

DISCLAIMER

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To our shareholders:

Thank you as ever for your kind support. We are pleased to hereby bring you this notice of our 34th Annual Shareholders Meeting.

First, we would like to offer our sincere apologies for causing considerable inconvenience to our shareholders and investors, as well as business partners and other parties concerned for repeated improper conduct.

In order to promptly recover social credibility of the Company and to renew the management system, I, Takafumi Takeshita, have assumed the position of President & CEO since April 2021. Under the new system, we will strengthen internal controls by taking measures against recurrence of such incidents, and engage the full cooperation of the entire company to reform corporate governance and corporate culture to bring about continuous growth.

In addition, with the novel coronavirus disease (COVID-19), while taking the safety of our customers, employees, business partners, and other parties concerned as our first priority, we hope for an end to this difficult situation. We will continue to support the search for solutions on issues such as promotion for digitization and security enhancement, and contribute to social innovation.

We would like to ask our shareholders to continue to understand and support the Group's ongoing challenge to change as a technology professional group that, while entering a new phase, makes "Charge, Channel and Change" a reality amidst the situation under COVID-19.

Net One Systems Co., Ltd.

Takafumi Takeshita
President & CEO

Fraudulent Acts and Corrections to Previous Operating Performance

In November 2019, the Company received a notification from the Tokyo Regional Taxation Bureau. Subsequently, after conclusion of an investigation by the special investigative committee from December 13, 2019 to March 11, 2020, the “Final Report on the Results of Investigation Regarding Transactions where delivery of goods could not be confirmed” was disclosed on March 12, 2020.

Thereafter, upon receiving information from an external organization, the Company established an external investigative committee comprised of external lawyers and certified public accounts without any special interest in the Company to confirm the suspicions regarding diversion of funds by an employee, which has continued to investigate since. The Company disclosed the external investigative committee’s investigative report on December 16, 2020 and on March 18, 2021. The investigation discovered that (1) the Company’s former employee had misappropriated the Company’s funds through the use of fictitious transactions and inflated transactions with suppliers; (2) the Company’s employees and former employees undertook improper substitution of costs securing “risk expenses” from lease companies and suppliers; (3) the Company’s former employee undertook improper substitution of costs for multiple transactions; and (4) the Internal Audit Office’s evaluation operations of internal controls relating to financial reporting used inadequate sampling.

In addition, in the process of preparing for the financial results for the second quarter of the fiscal year ended March 31, 2021, the Company became aware, through information from an external organization, of the possibility of errors in part of the accounting treatment for the aforementioned transactions without actual deliveries of goods. So, the Company confirmed the facts through the internal investigative team and disclosed the results of the investigation by the internal investigative team on December 16, 2020. The investigation discovered matters including (5) the extraordinary losses in relation to approximately 5,100 million yen in advances paid concerning transactions without actual deliveries of good recorded over the three year period from the 31st fiscal year to the 33rd fiscal year for the corrections of previous results made in March 2020 were of a nature that should have been borne over the period from the 29th fiscal year, the year in which the series of fictitious and circular transactions commenced, until the 33rd fiscal year; (6) part of the funds from the Company to multiple operators concerning the aforementioned transactions without actual deliveries of goods are assigned as the provision of services and goods relating to transactions recorded by the Company as sales; and (7) part of the stock received transactions that were recognized as transactions without actual deliveries of goods for the corrections to previous results made in March 2020 were authentic.

Based on the results of said investigations, we recognized the necessity to make proper adjustments to our previous accounting treatment. Accordingly, we made the following corrections to previous consolidated financial statements and non-consolidated financial statements. Up until the first three months of the fiscal year ended March 31, 2021 (FY21Q1), the cumulative effects on profit attributable to owners of parent (net assets) is -1,329 million yen.

Cumulative effects on profit attributable to owners of parent (net assets)

(unit: million yen)

	28th term (FY15)	29th term (FY16)	30th term (FY17)	31st term (FY18)	32nd term (FY19)	33rd term (FY20)	34th term (FY21 Q1)	Total
(1) above	—	—	—	—	(1)	(14)	—	(16)
(2) and (3) above	—	—	—	—	—	—	—	—
(5) above	—	(836)	(2,355)	328	3,182	(318)	—	—
(6) above	(362)	(303)	(103)	(178)	(279)	38	—	(1,188)
(7) above	—	—	(49)	—	17	(17)	—	(49)
Other	—	—	—	—	(86)	4	6	(75)
Total	(362)	(1,140)	(2,508)	150	2,831	(307)	6	(1,329)

Analysis of causes and recurrence prevention measures

As stated in the “Notice regarding receipt of ‘External Investigative Committee Investigation Report: From Governance and Corporate Culture Perspectives’ and publication of disclosure version” dated March 18, 2021, the Company has received investigation results of causes for the fraudulent acts and recommendations on measures to prevent recurrence from the external investigative committee.

Analysis of causes by the external investigative committee (Overview)

1. Issues with internal controls, whistleblowers and corporate culture
2. Issues with the 3-way audit (Audit by Audit & Supervisory Board Members, Audit by the Accounting Auditor, Internal Audit)
3. Measures to prevent reoccurrence in light past investigations not fully implemented
4. Governance issues

Recurrence prevention measures (Overview)

The Company have responded sincerely to the investigation results and recommendations by the external investigative committee and has worked out and implemented recurrence prevention measures as follows. (Please refer to pages 41 to 46 for a description of the measures to prevent recurrence and the progress of those measures.)

1	Reform and development of governance
2	Enhancement of risk management system
3	Enhancement of system for business execution (first line, 1.5 line, and second line) and internal system
4	Thorough reexamination of the audit system
5	A scheme where employees can have a voice
6	Reform and cultivation of organizational culture
7	Education on accounting literacy and lessons learned from past scandals
8	Continuation of the monitoring system

June 8, 2021

Net One Systems Co., Ltd.
7-2, Marunouchi 2-chome,
Chiyoda-ku, Tokyo

NOTICE OF THE 34th ANNUAL SHAREHOLDERS MEETING

To Our Shareholders:

We are pleased to announce the 34th Annual Shareholders Meeting of Net One Systems Co., Ltd. (hereinafter referred to as the “Company”) will be held as indicated below.

Recently the Japanese Government has strongly requested restraint from outings to prevent the spread of the novel coronavirus disease (COVID-19). This meeting will be held with appropriate measures in place to prevent infection. However, from the perspective of preventing the spread of COVID-19, we request that you exercise your voting rights beforehand either in writing or via the internet wherever possible and refrain from attending the meeting in person, regardless of your state of health on the day. YOU MAY EXERCISE YOUR VOTING RIGHTS AS EXPLAINED IN “Instructions Concerning the Exercise of Voting Rights” (pages 8 to 11). PLEASE CAREFULLY READ “Reference Documents regarding Shareholders Meeting” (pages 12 to 31) ATTACHED HERE TO AND EXERCISE YOUR VOTING RIGHTS BY 5:30 PM ON JUNE 22, 2021 (TUESDAY).

Truly yours,

Takafumi Takeshita
President & CEO
Net One Systems Co., Ltd.

1. Date/Time: June 23, 2021 (Wednesday) at 10:00 am
(The reception of shareholders will commence at 9:00 am)
2. Place: Tokyo Kaikan 3F “ROSE”
2-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan
Please note that the venue is different from the past years.
From the perspective of preventing the spread of COVID-19, we request that you refrain from attending the meeting in person.
The meeting will be live-streamed. Please refer to page 7 for details on how to watch it.
3. Agenda of the Meeting:
Matters to be Reported:
 - 1) Business Report, consolidated financial statements and Accounting Auditor’s and Audit & Supervisory Board’s audit result reports on consolidated financial statements for the 34th fiscal year (April 1, 2020 to March 31, 2021)
 - 2) Non-consolidated financial statements for the 34th fiscal year (April 1, 2020 to March 31, 2021)Matters to be Resolved:
 - Proposal 1: Appropriation of surplus
 - Proposal 2: Election of seven (7) Executive Directors
 - Proposal 3: Election of one (1) Audit & Supervisory Board Member
 - Proposal 4: Election of Accounting Auditor

Proposal 5: Payment of bonuses to Executive Directors

Proposal 6: Determination of details of share acquisition rights under the stock compensation-type stock options plan for Executive Directors

Live Streaming of the 34th Annual Shareholders Meeting

The meeting will be live-streamed so that you can watch the meeting from home, etc.

Date/Time: June 23, 2021 (Wednesday) at 10:00 am (you can attend the meeting from 9:30 am)

Live streaming URL link:

<https://netone.sokai.jp/>

ID: Shareholder number (9 digits) printed on the Exercise of Voting Right Form

Password: Postal code (7 digits excluding hyphen) recorded in the shareholder register as of the end of March, 2021.

- On some devices and under certain telecommunications environment, you may not be able to view the live streaming video. Also, please note that telecommunications cost for accessing the live streaming site shall be borne by shareholders.
- Further details are provided on the following website:
<https://www.netone.co.jp/ir/stock/meeting/>

Reception of questions in advance

You may write your opinion or question on the blank side of the Voting Right Form or on the questionnaire that is given after exercising voting rights via the internet etc.

Matters that attract high interest from the shareholders will be explained at the meeting and those details will be posted on the Company's website after the meeting.

Cancellation of the Business Briefing Session

The business briefing session that has typically been held in the same venue after the annual shareholders meeting has been cancelled this year.

Information about the Attachments to this Notice

- Of documents to be attached to this Notice, "Consolidated statement of changes in net assets," "Notes to consolidated financial statements," "Non-consolidated statement of changes in net assets," and "Notes to non-consolidated financial statements" (collectively the "Relevant Documents") are posted on the Company's website (<https://www.netone.co.jp/>) in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Incorporation. These documents are not therefore included in the attachments to this Notice.

Meanwhile, the Relevant Documents posted on the Company's website as well as the attachments to this Notice are included in the consolidated financial statements and non-consolidated financial statements (excluding (Reference)), both of which have been audited by Audit & Supervisory Board Members to prepare an audit report and by Accounting Auditor to prepare accounting audit reports.

- If you wish to obtain the Relevant Documents posted on the website in paper form, please contact our Investors Relations Office (Phone: 03-6256-0615) to have forms mail to you.
- Any additional explanations to or changes to contents of the reference document regarding Shareholders Meeting, business report, consolidated financial statements and non-consolidated financial statements required up to one (1) day before the Shareholders Meeting shall be notified to shareholders by posting on the Company's website.

(Company's website: <https://www.netone.co.jp/>)

Instructions Concerning the Exercise of Voting Rights

The right to vote at an Annual Shareholders Meeting is one of the important rights for shareholders. You are recommended to exercise your voting rights after reading and taking into consideration the “Reference Documents regarding Shareholders Meeting” below (pages 12 to 31). Voting rights can be exercised in the four methods below.

<Scanning the QR Code “Smart Exercise”>

On your smartphone/tablet, scan the “Smart Exercise” QR code printed on the lower right corner of the enclosed Exercise of Voting Right Form and enter your approval or disapproval by the deadline for the exercise of voting rights.

Deadline for the exercise of voting rights on smartphone/tablet:

No later than 5:30 p.m. on June 22, 2021 (Tuesday)

For details, please refer to page 9.

<Entering the voting code>

Access the online voting website designated below from a personal computer, smartphone, etc.

Online voting website: <https://www.web54.net>

Deadline for the exercise of voting rights via the Internet:

No later than 5:30 p.m. on June 22, 2021 (Tuesday)

For details, please refer to page 10.

<Exercise of voting rights by mailing of written documents>

Please indicate your approval or disapproval for each of the proposals on the enclosed Exercise of Voting Right Form and send it back to the Company. (No postage is needed.)

Arrival deadline for the exercise of voting rights by mailing of written documents:

No later than 5:30 p.m. on June 22, 2021 (Tuesday)

<Exercise of voting rights by attendance at the Annual Shareholders Meeting>

Please submit the enclosed Exercise of Voting Right Form to the receptionist. (No seal is necessary.)

From the perspective of preventing the spread of COVID-19, please refrain from attending the meeting in person.

Date and Time of the Annual Shareholders Meeting:

10:00 a.m. on June 23, 2021 (Wednesday)

Exercise of voting rights via the Internet, etc.

<Scanning the QR Code “Smart Exercise”>

Exercise deadline

No later than 5:30 p.m. on June 22, 2021 (Tuesday)

You can log into the online voting website without entering “Voting Rights Exercise Code” and “Password.”

1. Scan the QR code printed on the lower right corner of the enclosed Exercise of Voting Right Form.

* “QR code” is a registered trademark of DENSO WAVE INCORPORATED.

2. Then, enter your approval or disapproval by following the instructions on the display.

“Smart Exercise” of voting rights is available only once.

When changing your entry of approval or disapproval, 1) access the PC-version voting website, 2) log into the site using the “Voting Rights Exercise Code” and “Password” printed on the Exercise of Voting Right Form, and then 3) re-vote.

*Re-scanning the QR code will re-direct you to the PC-version voting website.

If you exercise your voting rights both in writing (by postal mail) and via the Internet, etc., only the vote through the Internet, etc. (including Smart Exercise of Voting Rights) will be handled as your valid exercise of voting rights. Moreover, in the event that voting rights are exercised multiple times via the Internet, etc., (including Smart Exercise of Voting Rights) only the last vote exercised shall be treated as valid.

<Entering the voting code>

Exercise deadline

No later than 5:30 p.m. on June 22, 2021 (Tuesday)

Online voting website: <https://www.web54.net>

1. Access the online voting website. Click [Next].
2. Enter the “Voting Rights Exercise Code” printed on the lower right corner of the Exercise of Voting Right Form.

Enter the “Voting Rights Exercise Code.”
Click [Login].

3. Enter the “Password” printed on the lower right corner of the Exercise of Voting Right Form.

Enter the “Initial Password.”
Enter a new password that you use from then on to login.
Click [Register].

4. Indicate your approval or disapproval for proposals by following the instructions on the screen.

If you exercise your voting rights both in writing (by postal mail) and via the Internet, etc., only the vote through the Internet, etc. (including Smart Exercise of Voting Rights) will be handled as your valid exercise of voting rights. Moreover, in the event that voting rights are exercised multiple times via the Internet, etc., (including Smart Exercise of Voting Rights) only the last vote exercised shall be treated as valid.

Inquiries regarding the online voting website:

Sumitomo Mitsui Trust Bank, Limited
Stock Transfer Agency Web Support Dedicated Line:
0120-652-031 (Toll-free) (Japan only)
Business hours: 9:00 a.m. - 9:00 p.m. (Japan Standard Time)

For institutional investors:

Institutional investors may use the voting rights exercise platform operated by ICJ Inc. as an electronic mean to exercise voting rights at the Annual Shareholders Meeting.

<Exercise of Voting Rights by Mailing of Written Documents>

Arrival deadline for the exercise of voting rights by mailing of written documents:

No later than 5:30 p.m. on June 22, 2021 (Tuesday)

If the Exercise of Voting Right Form is submitted with no indication of either approval or disapproval for any proposal, you will be deemed to have approved the proposal.

Please mail this form.

Indicate either approval or disapproval

Circle "Approval" to approve the proposal.

Circle "Disapproval" to disapprove the proposal.

*When disapproving part of the candidates, first circle "Approval" and then fill in the identification number(s) of the candidate(s) you disapprove.

<Exercise of Voting Rights by Attendance at the Annual Shareholders Meeting>

Please submit the Exercise of Voting Right Form to the receptionist (no seal necessary).

When attending by proxy, the proxy will be required to present documentary proof of his or her authority to exercise your voting rights (a letter of proxy) in addition to the shareholder's Exercise of Voting Right Form to the receptionist. You may name one (1) shareholder who holds voting rights of the Company to act as proxy and exercise your voting rights in accordance with the provisions of the Company's Articles of Incorporation.

- Please be advised that starting this year, no gifts will be provided to shareholders attending the Annual Meeting of Shareholders. Your understanding is greatly appreciated.
- Measures against COVID-19
Please note that we may have our executives, managers and other employees wear masks and take other measures on the venue to prevent infection with and spread of COVID-19.
To avoid the risk of infection of shareholders and executives and employees of the Company, please abstain from attending the meeting in person.

Reference Documents regarding Shareholders Meeting

Proposal 1: Appropriation of surplus

The Company has made continuous efforts to maximize shareholder interests by enhancing corporate value; and has a policy to increase shareholders' equity, a driver for expansion of the business base and growth of business, and to consistently distribute to shareholders dividends that appropriately reflect its operating performance over the long term.

1. Year-end dividends

Under the above policy, the Company aims to provide the consolidated dividend payout ratio of 30% or more.

Considering the operating performance of the current fiscal year and the above policy, the year-end dividend for the 34th fiscal year is proposed as follows.

Type of payout	Cash dividend	
Allocation of cash dividend and its total amount	40 yen per share of common stock	
	Total amount of dividends	3,389,713,880 yen
Effective date of dividend from surplus	June 24, 2021	

The dividend on an annual basis for the 34th fiscal year including the interim dividends is 64 yen per share with the consolidated dividend payout ratio of 44.0%.

2. Appropriation of surplus

Account and amount of surplus that will decrease	Retained earnings brought forward	1,340,000,000 yen
Account and amount of surplus that will increase	General reserve	1,340,000,000 yen

Proposal 2: Election of seven (7) Executive Directors

Three (3) Executive Directors retired due to resignation on March 31, 2021, and the term of office of all other seven (7) Executive Directors' will expire at the conclusion of this Annual Shareholders Meeting. Reexamining the management system, the Company proposes that the number of Executive Directors be reduced by three (3) and seven (7) Executive Directors (of which three (3) are Outside Executive Directors) be elected.

All the candidates for Outside Executive Directors satisfy the "Independence Standards" (page 27) established by the Company.

This proposal was deliberated by the Advisory Committee.

The candidates for Executive Directors are as follows.


Candidate number	Name	Present position and responsibility in the Company	Candidate attribute				Status of attendance at Board of Directors
1	Takafumi Takeshita	President & CEO	Reelected				15/15 (100%)
2	Takuya Tanaka	Senior Vice President, in charge of Corporate Planning & Strategy Division, in charge of Corporate Planning & Management Division, in charge of East Japan Business Unit 1, in charge of East Japan Business Unit 2, in charge of Central Japan Business Unit, in charge of West Japan Business Unit	Reelected				15/15 (100%)
3	Fumihiko Shinoura	Senior Vice President, in charge of Business Development Division, in charge of Customer Service	Reelected				15/15 (100%)
4	Koji Tsuji	Vice President, in charge of East Japan Business Unit 1	Newly elected				-
5	Ryugo Hayano	Outside Executive Director	Reelected	Outside	Independent		15/15 (100%)
6	Shigeki Kusaka	Outside Executive Director	Reelected	Outside	Independent		13/13 (100%)
7	Maya Ito	-	Newly elected	Outside	Independent	Female	-


(For Reference)


<Skill matrix of the Company's (expected) Directors and Audit & Supervisory Board Members following the conclusion of the Annual General Meeting of Shareholders on June 23, 2021>


Name	Title	Tenure	Corporate management /Management strategy	Technology	Human Resources/ Diversity	Finance/ accounting	Law/ risk management
Takafumi Takeshita	Representative Director	Approx. 3 months (3 years as Director)	○	○	○	○	○
Takuya Tanaka	Director	3 years	○		○		
Fumihiko Shinoura	Director	2 years	○	○	○		
Koji Tsuji	Director (Newly elected)	-	○				
Ryugo Hayano	Outside Director	3 years		○	○		
Shigeki Kusaka	Outside Director	1 year	○	○			
Maya Ito	Outside Director (Newly elected)	-			○		○
Kazuhiro Noguchi	Full-time Outside Audit & Supervisory Board Member (Newly elected)	-				○	
Keiichi Horii	Outside Audit & Supervisory Board Member	5 years					○
Hideki Suda	Outside Audit & Supervisory Board Member	5 years	○				
Sachiko Iizuka	Outside Audit & Supervisory Board Member	1 year	○		○	○	


The number of years in office is as at the conclusion of this general meeting.

