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Receipt of the Investigation Report by the Special Investigation Committee on Suspicions Regarding Inappropriate Transactions at Our Consolidated Subsidiaries and Our Future Response Measures

As announced in the “Notice Concerning the Identification of Suspicions Regarding Inappropriate Transactions at Our Consolidated Subsidiaries and the Establishment of a Special Investigation Committee” dated January 14, 2026 and the “Progress Report on the “Notice Concerning the Identification of Suspicions Regarding Inappropriate Transactions at Our Consolidated Subsidiaries and the Establishment of a Special Investigation Committee” Dated January 14, 2026; and Notice on Holding of Fiscal Year Ending March 2026 Q3 Preliminary Results Explanation”, dated February 6, 2026, KDDI CORPORATION (hereinafter referred to as “KDDI”) has determined that it is necessary to conduct an investigation with higher level of expertise and objectivity to clarify the facts and underlying causes related to the suspicions regarding inappropriate transactions (hereinafter referred to as "the Matter"), which have been identified at our consolidated subsidiary, BIGLOBE Inc., and its subsidiary, G-PLAN INC. (hereinafter collectively referred to as “the Subsidiaries”). Accordingly, on January 14, 2026, we established a Special Investigation Committee composed of external attorneys and certified public accountants, and have been actively proceeding with the investigation.

Today, we received the Investigation Report concerning the Matter from the Special Investigation Committee. We hereby inform you of the followings

1. Summary of the Investigation Results from the Special Investigation Committee

The investigation conducted by the Special Investigation Committee revealed that two employees of the Subsidiaries (hereinafter referred to as "the Involved Employees") engaged in certain fictitious circular transactions (hereinafter referred to as "the Fictitious Circular Transactions") that did not correspond to substantive advertising operations in the advertising agency business. Furthermore, the investigation clarified the background of the initiation of the Fictitious Circular Transactions, the specific scheme of the Fictitious Circular Transactions, the fact that, as a result of the expansion of the Fictitious Circular Transactions, the Fictitious Circular Transactions were conducted with a total of 21 of the advertising agencies, as well as the financial impact attributable to the Fictitious Circular Transactions.

According to the investigation conducted by the Special Investigation Committee, there have been no members of the KDDI Group’s management or employees who were aware of the existence of the Fictitious Circular Transactions prior to the Involved Employees' disclosure of the transaction

details. Additionally, as a result of the Special Investigation Committee's investigation into the existence of similar cases within the KDDI Group, no similar cases have been identified.

The details are as in the attached Investigation Report. In consideration of protecting personal information and other related matters, parts of the Investigation Report have been edited and kept confidential.

2. The Financial Impact

The impact amounts of the Matter on the consolidated financial statements are as follows.

(Unit: billions of yen)

Impact amounts (decrease)	Before Fiscal Year Ended March 2023	Fiscal Year Ended March 2024	Fiscal Year Ended March 2025	Cumulative Figure for the Third Quarter of the Fiscal Year Ending March 2026	Total
Operating revenue	41.7	54.3	82.4	67.6	246.1
Operating income	30.4	49.6	31.2	39.6	150.8
Reversal of recorded income	2.4	5.6	16.9	25.0	49.9
Amounts of external outflow	1.7	3.7	10.5	17.1	32.9
Impairment Losses (Goodwill etc.)	19.1	40.8	4.7	-	64.6
Profit for the period attributable to owners of the parent	27.7	37.6	30.3	33.4	129.0

(Unit: billions of yen)

Impact amounts (decrease)	End of March 2023	End of March 2024	End of March 2025	End of December 2025
Total assets	67.9	91.3	161.5	153.8
Total equity	64.4	65.3	95.6	129.0

* All of the above amounts represent decreases attributable to the impact of the Fictitious Circular Transactions.

* This includes the financial impact described in the “Article 7 Financial Impact” of the Investigation Report by the Special Investigation Committee, and also includes the impact of any consequential impairment losses, related amortization expenses, taxes related to this Matter, and the effects of tax adjustments.

* Revenues include both gross and net recognition, and the proportion of each varies by fiscal year.

* The amounts that flowed externally are recorded as “Other expenses.”

As stated in today’s announcement entitled “Notice Regarding the Filing of Amended Annual Securities Reports, etc. for Prior Fiscal Years and the Correction of Financial Results Summaries,

etc. for Prior Periods,” KDDI has disclosed the filing of amended reports for the Annual Securities Reports, Semiannual Securities Reports, and Quarterly Securities Reports, as well as corrections to the Financial Statements Summaries. In addition, KDDI have also disclosed today the Financial Statements Summary for the Third Quarter of the Fiscal Year Ending March 2026.

