

11 June 2023

FUJITEC CO., LTD. – AGM (re: Glass Lewis Report)

[YOUR VOTE IS IMPORTANT. MAKE THE INFORMED CHOICE.](#)

Dear Fellow Fujitec Shareholders,

As you may be aware, Glass Lewis, a proxy advisory firm, has issued voting recommendations on the upcoming Annual General Meeting of Fujitec Co., Ltd. to be held on 21 June 2023.

In its report, issued on 10 June, Glass Lewis recommends that its clients vote FOR shareholder proposal Nos. 9 and 10 (concerning Director Compensation clawback facilities), but AGAINST resolutions 5.1-5.8 (Election of eight (8) directors). They also recommend that their clients vote against five other shareholder proposals Nos. 6, 7, 8, 11 and 12).

In relation to proposals 5.1 – 5.8, we respectfully disagree with Glass Lewis' recommendations and assessments. We feel strongly that the proposed independent director nominations are in the best interest of all shareholders. Set out below are some key issues we believe you should consider when assessing the proposals:

Impugning Uchiyama's Motivations and Nominees' Independence

We take strong exception to the highly prejudicial characterisation of "*Uchiyama's history with Fujitec and his demonstrated subordination of the rights, interests and will of public shareholders to those of himself and his family*" as a basis for Glass Lewis' scepticism about the motives for nomination of the 8 independent directors.

The alleged "subordination" of shareholders' interests to those of the Uchiyama family are strongly denied, defamatory, and are currently the subject of litigation in the Japanese courts ([please contact Team@FreeFujitec.com](mailto:Team@FreeFujitec.com) for a translated copy of the defamation lawsuit). It is in our view highly irregular and unprofessional of these matters to be cited as statements of fact rather than of opinion or conjecture in Glass Lewis' report, and to create the impression that the director nominees are consequently not independent and are somehow in the gift of the Uchiyama family.

This is a completely unreasonable depiction of our motivations and of the attributes and professionalism of our proposed director nominees. In fact, **Glass Lewis refused to meet with Uchiyama International or any of the proposed independent directors in the lead up to this AGM despite several requests, but did meet with candidates submitted by Oasis in the lead-up to the EGM in February.** We can see an existing unjustifiable bias against Uchiyama International this unbalanced approach might have created.

As the nominating shareholder, Uchiyama International has taken on board and fully acknowledges the degree of shareholder disquiet about the level of family influence in the previous board structure of Fujitec, prior to the February 2023 EGM. For this very reason, we wish to make it clear that **there are no family or family-connected candidates being put forward for election** among the 8 independent nominees in the June 2023 AGM.

Instead, as we have endeavoured to make clear, all of these 8 individuals were carefully screened and selected through an entirely arms-lengths recruitment process for their complementary skills, experience, leadership and governance oversight capabilities. These attributes were abundantly spelt out in the Notice of Meeting and associated shareholder communications.

Moreover, all of the independent nominees have freely signed and published a [Statement of Independence](#) attesting to their independence from both the Uchiyama family and from each other, and their determination to act solely in the interests of the company and all shareholders collectively if elected. It is frankly an insult to their professional standing and reputations to have these individuals depicted as essentially 'followers' of Uchiyama family interests, notwithstanding the faint concession in Glass Lewis' report that "Uchiyama's alternative director candidates generally appear to be independent and qualified for corporate directorships".

Reasonable board representation of major strategic investors

Finally, we would like to point out that despite all the assertions and allegations about motives on all sides of this contest, the fact remains that Uchiyama International remains a major shareholder in Fujitec with an approximate 10% interest, second only to the Oasis interests that currently dominate the Board (and will continue to do so if shareholders at large vote in accordance with Glass Lewis' recommendations).

Uchiyama International's representative, **Takakazu Uchiyama built the company, grew the company and helped win many of the current customers and hired many of the current employee base. Uchiyama International is a long-term shareholder and deeply committed to the company's success – the family have been shareholders for 76 years.** The board as nominated by Oasis has no such experience, alignment or knowledge of the industry. Uchiyama International selected its candidates to ensure the future success and independence of Fujitec.

As a fellow shareholder with you and your underlying clients, we are solely and vitally interested in the long-term prosperity, stability and delivery of shareholder value by the company's board and management. Yet we presently have no representation on the Board whatsoever. In our view, a balanced and effective board should accommodate the voices of the plurality of major shareholders rather than leaving one or the other in a continued state of "dissidence" without any access to strategic oversight, governance, and decision-making.

