

# **Explanation of the Investigation Results by the Special Investigation Committee**

**March 31, 2026**

**KDDI CORPORATION**

**Hiromichi Matsuda**

**President, Representative Director, CEO**

**We sincerely apologize for the considerable inconvenience and concern caused to our customers, business partners, shareholders, employees, and many other stakeholders due to the recent inappropriate transactions at our subsidiaries.**

**We take extremely seriously the facts revealed by the investigation, specifically the fictitious circular transactions conducted within our advertising agency business, the analysis of the causes leading to this matter, and the proposed recurrence prevention measures.**

**We will explain our initiatives aimed at preventing similar misconduct from ever happening again, including recurrence prevention measures and efforts to strengthen the Group governance.**

# Today's Explanation

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## 1. Upon Receiving the Investigation Report

- On March 31, KDDI received and disclosed the investigation report from the Special Investigation Committee. KDDI will explain the following items related to the matter and its future initiatives.
  - Impact on financial results
  - Personnel measures
  - Toward recurrence prevention and strengthening governance

## 2. Consolidated Financial Results for FY26-03

- KDDI will explain the financial results for FY26-03 Q3 and the details of the revision to the full-year financial forecast.

# **1. Upon Receiving the Investigation Report**

# Sequence of Events Related to this Matter

<b>2018</b>	<ul style="list-style-type: none"> <li>● In February, G-PLAN's advertising agency business, launched by Person A, incurred a deficit of several hundred thousand yen. Driven by impatience to deliver results, the individual began fictitious circular transactions to cover this shortfall, at least as early as August.</li> </ul>
<b>2022</b>	<ul style="list-style-type: none"> <li>● In December, BIGLOBE commenced commercial transactions in which it was involved, aiming to cultivate new businesses</li> </ul>
<b>Through 2025</b>	<ul style="list-style-type: none"> <li>● As transaction amounts increased, the number of agencies involved in fictitious circular transactions expanded (totaling 21 companies).</li> </ul>
<b>2025</b>	<ul style="list-style-type: none"> <li>● To strengthen the management framework for BIGLOBE and G-PLAN's advertising agency business, internal corporate auditors and the internal audit department investigated the validity of transactions.</li> <li>● In October, upon receiving an indication from the accounting auditor, an investigation into the validity of transactions in BIGLOBE and G-PLAN's advertising agency business was conducted, led by internal corporate auditors and involving external certified public accountants.</li> <li>● In December, triggered by delayed payments from some advertising agencies and further supported by testimonies from a subsidiary employee, KDDI recognized concrete suspicions that sales figures and other amounts had been overstated.</li> <li>● An investigation team including external lawyers and certified public accountants was formed, and additional investigations were conducted.</li> </ul>
<b>2026</b>	<ul style="list-style-type: none"> <li>● On January 14, during the investigation by the investigation team, specific testimonies and objective evidence were confirmed, increasing the certainty of suspected inappropriate transactions, and consequently, the Special Investigation Committee was established.</li> <li>● On February 6, an overview was provided regarding the facts and other information known to KDDI at that time.</li> <li>● On March 31, the investigation report was received from the Special Investigation Committee and disclosed.</li> </ul>

# Impact on Financial Results

Impact amounts related to this matter are finalized. Prior period financial results have been retrospectively restated from FY23-03, including an impairment loss of 64.6 billion yen for BIGLOBE goodwill and other assets, etc.

(Unit: billions of yen (negative values))

Impact amount	Through FY23-03	FY24-03	FY25-03	FY26-03 Q1-3 total	Total
Operating revenue*1	41.7	54.3	82.4	67.6	246.1
Operating income*2	30.4	49.6	31.2	39.6	150.8
Of which, Reversal of recorded income*3	2.4	5.6	16.9	25.0	49.9
Of which, Externally outflowed amounts (Recorded as "Other expenses")	1.7	3.7	10.5	17.1	32.9
Of which, Impairment losses (Goodwill etc.)*4	19.1	40.8	4.7	—	64.6
Profit for the period*5	27.7	37.6	30.3	33.4	129.0

\*1 Revenues include both gross and net recognition, and the proportion of each varies by fiscal year \*2 Includes the impact on amortization expenses resulting from the related impairment, and corrections of immaterial items that were not previously restated in prior financial statements \*3 Represents the change in operating income resulting from the reversal of revenue and cost of sales associated with the fictitious circular transactions \*4 Impairment losses and other items accompanying changes in operating income \*5 Profit for the period attributable to owners of the parent, including taxes and tax effect impacts related to this matter

# Personnel Measures

## Implementation of personnel measures to clarify management responsibility

### BIGLOBE, G-PLAN

**Resignations of key executives and disciplinary actions against other related individuals**  
**Disciplinary dismissal of two employees involved**

Position	Details
BIGLOBE President, Representative Director	Resignation (effective March 31, 2026)
BIGLOBE Director, Executive Officer CFO	Resignation (effective March 31, 2026)
BIGLOBE Director, Executive Officer	Resignation (effective March 31, 2026)
BIGLOBE Audit & Supervisory Board member	Resignation (effective March 31, 2026)
G-PLAN President, Representative Director	Resignation (effective March 31, 2026)
G-PLAN Vice President, Representative Director	Resignation (effective March 31, 2026)

Regarding disciplinary actions against employees, two former employees involved in this matter were subject to disciplinary dismissal, and other employees with supervisory or related responsibilities were also disciplined strictly in accordance with the work rules.

