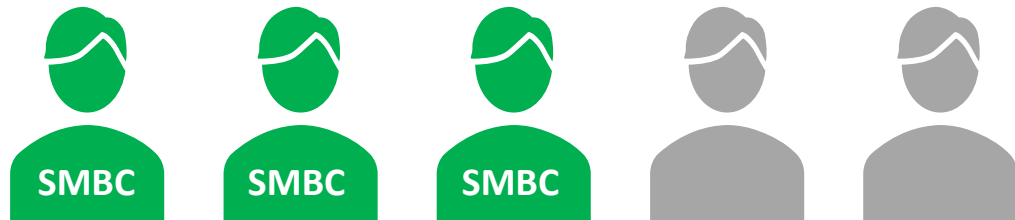
<Full-time director>



<Audit & Supervisory Board member>



<Executive officer>



Top 10 shareholders as of Mar. 2020

	Shareholder's name	% of shrs
1	Ginsen	12.3%
2	StraCap (including co-investor)	9.4%
3	SMBC (Sumitomo Mitsui Banking Corp)	4.1%
4	Japan Trustee Svcs	3.1%
5	Japan Master Trust Svc	3.0%
6	Daikin	2.7%
7	Kinden	2.7%
8	Kajima Corp	2.6%
9	Mie Bank	2.5%
10	Japan Securities Finance	2.1%

Source: Annual Report (YUHO). The holding of StraCap is the recent public information

