

1<sup>st</sup> April 2025

## **An initial reaction to the Third-Party Committee's report to the Board of Fuji Media Holdings and Fuji Television**

We are happy to note the release of the much-anticipated investigation report ("Report") of the Third-Party Committee on 31<sup>st</sup> March 2025. We have been further reassured by its Chairman, Mr. Takeuchi, that the Third-Party Committee was able to gather sufficient information and materials during its working period of two months and eight days to compile a detailed and comprehensive report. As a large shareholder of Fuji Media Holdings, Inc. ("FMH" or the "Company"), we would like to express our thanks and appreciation for the efforts of the Third-Party Committee.

The Report has highlighted the problems with FMH's governance structure that RSM has been focusing on since May 2024 and which have been the subject of our various letters to the Company. The Report finds, unsurprisingly, that Mr. Hieda has exerted a controlling influence over the management of FMH and Fuji Television Network, Inc. ("Fuji TV") for very many years, to the extent that his power has come to pervade the corporate culture of FMH and Fuji TV.

As stated in the Report, "Mr. Hieda determines all personnel decisions regarding the appointment of the Chairman and the President..." It continues, "Mr. Hieda decides who to appoint as Outside Directors of FMH, Outside Directors of Fuji TV, and Outside Director Audit Committee Members of FMH (who concurrently serve as Auditors of Fuji TV)."

It is not surprising that, given that Mr Hieda appointed the Internal Directors and invited his friends and acquaintances to serve as Outside Directors, the Board felt no urgency to end the 'Hieda era' of dysfunctional corporate governance and hand over management to the next generation. Worse, it appears obvious that management was not even aware that corporate governance was not functioning in the first place! It is not only Mr. Hieda, but all the members of the Board of Directors, who are responsible for the unprecedented crisis that has occurred as a result of membership of a group that has been ridiculed as an "Old Boys Club." Sadly, this is not an April Fool's Joke.

In our letter of 3<sup>rd</sup> February 2025 titled "Request for Implementation of Governance Reforms to Restore Trust", RSM demanded Mr. Hieda's resignation and added:

*"The Directors must not wait for the report of the Third-Party Committee, currently only expected to arrive at the end of March. They must act now before any additional financial damage is done through the loss of sponsorship."*

We were gratified that, in response, FMH and Fuji TV established the Revitalization and Reform Team to examine what steps should be taken to restore trust in the companies. For their swift action we believe both companies are entitled to some credit.

Nevertheless, the new management structure and Board composition was announced on 27<sup>th</sup> March 2025, without waiting for the results of the Third-Party Committee's investigation due only two business days later. In our view this shows that management was either aware of the contents of the imminent report and wilfully chose to disregard them or, worse, were completely indifferent to

the report and determined to ignore it, regardless of its contents. With Mr. Kanemitsu remaining as Chairman, Mr. Shimizu as President, and Mr. Mogi, Mr. Shimatani, and Mr. Saito, all friends of Mr. Hieda, also continuing as members of the Old Boys Club, nothing has changed. Indeed, these five Directors bear the management responsibility alluded to by the Third-Party Committee and were culpable in the sins of the past. It is impossible to fathom how they feel able to remain in charge.

If they are proposing to play only an interim role in implementing measures to restore confidence, then the timing of their departure must be clarified. At the press conference on 31<sup>st</sup> March 2025, President Shimizu was also asked this precise question. With the 'virtual car crash' we have alluded to in the past in danger of becoming a real one, his response was wholly inadequate. He gave no reason for the reappointment of the three Outside Directors, and volunteered nothing as to the timing of eventual departure of the five Directors.

The Report was clear that executive appointments, such as those at the top for Chairman and President, should function as "executive nomination governance" at the Board of Directors with key decisions being made with external accountability. The new management structure of FMH and Fuji TV, announced on 27<sup>th</sup> March 2025, was a far cry from a genuine "management overhaul," as it merely reduced the number of Directors, increased the ratio of female Directors, and lowered the average age of Directors, while the five offending members from the Old Boys Club continued to play the central management role.

At Mr. Shimizu's press conference on 31<sup>st</sup> March 2025, he was asked when he would restore the trust of the sponsors and advertisers so that they would return. He responded that it was up to sponsors to decide when or if they would come back, adding that he and his team would simply implement "measures to strengthen human rights and compliance." This is not leadership. Ironically, a weak press conference exposed the majority opinion of employees. A survey conducted by the Third-Party Committee indicated "people who are favored by Mr. Hieda get promoted regardless of their actual abilities or qualifications."

Further, the recent turmoil has made clear to the public that FMH's TV and media businesses have been declining for years under a management team that was asleep. Now, FMH has an opportunity to rethink the state of their TV and media businesses, to take bold measures that break with the past, and to create businesses that can compete globally. According to a statement from FMH, the Company plans "[to] appoint new personnel with knowledge and experience in the future of media...[and] to develop new business areas and promote reform of business processes." Looking at the faces of the newly appointed Directors, we have no confidence that any of this will happen. It is time to clean the Augean Stables at FMH and bring in new leaders to replace the Directors and Management that have led to this decline.



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