



November 19, 2020

To whom it may concern,

Company name: Keihanshin Building Co., Ltd.
Representative: Koichi Minami, President
Code No: 8818 TSE First Section
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Announcement of Opinion on (Objection to) Tender Offer for Share Certificates of the Company by Strategic Capital, Inc. and UGS Asset Management Co., Ltd.

Keihanshin Building Co., Ltd. (the “Company”) announced in “Announcement (Withhold) of Opinion on Tender Offer for Share Certificates of the Company by Strategic Capital, Inc. and UGS Asset Management Co., Ltd.” publicized on November 10, 2020, that it would withhold the expression of its opinion regarding the tender offer (the “Tender Offer”) for the Company’s common shares (the “Shares of the Company”) by Sunshine H Investment Partnership (the “Tender Offeror”) of which Strategic Capital, Inc. (“Strategic Capital”) and UGS Asset Management Co., Ltd. serve as the operating partner commenced on November 5, 2020. The Company hereby announces that, at its board of directors meeting held on November 19, 2020, it unanimously resolved to express its objection to the Tender Offer.

The Company would like to ask the shareholders not to apply for the Tender Offer, and ask the shareholders who have already applied for it to promptly cancel any agreement concerning the Tender Offer.

Please also refer to “Opinion on (Objection to) Tender Offer for Share Certificates of the Company by Strategic Capital, Inc. and UGS Asset Management Co., Ltd.” (<http://www.keihanshin.co.jp/>) announced today.

1. Outline of the Tender Offeror

(1)	Name	Sunshine H Investment Partnership
(2)	Address	Within UGS Asset Management 6-5-38-807, Akasaka, Minato-ku, Tokyo

(3)	Ground for establishment	Voluntary partnership pursuant to the Civil Code	
(4)	Purpose of establishment	Acquisition and holding of the Company's shares pursuant to the Civil Code	
(5)	Date of establishment	October 5, 2020	
(6)	Total investment amount	30,000,000 yen	
(7)	Investor and investment ratio	Strategic Capital, Inc. 33.33% UGS Asset Management 33.33% Fides Investment Business Limited Partnership 33.33%	
(8)	Outline of operating partners	Operating partner (1)	
		Name	Strategic Capital, Inc.
		Address	MO Building 6F, 3-14-15, Higashi, Shibuya-ku, Tokyo
		Title and name of representative	Tsuyoshi Maruki, President and CEO
		Description of business	Type II financial instruments business, investment advisory business and investment management business
		Stated Capital	50,000,000 yen
		Operating partner (2)	
		Name	UGS Asset Management
		Address	6-5-38-807, Akasaka, Minato-ku, Tokyo
		Title and name of representative	Takamichi Uezu, Representative Director
		Description of business	Holding and sale of securities, management and maintenance of properties of investment partnership, solicitation for members of investment partnership and agency service for collecting capital contributions
		Stated Capital	20,000,000 yen

2. Price of Tender Offer

1,900 yen per common share

3. Details, Grounds and Reasons for the Opinion on the Tender Offer

(1) Details of the Opinion

At its board of directors meeting held on November 19, 2020, the Company resolved to object to the Tender Offer. Accordingly, the Company would like to ask the shareholders not to apply for the Tender Offer, and ask the shareholders who have already applied for it to promptly cancel any agreement concerning the Tender Offer.

(2) Grounds and Reasons for the Opinion

(i) Grounds for the Opinion

The Tender Offeror announced that it would commence the Tender Offer on November 5, 2020, and it was commenced unilaterally without any prior notice or communication regarding specific terms to the board of directors of the Company and without an opportunity for prior consultation.

Following the announcement of the Tender Offer by the Tender Offeror, the Company immediately commenced the review of the tender offer statement submitted by the Tender Offeror on November 5, 2020 (the “Tender Offer Statement”) and other relevant information, and has carefully evaluated and examined the offer to express the Company’s opinion by receiving advice and support from its financial advisors, SMBC Nikko Securities Inc. and YAMADA Consulting Group Co.,Ltd., and its legal advisor, Anderson Mori & Tomotsune. However, the Company concluded that the information made available by November 10, 2020, including the information contained in the Tender Offer Statement, is not sufficient to form and express an opinion based on which the Company’s shareholders will be able to make appropriate judgments as to whether or not to apply for the Tender Offer.

