

TSE Urgent Notice



Sep. 26, 2019
Listing Department
Tokyo Stock Exchange, Inc.

Public Announcement Measure and Request for Improvement Report

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

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

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| Company Name | UMENOHANA CO.,LTD.
(Code: 7604, Market Division: 2nd Section) |
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| Date of Public Announcement Measure | Sep. 26, 2019 (Thu.) |
| 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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| Improvement Report Submission Deadline | Oct. 10, 2019 (Thu.) |
| 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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| Reason | <p>UMENOHANA CO.,LTD. (hereinafter "the Company") disclosed an investigation report of the third-party committee on Aug. 29, 2019 concerning inappropriate accounting processing by the Company in past fiscal years, and corrections to past earnings reports, etc. on Aug. 30, 2019.</p> <p>These disclosures revealed that the Company, for a significant amount of time, avoided booking impairment losses that should have been posted (hereinafter "this case of inappropriate accounting processing"). This case of inappropriate accounting processing was caused by the fact that creating materials about impairment losses of fixed assets of some shops and restaurants of the Company, as well as its consolidated subsidiaries, was entirely entrusted to a person in the business planning unit, who falsified data of said materials. As a result, the Company was deemed to</p> |
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have disclosed material information used for investment decisions that contained falsehoods in earnings reports, etc. from the fiscal year ended Sep. 2010 through to the fiscal year ended Apr. 2019.

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

- The Company put off increasing the number of personnel in administrative divisions despite an increased and more complicated workload of administrative operations, including budget management and accounting, along with diversification of the business due to such actions as purchasing other companies. Consequently, a specific person was responsible for creating materials pertaining to impairment losses for a significant period of time, which caused a delay in when this case of inappropriate accounting processing came to light.
- The person in the business planning unit who conducted this case of inappropriate accounting processing was lacking in compliance concerning financial closing operations.
- The manager of the business planning unit and the accounting division that was supposed to share impairment loss operations in settling accounts did not particularly check the materials pertaining to impairment losses against the data falsified by said person. Also, there were multiple instances of insufficient management and checking of duties within divisions as well as between relevant divisions, including superficial audit conducted by the internal audit unit of the administrative divisions at headquarters.

Based on the above, this case is in violation of the listing rules due to the disclosure containing false statements, has considerable impact on investment decisions, and is deemed to require public announcement. Thus, TSE implements the public announcement measure.

Furthermore, this is a case of inappropriate disclosure arising from deficiencies in the Company's organizational structure for conducting appropriate timely disclosure, and improvements to the organizational structure are deemed to remain highly necessary. As such, TSE requires the Company to submit a report containing the background of the issue and improvement measures.

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