



December 26, 2024

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Notice of Receipt of Investigation Team's Investigation Report, etc.

As stated in the press release "Regarding Suspicions of Improper Transactions by Consolidated Subsidiary's Officer and Employee" issued on October 30, 2024, MIXI ("MIXI") formed an investigation team comprising outside experts and conducted an investigation into suspected improper transactions with service providers (the "Suspected Misconduct") by an officer and an employee of Chariloto Co., Ltd., a consolidated subsidiary of MIXI (the "Officer and the Employee").

MIXI today received the investigation report, which is attached hereto.

We again deeply apologize for the concern and inconvenience caused to shareholders, investors, clients, and all other stakeholders. Going forward, we will work to restore confidence by promptly formulating and thoroughly implementing recurrence prevention measures on a company-wide basis. We thank you for your continued support.

1. Investigation team's investigation results

Please see the attached Investigation Report (Summary Version) for an outline of the results of the Investigation into the Suspected Misconduct.

2. Effect on consolidated financial performance

As stated on page 3 of the Investigation Report (Summary Version), the total amount of improper transactions by the Officer and the Employee was 1,026 million yen, comprising 357 million yen in transactions by the former Representative Director and 668 million yen in transactions by the employee.

As the impact on the financial statements for previous years is minimal, no corrections will be made, and the matter will be addressed in the interim consolidated financial statements for the year ending March 2025. Including the increase in corporate taxes, etc., the net income attributable to shareholders of the parent in the interim consolidated financial statements is expected decrease by around 552 million yen.

3. Recurrence prevention measures

MIXI will formulate and implement concrete recurrence prevention measures based on the recommendations set out in the investigation report. We will announce the specific details of the recurrence prevention matters as soon as they are decided.

4. Actions against the Officer and Employee

The former Representative Director of Chariloto who was involved in the Suspected Misconduct was dismissed from the post of director as of October 30, 2024, as stated in the press release "Regarding Suspicions of Improper Transactions by Consolidated Subsidiary's Officer and Employee" issued on October 30, 2024, and the employee of Chariloto who was involved in the Suspected Misconduct was subjected to disciplinary dismissal as per the company's policy as of today.

Investigation Report (Summary Version)

This summary version has been partially simplified and redacted in order to protect privacy, personal information, confidential information, and the like. In addition, the original text has been revised as necessary.

This summary version was prepared by the investigation team given the need for the summary's purport and content to match the investigation team's investigation results and analysis.

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MIXI, Inc.

1. Outline of Investigation

1.1 Circumstances Leading to Investigation

At the beginning of October 2024, Chariloto Co., Ltd. (“**Chariloto**”), a consolidated subsidiary of MIXI, Inc. (“**MIXI**”), was informed by an outside source of suspicions that X, who was Chariloto’s Representative Director at the time, and Y, who was Chariloto’s Chief General Manager of Sales at the time, had conducted improper transactions with Chariloto’s service providers (the “**Suspected Misconduct**”).

MIXI determined that the Suspected Misconduct is a serious matter that represents a potential compliance issue at the MIXI Group, which calls for a deep investigation of the facts, an analysis of the cause, and formulation and implementation of effective recurrence prevention measures from an objective and neutral standpoint.

Accordingly, as stated in the October 30, 2024 press release titled Regarding Suspicions of Improper Transactions by Consolidated Subsidiary’s Officer and Employee, MIXI formed an investigation team on that date comprising outside experts (the “**Investigation Team**”), and delegated the investigation of the Suspected Misconduct to the Investigation Team¹ (the investigation by the Investigation Team is hereinafter referred to as the “**Investigation**”).

1.2 Matters Delegated to the Investigation Team

The purpose of the Investigation is as follows:

- (1) Investigation of facts related to the Suspected Misconduct
- (2) Investigation of the existence of matters similar to the Suspected Misconduct
- (3) Analysis of the causes of the Suspected Misconduct
- (4) Proposals for recurrence prevention measures

1.3 Investigation Period

The Investigation Team was established on October 30, 2024, and conducted the Investigation during the period from that date until December 25, 2024.