3. KDDI’s actions

(1) Recurrence Prevention Measures

Recognizing this Matter as a serious situation, KDDI has taken seriously the cause analysis and recommendations provided by the Special Investigation Committee, and has formulated and will sequentially the following recurrence prevention measures to strengthen governance across the KDDI Group.

(A) Strengthening business partners management across the Group

- Review of business partners and credit management standards
- Rebuilding the monitoring framework and conducting regular operational reviews

(B) Segregation of procurement authorities and enhancement of inspection and acceptance processes across the Group

- Clear segregation of authorities in procurement process
- Identification and mitigation of risks of over-reliance on specific individuals

(C) Strengthening risk and cash flow management for new businesses within the Group

- Enhance the effectiveness of risk analysis and mitigation measures for new business initiatives and business expansions
- Strengthen monthly profitability management and cash flow management
- Enhance business oversight by seconded executives and more communication opportunities

(D) Strengthening checks and balances and audit functions across Group companies, and financial management of Group finance recipients

- Promote awareness and use of the Group whistleblowing system, including at subsidiaries
- Strengthen internal audit framework, review risk assessment methodologies in internal audits, and conduct training to enhance professional skepticism
- Enhance deliberation process for Group finance and review recipient’s financial condition

(E) Ensuring Group-wide permeation and sustained implementation of recurrence prevention measures

- Establish a Group Governance Enhancement Measures Meeting, and ensure Group-wide permeation and monitoring of recurrence prevention measures

- Regular reporting to the Board of Directors through the Risk Management Committee

(F) Cultivating high ethical standards and a healthy corporate culture

- Continue initiatives to embed the KDDI Group Philosophy across the Group

- Implement education programs to address fraud and misconduct risks

(G) Reviewing the Group management strategy to enhance Group governance

- Initiatives to deepen shared understanding and strengthen mutual trust with Group Companies

- Review of the roles and functions of executives seconded to Group Companies

For more information, please refer to the Exhibit (Presentation Material “Explanation of the Investigation Results by the Special Investigation Committee.”)

(2) Actions Regarding Directors and Employees

KDDI takes this matter very seriously, and as set forth below, the relevant directors and officers will resign or voluntarily return a portion of their compensation, while the relevant employees will be subject to strict disciplinary action.

(A) Actions Regarding Main Directors and Officers

BIGLOBE Inc.

Representative Director and President	Resignation
Director and Executive Officer CFO	Resignation
Director and Executive Officer	Resignation
Auditor	Resignation

G-PLAN INC.

Representative Director and President	Resignation
Executive Vice President	Resignation

KDDI

Chairman, Representative Director	Return of 30% of monthly remuneration (for three months)
President, Representative Director, CEO	Return of 30% of monthly remuneration (for three months)

Senior Managing Executive Officer, Director CFO Executive Director, Corporate Sector	Return of 20% of monthly remuneration (for three months)
Senior Managing Executive Officer, Director Executive Director, Personal Business Sector	Return of 20% of monthly remuneration (for three months)
Executive Officer, Deputy Head of the Personal Business Division	Return of 20% of monthly remuneration (for one month)
Executive Officer, Head of Corporate Management Division, Corporate Administration Group	Return of 10% of monthly remuneration (for one month)
Full-time Audit & Supervisory Board Member	Return of 10% of monthly remuneration (for two months)

(B) Actions Regarding Employees

The Involved Employees were dismissed as a disciplinary measure in accordance with the G-PLAN INC.'s internal rules and regulations.

Other employees who bear supervisory or related responsibilities will also be subject to strict disciplinary measures in accordance with the KDDI Group's internal rules and regulations.

KDDI sincerely apologizes to all stakeholders – including its shareholders, investors, and business partners – for the significant worries and inconvenience caused thereby. KDDI takes the Matter very seriously, and will work across the entire Group to thoroughly implement recurrence prevention measures and strengthen our governance, in order to restore trust.

