



FUJISOFT

Explanatory Material on the Activity FY2022 of the Corporate Value Committee

Agenda

History of the Corporate Value Committee

Summary

Corporate Governance Examination WG

Strategic Financial Management WG

Future Promotion



History of the Corporate Value Committee

Establishment of the Corporate Value Committee (June 2022)	<ul style="list-style-type: none">• Established the Corporate Value Committee to review the management issues of the Company such as business policy, capital allocation, corporate governance and dialogue with stakeholders• Disclosed the establishment of the Corporate Value Committee in August• Announced the schedule to make an internal interim report in November and a final report in February 2023
Interim report (November 2022)	<ul style="list-style-type: none">• Set up 5 Workings Groups under the Corporate Value to intensively study particularly important themes among the Company's management issues• In November 2022, the review content and direction of each Working Group was disclosed as the explanatory material
Extraordinary meeting of shareholders (December 4, 2022)	<ul style="list-style-type: none">• Received shareholder proposal from 3D OPPORTUNITY MASTER FUND of election of 4 directors in September 2022• In response, the Company submitted a proposal for the election five outside directors, including two proposed by shareholders, as the Company's proposal• The five candidates proposed as the Company's proposal was accepted in the Extraordinary meeting of shareholder held on December 4, 2022
Start of new board composition (December 4, 2022 (now))	<ul style="list-style-type: none">• New Corporate Value Committee restarted discussions with the addition of five new outside directors• Reviewed the topics that were under consideration prior to the new board composition and a certain degree of agreement was reached on the direction to take. Continue the execution on under the new board composition and will also continue to work on issues that are still under consideration



Board of Directors Members and their respective skillset

- ▶ With the election of 5 new outside board of directors in the Extraordinary Meeting of Shareholders, **the Board of Directors and the Corporate Value Committee have been optimally structured with a majority of outside directors**
- ▶ Especially with the strengthen in “Corporate management”, “Legal Affairs” and “Capital Market”, a further consideration towards improving the corporate value is promoted

Position Titles	Name	Corporate Management	Business Administration	Human Resources	IT System Development	Products Services	New Business	Sales	Finance/Accounting	Legal Affairs	Capital Markets
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 Ooishi	○	○		○	◎	◎				
Outside Director	Tomoko Aramaki	○	○						◎		○
NEW Outside Director	Takao Tsuji	◎	◎	○		○	◎	○	○	○	○
NEW Outside Director	Hidetaka Nishina	○	○						○	◎	
NEW Outside Director	Hikaru Imai	○	○	○					◎	○	◎
NEW Outside Director	Yuya Shimizu	○							◎		◎
NEW Outside Director	Shintarou Ishimaru	○	○	○	◎	◎	○	○	○		
Standing Auditor	Hiroyuki Kimura	○	○		○	○	○	○	○	○	
Outside Auditor	Shigeo Ishii		○						◎		
Outside Auditor	Yukako Oshimi		○							◎	

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Summary

After the interim report in November 2022, the Corporate Value Committee was promoted under a new board structure following the extraordinary shareholders meeting on December 4, 2022.

This is to report the activities for FY 2022

Basic management policy

- The Company has a **basic philosophy of “Aiming to become a corporate group that contributes to society, provides satisfaction to customers, initiates eco-friendly activities and believes in a comfortable and rewarding environment”** and a **medium-term policy of “Aiming to become an innovative corporate group that links ICT development to greater value for customers”**. With the above, the Company will maintain the aggressive management stance that the Company has had since its inception, which was also presented in the mid-term management plan, and will maintain our basic philosophy, which is to view (various) changes as opportunities and to continue to challenge and create
- On the other hand, adjust to time change, **aim to maximize corporate value by strengthening governance and capital efficiency as well as strengthening the business itself, while maintaining a strong dialogue with the capital markets**

Corporate Governance

- Increased outside directors in the extraordinary shareholders meeting on December 4, 2022. **Function differentiate the Management Committee into 3 committees (Nomination, Compensation, and Ethics) and nominate an outside director as chairman and have a majority of each committee composed of outside officers (including auditors)**. Further governance review will be continued through the **establishment of a new Governance Committee with a majority of outside directors**

Strategic Financial Management (Business, Real Estate, and Group Companies)

