

Creating Corporate Value at Fujisoft

February 2022



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Executive Summary



- 1** Although Hiroshi Nozawa, the founder of Fujisoft, has already retired from management, he continues to have a strong control over Fujisoft's decision-making.
- 2** The current management, who has taken over Mr. Nozawa's old-style approach to the business, has been focusing excessively on owning real estates (Asset-Heavy Management) and sales growth, resulting one of the lowest capital and business efficiencies in the industry and slow corporate value growth.
- 3** With the aim of further improving corporate value, the old-style approach should be objectively re-examined from the perspective of minority shareholders under the supervision of new outside directors.

3D Investment Partners holds approximately 9% of the shares and has made a shareholder proposal for the appointment of two independent outside directors.

Overview of Fujisoft

Fujisoft is an embedded system developer and system integrator with a well-established history

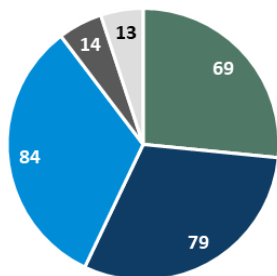
Overview

- **Fujisoft has sales of JPY258 billion (FY21), 9% CAGR since FY16**
 - ✓ **Embedded software development** (Sales JPY69 billion, FY16-21 CAGR 8%): Provides software development for machine control systems relating to factory automation, automotive projects and communication equipment
 - ✓ **Operation Software** (Sales JPY79 billion, FY16-21 CAGR 13%): Provides total IT solutions covering consulting, development, systems construction and support
 - ✓ **Products & Services** (Sales JPY84 billion, FY16-21 CAGR 13%): Sale of advanced software and hardware products including smartphones, tablets, digital home appliances and data centers
- **Established in 1970 by Hiroshi Nozawa (current advisor to the Board)**
- **Market capitalization¹ JPY159 billion / Enterprise value JPY177 billion**
 - ✓ Value of the Company's real estate: JPY195 billion (3D estimate)

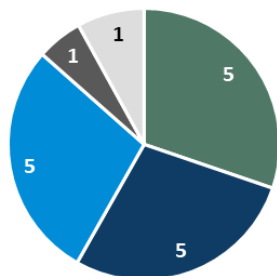
Breakdown of Sales and Operating Income (FY21)

(JPY bn)

Revenue: JPY258bn

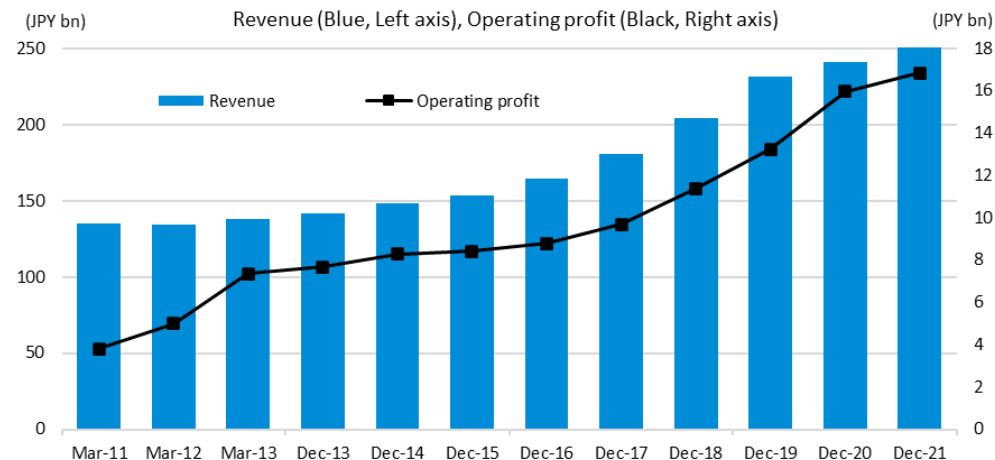


Operating profit: JPY17bn



■ Embedded Systems ■ Operation Software ■ Products and Services ■ Outsourcing ■ Other

Performance Trends



Recent Stock Price¹



Fujisoft Must Reexamine Its Existing Management Policies

- Fujisoft has underperformed in recent years due to a variety of factors, including inefficient capital allocation and poor margins
- Shareholders should expect improved performance with outside directors on the Board, but Fujisoft has not delivered
 - ROE and PBR have not improved during current directors' tenure
 - Despite the presence of outside directors, founder Hiroshi Nozawa appears to still control major decisions at the Company: Mr. Nozawa has appointed the President for the past 50 years, and the current President is his son-in-law
- **Robust corporate governance is required to help correct inefficient capital allocation and effectively manage the conflict of interests between Mr. Nozawa and minority shareholders**
- Over the past two years, 3D has attempted to engage constructively, providing countless analyses and proposals, but the Company has refused to meaningfully engage, and there has been no improvement in capital discipline or margins
 - Even though 3D have made numerous meeting requests and prepared detailed materials, Fujisoft have not agreed to hold any meeting between 3D and Mr. Nozawa or any of the outside directors
 - Despite having not met with 3D or the director candidates, the Board of Directors recommended voting against our shareholder proposal
- **3D is nominating two additional outside directors to further enhance Fujisoft's governance and focus on five key areas at Fujisoft:**
 - Capital inefficient real estate investments
 - Listed subsidiaries are undervalued
 - Poor payout ratio
 - Weak profit margins
 - Lack of operating leverage in growth strategy

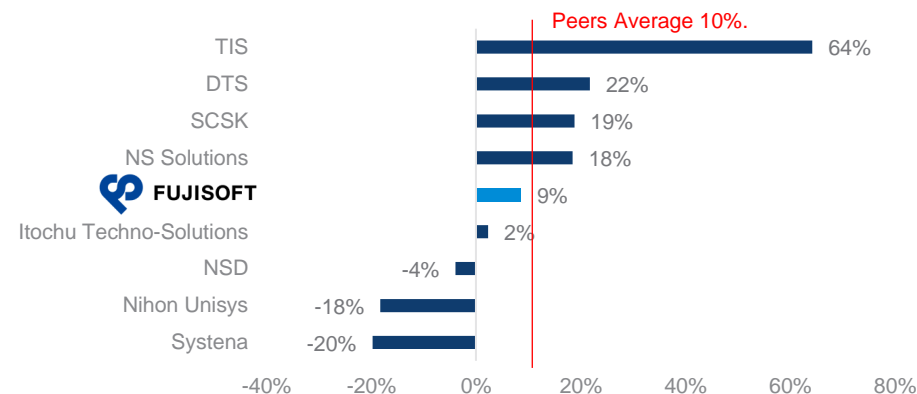
Under the supervision of our new directors with stronger independence, corporate value can be enhanced

Fujisoft Has Underperformed Its Peers

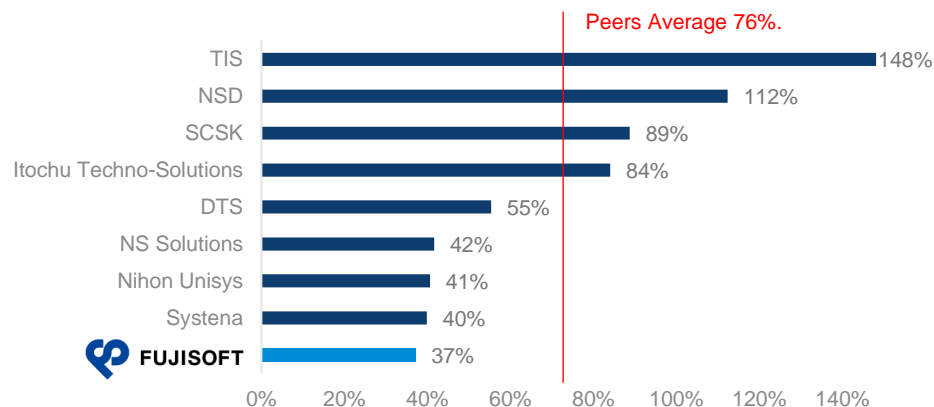
Total Shareholder Returns trail the peers*

- Fujisoft’s total shareholder return (“TSR”) is below its peer average over the 1-, 3- and 5-year time frames
- For the 3- and 5-year periods, Fujisoft is among the bottom three of its industry peers

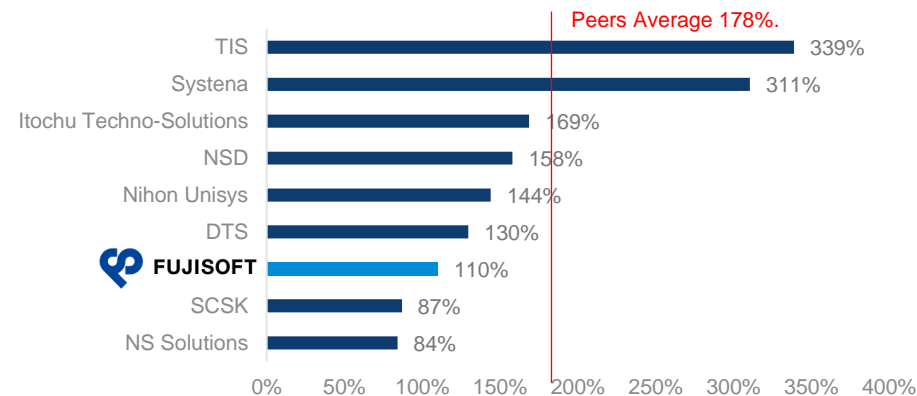
1-Year TSR (2021 Jan – 2021 Dec)



3-Year TSR (2019 Jan – 2021 Dec)



5-Year TSR (2017 Jan – 2021 Dec)

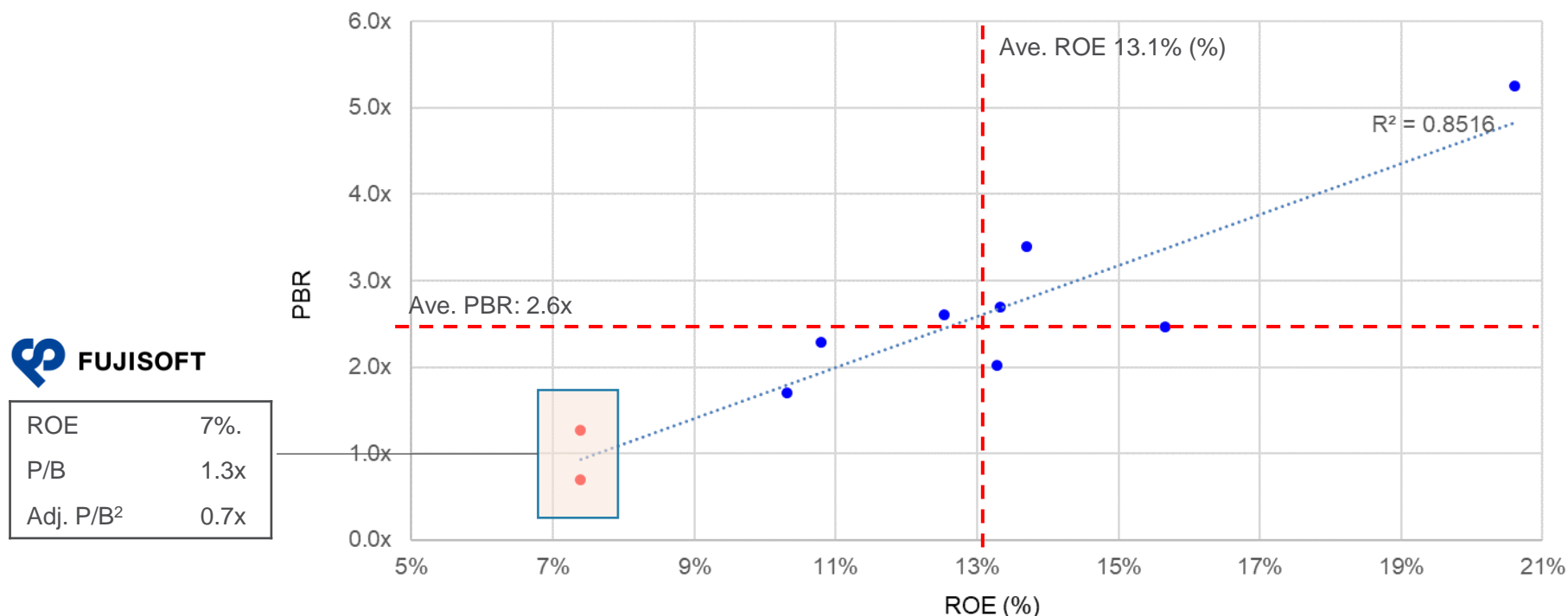


ROE and P/B Ratio Are About Half of the Industry Average

Low returns on equity have constrained the Company's equity value

Fujisoft's ROE and P/B ratio are the lowest among peers¹ at approximately half the industry average (even lower if unrealized gains on real estate are reflected²)

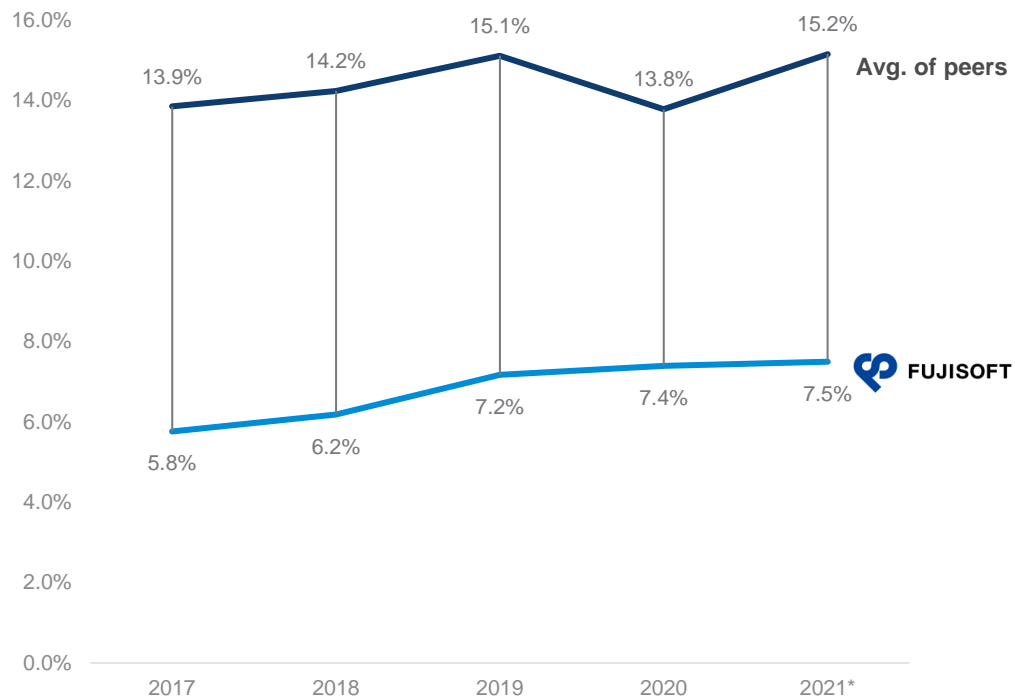
System Integration Industry ROE(X axis), P/B (Y axis)



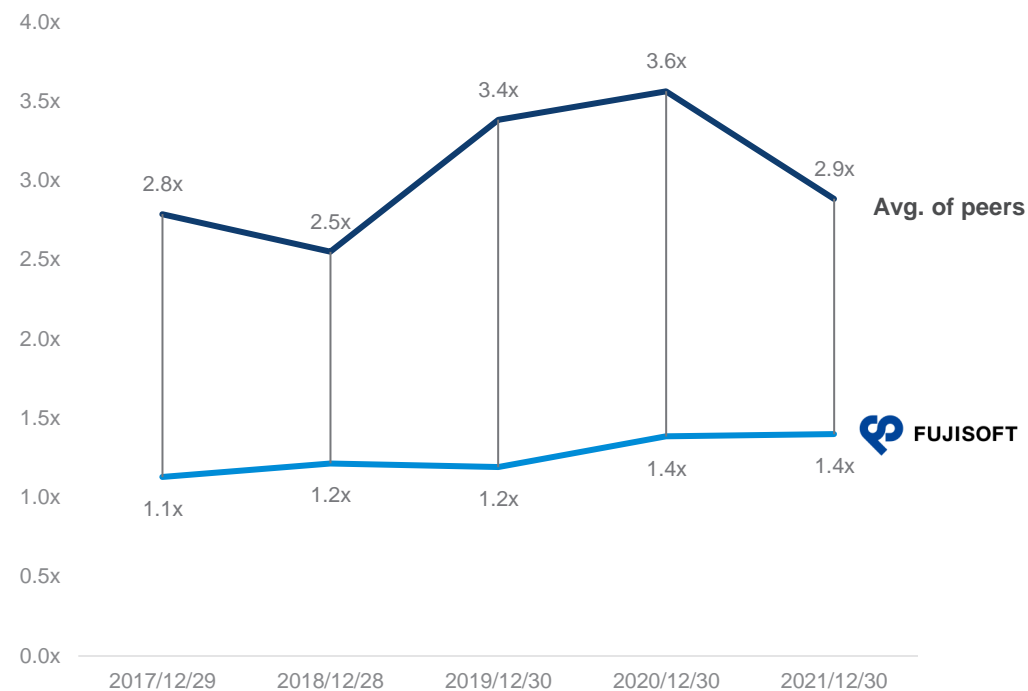
ROE and P/B Ratio Are Not Improving Relative to Peers

