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December 19, 2023

To all parties concerned

Company: Fujitec Co., Ltd.
(Stock Code 6406)

Representative: Masayoshi Harada
Representative Director, President
and CEO

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Notice Concerning Receipt of Report on Investigation Results by the Third-Party Committee in Relation to Obstruction of Candidates for Directors at the Company's Extraordinary General Meeting of Shareholders, Reporting made by the Independent Outside Directors on the Investigation Results, etc., regarding the Related-Party Transactions, etc., and the Company's Responses, etc.

As announced in the *Notice Concerning the Appointment of Third-Party Committee Members in Relation to Obstruction of Candidates for Directors at the Company's Extraordinary General Meeting of Shareholders* dated April 13, 2023, since Fujitec Co., Ltd. (the "Company") received information that, prior to the Company's Extraordinary General Meeting of Shareholders held on February 24, 2023 (the "Extraordinary Shareholders' Meeting"), the candidates for director in a shareholder proposal were allegedly the subject of conduct that would allegedly damage or degrade their qualifications, social credibility, reputation, etc., and they were allegedly intimidated or otherwise encouraged to withdraw their candidacy for director of the Company (the "Suspicions"), the Company determined that it was necessary for an investigation to be conducted by a third-party committee composed solely of impartial and fair external experts independent of the Company. On April 13, 2023, the Company established the third-party committee, which is chaired by Mr. Takahiko Takayama, Attorney-at-law (the "New Third-Party Committee"), in accordance with the "Guidelines for Third-Party Committees in Corporate Scandals" issued by the Japan Federation of Bar Associations, and it has proceeded with such investigation and verification of the Suspicions.

In addition, as announced in the *Notice Concerning Our Response to the Issues Pointed Out by the Third-Party Committee Regarding the Related-Party Transactions and Other Activities* dated May 23, 2023, on August 10, 2022, the Company established the third-party committee, which is chaired by Mr. Hideaki Kobayashi, Attorney-at-law (the "Former Third-Party Committee"), to conduct

additional investigation and verification concerning the related-party transactions and other activities (the “Related-Party Transactions, etc.”) that were pointed out by some shareholders of the Company. However, the Former Third-Party Committee informed the Company on April 3, 2023, that the term of the agreement therewith, which was initially set until December 31, 2022, would not be extended (in other words, the agreement would not be renewed), although the investigation had not yet been completed. The Company is taking seriously the fact that the Former Third-Party Committee indicated that it was unable to foster a relationship of trust with the Company during the investigation. As a precondition to the efforts to restructure the Company’s internal management system and to prevent any recurrence, at the initiative of the independent outside directors of the Company, the Company proceeded with the investigation and verification of the causes of the matters, including the matters indicated by the Former Third-Party Committee, by engaging external lawyers. Furthermore, while the investigation by the said Committee had not been completed, with respect to the suspicions raised concerning the Related-Party Transactions, etc., the Company has examined its policy of responding to such matters in light of their importance from a legal or corporate governance perspective by carefully examining the effectiveness of the additional investigation, the possibility of understanding the case, the investigation costs and other factors. Moreover, from the perspective of the governance that the Company needs to aim for, at the initiative of the independent outside directors, the Company has also proceeded with the reinvestigation by engaging external experts to conduct the investigation to the utmost extent possible under various limitations.

Thereafter, as of today, in response to receipt of the New Third-Party Committee's Report on Investigation Results in relation to the Suspicions, and the reporting made by the independent outside directors on the results of the investigation of the matters pointed out by the Former Third-Party Committee and the results of reinvestigation of the Related-Party Transactions, etc., respectively, the Company has decided on its response and other matters, and hereby makes the following announcement:

The Company is taking seriously the facts and the causes of the incidents determined and the recommendations for prevention of recurrence made by each of the New Third-Party Committee concerning the Suspicions and the independent outside directors concerning the Related-Party Transactions, etc., and will immediately establish and implement measures to prevent the recurrence thereof. From now on, the Company will unanimously strive to regain the trust of its shareholders, business partners and other relevant persons, so your continued support would be highly appreciated.

I. Report on Investigation Results by the New Third-Party Committee

1. Investigation results of the New Third-Party Committee

Please refer to Attachment 1 “Report on Investigation Results” for the investigation results of the New Third Party Committee. As to the content of the said report, the names of individuals and companies and other information have been partially redacted because due attention must be given to

the protection of the privacy and confidential information of the relevant persons and other parties.

2. The Company's response

While the New Third-Party Committee found that the Company's officers, etc., (including advisors of the Company at that time; hereinafter the same applies in Part I) have been involved in some of the actions subject of the Suspicions, the said Committee concluded that none of those actions could be considered illegal. However, the New Third-Party Committee indicated that, when both the Company and the shareholders propose the election of a director as in the Extraordinary Shareholders' Meeting, then the debate should be fought from the perspective of which proposed director candidate would improve corporate value, and a campaign that singles out and points out negative elements regarding each candidate's private life and career is not an essential or effective way to fight the battle. Further, with respect to the fact that the officers, etc., of the Company were involved in confirming the conduct of the director candidates and requesting articles of weekly magazines concerning them to be disseminated on social media, the Report on Investigation Results pointed out that it may not be appropriate for a listed company to take such actions.

The Supplementary Principle 1.1.3 of the Corporate Governance Code stipulates that "[G]iven the importance of shareholder rights, companies should ensure that the exercise of shareholder rights is not impeded." The Company is of the view that if campaigns such as those described above would become a common practice whenever a shareholder proposal that is not favorable to the Company is made, then the exercise of the shareholders' right to make a proposal could be virtually prevented. In addition, the Company believes that this could be an obstacle to shareholders electing appropriate directors by creating a chilling effect that talented external individuals would hesitate to become and give up on becoming director candidates for a listed company. Even if such circumstances did not result in such situation, it is possible that the decision in exercising a shareholder's vote could be unjustly influenced by unessential information concerning the director candidates' private life or career. The Company believes that this could be in breach of the Supplementary Principle 1.2.1 of the Corporate Governance Code, which stipulates that "[C]ompanies should provide accurate information to shareholders as necessary to facilitate appropriate decision-making at general shareholder meetings."

Based on the foregoing, the fact that the New Third-Party Committee found that the officers, etc., of the Company were involved in some of the actions subject of the Suspicions is a critical issue that may harm the interests of the Company and the common interests of its shareholders, even if no illegality was found. The Company believes that such actions were inappropriate for a listed company from the perspective of governance. In particular, from the perspective of internal control of the Company, the Company takes it seriously that the New Third-Party Committee pointed out that its officers and employees were involved in some of the actions subject of the Suspicions, and such actions were carried out without being examined and determined by the team organizing the Extraordinary Shareholders' Meeting, and without any reporting to the directors of the Company. The Company will take appropriate measures in accordance with its internal regulations concerning the officers and employees identified by the New Third-Party Committee to have been involved in some of the actions subject of the Suspicions.

Further, based on the recommendations of the New Third-Party Committee of measures to prevent recurrence, namely, (i) establishing a system that functions effectively in the event of a contingency; and (ii) raising awareness of compliance, the Company will establish and implement the following measures to prevent any recurrence:

(i) Establishing a system that functions effectively in the event of a contingency

The Company has already established a manual for responding to any “contingency” situation as when a shareholder requests that an extraordinary general meeting of shareholders be convened, or when a takeover proposal is made without the Company’s consent, and this has been reported to the Board of Directors. However, since the procedure for the Extraordinary Shareholders’ Meeting started before such manual actually start its operation, the Company was not able to handle the situation in accordance with such manual. Reflecting on the recent developments and taking seriously the recommendations of the New Third-Party Committee, the Company will again examine matters such as the method of organizing a team as to the composition of its members to respond to such situation; a system for managing schedules and tasks; a method of coordinating with external experts; a system for reviewing the materials prepared; and a decision-making method based on a collegial system. After the manual is examined and reviewed by the Board of Directors, the Company will respond to relevant situations in accordance with the new manual.

(ii) Raising awareness of compliance

The New Third-Party Committee pointed out that one of the reasons for the Company’s governance problems is the lack of compliance awareness in that some of the officers and employees did not follow the proper procedures and failed to make reports as required. Therefore, the Company believes that there is an urgent need to change the compliance awareness of its officers and employees.

As pointed out to the Company by the Former Third-Party Committee on April 3, 2023, it was impossible to create a relationship of mutual trust with the Company, and the Related-Party Transactions, etc., involving the founding family took place for a long time, which created doubts among the shareholders, thus, the Company recognizes that it is necessary to review and restructure the basic internal management system within the Company, including the compliance system. Thus, it was resolved at the meeting of the Board of Directors held in the same month to request J.S. Held, an external expert, to review the current compliance system of the Company (including its policy and procedure on compliance, as well as relevant internal controls) from an independent standpoint. Thereafter, based on the facts found and matters recommended in J.S. Held’s report, the Company passed a resolution at the meeting of Board of Directors held on October 12, 2023 to establish the Steering Committee as the body that would lead the establishment of a comprehensive and enhanced compliance program and supervise the implementation thereof. Hereafter, the Steering Committee will establish the said program under the monitoring of the Board of Directors, and through the steady implementation thereof, the Company will strive to build an appropriate compliance system, as well as internal control and risk management systems. With respect to the issue of compliance awareness of officers and employees that was pointed out by the New Third-Party Committee, the Company is

striving to improve and change compliance awareness as part of a comprehensive and enhanced compliance program by having external experts conduct trainings on compliance and internal controls and other measures.

II. Investigation Results of the Matters Pointed Out by the Former Third-Party Committee Concerning Its Refusal to Renew the Engagement Agreement

1. The Former Third-Party Committee's refusal to renew the engagement agreement and its reasons therefor

As announced in the Notice Concerning the Opinion of the Board of Directors and the Completion of Additional Third-Party Investigation Concerning the Dismissal of Former Chairman Uchiyama, Etc. dated April 7, 2023, under the engagement agreement between the Company and the Former Third-Party Committee, the term of the agreement was provided to be until the end of December 2022, and the agreement included a clause that the term of the said agreement could be extended by agreement of both parties if the matters delegated have not yet been completed as of the end of December 2022. While the Company wanted to extend the term of the agreement, on April 3, 2023, the said Committee informed the Company that the term of the agreement would not be extended (in other words, the agreement would not be renewed), although the additional investigation concerning the Related-Party Transactions, etc., had not yet been completed.

According to the Former Third-Party Committee, the reasons for its decision not to extend (renew) the term of the agreement was that it was no longer confident it could obtain appropriate cooperation from the relevant parties based on the circumstances, such as receipt by the said Committee of a warning letter from the affiliated company represented by Mr. Takakazu Uchiyama ("Mr. Uchiyama"), the former Chairman of the Company, stating that legal action would be taken depending on how the said Committee responds to the investigation; and that it was unable to establish a relationship of trust with the Company. The said Committee found it difficult to establish a relationship of trust with the Company for the following reasons: (i) the Company was uncooperative in disclosing materials, facilitating interviews, etc.; (ii) actions taken by the Company regarding the expiration of the term of the agreement raised doubts about the integrity of the Company; (iii) there were actions by the Company that raised doubts about its integrity in the discussions concerning the renewal of the engagement agreement; (iv) there was interference by the Company in the content of the investigation report; and (v) the Company made an assertion that the Former Third-Party Committee breached a term of the engagement agreement with the Company (the term that provides that the said Committee shall promptly obtain the approval of the Company if the hours worked by the investigation assistants exceed 20 hours).

2. Investigation and analysis by the independent outside directors

The independent outside directors of the Company took with utmost seriousness the fact that the Former Third-Party Committee stated that it was unable to establish a relationship of trust with the Company. As a precondition to the efforts to restructure the Company's internal management system

and prevent any recurrence, the independent outside directors conducted an investigation and an analysis as to whether or not there existed any fact concerning the reasons not to renew the agreement with the Company stated by the Former Third-Party Committee, and the relevant circumstances, etc., thereof, by engaging eight attorneys of Oh-Ebashi LPC & Partners for the period from July 18, 2023 to October 6, 2023.

3. Outline of the results of the investigation and the analysis

Please refer to Attachment 2 for an outline of the results of the investigation and the analysis of the matters pointed out by the Former Third-Party Committee concerning its refusal to renew the engagement agreement.

4. The Company's response

In response to the governance issues pointed out in the abovementioned investigation results and analysis, the Company decided to take the measures described below.

(1) Clarification of the person responsible for the investigation by a third-party committee or other means

As to the Company's response to the Former Third-Party Committee, and in response to the fact that the investigation was started without clarifying who was responsible for confirming the progress, etc., which then led to the failure to report to the Board of Directors, if any investigation is conducted by a third-party committee or other means in the future, the Company shall clarify the person who will be responsible for managing the progress of the investigation and reporting to the Board of Directors.

Further, as to the Company's response to the Former Third-Party Committee, and in response to it being pointed out that the structure of the secretariat responding to the investigation was insufficient, if any investigation is conducted by a third-party committee or other means in the future, the Company shall secure sufficient human resources who can respond to such investigation with priority under the instruction of the responsible person, and establishing and operating a system to monitor the status of the response to the investigation, such as by having the secretariat periodically report to the Board of Directors, etc., on the status of the response, and to support the contact person based on the volume of his/her work.

The Company did in fact properly respond to the New Third-Party Committee under the management and responsibility of Mr. Kazuhiro Mishina, an Outside Director, by establishing and operating a sufficient secretariat structure and a contact person to make the proper arrangements and take other actions, and thereby, the persons subject of the investigation responded to the inquiries of the said Committee in a prompt manner and the progress of the investigation was periodically reported to the Board of Directors.

(2) Clarification of the process for making important decisions

With respect to the Company's response to the Former Third-Party Committee, it was pointed out

that the decision-making process for important policies to respond to the said Committee was not sufficiently examined in advance, and that decisions were made and communicated to the said Committee, without it being clear what decision-making process should be followed.

To further clarify the process of making important decisions, the Company is currently reviewing who should have decision-making authority by moving forward and establishing an executive committee where internal decision-making can be made in the meetings thereof. When making any important decision in the future, the Company shall comply with the approval process to be established after such review and thoroughly implement the decision by leaving records to allow for later verification of the decision-making process.

(3) Enhanced information sharing with outside directors and reporting to the Board of Directors on potential conflict of interest issues

It was pointed out that, although the response to the Former Third-Party Committee was an issue that could give rise to a conflict of interest between the Company and Mr. Uchiyama as well as the directors on the executive side who could be influenced by him, no sufficient information was shared with the outside directors, nor were reports made to the Board of Directors, and these facts were considered among the reasons that caused a passive response to the investigation by the said Committee (i.e., surmising the feelings of Mr. Uchiyama, who was a subject of the investigation).

All of the directors of the Company shall again acknowledge that supervision of a conflict of interest between the Company and the executive side is an important duty of the outside directors. In particular, with respect to issues that could give rise to a conflict of interest with the Company, including related-party transactions, the Company shall enhance information sharing with the outside directors and reporting to the Board of Directors by taking measures, such as amending the Corporate Governance Guidelines of the Company so that outside directors can exercise their supervising function from an early stage.

III. Results of Reinvestigation of the Related-Party Transactions, etc.

1. Background of the review of the reinvestigation of the Related-Party Transactions, etc., and the investigation policy thereof

As announced in the Notice Concerning Our Response to the Issues Pointed Out by the Third-Party Committee Regarding the Related-Party Transactions and Other Activities dated May 23, 2023, while the investigation by the Former Third-Party Committee had not been completed with respect to the suspicions raised concerning the Related-Party Transactions, etc., the Company has reviewed its policy to respond to such matters in light of their importance from a legal or corporate governance perspective by carefully examining the effectiveness of the additional investigation, the possibility of understanding the case, investigation costs and other factors.

This reinvestigation of the Related-Party Transactions, etc., is the third one following the investigation conducted by Nishimura & Asahi (currently, Nishimura & Asahi (Gaikokuho Kyodo Jigyo)) announced in the Notice Concerning Board of Directors' Resolution in relation to

Shareholders' Assertion dated May 30, 2022, and the investigation conducted by the Former Third-Party Committee. If the Company conducted the investigation from scratch, it would entail substantial cost and time for various tasks, such as forensic review and real estate appraisals, and it is considered that spending such costs and time would not necessarily serve the interests of the Company or the common interests of its shareholders.

Therefore, in examining the reinvestigation method, the Company requested the Former Third-Party Committee on July 11, 2023 to provide it with the results of the forensic review and other information, such as the opinions of real estate appraisers obtained in the investigation at that time (the "Information Provision") to conduct the reinvestigation effectively by explaining to the said Committee the objectives of the reinvestigation, the circumstances surrounding the Company and other matters. Thereafter, for over two months, the Company continued to consult with the Former Third-Party Committee on the terms of the Information Provision. However, the said Committee proposed a non-negotiable condition that the existence of the Information Provision itself should be kept secret.

First, however, the reinvestigation of the Related-Party Transactions, etc., was being implemented for the purpose of performing the Company's duty of accountability to the shareholders. If any explanation concerning the method of the investigation or collecting materials is restricted, then such situation would likely pose as an obstacle to the Company performing such duty of accountability, and thereby, make it difficult to gain trust in the investigation results. Under such circumstances, the Company was compelled to withdraw its request for Information Provision from the Former Third-Party Committee on October 9, 2023.

In addition, to conduct the reinvestigation of the Related-Party Transactions, etc., the cooperation of Mr. Uchiyama, who is a party to the Related-Party Transactions, etc., was indispensable. However, the Former Third-Party Committee pointed out that Mr. Uchiyama caused the affiliated company where he served as a representative to send to the Former Third-Party Committee a warning letter, which made it difficult to expect appropriate cooperation from him. He also filed by himself and through the affiliated company where he served as a representative, an action for declaratory judgment of the invalidity of the resolution of the Board of Directors and an action to revoke the resolution passed at the shareholders' meeting against the Company, as well as an action seeking compensation for damages against some of the independent outside directors of the Company. Accordingly, Mr. Uchiyama and the Company became embroiled in a legal dispute, a situation where no cooperation could be expected from him for the reinvestigation.

Under such circumstances, it was deemed difficult to clarify the facts and analyze the existence or non-existence of legal liability based on a sufficient investigation that would be satisfactory to the shareholders. On the other hand, the fact that the Company was involved in the Related-Party Transactions, etc., for a long time, which has caused concerns among the shareholders that they may somehow harm the interests of the Company and the common interests of its shareholders, is a material issue that the Company must face in its pursuit hereafter of the highest standards of corporate governance. Even if it would be difficult to determine the legal issues in the past transactions or the legal liability of the relevant persons in light of the circumstances described above, the Company does

not think that these issues can be left unattended for such reason. Rather, with respect to the suspicions that are highly important from a legal or corporate governance perspective, the Company believes that it is essential to conduct an examination of facts from the perspective of the governance that the Company needs to aim for, and to understand where any problem lies, and if any problem is identified, to consider and establish recurrence prevention measures therefor.

Accordingly, at the initiative of the independent outside directors, the Company decided to conduct a reinvestigation by engaging external experts to conduct an investigation to the utmost extent possible under various limitations on matters that are highly important from a legal or corporate governance perspective that the Company needs to aim for concerning the suspicions regarding the Related-Party Transactions, etc.

2. Investigation and analysis by the independent outside directors

The independent outside directors of the Company conducted an investigation into the Related-Party Transactions, etc., in accordance with the investigation policy described in Section 1 above by engaging three attorneys of Oh-Ebashi LPC & Partners for the period from October 9, 2023 to December 7, 2023.

3. Results of the investigation

Please refer to Attachment 3 “Investigation Report” for the results of the investigation of the Related-Party Transactions, etc. As to the content of the said report, the names of individuals and companies and other information have been partially redacted because due attention must be given to the protection of the privacy and confidential information of the relevant persons and other parties.

4. The Company’s response

The past transactions conducted between the Company and Mr. Uchiyama, as well as its affiliated companies, have been approved based on resolutions of the Board of Directors made after excluding the directors with a special interest in the resolution, including Mr. Uchiyama. Therefore, it is considered that the Board of Directors monitored the transactions to some extent as required by the Companies Act. That being said, in the “Investigation Report” in Attachment 3, the following findings were made concerning governance issues relating to the Related-Party Transactions, etc.: nothing was found to suggest that the Company conducted a market check to transact with parties other than a related party, or that the Company negotiated with the related party on the transaction conditions, although there was possible harm to the interests of the Company or the common interests of its shareholders or the situation could give rise to concerns about such harm; further, in calculating the value of each transaction, it is difficult to say that the Company decided such value from the perspective of the arm’s length principle based on information from reliable sources, such as an official real estate appraisal report obtained from an independent real estate appraiser; and with respect to continuous conflict-of-interest transactions, such as the loan agreement or the lease agreements, while the Company approved such transactions based on resolutions of the Board of Directors at the point of executing such agreements, it is difficult to say that the Company conducted appropriate ex-

post monitoring, such as requiring periodical reports from the related party, the counterparty of the relevant agreements, with respect to the subsequent status of the relevant interest.

As described above, in addition to the fact that there were multiple Related-Party Transactions, etc., in the past between the Company and the founding family and the Company did not take sufficient measures from the perspective of governance, because there can be a situation where the interests of the minority shareholders may be harmed by such transactions, etc., that are in line with the intent of a major shareholder or the founding family in the future, the Company believes that it would be insufficient to depend merely on the consciousness and self-control of the relevant persons. In other words, under such circumstances, to prevent any occurrence of a situation in which the interests of the minority shareholders are harmed, or doubts that their interests may be harmed, it is considered necessary to introduce a system to secure objective judgment and monitoring about whether a transaction with a related party is necessary and reasonable for the Company, or whether the Company has set an unfair transaction term that may harm the Company's interests.

Therefore, the Company will establish guidelines for related-party transactions to provide the basic policy of making very careful judgment from the perspective of protecting the interests of minority shareholders, including the necessity of the relevant transactions. In addition, the Company will not only establish a procedure to verify and monitor the reasonableness of transactions (including business necessity and reasonableness) and appropriateness of the transaction terms, it will establish the criteria for the transaction terms as well.

In sum, in principle, the procedure requires the adoption of a resolution of the Board of Directors, and, as a precondition thereof, the Board of Directors will request for and obtain an advisory opinion from an independent committee composed of independent outside directors and other members who have no special interest in the transaction to be examined to verify the reasonableness of the transaction and appropriateness of the transaction terms, and as necessary, legal checks shall be performed by the legal section or outside attorneys. Moreover, with respect to continuous conflict-of-interest transactions, in addition to the aforementioned advance checks, ex-post monitoring of the status of the relevant interest will be thoroughly performed. Further, with respect to the criteria for such judgment, the reasonableness of such transaction and appropriateness of the transaction terms (taking into consideration arm's length transaction terms and the market price) will be fully examined.

For clarity, as stated in Section 1 above, the recent reinvestigation of the Related-Party Transactions, etc., focused on the verification, etc., from the perspective of the governance that the Company needs to aim for, and was not conducted for the purpose of determining whether or not there existed legal liability, such as that arising from any breach of duty of care, of the relevant persons, such as the directors and other officers of the Company at that time. Therefore, it does not mean that the Company has analyzed or determined the existence or non-existence of the legal liability of the relevant persons concerning the Related-Party Transactions, etc., based on such reinvestigation.

IV. The Company's Future Actions

The Company is taking seriously the facts and the causes of the incidents determined as well as the

recommendations for prevention of recurrence made by the New Third-Party Committee concerning the Suspicions and the independent outside directors concerning the Related-Party Transactions, etc., respectively, and will establish and firmly implement each of the aforementioned responsive measures.

As a background common to each of the governance issues that have been recently pointed out to the Company, the Company has identified the fact that an authoritarian form of management by the managers from the founding family, as represented by Mr. Uchiyama, had lasted for many years, and power had been virtually concentrated on persons belonging to such founding family, thereby, as a consequence, they gained great influence. If the governance system is fully functioning, then such management system would not immediately emerge as an issue; however, the Company believes that it requires a higher level of governance since potential conflicts of interest with its managers would not just arise on a few occasions, and the structure is such that it would be difficult for officers and employees who are under the influence of the founding family to exercise their review function. Further, the Company believes that there is a possibility that the governance system needed to effectively and appropriately monitor the managers from a true independent position did not fully function as evidenced by the situation where the Related-Party Transactions, etc., involving the founding family were conducted for a long time, and a passive response to the investigation by the Former Third-Party Committee had been observed. The Company will unanimously strive to regain the trust of its shareholders and all other stakeholders and establish a management philosophy that departs from the era of such authoritarian management and reinforces compliance and governance, without being limited to the issues that emerged this time, through the effective use of the monitoring function of the outside directors.

End

December 19, 2023

To: FUJITEC CO., LTD.

Report on Investigation Results (Publication Version)

FUJITEC CO., LTD., Third-Party Committee

Chairman: Takahiko Takayama

Committee Member: Yuji Takada

Committee Member: Hisanori Morikawa

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Abbreviations used in this Investigation Report and their meanings are listed in the table below, except as otherwise defined in the text. Positions are based on positions as of February 24, 2023, the date of the Extraordinary Shareholders' Meeting.

Official Name/Details	Abbreviated Name
Third-Party Committee, established based on FUJITEC CO., LTD.'s board of directors meeting resolution held on March 28, 2023	Committee
The investigation performed by the Committee	Investigation
This report prepared by the Committee describing the results of the Investigation	Investigation Report
FUJITEC CO., LTD.	FUJITEC
Takakazu Uchiyama (Previous Chairman, FUJITEC)	Mr. T. Uchiyama
Takao Okada (President and Representative Director, FUJITEC)	Mr. Okada
Takashi Asano (Representative Director and Senior Managing Director, FUJITEC)	Mr. Asano
Masashi Tsuchihata (Senior Managing Director, FUJITEC)	Mr. Tsuchihata
Kazuhiro Mishina (Outside Director, FUJITEC)	Mr. Mishina
●● (Previous Outside Director, FUJITEC)	Mx. A
●● (Managing Executive Officer and Manager of Japan Business Headquarter, FUJITEC; founding family)	Mx. B
●● (Executive Officer and Manager of General Affairs Department, FUJITEC)	Mx. C
●● (Manager of Press & Public Relations Office, FUJITEC)	Mx. D
●● (General Manager, Secretarial Office, FUJITEC)	Mx. E
Mr. Okada, Mr. Asano, and Mr. Tsuchihata	Inside Directors
●● Law Firm, which served as legal advisor of FUJITEC	F Law Firm
Mx. F (Managing Partner of F Law Firm)	F, Esq.
●●, Inc., which served as FUJITEC's financial advisor and proxy advisor	Company G
●● (Director and Senior General Manager of G, Inc.)	Mx. H
●●, Ltd., which served as FUJITEC's public relations advisor	Company I
●● Corp., which FUJITEC requested to perform background investigation	Company J
●● Inc., which FUJITEC requested to disseminate a weekly manazine article on social media	Company K
●●, Inc., which G, Inc. requested to perform background investigation	Company L
FUJITEC's internal project team for responding to the Shareholder Proposal, etc.	Project Team
●●	Proposing Shareholder
Mx. ●● (Outside Director Candidate proposed by the Proposing Shareholder)	Mx. M
Mx. ●● (Outside Director Candidate proposed by the Proposing Shareholder)	Mx. N
Mr. Torsten Gessner (Outside Director Candidate proposed by the Proposing Shareholder)	Mr. Gessner
Mr. Clark Graninger (Outside Director Candidate proposed by the Proposing Shareholder)	Mr. Graninger
Mx. ●● (Outside Director Candidate proposed by the Proposing Shareholder)	Mx. O
Ms. Kaoru Umino (Outside Director Candidate proposed by the Proposing Shareholder)	Ms. Umino
Mx. ●● (Outside Director Candidate proposed by the Proposing Shareholder)	Mx. P
Ms. Ako Shimada (Outside Director Candidate proposed by the Proposing Shareholder)	Ms. Shimada
FUJITEC's extraordinary shareholders' meeting held on February 24, 2023	Extraordinary Shareholders' Meeting
Demand for calling an extraordinary shareholders' meeting and shareholder proposal dated December 5, 2022 (as amended) by the Proposing Shareholder	Shareholder Proposal

Section I. Outline of the Committee

1. Background and purpose of establishment of the Committee

On December 5, 2022, FUJITEC received a demand, dated December 1, 2022, calling for an extraordinary shareholders' meeting made by the Proposing Shareholder, with the purposes of the meeting being¹: (i) the dismissal of six (6) outside directors (Mx. ●●, Mx. ●●, Mx. ●●, Mx. ●●, Mr. Mishina, and Mx. A); (ii) the election of seven (7) outside directors (Mx. M, Mx. N, Mr. Gessner, Mr. Graninger, Mx. O, Ms. Umino, and Mx. P); (iii) the determination of the amount of base remuneration for each individual outside director; (iv) the granting of share-based remuneration to outside directors; (v) the granting of share-based remuneration to outside directors with stock price conditions; and (vi) the granting of stock-based compensation to directors (excluding outside directors). The Extraordinary Shareholders' Meeting was held on February 24, 2023.

Subsequently, information was received that acts were performed that impaired or degraded the suitability, social credibility, or reputation, etc. of the outside director candidates in the Shareholder Proposal (including the two (2) who later withdrew; the same applies below), and that they had been intimidated or otherwise pressured to withdraw as candidate directors for FUJITEC (the "Obstruction"), and at a meeting of its board of directors held on March 28, 2023, FUJITEC resolved and announced to establish a third-party committee, consisting of outside experts independent of FUJITEC, to conduct an investigation and verification of the Obstruction.

In response to FUJITEC's request based on said resolution, the Committee performed the Investigation to determine: (i) whether or not there was any Obstruction; (ii) if so, whether or not FUJITEC's officers and employees were involved; (iii) if so, the manner in which they were involved; and (iv) if an outside third-party was commissioned to conduct the Obstruction, the name of such third-party and the amount of fees, etc. paid to the third-party, and is reporting the results of the Investigation in the form of this Investigation Report, while additionally considering and making recommendations concerning governance issues and measures to prevent recurrence.

2. Composition and nature of the Committee

(1) Composition of the Committee

The composition of the Committee is as follows:

¹ Subsequently, the Shareholder Proposal in (ii) above was partially withdrawn, etc.; please refer to Section IV.1 below for details of the course of events leading up to the Extraordinary Shareholders' Meeting.

Chairman: Takahiko Takayama (Attorney-at-Law, TMI Associates)

Committee Member: Yuji Takada (Attorney-at-Law, Shimada Hamba & Osajima)

Committee Member: Hisanori Morikawa (Attorney-at-Law, TMI Associates)

In addition, the following eight (8) investigation assistants assisted the Committee in its activities:

TMI Associates (four (4) persons)

Yuji Nakano (Attorney-at-Law)

Daiki Kawaguchi (Attorney-at-Law)

Makoto Nagashima (Attorney-at-Law)

Natsuko Nishida (Attorney-at-Law)

Shimada Hamba & Osajima (four (4) persons)

Jiro Sanbonmatsu (Attorney-at-Law)

Nobuhiro Horiuchi (Attorney-at-Law)

Tatsuya Yamada (Attorney-at-Law)

Yuta Fujiwara (Attorney-at-Law)

(2) Nature of the Committee

The members of the Committee and investigation assistants were appointed in accordance with the Guidelines on Third-Party Committees for Corporate Misconduct (established July 15, 2010, revised December 17, 2010) prepared by the Japan Federation of Bar Associations, and they have no interest in FUJITEC, as they had never received any direct compensation from FUJITEC for their services and do not hold any shares in FUJITEC.

3. Notes

It should be noted that the Investigation and this Investigation Report are premised on the following:

(1) As described in Section II below, this Investigation Report describes the points that are believed should be pointed out in light of the purpose of the Investigation, which were analyzed and examined by the time this Investigation Report was prepared based on materials independently collected by the Committee, materials provided by FUJITEC, and interviews with FUJITEC's related persons, etc., within a limited period of time, and it is not a comprehensive description of all the points that were confirmed based on the materials, etc. obtained.

(2) As described in Section II below, the materials obtained were provided by FUJITEC, etc., and are limited in scope, and are not based on an independent collection and examination of all of FUJITEC's mail servers or of personal e-mails.

(3) The following matters are assumed with respect to the materials disclosed in the Investigation:

- (i) Signatures and seals on documents subject to review were performed genuinely;
- (ii) Documents disclosed as copies were all accurate and complete copies of the originals;
- and
- (iii) With respect to the documents requested by the Committee from FUJITEC, FUJITEC has correctly disclosed all applicable documents in existence.

(4) This Investigation Report has been prepared based on the premise of (1) through (3) above, and it is not denied that facts different from those in this Investigation Report may be found in materials outside the Investigation or in statements by related parties, etc., and that new facts, if discovered, may lead to conclusions that differ from those in this Investigation Report.

(5) The Investigation and the preparation of this Investigation Report were conducted from an objective standpoint in relation to FUJITEC, and in order to secure such standpoint, neither FUJITEC nor any other person shall acquire any rights against or make any claim against any member or investigation assistant of the Committee, or use this Investigation Report as evidence, materials, or other basis for any claim, etc., and no member or investigation assistant of the Committee shall have any obligation or responsibility to FUJITEC or any other person.

Section II. Method of investigation, etc.

The period and specific methods of the Investigation conducted by the Committee are as follows:

1. Period in which the Investigation, etc. was performed

The Committee was established on March 28, 2023, and conducted the Investigation and a review based on the results of the Investigation, etc., until October 31, 2023.

2. Collection, analysis, and review of materials

The Committee requested FUJITEC from time to time to submit materials it considered necessary for the Investigation (articles of incorporation, internal regulations, minutes of general meetings of shareholders, minutes of board of directors meetings, audio recording data of board of directors meetings, personnel cards, various contracts, bank transfer statements, etc.), and analyzed and examined the contents upon receiving such materials.

In addition to the above, the Committee requested the interviewees to submit relevant materials at each interview, etc., and analyzed and examined the materials provided by the interviewees and other materials collected independently as necessary.

3. Questionnaire

As stated in **Appendix 1** (Status of Implementation of Questionnaire), by the time this Investigation Report was prepared, the Committee had conducted questionnaires for the seven (7) candidate outside directors in the Shareholder Proposal.

In conducting the questionnaire, we attempted to obtain the contact information of the outside director candidates who withdrew or were rejected at the Extraordinary Shareholders' Meeting through ●●, Esq., an attorney at ●● Law Firm, who represented the Proposing Shareholder in connection with the Shareholder Proposal, but we were unable to obtain Mx. N's cooperation for the Investigation, and were therefore unable to conduct a questionnaire and interview with the person.

4. Interviews with related parties

As described in **Appendix 2** ("Status of Conducted Interviews") below, the Committee conducted a total of 18 interviews with 14 related persons, including executives and employees of

FUJITEC, by the time this Investigation Report was prepared.

Although we requested an interview with Mx. M, we did not receive any response and have therefore not conducted an interview with the person.

In addition, when FUJITEC notified its advisors, F, Esq., Company G, and Company I, of the termination of their confidentiality obligations, and requested their cooperation in the Investigation, Company I requested to respond in writing, so the Committee sent Company I questions and obtained its responses, rather than conducting a face-to-face interview. In contrast, when the Committee sent the questions to F, Esq., who initially wished to respond in writing in the same manner as Company I, the attorney changed its attitude, stating that the attorney could not cooperate in the Investigation, and in the end, no responses could be obtained. Similarly, Company G responded that it could not provide any information because it could not cooperate in the Investigation as a result of “a comprehensive review of various circumstances, including the business environment surrounding our company.”

5. Digital forensic investigation

The Committee conducted a digital forensic investigation for the purpose of understanding the content of communications among FUJITEC’s officers/employees and its advisors regarding the countermeasures to the Shareholder Proposal. Specifically, we conducted a digital forensic investigation of 24 of FUJITEC executives and employees, preserving the data from e-mail addresses and Google Chat messages (“**Chat Messages**”) that they used in the course of their work.

