

## DISCLAIMER

THIS ENGLISH VERSION OF NOTICE OF THE 28<sup>th</sup> ANNUAL SHAREHOLDERS MEETING WAS CREATED AS A REFERENCE MATERIAL FOR THE ORIGINAL JAPANESE VERSION.

THIS ORIGINAL JAPANESE VERSION IS THE ONLY LEGALLY VALID DOCUMENTATION.

NET ONE SYSTEMS CO., LTD. MAKES NO GUARANTEES WHATSOEVER WITH REGARD TO THE ACCURACY OF TRANSLATION OR CONTENTS OF THIS ENGLISH DOCUMENTATION.

To our shareholders:

Thank you as ever for your kind support. We are pleased to bring you this notice of our 28<sup>th</sup> Annual Shareholders Meeting.

Since the dawn of the internet, as network computing professionals with expertise in charging and channeling, Net One Systems have supported our customers to integrate business platforms.

Last during years, we have nourished the DNA of our seasoned expertise and insight.

At the mind of our business is hospitality and thoughtfulness, as there are many important matters that cannot be expressed by the numbers.

Our mission is to accelerate innovation by utilizing and leveraging ICT through our knowledge and expertise with technology, and to continue offering suitable ICT solutions based on customer needs and their platform.

We support our customers to enhance additional values and we would like to play an important part in changing society, Japan and the world.

We humbly ask for your continued understanding and support.

Takayuki Yoshino  
President & CEO

May 25, 2015

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

**NOTICE OF THE 28<sup>th</sup> ANNUAL SHAREHOLDERS MEETING**

To Our Shareholders:

This is to notify you that the 28<sup>th</sup> Annual Shareholders Meeting of Net One Systems Co., Ltd. (hereinafter referred to as the “Company”) will be held as indicated below. Your attendance is cordially requested.

IN THE EVENT THAT YOU ARE UNABLE TO ATTEND THE MEETING IN PERSON, YOU MAY EXERCISE YOUR VOTING RIGHTS IN WRITING OR BY ELECTROMAGNETIC METHODS INCLUDING THE INTERNET AS EXPLAINED IN “Instructions Concerning the Exercise of Voting Rights” (pages 5 to 6). PLEASE CAREFULLY READ “Reference document regarding Shareholders Meeting” (pages 7 to 20) ATTACHED HERETO AND EXERCISE YOUR VOTING RIGHTS BY 5:30 PM ON JUNE 15, 2015 (MONDAY).

Truly yours,

Takayuki Yoshino  
President & CEO  
Net One Systems Co., Ltd.

1. Date/Time: June 16, 2015 (Tuesday) at 10:00 am  
(The reception of shareholders will commence at 9:00 am)
2. Place: JP TOWER Hall & Conference (KITTE 4F)  
7-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan
3. Agenda of the Meeting:  
Matters to be Reported:
  1. Business Report, consolidated financial statements and Accounting Auditor’s and the Audit & Supervisory Board’s audit result reports on consolidated financial statements for the 28<sup>th</sup> fiscal year (April 1, 2014 to March 31, 2015)
  2. Non-consolidated financial statements for the 28<sup>th</sup> fiscal year (April 1, 2014 to March 31, 2015)

Matters to be Resolved:

- Proposal 1: Appropriation of surplus
- Proposal 2: Partial amendment to the Articles of Incorporation
- Proposal 3: Election of eleven (11) Directors
- Proposal 4: Election of one (1) Audit & Supervisory Board Member
- Proposal 5: Revision of amount of compensations for Directors
- Proposal 6: Payment of bonuses to Directors

**Requests for Attendance**

If you plan to attend the meeting, please present the enclosed shareholder's Exercise of Voting Right Form to the receptionist at the meeting.

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.

**Information about Business Briefing Session**

To enable shareholders to further their knowledge about the Company, the shareholders are invited to participate in the Company's Business Briefing Session taking place at the same venue subsequent to the conclusion of the Shareholders Meeting.

**Notification of NetOne Report**

In order to increase shareholders' understanding of the Company, the contents of this Notice of the 28<sup>th</sup> Annual Shareholders Meeting includes the NetOne Report, which was hitherto delivered following the Annual Shareholders Meeting. Going forward, the Company will endeavor to enhance the contents of its notices for the Annual Shareholders Meeting as it aims to disclose information that is useful for shareholders.

**Information about the Attachments to This Notice**

- Of documents to be attached to this Notice, "Notes to consolidated financial statements" and "Notes to non-consolidated financial statements" (collectively the "Relevant Documents") are posted on the Company's website (<http://www.netone.co.jp/>) in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Incorporation. These two notes 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 an accounting audit report.

- If you wish to obtain the Relevant Documents posted on the website in paper form, please contact our Corporate Communications & Investors Relations Office (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: <http://www.netone.co.jp/>)

## **Instructions Concerning the Exercise of Voting Rights**

The right to vote at the Annual Shareholders Meeting is a key right for all shareholders. Please exercise your voting rights after considering the reference documents for the Annual Shareholders Meeting below (page 7 through page 20). Voting rights may be exercised by the three methods below.

### **Exercise of voting rights by attendance at the Annual Shareholders Meeting**

Please submit the Exercise of Voting Right Form to the receptionist.

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.

### **Date and Time of the Annual Shareholders Meeting:**

**10:00 a.m. on June 16, 2015 (Tuesday)**

### **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 15, 2015 (Monday)**

### **Exercise of voting rights via the Internet**

Please access the following designated website for exercising voting rights from a personal computer, smart phone or cellular phone, etc. and indicate your approval or disapproval to each of the proposals as instructed on the screen, using the "Voting Rights Exercise Code" and "Password" printed on the enclosed Exercise of Voting Right Form.

For details, please refer to page 6.

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

### **Deadline for the exercise of voting rights through online voting:**

**No later than 5:30 p.m. on June 15, 2015 (Monday)**

### **For institutional investors:**

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

## Instructions Concerning the Exercise of Voting Rights via the Internet

If you wish to exercise your voting rights via the Internet, we would like you to confirm the followings and exercise your voting rights by personal computer, smart phone or cellular phone by 5:30 p.m., Monday, June 15, 2015 (Japan Standard Time).

If you attend the meeting, you do not need to take the procedures for exercising the voting rights in writing (sending the Exercise of Voting Right Form by mail) or via the Internet, etc.

### 1. Website for exercising voting rights

You can exercise your voting rights through the following voting website designated by the Company:

**[Online voting site] <http://www.web54.net>**

\*You can also read the QR Code\* using a smart phone or a cellular phone with a barcode reading function to access the online voting site. (\*QR Code is a registered trademark of DENSO WAVE INCORPORATED.)

### 2. How to exercise voting rights via the Internet, etc.

At the voting website, please use the “Voting Rights Exercise Code” and “Password” printed on the Exercise of Voting Right Form, and indicate your approval or disapproval of the resolutions by following the instructions on the screen.

### 3. Notes

- (1) If you exercise your online votes more than once via the Internet, etc., only the last vote will be regarded as effectively exercised voting rights.
- (2) If you exercise your voting rights both in writing (sending the Exercise of Voting Right Form by mail) and via the Internet, etc., only the online vote will be regarded as effectively exercised voting rights.
- (3) The fees for the Internet service provider and for the telecommunications carriers (connection fees, etc.) in connection with utilizing the above website for the exercise of voting rights shall be borne by the shareholder.
- (4) In certain Internet user environments or with certain types of smart phones or cellular phones, you may not be able to exercise your voting rights via the Internet, etc.

### 4. Handling of Voting Rights Exercise Code and Password

- (1) Voting Rights Exercise Code indicated on the Exercise of Voting Right Form is valid only for this meeting.
- (2) In case you commit more errors than a certain number of tries to input your password, you will not be allowed to use the password. If you would like your password to be reissued, please follow the screen guide and follow the procedures.

### Inquiries Regarding Voting via the Internet:

Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Web Support Dedicated Line: 0120-652-031 (Toll-free) (Japan only) Business Hours: 9 a.m. – 9 p.m. (Japan Standard Time)
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## Reference document regarding Shareholders Meeting

### **Proposal 1: Appropriation of surplus**

The Company makes continuous efforts to maximize shareholder value 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 pay out dividends to shareholders over the long term that appropriately reflects its performance thereover.

#### **1. Year-end dividend**

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

The year-end dividend for the 28<sup>th</sup> fiscal year is proposed as follows in order to consistently pay out dividends to shareholders.

(1) Type of payout

Cash dividend

(2) Allocation of cash dividend and its total amount

15 yen per common share is expected to be provided.

In such case, the total dividend is 1,268,026,125 yen.

Dividend on an annual basis including the interim dividend is 30 yen per share (consolidated dividend payout ratio of 103.2%).

(3) Effective date of dividend from surplus

June 17, 2015

#### **2. Appropriation of surplus**

In order to sustain consistent payouts of dividends, the Company proposes that the following transfer of a portion of "General reserve" to "Retained earnings brought forward" should be approved.

(1) Account and amount of surplus that will decrease

General reserve	670,000,000 yen
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(2) Account and amount of surplus that will increase

Retained earnings brought forward	670,000,000 yen
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## Proposal 2: Partial amendment to the Articles of Incorporation

### 1. Reasons for proposal

The Act for Partial Revision of the Companies Act (Act No. 90 of 2014) came into effect on May 1, 2015, and paragraph 2 of Article 24 and paragraph 2 of Article 32 of the Articles of Incorporation will be amended in tandem with recognition for the conclusion of limited liability agreements with non-executive Directors and Audit & Supervisory Board Members who are not outside Audit & Supervisory Board Members so that these Directors and Audit & Supervisory Board Members are able to play the role expected of them fully.

The amendment to paragraph 2 of Article 24 has obtained the agreement of each of the Audit & Supervisory Board Members.

### 2. The proposed amendments

The proposed amendments are as follows.

(Underlined sentences indicate amendment.)

Current Articles of Incorporation	Proposed Amendments
Article 1 to Article 23 <Provisions abridged>	Article 1 to Article 23 <No change>
Article 24 (Limited Liabilities of Directors) 1. The Company may release Directors from their liability to the extent stipulated by the applicable laws and regulations, by resolution of the Board of Directors (refer to resolution in accordance with the provisions of Article 426, Paragraph 1 of the Companies Act). 2. The Company may enter into a limited liability agreement with <u>Outside</u> Directors to limit the liability caused by negligence of their duties (refers to an agreement in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act); provided, however, that the maximum liability under the said agreement shall be the amount stipulated in the applicable laws and regulations.	Article 24 (Limited Liabilities of Directors) 1. The Company may release Directors from their liability to the extent stipulated by the applicable laws and regulations, by resolution of the Board of Directors (refer to resolution in accordance with the provisions of Article 426, Paragraph 1 of the Companies Act). 2. The Company may enter into a limited liability agreement with Directors ( <u>excludes executive directors, etc.</u> ) to limit the liability caused by negligence of their duties (refers to an agreement in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act); provided, however, that the maximum liability under the said agreement shall be the amount stipulated in the applicable laws and regulations.
Article 25 to Article 31 <Provisions abridged>	Article 25 to Article 31 <No change>
Article 32 (Limited Liabilities of Audit & Supervisory Board Members) 1. The Company may release Audit & Supervisory Board Members from their liability to the extent stipulated by the applicable laws and regulations, by resolution of the Board of Directors (refers to a resolution in accordance with the provisions of Article 426, Paragraph 1 of the Companies Act). 2. The Company may enter into a limited liability agreement with <u>Outside</u> Audit & Supervisory Board Members to limit the liability caused by negligence of their duties (refers to an agreement in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act); provided, however, that the maximum liability under the said agreement shall be the amount stipulated in the applicable laws and regulations.	Article 32 (Limited Liabilities of Audit & Supervisory Board Members) 1. The Company may release Audit & Supervisory Board Members from their liability to the extent stipulated by the applicable laws and regulations, by resolution of the Board of Directors (refers to a resolution in accordance with the provisions of Article 426, Paragraph 1 of the Companies Act). 2. The Company may enter into a limited liability agreement with Audit & Supervisory Board Members to limit the liability caused by negligence of their duties (refers to an agreement in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act); provided, however, that the maximum liability under the said agreement shall be the amount stipulated in the applicable laws and regulations.
Article 33 to Article 35 <Provisions abridged>	Article 33 to Article 35 <No change>



**Proposal 3: Election of eleven (11) Directors**

At the conclusion of this general meeting, the term of office of all ten (10) Directors will expire. It is proposed that eleven (11) Directors (of which four (4) are Outside Directors) to be elected, an addition of one (1) from the previous meeting to further build and maintain the Company's corporate governance system.

