

Notice of Receipt of Investigation Report by Internal Investigation Committee and Our Response

As described in the following three notice;

"Notice of Postponement of Financial Results of FY2023 and Establishment of an Internal Investigation Committee" dated February 9, 2024,

"Status of Internal Investigation into Inappropriate Cost Management" dated February 22, 2024,

"Interim Report on the Internal Investigation into Inappropriate Cost Management" dated March 26, 2024,

there was a case of the cost transfer (the "Cost Transfer") which was reported by our employee. In this case, personnel expenses, etc. were transferred one business to another business. In response to the occurrence of the Cost Transfer, we have established the Internal Investigation Committee. Then we have investigated the facts and the existence of similar cases, examined the impact on our financial figures, and considered measures to prevent recurrence.

Of the contents of these investigations, the facts related to the Cost Transfer, the summary of the existence of similar cases, the impact on our financial figures, and the results of each point of the corrective actions are already described in "Interim Report on the Internal Investigation into Inappropriate Cost Management".

Now, we have completed the analysis of the cause of the Cost Transfer and the consideration of recurrence prevention measures, and received the investigation report from the Internal Investigation Committee today. By the receipt of the investigation report, we have decided on the following measures.

1. Report of the Internal Investigation Committee

The Cost Transfer is that the employee who reported this case transferred the cost to another business for the purpose of avoiding one consignment business to be in the red from fiscal 2021 to fiscal 2023. The employee was a manager of the subject department.

In order to investigate whether the transfer of costs has spread to us or our group companies, we have also conducted a questionnaire survey on the existence of similar projects.

As a result of the above questionnaire survey, it was confirmed that 65 of the 832 survey subjects (including 2 from our group companies) had implemented, instructed, or cooperated in the transfer of costs.

The details are as shown in the attached investigation report.

2. Our Response

(1) Dispositions by Relevant Parties

We will strictly punish the employee who carried out the Cost Transfer in accordance with our internal rules. In addition, the Board of Directors resolved to take the following actions to clarify management responsibilities.

- Tetsumi Nakamura, Representative Director, Chairman As President and Representative Director and President (at the time)
Reduction of Directors' compensation by 30% for 2 months
- Naoto Suzuki, Director, Senior Managing Executive Officer (As the Chief of Administration Headquarters at the time)
Reduction of Directors' compensation by 20% for 2 months
- Toshihide Uemura, Director Managing Executive Officer,(As Managing Principal of Kyushu Office)
Reduction of Directors' compensation by 20% for 2 months

The former director, who was the Managing Principal of the office where the employee who reported the Cost Transfer was working at the time, will voluntarily return the director's compensation by 30% for 2 months.

In addition, as a result of the investigation of similar projects, the executive officers compensation who was the head of the business site at that time will also be reduced.

(2) Safety Actions

The Internal Investigation Committee recommended measures to prevent recurrence, such as strengthening the approval process for the monthly report, strengthening the approval and monitoring process for the execution budget, reinforcing compliance education, and fostering a corporate culture that avoids inappropriate cost management. We will promptly take concrete measures to improve our system.

[Attachments]

Investigation report on inadequate cost management

(note) Translated version to be provided at our HP(<https://www.ctie.co.jp/english/>)