March 31, 2026

To: KDDI CORPORATION

Investigation Report (Summary Version)

Special Investigation Committee

1. Summary of the Investigation

KDDI CORPORATION (“**KDDI**”) identified certain suspicious fictitious circular transactions (**the “Fictitious Circular Transactions”**) that did not correspond to substantive advertising operations in the advertising agency business of its consolidated subsidiaries, BIGLOBE Inc. (“**BIGLOBE**”), and G-PLAN INC. (“**G-PLAN**”), a subsidiary of BIGLOBE (collectively, **the “Subsidiaries”**). KDDI then established a Special Investigation Committee (**the “Committee”**) composed of the external experts listed below on January 14, 2026, and requested the Committee to investigate the Fictitious Circular Transactions (**the “Investigation”**). The purposes of the Investigation were as follows: (i) conduct a fact-finding investigation into the Fictitious Circular Transactions; (ii) examine whether there was any impact by the Fictitious Circular Transactions on the consolidated financial statements of KDDI and, if so, the amount of the impact; (iii) identify whether there were any incidents similar to the Fictitious Circular Transactions; (iv) analyze the root causes for the occurrence of the Fictitious Circular Transactions and recommend recurrence prevention measures; and (v) other matters deemed necessary by the Committee.

Chairperson: Toshiya Natori (Attorney-at-Law, SHIN MARUNOUCHI LAW FIRM, Former Public Prosecutor, Supreme Public Prosecutors Office)

Member: Tomohiro Hen (Attorney-at-Law, Nagashima Ohno & Tsunematsu)

Member: Yasunori Sato (Certified Public Account, Deloitte Tohmatsu LLC)

From January 14, 2026 to March 31, 2026, the Committee conducted a review of documents related to the Fictitious Circular Transactions, a digital forensic review (the Committee collected approximately 3.37 million electronic records, including emails and chats, and reviewed 123,485 electronic records), and interviews with relevant persons (80 interviewees, totaling 98 interviews). In addition, in order to examine whether there were fictitious circular transactions lacking substance similar to the Fictitious Circular Transactions, or inappropriate accounting practices equivalent thereto (**the “Similar Cases”**), the Committee conducted an investigation into the Similar Cases with respect

to KDDI and all of its consolidated subsidiaries¹ as of December 2025. The Committee also sent a written survey to 778 executives and employees of the Subsidiaries – 768 individuals responded to the survey.

The Investigation was, in principle, conducted for the period from fiscal year 2017, when G-PLAN launched its advertising agency business, to the present²; however, the Investigation was expanded to cover periods prior to the above as necessary. In addition, the Investigation examined the accounting impact of the Fictitious Circular Transactions from April 2017 (the 34th fiscal year) to December 31, 2025 (the third quarter of the 42nd fiscal year).

The Investigation was conducted on a voluntary basis and was limited to the extent of the voluntary cooperation obtained from the parties involved. Furthermore, since the Subsidiaries did not retain materials or documents regarding parties other than those regarding their direct business partners, and dealt with a large number of advertisers and advertisement placement agencies, the actual circumstances relating to all advertisement placements have not been verified. Instead, the verification has been limited to confirming the existence of any evidence indicating the authenticity of certain randomly selected transactions.

2. Factual Findings of the Investigation

The Investigation found that, during the period from August 2018 at the latest to December 2025, the Fictitious Circular Transactions had been carried out continuously under the leadership of Person A, who was General Manager of the Solution Sales Business Division at G-PLAN, and from April 2020 onward, with the cooperation of Person B, who served as the leader of both the Solution Team and the Ad Production Team within the Solution Sales Business Division.³

The Investigation did not identify any Similar Cases.

The Investigation confirmed that the Fictitious Circular Transactions did not involve any organized scheme by G-PLAN, BIGLOBE and KDDI.

(1) Overview of the Fictitious Circular Transactions

The advertising agency business involved in the Fictitious Circular Transactions is a business in which G-PLAN or BIGLOBE intermediated web advertising transactions between upstream advertising agencies (**the “Upstream Agencies”**) and downstream advertising agencies (**the**

¹ 96 companies (Since consolidated subsidiaries and sub-subsidiaries may be aggregated, this figure differs from the 189 consolidated companies stated in the Securities Report for the fiscal year ended March 2025 of KDDI; however, those 189 companies are included in the 96 companies mentioned above. BIGLOBE is included in the 96 companies, but it has been excluded from the scope of the investigation into the Similar Cases that is described in this report because the Committee conducted separate investigations and reviews in relation to BIGLOBE.

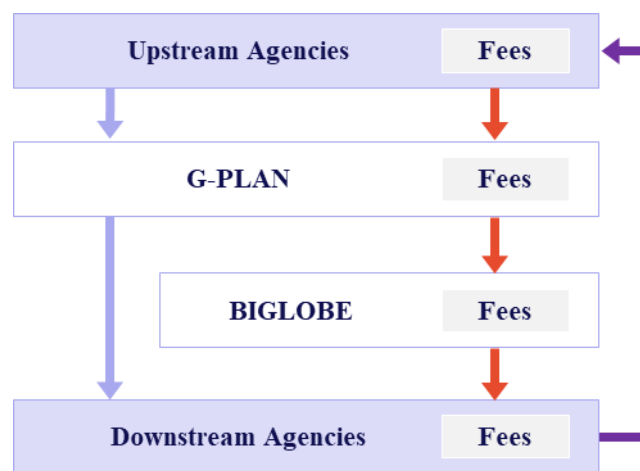
² Refers to March 31, 2026, the date this investigation report was prepared.

