



This document is a translation to
the original Japanese document

Additional explanatory material regarding our position on the extraordinary general meeting of shareholders

February 10, 2023

Fujitec Co. Ltd.
(TSE Prime: 6406)

Introduction

With regard to agenda items to be put forward at the Extraordinary General Meeting of the Shareholders, to be held February 24, 2023, and as described in the document “Notice Concerning the Board of Directors' Position on the Agenda Item to be Submitted by the Company and the Agenda Items Proposed by a Shareholder for the Upcoming Extraordinary General Meeting of the Shareholders,” dated January 20, 2023, the Board of Directors at Fujitec resolved to approve the Company’s proposal (Proposal 1) to improve governance by the Board of Directors and to oppose all other shareholder proposals.

This disclosure today is meant to convey our thoughts on issues of concern to Fujitec shareholders brought to our attention in conversations regarding the Extraordinary General Meeting of the Shareholders.

Please note that our position and opinion on the Extraordinary General Meeting of the Shareholders are described in various documents released on January 30, 2023. We ask shareholders to take a look at these materials.

- **Main Volume:**
Statement on Oasis’ claims and its request for an extraordinary shareholders’ meeting
- **Supplementary Material:**
Supplemental material regarding our statement on Oasis’ claims
- **Reference Material**
Regarding Related-Party Transactions, etc.

*The above materials are available here (<https://www.fujitec.com/announcement/3082>)

Our Statement on the Proposals

Fujitec opposes all of Oasis' shareholder proposals

	Proposal	Content	Fujitec's position	
1	Fujitec's proposal Proposal 1	Election of two outside directors	Elect two candidates as outside directors <ul style="list-style-type: none"> • Jiro Iwasaki • Michi Kaifu 	Approve
2	Shareholder proposal Proposal 2	Dismissal of ALL six outside directors	Dismiss all six current outside directors <ul style="list-style-type: none"> • Nobuki Sugita • Shigeru Yamazoe • Kunio Endo • Mami Indo • Kazuhiro Mishina • Kaori Oishi 	Oppose
3	Shareholder proposal Proposal 3	Election of six outside directors	Elect six candidates as outside directors (initial proposal was for seven candidates) <ul style="list-style-type: none"> • Akihiko Asami • Torsten Gessner • Clark Graninger • Kaoru Umino • Ryan Wilson • Ako Shimada • Shiori Fukada (Withdrawal, with no explanation of the reason) • Yuko Kaneke (Withdrawal, with no explanation of the reason) 	Oppose
4	Shareholder proposal Proposal 4	Determination of individual basic compensation for outside directors	Basic compensation will be ¥12.5 million	Oppose
5	Shareholder proposal Proposal 5	Granting post-delivery stock compensation to outside directors	Grant post-delivery stock compensation with no set stock price conditions	Oppose
6	Shareholder proposal Proposal 6	Granting post-delivery stock compensation with stock price conditions to outside directors	Grant post-delivery stock compensation with stock price conditions	Oppose
7	Shareholder proposal Proposal 7	Granting post-delivery stock compensation with stock price conditions to directors (excluding outside directors)	Grant post-delivery stock compensation with stock price conditions	Oppose

Our Opinion on Oasis' Proposal



Oasis' True Intention / Objective

- ✓ We believe **Oasis' true intention / objective is to acquire full management control**.
- ✓ Oasis claim their EGM proposal is to increase corporate governance – however, replacing all the outside directors on Fujitec's Board of Directors (where two-thirds of the directors are outside directors) is nothing more than an attempt to control management



Oasis's Proposed Director Candidates

- ✓ Even if the true intention of Oasis' proposal was to acquire control of management - given that the proposal was made by a major shareholder, we decided it was necessary to seriously consider the qualifications of the Director Candidates – therefore we **requested to Oasis the opportunity for interviews by outside directors from our Nomination and Compensation Advisory Committee (standard governance practice)**. However, since Oasis refused, **internal directors interviewed all of Oasis' director candidates**.
- ✓ After interviews, we concluded **the proposed director candidates lacked the necessary qualifications to serve as directors of the Company and were deemed unable to contribute to the improvement of Fujitec's corporate governance**.