The gaps against the industry¹ average have not narrowed

ROE



P/B Ratio



Shin-ichi Yuta
(Appointed in 2014)

Minoru Koyama
Tateki Oishi

Shin-ichi Yuta
(Appointed in 2014)

Minoru Koyama
Tateki Oishi

Excessive Real Estate Holdings Are Dampening ROE

Fujisoft deploys capital inefficiently into real estate with low ROIC

- Over the past five years, Fujisoft has allocated the equivalent of its total net income to office development while maintaining the lowest pay-out ratio in the industry
- None of the peers have the same level of tangible fixed assets (i.e., its own offices) as Fujisoft
 - It is unnecessary for the business to operate from office buildings that are owned by the company – leasing would be more capital efficient
- The real estate investments produce very low ROIC, and capital should be allocated differently

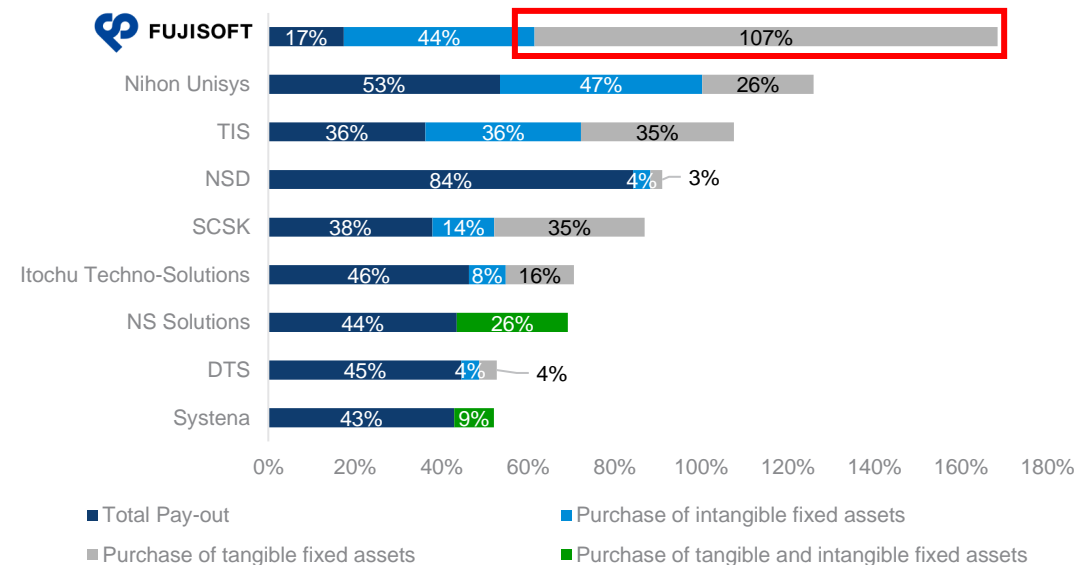
Ratio of tangible fixed assets to total assets and sales

(Unit: JPY Billion)

Company Name	Mkt Cap (22/2/10)	As of 2021/12			Tangible Fixed Asset	Tangible Fixed Asset/ Total Asset	Tangible Fixed Asset/ Sales
		T12M Sales	Total Asset	Tangible Fixed Asset			
Fujisoft	171	258	229	90	39%	35%	
Itochu Techno-Solutions	730	508	466	30	6%	6%	
TIS	693	483	470	66	14%	14%	
SCSK	623	409	383	114	30%	28%	
Nihon Unisys	353	314	244	32	13%	10%	
NS Solutions	345	268	297	24	8%	9%	
NSD	200	69	61	1	2%	2%	
Systema	170	64	39	1	2%	1%	
DTS	135	93	75	4	5%	4%	

Peers Average 10% 9%

Distribution of cumulative net income over the past 5 years

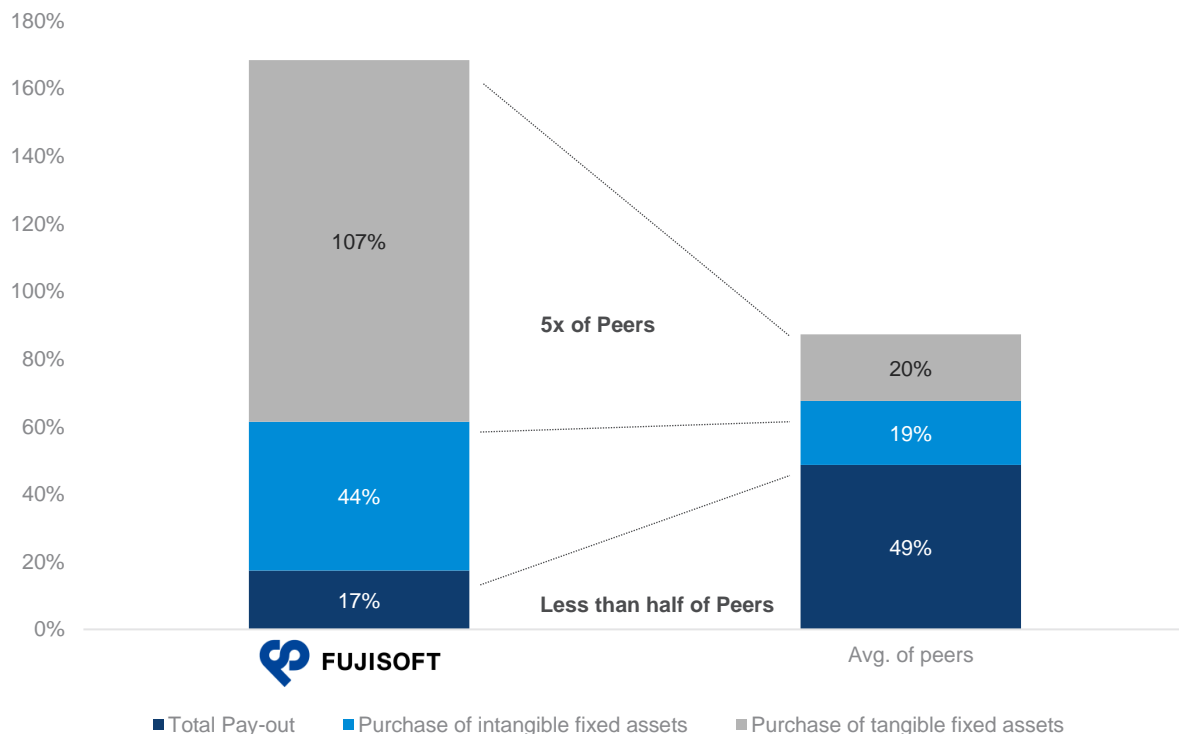


Fujisoft's Unusual Capital Allocation Is Not Improving

Despite having outside directors, there has been no change to the real estate investment policy

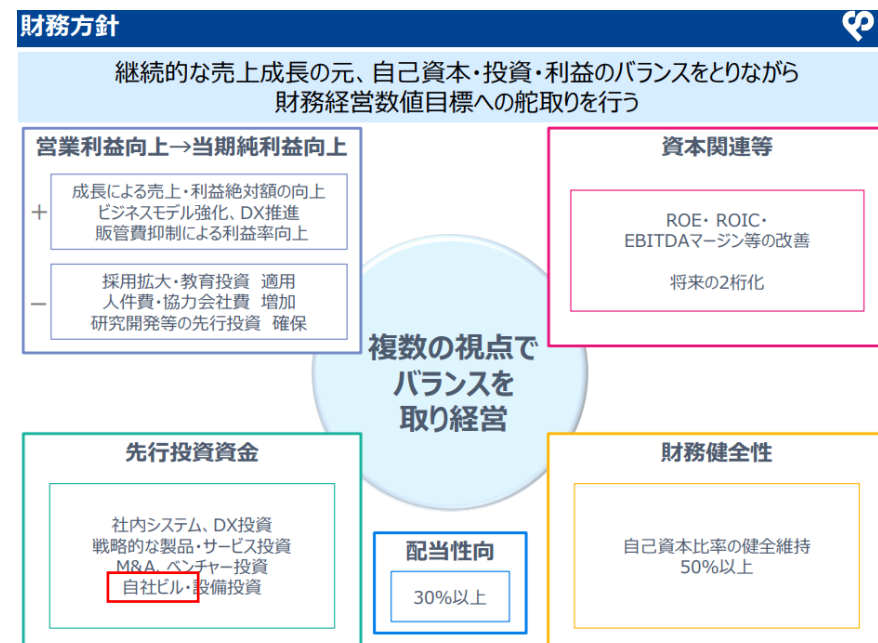
Continues to invest in office buildings, even during current outside directors' tenures

Distribution of cumulative net income over the past 5 years (2016~2020)



Fujisoft intends to continue investing in office buildings, as revealed in newly announced mid-term plan (MTP)

- Investment in “own office buildings” is clearly stated in the future financial policy in the mid-term plan, announced in February 2022.

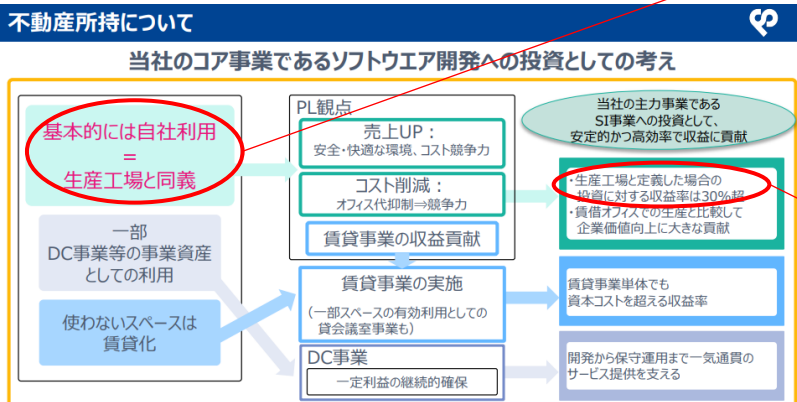


Fujisoft Tries to Mislead Investors about the Rationale of Its Real Estate Investments

In MTP, Fujisoft invents its own financial metric to justify its unusual capital policy; we believe its disclosures may violate the Securities Listing Regulation of TSE

“Basically, owning self-use real estates is same as owning factories for manufacturing industry”

- Fujisoft’s offices are generic and multi-purpose and do not add value to the business
- Notably, peers do not invest in and develop real estates and Fujisoft also rents third-party offices
- Some of Fujisoft’s real estate is leased out to third-parties



“Return on real estate investment is more than 30%”

- We believe this disclosure is misleading. No details about the calculation are provided
- The correct calculation should be the saved after-tax rent divided by the fair (after-tax) value of the office buildings; it is unfathomable that this is 30% while office space cap rates are well below 10%
- Fujisoft’s use of misleading calculation in its MTP to justify its unusual capital policy in its MTP potentially violates Rule 412, Paragraph 1 (3) of the Securities Listing Regulations of TSE (Appendix)

This disclosure raises strong concerns over poor corporate governance at Fujisoft

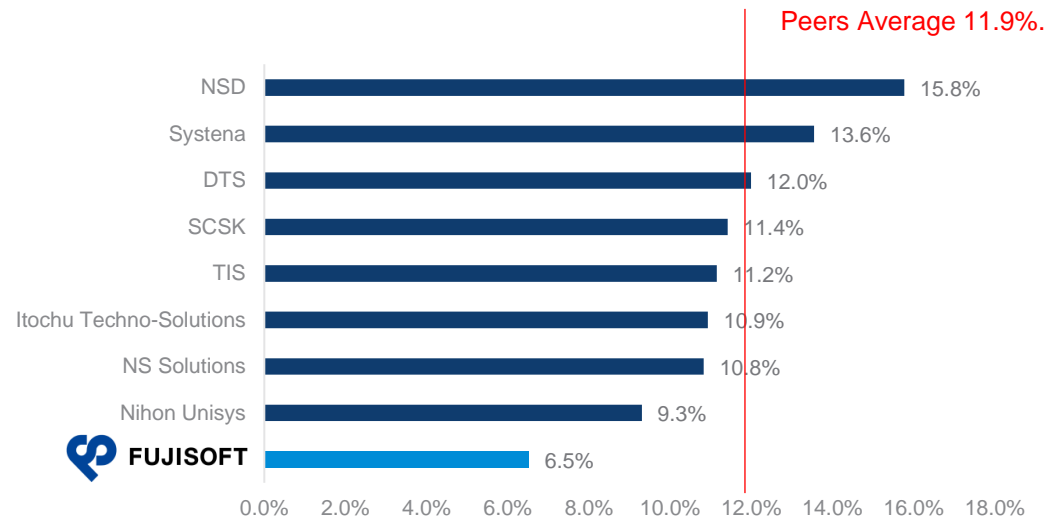
Focus on Sales Caused Low Margins and Productivity, Hurting ROE

Fujisoft's management is focused on sales growth, while ignoring issues with business efficiency

- Fujisoft's operating profit margin is the lowest in the industry, nearly 5 percentage points below the average
- Low operating profit per employee demonstrates the lack of operating efficiency

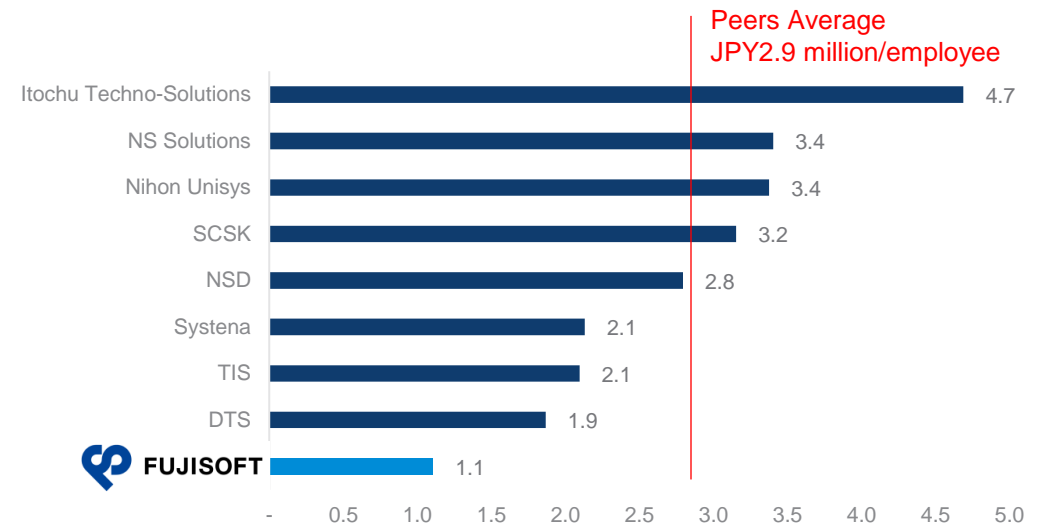
Operating margin¹

Trailing 12M Operating Margin as of Dec 2021



Operating income per employee²

(JPY M/ employee, as of 2020)



Source: Bloomberg, company disclosures

Note1: Calculations are based on trailing twelve month earning result as of Dec 2021.

Note 2: Calculations are based on fiscal year earning result for 2020. 2020 is used as number of employees as of 2021 is not disclosed for each company.