³ All of these titles are as of December 2025.

“**Downstream Agencies**”), and received commission revenue based on the number of successful transactions. The advertising agency business in which G-PLAN acted as the sole intermediary was called “**G rep**”, while the advertising agency business in which BIGLOBE was involved together with G-PLAN was called “**B rep**”.

In this advertising agency business, Person A and Person B engaged in the Fictitious Circular Transactions by making it appear as though they received and accepted advertisement placement orders from the Upstream Agencies (the Upstream Agencies did not actually make any such orders to the Subsidiaries), which they subcontracted to the Downstream Agencies and arranged for payments to be made in the following sequence: Upstream Agencies → the Subsidiaries → Downstream Agencies → Upstream Agencies. A simplified diagram of the business flow is shown below.⁴

Business Flow of the Fictitious Circular Transactions



During the period for which the Committee examined the accounting impact of the Fictitious Circular Transactions (i.e. April 2017 to December 2025), there were a total of 218 companies involved in the overall advertising agency business of the Subsidiaries. The Fictitious Circular Transactions were conducted with 21 of these companies; approximately 99.7% of the sales of advertising agency business of the Subsidiaries was recorded through the Fictitious Circular Transactions.

⁴ In the actual business flow, multiple advertising agencies may have been involved on both the upstream and downstream side; therefore, the transactional relationships were not necessarily unilinear but rather had a multi-layered structure. With respect to the Fictitious Circular Transactions conducted from August 2018 to December 2025, the Investigation identified 28 business flow patterns.

(2) Background of the Fictitious Circular Transactions

The advertising agency business was initiated under the leadership of Person A. However, the business failed to generate the sales and profits initially anticipated, leading G-PLAN to consider downsizing or withdrawing from the business. Under these circumstances, around February 2018, it was anticipated that the business would incur losses on the order of several hundred thousand yen and fall short of its sales targets by tens of millions of yen. Person A, driven by a sense of urgency that if the losses and the failure to meet sales targets were to materialize simultaneously, the withdrawal from the business would be inevitable, conceived the idea of temporarily recording fictitious sales to cover the deficit and achieve the sales target. He then initiated the Fictitious Circular Transactions from August 2018 at the latest.⁵ By recording these sales, Person A temporarily achieved the aforementioned objectives. Although he had intended to recoup the sales amount from the Fictitious Circular Transactions by subsequently generating profits through legitimate business transactions, he was unable to do so. As the Fictitious Circular Transactions continued, the transaction amounts gradually increased to recirculate the funds as part of the scheme. Meanwhile, the Fictitious Circular Transactions made it appear as though the advertising agency business was performing well in terms of sales and profits.

In April 2020, in an effort to increase the staff for the advertising agency business, Person B joined G-PLAN and took charge of the business as Person A's subordinate. Subsequently, at Person A's instructions, Person B became involved in implementing the Fictitious Circular Transactions.

Around December 2022, BIGLOBE decided to enter and expand the advertising agency business by leveraging its financial resources and creditworthiness. In doing so, BIGLOBE was able to make "advance payments" based on short-term payment terms (which meant that, in the Fictitious Circular Transactions, BIGLOBE made payments to the Downstream Agencies before receiving payments from the Upstream Agencies) by leveraging group financing from KDDI, enabling it to provide the source of funds for the Fictitious Circular Transactions, which further increased the transaction amounts. Furthermore, due to the need to diversify the business partners, the number of partners gradually increased, and ultimately, as stated above, a total of 21 Upstream and Downstream Agencies were involved in the business flow of the Fictitious Circular Transactions. Person A and Person B, while remaining employees of G-PLAN, were also concurrently seconded to BIGLOBE from January 2023.

