

# TSE Urgent Notice



Aug. 19, 2021  
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 Agile Media Network Inc.  
(Code:6573, Market Division: Mothers)
2. Improvement Report Submission Deadline Sep. 2, 2021 (Thu.)

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 Aug. 19, 2021 (Thu.)

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 Agile Media Network Inc. (hereinafter the "Company") disclosed an investigation report of the third-party committee concerning inappropriate accounting process at the Company on Jun. 21, 2021, and then corrections to financial results for past fiscal years on Jul. 14, 2021.

These disclosures revealed, among others, that a member of the Board of Directors at the time was concurrently serving as chief financial officer (hereinafter the "Director & CFO"), who had a strong presence at the Company, made ineffective the internal controls in the administration department, and instructed some employees in the said department to fraudulently transfer the Company's funds in ways such as unauthorized withdrawals of petty cash and placement of fictitious orders to a

systems company. As a result, it was found that the Company (i) had made false disclosures in violation of the listing rules for earnings reports, etc., from the second quarter of the fiscal year ended Dec. 2018 through the fiscal year ended Dec. 2020, (ii) its net income for the fiscal year ended Dec. 2018 decreased by more than 60% due to corrections to the financial results based on such disclosures, and (iii) net loss attributable to owners of the parent company for the fiscal year ended Dec. 2019 had increased by more than 80%.

The following matters have been mainly identified to prompt these disclosures.

- Even though the Director & CFO lacked awareness of compliance, he held complete authority where other Directors and Statutory Auditors placed excessive trust in him and did not recognize the necessity of checking his actions at the meetings of the Board of Directors and other bodies. Consequently, the Company ignored the nullified internal controls which contributed to repeated withdrawals of large amounts of cash without following authorized internal procedures.
- Due to lack of communications between the three parties - Statutory Auditors, persons in charge of internal audit, and the accounting auditor, as well as other factors, the Company's audit performed by Statutory Auditors and internal audit were not thorough enough to flag the fraud risk.
- The awareness of compliance by the Company's employees was low. For example, even though multiple employees thought instructions given by the Director & CFO were not appropriate and they felt skeptical, they heedlessly followed the said instructions and did not take action to redress the situation such as whistle-blowing or by any other means.

Based on the above, this case involves disclosures that were deemed to be false caused by inadequacies in the system of the Company to appropriately conduct timely disclosure, thereby considerably impacting investor decisions. As such, since improvements in the Company's system for timely disclosure are deemed highly necessary, 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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