January 12, 2024

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FUJI SOFT INCORPORATED
Satoyasu Sakashita, President and Representative Director

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Agents of 3D OPPORTUNITY MASTER FUND
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Shigemasa Matsuo
Yuki Ikeda

Shareholder Proposals at the Annual General Meeting of Fuji Soft Incorporated

3D OPPORTUNITY MASTER FUND (hereinafter, "3D"), as a shareholder which has held more than 1% of the voting rights of all shareholders of FUJI SOFT INCORPORATED (hereinafter, "Fuji Soft") continuously for six months prior to the date hereof, hereby submits the proposals below (hereinafter, the "Proposals") as the subject matter as set out in Nos. 1 below (hereinafter, the "Subject Matters") and agenda as set out in Nos. 2 below (hereinafter, the "Agendas") to the 54th Annual General Meeting of Shareholders of Fuji Soft, which will be held in March 2024 (hereinafter, the "AGM"), in accordance with Article 303 (2) of the Companies Act. 3D also requests that Fuji Soft notifies its shareholders of the contents of the summary of the Proposals and the reasons for the Proposals in accordance with Article 305 (1) of the Companies Act and Article 93 of the Enforcement Order of the Companies Act.

No. 1 Subject Matter

(1) <u>Election of One (1) Corporate Auditor</u>
(2) <u>Election of One (1) director who is an Audit and Supervisory Committee Member</u>
<u>Provided, however, as stated in No. 2(2), that this agenda shall become effective if the proposal for partial amendment to the Articles of Incorporation regarding the transition to a Company with an Audit and Supervisory Committee proposed by Fuji Soft is approved at the AGM.</u>
(3) <u>Implementation of Share Buyback</u>

No. 2 Summary of Proposed Agenda and Reasons for Proposal

(1) <u>Election of One (1) Corporate Auditor</u>

① Summary of the Agenda

Shareholder Resolution:

Mr. Stephen Givens shall be appointed as a Corporate Auditor.

② Reasons for the Proposal

In August 2023, 3D solicited proposals to increase corporate value at Fuji Soft and received three non-binding proposals from well-respected private equity firms (the “Proposers”) to increase corporate value at Fuji Soft by acquiring Fuji Soft at prices that were well above its stock price at the time. These proposals indicated that the Proposers had been evaluating Fuji Soft based solely on public information and that, if the Proposers were given full access to customary due diligence materials, the Proposers may have been able to offer an even higher price for Fuji Soft. As Fuji Soft has acknowledged,[1] these proposals have sufficient specificity, legitimacy of purpose, and feasibility, and as such qualify as “serious acquisition proposals” under the Ministry of Economy, Trade and Industry’s (“METI”) recently published “Guidelines for Conduct in Corporate Acquisitions” (the “METI Guidelines”).[2]

In September 2023, 3D submitted these proposals to Fuji Soft’s Board of Directors. 3D was hopeful that the Board would give serious consideration to these proposals, in accordance with the METI guidelines.[3] 3D urged the Board to take all actions to engage constructively with these and other potential acquirers, including sharing comprehensive due diligence materials and ultimately, soliciting binding proposals as part of a formal process designed to maximize corporate value.

According to the METI Guidelines, the board of directors are required to give “sincere consideration” to a “bona fide offer.” In other words, any acquisition proposal should be submitted to the board of directors, the board of directors should obtain additional information from the acquirer about the acquisition proposal, and then consider the appropriateness of the acquisition from the perspective of whether the acquisition would contribute to enhancing corporate value.[4]

However, based on subsequent communication with Fuji Soft, 3D believes that the Board failed to perform this task and that Fuji Soft is not utilizing a review process that would truly enhance corporate value. As noted above, these acquisition proposals from the Proposers implied that if the Proposers were given full access to customary due diligence materials, it may have been possible for them to refine their proposals and offer a higher acquisition price for Fuji Soft. However, despite the existence of this clear path to corporate value enhancement, Fuji Soft has attempted to weigh the pros and cons of the proposals without providing appropriate information, including providing opportunities for due diligence (i.e., without providing the opportunity to refine proposals or maximize acquisition price). Furthermore, 3D is aware that the Board of Directors, including the outside directors who play a leading role in weighing the pros and cons of potential acquisitions, have not yet set up formal meetings with each of the Proposers.