In February 2025, Person C, then President and Representative Director of KDDI, expressed concerns during its management strategy meeting about potential compliance issues regarding the significant improvement in the performance of BIGLOBE's advertising agency business. In response,

⁵ Although a payment of approximate 23 million yen received in February 2018 from an Upstream Agency was suspected of being based on fictitious sales, the Investigation was not able to conclusively determine that it was a Fictitious Circular Transaction; the Investigation was also not able to determine the source of those funds and the scheme of the circulation thereof.

the advertising agency business was included in the scope of KDDI's internal audit for that fiscal year by the Internal Audit Division, and Person D and Person E, Full-time Statutory Auditors of KDDI, instructed BIGLOBE's Statutory Auditor at that time to conduct detailed audits of BIGLOBE. Subsequently, Person D and Person E consulted with the accounting auditors and the Internal Audit Division and working in collaboration with them, conducted a preliminary investigation in preparation for the subsidiary audit of BIGLOBE by the Statutory Auditors of KDDI. During that process, in October 2025, KDDI's accounting auditors indicated the potential existence of the Fictitious Circular Transactions. In response, KDDI commenced an internal investigation into the Fictitious Circular Transactions in collaboration with the Statutory Auditors and the Internal Audit Division, and with the engagement of external experts. In response, Person A, fearing the discovery of the Fictitious Circular Transactions, colluded with certain advertising agencies in early November 2025 to prevent the discovery of the Fictitious Circular Transactions; as a result, the internal investigation failed to uncover the Fictitious Circular Transactions. Under these circumstances, in November 2025, taking into account concerns regarding the fact that the scale of BIGLOBE's advertising agency business had expanded beyond the initial plan, KDDI instructed BIGLOBE to reduce the transaction amounts in the advertising agency business. BIGLOBE proceeded accordingly.

As a result, the payment amounts from BIGLOBE to the Downstream Agencies were reduced, leading to a decrease in the amount of funds circulating in the scheme. In mid-December 2025, following delays in payments to G-PLAN from an advertising agency, Person A acknowledged the existence of the Fictitious Circular Transactions, leading to the suspicion of the Fictitious Circular Transactions being uncovered. The Subsidiaries then suspended all of the transactions related to the advertising agency business with the business partners suspected to be involved in the Fictitious Circular Transactions.

(3) Scheme of the Fictitious Circular Transactions

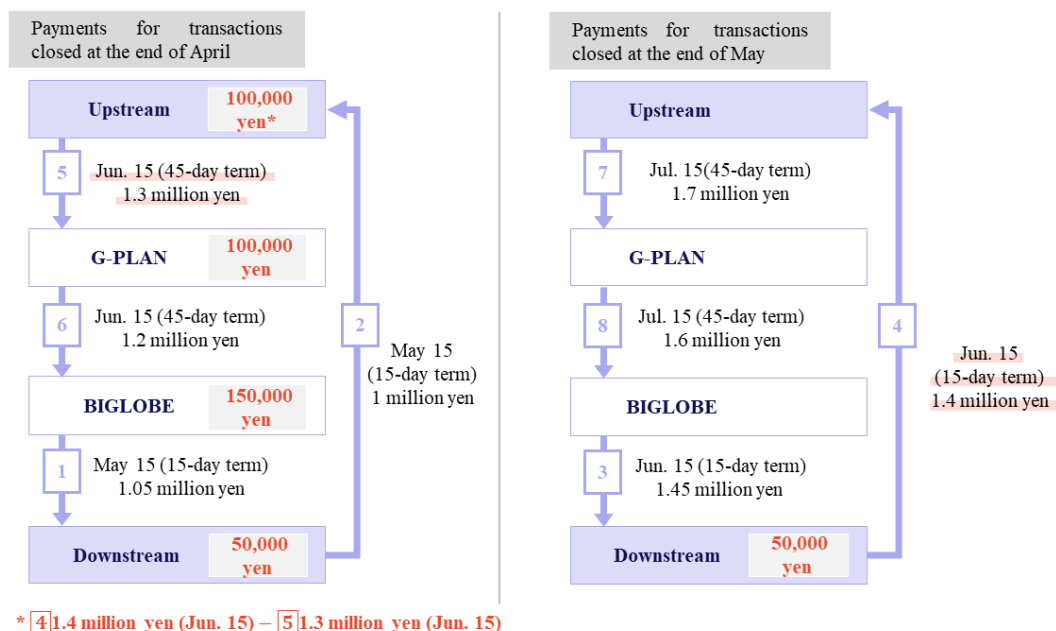
The general business flow of the Fictitious Circular Transactions was that funds were moved from the Upstream Agencies through the Subsidiaries to the Downstream Agencies, ultimately returning to the Upstream Agencies, with each advertising agency deducting its own fees before making payments at each stage.

