



April 16, 2025

CyberAgent, Inc.

Susumu Fujita

Representative Director, CEO, and

President

TSE Prime: 4751

**[UPDATED] Notice on Receiving Investigation Report from Internal Investigation Committee  
Regarding Inappropriate Accounting Treatments at the Consolidated Subsidiary and  
Expected Submission of Correction Report to Past Securities Reports**

As we announced in the Notice on Establishing an Internal Investigation Committee on March 26, 2025, CyberAgent, Inc. proceeded with an investigation by the Internal Investigation Committee, including external experts due to the discovery of inappropriate accounting for a certain amount of sales in the past fiscal years at CyberOwl, INC. (the case), a wholly owned subsidiary. We announce that we received an investigation report from the Internal Investigation Committee today.

As a result of our examination of the effect on past consolidated financial results based on the report from the Internal Investigation Committee, we expect to submit correction reports of past securities reports and internal control reports, as well as to correct past financial results. We sincerely apologize for any inconvenience and concern it may cause to our shareholders, investors, partners, and other interested parties.

1. The findings of the investigation

CyberOwl offers affiliate marketing with a performance-based commission, and its sales include a finalized amount as well as an estimated amount based on projected performance. The case was found that one individual director in charge of the business had been falsifying coefficients used as the basis for the estimated amount of sales for a long time, since 2020. We recognize the case that the individual director of CyberOwl, who was responsible for this business, falsified the basis for recording and reporting, was due in part to the fact that the

director in charge of the operation and the director in charge of business administration was concurrently served by the same individual, and that our management and auditing systems were inadequate.

Although CyberOwl is the main target of this investigation, CyberAgent and its other subsidiaries were also investigated to see whether there were any similar cases, and no evidence of fraud was found.

With regard to the findings of the investigation, please refer to the attached Investigation Report (public version). The investigation report has been made public after partial redaction in order to protect personal and confidential information.

The effect on the non-consolidated financial statements of CyberOwl and the consolidated financial statements of CyberAgent are as follows.

(Unit: million Yen)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Consolidated Net Sales	478,566	666,460	710,575	720,207	802,996
Effect of the case	-40	-311	-763	-855	-1,759
Percentage of the consolidated amount	0.0%	0.0%	0.1%	0.1%	0.2%

Consolidated Operating Income	33,880	104,381	69,114	24,557	41,843
Effect of the case	-40	-311	-763	-855	-1,759
Percentage of the consolidated amount	0.1%	0.3%	1.1%	3.5%	4.2%

\*The estimated amount for CyberOwl, which was identified as fraud by the Internal Investigation Committee, is recorded as external sales in the consolidated financial statements of CyberAgent. Therefore, the impact on the consolidated financial statements is the same amount as the impact on CyberOwl.

## 2. Actions to be taken

### 1) Past securities reports and financial statements

The effect of the case is based on the investigation findings, as stated above. (Excerpt from the Investigation Report, p. 21) After determining the effect on CyberAgent's consolidated financial statements for past periods, we will work to file the Correction Reports for the Securities Reports, Quarterly Reports, and Internal Control Reports

for past periods and to correct the Financial Statements and the Quarterly Financial Statements on May 15, 2025. On the same date, May 15, 2025, we are also scheduled to submit the financial statements for the second quarter (interim) of the fiscal year ending September 30, 2025, and the 28th interim report.

## 2) Preventive Measures

We take this case very seriously and are committed to implementing the following preventive measures. Also, we will verify the effectiveness of the preventive measures, make further improvements, and strive to rebuild the trust of our stakeholders.

### ① Risk assessment and actions according to business characteristics

Affiliate commission revenue accounts for a significant part of CyberOwl's sales. There are many instances in which a certain lead time is required from the time a deal is initiated to the time a commission is approved, and a significant percentage of these deals do not reach generating affiliate commissions because they are not approved as the deal is not completed. As a risk assessment based on this characteristic, CyberOwl's accounting regulation will be revised, and only confirmed sales approved by advertisers will be recorded as sales.

### ② Strengthening accounting and internal audit functions

For CyberOwl, we will implement a fraud detection tool on accounting procedures and figures provided by a different audit firm from Deloitte Touche Tohmatsu LLC to function as an internal review system that does not rely on human resources. In addition, for internal control audit by the Internal Audit Office, we will assign personnel with a certain level of accounting knowledge to strengthen the internal audit function.

### ③ Separation of responsibilities among subsidiary directors, subsidiary accounting (business management), and head office accounting, and strengthening of the checks and balances system.

CyberOwl changes the form of governance as a company with a board of directors in order to ensure that business managers do not hold concurrent positions with accounting or business administration (including corporate accounting) and that checks and balances are maintained through the separation of authority. In addition, we will appoint Yasuo Okamoto, Executive Vice President in charge of the advertising business, and

Tomoyoshi Chiba, Management Officer of Advertising Business, as Directors, and Takahiro Maeda, General Manager of the Corporate Management Division, as Corporate Auditor, to strengthen governance.

We will steadily implement the above three preventive measures as an effective means of preventing recurrence. In addition, to further enhance these preventive measures continuously, we will ensure that all executives and employees of CyberOwl are thoroughly aware of the whistle-blowing system and provide compliance training and education.

### 3. Impact on business performance

The impact of this case on the consolidated business performance for the fiscal year ending September 30, 2025, is expected to be negligible, and there are no revisions to the consolidated business and dividend forecasts for the fiscal year ending September 30, 2025, at this time.

### 4. Internal disciplinary actions

The executives concerned have taken this case very seriously, and to clarify their management responsibility, we will reduce their executive compensation as follows.

#### 1) Details of executive compensation reduction

Susumu Fujita, Representative Director, CEO, President	30% of monthly executive compensation
Go Nakayama, Director, Senior Managing Executive Officer	30% of monthly executive compensation
Keita Tanaka, Representative Director, CyberOwl, INC.	10% of monthly executive compensation

#### 2) Target period

Three months from May 2025

The director of CyberOwl who was involved in this case was removed from the position.

April 16, 2025

To: CyberAgent, Inc.

# Investigation Report (Public Version)

Internal Investigation Committee, CyberAgent, Inc.

## Contents

<b>Section 1</b>	<b>Overview of Investigation</b>	<b>1</b>
<b>1</b>	<b>Background of Investigation</b>	<b>1</b>
<b>2</b>	<b>Method and Scope of Investigation</b>	<b>1</b>
(1)	Composition of Committee	2
(2)	Objectives of Investigation	2
(3)	Period Covered by Investigation and Period of Investigation	2
(A)	Period Covered by Investigation	3
(B)	Period of Investigation	3
(4)	Objectives of Investigation	3
(A)	Inspection and Review of Related Materials	3
(B)	Interviews	3
(C)	Digital Forensic Investigation	3
<b>3</b>	<b>Assumptions and Reservations for the Investigation</b>	<b>4</b>
<b>Section 2</b>	<b>Results of the Investigation</b>	<b>5</b>
<b>1</b>	<b>Overview of CyberOwl, Inc.</b>	<b>5</b>
(1)	Basic Information	5
(2)	Organizational Structure	5
(3)	Changes in Performance of CyberOwl, Inc.	6
(4)	Compliance Structure	7
(A)	Compliance Training	7
(B)	Whistleblowing System and Complementary Program	7
(5)	Conduct of Audit	8
(A)	Internal Audit	8
(B)	Audits by Corporate Auditor	8
(C)	Audits by Accounting Auditors	8
<b>2</b>	<b>Facts about Affiliate Commission Accounting</b>	<b>9</b>
(1)	Business Process	9
(A)	Affiliate Business	9
(B)	Commercial Flow of Affiliate Business	9
(C)	Business Flow for Recording Sales	9
(2)	Facts about Fraudulent Recording of Estimates	11
(A)	How Estimates of Affiliate Commissions are Recorded	11
(B)	Method of Long-Standing Fraudulent Recording of Estimates	12
(a)	Reporting of Performance Values from Affiliate Business Personnel to Business Administration Division	12
(b)	Reporting of Estimated Amount from Affiliate Business Personnel to Accounting Personnel	14

