

TSE Urgent Notice



Oct. 10, 2025
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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| 1. | Company Name | KASAI KOGYO CO.,LTD.
(Code: 7256, Market Segment: Standard Market) |
| 2. | Improvement Report Submission Deadline | Nov. 11, 2025 (Tue.) |
| | 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 | Oct. 10, 2025 (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 | <p>KASAI KOGYO CO.,LTD. (hereinafter "the Company") disclosed corrections to its past earnings reports and the circumstances and underlying causes leading to these corrections on Oct. 8, 2025.</p> <p>These disclosures revealed the following, among other things. The Supply Chain Management (SCM) department of KASAI MEXICANA S.A. DE C.V., a subsidiary of the Company (hereinafter "the Subsidiary"), reissued purchase orders at its own discretion, which resulted in an overstatement of accounts payable. Subsequently, the former president, the accounting manager, and others of the Subsidiary, who doubted the validity of said overstatement, treated the accounts payable past their payment due date as excessive liabilities and removed them from the books each quarter. This ultimately led to an understatement of accounts payable.</p> <p>As a result, the Company was found to have made disclosures that were deemed</p> |

false and in violation of the listing rules in its earnings reports and quarterly earnings reports from the first quarter of the fiscal year ended Mar. 2023 to the second quarter of the fiscal year ended Mar. 2025. Consequent corrections to the Company's past earnings reports revealed that ordinary profit would decrease by at least 40% for the fiscal year ended Mar. 2024 and that net loss attributable to owners of the parent company would increase from JPY 313 million to JPY 1.559 billion for the same period. Please note that the Company also corrected its earnings reports in Jun. 2023 and Jul. 2024 as a result of issues involving the same Subsidiary.

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

- The Subsidiary's officers and employees carried out accounting processes without sufficient examination or understanding of the impact on financial information. For example, the Subsidiary's SCM department reissued purchase orders at its own discretion, and the Subsidiary's former president and accounting department removed accounts payable from the books by treating them as excessive liabilities, without prior reporting to or consultation with the Company.
- The Company's subsidiary management system was inadequate. For example, even after the past corrections to earnings reports, the Company did not conduct in-depth financial analysis of the Subsidiary or regular reporting of analysis results to the management. In addition, the Company did not maintain a system such as assigning an accounting manager to the Subsidiary on an ongoing basis to manage its financial closing operations, resulting in insufficient understanding and oversight of the Subsidiary's actual accounting practices and business processes.
- The Company did not have a sufficient system in place to conduct audits of its overseas subsidiaries. Its internal audit department was supposed to perform internal audits of its subsidiaries as part of its subsidiary management practices, but the department consisted of only one to two staff members, a number extremely small in proportion to the size of the Company.

As described above, this case involved false disclosures that could have a substantial impact on investors' investment decisions and that were made as a result of inadequate verification and understanding by the Subsidiary's officers and employees regarding the impact on financial information, as well as deficiencies in the Company's subsidiary management system. Considering that the Company has corrected its earnings reports multiple times as a result of events involving the same Subsidiary, TSE deems that improvements to the Company's timely disclosure system are highly necessary. While the Company has already disclosed recurrence prevention measures on Oct. 8, 2025, 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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