

# TSE Urgent Notice



Nov. 22, 2024  
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.

1. Company Name FINE SINTER CO.,LTD.  
(Code: 5994, Market Segment: Standard Market)
2. Improvement Report Submission Deadline Dec. 20, 2024 (Fri.)  
  
Reason (Related Clause) Due to disclosed information containing false statements and improvements being deemed highly necessary  
(Securities Listing Regulations, Rule 504, Paragraph 1, Item (1))
3. Date of Public Announcement Measure Nov. 22, 2024 (Fri.)  
  
Reason (Related Clause) Due to disclosed information containing false statements and public announcement being deemed necessary  
(Securities Listing Regulations, Rule 508, Paragraph 1, Item (1))
4. Details of Reason FINE SINTER CO.,LTD. (hereinafter "the Company") disclosed an investigation report of the special investigation committee concerning inappropriate accounting processing at the Company and one of its subsidiaries along with corrections to past earnings reports on Sep. 30, 2024.  
These disclosures revealed that under the direction of the former president, the Indonesian subsidiary of the Company had understated costs by recording fictitious inventory assets and did not record impairment loss accordingly. In addition, one of the Company's factories in Japan was found to have understated costs by delaying disposal of inventory assets with approval or tacit approval of multiple directors. As a result, the Company was found to have made false disclosures in violation of the listing rules for quarterly earnings reports, etc. from the fiscal year ended Mar. 2021 to the fiscal year ended Mar. 2024, and as a result of the consequent corrections to

past earnings reports, it became clear that the Company's operating profit and ordinary profit would be reduced by more than 30% for the fiscal year ended Mar. 2021, and net income attributable to owners of the parent company for the fiscal year ended Mar. 2022 would turn to negative instead of positive, among other matters.

The following points were identified as the main reasons for these disclosures.

- In a situation where it is difficult for local employees to express their opinions to expatriates who have a lot of power in terms of position and authority, the checks and balance system among expatriates such as directors at the subsidiary was also weakened for reasons such as the same personnel continuing to be in charge.
- The Company's management system for its overseas subsidiaries was inadequate. For example, in a situation where the roles expected of the accounting department of the Company had been expanded and its workload was excessive, the Company had stopped adequately conducting financial analysis of subsidiaries including overseas subsidiaries at the end of each fiscal year, and had not conducted internal audits of its Indonesian subsidiary for over 10 years.
- Many of those involved in the disposal of inventory assets in the Company were unaware that there were any rules involved, and such rules were not being applied as they should be. The accounting system for inventory assets was not adequately developed, as for instance, there were no clear rules for valuation losses on inventory assets.
- The whistle-blowing system was inadequate as instanced by such facts as that the Indonesian subsidiary did not have such a system and that the Company's whistle-blowing system did not cover overseas employees.

As described above, this case involves false disclosures that can be considered to have a substantial impact on investors' investment decisions caused by inadequacies in the Company's management system for its overseas subsidiaries and in the Company's operations pertaining to accounting processing for inventory assets. As such, improvements in the Company's system for timely disclosure are deemed highly necessary. While the Company has already disclosed on Sep. 30, 2024 measures to prevent recurrence of such incidents, TSE has decided to require the Company to submit a report that includes the circumstances behind the incident and the Company's measures for improvement in order to encourage the Company to thoroughly implement such measures.

In addition, as this case is deemed to require public announcement, TSE has decided to implement the Public Announcement Measure.

\* After submission of the Improvement Report by the Company, it will be made available on the JPX website (<https://www.jpx.co.jp/listing/measures/improvement-reports/index.html>) and through the TDnet database service (both available only in Japanese).

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