November 21, 2024

(updated：December 12, 2024)

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Receipt of the Special Investigation Committee Report and Our Actions Going Forward (update)

As described in the “Notice of the Possibility of FANUC ROBOCUT for Europe being Subject to Tests which were Non-Compliant with EMC Harmonized Standards and Establishment of a Special Investigation Committee,” dated April 24, 2024 and “Notice of the Appointment of a Member of the Special Investigation Committee,” dated May 10, 2024, there were suspicions that ROBOCUT (FANUC’s wire electrical discharge machine) products manufactured and sold by FANUC, had been tested in a manner that did not conform to the European harmonized standards of the EMC Directive. Since then, shipments of ROBOCUT to the European market were suspended. Furthermore, we decided to set up a Special Investigation Committee, which was comprised of experts from outside the company and commissioned an investigation into the above-mentioned suspicions and whether there are any similar cases.

Today, we have received the investigation report from the Special Investigation Committee and would like to inform you of the following. Please note that, as stated in the “Notice of Resuming Shipments of ROBOCUT Products (FANUC’s wire electrical discharge machine),” dated July 29, 2024, and August 27, 2024, shipments of the European-specification ROBOCUT products with the relevant countermeasures, had already been resumed.

We deeply apologize for the situation that has resulted in the loss of trust from our customers and stakeholders due to inappropriate actions related to ROBOCUT products. We would like to inform you that we sincerely accept the facts, cause analysis, and recommendations for preventive measures identified by the Special Investigation Committee, based on which, we have decided on our

response measures. Moving forward, in order to ensure that such incidents never occur again, the entire company will work together to implement, thoroughly enforce, and continuously review and improve preventive measures.

Details

1. Investigation Results of the Special Investigation Committee(Updated)

Regarding the investigation results of the Special Investigation Committee, please refer to the attached “Report on Results of the Investigation (Disclosure Version)”. Please note that certain parts of this report have been simplified or redacted to protect personal and confidential information, etc.

2. Actions Going Forward

We sincerely accept the investigation results and recommendations of the Special Investigation Committee, and we will implement the following preventive measures.

（1） Further enhancing compliance awareness and continuously conducting education and training, etc.

① Aiming to further enhance compliance awareness, we will once again build awareness of compliance as first priority through continuous education and training on morals and ethics.
② In parallel with continuous education and training on applicable laws, regulations, and standards, including the EMC Directive, we will further strengthen our compliance system by recruiting and developing personnel with relevant expertise.
③ Further disseminate and enforce internal rules for compliance with the EMC directives and related laws and standards.

（2） Strengthening the compliance system for laws and mandatory standards related to the EMC directives, etc.

① In order to ensure the objectivity of certification tests such as EMC tests, thoroughly implement the attendance and involvement of departments independent of research and development departments during the tests.
② In order to clearly explain the technical basis for the legality of the

adopted methods and conditions for the EMC test etc., reconstruct, and disseminate and enforce rules for the proper recording and safekeeping of the necessary information, including test data.

③ Reconstruct the system to ensure that the measures taken for test equipment during the research and development stage to comply with EMC directives and other laws and standards are fully applied during the mass production stage.

④ Ensure opportunities to objectify specialized knowledge of EMC directives, etc., through interactions and communications with external research institutions and organizations etc.

（３） Strengthening the quality audit system

① With the risk of quality fraud in mind, focus on expanding audit checklist items that are designed to detect quality fraud during quality audits.

② Ensure the independence of the internal quality audit department and strengthen its authority.

（４） Enhancements and improvements in personnel policies

① Mitigate and resolve the stagnation of personnel assignments through transfers and other measures.

② Clarify the perspectives of compliance and quality control in our company’s personnel evaluation criteria.

（５） Improvement of the overall organizational culture, etc.

① It is executives that should take personally the occurrence of inappropriate actions such as those in this case and continue to lead by example in practicing compliance and quality control.

② Through the continuous implementation of measures such as compliance training for entire company including executives and senior employees, foster a corporate culture that not only values compliance and quality control but also ensures that negative information is appropriately reported, creating a more open and transparent environment.

3. Reduction of executive compensation

We took this incident seriously and have decided to reduce the monthly compensation of the relevant executives as follows.

Director, Chairman	30% of monthly compensation × 2 months
Representative Director, President and CEO	30% of monthly compensation × 2 months
Senior Managing Officer, General Manager, Robomachine Research & Development Divison	20% of monthly compensation × 2 months

4. Impact on Financial Results

The impact of this matter on our consolidated financial results is minimal. If it is determined that it will have a significant impact on future financial results, we will inform you promptly.

We have upheld the basic principles of “Genmitsu (Strict Preciseness) and Tomei (Transparency). “Genmitsu (Strict Preciseness)” means that a company will last forever and be sound with strict preciseness, and “Tomei (Transparency)” means that the corruption of an organization and downfall of a company start from a lack of transparency. These principles indicate the importance of maintaining strict standards in all aspects of management, promptly reporting bad news to the top management, and mobilizing the entire company’s resources to address and resolve issues. In light of the recent situation, as pointed out in the investigation report, we sincerely acknowledge that we have not been able to fully penetrate and enforce these fundamental principles. With a strong emphasis on compliance as first priority, we will strive to create an open organization where even bad news can be easily reported. The entire company will work together to prevent recurrence.

We would like to apologize deeply to our customers and all stakeholders for causing much distress and inconvenience.

End

November 21, 2024

To: FANUC CORPORATION

Report on Results of the Investigation concerning the Doubt of Conducting Tests which were Non-Compliant with the Harmonised Standards Pursuant to the EMC Directive

(Disclosure version)

Fanuc Corporation Special Investigation Committee

Chairperson: Kenichiro Horio, Professor Emeritus of Saitama University

Member: Hideki Asai, Professor Emeritus of Shizuoka University

Member: Shuichi Yoshikai, Attorney-at-law and former President of Tokyo High Court, TMI Associates

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I Background and purpose, etc. of the Investigation by the special investigation committee

1 Background to the establishment of the special investigation committee

Based on an internal audit conducted in March 2024, FANUC CORPORATION (hereinafter referred to as the "**Company**") discovered that, with respect to the Company's ROBOCUT products (wire electrical-discharge machine) (FANUC ROBOCUT), the tests to determine their compliance with the European Norm (EN55011), i.e., the harmonised standards under the EMC Directive in Europe, (hereinafter referred to as the "**EMC Test**"), may have been conducted under conditions that did not actually conform to such standards, and as a result, ROBOCUT products may have been shipped to Europe in a state in which the results of the verification of their compliance with the EMC Directive were questionable (hereinafter referred to as the "**Doubt**").

When the Doubt was identified, the Company decided, at the meeting of the Board of Directors held on April 24 of the same year, to cease shipping ROBOCUT products with specifications for Europe, and to establish a special investigation committee consisting of outside experts (hereinafter referred to as the "**Committee**") in order to thoroughly investigate the facts and to objectively and effectively investigate the cause and consider recurrence prevention measures if any inappropriate acts were identified in connection with the EMC Directive, and, as described in 2 below, to commission the Committee to investigate whether the subject of the Doubt is true and existence of similar cases, investigate the cause, and propose recurrence prevention measures (hereinafter referred to as the "**Investigation**"), and published such decision in "Notice of the Possibility of FANUC ROBOCUT for Europe being Subject to Tests which were Non-Compliant with EMC Harmonized Standards and Establishment of a Special Investigation Committee" dated the same date and the "Notice of the Appointment of a Member of the Special Investigation Committee" dated May 10 of the same year.

2 Purposes of the Investigation by the Committee

The purposes of the Investigation by the Committee are as follows.

(i) Investigating the subject of the Doubt and similar cases
(ii) Determining the cause if inappropriate acts were found in relation to the EMC Directive
(iii) Considering and proposing measures to prevent recurrence

The purposes of the Investigation do not include the determination by the Committee of whether or not there is any civil or criminal legal liability or with whom such liability lies, or the pursuit of such liability with respect to facts revealed through the Investigation.

3 Composition and investigation system of the Committee

The Committee is composed of the following members:

Chairperson: Kenichiro Horio (Professor Emeritus of Saitama University)

Member: Hideki Asai (Professor Emeritus of Shizuoka University)

Member: Shuichi Yoshikai (Attorney-at-law and former President of Tokyo High Court, TMI Associates)

In conducting the Investigation, the Committee requested the following persons to assist in the Investigation:

TMI Associates

Ikuhiro Kikuta, Attorney-at-law	Hisanori Morikawa, Attorney-at-Law	Keishiro Tashiro, Attorney-at-Law
Masanobu Hara, Attorney-at-Law	Hiroyuki Moriyasu, Attorney-at-Law	Kaori Matsumoto, Attorney-at-Law
Kumiko Yoshii, Attorney-at-Law	Yuichiro Kaburaki, Attorney-at-Law	Kazuhiro Okoyama, Attorney-at-Law
Shuhei Kubota, Attorney-at-Law	Tomonori Oda, Attorney-at-Law	Aki Yasui, Attorney-at-Law
Sho Tayama, Attorney-at-Law	Asaka Mitsunari, Attorney-at-Law	Takahiro Kawakami, Attorney-at-Law
Shohei Yamaguchi, Attorney-at-Law	Kaori Uemura, Attorney-at-Law	Yuta Kobayashi, Attorney-at-Law
Yuki Nakamura, Attorney-at-Law	Kengo Furuichi, Attorney-at-Law	

and 21 others

KPMG FAS Co., Ltd.

Tomotaka Iwata, Attorney-at-law and certified public accountant	Natsuko Izutani, Certified fraud examiner	
Koki Yamada	Eri Miyamura	Wu Qiupeng
Wakaba Hisa	Yua Saito	Tomoaki Hattori

4 Points to note

Please note that the Investigation and this investigation report (hereinafter referred to as the "**Report**") are based on the following assumptions.

(1) As described in II-3 "Investigation methods" below, the Investigation was conducted within the investigation period stated in II-1 below, based on materials obtained by the Committee from the Company and interviews, etc. of relevant parties such as the Company or its business partners, and, of the content confirmed from the materials analyzed and reviewed, etc. prior to the preparation of the Report, it describes the points that the Committee considers should be raised in light of the purpose of the Investigation, and it does not exhaustively cover all the content confirmed from the materials obtained.

(2) As described below, the materials obtained are those provided by the Company voluntarily and are limited; all email servers and emails of individuals have not been independently collected or reviewed.

(3) The Investigation is based on the following assumptions:
   (i) The signatures and seals on documents subject to investigation are authentic.
   (ii) All documents disclosed as copies are accurate and complete copies of the originals.

(4) The Report has been prepared based on the assumptions described in (2) and (3) above, and does not deny that facts different from the Report could be found based on materials and statements from related parties, etc. outside the Investigation. Therefore, if new facts are found, a conclusion that differs from the Report may be reached.

(5) The Investigation and the preparation of the Report have been conducted from an objective standpoint vis-à-vis the Company and, to ensure such standpoint, neither the Company nor any other person will acquire any right against the person who prepared the Report, make any claim against the person who prepared the Report, or use the Report as evidence, materials, or other grounds for making a claim, etc., nor will the person who prepared the Report have any obligation or responsibility to the Company or any other person.

II Investigation period and Investigation method

1 Investigation period

The Report was prepared based on the investigation conducted from April 24, 2024 to November 20 of the same year (hereinafter referred to as the "**Investigation Period**").

2 Period covered by the Investigation

The Investigation basically covers the period prior to April 24, 2024, but as described below, there are limitations in the timing of the materials and statements, etc. that can be collected by each investigation method, and the Investigation was conducted to the extent reasonably possible from this viewpoint.

3 Investigation method

The Committee conducted the Investigation by interviewing the relevant parties and analyzing and reviewing the materials provided by the Company and the relevant parties, as follows.

(1) Interviews of related parties by the Committee

The Committee held interviews with a total of 152 persons concerned with this case (the directors, executive managing officers (hereinafter collectively referred to as the "**Officers**"), and employees (Officers and employees are hereinafter collectively referred to as the "**Employees, etc.**") of the Company) from May 13, 2024 to November 7 of the same year. The total time is 145 hours and 20 minutes.

(2) Review and examination of materials disclosed to the Committee by the Company

From time to time, the Committee requested the Company to disclose the materials it deemed necessary for analysis and examination, etc. (organizational charts, minutes of internal meetings, internal rules and manuals, test plans, test reports, etc.), and upon receipt of such disclosed materials, analyzed and examined the content thereof. The Committee asked the Company questions, as appropriate, regarding the disclosed materials and received responses from the persons in charge at the Company.

In addition to the above, the Committee also analyzed and examined the materials that each person

brought and submitted to the Committee during each of the interviews of the persons concerned with the Company and the materials provided to the Committee by each person concerned upon the request of the Committee to present relevant materials during each interview, etc.

(3) Digital forensic investigation

As described below, the Committee comprehensively collected data that was generated when the Employees, etc. who are considered to have been involved in the Doubt communicated with each other in the course of operations, narrowed down the data by keyword search, etc., reviewed the subject data, and used the data identified as important communications as evidence.

a. Persons subject to the digital forensic investigation

As the subjects of the digital forensic investigation, the Committee selected 16 persons who currently belong to, or belonged to at some point on or after April 1, 1993, the ROBOCUT Research & Development Division of the Robomachine Research & Development Division (the former ROBOCUT Laboratory) (including retirees).

b. Preserved data

The Committee held interviews with the Company and determined that, in order to comprehensively acquire data generated when the Employees, etc. communicated with each other in the course of operations, it was necessary to preserve data from the five devices and systems in (a) to (e) below, and preserved and received the relevant data of the persons subject to the digital forensic investigation.

(a) **E-mail archive**

E-mail data of the Company sent and received after April 2015 is stored in the e-mail archive system. The Committee determined that obtaining the e-mail data generated after such month from the e-mail archive system would achieve the highest possible completeness, and asked the Company to perform the extraction work and received the archived e-mail data.

(b) **Loaned and shared PCs**

The Committee used FTK Imager Lite 3.1.1 and preserved data on installed HDDs or SSDs on PCs loaned by the Company to each of the persons subject to the digital forensic investigation.

(c) **Loaned mobile phones**

The Committee used UFED 4PC Version 7.54 (hereinafter referred to as "**UFED**") and preserved the terminals of persons to whom the Company lent mobile phones among the persons subject to the digital forensic investigation. In addition, among the data that could not be preserved by UFED, communication data was preserved by taking screen shots thereof.

(d) **Loaned tablets**

The Committee used UFED and preserved the terminals of persons to whom the Company lent tablets among the persons subject to the digital forensic investigation. In addition, among the data that could not be preserved using UFED, communication data was preserved by taking screen shots thereof.

(e) **Shared folders**

The Company uses a file server as a shared folder for employees. The Committee determined that it was necessary to include, within the scope of preservation, folders contained in the shared folder to which the persons subject to the digital forensic investigation have access rights. The Committee requested the Company to perform data extraction and received the data.

c. Restoration of deleted data

Among the above data, only the data deleted from PCs, mobile phones and tablets could be restored. For PCs, restoration was performed using the features of Open Text EnCase version 21.1. For mobile phones, restoration was performed using the UFED function.

d. Size of preserved data

The total amount of data obtained in the preservation work performed in the Investigation was as follows.

(i) E-mail archive: 566GB
(ii) Loaned PCs: 1,635GB
(iii) Loaned mobile phones: 432MB
(iv) Loaned tablets: 68MB
(v) Shared folder: 4,616GB

e. Keywords

After selecting keywords, the Committee reviewed emails and documents containing keywords among the data preserved in the Investigation.

f. Results of the digital forensic investigation

As a result of the review of the subject data, 38 communications were identified as important communications and 189 communications were identified as references for understanding the relevant background.

(4) Implementation of an internal questionnaire

The Committee conducted a non-anonymous internal questionnaire (hereinafter referred to as the "**Internal Questionnaire**") for the purpose of ascertaining the existence of the Doubt and any event that is of the same type as or similar to the Doubt and the relevant facts and analyzing the cause.

a. Outline of implementation

The targets of the Internal Questionnaire were 3,985 full-time employees, contract employees and employees seconded overseas (employees as of March 31, 2024) of each of the following departments of the Company. The implementation period was from May 27, 2024 to June 17 of the same year; it was conducted in a web-based format, and the response format included both multiple-choice and open-ended answers.

(i) FA Research & Development Division
(ii) Robot Research & Development Division
(iii) Robomachine Research & Development Division
(iv) Research & Development Promotion / Support Division
(v) Next Generation Technology Laboratory
(vi) FA Sales Division
(vii) Robot Sales Division
(viii) Robomachine Sales Division
(ix) Sales Promotion / Support Division
(x) Production Division

(xi) Global Service Division, Service Division

(xii) FANUC ACADEMY, Domestic Service Division, Service Division

(xiii) Overseas secondees

b. Questions

There were a total of 18 questions in the Internal Questionnaire, consisting of 11 questions related to the Doubt and events of the same type as or similar to the Doubt, 3 questions related to the organizational culture of the Company, and 4 questions related to the whistleblowing system.

c. Results of questionnaire

Responses were obtained from all 3,981 targets of the Questionnaire from whom it was possible to collect responses within the implementation period.

