

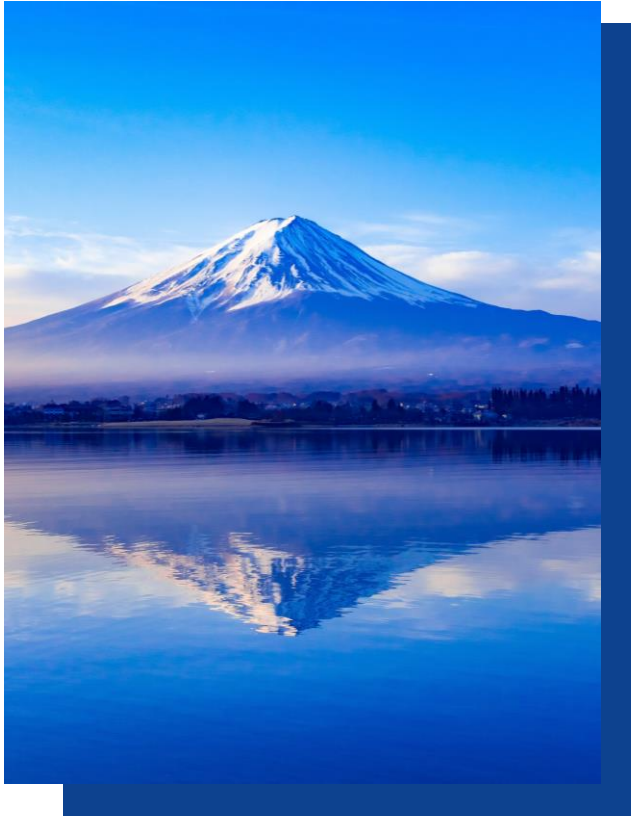


FUJISOFT

Explanatory Material on the Activity Status of the Corporate Value Committee

富士ソフト株式会社

Agenda



Activity Status of the Corporate Value Committee

Activity Status of Individual Working Group (WG)

Overview

Corporate Governance Review WG

Review Methods of the Finance and Management WGs

Real Estate Review WG

Supplementary Notes on Extraordinary Meeting of Shareholders



What we disclosed regarding the Corporate Value Committee on August 5, 2022

- ▶ Since the announcement of the medium term management plan, we have had a constructive dialogue with many of our shareholders and have incorporated their feedback and suggestions, and newly established the Corporate Value Committee to move forward in improving the corporate values for our stakeholders

- Execution of Current Medium-Term Management Plan

3カ年経営方針

デジタル技術でIT、OT^(※)の両面からDXをリードし、
お客様と社会の価値向上とイノベーションに貢献

変化の激しい時代に対応し、自らを革新し続け、安定と持続的な成長と付加価値向上を実現

※オペレーショナルテクノロジー：製品や設備、システムを最適に動かすための「制御・運用技術」

持続的な成長と付加価値向上

お客様への提供価値向上とDX支援

DX技術を活用した従来ビジネスの強化
新たなビジネススキーム確立

継続的な技術革新

AIS-CRMのさらなる発展と
新たな分野への積極的対応

業務改革とDXへの対応

DXを活用した業務改革
社内で蓄積したノウハウをお客様へ

人財育成

様々な技術・ビジネスの変化に対応できる
基礎力と応用力の育成

ガバナンス対応と強化

プライム市場がガバナンスへの
確実な対応と継続的な強化



- Business Reforms through the Corporate Value Committee

- Develop a more objective and effective governance system
- Improve capital efficiency and values we offer to our customers by reviewing the asset composition and capital allocation
- Enhance communication with our shareholders through more transparent disclosures and proactive dialogue

We target to improve the corporate value by reviewing the business strategy, internal resource allocation, corporate governance, and stakeholder dialogue

Positioning of the Corporate Value Committee

- Launched to adjust business direction to the management strategy and to examine respective challenges
- External advisory members were appointed to maintain an objective perspective in addition to the Board of Directors

Schedule

November 2022

- ▶ Internal interim report

Financial results briefing for year ending December 2022 (February 2023)

- ▶ Disclose the final report of the review in addition to the final financial results of FY2022

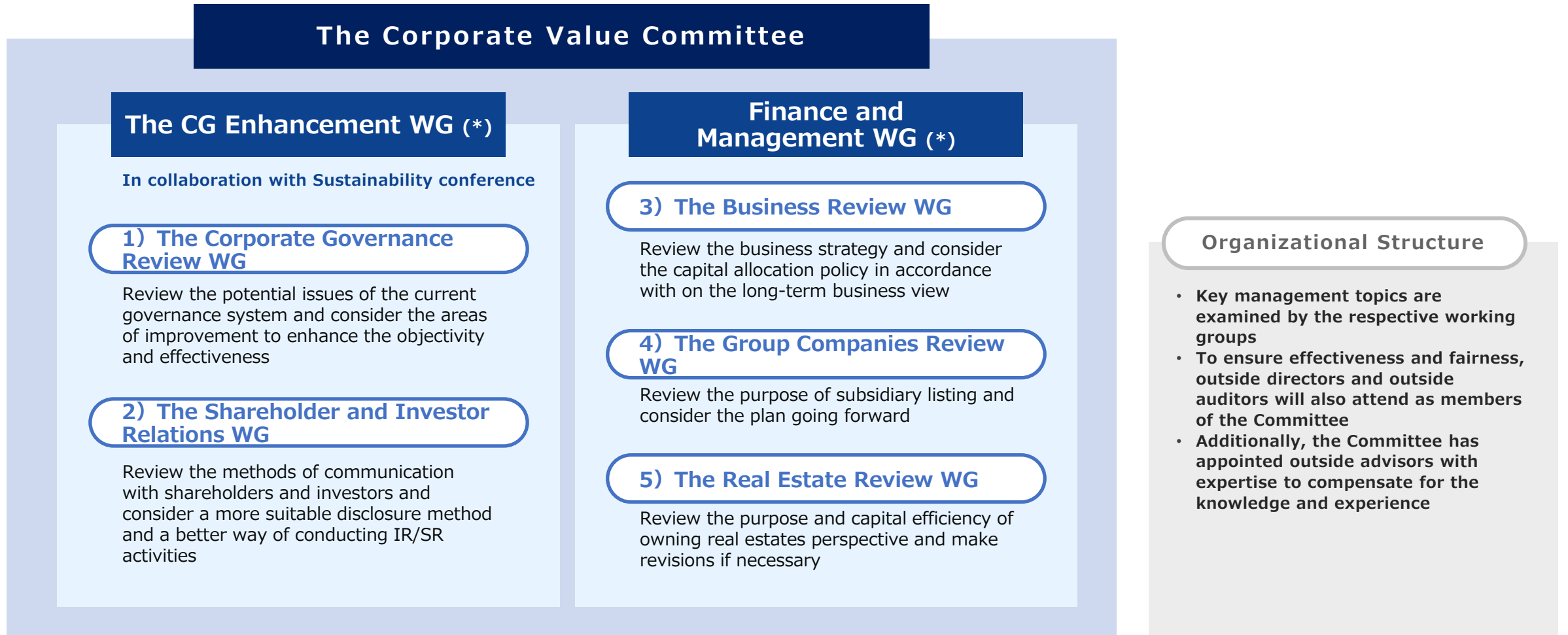
From Q1 of fiscal year ending December 2023 (from March 2023 on)

