January 22, 2018

For Immediate Release

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Notice of Formulation of Measures for Prevention of Recurrence of Errors

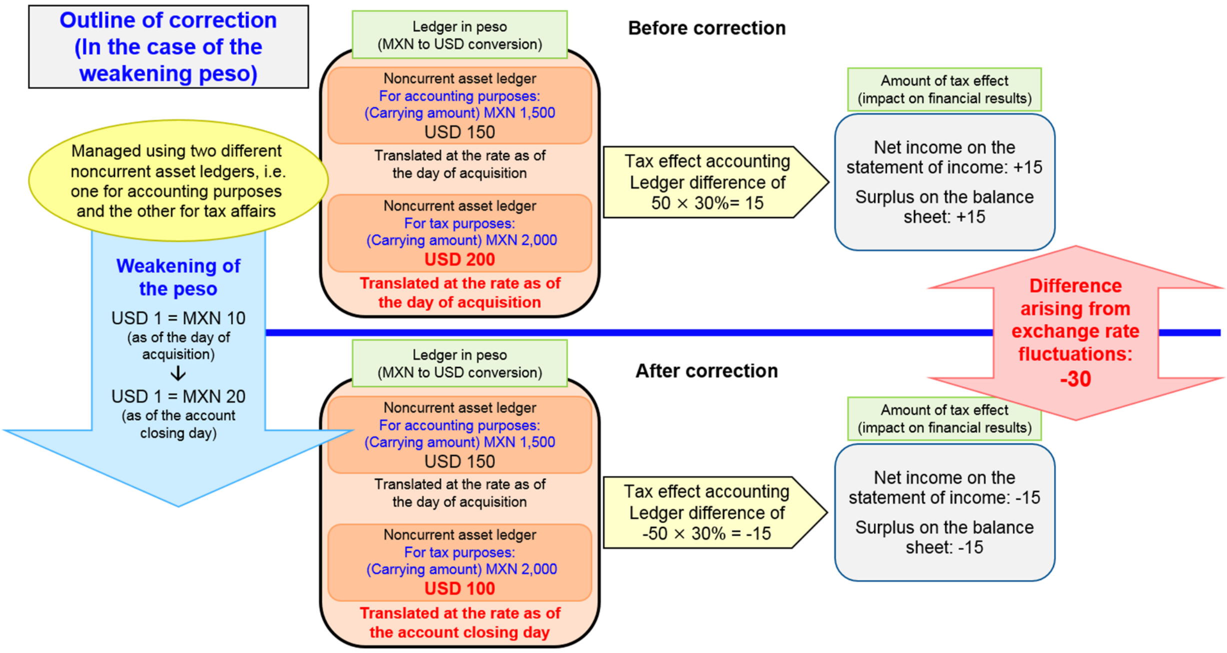
As was announced in the Notice of Discovery of Errors with Consolidated Financial Results in Past Fiscal Years on November 13, 2017, Ahresty Corporation ("the Company") discovered errors in application of the tax effect accounting standards in financial statements of its overseas subsidiaries for past fiscal years. It worked with Deloitte Touche Tohmatsu LLC, the Company's accounting auditor, to conduct an internal investigation and study to identify the causes of these errors and to develop measures to prevent recurrence. The Company hereby announces that on the basis of the findings of the internal investigation, it has developed the following recurrence prevention measures as follows.

The Company takes this opportunity to express its sincerest apology to shareholders, investors, business partners and other stakeholders for the serious trouble and concern ultimately caused. It will step up its internal control system to prevent similar events from happening in the future and firmly adopt the recurrence prevention measures across the Company, aiming to regain the trust and confidence of society.

1. Outline of the Errors and Causes of Occurrence

Ahresty Mexicana, S.A. de C.V., one of the Company's consolidated subsidiaries (hereinafter "the Subsidiary"), individually prepares its financial statements in accordance with the International Financial Reporting Standards (IFRS) and uses the U.S. dollar as its functional currency. Its tax returns are prepared in the local currency, namely the Mexican peso, and temporary differences subject to tax effect accounting were recognized in deferred taxes under International Accounting Standard (IAS) 12, which provides for income taxes, based on the reason of the carrying amount in the IFRS-compliant accounting and the amount of taxable income.

According to IAS 12 – Paragraph 41, in the case where the functional currency for accounting purposes differs from the local currency in which the tax base amount is calculated, the difference between the amount of the taxable income concerning non-monetary assets, such as property, plant and equipment, and liabilities in functional currency translated from that in the local currency, generally with the use of the rate on the account closing day, and the carrying amount based on the rate as of the day of acquisition should have been recognized as a temporary difference and the temporary difference should have been applied to tax effect accounting. Despite that, the Subsidiary failed to property apply it, and in fact, it converted the amount of taxable income at the exchange rate on the day of acquisition.



The Subsidiary prepared a check list on various items subject to difference adjustments following the revision to accounting standards in the first year of applying the IFRS, namely 2011, upon consultation with its local auditor, namely Galaz, Yamazaki, Ruiz, Urquiza S.C. (Deloitte Mexico) to carry out the process for transition to the IFRS. The internal investigation found out that there was no check item relating to IAS 12 - Paragraph 41. After that, the check list was not updated.

Tax effect accounting was naturally included in the overseas subsidiary consolidated package check list used by the Company's Accounting Department. However, it did not include detailed check items covering interpretation and verification of the standard in Paragraph 41 of IAS 12.