Accordingly, the Company determined that it would be appropriate to present the questions pursuant to Article 27-10, Paragraph 2, Item 1 of the Financial Instruments and Exchange Act (the “Questions on November 10, 2020”) to the Tender Offeror at the meeting of the Company’s board of directors held on November 10, 2020 in order to further evaluate and examine whether the Tender Offer will contribute to the enhancement of the corporate value of the Company and the common interests of the shareholders, and to make a final decision as to whether the Company is for or against the Tender Offer based on the Tender Offeror’s answers to the questions.

As described in “(5) Measures to Ensure Fairness of the Tender Offer, as well as Measures to Avoid Conflicts of Interest” below, the Company established the Independent Advisory Committee which consists of outside directors and independent officers of the Company, and an outside auditor and independent officer of the Company following the Request (defined in “(ii) Reasons for the Opinion” below) from Strategic Capital. The Independent Advisory Committee is requested to submit a report, in response to the Company’s consultation, on the measures to be taken by the Company from the viewpoint of maintaining and improving the Company’s corporate value, while

giving consideration to the common interests of the Company's shareholders and, on November 9, 2020, the board of directors of the Company requested the Independent Advisory Committee to examine: (A) whether submitting to the Tender Offeror the Questions on November 10, 2020 is reasonable or not; (B) whether expressing an opinion that "the Company withholds the expression of its opinion" on the Tender Offer until the Tender Offeror's answers to the questions are obtained is reasonable or not; and (C) the view of the opinion of the board of directors of the Company on the Tender Offer after the Tender Offeror's answers to the Questions on November 10, 2020 are obtained. As a result, the board of directors of the Company received a report from the Independent Advisory Committee stating that in order to carefully evaluate and examine the Tender Offer, it is reasonable for the Company to ask the Tender Offeror the Questions on November 10, 2020, and to express that "the Company withholds the expression of its opinion" on the Tender Offer until the Tender Offeror's answers to those questions are obtained. Based on this report, the Company has made the decision described above.

After receiving the Questions on November 10, 2020 from the Company, the Tender Offeror submitted a report to answer those questions (the "Tender Offeror's Answers"; any page number of the Tender Offeror's Answers hereinafter refers to the page number of exhibit of the Tender Offeror's Answers) to the Director-General of the Kanto Local Finance Bureau on November 17, 2020. The Company has evaluated and examined the proposal of the Tender Offeror in detail based on the Tender Offeror's Answers and information on the Tender Offer and the Tender Offeror collected by the Company.

As stated above, on November 9, 2020, the board of directors of the Company requested the Independent Advisory Committee to examine the view of the opinion of the board of directors of the Company on the Tender Offer after the Tender Offeror's Answers to the Questions on November 10, 2020 are obtained. On November 19, 2020, the Independent Advisory Committee made 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 described in "(ii) Reasons for the Opinion" below. Based on such consideration and examination, the Independent Advisory Committee concluded, by the unanimous consent of the members, that 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 and that it would be appropriate for the board of directors of the Company to object to the Tender Offer and to ask its shareholders not to apply for the Tender Offer. Following this conclusions of the Independent Advisory Committee, the Company resolved, with the unanimous consent of all directors at a board of directors meeting held on November 19, 2020, to express its opinion objecting the Tender Offer and asking all shareholders of the Company not to apply for the Tender Offer.

At the above board of directors meeting, all of the auditors present stated that they had no

objection to expressing the opinion objecting the Tender Offer and asking the shareholders of the Company not to apply for the Tender Offer.

(ii) Reasons for the Opinion

The Company doubts if the Tender Offer contributes to the improvement of its medium-to-long term corporate value and the common interest of the shareholders.

According to the Tender Offer Statement, the Tender Offeror intends to strengthen its voice to the Company and realize improvement in the shareholder value by the Tender Offer. In addition, the Tender Offeror proposes to the Company, as measures to boost corporate value, mainly to have the Company establish a subsidiary that manages REIT, make the Company to transfer real estates for leasing to such REIT at a fair price, and after that, have the Company to focus on management and operation of REIT through the subsidiary (the “Measures”).

However, the Measures radically change the substance of the Company’s core business which is currently showing steady performance, and the Company considers that they are likely to substantially differ from the management strategies the Company draws up, and make the business operation of the Company extremely unstable ((i)(A) below).

The mode and contents of the proposal made by Strategic Capital that is a major member of the Tender Offeror do not seem sincerely aiming to increase the Company’s corporate value, and the Company doubts if the Tender Offer contributes the improvement of its medium-to-long term corporate value ((i)(B) below).