### KDDI

**Voluntary return of executive compensation as part of the Group's management responsibility**

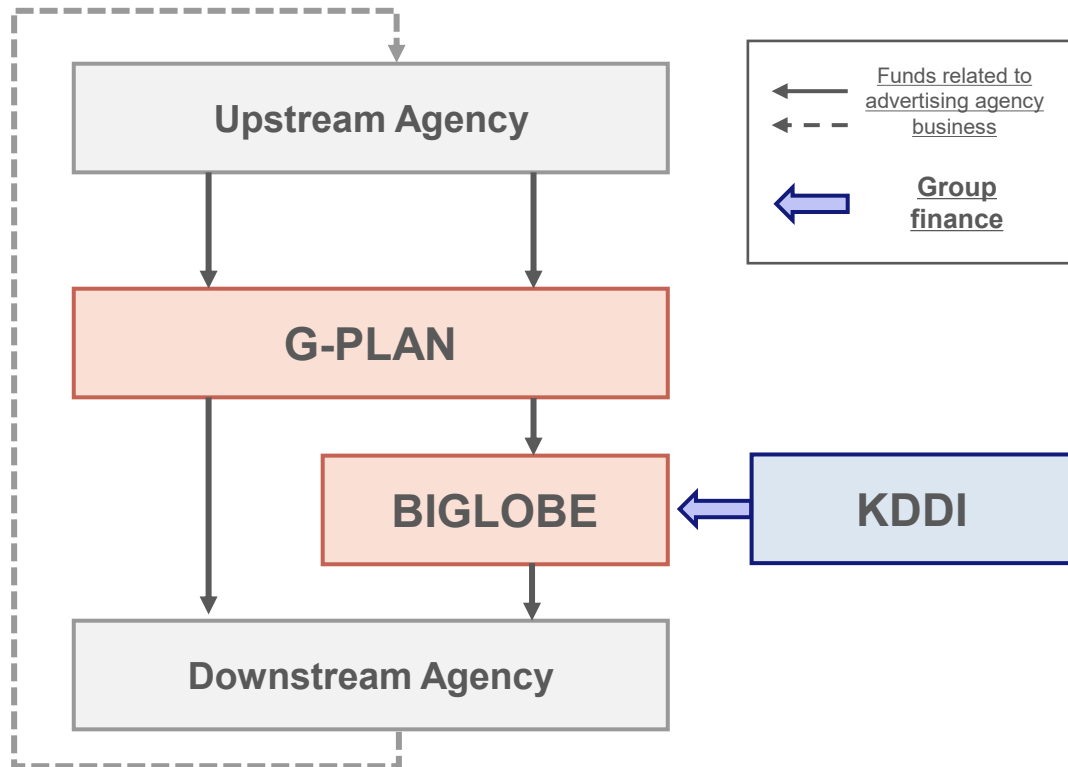
Position	Details of voluntary return
Chairman, Representative Director	30% of monthly remuneration for three months
President, Representative Director, CEO	30% of monthly remuneration for three months
Senior Managing Executive Officer, Director CFO Executive Director, Corporate Sector	20% of monthly remuneration for three months
Senior Managing Executive Officer, Director Executive Director, Personal Business Sector	20% of monthly remuneration for three months
Executive Officer, Deputy General Manager, Personal Business Sector	20% of monthly remuneration for one month
Executive Officer, Corporate Management Division, Corporate Sector	10% of monthly remuneration for one month
Full-time Audit & Supervisory Board Member	10% of monthly remuneration for two month
Full-time Audit & Supervisory Board Member	10% of monthly remuneration for two month

Voluntary return by two full-time Audit & Supervisory Board Members based on their own judgment.

# Location of Issues Related to This Matter

Issues exist within KDDI and its subsidiaries concerning supervisory responsibilities or among the executing entities

## Overview of transactions related to this matter



<u>Location of Issues</u>		
<u>Entity</u>	<u>Position</u>	<u>Key Issues</u>
G-PLAN	Executing entity	<ul style="list-style-type: none"> <li>Partner management (including credit management)</li> <li>Over-reliance on specific individuals for tasks, concentration of authority</li> <li>Checks and balances and audit functions</li> </ul>
BIGLOBE	Executing entity Supervisory responsibility for Subsidiary	<ul style="list-style-type: none"> <li>Partner management (including credit management)</li> <li>Risk management for new businesses</li> <li>Subsidiary checks and balances and audit functions</li> </ul>
KDDI	Supervisory responsibility for subsidiary	<ul style="list-style-type: none"> <li>Subsidiary business management</li> <li>Financial management for Group finance recipients</li> <li>Subsidiary checks and balances and audit functions</li> </ul>

# 【G-PLAN】 Major Issues and Recurrence Prevention

## Concentration of duties in specific individuals and the failure of checks and balances functions

### 1) Concentration of expertise and over-reliance on specific individuals in the advertising agency business

- Concealed circular nature of the transactions by masking identity of upstream and downstream agencies.
- Addressed concerns raised by certain officers through falsified performance reports and false explanations.

It is an industry practice not to verify the distribution channel beyond the downstream agencies. The outsourced affiliates had strong capabilities, leading to an expansion of its scale.



Employee

### 2) Insufficient segregation of duties in the ordering and payment processes

- A single individual handled the entire process, from internal approval and ordering through inspection, without verifying the existence of advertisers and advertising products.

Measure

**Identification and mitigation of over-reliance on specific individual risks**

## Deficiencies in business partners management

### 1) Insufficient credit evaluation framework

- The absence of rules governing reviews appropriate for large-scale credit exposures and cases where credit rating agency's data was unavailable led to excessive reliance on individual discretion.

