

February 8th, 2021

Notice regarding Establishment of Special Investigation Committee, and Outline of Misconduct at Tokyo Seimitsu's Consolidated Company

Company name: TOKYO SEIMITSU CO., LTD.

(Stock code: 7729, Tokyo Stock Exchange 1st Section)

Representative: Hitoshi Yoshida, President and CEO

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TOKYO SEIMITSU CO., LTD. (the Company) resolved at its Board of Directors Meeting held on February 8th, 2021 establishment of a Special Investigation Committee (the Committee) as of the same date and commencement of investigation in order to clarify the whole truth of the misconducts announced through “ Notice regarding misconduct at Tokyo Seimitsu's Consolidated Company” on February 5th, 2021 (the Misconducts). The Committee consists of external experts and an external corporate director who have no interest with the Company group.

In addition, the Company informs an outline of the Misconducts as set out below.

The Company expresses its most sincere apologies to shareholders, suppliers, customers, and all other stakeholders for any concern or inconvenience caused on this occasion.

1. Establishment of a Special Investigation Committee

(i) Purpose of the establishment of the Committee

- To clarify the whole truth of the Misconducts
- To investigate impacts to consolidated financial statements
- To investigate if there are similar misconducts at that consolidated subsidiary or not
- Root cause analysis and suggestion of recurrence preventive measures
- Other issues that are determined as necessary by the Committee

(ii) Committee members

Chairman: Mr. Kaku Hirao (Lawyer, Nishimura & Asahi)

Committee member: Mr. Tomotaka Iwata (Certified Public Accountant, KPMG FAS)

Committee member: Mr. Jun Katsube (Lawyer, Nishimura & Asahi)

Committee member: Ms. Yuriko Sagara (Lawyer, Nakamura & Partners, an external director of the Company, an Audit and Supervisory Committee Member)

(iii) Future course of actions

The Company will fully cooperate with the investigation by the Committee. Once an investigation report is ready, the Company will take all the necessary actions including a timely disclosure.

Impacts to the Company's business results are now under investigation. The Company will immediately announce them once the Committee's investigation results are confirmed and discussion with our auditing firm is completed.

2. An Outline of the Misconducts confirmed through an internal investigation

(i) Company where the Misconducts confirmed : Tosei Engineering Corp. (A fully owned consolidated subsidiary company of the Company)(the Subsidiary)

(ii) An outline of the Misconducts confirmed through an internal investigation to date

a) Embezzlement by former president of the Subsidiary

There is a possibility that former president embezzled total ¥120 million pretending to place orders to a supplier for about 10 years.

b) Inappropriate transaction through collection of long overdue trade and accounts receivable

There is a possibility that, to settle long overdue trade and accounts receivable from an overseas customer, the Subsidiary collected them through incorrect scheme by which the overseas customer sold its inventory to the Subsidiary's affiliate in China amounting to about ¥360 million.

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