In light of previous circumstances, 3D believes that a sound review process in accordance with the METI Guidelines will maximize Fuji Soft's corporate value. Therefore, 3D believes that Fuji Soft’s currently incomplete and unfair review process may prevent a potential transaction that can maximize Fuji Soft’s corporate value. If Fuji Soft rejects the proposals at the conclusion of its review process, potential bidders may be discouraged from engaging with Fuji Soft in the future.

3D believes that the above review process by Fuji Soft's Board constitutes a material corporate governance failure. Although Fuji Soft's Board should engage diligently, constructively, and in good faith to ensure a full and fair strategic review process, the Board has been reluctant to consider proposals by well-regarded private equity firms. The Board has also not solicited proposals from any potential strategic buyers and has seemingly sought only to fulfill its minimum legal obligations. In 3D's view, such indifference to corporate governance represents a significant barrier to corporate value maximization.

On January 12, 2024, Fuji Soft recognized the need for more constructive engagement with interested parties and announced its change in approach to the consideration of serious acquisition proposals. However, in this announcement the specific activities of the Special Committee to date remained vague, and '3D's concerns, namely that the review processes were incomplete and unfair, were unaddressed. 3D believes that Fuji Soft needs to provide each Proposer with the opportunity for due diligence, including sharing the new medium-term management plan that Fuji Soft intends to present in February of this year, to allow each Proposer to refine the proposals and maximize the acquisition price. However, Fuji Soft has not provided clarity on any of these actions.[5]

Furthermore, the Special Committee, which makes recommendations to the Board on whether to approve any going private proposal, and the Board, the majority of which constitute outside directors responsible for reaching a conclusion, have not yet met with the Proposers since their respective submissions in September 2023. Therefore, , 3D cannot help but to have doubts that the Special Committee and the Board will truly embrace their responsibility to maximize corporate value and conduct a fair and objective evaluation of alternatives.

3D believes that improved corporate governance at Fuji Soft is needed to enhance the oversight function of the Board, improve adherence to corporate governance guidelines articulated by METI, and ensure that shareholder interests are protected. 3D is therefore proposing that Mr. Stephen Givens be appointed as an outside Corporate Auditor.

A brief personal history of Mr. Givens is given in ③ below. Mr. Givens is a leading expert on M&A and corporate governance issues in Japan. As partner-in-charge of the Tokyo office of a major global law firm before establishing his own independent legal practice, he has structured, negotiated, and closed dozens of mergers, acquisitions, and other corporate transactions. Mr. Givens also regularly advises both companies and institutional investors on corporate governance and proxy matters. He is an experienced corporate director who has served as a special committee member of several listed companies.

In addition, Mr. Givens is independent of both Fuji Soft and 3D and can ensure protection of the interests of all shareholders.

3D believes Mr. Givens would not only provide a valuable, unique and independent perspective, but also bring critical knowledge of governance and M&A to the Fuji Soft Board. In 3D's view, Mr. Givens is well positioned to remedy the governance failures at Fuji Soft and ensure a sincere consideration process to improve corporate value. 3D therefore proposes that Mr. Givens be appointed as an outside Corporate Auditor.

