

DISCLAIMER

THIS ENGLISH VERSION OF NOTICE OF THE 30th 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 hereby bring you this notice of our 30th Annual Shareholders Meeting, and therefore I would like to extend an introduction to each and every one of you.

Since the dawn of the internet in Japan, we have supported our customers as network computing professionals with expertise in “charging and channelings,” helping them build ICT infrastructure.

We started working on our own “change,” work style innovation, leveraging ICT when we relocated the headquarters in 2013, before the movement in Japan to utilize ICT. And we are now delivering the know-how we obtained from that “change” to our customers.

Furthermore, we have strategically pushed to promote change in our business structure, by supporting not only customers’ ICT infrastructure integration but also their utilization of ICT. We believe that this has enabled us to take another step towards being technology experts for “Charge, Channel and Change.”

Our theme for 2017, “*yaku*,” which indicates “breakthrough,” embodies our strong determination to “move further ahead, and contribute to social innovation,” and our confidence in our future of direction of “change.”

We humbly ask for your continued understanding and support as we strives to become a unique and unrivaled company in the Japanese ICT market.

Takayuki Yoshino
President & CEO

May 26, 2017

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

NOTICE OF THE 30th ANNUAL SHAREHOLDERS MEETING

To Our Shareholders:

This is to notify you that the 30th 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 HERE TO AND EXERCISE YOUR VOTING RIGHTS BY 5:30 PM ON JUNE 14, 2017 (WEDNESDAY).

Truly yours,

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

1. Date/Time: June 15, 2017 (Thursday) 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 30th fiscal year (April 1, 2016 to March 31, 2017)
 2. Non-consolidated financial statements for the 30th fiscal year (April 1, 2016 to March 31, 2017)

Matters to be Resolved:

- Proposal 1: Appropriation of surplus
- Proposal 2: Election of nine (9) Executive Directors
- Proposal 3: Payment of bonuses to Executive 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.

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 (Phone: 03-6256-0615) to have forms mail to you.
- Any additional explanations to or changes to contents of the reference document regarding Shareholders Meeting, business report, consolidated financial statements and non-consolidated financial statements required up to one (1) day before the Shareholders Meeting shall be notified to shareholders by posting on the Company's website.

(Company's website: <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 15, 2017 (Thursday)

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 14, 2017 (Wednesday)

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 14, 2017 (Wednesday)

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., Wednesday, June 14, 2017 (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>

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:

<p>Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Web Support</p> <p>Dedicated Line: 0120-652-031 (Toll-free) (Japan only)</p> <p>Business Hours: 9 a.m. – 9 p.m. (Japan Standard Time)</p>
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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 30th fiscal year is proposed as follows.

- (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 1,268.672,625 ven.

Dividend on an annual basis including the interim dividend is 30 yen per share (consolidated dividend payout ratio of 66.4%).

- (3) Effective date of dividend from surplus

June 16, 2017

2. Appropriation of surplus

- (1) Account and amount of surplus that will decrease

Retained earnings brought forward 1,030,000,000 yen

- (2) Account and amount of surplus that will increase

General reserve	1,030,000,000 yen
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Proposal 2: Election of nine (9) Executive Directors

At the conclusion of this Annual Shareholders Meeting, the term of office of all nine (9) Executive Directors will expire. It is proposed that nine (9) Executive Directors (of which three (3) are Outside Executive Directors) to be elected.

All the candidates for Outside Executive Directors satisfy the “Independence Standards” (page 19) established by the Company.

This proposal was deliberated by the Advisory Committee.

The candidates for Executive Directors are as follows.

Candidate number	Name	Present position and responsibility in the Company	Attributes of the candidate		
1	Takayuki Yoshino	President & CEO	Reelected		
2	Toru Arai	Executive Director, Executive Vice President, in charge of Corporate Planning & Strategy Division, in charge of Business Development Division	Reelected		
3	Shunichi Suemitsu	Executive Director, Executive Vice President, in charge of Engineering Division, in charge of Market Development Division, in charge of Customer Service Division	Reelected		
4	Tsuyoshi Suzuki	Executive Director, Senior Vice President, in charge of Eastern Japan Business Division 1, in charge of Eastern Japan Business Division 2, in charge of Central Japan Business Division, in charge of Western Japan Business Division	Reelected		
5	Takahisa Kawaguchi	Executive Director, Senior Vice President, in charge of Group Business Development, Corporate Planning & Strategy Division	Reelected		
6	Norihisa Katayama	Executive Director, Senior Vice President, in charge of Administration & Management Division	Reelected		

7	Kunio Kawakami	Outside Executive Director	Reelected	Outside	Independent
8	Mitsuo Imai	Outside Executive Director	Reelected	Outside	Independent
9	Rieko Nishikawa	Outside Executive Director	Reelected	Outside	Independent

