

TSE Urgent Notice



Nov. 19, 2020
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 SAXA Holdings, Inc.
(Code: 6675, Market Division: 1st Section)
2. Improvement Report Submission Deadline Dec. 4, 2020 (Fri.)

Provision Securities Listing Regulations, Rule 502, Paragraph 1, Item (1)
(Due to disclosed information containing false statements and improvements being deemed highly necessary)
3. Date of Public Announcement Measure Nov. 19, 2020 (Thu.)

Provision Securities Listing Regulations, Rule 508, Paragraph 1, Item (1)
(Due to disclosed information containing false statements and public announcement being deemed necessary)
4. Reason SAXA Holdings, Inc. (hereinafter "the Company") disclosed an investigation report of the special investigation committee on Oct. 7, 2020 concerning inappropriate accounting processing by the Company in past fiscal years, and corrections to past earnings reports, etc. on Oct. 12, 2020.

These disclosures revealed numerous instances of inappropriate accounting processes at the Company and its group companies led by a Company director in charge of the accounting division (hereinafter the "director in charge of accounting"), such as (i) inappropriate posting of work in process, (ii) posting sales of fictitious transactions among group companies, (iii) inappropriate adjustments on financial results, and (iv) accounting irregularities on software development by

officers and employees of a subsidiary. As a result, it was deemed that the Company had violated the listing rules by disclosing earnings reports, etc. that contained falsehoods from the fiscal year ended Mar. 2016 through to the fiscal year ended Mar. 2020, and that the Company's net income attributable to owners of the parent company increased by more than 100% for the fiscal year ended Mar. 2018.

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

- The governance of the Company was dysfunctional, as instanced by a dysfunctional check-and-balance system against the director in charge of accounting as the board of directors of the Company placed excessive trust in the director in charge of accounting and believed his explanations.
- The board of directors and auditors at the Company allowed the director in charge of accounting to be also responsible for the internal audit division of the Company as well as concurrently serving as Representative Director President & C.E.O of a subsidiary that was subject to internal audits by the internal audit division. However, because no measures were implemented to maintain the independence and objectivity of internal auditing, the internal auditing for the subsidiary became merely a formality.
- Many officers and employees at group companies of the Company lacked basic accounting knowledge required for their duties, mistaking most of the inappropriate accounting processing as appropriate.
- Even though there was recognition of inappropriate accounting processing, it was not rectified, creating an environment lacking of information sharing due to a deep-rooted problem in the corporate culture where instructions of superiors were blindly followed in addition to insufficient measures to foster awareness of compliance, and a dysfunctional whistle-blowing system.

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/market-alerts/improvement-reports/index.html>) (available only in Japanese).

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