- ▶ Continue to address the issues to increase the corporate value



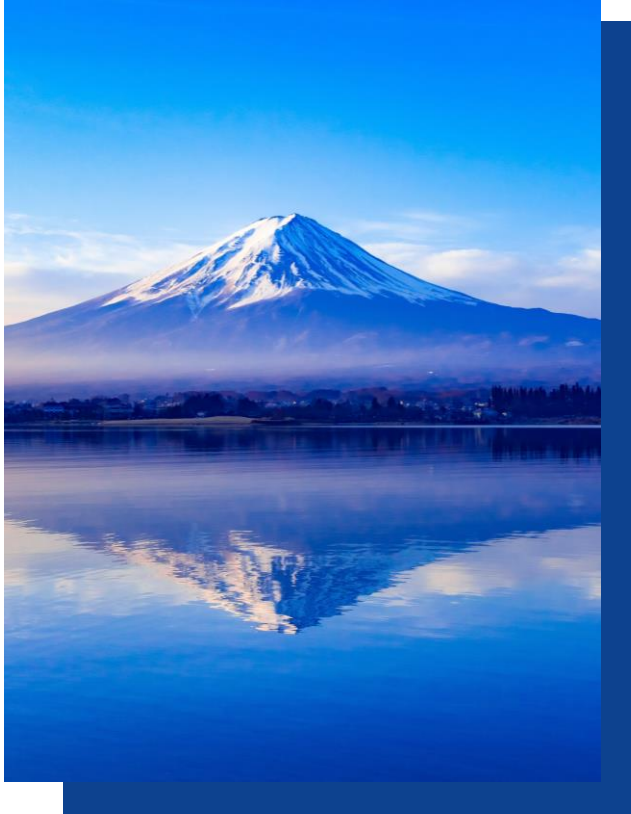
Organizational Structure of the Corporate Value Committee

- ▶ Key management topics are reviewed by the respective working groups with outside advisors appointed, while the Committee seeks to make decisions which reflect opinions of outside directors and outside auditors, to ensure both effectiveness and fairness



*CG stands for Corporate Governance and WG stands for Working Group

Agenda



Activity Status of the Corporate Value Committee

Activity Status of Individual Working Group (WG)

Overview

Corporate Governance Review WG

Review Methods of the Finance and Management WGs

Real Estate Review WG

Supplementary Notes on Extraordinary Meeting of Shareholders

Activity Status of the Working Groups

- ▶ We report the activity status of working groups to answer the requests from shareholders and investors
- ▶ This report mainly on the Corporate Governance Review WG and the Real Estate Review WG
- ▶ The Business Review WG is still under business analysis and strategy considerations
- ▶ We refrain from disclosing the details of the Group Companies Review WG considering the possible impact to the group companies

| | WG Name | Purpose | Reviewed Points | Points for the final report |
|---------------------------|---|--|---|---|
| CG Enhancement WG | 01 The Corporate Governance Review WG | <ul style="list-style-type: none"> Develop a more objective and effective governance system | <ul style="list-style-type: none"> Define functions, roles, and structure of the Board of Directors Discuss an optimized organization structure with a focus on the Board of Directors and the Management Committee | <ul style="list-style-type: none"> Develop methods and rules for discussion agenda for the Board Meeting and the structure of committees |
| | 02 The Shareholder and Investor Relations WG | <ul style="list-style-type: none"> Enhance communication with our shareholders through more transparent disclosures and proactive dialogue | <ul style="list-style-type: none"> Disclosure policy in an ideal balance between confidentiality and investor understanding Review the current system for more proactive dialogue with shareholders | <ul style="list-style-type: none"> Streamline the IR/SR disclosure information Develop specific plans for IR/SR activities |
| Finance and management WG | 03 The Business Review WG | <ul style="list-style-type: none"> Review the business strategy to date and the long-term vision to set the capital allocation policy | <ul style="list-style-type: none"> Analysis of the strengths and weaknesses attributed to the formation history and identification of market trends and development of a new vision for future strategy Evaluation of capital allocation based on the discussion results of each WG | <ul style="list-style-type: none"> Review the business strategy Design the long-term strategy, areas of business focus and revise the plan if necessary |
| | 04 The Group Companies Review WG | <ul style="list-style-type: none"> Review the purpose of subsidiary listing and discuss on the way forward | <ul style="list-style-type: none"> Discuss an optimal group structure to implement the business strategy and the purpose of subsidiary listing | <ul style="list-style-type: none"> Make a decision considering the results from the Business Review WG Discuss the most appropriate scheme |
| | 05 The Real Estate Review WG | <ul style="list-style-type: none"> Review the purpose of owning real estate from a capital efficiency perspective and discuss the necessity of making any revisions | <ul style="list-style-type: none"> Purpose of holding real estate in the past/present/future Evaluation of real estate to the market value Discuss the real estate strategy contributes to improving capital efficiency | <ul style="list-style-type: none"> Ownership strategy for each office Discuss the most appropriate scheme Discuss the timing that is aligned with capital allocation |



Executive Summary

Overview

- The history of FUJI SOFT INCORPORATED (“we”) began as a start-up and has fought off numerous challenges along the way
- To this day, we have chosen and executed what was best at that time, but acknowledge that some of them need to be reviewed
- The Corporate Value Committee reviews each management issue fairly and subjectively together with an outside advisory firm with expertise in the fields

Topics addressed in the material

The Corporate Governance Enhancement WG

- The board of directors will further strengthen the function of “strategy design” and “auditorial”
- We consider separating the management committee (which currently includes nomination/ compensation/ ethics function) into each function and nominating an outside director as chairman of the separated committee(s) – however, the question of “what is optimized organizational structure for us?” is still under discussion
- To enhance our corporate value, we have determined that "Capital Market", "Corporate Management", and "Legal Affairs" as the critical skillsets to the board of directors

