

TSE Urgent Notice



Jun. 29, 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.

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| Company Name | ISHIGAKI FOODS CO.,LTD.
(Code: 2901, Market Division: JASDAQ Standard) |
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| Improvement Report Submission Deadline | Jul. 13, 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) |
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| Date of Public Announcement Measure | Jun. 29, 2020 (Mon.) |
| Provision | Securities Listing Regulations, Rule 508, Paragraph 1, Item (1)
(Due to disclosed information containing false statements and public announcement being deemed necessary) |
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| Reason | ISHIGAKI FOODS CO.,LTD. (hereinafter "the Company") disclosed an investigation report of the special investigation committee on Apr. 10, 2020 concerning inappropriate accounting processing by the Company in past fiscal years, and corrections to past earnings reports, etc. on Apr. 16, 2020.
These disclosures revealed that a subsidiary of the Company (hereinafter "the subsidiary") conducted inappropriate accounting processing, including intentionally manipulating the timing of recording expenses under the instruction of the representative director and president of the subsidiary as well as the person responsible for accounting at the Company, in the situation where the Company would have fallen under the delisting criteria if both the consolidated operating |
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income and consolidated cash flows from operating activities for the fiscal year ended Mar. 2018 were to be negative, and that incorrect accounting processing was conducted due to, among others, a lack of accounting knowledge of the relevant parties of the subsidiary.

As a result, it was deemed that the Company had violated the listing rules by disclosing earnings reports, etc. that contained falsehoods from the third quarter of fiscal year ended Mar. 2018 through to the second quarter of fiscal year ended Mar. 2020, and that the Company's consolidated operating income was falsified as being positive instead of negative for the fiscal year ended Mar. 2018.

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

- The management of the Company as well as those involved in inappropriate accounting processing had inadequate awareness of compliance, which includes conducting accounting processing appropriately.
- There were deficiencies in the Company's subsidiary management, including insufficient understanding and instruction relating to accounting processing at the subsidiary even though it is an important subsidiary of the Company.
- The subsidiary did not fully prepare nor implement measures, including increasing staff numbers, despite the fact that its operational burden had increased due to becoming a consolidated subsidiary of the Company in Nov. 2017, and did not conduct a proper review of accounting processing.

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, and improvements in the Company's system for timely disclosure are deemed highly necessary. Therefore, 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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