

Note: This document has been translated from the Japanese original for reference purposes only.
In the event of any discrepancy between this translated document and the Japanese original,
the original shall prevail.



June 30, 2025

To whom it may concern:

Company: ACCESS CO., LTD.
Representative: Kiyoyasu Oishi
Representative Director, President & CEO
(Securities Code: 4813 Prime Market, TSE)
Contact: Mitsuhiro Okada
Executive Officer, CFO,
VP of Corporate Administration Unit
(Phone: +81-3-6853-9088)

Notice of Material Weaknesses on Internal Control over Financial Reporting

ACCESS CO., LTD. (“the Company”) hereby announces that material weaknesses were reported in management’s report on internal control over financial reporting for the 41st fiscal year (ending January 2025) submitted to Kanto Local Finance Bureau on today, pursuant to Article 24-4-4, paragraph (1) of Financial Instruments and Exchange Act.

Also, the Company submitted amended internal control reports for the 37th fiscal year (ending January 2021) through the 40th fiscal year (ending January 2024) for the same reasons.

1. Description of material weaknesses

Due to suspicions arising regarding improper sales recognition for some transactions of IP Infusion Inc. (the “U.S. Subsidiary”), a consolidated subsidiary of the Company that primarily engages in the Group’s Network business, the Company established a special investigation committee on November 29, 2024 and has been investigating this matter. The Company received the investigation report from the special investigation committee on June 30, 2025, which revealed the following facts concerning the U.S. Subsidiary.

- (a) Regarding sales transactions for software licenses, despite separate side letters being concluded at the same time as the main contracts to make the customer risk-free, which effectively placed the ongoing risk burden onto the U.S. Subsidiary, these sales were recognized based on the main contract only (overstatement of net sales).
- (b) Regarding sales transactions for software licenses, despite the conditions for revenue recognition not being satisfied, falsified supporting documents and materials for the transactions were prepared and sales were recognition (premature recognition of net sales).

Further, concurrently with the investigation by the special investigation committee, the Company conducted its own inspection of the stated value of software assets of the U.S. Subsidiary, and found that the scope of software development expenses in asset recognition had deviated from that company’s rules and policies. For this reason, the stated value of software assets was recalculated, which revealed the following facts (hereinafter, these matters are collectively referred to as the “Relevant Matters.”)

- (c) There was improper manipulation of the classification of aggregated data used as the basis for calculating the stated value of software assets and improper alteration of the transactions’ supporting documents used as the basis for the timing of the software assets’ recognition. As a result, the stated value of software assets of the U.S. Subsidiary was found to have been overstated in previous periods (overstatement of software assets, i.e., understatement of research and development expenses, etc.).

In all cases, these actions were carried out with the involvement of some members of the U.S. subsidiary’s management (One of them also serves as a director of the Company). The Company determined that the accounting treatment of such overstatement and premature recognition of net sales and overstatement of software assets needed

to be amended retrospectively for previous fiscal years, and submitted amended reports for the Annual Securities Reports for the Fiscal Year Ended January 31, 2021 through the Fiscal Year Ended January 31, 2024, the Quarterly Reports for the Second Quarter of the Fiscal Year Ended January 31, 2023 through the First Quarter of the Fiscal Year Ended January 2025, and the Semiannual Report for the First Half of the Fiscal Year Ended January 31, 2025.

In light of the facts revealed in the investigation report on the Relevant Matters and reports on analysis of the causes, the Company conducted a further re-evaluation of its internal control over financial reports. As a result, it identified that there were inadequacies in the company-wide internal control of the Company and the U.S. Subsidiary and in some of the financial closing and reporting processes, revenue recognition processes, and cost calculation processes (including the software asset recognition process) of the U.S. Subsidiary. Determining that these inadequacies have a high likelihood of exerting a significant impact on financial reports, and as such constitute material inadequacies to be disclosed, the Company made the decision to amend the matters concerning the results of evaluation of internal control related to financial reports.

The Company recognizes the following as the causes of the prolonged inappropriate accounting treatment, namely the overstatement and premature recognition of sales and the overstatement of software assets, as well as the inadequacies in internal controls.

