

# Fujitec Co., Ltd.



After 8 years of engagement, 82 company contacts and two turbulent EGMs in 2022 and 2023 the former CEO and the board of directors were dismissed. Shareholders exercised their rights to install a new highly competent board of directors.

Michael Kretschmer, Senior Portfolio Manager

### Engagement rationale

Kempen has been invested in Fujitec since 2014 and we are amongst the largest shareholders. Fujitec's founder's son and CEO Mr. Uchiyama had, with a small minority stake of 6.5%, a disproportionate influence on the board of directors. This board had a long history of corporate governance shortcomings. Most importantly, the lack of disclosure and disregard of shareholders negatively impacted Fujitec's corporate value.

### Background

Fujitec's share price has been trading at a substantial discount to intrinsic value for the past 15 years. Mr. Uchiyama and his entrenched board of directors disregarded shareholder demands to enhance corporate value through strategic initiatives and increased shareholder returns.

### Theme for engagement

- Engagement for Change: Governance
- Engagement for Change: Strategy

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### Development

Positive

### Milestone



### Engagement objectives

Twice in 2022, we took the for us unusual step of publicly expressing our concerns about the corporate governance policies of Fujitec. This followed several years of private engagements with the company.

In January 2022, in an open letter to Fujitec, we expressed our disappointment with the lack of corporate governance improvements in its mid-term plan. We published a second open letter after the AGM in 2022. We concluded that the Board of Directors at Fujitec failed to adequately fulfill its fiduciary duty to protect shareholder rights. By pulling the re-election of CEO Uchiyama just prior to the AGM, the board deprived shareholders of their fundamental right to exercise voting power as an instrument to voice their opinion. We also disapproved the subsequent decision by the board to retain Uchiyama as a non-executive Chairman, without him being a director elected by shareholders.

We believe all stakeholders will benefit from improved corporate governance at Fujitec, which starts with establishing a highly skilled, diverse and truly independent board of directors.

### Engagement results

At the AGM in 2023 new independent directors were installed, replacing the incumbent board of directors. We felt the new board members proposed by activist shareholder Oasis are highly skilled, diverse and truly independent. The new outside directors bring substantial international business experience, corporate governance and compliance expertise, and capital allocation / M&A capabilities. At the 2023 AGM an attempt by former CEO Uchiyama to install additional board members failed. We therefore close this engagement case successfully.

### Company

Fujitec Co., Ltd. manufactures, installs and maintains elevators, escalators and moving walks. The company was founded by Mr. Uchiyama on 1948.

### Country

Japan

### Sector

Industrials: Capital Good

### Market cap

Small Cap: 1.7bn EUR

### Materiality

A sound board structure is fundamental to effective leadership and execution of successful business strategy on behalf of shareholders and relevant stakeholders.

### ESG Research

MSCI ESG Rating: BB  
Sustainalytics: 29.9 (medium risk)

### Engagement initiated

2015

### Latest update

June 2023

### Kempen Fund

Global Small Cap Fund

