

Fujitec Co.,Ltd.

Asset Value Investors Limited

TO: Board of Directors, Fujitec Co., Ltd  
 Uchiyama Takakazu, Okada Takao, Kato Yoshiichi, Asano Takashi  
*(independent directors)* Saeki Terumichi, Sugita Nobuki, Yamazoe Shigeru,  
 Endo Kunio and Yamahira Keiko

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### **Notice of Public Presentation**

We are writing this letter to bring to your attention a presentation which we have uploaded to our dedicated website, [www.takingfujitectothenextlevel.com](http://www.takingfujitectothenextlevel.com), calling on Fujitec to adopt fundamental reforms to address years of persistent underperformance.

Asset Value Investors (“AVI”) (“we”) on behalf of its clients own 3.4% of Fujitec’s shares and have been shareholders for almost two years. We have met with you and your representatives eight times and sent three letters.

We have discussed a variety of issues including low margins relative to peers, Fujitec’s undervalued share price, poor capital allocation and weak corporate governance.

In the absence of a formal response, management’s seemingly ambivalent attitude towards addressing years of underperformance and the Board’s recommendation to renew Fujitec’s anti-takeover measure, we have expanded our list of recommendations and are releasing these publicly in the interests of all stakeholders.

#### **Addressing Fujitec’s Key Failings**

We want to support Fujitec in becoming a best-in-class elevator and escalator (“E&E”) company focused on Asia, after-sales services, and technology. But the reality today is that Fujitec lags its global competitors in all relevant performance metrics: operating margins, ROE and stock valuation. Trading for a mere 6x EV/EBIT vs 19x for its listed global peers is just one symptom of underlying issues that need to be urgently addressed.

We analyse three interconnected areas that require fundamental reform: operational inefficiencies from years of bad strategy, undisciplined capital policy and weak governance.

#### **1) Operational Inefficiencies**

- Questionable strategic decisions have led to Fujitec’s failings, with the worst performance amongst its global pure-play E&E peers.
- Namely, Fujitec suffers a lack of scale, low outsourcing of manufacturing, centralised decision making, and scattered geographical focus.

## 2) Capital Inefficiency

- A weak strategy is connected to a poor allocation of Fujitec's capital resources.
- Instead of deploying capital rationally, it is being wastefully invested in excess manufacturing capacity, tied up in working capital or held back as an unproductive security blanket against future unknowns.

## 3) Weak Governance

- To focus strategy and impose capital discipline, Fujitec urgently needs to change its governance structure.

We outline detailed recommendations in our public presentation, but we are calling for the following immediate actions:

- 1) A comprehensive strategic review of the business, with the help of outside professionals, to outline a transformation plan, including the exploration of merger options with competitors;
- 2) Commit to divesting "strategic holdings" in other listed companies and establish a clearly defined and transparent capital policy;
- 3) Adopt a three-committee style board structure, giving independent directors authority to supervise management's execution of the transformation plan.

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We encourage all of Fujitec's board members to view our recommendations with an open mind and take the necessary actions to transform Fujitec into a better, stronger and more efficient company.

We look forward to continuing our discussions over the coming year.