However, payments did not always follow this sequence – rather, they were made in accordance with payment terms based on the financial capabilities and other related circumstances of each advertising agency. Some Downstream Agencies and BIGLOBE used short payment terms, such as 15-day terms. As a result, BIGLOBE made advance payments to the Downstream Agencies before it received funds from the Upstream Agencies. This secured the funds necessary for the Fictitious Circular Transactions, enabling the transactions to continue and expand. In particular, BIGLOBE was able to continue making the aforementioned short-term payments because it utilized group financing

from KDDI as stated above.

For illustrative purposes, in the hypothetical situation where, on June 15, when an Upstream Agency made payments for the transactions that closed at the end of April under a 45-day payment term, there were incoming payments from a Downstream Agency for the transactions that closed at the end of May under a 15-day payment term. By adjusting this incoming payment amount (by settling the amount of loss incurred by the Upstream Agency and adding the amount of fees for the Upstream Agency), the Upstream Agency became able to make the payment for the transactions that closed at the end of April while securing the amount of its own fees from the incoming amount (see the diagram below).

Illustration of Transaction Continuity Utilizing Differences in Payment Terms



Furthermore, as these payment cycles continued, the amount of funds circulating in the scheme needed to be sufficient to cover the payments made in the previous payment cycle and the fees for the relevant agencies. Consequently, as the Fictitious Circular Transactions continued, the scale of the amounts involved was structured to grow larger significantly.

In order to establish and maintain these transactions, Person A determined the payment amounts and fee allocations among the advertising agencies based on the cycle of payment circulation and each company’s payment terms, and also set the number of successful transactions and payment amounts so as to align with such payment amounts and fee allocations. Subsequently, Person A created performance reports based on these figures for G rep’s transactions, while Person B created performance reports for B rep’s transactions, at Person A’s instructions. They then distributed these reports to the respective advertising agencies and issued instructions regarding the amounts to be invoiced and paid. The circulation of funds was maintained through the issuance of invoices and

making of payments by each advertising agency in accordance with these instructions.

(4) Measures taken to avoid detection of the Fictitious Circular Transactions

Person A took various measures, either personally or by instructing Person B, to avoid detection of the Fictitious Circular Transactions.

Specifically, when initiating or executing transactions, Person A ensured that, as much as possible, the Downstream Agencies and the Upstream Agencies did not come into contact in a manner that did not involve G-PLAN (Person A or Person B). Further, Person A prepared contracts and invoices with each advertising agency to create the appearance of legitimate transactions with evidence of such contracts and invoices, and selected products with high unit prices to justify the large transaction amounts.

Furthermore, Person A and Person B exclusively engaged in communication in respect of the Fictitious Circular Transactions with each advertising agency, preventing other executives and employees of the Subsidiaries from becoming involved. Additionally, in response to questions or concerns raised by other executives and employees of the Subsidiaries, Person A and Person B provided explanations with supporting reasons to resolve doubts, or, in the first place, prevented such doubts from arising. For example, Person A explained to the executives and employees of the Subsidiaries that the identities of each advertising agency's clients constituted that advertising agency's proprietary know-how, and that if this information were disclosed, it would be possible to have direct transactions with the client without going through that advertising agency; therefore, it was standard industry practice not to verify the upstream and downstream business flow of each advertising agency. Through such explanation, Person A was able to prevent the entire business flow from becoming known. In addition, when preparing performance reports containing false information, they took measures to make the reports appear realistic; for instance, rather than showing a simple upward trend in the number of successful transactions, they included periods of decline and provided explanations for why results were not achieved during those periods.

Through these measures, Person A and Person B ensured that the existence of the Fictitious Circular Transactions remained unknown to G-PLAN, BIGLOBE, KDDI, and further, many of advertising agencies.

(5) Parties involved in the Fictitious Circular Transactions

As stated above, persons who executed the Fictitious Circular Transactions were Person A and Person B.

Person A led the Fictitious Circular Transactions by creating performance reports containing false

information for G rep, instructing Person B to create similar reports for B rep, and calculating, directing, and then allocating payment amounts and other terms among advertising agencies. Person A felt a sense of urgency that the performance of the advertising agency business Person A had launched was falling short of initial expectations, and that once it incurred a loss, the withdrawal from the business would be inevitable. Under these circumstances, Person A initiated the Fictitious Circular Transactions to cover the losses incurred by the business and to meet sales targets; however, as the amounts involved became significantly larger, Person A was placed in a situation where Person A was unable to suspend the Fictitious Circular Transactions.

