

Shareholder Proposals to Maximize Fuji Soft's Corporate Value

February 2024



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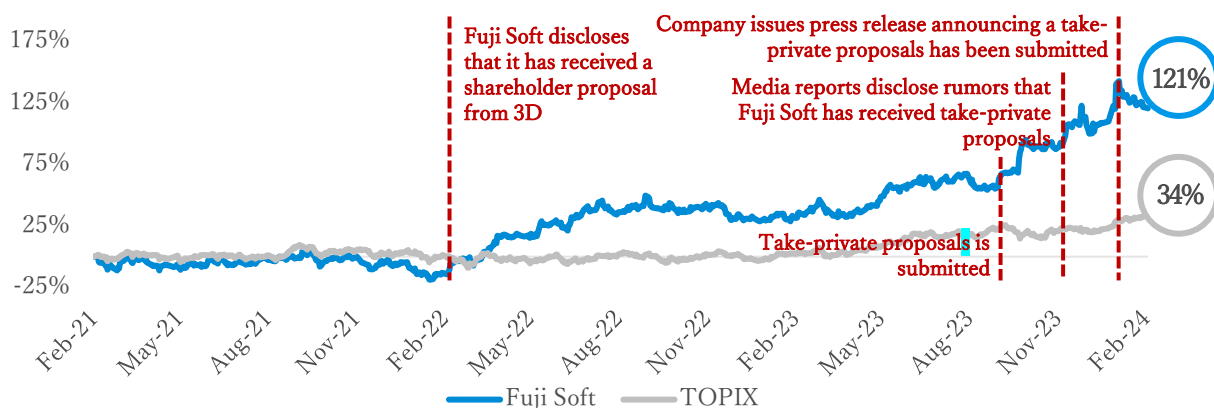
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Fuji Soft Overview

Summary

- Fuji Soft is an embedded system developer and system integrator founded by Hiroshi Nozawa in 1970
- 3D has been invested in Fuji Soft for over four years and continues to engage in dialogue with the Company
- In September 2023, 3D submitted the acquisition proposals it received from several prominent private equity funds to Fuji Soft's Board of Directors. The share price has risen steadily after the November 17, 2023, media report that Fuji Soft had received potential bids and the Company's January 12, 2024, press release; we believe the market has priced in the possibility of a take-private transaction
- Fuji Soft has established a Special Committee and is in the process of evaluating the acquisition proposals against the merits of its current management plan
- However, 3D has doubts that the Company will engage in the adequate review process necessary to maximize corporate value, and the Company is taking a stance towards 3D as if the minimum effort required to fulfill the duty of care obligation is sufficient.

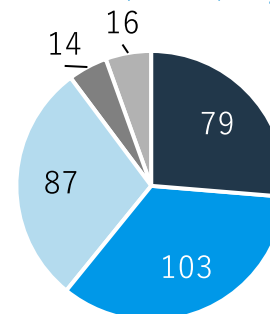
Three-Year Total Shareholder Return¹



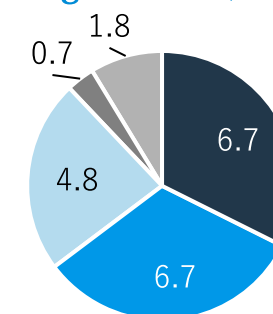
Fuji Soft Business Segments

Embedded Software Development	Provides software development for in-vehicle, communication equipment, FA equipment, etc.
Operations Software	Provides system integration services, including IT system implementation and maintenance
Products & Services	Sells its own products, products of other companies, etc.

Net sales (FY22, B JPY)



Operating income (FY22, B JPY)



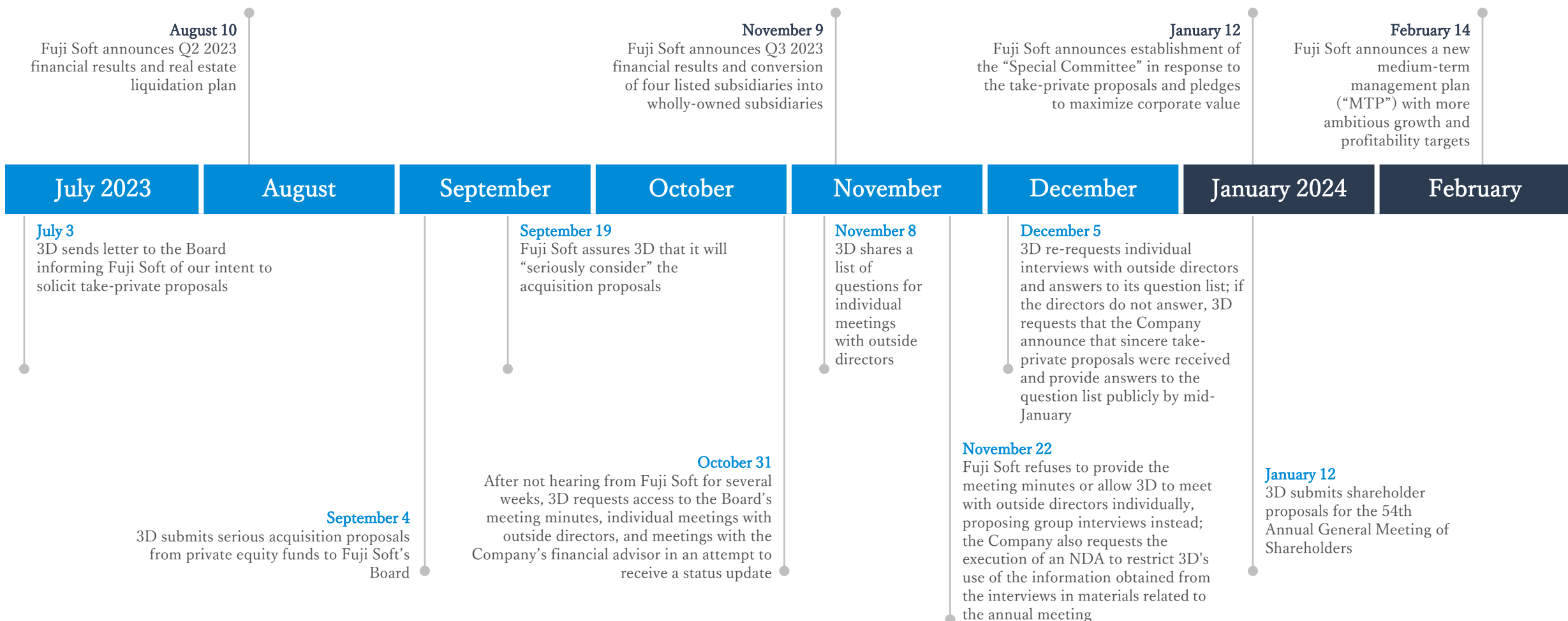
■ Embedded SW ■ Operation SW ■ Products & Services ■ Outsourcing ■ Other

Market capitalization (billions of yen) ¹	421.3
Enterprise value (billions of yen) ¹	414.9
LTM sales (billions of yen)	298.9
LTM Operating Income (billions of yen)	20.7
EV/LTM Sales	1.4x
EV/LTM Operating Income	20.1x
Number of Employees ²	17,686

Source FactSet, company disclosure materials, Bloomberg.

Note: [1] As of February 14, 2024 [2] Number of consolidated employees as of September 30, 2023

Timeline of 3D's Recent Engagement with Fuji Soft



Executive Summary

- **Fuji Soft’s Board of Directors has received sincere take-private proposals, which they are currently reviewing**
 - Fuji Soft has established a Special Committee consisting solely of outside directors to examine the appropriateness of taking private by comparing the proposals with its new medium-term plan

- **However, there are doubts as to whether the Board and the Special Committee are executing an adequate review process to maximize corporate value; we believe the Board and Committee may be:**

- **Failing to maximize the value of the acquisition proposals:**
 - The Board has not solicited acquisition proposals other than those submitted by 3D;
 - The Board has failed to materialize any measures to enhance corporate value and facilitate an increased offer price by not disclosing critical due diligence materials to potential buyers; and
 - The Board has failed to solicit updated acquisition proposals despite material changes at the Company since July 2023, when the proposals were developed

- **Applying an unreasonable method for comparison of value:**
 - The Board appears to be referencing Fuji Soft’s “intrinsic value,” which may be overestimated by understating the risk of not achieving the ambitious new medium-term plan and applying an excessively low cost of capital
 - The Board should be using the share price plus the premium after the announcement of the new medium-term plan as a benchmark for the the proposed acquisition price
 - We are concerned that the Board is using an “apples-to-oranges” comparison

- 3D believes that the review process of the take-private proposals may be achieved through the following to maximize Fuji Soft's corporate value:
 - **Preventing inappropriate management decisions by strengthening the auditor function:** Appoint Stephen Givens as an auditor to strengthen the oversight function of the Board of Directors Shareholder Proposal ①
 - **Maximizing the value of take-private proposals:** Maximize the value of take-private proposals by formally soliciting proposals in light of changing circumstances and by providing sufficient information to potential acquirers
 - **Applying an appropriate comparative approach:** Evaluate the appropriateness of taking private by examining if the proposed purchase price is at an adequate premium to the share price after the announcement of the new medium-term plan
- **In the event that the Board of Directors rejects a take-private proposal, we believe that Fuji Soft should promptly conduct a large-scale share buyback to increase its intrinsic value per share and capital efficiency:**
 - 3D proposes that Fuji Soft repurchases a total of 75 billion yen of its shares within 1 year after the AGM if the Board of Directors rejects a take-private proposal Shareholder Proposal ②
 - **Share repurchase relevance:** If the Board of Directors rejects a take-private proposal, this implies that the Board determined that the purchase price was considered significantly lower than the “intrinsic value” post-announcement of the new medium-term plan. Therefore, share repurchases, can help narrow the discount to intrinsic value more than dividends
 - **Appropriate scale:** 75 billion yen is lower than the amount needed to eliminate excess capital 135 billion yen¹ to ensure a competitive ROE, considering the Company's new medium-term plan calls for 100 billion yen of share buybacks, and the Company's non-consolidated distributable profit is expected to increase to 155 billion yen and consolidated net cash to 155 billion yen after real estate sales; even without selling the real estate, the most recent dividend / repurchase potential on a non-consolidated basis is 77 billion yen
 - **Reasonable timeframe:** Fuji Soft has a large-scale real estate liquidation plan in motion for FY2024, so it seems reasonable for the Company to set a one-year timeframe for its shareholder return policy. Also, the substantial amount of 75 billion yen coupled with the one-year timeframe is feasible given the stock's liquidity

Fuji Soft Received Sincere Acquisition Proposals and Has Pledged to Consider All Management Options to Maximize Corporate Value



2024年1月12日

各位

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代表者名 代表取締役 社長執行役員 坂下 智保
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企業価値向上策の検討状況に関するお知らせ

当社は、2022年8月5日付プレスリリース「企業価値向上委員会の設立について」において公表したとおり、社外取締役を含む取締役会メンバーで構成される「企業価値向上委員会」を新設し、主要な経営課題における検証と施策の策定に取り組んでおります。

そのような中、近時、一部の報道に関連して、投資家から当社株式の非公開化の可能性について問い合わせを受けることがあることを踏まえ、当社における企業価値向上策に関する現時点の検討状況について、下記のとおりお知らせいたします。

記

1. 当社の企業価値向上策の検討の経緯

(1) 企業価値向上委員会の設置と企業価値向上策の検討・実施

当社においては、当社の企業価値を向上させるため、あらゆる経営上の選択肢を検討するという観点から、企業価値向上委員会を設置し、当社の企業価値向上策の検討を行っております。

そのような企業価値向上に向けた取組みの一環として、これまで、不動産流動化に関する方針の策定、上場子会社4社の完全子会社化等の施策を粛々と実行してまいりました。また、現時点においては、2024年度から2028年度を計画期間とする新たな中期経営計画（以下「新中期経営計画」といいます。）について、2023年度の期末決算の発表時に公表することを目指して検討を進めております。

また、当社の企業価値を向上させる経営上の選択肢を検討するに当たっては、検討プロセスの公正さと透明性を高めることが重要であると判断し、経営陣から独立した立場で、独立

1

*“This Special Committee omitted **recommends that the Board of Directors of the Company give serious consideration to the proposal to take the Company private, which was received from each of the PE Funds in response to 3D's request, as it constitutes a sincere proposal.**”*

*“We are committed to **improving the common interests of our shareholders by considering all possible management options that could maximize our corporate value, and by formulating and implementing the best possible corporate value enhancement measures based on such considerations.**”*