Fujisoft is Effectively Controlled by Hiroshi Nozawa

Shareholders deserve protection from Mr. Nozawa's strong influence



**Mr. Nozawa
effectively controls
17% of the
Company's shares
(see Page 59)**

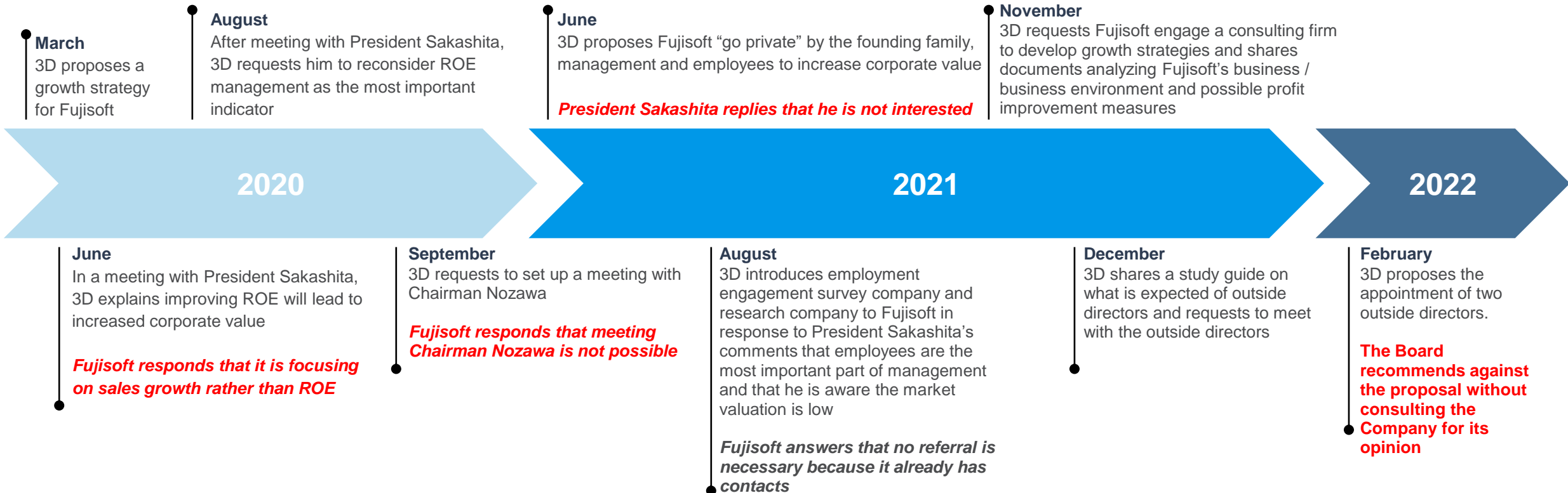
He has overseen and controlled the Company for nearly 50 years

- **His priorities and strategy have gone unchecked even as the Company underperforms its peers**
 - Hiroshi Nozawa advocates owning real estate **“Asset-Heavy Management”**
 - *“FUJISOFT is ‘Asset-Heavy Management’”¹*
 - *“If we use that building forever, it's cheaper for me to own it in the medium to long term”¹*
 - *“When you compare the depreciation cost per tsubo to the market rate for tenant office space in the neighborhood, we think you'll see plenty of merit”¹*
 - Hiroshi Nozawa places the **highest priority on sales growth**, and he **expects the current management team to do the same**
 - *“I've been aiming for JPY200 billion in sales, and I'd like the next generation to aim for JPY1 trillion”¹*
 - *“I think we need stimulation, and sometimes we need to give stimulation. For example, I want the management to think that it is their responsibility to society, to their employees, and to their customers to aim for 2 digits growth in sales”¹*
 - *“I've asked the new management team to make sure that sales grow at least 10 percent, maybe even 2 digits”¹*
- **He has appointed executives, including those from his family, with little oversight**
 - He has decided to appoint and dismiss Mr. Matsukura and Mr. Shiraishi as president. He also decided to appoint Mr. Sakashita as president (see Page 58).

In accordance with Corporate Governance Code Principle 4.7, minority shareholders need independent directors who will ensure objective oversight over management (see Page 60)

Summary of 3D Engagement

After countless proposals for constructive discussions and requests for meetings, we have yet to meet Mr. Nozawa or any of the outside directors



Our two new independent directors are highly qualified and will enhance overall board composition

Kanya Hasegawa

- **Mr. Kanya Hasegawa** has nearly 20 years of investment experience in Japan and Asia across various asset classes (including credit, real estate and listed equities) and has capital allocation expertise
- In 2015, he founded 3D Investment Partners Pte Ltd. and is responsible for the management of the company as CEO and CIO
- He has engaged in constructive dialogue with many Japanese-listed companies and has enhanced corporate value by strengthening governance and improving capital efficiency
- As a shareholder, he has interacted with the management teams of various Japanese-listed companies and been able to bring both shareholders' perspectives and the best practices from listed companies' outside directors to the Boards of Directors
- Based on his extensive experience, we believe that Mr. Hasegawa is the **most suited to represent the interests of minority shareholders and to enhance corporate value through improved corporate governance and capital allocation**

2002 Joined Goldman Sachs Japan Company Ltd.
2008 Investment Analyst, Tudor Capital Singapore Pte. Ltd.
2010 Managing Director and Partner, Broad Peak Investment Advisers Pte. Ltd.
2015 Founded 3D Investment Partners Pte. Ltd. , CEO and CIO (to present)

Keiji Torii

- **Mr. Keiji Torii** has served as Deputy President and Representative Director of Mizuho Financial Group, Inc., a listed company, and as outside audit & supervisory board member of ITOCHU Corporation. He has a deep understanding of finance, accounting and management of major Japanese companies from his experience as a director of a listed company
- As a former President and Director of Mizuho Information & Research Institute, Inc. and special advisor to salesforce.com, Inc, he also has outstanding expertise and practical experience in corporate management within the IT sector, the Company's core business
- As a special advisor to 3D Investment Partners Pte. Ltd., he engages in constructive dialogue with Japanese-listed companies to help them address complex governance issues and enhance corporate value
- We believe that Mr. Torii is the **most suited to enhance the corporate value of the Company by addressing capital allocation issues, while weighing the opinions of the Board of Directors, shareholders and management**, based on his extensive experience in corporate management, finance and accounting, as well as his developed network across the IT sector

2000 Managing Director, Dai-Ichi Kangyo Bank, Ltd.
2004 Deputy President and Representative Director, Mizuho Financial Group, Inc.
2005 Deputy President and Representative Director, Mizuho Information & Research Institute Inc. (currently, Mizuho Research & Technologies, Ltd.)
2009 Outside Audit & supervisory board member, ITOCHU Corporation
2009 Outside Director, Tokyo Coca-Cola Bottling Co., Ltd. (currently, COCA-COLA BOTTLERS JAPAN INC.)
2009 Special Adviser, Salesforce.com Inc.
2017 Advisor, 3D Investment Partners Pte Ltd.
2019 Standing Auditor, Cogent Labs Inc. (to present)
2020 Outside Auditor, SYLA HOLDINGS Co.,Ltd. (to present)
2021 Special Adviser, 3D Investment Partners Pte Ltd. (to present)

Change Is Needed



Our Director Candidates Would Enhance Corporate Value

Under the supervision of new independent directors, Fujisoft should reexamine its previous old-style management policies centering on five main areas of concern

1

Capital Inefficient Real Estate Investments

- Evaluate the corporate value derived from sale of real estate versus continuing to allocate capital to real estate
- Evaluate the corporate value derived from using less real estate through remote work

2

Listed Subsidiaries Are Undervalued

- Evaluate the corporate value of maintaining the status quo vs complete acquisition or divesture of listed subsidiaries
- If maintaining listed subsidiaries, re-evaluate the effectiveness of the governance system of the listed subsidiaries and provide transparency to markets

3

Poor Payout Ratio

- Calculate the Company's cost of equity and evaluate existing and future investments based on cost of equity
- If no investments surpasses cost of equity, allocate excess capital back to shareholders

4

Weak Profit Margins

- Work with external expert consultants to improve profit margins
- Evaluate the Company's medium-term management plans vs proposals by external experts and modify management plans where necessary

5

Lack of a Focused Growth Strategy

- Work with external expert consultants to conduct in-depth analysis of future business opportunities
- Identify areas where Company's resources should be intensively invested, formulate strategies, and compare them with existing growth strategies

① Capital Inefficient Real Estate Investments

1 Fujisoft Real Estate Strategy Is Unusual

Fujisoft's operating profit is disproportionately reallocated to acquiring tangible fixed assets (i.e., its own offices)

Within system integration industry, industry peers do not hold real estate

Although Fujisoft's SI business accounts for most of its operating profit, the bulk is reallocated to acquiring tangible fixed assets (mainly its own offices)

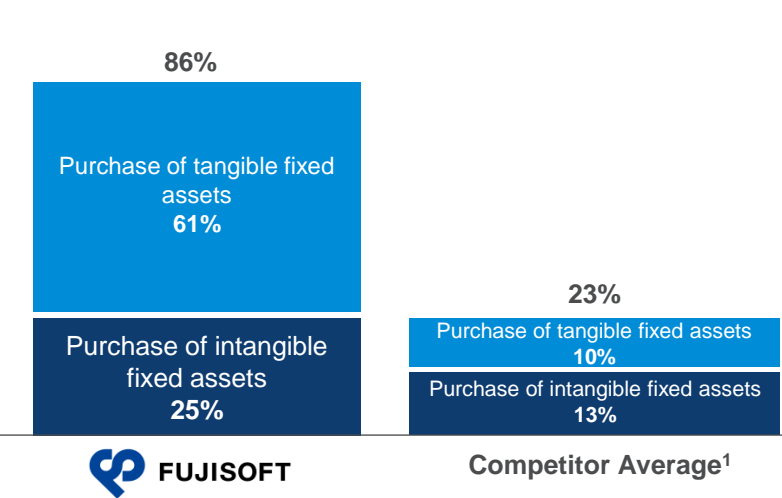
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Systema	170	64	39	1	2%	1%
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Peers Average					10%	9%

Composition of operating income over past 5 years (2016~2020)



5 years cumulative expenditures on tangible and intangible fixed assets as a percentage of total operating income over past 5 years (2016~2020)



Source: Bloomberg, Company disclosures

Note1: Peers (Itochu Techno-Solutions, TIS, SCSK, Nihon Unisys, Nittetsu Solutions, NSD, DTS, and Systema) are companies categorized as "System Integrators" or "System Development" by SPEEDA with market cap of JPY100 billion and JPY1 trillion as of 31/12/2021.

1 Fujisoft Announced It Will Continue to Invest in Real Estate

Fujisoft intends to continue to invest capital in offices

Further investment will be made on commercial real estate development

Even in newly announced Mid-term Plan (MTP), Fujisoft announced it will continue to invest in real estate

Excerpt from 2020 Yuho

Scheduled Investment

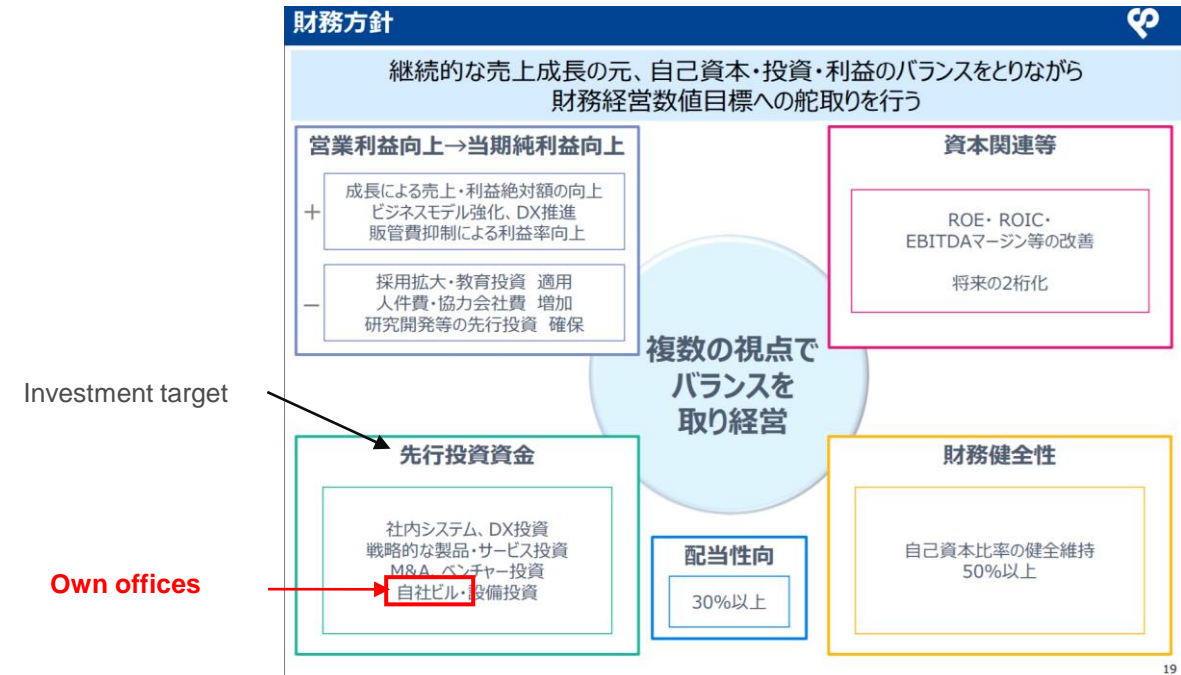
Commercial Real Estate Dev A
Commercial Real Estate Dev B

(1) 重要な設備の新設等

事業所名 (所在地)	セグメント 名称	設備の内容	投資予定額		資金調達 方法	着手年月	完了予定 年月	完成後の 増加能力
			総額 (百万円)	既支払額 (百万円)				
汐留ビル建設 A棟 (東京都港区東新橋)	S I 事業	建物	11,000	3,729	借入金	2020年2月	2023年5月	—
汐留ビル建設 B棟 (東京都港区東新橋)	S I 事業	建物	1,841	640	借入金	2020年1月	2021年9月	—
Total (JPY Million)			12,841	4,369				

Labels: Total, Paid Already, Start Date, Expected Completion Date

Excerpt from the MTP on “Capital Policy”(2022/2)



1 Owing Real Estate Does Not Improve Employee Morale


Fujisoft claims owning offices makes employees happy, but its employees are actually unhappy

“We value our people. Our own office building will make our employees happy.”¹

- Overall satisfaction rating from employees at Fujisoft is ranked 8 out of 9 in the industry
- Industry peers with higher satisfaction ratings do not own real estate. The Company’s claim that its real estate increases employee satisfaction has little support and is questionable at best

Rankings based on data from Openwork, an online platform where employees post reviews about their companies

Ranking (bottom three companies are highlighted)

	# Samples	Total	Salary	Motivation	Open Culture	Mutual Respect	Growth Opp for 20s	Skill Development	Compliance	Personal Evaluation
NS Solutions	427	1	1	1	4	1	1	2	5	2
Itochu Techno	696	2	2	2	1	6	2	5	5	3
Nihon Unisys	547	3	3	4	3	2	4	1	2	5
TIS	1,004	4	4	3	1	3	3	4	2	1
SCSK	1,061	5	6	4	4	3	5	3	1	6
DTS	408	6	8	7	7	6	6	6	7	8
NSD	259	7	4	8	6	8	6	7	9	6
 FUJISOFT	909	8	6	8	7	9	9	7	8	3
Systema	351	9	9	6	9	3	8	9	2	9

Source: Openwork
 Note1: Excerpts from Hiroshi Nozawa's remarks in "Surviving a Time of Change," Hirofumi Murata, Institute for Zaikai Research (June 1, 2021)

1

Fujisoft's Substantial Real Estate Holdings Are Not Being Valued By Investors

An independent appraiser¹ evaluated the value of Fujisoft's real estate, which exceeds Fujisoft's market cap