#### 【List of Maximum Credit Limits under G-PLAN】

Credit Rating	Credit rating agency's score	Payment Terms	Credit Limit
A	86-100	No specific payment terms are required for credit management purposes	No upper limit set
B	66-85	Payment within three months after completion of asset transfer or provision of services	Transaction amount × 3
C	51-65	Payment within two months after completion of asset transfer or provision of services	Transaction amount × 2
D	36-50	Payment within one month after completion of asset transfer or provision of services	Transaction amount × 1
E	35 or below	Advance payment or cash on delivery	No credit extended

Measure

**Review of business partners and credit management standards**

# 【BIGLOBE】 Major Issues and Recurrence Prevention

## Insufficient risk awareness in new business initiatives

### 1) Insufficient verification of actual existence in the expansion phase

- Concerns were raised regarding the rapid growth in sales and deliverables; however, no further verification of their actual existence was conducted.

The representative of agency tends to become nervous and is rather withdrawn, and therefore an in-person meeting is not possible.

We typically conducted communications by phone, and there are concerns that involving employees who had not previously interacted with the partner could make them wary.



Employee

- The business review was overly optimistic regarding discrepancies in payment/collection terms and deterioration in operating cash flow.

Measure

Enhance the effectiveness of risk analysis and countermeasures for new business initiatives and business expansions

## Deficiencies in subsidiary oversight with respect to the G-PLAN

### 1) Credit management was not implemented with respect to G-PLAN

- Despite the collection of funds from the upstream agency constituting the most significant business risk, G-PLAN was treated in the same manner as KDDI and its consolidated subsidiaries. As a result, credit management was not implemented, and this ultimately prevented verification of the entire transaction flow.

### 2) Internal audit functions were insufficient

- The audit methodology lacked procedures to verify the existence of transactions and the appropriateness of operations, and issues were concluded as non-existent without conducting corroborative reviews of documents and other supporting evidence.

Measure

Review of business partners and credit management standards  
Rebuilding the monitoring framework

# 【KDDI】 Major Issues and Recurrence Prevention

## Insufficient subsidiary business management

### 1) Insufficient risk identification in the advertising agency business

- Insufficient review of the advertising agency business in the business plan assessment, with no substantive evaluation of growth potential or appropriateness.

**【Review status of the advertising agency business in the business plan assessment】**

Verification	Details
○	Confirmation of measures to maintain daily profitability and achieve sustainable growth, including P/L contribution items
×	Review of the advertising agency business, including market size and trends, BIGLOBE's market share, specific business partners and advertisers, and the credit standing of business partners
×	Adequacy of the cash flow plan
×	Explanations provided by BIGLOBE regarding the advertising agency business

Measure

**Strengthen monthly profitability management and cash flow management and increase in communication opportunities**

## Insufficient group finance management

### 1) Group finance management was overly reliant on credit limit-based management

- Although the risk of a potential cash shortfall was recognized, no detailed verification was conducted regarding the appropriateness of funding needs.

• Credit limits were set after reviewing the business plan for the following fiscal year and conducting group finance reviews based on the monthly cash flow plan.



• In principle, loans are executed at the request of subsidiaries so long as they do not exceed the predetermined credit limits.

Measure

**Enhance deliberation process for group finance and review recipient's financial conditions**

# Initiatives for Improvement

Advancing initiatives toward robust Group governance,  
in addition to recurrence prevention

## Cause analysis of this matter

### Partner management (including credit management)

- Issues in early detection of anomalies and plan deviations  
Insufficient controls to deter fraud indicators, such as rapid sales growth

### Over-reliance on specific individuals for tasks, concentration of authority

- Existence of key-person–dependent operations, with procurement authority excessively concentrated

### Risk and cash flow management for new businesses

- Insufficient validity assessment taking into account business characteristics

### Checks and balances and audit functions across Group companies

- Issues in effectiveness of whistleblowing and internal audit functions as deterrents and oversight mechanisms

### Financial management of Group finance recipients

- Insufficient financial management of recipients

## Toward stronger Group governance

- Recurrence prevention -

Improve management structures and  
business processes to address causes



- Further strengthening of organization -

Enhancing governance effectiveness through  
corporate culture and Group strategy

# Further Strengthening Group Management

Promote highly effective initiatives to foster high ethical standards and healthy corporate culture

## Key issues in Group management

### Realization of sustainable growth and sustainability management

- Synergy creation between telecom and non-telecom businesses
- Incubation and development of new business
- Enhancement of Group governance

### Progress



Establish frameworks for the development of Group company CFOs, consolidation of information, and support for corporate functions

### Issues



Engage in and maintain dialogue with Group companies based on a deep understanding of their businesses, business models, and human resources

