

April 1<sup>st</sup>, 2021

To Whom It May Concern,

Strategic Capital, Inc.  
Tsuyoshi Maruki, President & CEO

**Re: Shareholder Proposal to WAKITA & CO., LTD.**

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 30<sup>th</sup>, 2021, we notified 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 31<sup>st</sup>, 2021, Wakita certainly received the documents of the proposal.

We would like to explain the context of our proposal as following;

1. Overview of our proposal and
2. The detailed translation of our proposal.

1. Overview of our proposal

① Exit the real estate leasing business

One reason for the low valuation of the Company is the fact that its capital efficiency is lower than the return required by investors (i.e., weighted average cost of capital, WACC).

We propose the Company exit the real estate leasing business, where the capital efficiency is low, and concentrate on renting business of construction equipment. In addition, we propose the proceeds from the sale of the real estate after the exit of leasing business be paid out to shareholders as a special dividend to improve capital efficiency.

② Low stock valuation

As noted above, Wakita's capital efficiency is lower than the WACC, resulting in low stock price valuations.

We propose, in addition to withdrawing from the real estate leasing business, the Company disclose WACC and its basis of calculation in order to raise management's awareness of the cost of capital and help improve the stocks valuation.

③ IR policy that denies dialogue with shareholders

Strategic Capital requested the Company to speak with the independent outside directors and the Chairman of the Board but the request was denied by the director in charge of investor relations.

We propose that directors, when required to meet with shareholder holding a certain level of voting rights, are obliged to attend the meeting by themselves in order to improve shareholder value through dialogue with shareholders.

④ Sell cross-shareholdings

Selling cross-shareholdings, that reduce capital efficiency and lead to poor corporate governance, and using the proceeds as a source of funds for investing or for dividends will increase shareholder value.

We propose selling the cross-shareholdings within one year. This will also help eliminate the unnecessary impact by the price movement of these listed shares on the Company's the financial results.

⑤ Excessive accumulation of equity capital

The Company's equity capital ratio is already high at around 70% and if the Company continues current level of shareholder returns, the equity capital will only build up and capital efficiency will decline.

We propose a 100% dividend payout ratio to prevent further build-up of equity capital.

2. The detailed translation of our proposal

① Revision of the provisions of articles with regard to the change in business.

Amend Article 2 (3) of the current Articles of Incorporation deleting the word "leasing" and add Supplementary Provisions as follows

Current Articles of Incorporation

(Purpose)

Article 2

(3) Sales and estate agency of land and buildings, construction and sale of land and leasing and management of real estate.

Proposed change

(Purpose)

Article 2

(3) Sales and estate agency of land and buildings, construction and sale of land and management of real estate.

Supplementary Provisions

Article 1

The amendments of Article 2 (3) of the Articles of Incorporation shall come into effect at the end of February, 2022 and the provisions of this Article shall be deleted on the same date.

- ② 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 AND DIALOGUE WITH SHAREHOLDERS

(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 and its basis of calculation which it comprehends at the point of within 1 month before the submittal of the CG Report.

- ③ Revision of the provisions of articles with regard to dialogue with shareholders

Add the following Chapter and Article to the current Articles of Incorporation.

In the event the Proposal ② “Revision of the provisions of articles with regard to disclosure of cost of capital” is not approved, the number of the provisions will be adjusted as appropriate.

## CHAPTER VII. COST OF CAPITAL AND DIALOGUE WITH SHAREHOLDERS

(Dialogue with shareholders)

Article 38.

If a shareholder who holds three percent or more of the voting rights requests an interview with a Director of the Company, the nominated Director shall respond to the request and attend the meeting with the shareholder within two weeks of the request.

### ④ Revision of the provisions of articles with regard to the Dissolution of Cross-Shareholdings

Add the following Chapter and Article to the current Articles of Incorporation.

In the event Proposal ② “Revision of the provisions of articles with regard to disclosure of cost of capital” and/or ③ “Revision to the provisions of articles with regard to dialogue with shareholders” is not approved, the number of Chapters and Articles will be adjusted as appropriate.

## CHAPTER VIII. DISSOLUTION OF CROSS-SHAREHOLDINGS

(Dissolution of cross-shareholdings)

Article 39.

The Company shall sell all the cross-shareholdings, as of the effective date of the revision of the Articles of Incorporation, immediately during the 62<sup>nd</sup> fiscal period.

### ⑤ 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 61<sup>st</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 61<sup>st</sup> Annual General Meeting based on articles 34 of the Articles of Incorporation, from JPY50.

In case Earnings Per Share rounded down to the nearest integer in 61<sup>st</sup> fiscal

period (hereinafter referred to as “actual EPS”) is different from JPY50, JPY50 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 61<sup>st</sup> Annual General Meeting of Shareholders

C) Effective date of dividend payment from surplus

The day after the 61<sup>st</sup> Annual General Meeting of Shareholders of the Company is held.

If the Board of Directors of the Company submits the proposal on appropriation of surplus at the 61<sup>st</sup> Annual General Meeting of Shareholders, this proposal will be submitted to make an additional proposal separately from such proposal.

Contact Information  
Dan Kato  
81-3-6433-5267