1.4 Investigation Methods

The following is an outline of the methods used by the Investigation Team in the Investigation:

¹ The Investigation Team mainly comprises attorneys belonging to Mori Hamada & Matsumoto (Airo Inoue, Jiro Kiyama, Mitsuhiro Nakada, Yusuke Iino, Kazuhito Imaizumi, Yuichiro Ishida, Ryutaro Kawano, Takashi Baba, Hiroki Yamaya, and Minami Sakata, Attorneys-at-Law) and certified public accountants belonging to KPMG FAS Co., Ltd. (Certified Public Accountants Toshifumi Takaoka, Eiji Suga, Hiroyuki Tokoi, Yasushi Ishizaka).

- (1) Analysis and examination of related materials, etc.
- (2) Explanatory sessions
Held a total of seven explanatory sessions with MIXI and Chariloto to confirm the details of operations, the internal control process, and other information about Chariloto.
- (3) Interviews
Conducted a total of 39 interviews with a total of 33 officers and employees of MIXI and Chariloto (including former officers and employees) and staff of service providers, etc.
- (4) Digital forensics
Implemented a digital forensic investigation of a total of 7,320,962 items of electronic data pertaining to a total of 12 of Chariloto's officers and employees.
- (5) Questionnaire
Administered a written questionnaire to a total of 116 people, representing all of the officers and employees of Chariloto at the time of the investigation, except for the one Chariloto employee who was involved in the Suspected Misconduct, and obtained responses from all personnel subject to the investigation, except for two who were on leave of absence (114 people).

1.5 Limitations and Restrictions on the Investigation

The Investigation concerns the Suspected Misconduct and similar matters, and does not comprehensively investigate all wrongful or improper acts at MIXI and Chariloto.

Unlike a compulsory investigation by an investigative authority, the Investigation is predicated on the voluntary cooperation of the participants, and with respect to interviews, requests for submission of materials, and the like, it is affected by the degree to which participants are willing to cooperate. As it happened, cooperation could not be obtained from some participants and with respect to some requests in the Investigation, and the intended investigation could therefore not be conducted with respect to those persons and requests for which cooperation was not obtained.

Moreover, the Investigation was subject to severe time constraints.

Please bear in mind that said limitations and restrictions exist with respect to the Investigation, and it cannot be guaranteed that the investigation results are complete.

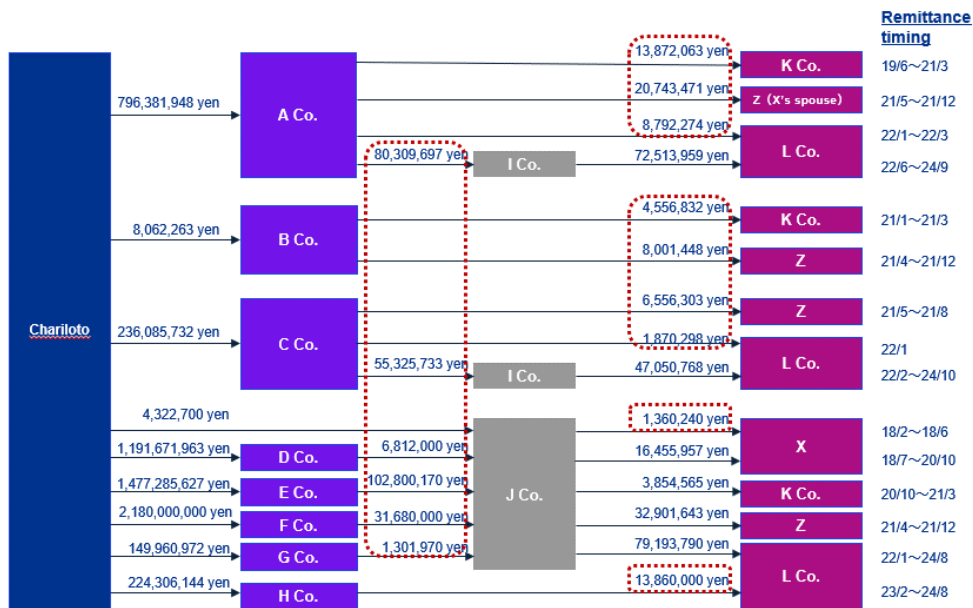
2. Investigation Concerning the Suspected Misconduct, etc.