Although we have provided our reasoning and evidence for requiring a board overhaul, one option you may wish to consider, as a first step, in the interests of restoring a more balanced Board structure would be to support a blend of some of the incumbent directors and a subset of the Uchiyama International nominees, within the overall Board limit of 11 outside directors. **To this end, we have included the 8 independent nominees (with description of skills and experience) in the pages below, and would greatly appreciate your consideration when putting together a board which we hope will be more diverse and experienced than is currently the case.** We would be more than happy to explain our thinking on this in individual engagement meetings before the voting deadline.

We ask you as fellow institutional shareholders to carefully consider these factors in your voting decisions.

Alternative business strategy

Glass Lewis' framework for contested board elections states that a central consideration they take into account is "*whether the dissident has made a compelling case for change at the company, or whether the incumbent board has sufficiently demonstrated that it is better suited to oversee the company's direction and governance*". Moreover, as noted above, Glass Lewis states that in the context of this AGM they believe Uchiyama has "*failed to present a clearly articulated strategic plan or alternative direction*" in support of its nominee director candidates.

We strongly question the premise of Glass Lewis and the conclusions they have drawn in a situation such as this year's Fujitec AGM.

We accept that an expectation of a detailed alternative strategy makes sense in a 'normal' activist situation, where a long-standing incumbent board is being challenged on failed business strategy, lost opportunities, failed capital management or independence concerns. This was the case at the February EGM, when Oasis was the dissident investor, and we accept the voting decisions that were made at the time.

But now, the situation is fundamentally different. For the June 21st AGM, there is a slate of non-aligned candidates, independent of each other and of their nominating shareholder, collectively putting themselves up as a diverse team against the recently installed incumbents.

We want to respectfully highlight that if our nominees had in fact proffered a detailed alternative business strategy, they would have been accused of being in collusion with each other and with Uchiyama as the nominating shareholder, and closed-minded to alternative strategic directions that they could work on with company management and their fellow directors, employees, customers, and suppliers to articulate, once elected.

As the shareholder nominee candidates are independent of each other as well as of Uchiyama International (despite assertions to the contrary in Glass Lewis' report), this would also have required prior collusion on arranging an alternative strategy before having access to management or establishing a collegiate relationship with their fellow directors, executive and customers.

The communication material that was shared with Glass Lewis and major investors did in fact cite several high-level *strategic risks and opportunities* that the independent candidates are better equipped to address than the incumbent Board. For example, our nominees noted:

- the high exposure that Fujitec has to cyclical changes in the property and construction sector, and the need to remain vigilant to the impacts of a high interest rate and inflation cycle, and post-pandemic changes in workforce participation.
- sustainability and engineering challenges as developers seek to retrofit existing buildings rather than construct new ones.
- the critical impact of cyber-security risks and national security considerations on the elevators industry; and
- the clear parallels in business models and strategic focus between Fujitec and other industries (such as aircraft manufacture) that depend on long-term service and maintenance relationships, not just immediate-term sales and geographic expansion

Our proposed candidates bring a wealth of experience and skills in all these fields – complementing and not simply duplicating the specific domain expertise in elevators that primarily lies (appropriately) in Fujitec's management team.

We strongly believe that these higher-level attributes are what is needed to navigate the strategic risks and opportunities that face the company today – and which long-term focused investors would expect to see at the governance level of a major listed company.

Presenting a detailed alternative business plan prior to the AGM would have failed to take advantage of a partnership with management, customers and suppliers, as well as exposing the independent director nominees to legitimate criticism over lack of true independence, as noted above.

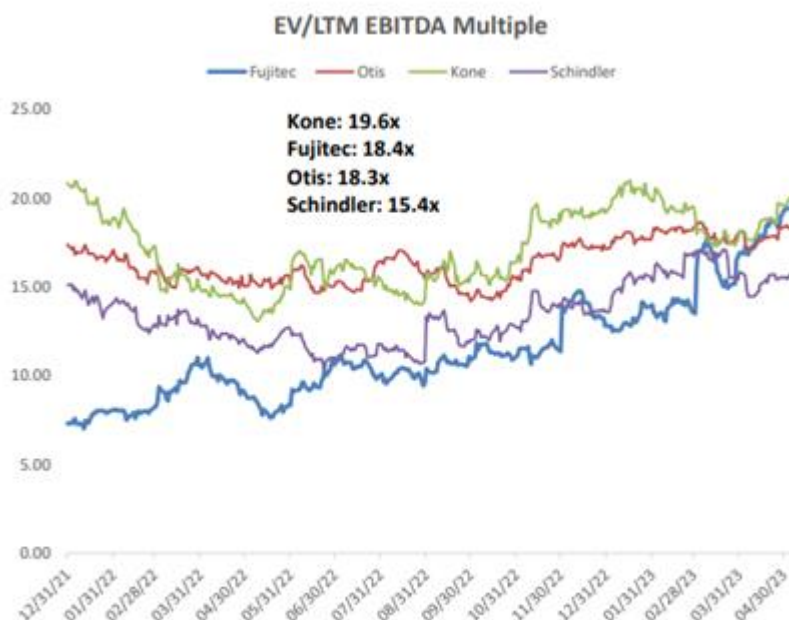
Consequently, we ask shareholders to recognise the 8 directors' nominations as an appropriate governance-led approach, founded on the principle of boards being accountable for oversight of strategy and risk, as well as the preservation of shareholders' interests - not micro-level implementation of a pre-conceived strategy.