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company’s shares owned	Status of attendance at Board of Directors
1	<div>Takafumi Takeshita (Mar. 28, 1965)</div> <div></div> <div>[Reelected]</div>	President & CEO	46,209 shares	15/15 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1988	Joined Ungermann-Bass Networks K.K.			
May 1989	Joined the Company			
Apr. 2006	Vice President, Technical Service Headquarters of Network Service And Technologies Co., Ltd. (current Net One Systems Co., Ltd.) (seconded)			
Jun. 2009	Executive Director, Network Service And Technologies Co., Ltd.			
Jul. 2011	Vice President of the Company			
Jun. 2018	Senior Vice President			
Apr. 2021	President & CEO (incumbent)			
Reasons for selection as a candidate for Executive Director:				
Mr. Takafumi Takeshita has a wealth of experience and a proven track record through many years of practical experience in technology operations. Since assuming the position as Executive Director in charge of divisions such as the Corporate Planning & Management Division, he has made every effort to strengthen management and other functions of the entire Group. In addition, since assuming the position as President & CEO, under the new management system, he is making every effort to construct a steady governance system and to reform the corporate culture of the entire group. Having judged that it is necessary that he continue in the position of Executive Director in order to further enhance the Company’s corporate value and to recover the Company’s social credibility, the Company has selected him as a candidate for Executive Director.				


Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
2	Takuya Tanaka (Apr. 7, 1969)  [Reelected]	Senior Vice President	1,950 shares	15/15 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1992 Joined Nihon Unisys, Limited Aug. 1996 Joined Nihon Cisco Systems K.K. (current Cisco Systems G.K.) Aug. 2000 Vice President, in charge of Western Japan Sales Headquarters of Cisco Systems K.K. Apr. 2009 Joined the Company Vice President, in charge of Western Japan Sales Headquarters of Net One Partners Co., Ltd. Apr. 2013 Vice President, Net One Partners Co., Ltd. Apr. 2014 Executive Director and Vice President, Net One Partners Co., Ltd. Apr. 2017 Vice President of the Company Executive Director and Executive Vice President, Net One Partners Co., Ltd. Apr. 2018 President & CEO, Net One Partners Co., Ltd. (incumbent) Jun. 2018 Senior Vice President of the Company Apr. 2021 Senior Vice President, in charge of Corporate Planning & Strategy Division, in charge of Corporate Planning & Management Division, in charge of East Japan Business Unit 1, in charge of East Japan Business Unit 2, in charge of Central Japan Business Unit, in charge of West Japan Business Unit (incumbent) (Significant concurrent positions) President & CEO, Net One Partners Co., Ltd.				
Reasons for selection as a candidate for Executive Director: Mr. Takuya Tanaka has a wealth of experience and a proven track record through many years of practical experience in sales operations, and he has led and made every effort to develop one of the Company's subsidiaries. Since April 2021, as Executive Director in charge of Corporate Planning & Strategy Division, Corporate Planning & Management Division and sales operations, he has made every effort to strengthen the management base and strengthen management and other functions of the entire Group, as well as to develop sales operations. Having judged that it is necessary that he continue in the position of Executive Director in order to further enhance the Company's corporate value and to recover the Company's social credibility, the Company has selected him as a candidate for Executive Director.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
3	Fumihiko Shinoura (Jul. 13, 1961)  [Reelected]	Senior Vice President	448 shares	15/15 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1984 Joined Kanebo, Ltd. Apr. 1989 General Manager, Market Development Group, Information Systems Division of Kanebo, Ltd. Apr. 1992 General Manager, Business Development Office, Mudge Japan Co., Ltd. Jan. 1997 General Manager, Product Planning Division, Nihon Cisco Systems, K.K. (current Cisco Systems G.K.) Aug. 2004 Managing Director, Nihon Cisco Systems, K.K. Nov. 2008 Advisor of the Company Jan. 2009 Vice President, Net One Partners Co., Ltd. Apr. 2011 Vice President of the Company Apr. 2018 Senior Vice President Jun. 2019 Senior Vice President Apr. 2021 Senior Vice President, in charge of Business Development Division, in charge of Customer Service Division (incumbent)				
Reasons for selection as a candidate for Executive Director: Mr. Fumihiko Shinoura has a wealth of experience and a proven track record through many years of practical experience in the product planning department, and has made efforts to expand products and services since assuming the position as Vice President. Having judged that it is necessary that he continue in the position of Executive Director in order to further enhance the Company's corporate value and to recover the Company's social credibility, the Company has selected him as a candidate for Executive Director.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
4	Koji Tsuji (Feb. 21, 1968)  [Newly elected]	Vice President	360 shares	-
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1990 Joined Dainippon Screen Mfg. Co., Ltd. (current SCREEN Holdings Co., Ltd.) Apr. 2001 Joined the Company Oct. 2005 In charge of Kansai Business Department 1, Business Unit 4 Apr. 2019 In charge of East Japan Business Unit 2 Apr. 2020 Vice President Apr. 2021 Vice President, in charge of East Japan Business Unit 1 (incumbent) (Significant concurrent positions) Executive Director, Net One Partners Co., Ltd.				
Reasons for selection as a candidate for Executive Director: Mr. Koji Tsuji has contributed his wealth of experience that he garnered to date in sales operations and has led and made every effort to develop sales operations for many years. Having judged that it is necessary that he assume the position of Executive Director in order to further enhance the Company's corporate value and to recover the Company's social credibility, the Company has selected him as a candidate for Executive Director.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
5	Ryugo Hayano (Jan. 3, 1952)  [Reelected] [Independent] [Outside]	Outside Executive Director	298 shares	15/15 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1979 Assistant, School of Science, The University of Tokyo Nov. 1982 Associate Professor, Ministry of Education National Laboratory for High Energy Physics (current High Energy Accelerator Research Organization) Apr. 1985 Visiting Associate Professor, School of Science, The University of Tokyo Apr. 1986 Associate Professor of Physics, School of Science, The University of Tokyo Jan. 1997 Full Professor, Graduate School of Science, The University of Tokyo Jun. 2015 Councilor, Radiation Effects Research Foundation (incumbent) Aug. 2016 President, Talent Education Research Institute (Suzuki Method) (incumbent) Apr. 2017 Science Fellow, Hobonichi Co., Ltd. May 2017 Representative, Office-Hayano LLC (incumbent) May 2017 Director, General Incorporated Foundation Shigeta Education Foundation (current Public Interest Incorporated Foundation Shigeta Education Foundation) (incumbent) Jun. 2017 Professor Emeritus, The University of Tokyo (incumbent) Apr. 2018 Director, International Physics Olympiad 2022 Association (current International Physics Olympiad 2023 Association) (incumbent) Jun. 2018 Outside Executive Director of the Company (incumbent) (Significant concurrent positions) Councilor, Radiation Effects Research Foundation President, Talent Education Research Institute (Suzuki Method) Representative, Office-Hayano LLC Director, Public Interest Incorporated Foundation Shigeta Education Foundation Professor Emeritus, The University of Tokyo Director, International Physics Olympiad 2023 Association				
Matters Concerning Candidate for Outside Executive Director				
(1) Reasons for selection as a candidate for Outside Executive Director and overview of expected role: Mr. Ryugo Hayano has broad knowledge and expertise as a university professor specializing in physics, as well as insight attained through practical experience at various organizations. He has been selected as a candidate for Outside Executive Director based on the expectation that he will contribute to the decision-making in a new light based on his broad knowledge and expertise, as well as oversee the Company's management from an objective standpoint independent from the persons who perform executive roles. Although he has no experience of direct involvement in business management, it has been determined from the foregoing reason that he will be able to execute his duties properly.				
(2) The Company has filed Mr. Ryugo Hayano as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If the election of Mr. Ryugo Hayano is approved, the Company will continue to file him as an Independent Executive Officer.				
(3) Mr. Ryugo Hayano is currently a Professor Emeritus at The University of Tokyo. There are certain transactions between The University of Tokyo and the Company. However, the amount of revenue from such transactions for the current fiscal year is only approximately 0.1% of revenue of the Company for the current fiscal year. Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
(4)	Mr. Ryugo Hayano currently occupies the position of Outside Executive Director of the Company and his term of office will be three (3) years at the conclusion of this general meeting.			
(5)	As stated in page 35, during Mr. Ryugo Hayano's term as Outside Executive Director, it was revealed that, (1) the Company's former employee had misappropriated the Company's funds through the use of fictitious transactions and inflated transactions with suppliers; (2) the Company's employees and former employees undertook improper substitution of costs securing "risk expenses" from lease companies and suppliers; (3) the Company's former employee undertook improper substitution of costs for multiple transactions; (4) the Internal Audit Office's evaluation operations of internal controls relating to financial reporting used inadequate sampling; (5) the extraordinary losses in relation to approximately 5,100 million yen in advances paid concerning transactions without actual deliveries of good recorded over the three year period from the 31st fiscal year to the 33rd fiscal year for the corrections of previous results made in March 2020 were of a nature that should have been borne over the period from the 29th fiscal year, the year in which the series of fictitious and circular transactions commenced, until the 33rd fiscal year; (6) part of the funds from the Company to multiple operators concerning the aforementioned transactions without actual deliveries of goods are assigned as the provision of services and goods relating to transactions recorded by the Company as sales; and (7) part of the stock received transactions that were recognized as transactions without actual deliveries of goods for the corrections to previous results made in March 2020 were authentic. Mr. Ryugo Hayano was not aware of the events until the revelation, however, had often commented on the importance of strengthening compliance and internal control for the Company at meetings of the Board of Directors and other opportunities. In fact, he has duly fulfilled his responsibilities and duties as Outside Executive Director since the revelation by leading a thorough investigation into the causes and voicing opinions on how to prevent its recurrence, as well as further enhance internal control, etc.			

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
6	Shigeki Kusaka (Nov. 26, 1952)  [Reelected] [Independent] [Outside]	Outside Executive Director	459 shares	13/13 (100%)


Career summary, position and responsibilities at the Company, and significant concurrent positions

Apr. 1977 Joined Mitsubishi Corporation
 Apr. 2007 Executive Officer, Mitsubishi Corporation
 Apr. 2009 Representative Director, Executive Officer, President and COO, IT Frontier Corporation
 (current Tata Consultancy Services Japan, Ltd.)
 Apr. 2011 Managing Director, INTEC Inc.
 May 2015 President and Representative Director, INTEC Inc.
 Jun. 2015 Director, TIS Inc.
 Apr. 2018 Senior Executive Advisor, INTEC Inc.
 Jun. 2020 Outside Executive Director of the Company (incumbent)

Matters Concerning Candidate for Outside Executive Director

- (1) Reasons for selection as a candidate for Outside Executive Director and overview of expected role:
 Mr. Shigeki Kusaka has broad knowledge and expertise in information and communications business, as well as experience as Representative Director or Executive Director at other corporations. He has been selected as a candidate for Outside Executive Director based on the expectation mainly that he will contribute to the decision-making from the perspective of someone with experience in corporate management, as well as that he will oversee the Company's management from an objective standpoint independent from the persons who perform executive roles.
- (2) The Company has filed Mr. Shigeki Kusaka as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If the election of Mr. Shigeki Kusaka is approved, the Company will continue to file him as an Independent Executive Officer.
- (3) As Mr. Shigeki Kusaka used to work for Tata Consultancy Services Japan, Ltd. (until March 2011), there are certain transactions between Tata Consultancy Services and the Company. However, the amount of revenue from such transactions for the current fiscal year is only approximately 0.1% of revenue of the Company for the current fiscal year and the amount of purchases from such transactions for the fiscal year ended March 31, 2020 was only approximately less than 0.1% of revenue of Tata Consultancy Services for the fiscal year ended March 31, 2020. Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
 As Mr. Shigeki Kusaka also used to work for INTEC Inc. (until March 2019), there are certain transactions between INTEC and the Company. However, the amount of revenue from such transactions for the current fiscal year and the amount of purchases from such transactions for the fiscal year ended March 31, 2020 were only approximately less than 0.1% of revenue of the Company for the current fiscal year and less than 0.1% of revenue of INTEC for the fiscal year ended March 31, 2020, respectively. Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
 Further, as he used to work for TIS Inc. (until June 2018), there are certain transactions between TIS and the Company. However, the amount of revenue from such transactions for the current fiscal year and the amount of purchases from such transactions for the current fiscal year are only approximately 0.2% of revenue of the Company for the current fiscal year and less than 0.1% of revenue of TIS for the fiscal year ended March 31, 2021, respectively. Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
- (4) Mr. Shigeki Kusaka currently occupies the position of Outside Executive Director of the Company and

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
				<p>his term of office will be one (1) year at the conclusion of this general meeting.</p> <p>(5) As stated in page 35, during Mr. Shigeki Kusaka's term as Outside Executive Director, it was revealed that, (1) the Company's former employee had misappropriated the Company's funds through the use of fictitious transactions and inflated transactions with suppliers; (2) the Company's employees and former employees undertook improper substitution of costs securing "risk expenses" from lease companies and suppliers; (3) the Company's former employee undertook improper substitution of costs for multiple transactions; (4) the Internal Audit Office's evaluation operations of internal controls relating to financial reporting used inadequate sampling; (5) the extraordinary losses in relation to approximately 5,100 million yen in advances paid concerning transactions without actual deliveries of goods recorded over the three year period from the 31st fiscal year to the 33rd fiscal year for the corrections of previous results made in March 2020 were of a nature that should have been borne over the period from the 29th fiscal year, the year in which the series of fictitious and circular transactions commenced, until the 33rd fiscal year; (6) part of the funds from the Company to multiple operators concerning the aforementioned transactions without actual deliveries of goods are assigned as the provision of services and goods relating to transactions recorded by the Company as sales; and (7) part of the stock received transactions that were recognized as transactions without actual deliveries of goods for the corrections to previous results made in March 2020 were authentic. Mr. Shigeki Kusaka had not assumed the position as Executive Director when said events occurred. In fact, he has duly fulfilled his responsibilities and duties as Outside Executive Director since the revelation by leading a thorough investigation into the causes and voicing opinions on how to prevent its recurrence, as well as further enhance internal control, etc.</p>

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
7	<p>Maya Ito (Dec. 28, 1976)</p>  <p>[Newly elected] [Independent] [Outside] [Female]</p>	-	0 shares	-

Career summary, position and responsibilities at the Company, and significant concurrent positions

Oct. 2002 Registered Lawyer
Joined Nishimura & Asahi

Jul. 2007 Seconded to Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.)

Apr. 2010 Lecturer, Surugadai University Law School

Aug. 2012 Lecturer, SME University of Organization for Small & Medium Enterprises and Regional Innovation

Jan. 2016 Partner, Nishimura & Asahi (incumbent)

Jun. 2019 Outside Director (Audit and Supervisory Committee), OPTIMUS Group Co., Ltd. (incumbent)

Apr. 2021 Audit & Supervisory Board Member, Human Life CORD Japan Inc. (incumbent)

(Significant concurrent positions)

Partner, Nishimura & Asahi

Outside Director (Audit and Supervisory Committee), OPTIMUS Group Co., Ltd.

Audit & Supervisory Board Member, Human Life CORD Japan Inc.

Matters Concerning Candidate for Outside Executive Director

- (1) Reasons for selection as a candidate for Outside Executive Director and overview of expected role:
Ms. Maya Ito has broad knowledge and expertise as an attorney, as well as experience as Director or Audit & Supervisory Board Member at other corporations. She has been selected as a candidate for Outside Executive Director based on the expectation that she will contribute to the decision-making from the perspective as a female, as well as oversee the Company's management from an objective standpoint independent from the persons who perform executive roles. Although she has no experience of direct involvement in business management, it has been determined from the foregoing reason that she will be able to execute her duties properly.
- (2) If the election of Ms. Maya Ito is approved, the Company will file her as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE).

- (Notes) 1. There are no special interests between the candidates and the Company.
2. The Company has entered into a limited liability agreement with Mr. Ryugo Hayano and Mr. Shigeki Kusaka, respectively. The purpose of this agreement is to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum liability amount shall be the minimum amount stipulated in applicable laws and regulations. If the reelection of them is approved, the Company will continue the said agreements. In addition, if the election of Ms. Maya Ito is approved, the Company will also enter into the same limited liability agreement with her.
3. The Company has entered into an agreement of Directors and Officers liability insurance policy with an insurance company in accordance with Paragraph 1 of Article 430-3 of the Companies Act and if claim for damages is made by shareholder(s) or any third party, the compensation for the damage, fees for legal actions, etc. shall be paid for by said insurance agreement. The candidates for Executive Director are included in the insured of said

insurance agreement. The Company plans to renew said insurance agreement under the same conditions as stated above.

4. The number and percentage of attendance for Mr. Shigeki Kusaka have been calculated based on the number of Board of Directors meetings (13 times) held after his assumption of the position as Executive Director following the election at the 33rd Annual Shareholders Meeting on June 11, 2020.


Proposal 3: Election of one (1) Audit & Supervisory Board Member

One (1) Audit & Supervisory Board Member retired due to resignation on March 31, 2021. The Company therefore proposes the election of one (1) Audit & Supervisory Board Member.

The candidate is a candidate for Outside Audit & Supervisory Board Member and satisfies the “Independence Standards” (page 27) established by the Company.

Additionally, the Company has obtained the agreement of the Audit & Supervisory Board with respect to this proposal.

The candidate for Audit & Supervisory Board Member is as follow.

Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors	Status of attendance at Audit & Supervisory Board meetings
<p>Kazuhiro Noguchi (Jun. 6, 1957)</p>  <p>[Newly elected] [Independent] [Outside]</p>	-	0 shares	-	-

Career summary, position at the Company, and significant concurrent positions

Sep. 1985	Joined Chuo Accounting Audit Corporation
Mar. 1989	Registered as Certified Public Accountant
Jul. 2000	Partner, ChuoAoyama Audit Corporation
Aug. 2007	Senior Partner, Shin Nihon & Co. (current Ernst & Young ShinNihon LLC)
Jul. 2019	Established Kazuhiro Noguchi Certified Public Accountant Office (incumbent)
Jun. 2020	Outside Audit & Supervisory Board Member, NICHIRYOKU Co., Ltd. (incumbent)
	(Significant concurrent positions)
	Kazuhiro Noguchi Certified Public Accountant Office
	Outside Audit & Supervisory Board Member, NICHIRYOKU Co., Ltd.

Matters Concerning Candidate for Outside Audit & Supervisory Board Member

- Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member
Mr. Kazuhiro Noguchi has been selected as a candidate for Outside Audit & Supervisory Board Member based on the determination that he will fully contribute to objective and neutral audit of the Company's management, taking into consideration his broad knowledge and expertise in finance and accounting as a certified public accountant. Although he has no experience of direct involvement in business management, it has been determined from the foregoing reason that he will be able to execute his duties properly.
- If the election of Mr. Kazuhiro Noguchi is approved, the Company will file him as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE).
- Mr. Kazuhiro Noguchi used to work for Ernst & Young ShinNihon LLC (until June 2019), and there are certain transactions between the Company and that corporation. However, the amount of the Company's purchases from that corporation during the period from the first six months of the fiscal year ended March 31, 2020 until the first three months of the fiscal year ended March 31, 2021 was less than 0.1% of the net sales of that corporation for the fiscal year ended June 30, 2020. Therefore, we believe that there is no risk of conflict of interest with general shareholders.

