



November 2, 2020

To whom it may concern:

Net One Systems Co., Ltd.
(Stock Code: 7518, TSE1)

Notice regarding the establishment of an external investigative committee

As indicated in its October 26, 2020 news release entitled “Notice regarding postponement of announcement of financial results for the second quarter of the fiscal year ending March 31, 2021,” Net One Systems Co., Ltd. (“Net One Systems” or “the Company”) has become aware of suspicions regarding diversion of funds by an employee (below, “the incident”).

With regard to this incident, Net One Systems hereby announces that it has decided to establish an external investigative committee (more details below) consisting of neutral, impartial, and highly independent experts through a meeting held by the Board of Directors on November 2, 2020.

We sincerely apologize for any inconveniences or concerns encountered by shareholders, investors, business partners, or other related parties as a result of the incident.

1. Purpose behind the establishment of an external investigative committee

As indicated in the October 26, 2020 news release entitled “Notice regarding postponement of announcement of financial results for the second quarter of the fiscal year ending March 31, 2021,” since becoming aware of the incident, Net One Systems established an internal investigative team that had been conducting investigation into the incident. However, Net One Systems subsequently decided that maintaining its accountability with stakeholders through objective investigations conducted by independent experts would be necessary to ensure a quick resolution to the current situation. Accordingly, the Company has established an external investigative committee on November 2, 2020. The internal investigative team will transfer its evidentiary materials to the newly established external investigative committee.

2. Composition of external investigative committee

Position	Name	Title and affiliation
Chair	Takeshi Motomura	Attorney at law, Iwata Godo
Member	Hiroyuki Hasegawa	Attorney at law, Kataoka & Kobayashi LPC
Member	Yusuke Tomita	Attorney at law, Iwata Godo

As it prepares to report financial results for the second quarter of the fiscal year ending March 31, 2021, Net One Systems will require a prompt investigation into the matter, as well as close collaboration with the external investigative committee concerning relevant information. Accordingly, the external investigative committee has not adopted the form of a third-party committee that is prescribed under the “Guidelines for Third-Party Committees Investigating Corporate Scandals” published by the Japan Federation of Bar Associations. However, the external investigative committee has been established with the highest levels of respect for the intentions behind these guidelines and exclusively consists of independent external experts.

3. Duties of the external investigative committee

The committee will carry out the following duties:

- (1) Investigate facts related to the incident
- (2) Determine whether or not similar incidents have occurred
- (3) If the incident is confirmed to be factual, investigate the cause and propose measures aimed at preventing recurrence, as necessary
- (4) Prepare and submit to Net One Systems an investigative report based on the results obtained through the fulfillment of the above duties
- (5) Other duties deemed necessary by the external investigative committee

4. Future course of action

Net One Systems will cooperate fully to ensure that investigations conducted by the external investigative committee are prompt, effective, and transparent. Depending on the rate of the investigation's progress, the Company will also consider applying for approval to extend the deadline for submitting its securities report for the second quarter of the fiscal year ending March 31, 2021. The results of the committee's investigation will be reported promptly upon receipt.

Based on evidence confirmed by Net One Systems' internal investigative team thus far, the Company believes that the incident's impact on financial results will be minimal. However, this impact may vary due to future findings by the investigative committee. Net One Systems will promptly disclose any new facts uncovered by the committee's investigation.

Net One Systems is keenly aware that the incident in question occurred shortly after a previous incident announced through the March 12, 2020 news release entitled "Notice regarding investigation results of special investigative committee and future response" and involving fraudulent transactions conducted by a former employee that involved transactions without actual deliveries of goods. Accordingly, after the investigation into the incident is complete, Net One Systems will review investigative results regarding both the incident in question and the previous incident and subsequently work with outside experts to conduct further investigations and analyses into issues related to its corporate culture and governance, which it believes are at the root of these individual incidents. Furthermore, Net One Systems will implement measures aimed at making improvements related to these issues. The Company will promptly disclose any further details as soon as concrete decisions have been reached.

Once again, Net One Systems offers its sincerest apologies for any inconveniences and concerns encountered by concerned parties as a result of the incident.