(C) B's motivation and Circumstances Leading to this Case.....	16
(3) Explanations to Internal Audits, etc.....	16
3 Investigation of Similar Cases.....	18
(1) Investigation of Similar Cases in B's work at CyberOwl.....	18
(A) Digital Forensic Investigation.....	18
(B) Data Analysis (Financial Statement Analysis) .....	18
(C) Additional Procedures for Sales Transactions and Purchase Transactions Other than this Case.....	18
(a) Sales Transactions.....	19
(b) Purchase Transactions.....	19
(2) Investigation of Similar Cases at CyberAgent and CyberAgent subsidiaries .....	19
(A) Investigation of Business Conditions with Similar Risks to this Case .....	19
(B) Investigation of Status of Overdue Accounts Receivable.....	20
Section 3 Amount of Impact on Financial Statements.....	20
1 Amount of Impact on Financial Statements Due to this Case.....	20
(1) How to Identify Fraudulent Transactions.....	20
(2) Impact on CyberOwl's Non-Consolidated Financial Statements .....	21
(3) Impact on CyberAgent's Consolidated Financial Statements .....	21
2 Amount of Impact on Financial Statements Due to Similar Cases.....	21
Section 4 Analysis of Causes.....	22
1 Characteristics of CyberOwl's Affiliate Business (Recording of Estimate Amounts).22	
2 Inadequate Management/Auditing System for Complexity of Affiliate Business .....	22
(1) Concurrent Positions of Director in Charge of Business and Director in Charge of Business Administration .....	22
(2) Internal Control Issues .....	23
(A) Accounting (Business Administration) .....	23
(B) Internal Audit .....	24
(C) Audit by Corporate Auditors (Transition to a Company without Corporate Auditors).....	24
(D) Malfunctioning of Whistle-Blowing System.....	24
3 Issues Concerning Compliance Awareness and Knowledge .....	25
(1) Lack of Awareness and Knowledge of Accounting Compliance .....	25
(2) Corporate Culture.....	26
Section 5 Proposed Recurrence Prevention Measures.....	27
1 Risk Assessment/Response According to Business Characteristics .....	27
2 Strengthening Accounting and Internal Audit Functions.....	27
3 Separate Authority of Subsidiary Officers, Subsidiary Accounting (Business Management) and Head Office Accounting, and Strengthening Check-and-Balance Function .....	28

<b>[Attachment] List of Interviewees .....</b>	<b>29</b>
------------------------------------------------	-----------



The abbreviations listed in the table below are used in this Investigation Report. All terms, names, etc. that are not listed in the table below are fully spelled out the first time they appear and are thereafter abbreviated as appropriate. Job titles are basically current. Where necessary, job titles at the relevant time will appear.

Full Name / Description	Abbreviation
The investigation covered by this report	Investigation
The report containing the results of the Investigation, etc.	Investigation Report
The reference date for this Investigation Report (i.e., April 16, 2025)	Reference Date
CyberOwl, Inc...	CyberOwl
CyberAgent, Inc.	CyberAgent or Head Office
A - President, Representative Director, and Head of New Business (Ameba Tutoring school Search Division, Owned Media Division, Financial SEO Media Division) at CyberOwl	A
B - Director and Head of Marketing Media Division at CyberOwl	B
C - General Manager of Business Administration Division and Head of New Business (Ameba Tutoring school Search Division, Owned Media Division, Other Media Division) at CyberOwl	C
D - Manager of Financial and Education Business, Marketing Media Division at CyberOwl	D
E, Manager of Human Resources and Other Business, Marketing Media Division at CyberOwl	E
F, Manager of Article Business, Marketing Media Division at CyberOwl	F
G (Certified Public Accountant), Subsidiaries Department (in charge of CyberOwl), Management Division at CyberAgent *G is responsible for CyberOwl's accounting functions under the service agreement with CyberAgent	G

## Section 1      Overview of Investigation

### 1 Background of Investigation

CyberOwl had been considering an M&A as the buyer since the latter half of 2024. As the proposed M&A would require considerable funding, A, who is the Representative Director of CyberOwl, and G, who was in charge of CyberOwl's accounting functions, discussed financing in early February 2025. During such discussion, G informed A that CyberOwl's sales for each month included performance commissions for affiliate advertising by the Marketing Media Division based on the long-term performance forecast for the following and subsequent months, and that, since it would take a long time to collect accounts receivable corresponding to the forecast performance commissions, it was difficult to finance the proposed M&A at that point in time. As A was not aware of this, he inquired about the situation from B, who is a director and responsible for business administration, on February 10, 2025. At that time, B was in charge of business administration functions after taking them over from A in May 2018. B admitted that performance commissions for affiliate advertising by the Marketing Media Division included estimates based on performance forecasts in addition to fixed sales, and that, since around October 2020<sup>1</sup>, some of those estimates had included performance forecasts which were actually unsubstantiated, improper sales (hereinafter fixed sales are referred to as "**Fixed Sales**," sales other than Fixed Sales are referred to as "**Estimates**," recording of Estimates is referred to as "**Estimate Recording**," and fraudulent Estimate Recording is referred to as the "**Case**"). This revealed the existence of the Case.

In response to the discovery of the Case, CyberAgent, the wholly-owning parent company of CyberOwl, conducted an internal investigation from February 10, 2025, for the purpose of, among others, clarifying the facts about the Case and analyzing its cause. Subsequently, CyberAgent decided to establish an internal investigation committee (the "**Committee**" or "**we**") consisting of external experts, who were attorneys and certified public accountants, in order to enhance objectivity. Upon the request of CyberAgent, the Committee conducted the Investigation and hereby reports the results of the Investigation, including a factual investigation and a cause analysis, and makes recommendations on measures to prevent recurrence.

### 2 Method and Scope of Investigation

---

<sup>1</sup> However, B does not have a clear memory of specifically when this Case started (for the findings that it started in the third quarter of 2020, see Part 2, 2(2)(a)).

## **(1) Composition of Committee**

The Committee consists of the following members:

Chairperson: Takashi Hatae (attorney-at-law, TMI Associates)  
Committee member: Daisuke Fujita (Certified Public Accountant, KPMG FAS Co., Ltd.)  
Committee member: Takehiro Takeda (Managing Executive Officer, CyberAgent)

At the Committee, the following attorneys, certified public accountants, and other experts assisted the Committee members in their activities:

<b>Name</b>	<b>Names and Number of Persons</b>
TMI Associates	Kumiko Yoshii and Yuta Kobayashi
KPMG FAS Co., Ltd.	Osamu Saita, Koki Yamada, Eri Miyamura, Tay Tian Jye, Yutong Li, Nobuki Orito, Keiichiro Yoshida, Akiharu Okawa and six (6) others

## **(2) Objectives of the Investigation**

The objectives of the Investigation are as follows:

- (i) To investigate the facts about the Case;
- (ii) To examine the impact of the Case on CyberOwl's financial statements;
- (iii) To conduct necessary investigation of the following details in order to investigate the same or similar types of cases as the Case at CyberOwl: purchase and sale transactions and business relationships involving, and the management structure of, the current Marketing Media Division of which B of CyberOwl is in charge;
- (iv) To investigate whether or not the same or similar types of cases as the Case have occurred at CyberAgent or any of its subsidiaries and, if so, the nature and other details of such cases, where necessary, depending on the progress of the Investigation;
- (v) To perform a cause analysis of the facts found in items (i), (iii), and (iv) above, and to consider and recommend measures to prevent recurrence; and
- (vi) To create an investigation report containing the results of the investigations mentioned in the preceding items.

## **(3) Period Covered by Investigation and Period of Investigation**

#### **(A) Period Covered by Investigation**

The period covered by the Investigation commences on May 1, 2018, since B took over the business administration functions at the Marketing Media Division in May 2018<sup>2</sup>.

#### **(B) Period of Investigation**

The Investigation was conducted from March 26, 2025 to April 16, 2025. The Reference Date for the Investigation is April 16, 2025.

#### **(4) Objectives of Investigation**

##### **(A) Inspection and Review of Related Materials**

The Investigation involved the inspection and review of various vouchers, regulations, and meeting minutes that may be relevant to the Case, as well as analysis and review of accounting data and related materials necessary to examine the impact of the Case on financial statements, etc.

##### **(B) Interviews**

The Investigation involved interviews of a total of ten (10) CyberOwl officers, employees, and other persons concerned who were involved in the Case or who may have information on the Case.

For details of the specific interviewees, please refer to the **List of Interviewees** in the **Attachment**.

##### **(C) Digital Forensic Investigation**

The Investigation involved preservation of the devices loaned to B (PCs, mobile phones, and tablets) and communication data, etc. from nine (9) persons concerned (including B) who may have information or knowledge necessary to achieve the objectives of the Investigation.

The preserved data was processed to recover deleted data and was indexed (to prepare for efficient search and analysis) to create a review environment. Subsequently, keyword and other

---

<sup>2</sup> Among the functions in the [REDACTED] domain (category) of the Marketing Media Division, the business administration function of the [REDACTED] business (currently the [REDACTED] business) was not transferred from A to B but remained with A.

searches were performed. The resulting data was subject to review by the Committee and was analyzed and examined.