(Notes) 1. There are no special interests between Mr. Kazuhiro Noguchi and the Company.

2. If the election of Mr. Kazuhiro Noguchi is approved, the Company will enter into a limited liability agreement with him. The purpose of this agreement is to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum liability amount shall be the minimum amount stipulated in applicable laws and regulations.
3. The Company has entered into an agreement of Directors and Officers liability insurance policy with an insurance company in accordance with Paragraph 1 of Article 430-3 of the Companies Act and if claim for damages is made by shareholder(s) or any third party, the compensation for the damage, fees for legal actions, etc. shall be paid for by said insurance agreement. Mr. Kazuhiro Noguchi is included in the insured of said insurance agreement. The Company plans to renew said insurance agreement under the same conditions as stated above.

(Reference)

Independence Standards

The Company has established Independence Standards for Outside Executive Directors and Outside Audit & Supervisory Board Members as follows, and deems that any Outside Executive Directors and Outside Audit & Supervisory Board Members who do not fall under any of following items possess independence from the Company with no risk of conflict of interest with general shareholders.

1. Persons who perform executive roles*₁ or persons who have performed executive roles in the Company or its subsidiaries, at present or in the past;
2. Parties for whom the Company is a major business partner and whose transaction amounts with the Company exceed 2% of their sales in their latest business year or persons who perform executive roles therein;
3. Major business partners of the Company with which the Company's transaction amounts exceed 2% of the Company's revenue in the latest business year or persons who perform executive roles therein;
4. Major shareholders of the Company (entities that own 10% or more of the total voting rights of the Company) or persons who perform executive roles therein;
5. Certified public accountants, attorneys and consultants, etc. who receive money or other property more than 10 million yen per year except for executive remuneration from the Company (or if the entity receiving such property is an organization, such as a corporation and association, persons belonging to such entity which receive property in excess of 2% of total annual income of the organization from the Company);
6. Persons who received donations more than 10 million yen per year from the Company in the latest business year (or if the entity receiving such donations is an organization, such as a corporation and association, persons belonging to such entity which received donations in excess of 2% of total annual income of the organization from the Company);
7. Persons who have fallen under any of items 2 through 6 above in the past three years; or
8. Spouses and relatives of up to the second degree of kinship of those who fall under any of items below:
 - (1) Principal persons who currently perform executive roles*₂ or principal persons who have performed executive roles in the Company or its subsidiaries in the past three years;
 - (2) Persons to whom any of items 2 through 4 apply; provided that "persons who perform executive roles" refer to principal persons who perform executive roles.
 - (3) Persons to whom item 5 or item 6 apply; provided that "persons belonging to such entity" refer to principal persons who perform executive roles (or persons who are deemed as important as principal persons who perform executive roles) of the entity; or, in the case that the entity is a professional body including audit corporation or law office, persons who possess professional qualifications including certified public accountants or attorneys.

*1 Persons who perform executive roles as stipulated in Article 2, Paragraph 3, Item 6 of the Ordinance for Enforcement of the Companies Act.

*2 Principal persons who perform executive roles refer to persons who perform significant executive roles such as Executive Directors (excluding Outside Executive Directors), Operating Officers, Vice Presidents or department heads.

End

Proposal 4: Election of Accounting Auditor

At the conclusion of this Annual Shareholders Meeting, the term of the Company's Accounting Auditor, Deloitte Touche Tohmatsu LLC, will expire, and it is proposed that a new Accounting Auditor be elected.

This proposal was decided by the Audit & Supervisory Board.

The Audit & Supervisory Board selected Grant Thornton Taiyo LLC as the candidate for its professionalism, independence, size, quality control system, level of remuneration for audit, and the expectation for its auditing from a new perspective as an Accounting Auditor. Considering the foregoing reasons as a whole, the Audit & Supervisory Board has judged that Grant Thornton Taiyo LLC is suitable as the Company's Accounting Auditor.

The candidates for Accounting Auditor is as follows.

(As of March 31, 2021)

Name	Grant Thornton Taiyo LLC	
Main Offices	Akasaka K-tower, 2-7, Motoakasaka 1 chome, Minato-ku, Tokyo Tokyo (Headquarters), Osaka, Nagoya, Kobe Office, Sapporo Office, Tohoku Office, Niigata Office, Hokuriku, Fukui Office, Toyama Office, Chugoku · Shikoku Office, and Kyushu Office	
Corporate History	Sep. 1971	Establishment of Taiyo Audit Corporation
	Jan. 2006	Establishment of Taiyo ASG Audit Corporation through the merger of Taiyo Audit Corporation and ASG Audit Corporation
	Jul. 2008	Transitioned to limited liability corporation and became Taiyo ASG LLC
	Jul. 2012	Merged with Eisho Audit Corporation
	Oct. 2013	Merged with Kasumigaseki Audit Corporation
	Oct. 2014	Renamed Grant Thornton Taiyo LLC
	Jul. 2018	Merged with Yusei Audit & Co.
Overview	Capital:	508 million yen
	Number of Organization Members:	
	Senior partners/Partners	84 persons
	Specified partners	4 persons
	Certified public accountants (CPAs)	308 persons
	CPA exam qualifiers	227 persons
	Other professionals	199 persons
	Administrative staff	85 persons
	Contracted staff	203 persons
	Total	1,110 persons
	Number of auditee companies	984 companies

Proposal 5: Payment of bonuses to Executive Directors

The Company proposes payment of bonuses in the total amount of 22,700,000 yen to two (2) Executive Directors as of the end of the current fiscal year.

Although there are ten (10) Executive Directors as of the end of the current fiscal year, the eligible Executive Directors for bonuses excludes the three (3) Executive Directors who retired due to resignation on March 31, 2021, as well as Executive Director Takuya Tanaka, Executive Director Mitsuo Imai, Executive Director Rieko Nishikawa, Executive Director Ryugo Hayano, and Executive Director Shigeki Kusaka, resulting in two (2) eligible Executive Directors for the bonus.

As announced in “Notice Concerning Voluntary Return of Remuneration, etc., of Executive Directors and Audit & Supervisory Board Members” dated May 24, 2021, the total amount of bonuses mentioned above was determined, based on the proposal from Executive Director Mr. Takafumi Takeshita and Executive Director Mr. Fumihiko Shinoura and on the condition that this proposal is approved if they do not propose the return of their bonuses, to be the amount calculated by deducting, from the amount of bonus assumed to be paid to them (to be determined in accordance with the Policy for Determining Remuneration, etc. for Executive Directors and Audit & Supervisory Board Members as stated on pages 60 to 62 of the Business Report; hereinafter the “Assumed Amount of Bonus”), an amount equal to 30% of the amount of Executive Directors’ Assumed Amount of Bonus. Executive Director Mr. Takuya Tanaka is not eligible for the bonus under this proposal because he is eligible for the bonus of Net One Partners Co., Ltd. for which he serves as President & CEO. However, he will also return 30% of his bonus for the fiscal year ended March 31, 2021, which is to be paid by Net One Partners Co., Ltd.

This proposal was decided by the Board of Directors after having the matter deliberated by the Advisory Committee. Accordingly, the Company deems this proposal to be appropriate.

The decision of the specific amount, timing and payment method of the bonuses to each individual Executive Director is requested to be settled by the Board of Directors.

Proposal 6: Determination of details of share acquisition rights under the stock compensation-type stock options plan for Executive Directors

The amount of compensation, etc. for the Company's Executive Directors is no more than 470 million yen per year (of which, amount for the Executive Directors excluding Outside Executive Directors is no more than 400 million yen per year and the amount for Outside Executive Directors is no more than 70 million yen per year), which was approved by resolution of the 28th Annual Shareholders Meeting dated June 16, 2015. Set separately from this, an amount within 50 million yen per year to be granted to Executive Directors (excluding Outside Executive Directors) in the form of stock compensation-type stock options was approved by resolution of the 25th Annual Shareholders Meeting dated June 14, 2012.

With the enforcement of The Act Partially Amending the Companies Act (Act No. 70 of 2019), matters to be resolved concerning stock compensation-type stock options were clarified. Therefore, concerning share acquisition rights under the stock compensation-type stock options plan, the Company proposes to make amendments and additions, and continuation of allotment of share acquisition rights as described below. The amended and changed parts are **2.(5) Effective period during which the share acquisition rights are exercisable** and **2.(8) Matters concerning acquisition of share acquisition rights**. (in bold type)

Currently, there are seven (7) Executive Directors (including four (4) Outside Executive Directors). If the Proposal 2 is resolved and approved as originally proposed, the number of Executive Directors will be four (4) (excluding Outside Executive Directors).

This proposal was deliberated by the Advisory Committee.

1. Reason for granting stock compensation-type stock options (share acquisition rights)
The purpose for granting stock compensation-type stock options is designed so that Executive Directors share benefits and risks associated with rising and falling share prices with shareholders and are more encouraged and motivated to raise the share price and enhance the corporate value over the medium to long term.
Remuneration, etc. for the Company's Executive Directors (excluding Outside Executive Directors) consists of three types: a basic remuneration, which is fixed; bonuses, which is a corporate performance-linked compensation over the short term offered annually based on performance; and stock compensation-type stock options, which is a corporate performance-linked compensation over the medium to long term.
The amount of share acquisition rights is calculated as the fair value per share acquisition right on the date of allocation multiplied by the total number of share acquisition rights to be allotted. The amount and details of the share acquisition rights is considered with regard to the business results of the Company, and status of business operation and degree of contribution of the Company's Executive Directors, etc.
In addition to the above, this proposal is in line with the "policy for determination of remuneration for Executive Directors and Audit & Supervisory Board Members" as provided on pages 60 to 62 of the Business Report, and the Company has judged it reasonable.
2. Details of share acquisition rights under the stock compensation-type stock options plan
 - (1) Total number of share acquisition rights
The maximum limit of share acquisition rights to be allotted from the day of the Annual Shareholders Meeting for each fiscal year until the day when one (1) year has passed shall be 500.
 - (2) Class and number of shares to be issued upon the exercise of share acquisition rights
The class of shares to be issued upon the exercise of share acquisition rights shall be common stock of the Company and the number of shares to be issued for one subscription right (hereinafter, the "number of shares to be granted") is 100 shares.
After the date of allotment of share acquisition rights (hereinafter the "allotment date"), if a share split (including allotment of share without contribution of common stock of the Company) or share consolidation of shares of common stock of the Company takes place, or in any other cases where the number of shares to be granted requires adjustment, the Company shall adjust the number of shares to be granted as appropriate within a reasonable range.
 - (3) Amount to be paid in for share acquisition rights
The amount to be paid in for share acquisition rights is the amount of the fair value per stock option equivalent to one share, calculated based on the Black-Scholes Model, multiplied by the amount of number of shares to be granted. Furthermore, instead of paying this amount, persons to whom share acquisition rights are allotted to shall offset it with remuneration claims against the Company. Payment in cash is not necessary.

- (4) Value of assets contributed upon the exercise of the share acquisition rights
The value of assets contributed when each of the share acquisition rights is exercised shall be the amount of 1 yen, which is the amount to be paid in per share in order to be granted shares by exercise of the share acquisition rights, and this shall be multiplied by the number of shares to be granted.
- (5) **Effective period during which the share acquisition rights are exercisable**
30 years after the next day of the date of allotment for share acquisition rights.
- (6) Conditions for exercise of share acquisition rights
Persons to whom share acquisition rights are allotted are permitted to exercise stock acquisition rights, only on a lump-sum basis between the day following the day he/she lost his/her position as Executive Directors, Audit & Supervisory Committee Member, Vice President or employee (excluding contract-based employees) of the Company or any of its subsidiaries and the 10th day.
- (7) Restrictions on acquisition of share acquisition rights by transfer
Acquisition of share acquisition rights by transfer requires approval by the Company's Board of Directors.
- (8) **Matters concerning acquisition of share acquisition rights**
 - a. **If a person with share acquisition rights became unqualified concerning (6) Conditions for exercise of share acquisition rights above, the Company shall acquire said share acquisition rights without making contribution on the date determined by the Company's Board of Directors.**
 - b. **If any proposal such as (i), (ii), and (iii) below was approved by the Company's Annual Shareholders Meeting (or by the Company's Board of Directors, where resolution at the Annual Shareholders Meeting is not necessary), the Company shall acquire said share acquisition rights without making contribution on the date determined by the Company's Board of Directors.**
 - (i) **Proposal on approval for merger agreement where the Company will become the dissolving company**
 - (ii) **Proposal on approval for company split agreement or company split plan where the Company will become the split company**
 - (iii) **Proposal on approval for share exchange agreement or share transfer plan where the Company will become a wholly-owned subsidiary company**
- (9) Other details related to share acquisition rights
Other details related to share acquisition rights shall be determined by the Company's Board of Directors when the terms of the subscription for share acquisition rights are determined.

The Company plans to allot stock options (share acquisition rights) of the same details (excluding 2.(1)) as the stock compensation-type stock options above to Vice Presidents and Executive Directors of the Company's subsidiaries by resolution of the Company's Board of Directors after the conclusion of this Annual Shareholders Meeting.

End

(Attachments)

Business Report

April 1, 2020 to March 31, 2021

1. Business conditions for the Corporate Group

(1) Business activities and results

• Market environment

With the acceleration of digitization in recent years and the spread of COVID-19, the ICT sector, which the Group belongs to, is in an era of transformation. For a wide range of our customers, further ICT utilization is applied as a means to realize the two goals of “growth in business,” by creation of new business and pursuit of efficacy for existing business, and “continuation of business,” by drastic reform on work styles such as remote work.

In order for the Group to achieve continued growth in the current business environment, we need to create high added value, namely implementation of high quality ICT infrastructures such as network, cloud, security, and work style reform, as well as consistent support for “accelerated utilization” to maximize efficacy of such infrastructures, to help customers by delivering them tangible returns on their investments.

Faced with these situations, the Group formulated a three-year medium-term business plan (hereinafter, the “Medium-term Business Plan”), spanning from the fiscal year ended March 31, 2020 through the fiscal year ending March 31, 2022, and is taking initiatives in response to market changes.

• Medium-term Business Plan and initiatives during the current fiscal year

The corporate philosophy of the Group is “Contributing to social innovation by leveraging ICT.” In order to respond to transformation of the ICT market and create high added value, we will achieve the following three areas of growth: “Growth of customers and partners,” “Growth of the Company” and “Growth of employees.”

In order to achieve growth in these three areas, we have worked on the following three basic strategies:

1) Expanding focus markets and new models: Extending market coverage

In the focus markets, the Company has selected three focus markets where digitization has made significant gains: 1) the “healthcare” market, targeting large hospitals, 2) “school systems,” targeting education boards and schools, and 3) “smart factories,” targeting manufacturing facilities.

Moreover, we also selected two new models that have captured changes in demand for a “shift from possession to utilization:” 1) “support for MSP (managed service providers),” to co-create new services with service providers (telecommunication carriers and large-scale private enterprises) and 2) “development of refurbishment (refurbished products),” to provide services with good cost-performance utilizing refurbished products.

Over the Medium-term Business Plan period, we plan to achieve 5.0 billion yen of orders received of growth in each of the focus markets and new models (total, 25.0 billion yen of growth). In each of the focus markets and new models, progress during current fiscal year is as follows.

Category	Name of market	Amount of growth for each fiscal year during the Medium-term Business Plan period			Progress during current fiscal year
		FY2019	FY2020 (First year)	FY2021 (Second year: current fiscal year)	
Focus markets	Healthcare market	4.0 billion yen	6.0 billion yen	3.8 billion yen	External factors: Investment in ICT at hospitals has been reduced due to the impact of COVID-19 Internal factors: Orders received have decreased despite efforts to obtain projects amid a decline in total investment
	School systems	5.1 billion yen	7.6 billion yen	23.9 billion yen	External factors: A revised supplementary budget to improve the school network associated with the Ministry of Education, Culture, Sports, Science and Technology's GIGA school concept Internal factors: Large increase in orders received with promotion of proposals differentiated by the quality and speed of network connection and operational burden
	Smart factories	4.0 billion yen	6.7 billion yen	7.1 billion yen	External factors: The desire of manufacturers to invest in ICT is falling due to the impact of COVID-19. However, the investment priority for digitization to grow businesses has remained high Internal factors: Proposals for high quality networks connected to production equipment, etc. for digitization of manufacturing facilities and facility specific security measures have been promoted, with an increase in orders received that had initially been considered somewhat unattainable
New models	Support for MSP	3.7 billion yen	4.7 billion yen	8.6 billion yen	External factors: Increase demand for working-style reforms such as teleworking due to COVID-19 Internal factors: Increase in orders received due to the acceleration of co-creation of new services with MSP to capture increased demand
	Development of refurbishment	0.0 billion yen	1.6 billion yen	2.0 billion yen	External factors: Ongoing demand to optimize investment and operating costs Internal factors: There was a delay in new proposals for recycled products and third-party maintenance services due to the impact of COVID-19, and orders received did not achieve initial expectations. However, profit progressed in line with the plans due to the high profitability of business

2) Driving “integrated service business”: Expansion of service ratio

The Group has defined all activities for customers as “integrated service businesses” aimed at creating high added value, and supports the entire ICT lifecycle from planning, implementation, operation to optimization. During the Medium-term Business Plan period, the Group aims to raise the service ratio to 50%.

During the current fiscal year, initiatives such as expansion of operations and optimization services for provision of services with high added value, support for customers’ ICT infrastructure from the stage of grand design, and streamlining facilities for dialogue on value creation with customers has progressed smoothly.

Item	Amount of growth for Over the Medium-term Business Plan period			Service ratio for the current fiscal year
	FY2019	FY2020 (First year)	FY2021 (Second year: current fiscal year)	
Bookings accepted for service business	79.6 billion yen	88.8 billion yen	89.4 billion yen	43.9%
Revenue from service business	74.4 billion yen	79.7 billion yen	85.2 billion yen	42.2%

3) Implementation of “Work Style Innovation 2.0/DX”: Increasing productivity

Since 2010, the Group has created an environment where it is possible to carry out operations anytime and anywhere. We call this “Work Style Innovation 1.0.” Building from this, we have revised all operations into an integrated system, thereby improving the speed and quality of operations and improving company-wide productivity. We call this “Work Style Innovation 2.0/DX.” In addition, the Group is committed to delivering values unique to the Company, which other companies cannot provide, to customers by sharing the experiences of success/failure it has gained from “Work Style Innovation 2.0/DX” with them (netone on netone).

During the current fiscal year, under the impact of COVID-19, the Company has promoted initiatives on company-wide work style reform and achieved new work styles and digitization mainly as in the implementation of remote work. With regard to DX, preparation has progressed for visualization of data, design for realization of automating operations, and transitions to new revenue recognition standards.

Impact of and countermeasures against COVID-19

During the current fiscal year, while we acquired new business opportunities due to work style reforms such as remote work as an impact of COVID-19, trends of decline in investment by some manufacturers, hospitals, and partner companies were observed.

Acquisition of new business opportunities

Our customers have been drastically reforming the way they work partly because of implementation of remote work during the state of emergency, and partly from the perspective of business continuity “with/after COVID-19.”

The Group provides a suite of systems to realize a remote work environment, such as virtual desktop and web conferencing system, as well as security measures that ensure safe operation even outside of the office, to help customers with business continuity and work style reform.

