

April 4, 2022

To Whom It May Concern

Strategic Capital, Inc.  
Tsuyoshi Maruki, President & CEO  
Attention: Dan Kato, Director  
TEL: 03-6433-5277

**Re: Shareholder Proposal to WAKITA & CO., LTD (8125) and the Launch of the  
Campaign Website on the proposal**

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 Wakita & Co., Ltd. (hereinafter referred to as "Wakita" or the "Company" as the context requires) over 6 months.

The Fund and Strategic Capital are pleased to announce that, on March 25<sup>th</sup>, 2022, we notified the Wakita of our execution of the shareholders' right to make a proposal at the annual shareholder meeting held in the coming May and confirmed that, on March 28<sup>th</sup>, 2022, the Company certainly received the documents of the proposal.

For additional details please visit [https://stracap.jp/english/proposal-for-wakita-from-sc-2022\\_eng.pdf](https://stracap.jp/english/proposal-for-wakita-from-sc-2022_eng.pdf) or by referring to the link "Special Websites on Investees" found on the upper right corner of our [website](#).

Details

1. Details of the proposals
  - (1) Election of one director who is not a member of the Audit and Supervisory Committee
    - [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 a large shareholder of the Company, we are aware of the problem of the Company's stock price remaining below its dissolution value for a long time and are keen on increasing shareholder value through management based on the cost of capital.

We have selected the candidate based on the expectation he can contribute to the enhancement of the Company's shareholder value through his knowledge on capital markets gained from working at Nomura Securities Co., Ltd. and through his continued experience as a representative director and investment manager of an investment management company.

(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 February 28, 2022. 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 3,391,100 shares of the Company's shares as of the same day. Strategic Capital Inc. and the Fund do not fall under the category of major shareholder of the Company.
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) Appropriation of surplus

A) Type of dividend

Cash

B) Allocation and the total amount of dividends

The amount obtained by deducting the amount of dividend payment from surplus per common share of the Company which will be proposed by the Board of Directors of the Company at the 62<sup>nd</sup> Annual General Meeting of Shareholders and approved thereat or was determined by the Board of

Directors of the Company prior to the day before the 62<sup>nd</sup> Annual General Meeting based on articles 34 of the Articles of Incorporation, from JPY67.

In case Earnings Per Share rounded down to the nearest integer in the 62<sup>nd</sup> fiscal period (hereinafter referred to as “actual EPS”) is different from JPY67, JPY67 in the previous paragraph shall be replaced with actual EPS.

The total amount of dividends is calculated by multiplying the dividend amount per the one common stock described above by the number of shares subject to dividend payment as of the record date of voting rights at the 62<sup>nd</sup> Annual General Meeting of Shareholders

C) Effective date of dividend payment from surplus

The day after the 62<sup>nd</sup> Annual General Meeting of Shareholders of the Company is held.

In the event that a proposal of the Company’s retained earnings is made at the 62<sup>nd</sup> Annual General Meeting of Shareholders, this proposal will be made as an independent and compatible proposal with said proposal.

- (3) Revision of the provisions of articles with regard to disclosure of cost of capital  
Add the following Chapter and Article to the current Articles of Incorporation.

CHAPTER VII. COST OF CAPITAL

(Disclosure of Cost of Capital)

Article 37.

The Company shall disclose, in the Corporate Governance Report (hereinafter referred to as “the CG Report”) which it submits to the Tokyo Stock Exchange, its Weighted Average Cost of Capital (“WACC”) and its basis of calculation which it comprehends at the point of within 1 month before the submittal of the CG Report.

- (4) Revision of the provisions of articles with regard to disclosure of individual remuneration of directors with representative authority  
Add the following Chapter and Article to the current Articles of Incorporation.

CHAPTER VIII. DISCLOSURE OF EXECUTIVE COMPENSATION

(Disclosure of individual remuneration of representative director)

Article 38.

The Company shall disclose, in the CG Report which it submits to the Tokyo Stock Exchange, the amount paid as remuneration to representative director in the previous fiscal year (including non-monetary remuneration)

- (5) Revision of the provisions of articles with regard to cross-shareholdings  
Add the following Chapter and Article to the current Articles of Incorporation.

#### CHAPTER IX. CROSS-SHAREHOLDINGS

(Assessment of the purpose for holding cross-shareholdings and disclosure of the results)

Article 39.