Akihabara Office



Yokohama Head Office



Name	Adress	Adopted Land Area tb	Adopted Bldg. Area tb	Adopted Rentable Ratio /GBA %	Adopted NRA tb	Stab. Rent Yen/tb	Vacancy%	Expeuce %	NOI CAP %	Value JPYmn	Book value JPYmn	Unrealized gain JPYmn	Valuation method
Akiharaba office	Chiyoda Ward, Tokyo	1,511	17,281	62%	10,699	32,000	5%	24%	2.8%	107,000	30,593	76,407	Income
Yokohama HQ	Yokohama-city, Kanagawa	856	8,116	70%	5,681	20,000	5%	25%	3.4%	29,800	11,133	18,667	Income
Kinshicho Office	Sumida-ku, Tokyo	806	5,697	70%	3,988	18,000	5%	24%	3.6%	17,200	5,440	11,760	Income
Shiodome land	Minato Ward, Tokyo								4.6%	15,480	15,175	305	Residual
Nagoya New Office	Nagoya-city, Aichi	299	2,663	75%	1,997	16,000	5%	25%	3.8%	7,580	6,309	1,271	Income
Ryogoku Office	Sumida-ku, Tokyo	461	2,090	70%	1,463	16,000	5%	24%	3.8%	5,370	2,690	2,680	Income
Monzennakacho Office	Koto-ku, Tokyo	468	1,331	70%	932	13,000	5%	24%	5.0%	2,120	1,867	253	Income
Osaka Office	Osaka City, Osaka	144	1,193	75%	895	17,000	5%	25%	5.0%	2,720	1,394	1,326	Income
Nagoya Office	Nagoya-city, Aichi	212	1,294	70%	906	12,000	5%	25%	5.0%	1,990	1,005	985	Income
Omiya Office	Saitama-city, Saitama	215	1,058	63%	662	16,000	5%	25%	5.5%	1,780	1,415	365	Income
Fukuoka Office	Fukuoka City, Fukuoka	384	1,232	75%	924	10,000	5%	25%	7.0%	1,130	1,636	-506	Income
Hachioji Office	Hachioji City, Tokyo	257	549	75%	411	8,000	5%	25%	7.0%	406	305	101	Income
Abiko Office	Abiko City, Chiba	315	778	75%	583	6,000	10%	25%	8.0%	356	868	-512	Income
Atsugi Office	Atsugi City, Kanagawa	297	606	75%	455	6,000	5%	25%	7.0%	333	432	-99	Income
Hitachi Office	Hitachi City, Ibaraki	397	249	70%	174	7,000	15%	25%	9.0%	104	153	-49	Income
Others										2,060	4,122	-2,062	
Total										195,429	84,536	110,893	

Kinshicho Office



Shiodome Land (under development)



1 Peers Are Reducing Their Use of Office Space

With the increasing prevalence of “work from home,” Fujisoft can bolster its bottom line by cutting back on office space

With remote work, we estimate if the Company reduces its occupied floor space by 30–50% and lease out the reduced space to third parties, the Company will increase real estate income by JPY1.1–1.8 billion

Many IT companies are working to reduce office space

Comments made by each companies		% floor space reduction
Z HOLDINGS	"Yahoo, a subsidiary of Z Holdings, will downsize its Tokyo office by 40 percent by November 2021 , found on Aug. 26, 2021. In response to the spread of the new coronavirus, Yahoo is limiting its office attendance to about 10%. The company will fundamentally rethink ideal use of offices in order to establish a new way of working centered on telecommuting."- Nikkei xTECH 2021/8/26	40%
DeNA	"On April 30, DeNA announced that it will relocate its headquarters office in Shibuya Hikarie to WeWork Shibuya Scramble Square (Shibuya-ku, Tokyo), an office space of WeWork Japan. In conjunction with this move, the number of desks will be reduced from approximately 2,800 in the previous office to approximately 700 . The measure is based on the fact that the number of employees who come to work has been reduced to less than 6% of the total workforce due to the implementation of remote work."- ITmedia NEWS 2021/4/30	75% (# of Desk)
WingArc 1ST	"Wing Arc 1st Co. has decided to terminate approximately 1,000 tsubo of its office space, which had been the working area for approximately 600 employees. This is about two-thirds of the total area of the company's existing offices. "- ITmedia Business Online 2021/3/9	67%
SAKURA internet	"On April 1, Sakura Internet moved its Osaka headquarters from Grand Front Osaka, a complex near JR Osaka Station, to a building in Umeda. The office area has been reduced to one-tenth of its previous size of about 2,800 square meters; the company has been shifting to a working style based on telework since 2020, and the percentage of employees who come to work is only about 10%."- Nikkei 2021/10/7	90%
ぐるなび	"Gurunavi announced on the 29th that it will reduce its office space by about 40% . Of the five floors leased as its headquarters in Tokyo, three will be terminated in December. The number of seats will be reduced to a quarter of the existing number , and free address system will be introduced. The cancellation of the offices is expected to reduce fixed costs by about JPY400 million per year."- Nikkei 2020/7/29	40%

If Fujisoft reduces its occupied floor space by 50%, the Company's profit will increase by JPY1.8 billion

Number of employees occupying unconsolidated properties	5,870	employees ¹
tsubo/employee	3.00	area per person
Area used in-house	17,610	3.31 square meters
Floor space reduction ratio	50%.	
Newly leased area	8,805	3.31 square meters
w.a. Rental income	17,735	Yen/tsubo (monthly)
New rental income	+1,874	Millions of yen
New lease income	+1,780	Millions of yen
Capital expenditure required for leasing	2,642	Millions of yen
(Unit price per tsubo)	0.30	Millions of yen

Source: Various media, company disclosures, 3D analysis

Note1: The number of employees occupying properties not owned by the parent company is excluded from the number of non-consolidated employees as of Dec 2020. Except Yokohama Head Quarter, Akihabara, Kinshicho and Nagoya Office, data as of Dec 2016 is used for the number of employees occupying each remaining properties.

- On February 10, 2022, Fujisoft announced its mid-term plan and stated that its real estate ownership is rational for the following reasons:
 - The Company uses its own office spaces, which are equivalent to manufacturing plants
 - Fujisoft implied that the rate of return on the Company's office investment is over 30%
- 3D asked about these rationales at the earnings conference on the same day:

3D Question	Fujisoft Response	3D Takeaways
<p>The book value of the Company's office investment before depreciation is about JPY120 billion, and after depreciation, it's JPY90 billion.</p> <p>Please explain how to calculate the 30%, particularly the denominator and numerator.</p>	<p>The 30% is one of the indicators that we calculate on our own, not ROIC.</p> <p>The denominator and numerator cannot be answered clearly since it is complex concept.</p> <p><u>We assume that our office is a production plant and add all the value generated from it to the numerator.</u></p>	<ul style="list-style-type: none"> ▪ The logic that the Company's own office is a "production plant" is unreasonable <ul style="list-style-type: none"> • Competitors do not invest in office space and Fujisoft also rents third-party real offices • Fujisoft office spaces are not specifically designed for self-use • Investing in real estate is not essential for business operation and Fujisoft's offices should not be claimed as driving value in the business operation itself – it is not a "factory" ▪ Fujisoft misleads shareholders on real estate investment returns <ul style="list-style-type: none"> • There is no definition of Fujisoft's proprietary metric for returns; the calculation method is not disclosed • The disclosure of a "return on investment" of more than 30% is a deliberate attempt to mislead the market • Fujisoft attempts to justify its real estate investment in a manner that could violate the Securities Listing Regulation of TSE
<p>Fujisoft claims that owning office space increases corporate value more than renting office space. <u>Does that mean that the present value of the profit increase from owning its own office exceeds the cash outflow of real estate acquisition?</u></p>	<p>We believe that corporate value will increase because the profit will improve if we operate in our own offices more than we operate in rented offices.</p>	<ul style="list-style-type: none"> ▪ If the Company uses its own office space, the rent will be lower, so earnings would be higher. However, this PL based logic does not justify allocating capital to real estate. <ul style="list-style-type: none"> • Whether or not there is an increase in corporate value should be judged by whether the present value of the increase in earnings <u>exceeds</u> the cash outflow from the acquisition of real estate – Fujisoft's comparison is inappropriate ▪ The Company deliberately refrains from disclosing the method of comparing corporate value and tries to create a false impression to the market

1 Fujisoft Must Reexamine Its Real Estate Holdings

Fujisoft can enhance its corporate value and increase capital efficiency by reducing its real estate holdings and use of office space

Real estate ownership strategy should be re-evaluated to increase corporate value.

Concurrently, improving profitability through floor space reduction should be considered.

1

Evaluate real estate ownership strategy

- If the Company were to sell its real estate holdings, it would create value (JPY195 billion) that exceeds today's market capitalization (JPY150 billion)
- If the Company continues to hold real estate, the Board needs to identify a real estate strategy to create value in excess of JPY195 billion

2

Consider options for improving profitability through floor space reduction

- Calculate the impact on profit by reducing occupied floor spaces by promoting remote work
- If floor space is not reduced, the Board should identify how maintaining the status quo will create corporate value that exceeds the increased profits from floor space reduction

Real estate is an investment like any other use of capital – Fujisoft must ensure its capital is used to create returns.

Fujisoft is using too much office space and should reduce occupied floor space through remote work.

② Listed Subsidiaries Are Undervalued

Fujisoft's Board should actively review the listed subsidiary structure

Excerpts from METI's "Practical Policy on Group Governance Systems" (Group Guidelines)"

6.2 How the parent company should be managed

6.2.1 Group's Business Portfolio Strategy

The parent company should periodically check whether it is optimal to maintain the subsidiary as a listed subsidiary from the perspective of (1) improving the corporate value of the group as a whole and (2) capital efficiency. Also, the board of the parent company should carefully discuss above points at the board meeting and explain rationality of its decision over listed subsidiaries and the effectiveness of the governance system of the listed subsidiary, and fulfill its accountability to investors through disclosure of such discussion result.

If the parent company elects to maintain a subsidiary as a listed subsidiary, the Board should deliberate on the following two points and fulfill sufficient accountability to investors through information disclosure:

(1) Rational reason for keeping the subsidiary as a listed subsidiary

Essentially, the inherent merit of listing subsidiaries is that it allows subsidiaries to achieve sustainable growth and enhance corporate value by having the means to raise funds directly from the capital markets. With this in mind, it is important to consider whether the benefits (i.e., the benefits to the group of maintaining a listed subsidiary) outweigh the constraints and costs (e.g., difficulty in utilizing resources for the overall optimization of the group) associated with having to consider the consistency with the group's overall business portfolio strategy and the interests of the general shareholders of the listed subsidiary. The board of the parent company should **explain in detail** whether **there is a rational reason for maintaining the subsidiary as a listed subsidiary from the perspective of maximizing the corporate value of the group.**

(2) Ensuring the effectiveness of the governance system of listed subsidiaries

The parent company, as the controlling shareholder, is in a position to exercise the authority to select and dismiss the directors of the listed subsidiary. However, the parent company should give sufficient consideration to the interests of minority shareholders and **explain its approach to the appropriate exercise of the authority to select and dismiss directors in order to ensure an effective governance system (such as the appointment of independent outside directors with the necessary qualifications) in the listed subsidiary.** The board of the parent company should explain the policy and rationale regarding the appropriate exercise of the authority to elect and dismiss directors of listed subsidiaries.

グループ・ガバナンス・システムに関する実務指針
(グループガイドライン)

2019年6月28日策定
経済産業省

Fujisoft's Listed Subsidiaries Suffer From Low Valuations

Fujisoft should reconsider the status of its listed subsidiaries because their valuations are low

Total equity value of Fujisoft listed subsidiaries is 18% of market capitalization

	MV	EV	% Fujisoft Own	MV % Fujisoft Own	% to Fujisoft Mkt Cap	PER	EV/ EBITDA	PBR
Cybernet systems	19,823	8,060	54%	10,693	7%	11.0x	2.5x	1.2x
Vinx	17,186	13,125	63%	10,892	7%	11.5x	3.6x	1.6x
Cyber com	8,719	7,823	52%	4,524	3%	12.4x	7.1x	1.5x
Fuji soft bureau	4,023	2,806	56%	2,255	1%	11.6x	3.9x	1.3x
				28,365	18%	11.5x	3.8x	1.4x





With the exception of Cybercom, the subsidiaries have low multiples relative to their respective peers¹

CAD/CAM System	EV/ EBITDA	Software (Business Support)	EV/ EBITDA	Embedded System Development	EV/ EBITDA	Outsourcing Service	EV/ EBITDA
Applied tech	12.3x	Scala	11.8x	TDC soft	7.5x	Shidax	13.7x
Aisan tech	11.2x	ULS group	11.6x	Cyber com	7.1x	Sunnexa group	8.1x
Kozo keikaku	9.9x	Kozo keikaku	9.9x	Poletowin	6.9x	Business brains	7.9x
CDS	8.8x	Pipedo HD	8.9x	SRA holdings	6.3x	Hito communications	4.9x
Genetec	5.5x	Wingarc 1st	7.8x	I-net	6.3x	Will group	4.9x
Cybernet systems	2.5x	Japan system	6.7x	ID holdings	6.3x	CAC holdings	4.2x
C&G systems	2.3x	Cresco	6.3x	JFE systems	5.4x	Fuji soft bureau	3.9x
		Broadleaf	5.5x	CAC holdings	4.2x	CMC	3.4x
Average	7.5x	Cyberlinks	5.4x	Nippon systemware	3.3x	Honyaku center	1.5x
		Unirita	5.3x	Average	5.9x	Average	5.8x
		Vinx	3.6x				
		Aucfan	1.0x				
		Average	7.0x				

Source: Bloomberg, SPEEDA

Note1: Peers are selected from the companies categorized in same industry by SPEEDA. Peers are narrowed down to the companies with top 30 sales and market cap below JPY50 billion. The companies are not selected if the most recent EV/EBITDA data on Bloomberg is not available.

There isn't sufficient independence between the listed subsidiaries and Fujisoft

	Independence of the Board of Directors (Ratio of employees from Fujisoft)	Noteworthy Transactions	Scandal
	<ul style="list-style-type: none"> Directors and Executive Officers 3/5 (including President and Representative Director) <ul style="list-style-type: none"> (The Executive Vice President also serves as Director and Managing Executive Officer of Fujisoft) Outside directors 0/4 Corporate auditors 2/3 (including full-time corporate auditors) 	<ul style="list-style-type: none"> Short-term loans of JPY4.5 billion to the parent company as of Dec 2020 	
	<ul style="list-style-type: none"> Directors and Executive Officers 3/4 (including President and Representative Director) Outside directors 0/2 Auditors 0/3 		
	<ul style="list-style-type: none"> Directors and Executive Officers 1/4 (including President and Representative Director) Outside directors 1/2 Corporate Auditors 1/3 (Full-time Corporate Auditor) 	<ul style="list-style-type: none"> Short-term loans of JPY2.0 billion to the parent company as of Dec 2020 	
	<ul style="list-style-type: none"> Directors and Executive Officers 2/3 (including President and Representative Director) Outside directors 0/2 Audit & Supervisory Board Members 1/3 		<ul style="list-style-type: none"> Recommendation and Order for payment of surcharge for false statements in securities reports, etc. (2021/1)

Maintaining unnecessary listed subsidiaries can be problematic

Fujisoft Service Bureau received a notice from client on the possibility of false billings

Prior years' operating income were revised downwards significantly at -15% to -42%

Fujisoft Service Bureau downward revision of past financial reporting

	FY17/3	FY18/3	FY19/3 1H
Revenue revision %	0%	-1%	-2%
Operating profit revision %	-15%	-29%	-42%

The president at the time, Mr. Satoshi Sato from Fujisoft, **was not held accountable for this incident**

December
2018

January
2019

February
2019

January
2021

March
2021

An internal investigation committee was set up

- The committee was chaired not by an outside director, but by Mr. Ogiso, Managing Director and General Manager of the Administration Division and a former employee of Fujisoft
- Other committee members included outside auditors but no external legal counsel was appointed

The Securities and Exchange Surveillance Commission recommended the penalty of JPY12 million for the disclosure of "false statements on material matters"

- In response, Fujisoft Service Bureau paid JPY12 million to the national treasury

In accordance with the Group Guidelines¹ published by METI, Fujisoft should reconsider whether to maintain listed subsidiaries

- **Low valuation of listed subsidiaries also damages the corporate value of the group**

- **The current market valuation of listed subsidiaries remains low due to:**
 - Loans to the parent company
 - The occurrence of scandals
 - The composition of the Board of Directors with questionable independence

- **The Board should determine whether maintaining the status quo or complete acquisition / disposal will create the most corporate value**
 - If high synergies are expected, a full acquisition can be a rational strategy but should be examined based on the ROIC from the premium paid
 - A complete sale will generally create more corporate value than the status quo due to a premium paid by potential acquirer

- **The Company should also reexamine the effectiveness of its governance system and explain it to the market**