Decline in investment by customers

For manufacturers, while digitization initiatives with higher investment priority accelerated, delays in renewal of existing equipment have been observed. For hospitals, as response to COVID-19 was prioritized, investment on ICT decreased. For our partner companies, due to changes in the operational environment such as implementation of remote work and effects of business performance

at end-users, business results remained weak.

Increase the Group's probability of business continuity

The Group has already established a work environment that allows its employees to perform most of their tasks and duties wherever they are (Work Style Innovation 1.0), and was able to respond to the state of emergency promptly and flexibly. Thereafter, optimizing the human resource system, we transitioned to remote work in principle from October 2020.

In addition, utilizing web conferencing, web chat, virtual desktops, and mobile networks, full-on remote work has been applied to the contact center, which is the facility for maintenance and operation services for ICT infrastructure. This allows us to build a system that can seamlessly provide services to customers even when commuting to work is difficult.

Fraudulent Acts and Corrections to Previous Operating Performance

In November 2019, the Company received a notification from the Tokyo Regional Taxation Bureau. Subsequently, after conclusion of an investigation by the special investigative committee from December 13, 2019 to March 11, 2020, the "Final Report on the Results of Investigation Regarding Transactions where delivery of goods could not be confirmed" was disclosed on March 12, 2020.

Thereafter, upon receiving information from an external organization, the Company established an external investigative committee comprised of external lawyers and certified public accounts without any special interest in the Company to confirm the suspicions regarding diversion of funds by an employee, which has continued to investigate since. The Company disclosed the external investigative committee's investigative report on December 16, 2020 and on March 18, 2021. The investigation discovered that (1) the Company's former employee had misappropriated the Company's funds through the use of fictitious transactions and inflated transactions with suppliers; (2) the Company's employees and former employees undertook improper substitution of costs securing "risk expenses" from lease companies and suppliers; (3) the Company's former employee undertook improper substitution of costs for multiple transactions; and (4) the Internal Audit Office's evaluation operations of internal controls relating to financial reporting used inadequate sampling.

In addition, in the process of preparing for the financial results for the second quarter of the fiscal year ended March 31, 2021, the Company became aware, through information from an external organization, of the possibility of errors in part of the accounting treatment for the aforementioned transactions without actual deliveries of goods. So, the Company confirmed the facts through the internal investigative team and disclosed the results of the investigation by the internal investigative team on December 16, 2020. The investigation discovered matters including (5) the extraordinary losses in relation to approximately 5,100 million yen in advances paid concerning transactions without actual deliveries of good recorded over the three year period from the 31st fiscal year to the 33rd fiscal year for the corrections of previous results made in March 2020 were of a nature that should have been borne over the period from the 29th fiscal year, the year in which the series of fictitious and circular transactions commenced, until the 33rd fiscal year; (6) part of the funds from the Company to multiple operators concerning the aforementioned transactions without actual deliveries of goods are assigned as the provision of services and goods relating to transactions recorded by the Company as sales; and (7) part of the stock received transactions that were recognized as transactions without actual deliveries of goods for the corrections to previous results made in March 2020 were authentic.

Based on the results of said investigations, we recognized the necessity to make proper adjustments to our previous accounting treatment. Accordingly, we made the following corrections to previous consolidated financial statements and non-consolidated financial statements. Up until the first three months of the fiscal year ended March 31, 2021 (FY21Q1), the cumulative effects on profit attributable to owners of parent (net assets) is -1,329 million yen.

In addition, as stated in the "Notice regarding receipt of 'External Investigative Committee Investigation Report: From Governance and Corporate Culture Perspectives' and publication of disclosure version," announced on March 18, 2021, the Company has received investigation results of causes for the fraudulent acts and recommendations on measures to prevent recurrence from the external investigative committee as in an investigation report dated December 14, 2020 by the external investigative committee. The Company has taken the results of the investigation and

recommendations by the external investigative committee seriously and established measures to prevent recurrence, which it is putting into action, as stated in page 41 to 46.

Results for the current fiscal year

In the current fiscal year, despite the impact of COVID-19, revenue of school systems, including the GIGA school concept, telework expansion, security measures, and cloud infrastructure, etc. were strong.

As a result of the above, overall bookings accepted were 203,520 million yen (down 0.5% year-over-year), revenue was 202,122 million yen (up 8.5% year-over-year), and backlog was 94,915 million yen (up 1.5% year-over-year) for the current fiscal year.

Regarding profit and loss, the profitability of equipment products and service products improved due to progress made in the “integrated services business” and the Company’s gross profit stood at 55,913 million yen (up 14.2% year-over-year). The increase in the number of employees and support for employee teleworking environments resulted in selling, general and administrative expenses of 36,239 million yen (up 11.7% year-over-year), and operating income of 19,673 million yen (up 19.2% year-over-year). Ordinary income was 18,208 million yen (up 11.1% year-over-year) due to the recording of fraudulent transaction related investigation expenses and donations for the purpose of supporting COVID-19 measures as non-operating expenses, and profit attributable to owners of parent stood at 12,321 million yen (up 25.5% year-over-year).

■ Overview by product category

In the fiscal year under review, bookings accepted, revenue and backlog by product category were as follows. In equipment products, bookings remained flat despite the absence of a large-scale project received in FY19. Revenue increased due to the concentration of GIGA school projects. For Service business, with the progress of the “integrated service businesses,” the bookings accepted, revenue and backlog increased.

	Equipment products	Service business
Bookings accepted	114,111 million yen (down 1.4% YoY)	89,408 million yen (up 0.6% YoY)
Revenue	116,828 million yen (up 9.6% YoY)	85,293 million yen (up 6.9% YoY)
Backlog	24,634 million yen (down 9.9% YoY)	70,280 million yen (up 6.2% YoY)

<Reference: Product category>

The Group classifies its products into two product categories: equipment products (products that are purchased from overseas or domestic ICT makers and then sold), and service business product (products that are manpower offered by our employees as the service). By combining equipment products with the service business, we are able to create the Company’s original added value and provide optimal ICT infrastructural environments for our customers.

■ Overview by market sector

Amidst diversification of customer needs, the characteristics of the ICT market vary depending on the region and the company. In order to closely observe the market and deliver the optimum solution tailored to the customer, the Group has broadly classified the market into four categories. During the fiscal year under review, bookings accepted, revenue, and backlog by market sector were as follows.

**Enterprise – Enterprise (ENT)
market**

—— Composition ratio in 34th term: **27.0%**

<Main business description>

The Company engages in business targeting large-scale private enterprise including manufacturing industry (automobiles, electrical machinery, etc.), non-manufacturing industry (transport, services, etc.), Japanese financial institutions and foreign affiliates. We support utilizing ICT to realize information utilization aimed at improving competitiveness, work-style innovation, reducing costs, and other goals.

<Highlights of fiscal year under review>

Due to the strong demand for a response to the COVID-19, telework, security, and cloud infrastructure business remained strong. On the other hand, the impact of the COVID-19 caused a decrease in willingness to invest and postponement of some projects. As a result, the bookings accepted and revenue decreased year on year.

Bookings accepted	57,281 million yen (down 4.9% YoY)
Revenue	54,547 million yen (down 1.5% YoY)

Backlog	29,208 million yen (up 10.3% YoY)
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**Telecom carrier – Telecom carrier
(SP) market**

—— Composition ratio in 34th term: **18.1%**

<Main business description>

The Company engages in business targeting fixed and mobile telecommunication carriers. We work with our customers to enhance the social infrastructural environment by providing foundational network architecture and network related services as infrastructure.

<Highlights of fiscal year under review>

Although the overall appetite for capital investment was weak, support for service infrastructures and corporate businesses, as well as network enhancements due to the increase in telework, performed well. As a result, the bookings accepted and revenue increased year on year.

Bookings accepted	39,464 million yen (up 11.3% YoY)
Revenue	36,489 million yen (up 3.7% YoY)
Backlog	17,481 million yen (up 20.5% YoY)

Public – Public (PUB) market

—— Composition ratio in 34th term: **34.5%**

<Main business description>

The Company engages in business targeting government, local government, the education sector, corporations that provide social infrastructure (cable television, power, etc.), healthcare (hospitals) and other public institutions. We continue to strengthen security for public information, etc. and enhance the foundational architecture for public sharing in order to optimize investment costs.

<Highlights of fiscal year under review>

Business in healthcare was weak. On the other hand, school systems (including the GIGA School Concept) performed well. As a result, the bookings accepted and revenue increased year on year.

Bookings accepted	71,255 million yen (up 13.7% YoY)
Revenue	69,795 million yen (up 25.1% YoY)
Backlog	39,715 million yen (up 3.8% YoY)

**Partners – Partner Business
(Net One Partners Co., Ltd.)**

—— Composition ratio in 34th term: **19.7%**

<Main business description>

The Group engages in cooperative business ventures with partner companies (resale business models) in order to realize businesses that can reach a wide range of markets that the Group cannot reach alone. By fusing the Group's ICT infrastructure solutions with the system solutions of partner companies, it is possible to create optimized added value for each market.

<Highlights of fiscal year under review>

As a result of our partners being affected by the COVID-19, some projects were postponed, and bookings decreased year on year, but revenue increased year on year due to a large-scale project that was received in the previous fiscal year.

Bookings accepted	33,865 million yen (down 24.7% YoY)
Revenue	39,730 million yen (up 2.6% YoY)
Backlog	8,299 million yen (down 41.4% YoY)

(2) Issues to be addressed

The Group continues to aim for business growth in accordance with our Medium-term Business Plan, while prioritizing the issue of preventing recurrence of the fraudulent acts.

Preventing recurrence of fraudulent acts

<Analysis of causes by the external investigative committee>

In its “Investigative Report by the External Investigative Committee, from the Perspective of Governance and Corporate Culture,” the external investigative committee has analyzed the causes of the fraudulent acts as follows.

1) Analysis from the perspective of internal controls, whistleblower systems, and corporate culture
The main problem lies in our three lines model. (The three lines model is a model for risk management and control activities. Generally, the first line is business divisions, the second line is management departments, and the third line is the internal audit division.) On the first line, problems such as lack of checking functions both inside the business divisions and between the business divisions and other divisions were mentioned. On the second line, problems such as risk management systems with unclear responsibilities and roles for the responsible departments and insufficient risk monitoring and compliance activities were named. In the corporate culture that is seen mainly in East Japan Business Unit 1, which is the breeding ground of such problems on the first and second lines, problems such as overemphasis on elevating business performance, approaches where responsibilities overly fell on individual sales personnel, and discrepancies in mentality between management and front line employees have been pointed out.

2) Analysis from the perspective of the 3-way audit system

Problems such as poor awareness of fraud risk among Audit & Supervisory Board Members and at the Internal Audit Office, issues inside the Internal Audit Office in their follow-up, capabilities, and relationships with auditee departments, and occasional deficiencies in collaboration among Audit & Supervisory Board Members, the Accounting Auditor, and the Internal Audit Office were mentioned. In addition, it was confirmed that internal control assessments, which are one of the tasks of the Internal Audit Office, had become a mere formality.

3) Analysis from the perspective of inconsistency in recurrence prevention measures of past incidents

Recurrence prevention measures for past fraud incident were devised by management departments. Problems such as lack of involvement by personnel that understand the front line, insufficient acknowledgement of front line practices, and the lack of rules or rules becoming a formality thereof were identified.

4) Analysis from the perspective of governance

It cannot be said there were no flaws in the understanding and endeavors on risk management against accounting fraud by the management of the Company, headed by upper management. Such flaws include their non-recognition of the deficiency in the risk management system and lack of countermeasures thereto, and despite repeated occurrence of accounting fraud in the past, statements on compliance made to executives and employees were insufficient.

The Company has received recommendations from an external investigative committee, and under the management system that was reorganized in April 1, 2021, will prepare the following new recurrence prevention measures after having extensively reviewed the recurrence prevention measures presented in the improvement status report released on December 16, 2020. Going forward, the Company will shift to a management system that looks to the medium- to long-term growth of each organization, make internal control work by carrying out recurrence prevention measures, and by working as one to reform our fundamental corporate governance and corporate culture, work vigorously toward the recovery of trust. Please refer to “Additions to Recurrence Prevention Measures” released on May 13, 2021, for

details.

Recurrence prevention measures	
1. Reform and development of governance	
Reevaluation by the management on their awareness and to propel reform of corporate culture	A declaration on compliance activities and implementation thereof
	Enforcement of education on compliance
	Establishment of a compliance office
	Enforcement of training for Directors on the roles and responsibilities of Executive Directors in a listed company
	Changes related to committees that preside over governance
	Development of reporting system for results of internal audits
Thorough review of the state of the organizational structure	Review of organizational structure concerning the three lines
	Clarification of job duties and control functions in sales divisions and technology divisions
	Clarification of job duties and control functions in purchasing divisions and management departments
	Ensure effectiveness of job duties and control functions, which have been clarified, in each department
	Establishment of opportunities for employees in order to reinforce understanding of roles of each department
	Review of supervision of divisions by Executive Directors, Audit & Supervisory Board Members, and Vice Presidents
	Review of staff assignment
Improvement of compliance awareness by boosting frequency and quality of messages to employees	Sending out messages more frequently and with quality to employees
Boosting communication to fill the gap between business operational front line and the managements	Boosting communication between Directors and Executive officer
	Boosting communication by enforcing education on compliance
	Creation of a working environment that promotes communication
	Education for middle management on awareness of roles and responsibilities
	Bottom-up problem recognition and solving
Enhancement of hands-on overseeing by the Board of Directors	Report of results of internal audits on progress of recurrence prevention measures by the Internal

	Audit Office to the Management Committee and the Board of Directors
	Regular monitoring by Vice Presidents on their responsible departments
	Stimulating communication among Executive Directors and between Executive Directors and employees
	Important hands-on committee activities by Directors
	Creation of a system where Executive Directors can have access to documents of important meetings
	Review of operation of the Board of Directors
	Disclosure of skills matrix of Executive Directors
	Reconstruction of internal system for the operations of the Board of Directors
Enhancement of supervision and overseeing by Outside Executive Directors and Outside Audit & Supervisory Board Members (including the Advisory Committee)	Creation of a system where Outside Executive Directors and Outside Audit & Supervisory Board Members can have access to documents of important meetings
	Enhancement of cooperation between Outside Executive Directors and Outside Audit & Supervisory Board Members and Internal Audit Office
	Enhancement of information sharing among Executive Directors and Audit & Supervisory Board Members
	Review of operation of the Board of Directors to enhance supervision and overseeing by Outside Executive Directors and Outside Audit & Supervisory Board Members
	Dialogue with shareholders
Appointment of Executive Directors and Vice Presidents who have qualities and abilities related to compliance	Review of appointment standards for Executive Directors and Vice Presidents
2. Enhancement of risk management system	
Cultivation of the awareness as risk owners for the first line and reform awareness of duties to support / control the first line for the second line	Cultivation of awareness for the first line and awareness reform for the second line
Strengthening of management capability in extensiveness and proactivity by the Risk Management Committee	Design of organizational structure and operation method against fraud risks
	Strengthening risk management with risk survey sheets
	Centralization of information on risks by the Risk Management Committee
	Internal sharing of risks occurred
	Collaboration with Internal Control Enhancement

	Council
Enhancement of function of the Risk Management Office	Appointment of a full-time Director of the Risk Management Office
Involvement of outside experts in the Risk Management Committee and the Compliance Committee	Involvement of outside experts in the Risk Management Committee and the Compliance Committee
Crisis management	Preparation of manual for crisis
3. Enhancement of system for business execution (first line, 1.5 line and second line) and internal system	
Enhancement of checking for the sales divisions in the first line and 1.5 line	Sharing of information among the sales divisions, technology operations and purchasing departments
	Review of regulations on sales and procurement process
A sturdy system of control and support on the second line, by reinforcing cooperation among management departments, and maintenance and reinforcement of check-and-follow-up system	Designation of a place for idea sharing among management departments
	Development of checking system by finance and accounting departments
Reinforcement of cost management system (such as reexamination for the budget management rules)	Validation on a case-by-case basis by finance and accounting departments
	Introduction of viable cost management measures to prevent improper substitution of costs
	Review of rules for application for additional costs
	Introduction of a framework that monitors validity of transactions
4. Thorough reexamination of the audit system	
Reinforcement of system, change in structure of personnel, and enhancement of jurisdiction of the Internal Audit Office	Change in structure of personnel of the Internal Audit Office, and introduction of a system that encourages and supports obtaining qualifications
	Enhancement on internal audits functions
	Enforcement of end participating in trainings on internal audits
	Enforcement and follow-up of a cross-division “zero-defect” campaign among the sales divisions and validation of its progress
	Specifying obligation of cooperation with internal audits in internal regulations
	Review of roles of the Internal Audit Office
Promotion of the position and roles of Internal Audit Office as a department/division	Promotion of the position and roles of Internal Audit Office as a department/division
Fundamental review on J-SOX operations	Review of documents for J-SOX
	Review of evaluation by J-SOX
	Clarification of management departments responsible for J-SOX

	Enforcing trainings on J-SOX
Enhancement of function of Audit & Supervisory Board Members	Regular idea sharing with Executive Directors
	Regular idea sharing with the Internal Audit Office
	Participating in trainings concerning fraudulent acts
	Appointment of Audit & Supervisory Board Member with higher accounting literacy
Enhancement of collaboration between the Internal Audit Office and the Accounting Auditor	Enhancement of collaboration between the Internal Audit Office and the Accounting Auditor
5. A scheme where employees can have a voice	
Cultivation of trust in the whistleblower system	Making the regulations of the whistleblower system and the regulations known as well as the education thereof
Suggestion box with third party as the contact point	Suggestion box with third party as the contact point
6. Reformation and cultivation of organizational culture	
Reformation of personnel systems aimed at strengthening compliance	Abolishment the rules of individual incentives for sales
	Confirmation of the personnel evaluation system that includes compliance conditions and the level of penetration of compliance awareness
Reform on corporate culture concerning sense of unity with the Company	Establishment of the Reform Committee of Governance and Corporate Culture
	Review of corporate philosophy and code of conduct
	Preparation of vision book and establishment of a special website for an electronic bulletin board
	Planning for vision week and the drawing up of the execution plan thereof
	Formulation and inculcation of the Code of Conduct Declaration based on the code of conduct
Cultivating sense of ownership and break the culture that treats everything as others' affairs	Establishment of personnel rotation
7. Education on accounting literacy and lessons learned from past scandals and enhancement of awareness	
Improving accounting literacy and education on accounting knowledge	Improving accounting literacy and education on accounting knowledge
	Case study group for fraudulent acts in the Company and other companies
Lessons learned from past scandals and enhancement of awareness	Activities that educate all employees on past scandals
Lessons learned from examples of daily failures	Education from examples of failures
8. Continuation of monitoring system	
Promotion of cross-division continuous	Promotion of reoccurrence countermeasures by the

reoccurrence countermeasures by the Internal Control Enhancement Council	Internal Control Enhancement Council
Regular inspection on occurrence of frauds, etc. (not limited to accounting frauds) by the Internal Audit Office, besides internal audits	Regular inspection besides internal audits

Promotion of the Medium-term Business Plan

The Group will continue to work on the following three basic policies in order to achieve continued growth.

1) Expanding focus markets and new models: Extending market coverage

In each of the focus markets and new models, the Company is carrying out the following initiatives.