In addition, INTERTRUST TRUSTEES(CAYMAN)LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP and Strategic Capital made shareholder proposals including those that were the same as the Measures in terms of the content (the “Shareholder Proposals”) at the 97th annual general meeting of shareholders of the Company held on June 16, 2020 (the “General Shareholders’ Meeting”). However, the Shareholder Proposals were all rejected by objections from an overwhelming majority of the shareholders. Thus, the Tender Offer that was commenced with an aim to implement the Measures that is the same as the Shareholder Proposals in terms of the content disrespects the intention of the Company’s shareholders demonstrated at the General Shareholders’ Meeting that the Shareholder Proposals would not contribute to the Company’s corporate value in the medium-to-long term. Also, from the eyes of the shareholders of the Company, other than non-tendering shareholders (Note 1), the Tender Offer will result in making the possibility of the Measures being more likely to be implemented despite the intention of shareholders that is demonstrated at the General Shareholders’ Meeting ((ii) below).

In addition, the Tender Offer was commenced unilaterally without any prior notice or communication regarding specific terms to the board of directors of the Company and without an opportunity for prior consultation, and considering that the Tender Offeror only intends to pursue

short-term profit and has no intention to increase the corporate value of the Company over the medium-to-long term, it is extremely difficult for the Company to build a relationship of trust with the Tender Offeror. Accordingly, the Company believes that if the Tender Offeror strengthens its voice in the Company through the Tender Offer and actively intervenes in the Company's business, there would be problems in the management of the Company ((iii) below).

Explanations are given in order below.

(Note 1) According to the Tender Offer Statement, “non-tendering shareholders” refer to Strategic Capital, Inc., INTERTRUST TRUSTEES(CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP, Sunshine F Investment Partnership and Sunshine G Investment Partnership.

(i) The Company doubts if the Tender Offer contributes to the improvement of its medium-to-long term corporate value

(A) The Measures differ from the growth strategies the Company draws up, and impede the improvement of the medium-to-long term corporate value

The economy of our country remains in a tough situation, as it has declined significantly and sharply after January 2020 along with the domestic and international spread of COVID-19, while it had been faltering as a result of slowdown of foreign economy and trade and decline in private consumption due to rise in the consumption tax. In addition, such effect of COVID-19 is considered to reach the real-estate leasing industry further in the future. Under such situation, the Company has focused on operating activities, and as a result, the real estates the Company own are fully in operation as of the end of the fiscal year in March 2020, currently showing steady business performance.

Also, as indicated below, the Company is proud to have steadily developed the existing land and building leasing business so far, and as a result, have improved the corporate value and have increased profits returned to the shareholders.

(a) Transition of major management indicators

The past growth of the Company can also be seen from the transition of major management indicators as follows. Specifically, earnings per share (“EPS”) of the Company was JPY 39.4 as of the end of 2010 whereas it has increased about twofold to JPY 74.6 as of the end of 2019. Moreover, book-value per share (“BPS”) was JPY 835.4 as of the end of 2010 whereas it has become JPY 1,236.5 as of the end of 2019, and also, modified book-value per share (Note 2) (“Modified BPS”) was JPY 1,400.6 as of the end

of 2010 whereas it has become JPY 2,205.6 as of the end of 2019, both increasing substantially.

Since such numbers as EPS, BPS and Modified BPS are generally referred to as indices for assessing the Company's profitability and stability, the Company considers the fact that these indices are all successfully increasing at the Company proves its steady improvement of shareholder value until now.

(Note 2) "Modified BPS" here means the amount of book-value as of the end of the latest quarter plus unrealized gain of real estates. The calculation method of unrealized gain of real estates is as shown below.

Unrealized gain of real estates = (market value of real estates for leasing, etc. as of the end of the latest fiscal year – book value) \times (1 – effective tax rate)

(b) Results of profit return to the shareholders

It can also be said that profit return to the shareholders are strong at the Company as follows. Specifically, the Company has increased dividends for 7 consecutive fiscal years, and as a result, dividend per share was JPY 14 for 2013 whereas it has increased to JPY 31 per share for 2020. Accordingly, the dividend payout ratio of the Company is also improving after 2015. The dividend payout ratio for the fiscal year ended March 2016 was 23.9%, whereas it has improved to 36.2% in the fiscal year ended March 2020.

