Kaname Capital

July 2, 2026

Fukuda Denshi Co., Ltd.
To the Board of Directors and the Board of Corporate Auditors
To the Third-Party Committee

Regarding the Establishment of the Third-Party Committee and the 79th Ordinary General Meeting of Shareholders

We acknowledge the establishment of the Third-Party Committee announced by your Company on June 25. Although it comes too late—a month and a half after the May 14 disclosure of the improper use, etc.—we nonetheless commend it as a sign that your Company means to meet its accountability to its stakeholders.

At the same time, it was announced at the opening of the General Meeting that a Corporate Governance Reform Project would be launched, with Director Ogawa serving as its project leader (a fact disclosed only after the meeting). Director Ogawa came to the Company from outside, is comparatively distant from former Chairman Fukuda, and has achieved a measure of success in the Company's *monozukuri* (manufacturing) reforms to date; we therefore consider him a fitting choice among the current directors. The project's basic policy also includes a generational handover of management talent and the dispersion and reinforcement of leadership through the creation of supervisory positions, and we support it in broad outline.

Yet even as these steps toward self-correction were taken, the way the General Meeting was subsequently conducted was unbecoming for a company that professes to be reforming its governance. We had received information beforehand that many employees had been asked to attend this year's General Meeting as shills (*sakura*) and to pose softball questions. Of the sixteen questions asked on the day, we consider that roughly half—inquiring, for example, into the drivers of the strong earnings or the sales status of new products—were highly general and superficial and were likely posed by shills in order to run out the clock. Conducting the proceedings by means of such shills infringes the right of ordinary shareholders to ask questions, and case law has likewise held that this cannot be regarded as the proper conduct of a general meeting at a listed company with a large body of ordinary shareholders[1]. We intend to examine this point further by inspecting the voting forms and related documents.

Moreover, every question addressed to a named director or corporate auditor was answered instead by the chair, President Shirai, and the substance of those answers was, without exception, devoid of specifics. We strongly protest that, at a General Meeting where—misconduct having occurred—the matters at hand ought to have been fully deliberated, the proceedings were conducted in so high-

[1] Tokyo District Court Decision of December 15, 2016.

handed a manner and the question-and-answer session was cut off after a mere 45 minutes. If your Company truly intends to rebuild its corporate governance and make a fresh start, it is precisely this posture that must change. The outside directors and outside corporate auditors, for their part, ought to question the executives' conduct of the meeting in this way.

We expect the Third-Party Committee to bring to light former Chairman Fukuda's wrongdoing and the organizational problems that allowed it to be tacitly condoned and carry them through to concrete improvement. Having witnessed the way your Company conducted its General Meeting, however, we are concerned about whether your Company genuinely intends to cooperate with the investigation and lay bare the true situation. We therefore set out publicly below the matters we ask the Third-Party Committee to bear in mind in conducting its investigation.

1) The expense usage of persons other than former Chairman Fukuda should also fall within the scope of the investigation

We have received information from multiple persons connected with the Company suggesting that improper expense use is suspected among executives besides former Chairman Fukuda. Were this true it would be deeply regrettable, but it is not difficult to imagine given your Company's organizational culture—one in which former Chairman Fukuda, at the very top, openly engaged in misconduct and compelled others to condone it. At the General Meeting, President Shirai flatly denied the possibility of expense misconduct by other executives; should that prove untrue, President Shirai's own responsibility ought likewise to be called into question. We ask the Third-Party Committee to examine the expense records of a broad range of executives and, where appropriate and in connection with (2) below, bring within the scope of its investigation the expenses incurred by such executives during their tenures in key posts at regional sales subsidiaries.

2) Regional sales subsidiaries should also fall within the scope of the investigation

Your Company has 43 domestic subsidiaries, centered on its regional sales subsidiaries. This structure makes locally rooted sales possible, and your Company has shown strength relative to its competitors in serving regional hospitals and clinics. At the same time, however, these regional sales subsidiaries have become "fiefdoms," and head-office control may not be functioning effectively.