For more information on Oasis' proposed outside director candidates and individual reasons for our opposition, please refer to pages 33-35 of the below presentation:

“Supplemental material regarding our statement on Oasis' claims” (posted on January 30, 2023)

<https://www.fujitec.com/announcement/3082>

Information Point (2): Mr. Uchiyama's Appointment as Chairman (emeritus)

- The decision to withdraw the proposal to elect former President Mr. Uchiyama as a director at the Annual Meeting of Shareholders in June 2022 was made in response to multiple stakeholders' opinions that he should not be involved with management until the results of the investigation by the third-party committee came out.
- Mr. Uchiyama's appointment later, to the position of chairman (emeritus), was the result of discussions by the Board of Directors to take an approach that would minimize impact on the Company's business activities.

Reason for his appointment as chairman (emeritus)

To minimize the impact on our business and financial performance

As our business is characterized by many long-term projects (over 30 years incl. maintenance), of which Mr. Uchiyama has contributed to during his many years working as an executive, his staying on for continuity as position as chairman (emeritus) would minimize any negative impact on our business performance.

To maintain our relationships with clients, etc.

The sudden departure of Mr. Uchiyama, who has led our Company for the past 20 years, would be of extreme concern to our clients and employees, and would have a significant negative impact on our business. This business is built on mutual trust – and we therefore felt the need to mitigate these customer and employee concerns.

His role of chairman

The chairman emeritus position is neither a director nor executive officer and, he does not participate in Board meetings or Executive meetings and is not involved in executive decision-making or management

He provides advice, as needed, regarding our business and clients, based on his previous experience and knowledge to mitigate any business downside that would arise from sudden change

Information Point (3): Independence of Outside Director Candidates Proposed by Fujitec

- In materials titled “Oasis Response to Fujitec’s Claims,” disclosed by Oasis, the independence of Mr. Iwasaki and Ms. Kaifu, who Fujitec has proposed as outside director candidates to be approved at the Extraordinary General Meeting of Shareholders, is questioned. This claim is groundless and factually incorrect – we have asked Oasis to rescind their statement



Jiro Iwasaki

Reasons for nomination and summary of expected role:

Reasons for selection as an outside director candidate and summary of expected roles: Mr. Iwasaki has served as Director and Executive Vice President of TDK Corporation and as a director of publicly listed companies, so he has a wealth of experience and deep insight. In addition, he has experience as an outside director/auditor of several publicly listed companies and as a university professor. We judge that based on these experiences and knowledge, he will be able to offer useful suggestions and advice on the overall management of the Company.

Oasis' groundless claims

Mr. Jiro Iwasaki and Mr. Terumichi Saeki (founder of Kitahama Law Office) had an existing relationship prior to this Extraordinary General Meeting of Shareholders, as both were independent outside directors proposed by shareholders in the "Save Sekisui House" campaign launched in 2020 at the 69th Ordinary General Meeting of Shareholders of Sekisui House.

Factual Information Gathered by Fujitec

There is no business relationship between the Company and Mr. Iwasaki (including organizations to which he belongs) that would result in compensatory benefits. In addition, no confirmed information has come about regarding a connection between Mr. Iwasaki and Kitahama Law Office that would raise questions about his independence. As Mr. Iwasaki satisfies the independence criteria required by the Tokyo Stock Exchange, a notification of Independent Director/Auditor has already been submitted to the Tokyo Stock Exchange.