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company’s shares owned	Status of attendance at Board of Directors
1	Takayuki Yoshino (Feb. 14, 1951) [Reelected]	President & CEO	28,899 shares	12/12 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1969	Joined NEC Engineering, Ltd. (current NEC Fielding, Ltd.)			
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)			
Reasons for selecting candidate for Executive Director				
Mr. Takayuki Yoshino has extensive experience and a substantial track record in a wide range of fields including involvement in management as an Executive 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 Executive Director in order to further enhance the Company’s corporate value, the Company has selected him as a candidate for Executive Director.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
2	Toru Arai (Oct. 6, 1958) [Reelected]	Executive Director Executive Vice President	15,614 shares	12/12 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1981	Joined Ryoden Elevator Construction Ltd.			
Oct. 1983	Joined Ministry of Education National Laboratory for High Energy Physics (current High Energy Accelerator Research Organization), Data Processing Center			
Jun. 1989	Joined Ungermann-Bass Networks K.K.			
Apr. 1990	Joined the Company			
Apr. 2006	Vice President, Network Technology Division			
Jun. 2006	Executive Director			
Aug. 2008	President & CEO of Net One Systems USA, Inc. (incumbent)			
Apr. 2011	Executive Director, Vice President			
Apr. 2014	Executive Director, Senior Vice President			
Apr. 2015	Executive Director, Senior Vice President, in charge of Corporate Planning & Strategy Division, in charge of Business Development Division (incumbent)			
(Significant concurrent positions)				
President & CEO of Net One Systems USA, Inc.				
Reasons for selecting candidate for Executive Director				
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 an Executive Director, as the Executive 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 Executive Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Executive Director.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
3	Shunichi Suemitsu (Feb. 22, 1961) [Reelected]	Executive Director Executive Vice President	29,210 shares	12/12 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
<p>Apr. 1984 Joined FOR-A Company Limited</p> <p>Oct. 1985 Joined Nihon Univac, Limited (current Nihon Unisys, Limited)</p> <p>Feb. 1991 Joined Ungermann-Bass Networks K.K.</p> <p>May 1998 Joined the Company</p> <p>Apr. 2006 Vice President, Service Provider Technology Division</p> <p>Jun. 2006 Executive Director</p> <p>Apr. 2011 Executive Director, Vice President</p> <p>Jun. 2012 Senior Vice President</p> <p>Jun. 2014 Executive Director, Senior Vice President</p> <p>Mar. 2016 Chairman and Representative Director of Xseed Co., Ltd. (incumbent)</p> <p>Apr. 2016 Executive Director, Senior Vice President, in charge of Engineering Division, in charge of Market Development Division, in charge of Customer Service Division (incumbent)</p> <p>(Significant concurrent positions)</p> <p>Chairman and Representative Director of Xseed Co., Ltd.</p>				
<p>Reasons for selecting candidate for Executive Director</p> <p>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 increase the sales of the Company's products and services and improve customer satisfaction. Having judged that it is necessary that he continue in the position of Executive Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Director.</p>				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company’s shares owned	Status of attendance at Board of Directors
4	Tsuyoshi Suzuki (May 16, 1958) [Reelected]	Executive Director Senior Vice President	33,600 shares	12/12 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Jun. 1983	Joined Humo Laboratory, Ltd.			
Jan. 1990	Joined Ungermann-Bass Networks K.K.			
Jul. 1995	Joined the Company			
Apr. 2006	Vice President, Western Japan Business Division			
Jun. 2006	Executive Director			
Apr. 2011	Executive Director, Vice President			
Jun. 2012	Senior Vice President			
Jun. 2014	Executive Director, Senior Vice President			
Apr. 2017	Executive Director, Senior Vice President, in charge of Eastern Japan Business Division 1, in charge of Eastern Japan Business Division 2, in charge of Central Japan Business Division, in charge of Western Japan Business Division (incumbent)			
Reasons for selecting candidate for Executive 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 Executive Director in order to further enhance the Company’s corporate value, the Company has selected him as a candidate for Executive Director.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company’s shares owned	Status of attendance at Board of Directors
5	Takahisa Kawaguchi (Oct. 28, 1953) [Reelected]	Executive Director Senior Vice President	21,308 shares	12/12 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1976	Joined Tokyo Electron Limited			
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	President & CEO, Net One Systems Singapore Pte. Ltd. (incumbent)			
Feb. 2014	President & CEO of Xseed Co., Ltd.			
Apr. 2014	Vice President			
Oct. 2014	President & CEO of Net One Partners Co., Ltd. (incumbent)			
Mar. 2015	Chairman and Representative Director of Xseed Co., Ltd.			
Apr. 2015	Vice President			
Jun. 2015	Executive Director, Vice President			
Apr. 2017	Executive Director, Senior Vice President, in charge of Group Business Development, Corporate Planning & Strategy Division (incumbent)			
	(Significant concurrent positions)			
	President & CEO of Net One Partners Co., Ltd.			
	President & CEO of Net One Systems Singapore Pte. Ltd.			
	Director of Asiasoft Solutions Pte. Ltd.			
Reasons for selecting candidate for Executive Director				
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 domestic and international businesses as President & CEO of subsidiaries and officer of an associate of the Company inside and outside Japan. 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 Executive Director in order to further enhance the Company’s corporate value, the Company has selected him as a candidate for Executive Director.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
6	Norihisa Katayama (Jun. 30, 1955) [Reelected]	Executive Director Senior Vice President	106,718 shares	12/12 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1980	Joined Komatsu Forklift Co., Ltd. (current Komatsu Ltd.)			
Jul. 1984	Joined Ungermann-Bass Networks K.K.			
May 1989	Joined the Company			
Apr. 2003	Operation Director of CEO Office			
Jun. 2006	Executive Director			
Apr. 2011	Executive Director, Vice President			
Apr. 2014	Executive Director, Vice President, in charge of Administration & Management Division (incumbent)			
Reasons for selecting candidate for Executive Director 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 Executive Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Executive Director.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
7	Kunio Kawakami (Sep. 24, 1943) [Reelected] [Independent] [Outside]	Outside Executive Director	26,333 shares	12/12 (100%)

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

Apr. 1967 Joined Kanto Denki Koji Co., Ltd. (current Kandenko Co., Ltd.)
Jul. 1999 Director, Assistant Senior Sales Director and Engineering Manager of Kanto Denki Koji Co., Ltd.
Jul. 2003 Managing Director, Director of Network Solutions Division, Kanto Denki Koji Co., Ltd.
Jun. 2008 Director of Tepco Systems Corporation
Jul. 2008 Special Adviser of Kandenko Co., Ltd.
Jun. 2009 Executive Director of the Company (incumbent)
Jun. 2010 Adviser of Kandenko Co., Ltd.
Dec. 2012 Vice President and Director of ZECO Co., Ltd.

Matters Concerning Candidate for Outside Executive Director

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

Mr. Kunio Kawakami has been selected as a candidate for Outside Executive 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 filed Mr. Kunio Kawakami as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If this proposal is resolved and approved as originally proposed, the Company will continue to have him as an Independent Executive Officer.

(3) As Mr. 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 sales of network products and vendor support, and contracting of electrical and communications construction by Kandenko to the Company, etc. However, the amount of revenue from such transactions for the current fiscal year is approximately 23 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 60 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 design and structuring service, etc. However, the amount of revenue from such transactions for the current fiscal year is approximately 10 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) Mr. Kunio Kawakami currently occupies the position of Outside Executive Director of the Company and his term of office will be eight (8) years at the conclusion of this general meeting.

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company’s shares owned	Status of attendance at Board of Directors
8	Mitsuo Imai (May 15, 1951) [Reelected] [Independent] [Outside]	Outside Executive Director	9,014 shares	12/12 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1974	Joined Hitachi Cable, Ltd. (current Hitachi Metals, Ltd.)			
Apr. 2005	Executive Officer, General Manager of Corporate Planning & Development Office, Group Executive of Environment & Disaster Prevention Group and CIO, Hitachi Cable, Ltd.			
Sep. 2006	Executive Officer, Group Executive of Information Systems Group, Group Executive of Information Technology Business Innovation Promotion Group and CIO, Hitachi Cable, Ltd.			
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.			
Apr. 2009	Representative Executive Officer, President and Chief Executive Officer of Hitachi Cable, Ltd.			
Jun. 2009	Representative Vice president, President, Chief Vice president and Director of Hitachi Cable, Ltd.			
Jun. 2011	Senior Corporate Advisor of Hitachi Cable, Ltd.			
Jun. 2012	Executive Director of the Company (incumbent)			
Matters Concerning Candidate for Outside Executive Director				
(1) Reasons for the nomination of candidate for Outside Executive Director:				
Mr. Mitsuo Imai has been selected as a candidate for Outside Executive 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) The Company filed Mr. Mitsuo Imai as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If this proposal is resolved and approved as originally proposed, the Company will continue to have him as an Independent Executive Officer.				
(3) As Mr. Mitsuo Imai used to work for Hitachi Metals, Ltd. (until June 2013), there are certain transactions between the company and the Company including contracting of maintenance service and purchase of network products. However, the amount of revenue from such transactions for the current fiscal year is approximately 0.2 million yen (less than 0.1% of revenue of the Company for the current fiscal year) and the amount of such purchases for the current fiscal year is approximately 756 million yen (approximately 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.				
(4) Mr. Mitsuo Imai currently occupies the position of Outside Executive Director of the Company and his term of office will be five (5) years at the conclusion of this general meeting.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
9	Rieko Nishikawa (Feb. 3, 1955) [Reelected] [Independent] [Outside]	Outside Executive Director	2,988 shares	12/12 (100%)

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

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
Jun. 2015 Executive Director (incumbent)
(Significant concurrent positions)
Professor, Faculty of Law, Keio University

Matters Concerning Candidate for Outside Executive Director

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

Ms. Rieko Nishikawa has been selected as a candidate for Outside Executive 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) The Company filed Ms. Rieko Nishikawa as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If this proposal is resolved and approved as originally proposed, the Company will continue to have her as an Independent Executive Officer.

(3) Ms. Rieko Nishikawa is currently a Professor in the Faculty of Law, Keio University. There are certain transactions between Keio University and the Company related to sales of platform products and contracting of design and structuring service, etc. However, the amount of such transactions for the current fiscal year is only approximately 48 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.