(5) Establishment of a hotline

The Committee set up a hotline for employees of the Company for the purpose of ascertaining the existence of the Doubt and any event of the same type as or similar to the Doubt and the relevant facts and analyzing the cause.

a. Outline of implementation

All employees of the Company were eligible to use the hotline. The implementation period was from May 27, 2024 to June 24 of the same year. The announcement of the establishment of the hotline was made by posting a notice on the Company's intranet, and the means of providing information to the Committee via the hotline was submission on a dedicated website.

b. Results of implementation

Five reports were made during the implementation period.

4 Limitations of the Investigation

The Committee conducted the Investigation using the above investigation methods, but (i) the data subject to digital forensics, test data and various materials, etc. that had exceeded the retention period

prescribed by the Company could not be obtained, and (ii) due to the nature of the Doubt, data and test records, etc. concerning EMC Tests may not have been properly prepared and retained, and included those that are difficult to use as objective evidence. Therefore, it should be noted that the Committee may not have been able to objectively identify all of the inappropriate conduct that occurred in EMC Tests of past products.

In addition, even if objective evidence could not be obtained due to the circumstances described in (i) and (ii) above, if the reliability of the statements obtained from the interviews with the related parties described above was sufficiently recognized due to the nature, specificity, reasonableness of the statements and the mutual complementarity, etc. of multiple statements, the fact was identified based on such statements. In particular, it should be noted that, due to the nature of the Misconduct (described below), in many cases, objective materials could not be obtained regarding the timing of the initiation of the Misconduct or the Misconduct that occurred initially after its initiation, and such facts were found based on statements obtained during interviews of related parties.

III Basic matters found in the Investigation, the Company's organization and structure, etc.

1 Basic information on the Company

(1) Company overview

a. History

The Company was established as FUJITSU FANUC Ltd. when the NC (Numerical Control) division was separated and became independent of Fujitsu Limited in May 1972, and its trade name was changed to the current FANUC CORPORATION in July 1982.

The Company was listed on the Second Section of the Tokyo Stock Exchange in November 1976, changed its designation to the First Section of the Tokyo Stock Exchange in September 1983, and moved to the Prime Market in a new market segment effective from April 4, 2022.

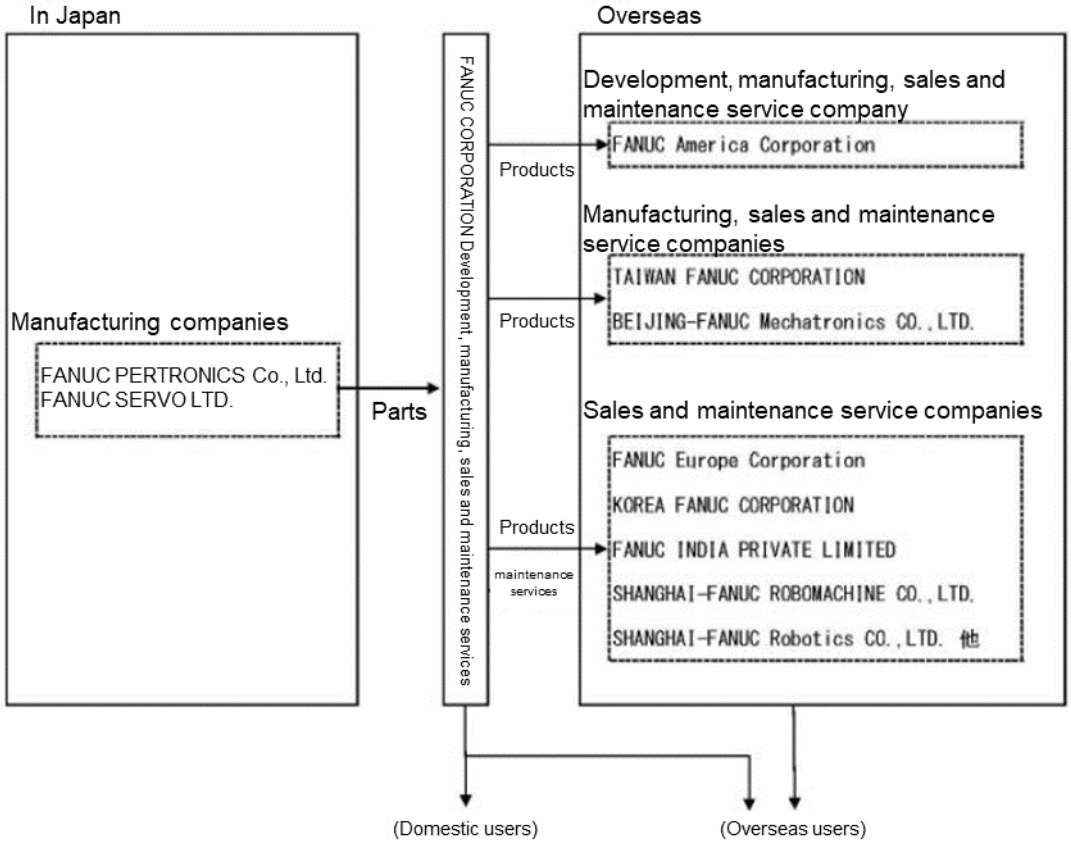
b. Business

As a comprehensive supplier of factory automation (FA) products, the main businesses of the Company's group are the development, manufacturing, sales, and maintenance services of various products based on CNC (Computer Numerical Control) system technologies that are used in the production systems for factory automation, such as CNC systems (CNC and servo motors) and lasers in the FA Division, robots (including robot system) in the Robot Division, and robomachines (Robodrill (compact machining center), Roboshot (electric injection molding machine), and ROBOCUT (wire electrical-discharge machine)) in the Robomachine Division.

The main products of each division of the Company are as shown in the table below.

Division	Main product
FA Division	CNC systems (CNC and servo motor), lasers
Robot Division	Robots (including robot systems)
Robomachine Division	Robodrill (compact machining center), Roboshot (electric injection molding machine), ROBOCUT (wire electrical-discharge machine)

A chart providing an overview of the business of the Company, including its affiliated companies, is as follows. "Overseas users" include European customers, and products are sold to dealers and users in European countries through FANUC Europe Corporation.



(Source: The Company's Annual Securities Report for the 55th period)

(2) Organization and structure of the Company

a. Group overview

As of March 31, 2024, the Company and the Company's affiliates mainly consisted of the Company, 8 major consolidated subsidiaries and 2 equity method affiliates. The following describes the structure of the Company as of March 31, 2024, and the department names are those as of the same date, unless otherwise noted.

b. Governance structure

(a) Basic approach to corporate governance

The Company has established "Strict Preciseness and Transparency" as its basic management policy, and "Strict Preciseness" is defined to mean that "A company will last forever and be sound with strict

preciseness” and “Transparency” is defined to mean that “The corruption of an organization and downfall of a company start from a lack of transparency." The details of the approach, etc. to corporate governance are prescribed in the Corporate Governance Guideline.

The Company has also established the “FANUC Code of Conduct,” which sets forth (i) Upholding of a high standard of ethics, (ii) Compliance with laws and regulations, and internal rules, (iii) respect for human rights and diversity, and (iv) Contribution to the benefit of FANUC.

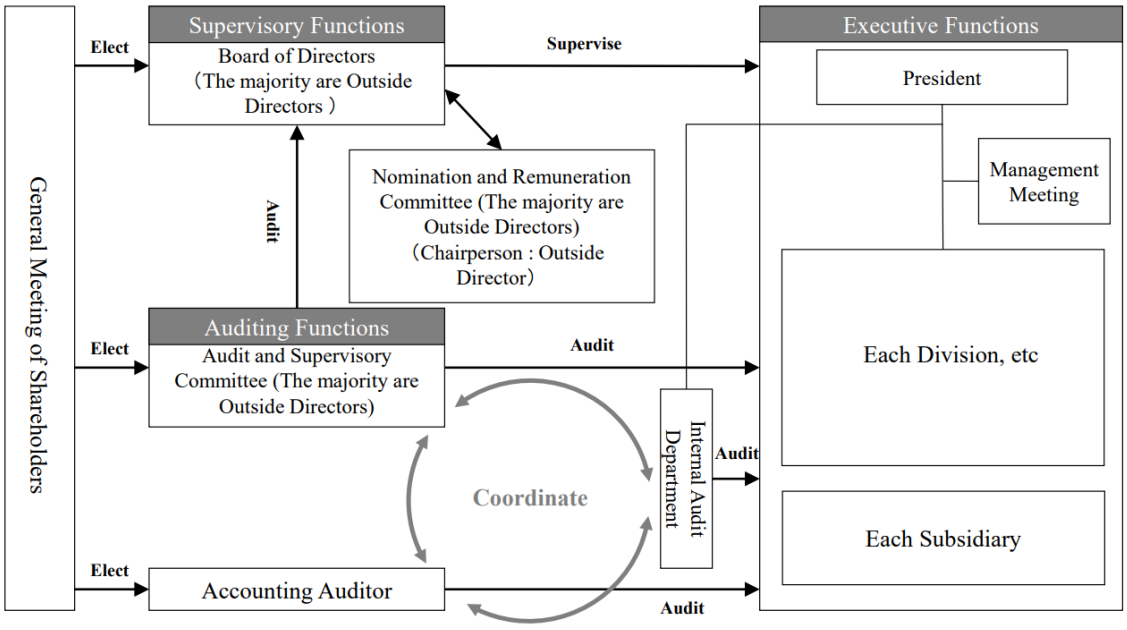
(b) Overview of the governance structure

The Company transitioned to a company with an audit and supervisory committee from the 52nd Ordinary General Meeting of Shareholders held in June 2021. As of June 2024, the Board of Directors consisted of 7 directors who are not Audit and Supervisory Committee members (including 3 Outside Directors) and 4 directors who are Audit and Supervisory Committee members (including 3 Outside Directors). The Company has introduced an executive managing officer system to ensure that directors perform their duties effectively.

Prior to the 52nd Ordinary General Meeting of Shareholders held in June 2021, the Company was a company with Audit & Supervisory Board, and immediately prior to this Ordinary General Meeting of Shareholders, the Board of Directors was composed of 12 directors (including 4 Outside Directors) and the Audit & Supervisory Board was composed of 5 Audit & Supervisory Board Members (including 3 Outside Audit & Supervisory Board Members).

A schematic diagram of the Company’s internal control system is as follows. The “Nomination and Remuneration Committee” is structured so that the chairperson is an independent outside director and the majority consists of independent outside directors, and has been established to ensure objectivity and transparency in the procedures regarding the appointment, dismissal and remuneration of directors and succession planning, etc. for the Representative Director, President, etc.

Overview of the Company's Internal Control System



(Source: The Company's Corporate Governance Report (dated July 5, 2024))

Other than the organizations shown in the schematic diagram above, from the perspective of compliance with laws and regulations and quality control, the Company has established the "Risk Management Committee," the "Internal Quality Audit Committee" and the "Compliance Committee" as corporate bodies in addition to the Board of Directors and the Audit and Supervisory Committee.

The "Risk Management Committee," which is chaired by the Director, President and CEO and composed of members designated by the Board of Directors, was established in March 2020 to take the lead in promoting effective risk management at the Company and to engage in the collection, evaluation and analysis of information on risks, and the review and deliberation, etc. of response policies. Prior to the establishment of the "Risk Management Committee," the risk response managers (the General Manager of the Corporate Administration Division for compliance with laws and regulations and the General Manager of the Research & Development Administration Division for quality) were required to establish rules and guidelines and provide training, etc. regarding risks related to compliance with laws and regulations and quality, etc. At the Company, as main risks related to business, etc., "violations of laws and regulations, conduct in violation of the code of conduct, and the occurrence of any other misconduct or scandals, etc." are handled by classifying both their probability of occurrence and impact as "medium, but "quality fraud" was not specified as an individual risk. However, taking into account recent incidents involving quality fraud, etc. at other companies, the Risk Management Committee meeting held in February 2024 decided to clearly

indicate “quality fraud” as an individual risk as a major risk in the Company, and to classify and organize the risk of quality fraud as “risk related to compliance” (in the Company, a category classified with “medium” in probability of occurrence and “medium” in impact) rather than “risk related to policies and laws and regulations of each countries” (in the Company, a category classified with “high” in probability of occurrence and “large” in impact). This risk category was also resolved at the Board of Directors meeting held in the same month and was listed as “risk in business, etc.” in the Company’s Annual Securities Report for the 55th period.

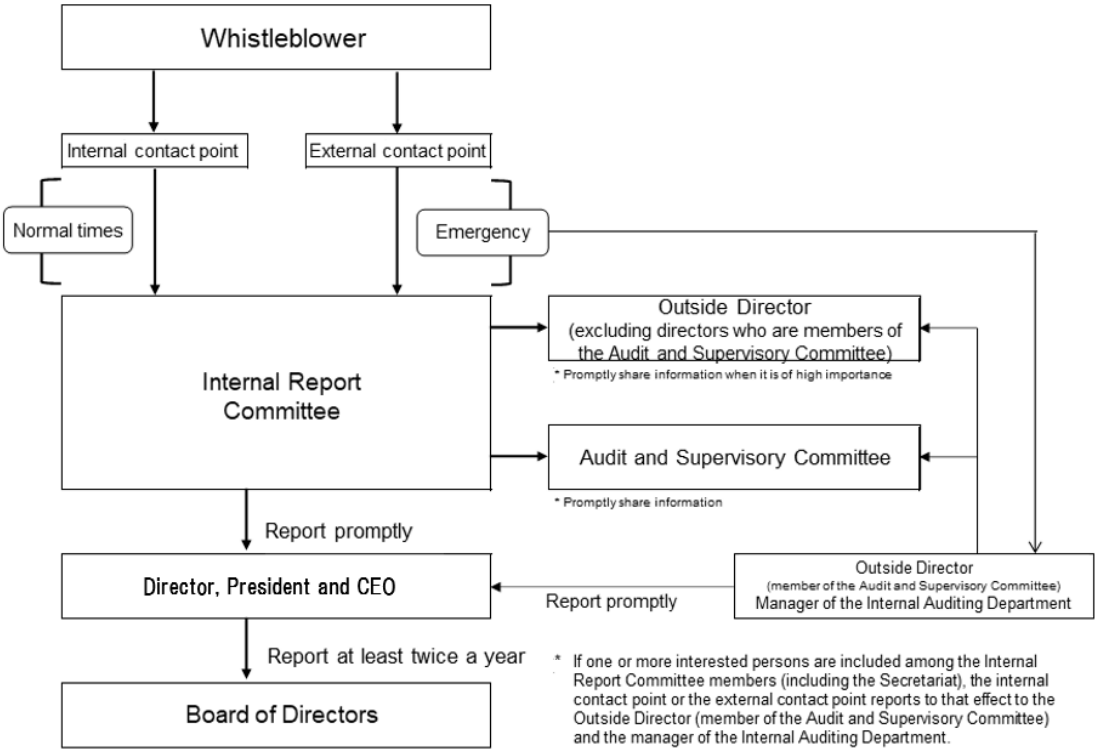
The “Internal Quality Audit Committee” was established in April 2023 as an organization comprised of the chairperson and members designated by the Director, President and CEO from among persons who are not directly involved in the realization of products such as product design and development, etc., and is responsible for ascertaining issues that could result in quality fraud and doubts regarding quality fraud reported by the quality audit division, etc., conducting audits or investigations from a fair and impartial standpoint, determining the causes, and considering and determining the responses such as recurrence prevention measures, improvement measures, etc.

The “Compliance Committee” was established in July 2023 as a body consisting of a chairperson and members determined by the Director, President and CEO of the Company and is responsible for the planning, implementation, etc. of activities that contribute to improving compliance at the Company and the group companies of the Company.

(c) Outline of the whistleblowing system

The Company introduced a whistleblowing system pursuant to the Whistleblowing System Operational Rules from March 2016, and has established an internal contact point (the Company’s Legal Department) for use by employees, etc. of the Company and an external contact point for use by employees, etc. of the Company, the Company’s group and the Company’s suppliers.

The following table shows the internal reporting structure, etc. for whistleblowing.

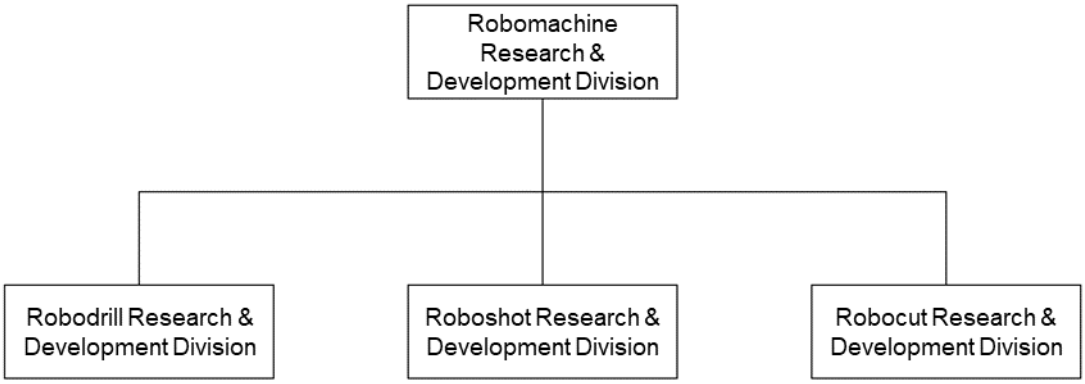


2 Structure and operations of ROBOCUT Research & Development Division

(1) Robomachine Research & Development Division

At the Company, a general division, division/laboratory, department and section are established for each business, and as general divisions, there are the FA Research & Development Division, the Robot Research & Development Division, the Robomachine Research & Development Division, the Production Division and the Service Division. Among them, within the Robomachine Research & Development Division, there are the Robodrill Research & Development Division, the Roboshot Research & Development Division and the ROBOCUT Research & Development Division, which are in charge of research and development for Robodrill, Roboshot, and ROBOCUT, respectively (these products are hereinafter referred to collectively as "**Robomachine**").