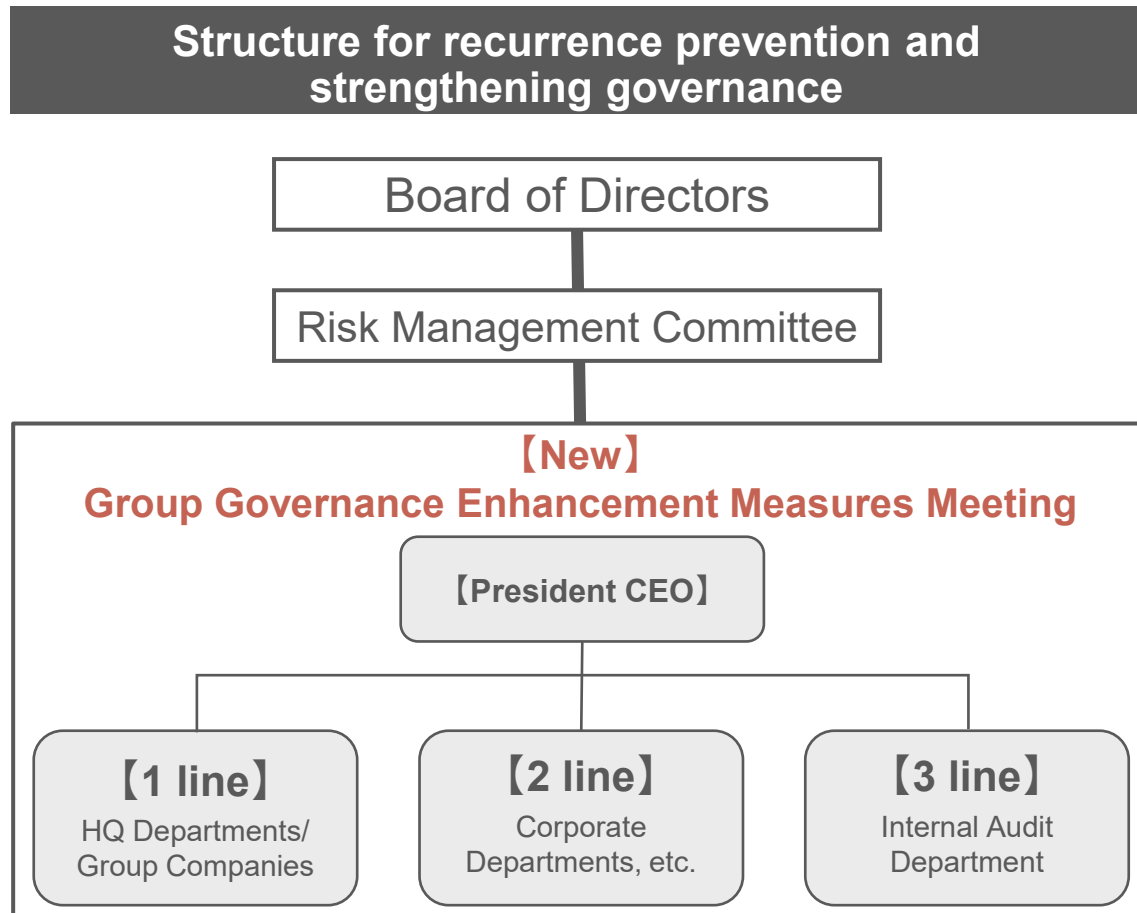
## Toward more effective, results-driven initiatives



A catalyst for the Group to deepen its unity more than ever  
Becoming a more resilient and unified corporate group

# Recurrence Prevention and Strengthening Governance

Company-wide review and promotion of the permeation of recurrence prevention measures and further strengthening of the organizational structure



## Purpose

To strengthen Group governance by formulating recurrence prevention measures for this matter and ensuring their permeation throughout the entire Group

## Roles

- ① Deliberation on recurrence prevention measures requiring company-wide action
- ② Ensuring the permeation of recurrence prevention measures into each division and Group company, and monitoring their implementation
- ③ Deliberation on further strengthening of the organizational structure

## **2. Financial Results for FY26-03**

# Financial Results for the FY26-03 Q3

Implemented corrections and related accounting treatments for fictitious circular transactions. Progressing steadily with increased revenue and income

(Unit : billions of yen)	FY25-03 Q1-3	FY26-03 Q1-3	Change (%)
Operating revenue	4,308.5	4,471.8	+163.3 (+3.8%)
Operating income	847.7	856.7	+9.0 (+1.1%)
Profit for the period*	519.0	545.5	+26.5 (+5.1%)

- Changes from Feb. 6, 2026 Preliminary Results Explanation:  
Accounting treatment for fictitious circular transactions as detailed below
- No particular changes regarding the performance of core businesses

**[Changes from Feb. 6, 2026 Preliminary Results Explanation]**

- **FY26-03 Q1-3 Op. income: +2.4 bil. yen**  
Reversal of intangible asset amortization expenses that were recorded due to impairment impacts in prior years
- **FY26-03 Q1-3 Profit for the period: +8.6 bil. yen**  
Tax impact resulting from the exclusion of fictitious circular transactions

# Revision of Financial Forecasts for FY26-03

Revisions reflecting fictitious circular transactions and changes in the business environment. Cashflow generation capability remains unchanged

(Unit : billions of yen)	Initial forecast (1)	Revised forecast (2)	Change amount Change rate (1) - (2)
Operating revenue	6,330.0	6,060.0	(270.0) (4.3%)
Operating income	1,178.0	1,090.0	(88.0) (7.5%)
Profit for the Period*1	748.0	698.0	(50.0) (6.7%)
EPS	194.38 yen	181.23 yen	(13.15) (6.8%)

## 【Major reasons for revenue revisions】

- Decrease in BIGLOBE revenue related to fictitious circular transactions
- Decrease in mobile handset sales due to a decline in total smartphone shipments
- Decrease in energy revenue, etc.

## 【Major reasons for income revisions】

- Impact of fictitious circular transactions  
Reversal of recognized income (25.0) bil. of yen +  
External outflows (17.1) bil. of yen
- Contract cost impairment previously capitalized for short-term churn customers, reflecting a shift to LTV\*2-focused mobile sales strategy and the related accounting change in FY27-03  
(50.0) bil. of yen

# Key Points of FY26-03 Financial Results

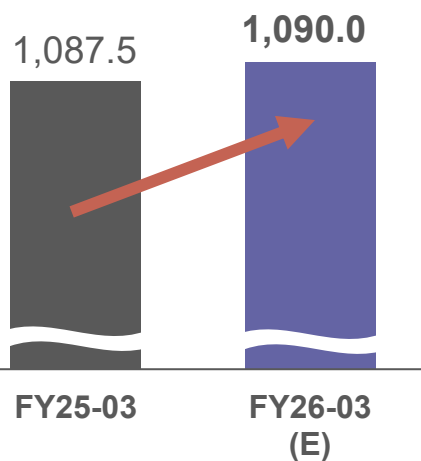
## Commit to profit growth and effective achievement of the mid-term EPS target