As a result of the digital forensic investigation, it appeared that some FUJITEC executives and employees were communicating with each other regarding the countermeasures to the Shareholder Proposal by using their private e-mail addresses instead of their business e-mail addresses, so we requested Mx. B, Mx. C, and Mx. D to cooperate with a digital forensic examination of e-mails from their private e-mail addresses, but all three refused to cooperate, and we were unable to analyze and examine these e-mails.

6. Information collection via internal hotline

The Committee established a special hotline to receive information related to the matters investigated by the Committee from May 19, 2023 to June 5, 2023, and also distributed and disseminated a letter titled “Request for Cooperation in the Investigation by the Third-Party Committee” (**Appendix 3**) to a total of 95 executives and employees (excluding part-time employees) who were in the department in charge of the business related to the Extraordinary Shareholders’ Meeting during all or part of the period from October 30, 2022 to February 28, 2023

and were employed by FUJITEC as of May 19, 2023, and requested that they provide information.

However, there were no reports or information provided to this hotline by the deadline of June 5, 2023.

Section III. Company Profile

1. Business overview and history, etc. of FUJITEC

The FUJITEC Group, centered on FUJITEC, consists of FUJITEC and 38 affiliated companies (including 23 consolidated subsidiaries) as of March 31, 2023. As a specialized manufacturer of elevators, escalators, and moving walkways, the FUJITEC Group is engaged in integrated manufacturing, sales, installation, maintenance, and repair services on a global scale, with consolidated sales of approximately 207.5 billion yen and over 11,000 employees (as of March 31, 2023).

FUJITEC was founded in February 1948 when the late Shotaro Uchiyama, the founder of the company, established Fuji Yusoki Kogyo K.K. in Nishi-ku, Osaka City, for the purpose of developing, manufacturing, selling, installing, and maintaining elevators. In May 1963 and March 1970, the company listed its shares on the Second Section of the Osaka Stock Exchange and the Second Section of the Tokyo Stock Exchange, respectively. In February 1974, the company changed its name to FUJITEC CO., LTD. and was listed on the First Section of both the Tokyo Stock Exchange and the Osaka Stock Exchange. Subsequently, in July 2012, the company delisted its shares from the Osaka Stock Exchange, and in April 2022, following a revision of the Tokyo Stock Exchange's market classifications, it moved from the First Section to the Prime Market on that exchange.

FUJITEC's head office moved to Ibaraki City, Osaka Prefecture, in August 1965, and in April 2006, the company relocated to Hikone City, Shiga Prefecture, the current location of its head office. The company's main domestic bases are Big Wing (Hikone City, Shiga Prefecture), which is the head office and houses the plant and R&D departments; the Tokyo Head Office (Shirokane, Minato-ku, Tokyo), which is the domestic sales base mainly for the Tokyo metropolitan area; Big Step (Toyooka City, Hyogo Prefecture), the escalator base; and Big Fit (Ibaraki City, Osaka Prefecture (former head office)), the aftermarket base. Outside of Japan, the company has also been actively expanding its overseas operations, beginning with the establishment of a base in Hong Kong in August 1964. As of March 31, 2023, the FUJITEC Group has 12 production sites and numerous sales offices in 24 countries and regions.

FUJITEC's management structure was headed by the late founder, Shotaro Uchiyama, who served as president for about 50 years after the company's founding, and continued to manage the company as chairman and honorary chairman. According to "FUJITEC's 60-Year History," published by FUJITEC in February 2010, Shotaro Uchiyama is described as "a fierce leader who traveled around the world" who "laid the foundation of today's FUJITEC, synonymous with 'bulldog spirit,' the courage and intense vitality to bite into your opponent and never let go." Shotaro

Uchiyama passed away in July 2003, but in June 2002, the year before his death, his eldest son, Mr. T. Uchiyama, was appointed president and served as president for 20 years until his retirement in June 2022.

2. FUJITEC's organizational structure

FUJITEC's organizational structure as of February 24, 2023, is as shown in **Appendix 4**.

FUJITEC has a two-head-office structure, with its registered head office, Big Wing (Hikone City, Shiga Prefecture), and its Tokyo Head Office (Shirokane, Minato-ku, Tokyo), but no directors are stationed at Big Wing. Mr. Okada, Mr. Asano and Mr. Tsuchihata, inside directors appointed at the annual general shareholders' meeting on June 23, 2022, performed their duties at Big Fit (Ibaraki City, Osaka Prefecture (former head office)) and traveled to Tokyo and other head offices as necessary. In addition, since Mr. T. Uchiyama, who had served as President until the same annual general shareholders' meeting, mainly worked at the Tokyo Head Office, the Press & Public Relations Office, Secretarial Office, etc. are located at the Tokyo Head Office, and Mx. C, General Manager of the General Affairs Division, is stationed at the Tokyo Head Office.

Section IV. Investigation Results

1. Course of events leading up to the Extraordinary Shareholders' Meeting

The facts that transpired from the time when the Shareholder Proposal was made up to the Extraordinary Shareholders' Meeting are as follows:

(1) Request by Proposing Shareholder to convene an extraordinary shareholders' meeting

Proposing Shareholder sent FUJITEC a written request to convene an extraordinary shareholders' meeting dated December 1, 2022, and requested FUJITEC to convene an extraordinary shareholders' meeting with the following matters as the purpose of the meeting, and FUJITEC received the written request on December 5, 2022.

(Purpose of the Shareholders' Meeting)

Proposal 1: Dismissal of six (6) incumbent outside directors

Proposal 2: Election of the following seven (7) outside directors:

Outside Director Candidate: Mx. M

Outside Director Candidate: Mx. N

Outside Director Candidate: Mr. Gessner

Outside Director Candidate: Mr. Graninger

Outside Director Candidate: Mx. O

Outside Director Candidate: Ms. Umino

Outside Director Candidate: Mx. P

Proposal 3: Determination of the amount of individual base remuneration for each outside director

Proposal 4: Grant of share-based remuneration to outside directors

Proposal 5: Grant of share-based remuneration with stock price conditions to outside directors

Proposal 6: Grant of share-based remuneration to directors (excluding outside directors)

(2) Publication of presentation materials by Proposing Shareholder

In December 2022, Proposing Shareholder published the presentation materials for the

extraordinary shareholders’ meeting requested in connection with the Shareholder Proposal on a website titled “Protect Fujitec.”

(3) Establishment of record date for convening an extraordinary shareholders’ meeting

On December 15, 2022, FUJITEC decided to set the record date for calling an extraordinary shareholders’ meeting to be held during February 2023 as follows.

Record date: December 31, 2022

Date of public notice: December 16, 2022

Method of public notice: Electronic public notice (posting on FUJITEC’s website)

(4) Partial withdrawal of proposal concerning demand for calling an extraordinary shareholders’ meeting by Proposing Shareholder and change of reason for convocation, etc.

With respect to the Shareholder Proposal made by way of the request for an extraordinary shareholders’ meeting dated December 1, 2022, Proposing Shareholder withdrew part of the proposal and changed the reasons for the meeting several times, as follows.

	Proposing Shareholder’s Date of Written Request	FUJITEC’s Date of Receipt	Details of Revisions
First Revision	December 20, 2022	December 22, 2022	Partial withdrawal of agenda item, change of reason for convocation, etc.
Second Revision	December 27, 2022	December 28, 2022	Change in reason for convocation, etc.
Third Revision	December 29, 2022	December 31, 2022	Partial withdrawal of agenda item, change of reason for convocation, etc.
Fourth Revision	December 29, 2022	January 4, 2023	Change in the statement of reasons for convocation

In the first revision described above, Mx. N was withdrawn from the list of outside director candidates for Proposal 2 of the Shareholder Proposal, and Ms. Shimada was added to the list of outside director candidates for the same proposal. In the third revision mentioned above, on the basis that one (1) outside director candidate had requested to withdraw for personal reasons, Mx. O was withdrawn from the list of outside director candidates under Proposal 2 of the Shareholder

Proposal, and the same proposal was changed to “Election of six (6) outside directors.”

(5) Publication by FUJITEC of “Notice Concerning the Board of Directors’ Position on the Agenda Item to be Submitted by the Company and Agenda Items Proposed by a Shareholder for the Upcoming Extraordinary General Meeting of Shareholders”

On January 20, 2023, FUJITEC announced that Proposal 1 below would be submitted as a company proposal at the Extraordinary Shareholders’ Meeting, and that it would oppose the entirety of the Shareholder Proposal (Proposals 2 through 7). In addition, FUJITEC published separate presentation materials (“Opinions on [REDACTED] claims regarding convocation of an extraordinary meeting of shareholders” and “Supplemental material regarding our opinion on [REDACTED] claims”) on its website regarding the details of such dissenting opinion.

(Company Proposal)

Proposal 1: Election of the following two (2) outside directors

Outside Director Candidate: ●●

Outside Director Candidate: ●●

(6) Determination of the date and time, etc. of the Extraordinary Shareholders’ Meeting and publication of the notice of convocation

On January 20, 2023, FUJITEC decided to hold the Extraordinary Shareholders’ Meeting on February 24, 2023, at 10:00 a.m. in the Big Wing Hall of its head office and announced the same, and on January 30, 2023, FUJITEC published a “Notice of Convocation of the Extraordinary General Meeting of Shareholders” dated February 9, 2023, on its website.

(7) Publication by FUJITEC of “Additional Explanatory Material Regarding our Position on the Extraordinary General Meeting of Shareholders”

On February 10, 2023, FUJITEC published a document titled “Additional explanatory material regarding our position on the extraordinary general meeting of shareholders” on its website.

(8) Publication of additional materials and rebuttal by Proposing Shareholder

Proposing Shareholder published additional materials in response to FUJITEC’s position on the

website titled “Protect FUJITEC” on February 6, 2023, and published its rebuttal to FUJITEC’s additional explanatory material on February 14, 2023.

(9) Resignation of Mx. A as outside director

Mx. A resigned as an outside director of FUJITEC on February 21, 2023. As a result, Proposal 2 in the Extraordinary Shareholders’ Meeting concerning the dismissal of Mx. A was withdrawn, and Proposal 2 became “Dismissal of Five (5) Outside Directors.”

FUJITEC had announced the reason for Mx. A’s resignation as “for personal reasons,” but in a press release dated February 24, 2023, the reason was, at the person’s request, revised to “because the person’s views on governance differ significantly from those of the Company.”

(10) Holding of the Extraordinary Shareholders’ Meeting

The Extraordinary Shareholders’ Meeting was held on February 24, 2023, in the Big Wing Hall at FUJITEC’s head office.

The results of the resolutions on the proposals at the Extraordinary Shareholders’ Meeting were as follows:

Resolution		Candidate	Resolution Result
Company Proposal	Proposal 1	●●	Rejected
	Election of two (2) outside directors	●●	Rejected
Shareholders’ Proposal	Proposal 2 Dismissal of five (5) outside directors	●●	Adopted
		●●	Adopted
		●●	Rejected
		Mr. Mishina	Rejected
		●●	Adopted
		●●	Adopted
	Proposal 3 Election of six (6) outside directors	Mx. M	Rejected
		Mr. Gessner	Adopted
		Mr. Graninger	Adopted
		Ms. Umino	Adopted
		Mx. P	Rejected
		Ms. Shimada	Adopted
	Proposal 4	To determine the amount of base remuneration for each individual outside director	Adopted
	Proposal 5	Grant of share-based remuneration to outside directors	Adopted
Proposal 6	Grant of share-based remuneration with stock price conditions to outside directors	Rejected	
Proposal 7	Grant of share-based remuneration with stock price conditions to directors	Rejected	

Resolution	Candidate	Resolution Result
	(excluding outside directors)	

2. Structure of the 2023 annual general shareholders' meeting and the Extraordinary Shareholders' Meeting

(1) Formation of Project Team

FUJITEC was forced to withdraw the proposal to appoint Mr. T. Uchiyama as a director at the annual general shareholders' meeting in June 2022, so as a counterplan, FUJITEC decided to reorganize its task force for the annual general shareholders' meeting in June 2023, and appointed F Law Firm (legal advisor), Company G (financial advisor and proxy advisor), and Company I (public relations advisor) to replace the previous advisors, respectively².

Regarding FUJITEC's internal members, the project leader was Mr. Asano³, with Mr. Okada, Mr. Tsuchihata, Mx. B, and Mx. C as the main members, Mx. C (head of secretariat), Mx. D, and Mx. E in charge of the secretariat, Mx. B and Mx. C as the contact persons for F Law Firm and Company G, and Mx. D as the contact person for Company I.

This team was referred to as the "Project Team" or simply the "Project" by members within FUJITEC. The structure for the Project Team described above is believed to have been finalized around mid-July 2022, after approval by Mr. T. Uchiyama.

It appears that when the formation of the Project Team was reorganized in July 2022, meetings were held with a certain frequency, but there was then a period of little activity until around October of the same year, and from around November of the same year, the Project Team became active again with a view to the annual general shareholders' meeting in June 2023.

(2) Summary of the activities of the Project Team from the Shareholder Proposal to the Extraordinary Shareholders' Meeting

After it became known that the Shareholder Proposal would be made on December 1, 2022, the Project Team increased the frequency of its meetings, with meetings being set up as needed, in addition to the regular weekly meetings, and activities focused on preparation for the Extraordinary Shareholders' Meeting.

The following is a summary of the main activities in the Project Team leading up to the Extraordinary Shareholders' Meeting. However, since no minutes of any kind were prepared for the

² Execution of the agreements between each advisor had not been reported to FUJITEC's board of directors.

³ Normally, Mr. Okada, the president and representative director, would have been the project leader, but Mr. Okada declined for various reasons, so Mr. Asano became the project leader.

Project Team, the specific status of discussions within the Project Team remains unclear.

a. Background checks on outside director candidates

Although it is unclear whether the specific methods of the background investigation and the company contracted for the investigation were discussed among the Project Team members, Mx. C and others received reports prepared by the investigation company on each outside director candidate.

Specifically, the e-mails from Company J to Mx. C dated December 22, 2022 and December 23, 2022 had Company J's investigation results (the reports and investigation reports, etc. prepared by Company J) regarding Mx. M, Mx. O, Mr. Graninger, and Ms. Umino attached.

In addition, Company G sent the research reports on each outside director candidate prepared by Company L in an e-mail to Mx. C dated December 22, 2022 (Mx. B, F Law Firm, and Company G were copied in) and an e-mail to Mx. C dated January 6, 2023 (Mx. B, F Law Firm, Company G, and Company I were copied in), respectively.

b. Interviews with outside director candidates

Interviews were conducted by Mr. Asano and Mr. Tsuchihata with Mx. M on January 6, 2023, and with Mx. P, Ms. Shimada, Mr. Graninger, Ms. Umino, and Mr. Gessner on January 10, 2023, each for approximately one hour at the Tokyo Head Office, either face-to-face or via web conference.

c. Sending of reference letters to the affiliated entities etc. of outside director candidates

From December 27 to 29, 2022, FUJITEC sent letters titled “情報提供のお願い” (so-called “reference letters”) to the workplace, employers or affiliated entities (“**Affiliated Entities, etc.**”) of Mx. O, Mx. M, Mr. Graninger, Ms. Shimada, and Mx. P, inquiring whether they were affiliated with these entities, how each of them became an outside director candidate in the Shareholder Proposal, whether each person had approval for a concurrent appointment, and each person's suitability as an outside director.

d. Preparation of FUJITEC's board of directors' opinion on the Shareholder Proposal

Based on the results of the above information gathering and other factors, the board of directors of FUJITEC prepared its opinion on the Shareholder Proposal. In preparing this opinion, F Law Firm prepared a draft, which was commented on and revised primarily by Mx. B, Mx. C, and Company G. After taking into consideration the opinions of the outside directors at the board of directors meeting held on January 13, 2023 and the extraordinary board of directors meeting held on January 20, 2023, the opinion was published as a press release titled “Notice Concerning the Board of Directors’ Position on the Agenda Item to be Submitted by the Company and Agenda Items Proposed by a Shareholder for the Upcoming Extraordinary General Meeting of Shareholders” and as separate documents, “Opinion on [REDACTED] claims regarding convocation of an extraordinary meeting of shareholders” and “Supplemental materials regarding our opinion on [REDACTED] claims.”

e. Shareholder relations activities with institutional investors

Communication (shareholder relations) activities with institutional investors were conducted from about late January 2023 to mid-February of the same year. Shareholder relations activities with institutional investors during this period were mainly handled by Mr. Okada, Mr. Asano, and Mr. Tsuchihata.

(3) Status of discussions and involvement of each member in the Project Team

Project Team meetings were held at the Tokyo Head Office, so Mx. B and Mx. C, who worked at the Tokyo Head Office, attended the meetings there, while Mr. Okada, Mr. Asano, and Mr. Tsuchihata, who worked at Big Fit, participated in the meetings via web conference, or when Mr. Asano and Mr. Tsuchihata were in Tokyo on business trips, etc., they attended the meetings at the Tokyo Head Office. Each advisor either came to the Tokyo Head Office to attend the meetings or participated by means of web conference.

With regard to the management of the Project Team, Mx. C served as the secretariat and, at least since the receipt of the Shareholder Proposal, Mx. B played a leading role.

As described above, the meetings of the Project Team were held including participants by way of web conference in addition to the attendees at the Tokyo Head Office, but sometimes meetings were held between members working at the Tokyo Head Office, including Mx. B and Mx. C, or with advisors (mainly F Law Firm and Company G, but from January 2023, Company I also participated) who visited the Tokyo Head Office around the time of the web conferences. In addition, Mx. B, who worked at the Tokyo Head Office, gave instructions to Mx. C or Mx. D, who also worked at the Tokyo Head Office, either in person or by e-mail, etc., independently of the decisions made at

the meetings of the Project Team. The contents of these informal meetings and Mx. B's instructions to Mx. C or Mx. D were not shared with the Inside Directors.

3. Perspectives for analysis and review by the Committee

In conducting the Investigation, the issue which need to be confronted is what actions are permissible and what actions are not permissible for a company that receives a demand for calling an extraordinary shareholders' meeting to consider a matter against the company's will, in order to cause the shareholders' proposal to be rejected; and this issue has not been clearly discussed so far.

The board of directors meeting of FUJITEC held on March 28, 2023, which passed a resolution for the establishment of the Committee, defined the Obstruction as being: (i) acts that damage or degrade the qualifications, social credibility, reputation, etc., of the outside director candidates; and (ii) acts that intimidate or otherwise pressure the candidates to withdraw from being candidate directors, and since it is not disputed that a company itself cannot commit acts that are criminally punishable as "defamation" or "intimidation," or illegal acts that are torts under the Civil Code, the Committee decided to use whether the illegality of such acts can be found as a tentative standard for what constitutes "Obstruction."

Based on the above awareness of the issues, this Investigation Report will first identify actions that could be considered as "Obstruction" (the "**Questionable Actions**") based on the facts identified in the course of the questionnaire of outside director candidates, interviews with outside director candidates, and other aspects of the Investigation. Next, we will consider whether FUJITEC's officers, employees, or advisors (hereinafter referred to as "**FUJITEC Officers, etc.**") were involved in the Questionable Actions, and if such involvement is found, the manner of such involvement (including whether or not a request was made to a third-party and the amount of fees paid, etc.) will be clarified. Finally, it was decided that the Questionable Actions in which FUJITEC Officers, etc. were found to be involved would be investigated for illegality, and those that were found to be illegal would be identified as "Obstruction."

Please note that even if the involvement of FUJITEC Officers, etc., is recognized in the above examination, the Investigation has not examined the legal responsibility of the said FUJITEC Officers, etc., in any way.

4. Identification of Questionable Actions

Based on the results of the questionnaire of the outside director candidates, the results of the interview investigation, and other facts identified in the course of the Investigation, the Committee

has identified the following actions as Questionable Actions:

- ① Reference checks with the Affiliated Entities, etc. of each outside director candidate
- ② Phone call from F, Esq. to Ms. Umino
- ③ Conducting behavior investigation of Mr. Graninger and Mx. M (tailing and stakeout)
- ④ Sending of letters to Mr. Graninger and Mx. M from a person claiming to be an “ordinary investor”
- ⑤ Sending of a letter to Mr. Okada from a person claiming to be “a person who knows Mx. M well”
- ⑥ Publication of a press release titled “Notice Concerning the Board of Directors’ Position on the Agenda Item to be Submitted by the Company and Agenda Items Proposed by a Shareholder for the Upcoming Extraordinary General Meeting of Shareholders” dated January 20, 2023, and material titled “Supplemental materials regarding our opinion on [REDACTED] claims” dated the same date, both prepared by FUJITEC
- ⑦ A weekly magazine article regarding the outside director candidates subject to the Shareholder Proposal issued by ●● Publishing Company (the “Article”)
- ⑧ Request to disseminate the Article on social media

5. Whether the Questionable Actions constitute “Obstruction”

In the following, we will examine whether each of the Questionable Actions identified in 4. above constitutes “Obstruction” based on the perspective for analysis and review presented in 3. above.

(1) Questionable Action ①: Reference checks with the Affiliated Entities, etc., of each outside director candidate

a. Description of the action

As described in 2(2)c. above, FUJITEC sent reference letters to the Affiliated Entities etc. of Mx. O, Mx. M, Mr. Graninger, Ms. Shimada and Mx. P among the outside director candidates, inquiring: (i) whether the candidate was affiliated with them; (ii) the background behind the candidate becoming an outside director candidate at FUJITEC; (iii) whether there was approval for concurrent positions; (iv) other information that they were aware of regarding the selection of the outside director candidates; and (v) information regarding the candidate’s suitability as an outside director.

b. Involvement of FUJITEC Officers, etc., and the manner of their involvement

The reference letter in a. above was sent to each respective referee under the name of Mr. Okada or Mx. C, so FUJITEC's involvement is clear. The following are the circumstances leading to the sending of the reference letters.

(a) Drafting and reviewing of reference letters

On December 26, 2022, regarding the reference letters in a. above, F Law Firm prepared the drafts for Mx. O and Mx. M addressed to the respective Affiliated Entities etc., and sent them to Mr. Asano, Mr. Tsuchihata, Mx. B, Mx. C, and Company G.

In response, Mx. B and Mx. C each expressed their opinions, and Mx. B requested F Law Firm to prepare a draft of the reference letters to send to ●● regarding Ms. Shimada and to ●● regarding Mr. Graninger in addition to the above. Upon receiving the request, F Law Firm prepared drafts of the reference letters to be provided to ●● and ●● and sent them to Mr. Asano, Mr. Tsuchihata, Mx. B, Mx. C and Company G, and on the 27th of the same month, Mx. B requested additions to the letters, and F Law Firm responded to its request, thus finalizing the contents of the reference letters.

On the same day, Mx. B requested F Law Firm to prepare a reference letter regarding Mx. P to its Affiliated Entities etc., and upon receiving the request, on the 28th of the same month, F Law Firm prepared a draft of the letter and sent it to Mr. Asano, Mr. Tsuchihata, Mx. B, Mx. C, and Company G.

(b) FUJITEC's internal decision regarding sending the reference letters

On December 27, 2022, Mx. C sent Mr. Okada drafts of the reference letters finalized through the process described in (a) above for his review and approval, which Mr. Okada approved on the same day.

On the other hand, with regard to the reference letter regarding Mx. P that was to be sent to its Affiliated Entities etc., Mx. B and Mx. C confirmed its contents. Only Mx. C sent an e-mail on the 29th of the same month, and we were not able to confirm any record that Mr. Okada's approval was obtained.

c. Responses based on the references

Among the reference letters in b. above, FUJITEC received responses from the Affiliated

Entities etc. of Mx. M and Ms. Shimada as shown in the table below.

[Intentionally Undisclosed]

d. Analysis of action

(a) Tortiousness

Certainly, the possibility cannot be denied that by conducting reference checks with the Affiliated Entities, etc. of the outside director candidates, the outside director candidates may be subjected to a certain degree of psychological pressure through the affiliations, etc., from which they receive references. However, since companies that receive shareholder proposals for appointing outside directors usually do not have information on such candidates, it is beneficial for the company to appoint a person with the knowledge, experience, and abilities required for the board of directors according to the issues it faces, taking into consideration the appropriate size of the company⁴, and in the case of appointing outside directors who concurrently hold positions with other companies, careful consideration must be given to conflicts of interest with the company and their independence or outsider status. Therefore, conducting reference checks to confirm the career history, track record, and other information regarding the suitability of outside director candidates, as well as their concurrent positions at other companies, is based on legitimate purposes.

In addition, all of the reference checks conducted by FUJITEC were made to the Affiliated Entities, etc. of the outside director candidates indicated in the Shareholder Proposal. Furthermore, the specific inquiries were: (i) whether the candidate was affiliated with them; (ii) the background behind the candidate becoming an outside director candidate for FUJITEC; (iii) whether there was approval for concurrent positions if the relevant candidate was appointed to FUJITEC's board of directors; (iv) other information that they are aware of regarding the selection of the outside director candidates; and (v) information regarding the candidate's suitability as an outside director, all of which are consistent with the purpose of the aforementioned reference check. In addition, given that the decision on whether or not to respond is up to the discretion of the respective referee, the content and method of the reference checks conducted by FUJITEC are found to have been reasonable.

Therefore, except for the consideration of the handling of personal information, which is discussed in detail in (b) below, the reference checks conducted by FUJITEC do not constitute

⁴ See Ministry of Economy, Trade and Industry's "Practical Guidelines on Corporate Governance Systems (CGS Guidelines)" (Established July 19, 2022), Section 2.5.

an infringement of the rights of the outside director candidates, and are not found to constitute torts.

(b) Legality under the Act on the Protection of Personal Information

Information on outside director candidates provided by referees based on reference checks conducted by FUJITEC is personal information⁵ with the relevant candidate as the data subject, and if the personal information is managed in a personal information database held by the referees, such personal information falls under the category of “personal data”⁶. In addition, if the referee or FUJITEC use a personal information database or the equivalent⁷ for business purposes, they fall under the category of businesses handling personal information⁸. Therefore, when FUJITEC obtains personal information on outside director candidates by conducting reference checks, it “must not acquire personal information by deception or other wrongful means” (Article 20(1) of the Personal Information Protection Act).

Therefore, the issue may be whether FUJITEC’s act of sending a reference letter request for the purpose of receiving a response from the relevant party and obtaining personal information of an outside director candidate violates Article 20(1) of the Personal Information Protection Act due to constituting obtaining personal information by “deception or other wrongful means.”

Cases in which personal information is acquired by “deception or other wrongful means” typically include when personal information is acquired despite knowing or being able to easily know that there will be a violation of the restriction on provision of personal data to third parties in Article 27-1 of the Personal Information Act, which stipulates that the provider of personal data must obtain consent from the individual concerned when providing personal data to third parties⁹.

Indeed, there is no statement in the reference request sent by FUJITEC to the referee requesting the reference to obtain consent from the outside director candidate in question when responding. However, whether or not a response to a reference request constitutes a provision of personal data to a third party depends on whether or not the referee manages information on the outside director candidate in its personal information database etc. (i.e., whether or not such constitutes “personal data”), and, moreover, the obligation to obtain consent for the provision of personal data to a third party is imposed not on FUJITEC but on the referee itself.

⁵ Meaning personal information as defined in Article 2(1) of the Act on the Protection of Personal Information (Act No. 57 of 2003, the “**Personal information Protection Act**”).

⁶ Has the meaning defined in Article 16(3) of the Personal Information Protection Act.

⁷ Has the meaning defined in Article 16(1) of the Personal Information Protection Act.

⁸ Has the meaning defined in Article 16(2) of the Personal Information Protection Act.

⁹ See Personal Information Protection Commission’s “Guidelines on the Act on the Protection of Personal Information” (General Rules) (November 2016 (partially amended in September 2022)), Section 3-1-1

Furthermore, Article 20(1) of the Personal Information Protection Act applies to the acquisition of personal information, and the act of sending a reference request does not itself constitute acquisition of personal information.

Therefore, the act of sending a reference request does not constitute acquisition of personal information by “deception or other wrongful means” and is not found to be in violation of the Personal Information Protection Act.

(c) Summary

As discussed above, FUJITEC’s act of sending the reference request to the Affiliated Entities, etc., of the outside director candidates is not found to be in violation of the Personal Information Protection Act, nor does it constitute an illegal act, and therefore, it is not found to be a tort and does not constitute “Obstruction”.

(2) Questionable Action ②: Telephone call from F, Esq. to Ms. Umino

a. Description of the action

Ms. Umino received a telephone call from F, Esq. on December 7, 2022, at approximately 3:00 p.m. According to Ms. Umino, the following is a summary of the exchange that took place between Ms. Umino and F, Esq. in this telephone call (the “**Telephone Call**”).

F, Esq.:

As I told Mx. ●●, my name is F, and I am FUJITEC’s attorney. I called you to say hello at an early stage, as I am sure many things will happen in the future. Why would a partner of a respectable firm like DLA become a candidate for Proposing Shareholder?

Ms. Umino:

I have nothing to do with Proposing Shareholder and am not acting on their behalf. This time, another organization contacted me to see if I would be interested in a company that had been identified as having governance issues, and I decided to become a candidate because of my interest.

F, Esq.:

Are you sure about this? If you do this, you will be perceived as someone who works with activists.

Ms. Umino:

I decided to become a candidate not because of Proposing Shareholder's reputation, etc., but because of other considerations.

F, Esq.:

I think there will be many things like attacks in the future if you are a candidate for Proposing Shareholder, is that OK with you?

Ms. Umino:

Even if there are attacks, I think that is unavoidable. I look forward to continuing to work with you.

Ms. Umino stated that she clearly remembers F, Esq.'s use of the word "attack" in the Telephone Call.

b. Involvement of FUJITEC Officers, etc.

According to Ms. Umino's statement in a. above, it is clear that F, Esq. made the Telephone Call to Ms. Umino. Therefore, it is confirmed that FUJITEC Officers, etc. were directly involved in the Telephone Call.

c. Analysis of the action

(a) Assumptions

As described in Section II.4 above, when FUJITEC notified F, Esq. of the termination of the attorney's confidentiality obligation and requested the attorney's cooperation with the Investigation, F, Esq. requested to respond in writing, and the Committee sent a written summary of the questions to the attorney, but F, Esq. then changed its attitude to one whereby the attorney could not cooperate with the Investigation, so in the end, the Committee was unable to obtain answers to the questions.

Although it would be proper to conduct interviews, etc., with the opposing party, F, Esq., in order to determine the facts and to examine the legal evaluation based on the determined facts, we could not obtain the cooperation of F, Esq., and therefore, by necessity, the following discussion is based on Ms. Umino's interview, and the materials received from her.

(b) Analysis of the Telephone Call

The board of directors meeting of FUJITEC held on March 28, 2023, which passed the resolution for the establishment of the Committee, defined the Obstruction as being: (i) acts that damage or degrade the qualifications, social credibility, defamation, etc., of the outside director candidates; and (ii) acts of intimidation or otherwise pressuring the outside director candidates to withdraw as candidate directors, and with regard to the Telephone Call, the question is whether the content constitutes “acts of intimidation or otherwise pressuring the director candidates so that they will withdraw as candidate directors” with respect to Ms. Umino.

a. Significance of “intimidation”

“Intimidation” as used in the definition of Obstruction (Article 105-2 of the Penal Code: offense of intimidation of witnesses) refers to an act of showing signs of aggression by words or actions against another person, causing anxiety or distress¹⁰, and according to judicial precedent, it is not limited to direct confrontations with another person¹¹.

b. Method of “intimidation”

First, we will examine whether a telephone call can constitute a method of “intimidation.” As noted above, the case law holds that intimidation is not limited to directly confronting the other party, and Article 107(1) of the Act on Criminal Trials with the Participation of Saiban-in (i.e., lay-jury members) (offense of intimidation toward *saiban-in*) stipulates that “a person who intimidates... by interview, sending documents, making telephone calls or any other means whatsoever,” assumes making telephone calls to be a method of intimidation. Therefore, making a telephone call is also believed to be included in methods of “intimidation.”

c. Whether the content of the Telephone Call constituted “intimidation”

Next, we will examine whether the content of the Telephone Call “shows signs of aggression by words or actions against another person, causing anxiety or distress.” As noted in a. above,

¹⁰ Judgment of the Supreme Court, October 3, 1922 (Criminal Cases Report (Keishu) Vol.1, p.513); Sapporo High Court, March 27, 2007 (Criminal Cases Report (Keishu) Vol.61, No.8, p.750), etc.

¹¹ Decision of the Third Petty Bench, Supreme Court, November 13, 2007 (Criminal Cases Report (Keishu) Vol.61, No.8, p.743)

during the Telephone Call, F, Esq. stated to Ms. Umino, “If you do this, you will be perceived as someone who works with activists,” and “I think there will be many things like attacks in the future if you are a candidate for Proposing Shareholder, is that OK with you?” suggesting possible disadvantages to Ms. Umino and indirectly urging her to withdraw from the list of outside director candidates.

However, it can be said that F, Esq. only pointed out, in general terms, that Ms. Umino becoming an outside director candidate as a result of a proposal by Proposing Shareholder, which is perceived to be an activist, might cause her to be evaluated by the public as “working with activists.” As for the statement, “I think there will be many things like attacks in the future if you are a candidate for Proposing Shareholder, is that OK with you?”, this statement is only abstractly suggesting that, since it is easily assumed that a proxy fight between FUJITEC and Proposing Shareholder would develop in the future in preparation for the Extraordinary Shareholders’ Meeting, Ms. Umino would be caught in the middle of such a fight by becoming an outside director candidate based on Proposing Shareholder’ proposal, and may be subject to investigation and criticism, etc., and no specific disadvantage or harm is indicated. In addition, given that Ms. Umino responded to F, Esq.’s statement by saying, “Even if there are attacks, I think that is unavoidable,” it can be said that Ms. Umino, based on her past experience as an attorney, etc., had anticipated the possibility of “many things like attacks” being done to her due to being an outside director candidate in relation to the Shareholder Proposal, so we cannot find to the point that “anxiety or distress” was caused on her.

Furthermore, the Investigation has not confirmed any objective evidence or statements that would allow us to conclude that F, Esq.’s manner of making the Telephone Call “showed signs of aggression.”

Therefore, the Telephone Call by F, Esq. to Ms. Umino is not considered to fall under the category of “an act of showing signs of aggression by words or actions, causing anxiety or distress,” and it is believed that it does not fall under the category of “intimidating or otherwise pressuring” as stated in the definition of “Obstruction.”

(c) Summary

Based on the above review, we find no illegality in the Telephone Call, so it does not constitute an “Obstruction.”

(3) Questionable Action ③: Conducting behavior investigation of Mr. Graninger and Mx. M (tailing and stakeout)

a. Description of the action

On January 6, 2023, at approximately 2:10 p.m., Mr. Graninger had an experience where he walked out of the office of Company ●●, of which he is a co-founder, when he saw a young man in his 20s or early 30s walking about three meters behind him, and when Mr. Graninger turned around, the man immediately stopped, crossed to the opposite street and entered a convenience store in the vicinity, so Mr. Graninger followed the said man into the convenience store and found the man, and the said man was staring at Mr. Graninger.

b. Involvement of FUJITEC Officers, etc. and the manner of their involvement

(a) Request to investigation company

Mx. C admits requesting an investigation company to perform a behavior investigation with Mr. Graninger and Mx. M as the subjects (tailing and stakeouts; collectively, the “**Behavior Investigation**”).

With respect to the investigation company that was engaged, on December 9, 2022, Mx. C contacted Company ●● by telephone, which provides tailing and undercover investigation services, and the company staff provided him with a model of a basic engagement agreement, a pamphlet on “behavioral investigation (tailing)” and a document titled “Behavioral Investigation Fee Schedule,” but on the same day, Mx. C sent an e-mail to the relevant contact person, stating, “We have been contacted by a company that is able to respond to our urgent needs at short notice. After consulting with them, we have decided to retain them this time,” informing the company that the person would not make a request to the company and would instead ask another investigation company. Mx. C also stated that the person contacted ●●, but ultimately did not make any requests to that company either.

