Kaname Capital

August 31, 2026

Fukuda Denshi Co., Ltd.
Third-Party Committee

Re: Request Concerning the Investigation by Your Third-Party Committee

Dear Members of the Third-Party Committee,

In August of this year, Kaname Capital ("Kaname" or "we") received a letter (the "Letter") from a person with inside knowledge of your company, writing under the name "Masakoto Sano."[1] The Letter states, in specific terms, that the core problem at Fukuda Denshi is not the personal misuse of company assets by Kotaro Fukuda, the former Representative Director and Chairman ("Mr. Fukuda"), but the appropriation of the company by the current executive team led by President Daijiro Shirai ("President Shirai"), and that the Third-Party Committee's investigation has been designed so as not to reach that core.

The contents of the Letter are consistent with information we have obtained through other channels, and they raise serious questions, which cannot be overlooked, about the scope and reliability of the Third-Party Committee's ongoing investigation. We have therefore decided to make the Letter public, with passages that could identify its author redacted, and to renew our requests concerning the Committee's investigation.

1. What the Letter Says

(1) Appropriation of the Company by President Shirai and His Associates

The Letter states, first, that Mr. Fukuda's compensation of more than ¥400 million was not something Mr. Fukuda himself sought; rather, President Shirai inflated it to use it as the benchmark against which to raise his own compensation and his own share. Having kept Mr. Fukuda away from management by giving him a large pay package, President Shirai and his faction, acting through Managing Director Naoki Hisano ("Mr. Hisano") and Mr. Nomura, Executive Officer and General Manager of Human Resources and General Affairs ("Mr. Nomura"), have engaged in every form of abuse, from the misuse of expenses to exclusionary

[1] Masakoto Sano (1757–1784): a hatamoto retainer who cut down Tanuma Okitomo, a junior councillor and the eldest son of the senior councillor Tanuma Okitsugu, inside Edo Castle. Amid popular resentment of Tanuma's rule, he was afterwards celebrated by the common people as the "Great Deity of World Renewal" (yonaoshi daimyōjin).

personnel practices. That, the Letter says, is the reality of your company and the "root of the problem."

The examples the Letter gives include the following: President Shirai's personal dining and entertainment expenses are charged to the sales subsidiaries, because they would be detected if processed as head-office expenses; Mr. Hisano harasses and abuses his subordinates; Mr. Nomura abused the employee share-benefit plan in an attempt to acquire shares for himself (an attempt that, according to the Letter, was stopped by Mr. Fukuda and never completed); and Mr. Nomura has made harassment routine and has used personnel decisions to push out veteran employees loyal to the company.

The Letter also likens Mr. Fukuda to the company's "control rod" and describes Fukuda Denshi today, without him, as a reactor that has lost its control and cooling functions.

(2) How the Third-Party Committee Was Established and How It Operates

As to the Third-Party Committee, the Letter states that it was set up reluctantly, only after the Tokyo Stock Exchange told the company to do so, and that the selection of its members was arranged by the company's retained counsel, Yanagida International Law Office, making it a "fixed race" from the start. On scope, the Letter asserts that governance in general and the affairs of directors other than Mr. Fukuda were carved out, and that confining the investigation to matters around Mr. Fukuda was "settled" with the company side (Mr. Hisano, Mr. Nomura and others).

The Letter further states that the head of the secretariat supporting the Committee is the General Manager of the Legal Department whom Mr. Nomura recently hired; that everything, from the narrowing of the list of interviewees to what the interviewees say, passes straight through to the company side, so that there is no prospect of protecting the confidentiality of anyone who comes forward; that most employees are consequently avoiding the hotline, fearing that any submission will lead to their identification and to retaliation; and that Mr. Nomura is arbitrarily trying to exclude veteran employees who know the facts from the pool of those to be interviewed.

(3) Resignations of Outside Officers and the Officer Retirement-Age System

On the resignation of outside director Keiko Abe, the Letter states that Ms. Abe had asked, before the general meeting of shareholders, to be withdrawn as a candidate, but was put forward for election after forceful persuasion by Mr. Nomura and others and resigned only one month after her election. On the officer retirement-age system announced on July 31, the Letter states that its purpose is not generational change but to enable President Shirai and his associates to wrest the company from the Fukuda family and control it permanently, and that within the company it

is regarded as a foregone conclusion that the outcome will be “Shirai as Chairman, Hisano as President, and Nomura as Senior Executive Officer.”

2. Our Requests Concerning the Third-Party Committee’s Investigation

Since we first invested in 2019, we have criticized Mr. Fukuda’s treatment of the company as his personal property and have pursued his accountability through a derivative action and the series of letters we have published this year. If the Letter is accurate, however, the real governance problem at Fukuda Denshi lies in the conduct of President Shirai and his faction, and to emphasize Mr. Fukuda’s personal responsibility alone would be to misread the nature of the problem. We are seriously concerned that the Committee’s investigation will end confined to matters around Mr. Fukuda, and that it will end simply with President Shirai and his associates “taking over” the company from the Fukuda family.