Michi Kaifu

Reasons for nomination and summary of expected role:

Ms. Kaifu resides in the U.S., and manages a consulting company that she herself founded, providing research analysis and advice based on her knowledge and experience earned over more than 20 years regarding the IT industry and venture start-ups in both Japan and the U.S. We judge that based on the wealth of knowledge she has cultivated through these experiences, she will be able to offer useful suggestions and advice from a global perspective, especially in the technology field.

Oasis' groundless claims

Given the relationship between Ms. Michi Kaifu and Mr. Ryota Miura (who is being appointed by Fujitec), it must be said that Ms. Kaifu is being appointed to preserve Mr. Uchiyama's control, which raises serious doubts about her independence.

Factual Information Gathered by Fujitec

There is no business relationship between Fujitec and Ms. Kaifu (including organizations to which she belongs) that would result in compensatory benefits. In addition, we have not come across any information that would raise questions about the independence of Ms. Kaifu due to her relationship with Mr. Miura. As Ms. Kaifu satisfies the independence criteria required by the Tokyo Stock Exchange, a notification of Independent Director/Auditor has already been submitted to the Tokyo Stock Exchange.

Since we considered that there might be facts known only to Oasis, we issued a letter of inquiry to Oasis that included a request to confirm the basis for their allegations. However, we did not receive a response that confirmed any content that might raise doubts about the independence of the Outside Director Candidates.

Information Point (4): Related-Party Transactions

- With regard to the various allegations of related-party transactions that Oasis pointed out in its May 2022 press release, as reported in the May 30, 2022, press release "Notice Concerning Board of Directors' Resolution in relation to Shareholders' Assertion," our Board of Directors concluded on the same date that there were no legal or corporate governance issues.
- Later, in light of feedback received from stakeholders, the Board of Directors set up an independent, third-party committee, and additional investigation is currently in progress.
- **Fujitec will cooperate fully in this third-party committee's investigation and will respond to any instructions from the third-party committee in a sincere manner.**

Results of the Investigation Checked in May

- According to an investigation by Nishimura & Asahi law office, as disclosed in May 2022, there are **no problematic transactions from a legal or corporate governance perspective.**



Current Status

- In light of opinions voiced by stakeholders, including shareholders, an **investigation is currently being conducted by a third-party committee independent from the Company.**

Given that the third-party committee has not yet presented any results from its investigation, Fujitec is baffled by the unexpected timing of the request by Oasis for an extraordinary general meeting of shareholders be held

Our Position on Key Issues Asserted by Oasis

- Oasis makes the following assertions in its rebuttal materials, all of which we believe to be merely Oasis' own opinion that differ from facts and are arbitrary and misleading.

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1
Events at the 75th Annual Meeting of Shareholders

The decision to withdrawal the proposal was made in response to stakeholder feedback that former President Uchiyama should not be involved in the management of the Company while the third-party committee was established. Oasis' claim that approximately 65% of the votes were cast against the proposal is incorrect. .

2
Continual influence of the Uchiyama family in Fujitec

Mr. Uchiyama is currently in a position where he is neither a director nor an executive officer, and naturally does not participate in meetings of the Board of Directors nor in Executive Officer meetings and is not involved in the current management of the Company.

3
False reports were made to the market, without any corrections being made

There is no factual evidence of false reporting to the market. In the first place, it is unclear what Oasis' claim of false reporting refers to.

4
Flawed governance structure

The ratio of outside directors is 67%. Our Board possesses qualified professionals in Japan who hold a high level of hard skills, not only in regard to formal benchmarks, but who also possess substantive knowledge and experience, and who have been directors of publicity listed companies.

5
Fujitec continues to have an investigation system for related-party transactions that is seriously flawed due to conflicts of interest.

The practice that Oasis points out that require that committee members be selected or that they be independent individuals from each other is not practiced in Japan and is simply Oasis' own views. There are no factual concerns about regarding the third-party committee we established.

Q1 Why was the proposal for the appointment of Mr. Uchiyama as a director withdrawn?