The right outcome here is for directors to be elected with a genuine open mind and for them to bring to bear their extensive experience in governance and executive roles to improve Fujitec's financial sustainability, longevity, and stakeholder franchise for the future.

Share Price Performance

We do not dispute the factual observations in Glass Lewis' report report that Fujitec's share price has risen broadly in line with the overall Japanese stock market and with global peers since the February EGM

This analysis echoes our own analysis detailed in our presentation pack to investors, which showed that Fujitec's Valuation Multiple has been broadly equivalent to those of competing companies in the global E&E sector internationally over recent months.



Our more fundamental point is that the incumbent board has to date announced no new strategy or operational roadmap that might reasonably be seen to drive an improvement in share price performance or likely outperformance of industry peers. Nor has the board made

any change to capital allocation strategy, while it has announced the same dividend payment for FY23 as was made in FY22 – an actual reduction in payout ratio compared to last year.

At best, we suggest the market performance since February has been a neutral consideration, not in any way a validation of the incumbent board or a barrier to productive changes and more diverse representation of broader shareholder interests going forward.

Perpetuating Board dysfunction

We appreciate that some shareholders might be inclined to conclude, like Glass Lewis, that the current Board has only been in place for a short time and should therefore be given an opportunity to prove itself before facing another shareholder vote. On the surface, such a position seems intuitively reasonable given the short period of time that has elapsed since the EGM in February 2023, and the amount of time typically required for a new Board to make tangible progress.

However, in this case we believe this conclusion would be dangerously misconceived, and that Glass Lewis has under-estimated the lop-sidedness of the situation at hand.

The facts are that the 4 Oasis candidates elected at the February EGM were only elected by a very thin margin (as little as 51%) which included Oasis's 17% holding, to achieve only a slight majority of overall votes cast.

- Only 3 months ago, at the EGM, the 4 Oasis Directors received on average a mere 54.6% vote support.
- The lowest 2 approved board members were Ako Shimada at 51.1%, and Clark Graninger at 51.8%.
- The highest approved board members were Kaoru Umino at 58.7%, and Torsten Gessner at 56.8%.
- Kazuhiro Mishina, outside director, also does NOT have a clear mandate:
 - His vote approval at the EGM was a mere 53.2%, with both ISS and Glass Lewis recommending against.
 - He has no business experience and understanding of the industry (as he has a purely academic background) but is somehow the Chair of the Compensation and Nomination Committee, and has led the internal search for new CEO.

As can be seen above, none of the Oasis-aligned directors achieved a majority of votes at the EGM from genuinely non-affiliated shareholders, including large domestic and international institutional investors.

The effect of this is that the EGM result was inconclusive and dysfunctional. The reality is that Fujitec now has a fractured Board with a dominating influence from a single, financially motivated investor, and no clear mandate from the plurality of the overall shareholder base.

In these circumstances, Glass Lewis' subscribers should not adopt the position of simply supporting the status quo through inertia or a general 'wait and see' mindset, by voting for current incumbents, whom many of them may not have supported in the February EGM when those same individuals were on the "dissident" side. The reasons for the strong voting opposition to the Oasis directors were entirely valid at the time and remain so today.

Instead, we urge investors to consider the overall package of skills, experience and governance oversight detailed in our individual candidate assessments below.

