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Results of Total Quality Inspection

After the announcement of the “Notification of Improper Cases Related to Quality Control” on August 27, 2021, in addition to performing a total quality inspection investigation of our products in 2022 (“**1st Total Quality Inspection**”), TAKAOKA TOKO Co., Ltd. (the “**Company**”) proceeded with the following four initiatives as recurrence prevention measures: “Rebuilding of Quality Management System (QMS),” “Strengthening of human resources development,” “Enhancement of communication,” and “Reform of mindset and culture.”

In the course of the promotion of these initiatives, new incidents of impropriety were identified through internal whistleblowing (announced on May 16, 2023). For this reason, we analyzed the causes of the failure of the 1st Total Quality Inspection to uncover these incidents and undertook a review of the investigation methods. On that basis, we have once again conducted a total quality inspection (“**2nd Total Quality Inspection**”) of all products handled by us and our subsidiaries.

We announced those incidents of impropriety that were identified in the course of the 2nd Total Quality Inspection on April 30, 2024. As the 2nd Total Quality Inspection was completed on September 19, 2024, we hereby advise of the results of the investigation, including the incidents of impropriety that were additionally identified.

We have now completed corrective actions for all incidents and verified their execution, as well as confirming the shipment of products after inspection in accordance with the official standards and specifications agreed upon with customers for all products.

In addition, as a result of evaluation of the soundness of our products, we do not believe that they will give rise to any quality or safety problems, so our products may continue to be used with peace of mind.

In response to the series of incidents of impropriety announced so far, we are working on the thorough identification of the true causes, including the background, and considering recurrence prevention measures. Also, based on recommendations in the reports received from the investigation and verification committee, we will formulate and execute reform measures to restore the Company to a position where safety, quality, and compliance are the highest priorities.

We will provide further notification of these reform measures once they have been compiled.

Related notifications

- August 27, 2021: [Notification of Improper Cases Related to Quality Control](#)
- September 8, 2021: [Survey on Improper Cases of our Gas Insulated Switchgear](#)
- May 16, 2023: [Incidents of Impropriety Regarding Certain Instrument Transformer Products](#)
- April 30, 2024: [Notice of Improper Practices regarding High-Voltage Transformers](#)

1. Details of 2nd Total Quality Inspection

In the 1st Total Quality Inspection conducted in 2022, from the perspective of confirming whether there were other events of the same nature as the incidents of impropriety regarding gas-insulated switchgear (announced on August 27, 2021), investigations were limited to acceptance test reports, and there was insufficient investigation into past events. For these reasons, the investigation was unable to uncover incidents of impropriety regarding type test reports or past incidents of impropriety that have now been corrected.

Based on these reflections, in the 2nd Total Quality Inspection, we conducted a fact-finding investigation, involving an investigation of documentation with a broader scope of inspection than the 1st Total Quality Inspection, a compliance survey, involving a questionnaire survey of employees and individual interviews designed to check widely for the existence of inappropriate responses and past incidences of impropriety, and the inspection of testing equipment at the plants to check for any improper conduct similar to the incidents of impropriety already identified. The specific details of each of these investigations are as follows.

(1) Fact-finding investigation

- Covering products handled by the Company and its subsidiaries at the time of the investigation and all products that had been discontinued within the ten years prior, we investigated the appropriateness and accuracy of documents submitted to customers according to the matters described below.

Investigated documents (totals for Japan and overseas)

Type test reports (997 types), acceptance test reports (914 reports), quality control process charts (428 charts), outsourced purchased components lists (105 lists), site test reports (518 reports), other specifications, drawings, etc. submitted to customers for approval (291 documents)

Matters to be confirmed

(i) Conformity between actual test records and customer specifications

- Has each individual test described in the manufacturing specifications document agreed with the customer and issued by the Company been performed appropriately?
- If test conditions or performance conditions were tightened or relaxed, was data from other tests re-used without discussing it with the customer or stating it clearly in the test type report?

(ii) Conformity between actual test details and official standards

- Have all the tests prescribed in the relevant Japanese and overseas official standards, and the contents of those tests, been performed appropriately?

(iii) Conformity between internal criteria and official standards

- Whether internal testing criteria, technical standards, test procedure documents, etc. conform with official standards

(iv) Conformity between actual test records and reports

- Have the results of tests actually performed been evaluated as pass or fail according to the methods and criteria specified in the official standards and documented in the report?

(v) Conformity between the major purchased components stipulated in the customers' specifications and the major purchased components used by the Company

- Have the purchased components been tested in accordance with the stipulations set forth in official standards or customer requirements found in the purchase specifications for main components, test reports, and customer specifications documents?

(vi) Confirmation of reliability of type test data

- Regarding type test data, if past test data is used, is test data for the same type with the same specifications used with the consent of the customer?