The IFRS is characterized in that the standards are based on the principle. Among others, IAS 12, which pertains to income taxes, typically reflects the principle-based approach. There is no definite guideline for the exchange rate for the conversion of the taxable income account calculated in a non-functional currency into the functional currency. In addition, the approach of recognizing the temporary difference through net income or loss in the title of *income tax - deferred* in the event where a change in the exchange rate impacts the amount of taxable income was so unique that was not found either in the Japanese standards or in the United States Generally Accepted Accounting Principles (US-GAAP). For these reasons, accounting treatment was implemented on the basis of erroneous interpretations in past fiscal years.

This is attributable to two factors. One is that both the Company's Accounting Department and the Subsidiary's accounting functions lacked knowledge and understanding on accounting treatment with respect to tax effect accounting in the case of a difference between the local currency and the functional currency. The other is that the check list prepared in the first fiscal year of application of the IFRS missed check items concerning the standards in question.

In addition, the errors also resulted from inappropriate accounting treatment determined on the basis of advice from the local auditor, despite awareness of the principle of dual responsibility in accounting.

The Company's Accounting Department carried out a careful inspection to determine if there are any accounting issues similar to the errors concerned and confirmed that no such issues existed at any other consolidated subsidiary.

2. Measures for Prevention of Recurrence

In response to the findings of the internal investigation, the Company will introduce the recurrence prevention measures specified below in view of the facts, problems and lessons learned in connection with the errors.

(1) Tightening of action processes for significant matters with respect to financial results to be discussed, such as establishment and changes of accounting standards

The Group takes closing procedures in accordance with the Account Settlement Guidelines. If closing procedures are changed following revision to the accounting standards or related laws and ordinances, the Company's Accounting Department must collect information about changes to identify them, pick up issues that require some action, study the response policy and hold quarterly Joint Accounting Department meeting meetings for reporting and instructions in accordance with the Account Settlement Guidelines, the Financial Information Change Management Guideline and the Guidelines for Operation of the Accounting Department meeting.

The Company's Accounting Department and domestic subsidiaries' accounting functions organize a meeting of the Joint Accounting Department meeting on a quarterly basis in accordance with the Guidelines for Operation of the Accounting Department meeting to communicate key points to note with respect to revisions to the accounting standards and related laws and ordinances before the closing procedures and to collect information on subsidiaries. However, overseas subsidiaries' accounting functions did hold meetings as needed to share information on financial results and other financial matters although they did not do so on a quarterly basis.

Like domestic subsidiaries, overseas subsidiaries will in the future have their accounting functions organize Joint Accounting Department meeting on a quarterly basis and further improve the global business management system.

In addition, provisions will be added to the Financial Information Change Management Guideline for an evaluation of the impacts of accounting treatment and responses to it in the event where it is necessary due to voluntary application of new accounting standards and other changes in internal policies. This revision aims to tighten the response process concerning significant matters relating to account closing. In addition, the Company will concentrate the views of its local auditors at its Accounting Department in the event of new establishment or revision of accounting standards at any overseas subsidiaries to discuss the level of its impact on the Company's consolidated financial results together with its accounting auditors.

(2) Skill development at the accounting functions

With respect to specialist education provided by overseas subsidiaries on accounting prescribed in the Company's Education and Training Rules, the status of the implementation of the Group's common education alone was checked by the Company's Accounting Department. In the future, the Company will be involved in implementation of specialist education on issues peculiar to individual countries in order to keep up with the accounting standards, which are becoming increasingly advanced and complicated with each year. Thus, the Group's accounting function skills will be further improved.

The Company's Accounting Department is not only working on the Japanese standards. It also endeavors to acquire global specialist skills, especially for improved skills to comply with multiple GAAPs, including the IFRS and local accounting standards adopted by overseas consolidated subsidiaries, particularly for gaining enhanced knowledge about principles, accounting treatments and interpretation of IAS 12 (for Income Taxes) and IAS 21 (for the Effects of Changes in Foreign Exchange Rates) given that it is defined as a top priority challenge.

(3) Enhancement of the Account Settlement Check List for increasing accuracy and completeness

The Account Settlement Guidelines, the manual of Manual of the Account Settlement and the Account Settlement Check List set out the accounting treatment policies and accounting steps in the Company's closing procedures. They are standardized for the purpose of ensuing smooth closing operations and accurate financial reporting.

In the event of a change in the closing procedures following a revision to the accounting standards or related laws and ordinances, the Manual of the Account Settlement and the Account Settlement Check List will be revised as appropriate in accordance with the Financial Information Change Management Guideline specified in (1) above. However, descriptions on the tax effect accounting, as a cause of the errors, were limited to the basic accounting treatment method and the check items.

In the future, the Group will make more detailed descriptions in the basic Manual of the Account Settlement and add check items relating to the standards to the Account Settlement Check List. With respect to whether or not any risk is involved in accounting standards, the Company's accounting and local auditors will work collaboratively to further upgrade these documents, aiming to heighten the level of accuracy and completeness of procedures for analyzing and verifying financial results data.

(4) Tightening of the system for managing consolidated subsidiaries and enhancement of group governance

The Company will upgrade the system for giving guidance on financial statements and other materials prepared by consolidated subsidiaries, particularly by those based overseas. To improve its control over subsidiaries, the Company will increase opportunities at which its Accounting Department will visit subsidiaries for inspection and guidance in order to ensure the accuracy of the financial results materials they create and properly gain information on their overall accounting and tax affairs at the appropriate times to work out suitable procedures. The Company will thus create a more stringent subsidiary control system.

3. Measures proposed by the accounting auditor

In response to this incident, the Company received from its accounting auditor, Deloitte Touche Tohmatsu LLC, a report according to which the audit plan would be modified to strengthen collaboration in the Deloitte Group.

The Group will be building closer ties with the accounting auditor and will endeavor to prepare appropriate financial statements.