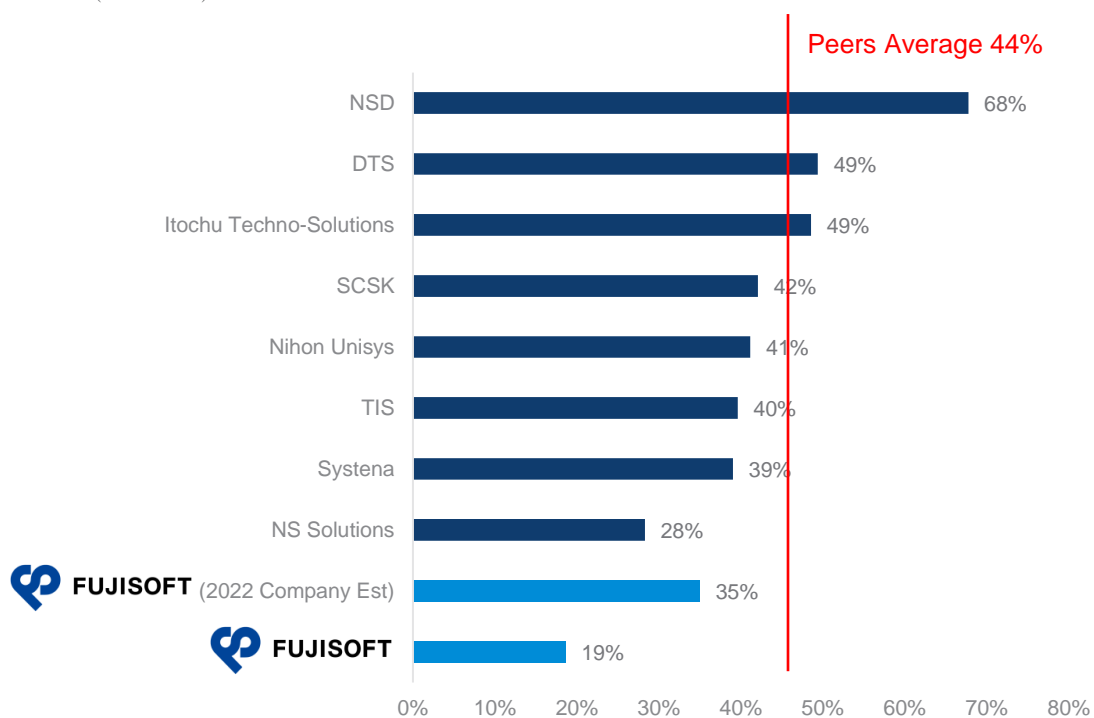
③ Poor Payout Ratio

Fujisoft Has a Low Payout Ratio Because of Its Investments in Real Estate

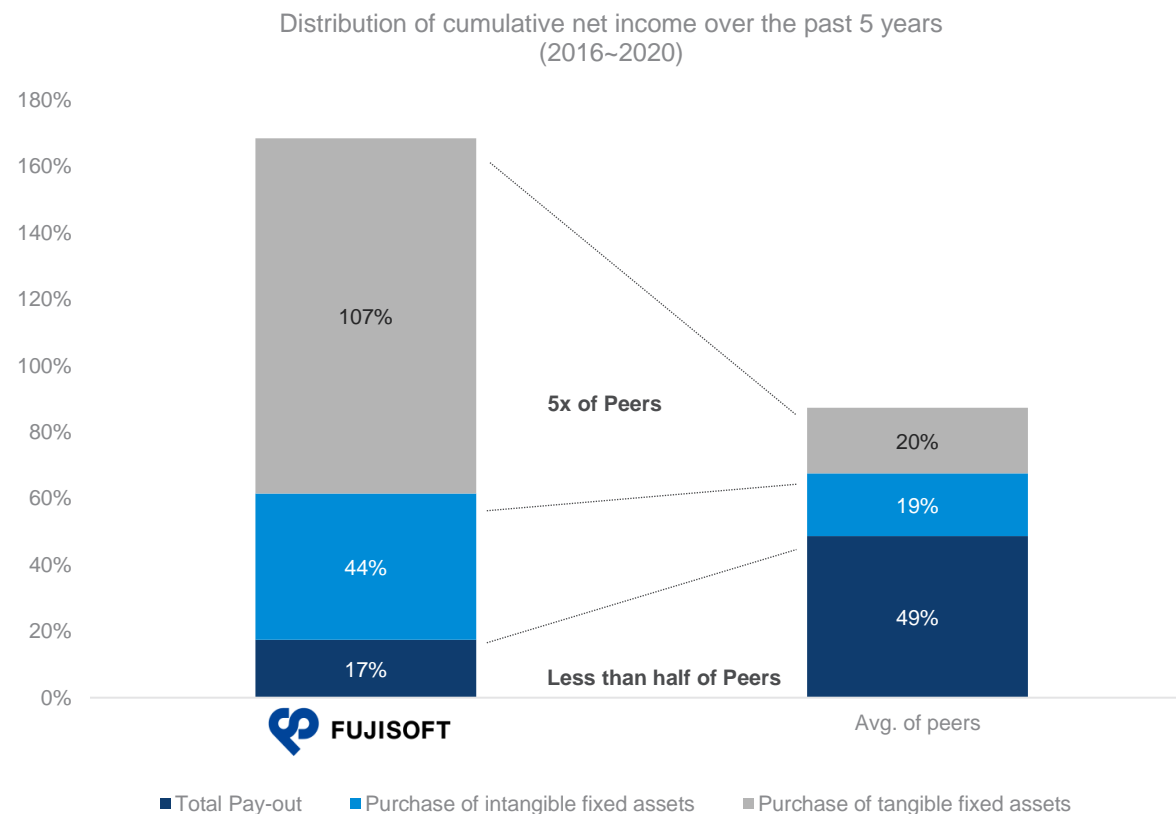
Fujisoft is under-allocating its total net income to shareholders and over-allocating to real estate

Fujisoft's total payout ratio is the lowest among peers¹. Even if applied FY22 target, it is still one of the lowest

(As of 2020)



Over the past 5 years, peers² allocated 49% of total net income to shareholder return; Fujisoft has allocated only 17% to shareholders but 107% to real estate investments²



Source: Bloomberg, Company disclosures. Notes1: Calculations are based on fiscal year earning result for 2020.

Note2: Peers (Itochu Techno-Solutions, TIS, SCSK, Nihon Unisys, Nittetsu Solutions, NSD, DTS, and Systema) are companies categorized as "System Integrators" or "System Development" by SPEEDA with market cap of JPY100 billion and JPY1 trillion as of 31/12/2021.

Fujisoft is under-allocating its total net income to shareholders and over-allocating to real estate (cont'd)

- The Company has allocated more than its net income to low-ROIC real estate investments, while having shareholder returns below the peers
- The Board, including independent directors who should be committed to appropriate allocation of capital, should reexamine Fujisoft's shareholder return policy to best enhance corporate value
- The Board needs to understand Fujisoft's cost of capital (not the one estimated too low intentionally) and the returns generated by each investment option
- If existing and future investments cannot generate ROIC above the cost of capital, then such capital should be used for shareholder returns

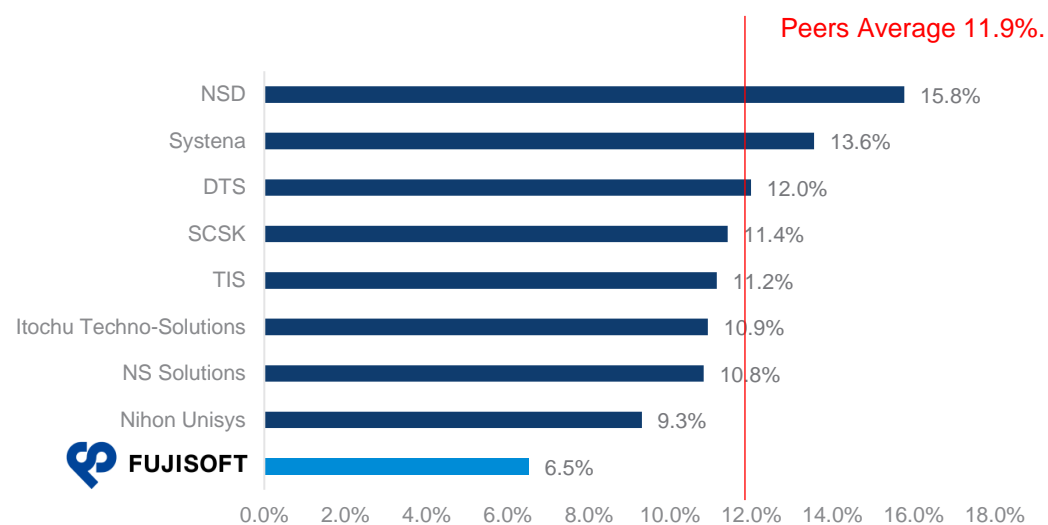
④ Weak Profit Margins

Fujisoft's Profit Margin and Productivity Per Employee Are Low

Operating margin is below the industry average; Fujisoft's operating income per employee is also lower than peers

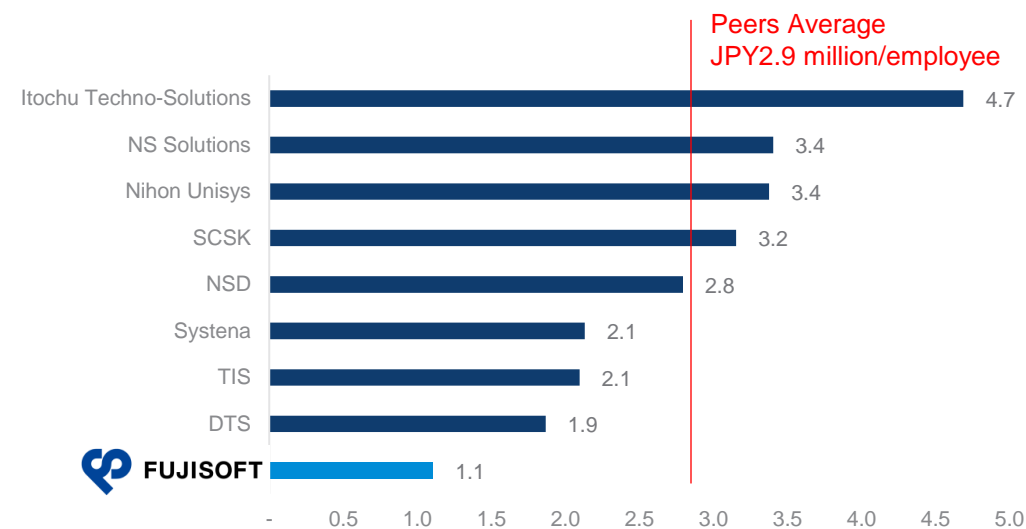
Operating margin¹

Trailing 12M Operating Margin as of Dec 2021



Operating income per employee²

(JPY M/ employee, as of 2020)

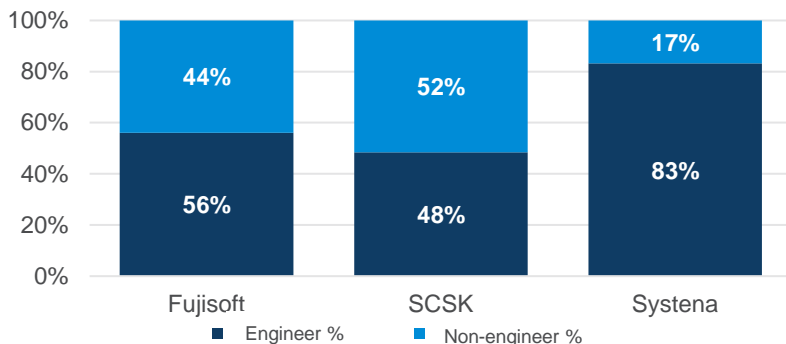


Fujisoft's Non-Engineers Have Failed to Increase Project Pricing, Resulting in Low Profit Margins Compared to Peers

Fujisoft should increase the number of high-price projects and restructure the team so it can generate profits regardless

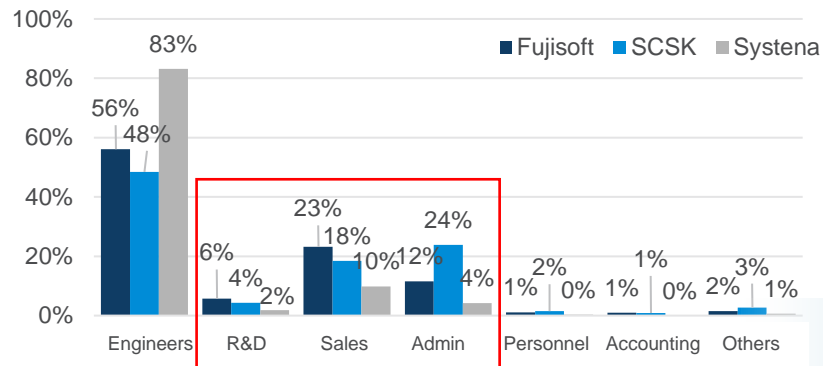
Fujisoft has similar ratio of non-engineer¹ employees as SCSK

Ratio of Engineers vs Non-Engineers (Non-consolidated)



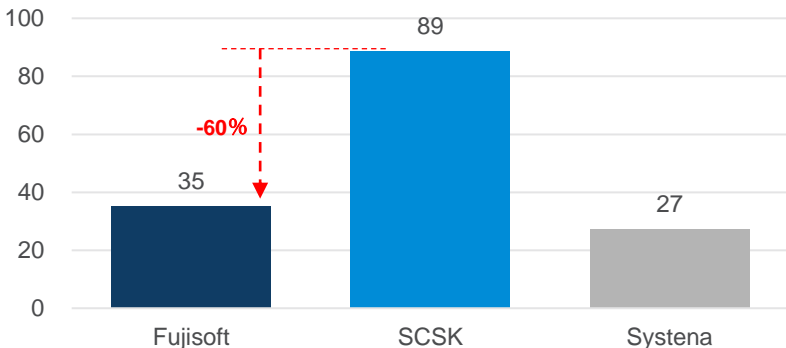
Fujisoft's non-engineers¹ are responsible for improving project price as the same as SCSK's

Composition of employees within the organization (Unconsolidated)



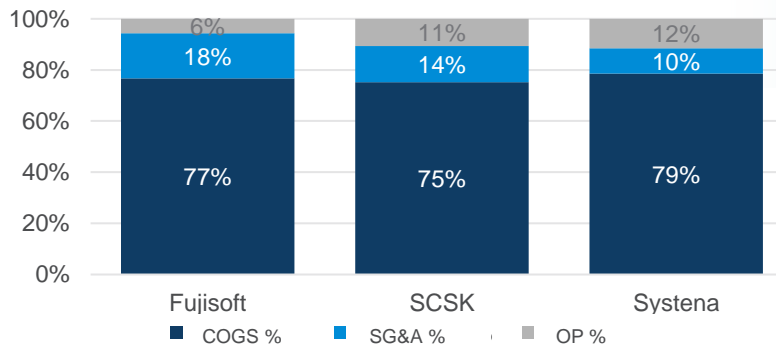
Fujisoft's non-engineers do not contribute to project price. Its sales per engineer is 60% lower than SCSK's

Sales per Engineer (Unconsolidated, JPYmn per engineer)



As a result, Fuji soft operating profit margin is the worst due to high SG&A ratio

Cost Structure (Non-consolidated, FY2018)



Strategies to improve profit margins and employee productivity include...