Category	Name of market	Initiatives for the fiscal year ending March 31, 2022
Focus markets	Healthcare	<ul style="list-style-type: none">• Anticipating gradual recovery in investments• Proposals for digitization such as work style reform, remote medical service, cloud utilization, security measures inside hospitals, etc.
	School systems	<ul style="list-style-type: none">• Anticipating less pushback against GIGA school projects• On the other hand, supporting take-home learning for children and students, work style reform for faculty and staff, and accelerating operational services
	Smart factory	<ul style="list-style-type: none">• Anticipating solid increase in prospective projects• Continuous promotion for edge cloud, security, operational sophistication, local 5G
New models	Support for MSP (managed service providers)	<ul style="list-style-type: none">• Accelerating co-creation of services with telecommunication carriers and partner companies, mainly in digitization and security for the entire group
	Development of refurbishment (recycled products)	<ul style="list-style-type: none">• Expanding our third-party maintenance services for telecommunications carriers, which are in high demand• Expanding the products we handle, such as servers, in addition to network equipment

2) Driving “integrated service business”: Expansion of service ratio

The Company aims to establish itself as business partner in digitization for customers that continuously provides services with high added value, in implementation of high quality ICT infrastructures such as networks, cloud, security, and work style reform, as well as consistent support for “accelerated utilization” to maximize efficacy of such infrastructures.

In addition, in projects with common specifications, such as information security clouds for local municipalities, we aim for better quality and productivity by standardizing the solutions we provide.

3) Implementation of “Work-Style Innovation 2.0/DX”: Increasing productivity

With regard to Work-Style Innovation 2.0, to accelerate collaboration in new working styles, we are deliberating on offices that integrate the virtual and real world. For DX, the Company is prioritizing the implementation of additional features that strengthen governance functions as a measure to prevent recurrence (of fraudulent acts).

Requests and initiatives by market

In the enterprise market, requests for digitization (including smart factories), security enhancements, cloud utilization and work style reform are increasing not just for individual customers, but for entire groups. In the telecom carrier market, requests for support in the digitization and security enhancement business for private enterprises and public institutions in the corporate business and MSP business are increasing. In the public market, renewal demand is rising throughout the country for the local government information security cloud and enhanced-security systems. In addition, in the partner business, expectation is rising for the Company's solutions in the cooperative business and MSP business.

The Group responds to these requests with a variety of solutions in the integrated service business. In addition, by integrating these solutions, the Group is able to provide high-quality, cost-effective systems.

Furthermore, as initiatives that are common to all of the markets amid the continuing impact of COVID-19, by offering the Group's know-how with respect to work style reform while promoting the implementation of remote work environments and security measures, the Group supports the business continuity of our customers.

In its consolidated financial results for the fiscal year ending March 31, 2022, the last fiscal year of the Medium-term Business Plan, the Group is forecasting revenue of 209.0 billion yen, operating income of 22.0 billion yen, ordinary income of 22.0 billion yen, profit attributable to owners of parent of 15.0 billion yen, operating margin of 10.5%, service ratio of 45.0%, and ROE of 19.2%. It is projected that the targets for operating income, operating margin, and ROE for the Medium-term Business Plan will be achieved.

(Note) The above forecast is based on conditions the Company determines as reasonable, and the actual business performance may differ due to various factors.

Medium-term management indicators

The Group, while placing focus on governance and corporate culture reform, aims to enhance its corporate value by seeking to become a "company trusted and supported by all stakeholders" and continuing efforts to create new additional values.

(3) Status of income and assets

I. Status of consolidated financial results

Segment	31 st FY (April 1, 2017 to March 31, 2018)	32 nd FY (April 1, 2018 to March 31, 2019)	33 rd FY (April 1, 2019 to March 31, 2020)	34 th FY (current FY) (April 1, 2020 to March 31, 2021)
Revenue (million yen)	153,346	174,825	186,353	202,122
Ordinary income (million yen)	7,104	12,043	16,387	18,208
Profit attributable to owners of parent (million yen)	4,551	7,155	9,817	12,321
Basic earnings per share (yen)	53.79	84.52	115.90	145.42
Total assets (million yen)	102,502	121,494	135,764	155,782
Net assets (million yen)	53,847	58,584	65,337	73,795
Equity ratio (%)	52.4	48.1	47.9	47.2
Net assets per share (yen)	634.47	689.97	767.89	867.48

(Note) Figures presented for each 31st FY, 32nd FY, and 33rd FY reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on December 16, 2020.

II. Status of non-consolidated financial results

Segment	31 st FY (April 1, 2017 to March 31, 2018)	32 nd FY (April 1, 2018 to March 31, 2019)	33 rd FY (April 1, 2019 to March 31, 2020)	34 th FY (current FY) (April 1, 2020 to March 31, 2021)
Revenue (million yen)	122,992	146,050	146,541	161,069
Ordinary income (million yen)	5,368	9,954	13,780	14,926
Profit (million yen)	3,368	5,734	8,070	10,147
Basic earnings per share (yen)	39.81	67.73	95.28	119.76
Total assets (million yen)	94,622	110,523	120,454	137,405
Net assets (million yen)	49,492	52,691	57,484	63,526
Equity ratio (%)	52.1	47.5	47.6	46.1
Net assets per share (yen)	583.01	620.38	676.41	747.02

(Note) Figures presented for each 31st FY, 32nd FY, and 33rd FY reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on December 16, 2020.

(4) Status of financing

No special matters to report.

(5) Status of capital expenditures

The Company spent a total of 3,066 million yen for capital expenditures during the fiscal year under review mainly on upgrading equipment for the purpose of developing new products, and improving the evaluation system and the customer support framework.

(6) Status of parent company and significant subsidiaries

I. Status of the parent company

Not applicable.

II. Status of significant subsidiaries

Company name	Capital stock	Ratio of the Company's capital contribution	Main business activities
	Million yen	%	
Net One Partners Co., Ltd.	400	100.0	Sales, installation, introduction and maintenance service related to ICT equipment for partners
Net One Next Co., Ltd.	100	100.0	Sales, installation, introduction and maintenance of reusable ICT equipment
eXtreak, Inc.	100	100.0	IT facility services business
Net One Asia Pte. Ltd.	S\$2,750 thousand	51.0	System integration business and management services business in ASEAN region.

(7) Main offices (as of March 31, 2021)

Company name	Office name	Location
Net One Systems Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
	Kansai Branch	Yodogawa-ku, Osaka
	Tennoz Office	Shinagawa-ku, Tokyo
	Hokkaido Branch	Chuo-ku, Sapporo
	Tohoku Branch	Aoba-ku, Sendai
	Tsukuba Office	Tsukuba-shi, Ibaraki
	Chubu Branch	Naka-ku, Nagoya
	Toyota Office	Toyota-shi, Aichi
	Hokuriku Office	Kanazawa-shi, Ishikawa
	Hiroshima Office	Naka-ku, Hiroshima
	Takamatsu Office	Takamatsu-shi, Kagawa
	Kyushu Branch	Hakata-ku, Fukuoka
	Okinawa Office	Naha-shi, Okinawa
	Technical Center	Shinagawa-ku, Tokyo
	Quality Assurance & Management Center	Ota-ku, Tokyo
	Quality Assurance & Management Center West Branch	Joto-ku, Osaka
	Kariya Satellite Office	Kariya-shi, Aichi
	Matsuyama Satellite Office	Matsuyama-shi, Ehime

Company name	Office name	Location
Net One Partners Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
Net One Next Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
eXtreak, Inc.	Head Office	Minato-ku, Tokyo
Net One Asia Pte. Ltd.	Head Office	Singapore
Net One Asia Sdn. Bhd.	Head Office	Malaysia
PT SCALENOW SOLUSI	Head Office	Indonesia
ARK Virtualization Pte. Ltd.	Head Office	Singapore

(8) Status of employees (as of March 31, 2021)

I. Number of employees of the Corporate Group

Name of segment, etc.	Number of employees	Comparison to end of previous FY
Enterprise Sector	375	Increase of 1
Telecom carrier Sector	147	Decrease of 2
Public Sector	462	Increase of 83
Enterprise/Telecom carrier/Public common business	457	Decrease of 6
Partner Sector (Net One Partners Co., Ltd.)	178	Increase of 42
Other	122	Increase of 17
Support services for maintenance and operation	304	Increase of 21
Unallocable (Common)	515	Decrease of 27
Total	2,560	Increase of 129

(Note) The number of employees includes individuals dispatched to the Group from outside the Group but excludes individuals dispatched outside the Group from the Group.

II. Number of employees of the Company

Name of segment, etc.	Number of employees	Comparison to end of previous FY
Enterprise Sector	375	Increase of 1
Telecom carrier Sector	147	Decrease of 2
Public Sector	462	Increase of 83
Enterprise /Telecom carrier/Public common business	369	Decrease of 30
Partner Sector (Net One Partners Co., Ltd.)	—	—
Other	—	—
Support services for maintenance and operation	304	Increase of 21
Unallocable (Common)	433	Increase of 7
Total	2,090	Increase of 80

(Note) The number of employees includes individuals dispatched to the Company from other companies but excludes individuals dispatched from the Company to other companies.

(9) Other significant matters related to the status of the Corporate Group

Not applicable.

2. Status of shares of the Company (as of March 31, 2021)

- (1) Number of authorized shares to be issued 200,000,000 shares
- (2) Total number of shares issued 86,000,000 shares
(including 1,257,153 shares of treasury stock)
- (3) Number of shareholders 17,263

(4) Distribution of shares by shareholder type

Foreign institutions and others	44.32%
Financial institutions	38.55%
Individual shareholders, etc.	13.81%
Net One Systems Co., Ltd.	1.46%
Securities companies	1.45%
Other institutions	0.41%

(5) Major shareholders (Top 10)

Name of shareholder	Number of shares held	Percentage of ownership (%)
SSBTC CLIENT OMNIBUS ACCOUNT	9,170,885	10.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,375,600	8.70
Custody Bank of Japan, Ltd. (Trust Account)	6,697,000	7.90
Custody Bank of Japan, Ltd. (Trust Account 9)	4,967,400	5.86
JP MORGAN CHASE BANK 385632	1,778,523	2.10
Custody Bank of Japan, Ltd. (Trust Account 7)	1,700,700	2.01
TAIYO FUND, L.P.	1,473,600	1.74
Meiji Yasuda Life Insurance Company	1,440,000	1.70
STATE STREET BANK AND TRUST COMPANY 505001	1,404,830	1.66
MUFG Bank, Ltd.	1,324,800	1.56

- (Notes) 1. The Company owns 1,257,153 shares of treasury stock.
2. The calculation of the percentage of ownership excludes treasury stock.

(6) Other important matters concerning the Company's shares

Not applicable

3. Status of the Company's share acquisition rights, etc.

(1) Outline of share acquisition rights under the stock compensation-type stock options plan held by Executive Directors (excluding Outside Executive Directors) of the Company as of end of FY2020

Name (Date of resolution to issue)	Number of owners	Number of share acquisition rights	Class and number of shares to be issued upon the exercise of share acquisition rights	Amount to be paid in for share acquisition rights	Value of assets contributed upon the exercise of the share acquisition rights	Effective period during which the share acquisition rights are exercisable	Conditions for the exercise of share acquisition rights	Remarks
Net One Systems Co., Ltd. FY2012 share acquisition rights (June 14, 2012)	5 Executive Directors (excluding Outside Executive Directors)	144	14,400 shares of common stock of the Company	90,000 yen per share acquisition right	1 yen per share	July 3, 2012 to July 2, 2042	(Note 1)	(Note 2)
Net One Systems Co., Ltd. FY2013 share acquisition rights (June 13, 2013)	5 Executive Directors (excluding Outside Executive Directors)	183	18,300 shares of common stock of the Company	62,700 yen per share acquisition right	1 yen per share	July 2, 2013 to July 1, 2043	(Note 1)	(Note 2)
Net One Systems Co., Ltd. FY2014 share acquisition rights (June 17, 2014)	5 Executive Directors (excluding Outside Executive Directors)	220	22,000 shares of common stock of the Company	56,400 yen per share acquisition right	1 yen per share	July 4, 2014 to July 3, 2044	(Note 1)	(Note 2)
Net One Systems Co., Ltd. FY2015 share acquisition rights (June 16, 2015)	6 Executive Directors (excluding Outside Executive Directors)	190	19,000 shares of common stock of the Company	71,700 yen per share acquisition right	1 yen per share	July 3, 2015 to July 2, 2045	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2016 share acquisition rights (June 16, 2016)	6 Executive Directors (excluding Outside Executive Directors)	282	28,200 shares of common stock of the Company	53,100 yen per share acquisition right	1 yen per share	July 5, 2016 to July 4, 2046	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2017 share acquisition rights (June 15, 2017)	6 Executive Directors (excluding Outside Executive Directors)	159	15,900 shares of common stock of the Company	101,400 yen per share acquisition right	1 yen per share	July 4, 2017 to July 3, 2047	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2018 share acquisition rights (June 14, 2018)	6 Executive Directors (excluding Outside Executive Directors)	108	10,800 shares of common stock of the Company	175,400 yen per share acquisition right	1 yen per share	July 3, 2018 to July 2, 2048	(Note 1)	(Note 4)
Net One Systems Co., Ltd. FY2019 share acquisition rights (June 13, 2019)	6 Executive Directors (excluding Outside Executive Directors)	110	11,000 shares of common stock of the Company	287,200 yen per share acquisition right	1 yen per share	July 2, 2019 to July 1, 2049	(Note 1)	

Name (Date of resolution to issue)	Number of owners	Number of share acquisition rights	Class and number of shares to be issued upon the exercise of share acquisition rights	Amount to be paid in for share acquisition rights	Value of assets contributed upon the exercise of the share acquisition rights	Effective period during which the share acquisition rights are exercisable	Conditions for the exercise of share acquisition rights	Remarks
Net One Systems Co., Ltd. FY2020 share acquisition rights (June 11, 2020)	6 Executive Directors (excluding Outside Executive Directors)	115	11,500 shares of common stock of the Company	341,400 yen per share acquisition right	1 yen per share	July 2, 2020 to July 1, 2050	(Note 1)	

(Notes) 1. (1) Persons who have received allotment of share acquisition rights (herein, “Share Acquisition Right Holders”) may only execute the share acquisition rights as one lump transaction that shall be limited to the period from the day following the day on which any position of Director, Audit & Supervisory Board Member, Executive Officer or employee (excluding consigned employees) of the Company or the Company’s subsidiary during the exercise period of the share acquisition rights has been forfeited until the day on which ten days expire (if the tenth day falls on a holiday, then the next business day).

(2) In the event that a Share Acquisition Right Holder dies while serving or being employed in any position of Director, Audit & Supervisory Board Member, Executive Officer or employee (excluding consigned employees) of the Company or the Company’s subsidiary, or between the period from the day following the day on which such position has been forfeited until the day on which ten days expire, the heir of that person may only execute the share acquisition rights as one lump transaction that shall be limited to the period from the day that follows the day on which that person died until the day on which six months expire.

2. The share acquisition rights owned by three (3) Executive Directors out of five (5) Executive Directors were granted prior to appointment as Executive Director.
3. The share acquisition rights owned by four (4) Executive Directors out of six (6) Executive Directors were granted prior to appointment as Executive Director.
4. The share acquisition rights owned by one (1) Executive Director out of six (6) Executive Directors were granted prior to appointment as Executive Director.

(2) Outline of share acquisition rights under the stock compensation-type stock options plan granted to employees, etc. during the current fiscal year

Name (Date of resolution to issue)	Number of grantees	Number of share acquisition rights	Class and number of shares to be issued upon the exercise of share acquisition rights	Amount to be paid in for share acquisition rights	Value of assets contributed upon the exercise of the share acquisition rights	Effective period during which the share acquisition rights are exercisable	Conditions for the exercise of share acquisition rights
Net One Systems Co., Ltd. FY2020 share acquisition rights (June 11, 2020)	4 Vice Presidents	41	4,100 shares of common stock of the Company	341,400 yen per share acquisition right	1 yen per share	July 2, 2020 to July 1, 2050	(Note)

- (Notes) 1. Persons who have received allotment of share acquisition rights (herein, “Share Acquisition Right Holders”) may only execute the share acquisition rights as one lump transaction that shall be limited to the period from the day following the day on which any position of Director, Audit & Supervisory Board Member, Executive Officer or employee (excluding consigned employees) of the Company or the Company’s subsidiary during the exercise period of the share acquisition rights has been forfeited until the day on which ten days expire (if the tenth day falls on a holiday, then the next business day). 2. In the event that a Share Acquisition Right Holder dies while serving or being employed in any position of

Director, Audit & Supervisory Board Member, Executive Officer or employee (excluding consigned employees) of the Company or the Company's subsidiary, or between the period from the day following the day on which such position has been forfeited until the day on which ten days expire, the heir of that person may only execute the share acquisition rights as one lump transaction that shall be limited to the period from the day that follows the day on which that person died until the day on which six months expire.

4. Items regarding the Company's Executive Directors and Audit & Supervisory Board Members

(1) Status of Executive Directors and Audit & Supervisory Board Members (as of March 31, 2021)

Position	Name	Responsibilities at the Company and significant concurrent positions
Chairman	Takayuki Yoshino	General management
President & CEO	Toru Arai	General management
Executive Director	Shinji Hirakawa	In charge of East Japan Business Unit 1
	Takafumi Takeshita	In charge of Corporate Planning & Management Division Executive Director, Net One Next Co., Ltd.
	Takuya Tanaka	In charge of Investment & Financing, Corporate Planning & Management Division President & CEO, Net One Partners Co., Ltd.
	Fumihiko Shinoura	In charge of Business Development Division, in charge of Customer Service Division
	Mitsuo Imai	
	Rieko Nishikawa	Outside Director, INFORMATION DEVELOPMENT CO., LTD.
	Ryugo Hayano	Councilor, Radiation Effects Research Foundation President, Talent Education Research Institute (Suzuki Method) Science Fellow, Hobonichi Co., Ltd. Representative, Office-Hayano LLC Director, Public Interest Incorporated Foundation Shigeta Education Foundation Professor Emeritus, The University of Tokyo Director, International Physics Olympiad 2023 Association
	Shigeki Kusaka	

Position	Name	Responsibilities at the Company and significant concurrent positions
Audit & Supervisory Board Member (Full-time)	Toru Matsuda	
Audit & Supervisory Board Member	Keiichi Horii	Partner, South Toranomom Law Offices Member, Operating Committee of the Arbitration Center of the Daiichi Tokyo Bar Association
	Hideki Suda	
	Sachiko Iizuka	Representative Director, LAULEA CORPORATION Auditor (Outside), KORAKUEN HOLDINGS CORPORATION Auditor (Outside), BeeX Co., Ltd. Representative Partner, Cenxus Audit Corporation

- (Notes)
1. Chairman Mr. Takayuki Yoshino, President & CEO Mr. Toru Arai and Executive Director Mr. Shinji Hirakawa retired due to resignation from the position of Executive Director of the Company on March 31, 2021.
 2. Executive Director Mr. Takafumi Takeshita assumed the position of President & CEO on April 1, 2021. In addition, he retired due to resignation from the position of Executive Director of Net One Next Co., Ltd. on March 31, 2021.
 3. Executive Director Ms. Rieko Nishikawa assumed the position of Outside Director of INFORMATION DEVELOPMENT CO., LTD. on September 4, 2020.
 4. Executive Director Mr. Ryugo Hayano retired from the position of Science Fellow of Hobonichi Co., Ltd. on April 30, 2021.
 5. Executive Directors Mr. Mitsuo Imai, Ms. Rieko Nishikawa, Mr. Ryugo Hayano, and Mr. Shigeki Kusaka are Outside Executive Directors as stipulated by Article 2, Item 15 of the Companies Act. The Company has notified Tokyo Stock Exchange (TSE) of the status of Mr. Mitsuo Imai, Ms. Rieko Nishikawa, Mr. Ryugo Hayano, and Mr. Shigeki Kusaka as Independent Executive Officers pursuant to the provisions of the Exchange.
 6. Audit & Supervisory Board Member Mr. Toru Matsuda retired due to resignation from the position of Audit & Supervisory Board Member of the Company on March 31, 2021.
 7. Audit & Supervisory Board Member Mr. Hideki Suda assumed the position of Full-time Outside Audit & Supervisory Board Member on April 1, 2021.
 8. Audit & Supervisory Board Members Mr. Keiichi Horii, Mr. Hideki Suda, and Ms. Sachiko Iizuka are Outside Audit & Supervisory Board Members as stipulated by Article 2, Item 16 of the Companies Act. The Company has notified Tokyo Stock Exchange (TSE) of the status of Mr. Keiichi Horii, Mr. Hideki Suda, and Ms. Sachiko Iizuka as Independent Executive Officers pursuant to the provisions of the Exchange.
 9. Audit & Supervisory Board Member Ms. Sachiko Iizuka is a certified public accountant and has a respectable degree of knowledge in finance and accounting.
 10. The Company has entered into a limited liability agreement with each of Outside Executive Directors and each of Audit & Supervisory Board Members. The purpose of this agreement is to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act.