(1) Inadequacies at the U.S. Subsidiary

(i) Inadequacy of company-wide control (control environment)

In the Relevant Matters, the negotiation of trading terms for the sales transactions (including side letters), improper alteration of supporting documents and materials used as the basis for recognition of sales, as well as the manipulation of the data on which the recognition of software assets was based and the improper alteration of the transactions' supporting documents were carried out with the involvement of some members of the U.S. subsidiary's management, who were conscious of achieving results against budget and of the expectations placed on the Network business. Overall, some members of the U.S. subsidiary's management took advantage of their position to undertake improper recognition of sales and software assets by rendering the company's internal controls ineffective. Consequently, the Company recognizes that some members of the U.S. subsidiary's management are lacking in their attitude toward reliable financial reporting and in their awareness of the rules.

In addition, at the U.S. Subsidiary, whose business scale is expanding, the administration functions, particularly accounting practices, continued to be concentrated in the hands of its CFO, and as a result, the systems for internal control related to financial reporting had not been adequately developed. Further, the Company recognizes that, in the U.S. Subsidiary overall, there was insufficient awareness that it is as member of the ACCESS Group, a publicly listed company in Japan.

(ii) Inadequacies in internal control over revenue recognition process

The overstatement and premature recognition of sales in the Relevant Matters were carried out with the involvement of the U.S. Subsidiary's management (including the improper alteration of supporting documents for recognition of sales), and they took place in circumstances where it was difficult for independent internal control to function in the U.S. Subsidiary.

As background that led to these circumstances, with internal rules concerning revenue recognition not having been adequately established in the U.S. Subsidiary, adequate due diligence of new transaction partners (including their representatives and ascertaining the actual state of the company) was not performed, nor was there sufficient systematic and comprehensive management of contracts and related documents. In addition, for license sales, there was no requirement for separate confirmation of consistency with the various information on the license management system (records of downloads by the customer, version information, etc.). We recognize that this may have created conditions conducive to the

kind of inappropriate recognition of sales found in the Relevant Matters, and that, in other words, there were inadequacies in internal control over revenue recognition processes.

(iii) Inadequacies in internal control over cost calculation processes (including software asset recognition processes)

The overstatement of software assets in the Relevant Matters was carried out under the direction of the CFO, who acted in alignment with the intentions of other members of the U.S. Subsidiary's management. Regarding the recognition of development expenses in software recognition (asset recognition) in particular, because the CFO had broad authority, including approval of accounting treatment, such treatment was being conducted in circumstances where, effectively, independent internal control was not functioning within the U.S. Subsidiary.

As background that led to such circumstances, requirements for the recognition of development expenses in software recognition (asset recognition) and internal rules governing calculation processes had not been established in a form that accurately reflected the actual state of software development at that company. We recognize that these circumstances may created conditions conducive to the inappropriate overstatement of software assets in the Relevant Matters and that, in other words, there were inadequacies in internal control over software asset recognition processes.

(iv) Inadequacies in financial closing and reporting processes

Because the CFO of the U.S. Subsidiary had approved the various inappropriate accounting treatments in the Relevant Matters, we recognize that there were inadequacies in the CFO review and approval process for journal entry input in the company's financial closing and reporting process.

(2) Inadequacies in company-wide internal control of the Company

(i) Inadequacies of company-wide control (control environment, information and communication)

The Company's executive director (in charge of overseas operations) serves concurrently as a director of the U.S. Subsidiary. Given that this person was also involved in the inappropriate accounting practices of the U.S. Subsidiary, we recognize that the attitude toward reliable financial reporting and awareness of the rules was lacking in the Company as well.

In addition, in the Company's Board of Directors, there was a lack of open and candid discussion between the Executive Directors and outside officers (particularly the Outside Directors) and a reluctance among the Executive Directors to present negative information to the Board. As a result, we recognize that important information about the Relevant Matters was not properly communicated to or shared with the Board of Directors or the Audit & Supervisory Board, and that supervision of the Executive Directors by the Board of Directors has not always been adequate.