This proposal was deliberated by the Advisory Committee.

The candidates for Directors are as follows.

Candidate number	Name				Present position and responsibility in the Company
1	Reelected	Takayuki Yoshino			President & CEO
2	Reelected	Toru Arai			Director, Senior Vice President, in charge of Corporate Planning & Strategy Division, in charge of Business Development Division
3	Reelected	Shunichi Suemitsu			Director, Senior Vice President, in charge of Eastern Japan Business Division
4	Reelected	Tsuyoshi Suzuki			Director, Senior Vice President, in charge of Western Japan Business Division
5	Newly elected	Takahisa Kawaguchi			—
6	Reelected	Norihisa Katayama			Director, Vice President, in charge of Administration & Management Division
7	Reelected	Yoshiharu Horiuchi			Director, Vice President, in charge of Maintenance and Operation Service Division
8	Reelected	Kunio Kawakami	Candidate for Outside Director	Independent Director	Outside Director
9	Reelected	Masasuke Naito	Candidate for Outside Director		Outside Director
10	Reelected	Mitsuo Imai	Candidate for Outside Director		Outside Director
11	Newly elected	Rieko Nishikawa	Candidate for Outside Director		—

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions		Number of the Company's shares owned
1	Takayuki Yoshino (Feb. 14, 1951)  [Reelected]	Apr. 1969	Joined NEC Engineering, Ltd. (current NEC Fielding, Ltd.)	26,620 shares
		Aug. 1973	Joined Tokyo Electron Limited	
		May 1996	Joined Fore Systems Inc.	
		Apr. 1998	Joined Nihon Cisco Systems, K.K. (current Cisco Systems G.K.)	
		Jul. 2003	Senior Managing Director of Nihon Cisco Systems, K.K.	
		Oct. 2007	Advisor of the Company	
		Jun. 2008	President & CEO	
		Apr. 2011	President & CEO (incumbent)	
<b>Reasons for selecting candidate for Director</b> Mr. Takayuki Yoshino has extensive experience and a substantial track record in a wide range of fields including involvement in management as a Director at an industrial company. In addition, since assuming office as President & CEO of the Company, he has led the Group based on his strong leadership and made every effort to enhance corporate value. Having judged that it is necessary that he continue in the position of Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Director.				

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions	Number of the Company's shares owned
2	Toru Arai (Oct. 6, 1958)  [Reelected]	<p>Apr. 1981    Joined Ryoden Elevator Construction Ltd.</p> <p>Oct. 1983    Joined Ministry of Education National Laboratory for High Energy Physics (current High Energy Accelerator Research Organization), Data Processing Center</p> <p>Jun. 1989    Joined Ungermann-Bass Networks K.K.</p> <p>Apr. 1990    Joined the Company</p> <p>Apr. 2006    General Manager of Network Technology Division</p> <p>Jun. 2006    Director</p> <p>Aug. 2008    President &amp; CEO of Net One Systems USA, Inc. (incumbent)</p> <p>Apr. 2011    Director, Executive Officer</p> <p>Apr. 2014    Director, Senior Executive Officer</p> <p>Apr. 2015    Director, Senior Vice President, in charge of Corporate Planning &amp; Strategy Division, in charge of Business Development Division (incumbent)</p> <p>(Significant concurrent positions) President &amp; CEO of Net One Systems USA, Inc.</p>	14,238 shares
<p><b>Reasons for selecting candidate for Director</b></p> <p>Mr. Toru Arai has extensive experience and a substantial track record through his many years of practical experience in operations including technology and quality control. Since assuming office as a Director, as the Director in charge of corporate planning operations and others, he has made every effort to strengthen the management base of the entire Group and to optimize management, among others. Having judged that it is necessary that he continue in the position of Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Director.</p>			

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions		Number of the Company's shares owned
3	Shunichi Suemitsu (Feb. 22, 1961)  [Reelected]	Apr. 1984	Joined FOR-A Company Limited	26,003 shares
		Oct. 1985	Joined Nihon Univac, Limited (current Nihon Unisys, Limited)	
		Feb. 1991	Joined Ungermann-Bass Networks K.K.	
		May 1998	Joined the Company	
		Apr. 2006	Technical General Manager of Service Provider Division	
		Jun. 2006	Director	
		Apr. 2011	Director, Executive Officer	
		Jun. 2012	Senior Executive Officer	
		Jun. 2014	Director, Senior Executive Officer	
		Oct. 2014	Director, Senior Vice President, in charge of Eastern Japan Business Division (incumbent)	
Reasons for selecting candidate for Director				
Utilizing the extensive experience he has acquired in sales and technology operations, Mr. Shunichi Suemitsu has led the Company's sales operations for many years and made every effort to develop them. Having judged that it is necessary that he continue in the position of Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Director.				
4	Tsuyoshi Suzuki (May 16, 1958)  [Reelected]	Jun. 1983	Joined Humo Laboratory, Ltd.	33,600 shares
		Jan. 1990	Joined Ungermann-Bass Networks K.K.	
		Jul. 1995	Joined the Company	
		Apr. 2006	General Manager of Western Japan Division	
		Jun. 2006	Director	
		Apr. 2011	Director, Executive Officer	
		Jun. 2012	Senior Executive Officer	
		Jun. 2014	Director, Senior Vice President, in charge of Western Japan Business Division (incumbent)	
Reasons for selecting candidate for Director				
Utilizing the extensive experience he has acquired in sales operations, Mr. Tsuyoshi Suzuki has led the Company's sales operations for many years and made every effort to develop them. Having judged that it is necessary that he continue in the position of Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Director.				

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions		Number of the Company's shares owned
5	Takahisa Kawaguchi (Oct. 28, 1953)  [Newly elected]	Apr. 1976	Joined Tokyo Electron Limited	12,346 shares
		Oct. 1996	Joined KANEMATSU CORPORATION	
		Oct. 1999	Joined Kanematsu Aerospace Corporation	
		Apr. 2002	President & CEO of Kanematsu Aerospace Corporation	
		Apr. 2004	Joined Cisco Systems K.K.(current Cisco Systems G.K.)	
		Aug. 2004	Executive Officers of Cisco Systems K.K.	
		Nov. 2008	Advisor of the Company	
		Jan. 2009	Senior Managing Director of Net One Partners Co., Ltd.	
		Jun. 2009	Director, Senior Managing Director of Net One Partners Co., Ltd.	
		Oct. 2013	Net One Systems Singapore Pte. Ltd. President & CEO (incumbent)	
		Feb. 2014	President & CEO of Xseed Co., Ltd.	
		Apr. 2014	Executive Officer	
		Oct. 2014	President & CEO of Net One Partners Co., Ltd. (incumbent)	
		Mar. 2015	Chairman and Representative Director of Xseed Co., Ltd. (incumbent)	
		Apr. 2015	Executive Officer (incumbent)	
<b>Reasons for selecting candidate for Director</b> Mr. Takahisa Kawaguchi is not only involved in management as President & CEO of an industrial company but also is currently making every effort to grow and develop a subsidiary of the Company as that subsidiary's President & CEO. In these respects and others, he has extensive experience and a substantial track record covering all aspects of management. Having judged that he assume the position of Director in order to further enhance the Company's corporate value, the Company has newly selected him as a candidate for Director.				
6	Norihisa Katayama (Jun. 30, 1955)  [Reelected]	Apr. 1980	Joined Komatsu Forklift Co., Ltd. (current Komatsu Ltd.)	105,348 shares
		Jul. 1984	Joined Ungermann-Bass Networks K.K.	
		May 1989	Joined the Company	
		Apr. 2003	Manager of CEO Office	
		Jun. 2006	Director	
		Apr. 2011	Director, Executive Officer	
		Apr. 2014	Director, Vice President, in charge of Administration & Management Division (incumbent)	
<b>Reasons for selecting candidate for Director</b> Utilizing the extensive experience he has acquired in business administration and management operations, Mr. Norihisa Katayama has led the Company's business administration and management operations for many years and made every effort to strengthen the financial structure, improve earning capabilities and spread compliance, among other efforts. Having judged that it is necessary that he continue in the position of Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Director.				

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions	Number of the Company's shares owned
7	Yoshiharu Horiuchi (Jun. 22, 1952)  [Reelected]	<p>Mar. 1973    Joined DPC Co., Ltd. (current IX Knowledge Inc.)</p> <p>Jun. 1976    Joined Digital Equipment Corporation, Japan Branch (current Hewlett-Packard Japan, Ltd.)</p> <p>Jan. 2000    General Manager of Storage Products Division, Digital Equipment Corporation, Japan Branch</p> <p>Jun. 2000    Executive Officer, General Manager of Customer Advocacy Division, Cisco Systems, Inc. (current Cisco Systems G.K.)</p> <p>Apr. 2003    General Manager of Field Service Division, Sun Microsystems, Inc. (current Oracle Information Systems Japan G.K.)</p> <p>Sep. 2006    Managing Executive Officer, General Manager of Customer Service Division, Sun Microsystems, Inc.</p> <p>Jul. 2010    Adviser of Network Service And Technologies Co., Ltd. (current Net One Systems Co., Ltd.)</p> <p>Oct. 2010    Director of Network Service And Technologies Co., Ltd.</p> <p>Apr. 2011    Executive Officer</p> <p>Jun. 2011    Director, Executive Officer</p> <p>Apr. 2014    Director, Vice President, in charge of Maintenance and Operation Service Division (incumbent)</p>	17,609 shares

**Reasons for selecting candidate for Director**

Mr. Yoshiharu Horiuchi has extensive insight and experience in a wide range of fields through his practical experience at industrial companies. Since assuming office as a Director of the Company, as the Director in charge of maintenance and operation service and others, he has made every effort to strengthen the Company's service structure, among other efforts. Having judged that it is necessary that he continue in the position of Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Director.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions	Number of the Company's shares owned
8	Kunio Kawakami (Sep. 24, 1943)  [Reelected] [Independent Director] [Candidate for Outside Director]	<p>Apr. 1967    Joined Kanto Denki Koji Co., Ltd. (current Kandenko Co., Ltd.)</p> <p>Jul. 1999    Director, Assistant Senior Sales Director and Engineering Manager of Kanto Denki Koji Co., Ltd.</p> <p>Jul. 2003    Managing Director, Director of Network Solutions Division, Kanto Denki Koji Co., Ltd</p> <p>Jun. 2008    Director of Tepco Systems Corporation</p> <p>Jul. 2008    Special Adviser of Kandenko Co., Ltd.</p> <p>Jun. 2009    Director of the Company (incumbent)</p> <p>Jun. 2010    Adviser of Kandenko Co., Ltd.</p> <p>Dec. 2012    Vice President and Director of ZECO Co., Ltd. (incumbent)</p> <p>(Significant concurrent positions) Vice President and Director of ZECO Co., Ltd.</p>	19,020 shares

#### **Matters Concerning Candidate for Outside Director**

(1) Reasons for the nomination of candidate for Outside Director:

Kunio Kawakami has been selected as a candidate for Outside Director based on the determination that he will fully contribute to the overseeing of the Company's management, taking into consideration his experience as director of other companies, as well as his broad knowledge and experience in the field of information and communication business attained through working at Kandenko Co., Ltd.

(2) The Company designated Kunio Kawakami as an Independent Director pursuant to the provisions of Tokyo Stock Exchange (TSE) and filed to TSE.