### **3 Assumptions and Reservations for Investigation**

It should be noted that the Investigation and this Investigation Report are subject to the following assumptions:

- (1) The Investigation does not exhaustively cover all details confirmed by the documents and other materials obtained by the Committee but only covers the details that the Committee considers to be relevant to the objectives of the Investigation out of those details that were confirmed by the materials analyzed and reviewed within the limited period up to the time of writing of this Investigation Report, based on, among other things, the materials independently collected by the Committee, the materials obtained by the Committee from CyberOwl and others, and the interviews of persons concerned from CyberOwl.
- (2) The materials obtained in the Investigation were provided by CyberAgent, CyberOwl, etc. and are, as such, limited; they do not include mail servers or emails of individuals collected and reviewed independently by the Committee.
- (3) The Investigation is subject to the following assumptions:
  - (i) All signatures and seals on the documents subject to review are authentic; and
  - (ii) All copies of the documents whose copies (not originals) were provided are accurate and complete copies of the originals.
- (4) This Investigation Report has been prepared based on the assumptions described in items (1) through (3) above and, as such, does not deny that facts that are contrary to this Investigation Report may be found from materials, statements of persons concerned, or the like outside the Investigation. Therefore, the discovery of new facts may lead to a conclusion contrary to this Investigation Report's.
- (5) The Investigation was conducted and this Investigation Report was prepared from an objective stance vis-a-vis CyberOwl. In order to secure this stance: (i) neither CyberOwl nor any other person acquires any rights in or makes any claims against the Committee, or is allowed to use this Investigation Report as evidence, materials, or any other grounds for any assertions; and (ii) the Committee has no obligation or responsibility to CyberOwl or any other person.

## Section 2 Results of the Investigation

### 1 Overview of CyberOwl, Inc.

#### (1) Basic Information

Company Name	CyberOwl, Inc.
Date of Incorporation	November 26, 2012
Stated Capital	120 million yen
Date Listed	-
Closing Date	September 30
Shareholders	CyberAgent, Inc. (100%)
Representative Director	A
Address	(Abema Towers 8F) 40 -1 Udagawacho, Shibuya-ku, Tokyo
Number of Officers and Employees	40 persons (as of December 31, 2024)
Business Lines	Media businesses (i.e., lifestyle media business, educational media business, and financial media business) and media consulting business

#### (2) Organizational Structure

CyberOwl is required to report important matters to CyberAgent's Management Headquarters or the Corporate Executive Office. However, CyberOwl's Articles of Incorporation and other internal rules impose no other restrictions. It is therefore considered that B had broad authority to execute business in the businesses under his supervision at CyberOwl (such businesses, the "**Businesses under B's Supervision**"). However, B is not involved in any business other than the Businesses under B's Supervision.

Since B took charge of the business administration functions of CyberOwl, the degree of B's involvement in these functions has changed as follows:

- (i) In May 2018<sup>3</sup>, B took over the business administration functions from A and started to serve concurrently both as the head of the then-equivalent of the Corporate Planning Office and the head of the then-equivalent of the [REDACTED] Division.
- (ii) From such time until March 2023, B continued to be in charge of the business

---

<sup>3</sup> CyberOwl, Inc. changed its trade name from CyberSS, Inc.



administration functions as head of the then-equivalent of the Corporate Planning Division, while starting to serve concurrently as head of businesses, including the then-equivalents of the [REDACTED].

- (iii) In April 2023, C assumed the position of leader of the then-Corporate Planning Department<sup>4</sup> and was supposed to take over the business administration functions under B, who was the head of the Corporate Planning Department. However, B did not hand over the business administration functions relating to Estimate Recording in the businesses under his supervision to C, for fear of discovery of the Case<sup>5</sup>. The resulting situation allowed B to substantially manipulate the Estimate Recording in the businesses under his supervision.
- (iv) In October 2023, the Corporate Planning Department was renamed the Business Administration Division, with C assuming the position of General Manager of the Business Administration Division and taking over business administration from B. B was to only supervise businesses as head of the Marketing Division, which oversaw the then-[REDACTED]. However, similarly to the situation described in item (iii) above, the resulting situation continued to allow B to substantially manipulate Estimate Recording in the businesses under his supervision.

In connection with the Case, D currently serves as the manager of the [REDACTED] business. F served as the manager of the [REDACTED] business from February 2023 to May 2024. Subsequently, E took over F's position as manager of the [REDACTED] business and has served in such position from June 2024 to the present.

### (3) Changes in Performance of CyberOwl, Inc.

The table below shows CyberOwl's net sales, operating income, ordinary income, and net income since the fiscal year ended September 2018.

(In millions of yen)

Fiscal Year (FY)	FY ended September 2018	FY ended September 2019	FY ended September 2020	FY ended September 2021	FY ended September 2022	FY ended September 2023	FY ended September 2024
Sales	4,685	4,622	4,369	5,945	7,043	8,534	10,543
Operating Income	306	240	447	736	1,189	2,042	2,380

<sup>4</sup> At that time the Corporate Planning Office was called the Corporate Planning Department reporting to the President's Office.

<sup>5</sup> A's understanding was that governance was strengthened by C taking charge of business administration. The fact that B intentionally avoided handing over the business administration functions relating to Estimate Recording in the Businesses under B's Supervision to C may have caused a delay in the identification of the Case by A.

Fiscal Year (FY)	FY ended September 2018	FY ended September 2019	FY ended September 2020	FY ended September 2021	FY ended September 2022	FY ended September 2023	FY ended September 2024
Ordinary Income	306	230	447	736	1,189	2,042	2,381
Net Income	100	151	284	466	795	1,390	1,639

The figures in the above table include Estimates.

#### (4) Compliance Structure

##### (A) Compliance Training

CyberAgent provided training on advertising fraud (data falsification, inflation of advertising performance metrics, and billing fraud), information leakage, insider trading, and general trading (pre-transaction flow, such as creditworthiness, customer identity check, and recording) to employees (including those of subsidiaries, including CyberOwl) who held positions above a certain grade<sup>6</sup>.

##### (B) Whistleblowing System and its Complementary Program

In July 2008, CyberAgent established a whistleblowing system (which was placed under the supervision of the Internal Control and Internal Audit Office (the “**Internal Audit Office**”)) that is available also to employees of CyberAgent’s subsidiaries including CyberOwl, in accordance with CyberAgent’s Whistleblowing Regulations and Whistleblowing Guidelines. The whistleblowing system has been made known to all officers and employees of CyberOwl through its internal portal site. However, the number of whistleblowing reports actually submitted from CyberOwl during the past five (5) years was zero.

CyberAgent has also been working on a program complementary to the whistleblowing system since November 2018. Under such program, a questionnaire survey of all employees is conducted four (4) times a year, using a 3-question format called “Risk GEPPPO” (a questionnaire system for all employees of CyberAgent). The questions ask about what employees feel are sources of risk in the company regarding certain subjects chosen by the risk committee. The responses to the questions are summarized. Responses are read only by officers at or above the level of executive officer and members of the risk committee. Responses are discussed and reviewed by the risk committee, with the results reported to CyberAgent’s Corporate Executive Office. Where

---

<sup>6</sup> Employees who held positions at or above the grade called “G3” at CyberOwl.



necessary, countermeasures have been implemented<sup>7</sup>.

## **(5) Conduct of Audit**

### **(A) Internal Audit**

CyberAgent conducts internal audits<sup>8</sup> by the Internal Audit Office in accordance with the Internal Audit Rule.

CyberOwl was selected as one of the important business locations in CyberAgent's internal control audit of the financial reporting for the fiscal year ended September 2024. In the fiscal year ended September 2024, the business processes involved in CyberOwl's sales activities were audited. The details are as described in 2(3) below.

### **(B) Audits by Corporate Auditor**

CyberOwl had appointed one corporate auditor since its establishment until a decision was made at the extraordinary general meeting of shareholders held on January 15, 2024, to amend its Articles of Incorporation to abolish the auditor.

However, since the fiscal year ended September 2020, there has been no evidence that any corporate auditor's audit has actually been conducted by CyberOwl's corporate auditor. Since January 2024, CyberOwl has been a company without corporate auditors.

### **(C) Audits by Accounting Auditors**

CyberOwl is not a company with accounting auditors.

---

<sup>7</sup> In the Risk GEPP, some subject matters mentioned cases of other companies that involved overcharging of commission fees in advertising-related industries. CyberOwl's officers and employees submitted an average of approximately 46 responses per survey during the past one year. However, there were no responses or comments in relation to accounting issues.

