

TSE Urgent Notice



Jul. 2, 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 LUCKLAND CO.,LTD.
(Code: 9612, Market Segment: Prime Market)
2. Improvement Report Submission Deadline Jul. 31, 2024(Wed.)

Reason (Related Clause) Due to disclosed information containing false statements and improvements being deemed highly necessary
(Securities Listing Regulations, Rule 504, Paragraph 1, Item (1))
3. Date of Public Announcement Measure Jul. 2, 2024 (Tue.)

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

LUCKLAND CO.,LTD. (hereinafter "the Company") disclosed an investigation report of the special investigation committee regarding inappropriate accounting on Apr. 16, 2024 and disclosed corrections to past earnings reports on Jun. 14, 2024.

These disclosures revealed inappropriate acts such as that the former representative director and president (hereinafter the "former president") had repeatedly claimed for expenses that cannot be deemed to be business-related.

As a result, the Company was found to have made false disclosures in violation of the listing rules in quarterly earnings reports, etc. from the fiscal year ended Dec. 2018 to the third quarter of the fiscal year ended Dec. 2023, and as a result of consequent corrections to past earnings reports, it became clear that the Company's ordinary loss and net loss attributable to owners of the parent company for the fiscal year ended Dec. 2021 would decrease by at least 50%, and its ordinary profit for the fiscal year

ended Dec. 2022 would decrease by at least 30%.

In addition, an untrue statement was found in the Company's corporate governance report disclosed on Mar. 30, 2023, namely that the Company had a manual on related party transactions, while the manual did not actually exist.

As background to these disclosures, the following main points were recognized in this case:

- The management lacked awareness of compliance, as instanced by the fact that the former president continued to claim for inappropriate expenses without taking any fundamental corrective action even after being warned about the claims by a tax investigation, and that the former president and the then managing director failed to share internally, or explain externally to its accounting firm or others, important information that would require consideration of issues from accounting or other perspectives.
- As the Company was overly dependent on the former president's sales activities for winning orders and finding new partners, it was unable to investigate or point out his behavior as needed. As a result, the purposes of the projects in which the former president was involved and the purposes of the expenses had become opaque.
- The checks and balances system among the management did not work, as instanced by the fact that the board of directors and the supervisory committee failed to detect and correct deficiencies in internal control, such as the absence of regulations concerning related party transactions and entertainment expenses for directors, the provision of authority to the former president to self-approve his expense claims, and the failure to compare the budget for entertainment expenses to the actual amount spent.

As described above, this case involves false disclosures that can be considered to have a substantial impact on investors' investment decisions caused by a lack of compliance awareness among and a defective checks and balances system against the management, and TSE deems that improvements to the Company's timely disclosure system are highly necessary. While the Company made disclosure on Jun. 12, 2024 regarding recurrence prevention measures and its new management structure in response to the results of the investigation by the special investigation committee and its suggestions as well as suggestions made by the governance committee which was delegated by the Company to study and formulate specific recurrence prevention measures, 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 them to prevent recurrence.

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 by the Company, it will be made available on the JPX website (<https://www.jpx.co.jp/listing/measures/improvement-reports/index.html>) and through the TDnet database service (both available only in Japanese).

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