

OASIS

BY EMAIL

March 7, 2023

President Okada and Board of Directors
Fujitec Co., Ltd.
591-1 Miyatacho
Hikone
Shiga 522-8588
Japan

Dear President Okada and Board of Directors,

At the recent Extraordinary General Meeting (“EGM”), Fujitec’s shareholders sent a clear message to Fujitec’s management and Board of Directors that the past actions taken by Fujitec and its Board to protect the Uchiyama family instead of protecting Fujitec *from* the Uchiyama family were entirely unacceptable.

The shenanigans undertaken by Fujitec in the run up to the EGM were outrageous. The false announcement of Ms. Indo’s resignation for “personal reasons” when the truth was “due to significant differences in her views on governance with those of the Company”, and not making this important clarification until days later and only after voting had already taken place, was effectively vote manipulation. Management’s feeble excuse that this was a “personal reason” instead of apologizing and accepting responsibility for this, is just another example of the lack of recognition by Fujitec management and the incumbent Fujitec directors of what is required today to be a director of a public company.

We believe that this false disclosure, which is merely the latest in the long list of corporate governance and leadership failings, should lead to President Okada’s retirement at or before this year’s Annual General Meeting (“AGM”).

We also demand that Fujitec provide a full explanation of who else at Fujitec authorized the false disclosure which hid Ms. Indo true reason for her resignation that she provided in her resignation notice.

At the EGM, Mr. Asano admitted that Michi Kaifu's career history statement about ENOTECH Consulting, Inc. in Fujitec's proxy documentation was erroneous. It was in fact an intentionally exaggerated statement, which further demonstrates Mr. Okada's blatant disregard for shareholders and for the truth. For example, the Company claimed to shareholders in its Director skills matrix that she had "management experience" when in fact she does not manage anyone at her small company, ENOTECH Consulting LLC. Mr. Asano also admitted that they did not engage in verification of the accuracy of her "outside director" title at Harmonic Drive LLC that Oasis pointed out was also inaccurate. At the EGM, Mr. Asano stated that they believed the title was simply because they heard so from Ms. Kaifu but without any due diligence.

Shareholders not only dismissed Fujitec's incumbent outside directors at the EGM, they also rejected Mr. Iwasaki and Ms. Kaifu, the candidates that were selected and proposed by Fujitec's nomination committee chaired by Mr. Suigta and included Mr. Okada and Mr. Yamazoe. Shareholders made it evident that they do not have faith in the committee's judgment.

As we move closer to Fujitec's upcoming AGM, Oasis believes it is time that Fujitec's management finally listens to its shareholders and embarks on making the fundamental changes it sorely needs. To the end, Oasis demands that the following actions are taken:

1. Cut all ties with Takakazu Uchiyama

Fujitec should remove of Takakazu Uchiyama as "Chairman of the Company" and abolish this role as it is not stipulated in the company's Articles of Incorporation. The Company should cancel any advisory, pay, or employment contracts it has with Mr. Uchiyama and terminate provision of any kind of benefits including use of company car and secretarial staff. Mr. Uchiyama's personal office at the company should be closed. He should not continue to come to Fujitec's offices, he should not continue to have use of a company car, and he should not continue have access to non-public information from the Company.

And if Mr. Okada does not believe that he is able to act as president without Mr. Uchiyama's help, then this is one more reason why Mr. Okada should step down as president at or before the upcoming AGM.

2. Overhaul of the Nomination Committee

As stated above, at the recent EGM, shareholders rejected the Fujitec Nomination Committee's proposed candidates, Michi Kaifu and Jiro Iwasaki, rendering the Nomination Committee clearly not fit for purpose. Therefore, the Nomination Committee needs to be overhauled. In METI's "Practical Guidelines for Corporate Governance Systems", METI states that the company's president should *not* be on the nomination committee at all. We believe the Nomination Committee should consist of only external directors. To this end, Oasis demands that the Nomination Committee consist of those directors that received the most support of shareholders at the EGM, namely, Ms. Umino, Mr. Torsten, and Mr. Mishina.

Those newly appointed members of the Nomination Committee will be able to communicate with all of executive officers to identify new directors and potentially a new leader of Fujitec to be nominated at the upcoming AGM.

3. Appoint Japan's First Female Independent Chairperson

Fujitec has the opportunity to make a great stride for corporate governance in Japan by appointing Japan's first female independent chairperson. Karou Umino received the highest support of any of the independent directors at the EGM, and is the most experienced director in terms of corporate governance. We believe that Ms. Umino is the perfect candidate for Chairperson.

4. Retirement of Mr. Endo at the upcoming AGM

Mr. Endo barely kept his position as outside director, with 49.77% of shareholder voting *against* him. In fact, as with the last AGM, it is well known that prior this EGM, Fujitec was calling round shareholders begging them to change their votes in favor of the Company and for Mr. Endo.