In addition, through these increases in dividend payout ratio implemented as measures to enhance shareholder return, the total shareholder return ("TSR") of the Company has reached 38.6% in the last 1 year, 154.6% in the last 3 years, and 217.4% in the last 5 years. These are at fairly high standard compared with TSR for TOPIX in the same period (-2.9% in the last 1 year, -4.3% in the last 3 years, and 13.5% in the last 5 years, respectively).

As above, the Company is proud to have satisfactory returned profits to the shareholders so far as a result of growth in business.

As described above, the Company has developed land and building leasing business, which is main business, and has improved shareholder value and strengthened shareholder returns. The Company considers that this is achieved through its continued implementation of the management strategies from medium-to-long term perspectives. In "Challenges from here: Into the new stage of growth", the new medium-term management plan developed in October 2019 (the "New Medium-term Management Plan"), the Company continues to follow such attitude. Therefore, by maintaining and continuing with the growth strategies along with the New Medium-term Management Plan, it will be achievable to continue improving the Company's

medium-to-long term corporate value, and thus further profit return to the shareholders. As a part of measures under the New Medium-term Management Plan, the Company is currently making good progress in development of an office building in Toranomon, Minato-ku in Tokyo as well as a data center building in Osaka City.

On the other hand, the Measures proposed by Strategic Capital differs substantially from the Company's growth strategy including the New Medium-term Management Plan, in that it plans to change to management and operation business of REIT through the transfer of assets the Company owns. As of April 2019 the Company has examined the pros and cons of the Measures with insights of outside experts, and considers that the management and operation business of REIT has large uncertainty in its growth, and also will act as impediment to the improvement of medium-to-long term corporate value in that it ends the continued growth in the Company's existing land and building leasing business with conventional policy, given the characteristics such as size and use of assets the Company owns, the background of negotiation when inviting the major tenants to the real estates owned, and large amount of tax imposition on capital gain accrued and flowing out upon the transfer of the real estates owned. Also, as described in below (B), the Measures are considered to be aiming at pursuit of short-term profit only, and from this perspective too, it conflicts with the Company's perspective to improve medium-to-long term corporate value.

As described above, the existing land and building leasing business of the Company is showing steady performance, and the Company considers that with poor necessity to change business policy including the New Medium-term Management Plan, and changing the Company's business substantially as the Tender Offeror and Strategic Capital proposes might rather make the business operation of the Company, including the possibility of worsening relationship with the tenants (clients) with whom the Company is in long-term contract with trust in each other, extremely unstable.

- (B) The proposal made by the Tender Offeror do not sincerely aim to increase the Company's corporate value in the medium-to-long term

According to the Tender Offer Statement, the Tender Offeror implements the Tender Offer with an aim to promote the Measures by strengthening its voice as a shareholder to the Company. However, the Company finds it difficult to consider the Measures as a proposal sincerely aiming to increase the Company's corporate value in the medium-to-long term as described below:

First of all, the Tender Offeror's proposal does not contain any specific growth strategy or business plan after implementation of the Measures. In response to the commencement of the Tender Offer, the Company asked the Tender Offeror questions in the questionnaire dated

November 10, 2020 regarding whether there is any specific business plan, etc. that the Tender Offeror intends to implement after the Tender Offer was executed. However, the Tender Offeror only answered on page 13 of the Tender Offeror's Answers "the aim is for the current management to accept the proposals made by Strategic Capital and UGSAM that are entrusted with entire investment decisions; hence, it is the duty of the current management that is directors of your company to consider a business plan, financial/funding plan, investment plan, etc. thereafter" and did not provide any specific business plan, etc. for the case where the Measures are implemented. If the Tender Offeror sincerely considered that the Measures would contribute to increasing the Company's corporate value in the medium-to-long term, the Tender Offeror should have presented a specific growth strategy or business plan upon a major conversion of the Company's business form a land and building lease business into management and operation of REIT. Nevertheless, neither the Tender Offeror nor Strategic Capital had shown any specific growth strategy or business plan by the commencement of the Tender Offer. Moreover, the management policy after the Tender Offer that the Tender Offeror sets out in the Tender Offer Statement is only the Measures, dissolution of cross-shareholdings held by the Company and payment of special dividends, and any other measures or specific management policy and business plan are not disclosed (among the Shareholder Proposals made by INTERTRUST TRUSTEES (CAYMAN) LIMITED SOLELY IN ITS CAPACITY AS TRUSTEE OF JAPAN-UP and Strategic Capital, proposal 8 regarding the revision of the provisions of articles with regard to the dissolution of cross-shareholdings was rejected by a negative vote equivalent to 89% or more of the votes present).

