



## Translation

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### Notice Regarding Progress of Recurrence Prevention Measures

As Tamura Corporation (the "Company") announced in the notice titled " Notice Regarding Formulation of Recurrence Prevention Measures and the Voluntary Return of a Portion of Executive Compensation" published on December 24, 2024, the Company has formulated and announced recurrence prevention measures based on the recommendations of the external investigation team. We would like to report the current progress of these measures as follows:

## **1. Summary of the Progress of Recurrence Prevention Measures**

### **(1) Ensuring Awareness of Compliance and Proper Accounting Practices**

- 1) Strengthening Internal Controls and Governance
  - In February's financial results briefing, our top management announced externally that the entire company is united in preventing recurrence of this issue, strengthening internal controls, governance, and compliance, and reforming corporate culture. Additionally, messages have been communicated internally through town hall meetings and other channels
- 2) Awareness, Education, and Training on Compliance and Financial, Accounting, and Related Matters
  - We are currently selecting programs for accounting and compliance education targeted at our management, with the aim of implementing them in the first half of fiscal year 2025. Additionally, relevant departments are preparing manuals and guidelines for important accounting procedures.

### **(2) Strengthening Subsidiary Management System**

- 1) Enhancing Monitoring and Communication by Headquarters
  - The headquarters' finance department has commenced regular meetings with the finance departments of each subsidiary.
  - We have incorporated the recent incident as a theme in the compliance training for managers conducted internally, aiming to reinforce the rules and awareness related to compliance



- To maintain the effectiveness of controls at overseas subsidiaries, we have implemented personnel transfers for expatriates who have had long tenures at these subsidiaries. Additionally, we have conducted personnel transfers within the overseas subsidiaries based on tenure and other factors
- We will establish a new department on April 1, 2025, to promote business reforms across the group companies, including overseas subsidiaries.

#### 2) Establishing Responsible Response and Handling Flow for Fraud and Compliance Violations

- We are currently reviewing the relevant regulations to establish response procedures for incidents of fraud and compliance violations in the first half of fiscal year 2025.
- Regarding incidents that occur at overseas subsidiaries, the department established to promote business reforms across group companies, as mentioned in point 1), will serve as the information hub and will lead the response in coordination with relevant departments.

### **(3) Strengthening Internal Controls for Two Consolidated Subsidiaries in China**

- We have included the two Chinese consolidated subsidiaries involved in the recent incident as subjects for internal control evaluation related to business processes.
- We have strengthened our control measures for aging avoidance and journal entry manipulation identified in the recent investigation, while also implementing new business processes. Additionally, we are currently considering the implementation of system-based measures to prevent fraud and retrospectively check.
- The Integrated Audit Department conducted an independent evaluation of the implemented business processes.

### **(4) Expansion and Dissemination of the Internal Reporting System**

- We are currently working with external experts to specifically consider improvements and expansions to the existing internal reporting system, aiming to enhance its convenience for overseas subsidiaries.
- The top management has been communicating the importance of the internal reporting system and the thorough protection of whistleblowers to all group employees through town hall meetings and other channels.

### **(5) Strengthening Internal Audit Functions**

#### 1) Sharing Risk Information with the Integrated Audit Department

- We are currently reviewing internal reporting methods to ensure that various risk information is shared in a timely manner with the Integrated Audit Department and other relevant entities in the first half of fiscal year 2025.
- In conducting internal audits, we will gather a broader range of risk information related to audit targets in advance and verify the situation during the audit.

## 2) Selection of Audit Items Based on Risk

- Based on the various risk information identified in advance, we will select key audit items on a risk-based approach according to the characteristics of the audit targets.
- In conducting internal audits related to accounting, we will perform pre-detection of unusual journal entries and, in cases where such entries are identified, we will focus on verifying them during the audit.

### **(6) Review of Aging Rules (\*)**

- Regarding the review of the content and implementation methods of aging rules, we are consulting with the accounting audit firm, taking into account the opinions of the practitioners, to determine whether revisions are necessary.
- We have established the aging rules as internal regulations and thoroughly communicated their purpose, importance, and the prohibition of inappropriate avoidance to all group employees.

(\*) The internal rule of our group involves recording inventory valuation losses through reclassification processing based on predetermined provisioning rates for each location and item according to the inventory holding period.