(Reference)

The Company has introduced a Vice President system, and the Vice Presidents as of March 31, 2021 are as follows.

Position	Name	Responsibilities at the Company, etc.
President	Toru Arai*	General management
Senior Vice President	Shinji Hirakawa*	In charge of East Japan Business Unit 1
Vice President	Takafumi Takeshita*	In charge of Corporate Planning & Management Division Chief Risk Officer (CRO) Chief Compliance Officer (CCO) Chief Information Security Officer (CISO)
	Takuya Tanaka*	In charge of Investment & Financing, Corporate Planning & Management Division President & CEO, Net One Partners Co., Ltd.
	Fumihiko Shinoura*	In charge of Business Development Division, in charge of Customer Service Division
	Takahisa Kawaguchi	In charge of Promotion for Non-consolidated Subsidiaries and Global Business, Corporate Planning & Management Division Chairman, Net One Partners Co., Ltd. President & CEO, Net One Systems Singapore Pte. Ltd.
	Junichi Nakamura	In charge of Central Japan Business Unit
	Hideo Fukumoto	In charge of Net One Next Co., Ltd. and Net One Business Operations G.K., Corporate Planning & Management Division President & CEO, Net One Next Co., Ltd.
	Koji Tsuji	In charge of East Japan Business Unit 2

(Note) Vice Presidents marked with * also serve as Executive Directors.

(2) Remuneration, etc. for Executive Directors and Audit & Supervisory Board Members

I. Policy for determination of the details of remuneration, etc. for Executive Directors and Audit & Supervisory Board Members

1) Remuneration, etc. for Executive Directors

The Company has passed a resolution on the policy for determination of remuneration for Executive Directors and Audit & Supervisory Board Members at a Board of Directors meeting held on March 26, 2021. Before reaching resolution at said Board of Directors meeting, consultation concerning the details of the resolution was made to the Advisory Committee and a report from the Advisory Committee was received.

In addition, regarding remuneration for each Executive Director for the current fiscal year, the Board of Directors confirmed that the method of determining details of remuneration, etc. and the details of the determined remuneration, etc. is consistent with the policy for determination as resolved by the Board of Directors and that the report by the Advisory Committee has been respected, and judged that it is in line with said policy for determination.

The details of the policy for determination of remuneration for Executive Directors and Audit & Supervisory Board Members is as follows.

Policy for determination of remuneration for Executive Directors and Audit & Supervisory Board Members

Basic policies

For its executive remuneration system, the Company adopts basic policies to continue its growth and enhance the corporate value of the Company continuously by strengthening the link between executive remuneration and the Company's business performance, and to ensure fairness and objectivity in the process of determining executive remuneration, etc.

System of remuneration

Based on the above basic policies, remuneration, etc. for the Company's Executive Directors (excluding Outside Executive Directors) consists of three types: a basic remuneration, which is fixed; bonuses, which is a corporate performance-linked compensation over the short term offered annually based on performance; and stock compensation-type stock options, which is a corporate performance-linked compensation over the medium to long term.

On the other hand, remuneration, etc. of Outside Executive Directors and Audit & Supervisory Board Members consists only of the basic remuneration, from the perspective of securing their independence.

Policy for determination concerning details of remuneration for each Executive Director

i) Policy, etc. for determination of the amount of remuneration, etc. of basic remuneration for each Executive Director

Basic remuneration is paid monthly, with the basic amount determined considering the title, years in service and performance as a whole, and within the maximum amount of remuneration for Directors resolved at the Annual Shareholders Meeting.

ii) Policy, etc. for determining the details of, the amount of, and the method of calculation for performance-linked compensation, etc. and non-monetary remunerations, etc.

Regarding bonuses, to achieve continuous growth by strengthening the link between executive remuneration and the Company's business performance, the amount of bonuses for each Executive Director is determined based on the achievement rate of performance targets on a consolidated basis (productivity per employee in terms of consolidated bookings accepted and operating income) for i) Chairman, President & CEO and other Vice Presidents not in charge of any business units; and on the achievement rate of performance targets for the business unit the Vice President is in charge (productivity per employee in terms of bookings accepted and operating income earned by the division) for ii) Executive Directors in charge of business units. Accordingly, based on the total amount resolved at the Annual Shareholders Meeting in each fiscal year, it is paid at certain time of the year.

The stock compensation-type stock option plan is designed so that Executive Directors share benefits and risks associated with rising and falling share prices with shareholders and are more encouraged and motivated to raise the share price and enhance the corporate value over the medium to long term. The amount of individual payment (the number of stock options granted) to each Executive Director is calculated by dividing the base amount set based on the title of each Executive Director by the fair value per such stock option, and is paid at certain time of the year within the maximum amount of remuneration for Directors resolved at the Annual Shareholders Meeting. The fair value is calculated by an outside appraiser, with the day preceding the date of the Board of Directors' meeting where the issuance of stock options is resolved as the beginning date and the day 10 business days prior to the beginning date as the reference date, in accordance with the accounting standards related to stock options, etc., and based on the Black-Scholes Model. The share price used as the basis for the fair value calculation is the simple average of the closing prices of the common stock (in case no trade was made, the closing price of the most recent trading date) on Tokyo Stock Exchange over 10 business days prior to the reference date, inclusive of the reference date (any fraction less than one yen is rounded up). These stock options are granted also to Vice Presidents of the Company and Executive Directors of its subsidiaries through resolution by the Board of Directors. During the exercise period, Executive Directors, Audit & Supervisory Committee Members, Vice Presidents and employees (excluding contract-based employees) of the Company and its subsidiaries are permitted to exercise stock acquisition rights, granted in the form of the stock compensation-type stock options, only on a lump-sum basis between the day following the day he/she lost his position as Executive Directors, Audit & Supervisory Committee Member, Vice President or employee (excluding contract-based employees) of the Company or any of its subsidiaries and the 10th day (or the next business day if the 10th day is a holiday).

iii) Policy for determination of percentage split of the amount in each type of remuneration for each Executive Director

The percentage split of remuneration for Executive Directors (excluding Outside Executive Directors) is constructed in line with the above basic policies, while taking into consideration the level of remuneration at other corporations of similar business scale or of the same industry, and is discussed by the Advisory Committee. The President & CEO, delegated by the Board of Directors and respecting the report by the Advisory Committee, determines details of remuneration, etc. based on the percentage split of remunerations for each Executive Director stated in said report.

The percentage split between basic remuneration, bonuses, and stock compensation-type stock options of remuneration, etc. for Executive Directors (excluding Outside Executive Directors) is shown below.

Title	Basic remuneration	Bonuses	Stock compensation-type stock options
Representative Director	62.69%~63.58%	26.39%~27.36%	9.93%~10.26%
Executive Director or Vice Presidents with executive roles	63.16%~63.49%	26.32%~26.46%	10.05%~10.53%
Vice President	63.37%~63.67%	26.40%~26.53%	9.80%~10.23%

(Notes) 1. The percentages in the table above represent the percentage split of remunerations by title/position when the performance targets are 100% achieved.

2. The percentages vary from position to position, even if they hold the same title, as the remuneration table differs depending on positions.

iv) Matters concerning determination of details of remuneration, etc. for each Executive Director

In order to increase fairness and transparency of management and to strengthen corporate governance, the Company has established an Advisory Committee, which consists of Representative Directors, Outside Executive Directors, Full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members, and chaired by one of the Outside Executive Directors, as a consultative body to the Board of Directors. In response to consultation by the Board of Directors, the Advisory Committee discusses matters related to the election or dismissal of candidates for Executive Directors and Vice Presidents and their remuneration, etc. and reports the results to the Board of Directors.

With regard to remuneration, etc. for each Executive Director (excluding Outside Executive

Directors), the President & CEO, delegated by resolution of the Board of Directors, determines the amounts of basic remuneration, and bonuses paid to each Executive Directors based on deliberation of the Advisory Committee, which is a consultative body to the Board of Directors, to ensure fairness and objectivity of remuneration, etc. With regard to stock compensation-type stock options, the Board of Directors determines the amounts (number of allotments of stock options) paid to each Executive Directors based on deliberation of the Advisory Committee which is a consultative body to the Board of Directors.

In addition, regarding remunerations, etc. for Outside Executive Directors, the President & CEO, delegated by resolution of the Board of Directors, determines the amounts of remuneration paid to each Executive Director based on deliberation of the Advisory Committee, which is a consultative body to the Board of Directors, to ensure fairness and objectivity of remuneration, etc.

2) Remuneration, etc. for Audit & Supervisory Board Members

The amounts of remuneration, etc. for Audits & Supervisory Board Members are determined within the ceiling of remuneration for Audit & Supervisory Board Members resolved at the Shareholders Meeting and are decided upon discussion of Audit & Supervisory Board Members. Remuneration, etc. of Audit & Supervisory Board Members consists only of the basic remuneration, from the perspective of securing their independence.

ii) Matters concerning delegation of determination of remunerations, etc. for each Executive Director

The Board of Directors has delegated or plans to delegate the determination of the amount to be paid to each individual Director as basic remuneration to Toru Arai, who was Representative Director and President at such time, and to delegate the determination of the amount to be paid to each individual Director (excluding Outside Director) as bonuses to Takafumi Takeshita who will be Representative Director and President when such amount is determined subject to the approval of “Proposal 5. Payment of bonuses to Executive Directors.” The reason for delegating the authority for these determinations, or for planning to delegate such authority, is because the Representative Director is deemed to be the most suited to provide assessment regarding each Director’s division and responsibilities while considering the results, etc. of the Company overall. Note that the Representative Director and President, for each of the aforementioned cases, at the time of deciding the delegated content to be decided, has or will make the determination in accordance with the contents deliberated beforehand at the Advisory Committee

1) Composition of the Advisory Committee

<From June 11, 2020 to March 31, 2021> (* represents the chairman of the committee)

Outside	Executive Director	Mitsuo Imai*, Rieko Nishikawa, Ryugo Hayano, Shigeki Kusaka
	Audit & Supervisory Board Member	Keiichi Horii, Hideki Suda, Sachiko Iizuka
Inside	Executive Director	Toru Arai
	Audit & Supervisory Board Member	Toru Matsuda

<From April 1, 2021 on> (* represents the chairman of the committee)

Outside	Executive Director	Mitsuo Imai*, Rieko Nishikawa, Ryugo Hayano, Shigeki Kusaka
	Audit & Supervisory Board Member	Keiichi Horii, Hideki Suda, Sachiko Iizuka
Inside	Executive Director	Takafumi Takeshita

2) Activities of the Advisory Committee

Upon consultation by the Board of Directors, the Advisory Committee discusses the amounts of

remuneration, etc. for Executive Directors, in view of appropriateness of the levels of remuneration, etc. by title and the percentage split of the basic remuneration, bonuses and stock compensation-type stock options; and reports the results of discussions, which are deemed fair and objective, to the Board of Directors. During the current fiscal year, the Advisory Committee held a total of three meetings to discuss the amounts of remuneration, etc. for Executive Directors.

iii) The amount of remuneration, etc. for Executive Directors and Audit & Supervisory Board Members

Classification	Executive Directors (Of which Outside Executive Directors)		Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)		Total (Of which Outside Executive Directors and Audit & Supervisory Board Members)		Remarks
	Number of persons paid	Amount paid	Number of persons paid	Amount paid	Number of persons paid	Amount paid	
Basic Remuneration	12 (5)	Million yen 257 (57)	5 (4)	Million yen 53 (26)	17 (9)	Million yen 310 (83)	(Notes 1, 2)
Bonuses	2 (-)	22 (-)	- (-)	- (-)	2 (-)	22 (-)	(Note 3)
Stock compensation-type stock options	6 (-)	39 (-)	- (-)	- (-)	6 (-)	39 (-)	(Note 4)
Total		319 (57)		53 (26)		372 (83)	

- (Notes) 1. The maximum amount of remunerations was decided as 470 million yen per year for Executive Directors (of which, maximum amount for Executive Directors excluding Outside Executive Directors is 400 million yen per year and maximum amount for Outside Executive Directors is 70 million yen per year), based on a resolution passed at the 28th Annual Shareholders Meeting on June 16, 2015 (eleven (11) Executive Directors at the conclusion of this Shareholders Meeting (of which, four (4) Outside Executive Directors)), while 100 million yen per year for Audit & Supervisory Board Members, based on a resolution passed at the 17th Annual Shareholders Meeting on June 25, 2004 (four (4) Audit & Supervisory Board Members at the conclusion of this Shareholders Meeting)
2. Although the Company has ten (10) Executive Directors and four (4) Audit & Supervisory Board Members as of the end of the current fiscal year, the number of persons paid, and amount paid shown above includes two (2) Executive Director and one (1) Audit & Supervisory Board Member retired at the conclusion of the 33rd Annual Shareholders Meeting on June 11, 2020, respectively.
3. Number of persons paid and amount paid based on “Proposal 5: Payment of bonuses to Executive Directors” scheduled for resolution at this meeting.
4. Remuneration, etc. through share acquisition rights under stock compensation-type stock option plan was decided as not exceeding 50 million yen per year for Executive Directors (excluding Outside Executive Directors) based on a resolution passed at the 25th Annual Shareholders Meeting held on June 14, 2012. There will be no change due to the “Proposal 6: Determination of details of share acquisition rights under the stock compensation-type stock options plan for Executive Directors,” which is planned to be resolved at this meeting. In the columns of “Stock compensation-type stock options,” expenses for the current fiscal year are presented.

iv) Matters concerning bonuses

In order to achieve continuous growth and by strengthening the link between executive remuneration and the Company’s business performance, i) the amount of bonuses for Chairman, President & CEO and other Vice Presidents not in charge of any business units is determined based on the achievement rate of performance targets on a consolidated basis (productivity per employee in terms of consolidated bookings accepted and operating income) and ii) the amount of bonuses for each Executive Directors in charge of business units is determined based on the achievement rate of performance targets for the business unit the Vice President is in charge of (productivity per employee in terms of bookings accepted and operating income earned by the division) in addition to

the achievement rate of performance targets on a consolidated basis. The reasons why these indicators are adopted are to increase employee productivity and to achieve efficient management.

The targets and results for indicators related to bonuses is as follows.

Indicator		Target (Million yen)	Results (Million yen)
Company-wide consolidated performance	Productivity per employee in terms of consolidated bookings accepted	75.6	79.5
	Productivity per employee in terms of consolidated operating income	6.3	7.7
Performance of business division responsible for	Productivity per employee in terms of bookings accepted by the division	121.5~161.9	130.3~206.0
	Productivity per employee in terms of operating income earned by the division	8.4~15.4	12.0~31.5

- (Notes) 1. Productivity per employee for each management indicator is calculated by dividing each management indicator, by the number of employees at the beginning of the fiscal year for the target, and, by the number of employees at the end of the fiscal year for the actual results.
2. The reason for different performance targets is that each executive director has a different scope of responsibility.

v) Matters concerning the stock compensation-type stock options plan

The conditions, etc. for allotment of the stock compensation-type stock options plan is as stated in the “Policy for determination of remuneration for Executive Directors and Audit & Supervisory Board Members.” The status of issuance of the current fiscal year is specified in “3. Status of the Company’s share acquisition rights, etc. (1).”

(3) Items regarding Outside Executive Directors and Outside Audit & Supervisory Board Members

I. Significant concurrent positions and relationships with organizations where concurrent positions are held

Classification	Name	Significant concurrent positions	Remarks
Executive Director	Rieko Nishikawa	Professor, Faculty of Law, Keio University Outside Director, INFORMATION DEVELOPMENT CO., LTD.	(Note 1) (Note 2)
	Ryugo Hayano	Councilor, Radiation Effects Research Foundation President, Talent Education Research Institute (Suzuki Method) Science Fellow, Hobonichi Co., Ltd. Representative, Office-Hayano LLC Director, Public Interest Incorporated Foundation Shigeta Education Foundation Professor Emeritus, The University of Tokyo Director, International Physics Olympiad 2023 Association	(Note 3) (Note 4) (Note 5)
Audit & Supervisory Board Member	Keiichi Horii	Partner, South Toranomom Law Offices Member, Operating Committee of the Arbitration Center of the Daiichi Tokyo Bar Association	(Note 6)

Classification	Name	Significant concurrent positions	Remarks
	Sachiko Iizuka	Representative Director, LAULEA CORPORATION Auditor (Outside), KORAKUEN HOLDINGS CORPORATION Auditor (Outside), BeeX Co., Ltd. Representative Partner, Cenxus Audit Corporation	(Note 7)

- (Notes) 1. There are certain transactions between Keio University and the Company. However, the amount of revenue from such transactions for the current fiscal year is only less than 0.1% of revenue of the Company for the current fiscal year. Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
2. Executive Director Ms. Rieko Nishikawa assumed the position of Outside Director of INFORMATION DEVELOPMENT CO., LTD. on September 4, 2020. There are no special relationships between INFORMATION DEVELOPMENT CO., LTD. and the Company.
3. Executive Director Mr. Ryugo Hayano retired from the position of Science Fellow of Hobonichi Co., Ltd. on April 30, 2021.
4. There are certain transactions between The University of Tokyo and the Company. However, the amount of revenue from such transactions for the current fiscal year is only approximately 0.1% of revenue of the Company for the current fiscal year. Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
5. There are no special relationships between Radiation Effects Research Foundation, Talent Education Research Institute (Suzuki Method), Hobonichi Co., Ltd, Office-Hayano LLC, Public Interest Incorporated Foundation Shigeta Education Foundation and International Physics Olympiad 2023 Association and the Company.
6. There are no special relationships between South Toranomom Law Offices and the Daiichi Tokyo Bar Association and the Company.
7. There are no special relationships between LAULEA CORPORATION, KORAKUEN HOLDINGS CORPORATION, BeeX Co., Ltd., and Cenxus Audit Corporation and the Company.

