

June 8, 2021

To Our Shareholders:

**Disclosure on the Internet in conformity with Laws and
Regulations and the Articles of Incorporations**

**Consolidated statement of changes in net assets
Notes to Consolidated Financial Statements
Non-consolidated statement of changes in net assets
Notes to Non-Consolidated Financial Statements**

For the 34th Fiscal Year
April 1, 2020 to March 31, 2021

Net One Systems Co., Ltd.

The Company provides “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” to its shareholders by posting them on its website (<https://www.netone.co.jp/>) in accordance with the provisions of laws and regulations and the Articles of Incorporation.

Consolidated statement of changes in net assets

(April 1, 2020 to March 31, 2021)

(unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2020	12,279	19,503	35,328	(1,007)	66,104
Cumulative effects by correcting errors			(1,336)		(1,336)
Balance as of April 1, 2020 reflecting correction of errors	12,279	19,503	33,992	(1,007)	64,767
Changes of items during the period					
Dividends from surplus			(4,066)		(4,066)
Profit attributable to owners of parent			12,321		12,321
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		32		19	52
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	32	8,255	19	8,307
Balance as of March 31, 2021	12,279	19,536	42,247	(987)	73,075

	Accumulated other comprehensive income				Share acquisition rights	Non-control ling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance as of April 1, 2020	–	293	(7)	286	180	103	66,674
Cumulative effects by correcting errors							(1,336)
Balance as of April 1, 2020 reflecting correction of errors	–	293	(7)	286	180	103	65,337
Changes of items during the period							
Dividends from surplus							(4,066)
Profit attributable to owners of parent							12,321
Purchase of treasury stock							(0)
Disposal of treasury stock							52
Net changes of items other than shareholders' equity	0	154	(2)	151	41	(42)	150
Total changes of items during the period	0	154	(2)	151	41	(42)	8,457
Balance as of March 31, 2021	0	448	(10)	438	222	60	73,795

Notes to consolidated financial statements

I. Significant matters related to the basis of preparation of consolidated financial statements

1. Matters related to the scope of consolidation

- | | |
|---|---|
| (1) Number of consolidated subsidiaries | 7 companies |
| Names of consolidated subsidiaries | Net One Partners Co., Ltd.
Net One Next Co., Ltd.
eXtreak, Inc.
Net One Asia Pte. Ltd.
Net One Asia Sdn. Bhd.
PT SCALENOW SOLUSI
ARK Virtualization Pte. Ltd. |

(2) Names, etc. of non-consolidated subsidiaries

- | | |
|--|--|
| Names of non-consolidated subsidiaries | Net One Connect G.K.
Net One Business Operations G.K.
Net One Systems USA, Inc.
Net One Systems Singapore Pte. Ltd. |
|--|--|

(Reason for excluding from the consolidation)

Those non-consolidated subsidiaries are small in size and their total assets, net sales, profit or loss for the Company's equity interest, and retained earnings for the Company's equity interest do not have a significant effect on the consolidated financial statements.

2. Matters related to application of equity method

- | | |
|---|------|
| (1) Number of associates accounted for using equity method | None |
| (2) Non-consolidated subsidiaries (Net One Connect G.K., Net One Business Operations G.K., Net One Systems USA, Inc., Net One Systems Singapore Pte. Ltd.) are excluded from the scope of application of the equity method, as their profit or loss for the Company's equity interest and retained earnings for the Company's equity interest do not have a significant effect on the consolidated financial statements and their impact are immaterial as a whole. | |

3. Matters related to fiscal years of consolidated subsidiaries

Of the consolidated subsidiaries, the closing dates for Net One Asia Pte. Ltd. and its subsidiaries Net One Asia Sdn. Bhd., PT SCALENOW SOLUSI and ARK Virtualization Pte. Ltd. fall on December 31. The consolidated financial statements are prepared using their financial statements as of the same date, and necessary adjustments are made to reflect significant transactions that occurred between their closing dates above and the consolidated balance sheet date. The closing dates for all the other consolidated subsidiaries are the same as the consolidated balance sheet date.