(4) Ms. Rieko Nishikawa currently occupies the position of Outside Executive Director of the Company and her term of office will be two (2) years at the conclusion of this general meeting.

(Notes) 1. There are no special interests between the candidates and the Company.

2. The Company has entered into a limited liability agreement with Mr. Kunio Kawakami, Mr. Mitsuo Imai and Ms. Rieko Nishikawa, 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.

(Reference)

Independence Standards

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

1 Persons who perform executive roles*₁ or persons who have performed executive roles in the Company or its subsidiaries, at present or in the past;

2 Parties for whom the Company is a major business partner and whose transaction amounts with the Company exceeds 2% of their sales in their latest business year or persons who perform executive roles therein;

3 Major business partners of the Company with which the Company's transaction amounts exceeds 2% of the Company's sales in the latest business year or persons who perform executive roles therein;

4 Major shareholders of the Company (entities that own 10% or more of the total voting rights of the Company) or persons who perform executive roles therein;

5 Certified public accountants, attorneys and consultants, etc. who receive money or other property more than 10 million yen per year except for executive remuneration from the Company (or if the entity receiving such property is an organization, such as a corporation and association, persons belonging to such entity which receive property in excess of 2% of total annual income of the organization from the Company);

6 Persons who received donations more than 10 million yen per year from the Company in the latest business year (or if the entity receiving such donations is an organization, such as a corporation and association, persons belonging to such entity which received donations in excess of 2% of total annual income of the organization);

7 Persons who have fallen under any of items 2 through 6 above in the past three years; or

8 Spouses and relatives of up to the second degree of kinship of those who fall under any of items below:

(1) Principal persons who currently perform executive roles*₂ or principal persons who have performed executive roles in the Company or its subsidiaries in the past three years;

(2) Persons to whom any of items 2 through 4 apply;

“Persons who perform executive roles” refer to principal persons who perform executive roles.

(3) Persons to whom item 5 or item 6 apply.

“Persons belonging to such entity” refer to principal persons who perform executive roles(or persons who are deemed as important as principal persons who perform executive roles) of the entity; or, in the case that the entity is a professional body including audit corporation or law office, persons who possess professional qualifications including certified public accountants or attorneys.

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

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

End

Proposal 3: Payment of bonuses to Executive Directors

With consideration of the results for the current fiscal year, the Company proposes payment of bonuses which amount is 94,000,000 yen in total to five (5) Executive Directors excluding Executive Director Mr. Takahisa Kawaguchi, Executive Director Mr. Kunio Kawakami, Executive Director Mr. Mitsuo Imai and Executive Director Ms. Rieko Nishikawa out of nine (9) Executive 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 Executive Director is requested to be settled by Board of Directors.

This proposal was deliberated by the Advisory Committee.

(Attachments)

Business Report

April 1, 2016 to March 31, 2017

1. Business conditions of the Corporate Group

(1) Business activities and results

With regard to the market environment surrounding Net One Group, there has been a surge in demand for the enhancement of information security measures against increasing cyber-attacks as well as the cloud computing utilization aimed at the improvement of operational speed and optimization of investment cost in all customer segments. The Company has focused its efforts on these areas, where “connecting” various information assets is crucial and therefore our network technology can be leveraged in an effective manner, as a core growth domain. Meanwhile, network investment by telecommunications carriers, the Company’s principal customers, continued to be restrained.

Under these circumstances, Net One Group has promoted “supporting effective utilization of customers’ assets,” “expansion of customers’ investment,” “development for new markets (IoT[Internet of Things], Global and Corporate),” as well as “thorough profit control” and “human resources development” as key initiatives for the fiscal year ended March 31, 2017.

“Supporting effective utilization of customers’ assets” refers to our aim to respond to our customers’ business changes by adding and changing network platforms and cloud platforms while considering the function of the overall system in order to maintain the existing ICT platforms that our customers are introducing as the latest functions. In this field, we were successfully able to obtain the cloud infrastructure business in customers’ network infrastructure and data centers.

The aim of “expansion of customers’ investment” is to expand our existing business through the proposal of novel solutions that allow the secure cloud utilization by enhanced network security to customers. In this field, we launched new solutions with Net One’s own unique value, including the “cloud HUB service” that securely connects multiple clouds and the “managed security service” that protects customers’ information assets with constant monitoring of cyber-attacks. In addition, the strong demand for security in local governments and work style innovation support for the private sector, among others, contributed as major growth drivers for the current fiscal year.

As for “development for new markets (IoT, Global and Corporate),” we endeavor to create businesses in the area with the expectation of new demand. In the IoT market, with the background of increasing demand for the IoT systems deployment aimed at productivity improvement at manufacturing industry plants, we have worked on building the network infrastructure that connects a range of production machines on a trial basis. In the global market, we have entered a capital alliance with Asiasoft Solutions Pte. Ltd. (hereinafter “Asiasoft”), a Singapore-based IT company with advanced cloud-related technological capability, in preparation for supporting our domestic customers’ business expansion in the ASEAN region. In the corporate market, we attempted effective development schemes for providing cloud-based services provided by customers to new customer stratum by a cooperative system. These initiatives enabled us to launch businesses as our new markets, and clarify scenarios for the future development.

With regard to “thorough profit control,” due to the rigid implementation of project-by-project basis profit examination, the gross profit ratio in the third quarter of the current fiscal year, which mainly reflects sales from bookings for the current fiscal year, improved in comparison to those of the first quarter and the second quarter, whose results comprised more of sales from bookings for the previous fiscal year. The improving trend stayed same in the fourth quarter.

As for “human resources development,” in addition to efforts to improve our cloud technologies, we started to fully implement human resources development in the security domain. This resulted in the increased number of employees with qualifications for international security professionals and initiation of the internship program at the cutting-edge security monitoring facility of a overseas security vendor, to name a few.

As a result of the above, overall bookings accepted in FY2016 were 163,935 million yen (up 15.0% year-over-year). Meanwhile, revenue the Company generated during FY2016 was 157,236 million

yen (up 8.3% year-over-year).

Regarding the profit and loss, due to increased revenue and thorough profit control, the Company's gross profit stood at 35,223 million yen (up 18.0% year-over-year). Selling, general, and administrative expenses increased to 29,475 million yen (up 7.6% year-over-year), operating income stood at 5,747 million yen (up 134.3% year-over-year), ordinary income stood at 5,701 million yen (up 119.7% year-over-year), and profit attributable to owners of parent was 3,822 million yen (up 153.3% year-over-year).

■Overview by product category

Commencing FY 2017, the Group will combine its existing “Network products” and “Platform products” categories into a new category called “Equipment products.” The classification of “Service business” remains unchanged.

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

(unit: million yen)

	Equipment products	Service business
Bookings accepted	99,941 (up 15.9% YoY)	63,994 (up 13.6% YoY)
Revenue	97,729 (up 9.9% YoY)	59,507 (up 5.8% YoY)
Backlog	15,987 (up 16.1% YoY)	44,078 (up 3.9% 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.

■ 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 30th term: **30.4%**

<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, seeking to cut time and cost, and improve work style, etc., by utilizing advanced ICT.

<Highlights of fiscal year under review>

Demands have been expanding for work style innovation leveraging ICT and security measures, as well as for cloud service infrastructure. As a result, bookings accepted and revenue increased compared with the previous fiscal year.

