

TSE Urgent Notice



Jul. 3, 2023
Listing Department
Tokyo Stock Exchange, Inc.

Designation of Security on Alert and Imposition of Listing Agreement Violation Penalty

TSE has designated the stock as a Security on Alert 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 amana inc. stock
(Code: 2402, Market Segment: Growth Market)

2. Date of Jul. 4, 2023 (Tue.)
Designation of
Security on Alert

Provision Securities Listing Regulations, Rule 503, Paragraph 1, Item (3)
(due to falling under a case where TSE deems that the listed company has violated
the provisions of timely disclosure and that the improvement of the internal
management system of such listed company is highly necessary)

3. Listing JPY 9.6 million
Agreement
Violation Penalty
Total

Provision Securities Listing Regulations, Rule 509, Paragraph 1, Item (1)
(due to falling under a case where TSE deems that the listed company has violated
the provisions of timely disclosure and has undermined the confidence of
shareholders and investors in the TSE market)

4. Reason amana inc. (hereinafter referred to as "the Company") disclosed the investigation
report of the Special Investigation Committee on inappropriate accounting
processing, etc. on May 11, 2023, and based on the results of this investigation,
disclosed corrections to its financial results for past fiscal years on May 31, 2023.
These disclosures revealed that a Company employee had padded and fictitiously
recorded sales as well as misappropriating funds through fictitious order placements,
and that similar misconduct had been committed by a Company employee who was
seconded to a specific customer.
In addition, the Company had disclosed corrections to its financial results for past
fiscal years on Aug. 22, 2022 (the "previous corrections"), but it was also found that

the Special Investigation Committee established before these corrections had completed its investigation without having clarified the full extent of the inappropriate accounting processing, and therefore that the previous corrections were inaccurate and inadequate.

As a result, the Company made disclosures that were deemed false in violation of the listing rules in its earnings reports from the fiscal year ended Dec. 31, 2018 to the third quarter of the fiscal year ended Dec. 31, 2022. As a result of the corrections to its financial results, ordinary income for the fiscal year ended Dec. 31, 2019 and ordinary income and net income attributable to owners of the parent company for the fiscal year ended Dec. 31, 2021 will change from surplus to deficit, and net assets for the fiscal year ended Dec. 31, 2021 will be negative.

As a background to these inappropriate disclosures, the following internal management system deficiencies were identified.

- Even after the previous inappropriate accounting processing was uncovered, systems to check and supervise the appropriateness of individual transactions were not functioning, as under the system of fixing a specific person in charge of each customer, it was still believed to be unavoidable that persons other than that person could not understand the details of a transaction.
- Although the recurrence prevention measures formulated at the time the previous inappropriate accounting processing was discovered were positioned as reform aimed at restoring the credibility of financial reporting, the management team failed to thoroughly work on recurrence prevention, for example prioritizing measures to restore business performance without clarifying where the responsibility of the management including the representative director & president lies.
- Measures to raise employee awareness down to the front-line level were insufficient, as management believed that by establishing an operational workflow and related key systems, employees would naturally follow the rules without necessarily being aware of them.
- Certain employees lacked awareness of basic accounting discipline, and therefore did not properly report to or communicate with the accounting and finance department or their superiors even when they became aware of suspicious signs related to accounting processing, etc.

This case not only involves disclosures that are deemed to be false and have a material impact on investors' investment decisions, but is also a case where the Company made inaccurate and insufficient corrections to its financial results after the previous discovery of fraud, when serious efforts should have been being made to restore investor confidence. As the Company's internal management system and other aspects of the Company's operations are deemed to be in need of improvement, TSE has decided to designate the Company's stock as a Security on Alert.

In addition, the Company continued to publish incorrect information regarding its financial results, which is highly important for investment decisions, for a long period of time. Also, although the Company was in a grace period for delisting as a result of its negative net assets for the fiscal year ended Dec. 31, 2020, the Company's stock was removed from the grace period based on the pre-correction financial statements for the fiscal year ended Dec. 31, 2021, which showed positive net assets. These facts are deemed to have damaged the confidence of shareholders and investors in the financial instruments exchange market operated by the Exchange, and therefore, the Exchange demands that the Company pay a listing agreement violation penalty.

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