4. Matters related to accounting policies

(1) Basis and method of valuation for significant assets

I. Securities

Available-for-sale securities

Securities with market value

Stated at market value based upon market value on the closing date

(Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of net assets. The cost of securities sold is measured by the moving average method.)

Securities without market value

Stated at cost based upon the moving average method, or at cost amortized or accumulated over the maturity based upon the straight-line method

II. Derivatives

Stated at market value

III. Inventories

Merchandise

Stated at cost based upon the moving average method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

Costs on uncompleted construction contracts

Stated at cost based upon the specific identification method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

(2) Depreciation method for significant depreciable assets

I. Property, plant and equipment (excluding lease assets)

Declining balance method is applied for the Company and its consolidated subsidiaries in Japan.

The major useful lives of assets are:

Buildings 3 to 23 years

Tools, furniture and fixtures 2 to 20 years

II. Intangible assets (excluding lease assets)

Straight line method is applied for the Company and its consolidated subsidiaries in Japan.

The major useful lives of assets are:

Software for own use 3 to 5 years

Software for sale 3 years

III. Lease assets

Lease assets in finance leases that transfer ownership to the lessee

Lease assets are depreciated using the same manner to the accounting for the non-current assets owned by the Company.

Lease assets in finance leases that do not transfer ownership to the lessee

Lease assets are depreciated using the straight line method over the corresponding lease terms as useful lives with their residual values to be zero.

(3) Basis for significant reserves

I. Allowance for doubtful accounts

The Company and its consolidated subsidiaries recorded allowance for doubtful accounts to provide provision for possible losses on receivables, loans receivable, etc., by the historical uncollectible rate for ordinary receivables and with consideration of individual collectability of specific doubtful receivables from debtors in financial difficulties.

II. Provision for bonuses

The Company and its consolidated subsidiaries recorded provision for bonuses to accrue the amount for bonuses to employees of the Company for the fiscal year.

III. Provision for directors' bonuses

The Company and its consolidated subsidiaries recorded provision for directors' bonuses to accrue the amount for bonuses to Executive Directors and Audit & Supervisory Board Members of the Company for the fiscal year.

(4) Other significant matters related to the basis of preparation of consolidated financial statements

I. Bases for translation of significant foreign currency denominated assets and liabilities into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the closing date of the accounting period, with translation difference charged to profit or loss.

II. Significant hedge accounting method

a. Hedge accounting method

Deferral hedge accounting is applied. However, monetary claims and liabilities denominated in foreign currencies subject to forward exchange contracts are translated at the foreign exchange rates stipulated in the contract if the forward exchange contract satisfies the requirements for this treatment. (*"Furiate-shori"* method)

b. Hedging instruments and hedged items

Hedging instruments: Forward exchange contract

Hedged items: Planned transactions denominated in foreign currencies

c. Hedging policy

The Company employs hedging instruments to manage risk exposure to fluctuations in foreign currency exchange rates for foreign currency denominated payables in connection with the purchase of operating assets in the future pursuant to the internal management regulations which define the transaction limit amount and the transaction authority.

d. Assessment of hedge effectiveness

Assessment of hedge effectiveness is omitted for foreign currency forward exchange contracts since their hedge relationship is deemed highly effective.

III. Method and term of amortization of goodwill

Depending on the source of occurrence, the amortization of goodwill is carried out within a five year period using the straight line method.

IV. Accounting for consumption taxes

Transactions subject to national consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes, and national and local consumption taxes unqualified for deduction are recorded as expenses for FY2020.

(Note) Figures are rounded down to the nearest million yen.

II. Notes to changes in representation methods

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The Group has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements effective from the fiscal year under review. Accordingly, notes regarding accounting estimates for the consolidated statements are given.

III. Notes to accounting estimates

(Deferred tax assets)

- (1) Amount recorded in the consolidated financial statements for the fiscal year under review

Deferred tax assets	3,387 million yen
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- (2) Information regarding details of important accounting estimates for identified items

Deferred tax assets are recorded when taxable income can be sufficiently ensured based on future profit plans and deductible temporary differences are deemed collectable.