Fuji Soft Formed a Special Committee to Consider Take-private Proposals and Standalone Plan Based on New MTP

Overview of the Special Committee

- **Established in** September 2023 **to seriously consider the Take-private proposals received by private equity funds** via 3D
- **The Special Committee consists of six independent outside directors** and is chaired by Mr. Hikari Imai

*"We have received proposals from several PE funds that have responded to the request of 3D [omitted], a shareholder of our company, to take our shares private. [omitted] We have **determined that each of these proposals also requires [omitted] serious consideration**, and we have **resolved to establish a special committee consisting solely of [omitted] six independent outside directors.**"*

January 12, 2024, Notice on the Progress of the Study of Measures to Enhance Corporate Value

- The purpose of the Special Committee is to **evaluate and review the acquisition proposals**

*"The Special Committee will **appoint a financial advisor, a legal advisor, and a consulting firm to conduct business analysis as the Special Committee's own advisors, respectively, as well as [omitted].**"*

January 12, 2024, Notice on the Progress of the Study of Measures to Enhance Corporate Value

Special Committee Policies

- The main objective is to conduct a **comparative study of the new medium-term management plan ("MTP") and the proposals** received **to take-private** so that corporate value and the common interests of shareholders are enhanced
- If the Special Committee **determines that a take-private proposal is** the preferred option to enhance Fuji Soft's corporate value, it will **recommend to the Board of Directors on whether a take-private proposal should be approved.**

*"The **matters to be entrusted to this Special Committee are as follows [omitted].***

*(i) To **compare and consider [omitted] the corporate value enhancement measures developed by the Company and the corporate value enhancement measures proposed by the acquirer in connection with the proposal to take the Company's shares private, from the perspective of whether they will ensure or enhance the corporate value and, in turn, the common interests of shareholders.***

*(ii) (i) If in (i), it is **determined that the corporate value enhancement measures proposed by the acquirer of the take-private proposal are preferable to the corporate value enhancement measures developed by the Company, (omitted), make a recommendation or recommendations to the Board of Directors on whether the Board of Directors of the Company should approve the take-private proposal.**"*

January 12, 2024, Notice Concerning the Progress of the Study of Measures to Enhance Corporate Value

3D Doubts Whether the Board of Directors and the Special Committee Have Completed an Adequate Review Process of the Take-Private Proposals to Maximize Corporate Value

Preventing the value maximization of the acquisition proposals:

1

No solicitation of additional acquisition proposals

- Fuji Soft seems to be **half-heartedly** considering the acquisition proposals because it received them through 3D; the Company has made no attempt to seek other potential bidders
- Fuji Soft voluntarily requested “**information on corporate value**” only from the private equity funds introduced by 3D and ignored the possibility of interest from strategic buyers

2

Failure to help materialize an increased offer value

- The acquisition proposals were submitted with a list of required information, **indicating that there was room for a potential price increase** and materialize of measures to enhance corporate value **if such information was provided**
- However, at this time, the Company has not provided the potential acquirers with sufficient information, thereby **failing to help the potential acquirers offer a higher price** and materialize measures to enhance corporate value

3

Material changes in circumstances not reflected in the take-private proposal

- 3D submitted sincere take-private proposals by private equity funds to Fuji Soft in September 2023
- However, the submitted proposals only took into account the state of the Company as of the end of July 2023 and therefore do not reflect material circumstantial changes that have occurred since then, including:
 - The subsequent 31% stock price increase, the real estate liquidation plan, the acquisition of listed subsidiaries and the new MTP, which, for the first time, presented ambitious growth and margin improvement targets

Applying an unreasonable method for comparison

4

“Intrinsic Value” may be excessively overestimated and not a good benchmark for comparison

- As analysts point out, the new MTP is ambitious, which Fuji Soft formulated with the offer price by the private equity funds in mind.(Appendix1)
- Under such circumstances, there is a **high risk that the theoretical “intrinsic value”** based on the new MTP using the DCF method may be calculated as an **excessively high value** due to **underestimating the risk of not achieving the MTP** and applying an **excessively low cost of capital**
- However, it seems that the Special Committee is attempting to utilize an “**apples-to-oranges**” comparison by using the Company’s theoretical “**intrinsic value,**” instead of the share price plus premium after the announcement of the new MTP as a benchmark for comparison when evaluating the proposed acquisition value

3D Believes that An Appropriate Review Process May Be Achieved through the Following Means

Shareholder Proposal ①

Preventing inappropriate management decisions by strengthening the auditor function

Appointment of Stephen Givens to the Supervisory Board as a Corporate Auditor

- To maximize Fuji Soft’s corporate value, it is **essential to prevent inappropriate management decision-making**, including allowing comparisons to be made without maximizing the value of acquisition proposals and using an excessively high intrinsic value
- To prevent this inappropriate decision-making, it is **very important to strengthen the supervisory function over management decisions by expanding the functions of corporate auditors, who have the authority to investigate and request reports from directors**
- Since the key management decision at hand is the consideration of acquisition proposals, **knowledge and experience in M&A and corporate governance**, including awareness of best practices in the U.S., **are required, and Mr. Givens has substantial expertise in these areas**
- **Mr. Givens is completely independent of Fuji Soft and 3D, and his presence will enable more effective oversight**

Maximizing the value of take-private proposals

Formally Solicit Take-private Proposals

- The proposed acquisitions by the private equity funds submitted by 3D in September 2023 were based on information from July 2023; they do not reflect the subsequent share price increase, the announced real estate liquidation plan, the acquisition of listed subsidiaries or the ambitious new MTP
- Fuji Soft should **formally solicit updated take-private proposals from potential acquirers in light of the recent events**

Provide Sufficient Information to Potential Acquirers and Maximizing the Value of Take-Private Bids

- The proposals submitted by 3D included a list of required information and indicated that a higher price and other measures to enhance corporate value could be offered if more detailed information was available
- However, at this time, the Company has not provided the potential acquirers with sufficient information to raise their bid price and materialize measures to enhance corporate value
- The Special Committee should **provide the potential acquirers with sufficient information to help maximize the proposed value**

Applying an appropriate comparative approach

Compare Revised Proposals to Share Price After MTP Is Announced

- The Special Committee is attempting to compare the proposed value with the “intrinsic value” of the Company, calculated by applying the DCF method to the new medium-term plan; however, this calculation may overestimate the probability that the Company will achieve the new MTP targets and underestimate its cost of capital; **the share price after the announcement of the MTP is the one that may be closer to the “intrinsic value,” incorporating the risk of not achieving the ambitious targets and appropriate capital cost¹.**
- Therefore, **the Special Committee should compare the potential proposals to the share price after the announcement of the new MTP. Specifically, the Special Committee should consider take-private proposals by comparing the proposed purchase price to the share price plus premium after the announcement of the new MTP**

Note: [1] To be precise, the share price increased by about +3.7% (Nov. 17 closing price - Nov. 18 closing price) and +10.3% (Jan. 11 closing price - Jan. 15 closing price; the Jan. 11 closing price was used as a comparison given that the prior report was published during the trading session on Jan. 12) following a report in a specialized magazine in November 2011 and a company disclosure in January 2012, respectively. The current share price includes a certain amount of take-private takeover premium. Therefore, it is possible to interpret the current “intrinsic value” as being lower than the share price after the announcement of the ambitious new medium-term plan.

Mr. Stephen Givens Has the Necessary Expertise and Independence; His Appointment as a Corporate Auditor Will Enhance Management Oversight When Considering Take-private Bids

Shareholder
Proposal ①



**Mr. Stephen
Givens**

- Expanding the corporate auditor function may lead to enhanced supervision of management decisions via the auditors' use of their authority to investigate and request reports
- The management decision to be made is the consideration of acquisition proposals, and knowledge of M&A and corporate governance is essential for auditors
 - Consideration of acquisition proposals is highly specialized and requires sufficient M&A expertise
 - Knowledge of corporate governance is also essential for effective supervision as a corporate auditor with strong auditing authority
- Mr. Givens has substantial knowledge and experience in M&A and corporate governance
 - As a U.S. corporate lawyer based in Tokyo for over thirty years, he has been involved in numerous mergers and acquisitions and has advised investors and public companies on a variety of governance and M&A matters
 - Author of numerous articles and books on M&A and corporate governance
 - Has served on advisory boards of publicly traded companies
- With his extensive experience in the U.S. and knowledge of U.S. corporate law, Mr. Givens is able to leverage best practices in governance and M&A
- Stephen Givens is completely independent of Fuji Soft and 3D
 - Stephen Givens has no commercial or business relationship with Fuji Soft or 3D

Professional Background

1982-1987	Associate, Debevoise & Plimpton, LLP	2004-2014	Adjunct Professor, Keio Law School
1987-1990	Associate, Gibson, Dunn & Crutcher LLP	2005-2014	Professor, Law Faculty, Aoyama Gakuin University
1990-1996	Partner, Gibson Dunn & Crutcher LLP	2009-2013	Adjunct Professor, Law Faculty, Sophia University
1996-2001	Special Counsel, Nishimura & Partners (now Nishimura & Asahi)	2014	Adjunct Professor, Faculty of Business and Commerce, Keio University
2001-Present	Principal, Givens Gaikokuho Jimu Bengoshi Jimusho / JLX Partners Foreign Law Joint Enterprise	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

If the Board of Directors Rejects a Take private proposals, Fuji Soft Should Implement a Share Buyback of ~75 Billion Yen Over One Year

Shareholder Proposal ②

3D has proposed for Fuji Soft to repurchase a total of 75 billion yen of its shares within 1 year after the AGM, if the Board of Directors rejects take-private proposals

A Share repurchase relevance

- Fuji Soft's ROE is 10.6% before reflecting unrealized gains on real estate holdings and 6.6% after, well below the industry average of 16.5%
- If the Special Committee and the Board of Directors reject a take-private proposals, it would suggest that the share price at that point is significantly lower than the "intrinsic value" based on the new MTP
- Reducing equity capital is essential to improving ROE, and the share price being heavily discounted from its "intrinsic value" would clearly indicate that an immediate share buyback could dramatically increase the value per share

B Appropriate scale

- The amount of excess capital required to improve ROE to competitive levels by FY2026 is 135 billion yen¹, much more than our suggestion of 75 billion yen
 - Even after 75 billion yen of share buybacks over the next year, ROE is still well below the industry average
- The new MTP announced February 14, 2024, calls for share buybacks totaling at least 100 billion yen, substantially above our 75 billion yen suggestion
- If the real estate is sold, the Company's non-consolidated distributable profit is expected to increase to 155 billion yen and consolidated net cash to 155 billion yen, substantially above our 75 billion yen suggestion
- Even without selling the real estate, the most recent dividend / repurchase potential on a non-consolidated basis is 77 billion yen, which is above our 75 billion yen suggestion

C Reasonable timeframe

- The Company plans to sell many of its real estate holdings over the next 1-2 years, and its capital structure could change significantly depending on the quantity of real estate sold and at what price point
- Based on a repurchase amount of 35% of daily liquidity (consistent with precedent large-scale share buybacks), 75 billion yen worth of shares can be acquired in the market within 1 year

Note: [1] Updated from figures as of the time of the shareholder proposal, based on December 2023 financial results.