In addition, as described in (iii) below, in response to the Request (as defined in (iii)), the board of directors of the Company established the Independent Advisory Committee and asked for advice regarding the course of action the Company should take from the viewpoint of maintaining and increasing the Company's corporate value while giving consideration to the common interest of the shareholders of the Company. Upon consultation of the aforementioned matters, the Independent Advisory Committee sent Strategic Capital the questionnaire dated October 23 (as defined in (iii) below) through the Company but, Strategic Capital commenced the Tender Offer without giving any response to such questionnaire. As such, despite the Company's sincere response to the request from Strategic Capital for cooperation in due diligence, Strategic Capital, that is a major member of the Tender Offeror, by itself waived the possibility and opportunity to carry out due diligence on the Company and consequently the possibility and opportunity for Strategic Capital to consider and determine whether a business of management and operation of REIT will increase the Company's corporate value in the medium-to-long term. According to the Tender Offer Statement, the Tender Offeror intends to encourage discussion with the Company's current management if the Tender Offer is executed.

However, the Company doubts if the Tender Offeror who unilaterally terminated discussion with the Company will sincerely continue discussion for enhancement of the shareholder value after the Tedner Offer and is concerned that the Tender Offeror may forcefully promote implementation of a management policy or the measures disregarding the intention of the Company's shareholders.

The Tender Offeror also states in the Tender Offer Statement that the purpose of "these measures are that the target company transfers the real estate for lease to the REIT at a fair price and the after-tax proceeds of such transfer is returned to shareholders as a special dividend" but at the same time states "except for the case where the target company transfers the real estate for lease to a buyer other than such REIT at a price equal to or higher than a fair price." From such description, it can be said that the Tender Offeror is not necessarily considering the Company's involvement to the management of its real estate for lease after its transfer as a precondition to the Measures, it is unavoidable to determine that the Tender Offeror commenced the Tender Offer only for the purpose of securing financial resources for the Company's dividends by disposing of the Company's assets. Combined with the fact that the Tender Offeror has not presented any specific business plan, etc. of the Company after disposing of such assets, the Company has to judge that the Measures only pursues short-term profits, and the Company is unable to determine that the Measures aims for enhancement of the Company's corporate value in the medium-to-long term.

If the Tender Offeror acquires, through the Tender Offer, the number of the shares in the Company sufficient to substantially enable the Tender Offeror to veto a special resolution at a general meeting of the shareholders of the Company, effective and flexible implementation of measures to enhance the medium-to-long term corporate value of the Company, including reorganization of the Company, could be prevented even when such measures are necessary. Considering the circumstances mentioned above, the Company doubts if the Tender Offer contributes the improvement of its medium-to-long term corporate value of the Company.

(ii) The Tender Offer was forcefully implemented in disregard of the intention of the Company's shareholders demonstrated at the General Shareholders' Meeting

As stated above (i), the Tender Offer aims to promote the Measures by strengthening the Tender Offeror's voice as a shareholder to the Company.

However, Strategic Capital made the Shareholder Proposals including those that were the same as the Measures in terms of the content at the General Shareholders' Meeting, which proposal resulted in rejection by objections from an overwhelming majority of shareholders. Specifically speaking, according to page 10 of the Tender Offeror's Answers, among the Shareholder Proposals, proposal 6 regarding the addition of "controlling and managing the business activities of the

investment management company by owning shares in the company” etc. to the objectives of the Articles of Incorporation of the Company and proposal 7 regarding the transfer of all rental properties held by the Company for lease at a price of 198.5 billion yen or more in total are the same as the Measures. The proposal 6 and proposal 7 were both rejected by a negative vote equivalent to 89% or more of the votes present.

Such rejection of the Shareholder Proposals by objections from an overwhelming majority of shareholders is a result of the shareholders’ decision that the measures to increase shareholder value described in the Shareholder Proposals will not contribute to boosting the Company’s corporate value and shareholders’ common interest in the medium-to-long term. The above result at the General Shareholders’ Meeting shows that the Measures, the content of which is the same as the Shareholder Proposals, are also contrary to the intention of a majority of the shareholders, and the board of directors of the Company believes that the intention of the shareholders demonstrated at the General Shareholders’ Meeting should be respected.