However, with regard to the specific name of the investigation company that was ultimately requested to perform the Behavior Investigation, Mx. C only responded, “I don’t remember,” in response to repeated questions from the Committee. According to Mx. C, the person itself did not make the request on its own initiative, but instead one of the members of the Project Team, Mx. B, F Law Firm, or Company G, made the request to the investigation company, and the person stated that the person did not consult or discuss with the Inside Directors in making the request. In fact, there was no written agreement regarding the within FUJITEC, nor was there any confirmation that FUJITEC had paid any fees related to the Behavior Investigation.

Therefore, as described in (b) below, although it is recognized that Mx. C received reports and photographs from the investigation company as a result of the Behavior Investigation, it

was not possible to identify the investigation company that conducted the Behavior Investigation, and it is highly likely that the client of the investigation company was not FUJITEC itself.

(b) Manner of involvement of FUJITEC Officers, etc.

a. Receipt of reports and photographs

Mx. C states the receipt of photos of Mx. M and Mr. Graninger regarding their personal behaviors from the investigation company that Mx. C requested to perform the Behavior investigation, and that these photos were shared only with Mx. C and Mx. B, and not with the members of the Project Team, including F Law Firm and Company G, or Mr. T. Uchiyama. Although Mx. C had also received reports from the investigation company regarding the actions of these two persons, Mx. C decided not to share them with the members of the Project Team other than Mx. B, because there was no new information about either of them.

According to Mx. C, the relevant photographic data was stored in a stand-alone state on a computer loaned by FUJITEC, which Mx. C used for business purposes. However, because the computer was physically damaged in a routine in-house replacement in March 2023, we were unable to confirm the relevant photographic data during the Investigation. Mx. C did not provide a clear answer as to where the reports were stored.

b. E-mail and Chat Messages between Mx. B and Mx. C

Regarding the Behavior Investigation, the following e-mails or Chat Messages were exchanged between Mx. B and Mx. C.

Date and Time	Sender	Content of e-mail or Chat Message (as written)
December 13, 2022 5:41 p.m.	Mx. B	Thanks for your help. Tomorrow, let's have them watch only in the morning, and if the lights are off, let's have them go back.
December 14, 2022 7:16 p.m.	Mx. C	I had them watch just in the morning today, and I had them pull out when they didn't show up. The chairman said, "What about [REDACTED]?" so I told [REDACTED] that I would only quietly make preliminary preparations to have a company there take action. On the other hand, [REDACTED] seems to be active in various ways, so I will have them continue to watch this person for a while longer to see if anything comes up.
December 21, 2022 6:48 p.m.	Mx. B	[Subject: [REDACTED]] For now, keep it just between us. I would appreciate it if you could save it with the "photo data" of the others.

Date and Time	Sender	Content of e-mail or Chat Message (as written)
December 25, 2022 3:58 p.m.	Mx. B	If you have any “reports” after that, please forward them to me again.
December 25, 2022 4:01 p.m.	Mx. C	Understood. I’m out of the office right now, so I’ll send them to you as soon as I get back.
January 14, 2023 1:03 p.m.	Mx. B	Has yesterday’s report arrived?
January 14, 2023 1:19 p.m.	Mx. C	Sorry for letting them accumulate. I have just sent the Wednesday and Thursday ones, but not yet yesterday’s. I will forward it to you as soon as I receive it.
January 19, 2023 4:42 p.m.	Mx. B	What do you think of the reports for the last few days?
January 19, 2023 6:49 p.m.	Mx. C	I know it is late, but I will forward it to you later. Little movement from both ■ and ■.
January 24, 2023 4:28 p.m.	Mx. B	Thanks for your help. Have you received yesterday’s report?
January 24, 2023 4:41 p.m.	Mx. C	Yesterday’s is not yet ready. I will send it as soon as I receive it. I’ll send you the Saturday and Sunday reports later, but there is still not much activity.
February 1, 2023 12:36 p.m.	Mx. B	Was there any activity yesterday?
February 1, 2023 3:59 p.m.	Mx. C	Sorry for the delay. We do not have a report for yesterday yet, so I will send it to you later. I’m asking for them to track ■ today.
February 6, 2023 7:47 a.m.	Mx. B	Later is fine; please forward the “Report” to me when you get it.
February 6, 2023 7:50 a.m.	Mx. C	Understood. I will send it to you as soon as I receive it, as it doesn’t seem to have arrived yet.

c. Involvement of Mx. B and Mx. C

As described in b. above, based on the communication between Mx. B and Mx. C, it is recognized that Mx. C received “reports” from the investigation company regarding the “movements” of the persons named “■,” “■,” and “■” at certain frequencies, such as checking the lighting of the places where they were supposed to be, etc. Considering Mx. C’s statements in a. and b. above, it is recognized that “■” refers to Mx. M, “■” refers to Mr. Graninger, and “■” refers to ■■■■■, and the “reports” are updates on the conduct of these persons provided by Mx. C upon Mx. B’s request. In addition, given Mx. C’s statement that Mx. C had received photos of Mx. M and Mr. Graninger regarding their personal behaviors from the investigation company that was requested to perform the Behavior Investigation, and the title of said e-mail is “■■■■■,” it is considered highly possible that the “‘photo data’ of the others” in the e-mail dated December 21, 2022, from Mx. B to Mx. C refers to the above photos concerning Mx. M and Mr. Graninger.

As described above, it is recognized that Mx. B and Mx. C were proactively involved in the Behavior investigation.

However, although it is recognized that Mx. C “forwarded” the report received from the

investigation company to Mx. B, the forwarded e-mail was not found in the forensic investigation. Therefore, as described in Section II.5 above, the Committee considered the possibility that Mx. C may have forwarded the reports using its private e-mail address and made a request to Mx. C and Mx. B to conduct a forensic investigation of the e-mails using their private e-mail addresses, but both of them refused, and the Committee was unable to identify the communications regarding the said report, the investigation company that conducted the Behavior Investigation, and the entity that made such request.

d. Credibility of Mx. B's statement

Although Mx. B admits that Mx. B had access to the information concerning the Behavior Investigation, Mx. B states never being instructed or participated in any way in the Behavior Investigation because the Internal Directors, led by Mr. Okada, had the authority over the activities of the Project Team and made the requests to the investigation company, and so Mx. B claims that Mx. B had no authority. However, this statement is contrary to the contents of Mx. B's own e-mails and Chat Messages mentioned in b. above. For example, Mx. B simply answered "I don't know" as to the meaning of his own message on December 13, 2022, saying, "Tomorrow, let's have them watch only in the morning, and if the lights are off, let's have them go back," and never gave a reasonable explanation.

In light of the content of the e-mails and Chat Messages sent by Mx. B, it is evident that Mx. B has only been making unreasonable excuses and that its statements cannot be trusted.

e. Summary

As described above, although the Investigation did not identify the specific client or the investigation company that was engaged, it can be said that FUJITEC Officers, etc. were involved in the Behavior Investigation, since it is recognized that the behavior investigation in respect of Mr. Graninger and Mx. M was carried out with the proactive involvement of Mx. B and Mx. C.

c. Analysis of the action

(a) Whether or not the behavior investigation itself is illegal

In general, when behavior investigation (tailing and stalking) does not constitute "stalking

actions”¹² as defined in Article 2(1) of the Anti-Stalking Act or various Anti-Nuisance Ordinances¹³, etc., it does not, by itself, violate any law, unless it infringes on individual rights and interests, such as by disturbing the peace and tranquility of a person’s life¹⁴. Article 6 of the Act on Regulation of Private Detective Services also stipulates that, in performing detective work such as tailing and stakeouts (Article 2(1) of the Act), “it should be noted that this law does not allow a person to engage in acts prohibited or restricted by other laws and regulations, and that the rights and interests of individuals, including disturbing the peace and quiet enjoyment of their lives, must not be violated,” which is predicated on the behavior investigation not being immediately illegal in itself.

Therefore, the following section examines whether the Behavior investigation conducted with respect to Mr. Graninger and Mx. M infringes on their rights and interests, such as by disturbing the peace and tranquility of their lives.

(b) Manner of the Behavior Investigation

As described in b.(a) above, the Investigation did not identify the investigation company that conducted the Behavior Investigation, and therefore, interviews, etc. were not conducted with such investigation company. In addition, the reports and photographs that Mx. C received from the investigation company and that are believed to have been shared with Mx. B could not be obtained because the company-loaned computer that Mx. C had used had been disposed of. Therefore, we were unable to identify the specific manner of the Behavior Investigation.

However, based on the chat message from Mx. B to Mx. C on December 13, 2022, saying, “Let’s have them watch only in the morning, and if the lights are off, let’s have them go back,” it is inferred that he was collecting information on the subject of the Behavior Investigation from a place where the general public could easily enter. In addition, with respect to the conduct that Mr. Graninger experienced, as described in a. above, that is believed to be tailing, in each case Mr. Graninger was merely watched on a public street or in a convenience store, in places

¹² The term “stalking actions” means following, ambushing, blocking the way of, or keeping watch at or near the residence, place of work, school, or other place where a specific person is currently located or is usually located, or intruding on such residence, etc., or loitering in the vicinity of such residence, etc. without reason, for the purpose of satisfying romantic or other favorable feelings toward such specific person or feelings of resentment for not being able to satisfy such feelings (Article 2(1)(i) of the Anti-Stalking Act).

¹³ For example, Article 5-2, Paragraph 1 of the Tokyo Metropolitan Ordinance on the Prevention of Considerable Public Nuisance Caused by Violent Delinquent Behavior, etc. prohibits engaging in any act that is intended to gratify, or cause envy, resentment, or other malicious feelings toward a specific person and that is intended to make that person or his/her spouse, immediate family, relatives living together with him/her, or other persons closely related to him/her’s social life feel insecure, such as keeping watch near his/her residence or loitering in its vicinity without due cause.

¹⁴ Article 101 of the Code of Criminal Investigations clarifies that tailing is a voluntary investigation: “In conducting an investigation, efforts may be made to obtain as much investigative material as possible by means of interviews, tailing, secret visits, stakeouts, etc.”

with no restrictions on entry. Thus, it is difficult to evaluate such a manner of behavior investigation as being a tort that “infringes on individual rights and interests, such as by disturbing the peace and tranquility of a person’s life.”

In addition, because there is no objective evidence sufficient to find that the acts were committed for the purpose of satisfying romantic feelings, envy, or other malicious feelings toward a specific person, it is not found that the acts violate the Anti-Stalking Act or the various Anti-Nuisance Ordinances.

(c) Summary

In light of the above, although the Investigation did not identify the party that delegated the Behavior Investigation or the party to which it was delegated, it is possible to recognize the involvement of FUJITEC Officers, etc. in the Behavior Investigation, since Mx. B and Mx. C were involved in the same at their own initiative.

However, a behavior investigation is not in itself illegal unless it is conducted in a manner that infringes upon individual rights and interests, such as by harming the peace and tranquility of the subject’s life, and since no such grounds can be found in the Behavior Investigation, it is not considered to constitute a tort.

Therefore, the Behavior Investigation does not constitute “Obstruction.”

(4) Questionable Action ④: Sending of letters to Mr. Graninger and Mx. M from a person claiming to be an “ordinary investor”

a. Description of the action

In early January 2023, a letter (postmarked on January 2, 2023) addressed to Mr. Graninger, sent from a person claiming to be an “ordinary investor,” was delivered to ●●, where Mr. Graninger concurrently serves as a managing director and board member. On January 4, a letter (postmarked on January 2) addressed to Mr. Graninger (the two letters, collectively, the “**Letters to Mr. Graninger**”), also sent by a person claiming to be an “ordinary investor,” was also delivered to ●●, a company which Mr. Graninger co-founded.

In each of the Letters to Mr. Graninger, the following statements regarding Mr. Graninger’s words and actions are made.

Mr. Clark Graninger

I understand that you have been nominated by [REDACTED], [REDACTED] activist fund, as an outside director candidate of FUJITEC CO., LTD.

I have long been greatly concerned about the damage to the corporate value of Japanese companies caused by [REDACTED] rough tactics. I have recently been researching the candidates for the board of directors, including you, in order to protect FUJITEC, which I have been investing in for a long time, from [REDACTED].

I have received information that you [REDACTED]
[REDACTED]. I also have photographs.

I have no personal grudge against you, and I ask that you promptly reconsider your involvement with FUJITEC. If there is no particular movement within a few days, I will consider approaching FUJITEC and other related parties.

In addition, on or about January 12 or 13, 2023, a letter similarly addressed to Mx. M from a person claiming to be an “ordinary investor” (the “**Letter to Mx. M**”) was forwarded to Mx. M’s home¹⁵. The Letter to Mx. M contains the following statements regarding Mx. M’s words and actions. The Letter to Mx. M was originally sent to ●●, where Mx. M is a partner, on January 2, which was then forwarded to Mx. M’s home.

[REDACTED]

I understand that you have been nominated by [REDACTED], [REDACTED] activist fund, as an outside director candidate of FUJITEC CO., LTD.

I have long been greatly concerned about the damage to the corporate value of Japanese companies caused by [REDACTED] rough tactics. I have recently been researching the candidates for the board of directors, including you, in order to protect FUJITEC, which I have been investing in for a long time, from [REDACTED].

I have received information about [REDACTED]
[REDACTED]
[REDACTED]. I also have photographs.

I have no personal grudge, etc. against you, but I ask that you promptly reconsider your involvement with FUJITEC. If there is no particular movement within a few days, I will consider approaching FUJITEC and other related parties.

¹⁵ Although we requested Mx. M to provide the materials for the Letter to Mx. M, we were unable to receive them by the date of this Investigation Report. Therefore, in this Investigation Report, regarding the Letter to Mx. M, we have copied a document titled [REDACTED] prepared by a lawyer who Mx. M and Mr. Graninger each retained for [REDACTED] in relation the letters they received.

b. Involvement of FUJITEC Officers, etc.

(a) Commonalities between the content of the letters and the information obtained through reference checks and the Behavior Investigation

It is recognized that, apart from reference checks, FUJITEC conducted background investigations into each outside director candidate by itself or with Company G, and also conducted behavior investigations on Mr. Graninger and Mx. M, as described below. In addition, it is recognized that, apart from these investigations, F Law Firm had further accessed to litigation records related to Mx. M. The specific details are as follows.

a. FUJITEC’s background investigation into outside director candidates

On December 8, 2022, FUJITEC entered into an agreement with Company J, setting forth Mx. M, Mx. O, Ms. Umino and Mr. Graninger as targets to conduct character verifications and investigation services to the extent possible through the background information provided on each target’s resume and open research. FUJITEC’s signatory on this agreement was Mx. C.

As described in Section II.(2)a. above, on December 22 and 23, 2022, Mx. C received the investigation reports pertaining to the four above-described persons from Company J. The reports include the backgrounds, employment histories, and results of character checks into such four individuals. However, the reports did not contain anything in common with the information about Mr. Graninger and Mx. M stated in the Letters to Mr. Graninger and the Letter to Mx. M.

As shown in the table below, FUJITEC paid 2,199,560 yen (including tax) to Company J on February 10, 2023. This payment was based on an invoice reissued by Company J on December 26, 2022, under the title of “Investigation Fees,” and is recognized to have been paid as the fees for the above investigation.

FUJITEC also paid Company J the amounts shown in the table below as of January 31, 2023, and March 31, 2023. Inquiries were made to Company J regarding the itemized costs for the compensation, but no response was received as of the date of this Investigation Report.

Payment Date	Amount
January 31, 2023	2,199,560 yen
February 10, 2023	2,199,560 yen
March 31, 2023	3,303,520 yen
Total	7,672,640 yen

b. Background investigation by Company G into outside director candidates

As described in 2(2)a. above, Company G requested Company L to investigate Mx. M, Mr. Graninger, Ms. Umino, Mx. N, Mr. Gessner, Mx. O and Mx. P, received the investigation reports for these investigations on December 21 and 22, 2022, and sent these reports to Mx. B, Mx. C, and F Law Firm on December 22, 2022. Company G also requested Company L to investigate Ms. Shimada, and on January 6, 2023, Company G sent the investigation report for such investigation to Mx. B, Mx. C, F Law Firm, and Company I.

The report which relates to Mx. M contains the following information regarding two lawsuits in which Mx. M was the Plaintiff.

[1] Information on lawsuit in which Mx. M is the Plaintiff (██████ District Court - concluded) (excerpt)

[Intentionally Undisclosed]

[2] Information on pending lawsuit in which Mx. M is the Plaintiff (██████ District Court) (excerpt)

[Intentionally Undisclosed]

The background investigation in question was commissioned from Company L by Company G. Although at least one of FUJITEC's executives and employees, Mx. C, was aware of the background investigation, the existence of a written agreement between FUJITEC and Company L was not confirmed in the Investigation.

However, in the "Invoice" dated March 31, 2023, sent by Company G to FUJITEC where 3,539,808 yen was billed as actual expenses for the "investigation" under "subcontracting expenses" as "actual expenses for corporate value enhancement advisory services." According to Mx. C, the expenses were for an investigation conducted by Company L, but it was not possible to confirm this because it was not possible to obtain Company G's cooperation with the Investigation.

c. Photographs of Mx. M and Mr. Graninger

As described in (3)b.(b) above, the Behavior Investigation of Mx. M and Mr. Graninger was conducted with the proactive involvement of Mx. B and Mx. C. According to Mx. C, this led

to them receiving photographs from the investigation company of the personal behaviors of Mx. M and Mr. Graninger, and these photos were only sent to Mx. B.

In addition, an e-mail sent from Mx. B to Mx. C dated December 21, 2022, states, “I would appreciate it if you could save it with the ‘photo data’ of the others,” and this suggests that Mx. B and Mx. C obtained these photos earlier than the date on which this email was sent.

d. Commonalities between the content of the Letters to Mr. Graninger and the Letter to Mx. M and the information obtained through the Behavior Investigation

Taking the above into consideration, the following commonalities can be found between the contents of the Letters to Mr. Graninger, the Letter to Mx. M, and the information that FUJITEC Officers, etc. (Mx. B and Mx. C) were aware of as of January 2, 2023, the date these letters were sent.

Further, the Letters to Mr. Graninger state that Mr. Graninger [REDACTED], and that the sender, an “ordinary investor,” had a photograph of that situation. As described in c. above, as of January 2, 2023, it is highly likely that Mx. B and Mx. C were aware of the stated facts and had a photograph of such situation.

In addition, the Letter to Mx. M described Mx. M [REDACTED], and it is highly probable that Mx. B and Mx. C were aware of these stated facts and possessed photographs showing Mx. M [REDACTED], as described in c. above.

(b) Results of forensic investigation and interviews with FUJITEC Officers, etc.

As a result of the forensic investigation, there were no e-mails or Chat Messages exchanged that indicated that FUJITEC Officers, etc. were involved in any way or had any information in connection with the creation and mailing of the Letters to Mr. Graninger and the Letter to Mx. M. In addition, interviews with FUJITEC Officers, etc. did not reveal any information regarding the creation or mailing of these letters.

(c) Postmarks, etc. on the envelopes of the Letters to Mr. Graninger

The Committee made an anonymous inquiry in order to ascertain the time and place the Letters to Mr. Graninger were sent from the postmark of the envelope used, at the Shinjuku

Post Office where the postmark was stamped. The Committee also made an anonymous inquiry at the Ginza Post Office where the postmark on the envelope used to send the letter from the sender who claims to “know Mx. M well” regarding Questionable Action ⑤ below the was stamped.

As a result of the inquiry, it is highly likely that the Letters to Mr. Graninger were mailed between 9:00 a.m. and 3:00 p.m. on the day they were postmarked. As for the location of the post office, it cannot be determined which post office collects a letter based on the address, etc., because even if the letter is postmarked Shinjuku Post Office, it may have been posted in a ward adjacent to Shinjuku Ward and so it was not possible to obtain useful identifying information in regard to the sender of the Letters to Mr. Graninger.



[Postmark on letter delivered to ●●]



[Postmark on letter delivered to ●●]

(d) Analysis

As described above, it is likely that at least Mx. B and Mx. C were aware of the information regarding both Mr. Graninger and Mx. M that was written in the Letters to Mr. Graninger and the Letter to Mx. M as of January 2, 2023, i.e., the date on which the letters were sent.

However, Mx. B and Mx. C have denied any involvement in either the Letters to Mr. Graninger or the letter to Mx. M, and no evidence or statements objectively supporting their involvement were found in the Investigation. Sufficient evidence or statement were also not found to support the involvement of other FUJITEC Officers, etc.

(e) Summary

Based on the above, the involvement of FUJITEC Officers etc. in creating and sending the Letters to Mr. Graninger and the Letter to Mx. M cannot be recognized.

(5) Questionable Action ⑤: Sending of a letter to Mr. Okada from a person claiming to be “a person who knows Mx. M well”

a. Description of the action

On January 11, 2023, a letter to Mr. Okada (the “**Letter to the President**”), from a sender claiming to be “a person who knows Mx. M well”, was delivered to FUJITEC’s Big Wing (Hikone, Shiga Prefecture).

The Letter to the President contains the following statements regarding Mx. M’s words and actions.

FUJITEC CO., LTD.

Mr. Takao Okada, President and Representative Director

I know [REDACTED] very well. Not only as a publicly well-known celebrity, but I also know who [REDACTED] really is. I am sending you this letter because I saw in a recent Nikkei report that [REDACTED] has been recommended as an outside director of your company. All the information I am about to write is factual, and I am sure this information will be useful to your company.

After graduating from college, [REDACTED] joined [REDACTED], and later worked for a number of well-known foreign securities firms. Despite having this background, [REDACTED]

is in reality not a very capable businessman.

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED],

which I urge you to review.

Furthermore, [REDACTED]
[REDACTED]
[REDACTED]. Is your company really going to hire a person who has this kind of hobby [REDACTED]?

Not only is there no shortage of topics like this, but we are taking about [REDACTED], who puts up a facade, so if [REDACTED] were to be appointed as a board member of a respectable publicly traded company like yours, the media would soon get wind of his activities and [REDACTED] would become even more of a celebrity than he already is. While this may be excessive concern for your wellbeing, I think it would be better for your company to carefully assess [REDACTED]'s character before considering his appointment as an outside director.

January 2023

From a person who knows [REDACTED] well

b. Involvement of FUJITEC Officers, etc.

(a) Commonalities between the content of the Letter to the President and the information obtained through reference checks and the Behavior investigation

The contents of the Letter to the President and the information that the FUJITEC Officers, etc. (Mx. B and Mx. C) were aware of as of January 11, 2023, when the Letter to the President was delivered, have the following facts in common:

Firstly, the Letter to the President contains description of the litigation between Mx. M and ●● saying “[REDACTED]
[REDACTED]
[REDACTED],” and as stated in (4)b(a)b. above, the fact that Mx. M was pursuing litigation against this company was stated in the Company L report concerning Mx. M, and it is believed Mx. B and Mx. C were aware of this fact on December 22, 2022,

when the said report was sent to them by Company G.

In addition, the Letter to the President states, “[REDACTED]

[REDACTED] Is your company really going to hire a person who has this kind of hobby [REDACTED]?”, thereby describing personal behaviors of Mx. M, and as stated in (3)b(b)a. and c. above, it is highly probable that, by December 21, 2022 at the latest, Mx. B and Mx. C had received photographs of the personal behavior of Mx. M from the company which performed the Behavior investigation of Mx. M.

Thus, a comparison of the contents of the Letter to the President with the information that Mx. B and Mx. C were aware of at that time shows a certain degree of commonality.

(b) Mx. B’s instructions to Mx. E

On January 11, 2023, at 11:13 a.m., ●● of the secretary’s office, who works at Big Wing, sent an e-mail to Mx. E, who works at the Tokyo Head Office, attaching a PDF of the envelope of the Letter to the President and stating, “The attached express mail arrived addressed to the president. The sender is unknown, and the postmark is Ginza.”

After receiving said e-mail, Mx. E sent a message to Mx. B at 11:18 a.m. on the same day, saying, “An express mail arrived at BW regarding the matter you gave instructions for yesterday. Should I send it to TH in today’s company mail?” Mx. E, while reserving that the person does not have a clear recollection of the “instructions given to you yesterday” in this e-mail, stated, “I believe that Mx. B gave me the following instructions on the telephone, ‘I expect a letter addressed to the president to be delivered to Big Wing soon, so please let me know when you receive it,’” and based on this, it is considered that Mx. B was likely aware that the Letter to the President would be delivered to Big Wing as of “yesterday,” i.e., January 10, 2022, the day before the Letter to President was delivered.

In contrast, Mx. B denies that he instructed Mx. E on January 10, 2022, that “I expect a letter addressed to the president to be delivered to Big Wing soon, so please let me know when you receive it,” but this is inconsistent with both the contents of Mx. E’s e-mail and here statements above and is therefore not credible.

(c) Results of forensic investigation and interviews with FUJITEC Officers, etc.

The forensic investigation did not reveal any e-mails or Chat Messages in which FUJITEC

Officers, etc. were involved in any way or had any information regarding the creation or mailing of the Letter to President.

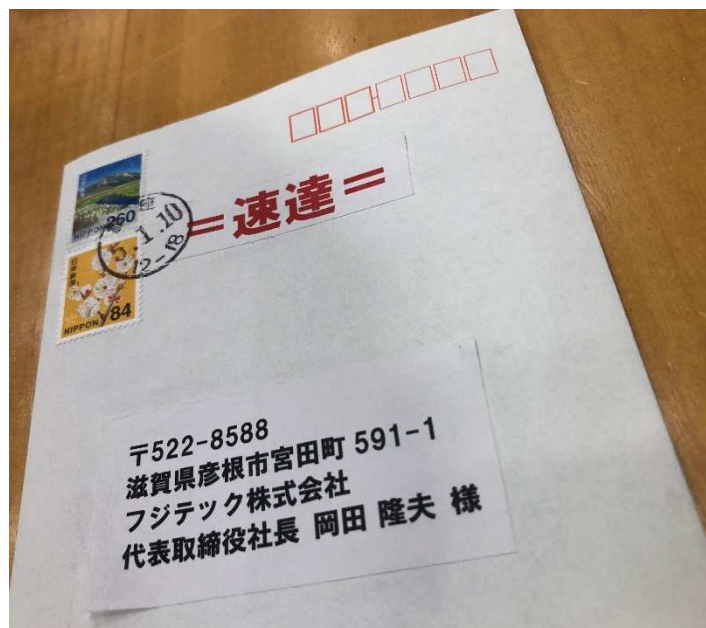
In addition, interviews with FUJITEC Officers, etc. did not reveal any information regarding the creation or mailing of the Letter to the President.

(d) Postmarks on envelope of Letter to the President, etc.

As described in (4)b(c) above, the Committee made an anonymous inquiry to the Ginza Post Office where the postmark was affixed to the Letter to the President in order to ascertain details such as the time and place where the letter was sent from.

As a result of the inquiry, it is highly likely that the Letter to the President was sent from around 9:00 a.m. to 3:00 p.m. on the day it was postmarked (January 10, 2023), but the post office that the letter was sent from cannot be determined based on the address because even if the letter was postmarked at the Ginza Post Office, it may have been posted in the adjacent Minato Ward or Chuo Ward. On the front of the envelope of the Letter to the President, a piece of paper with “express delivery” printed in red was cut out and pasted on, but since this printing is not used by the Ginza Post Office, it is highly likely that the sender printed and pasted the “express delivery” printing him/herself before posting the letter in the mailbox.

When we checked with Mx. E about the print used for the “express delivery” the person said that it is different from the one used at FUJITEC.



[Envelope of Letter to the President]

(e) Analysis

As described above, it is recognized that the information about Mx. M contained in the Letter to President has a certain degree of commonality with the information that Mx. B and Mx. C may have been aware of prior to the delivery of the Letter to President, and that Mx. B may have been aware that the Letter to the President would be delivered to Big Wing as early as the day before the Letter to the President was actually delivered.

However, as stated above, even if Mx. B was aware of the commonalities between the information that Mx. B and Mx. C were aware of and the contents of the Letter to the President, and even if Mx. B was aware that the Letter to the President would be delivered in advance, it is difficult to find that Mx. B or Mx. C was involved in the creation and mailing of the Letter to the President based on these facts alone. In addition, there is no other objective evidence or statements sufficient to support a finding that FUJITEC Officers etc., including Mx. B and Mx. C, were involved in writing or mailing the Letter to the President.

(f) Summary

Based on the above, the involvement of FUJITEC Officers etc. in the creation and mailing of the Letter to the President cannot be recognized.

(6) Questionable Action ⑥ : Publication of a press release titled “Notice Concerning the Board of Directors’ Position on the Agenda Item to be Submitted by the Company and Agenda Items Proposed by a Shareholder for the Upcoming Extraordinary General Meeting of Shareholders” dated January 20, 2023, and materials titled “Supplemental Materials Regarding Our Statement on ██████ Claims” dated the same date, both prepared by FUJITEC

a. Description of the action

On January 20, 2023, FUJITEC published a press release on its website titled “Notice Concerning the Board of Directors’ Position on the Agenda Item to be Submitted by the Company, and Agenda Items Proposed by a Shareholder for the Upcoming Extraordinary General Meeting of Shareholders” (the “**Press Release**”), and a document titled “Supplemental Materials Regarding Our Statement on ██████ Claims” (the “**Supplementary Document**,” and together with the Press Release, the “**Public Documents**”).

The Public Documents state the following regarding Mx. M.

Location where stated	Summary of what was stated
Press Release, p.11	<p>① Facts about the lawsuit with ●●</p> <ul style="list-style-type: none"> • “██████████ has filed a lawsuit against ██████████, where the person previously worked, seeking invalidation of his dismissal and the payment of unpaid wages and premium severance pay, etc.” • “According to the records of the lawsuit, ██████████ asserts that ██████████’s dismissal was warranted due to the fact that, despite paying the person a high level of compensation (compensation in fiscal 2011 was in excess of 200 million yen including bonuses), the work attitude and sales activities were less than favorable, amongst other things: failing to achieve the expected results and working less than the prescribed working hours even after being demoted; going to a karate dojo during work hours; making few appointments to meet with customers and failing to acquire new customers; and demonstrating a poor attitude in internal and external meetings.” • “This lawsuit was concluded with a settlement.” <p>② Evaluation of the lawsuit with ●●</p> <ul style="list-style-type: none"> • “According to the assertions by ██████████, the performance assessment of ██████████ was extremely poor.” <p>③ Facts about the lawsuit filed against the venture company</p> <ul style="list-style-type: none"> • “According to court records, in a separate case, ██████████ has filed a lawsuit seeking damages against a venture capital company in which the person invested, alleging that the funding related to the investment constitutes fraud.” <p>④ Evaluation of the lawsuit filed against the venture company</p> <ul style="list-style-type: none"> • “██████████... has filed a lawsuit alleging fraud against a company the person invested in. Judging from this fact, we believe that doubts may arise as to whether he possesses investment skills or the ability to make investment decisions.” <p>⑤ Evaluation of Mx. M based on ① through ④ above</p> <ul style="list-style-type: none"> • “We believe the person cannot be expected to ‘contribute to the procurement of investment projects such as M&A, evaluation of appropriate investment destinations, and negotiations’ or ‘oversee whether the Company’s funds are being optimally invested by private funds in which the Company has invested’.”
Supplementary Document, p.33	<p>②’ Evaluation of the lawsuit with ●●</p> <ul style="list-style-type: none"> • “The case was concluded by settlement, suggesting that his evaluation by the employer was extremely poor.”

b. Involvement of FUJITEC Officers, etc.

The involvement of FUJITEC Officers, etc. in such act is evident based on the fact that all of the Public Documents were published on FUJITEC’s website under the name of FUJITEC.

The events leading up to the preparation and publication of the Public Documents are as follows.

(a) Investigation of the facts stated in the Public Documents

As described in (4)b(a)b. above, on December 22, 2022, Company G provided Mx. B and Mx. C with an investigation report regarding Mx. M prepared by Company L. The report contains information on two lawsuits in which Mx. M is a Plaintiff, corresponding to Public Documents ① and ③, which were obtained as a result of Company L’s “checking against our proprietary database” and viewing litigation records.

At a meeting of FUJITEC’s board of directors held on January 13, 2023, F, Esq. stated that the contents of Public Documents ① and ③ were confirmed by an attorney affiliated with F Law Firm who had viewed the litigation records. In addition, the “Request for Payment” dated February 9, 2023 from F Law Firm included the invoice details in the table below as advances, but it was unclear whether the use of a taxi to inspect records on January 31, 2023 was related to this or not, partly because F, Esq. did not cooperate in the Investigation.

Date	Details	Amount
January 5, 2023	Revenue stamps for inspection of [REDACTED] District Court records	300 yen
January 31, 2023	Taxi use (viewing of records: [REDACTED] District Court ([REDACTED]) ⇒ [REDACTED] District Court ⇒ Office)	6,590 yen

As described above, it can be said that FUJITEC has investigated the facts regarding ① and ③ in the Public Documents by viewing the investigation report prepared by Company L and F Law Firm’s litigation records.

(b) Preparation and publication of the Public Documents

a. Preparation of drafts

On December 25, 2022, the following e-mail exchange took place between Mx. B and Mx. C regarding the “Company’s Position on [REDACTED] Outside Director Candidates” in the Supplementary Document.

Date and Time	Sender	Content of e-mail (as written; excerpt)
December 25, 2022 1:45 p.m.	Mx. B	This is a draft, but I have organized the structure and parts in my own way. Pages 3, 9, 13, 15, 16, 31, 33, and 36 are new. I would appreciate your feedback.

		<p>Additionally, for the candidates starting on page 37, I have picked up and added information from the recent report.</p> <p>I have not checked the overall appearance and wording of the entire document, and it needs some work, but I think this type of structure is also possible.</p> <p>I will send it to the whole group in the evening.</p> <p>I will have other TODOs be organized by [REDACTED].</p> <p>If you have any additional requests, I would appreciate it if you could let me know.</p>
December 25, 2022 2:23 p.m.	Mx. C	<p>P. 3 is necessary if making it this story, p. 9 is necessary if it can be used as reinforcement, and p.13, 15, and 16 are necessary for any proposed story for the company's proposal.</p> <p>As for p.31-36, it is just a matter of whether or not to write all the materials we have at the moment, so I think this is a matter of bargaining and should be discussed with each advisor.</p> <p>[REDACTED] will probably come up with some revisions today or tomorrow, so I would be happy to discuss them with you again then.</p>
December 25, 2022 2:35 p.m.	Mx. B	<p>Thanks for the confirmation.</p> <p>I will brush it up a little more and share it with the whole group later.</p> <p>As you say, I think we need to discuss when and what to put this out and to what extent.</p>

In addition, on the same day, Mx. B sent the following e-mail to F Law Firm and Company G. In the above-mentioned communication, it can be said that the discussion regarding the outside director candidates in the Public Documents was mainly among Mx. B, Mx. C, F Law Firm and Company G, and the Inside Directors only played the role of determining the basic policy.