Your Board of Statutory Auditors found in its report that “the President and several other directors who used the underground parking garage were aware of it, yet did not caution him and tacitly condoned it” (report, p. 11). President Shirai has held the office of President since June 2012, fourteen years in which he had both the duty and the authority to put a stop to Mr. Fukuda’s conduct. If, as the Letter suggests, that acquiescence served President Shirai’s own interests, keeping Mr. Fukuda content with a large pay package and away from management while quietly increasing his own compensation and control, then President Shirai’s responsibility must be examined squarely, and separately from Mr. Fukuda’s.

Following the findings of the Board of Statutory Auditors, Mr. Fukuda tendered his resignation on June 16, repaid in full the approximately ¥154 million identified, and, we understand, will take no advisory or consulting position. Mr. Fukuda has, at the least, left office, returned the money and accepted a measure of responsibility. President Shirai, by contrast, remains Representative Director and President, having done no more than return 40% of his compensation for three months. According to the Letter, he is now seeking to conceal his own fourteen years by laying every wrongdoing at the door of Mr. Fukuda’s forty-year rule, to use the retirement-age system to sever the founding family from the company, and to entrench a structure with himself as Chairman.

We are not in a position to verify the contents of the Letter ourselves. But the fact that a person with inside knowledge of your company chose to bring specific information to an outside shareholder such as ourselves, rather than to the Third-Party Committee’s hotline, is itself evidence that serious concerns about the Committee’s investigation exist within the company. The resignation of Ms. Abe only one month after her election likewise suggests that there may be circumstances within your company that warrant concern.

The view described in the Letter, that the scope of the investigation was confined to matters around Mr. Fukuda by arrangement with the company side and that what is said in interviews reaches the executive team through the company-side secretariat, goes to the very foundation of the investigation's credibility, and the mere existence of that view within the company may be deterring officers and employees from cooperating. In its notice to the company dated July 22, "Notice of the Establishment of a Hotline," the Third-Party Committee stated that "information as to who has provided what information, or who has responded, will be strictly controlled within the Committee and will not be seen by, or become known to, other officers or employees of the Fukuda Denshi Group." We ask the Third-Party Committee, in light of the Letter, to review the way its investigation is run, including the role of the company-side secretariat, and to re-establish arrangements under which officers and employees can provide information without fear.

We also renew the request we made in our letter of July 2: that the Committee extend its investigation to misconduct beyond Mr. Fukuda and to misconduct at the sales subsidiaries, and address the fundamental governance problems at Fukuda Denshi, including in particular the conduct of President Shirai and his associates described in the Letter and the process by which Mr. Fukuda's compensation came to be increased. These are matters the Committee can decide for itself, as part of the examination of "the role played by the Company's management" that falls within its terms of reference. We further ask the Committee to extend, for as long as necessary, the period for receiving information through the hotline and for conducting interviews, which is currently due to close on September 4.

Finally, a word to the current and former officers and employees of the Fukuda Denshi group. The Third-Party Committee has opened a dedicated hotline and accepts information submitted anonymously. Whether this investigation leads to genuine improvement in your company's governance depends on your cooperation. If you know of facts of the kind described in the Letter, such as the personal use of expenses by President Shirai and other current executives, expenses routed through the sales subsidiaries, the abuse of personnel authority, or the operation of the employee shareholding plan, please provide that information to the Committee.

Our objective is to rebuild the governance of your company. If President Shirai and his faction continue to be favored, nothing at your company will change. We firmly believe that your company has the potential, by investing in its products, technology and people more than ever before, to become a leader of Japan's medical device industry.

Postscript

Today, your company announced the resignation of Ms. Mihoko Nasu from the Third-Party Committee. According to publicly available information, Ms. Nasu had the most experience of third-party committee investigations of any member of the Committee: Mr. Fusamura had

previously been involved in none, and Mr. Nishimura in only one. That Ms. Nasu has resigned abruptly and without any explanation strongly suggests that, as the Letter indicates, there are problems with the structure and conduct of the Third-Party Committee's investigation.

Since revelations of former Chairman Fukuda's misconduct came to light, the resignations have now reached three: Mr. Goto, an outside statutory auditor; Ms. Abe, an outside director; and now Ms. Nasu. We ask the Third-Party Committee to take this fact seriously and to conduct a thorough investigation, with each of its members acting in accordance with his or her professional ethics.

In addition, now that the investigation assistants have been changed, following Ms. Nasu's resignation, from PwC Risk Advisory to KIC Co., Ltd., an extension of the investigation period is essential. As stated above, we strongly urge the Third-Party Committee to extend the investigation period for as long as is necessary to address the concerns about the investigation and to delve into the fundamental governance problems at your company.

This letter has been prepared in both Japanese and English. In the event of any inconsistency between the two language versions, the Japanese version shall prevail.

Respectfully yours,

Thomas O. Rodes
Chief Investment Officer

Nao Makino
Head of Research

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Attachment: Letter addressed to Kaname under the name "Masakoto Sano" (partially redacted). An unredacted copy will be provided separately, and solely, to the Third-Party Committee.