

TSE Urgent Notice



Mar. 5, 2024
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 ImageONE Co.,Ltd.
(Code: 2667, Market Segment: Standard Market)
2. Improvement Report Submission Deadline Mar. 19, 2024 (Tue.)

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. Date of Public Announcement Measure Mar. 5, 2024 (Tue.)

Reason (Related Clause) Due to disclosed information containing false statements and public announcement that the company breached the listing rules being deemed necessary (Securities Listing Regulations, Rule 508, Paragraph 1, Item (1))
4. Details of Reason

On Jan. 16, 2024, ImageONE Co.,Ltd. (hereinafter "the Company") disclosed a third-party committee's investigation report concerning the Company's inappropriate accounting processing and disclosed corrections to its past earnings reports on Jan. 31, 2024.

These disclosures revealed that it is highly probable that transactions carried out in the storage battery trading business at the Company, which involves lending battery modules, were conducted where in fact no battery modules existed, and that even if some of the battery modules did exist, it is highly probable that no end users existed, meaning that either way, there is no basis for recognizing revenue related to the storage battery transactions, and that the accounting processing for said transactions should be reversed. As a result, the Company was found to have made false disclosures in violation of the listing rules in its earnings reports, etc. from the first quarter of the

fiscal year ended Sep. 2022 to the third quarter of the fiscal year ended Sep. 2023. Subsequent corrections to the financial results resulted in corrections to the Company's net sales, operating profit, ordinary profit and profit attributable to owners of parent for the fiscal year ended Sep. 2022, and its profit attributable to owners of parent for the same period was found to have decreased by approximately 50%.

The following deficiencies were acknowledged to be largely behind the disclosures.

- The Company failed to take appropriate measures when starting a new business. For instance, it failed to identify serious risks that could hinder the new business, investigate ways to avoid such risks, consider solutions to such risks should they materialize, and hold discussions at board meetings.
- The Company lacked an awareness of compliance, as demonstrated by the fact that it started new businesses without appropriate internal review and made inappropriate cash payments and transactions involving conflicts of interest under the instruction of the Company's president/CEO.
- Since the Company's president/CEO and directors did not provide sufficient information to the board of directors, the board of directors' oversight function and audit committee members' audit function did not work sufficiently.
- Although the Company had an internal audit committee, the internal audit function did not work sufficiently, since for example, some businesses were not subject to audit.

As described above, this case involved false disclosures that had a substantial impact on investors' investment decisions and that were made as a result of deficiencies in the internal controls that are necessary when starting a business, and TSE deems that improvements to the Company's timely disclosure system are highly necessary. While the Company has already responded to the results of the third party's investigation and its suggestions in a disclosure dated Feb. 27, 2024 regarding the measures that the Company will take to prevent the recurrence of such incidents, TSE has decided to require the Company to submit a report that includes the circumstances behind the incident and the Company's measures for improvement in order to encourage the Company to thoroughly implement such measures.

Furthermore, TSE has decided to make a public announcement regarding this incident since it deems such an announcement is necessary.

* 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/measures/improvement-reports/index.html>) (available only in Japanese).

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