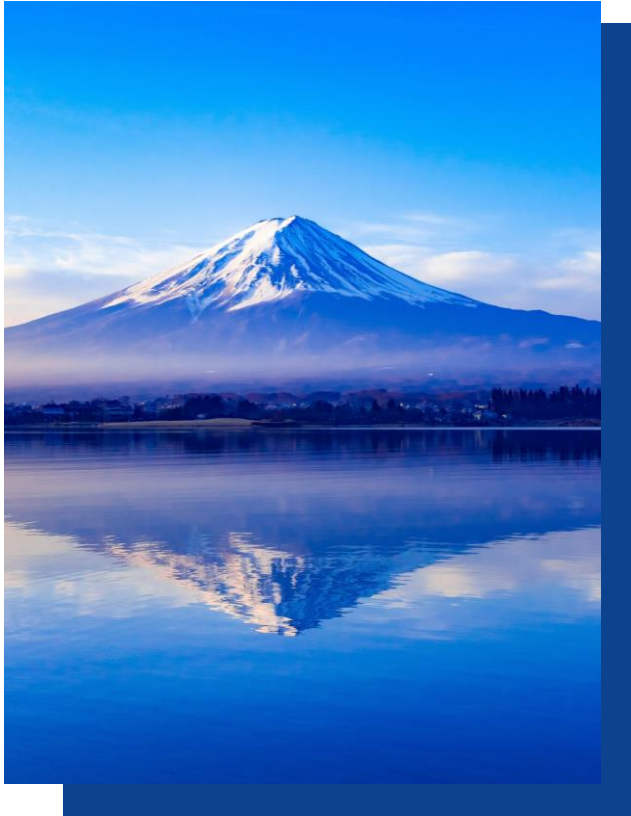
The Finance and Management WG

- We have set up both “quantitative” and “qualitative” evaluation metrics that run across the entire financial and management strategy
- Quantitative: Using the Weighted Average Cost of Capital (WACC) of the entire company as a reference, we consider the implementation of a hurdle rate for each segment
- Qualitative: We incorporate items such as “synergies” and “sustainability” which lead to the enhancement of corporate value but are not a part of the quantitative metric

The Real Estate Review WG

- Historically, investing in real estate assets was closely linked to the business strategy. However, as the business grew, the positioning of such assets changed. We review the real estate assets based on the quantitative metrics (e.g., hurdle rate) while considering the business strategy and capital allocation policy
- With that said, we have chosen the offices in Tokyo metropolitan area as a prioritized review point and have started to analyze comprehensive options including the liquidation of the assets

Agenda



Activity Status of the Corporate Value Committee

Activity Status of Individual Working Group (WG)

Overview

Corporate Governance Review WG

Evaluation Methods of the Finance and Management WGs

Real Estate Review WG

Supplementary Notes on Extraordinary Meeting of Shareholders



History behind the of Current Management System and Reasons for Review

- ▶ The current management system has been operating by making modifications to the Management Committee and have decided to review the system under the Corporate Value Committee to seek our optimized structure

Current State of the Governance System driven by the Management Committee

- Although we are not under the mandatory committees as stipulated in the Companies Act, we have established the Management Committee (includes outside directors) that serves as an advisory board to the Board of Directors and comprises roles and functions of the Nomination and Compensation Committee and the Ethics Committee
- The current Management Committee is composed of 2 internal directors and 3 outside directors, with President Sakashita as the Chairman

The History behind Formation of Current Management System

- The Management Committee was established in 2007 to gather internal/external knowledge and experience to review the management issues
- In the Committee at that time, there were consultants, management scholars, and IT professionals serving as outside advisors in addition to the Board members
- Subsequently, in the transition of our corporate governance structure, we made the decision to consolidate other functions into this Management Committee. We excluded members other than the Board members to meet the requirements

Reasons behind conducting the review for improvement of corporate value

- As the times have been changing in which the ideal state of corporate governance of listed companies also underwent changes, our current governance system also strived to adapt itself to such changes by making revisions to the whole concept of how conventional institutions were operated
- During the discussions under the Corporate Value Committee, we reached a conclusion that we needed to review the governance system and thus have set up the topic as a review focus by WGs



Enhancing our Corporate Governance

- ▶ It is critical that the functions of the Board of Directors are fully performed. At this moment, as important determinants for verifying if the governance functions working effectively, we have set the following items as a set of discussion themes and having discussions in a prioritized manner

Discussion Themes and Procedures

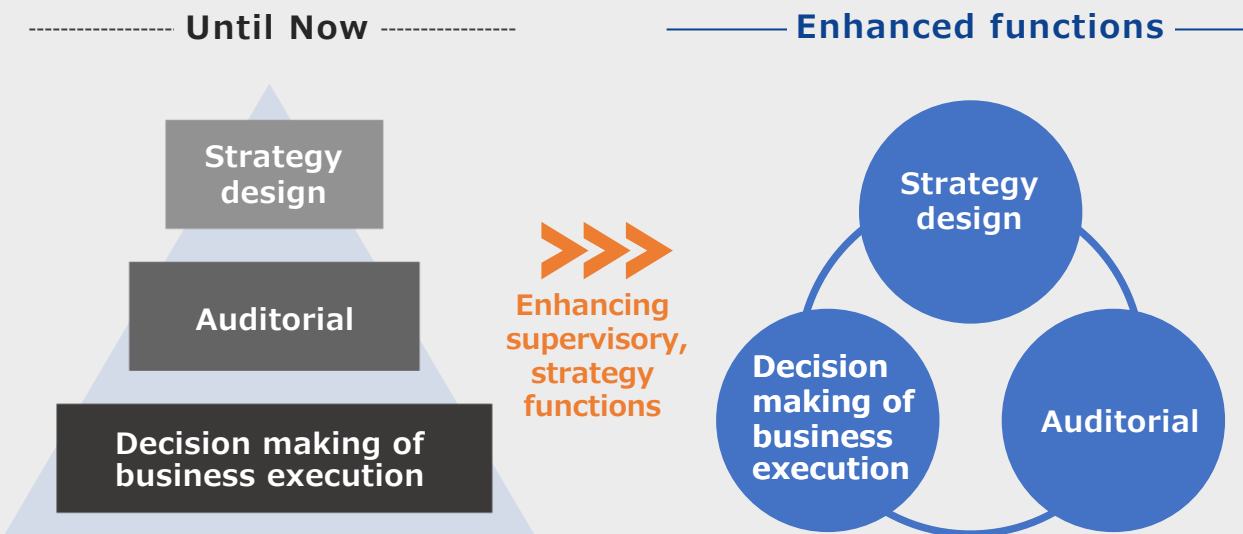
| | | | |
|----------|----|---|---|
| 1st Step | 01 | Functions of the Board | Define the functions of the Board of Directors in the context of external environment, business strategy, and internal structure. Based on the results of such discussion, reorganize the topics to be discussed intensively at the Board of Directors meeting |
| | 02 | Designing the institution and Committee | Discuss the future institutional designs in accordance with the topics reviewed by the Board meeting, while reviewing the current structure of the Management Committee particularly with regard to supervisory functions |
| | 03 | Composition of Directors and their Skillsets | Discuss a new structure in which the Board of Directors can fully satisfy its roles and functions <ul style="list-style-type: none">▶ Organize the skillsets required to improve the corporate values▶ Discuss a new composition of members from a perspective of diversity (i.e. internal/external ratios, experience, cultural/biological diversity, balanced membership)▶ Discuss a new flexible and efficient structure |
| 2nd Step | 04 | Compensation Scheme | Continue to review the compensation scheme that works as an incentive to improve the corporate value in the medium to long term (Continued review of the compensation implemented in February 2022) |
| | 05 | Succession Planning | Discuss the succession plan to ensure continuous effectivity from the Board of Directors |
| | 06 | Effectiveness Evaluation | Review whether the Board of Directors (including the committees) are performing the functions originally envisioned or not, based on the examination results of the Steps shown above and respective implementation status. We are also reviewing how to evaluate outside directors. Based on the results here above, we will discuss the roles and functions of the Board for the next year and going forward |