Problems with Fuji Soft's Take-Private Review Process

3D Doubts Whether the Board of Directors and the Special Committee Have Completed an Adequate Review Process of the Take-Private Proposals to Maximize Corporate Value

Reprint

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- Fuji Soft voluntarily requested “information on corporate value” only from the private equity funds introduced by 3D and ignored the possibility of interest from strategic buyers

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Failure to help materialize an increased offer value

- The acquisition proposals were submitted with a list of required information, indicating that there was room for a **potential price increase** and materialize of measures to enhance corporate value if such information was provided
- However, at this time, the Company has not provided the potential acquirers with sufficient information, thereby **failing to help the potential acquirers offer a higher price** and materialize measures to enhance corporate value

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- However, the submitted proposals only took into account the state of the Company as of the end of July 2023 and therefore do not reflect material circumstantial changes that have occurred since then, including:
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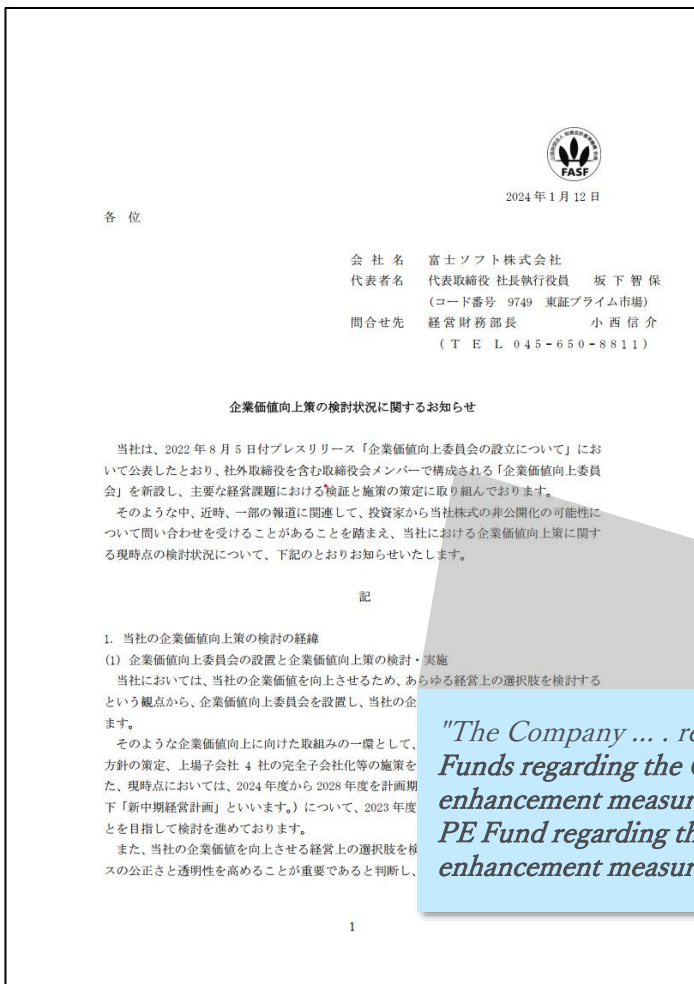
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- Under such circumstances, there is a **high risk that the theoretical “intrinsic value”** based on the new MTP using the DCF method may be calculated as an **excessively high value** due to **underestimating the risk of not achieving the MTP** and applying an **excessively low cost of capital**
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1 Fuji Soft Is Not Soliciting Additional Acquisition Proposals

Fuji Soft Notice Concerning the Progress of the Study of Measures to Enhance Corporate Value (January 12, 2024)



- Fuji Soft seems to be half-heartedly considering the acquisition proposals because it received them through 3D; the Company has made no attempt to seek other potential bidders
 - Fuji Soft has never solicited take-private proposals from third parties, including the proposers through 3D
 - Per the press release in January 2024, Fuji Soft voluntarily requested “information on corporate value” only
 - Fuji Soft extended this request only to the private equity funds introduced by 3D and ignored the possibility of interest from strategic buyers

Because Fuji Soft is not soliciting take-private proposals, it is not maximizing competitive pressure, and therefore not maximizing the value of the take-private proposals

2 Fuji Soft Fails to Help Materialize an Increased Offer Value

Dealreporter (November 17, 2023)

11/30/23, 3:57 PM Fuji Soft shortlists global PE firms after collecting initial proposals – sources | Dealreporter

Dealreporter

PROPRIETARY

Fuji Soft shortlists global PE firms after collecting initial proposals – sources

17 November 2023 | 20:10 +08

- Bain Capital, KKR, Blackstone thought to be among the shortlisted
- Process appears to be temporarily on hold

Fuji Soft [TYO:9749] has shortlisted global private equity firms after collecting initial bid proposals in September, four sources familiar with the situation said.

Bain Capital, KKR, and Blackstone are thought to be among the shortlist of bidders for the Kanagawa, Japan-based embedded software developer and systems integrator, according to the first and second sources.

Fuji Soft's management invited global PE firms to submit proposals for privatizing the company, including via MBO, as well as suggestions that involve retaining its listing, according to the second and third sources.

The process appears to be temporarily on hold until Fujisoft completes the planned privatizations, via tender offers, of its four listed subsidiaries that were announced earlier this month, all the sources noted.

Mergermarket reported on 2 October (<https://mergermarket.ionanalytics.com/company/339603?selectedContentId=1003651017>) that Fuji Soft was weighing strategic options, including a privatization, after its activist shareholder, 3D Investment Partners, had collected initial proposals from interested parties. SMBC Nikko is advising Fuji Soft, according to the report.

3D owned a 23.04% stake in the company as of 31 December 2022, according to the company's financial statements.

Fuji Soft announced (<https://www.fsi.co.jp/company/news/2023/20231117>) to launch a tender offer to take private its four listed subsidiaries: CyberAgent (TYO:4312), a Tokyo-based IT and software developer that Fuji Soft currently owns 54.39% stake, Yinx Corp (<https://mergermarket.ionanalytics.com/deal/737021>) [TYO:3852], a Miyagi, Japan-based software developer, and Soft Service Bureau (<https://mergermarket.ionanalytics.com/deal/737021>) [TYO:3852], a Miyagi, Japan-based software developer and provider of business process outsourcing services and contact center services.

<https://www.dealreporter.com/intelligence/view/intelcms-n7ssth>

1/3

"It appears that the (strategic review) process will be temporarily put on hold until Fuji Soft completes the privatization of its four listed subsidiaries through a takeover bid..."

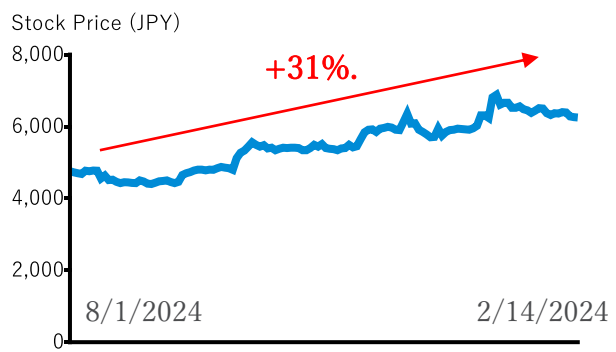
- The acquisition proposals submitted by 3D to Fuji Soft, along with a list of required information, indicated that there was **room to further increase the offer price** and materialize measures to enhance corporate value **if the information was provided**
- However, as Dealreporter pointed out, Fuji Soft **prematurely** suspended its engagement **with the potential acquirers just a few weeks after the proposals were submitted**, and it is assumed that the Company did not provide the necessary due diligence information required
- In fact, to the best of 3D's knowledge, **Fuji Soft has not provided the potential acquirers with the sufficient information necessary to increase the offer price and materialize measures to enhance corporate value**

If interested parties do not receive access to customary information, they are unlikely to increase their proposals value, and therefore corporate value will not be maximized

3 Material Changes in Circumstances Are Not Reflected in the Take-private Proposals

The PE funds' take-private proposals submitted via 3D were based on information as of July 2023 and do not incorporate the following changes in circumstances:

Stock price increase



Real estate liquidation plan

各物件の評価

各物件の時価収益率の比較においては、一部の不動産を除き、基本的には時価収益率をハードレートを下回っていると認識し、基本的にハードレートを下回っていることを認識し、上記認識の下、オフィス集約方針や各物件の契約条件等を考慮し、各物件の流動化優先度についてA-Dの4段階で分類を実施

流動化優先度の優先順位

流動化判定	物件数	主要物件	時価合計 (百万円)	備考
A判定	8件	福岡 大阪	2,573	
B判定	9件	秋葉原 練馬町 大宮	29,128 4,626 1,331	当社保有物件の中でも大規模かつ、当社固有の設備利用やテナントとの関係などの特別な事情を有するため、流動化プロセスに一定の時間を要する見込み
C判定	5件	新名古屋 桜木町	9,935 9,060	オフィスやデータセンター等でフルに事業活用する物件で、流動化スキームやタイミング、移転の必要性等を慎重に検討する
D判定	1件	汐留	30,811	土地取得条件により一定期間繰上不可

各物件の判定基準

- A判定：流動化にあたっての障害は無く、全額で影響も大きくないため、最速での流動化を進めることが可能
- B判定：流動化を前提に進めているが、運営等に一定の時間を要する物件
- C判定：流動化スキームやタイミング、移転の必要性等を慎重に検討する物件
- D判定：土地取得条件により一定期間繰上不可のため、当面流動化対象外

Acquisition of listed subsidiaries

上場子会社4社の完全子会社化について

富士ソフト株式会社
(コード番号：3149 東証プライム市場)

2023年11月9日

New MTP

中期経営計画 2028

富士ソフト株式会社
(コード番号：3149 東証プライム市場)

2024年2月14日

- The take-private proposals submitted by 3D were based on Fuji Soft's stock price as of the end of July
- However, the share price has since risen by ~31%, indicating a significant change in the market's perception of what constitutes an acquisition premium

- Fuji Soft announced a real estate liquidation plan on August 10, just prior to the proposal submissions
- The liquidation of real estate is likely to result in the realization of significant gains, which may have a significant impact on the Company's corporate value
- However, the acquisition proposals submitted via 3D do not reflect such liquidation plan

- On November 9, Fuji Soft announced the conversion of four listed subsidiaries into wholly-owned subsidiaries
- A complete acquisition of a listed subsidiary may significantly impact the Company's corporate value through the inclusion of minority interests, etc.
- However, the acquisition proposals submitted via 3D do not reflect the acquisition of the listed subsidiaries

- On February 14, Fuji Soft announced a new medium-term plan
- The new plan has more ambitious growth and profitability targets than the old plan (Appendix1)
- However, the acquisition proposals submitted via 3D do not reflect the new medium-term plan and are based on the conservative old plan

An acquisition proposal that does not reflect recent changes in circumstances cannot represent the highest possible value

Source: Bloomberg, Fuji Soft disclosure materials

“Intrinsic Value” May Be Excessively Overestimated and Not a Good Benchmark for Comparison

- It is understood that the **Special Committee** will consider whether to go private by comparing the proposed acquisition price with the theoretical “intrinsic value” based on the new medium-term plan
 - The theoretical “intrinsic value” is assumed to be calculated based on the DCF method, by applying an arbitrary cost of capital and some discount for the feasibility of the achievement of the new MTP
- **As analysts point out, the new MTP is ambitious, which Fuji Soft** formulated with the offer price by the private equity funds in mind
 - 7.8% CAGR sales target vs. 5% in the previous plan, 16.8% CAGR operating income target vs. 6% in the previous plan
 - Analysts perceive the new medium-term plan as ambitious, and some even question its feasibility
- **3D is concerned that the “intrinsic value” is overestimated, rendering an “apples-to-oranges” comparison with the proposed acquisition price**
 - There is a risk of **overestimating the feasibility of the management plan and underestimating the cost of capital. This will lead to the “intrinsic value” of Fuji Soft as calculated by the Special Committee to be substantially higher than its actual intrinsic value.** Therefore, the potential **shareholder returns** based on this “intrinsic value” **must be considered low**
 - In contrast, for legally-binding take-private proposals, the risk of their realization is equal to the risk of executing a tender offer. The **possibility of realizing shareholder returns based on the proposed price is extremely high**
- **The true “intrinsic value” is the stock price after the new MTP announcement, once the risk of not achieving the ambitious new plan and the appropriate capital cost is factored into the calculation**
 - To be precise, the share price rose +3.7% and +10.3% respectively after a media outlet issued a report on potential take-private proposals in November 2023 and the Company’s press release in January 2024, and the current share price includes an acquisition premium to some extent. Therefore, it can be interpreted that the current “intrinsic value” under the assumption of pursuing the ambitious new medium-term management plan is at least lower than the share price after the announcement of the new medium-term management plan

The take-private proposals price should not be compared to a theoretical “intrinsic value;” the take-private price should be compared to an appropriate premium to the share price after the announcement of the new MTP

Shareholder Proposal ① : Appointment of Stephen Givens as a Corporate Auditor to Strengthen the Supervisory Function

3D Believes that An Appropriate Review Process May Be Achieved through the Following Means

Reprint

Shareholder Proposal ①

Preventing inappropriate management decisions by strengthening the auditor function

Appointment of Stephen Givens to the Supervisory Board as a Corporate Auditor

- To maximize Fuji Soft’s corporate value, it is **essential to prevent inappropriate management decision-making**, including allowing comparisons to be made without maximizing the value of acquisition proposals and using an excessively high intrinsic value
- To prevent this inappropriate decision-making, it is **very important to strengthen the supervisory function over management decisions by expanding the functions of corporate auditors, who have the authority to investigate and request reports from directors**
- Since the key management decision at hand is the consideration of acquisition proposals, **knowledge and experience in M&A and corporate governance**, including awareness of best practices in the U.S., **are required, and Mr. Givens has substantial expertise in these areas**
- **Mr. Givens is completely independent of Fuji Soft and 3D, and his presence will enable more effective oversight**

