

TSE Urgent Notice



Feb. 5, 2021
Listing Department
Tokyo Stock Exchange, Inc.

Request for Improvement Report and Public Announcement Measure

TSE has requested an Improvement Report and taken the Public Announcement Measure as follows.

*This decision is based on the results of the examination by Japan Exchange Regulation.

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| Company Name | OGURA CLUTCH CO., LTD.
(Code: 6408, Market Division: JASDAQ Standard) |
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| Improvement Report Submission Deadline | Feb. 22, 2021 (Mon.) |
| Provision | Securities Listing Regulations, Rule 502, Paragraph 1, Item (1)
(Due to disclosed information containing false statements and improvements being deemed highly necessary) |
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| Date of Public Announcement Measure | Feb. 5, 2021 (Fri.) |
| Provision | Securities Listing Regulations, Rule 508, Paragraph 1, Item (1)
(Due to disclosed information containing false statements and public announcement being deemed necessary) |
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| Reason | OGURA CLUTCH CO., LTD. (hereinafter "the Company") disclosed an investigation report of the special investigation committee concerning inappropriate accounting processing at the Company and corrections to financial results for past fiscal years on Dec. 16, 2020.
These disclosures revealed that two Chinese subsidiaries of the Company overstated inventory assets and that, at a U.S. subsidiary of the Company, a staff member in charge of accounting had misappropriated company funds. As a result, the Company was found to have made false disclosures in violation of the listing rules for earnings reports, etc. from the fiscal year ended Mar. 2016 to the first quarter of the year ending Mar. 2021, and the Company was also found to have |
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falsely reported negative net income attributable to owners of the parent company as positive, among other matters.

It was deemed that the following points contributed to the occurrence of these disclosures:

- The Company was overconfident that dispatching its officers and employees to the overseas subsidiaries would lead to the operational execution structures at the overseas subsidiaries being established and operated at a similar level as its domestic business bases, and thus did not establish any system to manage or sufficiently share information with said subsidiaries.

- At the Company, the method for sharing information and reporting lines were not clear. Moreover, there was no mechanism for swiftly examining and reporting responses to risk information when they are identified.

- At its Chinese subsidiaries, operations were conducted without a sufficient understanding of the importance of the specifications of the accounting system and the production management system nor taking inventory. As a result, even though there were deficiencies in the procedures when there were changes to production processes, erroneous or forgotten entries when recording incoming and outgoing shipments, and failure to take overall inventory, the Company had no structures in place for identifying and correcting such events, and did not appropriately correct discrepancies in inventory that were identified.

- At the U.S. subsidiary, the executive officer in charge of remittance operations did not properly engage in said operations nor sufficiently understand the remittance system. Due to this, the executive officer overlooked the situation that remittance operations were not being conducted in accordance with the procedures specified by the internal rules.

- Check-and-balances for the overseas subsidiaries at the Company failed to function, as evidenced by inadequate audits on the overseas subsidiaries due to personnel shortage in internal audit divisions.

Based on the above, this case involves disclosures that were deemed to be false caused by inadequacies in the system of the Company to appropriately conduct timely disclosure, thereby considerably impacting investor decisions. Improvements in the Company's system for timely disclosure are deemed highly necessary. TSE requires the Company to submit a report containing the events leading up to the issues and improvement measures.

In addition, as this case is deemed to require public announcement, TSE implements the public announcement measure.

* After submission of the Improvement Report, etc. by the Company, they will be made available on the JPX website and through the TDnet database service.

Improvement Report, etc. that are currently available for public inspection can be found on the following page of the JPX website (<https://www.jpx.co.jp/listing/market-alerts/improvement-reports/index.html>) (available only in Japanese).

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