An outline of the organization of the Robomachine Research & Development Division as of March 1, 2024 is as follows.



(2) Structure of ROBOCUT Research & Development Division

As of August 1, 2023, ROBOCUT Research & Development Division had three departments, the ROBOCUT Mechanical Structure Development Department (hereinafter referred to as the "**Mechanical Structure Development Department**"), the ROBOCUT Software & Electrical Equipment Development Department (hereinafter referred to as the "**Software & Electrical Equipment Development Department**") and the ROBOCUT Machining Technology Development Department (hereinafter referred to as the "**Machining Technology Development Department**"), as well as the ROBOCUT Reliability Development Section (hereinafter referred to as the "**Reliability Development Section**") under the General Manager ("Honbucho"), who is an executive managing officer.

(3) Operations and structure of each organization under the ROBOCUT Research & Development Division

An outline of the operations and structure of each organization under the ROBOCUT Research & Development Division is as follows.

a. Mechanical Structure Development Department

(a) **Operations**

The Mechanical Structure Development Department carries out operations related to research and development of the basic structure of ROBOCUT, research and development of the CCR (high precision rotary table) of ROBOCUT and peripheral equipment, research and development of the automatic connecting mechanism AWF (Auto Wire Feeder) of ROBOCUT, research and development

of the wire behavior and wire control of ROBOCUT, research and development of the ROBOCUT mechanism part for processing speed improvement, and research and development of the ROBOCUT mechanism part for processing accuracy improvement, etc.

(b) **Structure**

In the Mechanical Structure Development Department, there are three sections, the first section (in charge of the development, etc. of the main body of the mechanism part and CCR), the second section (in charge of the development, etc. of AWF mechanisms and functions), and the third section (in charge of the development, etc. of the mechanism part whose purpose is to improve processing performance) under the department manager, and each section has a section manager.

b. Software & Electrical Equipment Development Department

(a) **Operations**

The Software & Electrical Equipment Development Department performs operations, etc. related to research and development of software for operating ROBOCUT, research and development of the ROBOCUT-CAMi (CAD/CAM system for producing an NC program that is suitable for ROBOCUT and operates on a personal computer) and ROBOCUT-LINKi (a production and quality information management system that performs monitoring, etc. of the operation status of ROBOCUT in real time), research and development of electric discharge equipment and processing power supply for ROBOCUT, and research and development of ROBOCUT's electrical equipment portion.

(b) **Structure**

The Software & Electrical Equipment Development Department has two sections, the first section (in charge of software development, etc.) and the second section (in charge of the development of the electrical equipment part and electrical discharge equipment, etc.), which are under the department manager, and each section has a section manager.

c. ROBOCUT Machining Technology Development Department

(a) Operations

The Machining Technology Development Department carries out operations, etc. related to research

and development of ROBOCUT machining technology, research and development of ROBOCUT machining conditions, research and development of electrical discharge control to improve processing speed, research and development of electrical discharge control to improve processing accuracy, customer support for ROBOCUT, and handling of test processing.

(b) Structure

The Machining Technology Development Department has two sections, the first section (in charge of the development of processing technology and machining conditions, etc.) and the second section (in charge of test processing and customer support, etc.) under the department manager, and each section has a section manager.

d. Reliability Development Section

(a) Operations

The Reliability Development Section conducts operations, etc. related to research and development for improving the reliability of ROBOCUT, handling and management of various standards, and promotion and management of patent applications for ROBOCUT.

(b) Structure

The Reliability Development Section has been established under the General Manager and has a section manager.

3 Overview of the essential requirements of the EMC Directive, testing methods for conformity assessment, laws and regulations on which these are based, and internal company regulations

(1) Essential requirements of the EMC Directive, etc.

a. Overview of the EMC Directive and scope of application

In the European Union, the EMC Directive was implemented in 1996 as part of the development of the CE marking system that allows the distribution of only products that meet the specified safety requirements. Following subsequent amendments, the EMC Directive published in 2014 and currently

in force (DIRECTIVE 2014/30/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 February 2014 on the harmonisation of the laws of the Member States relating to electromagnetic compatibility) was established to "guarantee the free movement of electrical and electronic apparatus" while "ensuring… radio regulations, electrical supply networks and telecommunications networks, as well as equipment connected thereto, are protected against electromagnetic disturbance" in the EEA (European Economic Area) member states and Turkey (hereinafter collectively referred to as the "**EEA Territory**" for convenience), and applies to most electronic and electrical equipment distributed in the EEA Territory[1].

The EMC Directive also states that it "should apply to finished apparatus" that is first made available on the EU market[2].

The EMC Directive has applied to all products of the Company, including ROBOCUT, since it took effect in 1996.

b. Essential requirements set forth by the EMC Directive

In order for electronic and electrical equipment to be distributed in the EU, it must meet the essential requirements set out in the EMC Directive.

Article 6 of the EMC Directive: Essential requirements The equipment shall meet the essential requirements set out in Annex I.

In addition, manufacturers of electronic and electrical equipment are required to ensure that equipment is designed and manufactured in accordance with the essential requirements, to prepare technical documentation and to implement conformity assessment procedures. "making available on the market" below means to make a product available on the market, specifically, "any supply of apparatus for distribution, consumption or use on the Union market in the course of a commercial activity."

Article 7 of the EMC Directive: Obligations of manufacturers 1. When placing their apparatus on the market, manufacturers shall ensure that they have been designed and manufactured in accordance with the essential requirements set out in Annex I. 2. Manufacturers shall draw up the technical documentation referred to in Annex II or Annex III and carry out the relevant conformity assessment procedure referred to in Article 14 or have it carried out. Where compliance of apparatus with the applicable requirements has been demonstrated by that procedure, manufacturers shall draw up an EU declaration of conformity and affix the CE marking.

[1] Recitals (4) through (6) of the EMC Directive
[2] Recital (9), Article 3, Paragraph 1, Item 10 of the EMC Directive

Clause 1 of Annex I of the EMC Directive sets out the general requirements for essential requirements as follows. Radiated emissions of electromagnetic disturbance, which are the main reporting subject of the Report, are set forth in (a) below.

> Annex I: ESSENTIAL REQUIREMENTS
> 1 General requirements
> Equipment shall be so designed and manufactured, having regard to the state of the art, as to ensure that:
> (a) the electromagnetic disturbance generated does not exceed the level above which radio and telecommunications equipment or other equipment cannot operate as intended
> (b) it has a level of immunity to the electromagnetic disturbance to be expected in its intended use which allows it to operate without unacceptable degradation of its intended use

In addition, Clause 2 of Annex I to the EMC Directive provides that fixed installations shall be installed applying good engineering practices and respecting the information on the intended use of its components, with a view to meeting the general requirements of the essential requirements above.

For these essential requirements, equipment which is in conformity with harmonised standards the references of which have been published in the Official Journal of the European Union, i.e., the EN standards, is presumed to be in conformity with the essential requirements.

> Article 13 of the EMC Directive: Presumption of conformity of equipment
> Equipment which is in conformity with harmonised standards or parts thereof the references of which have been published in the *Official Journal of the European Union* shall be presumed to be in conformity with the essential requirements set out in Annex I covered by those standards or parts thereof.

As explained above, the essential requirements set forth in the EMC Directive are described in abstract terms, and in practice, if equipment complies with the EN standards, it is presumed that it complies with the above essential requirements. The EN standards provide specific methods and technical requirements for conformity testing, and the conduct of testing in accordance with the provisions of these harmonised standards is an important means of demonstrating compliance with the essential requirements of the EMC Directive. For ROBOCUT of the Company, tests are carried out in accordance with the EN standard “EN55011” as part of the testing to assess compliance with the essential requirements of the EMC Directive (EMC Test).

c. Conformity assessment procedures set forth by the EMC Directive

The EMC Directive also specifies conformity assessment procedures for the essential requirements, and a manufacturer is required to perform conformity assessment procedures, prepare technical documentation, prepare a declaration of conformity, and affix the CE marking, etc. pursuant to the procedures.

These conformity assessment procedures include (i) the method whereby a manufacturer submits the technical documentation to the conformity assessment body officially accredited by the authorities of the EU member states (called "Notified Body"; hereinafter referred to as the "**Notified Body**"), undergoes the EU-type examination, receives the issuance of the EU-type examination certificate, and prepares the declaration of conformity by itself (Annex III of the EMC Directive), and (ii) the internal production control method whereby a manufacturer prepares the declaration of conformity based upon its own judgement and own responsibility (Annex II of the EMC Directive), and the method described in (i) above is used for ROBOCUT of the Company, as detailed in (5) below.

Furthermore, it is provided that during the mass production stage, manufacturers, etc. shall, at its responsibility, control and monitor the manufacturing process so that the product is manufactured in conformity with the essential requirements of the EMC Directive and the technical documentation[3].

Manufacturers, etc. who believe that a product that they distribute in the EEA Territory is not in conformity with the EMC Directive shall take the necessary corrective measures or conduct a recall, etc. of the product if a recall, etc. is appropriate, and if the product presents a risk, immediately inform the authorities of the EU member states of the fact of the non-conformity and the details of any corrective measures.[4] In addition, any violation of the provisions of laws and regulations of each EU member state that correspond to the EMC Directive may result in criminal penalties, such as fines, under the laws and regulations of the relevant country[5].

d. CE marking

The CE marking indicates that the manufacturer has declared that the product complies with the requirements set out in applicable EU legislation, and the definition, format and general principles thereof are set forth in REGULATION (EC) No 765/2008 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL. The CE marking is required to be affixed on all products intended for the EU market that are subject to the EU legislation requiring its affixing. This EU legislation includes the "Machinery Directive" (DIRECTIVE 2006/42/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 May 2006) and "Low Voltage Directive" (DIRECTIVE 2014/35/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 February 2014), etc. depending on the

[3] Annex II, 4, Annex III,B,2 of the EMC Directive
[4] Article 7, Paragraph 8 of the EMC Directive
[5] Article 42 of the EMC Directive

characteristics of specific products. The affixing of the CE marking to the product indicates that the product complies with all EU legislation governing the CE marking and enables the free distribution of the product in the EEA Territory, irrespective of its place of manufacture.

By affixing the CE marking on a product, manufacturers declare, at their full responsibility, that the product fulfils the essential requirements of all applicable EU legislation, irrespective of whether a third party was involved in the assessment procedures of conformity with EU legislation for the product, and become legally responsible.

As to ROBOCUT of the Company, the EU declaration of conformity has been issued for the above-mentioned EMC Directive as well as the Machinery Directive and the Low Voltage Directive, for affixing the CE marking.

(2) Test method and conditions stipulated in the EN Standards "EN55011" applicable to the Doubt

In the Doubt, EMC Tests have been conducted in accordance with the harmonised standard "EN55011" to verify compliance with the essential requirements of the EMC Directive with respect to electromagnetic disturbance (noise) emitted from ROBOCUT.

The requirements for EMC Tests set forth in "EN55011" vary widely, but the following provisions are prescribed as the measurement requirements for the radiated emission of electromagnetic disturbance that are relevant to the Doubt.

- 7.5 Configuration of equipment under test
  7.5.1 General
  Consistent with typical applications of the equipment under test, the level of the disturbance shall be maximized by varying the configuration of equipment.

- 7.6 Load conditions of equipment under test
  7.6.1 General
  Load conditions of the equipment under test are specified in this subclause. Equipment not covered by this subclause are to be operated so as to maximize the disturbance generated while still conforming with normal operating procedures as provided in the operating manual of the equipment.

As it is understood that the provisions in Article 7.6.1 "General" apply to ROBOCUT of the Company (it does not fall under other equipment specified in Article 7.6), so the load conditions for the ROBOCUT equipment under test must be "operated so as to maximize the disturbance generated while still conforming with normal operating procedures as provided in the operating manual of the equipment" in accordance with Article 7.6.1.

There are also provisions on the method of recording the measurement results, and for example, for

radiated emissions, Article 7.7.3 provides that, in certain cases, “the record shall include at least the disturbance levels and the frequencies of the six highest disturbances in each observed frequency range.” and “ The record shall include the antenna polarization, antenna height and turntable rotation position if applicable for each reported disturbance.”

(3) The Company’s rules concerning EMC Tests

In the Company, the EMC Center Section, which is part of the Products Evaluation Center of the Research & Development Promotion / Support Division, has been from time to time documenting the points to be noted when conducting an EMC Test since around 2020 and posting them on the company portal site or notifying them by e-mail at the time of application for an EMC Test to the EMC Center in the Company.

These documents state that when conducting an EMC Test, it is necessary to conduct the test under conditions in which the electromagnetic disturbance (noise) emitted from the equipment under test is maximized in its normal use, and that if measures are taken or changes are made to the equipment under test to suppress the electromagnetic disturbance (noise) emitted during the EMC Test, these measures, etc. need to be applied to mass production machine, and thereby promote awareness of the content specified in the EMC Directive and EN55011 mentioned in (1) and (2) above.

In addition, there are cases where the Company conducts an EMC Test of its products (i) at the Company’s EMC Center (see (6) below) or (ii) at an external testing institution accredited by the Notified Body.

For the case of (i) above, internal rules were established as follows in August 2018, and test methods and procedures are prescribed so that EMC Tests in accordance with the test conditions set forth in the EN standard (EN55011) mentioned in (2) above (i.e., tests under conditions in which the equipment under test is installed in a configuration conforming to its typical use and electromagnetic disturbance (noise) is maximized while operating according to the normal operating procedures) are conducted.

On the other hand, for the case of (ii) above (when the EMC Test is conducted at an external testing institution), no internal rules have been established.

(4) Test methods based on internal rules

When conducting EMC Tests at the EMC Center in the Company, each research & development division develops a draft test plan, and the EMC Center Section confirms the draft test plan, finalizes the content, and conducts EMC Tests according to the finalized test plan.

On the other hand, when conducting an EMC Test at an external testing institution, an approval by the Notified Body is obtained for the draft test plan drawn up by each research & development division and the EMC Test is conducted at an external testing institution accredited by the Notified Body.

(5) Issuance of a declaration of conformity

As mentioned in (1) above, the Company adopts the method in which it receives the issuance of the EU-type examination certificate from the Notified Body and prepares a declaration of conformity. Accordingly, the Company submits to the Notified Body the test report, etc. prepared by the EMC Test conductor after the test, regardless of whether the EMC Test is conducted at the EMC Center in the Company or at an external testing institution, receives the issuance of the EU-type examination certificate, and prepares a declaration of conformity together with the assessment of conformity with other directives.

For ROBOCUT, the first EU-type examination certificate was issued for α-B series and a declaration of conformity was prepared in October 1995, and after that, for all models, EU-type examination certificates have been issued and declarations of conformity have been prepared in a similar way.

(6) EMC Center in the Company

In order to improve the reliability of products by consolidating the reliability evaluation functions, such as laboratories, that had been provided separately for each type of product, sharing the knowledge obtained from analysis of test data, etc., and other means, in May 2016, the Company newly established a large Reliability Evaluation Building at the head office site that has dedicated testing laboratories such as an electric wave chamber and a shield room and can conduct various tests. In the Reliability Evaluation Building, there is also a facility for conducting EMC Tests (EMC Center), and the Company established the EMC Center Section in the Products Evaluation Center of the current Research & Development Promotion / Support Division (Research & Development Administration Division at the time), which is a division independent of each research & development division, as a department to operate the EMC Center and conduct EMC Tests. In addition, as described in 4 (3) below, the EMC Center in the Company has obtained certification, etc. from third parties, including the Notified Body.

The EMC Center Section conducts, manages, and operates EMC Tests at the request of each research & development division.

4 The internal control system, such as internal audits, for the ROBOCUT Research &

Development Division

(1) The entity that conducts internal audits, etc. of the ROBOCUT Research & Development Division and the details thereof

a. Internal quality audit

(a) **Overview**

Since October 2013, the Company has established a division dedicated to reliability development in each research & development division that belongs to each research & development general division that conducts product development and design, and established a system whereby the Research & Development Promotion / Support Division, which is a separate division from the aforementioned divisions, collects and analyzes information on issues relating to the reliability of products, such as defects found through after-sales services, etc. after manufacturing and shipment, and provides feedback to the production divisions and the research & development divisions for continued improvement, in order to ensure product quality and reliability, as well as to strengthen the prompt solution and prevention of recurrence of quality issues.

The Company acquired ISO9002 (international standards for quality control in manufacturing, installation and ancillary services other than design development) certification at that time for its quality management system in 1993, and obtained ISO9001 certification in 1997. Even before acquiring these certifications, the Company had conducted internal quality audits to confirm compliance with ISO9001 requirements and internal rules, etc. (conformity audits) and to confirm the effectiveness, etc. of its quality management system (effectiveness audits). The details of their operation are set out in the “Internal Quality Audit Standards” and “Conformity Audit Standards in Research and Development.”