VOTE FOR the below candidates

Nominee	Experience	Notes
Kazuyoshi Kimura	Former Executive Chairman of Nikko Securities Co., Ltd. (currently SMBC Nikko Securities Inc.), CEO of Bic Camera.	Thorough understanding of investor protection, including fair disclosure rules, developed through his practical experience in the financial securities industry
Hiroki Okimoto	Former Partner of Boston Consulting Group	Extensive practical experience in business management and rehabilitation in a wide range of industries spanning operating companies, financial institutions, and consulting firms, both within Japan and abroad and has been deeply involved in the growth and revitalization of businesses from the perspective of management, creditor / shareholder, and advisor.
Kenji Uenishi	Former GE Energy Asia-Pacific Region Headquarters President	Holds extensive experience with international and large-scale operating companies and his knowledge gained through successful experience with global supply chains.
Tetsuya Nishikawa	Former Chief Cabinet Secretary, Defense Agency/Lawyer	Outstanding practical experience in dealing with domestic and international fraud, criminal acts, and corporate scandals, as well as his ability to manage large organizations and carry out reforms. Will enhance the Company's corporate governance in the areas of crisis management, scandal response, governance, and legal affairs.
Daisuke Kotegawa	Former Representative Director of Japan to the IMF	Contribute to Fujitec's long-term sustainable growth by using his world-class international experience and outstanding practical skills across the areas of finance, business revitalization, and corporate management.
Maiko Hagiya	Outside Director for the Cool Japan Fund Inc. / Lawyer	Extensive knowledge and experience gained from her dedication to ensuring compliance and addressing

		challenges for women equality and human rights.
Nobuki Sugihara	Honorary Advisor of The Chiune Sugihara Memorial Foundation	Contribute to Fujitec's long-term growth by providing advice needed to develop the business globally and by helping formulate appropriate policies from an ESG (Environmental, Social and Governance) perspective.
Akira Tsuda	Former Nomura Securities Co., Ltd., Representative Director & Senior Managing Director	Outstanding record and experience in growing and developing numerous companies and promoting compliance.

More information can be found here - <https://freefujitec.com/>

Some Further Concerns

Our primary argument against the Glass Lewis's recommendation lies in the combined strengths, independence, governance experience and complementary skills of the Nominees put forward in Resolutions 5.1-5.8 compared to the incumbent and new Oasis-aligned candidates.

Our objections to the Glass Lewis's recommendations are that (a) we believe their assessment unfairly impugns the motivations for the independent director nominations, and (b) does not properly capture the lack of a genuine mandate from shareholders reflected in the February EGM vote. Allowing the Oasis-aligned candidates to remain a dominant influence would simply be compounding an already compromised governance situation.

However, in our consultations with Fujitec's broader stakeholder group, we have also been alerted to many other grounds for objection to the incumbent board's behaviour.

We take this opportunity to pass on these concerns to shareholders to consider in your deliberations.

- **Multiple stakeholders have come forth to protest the Company's current direction** (e.g. replacing ALL internal directors, using emergency motions to pass board resolutions)
 - Employee union of Fujitec has voiced their concerns with the current situation
 - Letters from customers and business partners
- **Independence issues among the board members and no transparency in the director selection process**
 - Anthony Black, one of Oasis's newly appointment board members, is from OTIS elevator (36 years at Otis), a direct competitor of Fujitec, where Torsten Gessner (20 years at Otis), who is another one of Oasis's nominees, also spent time at Otis which held approximately 17% shares in Fujitec in 2008.
- **Current board and governance oversight**
 - The Company released a press statement noting that they had vetted all our shareholder candidates – but in fact, they only interviewed 4 of the 8. Extra interviews were offered only after their press statement.

- **Oasis' past "investee companies" in declining performance**
 - **Sun Corporation** – In 2020, Oasis nominated and elected 5 directors, but after 3 years, the company is still posting negative operating loss and operating margin
 - **Tenma Corporation** – Oasis nominated and elected 3 board members at the AGM in 2021. However, 2 years later, the Company has underperformed the TOPIX index
 - **Katakura Corporation** – Oasis held shares in the company in 2017 and exited in 2021. During this time, sales decreased from 46.8 billion (FY 2017) to 37.6 billion (FY 2021), a 19.6% decrease. Although operating income increased during this period, this was "made possible" by an enormous SG&A decrease resulting from layoffs and voluntary retirement.

We believe that the proposed resolutions to appoint 8 shareholder director nominees are in the best interest of all shareholders.

I therefore urge shareholders to support Resolution 5.1 through 5.8 the Annual General Meeting to be held on 21 June 2023.

As a 10% shareholder, we are strongly motivated to contribute to the long-term financial performance of Fujitec as best we can. Please join our cause in, "One Board, One Company, One Fujitec". We also note that Glass Lewis' recommendations to vote against our other proposals show its lack of full misunderstanding of Japanese law ramifications of the proposals.

We welcome any discussion with our shareholders and are happy to further explain the strategic rationale for our proposals. If you would like to discuss the AGM proposals with us, please contact, Team@FreeFujitec.com .

Thank you for your consideration.

Yours Sincerely,



Takakazu Uchiyama
Uchiyama International Co., Ltd.