How the Board of Directors Work and How We Design Institutions and Committees

- ▶ The functions of the Board of Directors focused on "decision making of business execution" and we plan to **increase the weight of "strategy design" and "auditorial"**
- ▶ We consider separating **the management committee (which currently includes nomination/ compensation/ ethics function) into each function and nominating an outside director as chairman** of the separated committee(s) – however, the question of "what is optimized organizational structure for us?" is still under discussion

Enhancement of supervisory functions



- ▶ We will enhance areas of "strategy design" and "auditorial"(including nomination of the Board members, compensation and risk management) and will we also plan to **promote a certain level of authority transfer regarding business execution**
- ▶ We plan to expand the **range of skillsets among the Board members and to strengthen its governance functions including the nomination/compensation function aimed at the management members**

Functional differentiation and chairman

The Management Committee
(comprises of nomination,
compensation, and ethics)
(Chairperson is now President)

Function differentiation

The Management Committee post the
functional differentiation
(dividing it into the Nomination and
Compensation Committee, the Governance
Ethics Committee)

- ▶ **We are considering to appointing an outside director as the chairman**

We will continue our discussion of "the optimized origination structure" while making enhancements to the current structure



Discussion on Skillset Requirements for the Board Members

- ▶ Based on the dialogue with our shareholders, we have added **"Capital Market"** as a new item in the list of necessary skillsets for the Board of Directors
- ▶ We have concluded that the most important skillsets to be strengthened for improving the corporate value are **"Capital Market"**, **"Corporate Management"**, and **"Legal Affairs"**

Skillset Matrix

■ Items to add ■ Items to strengthen

| | | |
|-----------------------|-------------------------|-------------------|
| Corporate Management | Business Administration | Human Resources |
| IT System Development | New Business | Products Services |
| Sales | Finance/Accounting | Legal Affairs |
| Capital Market | | |

Detail

| | |
|----------------------|---|
| Capital Market | <ul style="list-style-type: none"> Based on the dialogue with shareholders, we acknowledged the strong need to review the capital allocation, shareholder return, and investments for an investor standpoint |
| Corporate Management | <ul style="list-style-type: none"> In promoting further consideration on improving the corporate value, we need people with management experience in a position equivalent to that of a representative director and who are capable of facing the capital market from a public company perspective and of promoting corporate governance enhancement and business reforms |
| Legal Affairs | <ul style="list-style-type: none"> We have concluded that legal expertise is critical in the Board of Directors in addition to the auditors Specifically, our requirements are a person familiar with Companies Act as well as corporate governance and have rich practical experience in these areas thereby can make appropriate application and judgment |



Qualities that we look for in our Board Members as of today

- ▶ Consider as a premise that all Directors (regardless of internal or external) act to improve the corporate value and to benefit the interests of shareholders
- ▶ Moreover, the composition of the Board is to be consistent with the skillset matrix while considering diversity and balanced membership
- ▶ To ensure a flexible operation and efficiency of the Board, 14 members of the Board is the upper limit, considering the composition of other listed companies of the same size

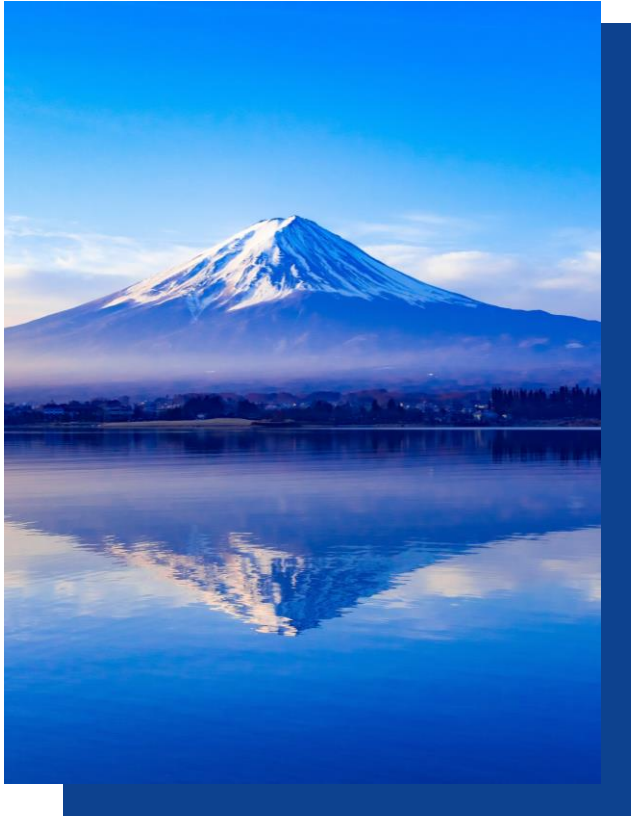
- Qualities for Internal/ External Directors

| | | |
|---|-------------------|---|
| Qualities required for Director | Internal Director | <ul style="list-style-type: none"> ▶ Experience in the execution of overall management ▶ Experience in a responsible position in our business execution (Technology, Sales, Administration divisions) ▶ Chief Financial Officer |
| | External Director | <ul style="list-style-type: none"> ▶ Experience as a representative of a listed company ▶ Knowledge, insights and experience of our business ▶ Knowledge and experience of the capital markets (added) ▶ Knowledge and experience of corporate legal affairs ▶ Knowledge and experience of finance and accounting |
| The Composition of the Board as a whole | | <ul style="list-style-type: none"> • We have implemented a new structure of the Board of Directors where the outside directors hold a majority for the purpose of strengthening the supervisory capabilities and of conducting objective and transparent discussions • To ensure a flexible operation and efficiency of the Board, 14 members of the Board is the upper limit, considering the composition of other listed companies of the same size |

Plans for items to be reviewed

- Although the current Directors were appointed at the annual general meeting of shareholders and have the necessary insights to make appropriate decisions at the Corporate Value Committee, we review the structure for enhancement. We have appointed external advisors and such reviews conducted for the purpose of necessary governance enhancement were to be completed by the next annual meeting of shareholders
- We concluded that it is necessary to put our proposal to as the Company's current ideal composition for the Board of Directors" as the shareholders will be deciding our Board of Directors (see pg. 22 for details)

Agenda



Activity Status of the Corporate Value Committee

Activity Status of Individual Working Group (WG)

