



(This notice of The Company’s opinion on the presentation material released by 3D OPPURTUNITY MASTER FUND is an English translation of the original Japanese notice. This translation is for your convenience only and FUJI SOFT INCORPORATED does not guarantee accuracy of this translation)

November 7, 2022

To whom it may concern:

Company Name: FUJI SOFT INCORPORATED  
Representative: Satoyasu Sakashita, President &  
Representative Director  
(Securities Code: 9749 Tokyo Stock Exchange Prime  
Market)  
Contact: Shinsuke Konishi, General Manager of  
Corporate Finance Department  
(Phone: +81-45-650-8811)

### **The Company’s opinion on the presentation material released by 3D Opportunity Master Fund**

As announced today in the “Notice Concerning Determination of the Date and Time of the Extraordinary General Meeting of Shareholders and the Opinion of the Board of Directors on the Agenda for the Extraordinary General Meeting of Shareholders and the Shareholder Proposals,” FUJI SOFT INCORPORATED (the “Company”) has announced the details of the agenda to be proposed by the Company at the extraordinary general meeting of shareholders that 3D OPPORTUNITY MASTER FUND (hereinafter referred, collectively with 3D Investment Partners Pte. Ltd, as “3D”) requested the Company to convoke well as the opinion of the Company’s board of directors concerning the shareholder proposal submitted by 3D.

Meanwhile, in October 2022, 3D released a presentation material titled “For Dramatic Creation of Corporate Value of Fuji Soft” (hereinafter referred to as “3D’s October Material”) on its website (<https://www.compoundfujisoft.com/presentation>). While its details are described below, the Company would like to note that the said material includes many points that need to be corrected, such as factual errors and expressions that are seemingly not objective, leading to manipulate impressions.

On August 5, 2022, the Company announced the establishment of a Corporate Value Committee in order to further advance values for stakeholders through a serious reexamination of the Company’s management issues, including the Company’s business policy, capital allocation, governance, and dialogue with stakeholders. The Company also announced that the Corporate Value Committee is committed to maintaining objectivity by appointing external advisors in addition to attendees to the board of directors’ meetings. Through these activities, the Company is proactively conducting reexaminations based on the opinions and suggestions the Company has received in dialogues with various market participants, including 3D.

On the other hand, the Company believes that the contents of 3D’s October Material, apart from its portion citing a numerical analysis published in the publicly disclosed materials, include many unobjective points

based on speculation, such as more than 10-year-old information quoted from a specific magazine, information from a professed anonymous former employee whose employment period is not specified, information collected from social networking services, which do not accurately reflect our current situation. Moreover, the part of the material referring to the Company's business, which the Corporate Value Committee is reviewing among other issues, uses numbers based on 3D's own hypothesis although its estimation is mainly based on external information. The Company believes their material does not reflect the Company's actual situation.

Around the time of the annual general meeting of shareholders held in March of this year, 3D released a similar presentation material on its website. At that time, in the said presentation material as well as in statements made by persons related to 3D in the media during the same period, there were some statements that were excerpted and cited from past materials and expressions that ridicule the Company and its directors and officers. The Company has lodged a protest with the representative of 3D, requesting 3D to refrain from issuing unactual statements and deriding expressions.

The Company received a response from 3D stating, "We will consider correcting the misleading expressions that have been conveyed to lead the public in an unintended manner," and later published a press release dated March 24, 2022, titled "3D Expresses its Policy to Continue to Support the Executive Team of Fuji Soft for Its Sustainable Growth and Medium to Long-term Enhancement of Corporate Value." Therefore, the Company has since refrained from making any further protests or releasing a written rebuttal with the aim of promoting constructive dialogue.

Notwithstanding this history, it is truly regrettable that many similar statements are found in 3D's October Material. In addition, as stated in the opinion of the Board of Directors on the shareholder proposal that the Company released today, since the receipt of the request for the extraordinary shareholders' meeting, the Company has held multiple discussions with 3D regarding the candidates for directors in order to continue the constructive dialogue. However, the said material was published immediately after the discussions began in earnest. The Company has been in dialogue with 3D to advance constructive engagement, which is precisely what 3D insists on. The Company is hence very disappointed with 3D's response.