③ Name, brief personal history, etc. of the candidate

Candidate	Stephen Givens	Date of birth: July 18, 1954
		Number of 3D’s shares owned: 0 shares
Brief personal history, title, position in charge, and status of important concurrent positions		
1982-1987	Associate, Debevoise & Plimpton, LLP	
1987-1990	Associate, Gibson, Dunn & Crutcher LLP	
1990-1996	Partner, Gibson Dunn & Crutcher LLP	
1996-2001	Special Counsel, Nishimura & Partners（now Nishimura&Asahi）	
2001-Present	Principal, Givens Gaikokuho Jimu Bengoshi Jimusho / JLX Partners Foreign Law Joint Enterprise	
	(Education)	
1972-1976	University of North Carolina at Chapel Hill (A.B., History and Classics)	
1976-1977	Kyoto University (Faculty of Law)	
1979-1982	Harvard Law School (J.D.)	
	(Other)	
2004-2014	Adjunct Professor, Keio Law School	
2005-2014	Professor, Law Faculty, Aoyama Gakuin University	
2009-2013	Adjunct Professor, Law Faculty, Sophia University	
2014	Adjunct Professor, Faculty of Business and Commerce, Keio University	
2014-2020	Professor, Law Faculty, Sophia University	
2015-2019	Outside Member of Advisory Board, Dai-ichi Life Holdings, Inc.	
2017-2019	Advisor, Investment Strategy Division, Hitachi, Ltd.	
2018-2019	Advisory Board Member, Nakano Refrigerators Co., Ltd.	
2019-2023	Adjunct Professor, Keio Law School	
	(Important Concurrent Positions)	
	Principal, Givens Gaikokuho Jimu Bengoshi Jimusho	
	JLX Partners Foreign Law Joint Enterprise	

(2) <u>Election of One (1) director who is an Audit and Supervisory Committee Member</u>

① Summary of the Agenda

Shareholder Resolution:

Mr. Stephen Givens shall be appointed as a director who is an Audit and Supervisory Committee Member.

This agenda item shall become effective if the proposal for partial amendment to the Articles of Incorporation regarding the transition to a Company with an Audit and Supervisory Committee proposed by Fuji Soft is approved at the AGM.

② Reasons for the Proposal

In August 2023, 3D solicited proposals to increase corporate value at Fuji Soft and received three non-binding proposals from well-respected private equity firms (the "Proposers") to increase corporate value at Fuji Soft by acquiring Fuji Soft at prices that were well above its stock price at the time. These proposals indicated that the Proposers had been evaluating Fuji Soft based solely on public information and that, if the Proposers were given full access to customary due diligence materials, the Proposers may have been able to offer an even higher price for Fuji Soft. As Fuji Soft has acknowledged,[6] these proposals have sufficient specificity, legitimacy of purpose, and feasibility, and as such qualify as "serious acquisition proposals" under the Ministry of Economy, Trade and Industry's ("METI") recently published "Guidelines for Conduct in Corporate Acquisitions" (the "METI Guidelines").[7]

In September 2023, 3D submitted these proposals to Fuji Soft's Board of Directors. 3D was hopeful that the Board would give serious consideration to these proposals, in accordance with the METI guidelines.[8] 3D urged the Board to take all actions to engage constructively with these and other potential acquirers, including sharing comprehensive due diligence materials and ultimately, soliciting binding proposals as part of a formal process designed to maximize corporate value.

According to the METI Guidelines, the board of directors are required to give "sincere consideration" to a "bona fide offer." In other words, any acquisition proposal should be submitted to the board of directors, the board of directors should obtain additional information from the acquirer about the acquisition proposal, and then consider the appropriateness of the acquisition from the perspective of whether the acquisition would contribute to enhancing corporate value.[9]

However, based on subsequent communication with Fuji Soft, 3D believes that the Board failed to perform this task and that Fuji Soft is not utilizing a review process that would truly enhance corporate value. As noted above, these acquisition proposals from the Proposers implied that if the Proposers were given full access to customary due diligence materials, it may have been possible for them to refine their proposals and offer a higher acquisition price for Fuji Soft. However, despite the existence of this clear path to corporate value enhancement, Fuji Soft has attempted to weigh the pros and cons of the proposals without providing appropriate information, including providing opportunities for due diligence (i.e., without providing the opportunity to refine proposals or maximize acquisition price). Furthermore, 3D is aware that the Board of Directors, including the outside directors who play a leading role in weighing the pros and cons of potential acquisitions, have not yet set up formal meetings with each of the Proposers.

In light of previous circumstances, 3D believes that a sound review process in accordance with the METI Guidelines will maximize Fuji Soft's corporate value. Therefore, 3D believes that Fuji Soft’s currently incomplete and unfair review process may prevent a potential transaction that can maximize Fuji Soft’s corporate value. If Fuji Soft rejects the proposals at the conclusion of its review process, potential bidders may be discouraged from engaging with Fuji Soft in the future.