In addition, there was an opinion from the Audit and Supervisory Committee Member that the execution side should be requested to document the quality control system and to thoroughly disseminate it within the company and that the quality control division needs to function as an organization independent from each research & development division, and quality fraud had been continuously discovered at other companies, and in response to such situation, from the year 2023, the Company strengthened the system such as by establishing the Quality Audit Section in the Products Evaluation Center of the Research & Development Promotion / Support Division and by establishing the Internal Quality Audit Committee mentioned in 1 (2) b. (b) above in order to conduct audits that clearly indicate the conformity with laws and regulations and contracts as a subject matter for the prevention and early detection of quality fraud.

(b) **Entity that conducts audits**

Since FY 2023, internal quality audits have been conducted by the quality audit division, which is composed of the Manager of the Quality Audit Section of the Products Evaluation Center of the Research & Development Promotion / Support Division (hereinafter referred to as the "**Quality Audit Division Manager**") and internal quality auditors.

Before FY 2022, the Quality Audit Section had not been established, and the person responsible for internal quality audits was the Center Manager of the Reliability Promotion Center of the Research & Development Promotion / Support Division.

Since FY 2023, the internal quality auditors have been certified by the Quality Audit Division Manager after going through the prescribed procedures stipulated in the "Internal Quality Auditors Qualification Rules"; they are members of an independent organization that is not involved in design development or production operations, and internal quality audits are conducted by dedicated internal quality auditors.

Before FY 2022, the Center Manager of the Reliability Promotion Center formulated an internal quality audit plan as a responsible person and the internal quality audits were carried out by selecting internal quality auditors, but so-called mutual audits were carried out, and employees belonging to departments other than the audited divisions (including persons involved in design development and production operations) served as internal quality auditors instead of dedicated auditors.

(c) **Standards**

Internal quality audits are conducted in accordance with the "Quality Manual," "Internal Quality Audit Standards" and "Conformity Audit Standards in Research and Development."

(d) **Implementation procedures**

a Regular internal quality audits concerning processes

According to the "Internal Quality Audit Standards" (the version revised on July 31, 2023), the procedures for conducting regular internal quality audits concerning processes are as follows.

(a) Preparation of annual internal quality audit plan tables

The Quality Audit Division Manager prepares an annual internal quality audit plan table for the periodic audit and notifies the relevant division thereof after approval by the Internal Quality Audit Committee.

(b) Document quality audit

(i) In order to confirm the existence, etc. of documents and records required by ISO9001, the Quality Audit Division Manager sends the "Document Quality Audit Check Sheet" to the responsible person of the audited division in accordance with the audit plan after clarifying the response deadline. In the "Document Quality Audit Check Sheet", there are questions about major failures and malfunctions, etc., but there are no questions that focus on the discovery or audit of irregularities.

(ii) The responsible person of the audited division responds to the Quality Audit Division Manager regarding the "Document Quality Audit Check Sheet" by the response deadline. The Quality Audit Division Manager manages the situation so as to obtain a response from the audited division by the response deadline.

(iii) The Quality Audit Division Manager confirms the content of the collected "Document Quality Audit Check Sheet" and if there is any problem with the responses, the Quality Audit Division Manager explains the intent of the question and has the responsible person of the audited division correct the problem.

(iv) The Quality Audit Division Manager disseminates and shares the "Document Quality Audit Check Sheet" with auditors.

(c) On-site quality audit

(i) Audit notice

The audit team (the Quality Audit Division Manager determines two or more auditors from among the internal quality auditors in consideration of objectivity and impartiality, and determines one chief auditor who plays a central role in conducting the audit) determines the audit schedule based on the audit plan and in coordination with the audited division and notifies the audited division of the audit team and the date of the audit in advance.

(ii) Audit preparation

The audit team prepares specific questions using the "On-site Quality Audit Check Sheet" based on the information on defects, the results of the document quality audit, and the information in the Quality PDCA Activity Report. If it is necessary to confirm the quality records in advance, the audit team requests the audited division to submit them in advance by specifying the relevant quality records.

(iii) Conduct of audit

The chief auditor explains the purpose and scope of the on-site quality audit to the audited division, and the audit team conducts the quality audit on site based on the "On-site Quality Audit Check Sheet."

The chief auditor assigns a rating, classified as "Non-Conformity," "Observation Matter" or "Good Point," to the findings discovered in the audit based on objective evidence.

The chief auditor explains to the audited division the details of the defects and Observation Matters and records the content agreed upon with the audited division (major Non-Conformities such as violations of laws and regulations or contracts are recorded without agreement with the audited division).

(iv) Reporting of audit results

The audit team compiles the rated findings in the "List of Findings and the Confirmation Table of Corrective Measures".

The audit team receives and confirms the remediation measures and corrective measures (or corrective plans) for the above findings from the audited division.

The audit team compiles the above audit results into an "On-site Quality Audit Results Report" and sends it to the Quality Audit Division Manager.

The Quality Audit Division Manager reviews and approves the "On-site Quality Audit Results Report."

The audit team sends the "On-site Quality Audit Results Report" approved by the Quality Audit Division Manager to the audited division and the person responsible for ISO9001 management (for example, the General Manager ("Honbucho") of the audited research & development division).

It was not until FY 2018 that the internal quality audits have been conducted by separating the document quality audits and on-site quality audits as described above. Prior to that, only on-site quality audits were conducted as internal quality audits; however, since it was difficult to conduct detailed checks in the limited time available for on-site quality audits, a decision was made to send written inquiries to the audited division in advance, receive the responses, and conduct more in-depth checks

in the on-site quality audits.

(d) Reporting to the Internal Quality Audit Committee

If a serious problem in the process is found in the audit results, the Quality Audit Division Manager reports the details to the Internal Quality Audit Committee, and the Internal Quality Audit Committee considers the response to the content of the report on the internal quality audit by the quality audit division.

If deemed necessary, the Internal Quality Audit Committee reports the results of the above consideration to the Director, President and CEO and instructs relevant divisions to improve the rules.

Prior to the establishment of the Internal Quality Audit Committee, the quality control division was required to report any major process problems identified in the audit results to management.

(e) Annual report on quality audit results

Based on the results of external quality audits, document quality audits, and on-site quality audits conducted during the year, the Quality Audit Division Manager prepares the "Internal and External Quality Audit Summary Report" and reports it to the top management of the quality management system (for example, the General Manager ("Honbucho") of the research & development general division to which the research & development division, which is the audited division, belongs) and the person responsible for ISO9001 management (for example, the General Manager ("Honbucho") of the research & development division which is the audited division).

b Audits on laws, regulations and standards

Since FY 2023, in addition to regular internal quality audits concerning processes, "Entry Audits" (audits conducted at the planning stages of development and design) and "Exit Audits" (audits conducted at the design completion stage) have been conducted by the Quality Audit Section of the Products Evaluation Center of the Research & Development Promotion / Support Division as audits regarding compliance with laws, regulations, and standards, with the research & development divisions as the audited divisions.

In the Entry Audit, the product requirements and the results of the product risk assessment are confirmed, and in the Exit Audit, the implementation results of each requirement confirmed in the Entry Audit and the materials related to the certification by the certification organization, etc. are confirmed.

b. Internal audits by the Internal Auditing Department

(a) Entity that conducts audits

The Internal Auditing Department conducts operations audits, thematic audits, internal control evaluations concerning financial reporting, and special audits under the direction of the Director, President and CEO, in accordance with the Internal Auditing Rules.

The person responsible for audits is the manager of the Internal Auditing Department, and the auditor in charge is the manager of the Internal Auditing Department or a member of the Internal Auditing Department.

(b) Audit plan

The manager of the Internal Auditing Department prepares an annual audit plan for each fiscal year in advance, stating the subjects and types of audits, audit policy, audit schedule, details and methods of the audits, the auditors in charge and other important matters, and obtains the approval of the Director, President and CEO.

Thereafter, the manager of the Internal Auditing Department prepares an individual audit plan before the implementation of an individual audit, stating the subjects and type of audit, audit policy, audit schedule, details and method of the audit, the auditors in charge and other important matters, and obtains the approval of the Director, President and CEO.

(c) Audit method

In principle, audits are conducted through a review of materials submitted by the audited division and related departments, preliminary examinations, including questioning the audited division and related departments and holding interviews with senior management of the Company, etc., and physical checks of assets and documents, etc. as well as on-site inspections, such as interviews with employees, etc. of the audited division.

c. Audit by the Audit and Supervisory Committee (Company Auditor)

The Company's Audit and Supervisory Committee (prior to the 52nd Ordinary General Meeting of Shareholders in June 2021, the Audit & Supervisory Board) conducts audits of individual bases on an

irregular basis.

(2) Implementation status and results of internal audits of ROBOCUT Research & Development Division

a. Internal quality audit

(a) **Implementation status**

Since FY 2011, the Company has conducted an internal quality audit of the ROBOCUT Research & Development Division once a year, except for FYs 2013, 2016, and 2018.

(b) **Results**

In the internal quality audits of ROBOCUT Research & Development Division conducted by the Company since FY 2011, there have been no findings related to the Doubt.

However, an internal quality audit of the ROBOCUT Production Department conducted after the internal quality audit of the ROBOCUT Research & Development Division in FY 2022 revealed that conductive packing had not been installed in the mass production machines of ROBOCUT, although it was necessary to install it, and the person responsible for the internal quality audit at the time requested the ROBOCUT Research & Development Division to correct the same. In addition, since only a part of the samples regarding the application of the countermeasures taken during the EMC Test for α-C600iC in September and October 2020 to the mass production machines was confirmed in this internal quality audit, in response to the above results, an examination was conducted again as to whether all the measures recorded by the EMC Center Section at the time of the EMC Test above had been applied to the mass production machines, and it was found that the bellows cover on the top of the processing tank also had not been applied to the mass production machines, and that as to many other measures, only the measures determined by the ROBOCUT Research & Development Division to be equivalent to the countermeasures taken during the EMC Test were applied (the basis for judging that such measures were equivalent was unclear).

b. Internal audits by the Internal Auditing Department

The Internal Auditing Department previously conducted auditing activities on overseas bases from a risk-based perspective. In FY 2023, the Internal Auditing Department began auditing each

department of the Company in line with the expansion of the staff of the Internal Auditing Department, but until then, the Internal Auditing Department had not conducted internal audits with the ROBOCUT Research & Development Division as the audited division. The fact that the Internal Auditing Department conducted an internal audit in March 2024 and the Company ascertained the Doubt, and the Company's subsequent actions, are as described in IV-4 below.

c. Audit by the Audit and Supervisory Committee (Company Auditor)

In April 2020, one full-time Company Auditor and another Company Auditor conducted an audit with the ROBOCUT Research & Development Division (the ROBOCUT Laboratory at the time) as the audited division (interviews and inspection in the laboratory building), but there were no findings related to the Doubt.

(3) External audit, etc. of EMC Center

As described in 3 (4) above, at the Company, the EMC Center Section of the Company sometimes conducts tests to confirm that the essential requirements under the EMC Directive are complied with, and since the EMC Center of the Company has obtained certification, etc. from external certification organizations, it undergoes audits, etc. by each certification organization. The summary thereof is as follows.

a. Examination by Company X

Company X is a laboratory certification organization in accordance with ISO/IEC 17011, and based on ISO/IEC17025, it conducts examinations and certifications for laboratories that conduct tests on the electromagnetic compatibility of electronic and electrical equipment, the performance of communication equipment, radio frequency exposure, air propagation noise, and product safety, etc. The EMC Center obtained certified laboratory certification from Company X on January 22, 2019.

Between October and December 2023, Company X conducted an examination of the EMC Center for renewal of the certification. During such examination, the EMC Center in the Company received findings of partial Non-Conformity, but received confirmation that corrective measures had been completed. The EMC Center Section in the Company has completed responses to some of the matters pointed out by Company X as the Observation Matter, and continues to consider responses on other points.

b. Audit by Company Y

The EMC Center of the Company has received certification from Company Y on April 17, 2020, which is certified as a Notified Body under the EU Directive.

The Japanese subsidiary of Company Y conducted an audit of the EMC Center from June 14 to 15 of 2023. In such audit, matters recommended to be implemented were pointed out, but no matter that could potentially be a problem was pointed out. The EMC Center Section in the Company has completed responses to some of the recommendations by Company Y, and continues to consider responses to others.

IV Implementation of EMC Test under conditions not in compliance with the European Norm, etc.

1 Outline of actions not in compliance with the European Norm

As a result of the Investigation, it was found that there were (or were suspected to be) the following three types of actions that were not in compliance with the European Norm in the EMC Test of ROBOCUT products of the Company: ((i) arbitrary selection of machining conditions, (ii) creation of passing test results through manipulating each setting item of machining condition (hereinafter referred to as "**Parameter**") during the EMC Test, and (iii) failure to apply the countermeasures applied at the time of passing the EMC Test to mass production machines) (these categories are hereinafter collectively referred to as the "**Misconduct**"). For the department names and titles stated below, the department names and titles as of March 31, 2024 are used, unless otherwise stated.

(1) Arbitrary selection of machining conditions (lack of grounds for selection and records)

As stated in III-3 (2) above, the EMC Test must be conducted by operating the equipment "so as to maximize the disturbance generated while still confirming with normal operating procedures as provided in the operating manual of the equipment."

In the EMC Test of ROBOCUT, it is required to appropriately select which machining conditions, among the machining conditions installed in the ROBOCUT that is the subject of the EMC Test, are the machining conditions that "maximize the disturbance generated while still confirming with normal operating procedures as provided in the operating manual of the equipment" through verification of the actual machine or a theoretical examination, and to appropriately record the data and examination process on which the selection results are based so that the validity can be verified later.

However, since 1996, which is when the EMC Directive was applied to ROBOCUT, as to the machining conditions to be selected in the EMC Test of ROBOCUT, the department in charge has had the mindset that "passing the test is all that matters," and it has become customary for it to use the "machining conditions that customers would normally use most" as a base without sufficiently verifying or examining which machining conditions are the machining conditions that "maximize the disturbance generated while still confirming with normal operating procedures as provided in the operating manual of the equipment," changing them to "machining conditions that are likely to pass the EMC Test" by manipulating the Parameters from there as described in (2) below, and then undergoing the EMC Test, without properly keeping records of the machining conditions and the Parameters.

One of the background factors for this is considered to be the difficulties in dealing with noise peculiar to ROBOCUT (wire electrical-discharge machine), such as the fact that the principle of wire electrical-discharge machining used by ROBOCUT and the mechanism by which noise is generated are not necessarily well organized academically, and even when examining literature, such as explanatory articles on noise in connection with wire electrical-discharge machining, the effects, etc. of changing the conditions of electric discharge on noise are not sufficiently explained. In addition, it is considered that the fact that the noise itself that is the subject of the EMC Directive is not likely to directly harm human bodies and that there has been no EMC-related complaints in the past, etc. are taken as the justification that it is unnecessary to strictly select machining conditions in accordance with the European Norm.

(2) Creation of passing test results by manipulating Parameters during the EMC Test

In the EMC Test of ROBOCUT, as described in (1) above, it is necessary to select machining conditions that conform to EN55011, and perform the test using such conditions.

However, some Employees, etc. of the ROBOCUT Research & Development Division who were involved in the EMC Test of ROBOCUT considered at the test site that even the machining conditions selected as the "machining conditions that customers would normally use most" as described in (1) above could not fall below the noise limit value specified in the EMC Directive and EN55011, and that they could not secure sufficient time to consider other measures to meet the set deadline of the development model (deadline for launch in the market); therefore, in order to pass the EMC Test, they manually changed some Parameters of the machining conditions used at the time of the test, intentionally weakened the output, etc. to reduce the noise generated and passed the EMC Test.

In addition, some Employees, etc. of the ROBOCUT Research & Development Division who were involved in the EMC Test of ROBOCUT modified part of the circuits, etc. of the equipment under the EMC Test, lowered the processing voltage or reduced the switching speed, thereby reducing the noise even if the Parameters were identical in appearance, and passed the EMC Test.

Furthermore, there is usually less radiated noise under the no-load condition (the condition under which the material is not processed) than under the actual machining condition (the condition under which the material is actually processed), and some models were tested under the no-load condition during the EMC Test.

It is recognized that such manipulation of the Parameters, etc. was conducted based on the decision of the persons in charge at the test site in some cases, while in other cases, the persons concerned, including the General Manager ("Honbucho") of the ROBOCUT Research & Development Division, who were involved in the EMC Test, consulted before the test, and decided to manipulate the Parameters and the specific items and values to be manipulated.

(3) Failure to apply the countermeasures applied at the time of passing the EMC Test to mass production machines

During the EMC Test, various EMC measures are applied to ROBOCUT to reduce the generated noise. In order to affix the CE mark on and launch in the market the ROBOCUT to be actually manufactured and sold as a product that has passed the EMC Test, it is necessary to reflect the countermeasure parts applied at the time of passing the EMC Test in the mass production drawings and apply the same countermeasure parts to mass production machines.

However, after passing the EMC Test, due to pressure from superiors at the time to reduce costs and to maintain competitiveness, etc. with other companies, the ROBOCUT Research & Development Division repeatedly considered reducing, as much as possible, the number of EMC countermeasure parts that had been applied at the time of the test, and they did not apply to mass production machines some countermeasure parts, for which it is either impossible or difficult to know whether they have been applied or not based on appearance, and it became customary for some countermeasure parts to be applied only at the time of the EMC Test and not to mass production machines, and as such, inappropriate actions were taken in order to intentionally forgo application of some of the countermeasure parts (or measures equivalent thereto) to mass production machines.