The Suspected Misconduct consists of suspected improper transactions with Chariloto's service providers by Chariloto's Representative Director at the time, X, and employee at the time, Y.

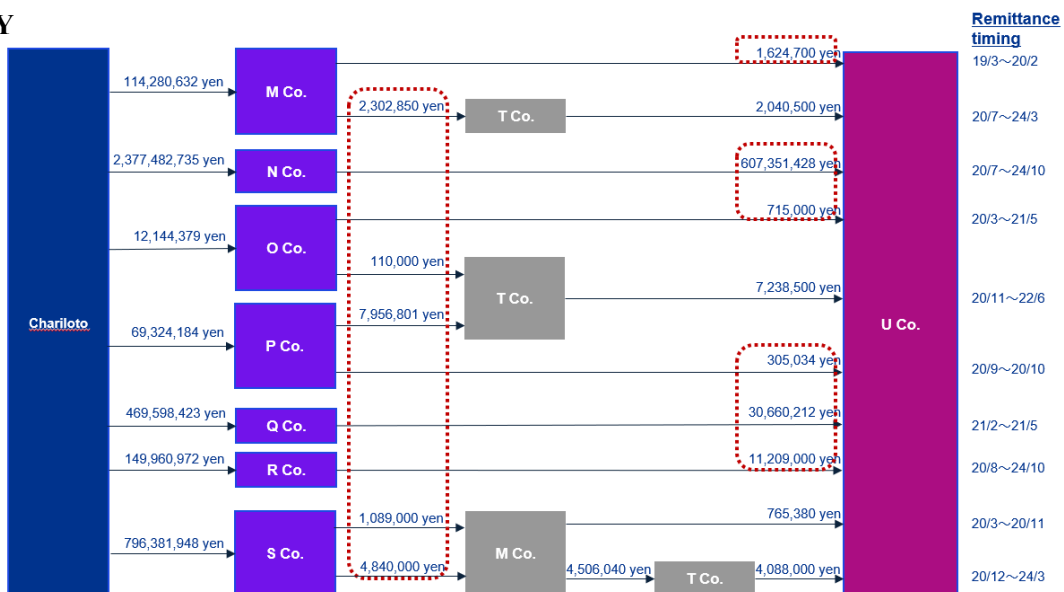
As a result of the Investigation, it was found that X had directly or indirectly received a total of 357,842,499 yen from multiple service providers of Chariloto. Furthermore, it was found that Y had directly or indirectly received a total of 668,164,025 yen from multiple service providers of Chariloto. Those transactions are summarized in the charts below.

No facts were identified that gave a reason to suspect that other officers or employees of Chariloto were involved in the improper transactions between X and service providers or the improper transactions between Y and service providers.

X



Y



X, despite being in a position as Chariloto's Representative Director which calls for seeking to maximize the interests of Chariloto and, by extension, its shareholders, conducted acts with an extremely significant conflict of interest in relation to payments to service providers from Chariloto by receiving payments from those service providers either personally, through X's spouse (Z in the chart on the preceding page), or through X's own affiliated companies (K Co. and L Co. in the chart on the preceding page), such that a profit was retained. This act is further problematic from the standpoint of the director's duty of loyalty and duty of care.

Y, despite being in a position which calls for performing duties as Chariloto's employee, conducted acts with an extremely significant conflict of interest in relation to payments to service providers from Chariloto by receiving payments from those service providers through a company where Y serves as a representative (U Co. in the chart on the preceding page) such that a profit was retained. In addition to being problematic from the standpoint of the duty of good faith under an employment contract, this conduct constitutes "obtaining an unjust personal gain by exploiting one's duties" (Article 69(6) of the Chariloto Rules of Employment), one of the grounds for disciplinary actions in Chariloto's Rules of Employment.

The acts by X and the acts by Y are a potential legal issue under both criminal and civil law, but even setting that point aside, the fact that X and Y directly or indirectly received payments of money in relation to payments to Chariloto's service providers is itself clearly an extremely serious breach of compliance.