- Defined the **corporate value of the Company in terms of “Economic Value” and “Social Value”** and proceed with specific consideration of targets and improvement measures
- Confirmed that there is an essentially need to have a **future vision and consider the process to achieve the vision**
- It is important to continue to innovate in existing business areas and firmly promote growth and value-added expansion. To this end, the Company will be more aggressive in investing in human resources, R&D, products, systems, and DX. In addition, M&A and other measures will be utilized to acquire management resources from outside the company
- As a new strategic area for increasing added value, the Company will develop new areas by combining the three strengths: business SI, embedded/control fields, and products and services. As ICT develops further in the future, the importance of software will grow along with the development of hardware, and new fusion services combining these two areas will be a promising area. The Company will explore entering into areas that cannot be covered by the Company through M&A
- **While taking into account the historical background, the real estate business will be downsized from the perspective of current capital efficiency**. Each property will be evaluated individually and incorporated into future business strategies after comprehensively considering capital efficiency, the significance of holding the property, relevance to the business, office policy, and other factors
- Group companies will be **reorganized in line with group policies and strategies to maximize the value of the Group, rather than just evaluating individual financials**

Future plans

- **Promote the concretization of business strategies toward the future vision and make timely disclosure on major policy decisions and changes**

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Corporate Governance Examination WG

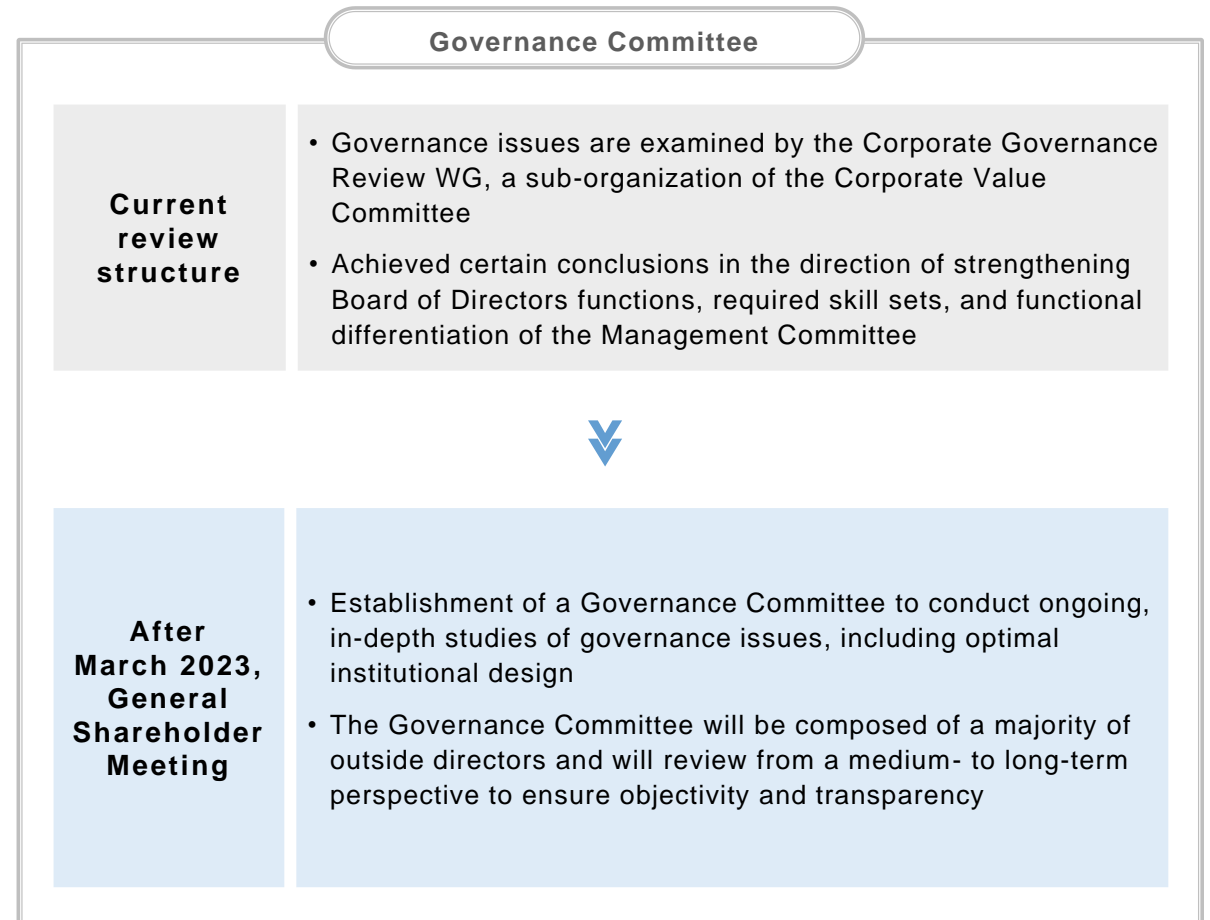
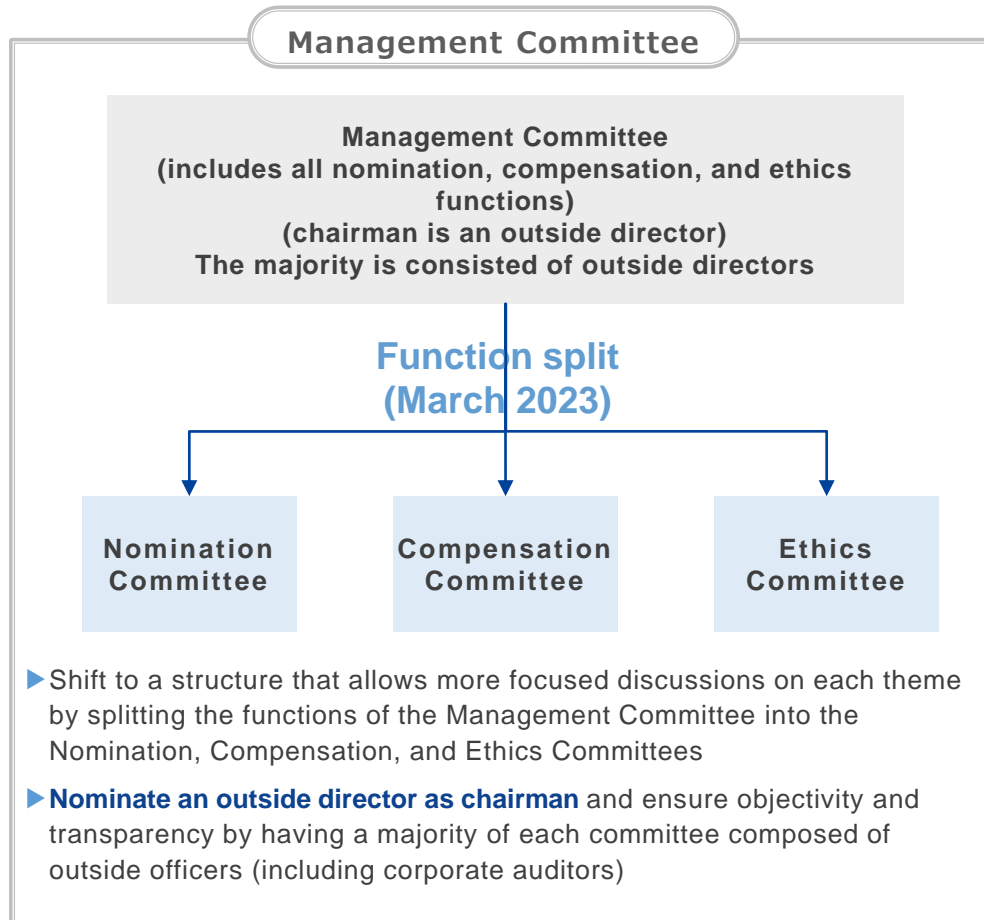
Strategic Financial Management WG

