Shareholder Proposal

To Whom It May Concern,

Japan Absolute Value Fund L.P. (the "Proposing Shareholder"), which is managed by Kaname Capital L.P., hereby submits the following proposals pursuant to Article 303, Paragraph 2 of the Companies Act of Japan. As a shareholder of Fukuda Denshi Co., Ltd. (the "Company") continuously holding more than 300 voting rights for at least six months, we respectfully request that the items set forth in Section 1 below be included as matters to be addressed at the 78th Annual General Meeting of Shareholders scheduled for June 2025 (the "AGM"). We further request, pursuant to Article 305, Paragraph 1 of the Companies Act and Article 93 of the Ordinance for Enforcement of the Companies Act, that the outlines and reasons of the proposals described in Section 2 below be duly notified to all shareholders.

In the following text, the term "Proposing Shareholder" may also refer to Kaname Capital L.P.

Section 1: Matters to Be Addressed at the AGM

1. Partial Amendment to the Articles of Incorporation (Establishment of a Nomination and Compensation Advisory Committee)
2. Partial Amendment to the Articles of Incorporation (Composition of the Nomination and Compensation Advisory Committee)
3. Partial Amendment to the Articles of Incorporation (Referral of Employee Compensation to the Nomination and Compensation Advisory Committee)
4. Partial Amendment to the Articles of Incorporation (Referral of Succession Planning to the Nomination and Compensation Advisory Committee)

Section 2: Proposal Summaries and Reasons

Proposal 1: Partial Amendment to the Articles of Incorporation (Establishment of a Nomination and Compensation Advisory Committee)

(1) Proposal Summary

Add the following language after Article 25 of the current Articles of Incorporation, and renumber subsequent provisions accordingly. Should any other proposal, including company-sponsored proposals, be approved at the AGM and require formal adjustments such as renumbering, this article

should be deemed amended accordingly.

(Nomination and Compensation Advisory Committee)

Article 26: The Company shall establish a Nomination and Compensation Advisory Committee as an advisory body to the Board of Directors.

2. The Nomination and Compensation Advisory Committee shall deliberate on matters referred to it by the Board of Directors concerning candidates for director and matters relating to director compensation, as well as matters stipulated in these Articles of Incorporation. The Board of Directors shall respect the findings of the Committee.

3. Matters concerning the Nomination and Compensation Advisory Committee shall be governed by the Articles of Incorporation and the rules of the Nomination and Compensation Advisory Committee established by the Committee.

(2) Reason for Proposal

The Nomination and Compensation Advisory Committee, established by the Company in October 2022, is expected to play a vital role in enhancing the independence, objectivity, and accountability of the Board, especially since a majority of the Board is not composed of outside directors. However, the committee currently exists only as a voluntary advisory body and can be modified or dissolved at the sole discretion of the Board.

Given the strong influence of Chairman Fukuda, a founding family member, the independence of the Board is of particular importance. Therefore, it is appropriate to formally establish the Nomination and Compensation Advisory Committee in the Articles of Incorporation to ensure that any future amendment or abolition of the Committee is subject to shareholder approval.

Proposal 2: Partial Amendment to the Articles of Incorporation (Composition of the Nomination and Compensation Advisory Committee)

(1) Proposal Summary

Conditional upon approval of Proposal 1, the following article shall be inserted after Article 26, and subsequent articles renumbered. As above, any necessary renumbering or formal adjustments due to other proposals shall apply accordingly.

(Organization of the Nomination and Compensation Advisory Committee)

Article 27: The Nomination and Compensation Advisory Committee shall comprise no fewer than three and no more than five outside directors, appointed by mutual election among outside directors.

2. The Committee shall have a Chairperson elected by its members. The Chairperson shall preside

over and manage the Committee's operations.
3. A secretariat shall be established to support the Committee. Under the direction of the Chairperson, the secretariat shall handle meeting logistics, clerical duties, and preparation of minutes.
4. The Committee may, at the Company's expense, retain external experts such as attorneys, executive search firms, or consultants to obtain necessary advice or support.

(2) Reason for Proposal

As noted above, the Committee is expected to serve a critical governance function. However, according to board minutes disclosed to the Proposing Shareholder, the Committee met only three times during the year, with one meeting solely to determine the order of acting chairpersons. This calls into question the Committee's effectiveness in the nomination and compensation processes.

One key reason for this lack of effectiveness appears to be the participation of President Shirai as a member, thereby undermining the Committee's independence from executive influence. Limiting the membership to outside directors is widely recognized as the most effective way to ensure independence (see Aoki & Shimura, "Issues in Enhancing Effectiveness of Voluntary Nomination and Compensation Committees," *Shōji Hōmu* No. 2380, p.4).

Accordingly, we propose that the Committee consist exclusively of outside directors, be supported by an independent secretariat, and be authorized to retain external experts as needed to ensure robust deliberation.

Proposal 3: Partial Amendment to the Articles of Incorporation (Referral of Employee Compensation to the Nomination and Compensation Advisory Committee)

(1) Proposal Summary

Conditional upon approval of Proposal 1, the following article shall be inserted after Article 26, and subsequent articles renumbered.