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. Should the Tender Offer be executed, the influence of Strategic Capital over the Company would increase and the Company is concerned that such increased influence will make the Measures more likely to be implemented in disregard of the intentions of shareholders other than the non-tendering shareholders.

(iii) It is difficult to build a relationship of trust with the Tender Offeror, and there would be problems in management of the Company if the Tender Offeror strengthened its influence over the Company

The Tender Offer was commenced unilaterally without any prior notice or communication regarding specific terms to the board of directors of the Company and without an opportunity for prior consultation.

In this regard, the Tender Offeror states in the Tender Offer Statement that “In considering the Tender Offer, Strategic Capital requested a due diligence cooperation to the board of directors of the target company on October 7, 2020, but has not been able to obtain cooperation from the target company at this time”. However, in response to Strategic Capital’s request for due diligence cooperation to the board of directors of the Company on October 7, 2020 (the “Request”), as described below in “(5) Measures to ensure fairness of the Tender Offer, as well as measures to avoid conflicts of interest”, on October 23, 2020, the board of directors of the Company established the Independent Advisory Committee consisting of four outside directors and independent officers

of the Company (out of seven directors), and one outside auditor and independent officer of the Company (out of three auditors), after confirming that there were no significant interests between either Strategic Capital or the Company and the members of the Independent Advisory Committee, to receive advice regarding the course of action the Company should take from the viewpoint of maintaining and improving the Company's corporate value while giving consideration to the common interest of the shareholders of the Company. Upon consultation of the aforementioned matters, on October 23, 2020, the Independent Advisory Committee sent Strategic Capital a questionnaire regarding the Request ("Questionnaire as of October 23") through the Company with a deadline of November 6, 2020. However, the Tender Offer was suddenly commenced without any response from Strategic Capital. As can be seen from the above, despite the Company's sincere response to Strategic Capital's request for due diligence cooperation, Strategic Capital has made disclosures as if the Company had unreasonably rejected the Request.

In addition, Strategic Capital has stated in "Dialogues between Keihanshin Building and our company" section of "Increasing Shareholder Value of the Keihanshin Building", which is a website opened by Strategic Capital, that since February 2018, Strategic Capital has requested the management of the Company for measures to increase the Company's shareholder value, and has continued to hold dialogues.

With regard to proposals from Strategic Capital that the Company believes should be adopted from the perspective of increasing the Company's corporate value over the medium-to-long term and enhancing the common interests of its shareholders, the Company has referred to and implemented measures based on the proposals. Specifically, as a measure related to proposals from Strategic Capital, with respect to the board composition of the Company, the number of outside directors was increased from two to three in June 2019, and to four in June 2020. As a result, independent outside directors account for a majority of the seven members of the Company's board of directors. In addition, the Company has established the Nomination and Remuneration Committee, of which the majority of the members and the chairperson are independent outside directors, in order to ensure objectivity and fairness in governance. Furthermore, from FY 2017 to FY 2020, the Company also sold its cross-shareholdings equivalent to approximately JPY 2.3 billion. In this way, the Company has never uniformly excluded Strategic Capital's proposals, and has always considered whether there are any points that should be adopted from the perspective of increasing the Company's medium-to-long term corporate value and enhancing the common interests of the shareholders, and has been addressing them seriously.

The series of actions taken in response to the Request were also made as part of the above. Nevertheless, it is extremely unfortunate that Strategic Capital pushed ahead with the Tender Offer disregarding the Company's response.

In addition to the above circumstances, the Company believes that the Tender Offeror has not

