

# TSE Urgent Notice



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Jan. 17, 2022  
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.

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| Company Name | MetaReal Corporation<br>(Code: 6182, Market Division: Mothers) |
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| Improvement Report Submission Deadline | Jan. 31, 2022 (Mon.)   |
| Provision                              | Securities Listing Regulations, Rule 502, Paragraph 1, Item (1)<br>(Due to disclosed information containing false statements and improvements being deemed highly necessary) |
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| Date of Public Announcement Measure | Jan. 17, 2022 (Mon.)   |
| Provision                           | Securities Listing Regulations, Rule 508, Paragraph 1, Item (1)<br>(Due to disclosed information containing false statements and public announcement being deemed necessary) |
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| Reason | MetaReal Corporation (hereinafter "the Company") disclosed an investigation report of the special investigation committee concerning inappropriate accounting processing and disclosed corrections to past earnings reports on Nov. 30, 2021.<br>Based on these disclosures, the Company was found to have incorrectly applied accounting standards, leading to erroneous recording of assets relating to software used by the Company and sales arising from joint research development, among other things. As a result, the Company was found to have made false disclosures in violation of the listing rules for quarterly earnings reports, etc. from the third quarter of the fiscal year ended Feb. 2019 to the first quarter of the fiscal year ending Feb. 2022, and as a result of the consequent corrections to past earnings reports, net |
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income attributable to owners of the parent company for the fiscal year ended Feb. 2020 was found to have decreased by 30% or more. Furthermore, among other things, the Company was found to have falsely reported net losses attributable to owners of the parent company as net income for the fiscal year ended Feb. 2021.

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

- Despite the fact that the Company's main business involves software development and software-related transactions, the Company's executive team's understanding of accounting standards, contractual terms and conditions, and other things relating to software development was insufficient, as demonstrated by the Company's carrying out its business while understanding of recording of assets and sales revenue related to software development and management of contractual relationships with customers was ambiguous.
- The executive team underestimated the importance of the accounting department, for example by failing to address a situation in which the accounting department lacked an internal structure able to sufficiently examine the appropriateness of accounting processing and other aspects, due to a chronic shortage of employees in the accounting department and lack of communication among the accounting department, the executive team, and the development department.
- The executive team, the development department and the accounting department did not have a system for communicating with the accounting auditor to avoid differences of understanding and misconceptions; for example, they did not properly keep track of the situation or understand the details of software development or their contractual relationships with customers before providing an explanation to the accounting auditor.

Based on the above, this case involves inappropriate disclosure that has considerable impact on investment decisions caused by inadequacies in the system of the Company for appropriately conducting timely disclosure, and improvements in the Company's system for timely disclosure are deemed highly necessary. Therefore, TSE requires the Company to submit a report containing the events leading to the issue and improvement measures.

In addition, as this case is deemed to require public announcement, TSE implements the public announcement measure.

\* 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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