### Commitment to sustainable profit growth

Maintains profit growth even after financial forecasts revision

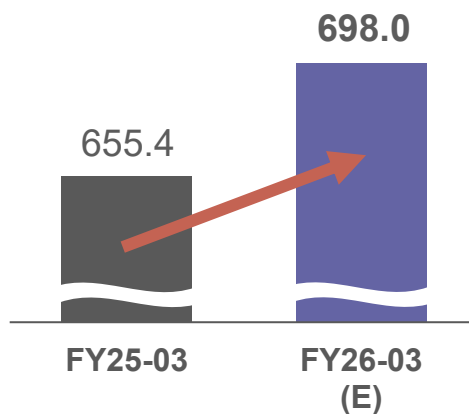
#### Operating income

(Unit : billions of yen)



#### Profit for the period\*

(Unit : billions of yen)

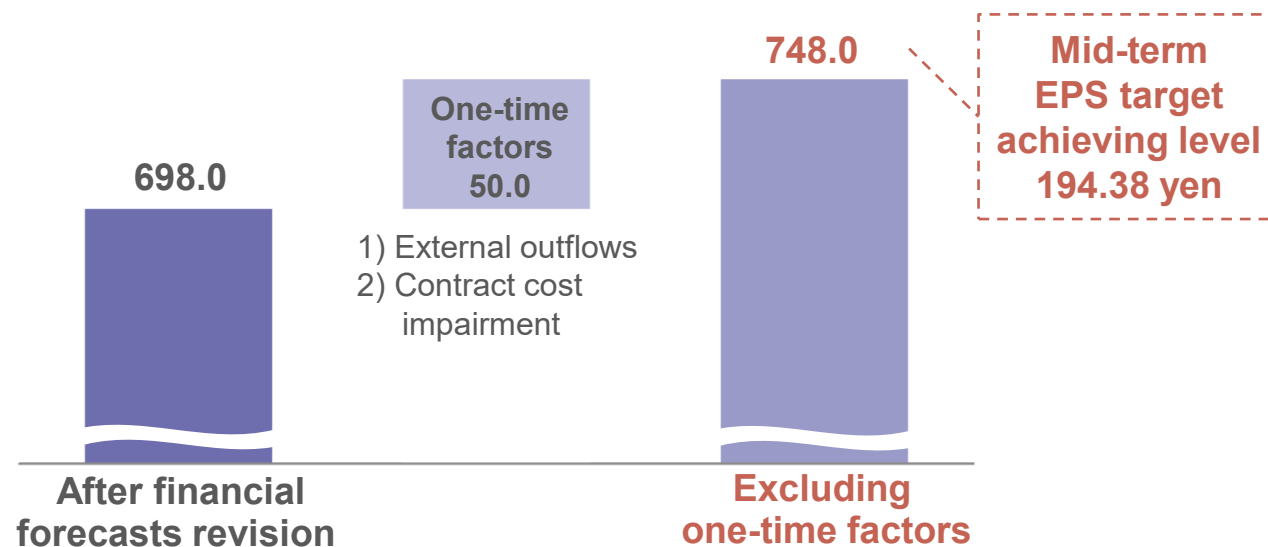


### Commitment to the mid-term EPS Target

Profit level sufficient to achieve the EPS target, excluding one-time factors

#### Forecast for profit for the period\*

(Unit : billions of yen)



# Going Forward

- **Based on the facts identified by the Special Investigation Committee, we will work to ensure the implementation of recurrence prevention measures across the KDDI Group and endeavor to restore the trust of our stakeholders.**
- **This matter pertains to transactions within our advertising agency business. We have confirmed that there has been no impact on the provision of our communication services, including those by BIGLOBE.**
- **We will promptly initiate civil litigation seeking damages against parties believed to have been involved in fictitious circular transactions and endeavor to recover externally outflowed amounts. we are also considering filing criminal complaints and have already consulted with the police.**
- **This matter has no impact on our cash flow generation capability or next Mid-term Management Strategy. The announcement of the FY26-03 full-year results in May, as well as the next Mid-term Management Strategy, will proceed as scheduled without delay.**

**We will continue to enhance our business operations toward sustainable growth by reinforcing our management base to strengthen governance, in tandem with driving business growth.**

# Appendix

# Overview of Issues Identified

	Issues identified at the executing entity (G-PLAN/ BIGLOBE)	Issues identified under supervisory responsibility for subsidiaries (KDDI / BIGLOBE)
All	<ul style="list-style-type: none"> <li>Strengthen risk management for new businesses (3)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen risk management for new businesses, promote better risk understanding, and enhance risk awareness (3)</li> </ul>
1 line	<ul style="list-style-type: none"> <li>Elimination of over-reliance on specific individuals, strict segregation of duties, and prevention of fraud and misconduct opportunities through organizational review (2)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen subsidiary business management (3)</li> <li>Strengthen understanding of internal controls and segregation of duties at subsidiaries (2)</li> <li>Enhanced human resources for investee management (2)(3)</li> </ul>
2 line	<ul style="list-style-type: none"> <li>Strengthen Partner management (including credit management) (1)</li> <li>Cashflow-focused accounting (3)</li> </ul>	<ul style="list-style-type: none"> <li>Financial management of Group finance recipients (4)</li> <li>Strengthen subsidiary management and consolidate financial management functions (3)(4)</li> </ul>
3 line	<ul style="list-style-type: none"> <li>Strengthen Checks and balances and audit functions (4)</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen Checks and balances and audit functions at subsidiaries (4)</li> </ul>

