

TSE Urgent Notice



Apr. 16, 2026
Listing Department
Tokyo Stock Exchange, Inc.

Designation of Securities Under Supervision (Examination)

TSE has designated an issue as a Security Under Supervision (Examination) as follows.

* This decision is based on the results of the examination by Japan Exchange Regulation.

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| 1. | Issue Name | Aqualine Ltd. stock
(Code: 6173, Market Segment: Growth Market) |
| 2. | Period of Designation as Securities Under Supervision (Examination) | From Apr. 16, 2026 (Thu.) to the day when TSE determines whether the company has fallen under the delisting criteria |
| | Reason (Related Clause) | Due to the company being deemed likely to fall under a case where the Exchange deems that the company's internal management system, etc. is not adequately developed or that it is no longer likely to be adequately implemented.
(Enforcement Rules for Securities Listing Regulations, Rule 604, Paragraph 1, Item (12) Securities Listing Regulations, Rule 601, Paragraph 1, Item (9), c) |
| 3. | Details of Reason | Aqualine Ltd. (hereinafter "the Company") disclosed corrections to its financial results for past fiscal years on Jan. 10, 2025. Following this, TSE deemed that improvements to the Company's internal management system and other related matters were highly necessary and designated the stock of the Company as a Security on Special Alert on Jan. 29, 2025. |

On Jan. 29, 2026, one year after the designation, the Company submitted a written confirmation of internal management system. TSE examined this document as well as confirming the actual situation through inquiries and interviews with the Company. As a result, the following facts were revealed:

- After being designated as a Security on Special Alert, the Company significantly renewed its management on May 30, 2025, and on Jul. 29, 2025, disclosed an improvement plan and a report on the status of improvements toward enhancing its internal management system (hereinafter "the Improvement Plan"). Under the renewed management, corrective measures to prevent recurrence were to be implemented. However, shortly thereafter, on Aug. 8, 2025, the director serving as the head of the Administration Division,

who had been positioned in the Improvement Plan as a central figure in advancing improvements to the internal management system, resigned for personal reasons. Following this resignation, due to insufficient consideration, a lack of information sharing, and other factors regarding the development of the Company's management and administrative structure, the standing statutory auditor and an outside director resigned in quick succession on Sep. 3 and Oct. 2, 2025, with this and other factors resulting in an unstable governance structure. Although a new standing statutory auditor and an outside director were appointed at an extraordinary general meeting of shareholders held on Nov. 28, 2025, from Aug. 8, 2025 up to the present, the Company has continued to have only one executive director, namely the representative director, a situation in serious need of improvement in light of the background of the misconduct at issue. As a result, an unstable management structure for executing the Improvement Plan has continued.

- With respect to the standing statutory auditor newly appointed on May 30, 2025 following the designation as a Security on Special Alert, the degree of involvement with the Company was approximately two to three days per week, which is not necessarily sufficient under common standards. In addition, said auditor cannot be recognized to have performed their duties in a substantive way either, as measures set forth in the Improvement Plan, such as a fundamental review of the overall audit operations by the company auditors, including a review of the audit plan, audits of the former director who had been involved in the misconduct and remained employed by the Company, the preparation of audit reports and other necessary records and forms, and appropriate coordination with other company auditors were not properly carried out. Furthermore, even after another new standing statutory auditor was appointed on Nov. 28, 2025, the preparation of audit reports and other relevant documents remained incomplete.
- In September 2025, for the purpose of appointing the then standing statutory auditor as the head of the Administration Division, the Company approved, by unanimous resolution of the board of directors and with no objections raised by any of the company auditors, the resignation of that standing statutory auditor, notwithstanding the fact that such resignation resulted in the Company falling below the statutory minimum number of company auditors required for a Company with a Board of Company Auditors under the Companies Act. This suggests that the Company's officers at that time lacked a basic compliance attitude of properly observing laws and regulations.
- After the resignation on Aug. 8, 2025 of the director serving as the head of the Administration Division, the Company appointed a new head of the Administration Division on Nov. 28, 2025. However, the newly appointed head of the Administration Division did not appropriately perform the roles described in the Improvement Plan, including appropriately monitoring and managing the progress of the Improvement Plan and reporting such progress to the board of directors and the board of company auditors.
- As of the end of Mar. 2026, when the examination of the Company's internal management system was ongoing, several management-level personnel, including the head of the Administration Division appointed on Nov. 28, 2025, had resigned, resulting in a reduction in the number of personnel in the administration departments.
- Although the Company stated in the written confirmation regarding its internal management system that it had established a timely disclosure system involving multiple departments within the Administration Division, in practice only one individual was responsible for timely disclosure operations. Under

these circumstances, even after designation as a Security on Special Alert, multiple corrections to timely disclosure materials continued to occur. In addition, even at the point when one year had elapsed since the designation, the Company had not appropriately formulated an effective plan to improve its timely disclosure system, meaning that the timely disclosure system required of a listed company had not been established.

- Following administrative dispositions, including an order to suspend its main business activities from the Consumer Affairs Agency dated Aug. 30, 2021, the Company had substantially changed how it conducted its business by Dec. 2021, from door-to-door sales to an intermediary service that arranges for service providers to visit customers. Nevertheless, even at the point when one year had elapsed since the designation as a Security on Special Alert, the Company had not appropriately revised numerous internal regulations, including its credit management rules and sales management rules. As a result, changes in how it conducted business following the administrative dispositions, as well as various operational workflow reviews and changes to its internal organizational structure made in response to the said designation as a Security on Special Alert, had not been appropriately reflected in its internal regulations. Accordingly, at that point in time, a management framework for internal regulations, which is a prerequisite for the development of an internal management system, had not been established.

In light of the above, if, as a result of subsequent examinations, TSE deems that the Company's internal management system, etc. has not been adequately developed or that it is no longer likely to be adequately implemented, the Company will fall under the delisting criteria. Accordingly, TSE deems that the Company's stock is likely to be delisted, and therefore, while continuing the designation of the Company's stock as a Security on Special Alert, also designates such stock as a Security Under Supervision (Examination).

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