- A) In order to examine whether the holding of cross-shareholdings is fulfilling its purpose of “maintaining and strengthening business relationships”, the Company shall, at least once a year, inform the issuer of the cross-shareholdings of its intention to sell the said shares.
- B) The Company shall disclose, in the CG Report which it submits to the Tokyo Stock Exchange, the details of the response obtained from each issuing company as the result of the assessment stipulated in the preceding section.

#### 2. Reason for the proposals

- (1) Election of one director who is not a member of the Audit and Supervisory Committee  
Since 2010, the Company's stock price has never exceeded its dissolution value, and as of March 11, 2022, the stock price was approximately 0.5 times its dissolution value. The investment in rental real estate for which the return is less than the WACC is one main reason for such low valuation.

As of the end of the FY ending February 28, 2021, the market value of rental properties owned by the Company was 62.7 billion yen. If these assets were transferred to a real estate investment trust (“REIT”) at a reasonable price, and the Company or its subsidiary were to become a REIT operating company, capital efficiency of the Company would improve greatly. However, for a long time, the Board of Directors has neglected to take fundamental efforts to improve shareholder value and has left the stock price in the doldrums.

Therefore, we propose the election of the candidate with the expectation that he will play an active role in proposing measures such as utilization of REITs to the Board of Directors and promoting discussion of such measures.

- (2) Appropriation of the surplus

The proposal intends for all net income to be used for dividends.

As of the end of February 2021, the Company's equity capital ratio was approximately 70% (68% as of November 30, 2021) which is very high considering its main business is the sales and rental of civil engineering and construction machinery,

material handling and transportation machinery etc. In addition to the high equity capital ratio, the Company also has an unusually high level of cash-like assets.

The Company does not need to retain any more internal funds, and a further increase in equity capital will only serve to decrease the ROE. Returning surplus funds to shareholders as dividends will increase shareholder value and, in turn, the share price. Further, the Company should make it clear that it will prevent further build-up of equity capital in the medium to long-term by adopting the 100% dividend payout ratio beyond the FY ending February 2022.

(3) Revision of the provisions of articles with regard to disclosure of cost of capital

Principal 5-2 of the Corporate Governance Code (“CGC”) requires management to accurately identify the company’s cost of capital. Management of the Company is also required to establish and assess its business plans and capital policies etc. based on an accurate understanding of the Company’s WACC.

However, the Company does not disclose the cost of equity although it admits that the ROE is below the cost of equity in the CG Report dated June 1, 2020. Further, the description of the cost of capital itself has been deleted in the CG Reports released after June 1, 2021.

The Company should disclose its cost of equity and WACC and conduct dialogues with investors including shareholders, and establish strategies based on a correct understanding of the cost of capital.

(4) Revision of the provisions of articles with regard to disclosure of individual remuneration of representative director

Despite a stock price well below its dissolution value, the Company’s management has failed to implement significant measures to increase shareholder value. We are concerned that the President is receiving excessive compensation despite the depressed stock price and lacks the incentive to increase shareholder value, further depressing the stock price. To dispel such concerns, we request the disclosure of individual remuneration.

Although the Company does have a voluntary Nomination and Remuneration Committee, the final decision on individual remuneration for directors is entrusted to the President, and it is possible the supervisory function of individual remuneration is not sufficiently effective for the President. Therefore, the Company should disclose the individual remuneration of representative director to show the amount is appropriate.

(5) Revision of the provisions of articles with regard to of cross-shareholdings

We believe the Company should not hold any cross-shareholdings because there is

no causal relationship between holding cross-shares and the business relationship. In fact, almost all the issuers of the Company's cross-shareholdings have complied with CGC Supplemental Principal 1-4-1, and in response to our inquiries, several issuers including Yokogawa Bridge Corp. denied any relationship between holding shares and business transactions.

Therefore, we suspect the purpose of cross-shareholdings, "to maintain and strengthen business relationships", disclosed in the Company's annual Securities Report for the FY ending February 28, 2022, is wrong and unfounded.

Considering the above-mentioned responses from some issuers, we request the Company to examine whether the purposes of cross-shareholdings disclosed by the Company are being fulfilled. As to cross-shareholdings that do not fulfill the purpose, the Company should establish its policy to reduce such cross-shareholdings in accordance with the CGC.

**Disclaimer**

This press release is a reference translation of the original announcement in Japanese ([here](#)). In the event of any differences between the original Japanese version and the English translation, the original Japanese version shall prevail.

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