The manager or section manager of the department that is primarily in charge of the development of mechanisms and electrical equipment decided the specific details of the application to mass production machines and instructed the persons in charge of each department or section to carry out the work. Therefore, persons at the level of section manager or higher in the above departments (including the General Manager ("Honbucho") of the ROBOCUT Research & Development Division) were aware that some of the measures taken during the EMC Test were not applied to mass production machines.

2 Details of the Misconduct and ROBOCUT product with respect to which the Misconduct was committed

(1) Response after the application of the EMC Directive

As described in III-3 (1) a. above, in order to affix the CE mark on ROBOCUT and launch it in the EU market, it is required to comply with the EMC Directive that took effect in 1996 and to pass the EMC Test under the conditions that comply with the applicable European Norm.

At the time of the start of the application of the EMC Directive, the ROBOCUT Research & Development Division (Section 1 of the Robomachine Research Laboratory at the time), led by the

office head and the persons responsible for electrical equipment at the time, was to consider countermeasures for the EMC Test for the next model, α-B series, and subsequent series.

Since then, for each model up to α-CiC series, which is the latest model, countermeasures for the EMC Test have been considered by the General Manager ("Honbucho") and lower-level officers of the ROBOCUT Research & Development Division each time a new model is developed.

However, with regard to which machining conditions should be selected in the EMC Test, as described in 1 (1) above, it is required to keep objective records of the selection process and the basis thereof and store such records to show that appropriate examination and selection of machining conditions were conducted in compliance with the European Norm, but evidence that such appropriate selection process was carried out has not been confirmed.

In addition, the machining principle of ROBOCUT, that is, wire electrical-discharge machining, is a machining method in which electrical-discharge is generated between a running wire electrode and a processed material at a frequency of several hundred thousand times per second or more, and the processed material is melted and removed with the thermal energy generated at the time. Due to such machining principle, the wire electrical-discharge machine generates a large amount of electrical noise, and various parts of the machine components, such as the machining gap (discharge part), power supply circuit, cable, and electrode wire supply/discharge part, can be a potential source of noise, and it can be said that the machine has significant difficulty in suppressing the generated noise. In fact, as described in 4 below, when the Company independently conducted an EMC Test on the existing model of ROBOCUT with European specifications (α-CiC series) in a manner conforming to the harmonised standards under the European EMC Directive (EN55011), noise exceeding some limit specified in the harmonised standards (EN55011) was measured from the equipment under test. Due to such problems in the nature of ROBOCUT and the unique circumstances of each model, it was difficult to pass the EMC Test with the machining conditions selected as "the machining conditions that customers would normally use most" as stated in 1 (1) above, and therefore, the Parameters were manipulated as described in 1 (2) above, and the result of passing the EMC Test was created.

Furthermore , as described in 1 (3) above, for the purpose of cost reduction and maintaining competitiveness with competitors' products in terms of usability and appearance, etc., some of the measures applied to equipment under test at the time of some EMC Tests were not applied to the mass production machines.

In the Investigation, although objective data indicating specific Parameters, etc. could not be found for some models due to their age, evidence was found that all or part of the Misconduct was committed in EMC Tests conducted in order to receive the issuance of the EU-type examination certificate from the Notified Body prior to the issuance of the declaration of conformity for all models from α-B to α-CiC.

The details of the Misconduct found for each model are as shown in the table below.

Model (EMC Test Timing)	(i) Arbitrary selection of machining conditions (lack of grounds for selection and records)	(ii) Creation of passing test results by manipulating Parameters during the EMC Test	(iii) Failure to apply the countermeasures applied at the time of passing the EMC Test to mass production machines
α-C800iC (October 2023)	Arbitrary selection occurred	Manipulation occurred	Failure to apply to mass production machines did not occur
α-C400iC and 600iC (October 2020)	Arbitrary selection occurred	Manipulation occurred	Failure to apply to mass production machines occurred
α-CiB (March 2016)	Arbitrary selection occurred	Manipulation occurred	Failure to apply to mass production machines occurred
α-CiA (May 2012)	Arbitrary selection occurred	Manipulation occurred	Failure to apply to mass production machines occurred
α-iE (October 2010)	Arbitrary selection occurred	Manipulation occurred	It is believed that failure to apply to mass production machines occurred
α-iD (August and September 2007)	Arbitrary selection occurred	Manipulation occurred	It is believed that failure to apply to mass production machines occurred
α-iC (December 2003)	Arbitrary selection occurred	Manipulation occurred	It is believed that failure to apply to mass production machines occurred
Before α-iB (Before August 2001)	Arbitrary selection occurred	It is considered that manipulation occurred	It is believed that failure to apply to mass production machines occurred

(2) Recognition of officers

As described above, the Misconduct was considered and committed by some Employees, etc. of the ROBOCUT Research & Development Division; however, in the Investigation, no evidence could be found indicating that any report or consultation was made to the then-executive managing officer (the General Manager ("Tokatsu Honbucho") of the Robomachine Research & Development Division (former General Manager of the Robomachine Business Division), etc.) or directors, who were the organizational supervisors of the General Manager ("Honbucho") of the ROBOCUT Research & Development Division, concerning the consideration or commission of the Misconduct for any of the models, and it has not been confirmed that these executive managing officers or directors were aware of the Misconduct.

3 Response to internal and external audits and investigations

(1) Measures in EMC Test for declaration of conformity

The ROBOCUT Research & Development Division created the passing result for the EMC Test conducted in compliance with EN55011 by utilizing the methods described in 1 and 2 above in the EMC Test to declare the conformity with the EMC Directive for each ROBOCUT product.

For the EMC Test, because the configuration of the equipment under test based on its typical use and the setting, etc. of operating conditions to operate it so as to maximize the disturbance generated while still conforming with normal operating procedures are matters that are not easily known to anyone other than the designer of the equipment under test, there is no evidence that the external testing institution, Notified Body, or EMC Center Section asked questions, etc. that could directly lead to the discovery of the Misconduct during each EMC Test. However, it is suggested that the ROBOCUT Research & Development Division committed the Misconduct, such as by making an arrangement within the ROBOCUT Research & Development Division to ensure that the Misconduct was not discovered by the Notified Body, etc.

(2) Actions, etc. taken to avoid questions about compliance with the EMC Directive after shipment to the EU

a. Inspection conducted in Germany in 2012

In 2012, an inspection of FANUC Luxembourg Corporation was conducted by the German Federal Network Agency, and it was decided that in June of the same year, an EMC Test of the actual ROBOCUT machine (α-iE) would be conducted in Berlin.

The General Manager (“Honbucho”) and lower-level officers of the ROBOCUT Laboratory at the time discussed how to deal with the EMC Test by the Federal Network Agency, considered that if measures were not taken for the actual ROBOCUT machine to be tested, the authority might judge that it did not conform to the EMC Directive; accordingly, they gave instructions to send modified parts from the head office and to take measures such as removing paint, and conveyed the machining conditions under which the EMC Test could be passed. As a result, the actual ROBOCUT machine passed the EMC Test.

b. Internal quality audit conducted in 2022

As described in III-4 (2) a. (b) above, an internal quality audit conducted in December 2022 revealed that some of the EMC measures applied to the equipment under test during the EMC Test of α-C600iC

conducted from September to October 2020 (measures to add conductive packing to the outside of the water leakage prevention packing installed between the processing tank and the processing tank door) were not included in the mass production drawings and were not applied to the mass production machines. Further investigation was conducted in light of this result and it was discovered that the bellows cover on the top surface of the processing tank had not been applied to the mass production machines, and therefore, the Company suspended shipments of α-CiC series and conducted an EMC Test on the mass production machines of α-CiC at the EMC Center in February 2023 without taking the measures that had not been applied.

Although α-CiC series is said to have passed such test, it is found that in fact the passing test result was created in an inappropriate manner in such test (in particular, manipulation of Parameters).

Regarding this internal quality audit, the ROBOCUT Research & Development Division reported to the President the failure to apply the EMC measures to CiC series on January 11 and February 8, 2023, and also reported the status of the countermeasures to it. However, the ROBOCUT Research & Development Division did not report the inappropriate conduct related to the test conditions at such time.

4 Background to the discovery of the Misconduct and the measures taken by the Company thereafter to prevent the occurrence of fraud

The Company's Internal Auditing Department conducted an internal audit of the ROBOCUT Research & Development Division in March 2024. As a result, it was confirmed that the EMC Test conducted to determine the compliance of ROBOCUT products with the European Norm (EN55011), i.e., the harmonised standards of the EMC Directive, may have been conducted under conditions that did not conform to such standards.

Based on the results of the internal investigation, the Company suspended shipments of the ROBOCUT products with European specifications, and decided to conduct a thorough investigation into the Doubt, investigate the cause, and develop recurrence prevention measures, and on April 24 of the same year, established the Committee and commissioned the investigation, etc. of the facts and causes to the Committee.

Thereafter, concurrently with the investigation by the Committee, the Company independently conducted an EMC Test on the existing model with European specifications in a manner conforming to the harmonised standards under the European EMC Directive (EN55011), and noise exceeding some limit specified in the harmonised standards (EN55011) was measured for some of the equipment under test. Given this, the Company took necessary countermeasures and, as a result, the noise emitted was within the limits of such harmonised standards, compliance with the EMC Directive was

confirmed, and the EU-type examination certificate was issued by the Notified Body; therefore, the Company resumed shipments of the ROBOCUT products with European specifications to which such measures had been applied, and announced that for the above products that had already been shipped, the same measures would be started on July 29, 2024 for α-C400iC and α-C600iC, and on August 27 of the same year for α-C800iC.

At the same time, the Company commissioned a specialist in Europe to carry out a risk assessment based on the EU guidelines for the ROBOCUT product (α-CiC series and α-CiB series) from before the implementation of the above-mentioned measures. The risk assessment concluded that the noise emitted by such ROBOCUT product was unlikely to adversely affect the normal operation or communication function of other communications devices or medical implants, and that the overall risk level was low. Furthermore, the Company made inquiries to a law firm in Germany and received an opinion that, based on the results of the risk assessment that the ROBOCUT product described above had a low risk level, it is thought that the Company was not obligated to report the matter to the European authorities, and that, even if there was non-compliance with the EMC Directive, if the risk was low, it would be sufficient to cease distribution of the non-conforming product and ensure conformity for future products, and the Company was not required to take further affirmative action in respect of the non-conforming product that was already distributed in the market.

V Analysis of causes of occurrence of the Misconduct

1 Causes within the ROBOCUT Research & Development Division

As described in IV above, the Misconduct has been going on for many years, but its causes are not uniform. They are a complex mix of factors including (i) causes within the ROBOCUT Research & Development Division (among them, direct causes of occurrence of the Misconduct and causes related to the work environment), (ii) problem with quality control in research and development of ROBOCUT (among them, problems in the prevention system that was unable to prevent the Misconduct and problems in the detection system that was unable to detect the Misconduct over the years), and (iii) company-wide compliance problem that is not confined to the ROBOCUT Research & Development Division. The contribution of the causes varies depending on the model (era). Below, we will analyze the causes of each of these.

(1) Direct causes of the occurrence of the Misconduct

a. Motivation to commit the Misconduct due to difficulties associated with the machining principle of ROBOCUT (wire electrical-discharge machining)

First, the machining principle of ROBOCUT, that is, wire electrical-discharge machining, is a machining method in which electric discharge is generated between a running wire electrode and a processed material at a frequency of several hundred thousand times per second or more, and the processed material is melted and removed with the thermal energy generated at the time. Due to such machining principle, the wire electrical- discharge machine generates a large amount of electrical noise, and various parts of the machine components, such as the machining gap (discharge part), power supply circuit, cable, and electrode wire supply/discharge part, can be a potential source of noise, and it can be said that the machine has significant difficulty in suppressing the generated noise.

Therefore, for the ROBOCUT, it is not possible to avoid the generation of noise itself, and the issue is how to suppress the noise that has been generated and keep the noise emission value within the limit value, which creates difficulties due to the machining principle and product characteristics.

While there are such difficulties in the machining principles and product characteristics of wire electrical-discharge machinings, a number of problems and challenges, such as the need to simplify or remove full covers that are highly effective in suppressing noise, the need to suppress costs, the limited development schedule and testing schedule, insufficient awareness and lack of knowledge of the EMC Directive as described in b. below, and the fact that know-how and expertise are not accumulated within the division, are combined to make it difficult for the field to suppress noise within the limit

values, and it can be pointed out that this led to the motivation to carry out the Misconduct.

This motivation can be said to be correlated to the fact that as the trend toward simplification and removal of full coverage progressed, in other words, as a model drew closer to the current model than to past models, the motivation to carry out the Misconduct due to such difficulties became stronger.

b. Insufficient awareness and lack of knowledge of the EMC Directive, lack of know-how and expertise within the division

Secondly, the insufficient awareness and knowledge of the EMC Directive in the ROBOCUT Research & Development Division can be pointed out as a direct cause.

As described above, the EMC Directive and the European Norm are foreign laws and regulations, but there were almost no employees in the ROBOCUT Research & Development Division who had gained accurate knowledge of their wording, interpretation, and how they should be applied by referring to the original English text.

In this regard, for laws and regulations directly related to safety, such as the Machinery Directive, employees were checking the content of the relevant laws and regulations, and related harmonised standards since, in the first place, it is not possible to draw up design plans without understanding the content of the relevant directives and related harmonised standards. However, the employees were not aware that EN55011 for noise emission values was directly related to safety, and they were not aware that it was essential to obtain accurate knowledge from the original text since they were able to create design drawings without reading the original text.

In addition, there were no reports of accidents, complaints, or other issues from users regarding the noise emission values of ROBOCUT in the past, and there were no concerns about any actual damage, either, and there was a lack of awareness of the importance of the EMC Directive, particularly the regulations concerning noise emission values that were an issue in the Misconduct. As a result, there was a lack of proactive action to accumulate and improve knowledge, know-how, and expertise within the division regarding the content of these regulations, which in turn exacerbated the lack of awareness and knowledge.

This lack of awareness of the importance of the EMC Directive, particularly the regulations concerning noise emission values, led to a lack of knowledge and accumulation of know-how and expertise, which may have been one of the causes of the Misconduct.

The EMC Directive itself only defines the essential requirements for noise in an abstract manner, and EN55011, which defines the test method for noise emission values, does not necessarily provide detailed provisions on the test conditions. According to EN55011, it could be derived that the test

should be carried out under the “maximum load conditions” where the value of noise generation is the greatest. However, specifically, there are no detailed provisions on what machining conditions can be considered the “maximum load conditions” for a particular product, and the selection of these conditions was left to the manufacturer.

In addition, there are several thousand machining conditions for the Company’s ROBOCUT, including Parameter adjustments. This, coupled with the fact that the academic debate on the machining principle of wire electrical-discharge machinings and the mechanism of noise generation is not settled, led the ROBOCUT Research & Development Division to make its own convenient interpretation regarding the selection of machining conditions, which is effectively left to the manufacturer in the EMC Test, and without clarifying the rational basis for why they were the “maximum load conditions,” it selected the machining conditions that would serve as the basis for the EMC Tests and conducted the tests.

Furthermore, insufficient awareness and lack of knowledge of the EMC Directive also was a cause of the non-application of the countermeasures implemented during the test to mass production. In other words, although multiple countermeasures were taken for the equipment under test during the test for ROBOCUT, some of these countermeasures did not have any particular effect on suppressing the noise emission value, and were thought not to affect the noise emission value, regardless of whether they were taken. In such cases, the ROBOCUT Research & Development Division conveniently interpreted, without any rational basis, that if the countermeasures did not affect the results of the noise emission values and had no noise suppression effect, there was no problem even if the countermeasures were not applied to mass production, leading to the Misconduct of forgoing non-application of the countermeasures implemented during the test to mass production.

In particular, as described in d. below, the EMC Directive and EN55011 stipulate electromagnetic compatibility, and unlike the Machinery Directive, etc., they are not recognized as being related to safety, as they do not cause accidents such as personal injury or burns, and there were almost no reports or actual cases of problems occurring with ROBOCUT due to noise-related issues. This led to a disregard for laws and regulations, based on the belief there would be no actual harm or hindrance even if they did not comply with the EMC Directive, and to a lack of a compliance mindset in relation to the EMC Directive and the European Norm.

This led to the lack of awareness, lack of knowledge, and lack of know-how accumulation in the ROBOCUT Research & Development Division, which had never read or checked EN55011, and in the context of price competition, it became difficult to apply for countermeasures, etc. involving cost increases for noise countermeasures that are recognized as matters not related to safety, complaints, or defects, which also became a cause of a climate in which it is difficult to obtain approval even when

applying.

Thus, the lack of awareness and lack of knowledge of the EMC Directive and the European Norm in the ROBOCUT Research & Development Division was the cause of the Misconduct.

This cause can be pointed out as a factor that consistently applies to the series of Misconduct, regardless of whether a past or current model of ROBOCUT is at issue.

c. Contribution to the Misconduct of the pressure to strictly adhere to the sales start date

In addition, the pressure to strictly adhere to the sales start date can be pointed out.