(Referral of Employee Compensation to the Nomination and Compensation Advisory Committee)

Article 27: The Nomination and Compensation Advisory Committee shall deliberate and report to the Board of Directors by September 30, 2025 (or by another date deemed appropriate in unavoidable circumstances), on an appropriate range of salary increases for employees of the Company and its consolidated subsidiaries, taking into consideration the Company's improved performance.
2. The Company shall promptly disclose the contents of the Committee's report upon its completion.

Supplementary Provision

Article 1: Article 27 shall be deleted upon public disclosure of the Committee's report as described above.

(2) Reason for Proposal

From FY2014 to FY2024, the Company's operating profit more than doubled. While Chairman Fukuda's compensation rose 3.2x (and his bonus nearly 10x) during this period, average employee salaries at the parent company remained largely flat until modest 4–5% annual increases began in FY2022 amid general wage inflation.

The table below summarizes this disparity:

Fiscal Year (Ended March)	Consolidated Operating Profit (¥ million)	Avg. Employee Salary (¥ million)	Chairman Fukuda's Total Compensation (¥ million)	_Base Salary	_Bonus	_Other
FY3/2014	11,783	7.6	136	116	20	–
FY3/2015	10,303	7.8	136	116	20	–
FY3/2016	10,649	7.4	141	120	21	–
FY3/2017	12,062	7.5	154	122	31	1
FY3/2018	12,334	7.8	190	132	57	1
FY3/2019	12,645	7.8	232	146	75	11
FY3/2020	13,283	7.8	278	157	110	11
FY3/2021	19,811	7.7	349	165	170	14
FY3/2022	22,708	8.2	452	199	240	13
FY3/2023	24,093	8.4	434	228	195	10
FY3/2024	26,506	8.8	440	235	195	10

Notes:

- "Average Employee Salary" refers to the average annual salary of non-consolidated employees (i.e., employees of the parent company).
- "Other" includes miscellaneous forms of compensation not categorized as base salary or bonus.
- Figures are based on the Company's publicly disclosed financial reports.

This disparity suggests that the benefits of improved performance have not been appropriately shared with employees. The Company's success would not have been possible without their daily efforts, and appropriate rewards are essential both for fairness and for retaining talent critical to long-term value creation.

Online reviews from (former) employees echo these concerns:

- "The Fukuda family dominates. Employees are treated lightly."
- "Pay is too low for a medical device manufacturer."
- "Many leave because pay is lower than at rival firms."

We believe the Nomination and Compensation Advisory Committee—if independent from management—should address this matter. Last year, we submitted a similar proposal as a non-binding shareholder resolution, but the Board refused to present it at the AGM, citing legal inappropriateness. Notably, the Board previously allowed a separate non-binding proposal from us without raising legal objections, revealing inconsistency and possible avoidance of addressing this issue.

This time, we are submitting this as a binding amendment to the Articles to ensure shareholder deliberation. While some may argue that such amendments constrain management flexibility, this provision is temporary and aims to encourage early review of employee compensation by September.

Proposal 4: Partial Amendment to the Articles of Incorporation (Referral of Succession Planning to the Nomination and Compensation Advisory Committee)

(1) Proposal Summary

Conditional upon approval of Proposal 1, the following article shall be inserted after Article 26, and subsequent articles renumbered.

(Referral of Succession Planning to the Nomination and Compensation Advisory Committee)

Article 27: The Nomination and Compensation Advisory Committee shall formulate and report to the Board of Directors, by May 31, 2026 (or another appropriate date if unavoidable), a succession plan for the Company's Chairperson and President.

2. The Company shall promptly disclose the plan upon its formulation.

Supplementary Provision

Article 1: Article 27 shall be deleted upon disclosure of the Committee's formulated succession plan.

(2) Reason for Proposal

In 2025, Chairman Fukuda will turn 80 and President Shirai will turn 73, both of which are beyond typical retirement age. Chairman Fukuda appears to be preparing for retirement, as evidenced by a significant sale of Company shares via buyback in February 2024 and obtaining public interest certification for his foundation in April.

Past actions—such as the sponsorship of Chairman Fukuda's personal racing project "ARTA" and the display of classic cars in the Company's headquarters lobby—raise concerns that the Company may have been used to support personal interests.



(Description of the classic car displayed in the lobby of our Hongo office. Photo taken in June 2024.)

Recently, Chairman Fukuda, through entities believed to be his asset management companies (Tokyo Enterprise and Century Sangyo), established a vintage car restoration and exhibition facility near Mt. Fuji and acquired over 17,000 m² of land in Nasu, Tochigi Prefecture, suggesting a shift in his focus away from Company affairs.

If Chairman Fukuda has indeed lost interest in corporate management, there is no reasonable justification for him to remain as Chair. Despite our previous shareholder proposal highlighting the need for a succession plan, no such disclosure has been made. This lack of planning may discourage talented younger personnel and lead to talent attrition.

Furthermore, at last year's AGM, President Shirai stated that his appointment as President was made by Chairman Fukuda—raising concerns over the objectivity and transparency of executive

appointments.

In light of these facts, it is imperative that succession planning be conducted independently from management and assigning this task to the Nomination and Compensation Advisory Committee is appropriate.

We considered submitting this as a non-binding resolution. However, given the Board's past refusal to present such proposals, we are submitting this as a time-limited amendment to the Articles, like Proposal 3.