- (1) Acquiring high price projects
- (2) Restructuring staffing to reduce cost and increase profits

4 There Are 7 Actions for Improving Profitability and Employee Productivity

Margins can be improved if Fujisoft prioritizes efficient staffing and cost reduction

Major Issues

Low organizational capacity on project management

Insufficient focus on gross profit when quoting projects

The cost of engineers is relatively high

Low utilization rate of engineers

Too many non-engineer employees

COGS is high

Non-personnel cost items within SGA is high

7 Actions for Improvement

1 Retain talented engineers by reviewing evaluation and compensation program

2 Review sales force strategy and project management

3 Expansion into high value-add business areas

4 Optimize number of non-engineer employees
Reduce outsourcing by utilizing employees
Expand use of Low-Cost Countries (offshore)

5 Use of BPO

6 Review organization structure, improve operational efficiency and optimize employee numbers

7 Cost reduction through improved purchasing activity

Potential profit increase of JPY7-17 bn through implementation of suggested measures, amounting to operating income margin of 5-10% on a non-consolidated basis (3-7% on a consolidated basis)

Strategies	Targeted Items	Improvement in OP (JPY Bn)		Difficulty to achieve
		Base	Max	
1 Retain talented engineers by reviewing evaluation and compensation program				Middle
2 Review sales force strategy and project management		+1.2	+2.1	Middle
3 Expansion into high value-add business areas	Revenue	N/A	N/A	High
4 Expand use of Low-Cost Countries (offshore)		-1.1	-3.4	Middle
4 Optimize number of non-engineer employees	Labor cost &	+1.6	+3.1	Low
4 Reduce outsourcing by utilizing employees	COGS Outsourcing	+0.0	+0.5	Middle
Expand use of Low-Cost Countries (offshore)	cost	+1.4	+4.6	High
7 Cost reduction through improved purchasing activity	Expenses	+0.2	+0.8	Low
5 Use of BPO		+0.2	+0.8	Middle
6 Review organization structure, improve operational efficiency and optimize employee numbers	SG&A Labor cost	+4.0	+8.4	Middle
7 Cost reduction through improved purchasing activity	Non-labor cost	+0.1	+0.5	Low
Total		+7.7	+17.4	
	OP margin			
		Non-consolidated	+5%	+11%
		Consolidated	+3%	+7%

Mid-term Plan: Fujisoft Has No Plans to Improve Profit Margins

3D provided a detailed roadmap to improving margin in an 80-pages plan, but Fujisoft adopted none of these suggestions and has announced a management plan with no projected improvement in profit margin

In November 2021, 3D provided Fujisoft privately with an 80-page presentation that provided a roadmap to a 3-7% margin improvement

Fujisoft has ignored these suggestions and just announced a management plan with no margin improvement

The collage contains 12 screenshots from a presentation. Key elements include:

- Slide 1:** Title slide with '3D INVESTMENT' logo.
- Slide 2:** Summary table of financial metrics (Revenue, EBITDA, etc.) for FY2021, FY2022, and FY2023.
- Slide 3:** Diagram showing a process flow or organizational structure.
- Slide 4:** Table of revenue breakdown by segment.
- Slide 5:** Text slide detailing strategic initiatives.
- Slide 6:** Table of EBITDA metrics.
- Slide 7:** Table of revenue and profit metrics.
- Slide 8:** Diagram showing a process flow.
- Slide 9:** Table of revenue and profit metrics.
- Slide 10:** Table of revenue and profit metrics.
- Slide 11:** Table of revenue and profit metrics.
- Slide 12:** Table of revenue and profit metrics.

単位：億円

	2021年12月期 実績	2022年12月期 計画		2024年12月期 目標
売上高	2,579	2,655	3年CAGR 5%	3,000億円以上
営業利益	168	173	3年CAGR 6%	200億円以上
営業利益率(%)	6.5%	6.5%		6.7%以上

↑ Operating profit margin %

Fujisoft's organizational structure does not match the level of projects, making it difficult to generate profits

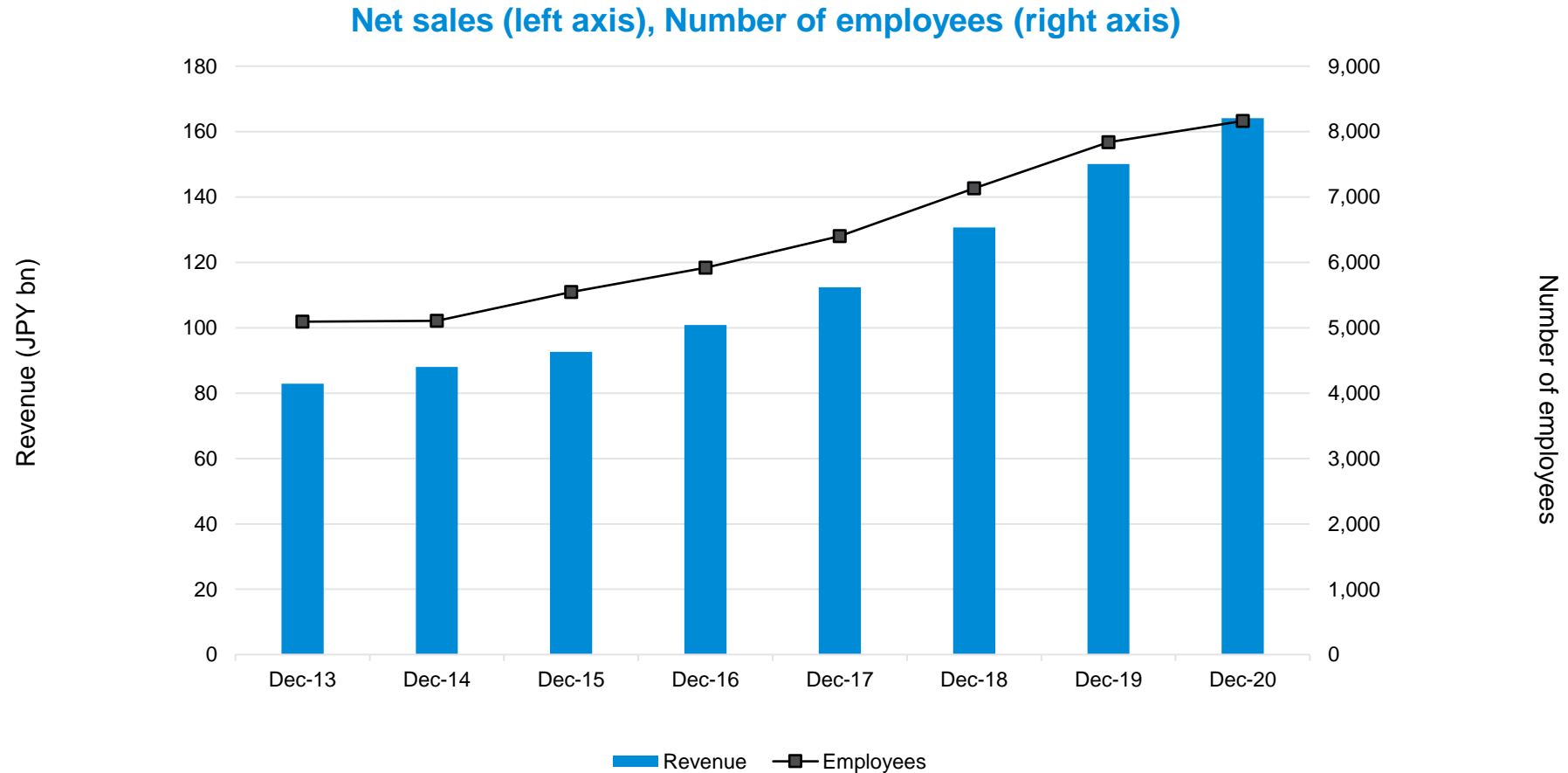
- **Fujisoft has high portion of non-engineer employees, but has not contributed to increase projects pricing**
 - This overhead drags down Fujisoft's margins relative to peers
 - Structural changes to the organization may be required to remedy the margin issue

- **External expertise should be introduced to conduct a thorough and objective examination of the causes for the low-profit margins and to propose solutions**

- **After a thorough examination conducted by external consultants, the Company should compare the results with its current mid-term management plan and update with the necessary changes**
 - Engage external consultants with profit improvability expertise to overhaul the organizational structure, if needed
 - Evaluate the Company's mid-term management plan against the proposals made by external experts and modify management plans as needed

5 Lack of a Focused Growth Strategy

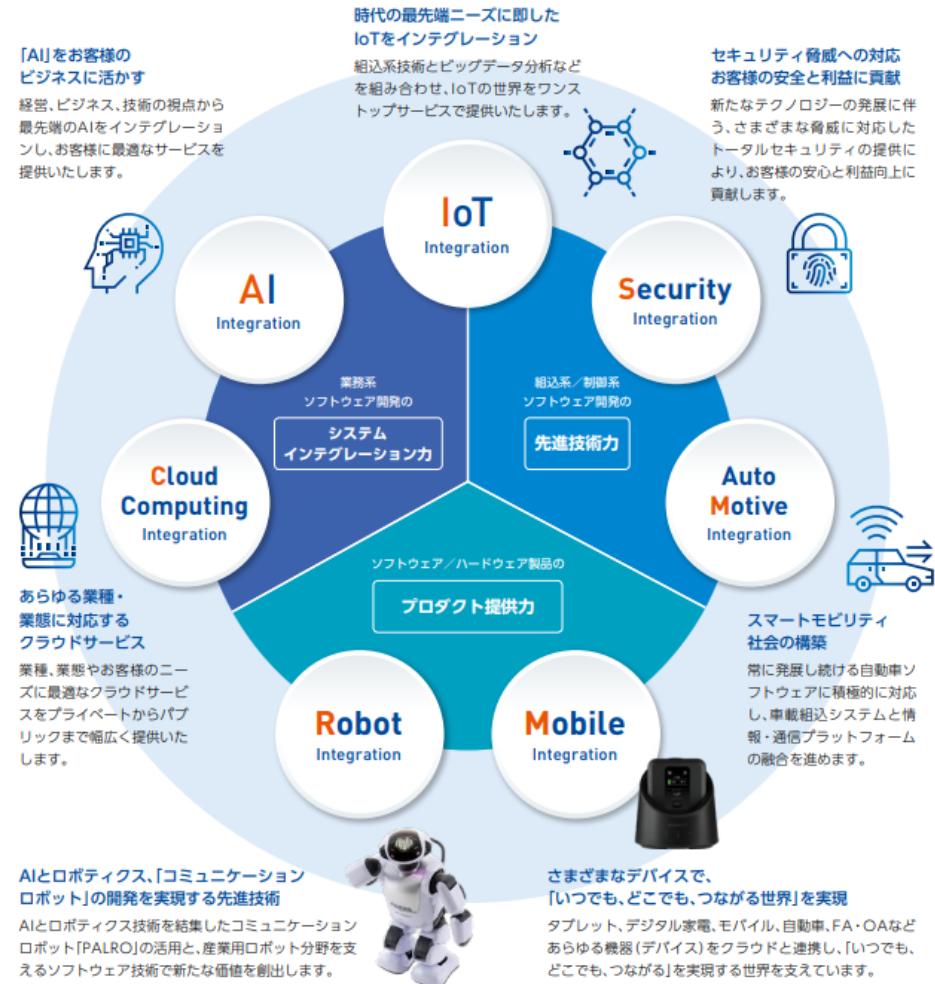
Sales have grown linearly with an increased number of employees (non-consolidated)



However, this implies that Fujisoft has shown no operational focus

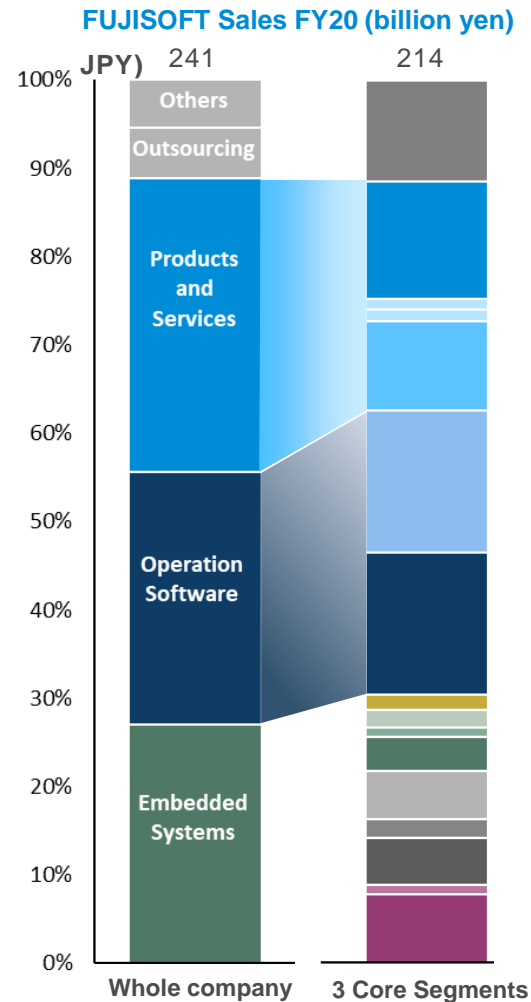
アイスクリーム
[AIS-CRM]

当社では、「AI、IoT、Security、Cloud、Robot、Mobile、AutoMotive」の頭文字を取った「AIS-CRM(アイスクリーム)」を、いまもつとも力を入れる新技術分野と位置づけています。これまで培ってきた技術とソリューションを融合し、いままでにない付加価値と新たなビジネスチャンスを生み出していきます。そして、国内外のお客様への最適なサービス、プロダクトを通じて、新たな価値を社会に提供いたします。



The 5 red segments are the main growth drivers based on sales size (40% of total) and past growth rate (>10%/year)

- (1) is where highest growth is expected
- (2)-(5) are subject to individual factors, including changes in automotive control methods, 5G investment cycle and Windows update cycles

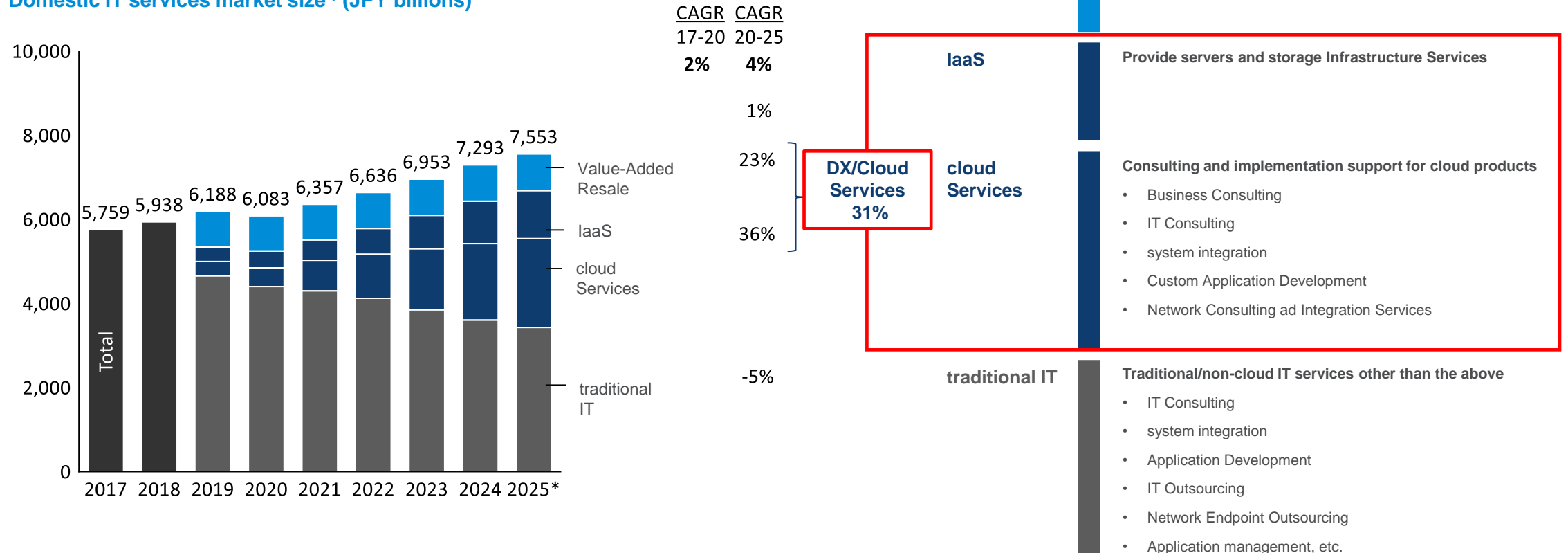


Segment	vs. FY20 Net sales ratio	CAGR ('17-'20)
In-house Products	10%	1%
Sales of goods, etc.	12%	5%
Licensing Business (Other)	1%	-Mr.
License business (Azure, AWS)	1%	-Mr.
3 License Business (Microsoft)	9%	-Mr.
traditional IT	14%	-Mr.
1 DX and Cloud Services	14%	-Mr.
Mobile Systems	2%	1%
Social Infrastructure (Other)	2%	9%
Social Infrastructure (Network Equipment - Others)	1%	12%
5 Social infrastructure (Network Equipment - cell phone base stations)	3%	12%
Machine Control system (Other)	5%	-7%
Machine Control system (FA - Others)	2%	13%
4 Machine Control System (FA - Fanuc)	5%	13%
Automotive (Other)	1%	4%
2 Automotive (ECU)	7%	13%