Date and time	Sender	Content of e-mail (as written; excerpt)
December 25, 2022 3:45 p.m.	Mx. B	<p>① I have added parts to the PPT and organized them from a different perspective, and I am sharing it.</p> <p>Ultimately, though, the direction of the PPT is important, and I have fleshed out the contents of each section.</p> <p>I have made the requests in red on each slide.</p> <p>I apologize for the inconvenience but would appreciate if you could handle this.</p> <p>The additional (new) slides are as follows:</p> <ul style="list-style-type: none"> • Page 3: This is a proposal (if we make the rebuttal at the end) • Page 9: Our governance survey results • Pages 13, 15, 16: Our governance proposal needs to be brushed up • Pages 31-33: Correspondence with [REDACTED] so far. • Page 36: May not be necessary. • Pages 37-40: I fleshed them out. Please check the contents. • Page 47: Same as the heading that [REDACTED] created before, but with other additions.

b. Consideration of drafts by the board of directors

The draft of the Public Documents, which was prepared through the above exchange, was discussed at a meeting of FUJITEC’s board of directors held on January 13, 2023. At that time, outside directors including Mx. A and Mr. Mishina confirmed the facts underlying the content stated in the Public Documents and proposed revisions to certain aggressive expressions, etc., thus revisions were made to reflect such proposals, etc. to the maximum extent possible.

c. Background to public announcement

The draft of the public announcement material after revision based on the above-mentioned remarks was discussed at an extraordinary meeting of FUJITEC’s board of directors held on January 20, 2023, and the board approved the disclosure of the Public Documents, saying that “they should be disclosed after the essence is revised based on the points raised” by the outside directors.

In connection with this point, the following exchange between Mx. B and Mx. C took place using Google Chat.

Date and time	Sender	Content of chat message (as written)
January 20, 2023 09:49 a.m.	Mx. B	Is the related transaction PPT ok?
Same day 09:49 a.m.	Mx. C	It is quite dangerous. They are all hard-line.
Same day 09:49 a.m.	Mx. B	Can’t we just put it on our website?
Same day 09:51 a.m.	Mx. C	There were opinions saying not to put Document 3 on the website and others saying it was unavoidable if we revised it considerably, and only Corporate Auditor ██████ persisted.
(Omitted)		
Same day 10:33 a.m.	Mx. B	Do you want to put it up today?
Same day 10:34 a.m.	Mx. C	I think we have to put it up today.
Same day 10:34 a.m.	Mx. B	Me too
Same day 10:45 a.m.	Mx. B	What do you mean?
Same day 10:45 a.m.	Mx. B	Does the current PPT need to be revised?
Same day 10:46 a.m.	Mx. B	Transaction
Same day 10:46 a.m.	Mx. C	Revisions to the related party PPT are probably quite necessary, they need to be read together

Same day 10:47 a.m.	Mx. C	There was a strong opinion not to put up the related party PPT, but it seems like it just barely remained in play.
Same day 10:48 a.m.	Mx. B	I think you should just remove the phrase “no damage to our company.”
Same day 10:49 a.m.	Mx. C	I’ll check all the way through and then make a decision.
Same day 10:49 a.m.	Mx. B	Don’t you need to show it again after the revision?
Same day 10:49 a.m.	Mx. B	Or can it be disclosed today?
Same day 10:50 a.m.	Mx. C	I think it was agreed that the executive side will make the proper corrections and we will disclose it today.

As Mr. Mishina was not able to attend the aforementioned extraordinary meeting of the board of directors due to an earlier commitment on the same day, FUJITEC explained the draft of the Public Documents to Mr. Mishina on the 19th of the same month, the day before the extraordinary meeting of the board of directors was to take place. According to Mr. Mishina, he does not recall approving the draft of the Public Documents because they were still being revised when he received the explanation. However, as shown in the following Google Chat exchange between Mx. B and Mx. C, Mx. C’s recognition was that although Mr. Mishina opposed to publishing materials regarding the related party transaction on the website, he did approve the Public Documents subject to the revision.

Date and time	Sender	Content of chat message (as written)
January 19, 2023 1:04 p.m.	Mx. B	How was [REDACTED] this morning?
Same day 1:05 p.m.	Mx. B	? Did they understand...?
Same day 1:06 p.m.	Mx. C	I’m outside right now, but simply...
Same day 1:08 p.m.	Mx. C	The stance is that they agree with the materials, but they don’t want to put the related parties on the website.
Same day 1:08 p.m.	Mx. B	So basically they’ve approved, right? Understood.
Same day 1:10 p.m.	Mx. C	In the end they’re saying that they don’t like the forceful(?) approach of [REDACTED] and [REDACTED]. It’s also been shared with the chairman.
Same day 1:16 p.m.	Mx. B	I see, so they just don’t like that it’s taking the company’s side, right?

As a result of the above, the board of directors approved the Public Documents at an extraordinary meeting held on January 20, 2023, and they were released on the same day.

c. Analysis of the action

We will examine the illegality of the act of publishing the portion concerning Mx. M in the Public Documents in this case from the viewpoint of whether criminal defamation (Article 230(1) of the Penal Code) or defamation as a tort (Article 709 of the Civil Code) is established.

(a) General approach to establishing “Defamation”

a. Requirements for Criminal Defamation

The elements of the criminal defamation (Article 230(1) of the Penal Code) are: ❶ facts sufficient to damage a person’s social reputation; ❷ being publicly disclosed; and ❸ this being intentional. However, even if these requirements are met, if: ❹ the public nature of the facts; and ❺ the public nature of the purpose are recognized; and ❻ there are “reasonable grounds” for believing that the information is true, illegality (or liability) will be denied (Article 230-2(1) of the Penal Code) and criminal defamation will not establish.

b. Defamation as a tort

Defamation as a tort under the Civil Code (Article 709) can be classified into two types: (i) defamation by revealing facts (fact-revealing defamation); and (ii) defamation by opinion or criticism (criticism defamation), even if facts are not revealed.

The requirements for fact-revealing defamation are the same as ❶ through ❻ for criminal defamation above. In contrast, for criticism defamation, the requirements of ❶ and ❷ above regarding the disclosure of facts are not necessary, and moreover, since closer coordination and a higher degree of policy consideration in light of the freedom of expression are required, part of the grounds for exemption also differ from the criminal standard. In other words, for criticism defamation, (a) although the act constitutes an expression that degrades a person’s social reputation, (b) if it is a commentary about a fact of public interest, (c) public interest in the purpose is recognized, (d) the facts subject to the commentary are true in material respects, and (e) the act does not go beyond the scope of opinion or commentary, such as personal attacks, then the illegality of the action will be denied¹⁶.

c. Summary

In (b) below, we will examine the applicability of requirements ❶ to ❻ above to ① and

¹⁶ Decision of the First Petty Bench, Supreme Court, July 15, 2004 (Civil Cases Report (Minshu) Vol.58, No.5, p.1615)

③ of the Public Documents involving the disclosure of facts concerning Mx. M and determine whether they constitute criminal defamation and fact-revealing defamation.

Next, in (c) below, we will examine whether ②, ②', ④, and ⑤ of the Public Documents, which are opinions or critiques about Mx. M, meet the requirements of (a) above, and if so, whether the exemptions from (b) through (e) above are recognized, to determine whether they constitute criticism defamation.

(b) Whether the statements of fact in the Public Documents constitute defamation

a. ① Facts sufficient to degrade a person's social reputation

Whether or not a fact is sufficient to damage a person's social reputation is judged on the standard of the ordinary attention and manner of reading of an ordinary reader¹⁷. We will therefore analyze such issue as per below based on this standard.

(a) Statement of facts regarding litigation with ●● (① in the Public Documents)

In ① in the Public Documents, it is stated that, in the lawsuit against ●●, the company claimed that Mx. M's dismissal was valid because, despite the high compensation provided to the person, the person failed to produce the expected results, and even after its demotion, the person's work attitude and sales activities remained poor, including going to a karate dojo during worktime, failing to obtain new clients, and having a poor attitude in internal and external meetings, despite being below the prescribed working hours. If this is interpreted based on the ordinary attention and manner of reading of the ordinary reader, then the fact in question is a matter of fact that would damage the social reputation of Mx. M's work ability, and therefore satisfies requirement ①.

(b) Statement of facts regarding the filing of a lawsuit against the venture company (③ in the Public Documents)

In ③ of the Public Documents, it is mentioned that Mx. M filed a lawsuit against a venture company in which the person had invested in the past, seeking damages on the grounds of

¹⁷ Decision of the Second Petty Bench, Supreme Court, July 20, 1956 (Civil Cases Report (Minshu) Vol.10, No.8, p.1059)

fraud on the part of the other party. If this is interpreted based on the ordinary attention and reading style of an ordinary reader, the fact in question is content that would damage the social reputation of Mx. M's investment skills and investment decision-making ability, and therefore satisfies requirement ①.

b. ② Public disclosure; and ③ Intentionality

Whether a fact can be said to have been publicly disclosed is judged based on whether it can be evaluated as having been placed in a condition where it can be recognized by an unspecified or large number of people¹⁸. In this case, it can be evaluated that the Public Documents were placed in a condition where an unspecified or large number of people could become aware of them by being posted on FUJITEC's website. In addition, since the company was aware of the contents of the Public Documents and posted them on its website, the fact of being intentional is also recognized, and requirements ② and ③ are therefore satisfied.

c. ④ Public nature of the facts being recognized

The public nature of a fact means that it relates to the interests of the general majority¹⁹. FUJITEC is a publicly traded company, and its shares are available for investors to buy and sell. Informing the public about the facts regarding the capability, experience and other suitability of the outside director candidates of FUJITEC, in such a position with social importance and with numerous stakeholders, is considered beneficial from the perspective of providing material for the shareholders in their decision-making process to vote on the election of outside directors as an exercise of their shareholder rights, thus serves to promote the public interest²⁰.

Therefore, the facts in ① and ③ in the Public Documents in this case constitute facts related to the interests of the general majority, and the public nature of such facts is therefore recognized.

d. ⑤ Public nature of the purpose must be recognized

The public nature of the purpose means that the primary motivation is to serve the public

¹⁸ Hitoshi Otsuka et al. (eds.), Large Commentary of Penal Code, Vol.12 (3rd ed.) [13th volume] (Seirin Shoin, 2019), p.17

¹⁹ Hitoshi Otsuka et al. (eds.), supra note 18, Large Commentary of Penal Code, Vol. 12 (3rd ed.) [13th volume], p.45

²⁰ See Tokyo High Court Decision of December 5, 2018, Hanrei Times No. 1461, p.115; Tokyo District Court Decision of November 12, 2013, Hanrei Times No. 1418, p.252

interest²¹. It is possible to evaluate that FUJITEC's motive for releasing the Public Documents is to provide shareholders with materials to judge the suitability of the Outside Director Candidates in the Shareholder Proposal as outside directors, and that its main motive is to enable shareholders to make decisions based on an extensive amount of materials, even if there is a concurrent purpose of opposing the Shareholder Proposal.

Therefore, the public nature of the principal motive is recognized, and the public nature of the purpose is recognized with respect to the publication of the facts in ① and ③ of the Public Documents in this case.

e. ⑥ Proof of truthfulness or “reasonable grounds” for believing truth

Given that FUJITEC has pointed out the facts in ① and ③ of the Public Documents based on Company L's investigation report on Mx. M and F Law Firm's inspection of the litigation record, it is highly likely that FUJITEC would succeed in proving the truth of the facts in ① and ③ of the Public Documents (i.e. that ●● made the claims described in ① of the Public Documents in the litigation between Mx. M and ●●, and that Mx. M is filing a suit for damages for investment fraud against a venture company that the person invested in).

f. Summary

As discussed above, despite the fact that the publication of the facts concerning Mx. M in ① and ③ of the Public Documents has the potential to damage a person's social reputation and be recognized as publicly disclosed and intentional, it is likely to be recognized to have a public nature in the purpose and truthful, and their illegality is therefore denied and not constitute a criminal defamation or fact-revealing defamation.

(c) Whether the statements regarding opinions or critiques in the Public Documents constitute defamation

a. (a) Expression that degrades a person's social reputation

The question of whether an expression can be said to degrade a person's social reputation is also judged on the basis of the ordinary attention and manner of reading of an ordinary reader²² and will be discussed below based on this standard.

²¹ Hitoshi Otsuka et al. (eds.), *supra* note 18, Large Commentary of Penal Code, Vol. 12 (3rd ed.) [13th volume], p.48

²² See Hiroyuki Hirano, *Treatise on the Particulars of Claims II: Management of Affairs Without Mandate, Unjust Enrichment and Torts* (Nippon Hyoronsha, 2019), p.199

(a) Description of the evaluation of the lawsuit with ●● (② of the Public Documents)

Based on the facts in ① of the Public Documents, the evaluation in ② of the Public Documents constitutes an opinion or critique, as it states, “At least according to ●● assertions, the evaluation of Mx. M was extremely poor.” Then, the publication of an opinion or critique to the effect that the evaluation by ●● was extremely poor, when interpreted based on the ordinary caution and reading style of an ordinary reader, includes content that would degrade Mx. M’s social reputation regarding his work ability, and thus satisfies requirement (a).

(b) Description of the evaluation of the lawsuit with ●● (②’ of the Public Documents)

②’ of the Public Documents states, “the case was concluded by settlement, suggesting that the person’s evaluation by the employer was extremely poor,” making the critique that “the person’s evaluation by the employer was extremely poor” based on the fact that the lawsuit with ●● was concluded by settlement. Although it cannot be reasonably inferred from the fact that the lawsuit was terminated by settlement that “the evaluation by the person’s employer was extremely poor,” when interpreted based on the ordinary attention and manner of reading of an ordinary reader, the content of the lawsuit, if interpreted in this manner, would diminish Mx. M’s social reputation regarding his work ability and thus satisfy requirement (a).

(c) Description of the evaluation of the filing of a lawsuit against the venture company (④ of the Public Documents)

Based on the fact that Mx. M is a partner in an organization specializing in investment and the facts in ③ of the Public Documents, the evaluation in ④ of the Public Document that this “could raise doubts as to whether Mx. M possesses investment skills and investment decision-making abilities,” when interpreted based on the ordinary attention and manner of reading of an ordinary reader, is content that degrades the social reputation regarding Mx. M’s investment skills and investment decision-making abilities, which satisfies requirement (a).

(d) Description of the evaluation of Mx. M based on ① through ④ in the Public Documents (⑤ in the Public Documents)

In ⑤ in the Public Documents, based on ① through ④ in the Public Documents, it is stated that “We believe that Mx. M cannot be expected to ‘contribute to procuring investment projects such as M&A, evaluating appropriate investment destinations, and negotiations’ or ‘overseeing whether the Company’s funds are being optimally invested by private funds in which the Company has invested’,” and if interpreted with the ordinary attention and manner of reading of an ordinary reader, this content would degrade the social reputation of Mx. M’s investment skills, investment decision-making ability and ability in his job to supervise investment targets, thus fulfilling requirement (a).

b. (b) Commentary about fact of public interest

FUJITEC is a publicly traded company, and its issued shares are available for trading by investors. As FUJITEC is in a position to have such a large number of socially important interested parties, it would be beneficial for FUJITEC to widely inform the public of the board of directors’ opinion regarding the suitability of the outside director candidates, in order to provide shareholders with decision-making materials when they vote on the election of outside directors as an exercise of their shareholder rights, and this will serve to promote the public interest.

Therefore, ②, ②’, ④, and ⑤ of the Public Documents constitute critiques about facts of public interest.

c. (c) Public interest in the purpose

Public interest in the purpose means that the primary motivation is to serve the public interest, as in (b)d. above. It is possible to evaluate that FUJITEC’s motivation for releasing the Public Documents is to provide shareholders with materials to judge the suitability of the Outside Director Candidate for the Shareholder Proposal as an Outside Director, and that even if there is a concurrent purpose of opposing the Shareholder Proposal, the main motivation is to enable shareholders to make decisions based on an extensive amount of materials by expressing its opinion as the board of directors of FUJITEC.

Therefore, public interest is recognized in the principal motive, and public interest in the purpose is recognized for the publication of the critiques in ②, ②’, ④, and ⑤ of the Public Documents in this case.

d. (d) Whether the facts subject to the commentary are true in all material

respects

②, ②', ④, and ⑤ in the Public Documents are all allegations based on the facts in ① or ③ in the Public Documents. As described in (b)e above, ① and ③ in the Public Documents are based on the results of Company L's investigation report and inspection of the case record, and it is considered highly likely that the facts subject to the commentary would be determined to be true in all material respects because there is a strong possibility that FUJITEC would be able to succeed in proving their truth.

In addition, Public Document ②' includes not only the facts in Public Document ① but also the fact that the lawsuit with ●● was terminated due to a settlement, and the description of such facts, as with the facts in Public Document ① and ③, is based on the results of certain investigations including access to litigation records, and it is highly likely that FUJITEC would be successful in proving its truthfulness and the facts subject to critique would be judged true in all material respects.

e. (e) Whether the opinion or critique can be said not to go beyond the scope of opinion or commentary, such as by including personal attacks

(a) Description of the evaluation of the lawsuit with ●● (② of the Public Documents)

The statement in ② of the Public Documents that "At least according to ●● assertions, the evaluation of Mx. M was extremely poor" is a critique based on the fact that ●● made the allegations described in ① of the Public Documents in the lawsuit which evaluates matters that can be directly derived from that fact, and it does not go beyond the realm of opinion or critique into personal attacks.

(b) Description of the evaluation of the lawsuit with ●● (②' of the Public Documents)

②' of the Public Documents is a critique that "the case was concluded by settlement, suggesting that his evaluation by the employer was extremely poor." While it cannot be reasonably inferred from the fact that the lawsuit with ●● was terminated by settlement that "the evaluation by the employer was extremely poor," the fact of ① is revealed prior to ②' in the Public Documents, so it can be said that it is likely that the average reader will take it as a critique to the effect that "the evaluation from the employer was extremely poor" based on

the fact of ①²³. Moreover, as stated in (a) above, the critique in ① of the Public Documents to the effect that “the evaluation by the employer was extremely poor,” which was based on the content of the allegations made by ●●, does not go beyond the scope of an opinion or critique to reach the level of a personal attack.

(c) Description of the evaluation of the filing of a lawsuit against the venture company (④ of the Public Documents)

④ in the Public Documents is the critique that, based on the fact that Mx. M is suing its own investee for fraud, this “could raise doubts as to whether Mx. M possesses investment skills and investment decision-making abilities,” and avoiding definitive expressions, and expressing the above solely as a critique of FUJITEC’s board of directors does not go beyond the scope of an opinion or critique into a personal attack.

(d) Description of the evaluation of Mx. M based on ① through ④ in the Public Documents (⑤ in the Public Documents)

⑤ in the Public Documents is a critique that, based on ① through ④ in the Public Documents, “we do not believe that Mx. M can be expected to ‘contribute to procuring investment projects such as M&A, evaluating appropriate investment targets and negotiations’ or ‘supervising whether our funds are invested in an optimal manner in private funds in which we have invested money’,” and expressing the above solely as a critique of FUJITEC’s board of directors does not depart from the realm of opinion or critique into personal attack.

f. Summary

As described above, although ②, ②’, ④, and ⑤ of the Public Documents all fall under (a), an act that constitutes an expression that degrades a person’s social reputation, they are not considered to constitute critical defamation because they are likely to satisfy the requirements to deny illegality in (b) through (e).

(d) Summary

As discussed above, the act of publishing the statements in ① through ⑤ and ②’ of the

²³ In the original draft of this publication as of January 13, 2023, the section corresponding to ②’ of the Public Documents states, “Although no finding was made by the court because the case was concluded by settlement, it can be said that the evaluation by the employer was extremely poor.”

Public Documents regarding Mx. M does not constitute criminal defamation, nor is it recognized as being an illegal defamation constituting a tort. Therefore, the publication of the Public Documents does not constitute “Obstruction.”

(7) Questionable Action ⑦: The Article

a. Description of the action

The Article contains the information listed in the table below regarding Mx. M, Mr. Graninger, and Ms. Shimada:

[Intentionally Undisclosed]

b. Involvement of FUJITEC Officers etc.

(a) Research on Ms. Shimada

On December 21, 2022, at 2:11 p.m., Mx. B sent the following [REDACTED] to his private e-mail address. [REDACTED] state that Ms. Shimada was [REDACTED]
[REDACTED]
[REDACTED].

[REDACTED] that Mx. B sent to his private e-mail address]
(Omitted)

Thereafter, Mx. B forwarded an e-mail containing the above [REDACTED] to Mx. C at 6:48 p.m. on December 21, 2022, and on January 5, 2023, the person requested F Law Firm to investigate the above [REDACTED], and the person received a report from F Law Firm regarding its investigation results on January 17, 2023.

Therefore, it is recognized that, prior to February 9, 2023, when the Article was published, Mx. B and Mx. C were already aware of the information regarding [REDACTED]
[REDACTED] Ms. Shimada’s [REDACTED]
[REDACTED].

(b) Commonalities between the content of the Article and the information

obtained through reference checks and the Behavior investigation, etc.

The content of the Article and the information that FUJITEC Officers, etc. (Mx. B and Mx. C) were aware of as of February 9, 2023, when the Article was published, have certain commonalities as follows.

First, with regard to Mx. M, the Article states that [REDACTED]
[REDACTED]
[REDACTED].

As stated in (3)b(b)c. above, by December 21, 2022 at the latest, Mx. B and Mx. C were highly likely to have obtained photographs showing Mx. M [REDACTED], and were aware that a letter addressed to Mr. Okada arrived on January 11, 2023 from a person claiming to be “someone who knows Mx. M well.” The fact that Mx. M was pursuing litigation with ●● was stated in Company L’s report on Mx. M, and at least Mx. B and Mx. C were aware of this fact by December 22, 2022, as described in (4)b(a)b. above.

Next, with regard to Mr. Graninger, in the Article, it is stated that [REDACTED] and as described in (3)b(b)c. above, by December 21, 2022 at the latest, Mx. B and Mx. C had already obtained photographs of [REDACTED] and were likely to be aware of such fact. In addition, the fact that [REDACTED]
[REDACTED]
[REDACTED], is stated in the Company L investigation report regarding Mr. Graninger, and therefore at least Mx. B and Mx. C were aware of that fact by December 22, 2022.

Furthermore, with regard to Ms. Shimada, the Article states that [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].
[REDACTED], and as stated in (a) above, by December 21, 2022 at the latest, Mx. B and Mx. C are recognized to have obtained said information [REDACTED].

Thus, a comparison of the content of the Article with the information that Mx. B and Mx. C were aware of at that time shows a certain degree of commonality.

However, (i) members of the Project Team, including Mx. B and Mx. C, may not have been aware of Mx. M’s lawsuits other than those against ●● and the invested company, (ii)

information about Mx. M's [REDACTED] was included in the Letter to the President delivered to FUJITEC on January 11, 2023, and thus persons other than the members of the Project Team may have been aware of them, and (iii) information about Ms. Shimada [REDACTED], and thus the possibility that persons other than the members of the Project Team were aware of it cannot be denied.

Therefore, the involvement of Mx. B and Mx. C in the Article cannot be recognized solely on the basis of the above-mentioned commonalities.

(c) Results of forensic investigation and interview investigation to FUJITEC Officers, etc.

The forensic investigation did not reveal any e-mail or Chat Message exchanges to indicate that FUJITEC Officers etc. were involved in any way or had any information regarding the Article.

On December 27, 2022, F, Esq., with a reservation of “while this depends on [REDACTED]’s opinion,” sent an e-mail to the members of the Project Team saying, “I think we can brush up the individual candidates’ stories (both ours and the opponents’) and the [REDACTED] attack as a separate version to be used to explain to institutional investors. It seems to me that mixing this information in the content to be distributed to the entire audience would blur them. I hope that these materials can also be used in public relations strategies for newspapers and magazines.” However, it was not possible to clarify what was meant by “individual candidates’ stories (both ours and opponents’)” and “public relations strategies for newspapers and magazines” because, as stated in Section II.4 above, we were unable to obtain F, Esq.’s cooperation with the Investigation.

Furthermore, on February 1, 2023, there was an e-mail exchange between Mx. D and ●● of Company I regarding FUJITEC’s response to an inquiry received from a reporter (●●) of the weekly magazine, but the exchange was regarding FUJITEC’s response to an inquiry regarding the reason for conducting a “background investigation” into the outside director candidates for the Shareholder Proposal and future actions based on the results of the said investigation, and no connection to the Article was found.

In addition to the above, no information was found in the interviews with FUJITEC Officers, etc. which indicated that FUJITEC Officers, etc. were involved in any way or had any information regarding the Article.

(d) Non-provision of information from ●● Publishing Company

The Committee sent a letter to ●● Publishing Company which published the Article requesting that it provide (i) the name and affiliation of the reporter who wrote the Article, (ii) the name, affiliation, and contact information (if the information was provided anonymously, a statement to that effect and contact information) of the person providing various information regarding the outside director candidates mentioned in the Article, and (iii) the content of the information provided. However, as of the date of this Investigation Report, no response has been received from ●● Publishing Company.

(e) Analysis

As described above, the information on Mx. M, Mr. Graninger, and Ms. Shimada in the Article is recognized as having a certain degree of commonality with the information obtained by FUJITEC Officers, etc. prior to the publication of the Article.

However, we were unable to obtain information from the publisher of the Article, ●● Publishing Company, and our forensic investigation and interview investigation with the FUJITEC Officers, etc. did not reveal any objective evidence or statements sufficient to support a finding that FUJITEC Officers, etc. had any involvement in the Article.

Therefore, the involvement of FUJITEC Officers, etc. to the Article cannot be recognized.

(8) Questionable Action ⑧: Request to disseminate the Article on social media

a. Description of the action

On February 9, 2023, FUJITEC requested that Company K disseminate the Article by posting, sharing, and retweeting it on social media (the “**Dissemination**”).

b. Involvement of FUJITEC Officers, etc. and the manner of their involvement

(a) E-mail exchange between Mx. D and a Company K employee

A summary of the exchange between Mx. D and ●●, a Company K employee, regarding the request for the Dissemination is shown in the table below. Mx. D sent an e-mail (the “**Request Email**”) to ●● dated February 9, 2023, attaching a PDF of the Article and writing, “Please refer to the attached. If you have any questions, please contact us by telephone or other means.” On the same day, Mx. D also sent ●● an e-mail with a PDF attached of a “Quotation and Purchase Order” (the “**Quotation and Purchase Order**”). In the Quotation and Purchase

Order, a quotation was made that a monthly fee of 440,000 yen (including tax) would be charged for the act of “posting, sharing, retweeting, and disseminating specific information on social media” as “social media dissemination expenses.” In addition, the Quotation and Purchase Order states that “This quotation will become a purchase order if you send us a scanned PDF of the stamped copy.” Further, in the “Purchase Order Request Section” of the Quotation and Purchase Order, “February 9, 2023” is written as the “Purchase Order Date,” “FUJITEC CO., LTD.” is written as the “company name,” and there is a seal impression of “[REDACTED], Press & Public Relations Office Manager.”

From the above, it is recognized that Mx. D requested Company K to perform the Dissemination.

Date and Time	Sender	Content of e-mail (excerpts)
February 09, 2023 08:54 a.m.	Mx. D	I have an urgent matter that I would like you to handle, and I would appreciate it if you could look at the attachment. If anything is unclear, please contact me by telephone, etc.
February 09, 2023 2:18 p.m.	●●	Thank you for your patience. Please see the attached.
February 09, 2023 3:05 p.m.	Mx. D	We will return your purchase order.
February 09, 2023 5:28 p.m.	●●	Thank you for your order. We will proceed immediately. One point, just to confirm, are you sure the weekly magazine received as a PDF went on sale today? I was wondering about the date next to the page number and would appreciate your confirmation. 51 '23.2.16
February 09, 2023 7:47 p.m.	Mx. D	It is definitely in the issue of [REDACTED] that went on sale today. It is the February 16, 2023 issue.

(b) FUJITEC’s internal decision-making regarding the request for the Dissemination

On February 5, 2023, four days before Mx. D sent the Request Email on February 9, 2023, Mx. B sent an e-mail to Mx. D, as shown in the table below, referring to dissemination via media. However, in this exchange, “●●,” “●●,” etc., rather than Company K, were suggested as the recipients of the dissemination request, and the Article was not the subject of the dissemination.

Date and Time	Sender	Content of e-mail (as written; excerpt)
February 05, 2023 1:55 p.m.	Mx. B	Excuse me for e-mailing you during the weekend. We expect more attacks next week, including on Twitter and social media. ██████████ is doing a lot of work, but from a social media perspective, could we hire ██████████? I don't have much time, but could you please check and let me know what can be done.
February 05, 2023 2:13 p.m.	Mx. D	Thank you for contacting me. I understand the situation. Will the request be for both social media posting support and monitoring?
February 05, 2023 2:16 p.m.	Mx. B	Yes, also disseminating our views to many ██████████-affiliated media outlets. What do you think?
February 05, 2023 2:22 p.m.	Mx. D	I think ██████████ would be good for media dissemination. Please understand that this is the Japanese version of ██████████. Let's say that we will make the decision to always use these two for our key releases. I will talk to ██████████.
February 05, 2023 2:27 p.m.	Mx. B	Thank you. How about having the ██████████ and our rebuttal and presentation in Japanese at the beginning of the week on Wednesday, the same day as the ██████████ website? Could you please consult with ██████████ and ██████████ on the timing and article headlines, if you would be so kind. Let's get them out by the end of next week.

Mx. D states that the request to disseminate this information was initiated by Mx. D and was done on its own initiative. In addition, Mx. D continued to avoid giving a clear answer to the question of the relationship between the above-mentioned e-mail exchange with Mx. B and the request for the Dissemination, saying, "I cannot say for sure what kind of decision I made in my mind, so I will refrain from giving a response." Therefore, although it is admitted that Mx. D asked Company K to perform the Dissemination, we were unable to determine the circumstances that led to this decision.

(c) Amount of compensation for the Dissemination

The invoice dated March 31, 2023 from Company K to FUJITEC states that the company will charge 440,000 yen (including tax) for "social media dissemination expenses." According to the "General Bank Transfer Statement" dated April 27, 2023, FUJITEC paid Company K 2.64 million yen on April 28, 2023, and according to Mx. D, 440,000 yen out of such payment was the payment of compensation for the Dissemination.

Therefore, it is recognized that FUJITEC paid Company K 440,000 yen (including tax) as

compensation for the Dissemination.

c. Analysis of the action

(a) Illegality of requesting the Dissemination

In examining the illegality of the request for the Dissemination, it is necessary to examine, as a prerequisite, whether the Dissemination itself constitutes defamation. In other words, if this is found to be the case, the request for the Dissemination may constitute complicity with the crime of defamation in a criminal context, and liability as joint tortfeasors in a civil context. Therefore, we will first examine whether the Dissemination constitutes defamation.

In this connection, although the Quotation and Purchase Order states that “For reports and other deliverables submitted by us (Note: Company K), we request that you inspect the deliverables within five business days,” according to Mx. D, he never received any reports on the Dissemination. In addition, although the Committee requested Company K to provide information such as (i) whether or not it conducted the Dissemination, and (ii) the details of the Dissemination (specific method, timing, and content (images posted, etc.)), the Committee has not received any response from the company regarding these points as of the date this Investigation Report was prepared.

Therefore, it was not possible to determine whether the Dissemination was actually performed as a result of the request for the Dissemination, and even if it was, it was not possible to determine the details of the Dissemination, and therefore, it was not possible to analyze whether the Dissemination constitutes defamation.

(b) Summary

As described above, although the involvement of FUJITEC Officers, etc. in the request for the dissemination is recognized, the illegality of the request for the Dissemination could not be analyzed because it was not possible to examine whether the Dissemination itself constituted defamation.

Section V. Governance Issues

As discussed in Section IV.5 above, as a result of the Investigation, among the Questionable Actions, the Committee found the involvement of FUJITEC Officers, etc. in (i) reference checks with the Affiliated Entities, etc. of each of the outside director candidates; (ii) phone call from F, Esq. to Ms. Umino; (iii) conducting behavior investigation of Mr. Graninger and Mx. M; and (iv) request to disseminate the Article on social media; although no illegality was found in (i) through (iii) so it was concluded that they are not an “Obstruction,” and for (iv), we were not able to analyze the illegality.

However, it could be pointed out that, particularly with regard to (iii) and (iv) above, such actions may not be appropriate for a listed company to take, and, as described in 1 below, these actions were found to be taken without following the official internal procedures.

Therefore, hereunder, we will analyze the causes that led to taking actions (iii) and (iv) above without following the official internal procedures.

As described in Section IV.5(3) above, there was no evidence that FUJITEC paid the expenses required for (iii) above. Therefore, it is inferred that the requestor to the investigation company to perform the Behavior Investigation was a third party other than FUJITEC, so one may think that there was no need to follow any internal procedure. However, given that the Behavior Investigation was conducted as a countermeasure against the Shareholder Proposal, and that FUJITEC’s resources has been used in the context that Mx. B and Mx. C were involved, it can be said that it was part of the activities of the Project Team and that taking such asctions required to follow the official procedure of FUJITEC.

1. Dysfunctional decision-making procedures and non-coordination of information within the Project Team

As described in Section IV.2(1) above, the Project Team was led by Mr. Asano and consisted mainly of the Inside Directors, Mx. B, and Mx. C, with the participation of employees of advisors F Law Firm, Company G, and Company I; and Mx. D, who was in charge of FUJITEC’s contact with Company I, also sometimes participated in the Project Team. As FUJITEC had established such Project Team, it was originally expected that the specific actions to be taken as activities to have the Shareholder Proposal rejected, as well as the person in charge of each action and its timeline, would be decided by a consensus of the Project Team members after examination by the Project Team, while obtaining advice from the advisors etc.

However, as described in Section IV.5(3) above, the reports and photographs obtained through the Behavior Investigation were only received by Mx. B and Mx. C, and were not shared with the

other members of the Project Team. Notwithstanding this, however, on page 33 of the draft version of the supplementary document titled “Supplemental material regarding our statement on [REDACTED] claims” dated December 28, 2022, there is a statement regarding Mr. Graninger that “[REDACTED],” and we assume that this statement is an information obtained through confirming Mr. Graninger’s conduct through behavior investigation. If so, it is possible that the F Law Firm and Company G personnel who were reviewing the materials in question to finalize them were also aware that a behavior investigation of Mr. Graninger’s conduct had been performed, but we were unable to confirm this point because we were unable to obtain cooperation from F, Esq. and Company G in the Investigation²⁴.

In addition, the request for the dissemination of the Article on social media was carried out by Mx. D, as described in Section IV.5(8) above, and the analysis by the Project Team had not been conducted and the decision-making process had not been followed.

As described above, it is recognized that (iii) above (behavior investigation of Mr. Graninger and Mx. M) and (iv) above (requesting dissemination of the Article on social media) were conducted without the analysis or decision by the Project Team.

In addition, these activities were not reported to the Inside Directors including Mr. Okada.

2. Situation of the founding family after the annual general shareholders’ meeting in June 2022

Thus, it appears that what lies behind the execution of these actions without the analysis and decision-making procedures by the Project Team, is a concordance between the “thoughts” of Mx. B, who is presumed to have given instructions based on the situation of the founding family after the annual general shareholders’ meeting in June 2022, and the “thoughts” of Mx. C and Mx. D, who received such instructions.

First of all, since FUJITEC was forced to withdraw the proposal to appoint Mr. T. Uchiyama as a director as a result of his failure to actively campaign against Proposing Shareholder’ campaign at the annual general shareholders’ meeting held on June 23, 2022, FUJITEC’s founding family had a desire to diligently take actions to have the Shareholder Proposal rejected so that the same thing would not happen again at the Extraordinary Shareholders’ Meeting. This is also reflected in the e-mail from Mx. C to Mx. D dated December 9, 2022, in which the person states that Mr. T. Uchiyama has “this time, the intention to make this an aggressive document as intended by us, not simply a rebuttal against what has been said.” Since Mx. B only repeated “I don’t know” in response to the core questions at the Committee’s interview, we can only guess at his true intentions, but it is

²⁴ The above statement concerning Mr. Graninger has been removed from the published supplementary document.

recognized that the person has been actively campaigning against the Shareholder Proposal by [REDACTED] to find information on matters concerning Ms. Shimada, making his own additions to the materials opposing the Shareholder Proposal, and preparing interview items for the outside director candidates.