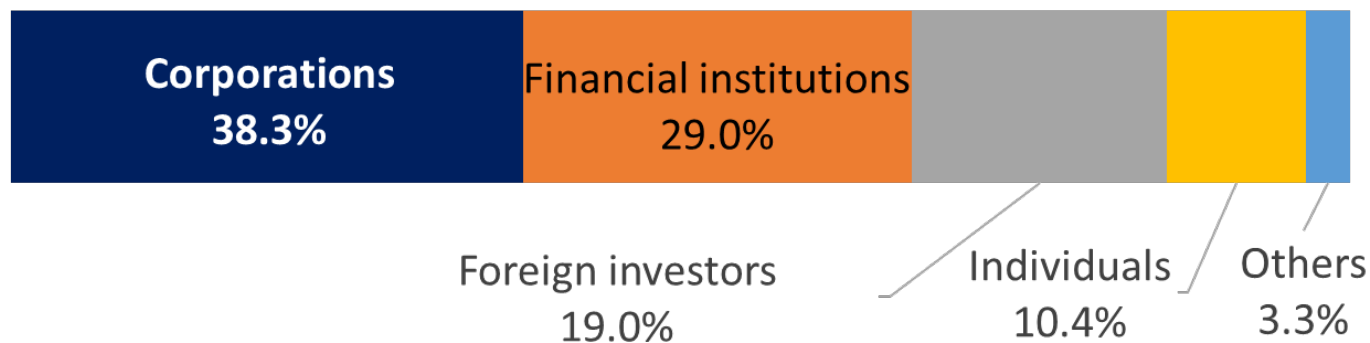
Issue Two: cross-shareholdings



Market Cap and Cross-shareholdings of KEIHANSHIN as of Sep. 25th 2020

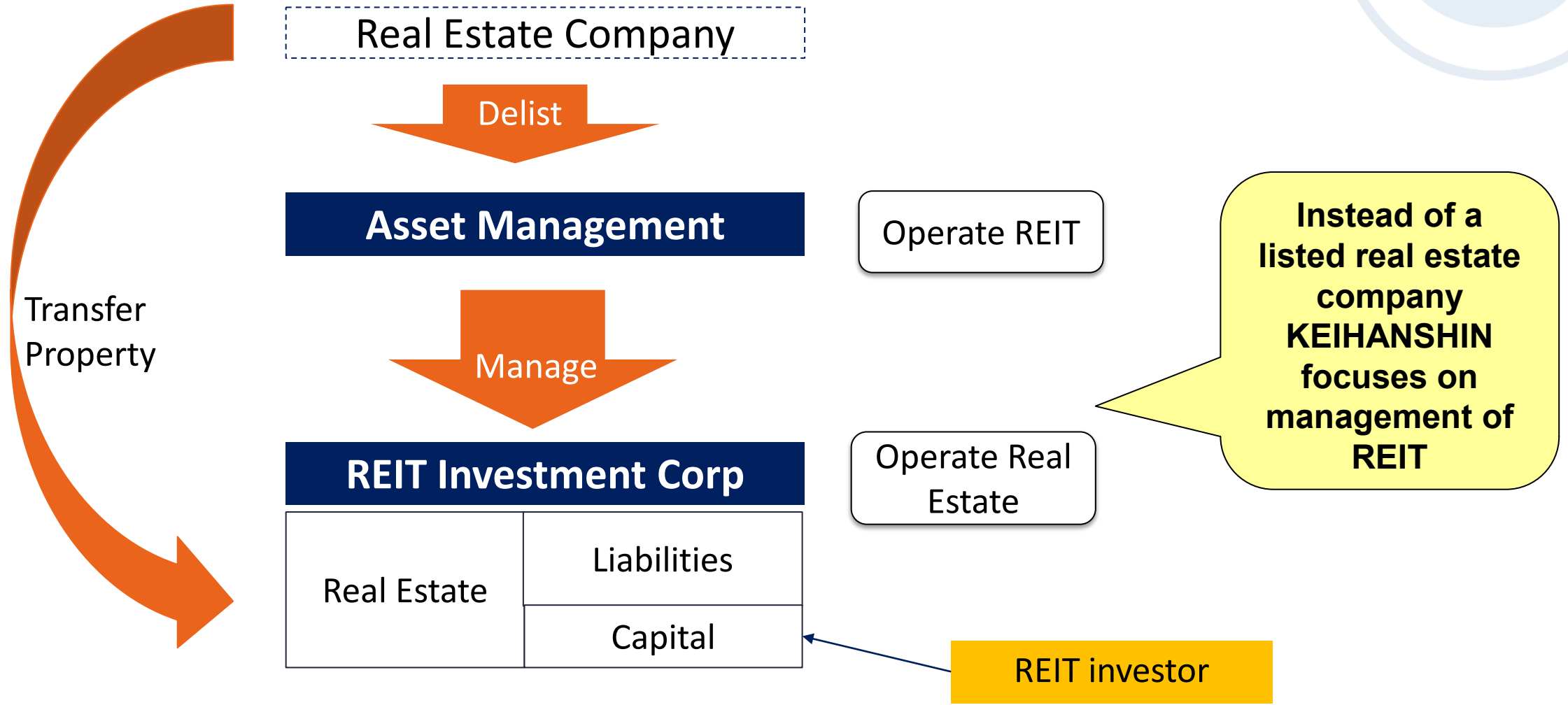


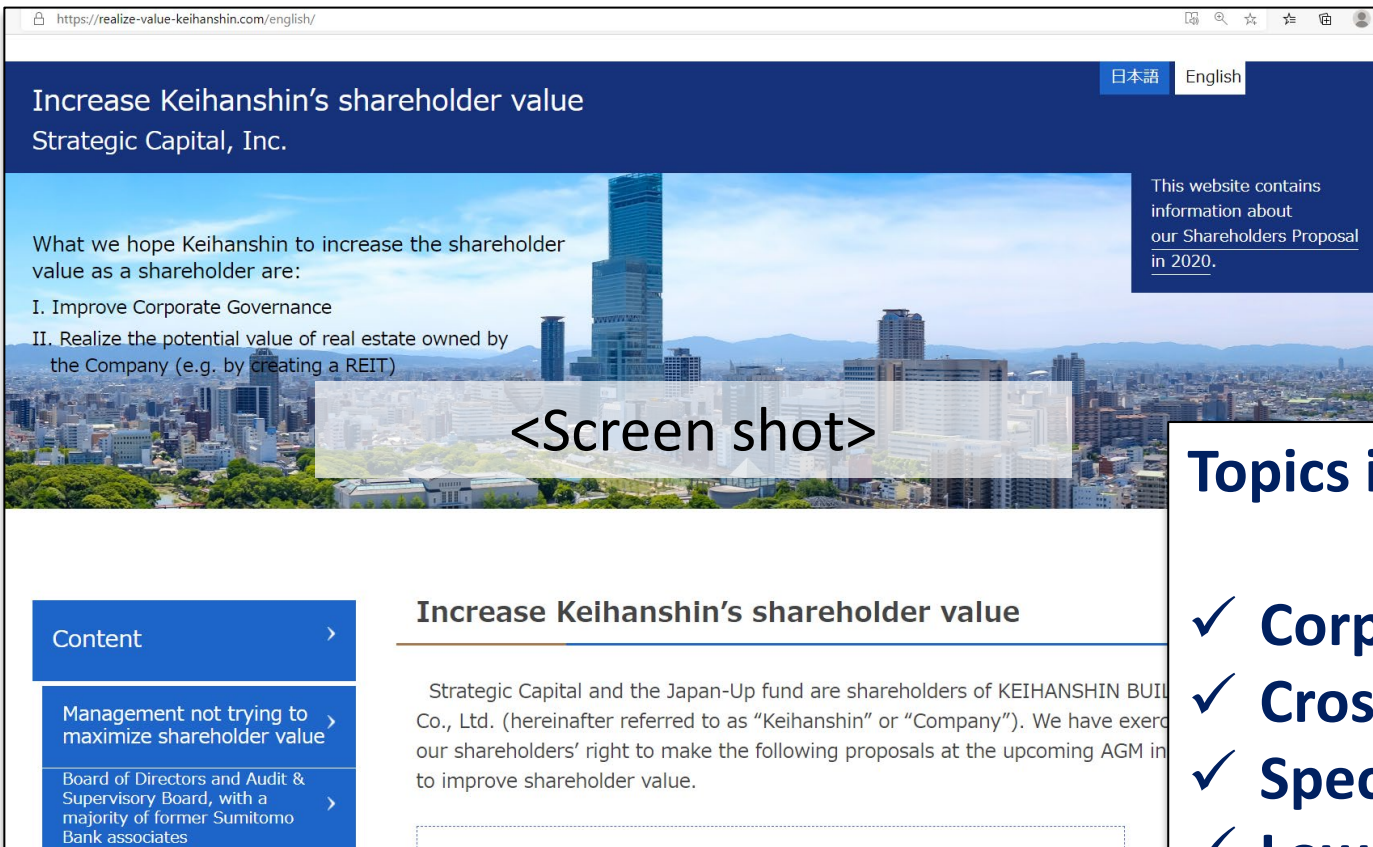
Distribution of KEIHANSHIN's shareholders types as of Mar. 31th 2020



Source: Annual Report (YUHO) & QUICK

Realize the value of real estate





Topics in the website

- ✓ Corporate governance and SMBC alumni
- ✓ Cross-shareholdings
- ✓ Special shareholder incentives
- ✓ Low margin
- ✓ Dialogues
- ✓ Shareholder proposals
- ✓ AGM