The Company will take seriously the various suggestions and comments from shareholders from the viewpoint of enhancing corporate value, including those raised by 3D. The Company asks shareholders to make a fair and impartial judgment to exercise their voting rights at the general meeting of shareholders after thoroughly examining the Company's announcements and 3D's claims.

The following are the Company's opinions concerning some of the specific points found in 3D's October Material.

### **Initiatives to enhance corporate value**

*Note: The page numbers in parentheses below refer to the relevant pages in 3D's October Material.*

(P.15)

- 3D pointed out that "low capital efficiency due to 'management favoring property ownership' and 'overemphasis on net sales' as a clear management issue that is ingrained in the corporate culture." On February 10, 2022, the Company announced its medium-term management plan for the period

ending in the term ending December 2024, based on which the Company is dedicated to management goals focusing on capital efficiency, net sales, and operating income growth. As an independent company, the Company strategically operates a low-margin licensing business as a means to gain new customers, which contributes to hindering the overall profit margin. On the other hand, while these strategic initiatives have secured sales, the operating profit has increased at a CAGR of 13.9% over the past five years, which is higher than the average for other companies in the industry, owing to the efforts to improve the operating profit margin and competitiveness. Furthermore, the Company's Corporate Value Committee is currently examining management indicators which should navigate the Company to the future. The Company believes that 3D's argument that the 'overemphasis on net sales' is deeply entrenched in the corporate culture does not objectively reflect the facts. Moreover, the Company's representative director Sakashita has never made a statement indicating a tendency toward the 'overemphasis on net sales.' In an interview with 3D prior to the announcement of the medium-term management plan, Sakashita stated, "We are conscious of sales, operating income, and capital efficiency." In addition, regarding the slogan, "3-1-50," which has supported the Company's growth since its inception, 3D incorrectly points out that "1" means the goal of "increasing ordinary income by 10%." The correct representation is delivering a 10% operating profit margin. Also, referring to an expression that the Company used over 15 years ago, 3D erroneously argues that a decline in revenue triggers the replacement of the president. The correct expression states that the trigger is a "decrease in revenue and profit." Given that this expression is also stated in the book "Surviving Times of Change" (published by Zaikai Kenkyujo) that 3D cites, the Company has to deem that this is not a simple error or misunderstanding but a deliberate change in expression and omission of the reference to profit and that the change was made with the aim of giving an impression that the Company is overly emphasizing net sales.

- 3D discusses that 'management favoring property ownership' is ingrained in the corporate culture. Although the Company used to acquire offices near its clients' offices in order to expand its business performance, it was a strategic move to expand its business performance and has no relation to its corporate culture. Furthermore, as already announced, the Company has established a special working group under the Corporate Value Committee called the Real Estate Review Working Group, which will review the Company's real estate holdings as necessary by reexamining them from the perspective of their contribution and capital efficiency.

(P.18-21)

- 3D argues that the Company's management issues include capital efficiency, investment policy for its property, and profit margins. The Company has announced the launch of the Corporate Value Committee which acts as an integral part to review the Company's management issues such as business strategy, capital allocation, governance, and dialogue with stakeholders, and building a sustainable structure to improve the corporate value. The Company has also announced a policy that the Corporate Value Committee will maintain its integrity and objectivity by appointing outside advisors in addition to the Board of Directors meeting attendees. 3D criticizes the inaction of the Company's Board of Directors, but the Company has identified them as management issues and has started taking measures, as has been externally announced. The Company believes that 3D's argument is misleading.

(P.25)

- 3D claims that the Company's board of directors lacks a basic understanding of the cost of capital because the Company's estimated cost of capital is lower than that of analyst reports. The Company understands that there are various approaches to and methods of calculating the cost of capital, and it is not the Company's intention to deny the other parties' methodologies. However, 3D seems to have chosen self-serving data to build the logic that leads to a higher capital cost. The Company has employed the CAPM model, a common methodology, using publicly available data. The Company does not believe that the calculation indicates the Board members' lack of expertise concerning the concept of capital cost. The Company takes the costs of capital numbers from 3D and those quoted in the analyst reports as the market opinions, which will be rigorously discussed by the Corporate Value Committee.