Furthermore, at a meeting of FUJITEC's board of directors held on January 13, 2023, F, Esq. and Mx. H of Company G stated, "What I can say in terms of forecasting the votes right now is that if we are not careful or fail, we will lose," "the situation with the forecasted votes is one where we will lose if we do nothing. I believe that if all possible steps are not taken, even dismissals may go through," "I think it would be better for you to understand the situation that we will lose if we do not make all the moves we can make," etc., from which it can be understood that FUJITEC's advisors shared the understandings that the situation with the forecasted votes for the Extraordinary Shareholders' Meeting was in a difficult situation and "FUJITEC will lose if it does not take all the steps it can take." Although it is unclear as to with what degree of certainty they were able to forecast the votes at this point, it can be inferred that, in the process of being shared with the members of the Project Team, the advisors' sense of crisis had a significant impact on the perception of Mr. T. Uchiyama and Mx. B as they proceeded with measures for the Extraordinary Shareholders' Meeting after receiving the Shareholder Proposal.

Mx. C and Mx. D, while recognizing that the instructions from Mx. B were not in accordance with the procedures for analysis and decision-making by the Project Team, faithfully followed the instructions without any objections or questions. Mx. C stated that the person did not report the information obtained through the Behavior Investigation to the Inside Directors, and Mx. D also stated that the person asked Company K to disseminate the Article on social media on its own initiative and did not report this to the Inside Directors. Since Mx. C and Mx. D only repeated that they "do not remember" the answers to the core questions at the Committee's interviews, we can only speculate as to their true intentions. However, we believe that the reason why they ignored internal decision-making procedures and reporting lines was due to the loyalty and unique chain of command that was cultivated over many years of close contact with the founding family in the Tokyo Head Office and the kind of sense of community with Mx. B that had developed between the people fighting on the front line against the Proposing Shareholder. In addition, Mx. C also stated that the person, as the general manager of the General Affairs Department, took the risk of not involving the Inside Directors because they were from a technical background and were not good at getting involved in messy human relationships, and it appears that such distorted professionalism effected Mx. C's behavior.

It is believed that the above mentioned "thoughts" on the part of the founding family and the "thoughts" of Mx. C and Mx. D coincided, which led to the act of ignoring the decision-making

procedures and internal reporting lines within the Project Team.

Section VI. Recommendations for measures to prevent recurrence

1. Establish a system that functions effectively in the event of a contingency

One of the reasons for FUJITEC's governance problems, as pointed out in Section V above, is that the decision-making procedures within the Project Team were not functioning. As a measure to prevent the recurrence of such a situation, in such "contingency" situations as when a shareholder requests an extraordinary shareholders' meeting to discuss a matter contrary to the company's wishes, or when a takeover proposal is made without the company's consent, the company should consider in advance matters such as how to form a team with the correct members to respond, timeline and task management system, method of cooperation with outside experts, checking system for materials to be prepared, and a system for making decisions with consensus, and formulate manuals etc. thereof. Especially in light of the current situation surrounding FUJITEC, there is a reasonable possibility that a situation equivalent to a "contingency" will occur in the future, and it is necessary to begin work on this as soon as possible.

In this case, the Committee does not need to reject an officer or employee from the founding family being a member of the team in question itself. Those from founding families have knowledge and personal connections that other executives and employees simply do not have, and these are often considered to be useful in the activities of the taskforce. However, since conflicts of interest are inevitably likely to arise among the founding family, the proposing shareholders, and general shareholders in a contingency such as the above, if executives and employees from the founding family are to be included as members, the above system and procedures for management should be established with due consideration given to this point.

2. Raise awareness of compliance

One of the reasons for FUJITEC's governance problems is the lack of compliance awareness in that Mx. C and Mx. D followed Mx. B's instructions without following the proper procedures and without reporting as required.

Therefore, in order to change such awareness, in addition to general compliance training, it would be beneficial to simulate what kind of compliance problems could arise at FUJITEC in a contingency such as this case, and conduct specific case study training by outside experts on compliance and internal control.

Section VII. Conclusion

At the conclusion of this Investigation Report, we would like to state three points that the Committee felt were important in the Investigation.

First, as described in Section IV.3 above, the Investigation confronted the issue of what actions are permissible and what actions are not permissible for a company that receives a demand for calling an extraordinary shareholders' meeting to consider a matter against its will, in order to have the shareholders' proposal rejected and its own proposal approved, which has not been clearly discussed to date.

In such cases, the decision as to which of the company's and shareholders' proposals to vote for should be made by individual shareholders based on their respective positions from the standpoint of which proposals will contribute to enhancing corporate value (interest of all shareholders). Therefore, when both the company and the shareholders propose the election of a director (or when the shareholders propose the dismissal of an incumbent director) as in this case, the debate should be fought from the perspective of which proposed director candidate would improve corporate value. A campaign that singles out and points out negative elements regarding each candidate's private life and career is not an essential or effective way to fight such battle, although we do not deny this to be one possible strategy. Supplemental Principle 1.2.1 of the Corporate Governance Code (revised June 2021) set forth by Tokyo Stock Exchange, Inc. stipulates that "companies should provide accurate information to shareholders as necessary in order to facilitate appropriate decision-making at general shareholder meetings," but it is believed that information such as what is stated above is not anticipated as "information... as necessary in order to facilitate appropriate decision-making at general shareholder meetings." It seems undeniable that this case was caused by an obsession with gathering information from this perspective. The company should consider and take measures against shareholder proposals from the perspective of how the qualities and experience of each director candidate will help to improve corporate value, and whether the composition of the board of directors is sufficient, using a skill matrix and other factors as a reference.

Second, the case also raises questions about the nature of contingency governance of a publicly traded company in which the founding family has influence. There are many listed companies where the charisma and strong leadership of the founding family has enhanced corporate value, and the Committee does not reject the existence of a founding family in a listed company. However, when a control dispute arises, as in this case, the founding family becomes the largest stakeholder, and the company falls into a situation where conflict of interest issues likely to arise. Although the so-called "agency problem" did not directly arise in this case because none of the persons from the

founding family were directors, FUJITEC was forced to withdraw the proposal to appoint Mr. T. Uchiyama as a director at the annual general shareholders' meeting in June 2022, and the conflict of interest between the founding family and the proposing shareholders (or general shareholders) was already evident. In such a contingency, it will be necessary to establish a contingency governance system as noted in Section VI.1 above, in recognition of the fact that conflicts of interest are likely to arise.

Finally, in proceeding with the Investigation, the Committee was also confronted with the problem of the limitations of voluntary investigations. Specifically, as a result of the forensic investigation, suspicions arose that some of the officers and employees were communicating using their private e-mail addresses instead of their company e-mail addresses, so the Committee made a request to Mx. B, Mx. C, and Mx. D for forensic investigations of their private e-mail addresses, but all three of them refused, and the Committee was unable to proceed with further investigation.

Furthermore, despite FUJITEC's request to F, Esq., Company G and Company I, who were advising FUJITEC, to cooperate in the Investigation after FUJITEC terminated their confidentiality obligations, no cooperation in the Investigation could be obtained from F, Esq. and Company G, and Company I requested to respond in writing rather than through face-to-face interviews. The Committee was disappointed by the reluctance of the advisors, especially since the Committee had expected to hear meaningful opinions from their respective expert standpoints directly from them, based on their involvement in many other matters with the same nature.

End

Appendix 1

Status of Questionnaires

No	Affiliation / Position	Name	Date of Receipt of Response
1	Outside Director of FUJITEC	Mr. Gessner	April 20, 2023
2	[REDACTED]	Mx. O	April 21, 2023
3	Outside Director of FUJITEC	Ms. Umino	April 27, 2023
4	Outside Director of FUJITEC	Mr. Graninger	April 28, 2023
5	Outside Director of FUJITEC	Ms. Shimada	May 2, 2023
6	[REDACTED]	Mx. P	May 2, 2023
7	[REDACTED]	Mx. M	May 10, 2023

Appendix 2

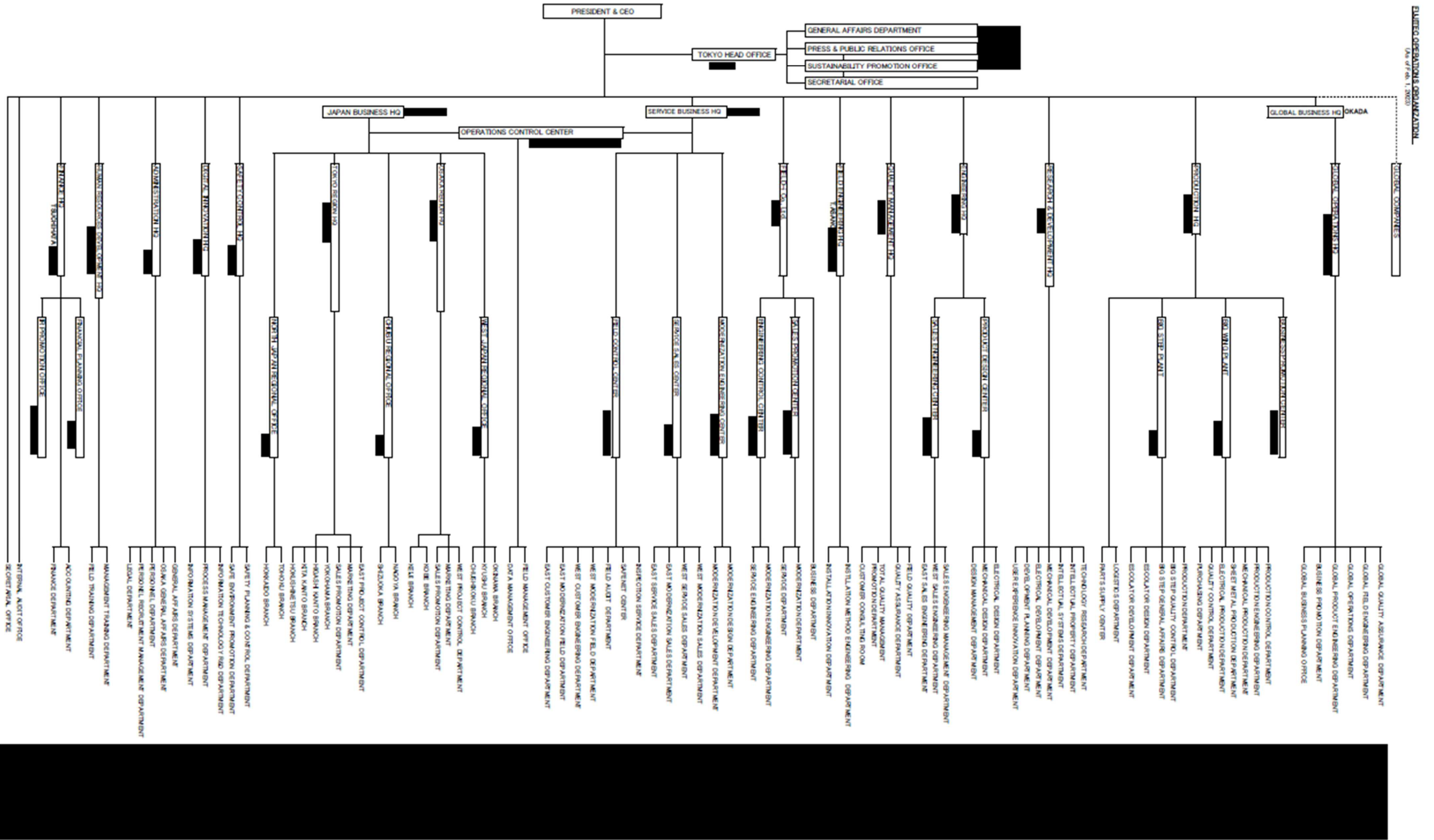
Status of Conducted Interviews

No	Name	Interview Date
1	Mr. Graninger	May 11, 2023
2	Ms. Umino	May 19, 2023
3	Mr. Okada	May 22, 2023
4	Ms. Shimada	May 23, 2023
5	Mr. Mishina	May 29, 2023
6	Mx. O	May 29, 2023
7	Mx. A	June 5, 2023
8	Mr. Asano	June 19, 2023
9	Mr. Tsuchihata	June 19, 2023
10	Mx. C (1st interview)	June 19, 2023
11	Mx. C (2nd interview)	July 4, 2023
12	Mx. D (1st interview)	July 5, 2023
13	Mx. E	July 21, 2023
14	Mx. B (1st interview)	July 21, 2023
15	•	July 25, 2023
16	Mx. C (3rd interview)	July 28, 2023
17	Mx. B (2nd interview)	July 28, 2023
18	Mx. D (2nd interview)	August 16, 2023

Appendix 3

[Intentionally Undisclosed]

Appendix 4



Attachment 2

Outline of the Results of the Investigation and the Analysis by the Independent Outside Directors on the Matters Indicated by the Former Third-Party Committee Concerning Its Refusal for the Renewal of the Agreement

I. Results of the Investigation of Matters Pointed Out by the Former Third-Party Committee and Points to be Improved by the Company's Response

Below is an outline of the results of the investigation concerning the matters pointed out by the Former Third-Party Committee (hereinafter simply referred to as the "Third-Party Committee" in this attachment) as reasons for not renewing the engagement agreement. Among the items below, items (i), (iii) and (v) were points to be improved by the Company's response.

(i) Statement that the Company was uncooperative in disclosing materials, facilitating interviews, etc.

The Third-Party Committee stated that the Company was uncooperative by providing the following examples: materials requested for disclosure on November 4 and 25, 2022 were only disclosed on December 29, 2022, immediately prior to the end of the term of agreement, with no prior communication regarding the estimated time of disclosure; with respect to the interview with Mr. Uchiyama, which was requested on December 8, 2022, no particular information was provided, such as confirmation of having received said request, but suddenly on December 21, 2022, notice was given that his interview could be arranged in the afternoon of December 27, 2022 or the morning of December 28, 2022; and with respect to interviews of the retirees, notice was given that conducting them would be difficult because "Fujitec does not know their contact details." However, the forensic investigation conducted by the Third-Party Committee revealed that the person in charge of the response to the investigation at the Company (the "Contact Person") had been in contact with one of them.

As a result of the investigation, the facts pointed out by the Third-Party Committee were found. However, at the minimum, it cannot necessarily be found that the Company intentionally delayed its response to the requests from the said Committee. In addition, taking into account the work situation of the Contact Person and the circumstances surrounding the Company at that time, there are understandable reasons for the delay thereof in responding. Furthermore, with respect to the explanation made by the Contact Person that, "Fujitec does not know their contact details" regarding the retirees, it can be assumed that such explanation was not made with a specific retiree in mind, but rather that the Contact Person intended that, in general, the contact information of the retirees would not be available, and thus, the Contact Person did not intend to state any falsehood. In addition, based on the reconfirmation made in response to the results of a forensic investigation, it was discovered that the Contact Person had been in contact with a retiree five years ago, but it is somehow unavoidable that the Contact Person could not recall what happened five years ago.

On the other hand, the following are considered the reasons for the delay in response by the Contact Person in some cases: the directors on the executive side at that time left the Contact Person alone to

handle the response to the investigation; they did not establish a system with multiple contact persons for the Third-Party Committee, although they were aware that the secretariat structure was insufficient; and they did not establish and operate a system to monitor the status of the response to the investigation, such as by having the secretariat periodically report to the Board of Directors, etc., on the status of the response to the investigation, and to support the Contact Person when the latter was unable to respond.

(ii) Statement that the response by the Company raised doubts about its integrity regarding the expiration of the engagement agreement

In early December 2022, at that point the Third-Party Committee fell into a situation where concluding the investigation prior to December 31 would be difficult. The Third-Party Committee stated that the Company's response raised doubts about its integrity regarding the expiration of the engagement agreement by providing examples of the following facts: while the Company expressed its views that (a) it would decide at the meeting of the Board of Directors to be held in January in the following year whether to continue the engagement agreement; and (b) the investigation was not expected to be conducted until a new agreement was reached on or after January 1, 2023, an interview with Mr. Uchiyama was set and materials were disclosed immediately prior to the expiration of the term of the agreement.

As a result of the investigation, the facts stated by the Third-Party Committee were found. However, as a background thereof, it is considered that, in December 2022, when the expiration of the term of the engagement agreement was near, neither the directors on the executive side of the Company at that time nor the Contact Person were aware of any possibility that the Company or the Third-Party Committee would refuse the renewal of the engagement agreement with the said Committee, and accordingly, they believed that the investigation would naturally continue the following year. In addition, the Third-Party Committee had informed the Company that it would send an interim report summarizing the progress of the investigation up to that point and the results found through such investigation around the latter half of December (the interim report was actually sent on December 31). Therefore, it was found that the directors on the executive side of the Company decided to make a decision on the renewal of the agreement with the said Committee at the meeting of the Board of Directors to be held in January the following year, instead of within the year, even though they were aware that the term of the engagement agreement would terminate on December 31, 2022, and the Contact Person of the Company set up interviews and disclosed materials immediately prior to the expiration of the term of the said agreement because they believed that the said agreement would be renewed and the investigation would continue in January the following year.

(iii) Statement that the response of the Company raised doubts about its integrity in the discussions for renewal of the engagement agreement

The Third-Party Committee also stated that the Company's response raised doubts about its integrity in that, in the discussions for the renewal of the engagement agreement with the Company, it took a long time to obtain a formal reply from the Company after the examination of the said

agreement and decision by its Board of Directors and that the Company expressed its view that it had provided full cooperation with the investigation since before.

As a result of the investigation, it was found that the Company had discussions for the renewal of the engagement agreement with the Third-Party Committee since January 2023 and took a long time to respond in some cases. However, at the minimum, it is not true that the Company intentionally delayed its response, and it is considered that there were understandable reasons for taking a lot of time to respond.

Moreover, the director of the Company in charge at that time of the negotiation in the discussions with the Third-Party Committee expressed the view in the emails sent to the said Committee that the Company had provided cooperation to the investigation until then. Objectively speaking, since such emails were sent without sufficiently verifying the facts with the Contact Person, who was the only one in charge of all contact points, given that the Company's lack of cooperation was severely criticized by the Third-Party Committee, it can be said that such emails were not prudent.

(iv) Statement that there was interference by the Company in the content of the investigation report

The Third-Party Committee stated that the Company interfered in the content of the investigation report (interim) that the Company received from the said Committee by December 2022, despite the fact that the right to draft the investigation report belonged to the said Committee exclusively and the independence of the investigation was guaranteed.

However, this problem was caused by the lack of recognition and misunderstanding of a director of the Company regarding the investigation practices of the Third-Party Committee, and it is considered that, at least with respect to such director, the director was not aware that the independence and neutrality of the said Committee would be adversely affected thereby. It would have been possible to gain the understanding of the Third-Party Committee by the director admitting such lack of awareness regarding the right to draft the investigation report and changing such director's attitude toward the said Committee. However, since the relationship with the said Committee had already deteriorated at that time thereby creating tension in the relationship, it is considered that the discrepancy in awareness between the director and the said Committee could not be resolved.

(v) Claim by the Company that the Third-Party Committee breached a term of the engagement agreement (the term that provides that the said Committee shall promptly obtain the approval of the Company if the hours worked by the investigation assistants exceed 20 hours)

In the negotiations for the renewal of the agreement with the Third-Party Committee, the director in charge of such negotiations pointed out in an email to the said Committee that based on the advice of an attorney representing the Company at that time, the said Committee had breached the engagement agreement by failing to obtain the approval of the Company although the hours worked by the investigation assistants exceeded 20 hours. The Third-Party Committee also raised the fact that the Company made such assertion as a reason for not renewing the agreement.

Under such circumstances where the Third-Party Committee had come to doubt the Company with respect to its understanding of cooperation with the investigation, where an email exchange with the

said attorney representing the Company until then had given the Third-Party Committee a confrontational impression, and where a warning letter had been sent by the affiliated companies of Mr. Uchiyama, and although the Company had previously responded that there was no problem with the draft invoice for expenses under the engagement agreement, the fact that the attorney suddenly pointed out the breach of the said agreement in express terms, objectively speaking, it is considered that this email caused the said Committee to have doubts that the Company might not be willing to cooperate with the investigation even if the said agreement was renewed.

II. Background and Causes of the Company's Response and Governance Issues at the Company

Each of the points to be improved concerning the Company's response pointed out in items (i), (iii) and (v) above seems to suggest a lack of prudence of the directors on the executive side of the Company in responding to the investigation by the Third-Party Committee and in continuing the investigation by renewing the engagement agreement, as well as their passive attitude from the beginning to the end. As to the background and causes of the Company's passive response, the following governance issues at the Company at that time can be pointed out:

1. Precondition for the investigation (Mr. Uchiyama's passive response to the investigation)

As to the precondition for the investigation, it could not be confirmed whether Mr. Uchiyama had given any instructions that would have prevented the conduct of the investigation. However, despite the repeated requests by the Third-Party Committee, he showed a passive attitude toward cooperation with the investigation, such as by continuously refusing to submit financial statements, etc., of the affiliated companies until the very end, refusing the request for interviews with certified public tax accountants for an affiliated company, and not agreeing to the on-site investigation of Domus Moto Azabu until March 2023. Additionally, even if Mr. Uchiyama resigned from his position as a director and even if the chairmanship he assumed thereafter did not have any authority over management or execution of the business, and even if he never attended meetings of the Board of Directors, because he had served as president for many years as a member of the founding family until immediately prior [to his resignation] and thereafter remained in the Company as chairman with the possibility of returning to the position of president, based on the Company's internal structure, it is considered that he still had some influence over the directors on the executive side of the Company.

Accordingly, if Mr. Uchiyama in such a position showed a passive attitude toward the investigation, it may be inferred that the directors on the executive side, employees and even attorneys representing the Company at that time had an incentive to be passive toward responding to the investigation by surmising or respecting the feelings of Mr. Uchiyama.

2. Failure to report to the Board of Directors and unclear decision-making without supervision by the Board of Directors

(1) Supervision, deliberations, etc., should have been conducted by the Board of Directors

As described above, if there was a mechanism where a negative incentive was given to be passive about cooperating with the investigation under the influence of Mr. Uchiyama, who was a subject of

the investigation, the Board of Directors, which is responsible for supervising the executive side, should have taken on the role of removing such incentive. In other words, the purpose of an investigation by a third-party committee is to restore public trust by having independent and impartial experts thoroughly investigate the causes of the misconduct, identify the causes, and recommend measures to prevent recurrence, and having the company respond sincerely to such recommendations. To this end, it is essential that the company actively cooperate with the investigation. However, in this case, as mentioned above, it is likely that Mr. Uchiyama and the directors on the executive side who may have been influenced by him were given an incentive not to actively cooperate with the investigation. If so, the response to the investigation may cause a conflict of interest between Mr. Uchiyama and the directors on the executive side who could be influenced by him, and the Company, and it is exactly the function expected of the Board of Directors (especially the outside directors), to supervise such conflict of interest and to have them actively cooperate with the investigation.

In light of such conflict of interest, the progress of the investigation and important matters regarding the response thereto should have been reported to the Board of Directors in a timely manner for discussion, including the outside directors, so that the Board of Directors could supervise such issue. In addition, since the engagement agreement with the Third-Party Committee stipulates that the method of investigation shall be left entirely up to the said Committee, it can be said that a careful decision-making process should have been followed in deciding and expressing an important response policy, such as refusing the method of investigation designated by the Third-Party Committee.

(2) Lack of clarity of management responsibility for the investigation by the Third-Party Committee

Nevertheless, during the period from August 2022 to December 2022, when the investigation by the Third-Party Committee was being conducted, no reports or the like were made at meetings of the Board of Directors regarding the investigation, and no information that was required for such supervision was shared. Accordingly, one of the reasons for the failure to report to the Board of Directors is that no person responsible for the investigation by the Third-Party Committee was clearly appointed.

As such, it can be pointed out that the fact that the investigation was started without clarifying who was responsible for confirming the progress, etc., which then led to the failure to report to the Board of Directors, was a governance issue at the Company at that time.

(3) Unclear decision-making process

In addition, it is considered that it was an attorney representing the Company at that time who substantially determined the Company's important response policy to the Third-Party Committee or provided advice that significantly influenced the determination of the response policy, and it appears that the decision-making process of the Company regarding its response to the investigation by the said Committee, including the above-mentioned response by the attorney, were unclear. In fact, an email, which could be interpreted as interference in the investigation method, was sent to the Third-Party Committee through the attorney representing the Company without first reporting to the Board of Directors the response to the investigation by the Third-Party Committee and without any

indication that it was sufficiently discussed thereby.

As described above, it can be pointed out that the facts that the decision-making process was not sufficiently reviewed in advance and that decisions were made and communicated externally, leaving it unclear what decision-making process should be followed, were also governance issues at the Company at that time.

3. Devaluation of the supervisory function that should be served by the outside directors

As described above, it could be pointed out that, as a governance issue of the Company at that time, it was unclear where the responsibility laid for management of the progress of the investigation by the Third-Party Committee, and that the Company's decision-making process was unclear regarding the important response policy to the said Committee. In other words, as a common background of these issues, the Company at that time devalued the supervisory function that the outside directors can serve over its response to the investigation by the Third-Party Committee, through reporting to the Board of Directors.

As described above, regarding the response to the investigation by the Third-Party Committee and discussions for the renewal of the engagement agreement therewith, the directors on the executive side of the Company appear to have been responding passively to the sharing of awareness of the issues or requests for reports by the outside directors, and can be deemed to have devalued the supervisory function served by the outside directors through the Board of Directors. It may be inferred that this was because the executive side may have surmised Mr. Uchiyama's feelings since its response to the investigation by the Third-Party Committee was deeply related to Mr. Uchiyama's interests. However, in light of the fact that supervision of such conflict of interest between the executive side and the Company's side is an important duty of the Board of Directors, or outside directors in particular under normal conditions, the Company's response at that time can be seen as devaluation of the supervisory function that should be served by the outside directors, which is an important function for corporate governance. Accordingly, it is considered that the devaluation of the supervisory function by the outside directors as described above is one of the reasons that caused a passive response to the investigation by the Third-Party Committee (i.e., surmising the feelings of Mr. Uchiyama, who was a subject of the investigation).

End

December 19, 2023

To Fujitec Corporation

Investigation Report

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I. Purpose of this Investigation Report

This Investigation Report was prepared to report the results of an investigation (the “**Investigation**”) of the facts concerning the related-party transactions and other activities (“**Related-Party Transactions, etc.**”) identified in the letter (the “**Letter**”) received by Fujitec Co., Ltd. (“**Fujitec**”) from Oasis Management Company Ltd. (“**Oasis**”), a shareholder thereof, on March 14, 2022, as well as the materials released by Oasis in May 2022 (“Protect Fujitec”),¹ December 2022 (“Protect Fujitec”)² and February 2023 (“Protect Fujitec Oasis Response to Fujitec’s Claims”)³ (hereinafter collectively referred to as the “**Released Materials**”) from the governance perspective that Fujitec needs to aim for as described in chapter II hereof. The Investigation was not conducted for the purpose of determining whether or not there exists legal liability, such as that arising from any breach of the duty of care of a prudent manager, with respect to persons related to Fujitec, such as the directors and other officers of Fujitec at that time.

II. Outline of the Investigation

1. Background of the Investigation

On March 14, 2022, Fujitec received the Letter from Oasis which pointed out that the interests of Fujitec were being harmed by its transactions with its affiliated companies wherein the Uchiyama family, the family that founded Fujitec, held shares or served as officers (“**Related Companies**”).

In response, on April 1, 2022, Fujitec requested Mr. Kaku Hirao (“**Mr. Hirao**”), an attorney of Nishimura & Asahi, to conduct an investigation of the relevant facts and provide a legal analysis of the facts ascertained by such investigation (the “**N&A Investigation**”). On May 29, 2022, Fujitec received the final investigation report from Mr. Hirao and published the summary thereof

¹ (Japanese)

<https://static1.squarespace.com/static/6387689a98f1a659d4e7c9bb/t/638dedb84b4b2c1fbd6c4723/1670245844838/Protect-Fujitec-jpn.pdf>

(English)

<https://static1.squarespace.com/static/6387689a98f1a659d4e7c9bb/t/638ded58adc9c530d81a8b72/1670245739194/Protect-Fujitec-eng.pdf>

² (Japanese)

<https://static1.squarespace.com/static/628452ce917b956ad3d21980/t/63b2a4d2fbf43c1896aefe64/1672652006593/Protect+Fujitec+JPN+Dec2022.pdf>

(English)

<https://static1.squarespace.com/static/628452ce917b956ad3d21980/t/63b2a52e65d9e060414220ef/1672652100327/Protect+Fujitec.pdf>

³ (Japanese)

<https://static1.squarespace.com/static/628452ce917b956ad3d21980/t/63e0e599ba4e150657c5082c/1675683248268/Protect%2BFujitec%2B-%2BOasis%2BResponse%2Bto%2BFujitec's%2BClaims%2BJPN.pdf>

(English)

<https://static1.squarespace.com/static/628452ce917b956ad3d21980/t/63e07217f86dec444b2d9fc8/1675653680239/Protect+Fujitec+-+Oasis+Response+to+Fujitec%E2%80%99s+Claims++EN.pdf>

on May 30, 2022.⁴

Later, on June 17, 2022, the Board of Directors of Fujitec adopted a resolution establishing a third-party committee to carry out further investigation and examination into the transactions identified in the Letter to “provide ease of mind and to rid the suspicions of its shareholders and other stakeholders.”⁵ In response, Fujitec, at the meeting of the Board of Directors held on August 10, 2022, commissioned an investigation (the “**Former Investigation**”) to a third-party committee (the “**Former Committee**”) comprised of Mr. Hideaki Kobayashi, an attorney of Nagashima Ohno & Tsunematsu as the chair, and Mr. Hiroshi Kawamura, an attorney of Deguchi Sogo Law Office, and Mr. Tomohiro Hen, an attorney of Nagashima Ohno & Tsunematsu, as members, for the purpose of investigating the facts and matters that were deemed necessary, and determining whether there are any legal or corporate governance issues with respect to the issues identified by Oasis.⁶

Although the engagement agreement with the Former Committee provided for a term from August 10, 2022 until the end of December 2022, the Former Investigation did not conclude by the end of December 2022. Accordingly, Fujitec requested the extension of the term of the agreement. Nevertheless, on April 3, 2023, the Former Committee informed Fujitec that the term of the agreement would not be extended (in other words, the agreement would not be renewed).⁷

On May 23, 2023, Fujitec announced that the independent Outside Directors would take the lead in considering the future measures to be taken with regard to the transactions identified in the Letter,⁸ and as a result of such consideration in which the independent Outside Directors took

⁴ (Japanese)

https://www.fujitec.co.jp/common/fjhp/doc/top/document/irnews/7903/220530_当社株主による主張に対する取締役会決議に関するお知らせ.pdf

(English)

https://www.fujitec.com/common/fjhp/doc/top_global/document/irnews/2731/220530_Notice%20Concerning%20Board%20of%20Directors%20Resolution%20in%20relation%20to%20Shareholders%20Assertion.pdf

⁵ (Japanese)

https://www.fujitec.co.jp/common/fjhp/doc/top/document/irnews/7936/220617_第三者委員会による追加調査実施に関する取締役会決議のお知らせ.pdf

(English)

https://www.fujitec.com/common/fjhp/doc/top_global/document/irnews/2755/220617_Notice%20Concerning%20Board%20of%20Directors.pdf

⁶ (Japanese)

https://www.fujitec.co.jp/common/fjhp/doc/top/document/irnews/8133/220810_第三者委員会に関するお知らせ.pdf

(English)

https://www.fujitec.com/common/fjhp/doc/top_global/document/irnews/2872/220810Notice%20Concerning%20the%20Third-Party%20Committee.pdf

⁷ (Japanese)

https://www.fujitec.co.jp/common/fjhp/doc/top/document/irnews/8668/230407_内山前会長の解職等に関する当社取締役会の見解及び第三者委員会による追加調査及び検証の終了に関するお知らせ.pdf

(English)

https://www.fujitec.com/common/fjhp/doc/top_global/document/irnews/3151/230407_Notice%20Concerning%20the%20Opinion.pdf

⁸ (Japanese)

the lead, a decision was made to request us to conduct the Investigation.

As the Investigation is the third one following the N&A Investigation and the Former Investigation and it would entail substantial cost and time to conduct the relevant investigations again, such as the forensic review and real estate appraisals, Fujitec requested the Former Committee on July 11, 2023 to provide it with the results of the forensic review and other information, such as the opinions of real estate appraisers obtained in the Former Investigation to conduct the Investigation effectively. However, Fujitec failed to reach an agreement with the Former Committee on the conditions for the provision of such information, and thus, was not able to obtain such information from the Former Committee.

It has been pointed out by the Former Committee that Mr. Takakazu Uchiyama caused the Related Companies where he served as a representative to send to the Former Committee a warning letter, which made it difficult to expect appropriate cooperation from him. He also filed by himself and through the Related Companies where he served as a representative, an action for declaratory judgment of the invalidity of the resolution of the Board of Directors and an action to revoke the resolution passed at the shareholders' meeting against Fujitec, as well as an action seeking compensation for damages against some of the independent Outside Directors of Fujitec. Accordingly, Mr. Takakazu Uchiyama and Fujitec are embroiled in a legal dispute and his cooperation in the Investigation is not expected at all.

Under such circumstances, it was deemed difficult to clarify the facts and analyze the existence or non-existence of legal liability based on a sufficient investigation, and thus, Fujitec decided to investigate matters that were of high importance from a legal or corporate governance perspective from among the suspicions raised regarding the Related-Party Transactions, etc. Fujitec then requested us to conduct the Investigation mainly for the purpose of conducting an examination of the facts from the governance perspective that Fujitec needs to aim for, and not for the purpose of determining whether or not there exists legal liability, such as that arising from any breach of duty of care of a prudent manager, with respect to persons related to Fujitec, such as the directors and other officers of Fujitec at that time.

2. Outline of major facts examined in the Investigation

The major Related-Party Transactions, etc. identified by Oasis in the Letter and the Released Materials are described below:

- (i) the lease agreement with Mr. Takakazu Uchiyama for the Domus Moto Azabu Unit 104, and the sale of this property to Santo Co., Ltd. (“**Santo**”) where Mr. Yusuke Uchiyama is

https://www.fujitec.co.jp/common/fjhp/doc/top/document/irnews/8707/230523_関連当事者取引等に関する第三者委員会の指摘事項に対する当社の対応に関するお知らせ.pdf
(English)

https://www.fujitec.com/common/fjhp/doc/top_global/document/irnews/3169/4.pdf

- serving as the representative director;
- (ii) the loan to Uchiyama International Co., Ltd. (formerly known as Seiwa Kaihatsu Kosan Kabushiki Kaisha, and hereinafter referred to as “UI,” whether before or after the trade name change);
 - (iii) the transactions with UI and Takanawa FT Investment Godo Kaisha (the “SPC”) involving the Takanawa Building;
 - (iv) the lease agreement with UI for Urban Well Ibaraki;
 - (v) the payment of usage fees to UI for Fitwill Hikone and the acquisition of this property from UI;
 - (vi) the suspicion that Fujitec engaged as a tax and accounting advisor Mr. Yoshinori Shinohara, a certified public accountant who allegedly had close relationships with UI and Santo; and
 - (vii) the suspicion that Mr. Takakazu Uchiyama used an employee of Fujitec for private matters and caused the employee to clean his house and garden.

In the Investigation, we investigated the facts of the Related-Party Transactions, etc. and suspicions described above, which were identified by Oasis, and as to those described in items (i) through (v) above, we investigated the circumstances and the review process at Fujitec at the time such transactions were implemented.

3. Method of the Investigation

We conducted the Investigation by referring to and verifying the materials and information provided by Fujitec to Nishimura Asahi and the Former Committee in the N&A Investigation and the Former Investigation, respectively. As to Mr. Takakazu Uchiyama and the person who served as the contact person at Fujitec in the said investigations, we conducted an ESI (electronically stored information) investigation by reviewing via the Google Vault the emails they sent and received in the course of business using the Google accounts provided by Fujitec.