As the collectability of deferred tax assets depends on estimates of future taxable income, if the precondition or assumption of such estimates changes, it may have a significant impact on the amount of deferred tax assets and income taxes-deferred, etc. for the consolidated financial statements of the following fiscal year.

IV. Notes to correction of errors

In the fiscal year under review, due to suspicions that among the cancellation of transactions in the previous fiscal year, for the transactions where delivery of goods could not be confirmed, some costs for such transactions were allocated to the provision of services, etc., internal investigations were conducted, and corrections to errors were subsequently made based on results of said investigations. The Company reflected the cumulative effects by correcting said errors in book values of net assets at

the beginning of the fiscal year.

As a result, the balance of retained earnings in the consolidated statement of changes in net assets at the beginning of the fiscal year under review decreased by 1,336 million yen.

V. Additional information

(Matters related to fraudulent transactions)

In the previous fiscal year, the Company has recognized that transactions without actual deliveries had been repeated since December 2014. Payables of 5,553 million yen arising from the cancellation of transactions, etc. related to the fraud are included in and presented as “Other” of “Current liabilities.”

In addition, the Company received a notice of suit on October 28, 2020 by NS Solutions Corporation (hereinafter, the “defendant”) in the case where Mizuho-Toshiba Leasing Company, Limited (hereinafter, the “plaintiff”) made a penalty claim against the defendant. As stated in the notice of suit, the plaintiff claims penalties for cancellation of sales contracts of 10,926 million yen and damages for delay against the defendant, and if the defendant loses the penalty claim case, which resulted from involvement in transactions related to fraud by a former employee of the Company, the plaintiff shall exercise claims for compensation for loss or damage against the Company based on vicarious liability of the Company. While the Company has not decided on a policy to respond to such notice of suit, the Company may appropriate the above payables.

Please note that, given the situation where the lawsuit between other parties involved in the fraudulent transactions, settlements with other parties involved in the fraudulent transactions, and requests for reassessment of corporation tax, etc., among others have yet to be completed, the future development of the situation may affect the assets and profit and loss of the Group.

(Impact of COVID-19)

Regarding the impact on business due the spread of COVID-19, while remote work projects have increased, there were also delays in some projects. As a result, it does not currently have a significant effect on business of the Group. However, it is crucial that the future impact on the business is monitored.

VI. Note to consolidated balance sheet

Total accumulated depreciation of property, plant and equipment	19,821 million yen
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VII. Notes to consolidated statement of changes in net assets**1. Class and number of issued shares as of March 31, 2021**

Class of shares	Number of shares as of March 31, 2021
Common stock	86,000,000 shares

2. Items regarding dividends from surplus during FY2020

Date of resolution	Class of shares	Total cash dividends (million yen)	Cash dividend per share (yen)	Record Date	Effective date
June 11, 2020 Annual Shareholders Meeting	Common stock	2,033	24.00	March 31, 2020	June 12, 2020
October 27, 2020 Board of Directors Meeting	Common stock	2,033	24.00	September 30, 2020	November 20, 2020

3. Among the dividends whose record date is within FY2020, those having effective date in FY2021

To be placed on the agenda of the Annual Shareholders Meeting scheduled for June 23, 2021.

Date of declaration	Class of shares	Total cash dividends (million yen)	Dividend resource	Cash dividend per share (yen)	Record Date	Effective date
June 23, 2021 Annual Shareholders Meeting	Common stock	3,389	Retained earnings	40.00	March 31, 2021	June 24, 2021

4. Class and number of shares to be issued upon the exercise of share acquisition rights (excluding those whose exercise period has not yet commenced) as of March 31, 2021

Class of shares	Number of shares as of March 31, 2021
Common stock	189,600 shares

VIII. Financial instruments

1. Status of financial instruments

(1) Policy on treating financial instruments

With regard to the fund management, the Net One Systems Group (the Group) utilizes highly secure financial assets for temporary surplus funds. Also, it is the Group's policy to utilize derivatives to avoid foreign exchange fluctuation risks pertaining to operating debt denominated in foreign currencies and not to use derivatives for speculation.