Future Promotion



Corporate Governance Examination WG

- ▶ After the interim report in November 2022, the Corporate Value Committee was promoted under a new board structure following the extraordinary shareholders meeting on December 4, 2022. Report on activities in FY2022, the WG conducted a review of the current governance structure to enhance objectivity and effectiveness and determined the following
(The direction to strengthen the board, required skillsets and structure are reported in the interim report)
- ▶ After the March 2023 General Shareholders Meeting, **plan to split the management committee into 3 committees to ensure objectivity and transparency**
- ▶ **Newly set up a Governance Committee** for ongoing, in-depth study of governance issues



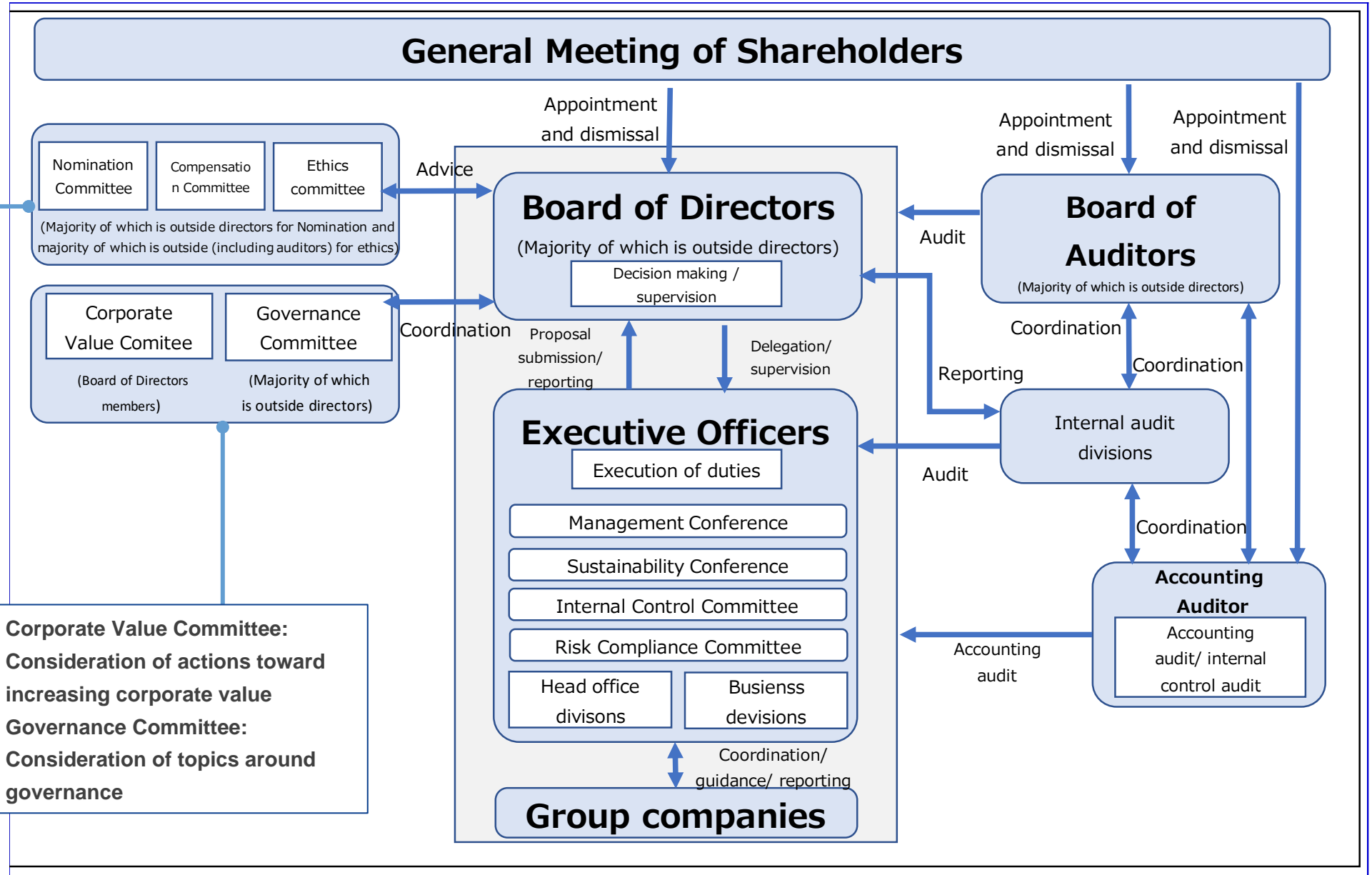


Framework of Corporate Governance System after the General meeting of shareholders (Planned)

Objective and transparent consideration of the Board of Directors' inquiries (Chairman: Outside director)

- **Nomination:** Nomination / evaluation of executives, succession plan
- **Compensation:** Compensation structure, mid-long term incentives
- **Ethics:** Design of systems related to ethics for directors

- **Corporate Value Committee:** Consideration of actions toward increasing corporate value
- **Governance Committee:** Consideration of topics around governance



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Strategic Financial Management WG

- ▶ Under the new Board of Directors, confirmed **a need for a clear vision of the future based on a shared definition of corporate value before sorting out individual management issues**
- ▶ Defined the key drivers to improving the corporate value as **“Economic Value” as represented by various figures and “Social Value” as contributions to society and stakeholders** and proceed with specific consideration of targets and improvement measures