Overview

Corporate Governance Review WG

Evaluation Methods of the Finance and Management WGs

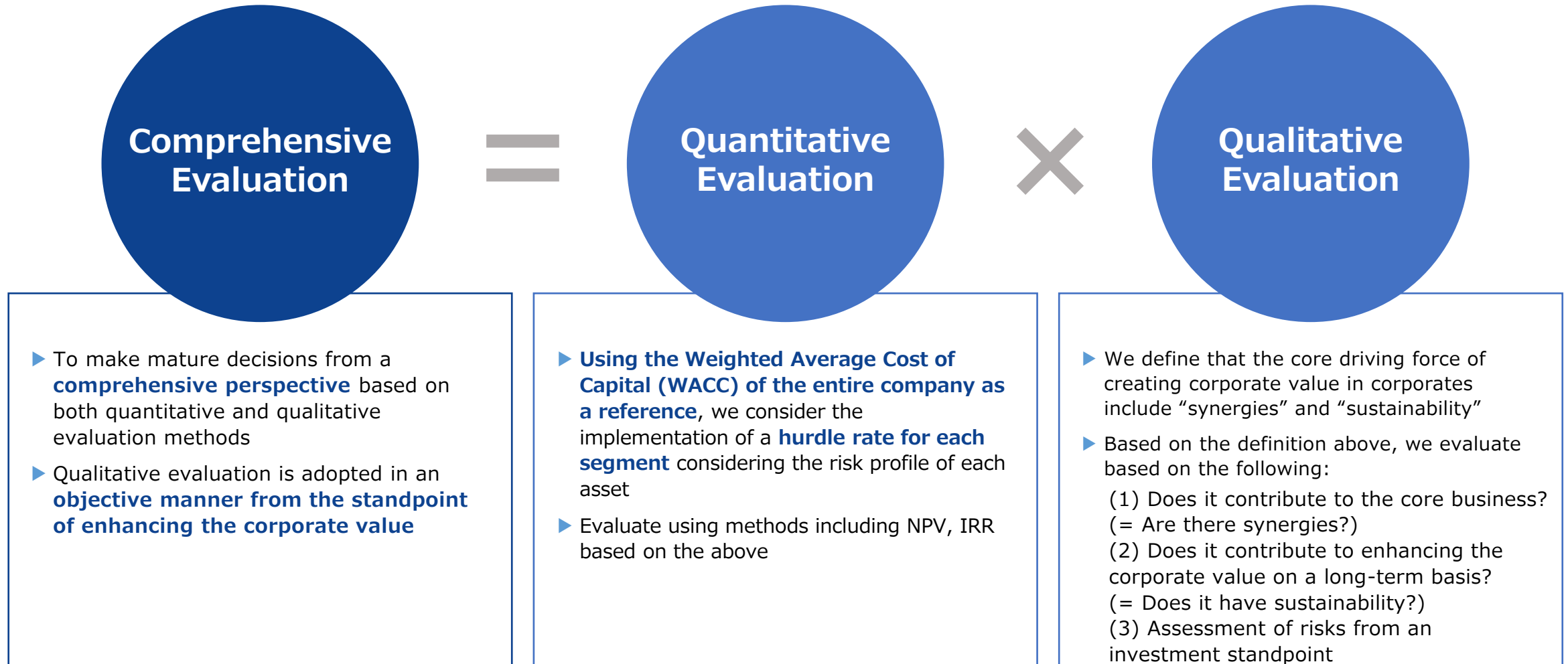
Real Estate Review WG

Supplementary Notes on Extraordinary Meeting of Shareholders



Review Methods of Finance and Management WG

- ▶ The Corporate Value Committee defines the review methods that run through the entire financial management strategy
- ▶ When making decisions to invest in, or withdraw from, business, real-estate, or subsidiaries, we will undergo a comprehensive evaluation and judgment process based on contemplation with both quantitative and qualitative factors





Summary of Key Points on the Hurdle Rate

Usage target of the hurdle rate

- **We consider implementing a respective hurdle rate in the Real Estate Review WG and the Group Company Review WG as a quantitative metric for investment, retention, and withdrawal**
Specifically, the hurdle rate will be calculated by the following concepts and will be evaluated using the NPV and IRR methods

Basic concept of the hurdle rate

- **The hurdle rate is set by "capital cost" + "an adequate percentage spread"**
- We plan to implement a cost of capital for each business/ asset class (e.g. real estate and SI business)
- The reason behind considering setting multiple hurdle rates is based on a corporate finance theory that states "the cost of capital is not predetermined by the company itself, but by the business it operates and the assets it has"

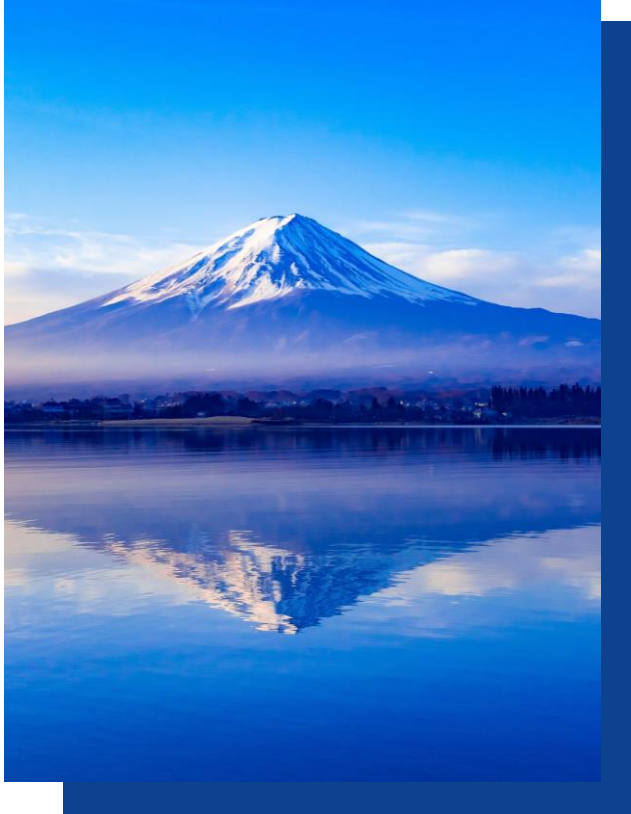
Calculation of Cost of Capital as a Basis of Hurdle Rate

- We use a calculation method that is widely accepted among M&A practitioners
- **The cost of capital is calculated using the CAPM method. The beta is calculated by taking the industry averages according to the risk profiles of the respective business**

Companywide Commitment to ROIC

- **We plan to review the individual business and assets based on the above hurdle rate but, will make the final decision in a way that the Companywide return on invested capital (ROIC) meets the expectation of shareholders and other stakeholders**
- WACC (Weighted Average Cost of Capital) is used as the reference for evaluating the Companywide ROIC

Agenda



Activity Status of the Corporate Value Committee

Activity Status of Individual Working Group (WG)