(ii) Inadequacies of company-wide control (risk assessment and response)

The Relevant Matters took place at a U.S. subsidiary of the Company. Since becoming a Group company of the Company, it has played a central role in the Network business, and with the expansion of the Network business, its importance in the Group overall has increased. On the other hand, the Company's recognition of risks concerning improper accounting practices involving subsidiaries' management, as was the case with the Relevant Matters, has not always been adequate. As a result, the strengthening of control activities and monitoring frameworks (as described below) and the gathering of information about the actual state of transactions at the U.S. Subsidiary have been insufficient, and there has been a failure to deal appropriately with risks related to circumstances such as the sudden increase in transactions with specific transaction counterparts at the U.S. Subsidiary, significant delays in collection of payments, and deposits received from third parties who are not the direct transaction counterpart.

(iii) Inadequacies of company-wide control (control activities and monitoring)

As stated above, as a result of inadequate recognition of risks related to inappropriate accounting practices involving the subsidiaries' management, as was the case with the Relevant Matters, the Company's administration division and internal audit division failed to adequately strengthen their control activities and monitoring in response to the expansion of the scale of the U.S. Subsidiary. The reporting line of the U.S. Subsidiary's CFO consisted solely of that company's CEO, making it difficult for exert effective control from the Company's side. Under these circumstances, there had been insufficient development of structures for a second and third line of control activities and monitoring of overseas locations, including the gathering of information from those locations.

2. Reasons why material weaknesses were not remediated by the end of the fiscal year

Because these facts were revealed after the last day of the fiscal year under review, these inadequacies could not be corrected by the end of the fiscal year under review.

3. Remediation efforts to address material weaknesses

The Company recognizes the importance of internal control over financial reports, and to correct these inadequacies to be disclosed, we will implement the following remedy measures, based on the observations and recommendations of the special investigation committee, and work to establish and implement proper internal controls.

(Remedy measures at the U.S. Subsidiary)

(1) Overhaul of the management structure at the U.S. subsidiary

Regarding the Directors and CFO whose involvement in the Relevant Matters of the U.S. Subsidiary has been recognized, upon clarification of management responsibility for the Relevant Matters, we will conduct an overhaul of the management structure. Specifically, the CEO and CFO of the company will be replaced, and the influence of the people involved over financial reporting will be promptly removed. For the time being, monitoring and supervision will be conducted by personnel from the Company or by external experts engaged with an obligation to report to the Company.

(2) Strengthening of administrative structure at the U.S. subsidiary

To establish an administrative structure commensurate with the current scale of the U.S. Subsidiary, new personnel in charge of legal affairs and compliance will be employed, and the staff of the administration division will be reinforced (a structure that will obtain support from external experts as necessary will be established). The authority that had previously been concentrated in the hands of the CFO will then be divided between the second-line functions of accounting/finance and legal/compliance, thereby establishing an administrative structure with mutual checks and balances.

The CFO of the U.S. Subsidiary will have a duty to report directly to the CFO of the Company, thereby increasing the effectiveness of monitoring by the Company.

(3) Mindset reform at overseas locations

At the Company's overseas locations, including the U.S. Subsidiary, to foster awareness of their positions as members of the Group, we will undertake ongoing education, particularly regarding the importance of financial reporting.

(4) Redevelopment of internal rules governing revenue recognition

Based on the diverse forms of transactions and the actual circumstances of transactions at the U.S.

Subsidiary, we will conduct another review of the internal rules governing revenue recognition and further clarify and specify the accounting practices and policies according to each transaction type. We will also thoroughly communicate these rules and the intention behind their establishment not only to the subsidiary's accounting division, but also to other relevant divisions, including sales, and conduct ongoing awareness initiatives.

(5) Rebuilding of revenue recognition workflow in light of the Relevant Matters

In light of the Relevant Matters, we will undertake a review and rebuilding of the various work processes related to revenue recognition. Specifically, in terms of strengthening the administration of transactions (including the review of due diligence items when instigating a transaction), strengthening of pre-checks of various contracts (pre-assessment of accounting risks, evaluation of the interrelationship between multiple contracts when a transaction consists of more than one agreement, clarification of authority and responsibilities for contract approval and signing, etc.), and strengthening of shipment administration (establishment of independent check systems in the engineering division, clarification of criteria for recognizing a shipment as complete, clarification of exceptions for shipment supporting documents, etc.), we will make further improvements to processes and procedures for each sales channel and thoroughly communicate them.

