TSE Urgent Notice

JPX
TOKYO STOCK EXCHANGE

Sep. 28, 2026
Listing Department
Tokyo Stock Exchange, Inc.

Designation of Security on Special Alert and Imposition of Listing Agreement Violation Penalty

TSE has designated the stock as a Security on Special Alert and imposed a listing agreement violation penalty as follows.

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

1.	Issue Name	Advance Create Co.,Ltd. stock (Code: 8798, Market Segment: Prime Market)
2.	Date of Designation of Security on Special Alert	Sep. 29, 2026 (Tue.)
	Reason (Related Clause)	Due to falling under a case where TSE deems that the listed company has violated the provisions of timely disclosure and that the improvement of the internal management system of such listed company is highly necessary (Securities Listing Regulations, Rule 503, Paragraph 1, Item (3))
3.	Listing Agreement Violation Penalty Total	JPY 33.6 million
	Reason (Related Clause)	Due to falling under a case where TSE deems that the listed company has violated the provisions of timely disclosure and has undermined the confidence of shareholders and investors in the TSE market (Securities Listing Regulations, Rule 509, Paragraph 1, Item (1))
4.	Details of Reason	Advance Create Co.,Ltd. (hereinafter referred to as "the Company") disclosed an investigation report of a third party committee concerning inappropriate accounting processing by the Company on Aug. 4, 2026 and disclosed corrections to its past earnings reports on Aug. 14, 2026. These disclosures revealed that, in the media business operated by the Company and its consolidated subsidiary Hokenichiba Co., Ltd., revenue had been recognized prematurely, transactions had been recorded that did not reflect actual business activities, expenses had been deferred, and assets had been overstated (hereinafter collectively referred to as the “Inappropriate Accounting”). As a result, the Company was found to have made false disclosures in violation of the listing rules for earnings

reports and other disclosure materials from the fiscal year ended Sep. 2021 to the first quarter of the fiscal year ending Sep. 2026. Subsequent corrections to these earnings reports (hereinafter referred to as the “Corrections”) revealed the following issues.

- Net asset value for the fiscal year ended Sep. 2022 turned from positive to negative, and the amount of negative net assets increased in the fiscal years ended Sep. 2023 and Sep. 2024.
- Operating profit and ordinary profit for the fiscal year ended Sep. 2022 were presented as positive, whereas they were, in fact, negative, and net loss attributable to owners of the parent company for the same period was 30% or more greater than previously reported.

The following points were identified as the main reasons for these disclosures.

- Under the leadership of the then director of the Company and the then representative director of Hokenichiba, inappropriate accounting processing was conducted to overstate revenue. It was also found that, with the partial involvement of the Company’s executive officer responsible for administrative functions at the time, insurance companies and business partners were drawn into activities aimed at deceiving the audit firm, including the fabrication of audit evidence. These constituted systematic acts that departed from the fundamental premise of fair audits, which listed companies are expected to uphold.
- Against the backdrop of the above misconduct, the Company and Hokenichiba developed a culture in which employees routinely faced pressure to meet the sales targets set by the representative director and president, who was also the Company’s founder. The achievement of figures that were based on the representative director and president’s experience was given top priority, creating an environment in which officers and employees did not hesitate to engage in conduct that resulted in false statements in the financial statements.
- Although the accounting auditor at the time repeatedly raised concerns about possible inappropriate accounting processing in the media business, it appears that those concerns were not systematically reported to or discussed by the board of directors, the board of company auditors, or outside officers. As a result, the Company did not have an effective governance system in place for internally sharing signs of misconduct and ensuring an appropriate response.
- At the time, the accounting division had weaknesses in its organization and personnel, including frequent changes among its managers, and failed to adequately perform its oversight function, including by not thoroughly checking supporting documents when recognizing revenue. Moreover, although the internal audit division identified deficiencies that could have led to the discovery of inappropriate accounting processing, it failed to adequately investigate their causes, follow up on them, or report them to management. As a result, the second and third lines of defense did not function effectively.
- When the Company made corrections to its past earnings in 2025,* at least some of the officers, employees, and others involved in the Inappropriate Accounting were aware of it but did not disclose it. As a result, the 2025 corrections did not lead to accurate financial information, and inaccurate information continued to be disclosed. This demonstrates a serious lack of ethical awareness regarding the disclosure of accurate financial results that is required of officers and employees of a listed company.

As described above, this case involved false disclosures that could have a significant impact on investors’ investment decisions, resulting from inappropriate accounting processing conducted under the leadership of the management at the time, against the background of a corporate culture in which excessive pressure from the representative director and president led to the highest priority being placed on achieving sales targets. Although the Company disclosed measures to prevent recurrence on Aug. 13, 2026, TSE deems that improvements to the Company’s internal management system, etc. are highly necessary. As such, TSE has decided to designate its stock as a Security on Special Alert.

In connection with the corrections to its past earnings reports made in 2025, TSE requested the Company, on May 23, 2025, to submit a report describing the circumstances leading to the corrections and its improvement measures (hereinafter referred to as the “Improvement Report”). The Company submitted the Improvement Report on Jun. 20, 2025, and submitted an Improvement Status Report on Jan. 7, 2026, after six months had elapsed from the submission of the Improvement Report. However, the improvement measures described in these reports are deemed insufficient to address the deficiencies newly identified in this case. TSE has therefore determined that it is appropriate to separately require further improvements.

Furthermore, although certain officers, employees, and others were aware of the Inappropriate Accounting when the Company made corrections to its past earnings reports in 2025, they did not disclose it, and the Company continued to disclose incorrect financial results. As a result, the Company continued to disclose incorrect financial information that was important to investment decision-making over an extended period, including that the Corrections newly revealed an additional fiscal year in which net asset value was negative. TSE deems that this undermined the confidence of shareholders and investors in TSE’s market and will impose a listing agreement violation penalty on the Company.

*Corrections to past earnings reports (from the fiscal year ended Sep. 2020 to the third quarter of the fiscal year ended Sep. 2024) made by the Company on Feb. 28, 2025 relating to agency commission revenue in its insurance agency business