

30 June 2022
Fujitec Co., Ltd.
Big Wing, 591-1 Miyata-cho, Hikone-shi, Shiga

To: Board of Directors, Fujitec Co., Ltd

Kempen Capital Management disapproves recent Board decisions at Fujitec

Kempen disapproves Fujitec's Board decisions announced on 23 June 2022, which undermine shareholder rights and are in stark contrast with any intention and commitment to improve on corporate governance. This leads us to question the quality and independence of the Board of Directors at Fujitec and the internal decision-making processes. We believe the Outside Directors failed to adequately fulfill their fiduciary duty to protect shareholder rights, reflecting poor corporate governance.

Kempen Capital Management N.V. ("Kempen", "we") is the manager of funds that are minority shareholders of Fujitec Co., Ltd. (6406 JP) ("Fujitec" or the "Company"). Funds managed and accounts advised by us currently own approximately 4.0% of the outstanding shares of the Company.

On 12 January 2022, we published an open letter to the Board of Directors in which we expressed our concerns over the disappointing mid-term plan and inadequate corporate governance at Fujitec. Following the open letter, we continued our dialog with various company representatives, including executive and non-executive (Outside) Directors. On 1 March 2022, Fujitec updated its mid-term plan, committing to improve on corporate governance and capital allocation. As part of that commitment, Fujitec announced its decision to separate the CEO and the Chairperson roles, with an independent Chairperson to be appointed.

On 19 May 2022, we took notice of publicly-available research published by Oasis Management Company Ltd. ("Oasis"), which revealed serious allegations of financial and corporate governance-related misconduct. These allegations involve certain related-party transactions and other matters between the Company and the then President and CEO Takakazu Uchiyama and his related interests. We believe that the Board of Directors should have taken these allegations more seriously. As expressed to the Company on 23 May 2022 and during follow-up conversations, we requested a formal, comprehensive and truly independent investigation that covers related-party transactions and other potential corporate governance breaches at Fujitec. Fujitec's announcement on 17 June 2022 regarding the implementation of an additional investigation revealed the wrong intent: instead of providing "ease of mind to shareholders", such an investigation should be intended to find the facts. In conclusion, the way the Board handled these serious allegations to us is a clear corporate governance red flag.

Ahead of the AGM, which took place on 23 June 2022, both the proxy advisory firms ISS and Glass Lewis recommended to vote against the re-election of Takakazu Uchiyama as a Director of the Company, in light of the potential corporate governance issues caused by the related-party transactions. As can be seen from public records, we voted in line with the recommendations of the proxy advisory firms and hence against the re-election of Takakazu Uchiyama as a Director of the Company. Based on the information released by Oasis, we had no alternative choice and we believe all fundamental shareholders that studied the information would have come to the same conclusion.

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To our surprise, on 23 June 2022 the Board of Directors at Fujitec announced two decisions, both of which (especially in conjunction with each other) we believe are remarkable, undermine shareholder rights and are in stark contrast with any intention and commitment to improve on corporate governance:

- Just prior to the AGM, Fujitec announced that the Board had resolved to withdraw the proposal to nominate Takakazu Uchiyama as a Director candidate of the Company. We believe this masks the outcome of the shareholder vote. We expect that shareholders voted against Takakazu Uchiyama by a significant majority – something that we cannot formally verify now that the resolution has been withdrawn.
- Just after the AGM, Fujitec announced that the Board had resolved to appoint Takakazu Uchiyama as non-executive Chairman (*kaicho*) of the Company.

We disapprove these decisions by the Board of Directors. We do not understand why the Board deprived shareholders of their fundamental right to exercise voting power as an instrument to raise their voices. Secondly, we disapprove the decision by the Board to retain the likely-rejected Takakazu Uchiyama as a non-executive Chairman (*kaicho*), without him being a Director elected by shareholders.

The Board that publicly committed to improve on corporate governance is clearly moving in the exact opposite direction. We can only conclude that this sequence of Board decisions confirms and underscores our expressed concern of a lack of Board independence, and that Fujitec remains under the sole control of Takakazu Uchiyama. This is a reflection of poor corporate governance degrading to a level that we believe is unacceptable for a publicly-owned company.

As a consequence, we lost trust in the independence of the Outside Directors at Fujitec, who failed to fulfill their fiduciary duty to protect shareholder rights. We also cannot have confidence in the independence of the third-party investigation regarding the related-party transactions, under the current leadership and governance structure.

We urge the Board of Directors to take adequate action to repair the damages and propose the following:

1. Construct a Board of Directors where more than half of the Directors are truly independent. In our view, none of the current Directors classify as truly independent Directors. New Directors should be nominated by Fujitec's largest institutional shareholders.
2. Commit to not engage in and/or spend any capital on strategic initiatives such as M&A (including divestments) up until item 1 mentioned above is completed, and do not make any significant new capex commitments during the same timeframe. Given the lack of confidence in the quality and independence of decision-making processes at Fujitec, shareholders cannot be assured that strategic initiatives approved by the present Board are in the best interest of stakeholders.
3. Immediately stop the current third-party investigation. Under the current leadership and governance structure, this effort is not credible and is merely a waste of time and money. A third-party investigation should only be initiated once a new majority-independent Board of Directors has been installed.
4. Until a truly independent third-party investigation is completed, terminate the Chairman (*kaicho*) role currently held by Takakazu Uchiyama as well as other (advisory) roles that he and his family members have within the firm. We believe any formal and informal role of Takakazu Uchiyama within the Company has become untenable, based on the series of events that have occurred over the past year and that we have described in this letter.

We regret the current situation and hope the Board of Directors sincerely understands the seriousness of the matter and the need to act accordingly. As always, we remain open to continue our dialog with the Company.



Kind regards,

Chris Kaashoek

Executive Director, Kempen Capital Management

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