3D believes that the above review process by Fuji Soft’s Board constitutes a material corporate governance failure. Although Fuji Soft’s Board should engage diligently, constructively, and in good faith to ensure a full and fair strategic review process, the Board has been reluctant to consider proposals by well-regarded private equity firms. The Board has also not solicited proposals from any potential strategic buyers and has seemingly sought only to fulfill its minimum legal obligations. In 3D’s view, such indifference to corporate governance represents a significant barrier to corporate value maximization.

On January 12, 2024, Fuji Soft recognized the need for more constructive engagement with interested parties and announced its change in approach to the consideration of serious acquisition proposals. However, in this announcement the specific activities of the Special Committee to date remained vague, and ’3D’s concerns, namely that the review processes were incomplete and unfair, were unaddressed. 3D believes that Fuji Soft needs to provide each Proposer with the opportunity for due diligence, including sharing the new medium-term management plan that Fuji Soft intends to present in February of this year, to allow each Proposer to refine the proposals and maximize the acquisition price. However, Fuji Soft has not provided clarity on any of these actions.[10]

Furthermore, the Special Committee, which makes recommendations to the Board on whether to approve any going private proposal, and the Board, the majority of which constitute outside directors responsible for reaching a conclusion, have not yet met with the Proposers since their respective submissions in September 2023. Therefore, , 3D cannot help but to have doubts that the Special Committee and the Board will truly embrace their responsibility to maximize corporate value and conduct a fair and objective evaluation of alternatives.

3D believes that improved corporate governance at Fuji Soft is needed to enhance the oversight function of the Board, improve adherence to corporate governance guidelines articulated by METI, and ensure that shareholder interests are protected. 3D is therefore proposing that Mr. Stephen Givens be appointed as an outside Corporate Auditor.

A brief personal history of Mr. Givens is given in ③ below. Mr. Givens is a leading expert on M&A and corporate governance issues in Japan. As partner-in-charge of the Tokyo office of a major global law firm before establishing his own independent legal practice, he has structured, negotiated, and closed dozens of mergers, acquisitions, and other corporate transactions. Mr. Givens also regularly advises both companies and institutional investors on corporate governance and proxy matters. He is an experienced corporate director who has served as a special committee member of several listed companies.

In addition, Mr. Givens is independent of both Fuji Soft and 3D and can ensure protection of the interests of all shareholders.

3D believes Mr. Givens would not only provide a valuable, unique and independent perspective, but also bring critical knowledge of governance and M&A to the Fuji Soft Board. In 3D's view, Mr. Givens is well positioned to remedy the governance failures at Fuji Soft and ensure a sincere consideration process to improve corporate value. 3D therefore proposes that Mr. Givens be appointed as an outside Corporate Auditor.

3D has proposed Mr. Givens as a candidate for Corporate Auditor. However, according to the "Notice Concerning Transition to a Company with an Audit and Supervisory Committee" released by Fuji Soft on November 21, 2023, Fuji Soft plans to transition to a Company with an Audit and Supervisory Committee.

If the proposal for partial amendment to the Articles of Incorporation regarding the transition to a Company with an Audit and Supervisory Committee is approved, Mr. Givens will no longer be able to be appointed as a Corporate Auditor, because the position of Corporate Auditor will cease to exist. In that case, it will still be essential to correct the governance insufficiency at Fuji Soft and to strengthen the supervisory function of the Board of Directors.

Therefore, in the event that the proposal by Fuji Soft for partial amendment to the Articles of Incorporation regarding the transition to a Company with an Audit and Supervisory Committee is approved, 3D proposes that Mr. Givens be appointed as an outside director who is an Audit and Supervisory Committee Member.

