

# TSE Urgent Notice



---

May 29, 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      Alphax Food System Co.,LTD  
(Code: 3814, Market Division: JASDAQ Growth)
  
2. Improvement Report Submission Deadline      Jun. 26, 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      May 29, 2020 (Fri.)  
  
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      Alphax Food System Co.,LTD (hereinafter "the Company") disclosed an investigation report of the special investigation committee concerning inappropriate accounting processing by the Company and corrections to past earnings reports, etc. on Mar. 16, 2020.  
These disclosures revealed numerous instances of inappropriate accounting processing at the Company with regard to multiple sales transactions, etc. in past fiscal years in addition to the early recording of sales pertaining to a boiler construction project and failing to record impairment loss related to real estate holdings during the fiscal year ended Sep. 2018.

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 Sep. 2017 through to the fiscal year ended Sep. 2019, and that the Company's net income was falsified as being positive instead of negative for the fiscal year ended Sep. 2018.

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

- The internal rules and other matters related to accounting processing (hereinafter referred as "internal rules, etc.") at the Company had not been updated for a long time, resulting in the internal rules, etc. not matching the actual situation, or where the internal rules, etc. had been developed, the Company did not operate them appropriately. As a result, with regard to conducting specific accounting processing, the environment at the Company allowed for accounting processing based on the incorrect judgement of its management, including the representative director and president.
- The administrative divisions of the Company lacked sufficient personnel with expert knowledge for conducting appropriate accounting processing.
- The board of directors' oversight of the execution of duties by the representative director and president was inadequate, as evidenced by the inside directors not raising objections against the representative director and president who was a founder of the Company due to, among others, insufficient understanding of their responsibilities, and the outside directors not being provided with sufficient information.

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, this case is deemed to require public announcement. Thus, 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).

DISCLAIMER: This translation may be used for reference purposes only. This English version is not an official translation of the original Japanese document. In cases where any differences occur between the English version and the original Japanese version, the Japanese version shall prevail. This translation is subject to change without notice. Tokyo Stock Exchange, Inc. and/or Japan Exchange Regulation shall individually or jointly accept no responsibility or liability for damage or loss caused by any error, inaccuracy, misunderstanding, or changes with regard to this translation.