(2) Details of financial instruments, and risks and risk management system thereof

Notes and accounts receivable-trade, which are operating receivables, and investments in leases are exposed to customer credit risks. To manage these risks, the status of collection of these receivables from counterparties is periodically monitored and the due dates and balances are managed for each counterparty pursuant to the internal management regulations; and efforts trying to identify at an early stage and reduce losses from doubtful accounts caused by their worsened financial positions are made.

Investment securities, mainly consisted of stocks issued by companies with business relations, are exposed to fluctuation risks of the stock issuers' financial positions. The Group periodically examines the issuers' financial positions and continuously reviews the stock holdings in consideration of relationships with the issuers. In addition to the aforementioned risks, foreign stocks are also exposed to foreign exchange fluctuation risks.

Default risk of accounts payable-trade, which are operating debt and whose due dates are within one year, on due dates, are managed by a timely fund management. Some of accounts payable-trade are denominated in foreign currencies and exposed to foreign exchange fluctuation risks, but these risks are hedged by forward exchange contracts.

Derivatives adopted are forward exchange contracts used for the purpose of hedging foreign exchange fluctuation risks arising from operating debt denominated in foreign currencies. The basic policy on derivatives is determined by the Board of Directors, and the Finance Department executes and manages derivative transactions pursuant to the internal management regulations which define the transaction limit amount and the transaction authority. Regarding hedging instruments and hedged items, hedging policy and method of assessing hedge effectiveness in hedge accounting, please refer to the aforementioned (4) II. "Significant hedge accounting method" in "I. Significant matters related to the basis of preparation of consolidated financial statements, 4. Matters related to accounting policies."

(3) Supplementary explanation to matters regarding fair values of financial instruments

The contracted amounts related to derivatives, mentioned in "2. Matters regarding fair values of financial instruments," in themselves, should not be considered indicative of the market risks associated with the derivatives.

2. Matters regarding fair values of financial instruments

Consolidated balance sheet amounts and fair values as of March 31, 2021, and their variances, of financial instruments, are as follows. However, financial instruments whose fair values are deemed to be extremely difficult to measure are not included (Note 2).

(unit: million yen)

	Consolidated balance sheet amount (*)	Fair value (*)	Variance
(1) Cash and deposits	32,429	32,429	—
(2) Notes and accounts receivable-trade	63,027	63,027	—
(3) Investments in leases	14,305	13,957	(348)
(4) Accounts payable-trade	(21,124)	(21,124)	—
(5) Lease obligations	(21,465)	(20,991)	474
(6) Derivatives	448	448	—

(*) The figures in parentheses indicate those posted in liabilities.

(Note) 1. Method of fair value measurement of financial instruments and matters regarding securities and derivatives

(1) Cash and deposits, (2) Notes and accounts receivable-trade

Since these accounts are settled in a short period of time, their fair values are nearly equal to their book values. Therefore, their book values are deemed as their fair values.

(3) Investments in leases

The fair value is the discounted present value of total principal and interest using an assumed interest rate on equivalent new lease transactions.

(4) Accounts payable-trade

Since the account is settled in a short period of time, the fair value is nearly equal to the book value. Therefore, the book value is deemed as the fair value.

(5) Lease obligations

The total amount of lease obligations (current liabilities) and lease obligations (non-current liabilities) is presented.

The fair value is the discounted present value of total principal and interest using an assumed interest rate on equivalent new lease transactions.

(6) Derivatives

I. Derivatives to which hedge accounting is not applied: None.

II. Derivatives to which hedge accounting is applied: Contracted amounts or notional amounts defined in contracts as of consolidated balance sheet date for each hedge accounting method are as follows:

(unit: million yen)

