

June 25, 2026
KDDI CORPORATION
Name of representative: Hiromichi Matsuda
Representative Director and President CEO

(Securities code:9433; Prime Market)
Keita Horii, General Manager,
General Administration Division
(Telephone: +81-03-3347-0077)

Notice Regarding Material Weaknesses of Internal Control Over Its Financial Reporting

In accordance with Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act, the internal control report for the fiscal year ended March 31, 2026 was submitted to the Kanto Financial Agency today. This report states that there remain material weaknesses that require disclosure and that KDDI Group's internal control over financial reporting is not effective.

1. Content of Material Weaknesses

KDDI CORPORATION ("The Company")'s Full-time Audit & Supervisory Board members and Internal Audit Department conducted an investigation regarding the appropriateness of transactions at the advertising agency business of our consolidated subsidiary BIGLOBE Inc. and its subsidiary G-PLAN INC. ("the Subsidiaries"). On the advice of the Company's accounting auditors regarding the appropriateness of said transactions, the Company conducted an investigation led by Full-time Audit & Supervisory Board Members and involving external certified public accountants. Afterwards, due to a delay in receiving proceeds from some advertising agency businesses in mid-December 2025, it was determined that operating revenue may have been over-recorded. Because of that, the Company established an internal investigation team, which included external attorneys and CPAs, to conduct an additional investigation. The team confirmed there were suspicions of inappropriate transactions carried out by employees of the Subsidiaries within part of the advertising agency business in early January 2026. To clarify the actual relationships and underlying causes, we determined it was necessary to conduct a more specialized and objective investigation and established the special investigation committee.

The Company received the investigation report from the special investigation committee on March 31, 2026. The results presented in the report confirm that fictitious circular transactions that did not correspond to substantive advertising agency operations had been conducted in previous fiscal years. We have therefore decided it is necessary to eliminate the operating revenue, cost of sales, and any other line item related to the advertising agency business of the Subsidiaries and retroactively revise the figures for the previous fiscal years.

The Company recognizes the following underlying reasons that the fictitious circular transactions had been conducted over a long period as well as the deficiencies in internal control. The entity-level control activities were insufficient with regard to the segregation of duties at the Subsidiaries. The method of design and operation of internal controls was insufficient in consideration of fraud risks in operation processes at the advertising agency business of the Subsidiaries from placing orders with business partners to inspecting received orders.

The Company has determined that these deficiencies have a material impact on financial reporting and constitute material weaknesses.

2. Reason Why the Material Weaknesses Were Not Remediated by the End of the Current Fiscal Year

Because the recommendation for preventive measures from the special investigation committee regarding the fictitious circular transactions was made on March 31, 2026, there was not enough time to correct the deficiencies by the final day of the fiscal year.

3. Remediation Policy for Material Weaknesses

The Company recognizes the importance of the design and operation of internal control over financial reporting and will take the following initiatives to correct the material weaknesses that require disclosure and to design and operate appropriate internal control.

[Corrective Measures Aimed at Recurrence Prevention]

I. Improvement Measures at BIGLOBE and G-PLAN

- A. Enhancement of fraud risk assessment and risk management systems for new businesses
 - (A) Establish a risk screening panel
 - (B) Enhance the sophistication of risk management by the Risk Management Committee
 - (C) Strengthen risk assessment activities
- B. Eliminate opportunities for fraud by revising the structure of business divisions
 - (A) Eliminate dependence on specific individuals in operations
 - (B) Ensure thorough the segregation of duties in the purchase process
- C. Strengthen the business review and fraud detection functions of the corporate divisions
 - (A) Enhance approval standards for business partners and credit management
 - (B) Establish procedures for verifying the propriety of suppliers
 - (C) Verify hard evidence in the process for recording purchases and sales
- D. Emphasize cash flows in accounting
- E. Strengthen internal audit systems and audit methodologies
 - (A) Strengthen risk-based audits and inspect fraud
 - (B) Strengthen audits of subsidiaries

