

TSE Urgent Notice



Nov. 16, 2021
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 | OKK CORPORATION
(Code: 6205, Market Division: 1st Section) |
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| Improvement Report Submission Deadline | Dec. 1, 2021 (Wed.) |
| Provision | Securities Listing Regulations, Rule 502, Paragraph 1, Item (1)
(Due to disclosed information containing false statements and improvements being deemed highly necessary) |
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| Date of Public Announcement Measure | Nov. 16, 2021 (Tue.) |
| Provision | Securities Listing Regulations, Rule 508, Paragraph 1, Item (1)
(Due to disclosed information containing false statements and public announcement being deemed necessary) |
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| Reason | OKK CORPORATION (hereinafter "the Company") disclosed an investigation report of the special investigation committee concerning inappropriate accounting practices on Sep. 17, 2021 and disclosed corrections to its past earnings reports on Oct. 6, 2021.
These disclosures revealed that inventory assets were overstated and costs of work in progress were arbitrarily transferred by employees of the Company. As a result, the Company was found to have made false disclosures in violation of the listing rules for earnings reports, etc. from the fiscal year ended Mar. 2017 to the third quarter of the fiscal year ended Mar. 2021 and as a result of the following corrections to past earnings reports, the Company was also found to have falsely |
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reported negative net income attributable to owners of the parent company as positive, among other matters for the fiscal year ended Mar. 2018.

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

- The Company left the specific persons in charge to handle by themselves cost accounting and work in process management that are both complicated and require expertise, and confirmations were also not conducted sufficiently at a multi-tiered level by their supervisors.

- The Company did not have a sufficient system in place for appropriate information sharing within the finance department as well as among departments involved in business operations and did not have adequate awareness to proactively share information. The Company including management did not attempt to share or resolve issues for their business operations or organizational structure.

- As the Company did not properly conduct internal audits, the internal checks and balances system did not function properly. In addition, its whistle blowing system was a mere formality, and efforts to foster compliance awareness were insufficient, which did not help the Company with early detection of inappropriate accounting practices.

Based on the above, this case involves disclosures that were deemed to be false caused by inadequacies in the system of the Company to appropriately conduct timely disclosure, thereby considerably impacting investor decisions. Improvements in the Company's system for timely disclosure are deemed highly necessary. In light of the findings of the special investigation committee and its suggestions, the Company disclosed its intention to implement improvement measures on Nov. 15, 2021. In order to ensure the thorough implementation of measures to prevent a recurrence, TSE requires the Company to submit a report describing the events leading up to the issue as well as 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/market-alerts/improvement-reports/index.html>) (available only in Japanese).

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