Our definition of Corporate Value

Economic Value

- Sales growth rate
- Operating profit growth rate
 - CF per share
 - ROE

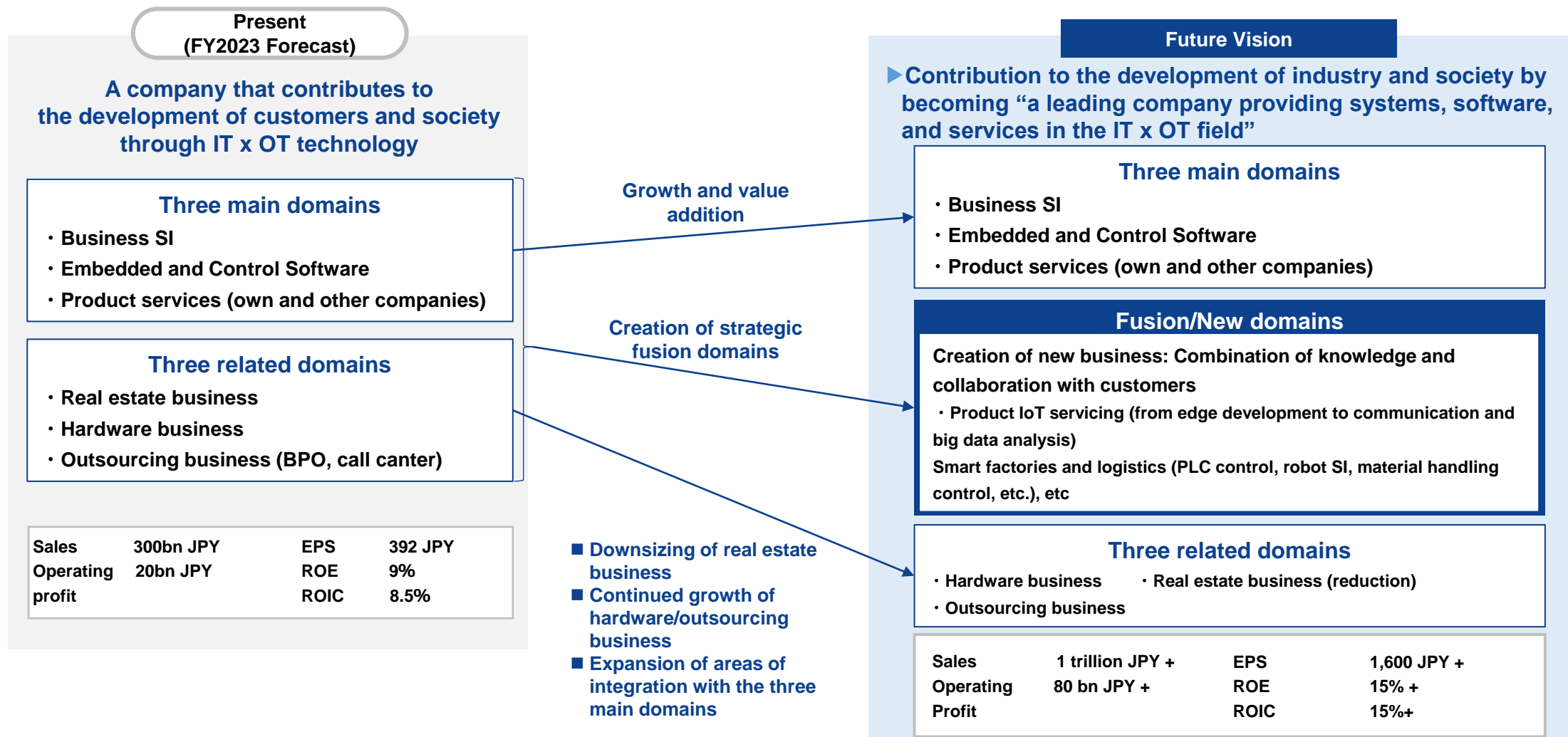
Social Value

- Pursue the provision of software, systems, and services of greater value to our customers
 - Utilization of ICT, accumulation of knowledge, and dissemination in various forms
- Contribution to the improvement of our customers' value and competitiveness through ICT
 - Contribution to the development of society and a sustainable social creation through ICT
- Maintain and expand employment of diverse human resources and development of ICT professionals
- Contribution to the promotion of diverse work styles and diversity and the creation of an environmentally sustainable society through ICT and corporate activities



Business Verification WG

- ▶ Definition of future vision : **Contribution to the development of industry and society by becoming “a leading company providing systems, software, and services in the IT x OT domain”**
- ▶ Continue to strengthen efforts to grow core businesses (three main domains) and improve profitability toward our future vision
- ▶ Started to consider specific strategies to develop new business areas with higher added value integrated into the core businesses (three main domains)