sincerely answered the Company's questions as of November 10, 2020 in the Tender Offeror's Answers. For example, in response to the question from the Company, "The Tender Offeror has stated that it assumes the fair value of the real estate for rent owned by the Company to be equal to or greater than its market value disclosed by the Company in the notes to its Annual Securities Report. Please explain in detail why the Tender Offeror assumes so", the Tender Offeror has refused to answer the question, although it relates to the major premise for the implementation of the Measures, which is the main purpose of the Tender Offer (page 11 of the Tender Offeror's Answers). In addition, in response to the question, "Please explain in detail the capital policy and dividend policy for the Company after the Tender Offeror succeed the Tender Offer, as well as their impact on the Company's medium-to-long term corporate value if they are adopted", the Tender Offeror merely gives unspecified answers such as "as for the first point, in order to increase shareholder value, we shall 'request payment of special dividends' as stated on page 7 of the Tender Offer Statement" and "as for the second point, ... (effective implementation of measures to increase shareholder value) makes it possible to increase the shareholder value of the target company as a going concern by carrying out active asset management business, as is the case with many other REIT management companies" (page 14 of the Tender Offeror's Answers). Furthermore, to the question, "If the Tender Offeror currently has any business plan, financial/funding plan or investment plan for the Company that it intends to implement after it succeed in the Tender Offer, please explain them in detail" the Tender Offeror only answered, "we believe it is the responsibility of the current management, who are the directors of your company, to think about the business plan, financial/funding plan or investment plan after the Tender Offer" and did not present any specific vision of the Tender Offeror (page 13 of the Tender Offeror's Answers). As described above, the Tender Offeror has not sufficiently answered the essential questions concerning the Tender Offer in the Tender Offeror's Answers. Taking in account the course of events where the Tender Offeror conducted the Tender Offer disregarding the Company's sincere response, as well as the fact that the Tender Offeror's response in the Tender Offeror's Answers are not sincere and does not indicate any specific growth strategy or business plan, even if the Tender Offer is executed, we believe that it will be difficult to build a relationship of trust with the Tender Offeror and Strategic Capital, that is a major member of the Tender Offeror, and engage in constructive dialogues with them for the purpose of increasing the corporate value of the Company over the medium-to-long term.

The Company believes that responding sincerely to the opinions of its shareholders and conducting management through dialogues in good faith are essential to steadily increasing the Company's medium-to-long term corporate value. Therefore, we are concerned that the increase of influence on the Company of the Tender Offeror, who suddenly and unilaterally waived its dialogue with the Company in exchanges regarding the Request, and who commenced the Tender

Offer only with measures that go against the intention of the shareholders of the Company that were demonstrated at the General Shareholders Meeting, without indicating any specific business plan or growth strategy, may cause problems in the management of the Company.

(iv) Conclusion

As described above, the Company objects to the Tender Offer on grounds that it is doubtful that the Tender Offer will contribute to the enhancement of the corporate value of the Company in the medium-to-long term and the common interests of the shareholders, that the Tender Offer is contrary to the intentions of the Company's shareholders demonstrated at the General Shareholders Meeting, and that it is difficult to build a relationship of trust with the Tender Offeror, and there would be problems in management of the Company if the Tender Offeror strengthened its influence over the Company.

Since its establishment in 1948 and throughout its history of approximately 70 years, the Company has provided a place of healing and entertainment for people who suffered from the war by constructing horse-race tracks and installing off-track betting booths during the postwar chaos. After that, following the development of the Japanese economy, the Company began leasing office buildings, and in line with changes in people's lifestyle due to the development of motorization, the Company has developed suburban commercial facilities and logistics warehouse businesses. In 1988, the Company quickly entered the leasing business of data center buildings in response to the spread of office computers. We believe that the strength of the Company, which it has cultivated since its establishment, lies in its stable and steady growth accomplished by establishing the business portfolio that meets the needs of each time.

The Company's stable revenue basis and the current portfolio that generates such revenue are largely attributed to the strong relationships of trust that have been fostered over a long period of time between the owners and tenants, partner companies and local communities. Also, the Company has steadily increased its corporate value by sometimes taking risks, actively implementing development investments and making them succeed. We believe that the Company's solid financial position and fund-raising capabilities have allowed the Company to make such active development investments while taking risks. The Company has found that, through the Tender Offer, the Tender Offeror intends to ignore these processes to improve the Company's corporate value in the medium-to-long term, destroy the corporate foundation including the relationship of trust with stakeholders that the Company has built over the past 70 years, and to deprive all the buds of further growth.

The Company will continue to make timely investments as in the ongoing development projects in Tokyo and Osaka described in (i) above, maintain the relationship of trust with stakeholders, and strive to further enhance its corporate value through implementation of the New Medium-term Management Plan.

We hope that the shareholders will focus on the fact that the Company has increased its corporate value and has correspondingly increased the shareholder returns in its business history, and will expect further increase in the Company's corporate value. Therefore, we ask the shareholders not to apply for the Tender Offer aimed at realizing the Measures which arose out of the idea that nullifies the accumulation of measures to improve the Company's corporate value in the medium-to-long term.