(3) As Kunio Kawakami used to work for Kandenko Co., Ltd. (until June 2011), there are certain transactions between the company and the Company including those related to contracting of electrical and communications construction by the Company to Kandenko, sales of manufacturer support, and contracting of installation work by Kandenko to the Company, etc. However, the amount of revenue from such transactions for the current fiscal year is approximately 13 million yen (less than 0.1% of revenue of the Company for the current fiscal year) and the amount of purchases through such transactions for the current fiscal year is approximately 22 million yen (less than 0.1% of revenue of the company for the current fiscal year). Therefore, we believe that there is no risk of conflict of interest with general shareholders in these transactions.

As he used to work for Tepco Systems Corporation (until June 2009), there are certain transactions between the company and the Company including those related to contracting of building services, etc. However, the amount of revenue from such transactions for the current fiscal year is approximately 9 million yen (less than 0.1% of revenue of the Company for the current fiscal year). Therefore, we believe that there is no risk of conflict of interest with general shareholders in these transactions.

(4) Kunio Kawakami currently occupies the position of Outside Director of the Company and his term of office will be six (6) years at the conclusion of this general meeting.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions	Number of the Company's shares owned
9	Masasuke Naito (Mar. 23, 1943) [Reelected] [Candidate for Outside Director]	<p>Apr. 1965    Joined Mitsubishi Corporation</p> <p>Apr. 1999    Member of the Board, Group SVP of Information Systems &amp; Services, Mitsubishi Corporation</p> <p>Jun. 2000    Standing Corporate Auditor of Mitsubishi Logistics Corporation</p> <p>Jun. 2007    Audit &amp; Supervisory Board Member of Space Communications Corporation (current SKY Perfect JSAT Corporation)</p> <p>Jun. 2008    Audit &amp; Supervisory Board Member of the Company</p> <p>Jun. 2012    Director of the Company (incumbent)</p>	10,499 shares

**Matters Concerning Candidate for Outside Director**

(1) Reasons for the nomination of candidate for Outside Director:

Masasuke Naito has been selected as a candidate for Outside Director based on the determination that he will fully contribute to the overseeing of the Company's management, taking into consideration his experience as a director and an Audit & Supervisory Board Member as well as his broad knowledge and experience in the field of information and communication business.

(2) Masasuke Naito currently occupies the position of Outside Director of the Company and his term of office will be three (3) years at the conclusion of this general meeting.



Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions	Number of the Company's shares owned
10	Mitsuo Imai (May 15, 1951)  [Reelected] [Candidate for Outside Director]	<p>Apr. 1974    Joined Hitachi Cable, Ltd. (current Hitachi Metals, Ltd.)</p> <p>Apr. 2005    Executive Officer, General Manager of Corporate Planning &amp; Development Office, Group Executive of Environment &amp; Disaster Prevention Group and CIO, Hitachi Cable, Ltd.</p> <p>Sep. 2006    Executive Officer, Group Executive of Information Systems Group, Group Executive of Information Technology Business Innovation Promotion Group and CIO, Hitachi Cable, Ltd.</p> <p>Apr. 2007    Executive Managing Officer, Group Executive of Information Systems Group, Group Executive of Information Technology Business Innovation Promotion Group and CIO, Hitachi Cable, Ltd.</p> <p>Apr. 2009    Representative Executive Officer, President and Chief Executive Officer of Hitachi Cable, Ltd.</p> <p>Jun. 2009    Representative Executive Officer, President, Chief Executive Officer and Director of Hitachi Cable, Ltd.</p> <p>Jun. 2011    Senior Corporate Advisor of Hitachi Cable, Ltd.</p> <p>Jun. 2012    Director of the Company (incumbent)</p>	4,802 shares

#### **Matters Concerning Candidate for Outside Director**

(1) Reasons for the nomination of candidate for Outside Director:

Mitsuo Imai has been selected as a candidate for Outside Director based on the determination that he will fully contribute to the overseeing of the Company's management, taking into consideration his experience as a corporate manager as well as his broad knowledge and experience in the field of information and communication business.

(2) As Mitsuo Imai used to work for Hitachi Metals, Ltd. (until June 2013), there are certain transactions between the company and the Company including purchases of network products. However, the amount of such purchases for the previous fiscal year is approximately 1,101 million yen (approximately 0.2% of revenue of the company for the previous fiscal year). Therefore, we believe that these transactions have no risk of conflict of interest with general shareholders.

(3) Mitsuo Imai currently occupies the position of Outside Director of the Company and his term of office will be three (3) years at the conclusion of this general meeting.

Candidate number	Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions	Number of the Company's shares owned
11	Rieko Nishikawa (Feb. 3, 1955)  [Newly elected] [Candidate for Outside Director]	Apr. 1985 Full-time lecturer, Faculty of Law, Keio University Sep. 1989 Visiting Researcher, Harvard Law School Sep. 1991 Visiting Foreign Scholar, Fordham University, School of Law Apr. 1992 Assistant Professor, Faculty of Law, Keio University Oct. 1999 Visiting Scholar, The George Washington University Law School Apr. 2000 Professor, Faculty of Law, Keio University (incumbent) Aug. 2003 Outside consultant, Inter-American Development Bank  (Significant concurrent positions) Professor, Faculty of Law, Keio University	0 shares

#### **Matters Concerning Candidate for Outside Director**

(1) Reasons for the nomination of candidate for Outside Director:

Rieko Nishikawa has been selected as a candidate for Outside Director based on the consideration that she will be able to fully apply her ample knowledge and experience as a university professor specializing in legal research to the overseeing of the Company's management.

Although she has no experience of direct involvement in management, it has been determined from the foregoing reason that she will be able to execute her duties properly.

(2) Rieko Nishikawa is currently a Professor in the Faculty of Law, Keio University. There are certain transaction between Keio University and the Company related to contracting of electrical and communications construction and sales of manufacturer support. However, the amount of such transactions for the current fiscal year is only approximately 10 million yen (less than 0.1% of revenue of the company for the current fiscal year). Therefore, we believe that these transactions have no risk of conflict of interest with general shareholders.

- (Notes)
1. There are no special interests between the candidates and the Company.
  2. The Company has entered into a limited liability agreement with Kunio Kawakami, Masasuke Naito and Mitsuo Imai, 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.  
  
If the election of Rieko Nishikawa is approved, the Company plans to enter into the same limited liability agreement with her.

**Proposal 4: Election of one (1) Audit & Supervisory Board Member**

At the conclusion of this general meeting, the term of office of Audit & Supervisory Board Member, Tadashi Arima will expire. The Company therefore proposes the election of one (1) Audit & Supervisory Board Member.

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 follows.

Name (Date of birth)	Career summary, position and responsibilities at the Company, and significant concurrent positions	Number of the Company's shares owned
Toru Matsuda (Mar. 29, 1955)  [Newly elected]	<p>Apr. 1977    Joined OLYMPIC FISHING TACKLE CO., LTD. (current Mamiya-OP Co., Ltd.)</p> <p>May 1979    Joined General Air Conditioning Co., Ltd. (current DENSO AIR SYSTEMS CORPORATION)</p> <p>Feb. 1983    Joined Niko France Co., Ltd. (current NIHON L'OREAL K.K.)</p> <p>Feb. 1987    Joined Takada CooperVision Co., Ltd. (current Alcon Japan Ltd.)</p> <p>Apr. 1991    Joined the Company</p> <p>Apr. 2000    General Manager of Quality Assurance &amp; Management Center</p> <p>Sep. 2002    Operations Manager of ProStorage Co., Ltd. (seconded)</p> <p>Apr. 2006    Manager, ISMS Promotion Office of the Company</p> <p>Apr. 2009    General Manager, CSR Promotion Department of the Company</p> <p>Apr. 2012    General Manager of General Affairs Division</p> <p>Apr. 2013    Manager, Internal Audit Office of the Company</p> <p>Apr. 2015    Senior Expert of Corporate Planning &amp; Strategy Division (incumbent)</p>	0 shares

**Reasons for selecting candidate for Audit & Supervisory Board Member**

Mr. Toru Matsuda has extensive experience and deep knowledge about the Company's business contents through his practical experience of business administration and management operations and others. Having judged that he is capable of executing his duties as an Audit & Supervisory Board Member properly, the Company has selected him as a candidate for Audit & Supervisory Board Member.

- (Notes)
1. There are no special interests between Toru Matsuda and the Company.
  2. If the election of Toru Masuda is approved, and conditional on a resolution approving Proposal 2 as originally proposed, the Company plans to enter into a limited liability agreement with Toru Masuda. 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.

#### **Proposal 5: Revision of amount of compensations for Directors**

The Company proposes a change to the amount of compensation for Directors to no more than 470 million yen per year (amount for Directors is no more than 400 million yen per year and amount for Outside Directors is no more than 70 million yen per year), from the amount of no more than 450 million yen per year (amount for Outside Directors is no more than 50 million yen per year), which was approved by resolution of the 22nd Annual Shareholders Meeting dated June 24, 2009, taking into consideration the recent increase in the number of Outside Directors and the fact that the number of Directors will be increased by one (1) if Proposal 3 is resolved and approved as originally proposed, among other factors.

Currently, there are ten (10) Directors (including three (3) Outside Directors). However, if the Proposal 3 is resolved and approved as originally proposed, the number of Directors will be eleven (11) (including four (4) Outside Directors).

This proposal was deliberated by the Advisory Committee.

#### **Proposal 6: Payment of bonuses to Directors**

With consideration of the results for the current fiscal year, the Company proposes payment of bonuses which amount is 56,200,000 yen in total to six (6) Directors excluding Director Shingo Saito, Director Kunio Kawakami, Director Masasuke Naito and Director Mitsuo Imai out of ten (10) Directors as of the end of the current fiscal year.

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

This proposal was deliberated by the Advisory Committee.

## (Attachments)

### Business Report

April 1, 2014 to March 31, 2015

#### 1. Business conditions of the Corporate Group

##### (1) Business activities and results

Integration of ICT infrastructure focused on greater customer efficiency gained momentum, including cloud infrastructure optimization with networks and platforms and unified platform infrastructure and cloud platform integration, aimed at utilization of information systems able to respond flexibly to market changes. A work style innovation began with utilization of ICT including video conferencing and integrated communication tools, which have become more convenient.

During the fiscal year under review, in the first quarter, investment in the Enterprise Sector (ENT Sector) was restrained due to the impact from replacement of PCs for corporations while the drop-off in the Telecom and Carrier Sector (SP Sector) continued, getting off to a sluggish start. On the other hand, the Public Sector (PUB Sector) remained positive with pronounced shifts toward building of unified platform infrastructure taking stable systems operation and improved efficiency into consideration. The Partner Sector (Net One Partners Co., Ltd. – NOP) expanded the carry products and forged strong partnership.

As a result of the foregoing, bookings accepted during FY2014 were 146,890 million yen, an increase of 674 million yen (up 0.5% year-over-year). Revenue the Company generated during FY2014 was 143,173 million yen, an increase of 745 million yen (up 0.5% year-over-year). The Company's backlog during FY2014 was 58,821 million yen, an increase of 3,716 million yen (up 6.7% year-over-year).

Regarding the status of profit and loss, as a result of progress of in-house production through advances in human resource development and efforts to improve profitability including control of selling, general and administrative expenses in addition to maintained revenue, the Company's gross profit was 32,362 million yen (up 2.1% year-over-year, and increase of 663 million yen) and selling, general and administrative expenses were 28,157 million yen (down 1.4% year-over-year, a decrease of 398 million yen). As a result, operating income stood at 4,205 million yen (up 33.8% year-over-year, an increase of 1,062 million yen), ordinary income stood at 4,249 million yen (up 20.1% year-over-year, an increase of 711 million yen), and net income was 2,457 million yen (up 149.9% year-over-year, an increase of 1,474 million yen).

## ■ Overview by product category

The Group classifies products into three categories which are network products, platform products and service depending on the configuration of ICT system and the type of services delivered.

In the fiscal year under review, bookings accepted, revenue and backlog by product category were as follows.