4. Assumptions and limitations of the Investigation

Please note that the Investigation was conducted based on the following assumptions:

- In the Investigation, we did not conduct our own investigation with respect to the accuracy, truthfulness or completeness of the information disclosed by Fujitec, and assume that such information remains accurate, true and complete as of the date of this Investigation Report;
- All of the copies of documents and data disclosed by Fujitec are true and complete copies of the originals thereof;

- As described in section 1 above, the Investigation we conducted was limited to the matters that were of high importance from a legal or corporate governance perspective from among the suspicions raised by Oasis regarding the Related-Party Transactions, etc.;
- As described in section 1 above, the Investigation was conducted mainly for the purpose of conducting an examination from the governance perspective that Fujitec needs to aim for, and not for the purpose of determining whether or not there exists legal liability, such as that arising from any breach of the duty of care of a prudent manager, with respect to persons related to Fujitec, such as the directors and other officers of Fujitec at that time;
- As described in section 1 above, since the Investigation is the third one following the N&A Investigation and the Former Investigation and it would entail substantial cost and time to conduct the relevant investigations again, such as the forensic review and real estate appraisals, we did not conduct them in the Investigation except for the ESI investigation described in 3 above; and
- As described in section 1 above, Mr. Takakazu Uchiyama and Fujitec are embroiled in a legal dispute, and thus, no cooperation from him could be expected for the Investigation. Therefore, we did not ask him to provide cooperation to the Investigation, such as requests for the provision of materials or interviews.

III. Facts Found as a Result of the Investigation

1. Transactions related to the Domus Moto Azabu Unit 104

(1) Issues identified by Oasis

According to Oasis, Fujitec leased the Domus Moto Azabu Unit 104 to Mr. Takakazu Uchiyama at a discounted rent, but the rent amount paid was not disclosed, and Fujitec may have sold the said property to his son at a discounted price.

(2) Outline of the transactions related to the Domus Moto Azabu Unit 104

The Domus Moto Azabu is a seven-story building of steel-framed reinforced concrete structure with a flat roof, located in Moto Azabu, Minato-ku, Tokyo, and was built in May 1984 (site area: 1,970.25m²). The Domus Moto Azabu Unit 104 is located on the second floor of the Domus Moto Azabu (floor area of the exclusive section in the building: 426.66m²) and has parking lots associated therewith.

Fujitec acquired the Domus Moto Azabu Unit 104 on February 14, 2013 and subsequently sold it to Santo where Mr. Yusuke Uchiyama was serving as the representative director. In addition, during the period until the sale, Fujitec had a lease agreement with Mr. Takakazu Uchiyama for the said property. Below is an outline of the relevant facts.

Date	Event
February 8, 2013	The Board of Directors of Fujitec resolved to purchase the Domus Moto Azabu Unit 104.
February 14, 2013	Fujitec purchased the said property from an unrelated third party. The purchase price, including the price for other fixed assets and the parking lots for two cars, was 290 million yen (including the amount equivalent to the consumption tax, etc., for the building).
August 8, 2013	The Board of Directors of Fujitec resolved to approve the lease of the residential section of the Domus Moto Azabu Unit 104 to Mr. Takakazu Uchiyama and the terms of the lease agreement.
September 20, 2013	Fujitec executed the Lease Agreement for Company Housing for an Officer with Mr. Takakazu Uchiyama for the residential section of the said property and the prorated portion of its common area based on the occupancy ratio (total leased area: 192.321 m ²). The rent was set at 270,000 yen per month.
February 8, 2017	The Board of Directors of Fujitec resolved to amend the Reception House Management and Operation Rules and the Lease Agreement for Company Housing for an Officer.
March 1, 2017	Fujitec executed a new Lease Agreement for Company Housing for an Officer with Mr. Takakazu Uchiyama for the residential section of the said property and the prorated portion of its common area based on the occupancy ratio (total leased area: 210.103m ²). The new rent was set at 300,000 yen per month.
May 21, 2021	The Board of Directors of Fujitec resolved to sell the said property to Santo.
June 28, 2021	Fujitec executed a real property sales agreement with Santo and sold the said property and the movable properties in the premises thereof. The sales price was 371,808,241 yen (including the amount equivalent to the consumption tax, etc., for the building and the amount of the consumption tax for movable properties).

(3) Board review of the acquisition of the Domus Moto Azabu Unit 104

Based on the minutes of the meeting of the Board of Directors on February 8, 2013, where the acquisition of the Domus Moto Azabu Unit 104 was resolved, a proposal titled “Purchase of reception facility and company housing” was submitted thereat. The following explanations were given therefor: “The Company will purchase a condominium in Tokyo, which will be used by the

top management for active sales activities and reception events. As the property to be purchased is divided into and consists of the reception section and the residential section, the residential section will be used as company housing and the President, as the person who will host such activities, will reside thereat;” and “The company housing will be leased to the President and the lease terms, including the setting of the rent based on the Income Tax Act, the Fundamental Directives of Income Tax and other regulations are under consideration.” Following such explanations, it was resolved that ownership of the land and building of the Domus Moto Azabu Unit 104 and other fixed assets and the parking lots for two cars would be acquired at 290 million yen. Based on the minutes of the meeting of the Board of Directors, Mr. Takakazu Uchiyama, who was the Representative Director, President and CEO at that time, did not participate in the voting because he could have a special interest in the resolution.

Based on the materials attached to the aforesaid minutes of the meeting, before the said meeting, Fujitec received an appraisal letter from A Company titled “Proposal on the Appraisal of Real Estate Value,” which stated that the estimated transaction price of the Domus Moto Azabu Unit 104 was 280 million yen to 300 million yen.

(4) Board review of the execution of the lease agreement with Mr. Takakazu Uchiyama

On September 20, 2013, Fujitec executed the Lease Agreement for Company Housing for an Officer with Mr. Takakazu Uchiyama for the residential section of the Domus Moto Azabu Unit 104 and the prorated portion of its common area based on the occupancy ratio (total leased area: 192.321 m²). In the lease agreement, the rent was stated as 270,000 yen per month.

Based on the minutes of the meeting of the Board of Directors on August 8, 2013, where the execution of the lease agreement was approved, a proposal titled “Reception facilities” was submitted thereat, and the management and operation of the Domus Moto Azabu Unit 104, the lease of the residential section of the said property to Mr. Takakazu Uchiyama and the terms of the lease agreement were resolved to be approved. Based on the minutes of the said meeting, Mr. Takakazu Uchiyama did not participate in the voting because he had a special interest in the resolution.

The materials titled “Reception House Management and Operation Rules (draft)” and the “Lease Agreement for Company Housing for an Officer (draft)” were attached to the aforesaid minutes of the meeting.

In the “Reception House Management and Operation Rules (draft),” the Domus Moto Azabu Unit 104 was referred to as the “Reception House” (Article 1), and the following provisions were stipulated therein:

[Omitted]

Article 3 (Purpose)

In view of the fact that the Company's business is related to the development of social infrastructure and requires activities to solicit orders based on a broad and long-term perspective, the Company regards reception activities for both domestic and international guests as one of its major issues for management and establishes the Reception House at the address set forth in Article 1.

2. The Reception House shall be used for sales reception activities for key customers, potential customers, global guests, etc., IR-related reception activities, important internal meetings and reception activities related thereto, and various other events to be conducted by the top management and the reception activities related thereto and the like.
3. The Company shall appoint Takakazu Uchiyama, the Representative Director, and his spouse as the persons in charge of the reception activities set forth in Paragraph 2.

Article 4 (Composition of the Reception House and Request to Live in the Reception House)

To facilitate the purpose set forth in Article 3, the Reception House shall be composed of the reception section and the residential section.

2. The reception section consists of a reception hall, a dining room, a kitchen room, a tea-ceremony room (large), a tea-ceremony room (small), an office of the President, utilities, a private garden, underground parking lots, etc. It shall be equipped with the facilities and items necessary for the operation of receptions.
3. To reasonably and smoothly carry out reception activities, the residential section shall be the residence of Takakazu Uchiyama, the Representative Director, and his wife and family members, and he shall be requested to live in that section, where the necessary rooms and facilities shall be arranged.

[Omitted]

Article 8 (Lease Period and Review of Rent)

The term of the lease to Takakazu Uchiyama, the Representative Director, shall commence on October 1, 2013, and in principle, shall continue for the period the Company requires reception activities in Tokyo and Takakazu Uchiyama holds the office of Representative Director. Meanwhile, since the tax basis amount of the real property tax for the building and its site, which is the basis for the calculation of the rent set forth in Article 10, is revised annually and the Company receives a notice thereof in June, the Company shall review the rent every June.

[Omitted]

Article 9 (Method of Calculation of Rent)

The common area of the Reception House shall be the entrance and the entrance hall, and the prorated portion of the area dimension thereof based on the occupancy ratio

of the residential section shall be added to the area dimension of the residential section (total leased area: 192.321 m²). The occupancy ratio shall be determined as set forth in the following paragraph.

2. The occupancy ratio of the reception section and residential section shall be calculated based on the area dimension recorded in the [real property] register. The occupancy ratio of the residential section shall be 45.245%.

(The calculation of the occupancy ratio is attached as Exhibit 1.)

3. Other subsidiary facilities to be occupied (two parking lots) and the facility for exclusive use (private garden) shall be excluded from the scope of the lease agreement; provided, however, that the use thereof shall not be prevented as long as it does not interfere with the reception activities.

Article 10 (Monthly Rent and Invoicing)

In view of the fact that Takakazu Uchiyama, the Representative Director, is requested to live in the Reception House pursuant to Article 4, Paragraph 3, the Company shall regard the residential section of the Reception House as a company housing for an officer.

2. The rent shall be the amount calculated by using the calculation formula in item (1) below, as set forth in the Fundamental Directives of Income Tax No. 36-40 “Calculation of the Amount of Ordinary Rent for Housing, etc., Leased to Officers,” prorated to the occupancy ratio of the residential section as set forth in Article 9, Paragraph 2 (the monthly rent in [item] (2)).

(1) Calculation formula

$$\left(\begin{array}{l} \text{Tax basis amount} \\ \text{of the real property} \\ \text{tax for the building} \\ \text{in the relevant} \\ \text{fiscal year} \end{array} \times 10\% + \begin{array}{l} \text{Tax basis amount} \\ \text{of the real property} \\ \text{tax for the site in} \\ \text{the relevant fiscal} \\ \text{year} \end{array} \times 6\% \right) \times 1/12$$

(2) 270,000 yen

The monthly rent shall be 270,000 yen and shall be invoiced to Takakazu Uchiyama, the Representative Director, regularly on a monthly basis; provided, however, that for a period shorter than one full month, the rent shall be the daily prorated amount on the basis of 30 days per month. (The calculated amount is: 582,993 yen \times 0.45245 = 263,775 yen. The result is rounded up to the nearest 10,000 yen. The calculation of the monthly rent is attached as Exhibit 2.)

[Omitted]

The major terms of the Lease Agreement for Company Housing for an Officer (draft) are as follows:

- Property: Residential section of the Domus Moto Azabu Unit 104 and the prorated portion of its common area based on the occupancy ratio.
- Lease Period: In principle, starting from October 1, 2013, for the period Fujitec requires reception activities in Tokyo and Mr. Takakazu Uchiyama holds the office of Representative Director of Fujitec.
- Rent: 270,000 yen per month for the period from October 2013 to June 2014. Other matters concerning the rent shall be in accordance with the provisions of Article 10 of the Reception House Management and Operation Rules.

Moreover, there is a document titled “Information Material Regarding the Setting of a Reasonable Rent of the Company Housing for the President” with the header “2012.11.9 Material 2.” Based on this material, the rent for an equivalent condominium in the neighborhood is about 10,000 yen per *tsubo* [about 3.3m²] per month, and accordingly, the monthly rent is 546,100 yen assuming that the dimension of the area exclusively used as company housing in the Domus Moto Azabu Unit 104 is 54.61 *tsubo*. However, the rent of the residential section charged to Mr. Takakazu Uchiyama was set at 270,000 yen per month because, as described in Article 10 of the “Reception House Management and Operation Rules (draft),” the rent amount was decided in a way that would meet the taxation standards concerning the amount of lease fees for providing company housing to officers in accordance with the Income Tax Act and the Fundamental Directives of Income Tax.

(5) Board review of the revision of the rent

On March 1, 2017, Fujitec executed a new Lease Agreement for Company Housing for an Officer with Mr. Takakazu Uchiyama for the residential section of the Domus Moto Azabu Unit 104 and the prorated portion of its common area based on the occupancy ratio (total leased area: 210.103 m²). In the lease agreement, the new rent was stated as 300,000 yen per month.

Based on the minutes of the meeting of the Board of Directors on February 8, 2017, where the execution of the above agreement was approved, a proposal titled “Reception House” was submitted thereat, and it was explained that the rent would be revised based on the increase of the occupancy ratio of the residential section in the Domus Moto Azabu Unit 104. It was then resolved that the “Reception House Management and Operation Rules” and the “Lease Agreement for Company Housing for an Officer” would be amended. Based on the minutes of the said meeting,

Mr. Takakazu Uchiyama did not participate in the voting because he had a special interest in the resolution.

Based on the materials attached to the said minutes of the meeting, the description of the kitchen room, which was formerly included in the reception section of the Domus Moto Azabu Unit 104, was deleted, and the area dimension of the residential section increased from 192.321 m² to 210.103 m², resulting in the increase of the occupancy ratio of the residential section from 45.245% to 49.428%. Accordingly, the rent was recalculated based on the calculation formula used for the former rent, and the new rent after the revision was set at 300,000 yen per month.

The background of the increase of the occupancy ratio of the residential section is not clear from the minutes and explanatory materials of the meeting of the Board of Directors. However, based on the emails internally exchanged at Fujitec in 2017, it was pointed out to Fujitec in the tax investigation conducted in 2016 that “[A]s the dining room is located in the Reception House side, it is likely that a certain part of the Reception House is routinely used as a living space.” Therefore, the kitchen room, which was classified as part of the reception section, was presumably reclassified as part of the residential section based on such opinion.

(6) Actual use as the Reception House

Based on the materials titled “Reception House Guest List” and “Actual Use of Reception House in 2016-2019,” the Domus Moto Azabu Unit 104 was actually used as the Reception House three times in 2013, three times in 2014, once in 2015, seven times in 2016, eight times in 2017, none in 2018, and twice in 2019. In the latter material, the following hand-written notes were made: “No use by guests in 2018 due to interior renovation work, etc.,” and “No use by guests during the first half of 2019 due to drainage work arranged by the unit owners’ association of the condominium, etc.”

(7) Board review of the sale of the Domus Moto Azabu Unit 104

On June 28, 2021, Fujitec executed the Real Property Sales Agreement with Santo, where Mr. Yusuke Uchiyama was serving as the Representative Director, and sold the Domus Moto Azabu Unit 104 and the movable properties in the premises thereof for 371,808,241 yen (including the amount equivalent to the consumption tax for the building, etc., and the amount of the consumption tax for movable properties). Based on the minutes of the meeting of the Board of Directors on May 12, 2021, where the sale was approved, a proposal titled “Sale of the Reception House” was submitted thereat and it was resolved that the said property would be sold to Santo. Based on the minutes of the said meeting, Mr. Takakazu Uchiyama did not participate in the deliberations and voting because the relevant transaction qualified as a conflict-of-interest transaction.

In the materials attached to the said minutes of the meeting, the reason for the sale was described as follows: “Fujitec acquired the property as a facility to entertain its guests and serve as a company housing for an officer in February 2013 for the purpose of strengthening sales promotion by the top management to improve the Company’s status in the Tokyo metropolitan area, and it has operated the facility as such, and after about eight years, the original purpose was achieved.” In addition, the said material also stated that the sales price was the sum of (i) 368,935,000 yen, which is the average of the appraisal value of 317,140,000 yen stated in the real property appraisal report made by A Company.⁹ dated April 27, 2021 and the appraisal value of 420,730,000 yen stated in the proposal for the sale of the “Domus Moto Azabu Unit 104” made by B Company. dated October 2020, and (ii) 2,873,241 yen (including the consumption tax) which is the amount equivalent to the book value of the movable properties in the premises as of the end of March 2021.

Meanwhile, in addition to the above-mentioned two appraisers, Fujitec obtained an opinion letter regarding the value of the condominium (theoretical appraisal letter) dated August 20, 2020 from C Company, which stated that the estimated fair value was 700 million yen (price fluctuation range: +/- 30%). The opinion letter includes the following notes: “Since this is based on a theoretical appraisal¹⁰, the opinion price may vary depending on the on-site survey” and “The opinion price is a theoretical estimate and is not intended as a proof of value.” The opinion letter also includes the following reservations: “Due to the unique nature of the property in terms of size, the range of the estimated fair value of the property must be wide,” and “Due to the age of the property, the price may fluctuate further depending on the maintenance status, such as whether or not large-scale repairs are being planned.” Even though there were some reservations in the opinion letter, the above-mentioned minutes of the meeting of the Board of Directors and the materials attached thereto did not mention such opinion letter, and it is unknown why such opinion letter was not taken into consideration in determining the sales price. In addition, the above-mentioned minutes of the meeting and the materials attached thereto did not indicate that Fujitec examined the possible sale of the property to any other person except Santo, and it is unclear what kind of negotiations were conducted with Santo.

(8) Issues that can be identified from the perspective of governance

A. Provisions of the Corporate Governance Guidelines, etc., of Fujitec

Principle 1.7 of the Corporate Governance Code states as follows: “When a company engages

⁹ Based on the information on the website, FREE FUJITEC, which is published by UI, on May 29, 2023, A Company submitted a letter to support UI that made the shareholder proposals for the Annual General Meeting of Shareholders held in June 2023.

¹⁰ Theoretical appraisal is a simple appraisal method that does not involve an on-site survey, and because it cannot reflect sunlight, ventilation, a view, the condition of the room, etc. in its appraisal results, it is highly likely to differ from the actual sale price.

in transactions with its directors or major shareholders (*i.e.*, related-party transactions), in order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and prevent any concerns with respect to such harm, the board should establish appropriate procedures beforehand in proportion to the importance and characteristics of the transaction. In addition to their use by the board in approving and monitoring such transactions, these procedures should be disclosed.” Measures to ensure that the interests of a company or the common interests of its shareholders are not harmed generally include the use of voluntary advisory committees, approval by independent officers, obtaining of expert’s opinions, and deliberations by the Board of Directors. The setting of trade terms based on the arm’s length principle can also be a reasonable measure.¹¹

In this regard, Fujitec’s Corporate Governance Guidelines (the version established on November 6, 2015 and effective until the revision on June 30, 2022) provided for related-party transactions as follows: “When the Company engages in transactions with its directors and major shareholders, the Company shall ensure the reasonableness of terms and conditions of such transactions by resolution of Board of Directors, pursuant to Law and the Company’s internal regulations (including, but not limited to, Rules of the Board of Directors), in which independent directors and independent auditors shall participate”; “The reasonableness of terms and conditions of such transactions shall be subject to post-audit by corporate auditors and/or accounting auditors”; and “The Company shall prevent situations where related-party transactions would harm the interests of the Company or the common interests of its shareholders through prior or subsequent procedures set forth in this Article.”

B. Execution of the lease agreement with Mr. Takakazu Uchiyama

Fujitec started the lease of the residential section of the Domus Moto Azabu Unit 104 and the prorated portion of its common area based on the occupancy ratio before it established the Corporate Governance Guidelines (November 6, 2015), but this transaction already qualified as a conflict-of-interest transaction (related-party transaction). As described above, the execution of this lease agreement was approved by the resolution of the Board of Directors dated August 8, 2013, and Mr. Takakazu Uchiyama did not participate in the voting as he had a special interest in the resolution. Therefore, it is considered that the procedures required by the Companies Act (Articles 356(1)(ii), 365 and 369(2) of the Companies Act) were followed, and that the Board of Directors monitored the transaction to some extent. Furthermore, as to the transaction terms, the rent amount was decided in a way that would meet the taxation standards concerning the amount of lease fees for providing company housing to officers, thus it is considered that such method

¹¹ Minoru Sawaguchi, *et al.*, *Viewpoints for Responding to the Corporate Governance Code [II]*, Shoji Homu No. 2067 (2015), p. 68.

should not by itself be immediately denied.

Even so, it is considered that, to avoid any suspicion about whether the transaction was necessary and reasonable, or any suspicion that Fujitec has set an unfair transaction term that may sacrifice the company's interests, the ideal procedure in terms of governance would have been to decide the rent amount based on information from a reliable source by, for example, obtaining a formal real property appraisal report from an independent real property appraiser from the viewpoint of setting the transaction terms in accordance with the arm's length principle, for purposes of deciding on the appropriateness of a potential conflict of interest transaction and calculating the relevant value. In addition, while it is hard to deny that the Domus Moto Azabu Unit 104 was actually used as the Reception House, the possibility of its personal use by Mr. Takakazu Uchiyama cannot be denied either. Therefore, the Board of Directors should have monitored the state of use of the property by requesting Mr. Takakazu Uchiyama to regularly report to the Board of Directors on the actual use and manner of use after the approval, in addition to simply giving the approval at a meeting of the Board of Directors.

C. Sale to Santo

Next, Fujitec's transaction to sell the Domus Moto Azabu Unit 104 to Santo also qualifies as a related-party transaction.

As a monitoring measure to ensure that the interests of Fujitec and the common interests of its shareholders are not harmed, Fujitec at that time was supposed to confirm the reasonableness of the transaction terms by a resolution adopted at a meeting of the Board of Directors attended by the independent directors and the independent auditors, as stipulated in its Corporate Governance Guidelines. As mentioned above, the sale of the Domus Moto Azabu Unit 104 to Santo was deliberated upon and resolved at a meeting of the Board of Directors of Fujitec, and Mr. Takakazu Uchiyama did not participate in the voting as he had a special conflict of interest in the resolution. Therefore, it is considered that the procedures required by the Companies Act were followed and that the Board of Directors monitored the transaction to some extent.

However, with respect to the meeting of the Board of Directors on May 12, 2021, where the sale of the Domus Moto Azabu Unit 104 was resolved to be approved, although the reason for the sale, namely, that the original purpose for acquiring the property has been achieved, is understandable, there was no evidence to imply that Fujitec examined the possibility of selling the property to any person other than Santo, a related party, and it is also unclear what kind of negotiations were conducted with Santo, as described above. Furthermore, nothing was found to suggest that deliberations were conducted on the necessity and reasonableness for choosing Santo as the buyer. It would be worthwhile to consider that the ideal procedure in terms of governance would be to obtain the approval of independent officers in addition to the approval of the Board

of Directors, and conduct an active market check, such as a search for other potential buyers, to strictly examine the necessity and reasonableness of the related-party transaction.

In addition, even if Fujitec did not find any buyer except for Santo, it is doubtful whether the independent directors and the independent auditors were sufficiently provided with the necessary information to verify the reasonableness of the transaction because the details of the estimation given by C Company was the highest price, albeit without an on-site survey and with a simplified valuation method that was not highly accurate, yet its details were not reported to the board. Furthermore, the background of the submission of the appraisal letter to Fujitec by A Company whose estimation was the lowest, as well as its relationship with Fujitec are not clear. Although the amount of the transaction, etc. was disclosed in the “Related Party Transactions” section of the Annual Securities Report dated June 30, 2022, for which an unqualified opinion was obtained from Fujitec's independent auditor, Grant Thornton Taiyo LLC, it is also considered that, to avoid any suspicion that Fujitec has set an unfair transaction term that may sacrifice the company’s interests, the ideal procedure in terms of governance would have been to decide the sales price based on information from a reliable source by, for example, obtaining a formal real property appraisal report from an independent real property appraiser rather than a simple appraisal letter from the viewpoint of setting the transaction terms in accordance with the arm’s length principle.

2. Loans to UI

(1) Issues identified by Oasis

According to Oasis, Fujitec loaned a substantial amount of money to Seiwa Kaihatsu Kosan (UI) without taking any collateral and at a low-interest rate, and allowed the due date for the repayment thereof to be extended several times.

(2) Outline of the events from the provision of the loan to UI to its repayment

On March 31, 1999, Fujitec made guarantee bookings to secure UI’s borrowings from banks, and then changed such guarantee bookings to regular guarantees in February 2002. Subsequently, on September 30, 2003, Fujitec provided a loan of 4.1 billion yen to UI as funds to repay its loans to the banks. The loan was repaid in full by March 31, 2015. Below is an outline of the background and events regarding Fujitec’s provision of such loan to UI.

Date	Events
June 30, 1989	The Board of Directors of Fujitec passed a resolution to sell the land owned by Fujitec (Nos. 78 and 80, Utsubohonmachi 1-chome, Nishi-ku, Osaka; hereinafter referred to as the “ Land ” in this section), which was used as the Osaka Regional Office, to UI for approximately 6.5 billion yen.

Date	Events
September 8, 1989	UI borrowed 3.5 billion yen from D Bank and 3 billion yen from E Bank as funds to purchase the Land.
September 20, 1989	Fujitec transferred the Land to UI at 6.5 billion yen.
September 21, 1989	Fujitec executed a lease agreement with UI to lease the Land. The rent was set at 33 million yen per month.
February 19, 1999	The Board of Directors of Fujitec passed a resolution to make guarantee bookings for UI's borrowings from D Bank and E Bank.
March 31, 1999	Fujitec made guarantee bookings to D Bank and E Bank. As collaterals for the guarantee bookings, UI deposited with Fujitec the certificates of ownership of the Land, the land at Yonban-cho, Nishinomiya City, and the land at Koshienguchi 2-chome, Nishinomiya City, as well as 3.9 million shares of Fujitec.
February 22, 2002	The Board of Directors of Fujitec passed a resolution to provide regular guarantee letters in place of the guarantee bookings for F Bank (formerly D Bank) and E Bank. Subsequently, Fujitec changed its guarantee bookings for both banks to regular guarantees.
August 28, 2003	Due to the scheduled relocation of the Osaka Regional Office, the Board of Directors of Fujitec passed a resolution to repurchase the share in the Land owned by UI and Yugen Kaisha Uchiyama International to use the Land effectively at prices appraised by a real property appraiser, and, with respect to UI's remaining debts, to loan funds for the repayment thereof for a certain period.
September 30, 2003	Fujitec executed a real property sale and purchase agreement with UI and accepted the transfer of the land of 78, Usubohonmachi 1-chome, Nishi-ku, Osaka for 623,926,000 yen. Fujitec also executed a real property sale and purchase agreement with Yugen Kaisha Uchiyama International and accepted the transfer of the land of 80, Usubohonmachi 1-chome, Nishi-ku, Osaka for 399,073,000 yen. ¹² In addition, Fujitec executed a loan instrument with UI and provided a loan of 4.1 billion yen, setting its repayment date at September 30, 2005 and the interest rate at 0.76% per annum.
November 12, 2004	The Board of Directors of Fujitec passed a resolution to extend the due date for the repayment of the loan to UI for three years. On the same

¹² Fujitec obtained an appraisal report dated October 10, 2003 for the Land from a real property appraiser of G Bank. According to the appraisal report, the appraised value of the Land was 930 million yen.

Date	Events
	day, Fujitec executed an amendment agreement with UI that set the repayment date of the loan on September 30, 2008.
March 30, 2006	450 million yen, which was a part of the loan, was repaid by UI.
September 21, 2006	1.75 billion yen, which was a part of the loan, was repaid by UI.
September 29, 2008	The Board of Directors of Fujitec passed a resolution to extend the repayment date of the loan to UI for three years.
September 30, 2008	Fujitec executed a debt confirmation and repayment agreement with UI that set the interest rate as the financing rate of Fujitec plus 0.1% per annum, and the due date for repayment of 300 million yen of the outstanding loan at the end of March 2009 and the due date for repayment of the remaining amount at the end of September 2011.
March 23, 2009	The Board of Directors of Fujitec passed a resolution to change the repayment date for 300 million yen of the loan to UI, which was set at the end of March 2009 to September 30, 2011.
July 14, 2011	The Board of Directors of Fujitec passed a resolution to extend the due date for the repayment of the loan to UI for three years.
September 1, 2011	Fujitec executed a debt confirmation and repayment agreement with UI that set the repayment date for the remaining amount of loan at the end of September 2014.
December 13, 2013	200 million yen, which was part of the loan, was repaid by UI.
August 7, 2014	The Board of Directors of Fujitec passed a resolution to set the repayment date of the loan to UI on September 30, 2017, by extending the due date for the repayment thereof for three years.
March 31, 2015	1.7 billion yen, which was the balance of the loan, was repaid by UI.

(3) Description of the sale of the Land in the minutes of the meeting of the Board of Directors

The minutes of the meeting of the Board of Directors held on June 30, 1989, where the sale of the Land to UI was resolved, provides as follows: “Fujitec would like to record an extraordinary loss of 7.569 billion yen in total, and as an extraordinary profit to matches such loss, Fujitec would like to sell the lands of the Osaka Regional Office (a residential land of 310.05 m² at No. 78, Usubohonmachi 1-chome, Nishi-ku, Osaka and a residential land of 554.11 m² at No. 80, the total of which was 864.16 m² (approximately 262 *tsubo*); the transfer price was approximately 6.5 billion yen) and shares (The Long-Term Credit Bank of Japan and The Nippon Credit Bank; the transfer price thereof would be approximately 1.2 billion yen), and thereby strengthen and

improve our financial position;” “Fujitec would like to request Seiwa Kaihatsu Kosan Kabushiki Kaisha, where President Uchiyama served as the president, to accept the sale of the lands of the Osaka Regional Office and the shares, and for the lands, at slightly more than 10% of the appraised price.” Based on the minutes of the aforesaid meeting, as a person with a special interest, Mr. Shotaro Uchiyama, who was then serving as the Representative Director and President of Fujitec, did not participate in the voting on the resolution for the sale to UI.

(4) Description of the repurchase of the Land and provision of the loan to UI in the minutes of the meeting of the Board of Directors

Based on the minutes of the meeting of Board of Directors on August 28, 2003, where the repurchase of the Land and provision of the loan to UI were resolved, Mr. Takakazu Uchiyama and Mr. Kenji Otani (“Mr. Otani”) did not participate in the voting as persons with a special interest in the resolution.

Based on the minutes of the said meeting, at the said meeting of the Board of Directors, a proposal titled “Matters regarding the purchase of the land of the Osaka Regional Office and the loan related thereto” was submitted thereat, and it stated as follows: “The background to date was explained based on the deliberation materials. Then, in connection with the relocation of the Osaka Regional Office and the Sales HQ as resolved in the preceding proposal, a proposal was made to repurchase the share of Seiwa Kaihatsu Kosan Kabushiki Kaisha and Yugen Kaisha Uchiyama International in the ownership of the lands of the Osaka Regional Office, to use the properties effectively. Subsequently, it was explained and proposed that Fujitec would like to provide a loan as a repayment fund with respect to the remaining debts of Seiwa Kaihatsu Kosan Kabushiki Kaisha for a certain period of time.” In addition, the deliberation materials of the minutes of the said meeting contained the following details:

“To clear the remaining debts of Seiwa Kaihatsu Kosan Kabushiki Kaisha, the following short-term loan will be provided:

- a) Amount: (Debt amount less the land transaction price) approximately 4 billion yen
- b) Term: Two years
- c) Interest rate: the financing rate of Fujitec plus 0.1%
- d) Collaterals: Shares of Fujitec, 5 million shares

Land in Koshienguchi, Nishinomiya City, 948.53 m²

Land in Yonbancho, Nishinomiya City, 508.95 m²

Land in Takanawa, Tokyo, 343.97 m²

And other properties, which are equivalent to the amount of the loan indicated above.”

In addition, the materials attached to the minutes of the said meeting included a material titled “Supplementary Materials (Matters Regarding Purchase of the Land of the Osaka Regional Office and the Loan Related Thereto),” which included the following details:

Background to date:

1) It was inevitable for Fujitec to record an extraordinary loss in the final accounts of the 42nd fiscal year, and to make up for such loss, based on a resolution of the Board of Directors passed on June 30, 1989, Fujitec sold its lands of 864.21 m² to Seiwa Kaihatsu Kosan Kabushiki Kaisha at 6.5 billion yen at 10% more than the amount of the appraisal value, thereby resulting the recording of an extraordinary profit.

2) Seiwa Kaihatsu Kosan Kabushiki Kaisha borrowed a total of 6.5 billion yen from D Bank (F Bank) and E Bank in the amount of 3.5 billion yen and 3 billion yen, respectively.

3) In February 1999, under the guidance of the Financial Services Agency, both banks requested Fujitec to make guarantee bookings, and on February 19, 1999, a resolution was adopted at a meeting of the Board of Directors, and the guarantee bookings were made.

4) In February 2002, E Bank requested Fujitec to change the said guarantee booking to regular guarantee, which Fujitec did after a resolution of the Board of Directors was passed on February 22, 2002.

5) On November 30, 2001, Seiwa Kaihatsu Kosan Kabushiki Kaisha sold part of the lands (see the attached official map (*Kozu*) “Target property-2”) to Yugen Kaisha Uchiyama International.

A decision was made to relocate the Sales HQ, which occupies the Osaka Regional Office located in the said lands, to the Namba Redevelopment Office Building N Wing. To take this opportunity to make effective use of the properties, Fujitec would like to repurchase the properties from both Seiwa Kaihatsu Kosan Kabushiki Kaisha and Yugen Kaisha Uchiyama International and terminate the land lease agreement with Seiwa Kaihatsu Kosan Kabushiki Kaisha.

During the period described above, real property prices declined significantly, and since Seiwa Kaihatsu Kosan Kabushiki Kaisha is unable to pay its remaining debts to financial institutions in full, a loan must be provided to Seiwa Kaihatsu Kosan Kabushiki Kaisha for such remaining debts for a certain period of time.

END

(5) Terms of the loan instrument with UI

Below is an outline of the terms of the loan under the loan instrument dated September 30, 2003 and entered into by Fujitec and UI for a loan of 4.1 billion yen from Fujitec to UI (the “Loan”):

Repayment date: September 30, 2005

Interest rate: 0.76% per annum. If, after a year, Fujitec requests a reasonable revision of the interest rate in light of its financing costs along with changes in financial trends, the rate may be revised with the consent of the parties.

Collaterals: To secure the repayment of the loan debt under the loan instrument, the following real properties and securities (the securities are provided as collateral by way of a transfer of title (*joto tanpo*)) shall be pledged as collaterals. With respect to the mortgage of the real properties, the registration of the establishment of the mortgage thereof was deferred for the time being on the condition that UI allows Fujitec to possess the certificates of title. These collaterals shall be joint collaterals for the debt obligation under the loan instrument, and Fujitec may exercise its mortgage rights or rights to the collaterals by way of a transfer of title at its discretion.

(1) Certificates of title of the land

One set for the land at Koshien-yonbancho, Nishinomiya City

One set for the land at Koshienguchi 2-chome, Nishinomiya City

One set for the land and building at Takanawa 2-chome, Minato-ku, Tokyo

One set for the land and building in Ohio, USA

One set for one condominium unit in New Jersey, USA

(2) Securities

Fujitec shares: 5 million shares

UFJ Bank shares: 26 shares

Mizuho Bank shares: 41 shares

Matsushita Electric Work shares: 20 thousand shares

Sumitomo Realty & Development shares: 30 thousand shares

(6) Changes of repayment dates and repayment of the Loan

A. Outline of the agreements that changed the repayment dates

As described in subsection (2) above, an amendment agreement and other agreements were executed with respect to the Loan before its full repayment. Below is an outline of these agreements.