<sup>8</sup> The scope of audits covers internal control audits under the Companies Act, internal control audits on financial reporting, system audits, and audits for special purposes (Article 4 of the Internal Audit Rules).

## 2 Facts about Affiliate Commission Accounting

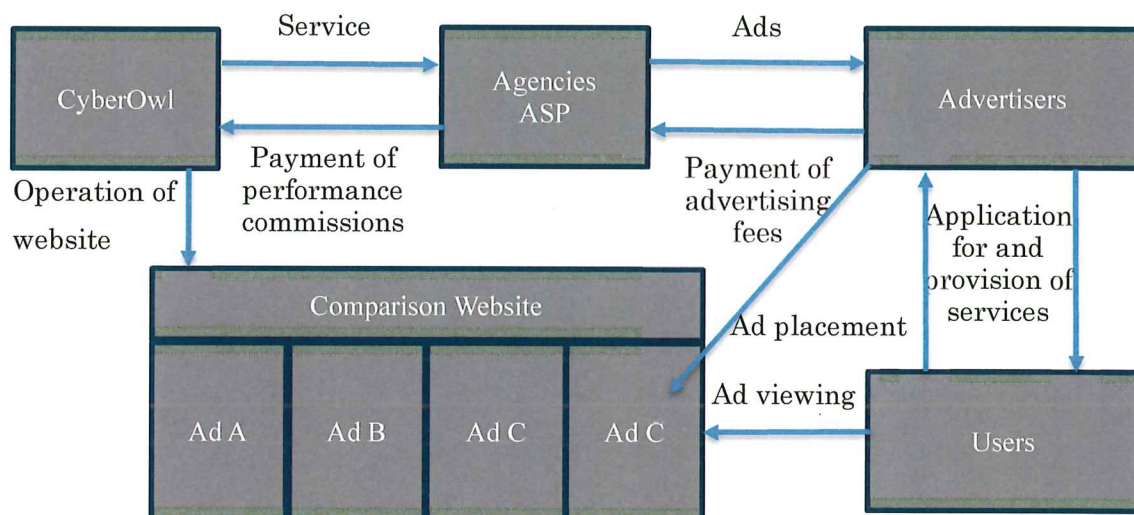
### (1) Business Process

#### (A) Affiliate Business

An affiliate business is a business model in which the affiliate marketer promotes products and/or services via the internet and receives a commission when a purchase or contract is made through the promotion. Affiliate marketers, such as website operators or bloggers, promote specific products and/or services by utilizing their own media. Advertisers provide affiliate programs to disseminate their own products or services through affiliate marketers' activities. Under an affiliate program, affiliate marketers receive commissions according to their performance. Usually, affiliate programs are run by specialist companies called affiliate service providers (ASPs) that connect advertisers and affiliate marketers.

CyberOwl has developed a business in which it serves as an affiliate marketer in specialized fields such as [REDACTED] and places affiliate ads on the comparison websites it operates. CyberOwl provides services to advertisers through ASPs and agencies, such as CyberAgent which has its own measurement tools.

#### (B) Commercial Flow of Affiliate Business



#### (C) Business Flow for Recording Sales

(i) Determination of terms of placement

CyberOwl's business division personnel decide on the details, such as affiliate targets, performance conditions, unit price, target figures, etc., with agencies and ASPs.

The definition of "performance" that triggers the recording of sales varies depending on the details of the affiliate program. In some cases, the performance is fixed when the user redirected by the affiliate ad applies for the advertiser's service (such performance, hereinafter, "**Occurrence-type**" performance). In other cases, the performance is fixed when a credit card is issued in the case where a credit card service or a contract is signed (such performance, hereinafter, "**Contract-type**" performance) or payment is made (such performance, hereinafter, "**Payment-type**" performance) in the case of a credit-card loan.

(ii) Monitoring of performance values

The process of monitoring fixed performance values varies depending on the details of the affiliate program. For instance, an Occurrence-type performance allows CyberOwl to monitor the performance by directly accessing the ASP's management screen. On the other hand, a Contract-type or Payment-type performance does not allow CyberOwl to monitor the performance through the ASP's management screen. In this case, CyberOwl has to monitor the performance by receiving performance data from the client separately via email.

The business division personnel enter the monitored performance value into the prescribed spreadsheet maintained internally by CyberOwl<sup>9</sup>.

(iii) Recording of fixed sales

The information contained in the spreadsheet into which performance values are entered in (ii) above is entered into system (I) by accounting personnel. Then the information entered into system (I) is entered into system (II) by accounting personnel to record the Sales. An invoice is then issued to the client based on the sales information entered into system (I).

(iv) Estimate Recording of sales (for more details, see (2) below)

The head of the relevant business division calculates the amount for Estimate Recording every month and reports the amount to the accounting personnel. The accounting personnel then enter the reported amount into system (II).

(v) Confirmation of payment; account reconciliation

When a payment is made by a client, the deposit record is automatically linked to the account

---

<sup>9</sup> In the case of a project for which CyberAgent acts as the agent, both CyberAgent personnel and CyberOwl personnel check the performance value.

activity app of the system (I) . The accounting personnel confirm the payment using the account activity app of system (I) and perform the reconciliation work by using the system (II) . In the event of any difference between the account receivable recorded in the system (II) and the amount of payment received, the accounting personnel make necessary corrections assuming that the amount of payment received is correct<sup>10</sup>.

## **(2) Facts About Fraudulent Recording of Estimates**

### **(A) How Estimates of Affiliate Commissions are Recorded<sup>11</sup>**

From around July 2013, in its [REDACTED] business, CyberOwl started a business in which CyberOwl posted affiliate ads on its comparison websites and received performance commissions (such type of business, the “Affiliate Business” and the performance commissions, “Affiliate Commissions”). Subsequently, CyberOwl started Affiliate Businesses in the [REDACTED]. CyberOwl subsequently started additional Affiliate Businesses related to [REDACTED], [REDACTED], and [REDACTED] in January 2023, January 2024, and March 2024, respectively.

At CyberOwl, a month-end closing takes place by the third business day of the following month. However, there are cases where, for reasons on the advertiser’s side, the advertiser’s approval confirming the fixing of performance associated with Affiliate Commissions (“Approval”; and “Approved” has a correlative meaning) is not given until the month following the month during which the Approval was due. Under such circumstances, the following process was started to manage performance in a timely and accurate manner: the Estimate Recording of unapproved Estimates for the month in which the Approval is due; and set-off upon Approval of the Estimates is performed in the following month (Estimates in the record are washed up with Approved amounts every month and the Estimates Approved in the following month are deducted from the Estimates for the following month). At the time when the Estimate Recording of Affiliate Commissions began in 2013, all performances were of the Occurrence-type, and basically all performances were Approved. Therefore, Estimates were recorded only for amounts to be set off within the first several days of the following month. The practice was to check in the following

---

<sup>10</sup> If the difference is large, the business division reviews and makes corrections in the following month.

<sup>11</sup> All of the Businesses under B’s Supervision involved the cost of buying (purchasing) listing ads, all of which were purchased by CyberOwl from CyberAgent as an agency. These purchase transactions involved a time lag of approximately one month before the specific amount was fixed, partly because these purchases were made through bidding. However, no fraudulent recording is considered to have been made, based on the following grounds: (i) CyberAgent was in a relationship where it would charge CyberOwl fixed advertising fees (costs); (ii) a fixed amount was available within about one month on the management screen for the cost (i.e., the management screen provided by platforms such as Google and Facebook), allowing the Estimate to be replaced with the fixed amount in one month; and (iii) as described in 3(1) below, no signs of suspected fraud have been detected from the analysis of data from the functions under B’s supervision or data from purchase transactions.

month that each unapproved transaction had been duly Approved and to set off the amounts corresponding to the Approved transactions. This practice does not involve any problems.

Subsequently, however, in the case of [REDACTED], advertiser company A changed the type of performance to Payment-type in November 2016. Company B changed the type of performance to Contract-type in August 2019, and so did Company C in August 2022. As a result, the user's action, which leads to the approvable performance, was sequentially changed to later actions, corresponding to the change from the Occurrence-type to the Contract- or Payment-type. This gradually made Estimate Recording necessary, by forecasting the number of Contract- or Payment-type performances based on the number of Occurrence-type performances as at the end of the month<sup>12</sup>. The lead time from the occurrence of the user action that may be associated with a performance to payment is approximately two months for a [REDACTED] and approximately three to four months for a [REDACTED].<sup>13</sup> Therefore, when a change is made from Occurrence-type performance to Contract- or Payment-type performance, it will take the corresponding number of months until the Estimate becomes a Fixed Sale. For this reason, Estimate Recording must involve forecast values such as lead time and approval rate, which means that these forecast factors are included in sales and accounts receivable for each month.