The above represent the findings of fact and conclusions of the Investigation Team with respect to the acts by X and the acts by Y. Given the potential for the question of legal liability on the part of X and Y, respectively, to arise in the future, and the possibility that the content of this report will impact on any future proceedings against X or Y, MIXI has limited references to the facts concerning the Suspected Misconduct to the extent stated above in this Investigation Report.

3. Investigation Concerning Similar Matters, etc.

3.1 Investigation of Similar Matters

The digital forensic investigation in the Investigation revealed that there were suspicions in the past regarding the improper transactions in relation to transactions between Chariloto and two service providers, which were separate from the Suspected Misconduct. The Investigation Team conducted an investigation concerning those matters, but no evidence substantiating such improper transactions was found.

3.2 Investigation Concerning MIXI and MIXI's Consolidated Subsidiaries

Given the discovery of the Suspected Misconduct at Chariloto, which is a consolidated subsidiary of MIXI, the Investigation Team determined that there was a need to verify whether a concrete investigation was required concerning the existence of improper acts of the same kind as the Suspected Misconduct with respect to MIXI and its 24 consolidated subsidiaries (“**MIXI and Consolidated Subsidiaries**”).

Conducting an investigation regarding all of MIXI and Consolidated Subsidiaries with a depth equivalent to the investigation of the Suspected Misconduct was realistically impossible in light of the limited time. Thus, the following approach was adopted with respect to verification of MIXI and Consolidated Subsidiaries: Six companies were excluded on the basis that there was no possibility or a low possibility of any matter typologically of the same kind as the Suspected Misconduct having occurred, and the remaining 19 companies (the “**19 MIXI Subsidiaries, etc.**”) were asked about investigation items thought to be the cause of the Suspected Misconduct, mainly from the standpoint of internal control at Chariloto. Based on those results, a more in-depth verification would be conducted according to need, and if it was determined that there was a need for further investigation concerning matters of the same kind as the Suspected Misconduct, an investigation would be conducted for those companies that was of the same depth as the investigation conducted at Chariloto concerning the Suspected Misconduct.

As a result of verifications using this approach, the Investigation Team determined that at the present time none of the 19 MIXI Subsidiaries, etc. requires an investigation of the same depth as the investigation conducted at Chariloto concerning the Suspected Misconduct in order to investigate whether matters of the same type as the Suspected Misconduct had occurred mainly from the standpoint of internal control.

4. Cause Analysis

4.1 Lack of Compliance Awareness

Cases like the Suspected Misconduct, in which an officer or employee of a company accepts a payment of money from a service provider of the company to which the officer or employee belongs and takes receipt of that money either personally or through an individual or company connected to that officer or employee, are considered to be improper transactions, no matter whether a contract exists and regardless of the pretext. Furthermore, such acts could impact the company's financial statements, and could be problematic not only under civil law, but also under criminal law.

One major cause of X and Y having acted in this way, in violation of the compliance rules that businesspeople are supposed to observe as a matter of course, is a lack of awareness, on the part of either person, for compliance.

4.2 High-Value Transactions with Small Service Providers

The Suspected Misconduct involved the payment of large amounts of money (consideration) from Chariloto to service providers who were substantively of the scale of a sole proprietor. Generally speaking, small businesses often do not have functioning internal control processes on the same level as those of a listed company or similar business, which facilitates improper transactions with such small businesses.

Chariloto carried out transactions in which large amounts of remuneration were paid to this kind of small service provider, and that fact, combined with X's own and Y's own personal ties with Chariloto's service providers, became the cause of the Suspected Misconduct.

4.3 Opaque Handling of Specific Service Providers

The service providers involved in the Suspected Misconduct began transactions with Chariloto as a result of personal ties with either X or Y, and in some cases X or Y led important discussions and negotiations of transaction terms, etc. between Chariloto and these service providers and had exclusive control over some aspects of the relationship.

As X or Y had exclusive control with respect to some aspects of the relationship with some service providers, the handling of those service providers by X and Y was opaque and unconstrained. This is believed to be one cause that led to the Suspected Misconduct.

4.4 Insufficient Governance Regarding Transactions with Service Providers

The Investigation revealed that Chariloto did not receive competitive estimates as set forth in internal rules when commencing transactions with some of the service providers, and the authorization process was advanced without the reasons for selecting the service provider being substantively stated.