(unit: million yen)

	Network products	Platform products	Service
Bookings accepted	66,511 (up 3.3% YoY)	21,528 (down 11.7% YoY)	58,850 (up 2.4% YoY)
Revenue	66,729 (up 1.2% YoY)	21,033 (down 7.5% YoY)	55,410 (up 3.1% YoY)
Backlog	11,020 (down 0.8% YoY)	5,485 (up 11.0% YoY)	42,315 (up 8.3% YoY)

### <Reference: Business description by product category>

The Group carries out verification and operation testing of new products from vendors inside and outside Japan using the Company's technology to deliver the optimum solution in line with customer needs. Based on the experience and know how obtained from its own practical application of next generation ICT infrastructure combining state of the art products and technology, the Company will provide further support for the business of its customers by raising its own unique value added.

#### Network

Network Products provides (i) relay devices for controlling data transfer on network infrastructures, such as routers and switches necessary for ICT system requirements ranging from the creation of large systems for telecommunication carriers to the optimization of cloud platforms, and (ii) an extensive array of communications equipment including optical transfer systems and wireless control systems.

#### Platform

The Platform Products is the highly efficient, secure and robust systems for cloud business, comprised of servers and storage loaded with virtualization technologies and security technologies. And the unified collaboration by video conferencing and other virtual spaces assists customers in improving their productivity.

#### Service

Service provides comprehensive services from consulting, planning, designing, installing, maintenance, operation services and to optimization services. And it can manage the life-cycle of an ICT system for multi-vendor platform.

## ■ 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. During the fiscal year under review, bookings accepted, revenue, and backlog by market sector were as follows.

### Enterprise – ENT market

—— Composition ratio in 28th term: **27.1%**

#### <Main business description>

The Company expanded its business targeting manufacturing industry (automobiles, electrical machinery, etc.), non-manufacturing industry (transport, services), Japanese financial institutions and foreign affiliates. We provide support for customers requiring large-scale ICT systems and customers seeking to cut time and costs and improve work style, etc., by utilizing advanced ICT.

#### <Highlights of fiscal year under review>

The fiscal year got off to a sluggish start with investment allocated to replacement of PCs for corporations. Although there was firm investment in infrastructure integration, including working style innovation, bookings accepted and revenue decreased year-over-year.

(unit: million yen)

Bookings accepted	42,445 (down 4.7% YoY)
Revenue	38,820 (down 7.2% YoY)
Backlog	20,317 (up 21.7% YoY)

### Telecom carrier – SP market

—— Composition ratio in 28th term: **30.8%**

#### <Main business description>

The Company expanded its business targeting fixed and mobile telecommunication carriers. We established social infrastructure in partnership with customers providing services related to network platforms and networks as infrastructure.

#### <Highlights of fiscal year under review>

The market sector gradually recovered from the slowdown in the first half thanks to cloud infrastructure integration and network expansion, etc., but both bookings accepted and revenue declined year-over-year.

(unit: million yen)

Bookings accepted	40,992 (down 9.1% YoY)
Revenue	44,126 (down 4.0% YoY)
Backlog	12,902 (down 19.5% YoY)

**Public – PUB market**—— Composition ratio in 28th term: **26.8%**

## &lt;Main business description&gt;

The Company expanded its business targeting government, local government, the education sector and corporations that provide social infrastructure (cable television, power, etc.). We provided technical support for utilization of national telecommunications infrastructure, integration of campus infrastructure as well as joint public-private sector projects.

## &lt;Highlights of fiscal year under review&gt;

Infrastructure integration including infrastructure optimization and unified platform infrastructure, desktop virtualization and work style transformation remained robust, and bookings accepted and revenue both increased year-over-year.

(unit: million yen)

Bookings accepted	41,954 (up 16.3% YoY)
Revenue	38,332 (up 9.6% YoY)
Backlog	19,945 (up 22.2% YoY)

**Net One Partners – NOP**—— Composition ratio in 28th term: **14.8%**

## &lt;Main business description&gt;

The Company developed new value added solutions through joint ventures with partner companies using the resale business model as the prototype rather than direct sales in order to develop new markets. We joined the resources of the Group to system solutions that partner companies specialize in with the aim of acquiring new customers.

## &lt;Highlights of fiscal year under review&gt;

While we strengthened our ties with partners and promoted expansion of products, network projects remained robust and bookings accepted and revenue both increased year-over-year.

(unit: million yen)

Bookings accepted	20,831 (up 5.9% YoY)
Revenue	21,185 (up 12.8% YoY)
Backlog	5,625 (down 5.9% YoY)

**(2) Status of financing**

No special matters to report.



### **(3) Status of capital expenditures**

The Company spent a total of 2,504 million yen for capital expenditures during FY 2014 mainly on equipment improvement for the purpose of developing new products, and improving the evaluation system and the customer support framework.

### **(4) Issues to be addressed**

#### **FY2014 in Review**

#### **Initiatives for structural improvement aimed at generating profits penetrated, and focus business grew**

In FY2014, network investment by telecommunications carriers, the Company's principal customers, continued to contract. However, on the other hand, cloud service infrastructure in telecommunications carriers, unified platform infrastructure in the Public Sector, and work style innovation in the Enterprise Sector expanded due to initiatives directed at priority business and the Partner Sector also stayed strong. As a result, revenue was the same level as in FY2013. In addition, the fruits of human resources development and internalization, where we have been pursuing initiatives for a number of years, began to appear, and productivity is improving. As a result, revenue maintained the same level compared with FY2013 while the operating income ratio rose.

The Company will address the following issues in order to enhance this trend toward growth.

#### **Four Issues to be addressed**

##### 1. Organizational optimization

Inter-departmental cooperation has made progress due to the large-scale reorganization in FY2014 implemented with the objective of efficiently pursuing priority business. However, a structure is required for a number of departments to collaborate even more to provide customers with integrated support in order to respond efficiently to increasingly advanced and complex cloud technology.

##### 2. Even higher value added

The elements that make up cloud infrastructure include an extremely large number of devices and software. Therefore, there is a need to expand sales of packaged products that integrate these elements in advance to enable customers to introduce and utilize cloud infrastructure with ease.

##### 3. Expansion of mutual benefits

In FY2014, results appeared from alliances with and business support for telecommunications carriers and IT service providers which the Company had been promoting. There is a need to maintain and augment these initiatives in order to provide customers with ICT that is seamless and convenient.

##### 4. Human resources development

Productivity improvements have appeared due to advances in the knowledge and skills of

employees. However, in order to further accelerate priority business, there is a need to expand the range of employees capable of dealing with advanced technologies as well as continuing to increase the number of engineers with the industry's highest level of skills.

### **Initiatives in FY2015**

**The Company will rise to the challenge of new growth by implementing selection and concentration and continuing to seek productivity improvements.**

In FY2015, we will promote further the activities of FY2014 that improved corporate structure to generate profits. In addition, together with expanding the cloud infrastructure integration business, we will also take on challenges in business to provide new ICT infrastructure that links external cloud services. Through these efforts, we will establish frameworks to enable customers to introduce and utilize cloud platforms that are complex and technically challenging with ease and security as we enter a new phase of growth through further improvements in productivity.

### **Priority strategies in FY2015**

#### 1. Acceleration of selection and concentration

We will continue to concentrate on priority business in FY2015. We have also partially restructured the Company's organization to establish an operating system that streamlines business processes. On top of that, in addition to building even closer relationships with existing customers, we will extend certain marketing activities to new customers and departments in order to secure new sales as we aim for sustained and stable growth.

#### 2. Promotion of "cloud broker business" to achieve ICT infrastructure that produces new value added

The Company will continue to expand its "cloud builder business," including work style transformation and cloud infrastructure construction, which are the current priority businesses. Moreover, we will promptly take initiatives aimed at the realization of a "cloud broker business" to provide support to customers for further cost reductions and increases in the speed of business through simple and secure connections to multiple clouds requiring advanced technology.

#### 3. Increases in customer satisfaction/employee satisfaction

With the aim of expanding our "cloud builder business", the Company will increase utilization of in-house demonstration facilities to uncover potential needs and explicitly raise the probability of concluding contracts by boosting subsequent follow up. The Company will also make efforts to expand the number and revenue of Mutual Benefit Businesses in partnership with customers which have been coming to fruition since last year. Through these efforts, we will constantly endeavor to maintain the number of prospective projects at around three times bookings accepted.

#### 4. Development of human resources with an eye to long-term growth

The Company will expand the effects of productivity improvements through ongoing efforts to upgrade skills. Furthermore, with an eye to long-term growth, we will improve our systems in order to take advantage of employee "diversity" as a source of competitive advantage and make productivity improvements compatible with work-life balance. At the same time as promoting the

assignment of the right employee to the right position based on the visualization and management of employee skills, we will take concrete initiatives starting in FY2015 to develop the next generation of human resources.

### **Slogan for FY2015**

“Split & Challenge”

### **Rise to the challenge of new growth with high aspirations**

The cloud infrastructure integration business and human resource development that the Company has been pursuing for a number of years are beginning to come to fruition, and the Net One Group is heading for new growth. “Split & Challenge,” our slogan for FY2015, expresses our strong hope that each individual employee will have high aspirations and rise to the challenge of raising customer satisfaction levels through the pursuit of autonomous transformation.

**(5) Status of income and assets****I. Status of consolidated financial results**

Segment	25 <sup>th</sup> FY (April 1, 2011 to March 31, 2012)	26 <sup>th</sup> FY (April 1, 2012 to March 31, 2013)	27 <sup>th</sup> FY (April 1, 2013 to March 31, 2014)	28 <sup>th</sup> FY (current FY) (April 1, 2014 to March 31, 2015)
Revenue (million yen)	157,633	154,869	142,427	143,173
Operating Income (million yen)	15,470	8,658	3,537	4,249
Net Income (million yen)	8,520	4,324	983	2,457
Net Income per Share (yen)	94.56	48.89	11.40	29.07
Total Assets (million yen)	100,002	92,924	90,624	103,623
Net Assets (million yen)	63,508	61,387	57,263	57,113
Equity Ratio (%)	63.4	65.8	63.1	55.0
Net Assets per Share (yen)	703.25	699.63	676.65	674.49

(Note) The Company conducted a stock split at the rate of 200 shares per common stock on April 1, 2012. Net assets per share and net income per share are calculated based on the assumption that the stock split was conducted at the beginning of 25<sup>th</sup> FY.

**II. Status of non-consolidated financial results**

Segment	25 <sup>th</sup> FY (April 1, 2011 to March 31, 2012)	26 <sup>th</sup> FY (April 1, 2012 to March 31, 2013)	27 <sup>th</sup> FY (April 1, 2013 to March 31, 2014)	28 <sup>th</sup> FY (current FY) (April 1, 2014 to March 31, 2015)
Revenue (million yen)	145,427	141,421	126,387	123,842
Operating Income (million yen)	14,214	7,179	2,363	3,278
Net Income (million yen)	10,440	3,458	403	1,862
Net Income per Share (yen)	115.87	39.09	4.68	22.03
Total Assets (million yen)	95,664	88,044	84,955	96,543
Net Assets (million yen)	62,448	59,433	54,893	54,136
Equity Ratio (%)	65.3	67.5	64.5	56.0
Net Assets per Share (yen)	693.03	679.13	648.62	639.27

(Note) The Company conducted a stock split at the rate of 200 shares per common stock on April 1, 2012. Net assets per share and net income per share are calculated based on the assumption that the stock split was conducted at the beginning of 25<sup>th</sup> FY.

**(6) Status of parent company and significant subsidiaries****I. Status of the parent company**

Not applicable.

**II. Status of significant subsidiaries**

Company name	Investments in capital	Ratio of the Company's capital contribution	Main business activities
Net One Partners Co., Ltd.	Million yen 400	% 100.0	Sales, installation and maintenance service related to network equipment
Xseed Co., Ltd.	74	100.0	Planning, design and integration services for information system infrastructure, and provision of server services

(Note) System Solution Engineering K.K. was completely dissolved as of July 31, 2014, so is no longer a subsidiary.

