TSE Urgent Notice

JPX
TOKYO STOCK EXCHANGE

Mar. 29, 2024
Listing Department
Tokyo Stock Exchange, Inc.

Request for Improvement Report and Imposition of Listing Agreement Violation Penalty

TSE has requested an Improvement Report and imposed a listing agreement violation penalty as follows.
* This decision is based on the results of the examination by Japan Exchange Regulation.

1.	Issue Name	GOODSPEED.CO.,LTD. stock (Code: 7676, Market Segment: Growth Market)
2.	Improvement Report Submission Deadline	Apr. 26, 2024 (Fri.)
	Reason (Related Clause)	Due to disclosed information containing false statements, the company breaching the listing rules, and improvements being deemed highly necessary (Securities Listing Regulations, Rule 504, Paragraph 1, Item (1))
3.	Listing Agreement Violation Penalty Total	JPY 9.6 million
	Reason (Related Clause)	Due to falling under a case where TSE deems that the listed company has violated the matters in the written oath pertaining to an initial listing application and has undermined the confidence of shareholders and investors in the TSE market (Securities Listing Regulations, Rule 509, Paragraph 1, Item (3)
4.	Details of Reason	On Jan. 4, 2024, GOODSPEED.CO.,LTD. (hereinafter the "Company") disclosed an investigation report issued by a third-party committee concerning inappropriate accounting processing by the Company. On Mar. 29, 2024, it disclosed corrections to its earnings reports and other timely disclosure materials from the fiscal year ended Sep. 2021 to the third quarter of the fiscal year ended Sep. 2023. These disclosures revealed that in order to achieve its operating income target and other targets, throughout the Company and its subsidiary, sales that did not satisfy the requirements for revenue recognition were posted in advance under the direction of the senior managing director, who was in a position to substantially control the management of the entire Company. This took place with the involvement of many officers and employees who ignored the fact (hereinafter "the inappropriate accounting processing").

As a result, the Company was found to have made false disclosures in violation of the listing rules on earnings reports and other materials for timely disclosure from the fiscal year ended Sep. 2021 to the third quarter of the fiscal year ended Sep. 2023. As a consequence of the subsequent corrections to account settlement details, the operating income for the fiscal year ended Sep. 2021 was reduced by more than 30%.

It was also discovered that the inappropriate accounting processing had been continuously conducted at least since the fiscal year ended Sep. 2018, before the initial listing of the Company's stock on TSE Mothers (Apr. 25, 2019). Moreover, it was discovered that during the period, the senior managing director, who gave instructions regarding the inappropriate accounting processing, was participating as one of those responsible for the listing examination in interviews for the listing examination conducted by Japan Exchange Regulation. Additionally, although the Company submitted a written oath stating that the contents of all documents submitted to TSE were truthful, it also submitted initial listing application documents that contained untrue statements, and while inappropriate acts were conducted throughout the Company, the senior managing director concealed these despite being aware of problems in its operational workflow.

Furthermore, investigation results conducted by the audit and supervisory committee were disclosed on Mar. 22, 2024. This revealed that the President and CEO gave instructions to the administration director of the Company to conduct multiple transactions involving conflicts of interests after listing without presenting such issues to the board of directors.

Against this backdrop, the following major deficiencies were acknowledged:

- During the listing examination, the Company submitted information on organizational structure stating that the sales division and the administrative division were not managed by the same director, but the senior managing director had actually managed both divisions since before listing, and he was in a position to substantially control the entire business of the Company. This demonstrated the fact that the Company had been made aware of such deficiencies in its governance system since before listing, namely that the President and CEO did not control the management of the Company while authority was concentrated with the given director. The Company left these deficiencies as they were without making any improvements even after listing.
- The inappropriate accounting processing systematically continued throughout the Company with the involvement of multiple executive directors, all business units, and numerous employees. Monitoring and checking systems among executive directors did not function properly, as authority was excessively concentrated with the senior managing director, as instanced by the fact that he was in charge of the sales and administrative divisions with the substantial right to make decisions on personnel evaluation for other executive directors.
- The Company severely lacked an awareness of compliance, as demonstrated by the fact that during the listing examination, the Company stated that it would conduct appropriate procedures for transactions involving conflicts of interests. However, after listing, the President and CEO repeatedly conducted inappropriate transactions involving conflicts of interest without resolutions of the board of directors.
- The Company's budget was prepared by the senior managing director with targets that were difficult to achieve. The sales division was forced to maintain budget targets under pressure from superiors and while believing that personnel evaluation would be based on whether or not budget targets were achieved.
- The current audit and supervisory committee members knew that former standing audit and supervisory committee member had reported counterfeit confirmation of vehicle delivery but did not continue to investigate. The former standing audit and supervisory committee member were made aware of this inappropriate accounting processing but did not

share the fact with the internal audit office or the audit firm.

- Despite many employees being engaged in the inappropriate accounting processing, there was a lack of awareness of involvement in inappropriate acts or the requirement for compliance throughout the Company.

As shown above, there was a lack of awareness among the Company's management to ensure the accuracy of its financial information, and its internal control system was disabled. These factors 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. Based on the investigation results issued by the third-party committee and its proposals as well as internal investigation results regarding transactions conducted by related parties indicated in the disclosure of Mar. 22, 2024, the Company disclosed recurrence prevention measures on the same day, and some progress has been made. However, in order to encourage the Company to thoroughly implement necessary measures, TSE has decided to require the Company to submit a report that includes information on the circumstances behind the incident and the Company's measures for improvement.

Furthermore, in light of the situation that the Company was in violation of its written oath and submitted initial listing application documents that contained untrue statements, TSE deems that the Company has undermined the confidence of shareholders and investors in the TSE market. As such, TSE shall impose a listing agreement violation penalty on the Company.