(unit: million yen)

Bookings accepted	49,967 (up 10.7% YoY)
Revenue	47,788 (up 2.0% YoY)
Backlog	20,953 (up 12.5% YoY)

Telecom carrier – SP market

—— Composition ratio in 30th term: **23.7%**

<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>

While the cloud infrastructure integration projects have been on the rise, companies continued to curtail network investments. As a result, bookings accepted and revenue decreased compared with the previous fiscal year.

(unit: million yen)

Bookings accepted	37,372 (down 2.2% YoY)
Revenue	37,231 (down 7.6% YoY)
Backlog	10,974 (up 1.3% YoY)

Public – PUB market—— Composition ratio in 30th term: **29.7%**

<Main business description>

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.

<Highlights of fiscal year under review>

As a result of receiving numerous security measure projects for local governments, bookings accepted and revenues both significantly increased.

(unit: million yen)

Bookings accepted	50,738 (up 38.3% YoY)
Revenue	46,715 (up 22.9% YoY)
Backlog	21,556 (up 15.6% YoY)

Net One Partners – NOP—— Composition ratio in 30th term: **15.8%**

<Main business description>

The Company developed new value added solutions 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.

<Highlights of fiscal year under review>

As a result of the growth in our business to some major partners, bookings accepted and revenue both increased compared with the previous fiscal year.

(unit: million yen)

Bookings accepted	25,294 (up 25.3% YoY)
Revenue	24,917 (up 27.7% YoY)
Backlog	6,550 (up 4.0% YoY)

(2) Issues to be addressed

In the business environment surrounding Net One Group, demand for the secure cloud computing utilization for data usage is expected to surge in the context of new technologies including big data and IoT as well as the work style innovation and operating costs optimization leveraging ICT. Meanwhile, as the demand for simple and easy-to-use ICT environment from customers is on the rise, we believe that addressing both of “utilization from possession” and increasingly complex systems will be necessary.

Significant changes have also been seen in terms of technology. In particular, functions for simple and convenient utilization and leveraging of ICT is now shifting from hardware products, which we have mainly handled so far, to software products. Therefore, further improvement of our software handling technologies is required.

Key initiatives for fiscal year ending March 31, 2018

In order to address such expanding market needs and technological changes, and harness continued growth and higher customer satisfaction, we will strive to focus on the following initiatives in each area of “continue and accelerate growth strategies,” “thorough profit control” and “human resources development” in the fiscal year ending March 31, 2018.

Continue and accelerate growth strategies

While continuously implementing “supporting effective utilization of customers’ assets,” and “expansion of customers’ investment,” in the fiscal period under review, we will enter the concrete capital investment phase in new markets (IoT, Global and Corporate). In the IoT market, we will enhance our track record of the full introduction of IoT-ready networks by addressing the actual demand for IoT at manufacturing plants. In the global market, we will help our domestic customers to expand their business in the ASEAN region through the enhanced collaboration with Asiasoft, with which we have now capital ties, while building the foundation for new businesses in regions such as the North America and Europe. In the corporate market, proposals for such services as cloud-based network, video conference and desktop services that are easy to implement and use will be made for mid-sized companies.

In addition, as new initiatives, the Company will tackle the “service business” that addresses changes in customers’ needs and offers even greater added value, aiming at improving profitability by making a turn from the previous business model based on product sales to a business model centered on the provision of services.

That service business is, specifically, to offer “cloud systems” based on the architecture (blueprint or framework) for the entire ICT infrastructure used by customers. The cloud systems, by offering Net One’s own original services that utilize software functions as its core, enable to achieve the versatile cloud utilization and enhanced security that customers require, as well as the simple operation of the entire ICT infrastructure.

Furthermore, we will flexibly address customers’ ICT usage requirements, such as subscription-style contracts (a fee payment method corresponding to usage periods). In order to further promote this service business, the Company has established Net One Connect G.K., a wholly-owned subsidiary of the Company specializing in the software development and sales in April 2017.

Thorough profit control

For more accurate budget control, we will further strive to visualize revenue and expenses, and grasp managerial figures in a more agile manner. Also, a continuous and systematic examination of project-by-project basis profit will be carried out to improve profitability. By these measures, we realize the thorough profit control.

Human resources development

Demand for security is increasing throughout all business domains of our Group. As such, we will work on the world’s most advanced security human resources development, in collaboration with vendors overseas, in order to increase the number of our employees with sophisticated security expertise. Along with this effort, initiative for further perfecting our cloud technologies will be continued. In addition, we will enhance our in-house training system, aiming at the organizational accumulation and transmission of our technological know-how over the long term.

Medium-term performance objectives

We endeavor to achieve the objectives for the fiscal year ending March 31, 2019, revenue of 170 billion yen, operating income of 11 billion yen, and operating margin of 6.5%, by the revenue growth through the engagement in new markets and solutions as well as the reduction in selling, general and administrative expenses ratio through the promotion of in-house development and productivity improvement.

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

Segment	27 th FY (April 1, 2013 to March 31, 2014)	28 th FY (April 1, 2014 to March 31, 2015)	29 th FY (April 1, 2015 to March 31, 2016)	30 th FY (current FY) (April 1, 2016 to March 31, 2017)
Revenue (million yen)	142,427	143,173	145,180	157,236
Ordinary Income (million yen)	3,537	4,249	2,594	5,701
Profit attributable to owners of parent (million yen)	983	2,457	1,508	3,822
Basic Earnings per Share (yen)	11.40	29.07	17.85	45.20
Total Assets (million yen)	90,624	103,623	102,613	103,365
Net Assets (million yen)	57,263	57,113	55,533	57,328
Equity Ratio (%)	63.1	55.0	54.0	55.3
Net Assets per Share (yen)	676.65	674.49	655.43	676.30

II. Status of non-consolidated financial results

Segment	27 th FY (April 1, 2013 to March 31, 2014)	28 th FY (April 1, 2014 to March 31, 2015)	29 th FY (April 1, 2015 to March 31, 2016)	30 th FY (current FY) (April 1, 2016 to March 31, 2017)
Revenue (million yen)	126,387	123,842	127,655	134,043
Ordinary Income (million yen)	2,363	3,278	2,297	5,318
Profit (million yen)	403	1,862	1,437	3,580
Basic Earnings per Share (yen)	4.68	22.03	17.00	42.34
Total Assets (million yen)	84,955	96,543	95,770	96,525
Net Assets (million yen)	54,893	54,136	52,683	54,061
Equity Ratio (%)	64.5	56.0	54.9	55.9
Net Assets per Share (yen)	648.62	639.27	621.72	637.68

(4) Status of financing

No special matters to report.

(5) Status of capital expenditures

The Company spent a total of 2,945 million yen for capital expenditures during FY2016 mainly on equipment improvement for the purpose of developing new products, and improving the evaluation system and the customer support framework.

(6) Status of parent company and significant subsidiaries

I. Status of the parent company

Not applicable.

II. Status of significant subsidiaries

Company name	Investments in capital	Ratio of the Company's capital contribution	Main business activities
	Million yen	%	
Net One Partners Co., Ltd.	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

(7) Main offices (as of March 31, 2017)

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

(8) Status of employees (as of March 31, 2017)

I. Number of employees of the Corporate Group

Name of segment, etc.	Number of employees	Comparison to end of previous FY
ENT Sector	409	Increase of 94
SP Sector	164	Increase of 41
PUB Sector	338	Increase of 12
ENT/SP/PUB common business	404	Decrease of 119
Partner Sector	159	Decrease of 53
Other	60	Decrease of 1
Support services for maintenance and operation	293	Decrease of 45
Unallocable (Common)	457	Increase of 103
Total	2,284	Increase of 32

(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	409	Increase of 94
SP Sector	164	Increase of 41
PUB Sector	338	Increase of 12
ENT/SP/PUB common business	404	Decrease of 119
Partner Sector	—	—
Other	—	—
Support services for maintenance and operation	293	Decrease of 45
Unallocable (Common)	457	Increase of 103
Total	2,065	Increase of 86

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

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

Not applicable.