(6) Redevelopment of internal rules, etc. governing recognition of software assets

In light of the actual circumstances of software development at the U.S. Subsidiary, we will conduct another review of the internal rules governing recognition of software assets, further defining and specifying the internal rules regarding the scope of expenses to be recognized in asset recognition (including the timing for the start and end of recognition). We will also thoroughly communicate these rules and the intention behind their establishment not only to the subsidiary's accounting division, but also to the engineering division and other relevant divisions (including other subsidiaries of the Company that develop software), and conduct ongoing awareness initiatives.

(7) Rebuilding of software asset recognition workflow in light of the Relevant Matters

In light of the Relevant Matters, we will undertake a review and rebuilding of the various work processes related to software asset recognition. Specifically, we will build a system for improving the accuracy of work hours of engineers related to software development, and improve the manual checks by the accounting division of adjustments to work hour data. In addition, regarding the timing of recognition of software assets in particular, we will build a system of mutual checks and balances by having the accounting division approve the information reported by the engineering division.

(Remedy measures at the Company)

(1) Mindset reform in the Company and commitment of top management

We will conduct ongoing education to raise awareness of financial reporting across the entire Company. In company-wide education, we will incorporate content such as financial reporting and compliance, and in education for senior management executives in particular, we will conduct systematic, ongoing training regarding topics such as financial reporting, business ethics, and management integrity.

In advance of these initiatives, to demonstrate strong leadership for the prevention of recurrences, the Company's top management will undertake a comprehensive review of the Relevant Matters, reflect on them, and consider the way forward. On that basis, they will communicate in the form of a Message from Top Management, conveying the need for mindset reform across the entire company, including themselves, and that top management themselves will take personal responsibility to lead such initiatives.

(2) Improvement of governance at the Company

To establish an environment conducive to open, candid, and constructive discussion in the Board of

Directors while maintaining a healthy tension between the Executive Directors and Outside Directors, from the perspective of information communication in the Board of Directors in particular, we will develop a framework to ensure that important matters that have been shared and discussed in management meetings are also shared with the Board of Directors appropriately and comprehensively. We will also establish a mechanism for reporting to the Board of Directors all material risk information detected in the second and third lines of internal control described below.

(3) Strengthening of control of the U.S. subsidiary by the Company

After setting up a reporting line from the CFO of the U.S. Subsidiary to the Company, we will establish a framework for the Company's CFO to hold authority over the recruitment, evaluation, and dismissal of the U.S. Subsidiary's CFO. In addition, in the interim until control structures have been established to a certain extent at the U.S. Subsidiary, the Company's CFO, with the cooperation of an external expert, will travel to the United States each quarter for the closing of the U.S. Subsidiary's quarterly accounts and conduct direct confirmation of important transactions and contracts, accounting practices, and other relevant matters.

(4) Strengthening of the Company's administration division (2nd line)

In addition to expanding the overall resources of the Company's administrative structure, we will strengthen administration and control of overseas locations in particular. Specifically, we will establish frameworks for reporting from the business divisions and accounting and legal departments of the overseas locations to the Company and strengthen coordination between second-line functions on both sides.

Further, regarding transactions of particularly significant amounts in each quarter, in addition to the confirmation of supporting documents that the Company's accounting department has already been conducting, the relevant contracts will also be reviewed with the cooperation of the Company's legal department, and the personnel responsible for those transactions will be questioned. These functions will constitute a review that is conscious of the risks from a financial reporting perspective on both accounting and legal fronts. Regarding particularly important operational systems, such as the sales administration systems of overseas locations, the Company's administrative division will be granted the authority to inspect those systems, and we will establish a framework whereby that division may directly confirm the various types of data from those locations according to necessity.

(5) Strengthening of the Company's internal audit division (3rd line)

We will also reinforce the structures in the Company's internal audit division and strengthen the internal audits of overseas locations in particular. This division will regularly take up the issues and concerns raised by the Company's accounting division and other second-line functions and, after conducting risk assessments from financial reporting perspectives, propose internal audit plans and procedures. For the immediate future, it will also deepen its on-site audits of overseas locations with the assistance of outside experts.

4. Impact to the consolidated financial statements and the financial statements of the Company

All necessary adjustments have been reflected in the consolidated financial statements and financial statements due to the material weaknesses described above

5. Opinion on the consolidated financial statements and the financial statements of the Company

Unqualified opinion