## **(B) Method of Long-Standing Fraudulent Recording of Estimates**

### **(a) Reporting of Performance Values from Affiliate Business Personnel to Business Administration Division**

By the third quarter of 2020, B was recording unsubstantiated, improper Estimates in order to merely make the values to be recorded in each month's accounting books (these values are sometimes referred to as "**Financial Management PL**") agree with the landing figures<sup>14</sup> for the Marketing Media Division determined by the board meeting<sup>15 16</sup>.

---

<sup>12</sup> At CyberOwl, the ratio whose denominator is the number of Occurrence-type performances and whose numerator is the number of Contract- or Payment-type performances that are subject to Approval was called the approval rate (the "**Approval Rate**").

<sup>13</sup> Interviews with B and D

<sup>14</sup> At CyberOwl, the management team members determined, on a quarterly basis, budget figures as target values by taking into consideration past results and market conditions, and determined landing figures as values to be reached in the quarter based on the budget figures and by taking feasibility into consideration.

<sup>15</sup> As described in (A) above, amounts Approved during the current month are Fixed Sales, whereas amounts for which the performance is forecasted at the end of the current month are Estimates. Therefore, there is a certain correlation between Fixed Sales and Estimates. However, while the Fixed Sales for April 2020 decreased by half from the previous month due to the impact of the COVID-19 pandemic, Estimates did not decrease by half. This is also seen for the period from May to July the same year. Based on the above, the Committee found that fraudulent Estimate Recording had started from the third quarter of 2020. The Committee also considers that the Affiliate Business domain (category) of the Marketing Media Division supervised by B included improper Estimates, except for company D's Estimates.

<sup>16</sup> Among the Estimates, those for company D were checked by CyberAgent on a transaction-by-transaction basis for Company D's approval given in or after the following month, and do not include any improper Estimates.

Specifically, at CyberOwl, the daily management routine included the updating and management of spreadsheets by entering performance values therein (those management values are sometimes referred to as “**Management PL**”). It was B who entered performance values of the Affiliate Businesses supervised by B. The performance values entered by B into the spreadsheets were not the correct performance values of the Affiliate Commissions, but were instead totally unsubstantiated figures calculated by breaking down the landing figures determined by the management meeting into daily figures (in this regard, the Management PL has recently been changed into Excel format on SharePoint).

At board (sometimes referred to as the “**Board**”) meetings<sup>17</sup>, company-wide performance values for CyberOwl were reported. As for the Marketing Media Business, domain (category) performance values were also reported. These domain (category) performance values were reported at Manager Strategy (“**MANAST**”) meetings<sup>18</sup>. At My Strategy (“**MYST**”) meetings<sup>19</sup>, president’s meetings<sup>20</sup>, and regular meetings<sup>21</sup> of C and managers, respective domain (category) performance values were reported by the respective managers to A or C. Performance values reported at these meetings were, again, not correct performance values of Affiliate Commissions but were actually completely unsubstantiated and improper values that were determined by B in line with landing figures. Approximately one week before each meeting, B informed his subordinate managers of the completely unsubstantiated and improper values as appeared on the daily Management PL for each domain (category). At first, some managers raised questions about the differences between the correct performance values and the values to be reported at the meeting. However, B explained that these values should be used in reporting because any deviations from the Management PL would cause problems, and admonished that they could recover lower sales later. As a result, the managers accepted B’s opinion, despite feelings of guilt and the awareness that it was not the right thing to do, or without the awareness that correct accounting values have to be recorded under the law and without the understanding that not to

---

<sup>17</sup> The board meeting is attended by Directors, etc. Its activities include discussing CyberOwl’s management strategies, among others. The board meeting meets on a weekly basis. The most recent meeting was attended by A, B, and C, as well as executive officers K and L.

<sup>18</sup> The MANAST meeting is where managers (i.e., heads of divisions/domains (categories)) discuss strategies for the businesses they supervise, by referring to CyberOwl’s management indices. The MANAST meeting meets on a quarterly basis, and its attendees included A, B, C, D, E, and F (who joined in December 2024), as well as the manager of the Ameba business and contact persons from CyberAgent.

<sup>19</sup> The MYST meeting is where managers convert the target values for their departments determined at MANAST meeting into their individual target values and discuss practical strategies. The MYST meeting meets on a quarterly basis, and its attendees are A, B, C, and managers.

<sup>20</sup> The president’s meeting is where managers report performance values to A. The president’s meeting meets every two weeks, and its attendees are A, B, and managers.

<sup>21</sup> Regular meetings of C and managers were held in and after April 2023, when C assumed the position of leader of the Corporate Planning Department. As described in 1(2) above, since B continued to be in charge of accounting management functions after April 2023, these regular meetings were held in order for managers to report performance values to C.

do so was misconduct. From then on, managers reported improper values as provided by B<sup>22</sup>.

In this regard, managers became aware of the fact that performance values were over-reported, by making comparisons between the correct performance values that they knew, on the one hand, and the values informed by B as reported figures and/or improper values reported at meetings, on the other hand. E became aware of such fact after taking charge of the [REDACTED] advertising operations by the end of 2022. D was clearly aware of this fact by around 2024 at the latest. F has been aware of it since the beginning of 2023, when F took charge of [REDACTED] [REDACTED]<sup>23</sup>. However, while B knew the Financial Management PL, managers had no access to it and had no knowledge of its content, due to which the managers did not go so far as to express strong concerns even though they felt uncomfortable with the target progress management and reported values of the Affiliate Businesses, partly because B was their supervisor. The managers were not clearly aware of B's misconduct either.

B performed the individual evaluation of managers using correct performance values. If landing figures were not reached, B discussed future measures to achieve them. B entered the ranking of the achievement rate of individual goals announced in the company. When B failed to achieve the landing figures, he did not pretend that he had achieved such figures but instead dealt with the situation by making adjustments to raise the achievement rate, even though the landing figures had not been reached.

#### **(b) Report of Estimated Amount from Affiliate Business Personnel to Accounting Personnel**

As stated in (1) (C) above, it was not B who recorded CyberOwl's affiliate commissions in the accounting books, but rather it was G who was outsourced by CyberAgent and was accounting personnel. B would inform G of the monthly Estimates to be recorded in the accounting books (Financial Accounting PL) so that it would match the Management Accounting PL, and G recorded it in the system (II) as it was. Specifically, for the monthly Estimated Amount, B deducted the Estimated Amount for the previous month from the actual value of the sales for the current month in order to match the management PL and calculated the Estimated Amount of the current month by the difference in order to match the landing figure. This was then recorded

---

<sup>22</sup> According to the interviews with managers, some CyberOwl employees felt guilty about making false reports at each meeting, but they reported as B told them to, while others said they did not understand what the problem was with the fraudulent Estimate Recording.

<sup>23</sup> Since managers are not authorized to directly access the Management PL or Financial Management PL, they became aware of the over-reporting of performance values based on the values reported at meetings.

through the following exchange between B and G<sup>24</sup> <sup>25</sup>.

- (i) At the beginning of each month (around the 5th), B would inform G of the Estimated Amount for each domain (category) for the previous month. B had no set rules for recording the Estimated Amount for each domain (category) and instead determined the Estimated Amount by randomly allocating the total Estimated Amount calculated in the calculation process stated above to each domain (category);
- (ii) G would carry out the monthly closing work and send the file after the work to B;
- (iii) If a revision of the Estimated Amount was necessary, B would send the revised amount to G<sup>26</sup>; and
- (iv) steps (ii) and (iii) were repeated several times, and once the monthly figures, including the Estimated Amount, were finalized, G would perform the final monthly closing work and send the file after the work to B.

As stated above, G requested supporting documents from B several times because G was only informed of the value of the Estimates. However, the only documents submitted were those based on false estimated approval rates for some domains (categories) in February and June 2024, submitted in an internal audit stated in (3) below, and in September 2024 submitted by B himself<sup>27</sup>. In addition, the Estimated Amount increased year by year, and by 2024, it had become a very large amount, exceeding 1 billion yen per month, so G had a sense of crisis. However, after April 2024, CyberAgent's internal audit was carried out, and the Recording of the Estimated Amount was not subject to audit, so while monitoring the audit situation, G was collaborating with the internal audit office to the extent necessary. However, as stated in (3) below, the internal audit found that the internal controls were effective, and the Recording of the Estimated Amount was not corrected immediately. Therefore, between November 2024 and the time this Case was discovered, G was working to correct the situation by, for example, raising the issue again with CyberAgent's accounting department and interviewing CyberAgent's affiliate business personnel about the actual situation regarding affiliate commissions<sup>28</sup>.

