May 22, 2026

Fukuda Denshi Co., Ltd.
Board of Directors and Audit & Supervisory Board

Re: Inadequacy of the Response Letter and Renewed Demand for Establishment of a Third-Party Investigation Committee

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.

Dear Members of the Board of Directors and Audit & Supervisory Board,

On May 21, 2026 — the response deadline we had set — Fukuda Denshi delivered its reply. The reply refuses every one of our demands. On the points it does address, it is contradicted by what your own employees have told us. The reply is not an answer. It is a demonstration of why a third-party investigation is needed.

1. Investigation Framework

The Response Letter states that your Audit & Supervisory Board has independence and can conduct the investigation. However, **two of your statutory auditors are former employees of Kiraboshi Bank, your main bank, and according to our informants, Kiraboshi Bank has a substantial relationship with Chairman Fukuda — including the provision of foreign-exchange and settlement services in connection with his importation of luxury automobiles**. Accordingly, we cannot accept that former Kiraboshi Bank personnel possess sufficient independence in connection with an investigation of Chairman Fukuda's misconduct. **With respect to the remaining outside statutory auditor, our informant has described that individual as a "long-standing personal friend of Chairman Fukuda,"** so real independence is doubtful. It was precisely because we harbored doubts about the independence of your Audit & Supervisory Board from the outset that we submitted our investigation report first to your audit firm rather than to the Board.

The Audit & Supervisory Board's role under the Companies Act is to supervise the Representative Directors. The Company now asks shareholders to accept the conclusion that the Board has, in the past several months, supervised the Representative Director whom it failed to supervise for forty years — and found him not seriously deficient.

The Response Letter further states that the investigation was conducted "with the assistance of independent external experts, namely multiple attorneys, including through detailed review of accounting-related documents and interviews with the Subject and other related parties." However, the names of those attorneys, the documents reviewed, and the categories of related parties interviewed are not disclosed at all. Without this, external verification of the investigation's adequacy is impossible, making the conclusion not credible.

The fact this compromised committee tried to close this matter with an in-house investigation is itself the reason an in-house investigation will not close it.

2. Specific Points

(1) The Underground Parking Facility

Insiders at the Company describe the Hongo headquarters underground parking facility as follows: the designated capacity is up to 30 vehicles, but **on many days numerous additional vehicles were parked outside the designated parking area**. Access has in practice been restricted to the President, the Chairman's drivers, the Chairman's secretaries, and the building administrator. No other employee has been observed entering the facility.

The Response Letter notes that two company vehicles assigned to the Chairman and the President were also parked there. This is correct, and it is not a defense. The question is not whether the Chairman's collection of luxury automobiles shared the floor with two corporate vehicles. The question is what such a floor was doing in the basement of a publicly listed medical device company in the first place.

We have received numerous responses to our public outreach, including **an anonymous submission from a current employee stating that "no employee has ever seen the underground parking facility."**

(2) Private Use of Entertainment Expenses

Current and former employees have described the mechanism by which Chairman Fukuda settled entertainment expenses: **he first paid using his personal credit card and was subsequently reimbursed by the Company in cash**. Reimbursing millions of yen in entertainment expenses by cash, from the Company's safe to the Chairman's pocket, is not ordinary accounting practice. It is the textbook mechanics of off-the-books money. The Audit & Supervisory Board says it reviewed the documentation and confirmed that Chairman Fukuda paid personally. Of course it did. The personal payment was the first step of the scheme — and the only step that leaves a paper trail. The Board's assertions that "the relevant costs were borne by the Subject personally" and that this was "confirmed based on supporting documentation" are technically true and substantively meaningless.

A serious investigation must extend beyond the ledger to the movement of cash. The Board did not conduct such an investigation. It cannot now claim to have ruled out what it did not examine.

The Response Letter also asserts that, over the past ten years, no entertainment expense exceeded ¥1 million and dinners exceeding ¥400,000 numbered "a dozen or so." But the Company's own May 14 disclosure recognized ¥23.2 million in entertainment expenses "for which business relevance is unclear or doubtful." On the Company's own numbers, "a dozen or so" dinners at ¥400,000 to under ¥1 million produces, at most, between ¥4.8 million and ¥7.2 million. **The Response Letter cannot be reconciled with the disclosure the Company**

issued one week earlier. One of the two is wrong, and the Company owes shareholders an explanation of which.

(3) False Declarations on Expense Reimbursement Forms

Insiders have told us that **it is a fact that the attendees at entertainment events were falsely recorded, and because the documents submitted to the accounting department had already been falsified, an accurate understanding of the actual situation requires cross-referencing those documents against Chairman Fukuda's personal calendar and the records of the Secretary's Office**. The Audit & Supervisory Board did not interview the informants. It did not request the Chairman's calendar. It did not request the secretariat's records. It cannot find that something "was not confirmed" without having looked for it. And given the company culture, in which Chairman Fukuda's influence is pervasive, no employee can be expected to cooperate honestly with an investigation that the Chairman ultimately controls. Only a body independent of the Chairman can produce honest testimony — which is exactly why the JFBA Guidelines exist.