The EMC Test is conducted at the end of the development schedule, after the actual machine is built, and, if problems arose in the EMC Test, it was difficult for the ROBOCUT Research & Development Division to change the sales start date due to its relationship with the sales division, etc.

Since the solution to noise problems differs depending on the model, machine design, materials, etc., and one solution may not necessarily be equally applicable to the next model, it was necessary to consider each model individually. Therefore, it took a certain amount of time to respond to it, and it could be said that there was not enough time to spare for noise countermeasures. The ROBOCUT Research & Development Division had a strong motivation to pass the EMC Test because it had to avoid a situation in which the design had to be redone if the test failed.

In addition, there were also time constraints in terms of the EMC Test period. In other words, when the EMC Test is conducted by reserving a laboratory, the test period is naturally limited to a certain number of days, and it is necessary to pass the test within that time frame.

As described above, under the pressure of strictly adhering to the sales start date and the constraints of passing the EMC Test by taking necessary noise countermeasures within a limited number of test days, the ROBOCUT Research & Development Division was motivated to pass the EMC Test by weakening the machining conditions during the EMC Test or by taking countermeasures not applied to mass production.

In this regard, a number of responses to the Internal Questionnaire pointed out that there was a tendency to make light of quality compliance, such as prioritizing delivery dates and costs over quality.

Of course, in general, there could be constraints on the start of sales and delivery dates in product development and manufacturing, and even under such pressure, it is a given that tests must be conducted lawfully. However, as for the cause of such pressure that resulted in the Misconduct, it can be pointed out that, as described in b. above, the ROBOCUT Research & Development Division was

not set up to accumulate and utilize know-how and expertise about the mechanisms of noise generation and how to suppress it during ordinary times, which is, for example, necessary to create a structure that can suppress noise generation from the product design stage, so that the EMC Test could be passed within the limited time constraints.

The pressure to strictly adhere to the sales start date can be strongly pointed out as a cause for past models of ROBOCUT and as a cause that applies up to the time of the initial EMC Test of the CiC series in 2020. According to one employee, there were moves to ease this pressure, such as the General Manager ("Honbucho")-class employee telling other employees that there was no need to rush to announce new models around or after the summer of 2021 at the latest. According to another employee of the ROBOCUT Research & Development Division, the pressure on costs and delivery dates has eased compared to the past, partly due to changes in social trends due to cases of quality fraud around the world. However, the pressure has only eased recently, and the pressure to meet delivery dates remained strong until around 2020 (the time of the initial EMC test for the CiC series), suggesting that the further back in time on goes, the stronger the pressure to meet delivery dates was.

d. Contribution of cost reduction pressure to the Misconduct

In addition, the pressure to reduce costs was cited as a direct cause, and in particular, it can be pointed out that the root cause of the ongoing Misconduct was the pressure to reduce costs.

In other words, noise generation itself is inevitable in wire electrical-discharge machinings due to their machining principle, and, in the first place, it is impossible to create a product that does not generate noise. Therefore, the focus is on how to take countermeasures to suppress the generated noise. In this regard, placing a full cover over the processing tank would be highly effective as a noise countermeasure. However, covering the processing area with a full cover leads to a reduction in work efficiency, which is not useful from a functional standpoint, and it also has the disadvantage of being unsightly in terms of appearance.

Therefore, in the past, a trend of simplifying or removing a full cover was seen, but if countermeasures are taken to reduce noise generation values in lieu of this, various countermeasures would need to be taken at multiple locations, leading to increased costs.

Concerning ROBOCUT, various safety measures are taken in accordance with applicable laws and regulations, etc. However, noise problems are not necessarily considered to be directly related to safety, and as there have been no complaints or accidents, etc. involving noise from users to date, there was little awareness of the need to incur costs for the EMC Directives and noise countermeasures.

Therefore, there was a motivation to avoid applying costly countermeasures to mass production machines for the EMC Directives and noise countermeasures, which led to the Misconduct of forgoing

application of the countermeasures implemented during the EMC Test for ROBOCUT to mass production machines.

According to one employee of the ROBOCUT Research & Development Division, there used to be a culture in which it was difficult to speak up to take costly countermeasures.

A number of responses to the Internal Questionnaire pointed out that there was a tendency to make light of quality compliance, such as prioritizing delivery dates and costs over quality.

Of course, in general, costs are not unlimited in product development and manufacturing. In order to ensure competitive pricing and profits, efforts are made to reduce costs through various developmental innovations. The question is what caused the situation where, even under such pressure, it was not possible to achieve appropriate cost reductions and secure profits, and misconduct was carried out that sacrificed legal compliance for the sake of reducing costs. It can be pointed out that the cause of this can be attributed to the fact that, as described in b. above, the ROBOCUT Research & Development Division had accumulated little expertise in ordinary times to implement effective noise countermeasures by methods other than the placement of a full cover and, therefore, lacked the know-how to appropriately implement legally required countermeasures while taking into account economic rationality.

According to interviews with employees of the ROBOCUT Research & Development Division, in recent years, the price hikes of raw materials and parts, and problems associated with the Subcontract Act (price pass-through) have attracted attention, and a trend toward an emphasis on compliance has developed, changing the culture to one in which cost increases are more easily approved. However, such a change has only occurred in the past one or two years, and cost reduction pressure was cited as the motivation for the past series of Misconduct. In addition, it should be noted that since 2023, the ROBOCUT Research & Development Division has been working to accumulate expertise on effective noise countermeasures in ordinary times and was attempting to accumulate know-how on effective noise countermeasures by obtaining advice from outside consulting firms, etc.

(2) Causes related to the work environment in which the Misconduct occurred

a. Culture of the ROBOCUT Research & Development Division

As described in (1) b. and d. above, it can be said that one of the leading causes of the initial Misconduct was the disregard for laws and regulations and pressure to reduce costs due to the reluctance to incur costs on matters that were not directly related to safety or countermeasures to deal with complaints or defects.

On the other hand, given the history of passing the EMC Tests for past models using inappropriate

methods that did not comply with the EMC Directive and EN55011, employees subsequently assigned to the ROBOCUT Research & Development Division had no choice but to follow the practices that had been carried out from the past, and even if misconduct was pointed out, they were unable to go back to past ROBOCUT machines and deal with the issue. Since it was too late to change the old ways at this point, a workplace culture where employees felt powerless to do anything on their own had taken root, and an environment in which misconduct could not be prevented and it was difficult to speak up had become widespread. It can be pointed out that the culture of the ROBOCUT Research & Development Division was one of the causes of the Misconduct.

However, in recent years, a change in atmosphere has begun to occur within the ROBOCUT Research & Development Division. In 2023, in order to start from the basics and redo the EMC countermeasures for the next model, a project was launched within the ROBOCUT Research & Development Division, attempting to accumulate expertise in noise countermeasures and taking countermeasures in ordinary times, and conducting the EMC Tests for the next model legally and appropriately.

b. Pressure to fall in line with the Misconduct in the name of "consensus" or "tacit understanding"

In interviews with employees of the ROBOCUT Research & Development Division, several employees stated that the Misconduct was carried out with the "consensus" (consensus of those involved in testing within the ROBOCUT Research & Development Division) or "tacit understanding" of the ROBOCUT Research & Development Division.

Faced with such pressure to fall in line, given that the decision was based on "consensus" or "tacit understanding," practically speaking, it was difficult for an individual employee to go against it.

In reality, it can be said that the formation of the "consensus" or "tacit understanding" was primarily led by the General Manager ("Honbucho") and lower-level officers of the ROBOCUT Research & Development Division.

The cause of this can be pointed out as a factor that consistently applies to the series of Misconduct, regardless of whether a past or current model of ROBOCUT is at issue, but it can be said that the pressure of not being able to change the Misconduct that had continued from the past became stronger with each successor model.

c. Lack of knowledge of the EMC Directive and the European Norm, lack of drastic technical initiatives due to the personalization of operations

The principles of wire electrical-discharge machinings and the mechanisms by which noise is generated are not necessarily well organized academically, and even when examining literature, such as explanatory articles on noise in relation to wire electrical-discharge machinings, it cannot be said that there is sufficient supporting documentation on the effects, etc. of noise when the conditions of electrical discharge are changed. In addition, interviews with employees of the ROBOCUT Research & Development Division revealed that, unlike other laws and regulations, such as the Machinery Directive, solving the noise problem in ROBOCUT was considered to be a technically difficult task.

Faced with such a difficult problem, the ROBOCUT Research & Development Division needed to establish and operate a system to respond to the noise problem in a more in-depth manner. However, in reality, as described in (1) b. above, the expertise and understanding of the EMC Directive and the European Norm applicable to ROBOCUT were insufficient, and responses, including countermeasures, were taken on an individual basis, resulting in a lack of sharing of expertise and know-how within the division.

As a result, drastic and rigorous technical initiatives to reduce noise were neglected, and it can be said that the division was faced with a situation where it had no choice but to rely on ad hoc countermeasures for noise (such as adjusting Parameters on site or implementing ad hoc countermeasures that cannot be applied to mass production) in the EMC Tests.

Such cause can be pointed out as a factor that consistently applies to the series of Misconduct, regardless of whether a past or current model is at issue.

d. Fixation and black boxing of personnel

Due to the low personnel transfers within the ROBOCUT Research & Development Division and the considerably high degree of expertise required, there was no involvement by another division in the product design and development process or in the process of creating and approving mass production drawings, and there were few opportunities to receive suggestions and checks from another division. As a result, there was no transparency in the content of the processes from development to design and testing, and the work was completed in an opaque and closed organization, a so-called “black box,” it can be said that the Misconduct continued customarily over many years. Such cause can be pointed out as a factor that consistently applies to the series of Misconduct, regardless of whether a past or current model is at issue.

2 Problems with quality control in the research and development of ROBOCUT

(1) Problems with the prevention system for the Misconduct

a. Check system for legal compliance and quality assurance

In terms of the causes of the failure to prevent and detect the Misconduct at an early stage, as described in 1 (2) d. above, ROBOCUT's design, development, creation of mass production drawings, and approval were all conducted by the ROBOCUT Research & Development Division, and there was a lack of opportunities for a separate division independent of the ROBOCUT Research & Development Division to conduct a check of legal compliance and quality assurance.

For the models for which the EMC Tests were conducted at the Company's EMC Center, employees of the EMC Center Section, which is a division independent of the ROBOCUT Research & Development Division, operated the measurement equipment, etc. and performed the measurement work for the EMC Tests. However, the EMC Center Section received requests from the ROBOCUT Research & Development Division and only operated the measuring equipment, etc. for the EMC Tests and performed measurement work under its direction. The setup and operation of the equipment under test (ROBOCUT) (Misconduct such as the selection of machining conditions and Parameter settings) were carried out only by the ROBOCUT Research & Development Division, and the EMC Center did not play a role in checking these operations and was not involved in them. It was also difficult for the EMC Center to discover the countermeasures that had been applied to the equipment under test before the EMC Tests.

During the process of approving the mass production drawings, no other division checked to see whether the noise countermeasures applied to the equipment under test during the EMC Test were reflected in the mass production drawings without omission, and the mass production drawings were approved only by the ROBOCUT Research & Development Division, and mass production was carried out.

Thus, it can be said that the ROBOCUT Research & Development Division had the opportunity to continue the Misconduct for many years, and it is thought that this organizational structure was a contributing factor to the Misconduct.

b. Opportunities for arbitrary selection of machining conditions or artificial manipulation of Parameters

The existence of an opportunity for manipulation in relation to the EMC Tests of ROBOCUT can be cited as the cause of the failure to prevent the Misconduct related to machining conditions (the lack of a record of the basis for the assumption that the machining conditions selected during the test were the maximum load conditions in which the electromagnetic disturbance (noise) emitted from the equipment under test is maximized and the artificial manipulation of the selected machining conditions

to lower the noise generation value further).

In this regard, the technical documents submitted to the Notified Body only contained a description of the “Rough Cutting” (rough cutting conditions), and there was no detailed description of which machining conditions were selected from among the multiple lineups, or how many times the noise generation value was tested during machining, etc., and such a description was not required.

Furthermore, there was no need to report or explain to the Notified Body the value of each Parameter, i.e., what kind of Parameters there are and what the values mean under the selected machining conditions, etc., and there was no evidence of any such reporting, etc.

Thus, no formal records were kept of the machining conditions and Parameter values selected by the ROBOCUT Research & Development Division during the EMC Tests, and no explanations, etc., to outside organizations were required, thus creating opportunities for arbitrary and artificial manipulation of these conditions and Parameter values. This was the cause of the Misconduct.

The Company has a wide variety of detailed manuals and internal rules regarding quality manuals and testing within the Company. For example, according to the documents disclosed by the Company, a very wide variety of detailed internal rules have been established for records to be kept in relation to quality, such as the “ROBOCUT Quality Manual” in accordance with ISO 9001:2015, the “Quality Manual”, and the “Quality Record Keeping Regulations in the Research & Development Division”, etc..

However, in the EMC Test, there were no internal rules for recording, storing, and sharing detailed information beyond the information contained in test reports, etc., such as which machining conditions were used during the test or what the Parameter values were during the EMC Test; such information was only recorded by a few employees of the ROBOCUT Research & Development Division on an individual basis, and there was little awareness of recording noise emission values as an organization and accumulating know-how, or ensuring the verifiability and reproducibility of machining conditions during the EMC Test.

Verification of noise emission values requires a high level of special knowledge regarding the product itself and radio waves, and since there were no records of the EMC Tests in the first place, it was impossible for anyone other than those in the ROBOCUT Research & Development Division to verify after the fact, and this situation was a breeding ground for the Misconduct.

Furthermore, during the EMC Test, the operation to change Parameters could be performed quickly on the screen in ROBOCUT, and even if there was an observer belonging to a division other than the ROBOCUT Research & Development Division, it was not difficult to perform such operation without being seen, and the machining conditions and Parameter values selected during the test were not automatically logged or otherwise recorded, and if the employee who conducted the test did not record

them, there would be no trace of them, thus creating an opportunity for the Misconduct to be carried out.

c. Opportunities for failure to apply to countermeasures taken for the equipment under test during the test

Among the Misconduct, one of the causes that made it possible to failure to apply to the countermeasures taken for the equipment under test during the EMC Test to mass production machines was the fact that the countermeasures taken for the equipment under test during pre-testing before the EMC Test or before the equipment under test was brought into the testing laboratory were not recorded in test reports or other records, and there was no comprehensive record of what countermeasures were taken to pass the EMC Test. Even if such unrecorded countermeasures were not applied at the time of mass production, it was difficult for a division other than the ROBOCUT Research & Development Division or outsiders to discover any difference between the condition of the equipment under test at the time of the EMC Test and the mass production machine, and it can be said that this created an opportunity for the Misconduct.

After conducting the EMC Tests, it is essential to check whether the countermeasures applied to the equipment under test during the EMC Test, including the countermeasures stated in the test report, have been reflected in the mass production drawings without omission. However, as described in a. above, the approval of the mass production drawings was completed within the ROBOCUT Research & Development Division, and there was no opportunity for an independent division to verify the application to mass production. Therefore, once the approval was given within the ROBOCUT Research & Development Division, it was possible for a mass production machine to be mass-produced in a state different from that at the time of the test. This also gave rise to an opportunity for the Misconduct.

d. Lack of involvement in the test by a division independent of the design and development division

At the time when the Misconduct was taking place, except for cases where the tests were conducted at the EMC Center, which is an organization that performs the EMC Tests, the ROBOCUT Research & Development Division itself developed and designed the products and conducted the EMC Tests for noise emission values. The Research and Development Division and the certification division were the same, meaning that it was possible for the performance of tests under laws and regulations to not involve an independent division, and the system of checks and balances to prevent fraud was not

sufficient. This also gave rise to an opportunity for the Misconduct.

As described in III-4 (1) a. (d) above, in the Company, in FY 2023, the Quality Audit Section of the Products Evaluation Center, Research & Development Promotion / Support Division began to conduct compliance audits related to laws, regulations, and standards, with the Research & Development division as the audited division, and a certain system of checks and balances has been established to prevent fraud, including confirmation of materials, etc. related to certification by a Notified Body.

(2) Problems with the detection system for the Misconduct

As described in III-1 (2) b. (b) above, in recent years, there has been a change in the awareness of risks related to quality fraud, and various efforts have been made to ensure legal compliance and quality compliance, including the establishment of the Risk Management Committee in March 2020, the Internal Quality Audit Committee in April 2023, and the Compliance Committee in July 2023. However, prior to this, there was a long period when so-called mutual audits (audits conducted not by dedicated auditors but by employees from divisions other than the audited division) were the only audits being conducted, and as the above-described organizations and committees had not been established, the Misconduct went undetected for many years.

In addition, as described in III-4 (1) a. (b) and (d) above, the Quality Audit Section was not established prior to FY2022, and the person in charge of internal quality audits was the Center Manager of the Reliability Promotion Center, Research & Development Promotion / Support Division. However, the Center Manager was not able to conduct in-depth checks within the limited time available for on-site quality audits at the time, which did not lead to the detection of the Misconduct. In addition, at the time, the status of legal compliance was not explicitly stated as an audit item, and it cannot be said that the audit was sufficiently conducted with a focus on compliance.

