

TSE Urgent Notice



Jan. 30, 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.

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| 1. | Issue Name | Abalance Corporation stock
(Code: 3856, Market Segment: Standard Market) |
| 2. | Date of Designation of Security on Special Alert | Jan. 31, 2026 (Sat.) |
| | Reason (Related Clause) | <p>Due to a disclaimer of conclusion being stated in the interim review report attached to the listed company's interim consolidated financial statements, and TSE deeming that improvement of the internal management system is highly necessary (Securities Listing Regulations, Rule 503, Paragraph 1, Item (2), b)</p> <p>Due to falling under a case where TSE deems that the listed company has violated the provisions of the matters to be observed in the Code of Corporate Conduct (Development of System and Structure Necessary to Ensure Appropriateness of Business) and that the improvement of the internal management system of such listed company is highly necessary (Securities Listing Regulations, Rule 503, Paragraph 1, Item (4))</p> |
| 3. | Listing Agreement Violation Penalty Total | JPY 43.2 million |
| | Reason (Related Clause) | <p>Due to falling under a case where TSE deems that the listed company has violated the provisions of the matters to be observed in the Code of Corporate Conduct (Development of System and Structure Necessary to Ensure Appropriateness of Business) and has undermined the confidence of shareholders and investors in the TSE market (Securities Listing Regulations, Rule 509, Paragraph 1, Item (2))</p> |
| 4. | Details of | Abalance Corporation (hereinafter, the "Company") disclosed that doubts had arisen |

Reason

regarding the accounting treatment of toll manufacturing transactions with a sale and repurchase (hereinafter referred to as the “Toll Transactions”) conducted by a subsidiary, WWB Corporation. In connection with this, the Company obtained a one-month extension of the filing deadline for its Quarterly Securities Report for the second quarter of the fiscal year ending June 2024. Following an internal investigation conducted by the then Audit and Supervisory Committee, which identified errors in the accounting treatment, the Company then announced corrections to its prior-period financial results on Mar. 14, 2024. The findings of said internal investigation (an investigation report summary) were disclosed on Mar. 26, 2024.

Subsequently, on Aug. 12, 2025, the Company announced its decision to establish a third-party committee. This decision was made in light of indications raised by an external organization and was based on the determination that further examination was required regarding the internal investigation concerning the Toll Transactions, the associated corrections to its financial results, and other transactions. On Nov. 14, 2025 the Company disclosed that it had obtained an extension of the filing deadline for its Semiannual Securities Report for the fiscal year ending Mar. 2026, extending the deadline to Jan. 13, 2026. According to the investigation report prepared by the third-party committee and released by the Company on Dec. 17, 2025, the Toll Transactions were determined to have involved improper conduct. The report further concluded that the Company had deficiencies in its management of related-party transactions and oversight of subsidiaries, and it also revealed that the Company had submitted false responses to inquiries from Japan Exchange Regulation (JPX-R). In response, while expressing its intention to take the findings of the third-party committee seriously, the Company stated that it was necessary to review the full text of the investigation report and to conduct a comprehensive assessment in order to formulate measures to prevent recurrence. Accordingly, the Company announced the establishment of a verification committee on Dec. 25, 2025 and disclosed the appointment of the committee members on Jan. 8, 2026.

Under these circumstances, on Jan. 13, 2026, the Company submitted its Semiannual Securities Report for the fiscal year ending Mar. 2026 accompanied by an interim review report containing a disclaimer of conclusion, and publicly disclosed this fact.

These disclosures, submissions, and other information revealed the following facts:

- The Company had not established a system that would enable it, as a pure holding company, to adequately ascertain and understand the facts concerning transactions conducted by its group companies, including overseas subsidiaries, despite the fact that overseas subsidiaries account for the majority of the Group’s revenue. This reflects insufficient awareness regarding group governance.
- With respect to the Toll Transactions that resulted in the corrections to prior-period financial results announced in Mar. 2024, the internal investigation conducted by the Audit and Supervisory Committee at the time concluded without fully uncovering the facts, due to inadequate or false responses from the persons involved.
- Although the former President and COO at least, who at the time of the internal investigation had been serving as Deputy General Manager of the Overseas Business Division, was well aware of the possibility of impropriety in the accounting processing of the Toll Transactions, he took no action for an extended period, even after assuming the position of President, until the matter was eventually pointed out by an external organization. As a result, a re-investigation by a third-party committee became necessary, which in turn led to the establishment of a verification committee. Consequently, despite having been granted an extension for filing its Semiannual Securities Report for the fiscal year ending Mar. 2026, following a similar extension in Feb. 2024, the Company has still not finalized the corrections to prior-period financial results, identified the root causes, or clarified management responsibility.

- The Company also had deficiencies in its framework for identifying and managing related-party transactions. These deficiencies arose because the Company had long allowed its officers and employees to lack adequate awareness of compliance norms concerning related-party transactions and failed to establish rules and other internal procedures governing such transactions. Related-party transactions were either not submitted to the Board of Directors for resolution or, when submitted, were not adequately assessed for appropriateness and reasonableness.

This matter concerns a disclaimer of conclusion in the interim review report attached to the interim consolidated financial statements, which are essential for investors to make appropriate investment decisions. It has also been found that the Company violated the provisions of the matters to be observed in the Code of Corporate Conduct (Development of System and Structure Necessary to Ensure Appropriateness of Business), and that improvements to its internal management system are highly necessary. Therefore, TSE will designate the Company's stock as a Security on Special Alert.

Furthermore, as noted above, despite being a pure holding company, the Company had inadequate oversight of its subsidiaries and lacked sufficient awareness of group governance. In addition, the Company repeatedly found itself in circumstances requiring renewed investigations and verifications concerning improper accounting processing, and has yet to finalize the corrections to past financial results or clearly identify the underlying causes of these issues, including management responsibility. The Company also allowed a lack of compliance awareness regarding the identification and management of related party transactions to persist within an organization consisting of numerous group companies. This constitutes a highly material deficiency in its internal management system over an extended period. Moreover, the Company provided false responses to inquiries from JPX-R. In light of the foregoing, TSE deems that the Company has undermined the confidence of shareholders and investors in TSE's markets and will impose a listing agreement violation penalty on the Company.

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