II. Significant activities during the current fiscal year

1) Status of attendance at Board of Directors meetings and Audit & Supervisory Board meetings

Classification	Name	Board of Directors meetings (held 15 times)		Audit & Supervisory Board meetings (held 13 times)	
		Number of meetings attended	Percentage of attendance	Number of meetings attended	Percentage of attendance
Executive Director	Mitsuo Imai	15	100%	—	—%
	Rieko Nishikawa	15	100%	—	—%
	Ryugo Hayano	15	100%	—	—%
	Shigeki Kusaka	13	100%	—	—%
Audit & Supervisory Board Member	Keiichi Horii	15	100%	13	100%
	Hideki Suda	15	100%	13	100%
	Sachiko Iizuka	13	100%	11	100%

- (Notes) 1. The percentage of attendance for Executive Director Mr. Shigeki Kusaka have been calculated based on the number of Board of Directors meetings (13 times) held after his assumption of the position as Executive Director following the election at the 33rd Annual Shareholders Meeting on June 11, 2020.
2. The percentage of attendance for Audit & Supervisory Board Member Ms. Sachiko Iizuka have been calculated based on the number of Board of Directors meetings (13 times) and the number of Audit & Supervisory Board meetings (11 times) held after her assumption of the position as Audit & Supervisory Board Member following the election at the 33rd Annual Shareholders Meeting on June 11, 2020.
3. In addition to the number of Board of Directors meetings held above, 10 resolutions were adopted in writing which are regarded as having been resolved by the Board of Directors in accordance with the provisions of the Companies Act and of the Company's Articles of Incorporation.

2) Status of remarks made at Board of Directors meetings and Audit & Supervisory Board meetings

Classification	Name	Status of remarks made at Board of Directors meetings and overview of the Audit & Supervisory Board Members' execution of duties regarding his/her expected roles
Executive Director	Mitsuo Imai	Using his abundant insight and experience in the information and communication business field, and experience as a corporate manager at other companies, he is expected to provide supervision of the Company's management, and using such insight and experience, he has been appropriately providing opinions and suggestions to the Company's management at the Board of Directors. As Chairman of the Advisory Committee, he attends the Advisory Committee meetings, participates in the deliberation and discussion concerning human resource and remunerations, etc. of the Company from an independent and objective standpoint. He also attends meetings of the Management Committee and the Risk Management Committee as an observer, shares management issues and exchanges information and ideas. Through the above activities, he properly fulfills his expected roles in contributing to the decision-making from the perspective of someone with experience in corporate management, as well as overseeing the Company's management from an objective standpoint independent from the persons who perform executive roles.
	Rieko Nishikawa	Using her abundant insight and experience as a university professor specializing in law, she is expected to provide supervision of the Company's management, and using such insight and experience, she has been appropriately providing opinions and suggestions to the Company's management at the Board of Directors. As a member of the Advisory Committee, she attends the Advisory Committee meetings, participates in the deliberation and discussion concerning human resource and remunerations, etc. of the Company from an independent and objective standpoint. She also attends meetings of the Management Committee and the Compliance Committee as an observer, shares management issues and exchanges information and ideas. Through the above activities, she properly fulfills her expected roles in contributing to the decision-making from the perspective of an expert in law, as well as overseeing the Company's management from an objective standpoint independent from the persons who perform executive roles.
	Ryugo Hayano	Using his abundant insight and experience as a university professor specializing in physics research and the insights gained through the practice of various groups, he has been appropriately providing opinions and suggestions to the Company's management at the Board of Directors. As member of the Advisory Committee, he attends the Advisory Committee meetings, participates in the deliberation and discussion concerning human resource and remunerations, etc. of the Company from an independent and objective standpoint. He also attends meetings of the Management Committee as an observer, shares management issues and exchanges information and ideas. Through the above activities, he properly fulfills his expected roles in contributing to the decision-making in a new light based on

		his broad knowledge and expertise, as well as overseeing the Company's management from an objective standpoint independent from the persons who perform executive roles.
	Shigeeki Kusaka	Using his abundant insight and experience in the information and communication business field, and experience as a representative director or a director, he is expected to provide supervision of the Company's management, and using such insight and experience, he has been appropriately providing opinions and suggestions to the Company's management at the Board of Directors. As member of the Advisory Committee, he attends the Advisory Committee meetings, participates in the deliberation and discussion concerning human resource and remunerations, etc. of the Company from an independent and objective standpoint. He also attends meetings of the Management Committee as an observer, shares management issues and exchanges information and ideas. Through the above activities, he properly fulfills his expected roles in contributing to the decision-making from the perspective of someone with experience in corporate management, as well as overseeing the Company's management from an objective standpoint independent from the persons who perform executive roles.

Classification	Name	Status of remarks made at Audit & Supervisory Board meetings
Audit & Supervisory Board Member	Keiichi Horii	Based on his broad knowledge and experience in the field of corporate legal affairs he has garnered to date as an attorney, Keiichi Horii expresses opinions and makes comments regarding the Company's management.
	Hideki Suda	Based on his broad knowledge and experience in the information and communication business as well as experience as a corporate manager of other companies, Hideki Suda expresses opinions and makes comments regarding the Company's management.
	Sachiko Iizuka	Based on her broad knowledge and expertise in finance and accounting as a certified public accountant, as well as her experience as Representative Director at other companies, Sachiko Iizuka expresses opinions and makes comments regarding the Company's management.

(Ref.) In order to strengthen governance, the Company holds meetings twice a year as an optional system between Outside Executive Directors and Audit & Supervisory Board Members (Full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members). By exchanging of information and sharing, we promote collaboration between Outside Executive Directors and Audit & Supervisory Board Members.

- 3) Violation of laws or regulations, or the Articles of Incorporation, and actions to prevent the occurrence of such events and to deal with such events after their occurrence

During the current fiscal year, it was revealed that, (1) the Company's former employee had misappropriated the Company's funds through the use of fictitious transactions and inflated transactions with suppliers; (2) the Company's employees and former employees undertook improper substitution of costs securing "risk expenses" from lease companies and suppliers; (3) the Company's former employee undertook improper substitution of costs for multiple transactions; (4) the Internal Audit Office's evaluation operations of internal controls relating to financial reporting used inadequate sampling; (5) the extraordinary losses in relation to approximately 5,100 million yen in advances paid concerning transactions without actual deliveries of good recorded over the three year period from the 31st fiscal year to the 33rd fiscal year for the corrections of previous results made in March 2020 were of a nature that should have been borne over the period from the 29th fiscal year, the year in which

the series of fictitious and circular transactions commenced, until the 33rd fiscal year; (6) part of the funds from the Company to multiple operators concerning the aforementioned transactions without actual deliveries of goods are assigned as the provision of services and goods relating to transactions recorded by the Company as sales; and (7) part of the stock received transactions that were recognized as transactions without actual deliveries of goods for the corrections to previous results made in March 2020 were authentic. Of the above incidents, Executive Directors Mr. Mitsuo Imai Ms. Reiko Nishikawa, Mr. Ryugo Hayano and Mr. Shigeki Kusaka, and Audit & Supervisory Members Mr. Keiichi Horii, Mr. Hideki Suda, and Ms. Sachiko Iizuka had not assumed the position as Executive Director or Audit & Supervisory Member or were not aware until the revelation. They, however, had often commented on the importance of strengthening compliance and internal control for the Company at meetings of the Board of Directors and other opportunities. In fact, they have duly fulfilled their responsibilities and duties since the revelation by leading a thorough investigation into the causes and voicing opinions on how to prevent its recurrence, as well as further enhance internal control, etc.

5. Items regarding Accounting Auditors

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

(2) Amount regarding remuneration, etc. for Accounting Auditor during the current fiscal year

I. The amount of remuneration, etc. for the Accounting Auditor during the current fiscal year	154 million yen
II. Total amount of money and other property benefits to be paid by the Company and its subsidiaries	163 million yen

- (Notes)
1. The audit contract between the Company and the Accounting Auditor does not separate the audit remuneration for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act, and as they cannot be separated in practice, the total amount is shown in I. above.
 2. The Audit & Supervisory Board obtained necessary materials and received reports from Executive Directors, relevant internal departments, and the Accounting Auditor, and performed verification to confirm that the auditing performance in the previous fiscal year, the content of the Accounting Auditors' accounting plan for the current fiscal year, and the basis for calculation of the remuneration estimate, were appropriate. Based upon this verification, the Audit & Supervisory Board determined that the amount regarding remuneration, etc. for the Accounting Auditor is reasonable, and gave consent to it.
 3. The amount of remuneration, etc. includes 95 million yen related to the revised versions of financial statements from FY 29th to the first quarter of the fiscal year under review

(3) Description of non-audit service

The company pays Deloitte Touche Tohmatsu LLC compensation for their advice and guidance relating to the adoption of ASBJ Statement No. 29 "Accounting Standard for Revenue Recognition."

(4) Policy on resolution of dismissal or non-reappointment of Accounting Auditor

When the Audit & Supervisory Board deems it necessary such as when there is an impediment to the execution of the Accounting Auditor's duties, the Audit & Supervisory Board will determine the content of a proposal on the dismissal or non-reappointment of the Accounting Auditor, and the Board of Directors will submit the proposal to the Shareholders Meeting on the basis of that decision.

In addition, when it is deemed that the Accounting Auditor falls into the categories stipulated under each item of Paragraph 1, Article 340 of the Companies Act, the Accounting Auditor will be dismissed based on the unanimous agreement of the Audit & Supervisory Board Members. In this event, the Audit & Supervisory Board Member appointed by the Audit & Supervisory Board shall report the fact of the dismissal of the Accounting Auditor and the reasons for it to the first Shareholders Meeting to be convened following the dismissal.

6. Corporate Governance

(1) Basic matters regarding corporate governance (as of May 24, 2021)

Based on a management vision of “to be a company trusted and supported by all stakeholders (an admired company),” the Company advocates “sustainable growth” as its foremost priority. In order to attain the objective and to enhance its corporate value over the medium to long term, the Company continuously strives to enhance and strengthen corporate governance to realize fair and transparent decision-making in a swift and decisive way.

The Company adopts the following mechanism to establish a highly effective corporate governance system: The Company has in place the Audit & Supervisory Board system, which, with more than half of its members being independent Outside Audit & Supervisory Board Members, audits the execution of duties by the Executive Directors; in addition, independent Outside Executive Directors who constitute more than thirty percent (30%) of the members of the Board of Directors oversee management and execution of duties. The Company also employs the Vice President system to beef up its management control and overseeing function by the Board of Directors, and to execute business more efficiently and promptly. Moreover, by establishing the Advisory Committee the Company adopts a fair and objective way of electing or dismissing the Company’s Executive Directors and Vice Presidents as well as determining their remuneration, etc.

I. Executive Directors and the Board of Directors

The Company's Board of Directors consists of seven (7) members (male: 6, female: 1) including four (4) independent Outside Executive Directors (a notification has been filed with the Tokyo Stock Exchange explaining that all of which are Independent Executive Officers), and meets once a month in principle to decide on matters stipulated by laws and regulations, and the Company's Articles of Incorporation, as well as significant matters relating to management or business execution including the vision and policy for management and the Medium-term Business Plan. The Board of Directors also oversees overall management of the Company through reports on status of Executive Directors' execution of duties, etc.

In addition, in order to increase fairness and transparency in management and to strengthen corporate governance, the Company has established the Advisory Committee, which consists of Representative Directors, Outside Executive Directors, Full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members, and chaired by one of the Outside Executive Directors as a consultative body to the Board of Directors to discuss matters related to the election of candidates for or dismissal of Executive Directors and Vice Presidents and their remuneration, etc.

II. Business Execution System

The Company constructed a system which enables prompt and efficient business execution, securing fairness and transparency in management, by way of concentrating the function of the Board of Directors on control and overseeing of management through delegation of decision-making authority on matters not requiring resolution of the Board of Directors as stipulated by internal regulations to Vice Presidents, etc. or the Management Committee (which meets approximately twice a month) under President & CEO.

III. Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company's Audit & Supervisory Board consists of three (3) independent Outside Audit & Supervisory Board Members (a notification has been filed with the Tokyo Stock Exchange explaining that all of which are Independent Executive Officers) (male: 2, female: 1), and it meets once a month in principle to audit the execution of duties by Executive Directors as well as to exercise the authority relating to the appointment or dismissal of Accounting Auditors and audit remuneration, among other matters.

The Audit & Supervisory Board Members also attend notable meetings including those of the Board of Directors, the Management Committee, the Advisory Committee, the Risk & Compliance Committee, and the Investment & Financing Committee to express their opinion from time to time when discussing significant matters related to management and business execution and to listen to reports on the status of management and business execution.

(2) System for ensuring appropriateness of operation and overview of system operation

The Board of Directors has established the "Basic Policy of Internal Control System" and is operating the system based on it.

[Basic Policy of Internal Control System]

With the aim of "becoming a company trusted and supported by all stakeholders (an admired company)," the Company strives to develop and operate an internal control system that should serve as the foundation for corporate management and to continuously improve it in accordance with the following basic policy.

System for ensuring that execution of duties by Executive Directors and employees of the Company and its subsidiaries comply with relevant laws and regulations, the Company's Articles of Incorporation, etc.

- I. The Company has formulated the Group's common corporate philosophy, code of conduct and compliance manual, and continues to review and inculcate them to foster corporate culture

concerning compliance and to ensure the practice of legitimate and fair corporate activities.

- II. The Compliance Committee and the principal department for other compliance play a central role in deliberating and monitoring the policies and plan for Group-wide compliance activities, as well as in investigating material compliance violations and deliberating recurrence prevention measures. In addition to developing the Company's regulations and improving the operation of those regulations, the Company has continuously and systematically provided compliance awareness training to raise and enhance awareness of compliance for the basic purpose of ingraining compliance into its corporate philosophy.
- III. With the aim of early detecting and correcting acts of compliance violation in the Group, the Company has established whistleblower hotlines both inside and outside the Company for reporting and inquiring about compliance violations, as well as a hotline connecting to Full-time Audit & Supervisory Board Member for reporting and inquiring regarding violations of compliance by Executive Directors and Vice Presidents. In the event of reports and inquiries about compliance violations, the Company properly and promptly addresses them in accordance with the Company's regulations while making all-out efforts to protect individuals who have reported and inquired about compliance violations. Furthermore, the Company familiarizes employees with roles and confidential nature of the whistleblower system by providing various educational programs and utilizing the intranet.
- IV. The Company adopts a basic policy not to have any relationship, including business transactions, with antisocial forces that threaten the order and safety of community, by stipulating "the prohibition of associating with antisocial forces" as a code of conduct in the Group's regulations. In addition, by ensuring close coordination with outside specialized agencies such as The Federation for Prevention of Special Violence under Jurisdiction of the Metropolitan Police Department, police stations under the jurisdiction, corporate attorneys, etc., the Legal & CSR Office will develop and strengthen a system to ensure the collection of information related to antisocial forces and to secure access to appropriate advice and cooperation. The Legal & CSR Office also strives to raise awareness and alertness through compliance training programs within the Group to ensure the Group has no relationships with antisocial forces.

System for retention and management of information related to Executive Directors' execution of duties

- I. The Company preserves and manages important documents including minutes and references related to notable meetings such as those of the Board of Directors and the Management Committee in compliance with laws and regulations and the Company's regulations, and establishes a system to allow Executive Directors and Audit & Supervisory Board Members to always access and copy those documents.

Policy and other systems regarding management of risks of loss in the Company and its subsidiaries

- I. The Risk Management Committee and departments principally responsible for risk management play a central role in formulating policies and plans for across-the Group risk management activities and conducting risk analysis and evaluation.
- II. The Risk Management Committee and departments principally responsible for risk management take the lead in risk management activities such as preventing the occurrence of risks, giving instructions to respond to already-revealed risks, and monitoring them.
- III. The Company has developed a system to ensure that information on risks in the Group is appropriately reported to and concentrated in the Risk Management Committee and departments principally responsible for risk management.
- IV. In addition to putting in place and improving the operation of risk management related regulations, the Company enhances risk management awareness of its executives and employees by sharing information on risks occurred.
- V. The major risks of the Group are as follows. The Company addresses those risks appropriately through the risk management activities described above. With regard to risk management activities for operational risks, the Company has reviewed its organizational structure based

on the so-called three lines model, designating sales divisions and business divisions as the first line, business controls divisions monitoring the first line as the 1.5 line, management departments as the second line, and the internal audit division as the third line respectively, with the aim of creating a system in which the Company can strengthen its control functions and conduct appropriate risk management.

(1) Business Risks

- 1) So-called business risks that include changes in the economic environment such as business, currency and interest-rate fluctuations; changes in market and customer needs; and also changes in market positions of the Company's products and services as a result of competition in the fields of technological development and sales.
- 2) Risks of the Company having difficulty in continuing its business due to large-scale natural disasters and an outbreak of a virulent infectious disease, etc.
- 3) Risks in new businesses and investments.

(2) Operational Risks

- 1) So-called operational risks that include business cessation risks caused by the loss of credibility for the Company due to misconducts of the Company's Executive Directors and employees or leakage of confidential information.

System for ensuring efficiency of execution of duties by Executive Directors

- I. The Company has employed the Vice President System and, by concentrating the function of the Board of Directors on control and overseeing of management, the Company aims to strengthen corporate governance and has constructed a system which enables prompt and efficient business execution separate from control and overseeing function of management.
- II. The Management Committee discusses and decides on significant matters related to management and business execution other than matters to be resolved for discussion at Board of Directors meeting.
- III. Authority for decision to execute significant matters and its process are stipulated by the Company's regulations.
- IV. From the viewpoint of improving operational efficiency (through cost reduction and performance improvement), the Company continually revises and improves its operational system. To support the preceding item, the Company formulates and expands its information system infrastructure.

System for ensuring appropriateness of operation of the Corporate Group comprised of the stock company and any parent company or subsidiaries thereof

In addition to the systems described in the paragraph of "System for ensuring that execution of duties by Executive Directors and employees of the Company and its subsidiaries comply with laws and regulations, the Articles of Incorporation, etc.," the Company develops the following systems.

- System related to reporting of matters on execution of duties of Executive Directors and other persons equivalent thereto of subsidiaries of the Company (hereinafter, collectively, Executive Directors, etc.)
 - I. In addition to establishing the principal department responsible for Group companies (refers to companies in the Group other than the Company. The same applies hereinafter.) and receiving regular reports primarily on the operating and financial statuses based on the Company's regulations, the Company discusses key management decisions in advance.
 - II. The Company promotes smooth management of its Group companies through such efforts as holding Group Business Liaison Meetings regularly to share various management issues at each Group company.
- System for ensuring that execution of duties of Executive Directors, etc. of subsidiaries is performed efficiently
 - I. The Company formulates the Medium-term Business Plan with the participation of Group companies, and manages progress of the plan while regularly receiving reports from Group companies on their management status based on the Plan.

- II. Authority for decision to execute significant matters and its process in each Group company is stipulated by each Group company's regulations.
 - Other systems for ensuring appropriateness of operation of the Corporate Group comprised of the stock company and any parent company or subsidiaries thereof
- I. The Company appoints and second its Executive Directors and employees as Executive Directors and Audit & Supervisory Board Members at Group companies and have them oversee or audit the execution of duties by Executive Directors and employees of the Group companies.
- II. With regard to ensuring credibility of financial reporting based on the Financial Instruments and Exchange Act, the Internal Audit Office in coordination with the Group companies undertakes periodical review and evaluation of the maintenance and operational status of internal control of the Group, as well as promotes its maintenance and improvement based on the Company's regulations.

Matters relating to employees involved when Audit & Supervisory Board Members request the placement of employees to assist in their duties and Matters concerning the independence from Executive Directors of employees and matter related to ensuring execution of the instructions given by Audit & Supervisory Board Members to the employees involved

- I. The Company places employee(s) to assist in Audit & Supervisory Board Members' duty.
- II. Internal transfers and evaluations for employees assisting in the duties of Audit & Supervisory Board Members require the consent of Audit & Supervisory Board Members to ensure the independence of the employee involved from the Executive Directors.
- III. When the employees assisting in the duties of Audit & Supervisory Board Members receive the necessary instructions related to those duties, the system required to enable them to follow the relevant instructions is established.

