

TSE Urgent Notice



Sep. 22, 2023
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 | YAMAURA CORPORATION
(Code: 1780, Market Segment: Prime Market) |
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| Improvement Report Submission Deadline | Oct. 6, 2023 (Fri.) |
| Provision | Securities Listing Regulations, Rule 504, 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 | Sep. 22, 2023 (Fri.) |
| 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 | <p>On Jul. 28, 2023, YAMAURA CORPORATION (hereinafter “the Company”) disclosed a third-party committee's interim investigation report on improper withdrawals at its consolidated subsidiary, and on Jul. 31 of the same year, the Company disclosed corrections to its financial results for past fiscal years. Subsequently, on Sep. 1 of the same year, the Company disclosed the third-party committee's final investigation report.</p> <p>These disclosures revealed that a former employee, who was the manager of the finance and accounting team of the Company's administration division and concurrently the person in charge of accounting at the subsidiary, had repeatedly made improper withdrawals from the subsidiary's bank account. As a result, the Company made disclosures that were deemed false and in violation of the listing</p> |
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rules in its earnings reports from the fiscal year ended Mar. 2021 to the fiscal year ended Mar. 2023. The corrections to the financial results revealed, among other things, a more than 40% decrease in net income attributable to the owners of the parent company for each of the fiscal years in question.

In addition, it was also revealed that on May 15, 2023, the Company had disclosed its earnings report for the fiscal year ended Mar. 2023 without sufficiently checking into the discrepancies between the subsidiary's book balance and its bank balance that had been pointed out to the Company by its auditing firm on May 9 of the same year.

In this case, the following deficiencies were found to be primarily behind the series of disclosures.

- The subsidiary had not developed procedures for functioning rules for and checks and balances on work related to receipts and payments as well as accounting. Certain employees could withdraw money or transfer it to other accounts as well as process journal entries on their own.
- The Company lacked functioning checks and balances. For example, it did not have a system in place to adequately verify the accounting practices of certain employees and the way they prepared earnings reports.
- The Company's board of directors did not fulfill its function of supervising its subsidiary. For instance, it kept the frequency of meetings of the subsidiary's board of directors at once every two years, which is in violation of the Companies Act, and did not give enough consideration to the subsidiary's governance system.
- Although the subsidiary had developed rules for audits by its statutory auditor, it had formulated no audit plans based on said rules. This resulted in continued improper audits. The Company's audit and supervisory committee did not grasp the situation surrounding audits by the subsidiary's statutory auditor and did not sufficiently supervise the subsidiary.
- The Company's internal audits were inadequate. For example, it did not conduct accounting audits on work related to receipts and payments as well as other accounting work.
- The Company's compliance education for board members, executive officers, and employees was insufficient. For example, it had not created a compliance manual.

As shown above, the inappropriate withdrawals had been left unaddressed for a prolonged period, which resulted in false disclosures that had a substantial impact on investors' investment decisions. TSE considers it highly necessary for the Company to make improvements to its timely disclosure system. Therefore, it has decided to require the Company to submit a report that includes the circumstances behind the incident and the Company's measures for improvement.

Furthermore, TSE has decided to make a public announcement regarding this incident since it deems such an announcement is necessary.

* 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/measures/improvement-reports/index.html>) (available only in Japanese).

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