We have received information concerning the blurring of public and private interests by executives of the regional sales subsidiaries, the pursuit of profit bordering on impropriety to secure rewards from the head office, and harassment and favoritism in personnel matters on the part of the heads of those subsidiaries. Were these also true, they would be deeply regrettable, and we are concerned that the head office's organizational culture has spread to the regions. We have further been told by persons connected with the regional sales subsidiaries that, when in the past they reported suspected misconduct to the head office, they were told that "matters concerning a sales subsidiary should be resolved within the sales subsidiary," and no investigation was carried out. If the head office has thus failed to engage adequately with regional problems, then no amount of investigation at the head office will bring those regional problems to light. Yet much of your Company's corporate value is created through sales activity in the regions, and the importance of this needs no elaboration. Accordingly, if

this Third-Party Committee investigation is to serve as an occasion for improving the Company's culture, the regional sales subsidiaries must also be brought within its scope.

3) The scope of the investigation should be settled only after the voices of employees and former employees have been carefully gathered

As noted above, we have received numerous voices from employees and former employees, raising problems within the Company. These ought properly to have reached the Company through such channels as its internal whistleblowing system, its Board of Corporate Auditors, and its outside officers, and to have been duly investigated. Given the governance failures that have persisted at Fukuda Denshi, however, we believe such voices were not adequately gathered and were instead passed over in silence.

That so many voices raising internal problems have been directed not to the Company but to us, a shareholder, is itself evidence that your Company's internal whistleblowing system and oversight structure were not functioning adequately.

This Third-Party Committee investigation is a valuable opportunity to gather up the voices of these employees and former employees and to expose organizational problems that have accumulated over many years. The Committee should therefore not confine itself to the questionnaires and reporting channels customarily set up in an ordinary third-party committee investigation but should establish highly confidential and independent procedures through which employees and former employees can come forward with peace of mind and more proactively. On that basis, and considering the information received, we believe the scope of the investigation should not be treated as fixed but should be expanded flexibly as the need arises.

4) The sequence of events following the discovery of the misconduct should itself fall within the scope of the investigation

As noted, this Third-Party Committee has been established a month and a half after the improper use, etc., was disclosed, and can be said to come too late. Over that period your Company first sought to close out the matter with nothing more than an internal investigation and a return of remuneration (May 14); belatedly disclosed a report of that internal investigation (June 3); announced former Chairman Fukuda's resignation only after we pressed further allegations of misconduct (June 16); and established the Third-Party Committee only on the eve of the General Meeting (June 25). Yet that General Meeting, as described above, can hardly be said to have deliberated the matters fully. In addition, on June 1 Mr. Keiji Goto, one of the outside corporate auditors responsible for the internal investigation, resigned; the reason was not disclosed, and at the General Meeting the explanation went no further than "poor health."

Your Company's response has thus been consistently "piecemeal" and "passive," and that response is itself emblematic of your Company's corporate character. We therefore believe this Third-Party Committee investigation should comprehensively address not only the misconduct itself but also the sequence in which management repeatedly sought to "close out the matter," the structure of deference

that prevented the Board of Directors from itself dismissing or suspending former Chairman Fukuda, and the nature of the internal instructions that went so far as to mobilize shills in order to avoid dialogue with shareholders.

5) Former Chairman Fukuda's past misconduct should also fall within the scope of the investigation

We have repeatedly pointed out that former Chairman Fukuda's misconduct and his treatment of the Company as personal property are not limited to the improper expense use revealed on this occasion, but have been long-standing and structural—encompassing related-party transactions with the founding family through Atomic Sangyo, the excessive remuneration he paid himself after authority over his own compensation was re-delegated to him, and the issuance of shares on favorable terms to a foundation established by the founding family. We brought a shareholder derivative action concerning these matters in 2024, and that litigation remains ongoing.

In bringing that derivative action, we first made a demand on your Company's corporate auditors to file suit; relying on the internal investigation, however, they concluded that there had been no unlawful conduct and declined to sue. It has since become clear that the internal investigation into the present misconduct suffered from numerous gaps and omissions, and that interviews were conducted only with individuals—such as the head of the secretarial section—who had condoned former Chairman Fukuda's misconduct or had themselves shared in its benefits. We are concerned that a similarly inadequate investigation may have been all that was carried out with respect to the matters at issue in the derivative action as well.

This Third-Party Committee investigation is the only opportunity for an independent body to collect and test evidence at your Company—an organization where former Chairman Fukuda reigned as representative director for 40 years and every decision was made in deference to him. Accordingly, to bring to light the true extent of former Chairman Fukuda's long-standing and structural misconduct, we ask that the matters we have raised in the shareholder derivative action also be included within the scope of the Third-Party Committee's investigation.

This letter has been prepared in both Japanese and English; in the event of any discrepancy, the Japanese version shall prevail.

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