

December 26, 2023

To whom it may concern

Grant Thornton Taiyo LLC
Shigeyoshi Yamada, CEO

Disciplinary Action by the Financial Services Agency

Today, December 26, 2023, we received the following disciplinary action from the Financial Services Agency (FSA) pursuant to Article 34-21, Paragraph 2, Item 2 and Paragraph 3 of the Certified Public Accountants Act in connection with our failure to exercise due care resulting in the certifying of materially false financial statements as not materially false in the examination of the audited company's amended report. Simultaneously, a decision was made to commence hearing procedures related to the payment order issued to our audit firm.

We would like to express our deepest apologies for the inconvenience and concern this has caused to all those involved.

This disciplinary action includes the suspension of operations related to the conclusion of new contracts, and we will not be able to conduct operations related to the conclusion of new contracts for a period of three months. However, we intend to continue to properly conduct the operations that are currently underway. We have been investigating the cause of the false certification that resulted in the disciplinary action, and have initiated some preventive measures. We understand the grave nature of this disciplinary action and will compile a business improvement plan by January 31, 2024, and ensure that it is implement.

In order to fulfill our social mission expected of us as an audit firm, we will work as one to restore trust.

Contents of the Disciplinary Action

- Suspension of operations related to the conclusion of new contracts for a period of three months (from January 1, 2024 to March 31, 2024, excluding the renewal of audit contracts and new contracts associated with the listing of companies with whom an audit contract exists)
- Business Improvement Order (※)
- Prohibition of the partner materially responsible for the action that resulted in the disciplinary action from performing a part of the audit firm's services (examination of audit) for a period of three months (from January 1, 2024 to March 31, 2024)

Reason for the Disciplinary Action

Two certified public accountants, who are partners of our audit firm, neglected considerable care in auditing DDS, Inc.'s financial statements contained in the correction report of disclosure documents for the year ended December 31, 2017, December 31, 2018, and from third quarter of September 30, 2019 to the year ended December 31, 2021, and the financial statements for the first quarter of March, 2022, and certified that there were no material misstatements.

The partners who carried out the examination related to the audit work in question is recognized to bear significant responsibility for the actions resulting in the aforementioned disciplinary action.

※ **Contents of the Business Improvement Order**

- (1) Develop an appropriate framework for conducting audits as an audit firm in consideration of the occurrence of the misstatements in an audit.
- (2) Establish an audit framework that objectively examines material auditing judgments made by the audit team, and detects and mitigates deficiencies in audit procedures.
- (3) From the perspective of establishing a system where auditors observe professional ethics and express responsible opinions, reassess the organizational structure, including personnel management and training systems within the audit firm.
- (4) In order to enable the establishment and operation of the audit firm's quality control system, establish appropriate quality control objectives regarding information and communication, and develop a system for implementation.
- (5) Submit and immediately implement a business improvement plan for (1) through (4) above by January 31, 2024.
- (6) After the implementation of (5) above, the first and second reports shall be made on February 29 and March 29, 2024, until the completion of implementation of the improvement plan. Progress, implementation, and state of improvement shall be summarized on March 31, 2024 and every three months thereafter, with monthly reports submitted by the 15th of the following month.