Hedge accounting method	Type of derivatives	Major hedged items	As of March 31, 2021			
			Contracted amounts	Of the contracted amounts, those over 1 year	Fair value	Fair value measurement method
Deferral hedge accounting method	Sold forward exchange contracts					Based on prices provided by counterparty financial institutions
	-U.S. dollar	Accounts receivable-trade	187	—	(2)	
	-British pound sterling	Accounts receivable-trade	84	—	(1)	
	-Singapore dollars	Accounts receivable-trade	3	—	(0)	
	Purchased forward exchange contracts					
	-U.S. dollar	Accounts payable-trade	15,477	—	452	
“Furiate-shori” method	Sold forward exchange contracts					
	-U.S. dollar	Accounts receivable-trade	131	—	(*)	
	Purchased forward exchange contracts—U. S. dollar					
	-U.S. dollar	Accounts payable-trade	6,003	—	(*)	
Total			21,888	—	448	

(*) Forward exchange contracts under designated hedge accounting (“Furiate-shori”) method are accounted for together with accounts payable-trade designated as a hedged item, their fair values are included in the corresponding amount of accounts payable-trade.

(Note) 2. Financial instruments whose fair values are deemed to be extremely difficult to measure

(unit: million yen)

Classification	Consolidated balance sheet amount
Unlisted equity securities (*)	171

(*) The fair value of unlisted equity securities is not disclosed because their market price is not available and the Company deems it extremely difficult to measure their fair value.

(Note) 3. Scheduled redemption amounts of monetary claims after the consolidated balance sheet date
(unit: million yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash and deposits	32,429	—	—
Notes and accounts receivable-trade	63,027	—	—
Investments in leases	4,405	9,660	239
Total	99,861	9,660	239

IX. Note regarding per share information

Net assets per share 867.48 yen

Profit per share 145.42 yen

X. Note regarding significant subsequent events

Not applicable

Non-consolidated statement of changes in net assets

(April 1, 2020 to March 31, 2021)

(unit: million yen)

	Shareholders' equity									Valuation and translation adjustments (Note 2)	Share acquisition rights	Total net assets
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total share-holders' equity			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings (Note 1)	Total retained earnings					
Balance as of April 1, 2020	12,279	19,453	49	19,503	86	27,636	27,723	(1,007)	58,498	142	180	58,821
Cumulative effects by correcting errors						(1,336)	(1,336)		(1,336)			(1,336)
Balance as of April 1, 2020 reflecting correction of errors	12,279	19,453	49	19,503	86	26,300	26,386	(1,007)	57,162	142	180	57,484
Changes of items during the period												
Dividends from surplus						(4,066)	(4,066)		(4,066)			(4,066)
Profit						10,147	10,147		10,147			10,147
Purchase of treasury stock								(0)	(0)			(0)
Disposal of treasury stock			32	32				19	52			52
Net changes of items other than shareholders' equity										(133)	41	(91)
Total changes of items during the period	–	–	32	32	–	6,080	6,080	19	6,133	(133)	41	6,041
Balance as of March 31, 2021	12,279	19,453	82	19,536	86	32,380	32,467	(987)	63,295	9	222	63,526

(Note) 1. Details of other retained earnings

(unit: million yen)

	General reserve	Retained earnings brought forward	Total
Balance as of April 1, 2020	24,710	2,926	27,636
Cumulative effects by correcting errors		(1,336)	(1,336)
Balance as of April 1, 2020 reflecting correction of errors	24,710	1,590	26,300
Changes of items during the period			
Provision of general reserve	(3,180)	3,180	–
Dividends from surplus		(4,066)	(4,066)
Profit		10,147	10,147
Purchase of treasury stock			
Disposal of treasury stock			
Total changes of items during the period	(3,180)	9,260	6,080
Balance as of March 31, 2021	21,530	10,850	32,380

(Note) 2. Details of Valuation and translation adjustments

(unit: million yen)

	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total
Balance as of April 1, 2020	—	142	142
Cumulative effects by correcting errors			
Balance as of April 1, 2020 reflecting correction of errors	—	142	142
Changes of items during the period			
Net changes of items other than shareholders' equity	0	(133)	(133)
Total changes of items during the period	0	(133)	(133)
Balance as of March 31, 2021	0	9	9

Notes to non-consolidated financial statements

I. Significant accounting policies

1. Basis and method of valuation for assets

(1) Securities

I. Subsidiaries and affiliates

Stated at cost based upon the moving average method

II. Available-for-sale securities

Securities with market value

Stated at market value based upon market value on the closing date

(Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of net assets. The cost of securities sold is measured by the moving average method.)