Furthermore, either X or Y had final approval authority in the authorization process, and it is doubtful whether the appropriateness of the transactions, including the service provider and the transaction terms, etc., was properly checked in the authorization process related to agreements with those service providers connected with either person that became involved in the Suspected

Misconduct. In addition, agreements with automatic renewal clauses were approved for renewal without a close examination of the transaction details and the like, and it was observed that in some cases there was no opportunity for post-execution monitoring of transaction details.

Moreover, it was found that no written agreements were executed regarding transactions with some of the service providers who were involved in the Suspected Misconduct, and that in some cases, the actual transactions were inconsistent with the content of written agreement. It is undeniable that the improper transactions pertaining to the Suspected Misconduct were to some extent facilitated by transactions having continued while the agreement details were unclear or where the actual transactions differed from the content of the written agreements, and there is a possibility that this became an underlying cause of the Suspected Misconduct.

4.5 Lack of Fully Functioning Internal Audit System at Chariloto

The Internal Audit Division at Chariloto consists of one person, which is under-resourced in light of the business size and other factors. There are no internal audit rules at Chariloto, and internal audits by Chariloto's Internal Audit Division proceeded ad hoc, with the general manager of MIXI's Internal Audit Division and Chariloto's Representative Director cooperating to determine audit targets on a risk basis. In this sense, it was unavoidable that internal audits would be inconsistent.

Furthermore, as Chariloto's Internal Audit Division is a department directly under the Representative Director, it was not anticipated that the Representative Director's own misconduct, which the Suspected Misconduct was, would be subject to internal auditing, which made it difficult to discover the Suspected Misconduct through an internal audit.

Thus, it is possible that the lack of a fully functioning internal audit system at Chariloto was a cause of the inability to detect the Suspected Misconduct.

4.6 Problems in MIXI Group's Subsidiary Management

MIXI acquired Chariloto as a wholly-owned subsidiary through an M&A transaction in March 2019 and seconded MIXI officers and employees to Chariloto as Directors and Company Auditors, seeking information cooperation and attempting to exercise a checking function, but MIXI's understanding of Chariloto's business and transactions may not have been adequate, and it is possible that the hoped-for role as a checking function was not fully accomplished.

When problems were raised in internal audits of Chariloto and suspected misconduct and the like was identified through whistle-blowing, MIXI responded with case-by-case measures. Meanwhile, there was no clearly articulated mechanism for MIXI to take a stronger leadership role in thoroughly resolving the cases, with gathering and discussing information regarding those cases, where MIXI identified suspected misconduct, or believed there to be a significant and specific risk of misconduct, at subsidiaries that it considered to be particularly high risk in light of the sales volume, business content, or the like.

Moreover, although Chariloto used MIXI Group's whistle-blowing hotline, no information about the Suspected Misconduct was ever given to that hotline. The cause of the lack of whistle-blowing regarding the Suspected Misconduct is not clear, but it is conceivable that MIXI and MIXI Group did not fully make officers and employees thoroughly aware of the whistle-blowing system, and that officers and employees of MIXI and MIXI Group had low trust in the whistle-blowing hotline.

5. Proposals For Recurrence Prevention Measures

5.1 Improve Awareness Among Officers and Employees

In order to deter misconduct or inappropriate acts such as the Suspected Misconduct by officers and employees including top management, and to prevent direct or indirect involvement in such acts, it is essential that the compliance awareness of all officers and employees from the top management on down be reformed and that a corporate culture of thorough compliance take root.

In order for that to happen, first the top managers of MIXI Group, each with a full awareness of compliance, should reaffirm to the entire MIXI Group that they prioritize compliance over everything, and they should regularly send messages about thorough observance of compliance. This message should be transmitted repeatedly in each Group company and each department in line with the details of their business. Education and training of officers and employees, including top management, also is essential for thoroughgoing compliance.

Another idea is to reform the HR system to stress compliance as a part of MIXI Group's personnel evaluations, for example, by making compliance awareness and observance one of the benchmarks.