Advertisement on Nikkei Newspaper

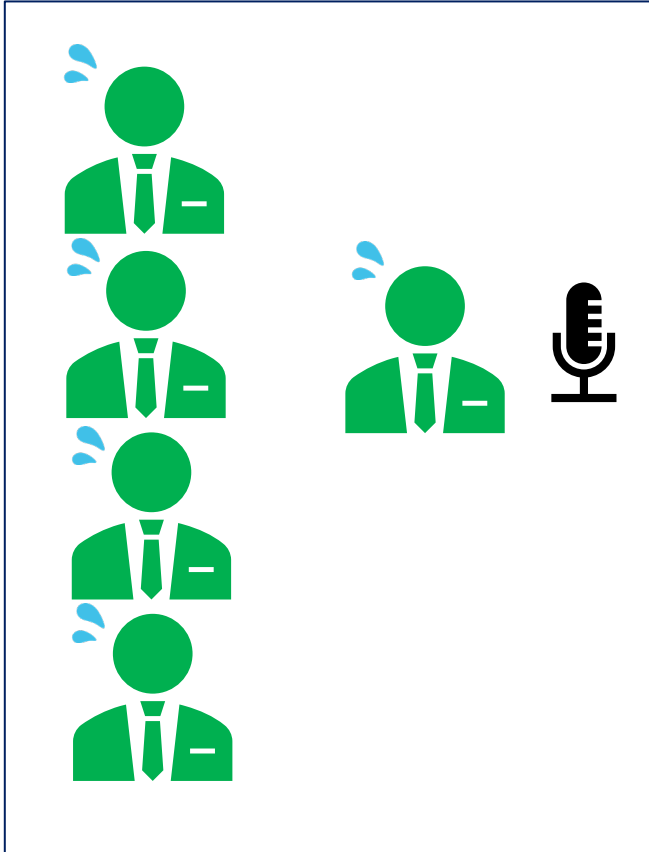


<Full page ad in the Nikkei Newspaper on June 1st 2020>

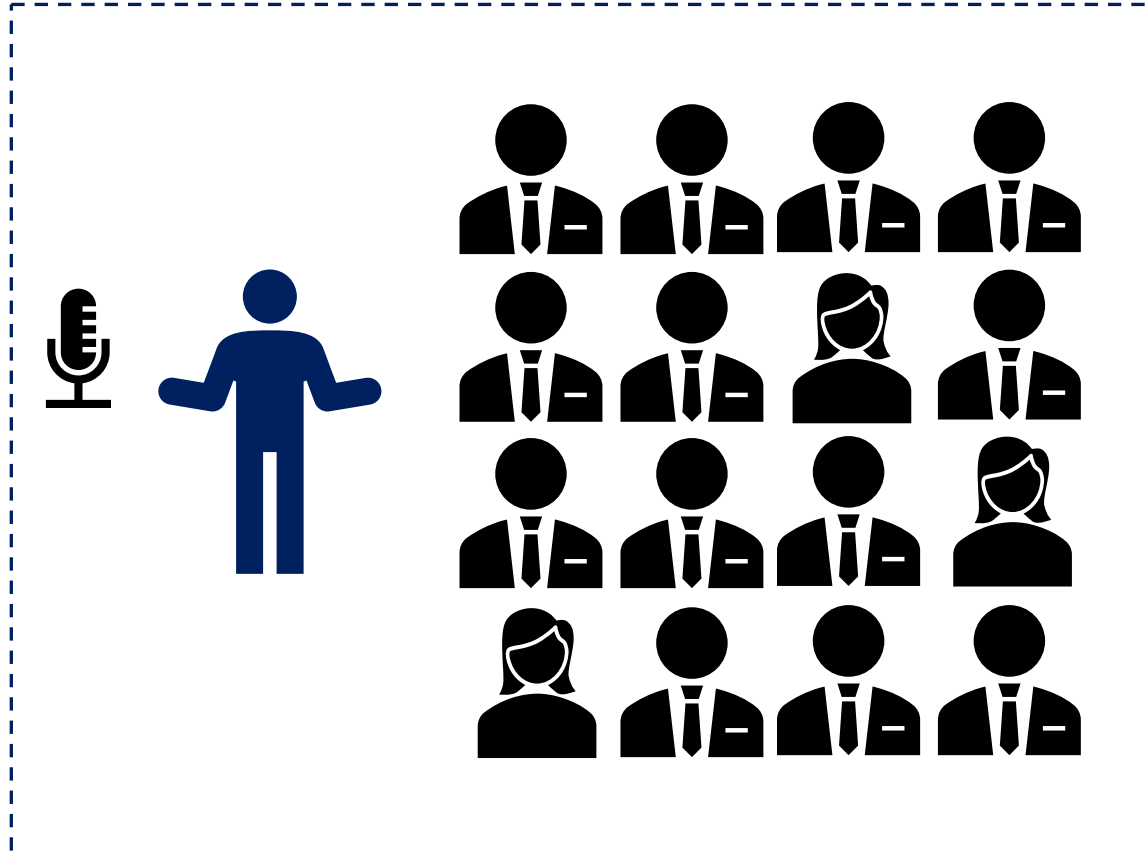


Our Dialogues at the AGMs

✓ It is stressful for management when we attend the AGM



Board of Directors



Shareholders



Letter to Sumitomo Mitsui Financial Group (a.k.a. SMBC group)

Dear Mr. Jun Ohta, Director President and Group CEO of SMFG,*

(this is translated into English from the letter in Japanese written on July1)

We are writing this letter to inform you of the current situation at Keihanshin Building (881 8JT Equity, hereinafter “the Company”), where many on the board (two of three full-time directors, including the Chairman and the President; three of five executive officers; and two of three Audit & Supervisory Board members) are SMBC alumni. Our fund is the second-largest shareholder in the Company.

Mr. Kunibe, chairman of the SMFG board, has not only served as the Vice Chair at Keidanren but also chaired the organization’s Committee on Financial and Capital Markets at Keidanren for many years.** During that time, he strove to realize effective corporate governance and appealed for reforms. Now, you have taken over this important role. As SMFG is one of Japan’s top financial groups and 40% of its shareholders are foreign investors, we assume that you are under pressure to achieve high-quality management.