Overview

Corporate Governance Review WG

Review Methods of the Finance and Management WGs

Real Estate Review WG

Supplementary Notes on Extraordinary Meeting of Shareholders




Review results by the Real Estate Review WG as of the interim report

| | | |
|--------------------------|--------------------------------|---|
| Overview | | <ul style="list-style-type: none">Historically, investing in real estate assets was closely linked to the business strategy. However, the positioning of such assets has changed and will be reviewed based on the quantitative evaluation of the hurdle rate as well as the business strategy and the capital allocationWith that said, we have chosen the offices in the Tokyo metropolitan area, where the business environment is drastically changing with the upcoming completion of the Shiodome office, as a prioritized review point and have started to analyze comprehensive options including the liquidation of the assets |
| Topics to address | Quantitative Evaluation | <ul style="list-style-type: none">Based on the property valuation estimate, will conduct a set of quantitative evaluations comparing the ROIC and the hurdle rate for each real estate property |
| | Business Strategy | <ul style="list-style-type: none">Review the seating capacity of existing workplaces/offices that has changed by the implementation of remote working and will change by transferring to the new Shiodome Office |
| | Others | <ul style="list-style-type: none">Secure financial capability to continue investments on a medium to long-term basis and of investment returnsThe length of each contractPursuing reasonable terms and conditions in case of a potential liquidationOptimization of companywide capital allocationImpact on the income state of profit derived from the real estate business and cost reduction benefits accrued from the use of owned workplace/office (equivalent to 2% operating income ratio in FY2021/12) |

Reviewing the purpose of holding real estates

- ▶ During our growth stage, it was reasonable to investment in real estate for its low risk and business synergies
- ▶ On the other hand, we acknowledge that this needs to be reviewed by considering the various changes in the business environment and the real estate market

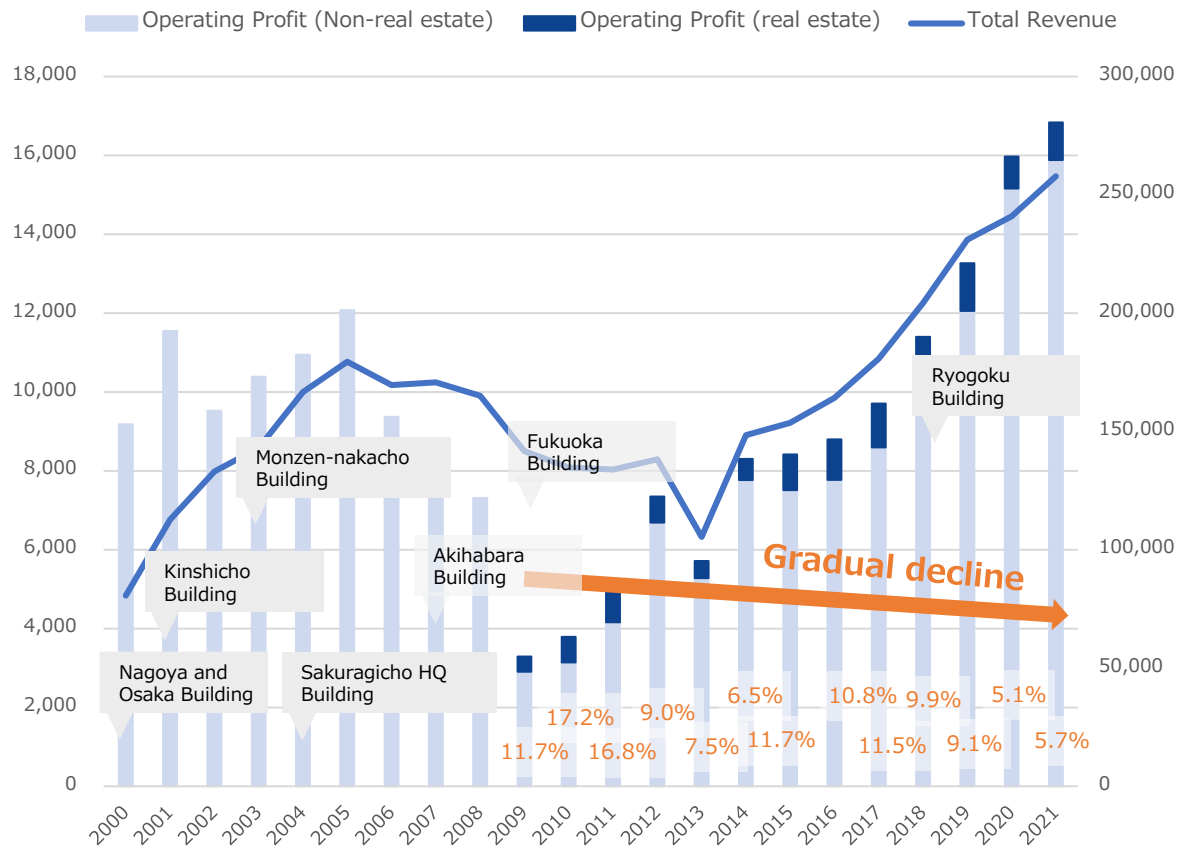
| | |
|---|--|
| Growth Strategy as an independent firm | <ul style="list-style-type: none">• As an independent firm with no background, the top priority in expanding our business was to retain talented resources and earn the trust of our clients. Investing in offices contributed to both and was directly linked to growth• Especially in embedded software development projects, retention of a long-term close relationship with the manufacturer and commitment to confidentiality tend to be very essential. The availability of a dedicated project space in our facilities and the ability to respond quickly to a workforce mobilization request is directly linked to the high evaluation we have been receiving from our clients• Some indirect contribution especially in terms of recruitment as our recognition was not much among the public |
| Contribution to Price Competitiveness | <ul style="list-style-type: none">• The cost savings effect of using our-owned workspaces has significantly contributed to reducing the development fees that we charge and enhancing our price competitiveness, contributing to the acquisition of projects• On the other hand, as a result of the temporary recession, working environment changes, and real estate market conditions, we have made flexible changes to our real estate. Thus, in some of the offices, the utilization rate has been lowered but profits accrue from the real estate business |
| Management Stability | <ul style="list-style-type: none">• As an independent firm, it was essential for us to stabilize the management by holding real estate, which acted as a backup in case of business deterioration and brought financial credibility• While our credibility has been increasing along with the business expansion, we recognize that a certain level of holdings of stable assets is a meaningful in terms of business continuity |
|  Effectiveness as of today | <ul style="list-style-type: none">• With the enhancement of our brand presence, the purpose of owning our office, as a source of talent retention and client trust is fading• The cost reduction effect of using our own office is still there, we will need to conduct a business quantitative evaluation on the plan of the real estate business going forward |



