

June 9, 2020

To all parties concerned:

Company	Fujitec Co., Ltd. (Stock Code 6406)
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**A Supplemental Explanation Regarding the Issuing of a Recommendation Report
by a Proxy Advisory Firm Known as Institutional Shareholder Services
Regarding the Agenda of the 73rd Annual Meeting of Shareholders**

We recently received information that the proxy advisory firm known as Institutional Shareholder Services Inc. (“ISS”) issued an advisory report (the “report”) advising shareholders regarding their voting for agenda items to be presented at our upcoming 73rd Annual Meeting of Shareholders (the “shareholder meeting”), scheduled for June 23, 2020.

In the report, ISS recommends that shareholders vote in favor of Shareholder Proposal: Proposal 4 (Revisions to a Portion of the Articles of Incorporation (Cancellation of Treasury Stock)) and Proposal 5 (Cancellation of Treasury Stock). As this recommendation clearly differs from our view, we will explain our thinking regarding the agenda items.

We would very much like to ask that you, as shareholders, take into account this supplementary explanation and the Notice of the 73rd Annual Meeting of Shareholders and exercise your voting rights after due consideration.

1. Our View of ISS’ Process for Making Recommendations

On May 25, 2020, we disclosed on our homepage our Notice of the 73rd Annual Meeting of Shareholders and on May 29 followed this with a timely disclosure, “Announcement of Opinion of Fujitec’s Board of Directors Regarding Shareholder Proposals.” In those documents, we included a supplemental explanation regarding the opinion of our Board of Directors regarding the Shareholder Proposals. From May 26, we made multiple attempts to set up a meeting with ISS to explain our views directly. The only reply we received was “we will be in touch if necessary,” and the ISS report was issued with no meeting ever taking place.

We view it is extremely regrettable that ISS, a company exercising influence over shareholder voting, has been negligent in the responsible execution of its business and issued the report without receiving sufficient information directly from the issuer.

2. The Company's Basic Thinking Regarding the Holding and Cancellation of Treasury Stock

As is disclosed in our May 29 "Announcement of Opinion of Fujitec's Board of Directors Regarding Shareholder Proposals," the Board of Directors considers that the Company must debate whether to hold or cancel treasury stock in the context of medium- and long-term capital policy. It is the policy of the Board of Directors to consider these matters in light of their consistency with management strategy, including the use of treasury stock to facilitate flexible capital policy in the future.

The determination of capital policy, including the cancellation of treasury stock, is not a matter for resolution by the General Meeting of Shareholders but a matter of resolution by the Board of Directors, as stipulated by the provisions of the Companies Act. As such, it will facilitate the utilization of treasury stock in capital policy based on medium- and long-term management strategy and, as a result, contribute to the enhancement of corporate value.

As can be noted from our Notice of the 73rd Annual Meeting of Shareholders, our Board of Directors will be composed of four internal directors who from the point of view of increasing corporate value will govern the execution of business matters and five independent outside directors with diverse backgrounds who will accurately secure that governance (a ratio of 55.6% outside directors). We have come to the decision that entrusting the formulation of capital policy including the cancellation of treasury stock to the Board of Directors is conducive to the increase of corporate value and the common interests of shareholders. (Please note that ISS in its report recommends that shareholders support the election of ALL our candidates for Director.)

3. Regarding ISS' Recommendation that Shareholders Approve Shareholder Proposal 5 (Cancellation of Treasury Stock)

In addition to our thinking regarding the basic policy for the holding and cancellation of treasury stock, the Board of Directors makes clear in our May 29 "Announcement of Opinion of Fujitec's Board of Directors Regarding Shareholder Proposals" that there is no effect on ROE, EPS, etc., stating, "When treasury stock is acquired, the accounting treatment at the time of the acquisition is to deduct the treasury stock from shareholders' equity, while also deducting the number of shares from the denominator used to calculate EPS, and therefore the cancellation or non-cancellation has no subsequent effect." ISS does demonstrate its understanding of this point by stating in the report that this is "theoretically correct."

In spite of the fact that ISS admits to understanding our view, ISS goes on to write "the cancellation of treasury shares will provide a strong signal that management listens to shareholders' concerns and is willing to optimize the company's capital management," thus recommending that shareholders support the shareholder proposal with an explanation that is based on less-than-rational grounds.

As you know, the appropriation of treasury stock for finance or M&A purposes is defined as "the disposal of treasury stock." It is commonly said that the background for the creation of the system

permitting “the disposal of treasury stock” in the 2001 revision of the Commercial Code was grounded in the concept of the issuance (but not registration of) of new stock that would take place without increasing the number of total shares issued and/or result in an increase in capital. There is merit for shareholders from “the disposal of treasury stock” as it eliminates the time and expense necessary to process the registration of new shares. It is clear that holding treasury stock without cancelling it is rational. We see no advantage to shareholders by abandoning a legally recognized benefit by cancelling treasury stock.

The Company’s Board of Directors, consisting of a majority of independent outside directors, will continue to consider business strategy and the capital policy that supports it from the perspective of the common interests of shareholders. The enhancement of shareholders’ value will not be signaled by “the cancellation of treasury stock” but instead originates elsewhere. We are certain that we have the will to achieve the enhancement of shareholders’ value.

We request that you, our shareholders, exercise your voting rights based on your own judgment following due consideration and understanding of our basic thinking regarding the holding and cancellation of treasury stock.

Thank you for your consideration.