Securities without market value

Stated at cost based upon the moving average method, or at cost amortized or accumulated over the maturity based upon the straight-line method

(2) Derivatives

Stated at market value

(3) Inventories

I. Merchandise

Stated at cost based upon the moving average method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

II. Costs for uncompleted construction contracts

Stated at cost based upon the specific identification method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

2. Depreciation method for non-current assets

(1) Property, plant and equipment (excluding lease assets)

Declining balance method is applied.

The major useful lives of assets are:

Buildings 3 to 23 years

Tools, furniture and fixtures 2 to 20 years

(2) Intangible assets (excluding lease assets)

Straight line method is applied.

The major useful-lives of assets are:

Software for own use 5 years

Software for sale 3 years

(3) Lease assets

I. Lease assets in finance leases that transfer ownership to the lessee

Lease assets are depreciated using the same manner to the accounting for the non-current assets owned by the Company.

II. Lease assets in finance leases that do not transfer ownership to the lessee

Lease assets are depreciated using the straight line method over the corresponding lease terms as useful lives with their residual values to be zero.

3. Basis for reserves

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is recorded to provide provisions for possible losses on receivables based on the historical uncollectible rate for ordinary receivables and on an estimate of individual collectability of specific doubtful receivables from debtors in financial difficulties.

(2) Provision for bonuses

Provision for bonuses is recorded to accrue the amount for bonuses to employees of the Company for the fiscal year.

(3) Provision for directors' bonuses

Provision for directors' bonuses is recorded to accrue the amount for bonuses to Executive Directors and Audit & Supervisory Board Members of the Company for the fiscal year.

4. Other significant matters related to the basis of preparation of non-consolidated financial statements

(1) Bases for translation of foreign currency denominated assets and liabilities into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the closing date of the accounting period, with translation difference charged to profit or loss.

(2) Significant hedge accounting method

I. Hedge accounting method

Deferral hedge accounting is applied. However, monetary claims and liabilities denominated in foreign currencies subject to forward exchange contracts are translated at the foreign exchange rates stipulated in the contract if the forward exchange contract satisfies the requirements for this treatment. (*"Furiate-shori"*)

II. Hedging instruments and hedged items

Hedging instruments: Forward exchange contract

Hedged items: Planned transactions denominated in foreign currencies

III. Hedging policy

The Company employs hedging instruments to manage risk exposure to fluctuations in foreign currency exchange rates for foreign currency denominated payables in connection with the purchase of operating assets in the future pursuant to the internal management regulations which define the transaction limit amount and the transaction authority.

IV. Assessment of hedge effectiveness

Assessment of hedge effectiveness is omitted for foreign currency forward exchange contracts since their hedge relationship is deemed highly effective.

(3) Accounting for consumption taxes

Transactions subject to national consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes, and national and local consumption taxes unqualified for deduction are recorded as expenses for FY2020.

(Note) Figures are rounded down to the nearest million yen.

II. Notes to changes in representation methods

(Application of “Accounting Standard for Disclosure of Accounting Estimates”)

The Group has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the non-consolidated financial statements effective from the fiscal year under review. Accordingly, notes regarding accounting estimates for the non-consolidated financial statements are given.

III. Notes to accounting estimates

(Deferred tax assets)

(1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

Deferred tax assets	3,037 million yen
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(2) Information regarding details of important accounting estimates for identified items

Deferred tax assets are recorded when taxable income can be sufficiently ensured based on future profit plans and deductible temporary differences are deemed collectable.

As the collectability of deferred tax assets depends on estimates of future taxable income, if the precondition or assumption of such estimates changes, it may have a significant impact on the amount of deferred tax assets and income taxes-deferred, etc. for the non-consolidated financial statements of the following fiscal year.

IV. Notes to correction of errors

In the fiscal year under review, due to suspicions that among the cancellation of transactions in the previous fiscal year, for the transactions where delivery of goods could not be confirmed, some costs for such transactions were allocated to the provision of services, etc., internal investigations were conducted, and corrections to errors were subsequently made based on results of said investigations. The Company reflected the cumulative effects by correcting said errors in book values of net assets at the beginning of the fiscal year.