Person A stated that Person A did not engage in the Fictitious Circular Transactions for Person A's personal benefit or that of those involved in the Fictitious Circular Transactions. However, the Investigation found that the President and CEO of one of G-PLAN's Upstream Agencies had been providing Person A with cash payments of approximately 30 million yen corresponding to expenses such as meals from September 2023 to December 2025. This exchange of money shows that Person A received personal benefits from an Upstream Agency, which had obtained significant profits in connection with continuation of the Fictitious Circular Transactions. Furthermore, the receipt of those benefits may have been a factor in Person A's failure to discontinue the Fictitious Circular Transactions – he may have been satisfied with the status quo.

On the other hand, after joining G-PLAN in April 2020, Person B became involved in the advertising agency business under Person A's instructions. Initially, Person B was involved in the Fictitious Circular Transactions following Person A's instructions without realizing that they were transactions lacking any substantive advertising operations; however, Person B became aware of the fictitious nature of the transaction by December 2022 at the latest, and subsequently continued to engage in acts such as creating performance reports containing false information, sending those reports to the Downstream Agencies, and engaging in communications regarding the Fictitious Circular Transactions with both the Upstream and Downstream Agencies. Furthermore, Person B reported on sales forecasts at regular internal meetings at the Subsidiaries; while it cannot be said that Person B led the Fictitious Circular Transactions like Person A, Person B played a significant role as a collaborator contributing to the continuation of those transactions. Person B followed Person A's instructions and became involved in the Fictitious Circular Transactions because Person B: (a) felt indebted to Person A for giving Person B the chance to work at G-PLAN – a workplace that suited Person B's family circumstances; and (b) did not fully understand the overall nature of the Fictitious Circular Transactions.

However, the Investigation did not reveal any circumstances that indicate that Person B directly derived personal benefits through the Fictitious Circular Transactions.

Apart from the above, the Investigation did not identify any internal personnel who were aware that the Fictitious Circular Transactions were transactions lacking any substantive advertising

operations. Additionally, the Investigation did not find that the executives of G-PLAN, BIGLOBE, and KDDI were aware of the existence of the Fictitious Circular Transactions prior to the discovery of this matter as mentioned above.

3. Accounting Impact

As stated above, with respect to the Fictitious Circular Transactions, operating revenue and cost of sales were recorded on the premise that there were advertising placement orders from advertisers, even though no such orders actually existed. Therefore, the operating revenue and cost of sales related to these transactions at BIGLOBE and G-PLAN should be restated because they lack substance.

Furthermore, as a result of the Fictitious Circular Transactions, funds flowed out of the KDDI Group, and the amount of such funds corresponds to the settlement difference between the accounts receivable and the accounts payable related to the Fictitious Circular Transactions – in other words, the fees received by the business partners.

The summary of the operating revenues to be restated, the gross profits to be restated and the amounts that flowed externally are as shown in the table below.⁶

Impact on KDDI’s Consolidated Statement of Comprehensive Income and Amounts of External Outflow (Unit: billions of yen)

Fiscal Year	Operating Revenue to be Restated	Gross Profit to be Restated	Amounts of External Outflow ⁷
Before Fiscal Year Ended March 2023	(41.7)	(2.4)	(1.7)
Fiscal Year Ended March 2024	(54.3)	(5.6)	(3.7)
Fiscal Year Ended March 2025	(82.4)	(16.9)	(10.5)
Accumulated for the Third Quarter of the Fiscal Year Ending March 2026	(67.6)	(25.0)	(17.1)
Total	(246.1)	(49.9)	(32.9)

4. Root Cause Analysis

The Fictitious Circular Transactions were carried out by only two individuals, namely, Person A and Person B. As both individuals took elaborate measures to ensure that the Fictitious Circular Transactions would not be discovered either internally or externally, it could be argued that it was not surprising that the relevant companies failed to detect the Fictitious Circular Transactions at an early

⁶ Since the transaction amounts with business partners for whom no Fictitious Circular Transactions were identified are extremely small and immaterial compared to the total transaction amounts for the advertising agency business as a whole, the calculation is based on all transactions within that business during the investigation period.

⁷ The amounts that flowed externally are the total sum of fees paid to each Upstream or Downstream agencies other than G-PLAN and BIGLOBE.

stage. However, given that the Fictitious Circular Transactions continued to be conducted for a considerable period and that the Fictitious Circular Transactions expanded to such a large scale that would seem to be unnatural relative to the market size, it must be concluded that there were factors within the internal controls and subsidiary management systems of G-PLAN, BIGLOBE, and KDDI that permitted the occurrence and continuation of the Fictitious Circular Transactions.

