Kaname Capital

June 17, 2026

Fukuda Denshi Co., Ltd.

To the Board of Directors and the Board of Auditors

Letter of Inquiry to Your Company Following the Resignation of Chairman Fukuda

We have received your June 16 announcement of Chairman Fukuda's resignation. While we respect Chairman Fukuda's achievements over the many years he has led the company, we sincerely regret that, as the governance standards expected of listed companies have risen, a divergence that cannot be overlooked has emerged between the interests of the founding family and those of minority shareholders.

As we have continued to point out, your company's governance failure, and the resulting organizational stagnation, stem from Chairman Fukuda himself and the structure of deference around him; we therefore regard his resignation positively, as a step toward your company's renewal. By rights, however, your Board of Directors should have recognized Chairman Fukuda's management responsibility head-on and drawn a clear line through his dismissal. That it instead took the form of resignation avoids clarifying where responsibility lies and shows that deference to Chairman Fukuda still runs deep. **We do not believe that his resignation alone allows your company to make an immediate fresh start. Although Chairman Fukuda is said to be taking no position such as senior adviser or counselor, he remains a major shareholder, and indirect influence exercised through individuals close to him will likewise persist.**

We believe that, precisely now that Chairman Fukuda has resigned, a thorough re-investigation must be conducted without deference to him. This is necessary not merely to bring to light the economic losses to your company from his misconduct, but also to rebuild the organizational culture that turned a blind eye to it and to correct the "laxity" that — against the backdrop of misconduct by top management — appears to have spread even to regional sales subsidiaries and elsewhere.

In the first place, Chairman Fukuda's improper use of expenses, now come to light, is merely the tip of the iceberg symbolizing your company's governance failure. The shareholder derivative suit we have brought, now pending before the Tokyo District Court, concerns a private appropriation of the company on a far greater scale — namely, the arbitrary self-determination of director compensation over many years, the transfer of profits to the founding family through the share exchange with Atomic Sangyo, and the third-party allotment of shares to the founding family's foundation on favorable terms. To date, none of these has been verified by an independent third party.

Your company is a medical device manufacturer; its products are directly connected to the medical front line and to the lives and safety of patients, and its business rests upon the public's trust in the social insurance and public healthcare systems. Years of misconduct by top management, and an organizational culture that overlooked it, constitute a grave betrayal not only of shareholders but of healthcare professionals, patients, and the public as a whole; and in fulfilling your social responsibility as a medical device manufacturer, full clarification of the facts and prevention of recurrence cannot be avoided.

What is now required of your company is not to bring the matter to a close via inward-looking logic, but to incorporate an external, objective perspective into your management.

Your company should learn from the many corporate scandals of the past. In the recent case of Fuji Media Holdings, for example, its initial attempt to contain the situation through a limited in-house response instead did serious damage to the trust of its stakeholders — its business partners and shareholders foremost among them. It was only after a third-party committee investigation and review — one that reached into the organization's root problems, namely the concentration of power in a single individual and a dysfunctional governance structure — that Fuji was able to begin restoring trust. To avoid repeating that mistake, your company should not try to close the matter with a limited investigation by the Board of Auditors or the Chairman's resignation. Instead, it should pursue a thorough investigation by an independent third-party committee and exhaust every measure to restore the trust it has lost.

In light of the foregoing, **and so that this series of misconduct leads to fundamental organizational reform rather than being brought to a close with Chairman Fukuda's resignation alone, we request that your company respond publicly to the following five points by the day before the annual general meeting of shareholders scheduled for June 26, 2026.**

1) Regarding the conduct of a third-party committee investigation

As we have repeatedly noted, while your Board of Auditors' investigation has the merit of having established Chairman Fukuda's misconduct as fact, it is inadequate as an investigation. Numerous fresh allegations of misconduct have reached us, and the outside auditor who conducted it, Mr. Goto, has abruptly resigned; these and other signs make the cracks in that investigation plain. A third-party committee investigation is necessary to bring to light the full scope of Chairman Fukuda's misconduct, to dig into the organizational culture that permitted it and get to the root cause, and to build an effective system to prevent recurrence.