2. Status of shares of the Company (as of March 31, 2017)

- (1) Number of authorized shares to be issued 200,000,000 shares
- (2) Total number of shares issued 86,000,000 shares
(including 1,421,825 shares of treasury stock)
- (3) Number of shareholders 19,866

(4) Major shareholders (Top 10)

Name of shareholder	Number of shares held	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	7,108,300	8.4
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,686,300	6.7
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,300,300	3.9
NORTHERN TRUST CO. (AVFC) RE NVI01	2,259,000	2.7
Japan Trustee Services Bank, Ltd. (Trust Account 4)	1,653,500	2.0
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,568,600	1.9
Meiji Yasuda Life Insurance Company	1,440,000	1.7
Association of Net One Systems Employees participating the Employee Stock Ownership Program	1,401,573	1.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,324,800	1.6
GOVERNMENT OF NORWAY	1,316,806	1.6

(Notes) 1. Although the Company owns 1,421,825 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

Not applicable.

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 Executive Directors (excluding Outside Executive Directors) of the Company as of end of FY2016

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)	6 Executive Directors (excluding Outside Executive Directors)	178	17,800 shares of common share of the Company	90,000 yen per share subscription right	1 yen per share	July 3, 2012 to July 2, 2042	(Note 1)
Net One Systems Co., Ltd. FY2013 share subscription rights (June 13, 2013)	6 Executive Directors (excluding Outside Executive Directors)	226	22,600 shares of common share of the Company	62,700 yen per share subscription right	1 yen per share	July 2, 2013 to July 1, 2043	(Note 1)
Net One Systems Co., Ltd. FY2014 share subscription rights (June 17, 2014)	6 Executive Directors (excluding Outside Executive Directors)	265	26,500 shares of common share of the Company	56,400 yen per share subscription right	1 yen per share	July 4, 2014 to July 3, 2044	(Note 2)
Net One Systems Co., Ltd. FY2015 share subscription rights (June 16, 2015)	6 Executive Directors (excluding Outside Executive Directors)	210	21,000 shares of common share of the Company	71,700 yen per share subscription right	1 yen per share	July 3, 2015 to July 2, 2045	
Net One Systems Co., Ltd. FY2016 share subscription rights (June 16, 2016)	6 Executive Directors (excluding Outside Executive Directors)	314	31,400 shares of common share of the Company	53,100 yen per share subscription right	1 yen per share	July 5, 2016 to July 4, 2046	

(Notes) 1. The share subscription rights owned by three (3) Executive Directors out of six (6) Executive Directors were granted prior to appointment as executive director.

2. The share subscription rights owned by one (1) Executive Director out of six (6) Executive Directors were granted prior to appointment as executive director.

(2) Outline of share subscription rights under the equity compensation-type stock options plan granted to employees, etc. during FY2016

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. FY2016 share subscription rights (June 16, 2016)	6 Vice Presidents of the Company	222	22,200 shares of common share of the Company	53,100 yen per share subscription right	1 yen per share	July 5, 2016 to July 4, 2046
	1 Executive Director of subsidiaries	37	3,700 shares of common share of the Company			

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

(1) Names, etc. of Executive Directors and Audit & Supervisory Board Members (as of March 31, 2017)

Position	Name	Responsibilities at the Company and significant concurrent positions
President & CEO	Takayuki Yoshino	President and Executive Officer
Executive Director	Toru Arai	Senior Vice President, in charge of Corporate Planning & Strategy Division and Business Development Division President & CEO of Net One Systems USA, Inc.
Executive Director	Shunichi Suemitsu	Senior Vice President, in charge of Engineering Division, in charge of Market Development Division, in charge of Customer Service Division Chairman and Representative Director of Xseed Co., Ltd.
Executive Director	Tsuyoshi Suzuki	Senior Vice President, in charge of Eastern Japan Business Division 1, in charge of Eastern Japan Business Division 2, in charge of Central Japan Business Division, in charge of Western Japan Business Division
Executive Director	Takahisa Kawaguchi	Vice president, in charge of Group Business, Corporate Planning & Strategy Division President & CEO, President and Executive Officer of Net One Partners Co., Ltd. President & CEO of Net One Systems Singapore Pte. Ltd. Director of Asiasoft Solutions Pte. Ltd.
Executive Director	Norihisa Katayama	Vice President, in charge of Administration & Management Division
Executive Director	Kunio Kawakami	
Executive Director	Mitsuo Imai	
Executive Director	Rieko Nishikawa	Professor, Faculty of Law, Keio University
Audit & Supervisory Board Member (full-time)	Toru Matsuda	
Audit & Supervisory Board Member	Masamichi Kikuchi	Advisor, Natsume Auditor Corporation
Audit & Supervisory Board Member	Keiichi Horii	Partner of South Toranomom Law Offices Member, Operating Committee of the Arbitration Center of the Daiichi Tokyo Bar Association
Audit & Supervisory Board Member	Hideki Suda	Advisor, Asahi Building Kanzai K.K.

(Notes) 1. Executive Directors Mr. Kunio Kawakami, Mr. Mitsuo Imai and Ms. Rieko Nishikawa are Outside Executive Directors as stipulated by Article 2, Item 15 of the Companies Act. The Company has notified Tokyo Stock Exchange (TSE) of the status of Mr. Kunio Kawakami, Mr.

Mitsuo Imai and Ms. Rieko Nishikawa as Independent Executive Officers pursuant to the provisions of the exchange.

2. Executive Director Mr. Kunio Kawakami retired from the position of Vice President and Director of ZECO Co., Ltd. on December 15, 2016.
3. Audit & Supervisory Board Members Mr. Masamichi Kikuchi, Mr. Keiichi Horii, and Mr. Hideki Suda are Outside Audit & Supervisory Board Members as stipulated by Article 2, Item 16 of the Companies Act. The Company has notified Tokyo Stock Exchange (TSE) of the status of Mr. Masamichi Kikuchi, Mr. Keiichi Horii, and Mr. Hideki Suda as Independent Executive Officers pursuant to the provisions of the exchange.
4. Audit & Supervisory Board Member Mr. Masamichi Kikuchi is a certified public accountant and has a respectable degree of knowledge in finance and accounting.
5. Audit & Supervisory Board Member Mr. Keiichi Horii retired from the position of Audit & Supervisory Board Member of Sanwa Soko Co., Ltd. on June 30, 2016.
6. The Company has entered into a limited liability agreement with each of Outside Executive 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.