**(7) Main offices (as of March 31, 2015)**

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
	Touhoku Branch	Aoba-ku, Sendai
	Tsukuba Branch	Tsukuba, Ibaraki
	Chubu Branch	Naka-ku, Nagoya
	Toyota Branch	Toyota, Aichi
	Chugoku Branch	Naka-ku, Hiroshima
	Shikoku Branch	Takamatsu, Kagawa
	Kyusyu Branch	Hakata-ku, Fukuoka
	Okinawa Branch	Naha-shi, Okinawa
	Technical Center	Shinagawa-ku, Tokyo
	Quality Assurance & Management Center	Ota-ku, Tokyo
	Quality Assurance & Management Center West Branch	Joto-ku, Osaka
Net One Partners Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
Xseed Co., Ltd.	Head Office	Shibuya-ku, Tokyo

**(8) Status of employees (as of March 31, 2015)**

**I. Number of employees of the Corporate Group**

Name of segment, etc.	Number of employees	Comparison to end of previous FY
ENT Sector	250	Decrease of 148
SP Sector	124	Decrease of 195
PUB Sector	241	Decrease of 166
ENT/SP/PUB common business	493	Increase of 493
Partner Sector	199	Increase of 11
Other	63	Decrease of 8
Support services for maintenance and operation	636	Decrease of 61
Unallocable (Common)	368	Increase of 26
Total	2,374	Decrease of 48

(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
ENT Sector	250	Decrease of 148
SP Sector	124	Decrease of 195
PUB Sector	241	Decrease of 166
ENT/SP/PUB common business	493	Increase of 493
Partner Sector	—	—
Other	—	—
Support services for maintenance and operation	636	Decrease of 61
Unallocable (Common)	368	Increase of 26
Total	2,112	Decrease of 51

(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**

In September 2014, Xseed Co., Ltd., a consolidated subsidiary of the Company, and a former representative director of the said company, were prosecuted for a violation of the Corporation Tax Act, and in December 2014, they were found to be guilty of the violation. The Company is working to thoroughly optimize the business operations of Xseed Co., Ltd. by dispatching a representative director, a director in charge of sales and a director in charge of business administration and management to the said company, and by reviewing its entire business administration and management structure by such means as strengthening the said system, carrying out training on compliance with laws and regulations, strengthening internal auditing functions and enhancing the internal reporting system.

## 2. Status of shares of the Company (as of March 31, 2015)

(1) Number of authorized shares to be issued	200,000,000 shares
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(2) Total number of shares issued	86,000,000 shares (including 1,464,925 shares of treasury stock)
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(3) Number of shareholders	22,578
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**(4) Major shareholders (Top 10)**

Name of shareholder	Number of shares held	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	4,701,200	5.6
STATE STREET BANK WEST CLIENT - TREATY 505234	4,552,800	5.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,434,000	4.1
GOLDMAN SACHS INTERNATIONAL	2,466,575	2.9
NORTHERN TRUST CO. (AVFC) RE NVI01	2,242,600	2.7
Japan Trustee Services Bank, Ltd. (Trust Account 4)	2,230,800	2.6
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,656,000	2.0
Association of Net One Systems Employees participating the Employee Stock Ownership Program	1,444,400	1.7
Meiji Yasuda Life Insurance Company	1,440,000	1.7
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	1,432,963	1.7

(Notes) 1. Although the Company owns 1,464,925 shares of treasury stock, it is excluded from the major shareholders above.

2. The calculation of the percentage of ownership excludes treasury stocks.

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

Based on the resolution of the meeting of the Board of Directors held on April 25, 2014, the Company retired 3,000,000 shares of treasury stock as of June 20, 2014. As a result of this, the total number of shares issued stood at 86,000,000.

### 3. Status of the Company's stock options, etc.

#### (1) Outline of share subscription rights under the equity compensation-type stock options plan held by Directors (excluding Outside Directors) of the Company as of end of FY2014

Name (Date of resolution to issue)	Number of owners	Number of share subscription rights	Class and number of shares to be issued upon the exercise of share subscription rights	Amount to be paid in for share subscription rights	Value of assets contributed upon the exercise of the share subscription rights	Effective period during which the share subscription rights are exercisable
Net One Systems Co., Ltd. FY2012 share subscription rights (June 14, 2012)	7 Directors (excluding Outside Directors)	212	21,200 shares of common stock of the Company	90,000 yen per share subscription right	1 yen per share	July 3, 2012 to July 2, 2042
Net One Systems Co., Ltd. FY2013 share subscription rights (June 13, 2013)	7 Directors (excluding Outside Directors)	270	27,000 shares of common stock of the Company	62,700 yen per share subscription right	1 yen per share	July 2, 2013 to July 1, 2043
Net One Systems Co., Ltd. FY2014 share subscription rights (June 17, 2014)	7 Directors (excluding Outside Directors)	317	31,700 shares of common stock of the Company	56,400 yen per share subscription right	1 yen per share	July 4, 2014 to July 3, 2044

(Note) The Net One Systems Co., Ltd. FY2012 share subscription rights and the Net One Systems Co., Ltd. FY2013 share subscription rights listed above include share subscription rights owned by two directors granted prior to appointment as director.

#### (2) Outline of share subscription rights under the equity compensation-type stock options plan granted to employees, etc. during FY2014

Name (Date of resolution to issue)	Number of owners	Number of share subscription rights	Class and number of shares to be issued upon the exercise of share subscription rights	Amount to be paid in for share subscription rights	Value of assets contributed upon the exercise of the share subscription rights	Effective period during which the share subscription rights are exercisable
Net One Systems Co., Ltd. FY2014 share subscription rights (June 17, 2014)	5 Executive Officers of the Company	160	16,000 shares of common stock of the Company	56,400 yen per share subscription right	1 yen per share	July 4, 2014 to July 3, 2044
	3 directors of subsidiaries	112	11,200 shares of common stock of the Company			



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

##### (1) Names, etc. of Directors and Audit & Supervisory Board Members (as of March 31, 2015)

Position	Name	Responsibilities at the Company and significant concurrent positions
President & CEO	Takayuki Yoshino	President and Executive Officer
Director	Shingo Saito	Chairman and Director of Net One Partners Co., Ltd.
Director	Toru Arai	Senior Vice President, in charge of Corporate Planning & Strategy Division President & CEO of Net One Systems USA, Inc.
Director	Shunichi Suemitsu	Senior Vice President, in charge of Eastern Japan Business Division
Director	Tsuyoshi Suzuki	Senior Vice President, in charge of Western Japan Business Division
Director	Norihisa Katayama	Vice President, in charge of Administration & Management Division
Director	Yoshiharu Horiuchi	Vice President, in charge of Maintenance and Operation Service Division
Director	Kunio Kawakami	Vice President and Director of ZECO Co., Ltd.
Director	Masasuke Naito	
Director	Mitsuo Imai	
Audit & Supervisory Board Member (full-time)	Tadashi Arima	
Audit & Supervisory Board Member	Masamichi Kikuchi	Representative Partner of Natsume Auditor Corporation
Audit & Supervisory Board Member	Minoru Uchida	Partner of South Toranomom Law Offices Outside Audit & Supervisory Board Member, Hakuhodo DY Holdings Inc. Outside Audit & Supervisory Board Member, Yomiko Advertising Inc.
Audit & Supervisory Board Member	Tadashi Nakaoka	

- (Notes) 1. On September 30, 2014, Director Shingo Saito resigned as President & CEO of Net One Partners Co., Ltd.
2. Director Shunichi Suemitsu ceased to be in charge of a technical division on September 30, 2014.
3. Directors Kunio Kawakami, Masasuke Naito, and Mitsuo Imai are Outside Directors as stipulated by Article 2, Item 15 of the Companies Act. The Company designated Kunio

Kawakami as an Independent Director pursuant to the provisions of Tokyo Stock Exchange (TSE) and filed to TSE.

4. Audit & Supervisory Board Member Tadashi Arima has engaged in work relating to finance and accounting for many years and has a respectable degree of knowledge regarding finance and accounting.
5. Audit & Supervisory Board Members Masamichi Kikuchi, Minoru Uchida, and Tadashi Nakaoka are Outside Audit & Supervisory Board Members as stipulated by Article 2, Item 16 of the Companies Act.
6. Audit & Supervisory Board Member Masamichi Kikuchi is a certified public accountant and has a respectable degree of knowledge in finance and accounting.

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

### I. The amount of remuneration, etc. for Directors and Audit & Supervisory Board Members

Classification	Directors (Including Outside Directors)		Audit & Supervisory Board Members (Including Outside Audit & Supervisory Board Members)		Total (Including Outside 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	10 (3)	Million yen 236 (39)	4 (3)	Million yen 44 (20)	14 (6)	Million yen 281 (60)	(Note 1)
Bonuses	6 (-)	56 (-)	- (-)	- (-)	6 (-)	56 (-)	(Note 2)
Equity compensation-type stock options	7 (-)	17 (-)	- (-)	- (-)	7 (-)	17 (-)	(Note 3)
Total		310 (39)		44 (20)		355 (60)	

(Notes) 1. The maximum amounts of remunerations was decided as 450 million yen per year for Directors including maximum 50 million yen for Outside Directors, based on a resolution passed at the 22<sup>nd</sup> Annual Shareholders Meeting on June 24, 2009, while 100 million yen per year for Audit & Supervisory Board Members, based on a resolution passed at the 17<sup>th</sup> Annual Shareholders Meeting on June 25, 2004.

2. Number of persons paid and amount paid based on “Payment of bonuses to Directors” scheduled for resolution at the 28<sup>th</sup> Annual Shareholders Meeting to be held on June 16, 2015.

3. Remuneration, etc. through share subscription rights under equity compensation-type stock option plan was decided as not exceeding 50 million yen per year for Directors who is not an Outside Director based on a resolution passed at the 25<sup>th</sup> Annual Shareholders Meeting held on June 14, 2012. In the columns of “Equity compensation-type stock options,” expenses for the current fiscal year are presented.

### II. Policy for determining the amount of remuneration, etc. for Directors and Audit & Supervisory Board Members

For its executive remuneration system, the Company adopts basic policies to 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.

#### 1) Remuneration, etc. for Directors (excluding Outside Directors)

Remuneration, etc. for the Company's Directors (excluding Outside Directors) consists of a basic remuneration, which is fixed, bonuses, which is a corporate performance-linked compensation offered annually based on performance, and equity compensation-type stock options, which is a corporate performance-linked compensation for the medium- and long-term.

The basic remuneration is determined according to the position and title of each Director, and a basic amount is set for each rank.

Bonuses for each Director are determined by considering the business target achievement rate and other factors for both the Company on a consolidated basis (productivity per employee in terms of revenue and operating income) and the department that the Director is in charge of (productivity per employee in terms of revenue and bookings accepted).

The amounts of share subscription rights under equity compensation-type stock option plan are decided in consideration of the Company's operation results as well as each Director's discharge of duties and contribution to the Company's performance. The Company believes that linking Directors' compensations to the value of the Company will encourage the Directors to enhance the corporate value in the medium to long term and further increase incentives and motivation to increase the share price in the context of sharing with its shareholders the benefits and risk from a stock price's rise or fall.

With a view to ensuring fairness and objectivity in determining the amounts of remuneration, etc. for Directors (excluding Outside Directors), the determination of specific amounts of remuneration must follow the deliberations by the Advisory Committee, which consists of Representative Directors, Outside Directors, Full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members, and must be set within the ceiling of remuneration, etc. resolved at the Shareholders Meeting. Determining the amount of basic remuneration and equity compensation-type stock options require resolution of the Board of Directors, while determining the amount of bonuses requires resolution of the Shareholders Meeting.

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

Remuneration, etc. of Outside Directors and Audit & Supervisory Board Members consists only of a basic remuneration from the perspective of securing their independence. Amounts of remuneration, etc. for Outside Directors are determined along with those for other Directors by the resolution of the Board of Directors within the ceiling of Directors remuneration resolved at the Shareholders Meeting. Amounts of remuneration, etc. for Audit & Supervisory Board Members are determined by deliberations among Audit & Supervisory Board Members within the ceiling of Audit & Supervisory Board Members remuneration resolved at the Shareholders Meeting.

