

TSE Urgent Notice



May 23, 2025
Listing Department
Tokyo Stock Exchange, Inc.

Request for Improvement Report and Imposition of Listing Agreement Violation Penalty

TSE has requested an Improvement Report and imposed a listing agreement violation penalty as follows.

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

1. Company Name Advance Create Co.,Ltd.
(Code: 8798, Market Segment: Prime Market)
2. Improvement Report Submission Deadline Jun. 20, 2025 (Fri.)

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. 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 "the Company") disclosed an investigation report by the investigation committee concerning inappropriate accounting processing at the Company on Oct. 8, 2024 and a supplementary investigation report on Jan. 10, 2025, following which the Company disclosed corrections to its financial results for past fiscal years on Feb. 28, 2025.
These disclosures revealed that the Company had recorded overstated sales revenue due to miscalculation in agency commissions revenue in the insurance agency business (hereinafter referred to as "agency commission revenue").As a result, the Company was found to have made false disclosures in violation of the listing rules for earnings reports and other timely disclosure materials from the fiscal year ended

Sep. 2020 to the third quarter of the fiscal year ended Sep. 2024. Subsequent corrections to these earnings reports revealed several issues as outlined below.

- In particular, concerning the fiscal year ended Sep. 2023, it was discovered that the Company inaccurately presented net asset value as a positive figure, whereas this figure was, in fact, negative.
- Concerning the fiscal year ended Sep. 2020, following the correction to earnings reports, it was discovered that the actual sales revenue was lower than the previously reported figure by 10% or more. Furthermore, the Company inaccurately presented operating profit, ordinary profit, and net income attributable to owners of the parent company as positive figures, whereas these figures were, in fact, negative.
- Concerning the fiscal year ended Sep. 2021, following the correction, it was discovered that the actual sales revenue was lower than the previously reported figure by 10% or more. Furthermore, operating profit, ordinary profit, and net income attributable to owners of the parent company were, in fact, lower than the previously reported figures by 50% or more.
- Concerning the fiscal year ended Sep. 2022, following the correction, it was discovered that the actual sales revenue was lower than the previously reported figure by 20% or more. Furthermore, operating profit and ordinary profit were, in fact, lower than the previously reported figures by 90% or more, and the Company inaccurately presented net income attributable to owners of the parent company as a positive figure, whereas this figure was, in fact, negative.
- Concerning the fiscal year ended Sep. 2023, following the correction, it was discovered that there were, in fact, discrepancies of 30% or more compared to the previously reported figures for operating profit, ordinary profit, and net income attributable to owners of the parent company.

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

- The Company continued to record erroneous agency commission revenue over many years, indicating deficiencies in the system for recording revenue and disclosing financial statements. Despite the complexity and labor-intensive nature of calculating agency commission revenue at the Company, due to factors such as insufficient staffing, frequent changes in personnel, and inadequate transfer of responsibilities, it became commonplace to perform revenue calculations using imprecise methods. Additionally, the Company was unable to take appropriate measures, such as the implementation of fundamental improvements, regarding the system responsible for revenue calculations, which was generating a considerable number of errors.
- The Company's situation indicates deficiencies in its internal communication and reporting systems, as well as its internal control systems, including audits. Operational issues such as frequent system errors during revenue calculations and potential misstatements were not appropriately reported by the accounting department to management or the compliance unit. Additionally, neither statutory audits nor internal audits detected these issues, resulting in a prolonged continuation of uncorrected deficiencies in the revenue calculation system.
- The Company's practices indicate a lack of awareness regarding the prevention of accounting errors and compliance-related issues. Within the Company, a widespread misconception took hold that the internally managed revenue estimates, derived from simplified calculations, were accurate. This led to a situation where system errors, which frequently occurred during revenue calculations, were easily manipulated to align with these estimated figures.

As described above, this case involves the disclosure of false information which has a significant impact on investors' investment decisions as a result of the Company not having adequate systems in place for recording revenue and disclosing financial statements, as well as an adequate internal control system. As such, improvements to the Company's system for timely disclosure are deemed highly necessary. While the

Company disclosed recurrence prevention measures on Oct. 8, 2024 and Feb. 21, 2025, 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 recurrence prevention measures.

Moreover, this case involved the continued publication, over a long period, of incorrect information with regard to financial information that is highly important for investment decision-making, as instanced by the fact that there has been a period where the net asset value was negative and also that revenue figures and the amount of profit at each stage have been significantly reduced over multiple periods as a result of the recording of erroneous revenue figures in the past earnings reports due to the Company's inadequate systems. As such, TSE deems that this case has undermined the confidence of shareholders and investors in the TSE market and, therefore, shall impose a listing agreement violation penalty on the Company.

(Note) After submission of the Improvement Report by the Company, it will be made available on the JPX website (<https://www.jpx.co.jp/listing/measures/improvement-reports/index.html>) and through the TDnet database service (both available only in Japanese).

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