

April 5, 2024

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President &CEO

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 19th, 2024, 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 21, 2024, the Company certainly received the documents of the proposal. Details are provided below, but the main points are 1) Set the dividend to 6% DOE, 2) establish a Corporate Value Enhancement Committee to achieve a 1x PBR, 3) appoint an outside director as Chairperson of the Board and 4) disclose the individual remuneration of the Representative Director.

For additional details please visit <https://stracap.jp/english/8125-WAKITA.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) Appropriation of surplus

A) Type of dividend

Cash

B) Allocation and the total amount of dividends

The dividend per share of common stock shall be the obtained by multiplying the amount of net assets per share ("calculated in accordance with Guidance 4 of the "Guidance on Accounting Standard for Earnings per Share" including deducting treasury stock from the number of shares issued and outstanding. Rounded down to the nearest decimal.) at the end of the 64th fiscal year by

0.06 ("6% DOE") and deducting the amount of dividend per share of common stock for the fiscal year ending February 29, 2024 proposed by the Board of Directors ("Board") at the 64th Annual General Meetings ("AGM") or before the AGM in accordance with Article 34 of the Company's Articles of Incorporation ("Company Dividend Amount") plus the Company Dividend Amount.

The total amount of the dividend shall be the dividend amount per share of common stock multiplied by the number of shares subject to the dividend as of the record date for voting at the AGM.

C) Effective date of dividend payment from surplus

The day after the 64th 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 64th Annual General Meeting of Shareholders, this proposal will be made as an independent and compatible proposal with said proposal.

(2) Revision of the provisions of articles with regard to the establishment of the Corporate Value Enhancement Committee.

Add the following Article to the current Articles of Incorporation.

CHAPTER IV DIRECTOR AND BOARD OF DIRECTORS

(Corporate Value Enhancement Committee)

Article 29.

The Board shall establish a Corporate Value Enhancement Committee under the Board to support decision-making by the Board.

The Corporate Value Enhancement Committee shall consist of the Company's outside directors and shareholders who hold more than 3% of the Company's outstanding shares who wish to serve on the committee, excluding individuals who are relatives of the founder, Fumio Wakita, to the second degree or less and companies in which the relative's hold a majority of voting rights.

The Corporate Value Enhancement Committee may, at its own discretion, appoint external advisors, who shall be independent of the Board of Directors of the Company and may provide advice on the activities of the Corporate Value Enhancement Committee as set forth in the following paragraph.

The Corporate Value Enhancement Committee shall be independent of the Board of Directors of the Company, and shall perform the activities set forth in each of the following items from the standpoint of enhancing the corporate value of the Company.

- 1) Gather opinions from shareholders, including the Company's founding family regarding general business (including, but not limited to, reform of the real estate business), financial (including, but not limited to, capital policies such as

evaluating and understanding the cost of capital and setting management indicators to improve capital efficiency.), and corporate governance policies that improve the Company's corporate value ("collectively referred to as "Enhancement Measures".)

- 2) Provide Corporate Value Enhancement Measures based on the information collected and present to the Board.
- 3) Explain to shareholders and other stakeholders the Enhancement Measures and any supporting materials presented to the Board.

The Corporate Value Enhancement Committee shall meet at least once a quarter and shall be convened by an outside director previously determined by the Board of Directors. Resolutions of the Corporate Value Enhancement Committee shall be adopted based on a majority by the members in attendance where a majority of the eligible voting members are present. Other matters, including details of procedures for convening and holding committee meetings, methods for selecting and dismissing outside advisors, and terms of office, shall be in accordance with the regulations established by the Corporate Value Enhancement Committee.

Any costs of the activities of the Corporate Value Enhancement Committee, including the remuneration of its members and external advisors, shall be borne by the Company.

- (3) Revision of the provisions of articles with regard to chairpersonship of the board of directors

Amend Article 22 of the current Articles of Incorporation as follows.

CURRENT ARTICLES OF INCORPORATION

(Persons authorized to convene and chair meetings of the board of directors)

Article 22

Except as otherwise provided by laws and regulations, the President shall convene and chair meetings of the Board of Directors. In the absence or incapacity of the President, another Director shall convene and preside at the meeting of the Board of Directors in accordance with the order previously determined by the Board of Directors.

PROPOSED AMENDMENT

(Persons authorized to convene and chair meetings of the board of directors)

Article 22

Except as otherwise provided by law and regulations, the President shall convene meetings of the Board of Directors. In the absence or incapacity of the President, another Director shall convene the meeting of the Board of Directors in accordance with the order previously determined by the Board of Directors.

The Board of Directors shall be chaired by an Outside Director previously determined by the Board of Directors. If such Outside Director is unable to act as Chair, another

Outside Director shall take the chair in the order previously determined by the Board of Directors. In the absence or incapacity of all Outside Directors, a Director other than an Outside Director shall chair the meeting in other order previously determined by the Board of Directors.

(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 TSE, the amount paid as remuneration to representative director in the previous fiscal year (including non-monetary remuneration)

2. Reason for the proposals

(1) Appropriation of the surplus

The proposal seeks to distribute 6% of equity capital as dividends.

As of the end of February 2023, the Company's equity capital ratio was approximately 71% which is very high. In addition, the Company also has an unusually high level of cash-like assets. Therefore, we would like to see a 6% DOE (JPY 119/ share at the end of November 2023) as the shareholder return policy.

While if the ROE is less than 6%, the dividend payout ratio will exceed 100%, it will show the result in a policy that will gradually reduce the equity capital to improve capital efficiency in addition to stable shareholder returns.

The Company has pledged a 100% total return ratio but stable shareholders such as the founding family exceed 50% of the approx. JPY 79.8B market cap. (as of Mar 11, 2024), so acquiring treasury shares will lead to a further decline in liquidity. Therefore, it is preferable that shareholder returns be based on dividends and that treasury stock be acquired from stable shareholders.

(2) Revision of the provisions of articles with regard to the establishment of the Corporate Value Enhancement Committee.

The Company's PBR has never exceeded 1x PBR since 2010 so drastic management reform and changes in capital policy is required.

For example, the Company owned rental real estate with a market value over JPY 56.6B (as of Feb 28, 2023). If these assets were to be transferred to a REIT and the Company or a subsidiary were to become the REITs management company, capital efficiency would improve significantly.

Also, the ROE target in the Company's mid-term business plan is only 5%, and the proposing shareholder has asked for revisions to the plan.

However, the Company has not incorporated any of the proposals leaving the stock price in a slump, and there is concern that management by the founder's relatives has become an obstacle to improving the Company's shareholder value.

Therefore, a committee should be established with outside directors and major shareholders (excluding the founding family) as members, to review corporate value from a standpoint independent of the Board, while also utilizing the knowledge of outside advisors, and to revise the medium-term management plan.

(3) Revision of the provisions of articles with regard to chairpersonship of the board of directors

CGC Principle 4-3 requires the Board of Directors to fulfill a highly effective supervisory function over management from an independent and objective standpoint.

In this regard, the supervisory function of the Board must be questioned, as Teiji Wakita, the founding family member is effectively the largest shareholder of the Company and serves as the President and Representative Director of the Company in addition to being the Chairman of the Board.

The Company's stock price has remained well below 1x PBR underlining the need for the Board to strengthen its function to supervise whether the management team is executing on its business operations that contribute to increasing shareholder value. To this end, the Board should be chaired by an outside director rather than an executive to further improve corporate governance.

(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 Chairman of the committee is Teiji Wakita, 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.

FIN