Specifically, the three companies did not possess company-wide expertise and know-how regarding the advertising agency business; as a result, G-PLAN and BIGLOBE, which employed Person A and Person B and conducted the aforementioned business, were unable to establish internal controls to properly manage and supervise the two individuals. BIGLOBE and KDDI were unable to establish and exercise appropriate management systems and governance functions regarding the aforementioned business conducted by their subsidiaries.

As outlined above, the primary issues regarding internal controls and the management system for subsidiaries in connection with the Fictitious Circular Transactions can be broadly categorized into: (i) issues related to internal controls for a company that operates its own advertising agency business; and (ii) issues related to the management system for subsidiaries. The issues identified at the respective companies are summarized in the table below:

Issues Related to Internal Controls for a Company that Operates Advertising Agency

Business

	G-PLAN	BIGLOBE
Company-wide	Company-wide lack of expertise regarding the advertising agency business and insufficient risk awareness	
First Line	Concentration of work to specific personnel and failure of checks and balances: <ul style="list-style-type: none"> • Reliance on specific individuals for tasks: • Insufficient separation of responsibilities in the ordering and payment processes for the Downstream Agencies 	
Second Line	Insufficient management of business divisions: <ul style="list-style-type: none"> • Insufficient credit management • Failure to verify the order-fulfillment capacity of Downstream Agencies • Insufficient verification of the existence of transactions 	
	—	Insufficient judgment regarding group financing
Third Line	Insufficient internal audit	

Issues Related to the Management System for Subsidiaries

	BIGLOBE	KDDI
Company-wide	Company-wide lack of expertise regarding the advertising agency business and insufficient risk awareness	
Direct Management	*Management of G rep was handled by the Realize Business Division, which	• Insufficient risk detection regarding the advertising agency business

Divisions	previously managed B rep; the same issues exist as those described in the “First Line” section in the table above.	<ul style="list-style-type: none"> • Insufficient understanding of the division of duties • Insufficient management system for subsidiaries
Corporate Division	Insufficient credit management	<ul style="list-style-type: none"> • Overreliance on credit limits in group finance management • Fragmentation of management functions
Audit Division	Failure to conduct internal audits involving verification of authenticity of transactions and the propriety of operations	Failure to conduct specialized internal audits that address the risk of misconduct in the business of advertising agencies

5. Recommendations regarding prevention of recurrence

As described above, it can be said that the causes of the occurrence and continuation of the Fictitious Circular Transactions stemmed from issues with internal controls and subsidiary management systems at G-PLAN, BIGLOBE, and KDDI. It is extremely important for the respective companies to take the necessary measures based on an analysis of these causes to prevent the recurrence of similar misconduct.

The Committee recommends the implementation of the recurrence prevention measures listed in the table below linked to each of the causes discussed above.

Recurrence Prevention Measures that Respective Companies Should Consider to Prevent

Similar Misconduct

	G-PLAN	BIGLOBE
Company-wide	Strengthening risk assessment for misconduct and risk management systems for new businesses	
First Line	Eliminating opportunities for misconduct by reviewing the structure of business divisions: <ul style="list-style-type: none"> • Eliminating reliance on specific individuals for tasks • Strict separation of responsibilities in the ordering and payment processes 	
Second Line	Strengthening business scrutiny and misconduct detection functions by corporate divisions: <ul style="list-style-type: none"> • Strengthening credit management • Establishment of procedures for verifying eligibility of suppliers • Verification of evidence in revenue recognition and payment processes 	
	—	Cash flow-focused accounting
Third Line	Strengthening of internal audit systems and methodologies	

Recurrence Prevention Measures that the Parent Company Should Consider to Prevent

Similar Misconduct

	BIGLOBE	KDDI
Company-wide	Strengthening risk assessment for misconduct and risk management systems for new businesses	<ul style="list-style-type: none"> • Promoting understanding of businesses where expertise is limited • Strengthening and improving risk awareness

	BIGLOBE	KDDI
Direct Management Department	*Management of G rep was carried out by the Realize Business Division, which previously managed B rep; the same recurrence prevention measures as those described in the “First Line” section in the table above apply.	<ul style="list-style-type: none"> • Thorough review of details of business and arrangement of a risk detection system • Strengthening understanding of internal controls and division of duties at subsidiaries • Strengthening the human resources infrastructure for managing investee companies
Corporate Division	Supervision of credit management	<ul style="list-style-type: none"> • Strengthening verification of the appropriateness of funding needs in group finance • Strengthening of subsidiary management and centralization and integration of financial management functions
Audit Department	Review of audit methodologies for subsidiaries	Enhancement of internal audits in the Group