(p. 6, p. 36)

- 3D claims that the recent growth of the Company's share price since the announcement of the Company's receipt of 3D's shareholder proposal in preparation for the annual general meeting of shareholders in March 2022 reflects the market's expectation for business transformation by 3D. 3D illustrates a 40% increase in the Company's share price over the one-year period ending September 16, 2022. However, most of the increase occurred after the annual general meeting of shareholders rejected the shareholder proposal by 3D. The closing share price was 5,120 JPY on February 16, 2022, the business day prior to February 17, 2022, when the Company announced the receipt of the said shareholder proposal. The closing price on March 11 of the same year, when the annual general meeting was held, was 5,680 JPY (up 10.9% from February 16), and the closing price on September 16 of the same year was 8,120 JPY (up 58.6% from February 16 and up 43.0% from March 11). During the same period, 3D acquired massive shares of the Company. While 3D views the rise as the market's expectations for 3D-led business transformation, the Company believes that the purchase of the Company's share initiated by 3D themselves drove a significant upswing. Furthermore, the Company understands that the market participants expect the Company to increase its corporate value. After the disapproval of the appointment of the candidate directors proposed by 3D at the annual general meeting of shareholders, the share price went up significantly, indicating that the market does not welcome business transformation led by 3D, but the corporate value improvement catalyzed by the current management.

### **The skill sets of the Company's directors**

(P.30)

- 3D has raised the issue of the Corporate Value Committee being composed of the same members as the board of directors. However, the current directors were elected with the support of the shareholders at the general meeting of shareholders and have a mandate from the shareholders. Discussing with members including the current directors, who have an accurate understanding of the Company's management policy, and business environment, is indispensable for responding to the trust of shareholders and considering measures to enhance corporate value on a firm footing. The Company believes that the optimal process is for the board of directors, including the outside directors who will be newly nominated as candidates in the Company's proposal, to deepen further discussion, including expertise being gained from outside.

(P.23)

- 3D asserts, based on the Company's past performance, that the Company's board of directors is not capable of resolving the management issue of low capital efficiency. However, the Company has built a sustainable structure to inspire the discussion about increasing its corporate value, setting up a Corporate Value Committee. The Company believes that 3D's assertion is one-sided and does not take into consideration the fact that the Company is currently working on its transformation.
- 3D picked and chose the skill-sets which only are conducive to their own agenda to dismiss the current outside directors of the Company, insisting that they lack the expertise to fulfill their duties. The Company believes that the current outside directors possess the expertise necessary to serve as outside directors of the Company. 3D also claims, with respect to the Company's business performance after Tateki Ooishi and Minoru Koyama, two of the current outside directors, assumed office in March 2019, that the ROE for the relevant period has not improved. However, it is a false accusation: the ROE marked an improvement from 6.2% in the term ended December 2018 to 7.2% in the term ended December 2019, 7.4% in the term ended December 2020, and 7.5% in the term ended December 2021. In addition, during the past three years, while some of the Company's peers have experienced a downturn in performance due in part to the COVID-19 crisis, the Company has grown significantly with a revenue CAGR of 8% and an operating income CAGR of 13.9%, leading to the improved ROE. This indicates that corporate value has been steadily increasing since the appointment of these two outside directors.
- Furthermore, as announced today in the "Notice Concerning Determination of the Date and Time of the Extraordinary General Meeting of Shareholders and the Opinion of the Board of Directors on the Agenda for the Extraordinary General Meeting of Shareholders and the Shareholder Proposals," the Corporate Value Committee has reviewed the skillsets required of a director of the Company. The Company has determined that it is desirable to appoint persons with expertise in capital markets, corporate management, and legal affairs, which are foundational skillsets that the Company regard as, experience and achievements appropriate for an outside director, and willingness to engage in activities to enhance the corporate value in the medium to long term. The Company is now proposing new candidates as a company-proposed agenda item, and believes that shareholders' approval would help strengthen the skillset required of the board of directors in its entirety.