System for reporting to Audit & Supervisory Board Members and systems for ensuring that a person who made a report to Audit & Supervisory Board Members does not receive disadvantageous treatment as a result of the report in question

- I. When officers and employees of the Group discover any material violations of laws and regulations or the Company's Articles of Incorporation or a fact that may cause significant damage to the Group, they must immediately report to the Company's Audit & Supervisory Board Members.
- II. When officers and employees of the Group are requested by Audit & Supervisory Board Members of the Company or Group companies to report on matters concerning the execution of duties, they provide reports on the relevant matters without delay.
- III. When Audit & Supervisory Board Members of the Group companies receive reports from officers and employees of the Group in accordance with the preceding two paragraphs, they provide such reports to Audit & Supervisory Board Members of the Company without delay. In addition, Audit & Supervisory Board Members of the Company receive reports on the implementation status of audits at the Group companies from Audit & Supervisory Board Members of the Group companies in the liaison meeting for Audit & Supervisory Board Members of the Group companies which is convened regularly.
- IV. In addition to prohibiting disadvantageous treatment of a Group officer and employee who has made a report to an Audit & Supervisory Board Member of the Company or Group companies for the reason of having made the relevant report, the Company actively publicizes the role played by the whistleblower hotline and the strict confidentiality of reporting and inquiries and establishes an environment that enables officers and employees of the Group to be relaxed about making reports and inquiries.

Matters concerning procedures for prepayment or refund of expenses arising in connection with the execution of the duties of Audit & Supervisory Board Members, matters concerning policy for processing expenses or obligations arising in connection with the execution of other duties and other systems for ensuring that the audits by Audit & Supervisory Board Members are implemented effectively

- I. Audit & Supervisory Board Members understand the process of important decision making and the status of business execution by attending notable meetings such as those of the Board of Directors and the Management Committee. Furthermore, Full-time Audit & Supervisory Board Members hold a meeting regularly with the management including the Representative Directors of the Company, as well as Outside Executive Directors to exchange opinions, and

- share the results of the meeting with Outside Audit & Supervisory Board Members.
- II. Audit & Supervisory Board Members hold a meeting regularly to exchange opinions with the Accounting Auditors and the Internal Audit Office.
 - III. Audit & Supervisory Board Members receive reports on the Company's annual plans for internal audits, as well as the progress and results of the internal audits from the internal audit division on a regular basis.
 - IV. When an Audit & Supervisory Board Member claims prepayment or refund of expenses arising in connection with execution of their duties, the Company processes the expense or obligation concerned immediately, except for when it is deemed that the expense or obligation related to the claim in question is not necessary for the execution of the duties of the Audit & Supervisory Board Member concerned.

[Overview of Internal Control System Operation]

I. Risk Management System

(1) Holding of Meetings of Risk Management Committee

The Committee consists of the CRO in charge of Corporate Planning & Management Division who was appointed as Executive Director responsible for the Committee, General Managers and Directors of the Company, and Presidents and General Managers of subsidiaries, and is chaired by Director of the Risk Management Office. (However, Executive Directors and Vice Presidents of the Company have been appointed as the Committee member since the Company revised its structure in December 2020.) A total of 11 meetings were held in the current fiscal year. Outside Executive Directors and Full-time Audit & Supervisory Board Members also attended the meetings as observer.

(2) Measures relating to risk management

The Risk & Compliance Committee has engaged in improving and strengthening risk management activities by exhaustively identifying all operational risks faced by each department in the current fiscal year and by monitoring risk management activities undertaken by the principal departments, while reporting to the Management Committee semiannually and seeking its instructions as appropriate. In addition, the Company has developed a system that allows the Company to receive advice and support from external experts as appropriate since it entered into an advisory agreement in December 2020 with the aim of incorporating the perspective of an external expert.

In the current fiscal year, the Company has engaged in risk management based on the measures as stated above; however, the occurrence of fund diversion and improper substitution of costs that can be traced back over the past years had an impact on the business performance for the current fiscal year.

II. Compliance System

(1) Holding of Meetings of the Compliance Committee

The Committee consists of the CRO in charge of Corporate Planning & Management Division who was appointed as Executive Director responsible for the Committee, General Managers and Directors of the Company, and Presidents and General Managers of subsidiaries, and is chaired by Director of the Legal & CSR Office. A total of 12 meetings were held in the current fiscal year.

(2) Measures relating to compliance

In order to further enhance the effectiveness of the whistle-blowing system, the Company has established a system in which the consultation counter for reporting harassment and fraud are separated and the appropriate person in charge can receive the report according to the content thereof, formulated a plan for compliance-related activities to be undertaken by each department, declared compliance-related activities that executives and employees themselves should undertake, and held case study meetings on the subject of fraud, harassment, etc. in each department and team.

In addition, the Company implemented measures, including questionnaire surveys targeting employees of the Company and its partner companies and educational activities

(including e-learning, oath, compliance lecture targeting all employees, trainings for new employees and mid-career workers). The details of these measures are assessed and discussed at the Compliance Committee before actually addressing the issues and implementing the measures.

In the current fiscal year, no material report or inquiry relating to the breach of laws and regulations has been made.

III. System for effective business execution

In accordance with decision-making rules including matters to be resolved at the Board of Directors and Management Committee as stipulated by internal regulations, the Board of Directors (held 15 times in the current fiscal year in addition to 10 resolutions adopted in writing which are regarded as having been resolved by the Board of Directors) and Management Committee (held 22 times in the current fiscal year) conduct deliberations on matters to be discussed in their meetings and efficient decision-making.

IV. System for management of subsidiaries

The Company's Executive Directors or employees are appointed as Executive Directors and Audit & Supervisory Board Members at subsidiaries.

As stipulated by internal regulations, the principal department for the management of Group companies submits business plans of subsidiaries, etc., to the Management Committee for its approval, and reports on the status of management at subsidiaries to the Board of Directors, the Management Committee, and the Investment & Financing Committee. Moreover, Group Business Liaison Meetings have been held 10 times in the current fiscal year.

V. System for audit by Audit & Supervisory Board Members

In addition to attending notable meetings such as those of the Board of Directors, the Management Committee, the Advisory Committee, the Risk & Compliance Committee, and the Investment & Financing Committee, Audit & Supervisory Board Members convened meetings for mutual exchange of opinions with the Representative Directors of the Company (held twice in the current fiscal year) and the Group Audit & Supervisory Board (held twice in the current fiscal year), and conducted interviews with officers and employees of the Group.

Furthermore, the Audit & Supervisory Board Members received results of the audit relating to the fiscal years as stipulated by laws and regulations from Accounting Auditor on regular basis and exchanged opinions and information regarding Internal Control System operation.

(Note) The figures stated in this Business Report are rounded down to the nearest unit.

Consolidated balance sheet

(unit: million yen)

Account title	34 th FY (As of March 31, 2021)	33 rd FY (Reference) (As of March 31, 2020)	Account title	34 th FY (As of March 31, 2021)	33 rd FY (Reference) (As of March 31, 2020)
Assets			Liabilities		
Current assets	142,482	124,795	Current liabilities	66,637	58,694
Cash and deposits	32,429	31,473	Accounts payable-trade	21,124	19,906
Notes and accounts receivable-trade	63,027	52,845	Lease obligations	6,677	4,995
Investments in leases	14,305	11,693	Accounts payable-other	2,303	1,694
Merchandise	3,009	2,254	Income taxes payable	4,872	3,173
Goods in transit	585	337	Advances received	17,068	16,851
Costs on uncompleted construction contracts	13,970	12,955	Asset retirement obligations	172	13
Supplies	27	14	Provision for bonuses	4,866	3,308
Prepaid expenses	13,691	12,092	Provision for directors' bonuses	34	154
Other	1,438	1,129	Other	9,516	8,596
Allowance for doubtful accounts	(2)	(2)	Noncurrent liabilities	15,350	11,732
Noncurrent assets	13,300	10,968	Lease obligations	14,787	11,078
Property, plant and equipment	4,504	4,709	Asset retirement obligations	522	612
Buildings	853	922	Other	39	41
Tools, furniture and fixtures	3,651	3,787	Total liabilities	81,987	70,427
Intangible assets	1,467	1,501	Net assets		
Goodwill	—	64	Shareholders' equity	73,075	64,767
Other	1,467	1,436	Capital stock	12,279	12,279
Investments and other assets	7,328	4,757	Capital surplus	19,536	19,503
Investment securities	171	171	Retained earnings	42,247	33,992
Long-term loans receivable	1	5	Treasury stock	(987)	(1,007)
Deferred tax assets	3,387	2,601	Accumulated other comprehensive income	438	286
Other	3,792	2,004	Valuation difference on available-for-sale securities	0	—
Allowance for doubtful accounts	(25)	(25)	Deferred gains or losses on hedges	448	293
			Foreign currency translation adjustment	(10)	(7)
			Share acquisition rights	222	180
			Non-controlling interests	60	103
			Total net assets	73,795	65,337
Total assets	155,782	135,764	Total liabilities and net assets	155,782	135,764

*Figures for the previous fiscal year (33rd fiscal year) reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on December 16, 2020. These figures are not included in audits specified by the Companies Act.

Consolidated statement of income

(unit: million yen)

Account title	34 th FY (April 1, 2020 to March 31, 2021)	33 rd FY (Reference) (April 1, 2019 to March 31, 2020)
Revenue	202,122	186,353
Cost of revenue	146,209	137,399
Gross profit	55,913	48,953
Selling, general and administrative expenses	36,239	32,453
Operating income	19,673	16,499
Non-operating income	586	512
Interest income	0	1
Fiduciary obligation fee from associates	153	201
Sales incentive	91	70
Dividends income of group insurance	21	73
Foreign exchange gains	—	22
Gain on donation of non-current assets	—	4
Other	319	137
Non-operating expenses	2,051	624
Interest expenses	47	49
Foreign exchange losses	221	—
Bad debts expenses	—	198
Donations	1,354	—
Special investigation expenses	306	363
Other	122	12
Ordinary income	18,208	16,387
Extraordinary losses	14	1,348
Loss on retirement of noncurrent assets	14	4
Loss on valuation of investment securities	—	87
Loss on fraudulent transactions	—	1,257
Income before income taxes and minority interests	18,193	15,039
Income taxes-current	6,661	5,107
Income taxes-deferred	(786)	133
Profit	12,318	9,797
Loss attributable to non-controlling interests	3	19
Profit attributable to owners of parent	12,321	9,817

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(The details of non-consolidated statement of changes in net assets was moved to “Disclosure on the Internet” without adjustment.)

Non-consolidated balance sheet

(unit: million yen)

Account title	34 th FY (As of March 31, 2021)	33 rd FY (Reference) (As of March 31, 2020)	Account title	34 th FY (As of March 31, 2021)	33 rd FY (Reference) (As of March 31, 2020)
Assets			Liabilities		
Current assets	123,927	109,247	Current liabilities	58,859	51,651
Cash and deposits	29,253	30,199	Accounts payable-trade	18,813	17,059
Notes receivable-trade	129	167	Lease obligations	6,413	4,678
Accounts receivable-trade	51,636	38,062	Accounts payable-other	2,304	1,688
Electronically recorded monetary claims - operating	838	374	Accrued expenses	997	949
Lease investment assets	14,174	11,628	Income taxes payable	3,867	2,568
Merchandise	208	320	Accrued consumption taxes	1,124	1,105
Goods in transit	148	140	Advances received	14,247	14,212
Costs on uncompleted construction contracts	12,726	10,138	Deposits received	125	133
Supplies	21	11	Asset retirement obligations	172	13
Prepaid expenses	13,038	11,426	Provision for bonuses	4,388	3,014
Short-term loans receivable	268	5,326	Provision for directors' bonuses	22	136
Other	1,483	1,451	Other	6,382	6,091
Allowance for doubtful accounts	(1)	(1)	Noncurrent liabilities	15,019	11,318
Noncurrent assets	13,478	11,207	Lease obligations	14,496	10,705
Property, plant and equipment	3,767	3,913	Asset retirement obligations	522	612
Buildings	774	912	Total liabilities	73,879	62,969
Tools, furniture and fixtures	2,993	3,001	Net assets		
Intangible assets	1,378	1,370	Shareholders' equity	63,295	57,162
Software	1,372	1,361	Capital stock	12,279	12,279
Other	6	8	Capital surplus	19,536	19,503
Investments and other assets	8,333	5,923	Legal capital surplus	19,453	19,453
Investment securities	45	45	Other capital surplus	82	49
Stocks of subsidiaries and affiliates	1,522	1,522	Retained earnings	32,467	26,386
Investments in capital of subsidiaries and affiliates	30	30	Legal retained earnings	86	86
Long-term loans receivable	1	5	Other retained earnings	32,380	26,300
Long-term prepaid expenses	5	5	General reserve	21,530	24,710
Deferred tax assets	3,037	2,410	Retained earnings brought forward	10,850	1,590
Lease and guarantee deposits	3,560	1,772	Treasury stock	(987)	(1,007)
Other	129	131	Valuation and translation adjustments	9	142
Total assets	137,405	120,454	Valuation difference on available- for-sale securities	0	—
			Deferred gains or losses on hedges	9	142
			Share acquisition rights	222	180
			Total net assets	63,526	57,484
			Total liabilities and net assets	137,405	120,454

* Figures for the previous fiscal year (33rd fiscal year) reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on December 16, 2020. These figures are not included in audits specified by the Companies Act.

Non-consolidated statement of income

(unit: million yen)

Account title	34 th FY (April 1, 2020 to March 31, 2021)	33 rd FY (Reference) (April 1, 2019 to March 31, 2020)
Revenue	161,069	146,541
Cost of revenue	113,662	104,677
Gross profit	47,407	41,864
Selling, general and administrative expenses	32,050	29,025
Operating income	15,357	12,838
Non-operating income	1,441	1,558
Interest income	15	17
Fiduciary obligation fee from associates	1,128	1,234
Other	297	307
Non-operating expenses	1,872	616
Interest expenses	37	44
Bad debts expenses	—	198
Donations	1,354	—
Special investigation expenses	306	363
Other	174	10
Ordinary income	14,926	13,780
Extraordinary losses	12	1,348
Loss on retirement of non-current assets	12	4
Loss on valuation of investment securities	—	87
Loss on fraudulent transactions	—	1,257
Profit before income taxes	14,913	12,432
Income taxes-current	5,393	4,201
Income taxes-deferred	(626)	160
Profit	10,147	8,070

* Figures for the previous fiscal year (33rd fiscal year) reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on December 16, 2020. These figures are not included in audits specified by the Companies Act.

(The details of non-consolidated statement of changes in net assets was moved to “Disclosure on the Internet” without adjustment.)

Independent auditor's reports

(not attached)

Audit report from Audit & Supervisory Board

Audit Report

We the Audit & Supervisory Board received reports on 34th period, April 1, 2020 to March 31, 2021 from each Audit & Supervisory Board Member with regard to the procedure and results of audit over the execution of duties by Executive Directors. We examined them, prepared this Audit Report and report to you as follows.

1. Auditing procedure employed by Audit & Supervisory Board Members and the Audit & Supervisory Board, and contents of the audit
 - (1) The Audit & Supervisory Board established auditing policy and division of responsibilities. In addition to receiving status and results of the audit from each Audit & Supervisory Board Member, the Audit & Supervisory Board received reports from Executive Directors, etc. and Accounting Auditors regarding execution of their duties and requested for explanations as necessary.
 - (2) In addition to complying with the standard established by the Audit & Supervisory Board, following the auditing policy and division of responsibilities, communicating with Executive Directors, internal audit division and other employees, and collecting information and developing the structure for auditing, each Audit & Supervisory Board Member performed the audit in the following methods.
 - a. The Audit & Supervisory Board attended Board of Directors meetings and other notable meetings, received reports from Executive Directors and employees on execution of their duties, received further explanations from Executive Directors and employees as necessary, reviewed important documents regarding significant decisions, and researched the status of business and finance at the head office and other significant offices. With regard to subsidiaries, the Audit & Supervisory Board communicated with Directors and Audit & Supervisory Board Members of subsidiaries and exchanged information and received business reports from subsidiaries as necessary.
 - b. With regard to the Board of Directors' resolutions regarding the development of systems necessary to ensure that the execution of the duties by the Executive Directors complies with the laws and regulations and the Articles of Incorporation, and other systems prescribed by Article 100, Paragraphs 1 and 3 of Ordinance for Enforcement of the Companies Act as systems necessary to ensure the properness of operations of the corporate group consisting of the Company and its subsidiaries and status of systems (internal control system) established by such resolutions, as well as the status of the establishment and operations of those systems, the Audit & Supervisory Board received reports from Executive Directors and other employees of the Company, requested their explanations, and expressed its opinions.
 - c. The Audit & Supervisory Board monitored and examined that Accounting Auditors are maintaining their independency and are performing proper audit, and received reports on status of execution of duties and requested for explanations as necessary. Based upon notice from the Accounting Auditors that "system for ensuring proper execution of duties" (the matters listed in each item of Article 131 of Corporate Accounting Rules) are maintained in accordance with "Quality Control Standard for Audit" (Business Accounting Council dated October 28, 2005), the Audit & Supervisory Board requested for explanations as necessary.

Based on the above methods, the business reports and supporting schedules, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to non-consolidated financial statements) and supporting schedules as well as consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets and notes to consolidated financial statements) for the current business year were examined.

2. Results of the audit

(1) Results of audit related to business reports

- a. We confirm that business reports and supporting schedules are in accordance with laws and regulations, and the Articles of Incorporation and correctly indicate the corporate status.
- b. We could not confirm unlawful acts or significant events indicating breach of laws and regulations or the Articles of Incorporation related to execution of duties by Executive Directors.
- c. We confirm that contents of resolution by the Board of Directors relating to internal control system are suitable. In addition, there are no matters to report regarding the business reports and Executive Directors' execution of duties related to the internal control system. As mentioned in the Business Report, an incident came to light during the aforementioned fiscal year concerning improper conduct by a former employee of the Company. The Company can confirm that efforts to prevent recurrence along with appropriate installment and operation of internal controls are being implemented, including basic guidelines for sales transactions, strengthening of the risk management system, strengthening of operational controls and revision to compliance activities. The Audit & Supervisory Board is also continuing to monitor and verify the effective execution of improvements based on the aforementioned efforts.

As stated in the Business Report, a new misconduct was found during the fiscal year under review. With regard to this matter, the Company has confirmed that it is taking additional measures to prevent recurrence by reforming and promoting governance, strengthening the risk management system, reinforcing the system and internal structure related to business execution, as well as radically reviewing the auditing system, and is working to develop and operate appropriate internal controls. The Audit & Supervisory Board will further monitor and verify that improvements based on these measures are made without fail.

(2) Results of audit related to non-consolidated financial statements and supporting schedules

We confirm that Deloitte Touche Tohmatsu LLC's auditing procedures and results are correct.

(3) Results of audit related to consolidated financial statements

We confirm that Deloitte Touche Tohmatsu LLC's auditing procedures and results are correct.

May 24, 2021

Audit & Supervisory Board

Net One Systems Co., Ltd.

Audit & Supervisory Board Member (Full-time)

Hideki Suda

Audit & Supervisory Board Member

Keiichi Horii

Audit & Supervisory Board Member

Sachiko Iizuka

(Note) All Audit & Supervisory Board Members are Outside Audit & Supervisory Board Members pursuant to Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act.