Maximizing the value of take-private proposals

Formally Solicit Take-private Proposals

- The proposed acquisitions by the private equity funds submitted by 3D in September 2023 were based on information from July 2023; they do not reflect the subsequent share price increase, the announced real estate liquidation plan, the acquisition of listed subsidiaries or the ambitious new MTP
- Fuji Soft should **formally solicit updated take-private proposals from potential acquirers in light of the recent events**

Provide Sufficient Information to Potential Acquirers and Maximizing the Value of Take-Private Bids

- The proposals submitted by 3D included a list of required information and indicated that a higher price and other measures to enhance corporate value could be offered if more detailed information was available
- However, at this time, the Company has not provided the potential acquirers with sufficient information to raise their bid price and materialize measures to enhance corporate value
- The Special Committee should **provide the potential acquirers with sufficient information to help maximize the proposed value**

Applying an appropriate comparative approach

Compare Revised Proposals to Share Price After MTP Is Announced

- The Special Committee is attempting to compare the proposed value with the “intrinsic value” of the Company, calculated by applying the DCF method to the new medium-term plan; however, this calculation may overestimate the probability that the Company will achieve the new MTP targets and underestimate its cost of capital; **the share price after the announcement of the MTP is the one that may be closer to the “intrinsic value,” incorporating the risk of not achieving the ambitious targets and appropriate capital cost¹.**
- Therefore, **the Special Committee should compare the potential proposals to the share price after the announcement of the new MTP. Specifically, the Special Committee should consider take-private proposals by comparing the proposed purchase price to the share price plus premium after the announcement of the new MTP**

Note: [1] To be precise, the share price increased by about +3.7% (Nov. 17 closing price - Nov. 18 closing price) and +10.3% (Jan. 11 closing price - Jan. 15 closing price; the Jan. 11 closing price was used as a comparison given that the prior report was published during the trading session on Jan. 12) following a report in a specialized magazine in November 2011 and a company disclosure in January 2012, respectively. The current share price includes a certain amount of take-private takeover premium. Therefore, it is possible to interpret the current “intrinsic value” as being lower than the share price after the announcement of the ambitious new medium-term plan.

Expanding the Functions of Corporate Auditors Can Strengthen the Supervisory Function Over Management Decisions

Shareholder Proposal ①

Auditors work arduously to help prevent inappropriate management decisions from being made

- Auditors are encouraged to **actively exercise their authority and express their opinions to the Board of Directors or management, as appropriate**
- The statutory auditor, as an independent body, **can independently exercise the authority to investigate and request reports**

*"The **important roles and responsibilities expected of corporate auditors and the board of corporate auditors include the so-called 'defensive functions' such as operational and accounting audits, but in order to fully fulfill their roles and responsibilities, including these functions, they should actively and proactively exercise their authority and express their opinions at board meetings or to management. The company should also provide appropriate input to the board of directors or to management.**"*

Tokyo Stock Exchange, Inc. "Corporate Governance Code".

In recent discussions on corporate governance, the Auditors' role should involve evaluating the validity of management decisions

- Auditors are encouraged to express their opinions **not only regarding legality, but also in terms of reasonability**
- Corporate auditors are required to **ensure transparent and fair decision-making, and to monitor whether the supervisory function performed by the Board of Directors is being properly exercised for corporate value enhancement**

*"At board meetings and other important meetings that you attend, if you **have an opinion not only from the perspective of legality, but also from the perspective of validity, you may consider expressing your own opinion.**"*

Ministry of Economy, Trade and Industry "Guidelines for Outside Directors"

*"Corporate auditors shall strive to **ensure transparent and fair decision-making by the company** and to create an environment that enables the company to make prompt and decisive decisions, and shall **strive to actively and positively express their opinions to directors and other officers** without overly narrowing their own scope of responsibility."*

*"Corporate auditors and the Board of Corporate Auditors shall **monitor whether the supervisory functions of the Board of Directors ... are appropriately exercised to promote the sustainable growth of the company and the enhancement of its corporate value over the medium to long term and to improve profitability, capital efficiency, etc., and shall perform some of these supervisory functions within the scope of their own responsibilities.**"*

Japan Corporate Auditors Association "Standards for Audits by Corporate Auditors"

Mr. Stephen Givens Has the Necessary Expertise and Independence; His Appointment as a Corporate Auditor Will Enhance Management Oversight When Considering Take-private Proposals

Reprint

Shareholder
Proposal ①



Mr. Stephen
Givens

- Expanding the corporate auditor function may lead to enhanced supervision of management decisions via the auditors' use of their authority to investigate and request reports
- The management decision to be made is the consideration of acquisition proposals, and knowledge of M&A and corporate governance is essential for auditors
 - Consideration of acquisition proposals is highly specialized and requires sufficient M&A expertise
 - Knowledge of corporate governance is also essential for effective supervision as a corporate auditor with strong auditing authority
- Mr. Givens has substantial knowledge and experience in M&A and corporate governance
 - As a U.S. corporate lawyer based in Tokyo for over thirty years, he has been involved in numerous mergers and acquisitions and has advised investors and public companies on a variety of governance and M&A matters
 - Author of numerous articles and books on M&A and corporate governance
 - Has served on advisory boards of publicly traded companies
- With his extensive experience in the U.S. and knowledge of U.S. corporate law, Mr. Givens is able to leverage best practices in governance and M&A
- Stephen Givens is completely independent of Fuji Soft and 3D
 - Stephen Givens has no past or present commercial or business relationship with Fuji Soft or 3D

Professional Background

1982-1987	Associate, Debevoise & Plimpton, LLP	2004-2014	Adjunct Professor, Keio Law School
1987-1990	Associate, Gibson, Dunn & Crutcher LLP	2005-2014	Professor, Law Faculty, Aoyama Gakuin University
1990-1996	Partner, Gibson Dunn & Crutcher LLP	2009-2013	Adjunct Professor, Law Faculty, Sophia University
1996-2001	Special Counsel, Nishimura & Partners (now Nishimura & Asahi)	2014	Adjunct Professor, Faculty of Business and Commerce, Keio University
2001-Present	Principal, Givens Gaikokuho Jimu Bengoshi Jimusho / JLX Partners Foreign Law Joint Enterprise	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

A New Auditor is Essential, as Current Auditors Lack Necessary Expertise and Independence and Do Not Provide Adequate Management Oversight When Considering Take-private Proposals

Shareholder Proposal ①

Fuji Soft's Current Corporate Auditors



Hiroshi Hirano



Hiroyuki Kimura



Yukako Oshimi



Stephen Givens

	Hiroshi Hirano	Hiroyuki Kimura	Yukako Oshimi	3D's Candidate
Independence	<p>Independence from 3D/Fuji Soft</p> <p>✓</p> <p>Assumed from his background</p>	<p>✗</p> <p>Since 1996, Career employee at Fuji Soft</p>	<p>✓</p> <p>Assumed from her background.</p>	<p>✓</p> <p>Detailed on previous page</p>
Required Expertise / Experience	<p>M&A Expertise</p> <p>✗</p> <p>Accounting and auditing experience</p>	<p>✗</p> <p>Since 1996, Career employee at Fuji Soft</p>	<p>✗</p> <p>Lawyer specializing in real estate securitization and real estate transactions</p>	<p>✓</p> <p>Detailed on previous page</p>
	<p>Corporate Governance Expertise</p> <p>✗</p> <p>Accounting and auditing experience</p>	<p>✗</p> <p>Since 1996, Career employee at Fuji Soft</p>	<p>✗</p> <p>Lawyer specializing in real estate securitization and real estate transactions</p>	<p>✓</p> <p>Detailed on previous page</p>

Shareholder Proposal ② : In the Absence of a Transaction, Fuji Soft
Should Initiate a Meaningful Share Repurchase



If the Board of Directors Rejects a Take-private Proposals, Fuji Soft Should Implement a Share Buyback of ~75 Billion Yen Over One Year

Shareholder
Proposal ②

Reprint

3D has proposed for Fuji Soft to repurchase a total of 75 billion yen of its shares within 1 year after the AGM, if the Board of Directors rejects take-private proposals

A Share repurchase relevance

- Fuji Soft's ROE is 10.6% before reflecting unrealized gains on real estate holdings and 6.6% after, well below the industry average of 16.5%
- If the Special Committee and the Board of Directors reject a take-private proposals, it would suggest that the share price at that point is significantly lower than the "intrinsic value" based on the new MTP
- Reducing equity capital is essential to improving ROE, and the share price being heavily discounted from its "intrinsic value" would clearly indicate that an immediate share buyback could dramatically increase the value per share

B Appropriate scale

- The amount of excess capital required to improve ROE to competitive levels by FY2026 is 135 billion yen¹, much more than our suggestion of 75 billion yen
 - Even after 75 billion yen of share buybacks over the next year, ROE is still well below the industry average
- The new MTP announced February 14, 2024, calls for share buybacks totaling at least 100 billion yen, substantially above our 75 billion yen suggestion
- If the real estate is sold, the Company's non-consolidated distributable profit is expected to increase to 155 billion yen and consolidated net cash to 155 billion yen, substantially above our 75 billion yen suggestion
- Even without selling the real estate, the most recent dividend / repurchase potential on a non-consolidated basis is 77 billion yen, which is above our 75 billion yen suggestion

C Reasonable timeframe

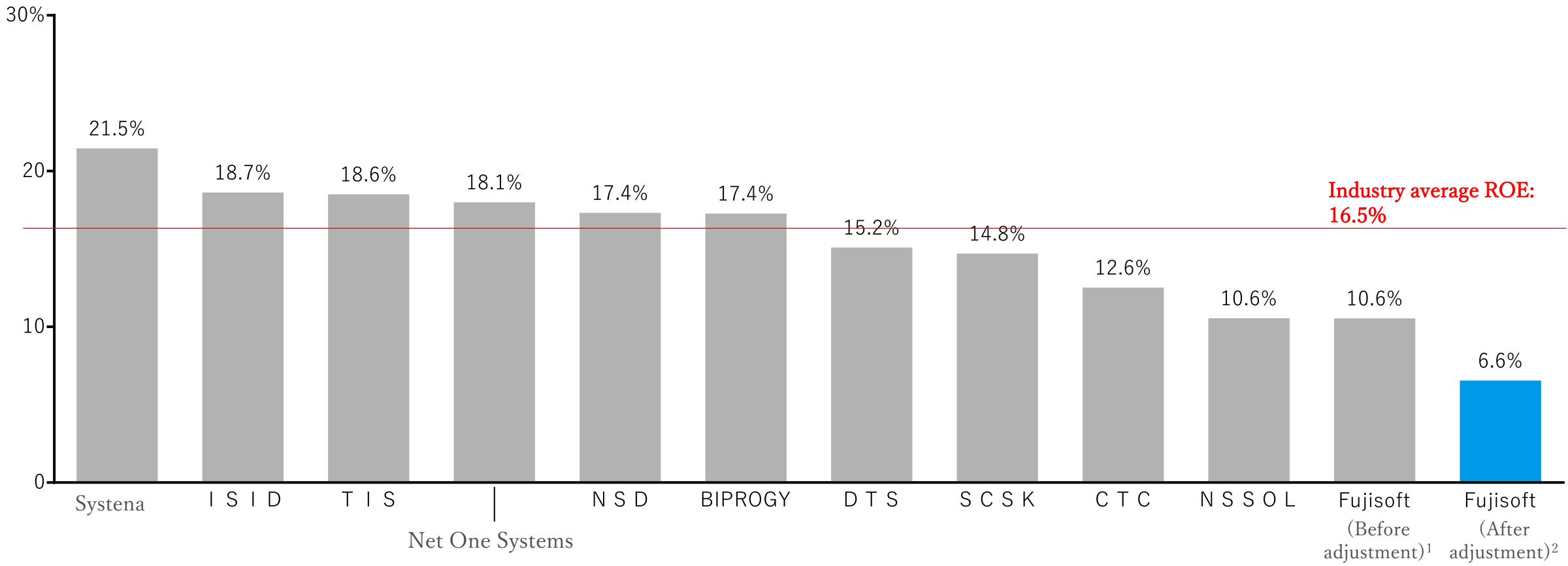
- The Company plans to sell many of its real estate holdings over the next 1-2 years, and its capital structure could change significantly depending on the quantity of real estate sold and at what price point
- Based on a repurchase amount of 35% of daily liquidity (consistent with precedent large-scale share buybacks), 75 billion yen worth of shares can be acquired in the market within 1 year

Note: [1] Updated from figures as of the time of the shareholder proposal, based on December 2023 financial results.