3. The History of Fukuda Denshi, and Renewed Demand

In closing, we wish to refer to Fukuda Denshi's own history. According to the 50-year corporate history in our possession, *A Half-Century with the Electrocardiograph* (『心電計と歩んだ半世紀』), the Company expanded its business following the founding of Fukuda Special Medical Electrical Manufacturing in 1939 (Showa 14). **In the mid-1950s, however, the Company was subjected to a large-scale tax-bureau audit involving a total of 250 inspectors, the conclusion of which required seven years. During this period, the Company's public image was damaged, and its management thrown into disarray.** The principal cause was that the Company's internal systems had not kept pace with rapid business expansion, resulting in the under-reporting of inventory valuations. The Company, however, treated the experience as a turning point and strengthened its management controls, later reflecting that

> *"In coming to greatness, what we learned from the tax-bureau audit was much, and great," and that "although we were forced to pay substantial back taxes, what we learned from that experience — though it cannot be expressed directly in monetary terms — was incomparably greater than the money itself."*
>
> (Source: *50 Year History*, pp. 76–77)

In addition, in 1962 (Showa 37), during the course of the tax-bureau audit, the founder Mr. Takashi Fukuda (then President) suffered a serious illness and was required to step away from management for approximately two years. As a result, performance initially deteriorated. This, too, was later reflected upon as follows:

> *"The company does not belong to me alone as the owner. It is the shared property of all the employees who participate in it. All employees are a community of fate and of profit. If such a management consciousness has taken hold, then even if the owner is forced to*

> *rest due to illness, some impact notwithstanding, everyone will cover for it. Such strength will well up. We must build the company into one in which everyone participates, in which a sense of shared community is properly internalized, and which operates on such a management philosophy."*
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> (Source: *50 Year History*, pp. 97–98)

Chairman Fukuda will reach the age of 81 this year. There is currently no successor from the Fukuda family at the Company. The influence of Chairman Fukuda, who has served as Representative Director for over 40 years, is absolute within the Company. Chairman Fukuda has, over four decades, turned his employer into his private "castle."[1] The garage of luxury cars in the corporate basement, the wines costing millions per bottle served to personal friends at company expense, the corporate facilities built to his personal specifications — these are not lapses. They are the system he built and operated, in plain view of officers who chose not to see. They are also only the portion of that system we have so far been able to document. **Our deeper concern is structural: the same unilateral decision-making that produced these abuses also governs personnel, evaluations, hiring, supplier selection, and capital expenditure. The Chairman's inner circle survives by deference. The business itself weakens accordingly.**

History rhymes. Fukuda Denshi today resembles the Fukuda Denshi of the mid-1950s — a company whose growth outpaced its governance, and whose reputation suffered as a result. The Fukuda Denshi of sixty years ago survived its tax-bureau audit and emerged stronger. **We are asking the Fukuda Denshi of today to do the same: to use a third-party committee to clear forty years of accumulated harm, and to begin again**. The Company cannot depend on Chairman Fukuda indefinitely. The succession question is already on the table whether the Company acknowledges it or not. A third-party investigation is how that question gets answered honestly, and how the traditions left by the Fukuda family — its actual traditions, not the recent caricature of them — become the foundation for the next generation rather than the casualty of it.

A JFBA-compliant third-party committee for a misconduct case of this scale typically requires three to six months and costs in the tens of millions of yen. Set against the ¥154 million in misconduct the Company has already admitted, and the multiples of that figure that remain unexamined, this is a trivial price for the credibility the Company currently lacks.

[1] According to informant testimony recorded in our Investigation Report (Initial Investigation) dated April 7, 2026 (p. 20), Chairman Fukuda described the rebuilt headquarters as "my castle" (「(本社は)自分の城」) and stated that "the underground parking facility was designed to accommodate many personal vehicles" (「地下駐車場は私用車がたくさん停められるように設計した」). The Report has been publicly available, in redacted form, as an attachment to our May 17 press release.

Chairman Fukuda, at his inauguration as President in 1985, on what management should look like. The subsequent forty years have demonstrated what it looks like when this principle is abandoned.


福田孝会長、福田孝太郎社長就任式典
（昭和60年７月31日）

"For all-employee participation in management to function, each person must be able to discuss matters frankly. For that, it is essential that we listen seriously to one another's views — and I myself wish to take the lead in listening to the voices within the company." — Fukuda Kotaro

Source: 50 Year History, p. 232

Forty years on, that promise has not been kept. We are now receiving numerous corroborating submissions from current Fukuda Denshi employees and from individuals describing themselves as personal acquaintances of Chairman Fukuda. The Response Letter is inadequate. Fukuda Denshi is structurally incapable of correcting itself.

Accordingly, we again demand that the Board of Directors and the Audit & Supervisory Board of Fukuda Denshi establish a third-party investigation committee in accordance with the Japan Federation of Bar Associations' "Guidelines for Third-Party Committees in Corporate Misconduct Cases," and conduct a comprehensive reinvestigation. We urge you to listen to the voices within the Company calling for elucidation of the facts and normalization of the corporate culture.

We request a written response to this renewed demand by **Friday, May 29, 2026**.

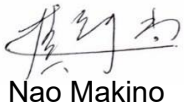
If a third-party committee is not established by Friday, May 29, 2026, we will publicly oppose the reappointment of Chairman Fukuda and the directors who have shielded him at the 79th Annual General Meeting of Shareholders on Friday, June 26, 2026. We will also continue to pursue redress by every means available and entitled to us — including the exercise of our rights as shareholders and every legal application available to us in judicial proceedings.

Sixty years ago, the National Tax Agency taught Fukuda Denshi a lesson that the Company has memorialized, in its own corporate history, as "incomparably greater than the money itself." We do not wish to see that lesson repeated. But we will not flinch from it either.

Respectfully yours,



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