Paralleling the decision to establish a third-party committee on related-party transactions, the Board of Directors concluded that Mr. Uchiyama should not be proposed as a director until the results of the third-party investigation were made available.

Q2 What is the role of the Chairman?

To minimize the impact on business that would accompany the sudden withdrawal of Mr. Uchiyama, who had served in a top managerial position for more than 20 years. He has been appointed to the position of chairman (emeritus) – the position is neither a director nor an executive officer, and is to assist in the capacity as an advisor.

Q3 Oasis states that the current third-party committee is not independent

The members of the third-party committee established in August 2022 were selected through an appropriate process, and there has been no proof of any deficiencies in the committee's establishment identified by Oasis.

Q4 Why was the Company proposal to appoint two outside directors brought up at this Extraordinary General Meeting of Shareholders?

Seeking to enhance governance and achieve the medium-term management plan Vision 24, we were considering proposing two additional outside directors at the Annual General Meeting of Shareholders in June 2023. With the shareholder request for an extraordinary general meeting of shareholders, this plan was simply moved up.

Q5 Are the two outside directors proposed by the Company necessary?

We determined that Mr. Iwasaki would bring a new perspective to the formation of management strategies, business strategies and other corporate pursuits from his experience at other manufacturers and as an outside director. Ms. Kaifu, we believe, will bring a global perspective and technology-related expertise from her experience in Silicon Valley. Our decisions were based on the fact that they possess vital skills we need to reach Vision 24 targets.

Q6 Are the current outside directors considered to be independent?

All of our outside directors meet the independence criteria required by the Tokyo Stock Exchange and therefore Independent Director/Auditor notification forms have been submitted for them to the Tokyo Stock Exchange. They have no business relationship with the Company, and all of them are independent.

Q7 Why did two candidates proposed by Oasis declined to stand?

Although we sent reference request letters to the director candidates proposed by Oasis, and approached them for an interview, no interviews were held with the two candidates who declined to stand for election, and no specific explanation was provided by Oasis.

Q8 Have you held interviews with the candidates proposed by Oasis?

Initially, outside directors from our Nomination and Compensation Advisory Committee approached Oasis to arrange an interview, but the request was rejected by Oasis, so two of our inside directors met with the candidates.

Q9 When will we know the results of the third-party committee's investigation?

As we have requested the investigation to be conducted by an Independent Third-Party Committee that set its own methods and timeframe though we are cooperating fully with the investigation. But the timing of the disclosure of the results of the investigation has not yet been determined. We will disclose the results as soon as we receive them.

Q10 Are you communicating with Oasis?

Prior to the request for this Extraordinary General Meeting of Shareholders, we had been communicating with Oasis, including interviews with our directors, mainly regarding financial results. Therefore, we are baffled by the sudden development of the campaign and the shareholder proposal, of which there was no prior indication from Oasis.

Disclaimer

This document is intended to explain and clarify the opinion of the Board of Directors regarding the shareholder proposals announced on January 20, 2023. It is not a solicitation to have Fujitec or a third party exercise voting rights on shareholders' behalf with respect to the proposals to be discussed at the extraordinary meeting of shareholders announced on the same day.

Information other than information from Fujitec described in this document is created based on information available to the public. However, Fujitec does not guarantee the accuracy, validity, or completeness of such information, and does not bear any responsibility for decisions made using said information.

This document also refers to forward-looking prospects based on Fujitec's current plans, estimates, forecasts and predictions regarding our business and industry trends. These forward-looking statements are subject to various risks and uncertainties.

Risks known or unknown, uncertainties and other factors may cause results to differ from those given in our forward-looking statements. Fujitec cannot promise that our forward-looking statements and predictions will be correct, and results may differ substantially from our forward-looking statements.

The forward-looking statements contained in this document are made by Fujitec based on information available as of February 10, 2023. We do not intend to update or amend any of our forward-looking statements to reflect future events or circumstances.

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