③ Name, brief personal history, etc. of the candidate

<table>
<tr><td rowspan="2">Candidate</td><td rowspan="2">Stephen Givens</td><td>Date of birth: July 18, 1954</td></tr>
<tr><td>Number of 3D's shares owned: 0 shares</td></tr>
<tr><td colspan="3">Brief personal history, title, position in charge, and status of important concurrent positions</td></tr>
<tr><td>1982-1987
1987-1990
1990-1996
1996-2001
2001-Present

1972-1976
1976-1977
1979-1982</td><td colspan="2">Associate, Debevoise & Plimpton, LLP
Associate, Gibson, Dunn & Crutcher LLP
Partner, Gibson Dunn & Crutcher LLP
Special Counsel, Nishimura & Partners（now Nishimura&Asahi）
Principal, Givens Gaikokuho Jimu Bengoshi Jimusho / JLX Partners Foreign Law Joint Enterprise

(Education)
University of North Carolina at Chapel Hill (A.B., History and Classics)
Kyoto University (Faculty of Law)
Harvard Law School (J.D.)

(Other)</td></tr>
</table>

2004-2014	Adjunct Professor, Keio Law School
2005-2014	Professor, Law Faculty, Aoyama Gakuin University
2009-2013	Adjunct Professor, Law Faculty, Sophia University
2014	Adjunct Professor, Faculty of Business and Commerce, Keio University
2014-2020	Professor, Law Faculty, Sophia University
2015-2019	Outside Member of Advisory Board, Dai-ichi Life Holdings, Inc.
2017-2019	Advisor, Investment Strategy Division, Hitachi, Ltd.
2018-2019	Advisory Board Member, Nakano Refrigerators Co., Ltd.
2019-2023	Adjunct Professor, Keio Law School
	(Important Concurrent Positions) Principal, Givens Gaikokuho Jimu Bengoshi Jimusho JLX Partners Foreign Law Joint Enterprise

(3) Implementation of Share Buyback

① Summary of the Agenda

Shareholder Resolution:

If, after consideration by the Board of Directors, Fuji Soft determines not to accept acquisition proposals by the Proposers of (1) and (2) above, Fuji Soft will, pursuant to Article 156 (1) of the Companies Act, acquire shares of its common stock in exchange for cash as follows:

- Number of shares to be acquired: 11,013,216 shares (JPY 6,810 per share)
- Total aggregate amount for acquisition: JPY 75,000,000,000; provided that, if the total aggregate amount for acquisition as permitted under the Companies Act (the "Distributable Amount" as set forth in Article 461 of the Companies Act) is less than the Proposed Amount, it shall be reduced to such amount as permitted under the Companies Act.
- Period for the acquisition: Within one year following the AGM.

② Reasons for the Proposal

Under Japan's Corporate Governance Code, directors have a responsibility to promote corporate value enhancement over the medium- to long-term. In 3D's view, the careful and objective consideration of serious proposals from potential acquirers is consistent with this obligation. The Board has a duty to compare the value of acquisition proposals with the risk-adjusted potential value that may be achieved through the continued execution of Fuji Soft's management plan.

If, after making that comparison, the Board determines that the intrinsic value of Fuji Soft is higher than the offer price of the proposals (which will almost certainly be higher than the stock price as well), then the rejection of the proposals would indicate that the Board believes Fuji Soft is undervalued by the public market.

In that instance, 3D believes the Board must take action to address the material gap between Fuji Soft's market value and what the Board believes is Fuji Soft's true corporate value. In 3D's view, the most direct way to close the valuation discount would be to effectuate a meaningful repurchase of Fuji Soft's shares.

3D also believes that a share repurchase would help resolve Fuji Soft's overcapitalization. In 3D's view, Fuji Soft is overcapitalized due to its significant real estate ownership and accompanying unrealized profits. 3D estimates the value of Fuji Soft's real estate to be approximately JPY 195 billion. Based on this assumption, Fuji Soft would have JPY 78 billion of after-tax unrealized profits, which, when added to its net assets, would amount to JPY 240 billion[11] as of December 31, 2023. In that case, Fuji Soft's return on equity ("ROE") for fiscal year 2023 would be 6%[12], which is much lower than the industry average of 16%[13] for the immediate past fiscal year. In 3D's view, Fuji Soft's overcapitalization is negatively impacting its capital efficiency and ultimately, its corporate value growth.