A Fuji Soft's ROE Is Well Below the Industry Average; the Company Is Overcapitalized

Shareholder Proposal ②

Most Recent Fiscal Year ROE
(as of 14 February 2024)



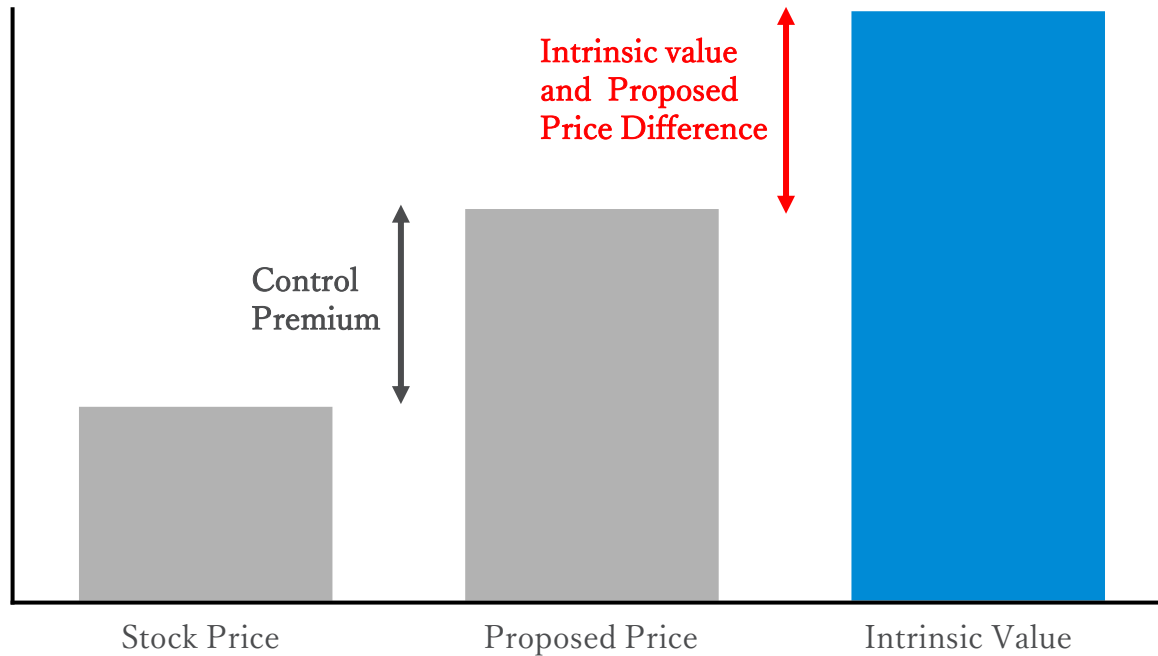
Source: Bloomberg
 Note: [1] Fuji Soft's ROE is calculated as net income/net assets (excluding the impact of the decrease in capital surplus) to exclude the impact of the acquisition of the listed subsidiary, which was uncertain at the time of submission of the shareholder proposal; [2] Adjusted ROE is calculated considering the after-tax unrealized gain if the real estate owned by Fuji Soft is liquidated; real estate market value 195,429 million yen (based on third-party calculations), assuming a real estate book value of 84,536 million yen and a tax rate of 30%. 26

A If the Board Rejects a Take-private Proposals, the Stock Price at that Point Must Be Well Below Its “Intrinsic Value”

Shareholder Proposal ②

Situation indicated by refusal to go private

Extremely large discrepancy between intrinsic value and stock price



- If the Board of Directors determines not to accept a take-private proposal after a fair and transparent process, it suggests that the Board believes that the intrinsic value of Fuji Soft exceeds the purchase price indicated in any take-private proposal
- Since the proposed acquisition price will naturally carry a control premium over the share price in the market, this suggests that Fuji Soft’s Board believes the intrinsic value of the Company is substantially higher than that share price

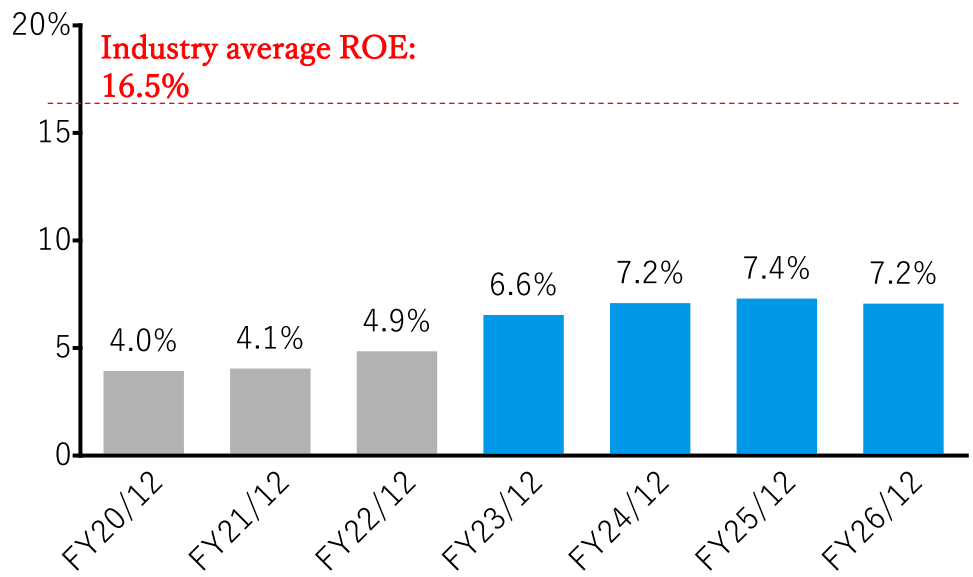
In this scenario, to close the gap between Fuji Soft’s market value and its “intrinsic value,” the Board should initiate a meaningful share repurchase

B Fuji Soft Has Over 135 Billion Yen of Excess Capital to Eliminate

Shareholder Proposal ②

Fuji Soft is overcapitalized and its adjusted ROE¹ (= ROE after taking into account unrealized gains on real estate) is extremely low

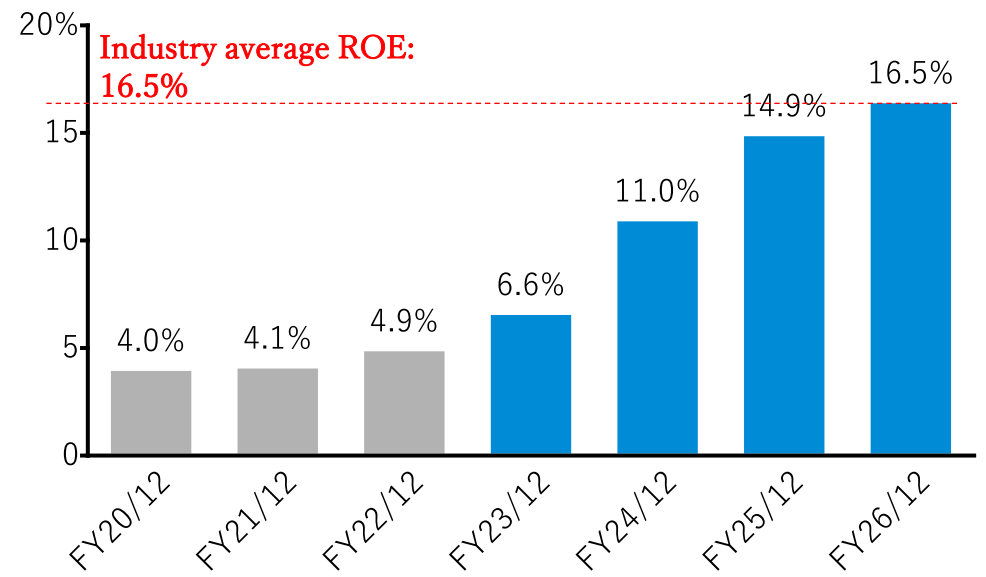
Adjusted ROE Appendix 3 details prerequisites



Net income (millions of yen)	8,573	9,130	11,379	13,691	15,556	16,821	17,080
Adjusted net assets (millions of yen)	212,788	220,593	230,369	206,546	216,658	227,591	238,693

In order to achieve industry-level adjusted ROE in three years, it is essential to eliminate 135 billion yen of excess shareholders' equity

Adjusted ROE Appendix 3 details prerequisites



Net income (millions of yen)	8,573	9,130	11,379	13,691	15,556	16,821	17,080
Adjusted net assets (millions of yen)	212,788	220,593	230,369	206,546	141,658	112,591	103,693

135 billion yen in excess capital needs to be eliminated to achieve industry-level ROE of 16%.

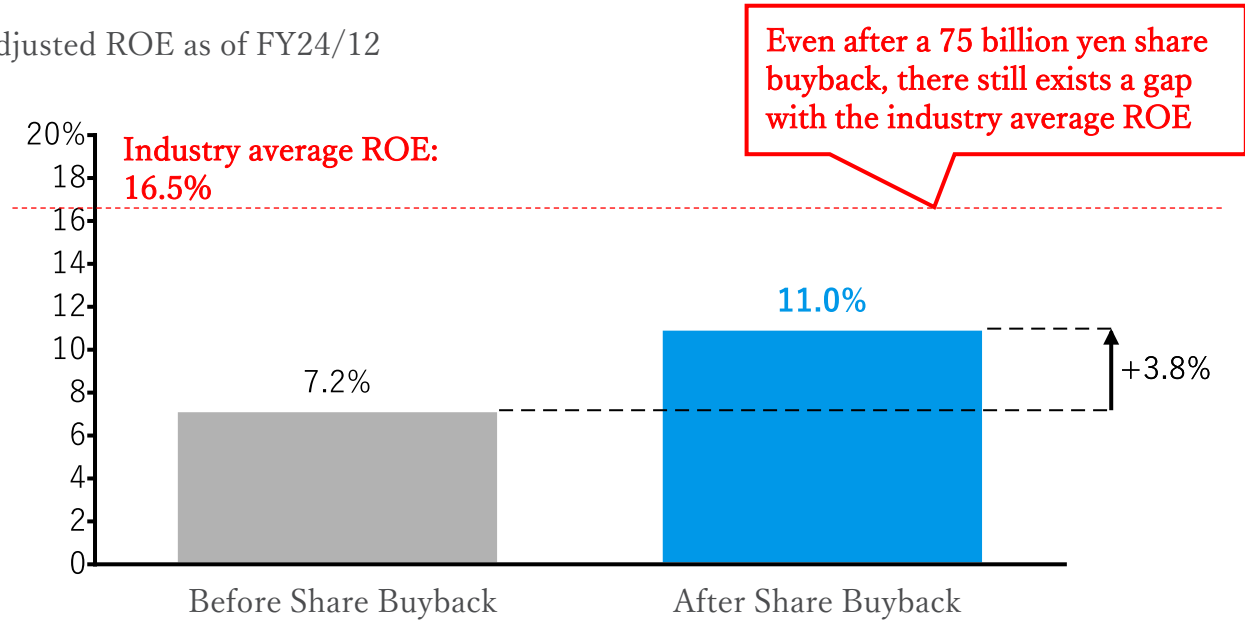
Source: Fuji soft's disclosed materials
 Note: [1] ROE is calculated as net income/net assets (excluding the impact of the decrease in capital surplus) to exclude the impact of the acquisition of the listed subsidiary, which was unclear at the time the shareholder proposal was submitted. Net assets were then adjusted to take into account the after-tax unrealized gains if Fuji Soft liquidates its real estate holdings; the unrealized gains were estimated based on the real estate market value of 195,429 million yen (based on third-party calculations) and the real estate book value of 84,536 million yen, assuming a tax rate of 30%. 28

B Even after 75 billion yen of share buybacks over the next year, ROE is still well below the industry average

Shareholder Proposal ②

ROE as of FY24/12 if share buyback is implemented

Hypothetical Adjusted ROE as of FY24/12



Net income (millions of yen)	15,556	15,556
Adjusted net assets (millions of yen)	216,658	141,658

B Fuji Soft's New MTP Calls for Share Buybacks Totaling at Least 100 Billion Yen, Substantially Above Our 75 Billion Yen Suggestion

Shareholder Proposal ②

New Medium-term Management Plan (February 14, 2024)

01 収益力強化 → 02 さらなる成長 → 03 **キャピタルアロケーション**

キャピタルアロケーション

基本的な考え方

- 成長投資と株主還元の配分は、投資機会の状況を判断しながら、臨機応変に対応していく
- 株主還元と資本効率を重視した上で、財務安全性を保つことを目指す

キャッシュイン

営業CF+不動産流動化によるCF **2,200**億円以上を見込む
(別途、外部調達**1,500**億円以上想定)