Name of Agreement	Summary
Amendment Agreement dated November 12, 2004	The repayment date was changed to September 30, 2008
Debt Confirmation and Repayment Agreement dated September 30, 2008	<ul style="list-style-type: none"> - The repayment date for the principal amount of 300 million yen was changed to March 31, 2009, and the repayment date for the remaining amount was changed to September 30, 2011. - The “Description of Collaterals” included the following details: <Securities> Name of shares: Fujitec Co., Ltd. Quantity: 10,025,169 shares <Lands and buildings> Location: 1351-3, Aza Kitashosakai, Kaideimacho, Hikone City Location: Nos. 7 and 36, 343, Futabacho, Ibaraki City Location: 2-27-24 Koshienguchi, Nishinomiya City Location: 7860, Brill Road, Cincinnati, Ohio, United States of America
Debt Confirmation and Repayment Agreement dated September 1, 2011	<ul style="list-style-type: none"> - The repayment date for the entire amount of the principal was changed to September 30, 2014 - The “Description of the Collaterals” included the following details: <Securities> Name of shares: Fujitec Co., Ltd. Quantity: 10,025,169 shares <Lands and buildings> Location: 1351-3, Aza Kitashosakai, Kaideimacho, Hikone City Location: Nos. 7 and 36, 343, Futabacho, Ibaraki City Location: 2-27-24 Koshienguchi, Nishinomiya City Location: 7860, Brill Road, Cincinnati, Ohio, United States of America
Debt Confirmation and Repayment Agreement dated September 30, 2014	<ul style="list-style-type: none"> - The repayment date for the entire amount of the principal was changed to September 30, 2017 - The “Description of the Collaterals” included the following details:

Name of Agreement	Summary
	<Securities> Name of shares: Fujitec Co., Ltd. Quantity: 9,099,169 shares <Lands and buildings> Location: Nos. 7 and 36, 343, Futabacho, Ibaraki City

B. Board review of the extension of the repayment date to September 30, 2008

Based on the minutes of the meeting of the Board of Directors on November 12, 2004, where the extension of the repayment date to September 30, 2008 was resolved, since Mr. Takakazu Uchiyama qualified as a person with a special interest in the resolution, and Mr. Kenji Otani was equivalent to a person with a special interest in the resolution, they did not participate in the discussions and the voting on the resolution.

In the minutes of the said meeting, it was explained that: “In light of the current economic environment, such as the real property market, since repayment by the current repayment date at end of September 2005 will be extremely difficult, Fujitec received a request for an extension of the repayment date for three years.” It was also explained that: “Fujitec would like to approve the extension of the repayment date, taking into account the past background.”

C. Board review of the extension of the repayment date to the end of March 2009 and the end of September 2011

Based on the minutes of the meeting of the Board of Directors on September 29, 2008, where the extension of the repayment deadline under the Debt Confirmation and Repayment Agreement dated September 30, 2008 was resolved, Mr. Takakazu Uchiyama, who was the Representative Director at that time, did not participate in the voting thereon because he was the representative director of UI and had a special interest therein.

Based on the material attached to the minutes of the said meeting, with respect to the reason for the extension of the repayment date, it was explained that while UI’s business was to hold, manage and administer real properties and securities, UI had requested to extend the repayment date under the present market environment, and, taking into account the background of the loan, the collaterals, the financial conditions and other circumstances of UI on the whole, it was desirable to consent to such extension. The said material described the “following lands and buildings as well as securities” as collaterals:

Properties

Collateral Value
(100 millions of yen)

Futabacho, Ibaraki City (condominium)	20.0
Kaideimacho, Hikone City (fitness club)	2.4
Koshienguchi, Nishinomiya City (house)	1.7
Ohio, USA (house)	1.9
(Total)	(26.0)

In addition, the material contained the following descriptions of the financial status of UI:

(i) Summary balance sheet (end of June 2008) (unit: millions of yen)

(Debit)		(Credit)	
Securities	6,477	Borrowing from Fujitec	1,900
Other current assets	108	Long-term debt	3,488
(Total current assets)	(6,585)	Other liabilities	111
Fixed assets	2,710	(Total liabilities)	(5,499)
		Net assets	3,796
(Total)	(9,295)		(9,295)

(ii) Main assets

Securities:	10,025 thousand shares of Fujitec
Condominium:	Located in 3 Futabacho, Ibaraki City Building (total floor area: 4,642.29 m ²), building area: 537.56 m ² Site area 946.51 m ² ; 13 stories; 144 dwelling units
Fitness Club:	Located in 1351-3, Kaideimacho, Hikone City Site area: 2,249.78 m ² ; total floor area: 1,882.53 m ²

(iii) Long-term debt

H Bank: interest rate of 2.75% per annum
Collaterals: Among the above assets, the securities and condominium
(Futabacho, Ibaraki City)

(iv) Main cash flows

Dividends:	108 million yen (12 yen per year)
Rent income:	115 million yen (per year, net of operating expenses)
Club membership fee revenue:	17 million yen (annual, net of operating expenses)

Based on the minutes of the said meeting, the General Manager of Finance HQ explained as follows: “The interest rate ranges from 1.6% to 1.7% for a 3-year fixed-rate type, and about 1.26% for a float basis (3 months). Even if the interest rate becomes lower than the general market interest rate, it is the view of an attorney that such interest would not become a problem if matters, such as the background that gave rise to this loan, are taken into account. The loan was made at the same interest rate for the last five years. Among the collaterals, the first priority mortgagee for the securities (the Fujitec shares) and the condominium in Ibaraki City is H Bank, and Fujitec ranks second.”

Further, based on the minutes of the said meeting, a Director asked the following questions: “It seems that Fujitec is being asked by Uchiyama International to cooperate due to the background of the loan, and in light of the economic environment and its financial condition; to aim for an early repayment while carefully watching the status of its assets, how about adding a condition that allows for an early repayment during the loan period?”; “While there is an option for UI to sell the Fujitec shares to obtain repayment funds, is it possible for Fujitec to repurchase its shares to maintain its share price in such event?” Another Director also asked the following question: “Despite having enjoyed the benefit of the presence of a stable shareholder, since the lending and borrowing of money within group companies would likely be seen as a peculiar situation, is it possible for Fujitec to receive repayment as soon as possible by UI borrowing from commercial financial institutions or selling its assets?” An Audit & Supervisory Board Member further asked, “[W]ith respect to the position of Uchiyama International, is it going to increase or maintain the number of Fujitec shares as a stable shareholder?” Another Director further stated, “[I]t is desirable to receive an early repayment as soon as possible by the repurchase or sale thereof by UI to another stable shareholder, while ensuring the stability of the Fujitec shares.” Following another Director’s comment stating that, “[I]t seems to be inevitable to extend the repayment date when we consider the background, and UI’s position as a stable shareholder and other points,” Mr. Kenji Otani, the Director and Chairman at that time, said, “[W]e would like to seek repayment of the loan as soon as possible and avoid various risks related to management and finance. I would like to request that reports on the status of future repayments be made to the Board of Directors as appropriate.”

D. Board review of the extension of the repayment date of 300 million yen from the end of March 2009 to September 30, 2011

Based on the minutes of the meeting of the Board of Directors on March 23, 2009, where the repayment date was resolved to be changed from the end of March 2009 to September 30, 2011,

Mr. Takakazu Uchiyama did not participate in the voting thereon because he was the representative director of UI and had a special interest therein.

Based on the documents attached to the said minutes of the meeting, the reasons for the change of the repayment date were as follows: “There has been a significant decline in the stock market since last autumn”; “Under such circumstances, H Bank, which is providing a loan to UI, will not consent to the release of the securities pledged as collateral for its loan and make a preferential repayment to Fujitec”; “Taking into consideration the lower rank of priority of Fujitec’s loan compared to the loan of H Bank in terms of the collateral, and the substantial impact on Fujitec of the disposition of the securities that were pledged as collateral, it is considered that this matter should be addressed carefully upon consultation with H Bank.” In addition, the materials contained the following details concerning the financial status of UI:

(i) Summary balance sheet (end of December 2008) (unit: millions of yen)

	(Debit)	(Credit)	
Securities	3,238	Borrowing from Fujitec	1,900
Other current assets	68	Borrowing from H Bank	3,415
Fixed assets	2,673	Other payable	125
		Stated capital	50
		Surplus	489
(Total)	(5,979)		

(ii) Cash flows (FY 2008) (unit: millions of yen)

Dividends:	120 (including withholding tax 9)
Rental income:	139 (including operating expenses 72)
Fitness club income:	111 (including operating expenses 91)

In addition to each of the above operating expenses, there is an expenditure for general expenses of 48 million yen.

Based on the minutes of the said meeting, an Audit & Supervisory Board Member asked a question about the “status of preservation of the loan,” and the General Manager of Finance HQ answered, “According to the summary balance sheet as of the end of December 2008, as its assets were in excess of its liabilities, Fujitec’s claim is preserved.”

E. Board review of the extension of the repayment date to the end of September 2014

Based on the minutes of the meeting of the Board of Directors on July 14, 2011, where the extension of the repayment deadline under the Debt Confirmation and Repayment Agreement dated September 1, 2011 was resolved, Mr. Takakazu Uchiyama, who was the Representative Director, did not participate in the voting thereon because he had a special interest therein.

Based on the material attached to the minutes of the said meeting, the reason for the change of the repayment date was that while UI was engaging in the business of holding, managing and administering the real properties and securities, UI had requested to extend the repayment date under the present market environment, such as the sluggish stock market, and, taking into account the background of the loan, the collaterals, the financial conditions and other circumstances of UI on the whole, it was desirable to consent to such extension. The said materials also described the financial status of UI:

(i) Balance sheet (as of March 31, 2011) (unit: millions of yen)

	(Debit)		(Credit)
Securities	4,141	Borrowing from Fujitec	1,900
Other current assets	17	Borrowing from bank	2,881
Fixed assets	2,196	Other liabilities	61
		Stated capital	50
		Surplus	1,462
(Total)	(6,355)		(6,355)

(ii) Income statement (forecast as of December 31, 2011) (unit: millions of yen)

Rent	127
Cash dividends	120
(Total income)	247
Expenses	21
Building management expenses	24
Interest expenses	79
Depreciation and amortization	31
Taxes, dues, etc.	14
(Total expenses)	169
Profit/loss	78

(iii) Free cash flow (2011 forecast) (unit: millions of yen)

The free cash flow after interest payment is 109 (profit/loss of 78 plus depreciation and amortization of 31).

In addition, based on the minutes of the said meeting, an Audit & Supervisory Board Member stated, “[W]ith respect to the assets held by UI, considering the recoverability of the loan, the market value appraisal of the fixed assets held by UI should also be considered in light of future changes in the market value of the securities held by it.” In response, the Director who was in charge of making an explanation said that, “[C]urrently, UI has a sufficient surplus, and 94% of the units of the profit-making condominium among its fixed assets are also being leased. However, Fujitec will consider the necessity of the appraisal based on the changes in the market value of the securities and the necessity in accounting in the future.”

F. Board review of the extension of the repayment date to September 30, 2017

Based on the minutes of the meeting of the Board of Directors on August 7, 2014, where the repayment deadline for the loan provided to UI was resolved to be extended to September 30, 2017, Mr. Takakazu Uchiyama, who was the Representative Director, did not participate in the voting thereon.

Based on the material attached to the material attached to the minutes of the said meeting, the reason for the extension of the repayment date was that while UI was engaged in the business of leasing, selling and purchasing real properties as well as the investment and management of securities and it had repaid 200 million yen on December 1, 2013, UI requested to extend the repayment date since although the conditions of the real property market and the stock market were generally on the way to recovery, such conditions were still unclear, and, taking into account the background of the loan, the collaterals, and the financial conditions and other circumstances of UI on the whole, it was desirable to consent to such extension. In addition, the materials contained the following details concerning the financial status of UI:

(i) Balance sheet (as of December 31, 2013) (unit: in millions of yen)

[Assets]	
Securities	12,439
Other current assets	215
Fixed assets	1,926
<hr/>	
Total assets	14,580
<hr/>	
[Liabilities]	

Borrowing from Fujitec	1,700
Borrowing from banks	1,695
Other liabilities	60
Total liabilities	3,455
[Net Assets]	
Stated capital	50
Surplus	1,576
Accumulated other comprehensive income	9,499
Total net assets	11,125
Total liabilities and net assets	14,580

(ii) Income statement (January 1, 2013-December 31, 2013) (unit: in millions of yen)

[Net sales]	
Real property rent	124
Others	9
Total net sales	133
[SGA]	
Expenses and others	86
Operating income	47
[Non-operating income]	
Dividend income	182
Gain on sales of securities	700
Others	25
[Non-operating expense]	
Interest and discount expenses	52
Net income	902

(iii) Free Cash Flow (FY 2013)

The free cash flow after interest payments is 932 million yen.
(Net income of 902 plus depreciation and amortization of 30.)

(7) Absence of a collateral agreement

As described in subsection (5) above, the loan instrument for the Loan states that “[W]ith regard to real properties, the registration for the establishment of the mortgage shall be deferred for the time being on the condition that Seiwa Kaihatsu Kosan shall allow Fujitec to possess the

certificate of title.” Based on the real property registration information on real properties held in Japan, with respect to the real properties described in subsection (5) and (6)A above, there is no trace of any registration of a mortgage designating Fujitec as the mortgagee thereof. Further, nothing was found to suggest any evidence that a mortgage agreement was executed either.

In addition, while the loan instrument for the Loan states that the Fujitec shares shall be established as a collateral, the column on “Significant contracts related to the said stocks, etc., such as collateral agreements” in the change report concerning the Fujitec shares, which was submitted by UI on October 2, 2013, did not indicate that the Fujitec shares were pledged as collateral for the Loan. Furthermore, nothing was found to suggest any evidence that a contract was executed to establish Fujitec’s collateral right.

Based on the foregoing points, although Fujitec and UI agreed on creating a mortgage of the real properties and the shares as collateral, it is deemed that no mortgage agreement or similar document was executed, and no procedures were taken to satisfy the conditions for the perfection of such collaterals.

(8) Issues that can be identified from the perspective of governance

At that time, the transaction of Fujitec with UI qualified as a related-party transaction. It can be found that the loan to UI and the extension of the repayment dates thereof were discussed and resolved at meetings of the Board of Directors, after excluding Directors with a special interest in the resolution. Therefore, it is considered that the procedures required by the Companies Act were followed and that the Board of Directors monitored the transaction to some extent. In addition, with respect to the necessity and reasonableness of the loan to UI and the reasons for repeatedly extending the repayment deadline thereof, it was confirmed in the meeting of the Board of Directors that the reason why UI became substantially indebted to banks was that Fujitec sold to UI the Land at a high price to make up for the extraordinary loss and then repurchased the Land at a lower price compared to the price sold to effectively use the same. Further, the financial position of UI was confirmed each time when the repayment deadline was extended. As the Loan was repaid in full by March 31, 2015, Fujitec ultimately did not sustain any damage therefrom.

However, if the establishment of the mortgage was not registered, and, if no procedure for perfection was taken with respect to the securities as collateral by way of a transfer of title, then a creditor cannot effectively assert its rights in the collateral if the debtor files an application for legal insolvency proceedings. Further, even if a creditor possesses the certificate of title to a real property, the registration of a transfer of ownership or the registration of the establishment of other mortgages cannot be fully prevented. In addition, it cannot duly assert the existence of its own mortgage right against the registration of a transfer of ownership or the registration of the establishment of other mortgages when any such registration is made or any seizure is conducted.

For this reason, in case of an arm's-length transaction, under the circumstances where a loan as much as 4.1 billion yen has been provided and repayment thereof was not made in accordance with the original due date, it would normally be difficult to believe that a mortgage agreement and a collateral agreement were not concluded and no procedure for perfection was carried out, such as the situation where the registration of the establishment of the mortgage was deferred. Therefore, it must be said that it was inappropriate that Fujitec failed to conclude a mortgage agreement and deferred the registration of the establishment of mortgage of the properties of UI, and that Fujitec failed to conclude a collateral agreement with respect to the securities as collateral and carry out the procedure for the perfection thereof. From the perspective of governance, it is considered that the Board of Directors, instead of simply approving the provision of the loan, should have monitored the status of execution of the collateral agreement or the status of perfection of the collateral, or, even if the Board of Directors initially allowed the registration of the collateral to be deferred, it should have appropriately monitored the same in accordance with later circumstances, such as considering the necessity of the registration in accordance with the situation where the loan was not repaid as scheduled by the initial repayment deadline.

3. Transactions related to the Takanawa Building

(1) Issues identified by Oasis

Oasis identified the following possible scenarios concerning the transactions related to the Takanawa Building:

- ① The possibility that Fujitec may have made unclear payments of rent to UI because during the period from the fiscal year ended March 2014 to the fiscal year ended March 2019, the rent paid by Fujitec to UI increased sharply without any change in the status of the lease by Fujitec of the property from UI;
- ② The possibility that there was an inexplicable sale of interests by Fujitec to UI in the fiscal year ended March 2015;¹³ and
- ③ The possibility that Fujitec may have sold the silent partnership interest related to the Takanawa Building to UI despite expectations of a land price rise in the area after the announcement of the construction of the Takanawa Gateway Station.

(2) Transactions concerning the Takanawa Building

The Takanawa Building is a ten-story, one basement floor office building located at 85-9 Takanawa 2-chome, Minato-ku, Tokyo, which UI owned and Fujitec started leasing since

¹³ This point is deemed to refer to the assignment of a silent partnership interest in the SPC and the right to demand a return of the fund contribution to the Intermediate Corporation implemented on September 30, 2014, which will be discussed later.

November 1986 at the latest and used as a field service center for eastern Japan and other purposes until it relocated its Tokyo head office to the NBF Platinum Tower located in Shirokane, Minato-ku, Tokyo on April 16, 2018. Below is an outline of the facts related to the transactions regarding the Takanawa Building:

Date	Event
August 10, 2006	Along with the sale and securitization of the Takanawa Building by UI, the owner thereof, the Board of Directors of Fujitec passed a resolution to implement a 100 million-yen silent partnership interest in the SPC, which is the SPC in the said securitization scheme that will acquire the trust beneficial interest of the Takanawa Building, and make a 3 million-yen fund contribution to Takanawa FT Investment Limited Liability Intermediate Corporation (<i>yugen sekinin chukan hojin</i>), an investor in the SPC (its name later changed to Takanawa FT Investment General Incorporated Association; hereinafter referred to as the “ Intermediate Corporation ,” whether before or after the change of its name), and execute a lease agreement for the Takanawa Building with I Trust Bank, the recipient of the assignment of the trust in the Takanawa Building from UI. ¹⁴
September 21, 2006	The Takanawa Building was securitized. In connection therewith, Fujitec terminated the lease agreement with UI and executed a fixed-term building lease agreement and real estate management agreement with I Trust Bank for the Takanawa Building (the “ Prior Lease Agreement ” hereinafter in this subsection). The rent was set at 10,500,000 yen per month (excluding tax)
July 14, 2011	The Board of Directors of Fujitec passed a resolution to continue the above Prior Lease Agreement for the Takanawa Building based on the satisfaction of the conditions for the SPC refinancing.
September 30, 2011	Fujitec executed a new fixed-term building lease agreement and real estate management agreement with I Trust Bank for the Takanawa Building (the “ New Lease Agreement ” hereinafter in this subsection). The new rent was set at 14,997,000 yen per month (excluding tax).

¹⁴ The material titled “Acquisition-type Securitization of the Fujitec Takanawa Building” and dated September 15, 2006, which was sent by the Fujitec Finance HQ to the Directors and Audit & Supervisory Board Members, reported that, based on the negotiations following such meeting of the Board of Directors, the amount of the silent partnership interest became 97,000,000 yen, and as a result thereof, the sum of the silent partnership interest and the contribution to the Intermediate Corporation became 100,000,000 yen.

Date	Event
June 3, 2014	J Company announced that it would construct new station to be located between Tamachi station and Shinagawa station.
August 7, 2014	The Board of Directors of Fujitec passed a resolution to assign the silent partnership interest in the SPC and the right to demand the return of the fund contribution made to the Intermediate Corporation to UI for 178,695,000 yen and 3,750,000 yen, respectively.
August 29, 2014	Fujitec executed with UI an agreement to assign to the latter the silent partnership interest and an agreement to assign the right to demand the return of the fund contribution made to the Intermediate Corporation.
September 30, 2014	Fujitec assigned to UI the silent partnership interest and the right to demand the return of the fund contribution.
March 31, 2015	The SPC executed a sale and purchase agreement with J Company to sell and assign to the latter the trust beneficial interest related to the securitization scheme for the Takanawa Building no later than March 29, 2019.
October 13, 2017	The SPC and UI executed a trust beneficial interest sale and purchase agreement to sell the trust beneficial interest related to the Takanawa Building securitization scheme, and on the same day, the trust beneficial interest was sold to UI. In connection therewith, with the consent of J Company, UI succeeded to the SPC's status as the seller under the trust beneficial interest sale and purchase agreement executed between the SPC and J Company.
March 29, 2019	The assignment of the trust beneficial interest from UI to J Company was implemented. By around this time, the lease agreement between Fujitec and I Trust Bank was also terminated.

(3) Fujitec's Board review of the Takanawa Building securitization

On September 21, 2006, UI implemented the securitization of the Takanawa Building. In this regard, at the meeting of the Board of Directors of Fujitec held on August 10, 2006, a proposal titled "Fujitec Takanawa Building: Acquisition-type Securitization" was submitted, and it was resolved at that meeting to implement a 100 million-yen silent partnership investment in the SPC, which is a limited liability company to be established in the securitization, and to make a 3 million-yen fund contribution to the Intermediate Corporation.

The materials attached to the minutes of such meeting described the following benefits to Fujitec related to this securitization: (i) early collection of the loan receivable of the Loan made

to UI (implemented on September 30, 2003; with a balance of 3,650,000,000; and with the repayment due date of September 30, 2008); (ii) stable use of the Takanawa Building as a service center; (iii) refund of the security deposits in the amount of 166,000,000 yen currently deposited with UI; and (iv) as the sole investor in the SPC, Fujitec would be given preference to purchase the property when the repayment of the SPC borrowing becomes due in five years.

Moreover, the said materials provided the following risks involved in this case: (i) if the property price in five years is less than the sum of the loan balance and Fujitec's contribution of 103,000,000 yen, 103,000,000 yen at the maximum would not be returned; and (ii) there is a risk of default in the event of a fund shortage for the period (there are two scenarios: when the rent is not paid; and the cost incurred is more than that expected).

Additionally, based on the above-mentioned minutes of the meeting of the Board of Directors, the General Manager of Finance HQ explained the outline of the securitization as follows: (i) UI sells the Takanawa Building to I Trust Bank, assigns the acquired trust beneficial interest to the SPC, and receives 2,000,000,000 yen as the assignment price; and (ii) the SPC procures 1,900,000,000 yen through a non-recourse loan from a financial institution and procures 100,000,000 yen from Fujitec as contribution. The General Manager of Finance HQ also explained that, as a result of the securitization, (i) Fujitec would execute a lease agreement for the Takanawa Building with I Trust Bank and pay an annual rent of 126,000,000 yen; (ii) I Trust Bank would pay to the SPC 107,000,000 yen, which is the balance after deducting overhead expenses from the rent of 126,000,000 yen; and (iii) the SPC would pay to Fujitec as contribution dividends the balance after deducting the loan interest, the agreed principal repayments, and administrative and operating expenses.

Furthermore, based on the above-mentioned minutes of the meeting of the Board of Directors, a Director asked, "[W]hat is the reason for selecting September as the time for implementation?" He also asked "about the difference from a case where Fujitec is the purchaser." The General Manager of Finance HQ, who provided the explanation, answered as follows: (i) the reason for selecting September as the time for implementation is that UI has a borrowing of 3,650,000,000 yen from Fujitec, which will exceed 50% of its total borrowing if no measures are taken, and if such borrowing exceeds 50% as of the end of September, which is the end of the interim accounting period, then it must be consolidated with the said lending company due to the revision of the Commercial Code, which provides that, if a company has a borrowing of more than half of its debts from one company, then such borrowing company would be deemed to be under the substantial control of such lending company and subject to consolidation; however, since it is considered undesirable to be consolidated with a company engaged in a business other than the elevator business, they would like to implement the securitization by the end of September, the

end of the accounting period.¹⁵ Also, (ii) with respect to the difference from a case where Fujitec is the purchaser, the General Manager answered that it is said that the appraisal value of the Takanawa Building obtained by UI was around 1,300,000,000 yen, but through the securitization, the value would be estimated to be 2,000,000,000 yen by the DCF method, which would create a difference of approximately 700,000,000 yen; so, there would be a problem in conducting a transaction at a value evaluated using the DFC method because Fujitec and UI are related parties; instead, UI would procure a huge amount of funds, which means that Fujitec's loan balance would decrease; and therefore, they would like to implement a scheme that will allow the sale at a value evaluated using the DCF method.

Based on the appraisal report dated May 9, 2006 and prepared by a real estate appraiser of the G Bank, Limited for UI, the appraisal value of the Takanawa Building was 1,219,000,000 yen, and based on the real estate appraisal report dated March 31, 2006 and prepared by a real estate appraiser of the K Trust Bank, Limited for UI, the appraisal value of the Takanawa Building was 1,300,000,000 yen. On the other hand, based on the real estate appraisal report dated September 12, 2006 and prepared by L Company for the SPC in view of the real estate securitization, the appraisal value of the Takanawa Building was 2,010,000,000 yen.

(4) Board review of the revised rent for the Takanawa Building

In connection with the refinancing made by the SPC, the securitization scheme was reviewed and, with respect to the lease for the Takanawa Building, on September 30, 2011, the New Lease Agreement was executed with I Trust Bank, whereby the rent was increased to 14,997,000 yen per month (increase of 4,497,000 yen per month).

The said change in the lease terms was approved in a resolution passed at the meeting of the Board of Directors held on July 14, 2011 approving the investments related to the Takanawa Building (the silent partnership investment in the SPC and the fund contribution to the Intermediate Corporation) and the continuation of the lease agreement. Based on the minutes of the said meeting of the Board of Directors, Mr. Takakazu Uchiyama, who was the Representative Director, President and CEO, did not participate in the voting thereon because he was the representative of UI and there was a possibility of him having a special interest in the resolution.

The materials attached to the minutes of such meeting state that, as a result of the appraisal of the property, the new rent was established taking into consideration the refinancing conditions, and an excerpt of the real estate appraisal report dated March 8, 2011 and prepared by M company was attached thereto (the appraisal value of the Takanawa Building was 1,820,000,000 yen).

The said materials also stated that, as a reason for maintaining the investment, although the

¹⁵ In fact, on September 21, 2006, 1,750,000,000 yen out of the balance of the loan receivable of the Loan was paid by UI to Fujitec (see 2(2) above).

cumulative amount of cash distributions before the final dividend date (March 2011 to September 2011) for the silent partnership investment in the SPC was approximately 70,000,000 yen, it would be desirable to maintain the scheme (investment) for the purpose of recovering the capital already invested therein.

Moreover, as a reason for continuing the lease, the said materials stated that there was no urgent need to make a purchase from the perspective of improving business infrastructure because (a) the scheme had originally planned a ten-year lease taking into consideration Fujitec's preferential purchase; (b) in reviewing the scheme in relation to the subject refinancing, Fujitec has the option of (i) purchasing the property or (ii) continuing the lease, and with respect to option (i) the purchase of the property, considering the age of the building (thirty-eight years old), its appraisal value will decline in the future, while the capital investment has been mostly completed and the building has become convenient; and (c) in addition to the installation of rooftop neon signages, updates to elevators No. 1 and No. 2, and installation work for the reception rooms and conference rooms, investments are being made for equipment of independent electric power devices to maintain a communication system for disasters, such as Safe Net Centers, installation of a security system, and equipment of an emergency small parts center for the Tokyo metropolitan area, to maintain and enhance functions as the base station for eastern Japan as well as the central base or headquarters for the field business. On the other hand, with respect to option (ii) the continuation of the lease, (a) the Takanawa Building is fully equipped with general functions that are indispensable for the promotion of the field business, it is located at an excellent site, and is suitable for access, etc., from neighboring service centers; (b) it is not immediately realistic and careful consideration should be made to relocate the field response/promotion groups, including the Safe Net Centers from the perspective of BCP, although the market rent in the Tokyo metropolitan waterfront area is not high partly due to the influence of the Great East Japan Earthquake; (c) rent increase will be unavoidable under the investment scheme, such as refinancing conditions, and it is determined to be reasonable because even if the rent would be 15,000,000 yen per month, it is still within the market rent range for wholesale rent (13,500,000 to 15,600,000 yen per month); and (d) therefore, continuing the lease would be appropriate. According to the opinion on the rent prepared by M company for the SPC dated July 5, 2011, the reference market rent of the Takanawa Building (wholesale rent) was 13,500,000 to 15,600,000 yen per month.

Based on the minutes of said meeting of the Board of Directors, an Audit & Supervisory Board Member asked the following question: "The revised rent will be higher than the current rent, would such rent be appropriate?" The Director who provided the explanation answered that it was an appropriate rent because it considered the opinion of an appraisal company. Based on the minutes of such meeting of the Board of Directors, another Audit & Supervisory Board Member

asked a question “with respect to the response to disaster risks during an earthquake, etc.,” and the vice president answered to the effect that it is considered that there is no problem because a significant seismic reinforcement work was implemented several years ago.

(5) Board review of the silent partnership interest in the SPC, when it was assigned

On August 29, 2014, Fujitec executed with UI an agreement to assign the silent partnership interest and an agreement to assign the right to demand the return of the fund contribution. Based on such agreements, on September 30, 2014, Fujitec assigned to UI the silent partnership interest in the SPC and the right to demand the return of the fund contribution to the Intermediate Corporation.

A meeting of the Board of Directors was held on August 7, 2014 to approve such assignments, and based on the minutes of such meeting, Mr. Takakazu Uchiyama did not participate in the voting on such proposal.

The materials attached to the minutes of such meeting state that Fujitec wanted to assign its status as a silent partnership investor, etc., to UI and secure a position as a lessee to avoid the risk of sale of the property in three years for the following reasons:

- (i) The Takanawa Building has served its role as a basis for the after-market business in the east up to that point; however, due to the movement of the center of the said business in recent years, its role at the current location is thought to have entered the final phase considering the age of the building. Therefore, Fujitec intends to establish a new basis in an area that can cover the Toranomon-Loop Road No. 2, Otemachi, Ginza, and Nihombashi districts and vacate from the Takanawa Building within three years (by 2017), if possible. Prior to the above, Fujitec will assign to UI its silent partnership interest and the right to demand the return of the fund contribution to the Intermediate Corporation to avoid the risk of sale of the Takanawa Building.
- (ii) When the Takanawa Building was securitized in August 2006, Fujitec made a silent partnership investment for the purpose of securing a basis for the after-market business in the east. Fujitec maintained its status as an investor for eight years and fulfilled its purpose, and the dividends received during such period amounted to 92,622,000 yen (as of February 28, 2014). It can be assessed that the invested capital has mostly been recovered. The next action Fujitec should take is to recover its invested capital through the assignment of the contributed interest and secure the status of a lessee until the completion of the establishment of a new basis, based on the purpose in item (i) above.
- (iii) While Fujitec intends to vacate from the Takanawa Building within three years, considering the importance of the equipment therein (Safe Net Center), risks such as extension of the period for the establishment of a new basis, must be addressed. Fujitec believes that only

UI can respond thereto and it has determined that no party other except UI, who is a related party, will accept the assignment of the contributed interest.

The said materials also state that the price of the assignment of the silent partnership interest to UI will be 178,695,000 yen, which is the market value with the record date of August 31, 2014; and the price of the assignment of the right to demand the return of the fund contribution to the Intermediate Corporation will be 3,750,000 yen, which is the amount of the contribution made by Fujitec. The market valuation of such silent partnership interest is based on the appraisal value stated in the silent partnership interest valuation report prepared by N Accounting dated July 24, 2014 (Takanawa FT Investment Godo Kaisha). The said report calculated the estimated net assets of the silent partnership as of August 31, 2014 (472,353,000 yen) based on the appraisal value in the amount of 1,569,000,000 yen of the Takanawa Building based on the real estate appraisal report dated July 31, 2014 and prepared by O Company, evaluated the prepaid expenses and long-term prepaid expenses recorded under the assets (18,128,000 yen in total) as zero, deducted the latent loss (275,530,000 yen) of the Takanawa Building, which is a real estate in trust, and made a market valuation of the silent partnership interest.

Furthermore, in March 2014, Fujitec consulted a lawyer on the assignment of the silent partnership interest in the SPC to UI, and obtained an opinion therefrom to the effect that there was no problem because there was no violation in terms of compliance, duty of due care of a prudent manager of the Directors, and other rules.

(6) Rent changes for the Takanawa Building

The lease agreements that Fujitec executed for the Takanawa Building after the building lease agreement dated November 1, 1986 and the rents stated thereunder are as follows:

Period	Lessor	Lease Agreement	Rent/Common Service Fee (excluding tax)
November 1, 1986 - May 31, 1999	UI	Building Lease Agreement	Monthly rent: 10,135,543 yen Monthly common service fee: 1,873,690 yen
June 1, 1999 - September 21, 2006	UI	Building Lease Agreement	Monthly rent: 16,561,600 yen Monthly common service fee: 2,883,800 yen
September 21, 2006 -	I Trust Bank	Former	Monthly rent: 10,500,000 yen ¹⁶

¹⁶ Under the fixed-term building lease agreement and real estate management agreement, I Trust Bank shall pay to Fujitec 315,000 yen (excluding tax) that is the amount equivalent to 3% of the rent in consideration for the management services, etc., of the building. Therefore, the rent substantially borne by Fujitec is 10,185,000 yen per month.

September 30, 2011		Lease Agreement	
September 30, 2011 -	I Trust Bank	New Lease Agreement	Monthly rent: 14,997,000 yen ¹⁷

Oasis identified the fact that the rent paid to UI during the period from the fiscal year ended March 2014 to the fiscal year ended March 2019 sharply increased based on the Fujitec's securities reports, although there was no change in the lease status of the building Fujitec leased from UI. In this regard, in the 2014 Securities Report of Fujitec and the subsequent securities reports, the transactions with related parties (limited to the lease of buildings) are described as follows:

Accounting Period Ended:	Company Name	Description of Transaction	Transaction Amount (in million yen)
March 2014	UI	Building lease	54
March 2015	UI	Building lease	53
	The SPC	Building lease	88
March 2016	UI	Building lease	53
	The SPC	Building lease	176
March 2017	UI	Building lease	53
	The SPC	Building lease	176
March 2018	UI	Building lease	37
	The SPC	Building lease	176
	Santo	Building lease	12
March 2019	UI	Building lease	5
	The SPC	Building lease	161
	Santo	Building lease	48

As described above, the reason that the rent payment sharply increased during the period from the fiscal year ended March 2014 to the fiscal year ended March 2019 is because the rent payment to the SPC was added to the related-party transaction.¹⁸ In addition, the reason that the rent payment to the SPC was added to the related-party transaction is because the SPC became a 100%

¹⁷ Under the fixed-term building lease agreement and real estate management agreement, I Trust Bank shall pay to Fujitec 3,780,000 yen (excluding tax) per annum in consideration for the management services, etc., of the building. Therefore, the rent substantially borne by Fujitec is 14,682,000 yen per month.

¹⁸ As stated in the text, the reason that the payment to the SPC doubled during the period from the fiscal year ended March 2015 to the fiscal year ended March 2016 is that only the rent for six (6) months from October 2014 to March 2015 was included for the fiscal year ended March 2015 because the SPC became a 100% subsidiary of UI on September 30, 2014.

subsidiary of UI due to the assignment to UI of the silent partnership interest in the SPC and the right to demand the return of the fund contribution to the Intermediate Corporation as stated in subsection (2) above.¹⁹ Thus, the description of “176” million yen per annum largely corresponds to the annual rent in the amount of 176,184,000 yen²⁰ under the New Lease Agreement with I Trust Bank dated September 30, 2011.