In 3D's view, Fuji Soft should increase its ROE to the industry average level, which 3D believes would support medium- to long-term corporate value growth. If Fuji Soft were to increase its ROE to the industry average of 16% in fiscal year 2026, it would require the redemption of JPY 165 billion[14] of excess capital.

Given the average daily trading volume over the past six months, and assuming a market participation rate of 35%[15], the number of shares that can be repurchased within the next year would be 11 million shares[16].

Therefore, 3D proposes that Fuji Soft repurchase 11 million shares within one year from the AGM. Based on the share price as of January 12, 2024, of JPY 6,810, the share repurchase would amount to JPY 75 billion. Excluding unrealized gains on real estate, the most recent distributable amount of Fuji Soft's share buyback of JPY 75 billion on a non-consolidated basis is approximately JPY 77 billion[17], and the amount proposed by 3D is substantial enough to be feasible.

Endnotes:

[1] Source: Fuji Soft Press Release, January 12, 2024.
[2] Source: METI Guidelines 3.1.2.
[3] The METI guidelines state that if a company receives a “bona fide offer” that includes sufficient information regarding price and management policy, the board of directors should give “sincere consideration” to such a proposal and take steps to maximize corporate value.
[4] Source: METI Guidelines 3.1.2.
[5] Source: Fuji Soft Press Release, January 12, 2024.
[6] Source: Fuji Soft Press Release, January 12, 2024.
[7] Source: METI Guidelines 3.1.2.
[8] The METI guidelines state that if a company receives a “bona fide offer” that includes sufficient information regarding price and management policy, the board of directors should give “sincere consideration” to such a proposal and take steps to maximize corporate value.
[9] Source: METI Guidelines 3.1.2.
[10] Source: Fuji Soft Press Release, January 12, 2024.
[11] Net assets at the end of FY12/2022 (JPY 153 billion) + estimated net income for FY12/2023 (JPY 14 billion) - estimated dividends (JPY 5 billion) + unrealized gains after taxes (JPY 78 billion). Estimated net income is calculated by multiplying operating income in the company estimate by 70%. Assumed dividends are calculated by multiplying estimated net income by the payout ratio of 35% in the company plan.
[12] Calculated as: Assumed net income (JPY 14 billion)/Adjusted net assets (JPY 240 billion)
[13] Average of CTC, SCSK, TIS, BIPROGY, Net One Systems, NSSOL, Systena, ISID, NSD, and DTS for the most recent fiscal year
[14] Calculated based on consensus operating income for FY2024/12-FY2026/12 multiplied by 70% as the estimated net income. In addition, the dividend payout ratio is assumed as 35%.
[15] Based on examples of share repurchase by Citizen and Toshiba, 3D assumes that a 35% market participation rate is feasible. Citizen repurchased approximately 17% of its outstanding shares (excluding treasury stock) between February 2023 and June 2023, at an average daily participation rate of 36% of the six-month average volume up to the day before the share repurchase was announced. Toshiba repurchased approximately 30% of its outstanding shares (excluding treasury stock) between November 2018 and November 2019, with the average number of shares buyback per day being approximately 35% of the six-month average volume up to the day before the share repurchase was announced. (Toshiba utilized ToSTNet)
[16] Calculated by multiplying the six-month average volume (126,600 shares) by the number of trading days in 2024 (245 days)
[17] Calculated as follows: Other capital surplus on non-consolidated basis as of December 31, 2022 (0.5 billion yen) + other retained earnings (JPY 75 billion) - treasury stock (JPY 5 billion) + estimated non-consolidated net income for the year ending December 31, 2023 (JPY 10 billion) - estimated total dividends for the year ending December 31, 2023 (JPY 4 billion). Estimated non-consolidated net income is calculated by multiplying the estimated consolidated net income by the percentage of non-consolidated net income in the consolidated net income for the year ending December 31, 2022. The estimated total dividend is calculated by multiplying the estimated non-consolidated net income by the estimated non-consolidated dividend payout ratio announced by Fujisoft.