### (3) Items regarding Outside 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
Director	Kunio Kawakami	Vice President and Director of ZECO Co., Ltd.	(Note 1)
Audit & Supervisory Board Member	Masamichi Kikuchi	Representative Partner of Natsume Auditor Corporation	(Note 2)
	Minoru Uchida	Partner of South Toranomom Law Offices Outside Audit & Supervisory Board Member, Hakuholdo DY Holdings Inc. Outside Audit & Supervisory Board Member, Yomiko Advertising Inc.	(Note 3) (Note 4) (Note 5)

(Notes) 1. There are no special relationship between ZECO Co., Ltd. and the Company.

2. There are no special relationship between Natsume Auditor Corporation and the Company.

3. There are no special relationship between South Toranomom Law Offices and the Company.

4. There are no special relationship between Hakuholdo DY Holdings Inc. and the Company.

5. There are no special relationship between Yomiko Advertising Inc. 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 13 times)		Audit & Supervisory Board meetings (held 13 times)	
		Number of meetings attended	Percentage of attendance	Number of meetings attended	Percentage of attendance
Director	Kunio Kawakami	13	100.0%	—	—%
	Masasuke Naito	13	100.0%	—	—%
	Mitsuo Imai	13	100.0%	—	—%
Audit & Supervisory Board Member	Masamichi Kikuchi	13	100.0%	13	100.0%
	Minoru Uchida	12	92.3%	12	92.3%
	Tadashi Nakaoka	13	100.0%	13	100.0%

(Note) In addition to the number of Board of Directors meetings held above, three (3) 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 Audit & Supervisory Board meetings
Director	Kunio Kawakami	Based on his knowledge and experience in the information and communication business and experience as director of other companies, Kunio Kawakami expresses opinions and makes comments regarding the Company's business.
	Masasuke Naito	Based on his knowledge and experience in the information and communication business as well as experience as director and audit & supervisory board member of other companies, Masasuke Naito expresses opinions and makes comments regarding the Company's business.
	Mitsuo Imai	Based on his knowledge and experience in the information and communication business as well as experience as a corporate manager of other companies, Mitsuo Imai expresses opinions and makes comments regarding the Company's business.
Audit & Supervisory Board Member	Masamichi Kikuchi	From his standpoint as a certified public accountant, Masamichi Kikuchi expresses opinions and makes comments regarding the Company's business.
	Minoru Uchida	From his standpoint as an attorney, Minoru Uchida expresses opinions and makes comments regarding the Company's business.
	Tadashi Nakaoka	Based on his knowledge and experience in the information and communication business as well as experience as a corporate manager of other companies, Tadashi Nakaoka expresses opinions and makes comments regarding the Company's business.

III. Outline of limited liability agreement

The Company has entered into a limited liability agreement with each of Outside Directors and 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. The maximum liability amount shall be the minimum amount stipulated in applicable laws and regulations.

## 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	51 million yen
II. Total amount of money and other property benefits to be paid by the Company and its subsidiaries	51 million yen

(Note) 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.

### (3) Description of non-audit service

Not applicable.

### (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 Annual Shareholders Meeting on the basis of that decision.

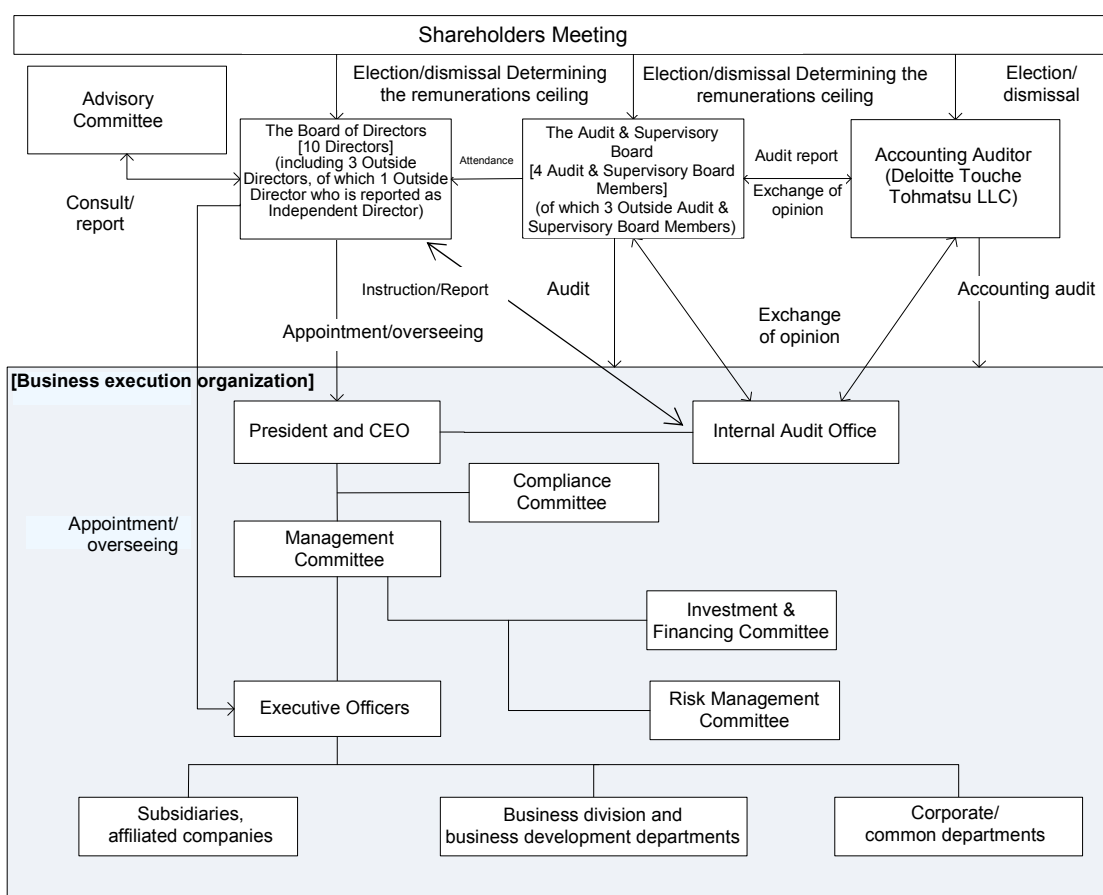
In addition, when it is deemed that the Accounting Auditor falls into the categories stipulated under each item of paragraph 1, Article 340 of the Companies Act, the Accounting Auditor will be dismissed based on the unanimous agreement of the members of the Audit & Supervisory Board. In this event, the 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 Annual Shareholders Meeting to be convened following the dismissal.

## 6. Corporate Governance

### (1) Basic matters regarding corporate governance (as of May 1, 2015)

The Company strives to become a company that is held in high esteem, satisfaction and trust by the various stakeholders of the Company by fulfilling its social responsibility as a good corporate citizen. To this end, the Company will work to establish sound relationships with customers, shareholders, partner companies and employees through all its corporate activities, while also making contributions to the global environment, ICT market, and local communities.

The Company adopts the following mechanism to establish a highly effective corporate governance system: The Company has in place an Audit & Supervisory Board system, which, with more than half of its members being highly independent Outside Audit & Supervisory Board Members, audits the execution of duties by the Directors; in addition, Outside Directors who are independent and constitute more than thirty percent of the members of the Board of Directors oversee execution of management. The Company also employs the Executive Officer 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 Directors and Executive Officers as well as determining their remuneration, etc.



## I. Directors and the Board of Directors

The Company's Board of Directors consists of ten (10) members (male: 10, female: 0) including three (3) Outside Directors, who are independent, (a notification has been filed with the Tokyo Stock Exchange explaining that one of which is an Independent Director) and meets once a month in principle to discuss and decide on matters requiring resolution of the Board of Directors as stipulated by laws and regulations, or the Company's Articles of Incorporation, as well as significant matters relating to management or business execution. The Board of Directors also oversees Directors' execution of duties.

In addition, in order to secure fairness and objectivity in electing or dismissing Directors and Executive Officers and in determining remuneration, etc., the Company has established an Advisory Committee, which consists of Representative Directors, Outside Directors, Full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members, and chaired by one of Outside Directors as a consultative body to the Board of Directors to discuss matters related to the election or dismissal of candidates for Directors and Executive Officers and their remuneration, etc.

## II. Business Execution System

The Company has established the Management Committee (which meets approximately twice a month) under the President & CEO to have discussions and decide on significant matters related to management and business execution other than matters to be resolved for discussion at Board of Directors meeting.

The Company has also employed the Executive Officer System and, by concentrating the function of the Board of Directors on management control and overseeing, the Company aims to strengthen corporate governance and has constructed a system which enables prompt and efficient business execution separate from management control and overseeing activities.

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

The Company's Audit & Supervisory Board consists of four (4) members (male: 4, female: 0) including three (3) Outside Audit & Supervisory Board Members, and it meets once a month in principle to report and exchange opinions on the status and the results of each member's auditing activities as well as to deliberate and resolve matters in accordance with the provisions of laws and regulations, or the Company's Articles of Incorporation.

The Audit & Supervisory Board Members also attend the Company's Board of Directors meetings, the Management Committee, and the Advisory 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

In order "to be a company trusted and supported by all stakeholders (an admired company)," the Company regularly reviews the maintenance and operation status of its internal control system taking into consideration the current state of maintenance and strives to make continuous improvements in order to increase the effectiveness of the system in the following ways.

#### I. System for ensuring that Directors' execution of duties comply with laws and regulations, and Articles of Incorporation

- 1) Matters requiring resolution of the Board of Directors as stipulated by laws and regulations, or Articles of Incorporation, as well as significant matters relating to management or business execution, are discussed and decided at Board of Directors meeting.
- 2) Outside Directors are elected to strengthen the overseeing functions of the Board of Directors, while the Advisory Committee is established to discuss matters relating to the election or dismissal of candidates for Directors and their remunerations, etc.
- 3) Audit & Supervisory Board Members audit the execution of duties by the Directors to ensure compliance with laws and regulations, and Articles of Incorporation. Also, the Audit & Supervisory Board receives reports from Directors with regard to significant matters relating to



audits, and discusses and resolves the matters amongst the Audit & Supervisory Board Members.

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

The Company's document retention and management shall be as stipulated by "Document Management Rules."

III. Policy and other system regarding management of risks of loss

- 1) Business risks related to changes in the economic environment and market needs are managed by the principal departments in charge of business and investments with the support and cooperation of the departments involved to comprehend and evaluate risks and provide a timely and appropriate response. With regard to new businesses and investments, subsequent to research and review of business risks by each principal department with the support and cooperation of the departments involved followed by deliberation by the Investment & Financing Committee, actions are taken upon determination of the Board of Directors or the Management Committee.
- 2) With regard to operational risks of loss to the Company caused by accidents and natural disasters such as earthquakes and other force majeure, or accidents and disasters due to intentional or negligent acts of the Company's executives or employees, the Management Committee determines important risks to be managed during the fiscal year upon deliberation of the Risk Management Committee and risk management activities are effected on a company-wide basis intermittently with periodic meetings of the Risk Management Committee. The Company also formulates and improves risk management regulations and related rules that establish basic policies and systems for the Company's risk management.

IV. System for ensuring efficiency of execution of duties by Directors

- 1) The Company has employed the Executive Officer System and, by concentrating the function of the Board of Directors on management control and overseeing, the Company aims to strengthen corporate governance and has constructed a system which enables prompt and efficient business execution separate from management control and overseeing activities.
- 2) 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.
- 3) Decision to execute and the process of executing significant matters are as stipulated by the Administrative Authority Standard Table.
- 4) From the viewpoint of improving operational efficiency, the Company continually revises and improves its operational system and formulates and expands the information system infrastructure that supports it.