(3) Possibility and Reasons for Delisting

As of the date hereof, the common shares of the Company are listed on the First Section of the Tokyo Stock Exchange. According to the Tender Offer Statement, the Tender Offer does not intend to delist the common shares of the Company and the Tender Offeror will set a maximum planned purchased quantity and then implement the Tender Offer. Since the total number of the common shares of the Company held by the Tender Offeror and non-tendering shareholders after the Tender Offer, will be no more than 15,245,500 shares (holding ratio (Note 3): 29.33%), the common shares of the Company are expected to remain listed on the First Section of the Tokyo Stock Exchange after the execution of the Tender Offer.

(Note 3) According to the Tender Offer Statement, "holding ratio" refers to the percentage to the number of shares (51,979,070 shares) which is the total number of issued shares as of September 30, 2020 (52,184,498 shares) stated in the quarterly report for the second quarter of the 98th fiscal year that was submitted by the Company on October 30, 2020 less the number of the treasury shares held by the Company (205,428 shares) as of September 30, 2020 stated in the "summary of quarterly financial results (Japanese Standard) (consolidated) for the second quarter of the fiscal year ending March 2021" that was announced by the Company on October 23, 2020. The holding ratio is rounded off to two decimal places. The same shall apply hereinafter.

(4) Two-Step Acquisition Items

According to the Tender Offer Statement, the Tender Offeror intends to hold discussion with the current management of the Company following the execution of the Tender Offer and to enhance the shareholder value. According to the Tender Offer Statement, there seems no decision made at present regarding a plant to acquire additional shares for the purpose of acquiring the Common Shares of the Company.

(5) Measures to Ensure Fairness of the Tender Offer, as well as Measures to Avoid Conflicts of Interest

As described in "(2) Grounds and Reasons for the Opinion", the board of directors of the

Company established the Independent Advisory Committee which consists of four outside directors and independent officers of the Company (out of seven directors), and one outside auditor and independent officer of the Company (out of three auditors), after confirming that there were no significant interests between either Strategic Capital or the Company and the members of the Independent Advisory Committee, to reflect on the Company's decision-making, findings in the review of the Tender Offer made from the position independent of the Company's management and to ensure fairness and objectivity in the decision-making process of the Company. The Company has decided its response to the Tender Offer taking into account a report from the Independent Advisory Committee.

More specifically, on November 9, 2020, the board of directors of the Company requested the Independent Advisory Committee to examine the view of the opinion of the board of directors of the Company on the Tender Offer after the Tender Offeror's Answers to the Questions on November 10, 2020 are obtained. On November 19, 2020, the Independent Advisory Committee made 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 described in "(ii) Reasons for the Opinion" below. Based on such consideration and examination, the Independent Advisory Committee concluded, by the unanimous consent of the members, that 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 and that it would be appropriate for the board of directors of the Company to object to the Tender Offer and to ask its shareholders not to apply for the Tender Offer. Following this conclusions of the Independent Advisory Committee, the Company resolved, with the unanimous consent of all directors at a board of directors meeting held on November 19, 2020, to express its opinion objecting the Tender Offer and asking all shareholders of the Company not to apply for the Tender Offer.

At the above board of directors meeting, all of the auditors stated that they had no objection to expressing the opinion objecting the Tender Offer and asking the shareholders of the Company not to apply for the Tender Offer.

When expressing its opinion on the Tender Offer, the Company appointed its financial advisors SMBC Nikko Securities Inc. and YAMADA Consulting Group Co., Ltd., and its legal advisor, Anderson Mori & Tomotsune as external advisors after confirming that there is no material conflict of interests between such advisors and each of the Tender Offeror and the Company, to ensure fairness and objectivity in the decision-making process. The Company has carefully evaluated and examined the Tender Offer with advice from those external advisors.

4. Matters Relating to Material Agreements regarding Application for Tender Offer between the Tender Offeror and the Company's Shareholders and Directors

According to the Tender Offer Statement, the Tender Offeror orally agreed with the non-tendering shareholders on November 4, 2020 that it will not apply for the Tender Offer for the Common Shares of the Company held by the non-tendering shareholders (total number of shares held: 5,039,400 shares, total holding ratio: 9.70%).

5. Details of Benefits Received from the Tender Offeror or Parties Having a Special Relationship with the Tender Offeror

Not applicable

6. Response Policy with respect to Basic Policies Relating to the Control of the Company

Not applicable

7. Question to the Tender Offeror

Not applicable

8. Requests for Extension of Tender Offer Period

Not applicable