Moreover, based on the Suspected Misconduct, it is also important for MIXI Group to clarify responsibility for the Suspected Misconduct and to demonstrate, both within and outside the company, MIXI Group's zero-tolerance attitude to compliance violations.

5.2 Increase Transparency in Service Provider Relationships

The service providers involved in the Suspected Misconduct began transactions with Chariloto as a result of personal ties with either X or Y, and the opacity of the relationships with service providers was an issue, for example where all of the contract negotiations and other important work were delegated to X or Y.

In addition to measures such as reviewing the authorization process when commencing transactions with service providers, it is important to avoid having only one person deal with a specific service provider and to strive to make relationships with service providers transparent to prevent relationships with service providers from becoming a black box. This could be done by specifying multiple persons in charge of each service provider, rotating the persons in charge, and making it a duty to prepare records of meetings and daily reports on business with service providers, for example.

5.3 Strengthen Governance Regarding Service Suppliers

The ineffective functioning of the authorization process at Chariloto was one cause of the Suspected Misconduct. Thus, it is important to review the authorization process at Chariloto and to build a mechanism in which substantive checking functions work in that process, including the validation of service provider selection and transaction terms, etc.

Specific proposals include a review of the authorization system, reconsidering the authorization process, or formulating guidelines for authorization, and strengthening post-execution monitoring functions for contracts, and in addition, it would be appropriate to seek to enforce the preparation of written agreements and other documents with service providers.

5.4 Rebuild Chariloto's Internal Audit System

It is possible that the failure to detect the Suspected Misconduct earlier was due to the lack of a fully functioning internal audit system at Chariloto. Accordingly, Chariloto should consider rebuilding the internal audit system so that its internal audits function effectively.

Specific proposals include increasing the staff of the Internal Audit Division, preparation of internal rules that organize internal audit procedures and the like, and implementation of audits each business year after formulating an internal audit plan.

Furthermore, consideration should also be given to making it possible for Chariloto's Directors and Company Auditors who were seconded from MIXI to have a more timely understanding of what goes on at Chariloto by changing Chariloto's organizational structure to place the Internal Audit Division directly under the Board of Directors.

5.5 Review Subsidiary Governance within MIXI Group

As a result of the Investigation, it is undeniable that MIXI's governance of Chariloto was inadequate to some degree, and there is a possibility that this became one cause of the Suspected Misconduct and prevented the discovery of the Suspected Misconduct over a long period of time. Thus, it is necessary to strengthen MIXI's governance of subsidiaries.

Specifically, first, consideration could be given to seconding and appointing qualified officers and employees of MIXI as the Directors and Company Auditors of subsidiaries, and exercising a checking function from within subsidiaries, not only in order to encourage sufficient compliance awareness with respect to MIXI's subsidiaries, but to understand the subsidiaries' businesses.

Furthermore, within MIXI Group, the scope of duties of company auditors at three MIXI subsidiaries, including Chariloto, is limited to accounting audits. However, to realize effective audits, the restriction to accounting audits should be removed and the audit coverage should be expanded to the execution of business. In addition, it is also important to endeavor to closely share information between MIXI and subsidiaries' company auditors, so that MIXI can immediately respond if a risk of misconduct is detected, and as necessary, to build a system that supports the company auditors of MIXI's subsidiaries.

Moreover, in cases where MIXI identifies suspected misconduct, or where there is believed to be a significant and specific risk of misconduct at subsidiaries that MIXI considers to be particularly high risk in light of the sales volume, business content, or the like, a plan could be considered to gather information concerning such matters and seek a more fundamental resolution. Moreover, MIXI could consider building a system that enables the prevention of misconduct at subsidiaries and early resolution of any misconduct that does occur by establishing a clear mechanism for continuing post-execution monitoring.

In order to detect and rectify misconduct at MIXI Group at an early stage, it is important to devise measures to make the whistle-blowing system function more effectively. For example, it would be possible to hold explanatory meetings concerning the whistle-blowing system, and to regularly ensure awareness of the whistle-blowing system through compliance education and training and the like. In addition, as a supplement to the whistle-blowing system, it is worth considering regular compliance questionnaires and interviews asking MIXI Group's officers and employees about currently occurring misconduct or misconduct risks.

End