V. System for ensuring execution of duties by employees comply with laws and regulations, and Articles of Incorporation

- 1) Compliance Committee discusses and decides on significant matters regarding compliance system and reviews its operational status. In the case of a material compliance violation, the Compliance Committee identifies facts based on investigation and discusses and determines the appropriate measures to prevent recurrence. In the event the Compliance Committee discovers that a compliance violation has been committed by an employee, the Company will take disciplinary action against the relevant employee according to the rules of employment.
- 2) The Company, upholding "integrity and trust" as its common corporate value, establishes a group compliance manual that indicates the specific behavioral standard to be adhered by the executives and employees and a code of ethics that indicates the ethical standard for executives and employees. The Company also provides systematic compliance training to all executives and employees on an ongoing basis based on the understanding that compliance forms the basis for sustainable growth and the enhancement of the enterprise value of the Company.

- 3) Hotline for reporting violation of compliance and offering consultations is established, at least one (1) each within and outside of the Company. Hotline outside of the Company also accepts reports and offers consultations anonymously. The Company ensures that employees are fully aware of the availability of such hotline and establishes an environment in which employees can use the hotline/consultation contact with a sense of security.

VI. System for ensuring appropriateness of operation of the Corporate Group comprised of the Company and its subsidiaries

- 1) In addition to establishing the principal department for the management of Group companies and receiving regular reports based on the management regulations for companies invested in, the Company discusses key decisions in advance. Moreover, Group Business Promotion Liaison Meetings are held regularly to share various issues at each Group company.
- 2) With regard to Group-wide risk management, the Company has formulated Risk Management Regulations and promotes Group-wide risk management activities in addition to appointing members from subsidiaries to the Risk Management Committee in order to operate on a Group basis. Moreover, in the event of an event with a serious impact on the Group, the Company implements a prompt and smooth response based on Crisis Management Regulations.
- 3) The Company has formulated a Mid-Term Business Plan with the participation of subsidiaries, and manages the progress of the plan while regularly receiving reports on the status of management at subsidiaries.
- 4) In addition to having common values and standards of conduct as a Group through the Group Compliance Manual, some members of the Compliance Committee are appointed from subsidiaries in order to operate on a Group basis. In addition, the Company's whistleblower hotline also handles reports and inquiries from officers and employees of Group companies.
- 5) The Company's directors and employees are appointed and seconded as directors and Audit & Supervisory Board Members at subsidiaries to oversee and audit the execution of business at subsidiaries.
- 6) With regard to ensuring credibility of financial reporting based on the Financial Instruments and Exchange Act, through coordination with the subsidiaries, the Company undertakes periodical review and evaluation of the maintenance and operation status of internal control of the Group, as well as striving for its maintenance and improvement.

VII. Matters relating to employees involved when Audit & Supervisory Board Members request the placement of employees to assist in their duties

Employee(s) to assist in Audit & Supervisory Board Members' duty shall be placed at Internal Audit Office.

VIII. Matters concerning the independence from Directors of employees assisting in the duties of Audit & Supervisory Board Members and matter related to ensuring the feasibility of the instructions from Audit & Supervisory Board Members to the employees involved

- 1) 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 Directors.
- 2) When the employees assisting the duties of Audit & Supervisory Board Members receive the necessary instruction related to those duties, the system required to enable them to follow the relevant instructions is established.

IX. Systems 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

- 1) When a Director discovers a fraudulent act by another Director, an act by a Director in violation of laws and regulations and/or the Articles of Incorporation, or a fact that may cause significant damage to the Company, the Director must report it to Audit & Supervisory Board members at

once.

- 2) The Internal Audit Office reports plans for internal audits and the results of internal audits to Audit & Supervisory Board Members.
  - 3) When Audit & Supervisory Board Members request reports on the execution of duties, officers and employees of the Group must provide reports on the relevant matters without delay.
  - 4) The Group Audit & Supervisory Board must be convened regularly and receive reports on the implementation status of audits from Audit & Supervisory Board Members of subsidiaries.
  - 5) When officers and employees of the Group discover the fact that causes significant damages to the Group, they must immediately report to the Company's Audit & Supervisory Board Members.
  - 6) In addition to prohibiting disadvantageous treatment of a Group officer or employee who has made a report to an Audit & Supervisory Board Member 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.
- X. 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
- 1) Audit & Supervisory Board Members share information and exchange opinions with Directors by attending meetings of the Board of Directors and Management Committee.
  - 2) Audit & Supervisory Board Members exchange opinions with the Accounting Auditors at least once every six months and, when necessary, exchange opinions with relevant departments and corporate attorneys of the Company.
  - 3) 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, 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.
- XI. Basic policy and system towards antisocial forces
- 1) 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 Compliance Manual.
  - 2) In close coordination with outside specialized agencies such as The Federation for Prevention of Special Violence under Jurisdiction of the Metropolitan Police Department ("Tokubouren") and its regional council, of which the Company is a member, police stations under the jurisdiction, and corporate attorneys, the Company 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, while raising awareness and alertness to ensure the Group has no relationships with antisocial forces through compliance training programs within the Group.

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

## Consolidated balance sheet

(unit: million yen)

Account title	28 <sup>th</sup> FY (April 1, 2014 to March 31, 2015)	27 <sup>th</sup> FY (April 1, 2013 to March 31, 2014)	Account title	28 <sup>th</sup> FY (April 1, 2014 to March 31, 2015)	27 <sup>th</sup> FY (April 1, 2013 to March 31, 2014)
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>92,498</b>	<b>78,580</b>	<b>Current liabilities</b>	<b>42,640</b>	<b>31,537</b>
Cash and deposits	19,374	18,184	Accounts payable-trade	20,491	16,067
Notes and accounts receivable-trade	41,996	37,226	Lease obligations	1,403	1,041
Short-term investment securities	1,999	2,999	Accounts payable-other	1,201	1,253
Merchandise	2,131	9,311	Income taxes payable	1,476	564
Goods in transit	322	566	Advances received	13,395	9,913
Costs on uncompleted construction contracts	14,975	1,769	Provision for bonuses	2,930	1,768
Supplies	20	90	Provision for directors' bonuses	92	7
Prepaid expenses	6,087	5,470	Asset retirement obligations	—	10
Deferred tax assets	1,284	974	Other	1,648	910
Other	4,308	1,995			
Allowance for doubtful accounts	(1)	(6)			
<b>Noncurrent assets</b>	<b>11,124</b>	<b>12,043</b>	<b>Noncurrent liabilities</b>	<b>3,869</b>	<b>1,823</b>
<b>Property, plant and equipment</b>	<b>5,386</b>	<b>5,775</b>	Lease obligations	3,257	1,040
Buildings	1,697	1,907	Asset retirement obligations	335	321
Tools, furniture and fixtures	3,689	3,845	Other	276	462
Construction in progress	—	22			
<b>Intangible assets</b>	<b>1,627</b>	<b>1,860</b>	<b>Total liabilities</b>	<b>46,510</b>	<b>33,361</b>
Goodwill	82	207	<b>Net assets</b>		
Other	1,545	1,653	<b>Shareholders' equity</b>	<b>56,897</b>	<b>57,141</b>
<b>Investments and other assets</b>	<b>4,110</b>	<b>4,407</b>	Capital stock	12,279	12,279
Investment securities	891	875	Capital surplus	19,453	19,453
Long-term loans receivable	24	16	Retained earnings	26,317	28,926
Deferred tax assets	1,189	1,374	Treasury stock	(1,152)	(3,518)
Other	2,005	2,149	<b>Accumulated other comprehensive income</b>	<b>120</b>	<b>55</b>
Allowance for doubtful accounts	(0)	(8)	Valuation difference on available-for-sale securities	(4)	(5)
			Deferred gains or losses on hedges	124	61
			<b>Subscription rights to shares</b>	<b>95</b>	<b>66</b>
			<b>Total net assets</b>	<b>57,113</b>	<b>57,263</b>
<b>Total assets</b>	<b>103,623</b>	<b>90,624</b>	<b>Total liabilities and net assets</b>	<b>103,623</b>	<b>90,624</b>

## Consolidated statement of income

(unit: million yen)

Account title	28 <sup>th</sup> FY (April 1, 2014 to March 31, 2015)	27 <sup>th</sup> FY (April 1, 2013 to March 31, 2014)
<b>Revenue</b>	<b>143,173</b>	<b>142,427</b>
<b>Cost of revenue</b>	<b>110,810</b>	<b>110,728</b>
<b>Gross profit</b>	<b>32,362</b>	<b>31,699</b>
Selling, general and administrative expenses	28,157	28,556
<b>Operating income</b>	<b>4,205</b>	<b>3,142</b>
<b>Non-operating income</b>	<b>245</b>	<b>471</b>
Interest income	10	17
Dividends income	—	5
Equity in earnings of affiliates	16	17
Foreign exchange gains	—	18
Miscellaneous income	217	412
<b>Non-operating expenses</b>	<b>201</b>	<b>76</b>
Interest expenses	58	57
Loss on valuation of investment securities	—	12
Foreign exchange losses	51	—
Commission for purchase of treasury stock	—	2
Provision of allowance for doubtful accounts	(0)	(0)
Miscellaneous loss	91	4
<b>Ordinary income</b>	<b>4,249</b>	<b>3,537</b>
<b>Extraordinary income</b>	<b>—</b>	<b>5</b>
Gain on sales of investment securities	—	5
<b>Extraordinary loss</b>	<b>50</b>	<b>1,045</b>
Loss on sales of noncurrent assets	—	2
Loss on retirement of noncurrent assets	41	79
Loss on valuation of investment securities	8	16
Impairment loss	—	77
Loss on specific item	—	870
<b>Income before income taxes and minority interests</b>	<b>4,199</b>	<b>2,497</b>
Income taxes-current	1,894	1,398
Income taxes for prior periods	—	101
Income taxes-deferred	(153)	(85)
<b>Income before minority interests</b>	<b>2,457</b>	<b>1,082</b>
Minority interests in income	—	99
<b>Net income</b>	<b>2,457</b>	<b>983</b>

## Consolidated statement of changes in net assets

(April 1, 2014 to March 31, 2015)

(unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2014	12,279	19,453	28,926	(3,518)	57,141
Changes of items during the period					
Dividends from surplus			(2,704)		(2,704)
Net income			2,457		2,457
Retirement of treasury stock			(2,360)	2,360	—
Disposal of treasury stock			(0)	4	4
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	(2,608)	2,365	(243)
Balance as of March 31, 2015	12,279	19,453	26,317	(1,152)	56,897

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance as of April 1, 2014	(5)	61	55	66	57,263
Changes of items during the period					
Dividends from surplus					(2,704)
Net income					2,457
Retirement of treasury stock					—
Disposal of treasury stock					4
Net changes of items other than shareholders' equity	1	63	64	28	93
Total changes of items during the period	1	63	64	28	(149)
Balance as of March 31, 2015	(4)	124	120	95	57,113

## Non-consolidated balance sheet

(unit: million yen)