Kind regards,

12<sup>th</sup> May 2020

Asset Value Investors Limited



CEO

Joe Bauernfreund

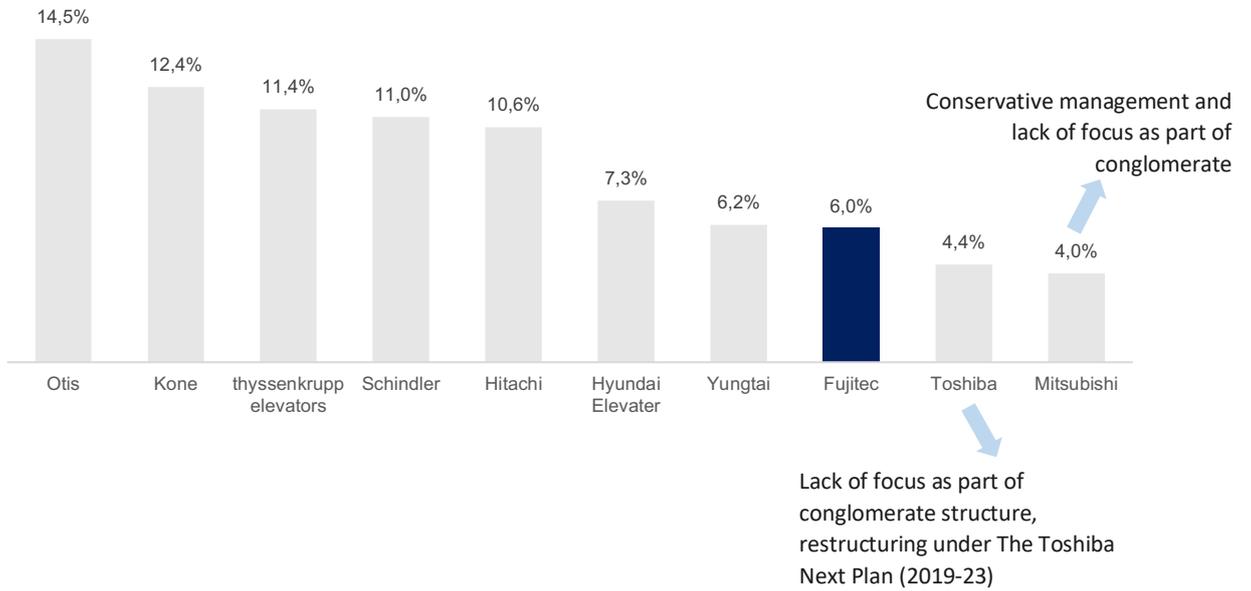


Senior Japan Investment Analyst

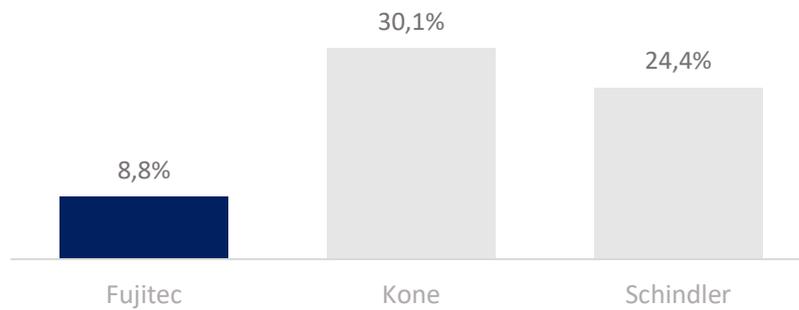
Daniel Lee

Charts Highlighting Fujitec's Underperformance

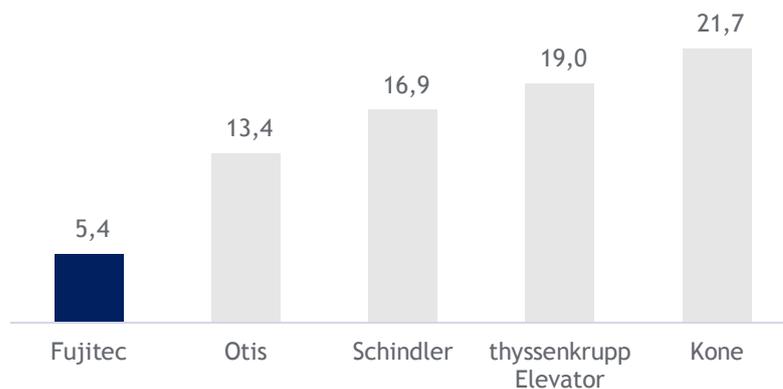
**Fujitec's Relative Operating Margin**



**Fujitec's Relative ROE**



**Fujitec's Relative EV/EBIT**



Fujitec's Potential Upside