Further, as described in III-4(1) a. (a) and (b) above, starting from FY2023, in order to prevent and detect quality fraud at an early stage, the Quality Audit Section was established in the Products Evaluation Center, the Research & Development Promotion / Support Division to conduct audits that explicitly target conformity with laws, regulations, and contracts, and the internal quality audits have been conducted by the Quality Audit Section, which is composed of the Quality Audit Division Manager and internal quality auditors. During this internal quality audit procedure, it was discovered that some of ROBOCUT's EMC Test countermeasures had not been provided for mass production machines, as described in III-4 (2) a. (b), but the whole picture was not clarified.

This is considered to be because each of the above divisions had limited authority to conduct and monitor the EMC Tests, such as not being present on the day of the EMC Tests, and in cases where the EMC Tests were conducted at external sites, for example, they could not obtain information and materials for effective quality audits, such as the details of noise countermeasures applied at the time

of the tests (materials that constituted the basis for subsequent verification and audit), and so there were limits to their effectiveness.

3 Problems with company-wide compliance

The Misconduct was conducted within the ROBOCUT Research & Development Division, and the information was shared only among the General Manager ("Honbucho") and the employees below the General Manager ("Honbucho") and was never reported to the senior Officers above the General Manager. In addition, the correct information was not disclosed during internal quality audits and was instead covered up.

However, it is not appropriate to view the problem of the Misconduct as a problem existing solely within the ROBOCUT Research & Development Division. It must be pointed out that the fact that the Misconduct took place over many years and went undetected indicates that there was a company-wide problem, and simply treating it as an instance of fraud occurring in a specific division or field will not lead to an investigation into the essential causes of the Misconduct. From this perspective, we list below the company-wide problems that are believed to have caused the Misconduct.

(1) Lack of divisions to manage company-wide compliance with laws and regulations and standards

As a company-wide problem of the Company, it can be pointed out that there was no division in charge of the company-wide management of product testing, declaration of conformity, etc., and compliance with laws, regulations, and standards, and (with the exception of testing conducted at the EMC Center) such management was performed solely by each research & development division.

In other words, the approval of testing and mass production drawings, and application to mass production were performed within the ROBOCUT Research & Development Division, and there was basically no involvement by anyone other than the ROBOCUT Research & Development Division (except for testing at the EMC Center) in conducting tests, declaring conformance, etc., or otherwise ensuring compliance with laws, regulations, and standards.

As described above, this means that there was an opportunity to carry out the Misconduct in the ROBOCUT Research & Development Division. However, in addition to this, the organization had become one that, in a sense, forced certain employees in the ROBOCUT Research & Development Division to shoulder the difficult task of handling wire electrical-discharge machining such as implementing noise countermeasures and passing the EMC Tests under cost and delivery date constraints, either by simplifying the full cover or without the full cover, and it could also be pointed out that there was a lack of company-wide commitment to addressing this problem. The fact that the

Officers have continued to maintain this type of organization and structure that leaves matters to the field can be cited as one of the causes of the Misconduct.

(2) Lack of risk awareness regarding quality fraud

Secondly, it can be pointed out that there was a lack of risk awareness of so-called quality fraud (fraud involving a wide range of products, including compliance with standards for test conditions and methods, regardless of whether it involves quality or not).

In particular, at the time when the Misconduct first took place in the ROBOCUT Research & Development Division in the past, the awareness of legal compliance and compliance was not as high as it is now, and as they were fully occupied with responding to the actual defects and complaints that were occurring, it can be said that they were not particularly aware of the risk of fraud in noise-related tests, which was not directly related to safety and did not involve any defects or complaints.

In recent years, the awareness of quality fraud, etc. has increased within the Company. For example, as described in III-4-(1) a. (a), in order to prevent and detect quality fraud at an early stage, in response to the opinions, etc. of the Audit and Supervisory Committee and other companies' repeated discoveries of quality fraud, starting from FY2023, the Quality Audit Section in the Products Evaluation Center, the Research & Development Promotion / Support Division that conducts audits explicitly targeting conformity with laws, regulations, and contracts was established and the Internal Quality Audit Committee stated in (2) b. (b) above was established, and thus there is a growing awareness of the risk of quality fraud, and various responses are being made. However, it can be said that one of the causes of the Misconduct, which was not prevented and detected at an early stage, was a lack of awareness of the risk of such quality fraud.

In addition to the message regarding an emphasis on compliance that was sent out by the Company President, in recent years, the General Manager ("Tokatsu Honbucho") of the Robomachine Research & Development Division has also been sending out messages emphasizing legal compliance and compliance, which suggests that the Company has been taking a stance of emphasizing legal compliance and compliance.

However, in a global company like the Company, the laws, regulations, and standards that must be complied with are extremely diverse, and in order to achieve compliance, it is essential to secure the necessary human and material resources and to prepare an environment that includes time allowances (setting appropriate delivery dates and development schedules). Without these environmental improvements, simply sending out messages about legal compliance and the emphasis on compliance will only place a burden on the field, and in practice, it may be impossible to ensure legal compliance and compliance in the field. They are required to address a number of challenges in the field, including

costs and delivery dates, development schedules, securing test sites, specialized knowledge necessary for legal compliance, accumulating know-how, and securing and transferring personnel therefor. It goes without saying that it is important for the Officers to send out messages such as "legal compliance is given first priority" and "emphasis on compliance," but it can be said that simply sending out abstract messages will only place a burden on the field and will not lead to the resolution of specific problems and challenges faced by employees in the field or the elimination of the causes of the Misconduct.

A number of responses to the Internal Questionnaire pointed out that there was a tendency to make light of quality compliance, such as prioritizing delivery dates and costs over quality.

(3) Lack of thorough implementation of the Company's Basic Principles of "Strict Preciseness and Transparency"

The Basic Principles established by Dr. Seiuemon Inaba, the founder of the Company, are as follows: The Basic Principles are also stipulated in Article 2 of the "Corporate Governance Guideline."

- **Strict Preciseness (A company will last forever and be sound with strict preciseness.)**
- **Transparency (The corruption of an organization and downfall of a company start from a lack of transparency.)**

In other words, it is important to adhere to Strict Preciseness in all aspects of management, to report bad information to top management as soon as possible, and to use all the company's resources to solve problems.

However, no reports were made by the ROBOCUT Research & Development Division to its senior Officers, including reports on problems to the Directors, and problems related to the selection of test conditions were not communicated in regular reports, such as weekly reports. In this regard, the Basic Principles of the company, "Transparency" of "Strict Preciseness and Transparency" was not thoroughly implemented.

In fact, the truth was not reported even when an internal quality audit conducted in December 2022 pointed out omissions in the application of the EMC countermeasures to mass production. As for this internal quality audit, the ROBOCUT Research & Development Division subsequently reported to the President on January 11, 2023 and February 8, 2023 regarding the omission of the application of the EMC countermeasures for the CiC series and reported on the status of those countermeasures. However, even at this point, the inappropriateness of the test conditions was concealed by the ROBOCUT Research & Development Division, and no appropriate report was made. In addition, there is no indication that the President or other senior Officers who shared this report recognized the seriousness of the matter upon receiving the report and instructed them to examine the cause of the occurrence in depth.

In addition, since 2016, the then-Vice General Manager (“Fuku Jigyou Honbucho”) of the Robomachine Business Division, who was a superior of the General Manager (“Honbucho”) of the ROBOCUT Research & Development Division (and subsequently, since July 1, 2021, the General Manager (“Jigyou Honbucho”) of the same Division), had not been informed of any information regarding the Misconduct and had no way of knowing about it.

Thus, it is admitted that the reality was that each product was left to the General Manager (“Honbucho”) of each division and that such policy remained in place even in the event of a contingency.

The reason why bad information (in this case, the Misconduct and failure to pass tests on noise emission values, etc.) was not reported to the Directors or the then-Vice General Manager of the Robomachine Business Division or a higher position is that the ROBOCUT Research & Development Division had to continue the ROBOCUT business as before, and if they were to discontinue the measure that had been implemented in the past with regard to the Misconduct, it would lead to delays in delivery and increased costs, so they felt that they could not discontinue it, and it is believed that they were unable to cease this bad practice, and furthermore, they made the judgment that it was impossible to report to the Directors or superiors, and so it was covered up.

It can be pointed out that the reason why the employees of ROBOCUT Research & Development Division did not report such a problem in a timely manner and prevent it from happening was that they felt that a bad report should not only be reported but also a solution to the problem should be found. Furthermore, it can be pointed out that the employees of the ROBOCUT Research & Development Division did not find an appropriate solution to the problem, which made it even more difficult to report it because the problem of the Misconduct could affect not only the current machine but also past machines.

In addition, from the perspective of risk management, senior Officers who become aware of the signs of fraud, such as those reported in January and February 2023, are expected to proactively gather information and examine the cause (and give instructions and guidance to that effect). However, as described above, because the decision on each product was left to the discretion of each General Manager (“Honbucho”), no in-depth responses were made to “resolve the problem with the full force of the company,” which may have been one of the causes for the late detection of the Doubt.

Furthermore, in the Internal Questionnaire, there were multiple complaints and responses pointing out the lack of transparency in the personnel evaluation system. For employees being evaluated, this, together with the uncertainty of a personnel evaluation, where it is unclear what is considered as a negative factor, can make it difficult to dispel the feeling that “if I point out a problem, my personnel evaluation will be negatively affected,” and this can lead to them thinking, “Even if there is a problem, I’ll just keep quiet.” Ultimately, one of the indirect causes may be that superiors’ opinions become absolute, which created an organization with no openness and made it difficult to report problems and

speak up for improvement.

As described above, it can be said that one of the leading causes of the Misconduct, which went undetected for a long time, was that the Company's Basic Principles of "Strict Preciseness and Transparency" were not thoroughly implemented, including by the Officers.

VI Recommendations for measures to prevent recurrence

1 Elimination of the causes of the occurrence of the Misconduct in the ROBOCUT Research & Development Division

(1) Improvement measures to eliminate direct causes in the ROBOCUT Research & Development Division

a. Recognition of the need to invest human and material resources for legal compliance, and acceptance of reasonable costs

First, noise countermeasures for the ROBOCUT are not an easy problem to address due to the machining principle of wire electrical-discharge machinings and their structure described in V-1 (1) a. above. As a result, without drastic reform, there is a concern that there will be a significant burden on employees involved in the EMC Tests. It is necessary to secure or expand human resources who understand the content of the EMC Directive and EN55011 and have specialized knowledge, and it is also necessary to secure or expand human resources who have expertise in the EMC Directive and EN55011, not only for those involved in development and design but also for those involved in testing and auditing.

Further, because noise countermeasures cannot be achieved by a specific division or employee alone, it is also necessary to avoid placing an excessive burden on or unevenly distributing expertise to a specific division or employee. Therefore, it is essential that the various divisions of the Company, such as ROBOCUT processing technology, software, electrical equipment development, and mechanical development, work together across divisions to address noise countermeasures without falling into sectionalism. In doing so, it is important to consider design innovations that go beyond simply "suppressing noise by taking countermeasures" and instead "suppress noise emission itself from the design stage" and to take drastic and rigorous technical initiatives to reduce noise in ordinary times.

In addition, if the test sites currently being used are insufficient to conduct the EMC Tests for noise properly, one option is to consider expanding physical resources, including adding more in-house test facilities or finding additional external test sites.

Furthermore, in the future, for example, it is conceivable to seek and utilize noise analysis on a computer by utilizing simulation technology from the development and design stages, in addition to the EMC Test using actual machines.

Thus, in view of the peculiarity of the machining principle and structure of wire electrical-discharge machinings, in which ROBOCUT is prone to emit noise by nature, it is necessary to make drastic reforms and implement measures continually to prevent recurrence rather than leaving them to the

field to handle. To this end, it is necessary for the Company including Officers to re-recognize the need to invest human and material resources, and accept the reasonable costs incurred.

The above countermeasures are expected to contribute not only to compliance in relation to ROBOCUT but also to ensuring the legality and efficiency, etc. of the EMC Directive-related operations for almost all products of the Company.

b. Education, training, and thorough dissemination of laws and regulations such as the EMC Directive (including reeducation on the importance of legal compliance)

Next, it is necessary to resolve insufficient awareness and lack of knowledge of the EMC Directive, as described in V-1 (1) b., and to provide reeducation on the importance of legal compliance, moral and ethical education, training, and thorough dissemination so that the Misconduct and similar fraud will never occur again.

c. Accumulation of expertise and know-how on a regular basis, implementation of the EMC countermeasures in cooperation with other divisions, and formulation of flexible development schedules

As described in V-1 (1) b. above, it can be said that there was insufficient awareness and lack of knowledge of the EMC Directive, and a lack of accumulation of know-how and expertise in the division. Under such circumstances, the pressure to strictly adhere to the sales start date as described in V-1 (1) c. above and the pressure to reduce costs as described in V-1 (1) d. above caused the Misconduct.

On the other hand, costs are generally not unlimited in product development. In addition, as for time constraints, there are natural limits to the number of available slots and time periods at the EMC Center within the Company and external test sites, as many products are tested at these sites. In addition, there is a limit on the countermeasures that can be taken on the spot while conducting the EMC Tests on actual machines. Given these circumstances, it is important to accumulate expertise and know-how on noise countermeasures not only during the EMC Tests but also on a regular basis as an effective countermeasure to prevent recurrence.

Thus, in order to not only ease or eliminate the pressure to strictly adhere to the sales start date and the pressure to reduce costs but also to pass the EMC Tests within specific time and cost constraints, it is conceivable that the following expertise and know-how, for example, should be accumulated and shared on a regular basis, while receiving advice from outside consultants as necessary:

- Know-how and expertise in the mechanism of noise generation and its suppression, which is necessary to make the structure of a product capable of suppressing noise generation from

the design stage (see V-1 (1) c. above).; and

- Accumulation of expertise on effective noise countermeasures in normal times, know-how and expertise to implement legally required countermeasures appropriately while taking into account economic rationality (see V-1 (1) d. above).

In this regard, the fact that, the Company's ROBOCUT Research & Development Division has been accumulating expertise on noise countermeasures on a regular basis since 2023 and is in the process of accumulating efforts, expertise, and know-how toward the next model while receiving advice from external consultants can be said to be an appropriate step. It is necessary to continue this in the future in order to accumulate expertise and know-how and to improve the effectiveness of recurrence prevention. In doing so, it is important to instill the idea that each division should respond in a cross-divisional and unified manner without falling into sectionalism.

Furthermore, needless to say, it is also important to review the development schedule itself and ensure flexibility. As described in V-1 (1) c. above, after the summer of 2021 at the latest, actions were taken to ease the pressure to strictly adhere to the sales start date, such as General Manager ("Honbucho") -level employees informing other employees that there was no need to rush to announce new models. Going forward, one idea is to review the development schedule itself to see if it is unreasonable and to ensure flexibility in the schedule through daily communication and information sharing, etc. between the development and sales divisions, such as the ROBOCUT Research & Development Division.

(2) Improvement of the work environment in the ROBOCUT Research & Development Division

a. Concrete awareness of the fact that the highest priority is placed on legal compliance and compliance by returning to the Company's Basic Principles

Product quality is not merely about ensuring that there are no problem with safety or quality and that there are no accident, defect, or complaint. It is also required to ensure procedural quality, that is, that quality is ensured through appropriate procedures such as the implementation of lawful and appropriate tests. The lack of proper procedures is not justified simply because there are no safety or quality problem or because no defect or complaint has occurred. It is important to raise awareness of legal compliance and compliance as the highest priority, including the fact that the thinking that it is acceptable as long as there is no actual harm or hindrance is wrong.

In this regard, as described in V-3 (3) above, the following are the Basic Principles established by

the founder of the Company, Dr. Seiuemon Inaba. The Basic Principles are also stipulated in Article 2 of the "Corporate Governance Guideline."

- **Strict Preciseness (A company will last forever and be sound with strict preciseness.)**
- **Transparency (The corruption of an organization and downfall of a company start from a lack of transparency.)**

In other words, it is important to adhere to Strict Preciseness in all aspects of management, to report bad information to top management as soon as possible, and to use all the company's resources to solve problems.

In other words, it is important to address noise countermeasures by returning to "FANUC's Basic Principles," which state that it is important to adhere to Strict Preciseness in all aspects of management, to report bad information to top management as soon as possible, and to use all the company's resources to solve problems.

In order for the Officers themselves to demonstrate that "legal compliance is given first priority," it is necessary for them to develop the necessary environment and systems, secure resources for quality-related compliance, and disseminate and thoroughly implement the regulatory content of more specific laws and regulations to be complied with. It is essential to send out a message of strict compliance with specific laws and regulations, standards, and certifications and for the Officers themselves to take these matters as their own and lead by example. They must also be reminded that legal compliance is a different issue from cost reduction and must thoroughly raise awareness of compliance. It should be considered that a failure to comply with such laws and regulations, standards, and certifications will result in losses to the company that are greater than the immediate costs.