## Recurrence prevention themes

- Key issues identified in this matter -

**(1) Strengthen business partners management across the Group**

**(2) Separation of procurement authorities and enhancement of acceptance processes across the Group**

**(3) Strengthen risk and cash flow management for new businesses within the Group**

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

+

- Issues for internal review -

**(5) Ensure Group-wide permeation and sustained implementation of measures to prevent recurrence**

# Recurrence Prevention and Further Strengthening of the Organizational Structure

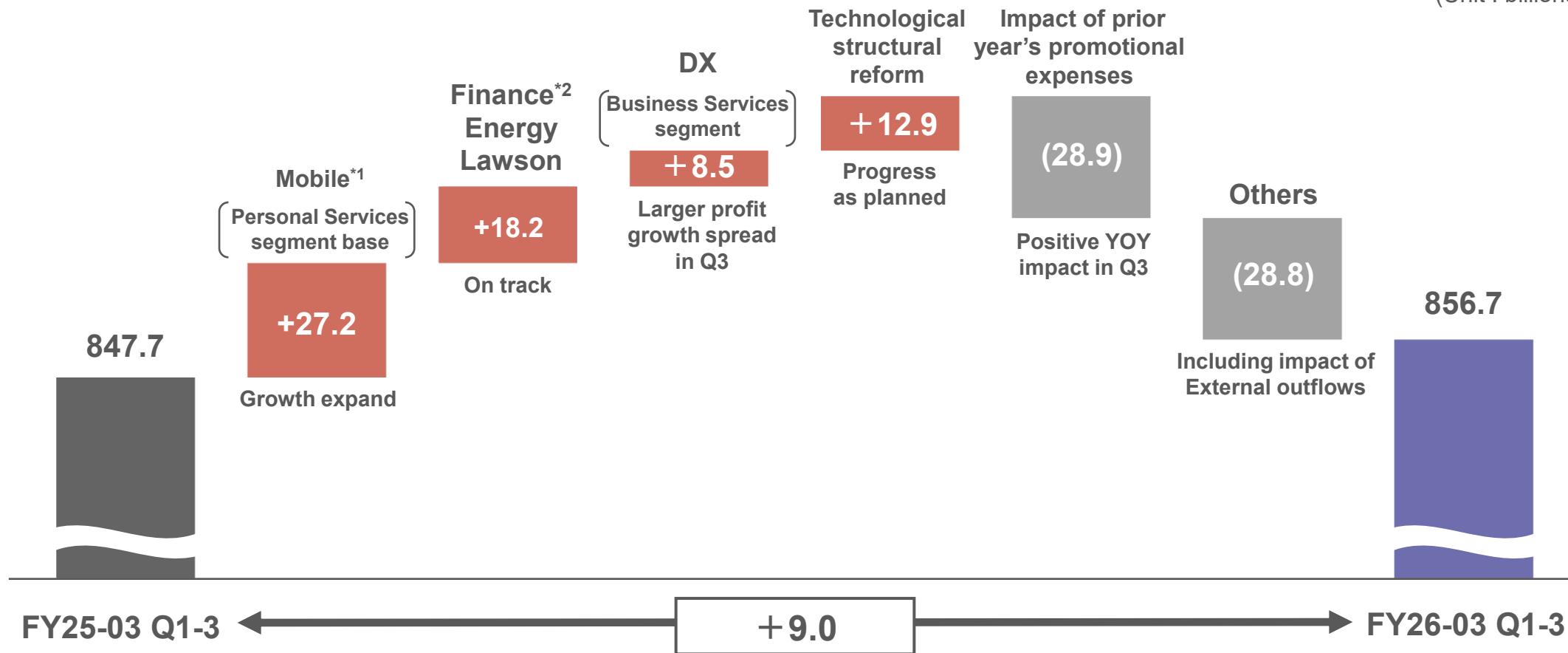
Recurrence prevention	① <b>Strengthen business partners management across the Group</b>	<ul style="list-style-type: none"> <li>Review of business partners and credit management standards</li> <li>Rebuilding the monitoring framework and conducting regular operational reviews</li> </ul>
	② <b>Separation of procurement authorities and enhancement of acceptance processes across the Group</b>	<ul style="list-style-type: none"> <li>Clear segregation of duties in procurement process</li> <li>Identification and mitigation of over-reliance on specific individual risks</li> </ul>
	③ <b>Strengthen risk and cash flow management for new businesses within the Group</b>	<ul style="list-style-type: none"> <li>Enhance the effectiveness of risk analysis and countermeasures for new business initiatives and business expansions</li> <li>Strengthen monthly profitability management and cash flow management</li> <li>Enhance business oversight by seconded executives and communication opportunities</li> </ul>
	④ <b>Strengthening checks and balances and audit functions across Group companies, and financial management of Group finance recipients</b>	<ul style="list-style-type: none"> <li>Promote awareness and use of the Group whistleblowing system, including subsidiaries</li> <li>Strengthen internal audit framework, reviewing risk assessment methodologies in internal audits, and conduct training to enhance professional skepticism</li> <li>Enhance deliberation process for group finance and review recipient's financial conditions</li> </ul>
	⑤ <b>Ensure Group-wide permeation and sustained implementation of measures to prevent recurrence</b>	<ul style="list-style-type: none"> <li>Establish a Group Governance Enhancement Committee, and ensure Group-wide permeation and monitoring of recurrence prevention measures</li> <li>Regular reporting to the Board of Directors through the Risk Management Committee</li> </ul>
Further strengthen organizational structure	⑥ <b>Cultivate high ethical standards and a healthy corporate culture</b>	<ul style="list-style-type: none"> <li>Continue initiatives to embed the KDDI Group Philosophy across the Group</li> <li>Implement education programs to address fraud and misconduct risks</li> </ul>
	⑦ <b>Review the Group management strategy to enhance Group governance</b>	<ul style="list-style-type: none"> <li>Initiatives to deepen shared understanding and strengthen mutual trust with Group companies</li> <li>Review the roles and functions of dispatched executives dispatched to Group companies</li> </ul>

# FY26-03 Q1-3 Cumulative Consolidated Operating Income

## - Factors for Change -

Mobile revenue growth further expands,  
while Finance and DX continue to perform steadily

