

TSE Urgent Notice



May 14, 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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| 1. | Company Name | Image Information Inc.
(Code: 3803, Market Division: JASDAQ Growth) |
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| 2. | Date of Public Announcement Measure | May 14, 2019 (Tue.) |
| | 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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| 3. | Improvement Report Submission Deadline | May 28, 2019 (Tue.) |
| | 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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| 4. | Reason | <p>Image Information Inc. (hereinafter "the Company") disclosed an investigation report of the third-party committee concerning inappropriate accounting treatment and other matters by the Company on Feb. 12, 2019 and corrections to past earnings reports, etc. on Mar. 8, 2019.</p> <p>These disclosures revealed the facts listed below, and the Company was deemed to have disclosed earnings reports, etc. that contained falsehoods from the fiscal year ended Mar. 2014 through to the fiscal year ended Mar. 2018.</p> <ul style="list-style-type: none">- Under the involvement of a former director, projected sales, based on another contract made ex post facto and other related documents, were front-loaded as sales pertaining to said contract.- Concerning retained receivables for an affiliated company of the Company, |
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allowances for doubtful accounts were not posted even though the president & representative director of the Company, who was not a debtor, paid the debt.

- The Company changed the period of goodwill amortization pertaining to the acquired company from the initially set five years to ten years without a clear reason.

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

- There was no mindset to observe the rules and regulations as well as the internal rules, and scant awareness of compliance throughout the board including the president & representative director and directors.
- The checks-and-balances function and supervisory framework of the Company were dysfunctional given that only two board members, the president and a director, held a board meeting to adopt a resolution of important matters such as a corporate acquisition.
- The Company has allocated a small number of employees to its internal audit division and does not have a system to sufficiently discuss its accounting treatment.

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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