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

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

Classification	Executive Directors (Including Outside Executive Directors)		Audit & Supervisory Board Members (Including Outside Audit & Supervisory Board Members)		Total (Including Outside Executive Directors and Audit & Supervisory Board Members)		Remarks
	Number of persons paid	Amount paid	Number of persons paid	Amount paid	Number of persons paid	Amount paid	
Basic Remuneration	11 (4)	Million yen 235 (44)	6 (5)	Million yen 44 (20)	17 (9)	Million yen 280 (65)	(Note 1) (Note 2)
Bonuses	5 (-)	94 (-)	- (-)	- (-)	5 (-)	94 (-)	(Note 3)
Equity compensation-type stock options	6 (-)	16 (-)	- (-)	- (-)	6 (-)	16 (-)	(Note 4)
Total		346 (44)		44 (20)		391 (65)	

- (Notes) 1. The maximum amounts of remunerations was decided as 470 million yen per year for Executive Directors (of which, maximum amount for Executive Directors excluding Outside Executive Directors is 400 million yen per year and maximum amount for Outside Executive Directors is 70 million yen per year), based on a resolution passed at the 28th Annual Shareholders Meeting on June 16, 2015, while 100 million yen per year for Audit & Supervisory Board Members, based on a resolution passed at the 17th Annual Shareholders Meeting on June 25, 2004.
2. Although the Company has nine (9) Executive Directors and four Audit & Supervisory Board Members as of the end of the current fiscal year, the number of persons paid and amount paid shown above includes two (2) Executive Directors and two (2) Audit & Supervisory Board Members retired at the conclusion of 29th Annual Shareholders Meeting on June 16, 2016, respectively.
3. Number of persons paid and amount paid based on “Payment of bonuses to Executive Directors” scheduled for resolution at the 30th Annual Shareholders Meeting to be held on June 15, 2017.

4. Remuneration, etc. through share subscription rights under equity compensation-type stock option plan was decided as not exceeding 50 million yen per year for Executive Directors who is not an Outside Executive Director based on a resolution passed at the 25th 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 Executive Directors and Audit & Supervisory Board Members

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

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

Remuneration, etc. for the Company’s Executive Director (excluding Outside Executive 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 Executive Director, and a basic amount is set for each rank.

Bonuses for each Executive 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 Executive 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 Executive Director’s discharge of duties and contribution to the Company’s performance. The Company believes that linking Executive Directors’ compensations to the value of the Company will encourage the Executive 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 Executive Directors (excluding Outside Executive Directors), the determination of specific amounts of remuneration must follow the deliberations by the Advisory Committee, 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 Executive Directors and Audit & Supervisory Board Members

Remuneration, etc. of Outside Executive 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 Executive Directors are determined along with those for other Executive Directors by the resolution of the Board of Directors within the ceiling of Executive 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 Executive Directors and Outside Audit & Supervisory Board Members

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

Classification	Name	Significant concurrent positions	Remarks
Executive Director	Kunio Kawakami		(Note 1)
	Rieko Nishikawa	Professor, Faculty of Law, Keio University	(Note 2)
Audit & Supervisory Board Member	Masamichi Kikuchi	Advisor, Natsume Auditor Corporation	(Note 3)
	Keiichi Horii	Partner of South Toranomon Law Offices	(Note 4)
		Member, Operating Committee of the Arbitration Center of the Daiichi Tokyo Bar Association	(Note 5)
			(Note 6)
	Hideki Suda	Advisor, Asahi Building Kanzai K.K.	(Note 7)

- (Notes) 1. Executive Director Mr. Kunio Kawakami retired from the position of Vice President and Director of ZECO Co., Ltd. on December 15, 2016. There are no special relationship between ZECO Co., Ltd. and the Company.
2. There are certain transaction between Keio University and the Company related to sales of platform products and contracting of design and structuring service, etc. However, the amount of such transactions for the current fiscal year is only approximately 48 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 ordinary shareholders.
3. There are no special relationship between Natsume Auditor Corporation and the Company.
4. There are no special relationship between South Toranomon Law Offices and the Company.
5. There are no special relationship between the Daiichi Tokyo Bar Association and the Company.
6. Audit & Supervisory Board Member Mr. Keiichi Horii retired from the position of Audit & Supervisory Board Member of Sanwa Soko Co., Ltd. on June 30, 2016. There are no special relationship between Sanwa Soko Co., Ltd. and the Company.
7. There are no special relationship between Asahi Building Kanzai K.K. 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 12 times)		Audit & Supervisory Board meetings (held 13 times)	
		Number of meetings attended	Percentage of attendance	Number of meetings attended	Percentage of attendance
Executive Director	Kunio Kawakami	12	100.0%	—	—%
	Mitsuo Imai	12	100.0%	—	—%
	Rieko Nishikawa	12	100.0%	—	—%
Audit & Supervisory Board Member	Masamichi Kikuchi	12	100.0%	13	100.0%
	Keiichi Horii	10	100.0%	10	100.0%
	Hideki Suda	10	100.0%	10	100.0%

- (Notes) 1. The percentage of attendance for Mr. Keiichi Horii and Mr. Hideki Suda has been calculated based on the number of Board of Directors meetings and Audit & Supervisory Board meetings held after their assumption of office following the election at the 29th Annual Shareholders Meeting on June 16, 2016 (10 times, respectively).
2. 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
Executive 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.
	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.
	Rieko Nishikawa	Based on her ample knowledge and experience as a university professor specializing in legal research, Rieko Nishikawa 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.
	Keiichi Horii	From his standpoint as an attorney, Keiichi Horii expresses opinions and makes comments regarding the Company's business.
	Hideki Suda	Based on his knowledge and experience in the information and communication business as well as experience as a corporate manager of other companies, Hideki Suda expresses opinions and makes comments regarding the Company's business.

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	49 million yen
II. Total amount of money and other property benefits to be paid by the Company and its subsidiaries	52 million yen

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

(3) Description of non-audit service

Advices and guidance concerning the core system

(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.

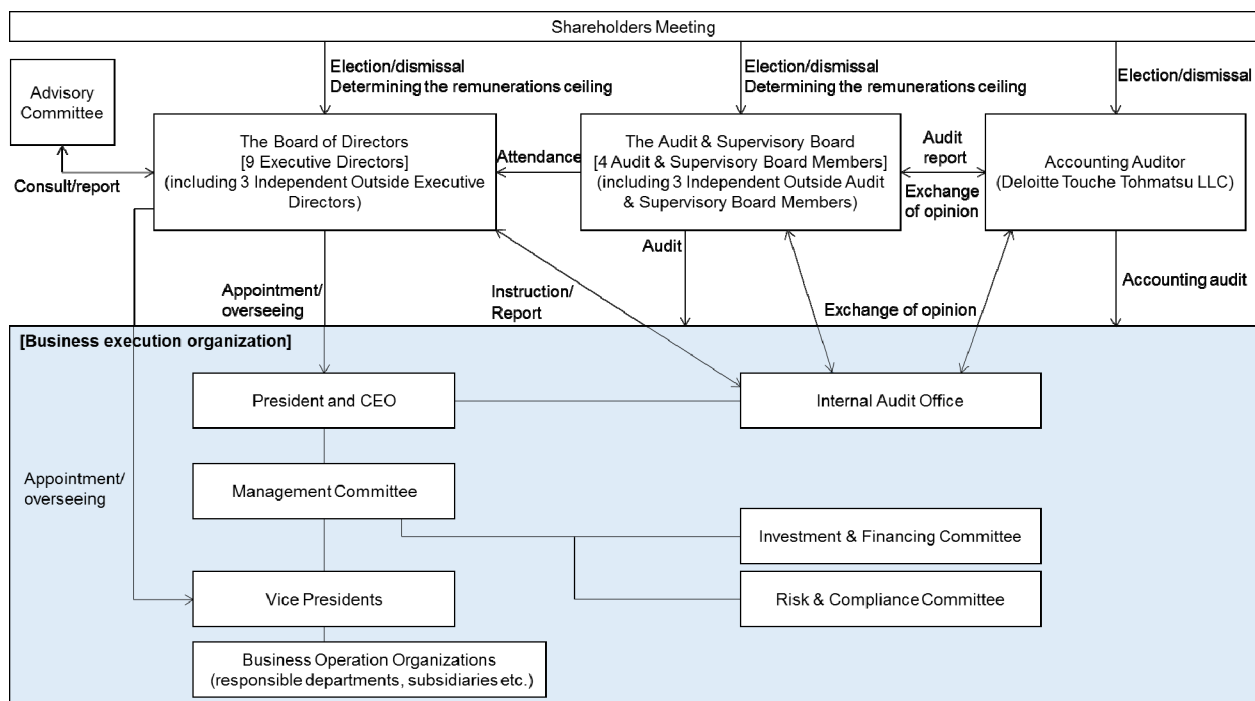
In addition, when it is deemed that the Accounting Auditor falls into the categories stipulated under each item of paragraph 1, Article 340 of the Companies Act, the Accounting Auditor will be dismissed based on the unanimous agreement of the members of the Audit & Supervisory Board. In this event, the 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, 2017)