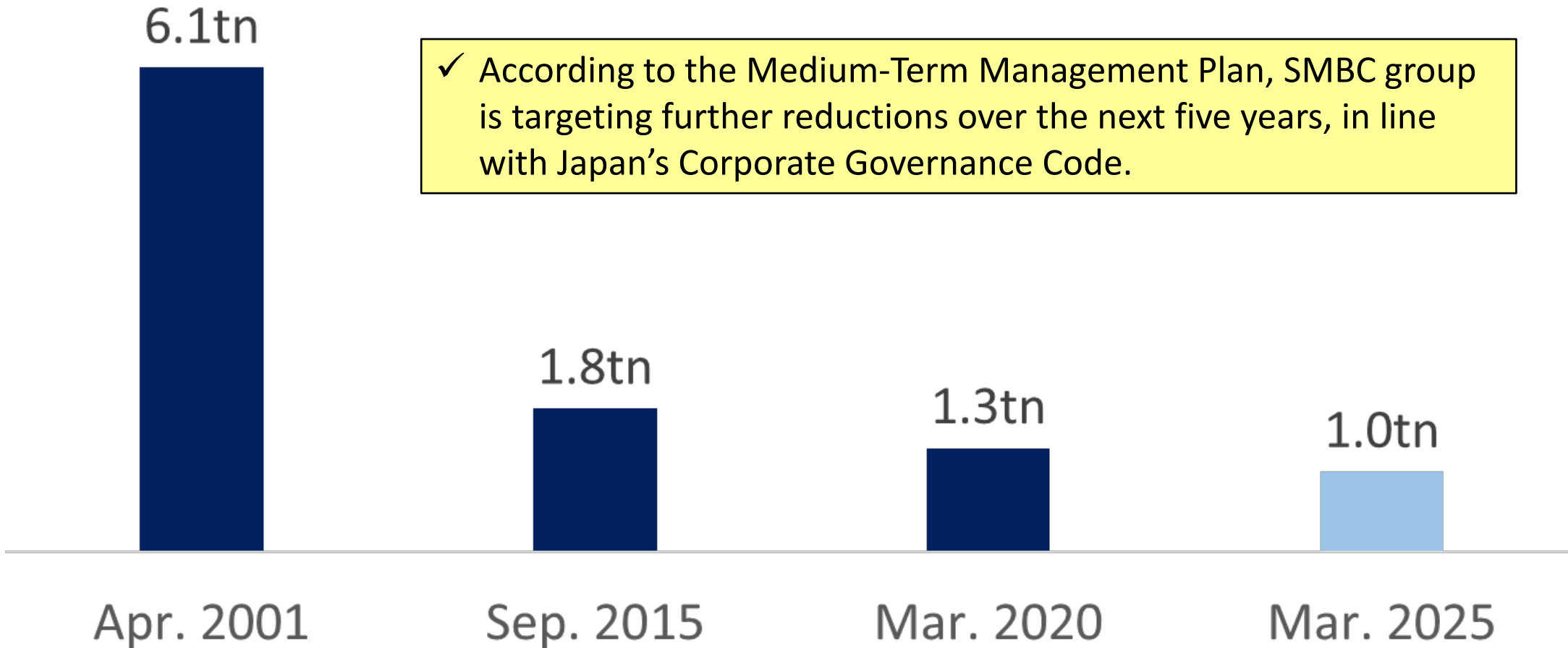
However, we suppose Keihanshin board members from SMBC are keen to preserve their own positions via cross-shareholdings and are neglecting the management of the Company. In light of the conditions at hand, a June 12 article in the Nikkei highlighted how the Keihanshin building is occupied by SMBC despite SMBC being merely a minority shareholder.

While Keihanshin’s CEO commented at the June AGM that the Company operates independently from SMBC, it is clear that SMBC is occupying their board member. We strongly propose that SMFG, as one of the top financial group in Japan, not to leave the management of Keihanshin Building in its current state.

Strategic Capital, Inc.
Tsuyoshi Maruki
(President & CEO)



SMBC group's cross-shareholdings



Source: SMBC Group Annual Report 2020, p.35



Charting our progress



JPY 1,726
(as of Sep. 25th 2020)



Summary



- ✓ *KEIHANSHIN' shareholder value is undervalued so that it becomes cheaper to buy the company than to buy the real-estate*
- ✓ *We're trying to unlock the value, we'll see.*