In addition, with respect to the affiliate commissions, the accounting personnel at CyberOwl, except for G, only issued invoices from CyberOwl to CyberAgent regarding confirmed sales and confirmed the amount of money paid by CyberAgent to CyberOwl (reconciliation work) and were not involved in any way in the recording of Estimates. However, although some of the

---

<sup>24</sup> Chat name between B and G - "[REDACTED]" - Chat thread from October 6, 2023 to December 10, 2024 (IntellaID: 1787257), Interview with B

<sup>25</sup> As stated in (a) above, Company D's Estimates was not a fraudulent Estimates, and therefore, strictly speaking, Company D's Estimates was added to the calculation in the relevant calculation.

<sup>26</sup> B had asked G to revise the Estimated Amount so that the estimated profit would match the landing figure.

<sup>27</sup> As documents based on false estimated rates, spreadsheets titled "[1]," "[2]," "[3]," and "[4]" were submitted at the time of the internal audit, etc., and spreadsheets titled "[5]" were saved on B's computer, and it is thought that these were submitted by B to G.

<sup>28</sup> Chat name between G and A - "[REDACTED]" - Chat thread from September 18, 2024 to November 20, 2024 (IntellaID: 1788682)



accounting personnel except for G attended the management meetings as secretariats and were aware of the actual values reported at the meetings, they were not aware that the actual values reported at the meetings were deviating from the correct actual values and that the balance of accounts receivable recorded in the accounting books was large and that collection was stagnating.

### **(C) B's Motivation and Circumstances Leading to this Case**

The reason B started this Case was because the landing figures he reported at CyberOwl's management meeting and the actual values for the affiliate business he was in charge of varied greatly due to fluctuations in consumer demand, etc. caused by COVID-19, especially in the financial field, and sometimes the actual values fell far short of the landing figures. Therefore, B felt unable to honestly report the actual values that were below the landing figures.

In addition, CyberOwl was recognized as a cash engine for expanding into new fields and investing because of its strong performance. Therefore, it was necessary to show A that the affiliate business was performing well at management meetings and in the MANAST meetings, etc., and this was also a motivation for continuing to carry out this Case of only showing the figures on the Management PL and accounting books looking good by recording the Estimates<sup>29</sup>.

In performing the fraudulent Recording of the Estimated Amounts, B thought that if the new financial SEO media business was successful and brought in sales and cash flow, he would no longer have to carry out the fraudulent Recording of the Estimated Amount for the affiliate business and would tell A about this Case. However, the opportunity never arose, and he continued with this Case as it was.

### **(3) Explanations to Internal Audits, etc.**

CyberOwl was selected as the first internal control audit target for the evaluation of internal controls related to CyberAgent's financial reports for the period ending September 2024, and from February 2024, internal control audits related to the financial reports for the period ending September 2024 were conducted, in summary, in the following order: (i) confirmation of business flow; (ii) evaluation of the status of internal control development; and (iii) evaluation of the status of internal control operation.

Specifically, the audit of vouchers, etc. began around February 2024, and starting with the first meeting on April 17, 2024, the Internal Audit Office of CyberAgent and B sequentially

---

<sup>29</sup> Because the collection of accounts receivable took a long time, the affiliate business was not actually a cash engine, even though its sales were going well. However, A and the management meetings only checked the PL (Management PL), and the balance of cash deposits and accounts receivable was never checked.

created and updated (i) the business flow<sup>30</sup>, and at that time, the Internal Audit Office recognized that the Recording of the Estimated Amounts had been carried out for the affiliate commissions.<sup>31</sup> After that, the Recording of the Estimated Amounts for the [REDACTED] in February 2024 and the [REDACTED] in June 2024 became subject to sample checks, and a detailed question-and-answer session about the Recording of the Estimated Amounts was repeated between the Internal Audit Office and B<sup>32</sup>. During this process, the Internal Audit Office requested B to provide supporting documents for the Estimated Amounts of the samples, and he submitted spreadsheets titled “[1],” “[2],” “[3],” and “[4]” (collectively, the “**Source Documents Prepared by B**”). The Source Documents Prepared by B include, for each advertiser, by month and year of occurrence of the Estimated Amount: (i) the actual results for each month (year and month of occurrence, number of occurrences, approval rate (for the current month), approved amount (for the current month), etc.); (ii) the estimated approval rate (estimated approval rate, estimated number of approvals, etc.); and (iii) the Estimates (estimated number of approvals, estimated amount). Of the items in (ii), the number and amount of cases that remained unapproved in February or June 2024 were listed. The Internal Audit Office checked (i) the number of approvals (for the current month) stated in the Source Documents Prepared by B and the number of approvals on the management screen of each [REDACTED] advertiser and confirmed that they matched, and therefore placed a reasonable amount of trust in the Source Documents Prepared by B<sup>33</sup>. On the other hand, while the appropriateness of (iii) the Estimates was affected by (ii) the estimated approval rate and approved amount, B responded that (ii) the estimated approval rate was decided by the business personnel and that there were no further source documents. In addition, while the general period from occurrence to contract or withdrawal is two (2) months for [REDACTED] and three (3) months for [REDACTED], some of the Source Documents Prepared by B stated that the earliest occurrence was in April 2023, and it can be recognized from the documents that transactions that had occurred eight (8) months to one (1) year and four (4) months ago were recorded as the Estimated Amount. Furthermore, in the internal control audit for the financial report for the

---

<sup>30</sup> This was prepared before April 17, 2024, updated after a meeting, and the final update date was September 3, 2024. It was then submitted to CyberAgent’s accounting auditor on September 20, 2024.

<sup>31</sup> (ii) When evaluating the status of internal control development, the existence of supporting documents for the Recording of the Estimated Amount was verified. The spreadsheet titled “[6]” (which only contains the amounts for “Daily Sales,” “Amount Invoiced,” “Previous Month Estimate,” “Previous Month or Earlier Settlement,” and “Recording of the Estimated Amount” from January to May 2024) and the spreadsheet titled “[7]” (which only contains figures for “Advertiser,” “Issuance,” “Occurrence,” “Approval,” “Approval Rate,” “Sales,” and “Unit Price Occurred” for [REDACTED]) submitted by B to the Internal Audit Office indicated the likelihood that certain supporting documents existed.

<sup>32</sup> A request for documents was made with document “[8],” and a question-and-answer session was held with a spreadsheet titled “[9].”

<sup>33</sup> For example, the internal audit confirmed that the number of approvals in the month of occurrence in the document prepared by dropping Company C’s management screen into a spreadsheet matched the number of approvals in the month of occurrence in the spreadsheet titled “[1].”



## **Other than this Case**

The Committee confirmed whether there were any other fraudulent acts in the Businesses under B's Supervision stated in 1 (2) above. The Businesses under B's Supervision consist of sales through affiliate commissions and purchase costs through listing advertisements, and the Committee implemented the following procedures.

### **(a) Sales Transactions**

In order to confirm the authenticity of the sales amount, the Committee conducted a sampling check of the actual payments received against the accounts receivable balance recorded in system (II) during the period under investigation, excluding the Estimated Amount reported by B to G.

### **(b) Purchase Transactions**

In order to confirm the appropriateness of the attribution of the amount of purchases to the period, and the existence of any kickbacks or other activities using suppliers, the Committee analyzed the monthly trends of the amount of purchases by each supplier and confirmed the reasons for any abnormal values that may suggest the existence of fraud<sup>34</sup>.

## **(2) Investigation of Similar Cases at CyberAgent and CyberAgent Subsidiaries**

Although the primary target of the Investigation was CyberOwl, the Committee also conducted an investigation to the extent considered reasonable to determine whether there were any similar cases at CyberAgent and other CyberAgent subsidiaries.

As a result of the investigation of similar cases in (A) and (B) below, no events were found that could be considered fraudulent.

### **(A) Investigation of Business Conditions with Similar Risks to this Case**

Focusing on the facts that: (i) this Case was carried out based on the Recording of the Estimated

---

<sup>34</sup> As stated in footnote [11], with respect to the purchase transactions related to listing advertisements, CyberAgent was in a relationship where it would charge CyberOwl the confirmed advertising expenses (cost), and the confirmed amount could be confirmed within about one (1) month on the management screen for the cost (management screen provided by platforms such as Google and Facebook), and the amount was replaced with the confirmed amount after one (1) month. Therefore, it cannot be recognized that there was any other fraudulent recording by B other than this Case.