(Unit : billions of yen)

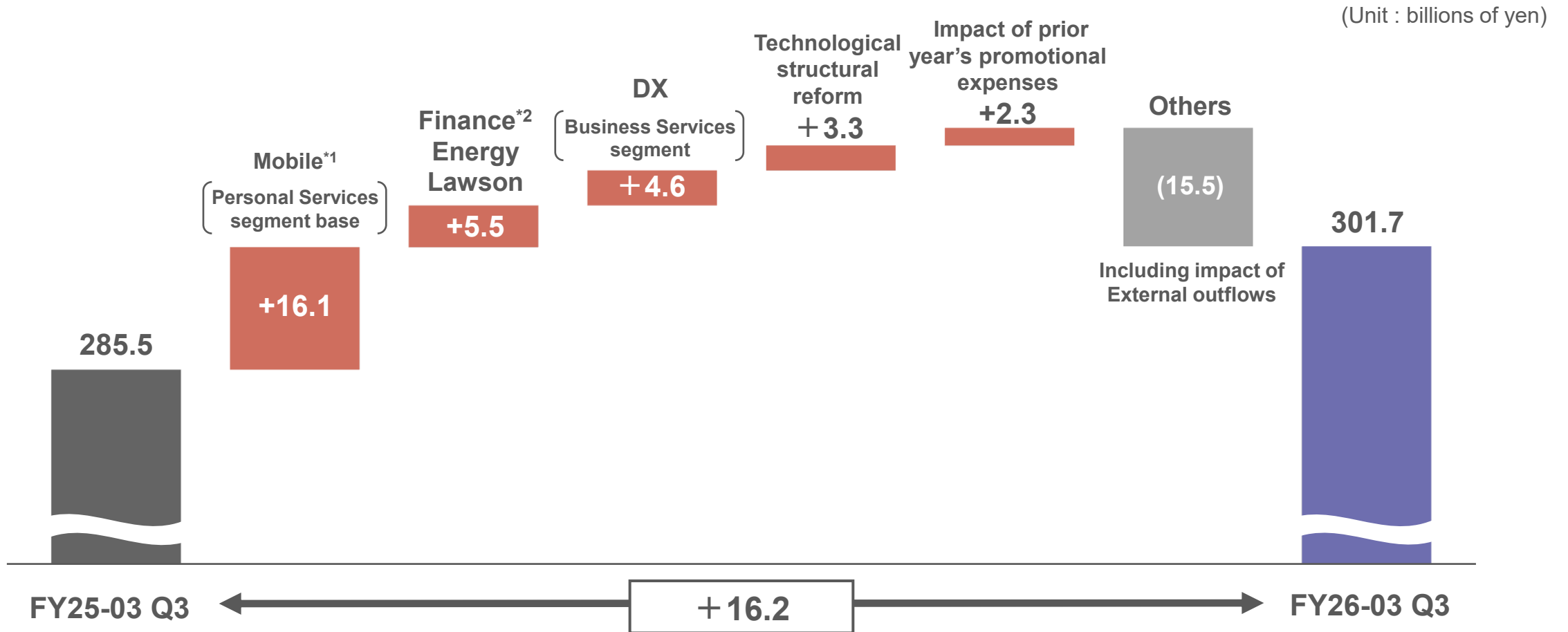


\*1 Management-based profit figure \*2 au Financial Holdings (IFRS basis)

# FY26-03 Q3 Standalone Consolidated Operating Income

## - Factors for Change -

In addition to each business domain growth, the negative impact of prior-year promotion expenses has subsided

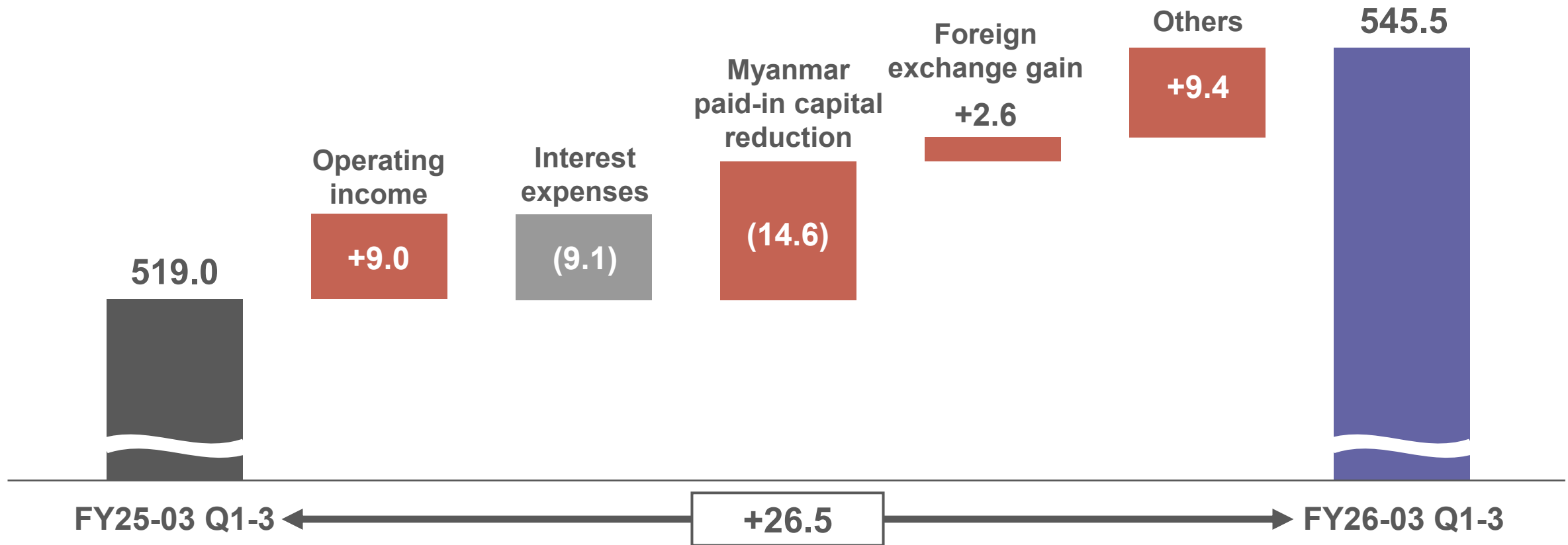


\*1 Management-based profit figure \*2 au Financial Holdings (IFRS basis)

