

February 17, 2025

To Whom It May Concern

Strategic Capital, Inc.
Tsuyoshi Maruki, President & CEO
info@stracap.jp

Re: The Launch of a Campaign Website for WAKITA & CO., LTD. (8125)

Strategic Capital, Inc. and fund managed by Strategic Capital (hereinafter referred to as "SC" or "we") hold approximately 8.7% of Wakita & Co., Ltd. (hereinafter referred to as the "Company" or "Wakita").

SC has been invested in Wakita for about five years, and during that time we have made various proposals to increase shareholder value. However, the Company has not incorporated most of the proposals, and the PBR remains below the dissolution value of 1x.

SC intends to make a formal shareholder proposal for the fifth straight year for the upcoming AGM. In addition to our proposals, we believe the Company will make proposals such as dividends and the election of directors, so in order to highlight the issues for the benefits of the minority shareholders, SC has created a special website (<https://stracap.jp/english/8125-WAKITA.pdf>).

Details

Wakita's Challenge (1): Capital Efficiency

Over the past five years, ROE has been abysmally low, averaging 3.6% and a maximum of 4.0%. This is due not only to the low profit margin of the construction machinery business, but also to owning a large portfolio of real estate such as rental properties and an extremely high shareholder's equity ratio near 70%. Unless these problems are solved, it will be difficult to achieve an ROE that exceeds the cost of shareholders' equity and eliminate the PBR of less than 1x.

Wakita's Challenge (2): Governance

Approximately half of the voting rights are held by allegiant shareholders. In addition, President Wakita is the chairman of both the Board of Directors and the Nomination and Remuneration Committee. As a member of the founding company, he is also the de facto largest shareholder. As a result, power is concentrated in the hands of President Wakita, and governance is in a state of failure. SC believes that this has also led to unclear personnel decisions and disingenuous responses to TSE requests.

Wakita should make a decision to "work quickly to exit the PBR below 1x" or "privatize"

In order for Wakita to exit a PBR of languishing below 1x, it is necessary to "carry out a drastic reform of the real estate leasing business" or "adopt a shareholder return policy of 6% DOE and 100% dividend payout ratio". SC has engaged with Wakita numerous times regarding this.

Wakita is currently formulating its next medium-term management plan, but if these measures are not incorporated it means that Wakita has no intention of increasing ROE and PBR even though it is a listed company. In that case, Wakita should be taken private.

FIN