II. Improvement Measures at the Company

- A. Enhance understanding of new business
 - (A) Strengthen the 1.5 Line functions at business divisions
 - (B) Support the solving of issues through opinion exchanges with group companies' CFOs
- B. Strengthen and enhance risk sensitivity
 - (A) Address key risks associated with the aforementioned matter at the Risk Management Committee
 - (B) Promote activities related to instilling the KDDI Group Philosophy
 - (C) Amend the Company Code of Business Conduct
 - (D) Conduct training and education that includes the aforementioned matter described above
- C. Carefully analyze business content and establish a risk detection system
 - (A) Verify key businesses and issues through the Investment Management Division
 - (B) Establish rules and monitor operations related to the purchase process and credit management process
 - (C) Strengthen the management system for financial information
 - (D) Enhance awareness of the internal whistleblowing system and encourage its use
- D. Strengthen the understanding of internal control practices and segregation of duties at subsidiaries
 - (A) Take steps to ensure thorough segregation of duties
 - (B) Address risks of dependence on specific individuals
- E. Strengthen the 1.5 Line functions at business divisions and the personnel base of the Investment Management Division
- F. Strengthen the verification of appropriateness of funding demand in Group finance
- G. Strengthen subsidiary management as well as consolidate and integrate finance management functions
- H. Enhance the sophistication of the Group's internal audits

4. Matters Relating to Corrective Measures Implemented after the End of the Fiscal Year

We have taken the following preventive measures to correct the material weaknesses that require disclosure and established a group to prevent recurrences and strengthen governance during the period from the record date until the submission date of the internal control report.

[Corrective Measures Aimed at Recurrence Prevention]

I. Improvement Measures at BIGLOBE and G-PLAN

A. Enhancement of fraud risk assessment and risk management systems for new businesses

(A) Establish a risk screening panel

- Resolved to establish a risk screening panel

(B) Enhance the sophistication of risk management by the Risk Management Committee

- Formulated entity-level risk management policies through the Risk Management Committee, identified top risks, and decided on policies to advance and supervise preventive measures

(C) Strengthen risk assessment activities

- Decided to set out risk items and countermeasures that include perspectives on preventing fraudulent transactions as well as conduct monitoring of operations based on those countermeasures

B. Eliminate opportunities for fraud by revising the structure of business divisions

(A) Eliminate dependence on specific individuals in operations

- Formulated an outline for a human resources rotation system at specific divisions of BIGLOBE
- Decided to establish a personnel placement verification committee at G-PLAN

(B) Ensure thorough the segregation of duties in the purchase process

- Established rules related to the segregation of duties and bill payment responsibilities at BIGLOBE
- Clarified the separation of responsibilities related to submitting approval requests, processing orders, and inspecting received orders at G-PLAN
- Created a manual for bill payment duties for the personnel responsible

C. Strengthen the business review and fraud detection functions of the corporate divisions

(A) Enhance approval standards for business partners and credit management

- Revised the approval standards for business partners and credit management at BIGLOBE and G-PLAN

(B) Establish procedures for verifying the propriety of suppliers

- Formalized rules for verifying transaction capabilities when screening new suppliers by the Accounting Division or Purchasing Division

(C) Verify hard evidence in the process for recording purchases and sales

- Formulated mandatory rules for presenting hard evidence proving transactions are real and verifying hard evidence presented to the Accounting Division covering the entire process from purchasing through bill payment at BIGLOBE and G-PLAN

D. Emphasize cash flows in accounting

- Added the status of cash flows to reporting items in the business performance report submitted to regular Board of Directors meetings

E. Strengthen internal audit systems and audit methodologies

(A) Strengthen risk-based audits and inspect fraud

- Clarified audit check items by deciding on items that emphasize fraud risk with a policy on strengthening risk-based auditing
- Regarding BIGLOBE's basic internal audit rules, conducted a complete overhaul of the content based on global internal audit standards and formulated similarly detailed items

(B) Strengthen audits of subsidiaries

- Decided on a policy wherein BIGLOBE's accounting and auditing office is responsible for conducting internal audits of G-PLAN