# FY26-03 Q1-3 Cumulative Profit for the Period

## - Factors for Change -

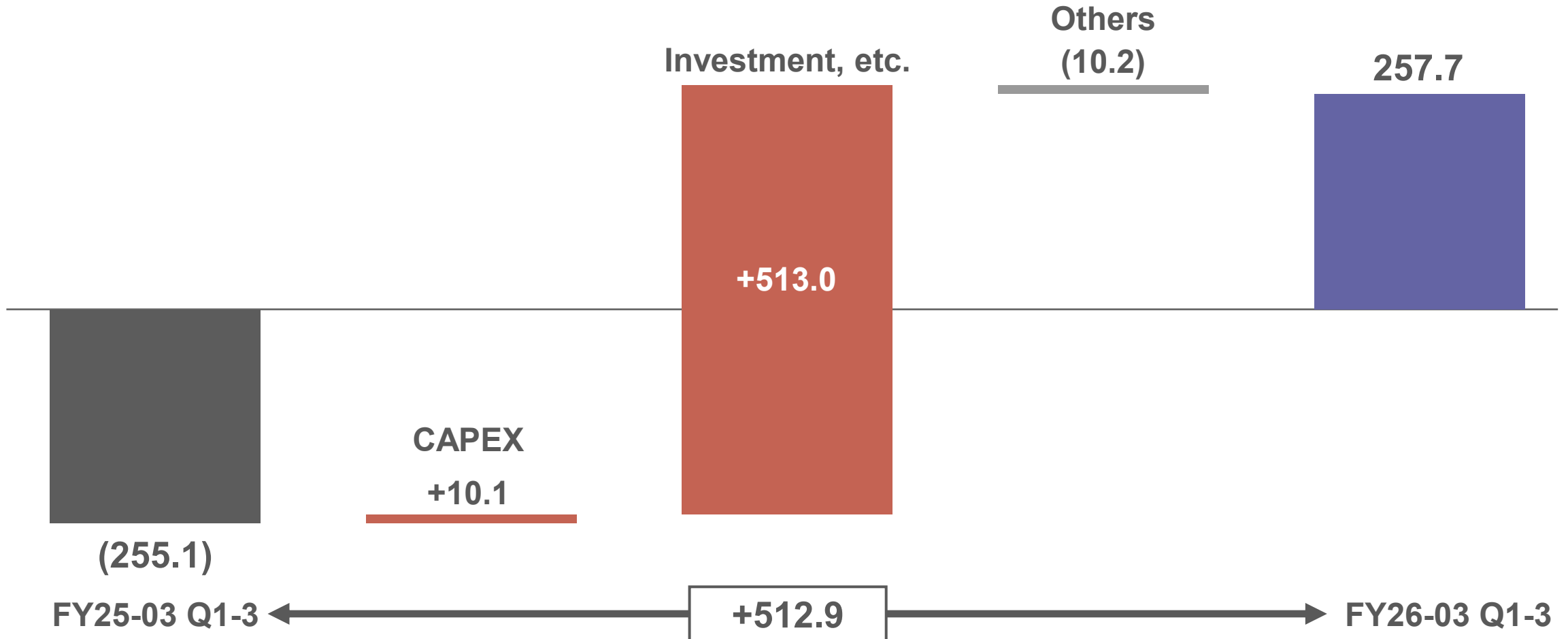
(Unit: billions of yen)



# FY26-03 Q1-3 Cumulative FCF

## - Factors for Change -

(Unit: billions of yen)



# Statement of Financial Position

## (as of the end of December 2025)

(Unit : billions of yen)

Property, plant and equipment Intangible assets Rights-of-use asset 4,487.8	Interest-bearing debt 3,491.3
	Trade and other payables 371.4
	Other liabilities 643.3
Goodwill 552.6	Equity 5,110.0
Trade and other Receivable 2,176.9	
Cash and cash equivalents 175.7	
Other 2,222.8	

**KDDI (Consolidated, excluding auFH)\***  
Total assets 9.62 trillions yen

(Unit : billions of yen)

Cash and cash equivalents 556.5	Borrowings for financial business 1,808.8
Securities 726.0	
Loans 6,029.9	Deposits 5,393.2
Other 1,436.4	
	Other 1,216.9
	Equity 329.9

**au Financial Holdings (Consolidated)**  
Total assets 8.75 trillion yen

*Tomorrow, Together*



## Disclaimer

Statements made in these documents with respect to the KDDI Group's performance targets, projected subscriber numbers, future forecasts and strategies that are not historical facts are forward-looking statements about the future performance of the KDDI Group, based on company's assumptions and beliefs in light of the information available at the time they were made. They therefore include certain risks and uncertainties. Actual results can differ from these statements due to reasons including, but not limited to, domestic and overseas situation, economic, trends, competitive position, formulation, revision or abolition of laws and ordinances, regulations or systems, government actions or intervention and the success or lack thereof of new services.

Consequently, please understand that there is a possibility that actual performance, subscriber numbers, strategies and other information may differ significantly from the forecast information contained in these materials or other envisaged situations.