At the EGM, Mr. Endo failed to answer the question asked by an Oasis representative as to the reason why the Company did not sell the luxury residence at Domusu Moto-Azabu #104 at the higher of the two prices indicated by real estate specialists and instead sold at a mid-price, to the detriment of the company's economic interest. Mr. Endo was part of the board of directors that wrongly approved this discounted sale on May 12, 2021, although Oasis sent letter to the board, including Mr. Endo, in July 2020 to investigate the related party transactions. Furthermore, Mr. Endo kept ignoring the questions from shareholders even after Oasis launched the public engagement.

Importantly, had the true reasons behind Ms. Indo's resignation been disclosed, there is little doubt that Mr. Endo would have been voted out at the EGM. Mr. Endo is complicit in this false statement to the market, as well as all other statements pointed out by Oasis.

Japan Exchange Group (JPX) has 5 criteria for listed companies to follow to ensure appropriate disclosure of corporate information. Oasis sees Fujitec has failed to achieve standards of JPX timely disclosure:

- 1) Whether the timing of disclosure is appropriate.
- 2) Whether the disclosed information is not false.
- 3) Whether or not the disclosed information lacks information that is deemed important for investment decisions.
- 4) Whether the information disclosed is not misleading in terms of investment decisions.
- 5) Whether or not there is any other lack of appropriateness in the disclosure.

The failure of disclosure of Ms. Indo's resignation fails all five parts of the JPX test. The original disclosure was false, was delayed, relevant for investment decision, misleading and inappropriate.

Oasis demands that Fujitec directors let Mr. Endo retire as a director of Fujitec before or at the upcoming AGM; otherwise, we strongly believe that he will be voted out at the AGM. It is time for Mr. Endo to go once and for all.

5. Third-Party Investigation into False Statements and Attacks against Oasis Nominee Directors

Oasis demands that a truly independent law firm be appointed to investigate the corporate governance abuses perpetrated by the remaining and former board directors and publish their findings.

6. Exorbitant Fee Payment to Vendors to Protect Uchiyama family

The actions of President Okada and other internal directors around the EGM were particularly hostile, personal, and inappropriate, and were done not to protect Fujitec's interests but only those personal interests of the Uchiyama family. This was a serious breach of the incumbent Board's fiduciary duties to shareholders, and a clear misappropriation of corporate assets solely for the protection of the Uchiyama family and their vested interests at Fujitec under Uchiyama's rein. All those incumbent Directors are personally liable for this misappropriation of corporate assets. We will use our shareholder rights to gain access to full details of engagements, communications, and fees paid to IR Japan, Pathfind, law firms, and others. We believe the Board should look into all of these issues.

7. No appointment of successor to Mr. Satoshi Hiramitsu

Mr. Satoshi Hiramitsu was appointed as company auditor (*Kansa Yaku*) at the AGM held in 2019. His four-year tenure will expire at the close of the AGM this year.

Oasis demands that the Company not nominate his successor for approval at the next AGM. In the past, every time a company auditor retires, the Company appointed his successor. However, shareholders do not need a company auditor who does not stop harmful related party transactions. That is what the company auditors led by Mr. Yasuo Utsunomiya have been doing since their appointments at the past AGMs.

The Company should instead restructure the board of company auditors (*Kansa Yaku Kai*) after conducting an overall review of its governance structure, taking into account the voting results of the AGM this year.

8. Provide a detailed update on the Third-Party Committee Investigation

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Management's continued silence over the third-party committee investigation is frustrating. The committee was established seven months ago, on August 10, 2022, and there should have been at least an interim report if not a final report by now. The investigation should not have been particularly complex to require such a long duration. The lack of progress of the investigation suggests that management is potentially suppressing the results of the report in an attempt to protect the Uchiyama family.

Oasis suspects that the report will be biased towards the Uchiyama family, nevertheless, it is important that the third-party committee provides at least an update, if not the final findings, by the AGM so that shareholders can assess the results themselves. The update should come directly from the third-party committee, as is precedent in other investigations.

Without any concrete steps to improve governance by Fujitec, Oasis will consider its next steps which include, but are not limited to the following:

- a. Recommendation for shareholders to vote against Mr. Okada, Mr. Endo, and others if necessary.
- b. Shareholder request for Fujitec's books and records.
- c. Initiation of a shareholder derivative lawsuit against the remaining Fujitec directors.

We hope that Fujitec finally moves on from the Uchiyama family and builds a brighter future, utilizing the skills of its new independent directors.

We also wish to welcome the new independent directors to Fujitec and we look forward to the improvements they will bring to Fujitec's corporate governance and operations.

Yours sincerely,



Seth H. Fischer
Chief Investment Officer
Oasis Management Company Ltd.

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Copy to:

Board of Directors

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