

27th May 2024

WAKAMOTO PHARMACEUTICAL CO., LTD.  
2-2-2, Nihonbashi Honcho, Chuo-ku,  
Tokyo, 103-8330, Japan

**Subject: Our views on the objections to shareholder proposals and feedback from institutional investors on their views**

Dear Members of the Board:

In the "Notice of the Opinion of the Board of Directors of the Company on Shareholder Proposals" dated 15 May 2024 (the "Opposing Opinion"), WAKAMOTO PHARMACEUTICAL CO., LTD. ('Wakamoto') expressed the stance against 6 of our Shareholder Proposals. However, the reasons provided for the opposition suggest a lack of proper understanding of our proposals. We urge the Board of Directors to reconsider the dismissive stance, especially after repeatedly rejecting our requests for dialogue.

**1. The Opinion on the Reversal of the Separate Reserve:**

Wakamoto opposes this proposal, citing that the separate reserve is based on investment risks during the development period and that reversing it would hinder investment in pharmaceuticals and medical devices, thus affecting long-term growth and shareholder interests.

However, reversing the separate reserve is an accounting operation that involves transferring the reserve to retained earnings. This does not impede investment capabilities. Other pharmaceutical companies manage similar risks without recording a separate reserve. The opinion on this matter is to be one of the weakest and strongly urge the withdrawal.

**2. The Opinion on the Appropriation of Surplus (Dividend Equivalent to 9% DOE):**

Wakamoto opposes this proposal, claiming that it focuses on short-term gains at the expense of long-term growth and investment needs.

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However, the "Medium-Term Management Plan 2024-2028 (Wakamoto 100 - Succession and Challenge)" indicates that planned R&D expenses can be covered by Cash flow from operations. Additionally, Wakamoto has significant non-operational assets.

It is incorrect to label our proposal as short-sighted without providing a detailed explanation of the capital structure and cost of capital.

### **3. The Opinion on Amending the Articles of Incorporation to Disclose the Number of Laboratory Animals Purchased:**

R&D activities, guided by the 3Rs principle, are foundational to pharmaceutical companies. Increasing transparency in animal welfare compliance reduces significant risk. The dissenting opinion suggests internal systems for compliance but resists disclosing the number of laboratory animals. It appears the opposition stems from the method of amending the Articles of Association rather than the proposal's content. Institutional investors have noted that this proposal's format might make it difficult to support, suggesting a non-binding advisory resolution instead. We propose disclosing the number of animals purchased annually on the website to address this.

Advisory Proposal: To disclose the number of laboratory animals purchased by each laboratory animal.

Reasons for the proposal: the same reasons as for this proposal.

### **4. The Opinion on Amending the Articles of Incorporation to Greenhouse Gas Emissions Disclosure:**

While Wakamoto commits to managing greenhouse gas emissions, the dissenting opinion and environmental report omit Scope 3 (Category 15: Investments) disclosure. If proper management is crucial, we urge you to clarify the stance on Scope 3 disclosure and then express an informed opinion.

### **5. The Opinion on Amending the Articles of Incorporation Regarding Annual Securities Report Submission Timing:**

Wakamoto opposes the proposal to adjust the timing of the annual report filing, arguing that it is a matter for legislative consideration and does not fit within the scope of the company's Articles of Association.

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However, we would like to highlight that the reason for the inability to disclose the annual report before the general meeting of shareholders is that the Articles of Association currently set the record date for voting at the AGM on 31 March, which coincides with the financial year-end.

If Wakamoto opposes this proposal, it will be necessary to amend the Articles of Association, specifically "Article 14 (Record Date for Annual General Meeting of Shareholders)," to change the record date to a later date. This adjustment would allow shareholders to review the annual report before the AGM, even under the current submission schedule. While this would delay the date of the AGM, it would fulfill the proposal's objective of enabling shareholders to assess the annual report beforehand.

Leaving the responsibility for this change to legislative action, as cited in the opposition, demonstrates a lack of engagement with your shareholders' interests. We urge Wakamoto to reconsider and propose an amendment to the record date to align with the proposal's aim.

#### **6. The Opinion on Amending the Articles of Incorporation for Cost of Capital and Share Price Management:**

The medium-term plan aims to double sales and achieve 8% ROE in 5 years, but investors perceive these targets as theoretical. We propose that Wakamoto disclose measures to manage the company with awareness of capital costs and share price before the AGM to enhance shareholder value.

We have discussed our shareholder proposal with nine institutional investors. Of these, four questioned the qualifications of the management team, including new director candidates, and two were unable to support the new medium-term plan. In light of these views, we urge a review of the management team and the new plan.

Kind regards,

Satoru Matsushashi

Founder CEO at Nanahoshi Management Ltd.