(Reference) Contribution of the Real Estate Business and the Status-Quo

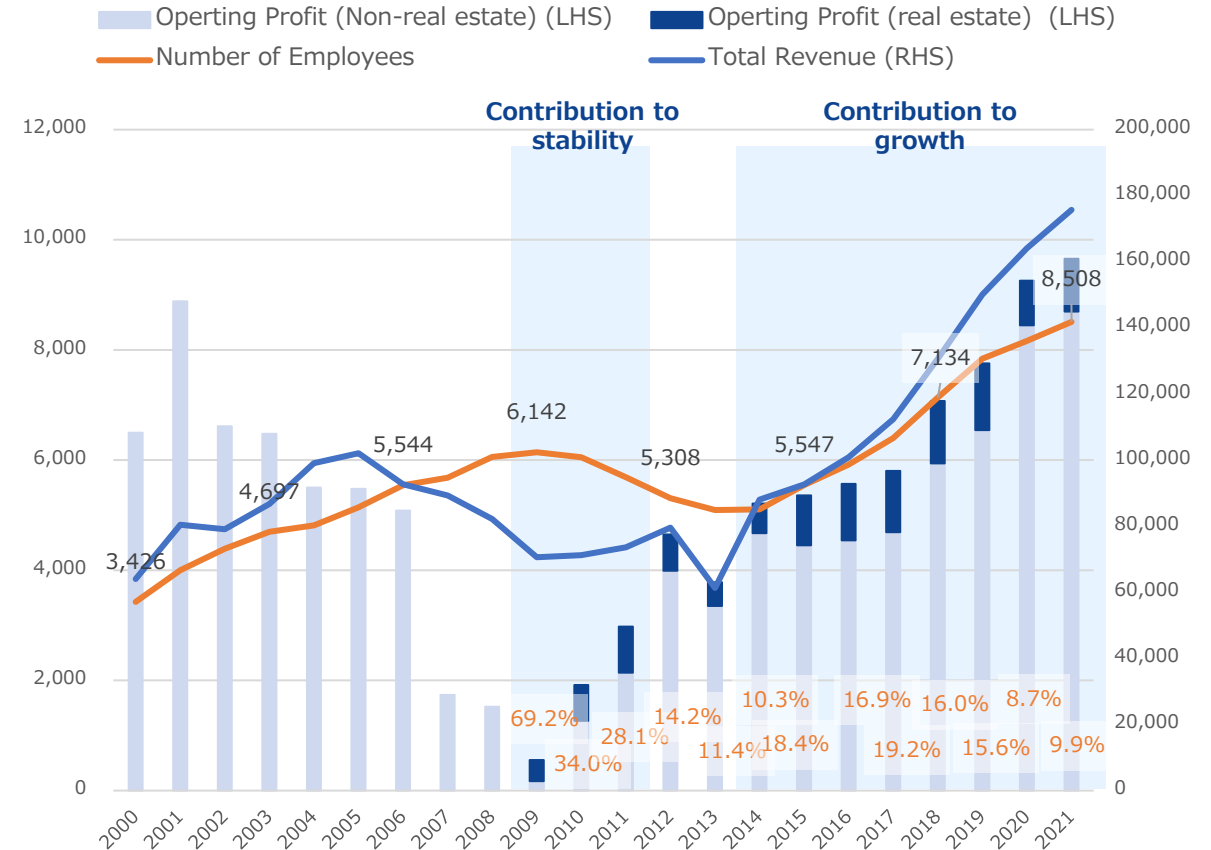
- ▶ During the business headwinds at the Financial Crisis, the real estate profits contributed significantly to the stability and business growth
- ▶ Echoing our business expansion in recent years, the percentage of real estate contribution has been decreasing
- ▶ As we have achieved a certain level of growth as an independent firm in recent years, we plan to review the future of the business

Percentage of real estate operating income in consolidated operating income (Unit: JPY Millions)



*Real-estate revenue and operating income recorded from FY2009 and on
*FY2013 ends in 9 months

Percentage of real estate operating income in non-consolidated operating income (Unit: JPY Millions)



*Real-estate revenue and operating income recorded from FY2009 and on
*FY2013 ends in 9 months



Others Points to Consider on Real Estate Ownership

- ▶ We will be reviewing the real estate business not only from the quantitative view but also from the “business strategy” and “capital allocation”

Promotion of Remote working

- We have been proactively promoting a teleworking scheme and was awarded as one of the top Hundred Telework Pioneers in 2016
- While the importance of going to offices remains for highly confidential projects, **we assume the promotion of remote working is a driving factor for us to review our office planning**

Seating Capacity Optimization in Tokyo Metropolitan Offices

- We plan to consolidate offices into the Shiodome Office which is scheduled to be completed in 2023
- **We are examining the seating capacity at Shiodome Office after launch and will review the plans for seating capacity optimization among Tokyo Metropolitan Area**

Other Points

- The length of each contract
- Pursuing reasonable terms and conditions in case of a potential liquidation
- Financial capability for medium to long-term investments
- Optimization of companywide capital allocation



What the Real Estate Review WG will be Reviewing

- ▶ The Real Estate Review WG begins with a quantitative evaluation using hurdle rate and makes the conclusion by taking into account the other factors such as business/ financial strategy and capital allocation

Premise

- We will review the ownership of a real estate on a quantitative basis with the question, **“Can it achieve ROIC greater than the hurdle rate?”**
- In addition, we will review the **timing of investing/ divesting real estates** in the context of the **entire business strategy** of centralizing to the new Shiodome office, **financial strategy of financial capability and investment return and capital allocation**
- We target to eventually decide on the following
 - ▶ Criteria for holding/ not holding, evaluation results of individual real estate, a scheme for ownership/liquidation, and an IR disclosure policy

1st Step (Implemented)

- **Premise Factors for the Review**
 - ▶ Contract of each real-estate property
 - ▶ Seating capacity of offices in Tokyo
 - ▶ Results of real estate appraisal (partial)
- **Setting Evaluation Framework**
 - ▶ Comparing the hurdle rate and ROIC
 - ▶ Evaluation as a stable asset
- **Considering what the hurdle rate should be**

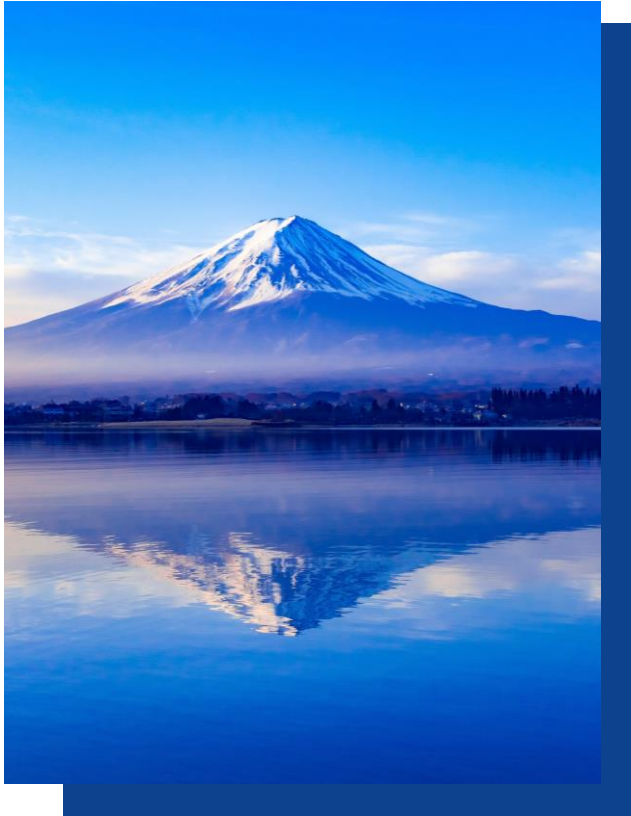
2nd Step (Partly implemented)