成長投資：手元キャッシュと借入利用

- 新分野、既存事業補完ついで、戦略的提携やM&A、子会社政策、人的投資、研究開発等を想定
- 投資機会がある場合には、借入も含めた臨機応変な資金調達で機動的に対応していく
(上場4社の完全子会社化**410**億円 実施済み)

株主還元；1,400億円想定

自社株買い1,000億円以上

- ▶ 自社株買いのタイミングは不動産流動化等に合わせて随時実施

配当**400**億円想定（配当性向**35%**）

- ▶ ※不動産流動化に伴う特別損益を除いた正常収益力をベースに各年度の配当金額を決定する

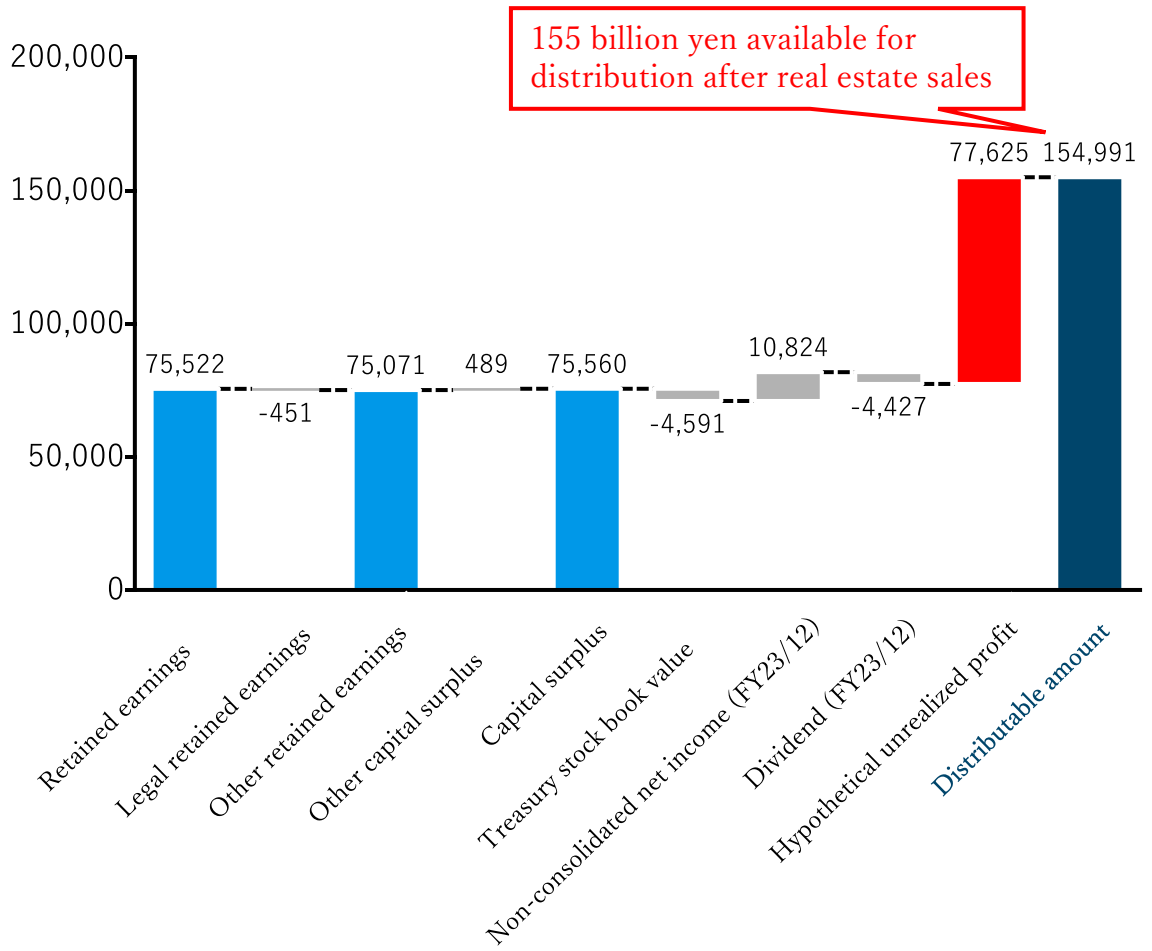
1株当たり営業CF600円以上、ROE20.0%以上の実現を目指す

Announced that it will repurchase more than 100 billion yen of its own shares in the future.

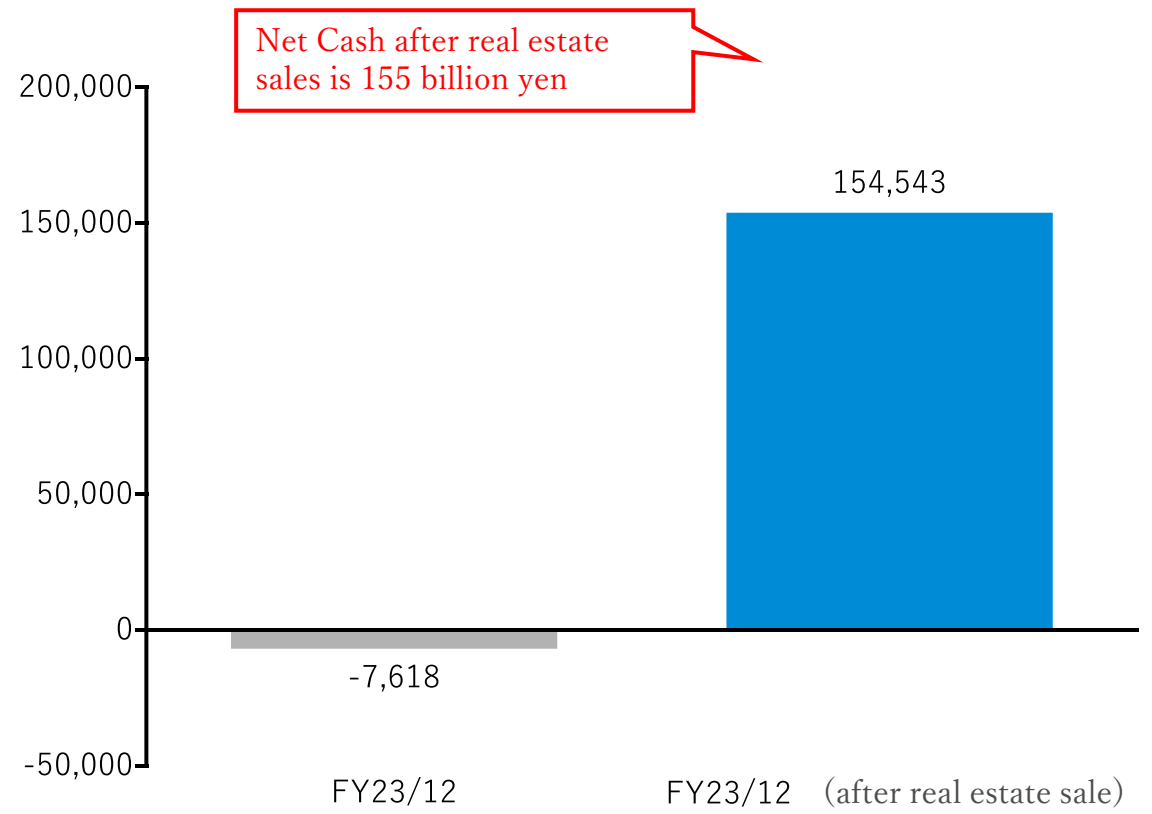
B After Real Estate Sales, Fuji Soft Will Likely Have Much More than 75 Billion Yen in Net Cash

Shareholder Proposal ②

Estimated stand-alone distributable amount after property sales as of FY23/12 (millions of yen)



Net Cash level after property sales as of FY23/12 (millions of yen)

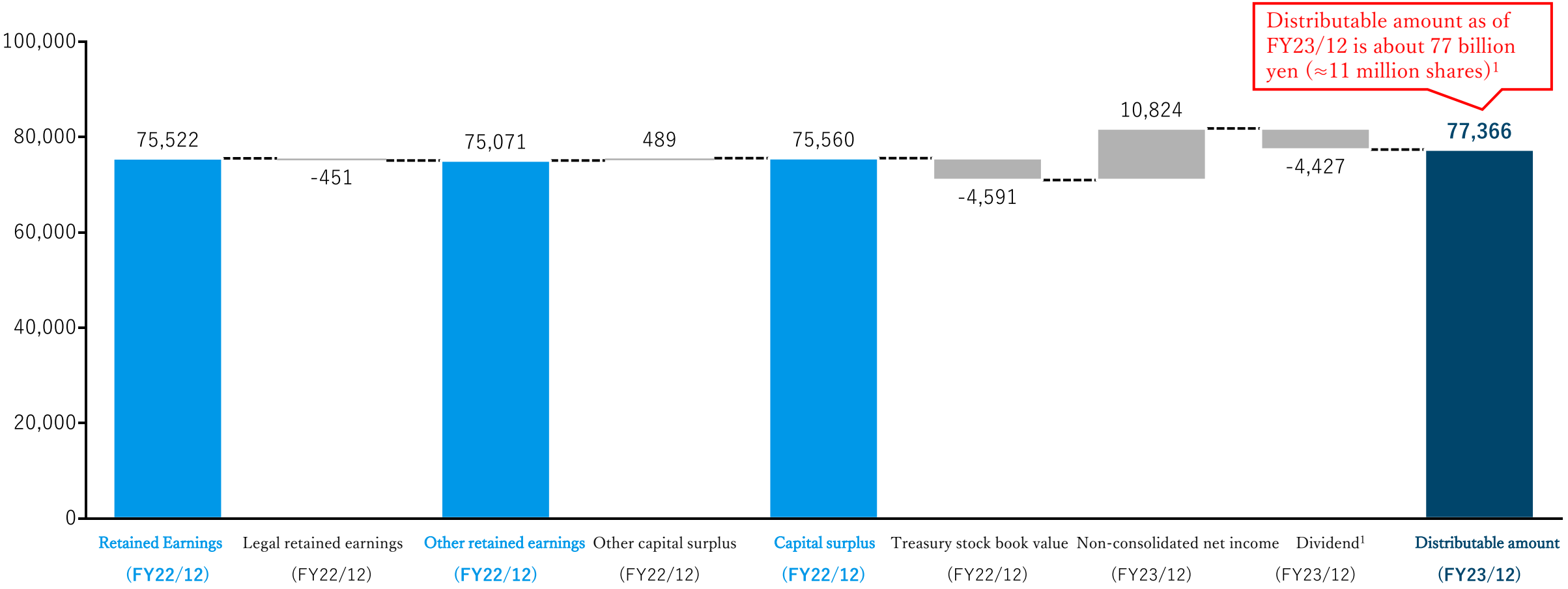


Source: Fuji soft's disclosed materials
 Note: [1] Used dividends paid in the statement of cash flows [2] Calculated using cash and cash equivalents + marketable securities + investment securities - short-term and long-term debt - commercial paper

B Even Without Real Estate Sales, Fuji Soft Has Ample Distributable Cash

Shareholder Proposal ②

Non-consolidated distributable amount as of FY23/12 (millions of yen)



Distributable amount as of FY23/12 is about 77 billion yen (≈11 million shares)¹

Source: Annual Securities Report
 Note: [1] Dividends paid in the statement of cash flows.