The Fastest-Growing Market in Japan Will Be the DX / Cloud Service-Related Market

DX / cloud services market, consisting of IaaS and cloud services, is expected to grow at 31% CAGR until 2025; cloud penetration rate of Japanese companies, currently 10-20%, is expected to double in the next 5 years

Domestic IT services market size ¹ (JPY billions)



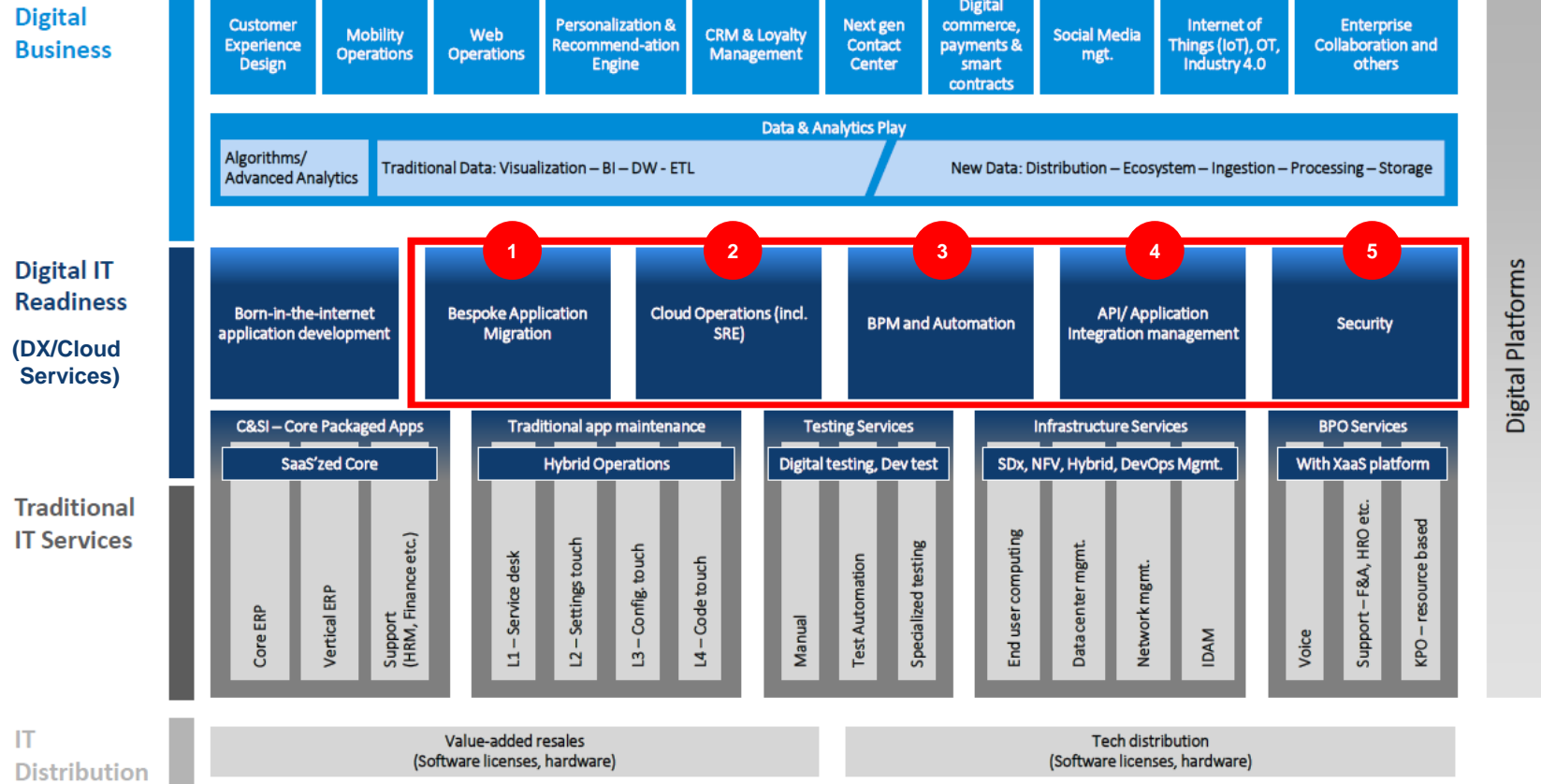
Source: IDC, expert interviews

Note1: IDC forecasts market size up to 2024. Growth rate applied from 2024 to 2025 is calculated based on 1) Traditional IT: '20-'24 CAGR 2) Cloud services, IaaS: '19-'24 linear growth rate 3) Value-added resale: '20-'24 CAGR.

The Move to Cloud Architecture Is a Big Opportunity

There are five business areas related to Fujisoft's DX / cloud services that should be targeted to maximize growth

	Target 5 Fields	Overview
Core	1 Bespoke Application Migration	Transfer of custom-made applications and programs from existing environments to the cloud
	2 Cloud Operations	Maintenance and management of cloud operations, etc
Non-core	3 BPM* and Automation	Digitalization and automation of business processes of individual companies
	4 API*/Application Integration management	Interconnect and link different software programs through APIs
	5 Security	Implement and manage cyber security



Specific strategies are required on how to invest Fujisoft's resources and how to gain market share in this area

- In general, Fujisoft is assigned to simpler projects as a sub-contractor
 - Typically, Fujisoft only participates in “downstream” roles such as operations and maintenance support
 - Implementation and customization of commoditized applications and creation of manuals are also carried out
- However, Fujisoft has the opportunity to win prime contracts with SMEs
 - Fujisoft already won some prime contracts (e.g., cloud implementation, cloud transfer of tailor-made applications) for SMEs
 - In DX / cloud Services for SMEs, the battle is between Tier 2 companies, since Tier 1 peers are not price competitive
 - Among tier 2 peers, Fujisoft is highly competitive since the company has abundant engineering capabilities

Prime projects for SMEs mainly outsourced to Tier 2

- Medium-sized companies with sales of JPY50~100 billion may use Fujisoft as their prime contractor
- Tier 1 companies are not competitive as they target larger clients and charge more



For SMEs, Fujisoft is a Tier 1 and Tier 2 provider

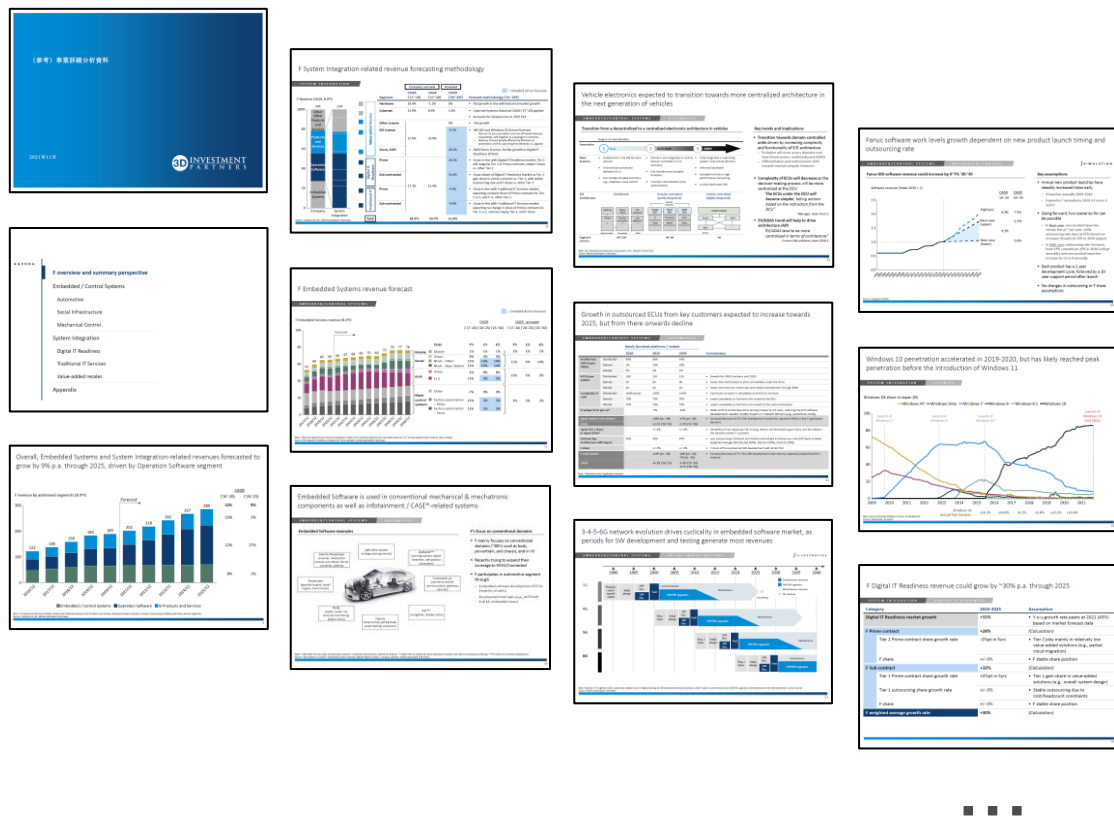
Fujisoft's competitiveness

- Affordability: **about 40% cheaper than Tier 1** (and other Tier 2)
- Flexibility: Provides a variety of solutions. **Fujisoft does not prioritize products from a parent company (since it has none), but prioritizes client work**
- Abundant human resources: **large pool of engineers**, high flexibility and availability of engineers
- Reputation: Customers who have hired Fujisoft for traditional IT projects tend to choose Fujisoft for their digitalization project as well

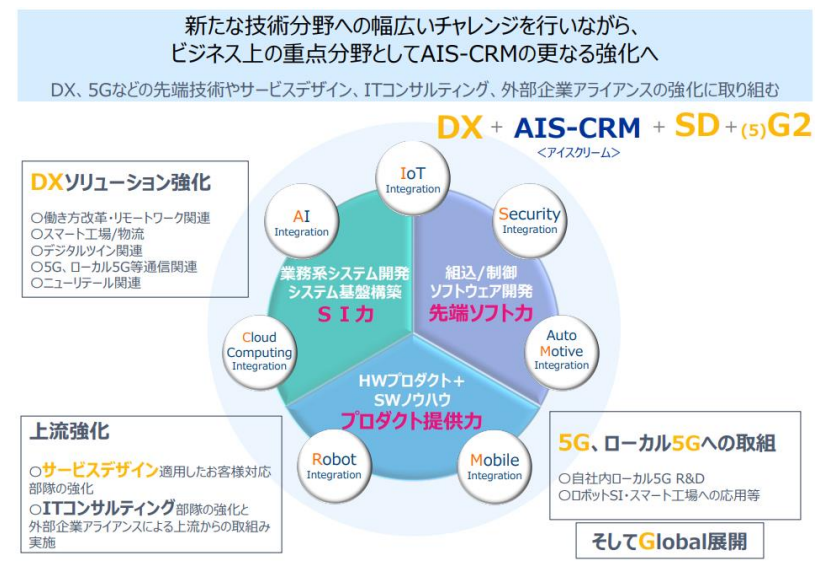
Mid-term Plan: Fujisoft Still Lacks a Real Growth Strategy

3D provided a plan to achieve 7% annual growth in a 150-page analysis, but Fujisoft announced instead a mere 5% annual growth plan without reviewing its existing strategy

In Nov-21, 3D submitted a 150-page business opportunity analysis, arguing 7% CAGR until 2025 is possible by focusing resources



Fujisoft announced 5% growth plan without any change in its decentralized strategy



単位：億円

	2021年12月期 実績	2022年12月期 計画		2024年12月期 目標
売上高	2,579	2,655	3年CAGR 5%	3,000億円以上

Revenue 3yrs CAGR

Corporate value will be enhanced by focusing investment and resources on the highest growth opportunities

- **The current all-encompassing growth strategy should be reexamined. Based on our analysis, certain business areas will grow faster than others, resulting in divergence of opportunities**

- **With the introduction of external knowledge and resources, the growth strategy of Fujisoft should be reexamined by an independent expert consultant, and the mid-term management plans should be revised where necessary**
 - Work with external expertise to conduct in-depth analysis of business opportunities
 - Identify growth areas where the Company's resources should be intensively invested
 - Formulate strategies to win in the relevant market, evaluate against existing growth strategies and revise where necessary

Conclusion

Independent Directors Could Help Evaluate Value Creation Opportunities

Under the supervision of new independent directors, Fujisoft should reexamine its previous management policies centering on five main areas of concern

1

Capital Inefficient Real Estate Investments

- Evaluate the corporate value derived from sale of real estate versus continuing to allocate capital to real estate
- Evaluate the corporate value derived from using less real estate through remote work

2

Listed Subsidiaries Are Undervalued

- Evaluate the corporate value of maintaining the status quo vs complete acquisition or divestiture of listed subsidiaries
- If maintaining listed subsidiaries, re-evaluate the effectiveness of the governance system of the listed subsidiaries and provide transparency to markets

3

Poor Payout Ratio

- Calculate the Company's cost of equity and evaluate existing and future investments based on cost of equity
- If no investments surpasses cost of equity, allocate excess capital back to shareholders

4

Weak Profit Margins

- Work with external expert consultants to improve profit margins
- Evaluate the Company's medium-term management plans vs proposals by external experts and modify management plans where necessary

5

Lack of a Focused Growth Strategy

- Work with external experts to conduct in-depth analysis of future business opportunities
- Identify areas where Company's resources should be intensively invested, formulate strategies, and compare them with existing growth strategies

Our two new independent directors are highly qualified and will enhance overall board composition

Kanya Hasegawa

- **Mr. Kanya Hasegawa** has nearly 20 years of investment experience in Japan and Asia across various asset classes (including credit, real estate and listed equities) and has capital allocation expertise
- In 2015, he founded 3D Investment Partners Pte Ltd. and is responsible for the management of the company as CEO and CIO
- He has engaged in constructive dialogue with many Japanese-listed companies and has enhanced corporate value by strengthening governance and improving capital efficiency
- As a shareholder, he has interacted with the management teams of various Japanese-listed companies and been able to bring both shareholders' perspectives and the best practices from listed companies' outside directors to the Boards of Directors
- Based on his extensive experience, we believe that Mr. Hasegawa is the **most suited to represent the interests of minority shareholders and to enhance corporate value through improved corporate governance and capital allocation**

2002 Joined Goldman Sachs Japan Company Ltd.
2008 Investment Analyst, Tudor Capital Singapore Pte. Ltd.
2010 Managing Director and Partner, Broad Peak Investment Advisers Pte. Ltd.
2015 Founded 3D Investment Partners Pte. Ltd. , CEO and CIO (to present)

Keiji Torii

- **Mr. Keiji Torii** has served as Deputy President and Representative Director of Mizuho Financial Group, Inc., a listed company, and as outside audit & supervisory board member of ITOCHU Corporation. He has a deep understanding of finance, accounting and management of major Japanese companies from his experience as a director of a listed company
- As a former President and Director of Mizuho Information & Research Institute, Inc. and special advisor to salesforce.com, Inc, he also has outstanding expertise and practical experience in corporate management within the IT sector, the Company's core business
- As a special advisor to 3D Investment Partners Pte. Ltd., he engages in constructive dialogue with Japanese-listed companies to help them address complex governance issues and enhance corporate value
- We believe that Mr. Torii is the **most suited to enhance the corporate value of the Company by addressing capital allocation issues, while weighing the opinions of the Board of Directors, shareholders and management**, based on his extensive experience in corporate management, finance and accounting, as well as his developed network across the IT sector

2000 Managing Director, Dai-Ichi Kangyo Bank, Ltd.
2004 Deputy President and Representative Director, Mizuho Financial Group, Inc.
2005 Deputy President and Representative Director, Mizuho Information & Research Institute Inc. (currently, Mizuho Research & Technologies, Ltd.)
2009 Outside Audit & supervisory board member, ITOCHU Corporation
2009 Outside Director, Tokyo Coca-Cola Bottling Co., Ltd. (currently, COCA-COLA BOTTLERS JAPAN INC.)
2009 Special Adviser, Salesforce.com Inc.
2017 Advisor, 3D Investment Partners Pte Ltd.
2019 Standing Auditor, Cogent Labs Inc. (to present)
2020 Outside Auditor, SYLA HOLDINGS Co.,Ltd. (to present)
2021 Special Adviser, 3D Investment Partners Pte Ltd. (to present)