As a result, the balance of retained earnings in the non-consolidated statement of changes in net assets at the beginning of the fiscal year under review decreased by 1,336 million yen.

V. Additional information

(Matters related to fraudulent transactions)

This note has been omitted as it is the same as described under “Notes to consolidated financial statements, V. Additional information, (Matters related to fraudulent transactions)” above.

VI. Notes to non-consolidated balance sheet

1. Total accumulated depreciation of property, plant and equipment	19,115 million yen
2. Monetary claims and liabilities to subsidiaries and associates	
Short-term monetary claims	1,116 million yen
Short-term monetary liabilities	2,572 million yen
3. Guarantee of obligations of subsidiaries and associates	
A guarantee is offered for the following subsidiary's obligation to its specified supplier.	
Net One Partners Co., Ltd.	2,462 million yen

VII. Note to non-consolidated statement of income

Transactions with subsidiaries and associates

Transactions relating to the Company's operation

Net sales	771 million yen
Purchase	9,104 million yen
Selling, general and administrative expenses	2,016 million yen
Transactions not relating to the Company's operation	1,313 million yen

VIII. Note to non-consolidated statement of changes in net assets

Class and number of treasury shares as of March 31, 2021

Class of shares	Number of shares as of March 31, 2021
Common stock	1,257,153

IX. Notes regarding tax effect accounting

1. Breakdown of major reason for deferred tax assets and deferred tax liabilities (as of March 31, 2021)

(unit: million yen)

Deferred tax assets	
Provision for bonuses	1,343
Depreciation for tools, furniture and fixtures	806
Accounts receivable-other	160
Accrued enterprise tax	234
Asset retirement obligations	212
Software	63
Loss on valuation of investment securities	76
Loss on valuation of inventories	11
Loss on fraudulent transactions	1,622
Other	1,940
Sub-total deferred tax assets	6,472
Valuation allowance	(3,382)
Total deferred tax assets	3,090
Deferred tax liabilities	
Asset retirement cost	(52)
Valuation difference on available-for-sale securities	(0)
Total deferred tax liabilities	(53)
Net deferred tax assets	3,037

Extraordinary losses of 1,622 million yen and other in current assets and current liabilities of 1,382 million yen that occurred due to the cancellation of transactions related to wrongful act are included in the valuation allowance of negative 3,382 million yen.

2. Breakdown of significant items that lead to a significant difference between statutory tax rate and effective tax rate after adoption of tax effect accounting

This note has been omitted as the difference between the statutory tax rate and the effective tax rate after adoption of tax effect accounting is 5% or less of the statutory tax rate.

X. Notes regarding transactions with related parties

Subsidiaries

(unit: million yen)

Classification	Company name	Percentage of voting rights holding (held)	Relationship	Transaction	Amount of transaction	Account	As of March 31, 2021
Subsidiary	Net One Partners Co., Ltd.	Holding directly 100.0%	<ul style="list-style-type: none"> • Purchase of products • Loan transactions • Guarantee of obligations • 1 dispatched officer 	Purchase of products (Note 1)	7,361	Accounts payable-trade	1,686
				Loan transactions (Note 2)	2,341	—	—
				Interest income (Note 2)	14	—	—
				Guarantee of obligations (Note 3)	2,462	—	—

Terms and conditions of transactions and the policy of determining the terms and conditions of the transactions:

(Notes) 1. Prices are determined by reference to market prices

2. Interest rates applied to the loan transactions are determined by taking into account the market interest rates. Since loan and collection transactions are repeatedly conducted, the average balance during the fiscal year is given in the amount of transaction section.

3. Guarantee of obligations is provided for the obligations of specific suppliers. The guarantee fees are not collected.

4. The above indicated amount of transaction is exclusive of consumption taxes.

XI. Note regarding per share information

Net assets per share 747.02 yen

Profit per share 119.76 yen

XII. Note regarding significant subsequent events

Not applicable