- **Comparing the hurdle rate and ROIC**
 - ▶ Evaluation of real estate property using parameters defined in the 1st step
- **Following the overall business strategy and capital allocation policy, consider based on the financial capability and investment return**
 - ▶ **Set a reasonable and disciplined level of financial capability** based on the investment policy and income statement planning of the SI business

3rd Step (To be implemented after final report or later)

- **Selection of offices for potential liquidation**
- **Alignment with business/ financial strategy and capital allocation**
 - ▶ Consider the optimal scheme and timing for liquidation
- **Collaboration with partners in the real estate business (agents and brokers)**
 - ▶ Reach out to multiple potential buyers for proposals and review them
 - ▶ Accept such proposal if offered under the right conditions
- **Development of a disclosure policy**

Agenda



Activity Status of the Corporate Value Committee

Activity Status of Individual Working Group (WG)

Overview

Corporate Governance Review WG

Review Methods of the Finance and Management WGs

Real Estate Review WG

Supplementary Notes on Extraordinary Meeting of Shareholders



Our Proposal at Extraordinary Meeting of Shareholders

- ▶ Amidst the review done by the Corporate Value Committee (Corporate Governance Review WG), we received the shareholder proposal and the requisition for an extraordinary meeting of shareholders
- ▶ We concluded that it is necessary to put our proposal to as the Company's current ideal composition for the Board of Directors" as the shareholders will be deciding our Board of Directors

Promote Examinations at Corporate Governance Examination WG

- The Corporate Value Committee has been proactively discussing the matter from the very beginning of the Committee on the "optimized board composition"
- Meanwhile, the current Directors were elected by the shareholders at the annual general meeting of shareholders who had the knowledge and experience to make appropriate decisions at the Corporate Value Committee
- Therefore, we began the review process along with outside advisors to ensure expertise and fairness and enhance our corporate governance no later than the next annual general meeting of shareholders

Receipt of Requisition from 3D to hold Extraordinary Meeting of Shareholders

- We received a letter from 3D on August 9th, saying that "we demand the election of 3 directors out of 4 candidates we recommend. If it is not accepted, we will request a convocation of an extraordinary meeting of shareholders"
- We were willing to accept any candidates provided that the candidate had the appropriate qualifications and requested to have interviews with candidates to confirm qualifications and ensure fairness
- While the interview process was ongoing, we received a letter to convene an extraordinary meeting of shareholders on September 1

Submission of Proposal as the "Company's ideal composition for the Board of Directors as of today"

- **In the upcoming extraordinary meeting of shareholders, the shareholders will be deciding our Board of Directors and as such agenda is the topic, we believe that it is necessary to put our proposal to as the Company's current ideal composition for the Board of Directors**
- We have conducted interviews individually with the proposed candidates for 3D after receiving the convocation letter. **Based on the same criteria as the other candidates, we have decided to include Yuya Shimizu and Shintaro Ishimaru in the Company's proposal**
- We will continue to review our "optimized board composition" after the extraordinary meeting of shareholders



Board of Directors Members and their respective skillset

▶ Based on the discussions within the Corporate Value Committee, we believe that it is essential to increase directors with "Corporate Management", "Legal Affairs", and "Capital Market" skillsets for the purpose of improving the corporate value. We have selected a set of new candidates as outside directors with sufficient experience and proven track records in such areas

| Position Titles | Name | Corporate Management | Business Administration | Human Resources | IT System Development | Products Services | New Business | Sales | Finance/Accounting | Legal Affairs | Capital Market |
|---|--------------------|----------------------|-------------------------|-----------------|-----------------------|-------------------|--------------|-------|--------------------|---------------|----------------|
| Director & Executive Adviser | Hiroshi Nozawa | ◎ | ○ | ◎ | ◎ | ◎ | ◎ | ◎ | ○ | ○ | |
| President & Representative Director | Satoyasu Sakashita | ◎ | ○ | ○ | ◎ | ◎ | ○ | ○ | ○ | ○ | |
| Director & Senior Executive Operating Officer | Tateyuki Oosako | ○ | ○ | ○ | ◎ | ◎ | ○ | ○ | | | |
| Director & Executive Operating Officer | Tadashi Tsutsui | ○ | ◎ | ◎ | ○ | | | ○ | | ○ | |
| Director Operating Officer | Mari Morimoto | ○ | | | | ○ | ○ | ◎ | | | |
| Director Operating Officer | Masashi Umetsu | ○ | ◎ | | ○ | | | ○ | ○ | | |
| Outside Director | Minoru Koyama | ○ | ◎ | ○ | | | | | ○ | ○ | |
| Outside Director | Tateki Oishi | ○ | ○ | | ○ | ◎ | ◎ | | | | |
| Outside Director | Tomoko Aramaki | ○ | ○ | | | | | | ◎ | | ○ |
| NEW Outside Director | Takao Tsuji | ◎ | ◎ | ○ | | ○ | ◎ | ○ | ○ | ○ | ○ |
| NEW Outside Director | Hidetaka Nishina | ○ | ○ | | | | | | ○ | ◎ | |
| NEW Outside Director | Hikari Imai | ○ | ○ | ○ | | | | | ◎ | ○ | ◎ |
| NEW Outside Director | Yuya Shimizu | ○ | | | | | | | ◎ | | ◎ |
| NEW Outside Director | Shintarou Ishimaru | ○ | ○ | ○ | ◎ | ◎ | ○ | ○ | ○ | | |
| Standing Auditor | Hiroyuki Kimura | ○ | ○ | | ○ | ○ | ○ | ○ | ○ | ○ | |
| Outside Auditor | Shigeo Ishii | | ○ | | | | | | ◎ | | |
| Outside Auditor | Yukako Oshimi | | ○ | | | | | | | ◎ | |

Highlights

The current management team has been appointed by the shareholders at the annual general meeting of shareholders and will continue to serve and fulfill their responsibilities.

Moreover, we selected a set of candidates considering the following conditions:

- ▶ Outside directors have the majority within the Board
- ▶ The Board is to be fully equipped with the essential skillsets mainly in "Corporate Management", "Legal Affairs", and "Capital Market"
- ▶ The number of directors does not impair the efficiency of the Board (Around 14 or fewer)



Disclaimer

This material contains financial forecasts and other information about the future that are deemed reasonable on the basis of currently available information. Please note that actual financial results may differ materially depending on a number of factors, including market trends and economic conditions.

Please also note that distribution of this material is not intended for recommending continued ownership or additional purchase of the Company's shares.