

TSE Urgent Notice



Jul. 31, 2020
Listing Department
Tokyo Stock Exchange, Inc.

Request for Improvement Report and Public Announcement Measure

TSE has requested an Improvement Report and taken the Public Announcement Measure as follows.

*This decision is based on the results of the examination by Japan Exchange Regulation.

1. Company Name J-Holdings Corp.
(Code:2721, Market Division: JASDAQ Standard)
2. Improvement Report Submission Deadline Aug. 17, 2020 (Mon.)

Provision Securities Listing Regulations, Rule 502, Paragraph 1, Item (1)
(Due to disclosed information containing false statements and improvements being deemed highly necessary)
3. Date of Public Announcement Measure Jul. 31, 2020 (Fri.)

Provision Securities Listing Regulations, Rule 508, Paragraph 1, Item (1)
(Due to disclosed information containing false statements and public announcement being deemed necessary)
4. Reason J-Holdings Corp. (hereinafter "the Company") disclosed an investigation report by a third party committee concerning inappropriate accounting processing by the Company on Apr. 30, 2020 and corrections to past earnings reports, etc. on Jun. 16, 2020.

These disclosures revealed that the president and representative director of a core subsidiary of the Company (hereinafter "the subsidiary") (hereinafter "the president of the subsidiary") conducted inappropriate accounting processing such as by posting fictitious sales as part of its real estate transactions. The results revealed that the Company violated the listing rules by disclosing earnings reports, etc. that contained falsehoods from the second quarter of the fiscal year ended Dec. 2017 through to the third quarter of the fiscal year ended Dec. 2019, and that the Company falsified its negative results to post positive figures for each profit category for the

fiscal year ended Dec. 2017 and the fiscal year ended Dec. 2018.

It was deemed that the following points contributed to the occurrence of these disclosures:

- Checks and balances of subsidiaries were insufficient, not only by directors in charge of managing subsidiaries but also other directors, as authority was concentrated with the president and representative director of the Company and the president of the subsidiary, who led the running of the real estate business, the Company's core business, and procedures necessary for approval of business transactions such as checks on the circumstances behind starting real estate and other transactions, and checks on the suitability of business partners declined into mere formalities, which resulted in insufficient understanding and management of business transactions of the subsidiary.
- At the subsidiary, contract documents, etc. concerning important contracts were created and managed mainly by the president, and internal approvals related to real estate transactions were a mere formality, which allowed the president of the subsidiary to conduct business transactions on his own while concealing them from the Company.
- The Company's subsidiary management system and its operation of said system were insufficient; for example, directors of the Company including those in charge of subsidiary management did not actively attempt to understand the situation of business execution at subsidiaries, and both internal audits and audits by statutory auditors were insufficient and ineffective.

Based on the above, this case involves inappropriate disclosure that has considerable impact on investment decisions caused by inadequacies in the system of the Company for appropriately conducting timely disclosure. In addition, examination in this case revealed that although the Company created and disclosed measures to prevent further deficiencies in the timely disclosure system, etc. in 2016, these were not fully implemented. Thus, improvements in the Company's system for timely disclosure are deemed highly necessary. The Company has already sold off the subsidiary in question, imposed disciplinary measures on the president and representative director of the Company for failing to sufficiently fulfil their check and balance duties in this case, and transitioned to a new management team. However, in order to ensure the thorough implementation of measures to prevent further deficiencies, TSE requires the Company to submit a report containing the events leading to the issue and improvement measures.

In addition, as this case is deemed to require public announcement, TSE implements the public announcement measure.

* After submission of the Improvement Report, etc. by the Company, they will be made available on the JPX website and through the TDnet database service.

Improvement Report, etc. that are currently available for public inspection can be found on the following page of the JPX website (<https://www.jpx.co.jp/listing/market-alerts/improvement-reports/index.html>) (available only in Japanese).

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