

TSE Urgent Notice



Jun. 24, 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 PRESSANCE CORPORATION
(Code: 3254, Market Division: 1st Section)
2. Improvement Report Submission Deadline Jul. 8, 2020 (Wed.)

Provision Securities Listing Regulations, Rule 502, Paragraph 1, Item (2)
(Due to falling under a case where TSE deems that the listed company has violated the matters to be observed in the Code of Corporate Conduct and that improvements are deemed highly necessary)
3. Date of Public Announcement Measure Jun. 24, 2020 (Wed.)

Provision Securities Listing Regulations, Rule 508, Paragraph 1, Item (2)
(Due to falling under a case where TSE deems that the listed company has violated the matters to be observed in the Code of Corporate Conduct and that public announcement is deemed necessary)
4. Reason On Dec. 23, 2019, PRESSANCE CORPORATION (hereinafter “the Company”) established an external management reform committee to investigate and verify problems in terms of its corporate governance and reform its governance system based on recommendations from a third party after the former President and Representative Director and former employees were arrested and indicted on charges of embezzlement. The Company also disclosed on Mar. 31, 2020 a report received from the committee.
These facts and the disclosure revealed the following:

- (1) The former President and Representative Director personally loaned money to one of its business partners, then recovered the loan as deposit for a real estate transaction by using the money amount equivalent to the deposit, an inherent conflict of interest; and
- (2) The Company was lacking systematic checks and balances against general business operations such as purchasing, development, progress management, and risk management of real estate, leading to ineffective internal controls that inhibited the Company to exercise sound judgements for business transactions.

These disclosures revealed the following facts, among others, behind the issues at the Company

- Overall business operations were dependent on the individual abilities of the former President and Representative Director, who was a member of the founding family and a major shareholder of the Company having excessive authority concentrated in his hands.
- In-depth audit was not carried out due to insufficient staff assignments for the internal audit unit as well as lack of cooperation between the unit and the audit and supervisory committee.
- Oversight functions by the board of directors were not sufficient for directors had little interest in operations outside their own responsibilities. No checks and balances were performed among board members and relevant information was not provided to outside directors.

Based on the above findings, the Company has violated matters to be observed under the Code of Corporate Conduct by failing to appropriately operate a system necessary to ensure appropriate business operations. The Company is reviewing the relationship with the former President and Representative Director by, for example, having him step down from that position and transfer most of the Company shares that he held. It is also implementing measures to prevent a similar situation from reoccurring by, for example, reconstructing its governance system. However, Improvements are still deemed highly necessary in some areas, for instance, newly establishing an important committee and ensuring effective execution of duties from outside directors. TSE has determined that the Company be required to submit a report containing the background of the issue and improvement measures.

In addition, as TSE deems that this case requires a public announcement, it shall implement 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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