(2) Compliance survey

(i) Compliance questionnaire (July and November 2023)

- We surveyed the employees of the Company, its Japanese subsidiaries, and one overseas subsidiary (3,196 employees), using questionnaires supervised by an external attorney, to check for any violations of laws, internal regulations and rules, and official standards, and for any inappropriate responses to contractual matters with customers.

(ii) Quality questionnaire for Quality Awareness Month 2023 (November – December 2023)

- We surveyed all 2,470 employees of the Company about whether they had omitted any acceptance tests or made any changes from the official standards or customers' required specifications for all products manufactured by the Company at the time of the survey.

(iii) Questionnaire survey and interviews of Metering Business Division (February 2024)

- Based on the results of the aforementioned investigations and surveys, to obtain confirmation of more specific details, we conducted a questionnaire survey and interviews of 21 members of the quality assurance department in the Metering Business Division, where the incidents of impropriety announced on May 16, 2023 originated, about whether they had performed inappropriate testing in the past.

(iv) Questionnaire survey of company-wide quality assurance departments (April 2024)

- To check more specific details from the results of the aforementioned investigations and surveys, we conducted a questionnaire survey of 264 employees assigned to the Company's quality assurance departments either currently or in the past (including people currently working at Group companies) regarding whether they had performed inappropriate tests or made false statements on test reports, including in the past.

(3) Inspection of testing equipment

After the identification of incidents of impropriety regarding high-voltage transformer products, during the period from December 21 to 27, 2023, we checked the actual product withstand voltage testing equipment for all products installed at three of our locations (Oyama Area, Hasuda Area, and Hamamatsu Area), at our subsidiaries, and our suppliers, to determine whether inappropriate circuits similar to the transformer incident had been installed.

2. Results of 2nd Total Quality Inspection

The fact-finding investigation in 1.(1) above did not reveal any new incidents of impropriety, and no inappropriate testing circuits were uncovered in the checks of actual testing equipment in 1.(3) above.

On the other hand, as a result of the compliance questionnaire survey in 1.(2)(i) above, 586 responses of "there are cases of impropriety" or "there are cases or suspected cases with the potential to lead to impropriety" (this includes cases that the Company had already corrected at the time of the questionnaire response and some duplication of responses) were confirmed.

Based on these survey results, we formed a compliance survey team comprising people within the company engaged in this work and external attorneys to conduct interviews of the respondents and investigate relevant documentation and evidence to confirm the details of those cases. On that basis, to investigate the detailed facts of those matters, the team conducted questionnaire surveys and interviews regarding 1.(2)(ii) through (iv) and organized the incidents of impropriety into the following categories, as well as promoting the necessary corrective actions.

- Cases that raise concerns about potential legal violations, cases that raise concern about violation of official standards, cases that raise concern about violations of contracts with customers or about

failure to satisfy customers' requirements (55 cases)

- Cases that raise concerns about violations of internal rules and cases that raise concerns about harassment (40 cases)
- Cases that, while they could not be described as clear harassment, require department- or organization-level action (111 cases)
- Regarding the 380 cases other than the above, as a result of investigation, we confirmed that they were cases that did not violate laws, official standards or internal rules, cases that the company had corrected and resolved prior to the questionnaire survey, and cases that were duplications of other responses.

As a result of our pursuit of fact-finding investigations and corrective measures, we extracted those cases that constituted violations of customer requirements (including official standards) and laws and cases that were identified in follow-up investigations of previously announced incidents. As a result, the following eight (8) incidents are incidents of impropriety that require wide-ranging notification as the findings of the 2nd Total Quality Inspection.

Incidents of impropriety identified in the 2nd Total Quality Inspection

	Incident
(i)	High-voltage transformers: Lightning impulse withstand voltage tests: Performed on less than 75%; suspicions about insulating performance against lightning impulse of certain sections of the winding structure
(ii)	Non-conformity of placement of testing equipment stipulated in relevant Japanese and overseas official standards
(iii)	Non-conformity with response characteristics stipulated in relevant Japanese and overseas official standards
(iv)	Extra-high-voltage transformers: Reporting of wave form data that differed from actual voltage and current wave forms in lightning impulse withstand voltage test
(v)	Instrument Transformer: Non-performance of partial discharge test
(vi)	Disconnecter and earthing switch omitted from acceptance testing
(vii)	Official qualifications obtained through falsification of credentials
(viii)	Unauthorized use of name plates for specific customers

3. Impact on the Group's business performance

Currently, there are no revisions to the consolidated results forecast for the current fiscal year due to this announcement. If it is anticipated that the consolidated results for the current fiscal year will be affected, we will promptly make an announcement to that effect.