To date, your company has continued to dole out its responses to our points piecemeal — repayment by Chairman Fukuda, disclosure of a detailed version of its recurrence-prevention measures, and now Chairman Fukuda's resignation. But this has only made clear that no self-corrective mechanism is at work within your company, and you have lost still more trust. For your company, which rests on the public health insurance system, to win back the trust not only of shareholders but of a broad range of stakeholders, investigation and recommendations by a third party are essential.

2) Regarding the composition of the Board of Directors

Your company has withdrawn the proposal to appoint Chairman Fukuda and now puts forward, as the company's proposal, a board of ten directors. However, as we have pointed out, **the closeness of at least Mr. Genchi and Mr. Fukuda Masaru to Chairman Fukuda cannot be overlooked, and this closeness is likely to obstruct your company's future efforts to hold Chairman Fukuda accountable and build an organization no longer dependent on him.** We request that, in light of Chairman Fukuda's resignation, your Nomination and Compensation Advisory Committee reconsider its slate of director candidates.

3) Regarding Mr. Goto's resignation

Your outside auditor Mr. Keiji Goto resigned effective June 1, and your company has disclosed no reason for it whatsoever. **Given that Mr. Goto is also known as an expert in internal control and compliance, we take his resignation as a sign that there are grave doubts about your company's structure.** We request that your company promptly disclose the reason for Mr. Goto's resignation. We also request, by this letter, that Mr. Goto exercise his right to state his opinion at the annual general meeting of shareholders.

4) Regarding the shares held by Chairman Fukuda

Counting his asset-management companies and the like, Chairman Fukuda currently holds approximately 25%[1] of your company's shares. We believe that the size of Chairman Fukuda's shareholding has been the source of his absolute power. Accordingly, so that your company can remove his influence going forward and build a new management structure, **we request a review of the control structure, including the buyback and cancellation of the shares held by Chairman Fukuda.**

5) Regarding the officers' retirement benefit

We understand that your company plans to pay ¥812 million to one director upon retirement, as a lump-sum payment associated with the abolition of the officers' retirement benefit system (this year's convocation notice, p. 21). As this appears to be the amount scheduled to be paid to Chairman Fukuda, **we believe that, as he resigns in the wake of this series of misconduct, he will, as a matter of course, also decline to receive the retirement benefit; we request confirmation on this point.**

As set out above, **we cannot regard Chairman Fukuda's resignation as the end of our pressing of your company, and we intend to continue pursuing his accountability and exercising our shareholder rights until your company has built a new management structure aimed at enhancing corporate value.** We hope that your company will transform from what it has become under Chairman Fukuda's long-standing control — a company in which the board has grown entrenched, cash and deposits have piled up, and a complacent, do-nothing culture has set in — into a company capable of making proactive, forward-looking investments. And we believe that this, above all, is the best way to win back the trust of a broad range of stakeholders — healthcare professionals, patients, and the public as a whole. It is the role of the Board of Directors to build that structure.

This document has been prepared in both Japanese and English; the Japanese version shall prevail over the English.

Thomas O. Rodes
Chief Investment Officer

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Head of Research

[1] (Note) This percentage is calculated on a voting-rights basis against shares outstanding (excluding treasury shares), based on Fukuda Denshi Co., Ltd.'s semi-annual report ("Status of Major Shareholders" as of September 30, 2025; disclosed on EDINET). The approximately 25% (25.25%) figure is the sum of the holdings of: Chairman Kotaro Fukuda directly (9.56%); Century Sangyo Co., Ltd., an asset-management company controlled by the Chairman (10.86%) [source: that company's large-shareholding report, etc.]; Ms. Yuriko Fukuda (2.66%); and the Fukuda Memorial Foundation for the Advancement of Medical Technology, a public-interest incorporated foundation (2.17%). It does not include holdings of Fukuda-family-related parties that do not appear among the top ten major shareholders.