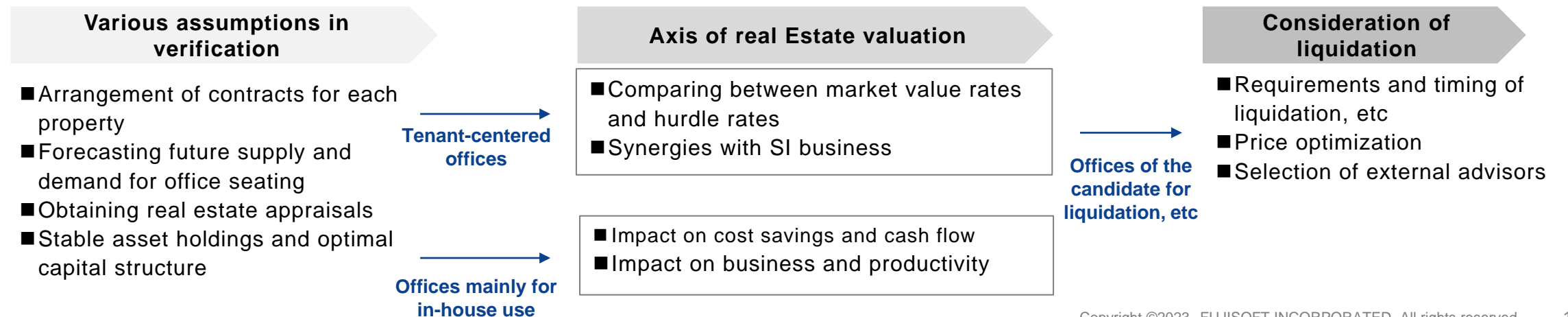


Real-Estate Examination WG

- ▶ As a result of the quantitative evaluations, **the Company plans to reduce the real-estate business**
- ▶ Based on the business policy and the work styles of employees, as well as office efficiency improvements through the consolidation of offices into the Shiodome office, **the company will proceed with specifics, including the appointment of new external advisors with expertise in liquidation schemes and price verification, for some offices in the Tokyo metropolitan area**

Future issues

- **Optimal scheme design**
 - When off-balancing real estate, consider the best scheme from liquidation, divestiture, sale-and-leaseback, spin-off, etc.
- **Future implementation process**
 - Appoint of new external advisors specializing in real estate
 - Execute liquidation, etc. at an appropriate time, taking into consideration office plans, impact on existing tenants, etc
 - Make specific disclosures as appropriate, taking into account the impact on related parties, etc
- **How to use the cash generated**
 - Cash generated from the liquidation of real estate, etc., will be allocated based on the company's long-term growth strategy investment and capital allocation policy.
- **Other**
 - Verify of real estate other than metropolitan area offices





Group Companies Examination WG

- ▶ **Review the basic policy and management policy** of the Company
- ▶ Evaluate each group company from a consolidated standpoint in a **both quantitative and qualitative perspectives**
- ▶ Examine issues from the state of the **corporate group with a view to future business strategies, and assemble group policies and strategies for the future vision**

Consideration points

Group policy review

- Group basic policy
- Respect for independence and mutual cooperation

Quantitative evaluation of group companies

- Evaluation of each group companies from a financial perspective of the parent company

Qualitative evaluation of group companies

- Organic arrangement of the group as a whole
- Evaluation on synergies



Future considerations

- Review and determine the optimal group structure and policies based on the business strategies of the parent company and the group as a whole
- When conducting group reorganization, take into consideration both the rights of minority shareholders and capital efficiency and conduct a realistic and optimal scheme
- Once the optimized scheme and timing have been decided, executive the best timing
- Review issues in the group management as well

Future review points in group management

- The state of group governance
- Optimized structure to best realize group synergies
- Business strategy including M&A from the perspective of strengthening existing business and building new business areas

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Future Promotion

- ▶ To split the Corporate Value Committee after the March 2023, General Shareholders Meeting
- ▶ The Corporate Governance Review WG will be the Governance Committee and independent of the Corporate Value Committee
- ▶ The Corporate Value Committee will consist of the Strategic Financial Management WG and three WGs, and will continue to primarily discuss business and capital efficiency

Corporate Value Committee



Governance Committee

- Chairman will be an outside director and majority of the committee consists of outside directors
- Ongoing consideration of what the institutional design should be
- The optimized Board of Directors and the Chairman of the Board
- Board effectiveness evaluation, internal director evaluation etc

Corporate Value Committee

- Compilation of mid-term measures to achieve the future vision
- Detailed consideration on real-estate liquidation
- Group policies and strategies



Disclaimer

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