II. Improvement Measures at the Company

A. Enhance understanding of new business

(A) Strengthen the 1.5 Line functions at business divisions

- At the Personal Business Control Division, established Group Management Support Division 1 and Group Management Support Division 2, enhanced the quality and quantity of communication with Group companies, and worked to strengthen collaboration with the Company's corporate divisions and audit division

(B) Support the solving of issues through opinion exchanges with group companies' CFOs

- Decided on and implemented an opinion exchange plan with group companies' CFOs

B. Strengthen and enhance risk sensitivity

(A) Address key risks associated with the aforementioned matter at the Risk Management Committee

- Established the new Committee on Measures to Strengthen Group Governance
- Decided on key risks associated with the aforementioned matter at the Risk Management Committee

(B) Promote activities related to instilling the KDDI Group Philosophy

- Decided on action plans related to instilling the KDDI Group Philosophy
- Conduct workshops for the Company's executives and managers
- The Company's management visited subsidiaries.

C. Carefully analyze business content and establish a risk detection system

(A) Verify key businesses and issues through the Investment Management Division

- Decided on policies to verify key businesses and issues through the Investment Management Division

(B) Establish rules and monitor operations related to the purchase process and credit management process

- Decided on policies to mandate the formulation of credit management standards at Group companies related to selecting suppliers

(C) Strengthen the management system for financial information

- Established the Financial Statement Verification Committee

(D) Enhance awareness of the internal whistleblowing system and encourage its use

- Raised awareness of the internal whistleblowing system among all employees
- Overhauled the in-house intranet page related to internal whistleblowing
- Rolled out e-learning content, including an introduction to the Group's universal internal whistleblowing hotline

D. Strengthen the understanding of internal control practices and segregation of duties at subsidiaries

(A) Take steps to ensure thorough segregation of duties

- Revised the templates for purchasing management rules related to the segregation of duties for purchasing at Group companies

(B) Address risks of dependence on specific individuals

- Conducted comprehensive governance inspections to assess the current status to designing and implementing rules related to governance systems for Group companies. We are considering the possibility of introducing measures to ensure no duty is delegated to a single individual or organization

E. Strengthen the 1.5 Line functions at business divisions and the personnel base of the Investment Management Division

- Increased the number of personnel in the Investment Management Division and revised systems to include multiple people at the management level
- Established the Group Management Partner Division 1 and Group Management Partner Division 2 in the Personal Business Control Division

F. Strengthen the verification of appropriateness of funding demand in Group finance

- Temporarily shortened the target period for Group finance from the original one year to the period spanning April 2026 to October 2026
- Added Group finance approval requirements for short-term committed lines of credit and set a maximum loan balance limit for the end of the final month of the target period
- When providing Group financing to subsidiaries and the subsidiaries under their control, we hold advance verification meetings with the general managers of the Investment Management Department and Corporate Management Division and will also do so when requesting changes in the rules for requesting approval and

passing resolutions

- To handle certain matters that arise at subsidiaries that receive loans through Group financing, we added a process by which the general manager of the Company's Finance Division contacts the subsidiary CFO and general manager of the Investment Management Division

G. Strengthen subsidiary management as well as consolidate and integrate finance management functions

- Established the new Governance Promotion Division to consolidate the disparate divisions handling finance governance, risk management, and Group company support

H. Enhance the sophistication of the Group's internal audits

- Included misstatements in financial statements due to fraud in auditing themes as a focus area in the fiscal 2026 audit plan
- In March 2026, external consultants conducted training on proper attention and professional skepticism as a specialist for all personnel of the Internal Audit Division

5. Impact on Consolidated and Non-consolidated Financial Statements

All necessary corrections resulting from the aforementioned material weaknesses have been reflected in the consolidated financial statements, non-consolidated financial statements. Furthermore, we have suspended the advertising agency business of the Subsidiaries and do not plan to restart it.

6. Audit Opinions Expressed in Independent Auditor's Reports for Consolidated and Non-consolidated Financial Statements

They are unqualified opinions.