Amounts that were not based on objective evidence such as invoices; (ii) in this Case, the person in charge of business execution, who was responsible for sales, and the person in charge of business accounting, which is the second line, were the same person; and (iii) there were insufficient checks and balances and an appropriate division of duties was not being carried out, the Committee conducted a questionnaire survey of each group company to determine whether there were similar business situations, and conducted interviews as necessary to identify similar business situations.

In addition, as the investigation of this Case confirmed that the accounts receivable turnover period for CyberOwl was showing abnormal trends, we also analyzed the accounts receivable turnover periods for other CyberAgent Group companies and confirmed the details as necessary.

## **(B) Investigation of Status of Overdue Accounts Receivable**

We confirmed that accounts receivable at the end of September 2024 had been collected appropriately based on facts such as payments, or if they had not been collected up to the most recent date, that there was a reasonable reason therefor.

## **Section 3            Amount of Impact on Financial Statements**

### **1    Amount of Impact on Financial Statements Due to this Case**

#### **(1) How to Identify Fraudulent Transactions**

As stated in Section 2.2 (2) (A) above, the modus operandi of this Case, as identified in the Investigation, was performed by way of B arbitrarily adjusting and reporting the Estimated Amount of the sales to the accounting personnel on a monthly basis to match the landing figures for the Marketing Media Division determined at the management meeting. In addition, as stated in Section 2.2 (2) (B) (a) above, B began fraudulent the Recording of Estimated Amounts in the third quarter of 2020, but the exact timing of this cannot be clearly identified, and the Estimated Amounts that he reported to the accounting personnel were adjusted based on a predetermined conclusion to match the landing figures, and B himself did not calculate the same by distinguishing between the Estimated Amounts adjusted due to fraud and those that had not. However, given that the complexity of the contract forms with customers, mainly for card loans, made it necessary to estimate lead times and approval rates, thereby making it difficult to calculate the Estimated Amounts until the results were approved, the Committee decided that it was appropriate to regard the entire Estimated Amounts that B reported to the accounting

personnel as the Estimated Amounts that should not have been recorded as sales.

## (2) Impact on CyberOwl's Non-Consolidated Financial Statements

In accordance with (1) above, the impact on CyberOwl's non-consolidated financial statements is as follows.

(Unit: millions of yen)

Item	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Sales	△ 40	△ 311	△ 763	△ 855	△ 1,759
Gross Profit	△ 40	△ 311	△ 763	△ 855	△ 1,759
Operating Income	△ 40	△ 311	△ 763	△ 855	△ 1,759

△ indicates a decrease.

## (3) Impact on CyberAgent's Consolidated Financial Statements

The amount recognized by the Committee is also recorded as external sales in CyberAgent's consolidated financial statements. Therefore, the impact on the consolidated financial statements is the same as in the table in (2) above.

The impact of the fraudulent Estimated Amount on the consolidated financial statements is as follows.

(Unit: %)

Item	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Sales	0.0	0.0	0.1	0.1	0.2
Gross Profit	0.0	0.1	0.3	0.4	0.8
Operating Income	0.1	0.3	1.1	3.5	4.2

## 2 Amount of Impact on Financial Statements Due to Similar Cases

As a result of the investigation of the similar cases stated in 2 and 3 (1) and (2) above, no other fraudulent transactions were detected.

## **Section 4            Analysis of Causes**

### **1    Characteristics of CyberOwl's Affiliate Business (Recording of Estimate Amounts)**

As described in Section 2.2(2) A. above, from around 2016 to around 2022, the payment of CyberOwl's affiliate commission changed by being pushed back from when it accrued to when a contract is formed or cash payment is made. As a result, CyberOwl needed to predict the number of contracts to be formed or cash payments to be made based on the number of accrued cases at the end of the month and to record Estimates. Thus, the time lag between the accrual of a case and the time of formation of a contract or the making of a cash payment widened, and this created opportunities and motives for making fraudulent recording of the Estimates. In addition, the increasing complexity of the affiliate business was also exploited by B in his false explanations to the Accounting Department and the Internal Audit Office. In such recording of the Estimates, calculations are made based on the assumed approval rate, but in general, there is no objective basis for the assumed approval rate, and it is easy to arbitrarily manipulate the approval rate.

### **2    Inadequate Management/Auditing System for Complexity of Affiliate Business**

#### **(1) Concurrent Positions of Director in Charge of Business and Director in Charge of Business Administration**

As described in Section 2.1(2), from May 2018, B was appointed as a Director and put in charge of the Corporate Planning Office and was concurrently put in charge of the affiliate business. From April 2023, C was supposed to take over the management and administration operations; however, B was afraid that the Case would be discovered, so he did not hand over the management and administration operations related to the Estimate Recording for the business under his control to C. For this reason, B was able to freely conduct Estimate Recording for the business under his control for a long period of time from May 2018 until the discovery of the Case. During this period, A entrusted the management and administration work concerning accounting and recording to B, and basically did not manage or check the verification of the Management PL, and did not check whether the figures behind the Management PL were consistent. B took advantage of this situation and was in charge of all the work related to reporting the Management PL to the person in charge of accounting, responding to the Internal Audit Office, and submitting materials, etc.

In this way, the fact that B was simultaneously in charge of the business and responsible for

management for a long period of time became a breeding ground for the continued, unjustified and inaccurate Estimate Recording. In addition, B, as a Director, continued this case by maintaining the arrangement and system for continuing the fraud, such as not passing on the management and administration work to C, and being the only person in charge of liaising with the Accounting Department and the Internal Audit Office.

CyberOwl had no regulations or rules, etc. prohibiting such concurrent appointment, etc., and there were no systems or procedures in place to prevent irregularities, such as third-party checks on the workflow or system to prevent arbitrary accounting and recording by people with concurrent posts.

## **(2) Internal Control Issues**

### **(A) Accounting (Business Administration)**

As described in Section 2.2(2)B.(b), B was supposed to report the figures in the Management PL to G, who was in charge of accounting, via chat every month to achieve monthly settlement of accounts and conduct Estimate Recording, and G was supposed to check such figures<sup>35</sup>. During this verification process, G repeatedly requested supporting documents for the Estimate amounts reported by B, especially after the recorded Estimate amounts ballooned to the 1 billion yen scale at the start of the fiscal year ending September 2024, but B only submitted the supporting documents he had prepared based on the false assumed approval rate on one occasion. G understood the general outline of the affiliate business and the characteristics of CyberOwl, such as the fact that a certain lead time was required before the results of affiliate commissions could be approved, and also G was a certified public accountant and had the necessary skills to perform substantive checks as the accounting manager. However, G was unable to ascertain in a timely manner that B was making fraudulent Estimate Recording, as B was not providing the necessary supporting documents, was submitting documents based on false estimated approval rates, and G thought that there was no way B was fraudulently recording fictitious affiliate commissions (i.e., that B would never commit a fraud that could be exposed so quickly).

As described above, the workflow for Estimate Recording requires a certain amount of lead time from accrual to the formation of a contract or the making of a cash payment, and the procedures for checks and verification of vouchers by accounting staff were not established based on the characteristics of CyberOwl's affiliate business, which has a significant proportion of accrued cases that do not result in formation of a contract and do not generate affiliate commissions. This led B to either not provide sufficient supporting documents for the Estimates

---

<sup>35</sup>Flowchart ([10])



or to give false explanations to G.

## **(B) Internal Audit**

As described in Section 2.2(3), CyberOwl was subject to an internal control audit in the evaluation of internal controls related to financial reporting for the fiscal year ending September 2024, and in the course of the audit procedures, B submitted the basis materials he had prepared to the internal audit staff, which were interpreted as showing that the lead time from accrual to formation of a contract or making of a cash payment was 8 months to 1 year and 4 months, contrary to the facts, and also responded that there were no basis materials for the assumed approval rate in the materials. Although the internal audit staff was aware of the outline of the affiliate business and that a certain lead time was required for the accrual of affiliate commissions at CyberOwl, they accepted B's explanation that he was simply compiling the actual figures for the affiliate business and that the expected approval rate was determined by each manager, and believed it to be true. Therefore, the internal audit staff did not directly ask questions or request materials from each manager, including D and E. In addition, because of the auditing method of extracting specific samples (██████████ in February 2024 and ██████████), it was not possible to check the comparison between the amount of the Estimates and the cash flow, or the annual transition of the amount of the Estimates, etc., so it was not possible to grasp the fraudulent Estimate Recording conducted by B. As a result, internal controls were judged to be effective.

As described above, the internal control audit procedures did not include any checks or procedures for verifying evidence that took into account the characteristics of CyberOwl's affiliate business.