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

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



I. Executive Directors and the Board of Directors

The Company's Board of Directors consists of nine (9) members (male: 8, female: 1) including three (3) independent Outside Executive Directors (a notification has been filed with the Tokyo Stock Exchange explaining that all of which are Independent Executive Officers), and meets once a month in principle to discuss and decide on matters stipulated by laws and regulations, or the Company's Articles of Incorporation, as well as significant matters relating to management or business execution including the vision and policy for management and Mid-Term Business Plan. The Board of Directors also oversees overall management of the Company through reports on status of Executive Directors' execution of duties, etc.

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

II. Business Execution System

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

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

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

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

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

An overview of the system is as follows.

【Basic Policy of Internal Control System】

- I. System for ensuring that Executive 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 Executive 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 Executive Directors and their remunerations, etc.
 - 3) Audit & Supervisory Board Members audit the execution of duties by the Executive Directors to ensure compliance with laws and regulations, and Articles of Incorporation. Also, the Audit &

Supervisory Board receives reports from Executive 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 Executive 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 to the Company, including business interruption risks caused by natural disasters and diseases such as major earthquakes, wind and flood damage and infectious diseases, etc., and business cessation risks caused by the loss of credibility for the Company due to misconducts of the Company's Directors or employees or leakage of confidential information, the Company implements corporate-wide risk management activities after deliberations at Risk & Compliance Committee, while determining at the Management Committee the significant risks being managed for each fiscal year and holding the meetings of Risk & Compliance Committee regularly. 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 Executive Directors

- 1) The Company has employed the Vice President 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) Risk & Compliance Committee discusses and decides on significant matters regarding compliance system and reviews its operational status. In the case of a material compliance violation, Risk & Compliance Committee identifies facts based on investigation and discusses and determines the appropriate measures to prevent recurrence. In the event Risk & 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 Investment and Financing Control Regulations, the Company discusses key decisions in advance. Moreover, Group Business 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 Risk & Compliance 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 the Emergency Countermeasure 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, Risk & Compliance Committee discusses and decides on significant matters regarding the Group's compliance. In addition, the Company's whistleblower hotline also handles reports and inquiries from officers and employees of Group companies.
- 5) The Company's Executive Directors and employees are appointed and seconded as Executive 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 Executive Directors of employees assisting in the duties of Audit & Supervisory Board Members and matter related to ensuring the effectiveness 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 Executive 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 an Executive Director discovers a fraudulent act by another Executive Director, an act by an Executive 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 Executive 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 director, 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 directors, 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 Executive 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.

【Overview of Internal Control System operation】

I. Risk and compliance system

1) Meetings of Risk & Compliance Committee

In the current fiscal year, the Committee, which consists of Executive Directors, Senior Vice Presidents and General Managers of the Company and its subsidiaries and is chaired by the Executive Director in charge of Administration & Management Division, has been held monthly.

2) Measures relating to compliance

Measures implemented by the Company include operation of whistleblower hotline for reports and inquiries, survey targeting employees of the Company and its partner companies, and educational activities (including e-learning, verification tests, oath, trainings for new employees and mid-career workers).

Furthermore, Risk & Compliance Committee has reviewed the utilization status of whistleblower hotline for reports and inquiries, and the results of the survey, among other matters.

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

3) Measures relating to risk management

Risk & Compliance Committee has engaged in improving and strengthening risk management activities by means of determining the material management risks of the Group in the current fiscal year as well as conducting monitoring, analysis and evaluation on the risk management activities by the principal departments responsible for each risk, while reporting the Management Committee on a quarterly basis and seeking its instructions as appropriate.

Furthermore, as for the business continuity plan in the event of an event with a serious impact on the Group, we have changed its policy from previous cause events type (business continuity by event types such as major earthquake and infectious diseases) to result events type (business continuity for flexible problem-solving, irrespective of the causes or events for disasters,) and promoted the enhancement of necessary assets (equipment, materials, etc.) and related systems.

In the current fiscal year, no risk incident that could have a significant impact on the Group's management has occurred.

II. System for effective business execution

In accordance with decision-making rules including matters to be resolved at the Board of Directors and Management Committee as stipulated by internal regulations, the Board of Directors (held 12 times in the current fiscal year in addition to three resolutions adopted in writing which are regarded as having been resolved by the Board of Directors) and Management Committee (held 22 times in the current fiscal year) conduct deliberations on matters to be discussed in their meetings and efficient decision-making.

III. System for management of subsidiaries

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

As stipulated by internal regulations, the principal department for the management of Group companies submits business plans of subsidiaries, etc., to the Management Committee for its approval, and reports on the status of management at subsidiaries to the Board of Directors, Management Committee and Investment & Financing Committee. Moreover, Group Business Liaison Meetings have been held 11 times in the current fiscal year.

IV. System for audit by Audit & Supervisory Board Members

In addition to attending notable meetings such as those of the Board of Directors, the

Management Committee, the Advisory Committee, the Risk & Compliance Committee, and the Investment & Financing Committee, Audit & Supervisory Board Members convened meetings for mutual exchange of opinions with the President & CEO of the Company (held twice in the current fiscal year) and the Group Audit & Supervisory Board (held twice in the current fiscal year), and conducted interviews with executives and employees of the Group.

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

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

Consolidated balance sheet

(unit: million yen)

Account title	30 th FY (As of March 31, 2017)	29 th FY (Reference) (As of March 31, 2016)	Account title	30 th FY (As of March 31, 2017)	29 th FY (Reference) (As of March 31, 2016)
Assets			Liabilities		
Current assets	92,425	91,519	Current liabilities	41,009	42,444
Cash and deposits	16,236	20,668	Accounts payable-trade	17,732	21,387
Notes and accounts receivable-trade	44,530	41,077	Lease obligations	2,341	1,672
Lease investment assets	3,668	2,726	Accounts payable-other	1,162	1,178
Short-term investment securities	999	1,498	Income taxes payable	2,273	413
Merchandise	1,919	3,286	Advances received	11,904	12,426
Goods in transit	761	645	Provision for bonuses	3,479	2,686
Costs on uncompleted construction contracts	13,942	12,625	Provision for directors' bonuses	121	55
Supplies	19	17	Other	1,993	2,624
Prepaid expenses	6,134	6,815			
Deferred tax assets	1,618	1,334			
Other	2,594	824			
Allowance for doubtful accounts	(1)	(1)			
Noncurrent assets	10,940	11,093	Noncurrent liabilities	5,027	4,635
Property, plant and equipment	5,505	5,536	Lease obligations	4,652	4,130
Buildings	1,344	1,528	Asset retirement obligations	374	367
Tools, furniture and fixtures	4,161	4,007	Other	0	136
Intangible assets	2,142	2,309	Total liabilities	46,037	47,079
Goodwill	41	61	Net assets		
Other	2,101	2,248	Shareholders' equity	57,186	55,878
Investments and other assets	3,291	3,247	Capital stock	12,279	12,279
Investment securities	309	162	Capital surplus	19,453	19,453
Long-term loans receivable	10	17	Retained earnings	26,571	25,289
Deferred tax assets	1,030	1,103	Treasury stock	(1,118)	(1,143)
Other	1,942	1,962	Accumulated other comprehensive income	13	(463)
Allowance for doubtful accounts	(1)	—	Valuation difference on available-for-sale securities	0	(7)
			Deferred gains or losses on hedges	13	(456)
			Subscription rights to shares	128	119
			Total net assets	57,328	55,533
Total assets	103,365	102,613	Total liabilities and net assets	103,365	102,613