Given the Real Estate Liquidation Plan, Fuji Soft Will Likely Need to Reevaluate Its Capital Allocation Policy Within a Year

Shareholder Proposal ②

Corporate Value Enhancement Committee Disclosure Statement (August 10, 2023)

各物件の評価

- ▶ ハードルレートと時価収益率の比較においては、一部の不動産を除き、基本的には時価収益率はハードルレートを下回っていると認識
- ▶ 上記認識の下、オフィス集約方針や各物件の制約条件等を考慮し、各物件の流動化優先度についてA～Dの4段階で分類を実施

- ハードルレートと時価収益率の比較

各物件の時価収益率は、一部の不動産を除き、基本的にハードルレートを下回っていると認識

- 各物件の判定基準

- A判定：流動化にあたっての障害は無く、金額面での影響も大きくないため、最速での流動化を進めることが可能
- B判定：流動化を前提に進めているが、調整等に一定の時間を要する物件
- C判定：流動化スキームやタイミング、移転の必要性等を慎重に検討する物件
- D判定：土地取得条件により一定期間譲渡不可のため、当面流動化対象外

流動化の優先順位				
流動化判定	該当物件数	主要物件	簿価合計 (百万円)	備考
A判定	8件	両国	2,573	
		福岡	1,417	
		大阪	1,271	
B判定	9件	秋葉原	29,128	当社保有物件の中でも大規模かつ、当社固有の設備利用やテナントとの関係などの特別な事情を有するため、流動化プロセスに一定の時間を要する見込み
		錦糸町	4,626	
		大宮	1,331	
C判定	5件	新名古屋	9,935	オフィスやデータセンター等でフルに事業活用する物件で、流動化スキームやタイミング、移転の必要性等を慎重に検討する
		桜木町	9,060	
D判定	1件	夕留	30,811	土地取得条件により一定期間譲渡不可

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States that nearly all properties can be liquidated

スケジュールイメージ

- ▶ 大型物件の売却（流動化）に係る一般的なスケジュールは以下のとおりであり、当社においても当該スケジュールに則り対応中
- ▶ なお、A判定の物件においては優先的に対応中であり、一部ステップを省略することで最速4～6か月での流動化を目指す。B判定の物件は、社内検討含めて最大で1年以内の流動化を目標に進めていく

	売却（流動化）完了までに最大で約1年					
	3か月	3か月	3か月	3か月	3か月	3か月
	準備	タッピング	秘密保持契約 (CA) 締結	買手による詳細検討 / 物件内覧/QA	優先交渉権付与 / 不動産売買契約交渉	売却契約締結 / 決済
外部 アドバイザー / 仲介会社	<ul style="list-style-type: none"> 簡易バリュエーション 売却スキームの検討 	<ul style="list-style-type: none"> ロングリストの作成 物件に対する取得意向の有無の調査 	<ul style="list-style-type: none"> 取得意向がある企業からのCA取得 	<ul style="list-style-type: none"> 候補者選定方式の検討 売手/買手の検討プロセス支援 	<ul style="list-style-type: none"> 買手からの買付証明書 (LOI) 受領 	<ul style="list-style-type: none"> 詳細条件の調整サポート 重要事項説明書作成
売手 (当社)	<ul style="list-style-type: none"> 売却スキームの検討 初期的開示資料の準備 	<ul style="list-style-type: none"> ロングリストの確認 	<ul style="list-style-type: none"> CAの締結 	<ul style="list-style-type: none"> 買手からのQA対応 詳細な書類の開示 	<ul style="list-style-type: none"> 優先交渉権者の選定 追加IDDへの対応 	<ul style="list-style-type: none"> 重要事項説明書 不動産売買契約の締結
買手	-	<ul style="list-style-type: none"> 初期的な検討 		<ul style="list-style-type: none"> 開示資料を基にした詳細検討、QA実施 入札価格算出 	<ul style="list-style-type: none"> LOI提出 追加IDDの実施 	

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States that A-rated and B-rated properties are to be liquidated within a year, at most

c We Believe a 75 Billion Yen Repurchase Can Be Completed Within a Year

Shareholder Proposal ②

Based on select precedents, we believe that a repurchase amount of 35% is feasible

- **Citizen Watch Case Study:**
 - Acquired ~17% of outstanding shares (excluding treasury stock) between February 2023 and June 2023
 - **Average number of shares repurchased per day was ~36% of the average volume for the six months prior to the day the share repurchase was announced**
- **Toshiba Case Study:**
 - ~30% of total shares outstanding (excluding treasury stock) between November 2018 and November 2019
 - **Average number of shares repurchased per day was ~35% of the six-month average volume up to the day before the share repurchase was announced**

Assuming this rate of 35%, the number of shares available for purchase over the next year is ~11 million shares

Average volume over the past 6 months ¹	Participation rate	Trading days	Number of shares available for purchase
126,600 shares/day	× 35%	× 245th	= 10.86 million shares

Based on the share price of 6,810 yen at the time of the proposal, 11 million shares would be equivalent to approximately 75 billion yen

Conclusion

- **Fuji Soft’s Board of Directors has received sincere take-private proposals, which they are currently reviewing**
 - Fuji Soft has established a Special Committee consisting solely of outside directors to examine the appropriateness of taking private by comparing the proposals with its new medium-term plan
- **However, there are doubts as to whether the Board and the Special Committee are executing an adequate review process to maximize corporate value; we believe the Board and Committee may be:**
- **Failing to maximize the value of the acquisition proposals:**
 - The Board has not solicited acquisition proposals other than those submitted by 3D;
 - The Board has failed to materialize any measures to enhance corporate value and facilitate an increased offer price by not disclosing critical due diligence materials to potential buyers; and
 - The Board has failed to solicit updated acquisition proposals despite material changes at the Company since July 2023, when the proposals were developed
- **Applying an unreasonable method for comparison of value:**
 - The Board appears to be referencing Fuji Soft’s “intrinsic value,” which may be overestimated by understating the risk of not achieving the ambitious new medium-term plan and applying an excessively low cost of capital
 - The Board should be using the share price plus the premium after the announcement of the new medium-term plan as a benchmark for the the proposed acquisition price
 - We are concerned that the Board is using an “apples-to-oranges” comparison

- 3D believes that the review process of the take-private proposals may be achieved through the following to maximize Fuji Soft's corporate value:
 - **Preventing inappropriate management decisions by strengthening the auditor function:** Appoint Stephen Givens as an auditor to strengthen the oversight function of the Board of Directors Shareholder Proposal ①
 - **Maximizing the value of take-private proposals:** Maximize the value of take-private proposals by formally soliciting proposals in light of changing circumstances and by providing sufficient information to potential acquirers
 - **Applying an appropriate comparative approach:** Evaluate the appropriateness of taking private by examining if the proposed purchase price is at an adequate premium to the share price after the announcement of the new medium-term plan

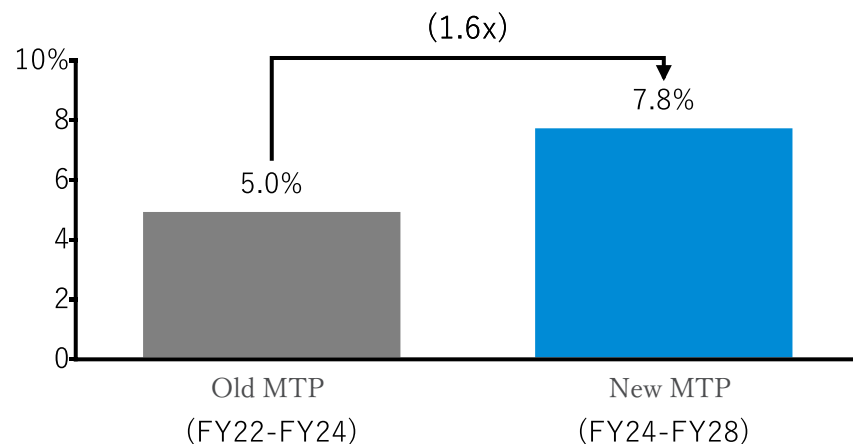
- In the event that the Board of Directors rejects a take-private proposal, we believe that Fuji Soft should promptly conduct a large-scale share buyback to increase its intrinsic value per share and capital efficiency:
 - 3D proposes that Fuji Soft repurchases a total of 75 billion yen of its shares within 1 year after the AGM if the Board of Directors rejects a take-private proposal Shareholder Proposal ②
 - **Share repurchase relevance:** If the Board of Directors rejects a take-private proposal, this implies that the Board determined that the purchase price was considered significantly lower than the “intrinsic value” post-announcement of the new medium-term plan. Therefore, share repurchases, can help narrow the discount to intrinsic value more than dividends
 - **Appropriate scale:** 75 billion yen is lower than the amount needed to eliminate excess capital 135 billion yen¹ to ensure a competitive ROE, considering the Company's new medium-term plan calls for 100 billion yen of share buybacks, and the Company's non-consolidated distributable profit is expected to increase to 155 billion yen and consolidated net cash to 155 billion yen after real estate sales; even without selling the real estate, the most recent dividend / repurchase potential on a non-consolidated basis is 77 billion yen
 - **Reasonable timeframe:** Fuji Soft has a large-scale real estate liquidation plan in motion for FY2024, so it seems reasonable for the Company to set a one-year timeframe for its shareholder return policy. Also, the substantial amount of 75 billion yen coupled with the one-year timeframe is feasible given the stock's liquidity

Appendix 1: There Is Concern That the Theoretical “Intrinsic Value” Is Calculated Excessively High

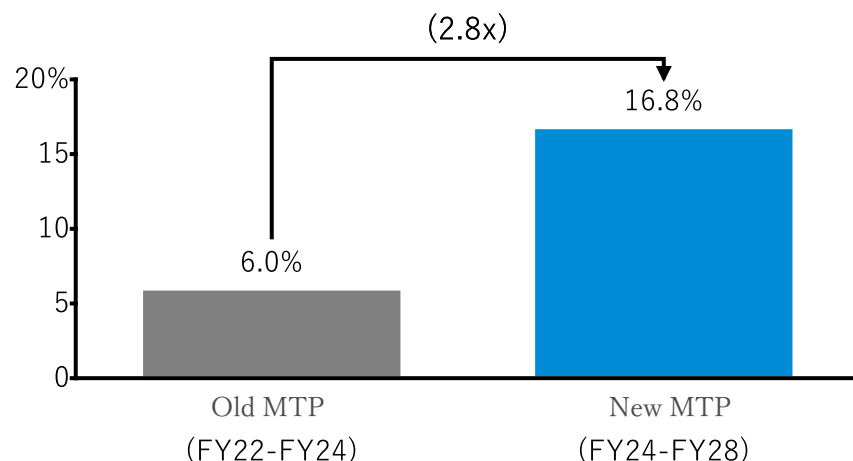
There Is Concern That the Theoretical “Intrinsic Value” Is Calculated Excessively High

The new MTP has extremely ambitious goals compared to the previous plan

Target sales CAGR is 1.6 times that of the previous mid-term plan



Target operating income CAGR is 2.8 times that of the previous medium-term plan



Analysts perceive the new MTP as ambitious, and some even question its feasibility

“Announced new mid-term plan with high profit targets and aggressive shareholder returns”

Brokerage Firm A Analyst Report February 14, 2024 (Translated)

“Strong performance, ambitious new medium-term plan, but no progress in taking private”

Brokerage Firm B Analyst Report February 15, 2024 (Translated)

“FY12/11 Results: Neutral on near-term share price; over 100 billion yen in share buybacks during the mid-term plan period is favorable but not undervalued; mid-term plan appears to be a high hurdle”

Brokerage Firm C Analyst Report February 14, 2024 (Translated)

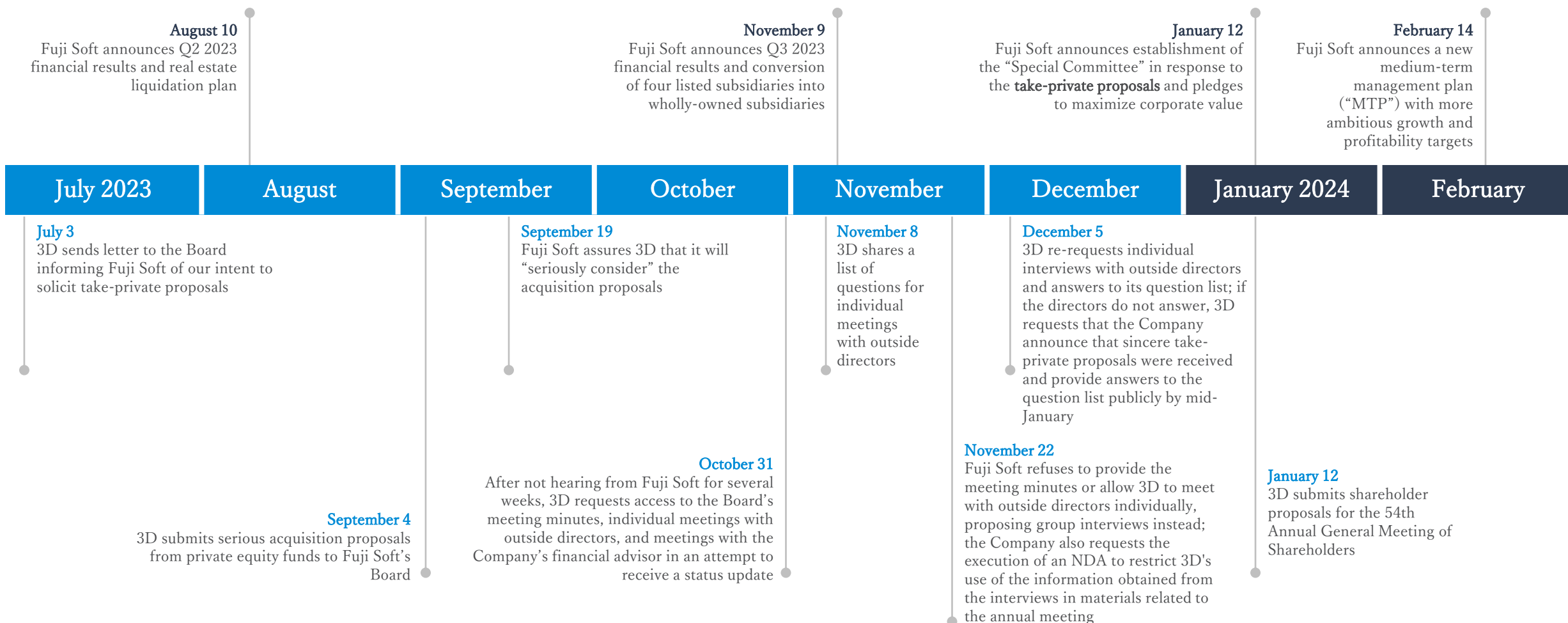
Given that there are concerns about directors of the target company arbitrarily creating a business plan in order to oppose the take-private offer, it cannot be ruled out that the Company's new medium-term plan may also be overly aggressive.