## **(C) Audit by Corporate Auditors (Transition to a Company without Corporate Auditors)**

Since the fiscal year ended September 2020, there has been no audit by CyberOwl's Corporate Auditors, and since January 2024, CyberOwl has been a company without Corporate Auditors.

## **(D) Malfunctioning of Whistle-Blowing System**

The CyberAgent Group has a whistle-blowing system in place, but in the past five (5) years, CyberOwl has had zero reports, and from the interviews conducted for this investigation, it cannot be said that the system was sufficiently well known and understood by CyberOwl employees. In

addition, CyberAgent conducts a simple questionnaire called “Risk GEPPPO” every quarter, as a mechanism to supplement the whistle-blowing system, and on average about 46 responses are received each time over the past year. Thus, although this initiative can be evaluated as one that actively collects risks in the field, there were no responses or comments related to accounting.

The whistle-blowing system is extremely important for rectifying compliance violations through a self-cleansing effect, and in order for the whistle-blowing system to fully function, it is necessary not only to make the system well known, but also to ensure that employees understand and accept the fact that whistle-blowing is not necessarily a negative thing, but is actually a positive system that allows those close to the scene to rectify problems at an early stage.

The CyberAgent Group has a large number of affiliates and subsidiaries, and as their business activities are diverse, the risks they face are also thought to be wide-ranging. Given such characteristics of the Group, in addition to cross-sectional education and training, it is important to improve the risk sensitivity of each employee in line with their on-site work, and to make sure that they are aware of and can easily use the whistle-blowing system when they detect a risk in their daily work.

In this case, there were several CyberOwl employees who recognized that B was conducting improper Estimate Recording or that there was a possibility of such an act, but none of them thought to blow the whistle on such acts. In light of this fact, we believe that it is necessary to improve the operation of the whistle-blowing system so that it functions more effectively.

### **3 Issues Concerning Compliance Awareness and Knowledge**

#### **(1) Lack of Awareness and Knowledge of Accounting Compliance**

According to the investigation, some CyberOwl employees felt guilty about making false reports at each meeting, but they reported as B told them to, while others said they did not understand the problem with the improper Estimate Recording. A also stated that he was not fully aware of legal compliance and compliance issues, and there were also other interviewees in this investigation who were not fully aware that proper accounting was required by law or that CyberOwl was a group company of CyberAgent, a listed company.

At CyberOwl, it is clear that many employees were enthusiastic about the company’s growth, the development of new businesses to achieve this, sales activities, human resource development, etc. However, it cannot be said that they were highly aware of, or had sufficient knowledge of, at least accounting compliance and corporate risk. As mentioned in Section 2.2 (2) C., it is highly likely that B also did not fully understand the accounting impact and problems of making improper Estimate Recording (for example, he thought that if it was a small amount, he could

make up for it afterwards, even if it was an improper Estimate Recording), and that he overcame the norm that he should not commit improper acts, without facing a high psychological hurdle. It is thought that not only officers but also employees are required to cultivate the necessary knowledge, a high level of compliance awareness, and risk sensitivity.

## **(2) Corporate Culture**

As stated above, at CyberOwl, it is clear that many employees were enthusiastic about the company's growth, the development of new businesses to achieve this, sales activities, human resource development, etc. and that each employee worked closely together, building strong relationships of trust as they collaborated and cooperated on their work. This corporate culture is considered a strength of CyberOwl and, by extension, the CyberAgent Group. However, some of the employees stated that they might have been able to blow the whistle if they had disliked B, and others stated that they had not suspected any wrongdoing due to the strength of their relationship, which had endured many hardships together over many years, and B's personality, etc., and it cannot be denied that the strength of the relationship of trust between each employee meant that they were unable to consult with others or raise the issue. In addition to ensuring that the whistle-blowing system is well known and thoroughly understood, and cultivating an appropriate awareness of compliance and risk sensitivity, it is considered to be necessary to foster a corporate culture and values that can identify problems with misconduct, while separating them from individual relationships.

## **Section 5            Proposed Recurrence Prevention Measures**

The following are proposed as effective preventive measures.

### **1    Risk Assessment/Response According to Business Characteristics**

In order to develop an internal control system, it is necessary to conduct a specific risk assessment and response based on the characteristics of the company's business. With regard to this Case, it cannot be said that a risk assessment and response were made based on the characteristics of affiliate commissions, which account for a major portion of CyberOwl's sales, that a certain lead time is required from the time of accrual to the time of formation of a contract or the making of a cash payment, and that a considerable proportion of the number of accrued cases do not result in the formation of a contract (are not approved) and no affiliate commissions are generated.

There are various possible specific details for risk assessment and responses based on the characteristics of CyberOwl's affiliate business, and by preparing CyberOwl's accounting rules, etc., and taking a method of only posting as sales the confirmed sales amount for which the advertiser's approval has been obtained (i.e., not recording Estimates) as the rule for recording affiliate commissions as sales, it is thought that this would be an effective fundamental recurrence prevention measure for the same type of risk as this case. In addition, if such method is used, the current method of Estimate Recording will not be used, but the process of recording sales, confirming payments, and writing off receivables by CyberOwl's accounting staff will need to be carried out with a good understanding of the company's affiliate business as described above. For example, if there is a difference between accounts receivable and the amount of money received, it will be necessary to establish a workflow and monitoring system that can reliably confirm and resolve the reason for such difference.

### **2    Strengthening Accounting and Internal Audit Functions**

In the case of CyberOwl, it was found that the business flow did not sufficiently take into account the complexity of the affiliate business or the characteristics of the risks involved in Estimate Recording, and that there was insufficient checking of the transition of accounts receivable related to Estimates, management of accounts receivable in arrears, and comparison with cash flow, etc. It was also found that the accounting staff and the Internal Audit Office of CyberOwl were unable to accurately and deeply check this matter or similar risks in a timely manner.

In this case, there was a reasonable possibility that abnormal values would have been detected if the company had analyzed things like trends in accounts receivable, the status of accounts receivable in arrears, and cash flow. So it would be a good idea to introduce a tool as well as a method for detecting fraud in accounting procedures and figures, in a multifaceted and not overly people-dependent manner. In addition, in the internal control audit by the Internal Audit Office, the internal audit function could be strengthened by assigning persons with a certain level of accounting knowledge.

### **3 Separate Authority of Subsidiary Officers, Subsidiary Accounting (Business Management) and Head Office Accounting, and Strengthening Check-and-Balance Function**

The cause of this Case and the reason why this Case did not come to light for a long period of time was that B was in charge of both the business operation and the management function at CyberOwl. In cases where there is a certain lead time before the final sales amount is determined, as in the case of conducting Estimate Recording regarding affiliate commissions, or where there is a certain risk in accounting for sales, costs, etc., where a certain interpretation or discretion is unavoidable, it is considered necessary to have a separate person in charge of business operation and accounting or business management (including head office accounting, etc.) and to have a check function in place through the separation of authority.

In addition to steadily implementing the above three measures as effective recurrence prevention measures, it is considered to be necessary to thoroughly familiarize all CyberOwl directors, officers and employees with the whistle-blowing system and to implement compliance training and education, in order to improve the level of all employees and to make these prevention measures more continuous and robust. The CyberAgent Group should consider further deepening its past initiatives. Moreover, while maintaining the merit of strong relationships of trust between employees, it should also consider creating a system and providing employee training that is aware of the need to foster a corporate culture and values that can point out problems with regard to accounting-related basic matters such as this Case, while separating them from individual human relationships.

End

**[Attachment] List of Interviewees**

No	Name	Title, Affiliation, etc. (as of February 2025)	Number of Times Interviewed
1	A	President & Representative Director and Head of New Business (Ameba Tutoring school Search Division / Owned Media Division / Financial SEO Media Division) at CyberOwl	Once
2	B	Director and Head of Marketing Media Division at CyberOwl	Once
3	C	General Manager of Business Administration Division and Head of New Business (Ameba Tutoring school Search Division / Owned Media Division / Other Media Division) at CyberOwl Participant in the Management Committee as one of the board members	Once
4	D	Manager of Finance/Education Business, Marketing Media Division at CyberOwl	Once
5	E	Manager of Human Resources / Other Business, Marketing Media Division at CyberOwl	Once
6	F	Manager of Article Business, Marketing Media Division at CyberOwl	Once
7	G	Person in Charge of Subsidiaries (CyberOwl), Management Headquarters at CyberAgent *Responsible for CyberOwl's accounting operations under the service agreement with CyberAgent	Once
8	H	Finance, Marketing Media Division at CyberOwl	Once
9	I	Head of Internal Control / Internal Audit Office at CyberAgent	Once
10	J	Manager of Internal Control / Internal Audit Office at CyberAgent	Once