### **Independence of Outside Directors**

(P.27)

- With respect to the independence of outside directors, 3D has attempted to create the impression that they lack independence by quoting only a portion of the interviews. In June 2022, in response to 3D's request, the Company's outside directors and 3D had a meeting where each of the outside directors weighed in their perspectives on the Company, needed improvements, and how they are involved in the board of directors. 3D excerpted and described only a fraction of the meeting (the topic of how they became an outside director) in order to solidify their own assertions. The Company believes that 3D's intention lacks sincerity and integrity, and its assertion is conspired to conclude that the outside directors are not independent or qualified.
- As already disclosed, the Company's outside directors have been selected as their positions, because

of their independence from management and confirmed a conflict of interest between them and general shareholders. Outside directors engage in active discussions at the Board of Directors meetings to make positive contributions and offer candid and impartial statements. Judging from these facts, the Company believes that 3D's argument is irrelevant.

### **History of communication with 3D**

(P.33)

- 3D claims that although it has made numerous proposals to improve corporate value, the Company's response has been either nothing in progress or a clear rejection. The Company believes that it is not appropriate to manage a company based solely on the wishes of a single shareholder. In the meantime, the Company has launched the Corporate Value Committee to reexamine its business policies, internal resource allocation, governance, and dialogue with its stakeholders, to further value for its stakeholders based on feedback from many shareholders including the 3D's proposals. Subsequently, on August 9, 2022, immediately after announcing the establishment of the Corporate Value Committee on August 5, 2022, the Company received a letter from 3D, which stated that, while the Corporate Value Committee should consist only of independent outside directors, the current outside directors do not possess the needed qualifications. The letter requested the Company to determine, and notify 3D on, whether or not the Company would accept the outside director candidates recommended by 3D to select new board members by August 25. The Company was puzzled by this new request as 3D never demanded the board members' selection during the course of the regular communication and they did not offer the names and skills of the candidates they recommended. Then the Company requested 3D to hold a meeting on August 15, immediately after the end of the Company's summer break period, to confirm 3D's intentions. Subsequently, the Company conducted an engagement on August 18, the date proposed by 3D, and requested 3D to provide the Company with a list of outside director candidates and the details that 3D expects the Company to reply back by August 25. On August 22, the Company received a list of director candidates as well as a letter requesting that an extraordinary meeting of shareholders be called if the Company does not commit to the following four points by August 25.
  - (1) To be clear that the scope of the committee will include reviewing profit margin improvement and growth strategies.
  - (2) The Committee will be composed solely of outside directors.
  - (3) At least three of the four candidates nominated by 3D will be included in the Committee.
  - (4) To hold an extraordinary general meeting of shareholders promptly, without waiting for next year's annual general meeting of shareholders, and to submit the above three as candidates for the company's proposed board of directors.
- The Company's board of directors responded that, although it would immediately begin considering the appointment of additional external members to the Committee, it would be difficult to make a firm commitment to select director candidates by August 25, given the procedures for nominating candidates, including the need for deliberation at the Management Conference. On the other hand, even if the decision cannot be made by the deadline set by 3D, the Company was in the process of coordinating interviews with each individual to select director candidates, provided that they can contribute to enhancing corporate value. In the middle of this process, 3D sent the Company a

request to convene an extraordinary general meeting of shareholders on August 31, 2022. Since September 1, 2022, the Company has strived to align views with 3D's, attempting to reach the mutually agreed upon agenda items for the extraordinary general meeting of shareholders, and to conclude the agreement document, etc. It is unfortunate that the Company failed to reach an agreement. It was in the middle of this process of continuing discussions that 3D published the October Material. This deed affronts what is described in the statement "3D Expresses its Policy to Continue to Support the Executive Team of Fuji Soft for Its Sustainable Growth and Medium to Long-term Enhancement of Corporate Value" announced by 3D in March 2022 and the constructive engagement that 3D has insisted on. The Company believes that 3D's series of actions are insincere.

- The Company will continue to formulate and implement initiatives to enhance its corporate value while communicating with many shareholders, including 3D. In addition, the Company will consider separately announcing initiatives for improving corporate value in the future.

- End -