(7) Issues that can be identified from the perspective of governance

At that time, the transaction of Fujitec with UI qualified as a related-party transaction. It can be found that the assignment of the silent partnership interest in the SPC to UI was discussed and resolved at meetings of the Board of Directors, after excluding the Directors with a special interest in the resolution. Therefore, it is considered that the procedures required by the Companies Act were followed and that the Board of Directors monitored the transaction to some extent. In addition, for the assignment, Fujitec consulted a lawyer in advance and obtained an opinion therefrom stating that there was no problem with it. Furthermore, it can be found that, in determining the assignment price, Fujitec obtained an appraisal report for the silent partnership interest, which was prepared by a certified public accountant based on the real estate appraisal value, after obtaining the real estate appraisal report. Therefore, it can be said that the Board of Directors monitored the transaction and objective materials were obtained to confirm the appropriateness of the transaction terms.

That being said, based on the statements in the minutes of the meeting of the Board of Directors held on August 29, 2014 where it was resolved to approve the assignment of the silent partnership interest in the SPC, etc., to UI as well as the materials attached thereto, although there is a statement that it was their policy to vacate from the Takanawa Building within three years to avoid the risk of its sale during such period, it is not clear why it was necessary to make such assignment to UI at that time and what the risk of a sale specifically meant. On June 3, 2014, J Company announced the construction of a new station between Tamachi station and Shinagawa station, and the silent partnership interest valuation report (Takanawa FT Investment Godo Kaisha) prepared by N Accounting, which Fujitec used as a reference for the transfer price of the silent partnership interest in the SPC, was provided on July 24, 2014 and the real estate appraisal report prepared by O Company, which was referenced in the report above, was also provided on July 31, 2014, both of which were after the announcement was made. However, since the silent partnership interest in the SPC was transferred to UI shortly after the announcement was made, as Oasis has

¹⁹ The New Lease Agreement provides that Fujitec shall pay the rent to I Trust Bank. However, the real estate management and disposal trust agreement executed between the SPC and I Trust Bank provides that I Trust Bank, a trustee, shall pay to the SPC the amount after deducting the designated amount from the rent received from Fujitec.

²⁰ (The rent of 14,997,000 yen per month – 3,780,000 yen paid to Fujitec in consideration for the management services, etc., of the building) * 12 months.

pointed out, the suspicion that the silent partnership interest in the SPC was transferred to UI for the reason that land prices in the area can be expected to trend upwards cannot be completely dispelled. It can be pointed out that, to avoid suspicions about whether it was necessary and reasonable for Fujitec to enter into a related-party transaction, the ideal procedure in terms of governance would have been for the Board of Directors to engage in more rigorous discussions and to obtain the approval of more independent officers.

4. Transactions related to Urban Well Ibaraki

(1) Issues identified by Oasis

With respect to Urban Well Ibaraki, which Fujitec was leasing from UI as a dormitory for employees, Oasis pointed out that Fujitec did not need 50 rooms and might have been leasing them to support the Uchiyama family.

(2) Urban Well Ibaraki Lease Agreement

Urban Well Ibaraki is a thirteen-story, studio-type apartment with a steel-framed concrete structure and 144 rooms located in Ibaraki City, Osaka. Since January 1, 2008, Fujitec has been leasing Urban Well Ibaraki from UI (Santo since December 27, 2017). The relevant facts are as follows:

Date	Event
November 6, 2007	The Board of Directors of Fujitec passed a resolution to terminate the lease agreement for the First Hisho Dormitory, which was kept with UI, and the lease agreement for the Second Hisho Dormitory, which was kept with a third party, ²¹ and to rent 50 rooms of Urban Well Ibaraki from UI at an annual rent of 54 million yen.
December 28, 2007	Fujitec entered into a lease agreement with UI to rent Urban Well Ibaraki at a total monthly rent of 4,130,000 yen for 50 rooms at a monthly rent of 3,756,000 yen (including the common service fee and excluding tax) and a conference room at a monthly rent of 374,000 yen (including the common service fee and excluding tax).
November 8, 2013	The Board of Directors of Fujitec passed a resolution to change the total monthly rent for 50 rooms and a conference room to 4,022,000 yen (including the common service fee and excluding tax).
December 6, 2013	Fujitec and UI entered into an amendment agreement to the building lease agreement to change the monthly rent for 50 rooms of Urban Well

²¹ The lease agreement for the First Hisho Dormitory became effective on November 1, 1982, and the lease agreement for the Second Hisho Dormitory became effective on March 15, 1985.

Date	Event
	Ibaraki and the conference room thereof to 3,656,000 yen (including the common service fee and excluding tax) and 366,000 yen, respectively, as well as the total monthly rent for Urban Well Ibaraki to 4,022,000 yen.
December 27, 2017	When the ownership of Urban Well Ibaraki was transferred from UI to Santo, the lessor changed to Santo.
September 17, 2021	The Board of Directors of Fujitec passed a resolution to change the scope of the lease to 5 rooms and a conference room at the total monthly rent of 731,600 yen (including the common service fee and excluding tax).
October 1, 2021	Fujitec and Santo entered into an amendment agreement to the building lease agreement to change the scope of the lease to 5 rooms and a conference room and the monthly rent to 731,600 yen (including common service fee and excluding tax).

(3) Board review of Urban Well Ibaraki at the conclusion of the lease agreement

Based on the minutes of the meeting of the Board of Directors held on November 6, 2007, where a resolution was passed to rent Urban Well Ibaraki from UI, Mr. Takakazu Uchiyama, who was the Representative Director, President and CEO of Fujitec at that time as well as the representative of UI, and Mr. Otani, who was the Director and Chairman of Fujitec at that time, did not participate in the discussion and voting concerning this matter. In addition, based on such minutes, in response to a question by an Audit & Supervisory Board Member concerning the standard for the calculation of the amount of the annual rent, a Director explained that, “[T]he new apartment has 144 rooms and its rent is set at the same level as the rent to third parties.” Furthermore, such minutes state that another Audit & Supervisory Board Member asked, “[W]ill the welfare facility in Ibaraki be discontinued?” A Director then explained that “[T]he number of prospective dormitory users in Ibaraki is 39. Even if [the lease agreement for the] Hisho Dormitory is terminated, if rooms for 50 persons can be secured under the new lease agreement, then there is no problem as to the number of rooms for dormitory users and trainees.”

In relation to this, in the “Market Research Response Paper” dated June 12, 2007 and prepared by P Company, to which UI outsourced the management of Urban Well Ibaraki, the market rent was estimated to be “approximately 70,000 yen (@9,200 yen per *tsubo*) per room (25 m²) including the common service fee; however, considering the superiority [thereof] as a newly constructed building, an appropriate [monthly rent] would be 73,000 yen (@9,576 yen per *tsubo*) including the common service fee. Compared to this, the monthly rent (including the common

service fee) for 50 rooms of Urban Well Ibaraki is 3,756,000 yen, and if simply calculated for each room, the monthly rent per room will be 75,120 yen. Also, the material prepared by P Company, provides that the area Fujitec rented was 411.64 *tsubo*, including the conference room. Therefore, the rent per *tsubo* including the conference room is approximately 10,033 yen.

With respect to the appropriateness of the rent for Urban Well Ibaraki, no real estate appraisal report or other documents were obtained. In addition, neither the aforesaid minutes of the meeting of the Board of Directors nor the documents attached thereto indicated that Fujitec considered using any other building except Urban Well Ibaraki as a dormitory for employees.

(4) Board review at time of the rent reduction for Urban Well Ibaraki

Based on the minutes of the meeting of the Board of Directors held on November 8, 2013, where the rent for Urban Well Ibaraki was resolved to be reduced, Mr. Takakazu Uchiyama, who was the Representative Director, President and CEO of Fujitec at that time, as well as the representative of UI, did not participate in such voting. Also, the material attached to such minutes described the reason for the rent reduction to the effect that “in the renewal of the agreement, the amount of the rent” will be changed “after investigating the market rent trends in accordance with the terms of the current agreement (in line with price fluctuation, etc.).”

Based on the rental apartment advertisement dated October 1, 2013 and prepared by P Company, to which UI outsourced the management of Urban Well Ibaraki, the rent, including the common service fee, was in the range of 67,000 yen to 73,000 yen per month. If simply calculated for each room, the rent, including the common service fee, after the rent reduction, would be 73,120 yen per month.²²

In relation to the rent reduction, no real estate appraisal report or other documents were obtained. In addition, based on the minutes of the meeting of the Board of Directors held on November 8, 2013, where the rent for Urban Well Ibaraki was resolved to be reduced, it is not clear what negotiations were held with UI for such rent reduction.

(5) Board review of the change of the number of rooms

Based on the minutes of the meeting of Board of Directors held on September 17, 2021, where the number of rooms to rent was resolved to be changed from 50 to 5, Mr. Takakazu Uchiyama, who was the Representative Director, President and CEO of Fujitec at that time as well as the representative of UI, did not participate in the discussion and voting concerning this matter.

The material attached to such minutes stated that the reason for the change of the number of rooms to rent to 5 was “a result of consultation based on the intention of the lessor.” Also, based on such minutes, a Director asked about the “occupancy rates in the past and for the future,” to

²² Monthly rent for 50 rooms (3,656,000 yen) / 50 rooms.

which the Operating Officer in charge answered, “[Urban Well Ibaraki] has so far been operated at almost full occupancy. For the future, the occupancy rate is assumed to be around 70 to 80% [as rooms] for expatriate personnel.”

(6) Status of use of Urban Well Ibaraki

Based on the materials that were apparently prepared at the time of the relocation from the First Hisho Dormitory and the Second Hisho Dormitory to Urban Well Ibaraki, the number of tenants when the lease of Urban Well Ibaraki started was 35. The list of tenants of Urban Well Ibaraki who left when the number of rooms to rent was changed to 5 indicated that the number of tenants at that time was 37. In addition, based on a summary of the occupancy rate for each room prepared by Fujitec for the period from January 1, 2008 to December 31, 2021, the occupancy rate for each room was as follows (the shaded columns in the top indicate the room numbers, and the numbers at the bottom columns indicate the occupancy rates):

#501	#502	#503	#504	#505	#506
98%	46%	75%	98%	84%	82%
#601	#602	#603	#604	#605	#606
87%	53%	99%	99%	93%	85%
#701	#702	#703	#704	#705	#706
87%	89%	86%	94%	99%	90%
#801	#802	#803	#804	#805	#806
99%	92%	88%	95%	92%	97%
#901	#902	#903	#904	#905	#906
99%	87%	98%	82%	99%	88%
#1001	#1002	#1003	#1004	#1005	#1006
90%	95%	83%	92%	85%	90%
#1101	#1102	#1103	#1104	#1105	#1106
98%	57%	87%	82%	96%	96%
#1201	#1202	#1203	#1204	#1205	#1206
100%	19%	99%	99%	91%	91%
#1305	#1306				
92%	89%				

Moreover, based on the conference room management notebooks and the application forms for the use of the conference room, the actual status of use of the conference room was as follows (the shaded columns in the top indicate the year, and the numbers at the bottom columns indicate the number of times the conference room was used). In relation to this, we were not able to

confirm material indicating the use of the conference room for the period from 2012 to 2016.

2008	2009	2010	2011
5	31	3	1
2017	2018	2019	2020
1	1	5	1

(7) Issues that can be identified from the perspective of governance

At that time, the transactions of Fujitec with UI qualified as related-party transactions. It can be found that the lease of Urban Well Ibaraki from UI and the terms and conditions thereof were discussed and resolved at a meeting of the Board of Directors after excluding the Directors with a special interest in the resolution. Therefore, it is considered that the procedures required by the Companies Act were followed and that the Board of Directors monitored the transaction to some extent. And, based on the status of use of Urban Well Ibaraki described in subsection (6) above, the necessity and reasonableness of securing dormitories for employees can be confirmed to a certain extent.

Nonetheless, the ideal procedure in terms of governance that should have been taken before terminating the lease agreements for the former dormitories, the First Hisho Dormitory and the Second Hisho Dormitory, and securing a new dormitory, was to conduct research for properties other than Urban Well Ibaraki, such as obtaining rent estimates thereof, and examine whether or not the lease of Urban Well Ibaraki from UI was an optimal choice for Fujitec from the perspective of the common interests of Fujitec and its shareholders to avoid suspicions about whether it was necessary and reasonable for Fujitec to enter into a related-party transaction and that unreasonably high rents were set. (Since Urban Well Ibaraki was newly build at that time and was in a good location, a 3-minute walk from the station, and the rent was explained to be comparable to the rent for the remaining 94 rooms of the total 144 rooms that were being leased to third parties, these considerations could have actually been made. However, at least in the minutes of the meeting of the Board of Directors and other approval documents, no evidence was found regarding these considerations being weighed.)

In addition, before leasing Urban Well Ibaraki from UI, which was a related party, it would have been better to ensure objectively the appropriateness of the terms of the lease by obtaining rent estimates for similar properties other than Urban Well Ibaraki or (if no other suitable properties could be found) obtaining appraisal reports from real estate appraisers regarding the rent to confirm the appropriateness of the rent amount and other terms of the lease. Or, it would have been better to negotiate a rent reduction because as many as 50 rooms were to be leased in one single transaction, even if it could be determined that objectivity was established because the rent was comparable to the rent for the remaining 94 rooms of the total 144 rooms that were being

leased to third parties. Instead, all Fujitec did in fact was nothing more than receive materials from the property management company to which the management of Urban Well Ibaraki was outsourced, and the rent amount set for Urban Well Ibaraki was higher than that of the market rate described in such materials. Therefore, there is a suspicion that the rent for Urban Well Ibaraki was set with the intention of having UI, which is a related party, earn a higher profit than the market rate.

5. Transactions related to Fitwill Hikone

(1) Issues identified by Oasis

With respect to Fitwill Hikone, which was purchased by UI for 239.6 million yen in December 2006, and for which Fujitec paid a total of approximately 18 million yen in usage fees for the period from the fiscal year ended March 2008 to the fiscal year ended March 2010, and which it purchased from UI for 252 million yen in September 2009, Oasis pointed out the possibility that UI failed in its investment in purchasing Fitwill Hikone and may have pushed such failure onto Fujitec.

(2) Outline of the transactions related to Fitwill Hikone

Fitwill Hikone is a building with a heated pool, training gym, tennis court, multi-use hall, various cultural facilities, etc., located in Hikone City, Shiga (a land area of 2,249.78 m², and a total building floor area of 1,882.53 m²), and was operated by the Social Insurance Health Project Foundation as the Hikone Insurance Health Center “Peare Hikone” until March 2007. In December 2006, prior to its closure, UI took over the land and building of such facility and began the operation thereof as “Fitwill Hikone,” and, thereafter, executed a facility use agreement with Fujitec in December 2007. Subsequently, in September 2009, Fujitec took over the sports and culture business of Fitwill Hikone from UI but terminated the operation of Fitwill Hikone at the end of December 2021. The relevant facts are as follows:

Date	Event
December 20, 2006	UI executed a real estate sale and purchase agreement with the Readjustment of Facilities for Insured Persons and Beneficiaries Organization to acquire Fitwill Hikone’s land and building for 244,741,000 yen (including tax).
April 27, 2007	UI acquired the ownership of Fitwill Hikone in accordance with the above sale and purchase agreement.
November 6, 2007	The Board of Directors of Fujitec passed a resolution to execute an employee welfare facility use agreement with UI for Fitwill Hikone (annual usage fee of 12 million yen).

Date	Event
December 10, 2007	Fujitec executed a facility use agreement with UI for Fitwill Hikone (monthly fee of 1 million yen).
August 5, 2009	The Board of Directors of Fujitec passed a resolution regarding direction to acquire the facility and business of Fitwill Hikone from UI.
September 9, 2009	The Board of Directors of Fujitec passed a resolution in writing to execute a business transfer agreement with UI (for a transfer price of 262,808,196 yen (including tax)).
September 15, 2009	Fujitec executed a business transfer agreement with UI to acquire the facility and business of Fitwill Hikone for 262,808,196 yen (including tax).
November 6, 2020	At the meeting of the Board of Directors of Fujitec, it was reported that Fujitec will proceed to terminate the operation of Fitwill Hikone with the scheduled closing date at the end of December 2021.
September 17, 2021	At the meeting of the Board of Directors of Fujitec, it was reported that Fitwill Hikone's land and building will be transferred to a third party for 72 million yen (including tax).
January 11, 2022	Fujitec executed a land and building sale and purchase agreement with the above third party.

(3) Board review at the time of execution of the facility use agreement for Fitwill Hikone

Based on the minutes of the meeting of the Board of Directors held on November 6, 2007, where a resolution was passed to conclude the facility use agreement for Fitwill Hikone, Mr. Takakazu Uchiyama, who was the Representative Director, President and CEO of Fujitec at that time, as well as the representative of UI, and Mr. Otani, who was the Director and Chairman of Fujitec at that time, did not participate in the discussion and voting concerning this matter.

Based on the materials attached to the above-mentioned minutes of the meeting, the purpose of use of Fitwill Hikone was described “as a sports and culture facility for the benefit of Fujitec’s employees.”

In addition, according to the above-mentioned minutes of the meeting, an Audit & Supervisory Board Member asked questions regarding “the standard for calculation of the amount of the facility usage fees,” and a Director responded that “[A]ppropriate facility usage fees have been determined based on guidance from neighboring facilities.”

(4) Board review at the time of acquisition of Fitwill Hikone

Based on the minutes of the meeting of the Board of Directors held on August 5, 2009, where

a resolution regarding direction to acquire the facility and business of Fitwill Hikone was passed, Mr. Takakazu Uchiyama, who was the Representative Director, President and CEO of Fujitec as well as the representative of UI, did not participate in the voting for this matter.

Based on the materials attached to the above-mentioned minutes of the meeting, the stated purpose of acquiring the business of Fitwill Hikone was that “Fujitec was approached by Uchiyama International, Limited, the current business operator, to acquire the facility, and Fujitec responded that it would acquire the business being promoted at the facility for the following two purposes (reasons),” namely, “A. to make effective use [thereof] as part of a welfare program to improve employee health and wellness,” and, “B. to contribute to the local community as part of corporate citizenship activities.” With regard to the purpose mentioned in item A. above, it is mentioned that (i) Fitwill Hikone is a health promotion facility certified by the Minister of Health, Labour and Welfare and a designated exercise therapy facility, and it has the infrastructure in place for health promotion, (ii) more than 20 Fujitec employees participate in the program per month, and the program aims to further improve convenience, promote employee health, and expand the welfare benefits of employees, and (iii) while half of the facility usage fees are currently subsidized, the cost burden of admission fees and usage subsidies is excessive when employees use sports and culture facilities across the country to improve their health, but by utilizing Fitwill Hikone, the cost burden will be reduced. With regard to the purpose mentioned in item B. above, it is stated that (i) Hikone City requested Fujitec to consider acquiring Fitwill Hikone because it is mainly used by local residents in Hikone City and Shiga Prefecture, (ii) although there are competing sports facilities in the vicinity and there are concerns about a decrease in usage due to the economic downturn, a total of 5,668 users (95% compared to the previous year) used the facility between January and end of June 2009, which suggests that the facility is being utilized as a welfare facility that meets the needs of local residents. The minutes also include a letter titled “Regarding Continued Operation of the ‘Fitwill Hikone’ Facility (Request)” dated June 19, 2009 and addressed to Fujitec from the mayor of Hikone City.

In addition, based on the materials attached to the said minutes, Fujitec expected the acquisition value of Fitwill Hikone’s land and building to be 243 million yen, and the acquisition value of the structures and other fixed assets to be approximately 1 million yen. The said materials described that such land and building values were based on a real estate appraisal values, and the appraisal report dated July 29, 2009 and prepared by Q Company is attached to the said minutes of the meeting. According to this appraisal report, the appraisal value of Fitwill Hikone is 243 million yen.

Based on the said minutes of the meeting, an Audit & Supervisory Board Member asked about the profitability of the business of Fitwill Hikone after the acquisition and the collection of Fujitec’s loan receivables of the Loan to UI, and the Director in charge answered that “[T]he main

purpose of acquiring” Fitwill Hikone “is not to generate revenue, but to enhance the welfare of employees and contribute to the area’s residents. However, we believe that the profitability of the business must be adequately managed, and it must be monitored so that it would not become a major burden on Fujitec’s management,” and “[T]he acquisition price paid by Fujitec to Uchiyama International, Limited was expected to be allocated to repayments to financial institutions who made loans to Uchiyama International, Limited.” It is also stated that another Director commented that “this could be considered a benefit to shareholders and a stepping stone to increase the number of individual shareholders.”

As described in subsection (2) above, the final business transfer price was 262,808,196 yen (including tax), which was the sum of 243,000,000 yen for land and building (excluding tax), and 1,286,633 yen for other fixed assets (excluding tax) and 10,095,238 yen for fixtures and supplies (excluding tax), by adding the consumption tax, etc. of 8,426,325 yen.

(5) Profitability of Fitwell Hikone

After the acquisition of Fitwill Hikone by Fujitec and up to the end of its operations at the end of December 2021, the revenue performance thereof was as follows:

(Unit: yen)

	Sales	Operating Income	Ordinary Income	Net Income
FY 2009 ²³	44,067,969	(17,751,086)	(17,750,090)	(17,750,090)
FY 2010	85,641,854	(2,948,306)	(2,945,989)	(2,945,989)
FY 2011	83,505,810	(6,680,813)	(6,679,391)	(6,679,391)
FY 2012	82,556,018	(3,130,140)	(3,129,570)	(3,129,570)
FY 2013	79,148,271	(54,268,262)	(54,130,699)	(54,130,699)
FY 2014	75,491,518	(9,480,544)	(9,480,208)	(80,202,144)
FY 2015	73,962,194	(3,258,602)	(3,048,004)	(3,048,004)
FY 2016	70,187,383	(9,748,010)	(9,747,967)	(9,747,967)
FY 2017	70,692,074	(1,008,254)	(1,008,233)	(11,042,280)
FY 2018	67,615,764	(3,415,105)	(3,415,088)	(3,415,088)
FY 2019	61,155,942	(13,554,588)	(13,554,565)	(13,554,565)
FY 2020	46,289,095	(17,269,514)	(17,269,484)	(17,945,551)
FY 2021 ²⁴	35,816,680	(15,230,810)	(15,230,798)	(15,230,798)

(6) Board review at the time of sale of Fitwill Hikone

²³ From September 2009 to March 2010.

²⁴ From April 2021 to December 2021.

Based on the materials attached to the minutes of the meeting of the Board of Directors held on September 17, 2021, where the sale of Fitwill Hikone's land and building was reported, a third party reportedly made an offer to purchase Fitwill Hikone's land and building, and since no other offer was received, and the requested purchase price appeared to be generally reasonable, Fujitec would proceed with the procedures for the sale for an estimated sale price of 72 million yen (including tax) and a scheduled sale date at the end of December 2021 (to be determined by a separate adjustment).

The attached material stated that the real estate appraisal value obtained by Fujitec was 69.9 million yen (excluding tax). Based on the real estate appraisal report dated May 28, 2021 and prepared by R Company, the normal price of Fitwill Hikone's land and building was 69.9 million yen.

In addition, based on the said minutes of the meeting, an Audit & Supervisory Board Member asked about the book value of the real estate sold and whether there were any gains or losses on the sale, and the Operating Officer in charge answered that the book value of the land was in the range of 80 to 90 million yen and the loss on the sale was in the range of 10 to 11 million yen, and that the building had already been impaired.

(7) Issues that can be identified from the perspective of governance

At that time, the transactions of Fujitec with UI qualified as related-party transactions. It can be found that the execution of the facility use agreement with UI for Fitwill Hikone and the acquisition of the facility and business of Fitwill Hikone from UI were discussed and resolved at meetings of the Board of Directors after excluding the Directors with a special interest in the resolution. Therefore, it is considered that the procedures required by the Companies Act were followed and that the Board of Directors monitored the transactions to some extent. Based on the fact that the main purpose of these transactions was to enhance the welfare of employees and contribute to the local residents, and not to generate revenue, and that the mayor of Hikone City actually requested to purchase Fitwill Hikone, the necessity and reasonableness of these transactions can be confirmed to a certain extent.²⁵ Although we were not able to verify the

²⁵ It was stated in the Supreme Court Judgment dated June 24, 1970 (*Minshu* Vol. 24, No. 6, p. 625) that “[W]hen a director makes a donation of political funds on behalf of a company, the amount, etc., of the donation should be determined, that is within a reasonable range, by taking into consideration the company size, business performance, and social and economic status of the company, the recipient of donation and other various circumstances. If the amount exceeds the aforementioned range and the donation is considered inappropriate, then it would qualify as a breach of a director's fiduciary duty.” Accordingly, it can be said that, even if Fitwill Hikone were to record a significant operating loss in the end, as long as the amount is considered to be within a reasonable range by taking into consideration the outlook at the time of execution of the agreement, as well as the company size, business performance, and other social and economic status of Fujitec and other various circumstances, such as the fact that the users of the said facility are local residents, Fujitec's contribution to the local community itself should not be denied. From the perspective of governance, General Principle 2 of the Corporate Governance Code sets forth that “[L]isted companies should fully recognize that their sustainable growth and the creation of mid- to long-term

appropriateness of the annual usage fee under the facility use agreement from the documents obtained, based on the fact that the acquisition value of the land and building of Fitwill Hikone was at least determined based on the appraisal value set forth in the real estate appraisal report, it can be said that objective materials were obtained to confirm the appropriateness of the transaction terms.

In addition, although it did not qualify as a related-party transaction, based on the fact that a real estate appraisal report for Fitwill Hikone's land and building was obtained and Fitwill Hikone was transferred for the same amount as that stated in such appraisal report as described in subsection (6) above, it can also be said that objective materials were obtained to confirm the appropriateness of the transaction terms at the time of sale of Fitwill Hikone.

Therefore, there is no specific governance issue to be noted with respect to the transaction relating to Fitwill Hikone.

6. Relationships with Mr. Yoshinori Shinohara

(1) Issues identified by Oasis

Oasis pointed out that Fujitec may have retained and paid advisory fees to a private tax advisor who had close relationships with UI and Santo because the address of the office of Mr. Yoshinori Shinohara, who was retained as Fujitec's tax and accounting advisor, and the addresses of UI and Santo are the same.

(2) Facts found as a result of the Investigation

Based on the advisory agreement dated August 30, 2013, Fujitec entered into an accounting and tax advisory agreement with Mr. Yoshiori Shinohara and Mr. S. It was prescribed therein that the monthly advisory fee shall be 120,000 yen (excluding tax), and that special matters shall be determined after a separate mutual consultation.

In the materials concerning the decision to conclude the advisory agreement with them, it was described that since the previous tax advisor became old and the tax advisory system needed to be reviewed due to a growing number of issues, such as international taxation and transfer pricing taxation, which are difficult for individuals to handle, an agreement was concluded with T Tax Company for international tax affairs, however, for domestic tax affairs, Fujitec determined that Mr. Yoshinori Shinohara and Mr. S were appropriate advisors; that Mr. Yoshinori Shinohara has held senior positions at major accounting firms and has served as an outside officer of many

corporate value are brought about as a result of the provision of resources and contributions made by a range of stakeholders, including employees, customers, business partners, creditors and local communities. As such, companies should endeavor to appropriately cooperate with these stakeholders." Therefore, there may be situations where a company sees positive value in contributing to the community, subject to the supervision of the board of directors and others.

companies; and that until his retirement, Mr. S served in important positions, including as the director of the East Tax Office of the Osaka Regional Taxation Bureau, thus, Fujitec may obtain appropriate advice utilizing their extensive experience.

Thereafter, in connection with the establishment of Osaka Ekimae Zeirishi Hojin by Mr. Yoshinori Shinohara on January 6, 2020, Fujitec replaced the advisory agreement with Mr. Yoshinori Shinohara and Mr. S with an advisory agreement with Osaka Ekimae Zeirishi Hojin and Mr. S.

Moreover, based on the advisory agreement dated February 13, 2020 between UI and Osaka Ekimae Zeirishi Hojin, which was separate from the agreement with Fujitec, UI retained the said tax firm for representation in tax affairs, preparation of tax forms, and tax consultation. Under such agreement, the monthly advisory fee is 100,000 yen (excluding tax), and the settlement fee is 200,000 (excluding tax). In addition, based on the lease agreement dated September 30, 2021 between UI and U Company, UI rents from the latter, which is represented by Mr. Yoshinori Shinohara, a rental space of the Office Shinohara (1-3-267, Umeda 1-chome, Kita-ku, Osaka City) owned by the latter.

Based on the internal records of Fujitec, Mr. Yoshinori Shinohara and Mr. S participated in the tax audits of Fujitec in 2013, 2016, and 2019 to 2020. Of these, the record of attendance for the tax audit in 2013 has the description that “Uchiyama International 2 days” for Mr. S. Due to the limitations of the Investigation as described II4 above, we were unable to determine whether this description meant that Mr. S participated in the tax audits of UI, or whether it meant that as a part of tax audits of Fujitec, an audit was conducted at the office of UI, which was a related party, and that Mr. S participated in the audit.

(3) Issues that can be identified from the perspective of governance

It could not be confirmed in the Investigation that Fujitec entered into an advisory agreement with Mr. Yoshinori Shinohara because he had close relationships with UI and Santo as pointed out by Oasis.

7. Cleaning of Mr. Takakazu Uchiyama’s house by a Fujitec employee

(1) Issues identified by Oasis

Oasis has pointed out the possibility that Mr. Takakazu Uchiyama may have used a Fujitec employee for personal use to clean his house and garden.

(2) Facts found as a result of the Investigation

Mr. V, a former Fujitec employee, engaged in house and garden cleaning and maintenance at Mr. Takakazu Uchiyama’s private residence. Mr. V resigned from Fujitec as of January 31, 2011,

but was thereafter employed by an affiliate company through the senior citizen re-employment system from February 1, 2011 to January 31, 2016, and worked part-time for Fujitec from March 1, 2016 to June 30, 2021. Based on the internal settlement documents for Mr. V’s part-time employment, his work consisted of “mainly gardening and maintaining the waste disposal area.” Based on the notice of part-time employments and employment agreements, Mr. V’s working and other conditions from March 1, 2016 onwards were as follows:

Working Days: Working days prescribed by Fujitec

Working Hours: 8:30 to 16:25 (7 actual work hours)

Base Pay: March 1, 2016 to December 31, 2017 1,000 yen/hour
 January 1, 2018 to December 31, 2018 1,100 yen/hour
 January 1, 2019 to June 30, 2019 1,200 yen/hour
 July 1, 2019 to June 30, 2021 1,250 yen/hour

Place of Work: Big Fit

Ms. W and Ms. X, both Fujitec employees, have reported an overview of the work done by Mr. V to Mr. Takakazu Uchiyama by email, and based on these emails, Mr. V can be considered to have visited the private residence of Mr. Takakazu Uchiyama on the following dates and during the above working hours, and performed the following cleaning and maintenance work.

Date	Work Details
April 24, 2018	Cleaning the fallen leaves from the road and gutters, purchasing flowers for the family altar, reporting on the gas meter, and cleaning the first floor using a vacuum cleaner
April 28, 2018	Observing the lighting work, cleaning leaves from the artificial hill on the south side, and removal of a crow’s nest
April 29, 2018	Observing the lighting work, weeding on the artificial hill on the south side, and cleaning leaves from the main gate, gutters and road
July 13, 2018	Cleaning around the gate and gutters, purchasing flowers and <i>sakaki</i> (species of evergreen sacred to Shinto) for the family altar, etc., receiving a home delivery, and cleaning the artificial hill
July 19, 2018	Watering plants, lawn, etc., draining water from the <i>tsukubai</i> (water basin) under the plum tree, delivering the extra keys, and consulting with the city hall regarding crow removal

Date	Work Details
July 27, 2018	Purchase of sprinkler fittings and watering guns, reporting on the gas meter, watering plants and the lawn, cleaning the main gate and back door, and taking measures against crows' nests in the camphor trees
September 21, 2018	Repair of the temporary gutter on the eave roof over the back door, and edging of the lawn and pulling weeds
October 19, 2018	Cleaning from the main gate to the cobblestones at the entrance, mowing the lawn and pruning of the pine shrub
November 28, 2018	Purchasing equipment, reporting on the gas meter, spreading pesticide, pulling weeds, cleaning the main gate and gutters
December 5, 2018	Observing the fence removal work, cleaning leaves around the main gate, branch disposal and pruning of cleyera in front of the well pump room
December 9, 2018	Observing the repair of the storage shed exterior wall and finial painting work, and cleaning around the main gate
December 13, 2019	Attending the meeting with the construction manager at the construction site regarding the construction work to be performed on the land next to Mr. Takakazu Uchiyama's private residence

However, based on Mr. V's payroll statements, his wages were paid by Fujitec on all of the above dates as if he had worked at Fujitec.

(3) Issues that can be identified from the perspective of governance

As a result of the Investigation, as pointed out by Oasis, it is highly likely that Mr. Takakazu Uchiyama had used an employee of Fujitec on a part-time basis to clean his house and garden. It must be said that such conduct was inappropriate as it constitutes taking personal advantage of an employee of Fujitec.

IV. Issues Identified from the Perspective of Governance as a Result of the Investigation and Recommendation of Countermeasures

It can be found that Fujitec has engaged in multiple Related-Party Transactions, etc., with Mr. Takakazu Uchiyama and the Related Companies. With respect to the Related-Party Transactions with Mr. T. Uchiyama and the Related Companies (III.1 to 5), Fujitec approved them based on resolution of the Board of Directors made after excluding the Directors with a special interest in the resolutions. Therefore, it is considered that the procedures required by the Companies Act

were followed and that the Board of Directors monitored the transactions to some extent.

That being said, there is no evidence suggesting that Fujitec conducted a market check to transact with parties other than a related party, or that Fujitec negotiated with the related party on the transaction conditions, although there was possible harm to the interests of Fujitec or the common interests of its shareholders or the situation could give rise to such concerns (III1(8), 4(7)). In addition, when calculating the transaction value, it is difficult to say that, in all the Related-Party Transactions, etc., the decisions were based on information from reliable sources, such as official real estate appraisal reports obtained from independent real estate appraisers, from the perspective of arm's length transaction standards (III1(8), 4(7)). Furthermore, with respect to the continuous conflict-of-interest transactions, such as loan contracts and lease contracts, although the Board of Directors has approved such transactions at the time of conclusion of the contracts, it is difficult to say that the Board of Directors has properly monitored ex-post the status of subsequent conflict of interest by requesting periodic reports from the related parties who were the other party of contracts (III1(8), 2(8)).

From the perspective of the ideal procedure in terms of governance, it is strongly recommended that a system be established to ensure objective decision-making and monitoring as to whether the transaction is necessary and reasonable for Fujitec and to avoid any suspicion about whether Fujitec has set an unfair transaction term that may harm the company's interests in determining the merits of transaction with potential conflicts of interest and in calculating its transaction value.

For instance, by establishing guidelines for related-party transactions, (i) in principle, in addition to the adoption of a resolution of the Board of Directors, as a procedure to verify and monitor the reasonableness of a transaction (including business necessity and reasonableness) and appropriateness of the transaction terms, it is considered that, as a precondition of such resolution, the reasonableness of such transaction and fairness of the procedure should be verified by an independent committee composed of independent Outside Directors, etc. who have no interest in the transaction under consideration, and as necessary, legal checks should be performed by the legal section or outside lawyers. In addition, (ii) with respect to continuous conflict-of-interest transactions, it is desirable to perform not only the aforementioned advance checks, but also ex-post monitoring, such as requiring periodical reports thereon. Further, (iii) with respect to the evaluation standards, the reasonableness of a transaction and appropriateness of the transaction terms (taking into consideration arm's length transaction terms and market prices) should be fully examined, and when deciding on the appropriateness of the transaction terms, it is desirable to collect information from reliable sources such as experts or other specialists, as necessary.

End