Account title	28th FY (April 1, 2014 to March 31, 2015)	27th FY (April 1, 2013 to March 31, 2014)	Account title	28th FY (April 1, 2014 to March 31, 2015)	27th FY (April 1, 2013 to March 31, 2014)
<b>Assets</b>			<b>Liabilities</b>		
<b>Current assets</b>	<b>84,462</b>	<b>71,933</b>	<b>Current liabilities</b>	<b>38,566</b>	<b>28,309</b>
Cash and deposits	18,690	17,613	Accounts payable-trade	19,115	14,770
Notes receivable-trade	466	351	Lease obligations	1,403	1,041
Accounts receivable-trade	34,592	31,252	Accounts payable-other	1,596	1,407
Short-term investment securities	1,999	2,999	Accrued expenses	314	343
Merchandise	771	6,602	Income taxes payable	1,200	380
Goods in transit	310	505	Accrued consumption taxes	583	—
Costs on uncompleted construction contracts	13,555	1,691	Advances received	11,116	8,307
Supplies	16	87	Deposits received	129	136
Prepaid expenses	5,963	5,311	Provision for bonuses	2,700	1,600
Deferred tax assets	1,151	901	Provision for directors' bonuses	56	—
Short-term loans receivable	2,007	2,255	Other	349	322
Other	4,936	2,380	<b>Noncurrent liabilities</b>	<b>3,840</b>	<b>1,752</b>
Allowance for doubtful accounts	(1)	(20)	Lease obligations	3,257	1,040
			Asset retirement obligations	335	321
			Other	246	391
<b>Noncurrent assets</b>	<b>12,080</b>	<b>13,022</b>			
<b>Property, plant and equipment</b>	<b>5,251</b>	<b>5,621</b>			
Buildings	1,678	1,880	<b>Total liabilities</b>	<b>42,407</b>	<b>30,062</b>
Tools, furniture and fixtures	3,573	3,718			
Construction in progress	—	22	<b>Net assets</b>		
			<b>Shareholders' equity</b>	<b>53,957</b>	<b>54,795</b>
<b>Intangible assets</b>	<b>1,545</b>	<b>1,778</b>	<b>Capital stock</b>	<b>12,279</b>	<b>12,279</b>
Software	1,528	1,654	<b>Capital surplus</b>	<b>19,453</b>	<b>19,453</b>
Other	16	123	Legal capital surplus	19,453	19,453
			<b>Retained earnings</b>	<b>23,376</b>	<b>26,580</b>
<b>Investments and other assets</b>	<b>5,283</b>	<b>5,622</b>	Legal retained earnings	86	86
Investment securities	545	546	Other retained earnings	23,289	26,493
Stocks of subsidiaries and affiliates	1,617	1,617	General reserve	20,160	24,610
Investments in capital	2	2	Retained earnings brought forward	3,129	1,883
Long-term loans receivable	24	16	<b>Treasury stock</b>	<b>(1,152)</b>	<b>(3,518)</b>
Claims provable in bankruptcy, claims provable in rehabilitation and other	0	8	<b>Valuation and translation adjustments</b>	<b>83</b>	<b>31</b>
Long-term prepaid expenses	9	10	Valuation difference on available-for-sale securities	(4)	(5)
Deferred tax assets	1,166	1,351	Deferred gains or losses on hedges	87	37
Lease and guarantee deposits	1,780	1,863	<b>Subscription rights to shares</b>	<b>95</b>	<b>66</b>
Other	136	213			
Allowance for doubtful accounts	(0)	(8)			
			<b>Total net assets</b>	<b>54,136</b>	<b>54,893</b>
<b>Total assets</b>	<b>96,543</b>	<b>84,955</b>	<b>Total liabilities and net assets</b>	<b>96,543</b>	<b>84,955</b>

## Non-consolidated statement of income

(unit: million yen)

Account title	28 <sup>th</sup> FY (April 1, 2014 to March 31, 2015)	27 <sup>th</sup> FY (April 1, 2013 to March 31, 2014)
<b>Revenue</b>	<b>123,842</b>	<b>126,387</b>
<b>Cost of revenue</b>	<b>96,580</b>	<b>99,152</b>
<b>Gross profit</b>	<b>27,262</b>	<b>27,235</b>
Selling, general and administrative expenses	25,919	26,366
<b>Operating income</b>	<b>1,342</b>	<b>868</b>
<b>Non-operating income</b>	<b>2,045</b>	<b>1,589</b>
Interest income	18	20
Dividends income	—	5
Operations consignment fee from subsidiaries and affiliates	1,795	1,272
Foreign exchange gain	25	44
Miscellaneous income	206	246
<b>Non-operating expenses</b>	<b>109</b>	<b>94</b>
Interest expenses	57	57
Loss on valuation of investment securities	—	12
Commission for purchase of treasury stock	—	2
Provision of allowance for doubtful accounts	(20)	19
Miscellaneous loss	71	3
<b>Ordinary income</b>	<b>3,278</b>	<b>2,363</b>
<b>Extraordinary income</b>	<b>—</b>	<b>5</b>
Gain on sales of investment securities	—	5
<b>Extraordinary loss</b>	<b>52</b>	<b>1,084</b>
Loss on sales of noncurrent assets	—	2
Loss on retirement of noncurrent assets	41	68
Loss on valuation of investment securities	8	10
Loss on liquidation of subsidiaries	2	—
Loss on valuation of stocks of subsidiaries and affiliates	—	55
Impairment loss	—	77
Loss on specific item	—	870
<b>Income before income taxes</b>	<b>3,226</b>	<b>1,284</b>
Income taxes-current	1,452	963
Income taxes-deferred	(89)	(82)
<b>Net income</b>	<b>1,862</b>	<b>403</b>



## Non-consolidated statement of changes in net assets

(April 1, 2014 to March 31, 2015)

(unit: million yen)

	Shareholders' equity							Valuation and translation adjustments (Note 2)	Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings			Treasury stock	Total shareholders' equity			
		Legal capital surplus	Legal retained earnings	Other retained earnings (Note 1)	Total retained earnings					
Balance as of April 1, 2014	12,279	19,453	86	26,493	26,580	(3,518)	54,795	31	66	54,893
Changes of items during the period										
Dividends from surplus				(2,704)	(2,704)		(2,704)			(2,704)
Net income				1,862	1,862		1,862			1,862
Retirement of treasury stock				(2,360)	(2,360)	2,360	—			—
Disposal of treasury stock				(0)	(0)	4	4			4
Net changes of items other than shareholders' equity								52	28	80
Total changes of items during the period	—	—	—	(3,203)	(3,203)	2,365	(838)	52	28	(757)
Balance as of March 31, 2015	12,279	19,453	86	23,289	23,376	(1,152)	53,957	83	95	54,136

(Note) 1. Details of Other retained earnings

(unit: million yen)

	General reserve	Retained earnings brought forward	Total
Balance as of April 1, 2014	24,610	1,883	26,493
Changes of items during the period			
Reversal of general reserve	(4,450)	4,450	—
Dividends from surplus		(2,704)	(2,704)
Net income		1,862	1,862
Retirement of treasury stock		(2,360)	(2,360)
Disposal of treasury stock		(0)	(0)
Total changes of items during the period	(4,450)	1,246	(3,203)
Balance as of March 31, 2015	20,160	3,129	23,289

(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, 2014	(5)	37	31
Changes of items during the period			
Net changes of items other than shareholders' equity	1	50	52
Total changes of items during the period	1	50	52
Balance as of March 31, 2015	(4)	87	83

## **Independent auditor's reports**

(not attached)

## **Audit report from Audit & Supervisory Board**

### **Audit Report**

We the Audit & Supervisory Board received reports on 28<sup>th</sup> period, April 1, 2014 to March 31, 2015 from each Audit & Supervisory Board Member with regard to the procedure and results of audit over the execution of duties by 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**

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 Directors, etc. and Accounting Auditors regarding execution of their duties and requested for explanations as necessary.

In addition to complying with the standard established by the Audit & Supervisory Board, following the auditing policy and division of responsibilities, communicating with Directors, internal audit division and other employees, and collecting information and developing the structure for auditing, each Audit & Supervisory Board Member attended Board of Directors meetings and other notable meetings, received reports from Directors and employees on execution of their duties, received further explanations from 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. In addition, with regard to the Board of Directors' resolutions regarding the development of systems necessary to ensure that the execution of the duties by the Directors complies with the laws and regulations and the articles of incorporation, which is described in the Business Report, 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 a Stock Company 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 Directors and other employees of the Company, requested their explanations, and expressed its opinions. 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. Based on the above methods, the Audit & Supervisory Board examined the business reports and supporting schedules relating to the current business year.

In addition, 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, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, 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

- i. 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.
- ii. 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 Directors.
- iii. 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 Directors' execution of duties related to the internal control system.

### (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 14, 2015

Audit & Supervisory Board

Net One Systems Co., Ltd.

Audit & Supervisory Board Member (Full-time) Tadashi Arima

Audit & Supervisory Board Member Masamichi Kikuchi

Audit & Supervisory Board Member Minoru Uchida

Audit & Supervisory Board Member Tadashi Nakaoka

(Note) Pursuant to Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act, Masamichi Kikuchi, Minoru Uchida and Tadashi Nakaoka are Outside Audit & Supervisory Board Members.

## Work Style Innovation

With our seasoned expertise and insight for utilizing and leveraging ICT, we are innovating our working style to offer the most suitable solutions for customers.

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**Anytime, Anywhere,  
Anyone and Any Devices.**  
Realize the flexible working style  
for each purpose



Experience the advanced technology

### **Solution Briefing Center**

The place of experiencing the advanced technology  
and sharing the ICT platform issues  
and future vision with customers to consider  
a more valuable ICT platform



Accelerate new working style

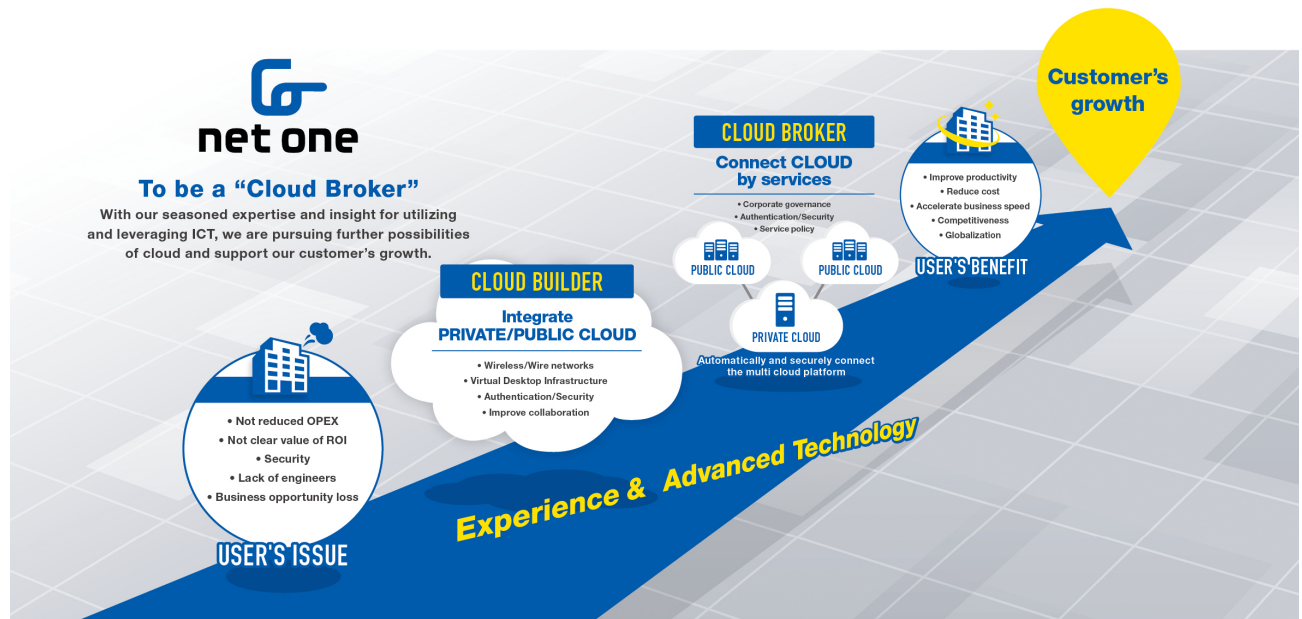
### **Innovative Office**

We are practicing "New working style focusing on people  
with utilizing and leveraging ICT"  
at a head office and locations as "Innovative Office".



## To be a “Cloud Broker”

With our seasoned expertise and insight for utilizing and leveraging ICT, we are pursuing further possibilities of cloud and support our customer’s growth.



We integrate cloud platforms based on each customer’s needs and offer the optimized information infrastructure as a “Cloud Builder” as of today.

It is necessary to scale up cloud platform economically with making better use of cloud service and growing the business.

One method of expanding cloud platform is adding new private cloud or connecting external public cloud, however, the most important thing is the service for orchestrating multi-cloud, that is “Brokering service”.

It is our mission as a “Cloud Broker” to automatically and securely connect the multi-cloud platform and support our customer’s success by smart operation.