

TSE Urgent Notice



Oct. 12, 2023
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.

* Some elements of the below items have been revised from October of this year.

1. Company Name ITbook Holdings Co.,LTD.
(Code: 1447, Market Segment: Growth Market)
2. Improvement Report Submission Deadline Oct. 26, 2023(Thu.)

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 Oct. 12, 2023 (Thu.)

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

On Aug. 31, 2023, ITbook Holdings Co., Ltd. (hereinafter the "Company") disclosed a report of a special investigation committee regarding questions on accounting processing at the Company and its consolidated subsidiaries and disclosed corrections to its past earnings reports on the same day.

These disclosures revealed that two subsidiaries had fictitiously recorded sales and overstated assets at the initiative of the presidents of the subsidiaries, and that the Company had overstated gains on the sale of investment securities due to errors in the calculation and accounting processing of the value of the shares of an unlisted company. As a result, the Company was found to have made disclosures that were

deemed false and in violation of the listing rules in its earnings reports and quarterly earnings reports from the fiscal year ended Mar. 2021 to the fiscal year ended Mar. 2023. Consequent corrections to the Company's past earnings reports revealed that its operating income and ordinary income were negative for the fiscal year ended Mar. 2021.

In this case, the following deficiencies were acknowledged to be largely behind the disclosures.

- The Company's management system for its subsidiaries was inadequate. For example, the Company overlooked the fact that the business processes at its subsidiaries were inadequately developed, and it was unable to obtain relevant information from its subsidiaries due to inconsistencies between the Company's rules for managing its affiliates and each subsidiary's rules regarding duties and powers.
- The Company did not adequately conduct internal audits of its subsidiaries due to staff shortages in its internal audit department.
- The Company's whistleblowing system did not adequately function as a method of identifying signs of misconduct because each subsidiary had a different point of contact for the system, and because not everyone was informed about the system's existence.
- The Company's management, officers, and employees did not have the adequate awareness and literacy for ensuring the accuracy of financial information. For example, the Company's management made accounting processing decisions without adequate verification by a certified public accountant or another official and without sharing information with the accounting auditor, despite the fact that questions had arisen about the accounting processing at its subsidiaries.
- The Company did not adequately develop its M&A business process, including share acquisitions. There was no evidence that it adequately considered whether the price to acquire the shares of the unlisted company was appropriate or examined whether the unlisted company's business plan was feasible at the time it acquired said shares, and it had to revise the assessment later.

As shown above, the Company's management of its subsidiaries, which should have been its primary focus considering that it has many of them, was inadequate. In addition, there was a lack of awareness among the Company's management to ensure the accuracy of its corporate disclosure and financial information. These factors resulted in false disclosures that had a substantial impact on investors' investment decisions. TSE considers it highly necessary for the Company to make improvements to its timely disclosure system. While the Company has already responded to the results of the special investigation committee's investigation and its suggestions in a disclosure dated Sep. 26, 2023 regarding the measures that the Company will take to prevent the recurrence of such incidents, 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 such measures.

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, 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).

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.