In this regard, as already described, various changes have been made in recent years based on the premise that legal compliance is given first priority. These include actions taken after the summer of 2021 at the latest to ease the pressure to strictly adhere to the sales start date, the establishment of the Quality Audit Section that conducts audits explicitly covering conformity with laws, regulations, and contracts from FY 2023 onwards in response to comments from outside Directors and the successive detection of quality fraud at other companies, and the change in culture to one in which cost increases are more likely to be approved in response to rising prices of raw materials and parts, issues with the Subcontract Act (price pass-through), and the growing emphasis on compliance. Going forward, it will be essential to further raise awareness of the fact that the highest priority is placed on legal compliance and compliance by returning to the Company's basic principles.

b. Sharing and transferring special knowledge and technology

As described in V-1 (2) c. above, due to the personalization of knowledge and work related to the EMC Directive and the European Norm, the relevant burdens and knowledge were unevenly

distributed among certain employees, and the sharing of knowledge as a division was also lacking. Going forward, it is essential to thoroughly disseminate the EMC Directive and the European Norm. To this end, it is possible to secure and develop human resources with expertise through training and making the training mandatory (resolving the situation where, even if it is provided, few people participate).

It is also possible to secure human resources to collect, disseminate, and update legal and regulatory information.

As already described, the Company's ROBOCUT Research & Development Division has been accumulating expertise on noise countermeasures on a regular basis since 2023 and is in the process of accumulating efforts, expertise, and know-how toward the next model while receiving advice from external consultants. It is possible to share such expertise and know-how by compiling a database or other means.

Furthermore, going forward, rather than storing the results of each test on an individual basis, it will be effective to share them organizationally within the division, and by utilizing the shared expertise, know-how, and test data to implement the PDCA cycle and make improvements, it will be possible to continue efforts to improve the technology required for noise countermeasures, develop skilled human resources, and make efforts to transfer and update know-how in the field systematically.

c. Transferring personnel and interaction with other divisions

As described in V-1 (2) d. above, within the ROBOCUT Research & Development Division, personnel transfers was low and the level of specialization required was quite high, and the entrenchment of personnel had progressed. Further, the process from product development to design and testing had become black boxed.

Therefore, in the future, consideration may be given to ensuring transparency through regular personnel exchanges between the ROBOCUT Research & Development Division and the Products Evaluation Center, etc. that conduct product testing and quality audits, as well as personnel transfers, etc. to ease or eliminate personnel entrenchment.

Furthermore, as one idea, it may also be worth considering taking advantage of opportunities for interaction with external parties, such as external research institutions, universities, academic societies, etc. to objectify expertise.

d. Reviewing personnel evaluation methods and ensuring transparency

In light of the fact that the Internal Questionnaire revealed multiple responses expressing dissatisfaction with the lack of transparency in personnel evaluations, in order to make personnel evaluations more transparent in the future, it is thought that one idea would be to consider clarifying

the methods and standards of personnel evaluations even more in the personnel system in order to create an environment where it is easier to report bad information to upper management quickly.

2 Improvement of the problems with quality control in the research and development of ROBOCUT

(1) Improvement of the prevention system for misconduct

a. Securing and strengthening the check system by other divisions for certification tests and quality assurance measures

As a revision to the system for preventing fraud and misconduct described in V-2 (1) above, supervision of the ROBOCUT Research & Development Division with a sense of transparency can be mentioned, which includes ensuring that independent divisions are present and involved during the test (e.g., ensuring the continued independence of the EMC Center and the presence and involvement of the EMC Center Section employees in the EMC Tests) and ensuring the continued independence and strengthening of the auditing authority of the Quality Audit Section.

In particular, the presence of another independent division at the time of the test is considered to be an effective measure to address the lack of opportunities for quality assurance checks described in V-2 (1) a. above, to eliminate opportunities for arbitrary selection of machining conditions and artificial manipulation of Parameters described in V-2 (1) b. above, and to provide a means to check countermeasures taken for the equipment under test during the test described in V-2 (1) c. above.

In this regard, as described in III-4 (1) a. (d) b. above, since FY2023, the Quality Audit Section, the Products Evaluation Center, Research & Development Promotion / Support Division has been conducting “Entry Audits” (audits conducted at the planning and development stages of design and development) and “Exit Audits” (audits conducted at the design completion stage), which are conformity audits related to laws, regulations, and standards, with research & development divisions as the audited divisions. While certain measures have already been taken, it should be considered so that those would be further effective ones.

b. Visualization and documentation of the equipment under test condition settings in the EMC Tests

In order to eliminate opportunities for arbitrary selection of machining conditions and artificial manipulation of Parameters described in V-2 (1) b. above, it is possible to consider ensuring that the test records are recorded and stored in a way that enables them to be reproduced, and that rules are

established, particularly rules for the test setup and operating conditions for each product.

In addition to such rulemaking, it is essential to visualize and record the setting of the equipment under test conditions in the EMC Tests through the following methods, including the perspective described in V-2 (1) d. above.

- Conduct experiments to determine what machining conditions will be the maximum load conditions and keep the results on file as evidence.
- Ensure that other divisions independent of the ROBOCUT Research & Development Division are present and involved during the test.
- Consider developing a system that enables automatic saving, etc. of operation logs to prevent tampering with machining conditions and Parameter values (or to enable subsequent verification of tampering). In order to prevent arbitrary manipulation of machining conditions and Parameters, if it is difficult to save operation logs, etc. automatically, one idea is to reinforce the credibility of objective records by other means, such as having an independent division properly record, from an objective standpoint, the fact that the test conditions and Parameters used during the test have not been adjusted.

c. Consideration of the implementation of countermeasures to avoid or prevent the omission of the application of countermeasures taken for the equipment under test during the EMC Test to mass production

In relation to V-2 (1) c. described above, it is essential to improve the flow to effectively check whether the application of any of the countermeasures taken for the equipment under test during the test has been omitted in mass production. Taking into consideration the perspective in V-2 (1) d. above, it is essential to avoid or deter omissions in the application of countermeasures taken for the equipment under test during the test to mass production, for example, through the following methods.

- Ensure that other independent divisions are present and involved during the test.
- Consider the flow for other independent divisions to document the countermeasures taken during the EMC Test.
- Strengthen audits by the Quality Audit Section (to strengthen deterrence) to check whether any countermeasures have been omitted from mass production drawings, etc., by referring the records of countermeasures taken during the above EMC Tests.
- Thoroughly disseminate that countermeasures that cannot be applied to mass production are not allowed even during the test.
- Consider conducting a sample survey (noise measurement) of mass production machines.

(2) Improvement of the detection system for misconduct

As a countermeasure for V-2 (2) a. above, it is possible to consider strengthening supervision of the ROBOCUT Research & Development Division with a sense of transparency.

3 Improvement of company-wide organizational culture, etc.

(1) Strengthening the company-wide approach to legal compliance

In order to ensure legal compliance and compliance, it is also important to create a corporate culture that encourages open communication and to avoid situations where bad information is not reported to senior Officers, and in order to foster an organizational culture that encourages reporting, it is possible to consider conducting ongoing compliance training for the General Managers ("Tokatsu Honbucho"), General Managers ("Honbucho"), Section Managers, etc. and to incorporate compliance perspectives into the evaluation criteria.

It is also worth considering holding training sessions, etc. on engineering ethics (including moral and common sense) on a regular basis (reeducation at certain times, such as upon promotion, is also worth considering).

In addition, establishing and operating a division that manages the company-wide verification of conformity to laws, regulations, and standards, including implementing various tests and declarations of conformity by a division independent of the development and design divisions, is also worth considering.

(2) Drastic reform of risk awareness regarding quality fraud

As described in III-1 (2) b. (b) above, in recent years, there has been a change in awareness at the Company of risks related to quality fraud, and various efforts have been made to ensure legal compliance and quality compliance, including the establishment of the Risk Management Committee in March 2020, the Internal Quality Audit Committee in April 2023, and the Compliance Committee in July 2023. In addition, in order to drastically reform risk awareness regarding quality fraud and further ensure quality compliance, the following are also worthy of consideration.

- Including a quality compliance perspective in the Company's personnel rules and regulations, personnel evaluations, and grading systems.
- When conducting audits, including on-site quality audits, adding a check item to confirm whether any conduct such as quality fraud or the Misconduct has taken place.
- Conducting and attending training on the EMC Directive, as it requires a high level of understanding of the EMC standards not only in each development and design division but

also in the EMC Center. In addition, working to disseminate the EMC Directive, the European Norm, and other laws and regulations and standards for quality compliance.

- In the mid- to long-term, securing human resources with expertise and skills related to the EMC Directive and noise by, for example, developing human resources who are familiar with the EMC Directive.
- Continually giving consideration to improving the operation of the EMC Center and the Quality Audit Section.
- Conducting ongoing activities and support for company-wide efforts toward the EMC countermeasures for the next model in the ROBOCUT Research & Development Division.

(3) Statement of the Officers' commitment to lead by example in legal compliance awareness

The above recommendations are a variety of measures to prevent recurrence, but it is not the case that it is sufficient to implement any one of them, nor is it the case that it is acceptable to implement none of them. Moreover, it is not sufficient to implement measures to prevent recurrence at a single point in time; it is necessary to continue constant efforts to prevent recurrence. The nature of the measures to prevent recurrence must be constantly improved through the PDCA cycle based on changes in social conditions, amendment of laws and regulations, technological innovations and changes, and changes in the composition of the Company's employees responsible for quality compliance (it is necessary to develop the next generation of employees who will succeed the employees with expertise in compliance with the EMC Directive and the European Norm).

To this end, it is essential for the entire company to work together to develop a mindset of legal compliance and quality assurance and for Officers to assume a sense of ownership for these matters and lead by example.

VII Results of the investigation concerning misconducts similar to the Doubt

1 The scope and method for investigation of the occurrence of misconduct similar to the Doubt

The Committee confirmed that there were complaints in the Internal Questionnaire regarding potential problems with the quality compliance of the Company's products (not limited to ROBOCUT). After closely examining the details of the complaints, categorizing them by grouping together those that appeared to be similar, the Committee investigated the 20 categories of suspected misconduct similar to the Doubt among them (misconduct regarding the tests on the conformity of the Company's products (not limited to ROBOCUT) with the EMC Directive or the European Norm, or equivalent mandatory standards in each country and the implementation of countermeasures on mass production machines based on 'the results of such tests) using methods such as collecting and analyzing objective data, including various data on the Company's servers, and interviewing those involved. The results are as follows.

2 Investigation Results for 20 Categories

With respect to 19 categories of the above 20 categories, as a result of the Committee's investigation, there was no evidence sufficient to support these complaints, and therefore, (i) it was not found that there was any misconduct in the tests for conformity with the mandatory standards, and (ii) it was not found that there was any misconduct in implementing countermeasures on mass production machines based on the results of these tests.

The progress and result of the remaining one category of the investigation are as follows.

The Committee found that a person who was the subject of the Internal Questionnaire complained that, despite the fact that, among the conformity verification tests to obtain the CE mark for spindle motors with specific specifications, the result of the pressure resistance test at elevated temperature (hereinafter referred to as the "**Pressure Resistance Test**") failed, he/she stated that the test had passed contrary to the fact at the instruction of the then supervisor, and then the EU-type examination certificate had been issued by the Notified Body(hereinafter referred to as the "Complaint" in this section).

The above spindle motors were not manufactured and shipped to the customer as described below.

The main issue in the Complaint was the violation of Article 9.2 of EN60034-1:2010, the harmonised standards for the Low Voltage Directive (Directive 2014/35/EU of the European Parliament and of the Council).

Although the Complaint is considered to have a certain degree of credibility because it is a voluntary admission of his/her own violations in the Internal Questionnaire, etc., the Committee's investigation revealed that there was no objective evidence to support the declarant's statement, and no other statements were obtained to confirm the content of the Complaint or the existence of such suspicions. Taking the results of the investigation into consideration as a whole, the Committee cannot conclude that there was a violation of Article 9.2 of EN60034-1:2010, the harmonised standards for the Low Voltage Directive, as described in the Complaint, but would like to point out only that there is a possibility thereof.

In any event, the investigation by the Committee did not confirm either the fact that the model subject to the Pressure Resistance Test stated in the Complaint wasshipped or the fact that the result of the said Pressure Resistance Test was used to obtain the CE Mark for other spindle motors as of the date of preparation of this Investigation Report.

VIII Summary

In concluding this Report, the Committee summarizes as follows.

In March 2024, in response to the discovery of the Doubt regarding the ROBOCUT products, the Company suspended shipments of the products with specifications for Europe, and in April of the same year, the Board of Directors established the Committee to thoroughly clarify the facts, examine the cause, and consider measures to prevent recurrence, and commissioned to the Committee the investigation of the existence of the Doubt and similar incidents, determination of the cause, and recommendation of measures to prevent recurrence.

The Committee was composed of three members who were experts in the related fields and was assisted in the investigation by attorneies from TMI Associates and experts from KPMG FAS Co., Ltd.

The investigation was continued from April 24, 2024 to November 20, 2024, basically covering the period before April 24 of the same year, which included investigations such as interviews with a total of 152 persons concerned with this case, examination of documents provided by the Company, digital forensic investigation, conducting internal questionnaire surveys, and opening a hotline. During this period, we received sincere cooperation from the parties concerned with the Company for our Investigation. We would like to express our gratitude to them.

As a result of the Investigation, the following facts of organizational Misconduct within the ROBOCUT Research & Development Division were confirmed.

1 Arbitrary selection of machining conditions to pass the EMC Tests
The machining conditions for the EMC Tests were not properly selected based on verification of the actual machine or theoretical studies, and the basis for the selection results was not properly recorded to enable verification of the validity of the selection later.

2 Creation of passing test results by manipulating Parameters during the EMC Test
In order to pass the EMC Test, some Parameters of the machining conditions that were to be used during the test were manually changed, and the output was intentionally weakened to reduce the generated noise, etc.

3 Failure to apply countermeasures applied at the time of passing the EMC Test to mass production machines
Some countermeasure parts (or equivalent countermeasures) used at the time of the EMC Tests were intentionally not applied to mass production machines.

The Misconduct itself was carried out within the ROBOCUT Research & Development Division. Under the unique machining principle and product characteristics of ROBOCUT, a number of problems and challenges, such as the need to simplify or remove the full cover, which is highly effective in suppressing noise, the need and pressure to reduce costs, and the pressure due to a limited

development schedule and test schedule, the insufficient awareness and lack of knowledge of the EMC Directive, a fact that know-how and expertise thereof were not accumulated within the division, and the environment in which it was difficult to raise voice within the ROBOCUT Research & Development Division, as well as the personalization and black box nature of operations, were combined to make it difficult for the field workers to keep noise within the limits. These were related to the motivation, justification, and opportunity for the Misconduct.

However, these problems should not be viewed as problems of this division alone, but rather as problems with quality control, such as the establishment and operation of a monitoring and supervision system for the research and development of ROBOCUT, including a system to prevent and detect the Misconduct at an early stage, as well as problems with company-wide compliance. It is appropriate to consider measures to prevent recurrence in order to improve these problems.

Based on the above results, the Committee recommends the following measures to prevent recurrence in summary.

1 Elimination of the causes of the occurrence of the Misconduct in the ROBOCUT Research & Development Division

(1) Recognition of the need to invest human and material resources for legal compliance, and acceptance of reasonable costs

(2) Education, training, and thorough dissemination of laws and regulations such as the EMC Directive (including refresher courses on the importance of legal compliance)

(3) Accumulation of expertise and know-how on a regular basis, implementation of the EMC countermeasures in cooperation with other divisions, and formulation of flexible development schedules

(4) Indoctrination of concrete awareness of the fact that the highest priority is placed on legal compliance and compliance by returning to the Company's Basic Principles ("Strict Preciseness and Transparency")

(5) Sharing and transferring special knowledge and technology

(6) Transferring personnel and interaction with other divisions

(7) Reviewing personnel evaluation methods and ensuring transparency

2 Improvement of the problems with quality control in the research and development of ROBOCUT

(1) Securing and strengthening the check system by other divisions for certification tests and quality assurance measures

(2) Visualization and documentation of the equipment under test condition settings in the EMC Tests

(3) Consideration of the implementation of countermeasures to avoid or prevent the omission of the application of countermeasures taken for the equipment under test during the EMC

Test to mass production

(4) Improvement of the detection system for misconduct

3 Improvement of company-wide organizational culture, etc.

(1) Strengthening the company-wide approach to legal compliance

(2) Drastic reform of risk awareness regarding quality fraud

(3) Statement of the Executive Officers' Commitment to "Lead by example in legal compliance awareness"

The Company has a vision to continue to provide indispensable value to the world through constant technological innovation in the field of factory automation and to remain in a company that is trusted by all stakeholders. The Company's management policy is to continue to aspire to be a company that, though small in size, having the robustness of a giant with roots firmly spread in the ground, and to concentrate on technology to go forward, by "walking a straight and narrow path". To realize this corporate policies, the Company has adopted the Basic Principles of "Strict Preciseness and Transparency."

The series of Misconduct discovered in the ROBOCUT Research & Development Division is truly regrettable, as it undermines the trust that stakeholders have placed in the Company over the years. However, the discovery of the Misconduct was the result of self-cleansing actions taken through the Company's internal audits, and in fact, it can be viewed as a sign that the corporate culture of the Company is finally changing into one that is capable of discovering and remedying misconduct that had gone undetected for many years. In fact, in recent years, there have been efforts to strengthen compliance, including in terms of quality, and to strengthen and improve quality control and auditing systems at the Company.

Determining the causes of the Misconduct and considering and implementing measures to prevent recurrence also present a fresh start for the Company as it faces stakeholders, including users, with even more sincerity than ever before and becomes a company with the strength of a truly established giant, a company that competes with technology.

The Committee hopes that this Investigation Report will help in this regard and serve as a foundation for the Company's further development.

End