We Are Confident that Fujisoft's Business Can Grow Significantly through These 3 Measures

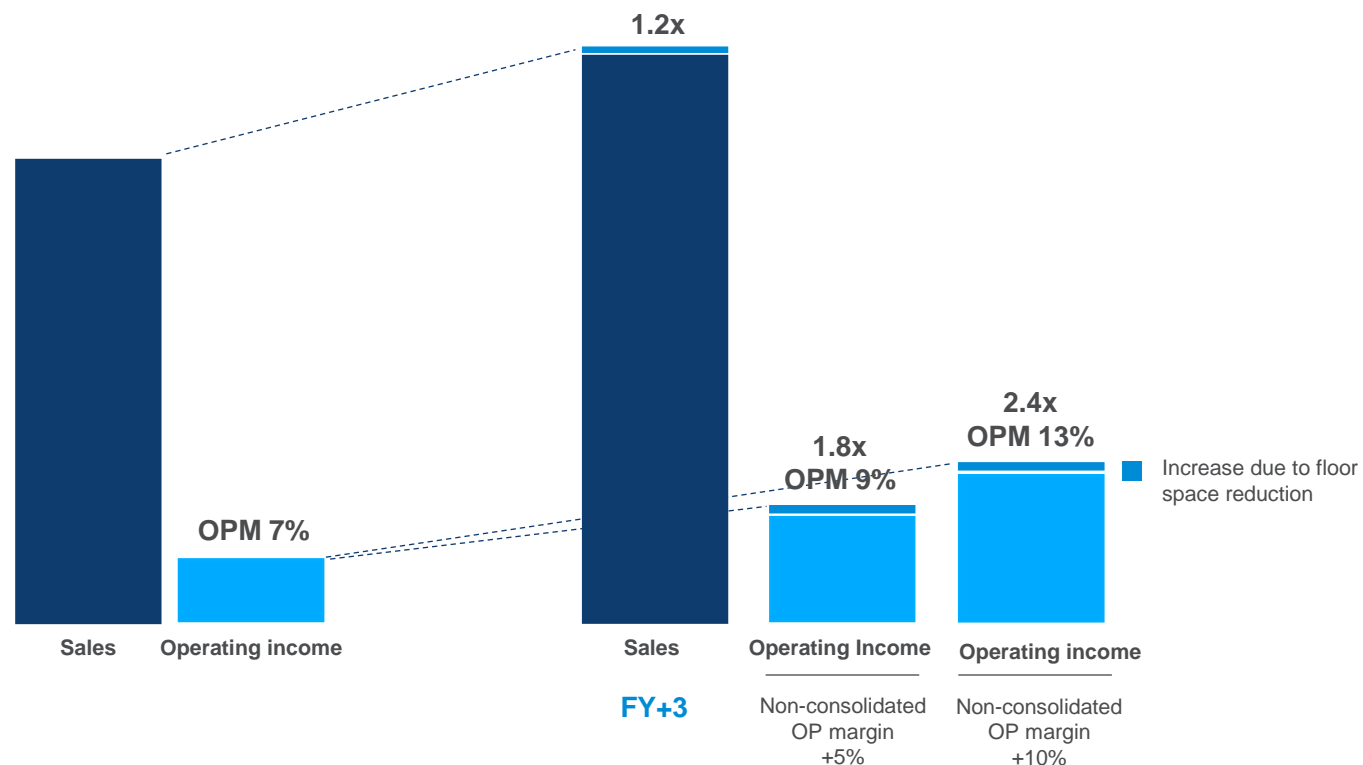
Leveraging the DX / cloud service opportunity, increasing employee productivity and reducing office space can contribute to overall growth

① Improvement in real estate earnings through reduction of office space used by the Company and lease it out to third parties
 Operating income: +JPY1.1–1.8 billion

② Improve operating income by increasing employee productivity
 Non-consolidated operating margin +5% – 10%

③ Intensive investment of Fujisoft's resources in DX and cloud service areas
 Sales growth of 7% CAGR

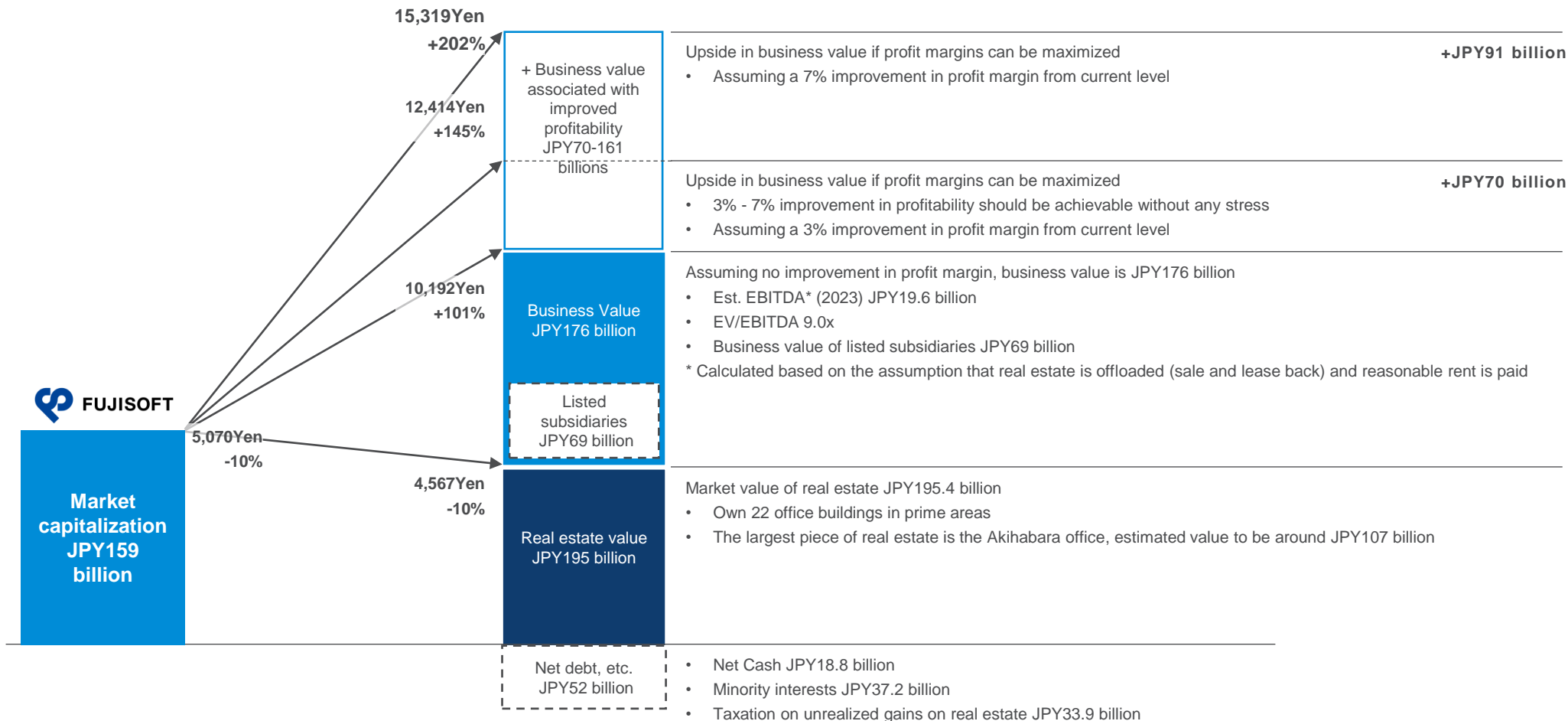
In 3 years,
 Sales 1.2x, Operating income 1.8x–2.4x, Profit growth 21% – 34% CAGR



Stock Price Valuation Can Be Remedied through a Few Key Objectives

Improving profit margins and reviewing the real estate and listed subsidiary investments can dramatically increase the share price

Fujisoft Intrinsic Equity Value vs. Market Capitalization



Mid-term Plan Appears to Violate the Securities Listing Regulations and Show Need for Change

The medium-term management plan announced in February 2022 is disclosed as “timely disclosure” on TDnet.

- The medium-term management plan is positioned as "information deemed to be significant to investors' investment decisions"
- The information must comply with the rules of the TSE's Securities Listing Regulations (including Rule 412, Paragraph 1) and be appropriate materials for investors to make investment decisions

The description of the returns on real estate investing appears to be misleading and in violation of the Securities Listing Regulations.

- The use of the term "return on investment" is usually thought of by the average investor as ROIC¹
- The company appears to be intending to confuse or mislead investors by using “return on investment” in a very different way
- The disclosure information that Fujisoft's "return on investment" is 30% or more “causes misunderstanding for investors to make investment decisions” under Rule 412, Paragraph 1 (3) of the Securities Listing Regulations.

This misleading disclosure is significant and further indicates to significant deficiencies in Corporate Governance

- The valuation and returns of Fujisoft's real estate holdings is critical to assessing the corporate value of Fujisoft, as more than the net profit of the past five years has been used for acquiring real estate
- The information provided on this significant use of capital appears to be deliberately misleading, which is a significant breach of trust
- Moreover, the failure of the outside directors to insist on proper calculations and disclosures suggests there is a need for improved corporate governance and board composition

Appendix

Mr. Nozawa Has Been Controlling the Appointment of Fujisoft President

- **Mr. Nozawa has been a company representative for nearly 50 years**
 - Between 1973-2020, Mr. Nozawa served as President and Chairman of the Board
 - Mr. Nozawa still serves on the Board today
 - Current President Tomoyasu Sakashita is Mr. Nozawa's son-in-law
 - President Sakashita also serves as Chair of the Board of Directors
 - Outside directors includes a university professor who was a former founding member of the company in which Fujisoft invested and persons from Fujisoft's client companies
- **Mr. Nozawa effectively controls the appointment of President**
 - Fujisoft has had a series of president elections and dismissals, each time followed with Mr. Nozawa returning as management.

	1973 Mr. Nozawa took the position of President and Representative Director.
2001	Mr. Nozawa became Chairman of the Board and Mr. Matsukura becomes President and Representative Director.
2004	Mr. Matsukura retired from President and Representative Director , and Mr. Nozawa took the position of Chairman and President.
2008	Mr. Nozawa became Chairman of the Board and Mr. Shiraishi became President and Representative Director.
2009	Mr. Nozawa resigned from the Board of Directors and took the position of Chairman.
	Mr. Shiraishi retired from President and Representative Director , and Mr. Nozawa returned to the position of Chairman and Executive Officer.
2011	Mr. Nozawa became Chairman and President, and Mr. Sakashita became President and Representative Director.
2012	Mr. Nozawa became Chairman and President, and Mr. Sakashita became President and President.
	2020 Mr. Nozawa became Chairman of the Board and Executive Officer.
	2021 Mr. Nozawa appointed as Director and Advisor

Mr. Nozawa's effective control over the appointment of President is also evident from his own statements and media reports:

- "I appointed cofounder Matsukura to be the President. It was like me sitting in the passenger seat with him but that system did not last long."¹
- "I invited a person from a main bank to be the President, but role of President was very difficult to fulfill. In the end, there were times when I had to work as President while serve as chairman."¹
- "Seeing it as a 'critical issue,' Nozawa decided to replace the president again in 2011, and replaced him with Tomoyasu Sakashita, 55 old, who married his eldest daughter."²(Article quote)
- "In both Fujisoft and CAPCOM, the founding families hold only around 20% of the shares. If that's the case, then it would seem strange that the management of the company is controlled by the founder. However, the reality of management is not same as what is wrote in textbook."² (Article quote)
- I don't want the company to end in my generation. The current President is also undergoing test period. I have not gave him a pass. My role in the company? It's to preserve my DNA."²



Note1: Excerpts from Hiroshi Nozawa's remarks in "Surviving a Time of Change," Hirofumi Murata, Institute for Zaikai Research (June 1, 2021)

Note2: Excerpts from Hiroshi Nozawa's remarks in "Selection of a successor, my logi" Nikkei Business (Nov 14, 2016)

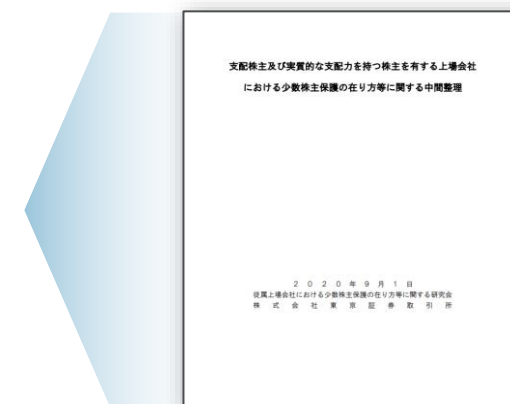
Even Without Majority Voting Rights, Shareholder Can Still Be Considered as “Controlling”

Mr. Nozawa has substantially about 20% of the voting rights

	Owned shares	Ownership
Founder family	5,432,500	17.3%
NFC	3,028,000	9.7%
Hiroshi Nozawa	1,765,000	5.6%
Noriko Nozawa	629,000	2.0%
Satoyasu Sakashita (CEO)	10,500	0.0%
Total	5,432,500	17.3%

According to the TSE, even if you are a 20% shareholder, you can be a controlling shareholder

- In recent years, there have been cases where it has been pointed out that the current listing system does not sufficiently protect minority shareholders, especially among already listed companies that have **shareholders who do not hold a majority of voting rights but have substantial control** (hereinafter referred to as "controlling shareholders").
- Note on "Specifics of Controlling Shareholder": "It was pointed out that even a **shareholder who holds 20% of the voting rights may be able to effectively control the company, and that a shareholder who holds** one-third or more of the voting rights may be considered a "controlling shareholder" in line with the takeover bid regulations. In light of the ratio of voting rights exercised at the general shareholders meeting, it was pointed out that a shareholder holding 40% or more of the voting rights at the general shareholders meeting is considered to have the power to control the company based on the voting rights at the general shareholders meeting. In light of the ratio of voting rights exercised at the general meeting of shareholders, it has been pointed out that if a company holds 40% or more of the voting rights at the general meeting of shareholders, it can be said to have controlling power based on its voting rights at the general meeting of shareholders.



Excerpt from "Interim Report on the Protection of Minority Shareholders in Listed Companies with Controlling Shareholders and Shareholders with Substantial Control" (2020) Date: Tokyo Stock Exchange, Inc.)

Even Without Majority Voting Rights, Shareholder Can Still Be Considered as “Controlling” (Cont’d)

According to the Corporate Governance Code, listed companies with a controlling shareholder under the supervision of highly independent outside directors, must protect the interests of minority shareholders.

The following is an excerpt from the "Corporate Governance Code" (2021-6-11 date Tokyo Stock Exchange, Inc.)



Basic Principles4 "Approach"

(*Newly added in the 20216 revision)

The controlling shareholder must respect the interests of the company and the common interests of its shareholders and must not treat minority shareholders unfairly, and **listed companies with controlling shareholders are required to develop governance systems to protect the interests of minority shareholders.**

Principle4.7

Listed companies should make effective use of independent outside directors, paying particular attention to the fact that they are expected to fulfill the following roles and responsibilities.

(iii) **Overseeing conflicts of interest between the company and management, controlling shareholders, etc.**

(iv) **Appropriately reflecting the opinions of stakeholders, including minority shareholders, in the Board of Directors from a standpoint independent of management and controlling shareholders.**

TSE has stated that a similar framework for minority shareholder protection is necessary even in cases where there is a “substantial controlling shareholder”.

The following is an excerpt from the "Interim Report on the Protection of Minority Shareholders in Listed Companies with Controlling Shareholders and Shareholders with Substantial Control" (2020-9-1 date Tokyo Stock Exchange, Inc.)



It has been pointed out that "listed companies with **controlling/dominant shareholders** are valued lower in the market than those without, because the discount associated with the **risk of structural conflicts of interest between controlling/dominant shareholders and minority shareholders** exceeds the valuation of business synergies."

In light of recent cases, there is a risk that the **interests of minority shareholders may be harmed if controlling or dominant shareholders neglect to consider the interests of minority shareholders, and a framework for further protection of minority shareholders is considered necessary.** and the common interests of its shareholders and must not treat minority shareholders unfairly, and **listed companies with controlling shareholders are required to develop governance systems to protect the interests of minority shareholders.**

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