Appendix 2: 3D's Recent Engagement with Fuji Soft



Timeline of 3D's Recent Engagement with Fuji Soft

reprint



Fuji Soft Has Not Engaged Constructively with 3D to Address Our Concerns

3D's Concern

3D's Efforts to Seek Clarification from Fuji Soft

Fuji Soft's Response

A Fuji Soft refused to define “serious consideration,” potentially suggesting it is not maximizing corporate value

- Requested that the Board confirm that it agrees with 3D’s definition of “serious consideration,” which involves:
 - Proposals that are not legally binding are still to be presented to the Board of Directors
 - Seek legally binding proposals that are as favorable as possible to shareholders (provide due diligence opportunities and eliminate obstacles in the process)
 - Consider whether the proposed purchase price represents a significant premium; Board to determine if it accepts the proposal

- Avoided specifying what constitutes a “serious consideration”
 - Responded that there were “areas of difference” between 3D and the Company but did not provide further explanation
- Indicated that it was satisfying its “duty of care” obligation but did not confirm that it was taking steps to maximize value
 - Provided an example of a legal advisor who gave advice to satisfy his “duty of care” obligation, and communicated to 3D that the Company was taking “appropriate actions in accordance with the guidelines” while receiving advice from the advisor

B Fuji Soft rejected 3D’s request to check in on the status of the proposed acquisition

- Requested the following from Fuji Soft:
 - Asked outside directors whether they had taken appropriate action regarding the take-private proposals
 - 3D initially requested a response via individual interviews with the outside directors, but they refused; we requested a response in writing or in a public press release
- Sent a questionnaire to the interested parties regarding the proposed acquisition to confirm that Fuji Soft was engaging constructively with them
 - 3D urged the outside directors to allow the interested parties to respond and not seek to block or retaliate against their engagement with 3D

- Rejected 3D’s request to check in on the status of the proposed acquisition:
 - A press release was published on January 12, 2024, but it only provided details on the Special Committee’s appointments and did not substantially describe the outside directors’ methods of evaluating the offers
- 3D has not yet received any response from the interested parties, and we are concerned that Fuji Soft is prohibiting them from speaking with us

3D’s request

October 31, 2023 Letter

なお、当社は、「真摯な検討」とは、下記の条件を満たしている必要があると考えております。仮に以下の条件が満たされていない場合、貴社取締役会が「真摯な検討」を行っていないと判断いたしますので、その旨付言いたします。

「真摯な検討」の構成要素

- 「真摯な提案」を受領した場合、法的拘束力を持たない提案であっても取締役会に付議すること
- 取締役会は、法的拘束力のある株主にとってできる限り有利な提案を受領するために最善を尽くすこと
 - 「真摯な提案」の各提案者に対して、法的拘束力を持つ株主にとってできる限り有利な提案をさせるのに必要十分な情報を提供すべきであり、特段の事情がない限り、デュー・ディリジェンスの機会を提供するなど、適切な情報提供を行うこと
 - 執行部などが法的拘束力のある株主にとってできる限り有利な提案を受領するためのプロセスを妨げるようなことがある場合は、あらゆる手を尽くしてその解消に努めること
- 取締役会は、当該提案の買取価格が現在の株価に対し十分なプレミアムが付与されているかを検討し、取締役会にて決議を行うこと

また、貴社における「真摯に検討」することと、上述の「真摯な検討」の構成要素との間に差異がある場合は、同日の2023年11月7日までに、その旨を書面にてご回答くださいますよう、お願い申し上げます。

なお、当社は、本件各提案を貴社取締役会に提出してから2か月が経過しつつあることから、本件提案者の方々に再度コンタクトのうえ、貴社との間に真摯な検討に該当する適切なコミュニケーションが行われているか、株主としてサポートさせていただける事柄がないかなどについて確認させていただく予定ですので、その旨、事前にお知らせいたします。

どうぞよろしくお願い申し上げます。

敬具

- The 3D articulated the components of serious consideration as follows:
 - Proposals that are not legally binding are still to be presented to the Board of Directors
 - Seek legally binding proposals that are as favorable as possible to shareholders (provide due diligence opportunities and eliminate obstacles in the process)
 - Consider whether the proposed purchase price represents a significant premium; Board to determine if it accepts the proposal

- 3D then requested that any differences in the understanding of what constitutes “serious consideration” be explicated in writing

Fuji Soft’s response

Letter, November 12, 2023.

【「真摯な検討」の構成要素について】

当社は、「企業買収における行動指針」（以下「指針」）を踏まえ、「真摯な提案」については取締役会において「真摯な検討」をすべきとの考え方のもと、真摯な提案につき、企業価値ひいては株主共同の利益を確保し又は向上させるかという観点から、真摯な検討を行っているところです。

なお、取締役・取締役会の行動規範に関する貴社のご意見の中には当社の見解と相違する部分も含まれているとお見受けしているところ、当社は、指針の策定に関与したリーガルアドバイザーを含むアドバイザーからの助言も受けながら、指針に従った適切な対応を行っていることを申し添えます。

- **Fuji Soft responded that there was a difference between 3D and its understanding of “serious consideration”**
 - Responded that there were “areas of difference” between 3D and the Company but did not provide further clarification
- **Fuji Soft’s response indicated that the review process was initiated to avoid a breach of the duty of care obligation instead of to maximize corporate value**
 - Provided an example of a legal advisor who gave advice from the perspective of a duty of care, and communicated to 3D that the Company was taking “appropriate actions in accordance with the guidelines” while receiving advice from the advisor

3D's request

Sent November 8, 2023 (Questions for Outside Directors)

(別紙) 社外取締役の方々へのご質問事項

- 取締役会として、各非公開化提案に関して、各本件提案者に対して、質問、追加の情報提供の要請、又は協議の申し入れを実施しましたか？（実施した場合には）いつ実施しましたか？
 - 取締役会として、非公開化提案に関する検討スケジュール又は非公開化スケジュールを策定しましたか？また、それを各本件提案者に対して明確化しましたか？
 - 取締役会として、法的拘束力を持つ非公開化提案の提出を、各本件提案者に対して求めていますか？
 - 取締役会として、各本件提案者に対して、法的拘束力を有する最終提案を提出するために必要な情報提供を実施しましたか？
-
- 取締役会（個別の取締役ではなく）として、非公開化提案について、各本件提案者と直接面談し、説明を受け、質疑応答を行った事実はございますか？
 - 独立社外取締役として、プロセスを不当に遅延させるような執行部の行為・対応の有無を都度検証していますか？
 - （行為・対応がある場合）その解消のために主導的に動いているとご自身を評価しますか？また、具体的にどのような行為をしましたか？
 - （行為・対応がない場合）具体的に執行部はプロセスをどのように進行させていますか？
 - 会社による正式な設定に基づき、独立社外取締役として、本件提案者の間で個別の面談を行ったことはありますか？
 - ご自身の個人的な見解として、非公開化案に対して不誠実な対応（例：検討プロセスの明らかな遅延、非公開化案の否定を前提とした非建設的な議論、過度に期間の長い NDA・スタンスティル合意の要求、買収をあきらめるような圧力、等）が足元生じているような印象はございますか？
 - ご自身の個人的な見解として、現状の取締役会が、「真摯な検討」を行っていると考えますか？考える場合はその根拠を、考えない場合は、貴社取締役会が当社に対して送付した 2023 年 9 月 19 日付け書簡との整合性をご説明ください。

- 3D asked each of the outside directors whether they had taken appropriate actions after receiving the take-private proposals
- Initially, we requested a response through individual interviews with outside directors; they refused, so we requested a response in writing, either privately or via public press release

Fuji Soft's response

- Fuji Soft published a press release on January 12, 2024, but it only provided details on the Special Committee's appointments and did not substantially describe the outside directors' methods of evaluating the offers

3D's request

November 02, 2023 Questions for the Proposed Acquirer

(ご参考) 本件提案者へのご質問事項

質問項目	回答 (Yes/No, その理由) 例: No, 詳細な DD を行う機会は得ていない、一定の情報をリクエストしたが返答がない 等	対象会社への回答 答略略の 開示可否 (可/否)
現在、優先交渉権に係る合意書第5条（通知及び協議）に記載される「対象会社から本最終提案に関して何らの通知も協議の申し入れもない場合」、もしくは「提案者が本最終提案を実行するために必要な情報提供が行われない場合」に該当し得る状況でしょうか？	取締役会から、詳細なデュー・ディリジェンス機会の提供など、法的拘束力を持つ非公開化提案を行うに必要な情報提供は行われていますか？	
取締役会から、非公開化提案の内容に関して協議を行いたい旨の正式な申し入れはございましたか？	非公開化提案について、取締役会（個別の取締役ではなく）へ直接説明する機会は提供されましたか？	
取締役会は、非公開化提案に関する検討スケジュール又は非公開化スケジュールを明確化していますか？	独立社外取締役は、プロセスを不当に遅延させるような執行部の行為・対応の有無を都度検証し、その解消のために主導的に動いていると評価しますか？	
取締役会から、法的拘束力を持つ非公開化提案の提出を求められていますか？	会社による正式な設定に基づき、独立社外取締役と面談したことはありますか？	
	非公開化案に対して会社から不誠実な対応（例：検討プロセスの明らかな遅延、非公開化案の否定を前提とした非建設的な議論、過度に期間の長いNDA・スタンドスティル合意の要求、買収をあきらめるように圧力をかけられる等）をされている事実はございますか？	
	総じて、現状の取締役会が、「真摯な検討」を行っていると考えますか？	

- 3D sent a questionnaire to the interested parties regarding the proposed acquisition to confirm that Fuji Soft was engaging constructively with them
- Separately, 3D urged the outside directors to allow the interested parties to respond and not seek to block or retaliate against their engagement with 3D



Fuji Soft's response

- 3D has not yet received any response from the interested parties, and we are concerned that Fuji Soft is prohibiting them from speaking with us

Appendix 3: Assumptions for ROE Calculations

Assumptions for ROE Calculations

(Millions of yen)

Revised ROE at origination

	FY23/12	FY24/12 Assumption	FY25/12 Assumption	FY26/12 Assumption
Net income	13,691	15,556	16,821	17,080
Revised net assets at EOP	206,546	216,658	227,591	238,693
Adjusted net assets at BOP		206,546	216,658	227,591
Net income		15,556	16,821	17,080
Dividend payout ratio		35%	35%	35%
Total amount of dividends		5,445	5,887	5,978
Revised ROE	6.6%	7.2%	7.4%	7.2%

- FY24/12-FY26/12 is calculated by multiplying the consensus operating income by the tax rate (70%)

- Based on company assumptions

Revised ROE after elimination of surplus stockholders' equity totaling ¥135 billion

	FY23/12	FY24/12 Assumption	FY25/12 Assumption	FY26/12 Assumption
Net income	13,691	15,556	16,821	17,080
Revised net assets at EOP	206,546	141,658	112,591	103,693
Adjusted net assets at BOP		206,546	141,658	112,591
Net income		15,556	16,821	17,080
Dividend payout ratio		35%	35%	35%
Total amount of dividends		5,445	5,887	5,978
Acquisition of treasury stock		75,000	40,000	20,000
Revised ROE	6.6%	11.0%	14.9%	16.5%

- Implemented share buyback of 135.0 billion yen from FY24/12 to FY26/12.

- Achieved ROE of 16% since FY26/12

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