Consolidated statement of income

(unit: million yen)

Account title	30 th FY (April 1, 2016 to March 31, 2017)	29 th FY (Reference) (April 1, 2015 to March 31, 2016)
Revenue	157,236	145,180
Cost of revenue	122,013	115,336
Gross profit	35,223	29,844
Selling, general and administrative expenses	29,475	27,391
Operating income	5,747	2,453
Non-operating income	193	309
Interest income	2	28
Dividends income	—	5
Share of profit of entities accounted for using equity method	—	14
Miscellaneous income	190	260
Non-operating expenses	239	168
Interest expenses	64	76
Foreign exchange losses	162	87
Miscellaneous loss	12	3
Ordinary income	5,701	2,594
Extraordinary income	—	120
Gain on sales of investment securities	—	120
Gain on sales of shares of subsidiaries and associates	—	0
Extraordinary loss	35	22
Loss on retirement of noncurrent assets	29	18
Loss on valuation of investment securities	4	3
Other	1	—
Profit before income taxes	5,665	2,693
Income taxes-current	2,265	881
Income taxes-deferred	(422)	302
Profit	3,822	1,508
Profit attributable to owners of parent	3,822	1,508

Consolidated statement of changes in net assets

(April 1, 2016 to March 31, 2017)

(unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2016	12,279	19,453	25,289	(1,143)	55,878
Changes of items during the period					
Dividends from surplus			(2,536)		(2,536)
Profit attributable to owners of parent			3,822		3,822
Disposal of treasury stock			(3)	24	21
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	1,282	24	1,307
Balance as of March 31, 2017	12,279	19,453	26,571	(1,118)	57,186

	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, 2016	(7)	(456)	(463)	119	55,533
Changes of items during the period					
Dividends from surplus					(2,536)
Profit attributable to owners of parent					3,822
Disposal of treasury stock					21
Net changes of items other than shareholders' equity	7	470	477	8	486
Total changes of items during the period	7	470	477	8	1,794
Balance as of March 31, 2017	0	13	13	128	57,328

Non-Consolidated balance sheet

(unit: million yen)

Account title	30 th FY (As of March 31, 2017)	29 th FY (Reference) (As of March 31, 2016)	Account title	30 th FY (As of March 31, 2017)	29 th FY (Reference) (As of March 31, 2016)
Assets			Liabilities		
Current assets	84,448	83,598	Current liabilities	37,436	38,471
Cash and deposits	15,123	20,205	Accounts payable-trade	17,341	19,810
Notes receivable-trade	152	79	Lease obligations	2,341	1,672
Accounts receivable-trade	38,492	35,119	Accounts payable-other	1,265	1,883
Electronically recorded monetary claims - operating	78	40	Accrued expenses	748	709
Lease investment assets	3,668	2,726	Income taxes payable	2,127	399
Short-term investment securities	999	1,498	Accrued consumption taxes	640	788
Merchandise	663	2,016	Advances received	9,257	9,939
Goods in transit	497	398	Deposits received	120	140
Costs on uncompleted construction contracts	11,979	10,712	Provision for bonuses	3,156	2,435
Supplies	15	12	Provision for directors' bonuses	94	42
Prepaid expenses	5,872	6,469	Other	340	648
Deferred tax assets	1,486	1,155	Noncurrent liabilities	5,027	4,615
Short-term loans receivable	2,404	2,006	Lease obligations	4,652	4,130
Other	3,013	1,157	Asset retirement obligations	374	367
Allowance for doubtful accounts	(1)	(1)	Other	0	117
Noncurrent assets	12,077	12,172	Total liabilities	42,463	43,087
Property, plant and equipment	5,405	5,402	Net assets		
Buildings	1,309	1,486	Shareholders' equity	53,931	52,865
Tools, furniture and fixtures	4,095	3,915	Capital stock	12,279	12,279
Intangible assets	2,093	2,242	Capital surplus	19,453	19,453
Software	2,081	2,227	Legal capital surplus	19,453	19,453
Other	12	14	Retained earnings	23,316	22,276
Investments and other assets	4,577	4,527	Legal retained earnings	86	86
Investment securities	33	37	Other retained earnings	23,229	22,189
Stocks of subsidiaries and affiliates	1,617	1,466	General reserve	18,380	19,490
Investments in capital	0	0	Retained earnings brought forward	4,849	2,699
Long-term loans receivable	10	17	Treasury stock	(1,118)	(1,143)
Long-term prepaid expenses	6	8	Valuation and translation adjustments	2	(301)
Deferred tax assets	1,013	1,080	Valuation difference on available-for-sale securities	0	(7)
Lease and guarantee deposits	1,763	1,779	Deferred gains or losses on hedges	2	(294)
Other	133	136	Subscription rights to shares	128	119
Total assets	96,525	95,770	Total net assets	54,061	52,683
			Total liabilities and net assets	96,525	95,770

Non-Consolidated statement of income

(unit: million yen)

Account title	30 th FY (April 1, 2016 to March 31, 2017)	29 th FY (Reference) (April 1, 2015 to March 31, 2016)
Revenue	134,043	127,655
Cost of revenue	103,000	101,804
Gross profit	31,042	25,850
Selling, general and administrative expenses	27,430	25,346
Operating income	3,612	504
Non-operating income	1,818	1,924
Interest income	16	32
Dividends income	—	5
Operations consignment fee from subsidiaries and associates	1,575	1,603
Miscellaneous income	226	283
Non-operating expenses	111	130
Interest expenses	64	76
Foreign exchange loss	34	50
Miscellaneous loss	12	3
Ordinary income	5,318	2,297
Extraordinary income	—	201
Gain on sales of investment securities	—	120
Gain on sales of shares of subsidiaries and associates	—	80
Extraordinary loss	35	19
Loss on retirement of noncurrent assets	29	18
Loss on valuation of investment securities	4	0
Other	1	—
Profit before income taxes	5,283	2,479
Income taxes-current	2,103	784
Income taxes-deferred	(400)	258
Profit	3,580	1,437

Non-consolidated statement of changes in net assets

(April 1, 2016 to March 31, 2017)

(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, 2016	12,279	19,453	86	22,189	22,276	(1,143)	52,865	(301)	119	52,683
Changes of items during the period										
Dividends from surplus				(2,536)	(2,536)		(2,536)			(2,536)
Profit				3,580	3,580		3,580			3,580
Disposal of treasury stock				(3)	(3)	24	21			21
Net changes of items other than shareholders' equity								304	8	313
Total changes of items during the period	—	—	—	1,040	1,040	24	1,065	304	8	1,378
Balance as of March 31, 2017	12,279	19,453	86	23,229	23,316	(1,118)	53,931	2	128	54,061

(Note) 1. Details of Other retained earnings

(unit: million yen)

	General reserve	Retained earnings brought forward	Total
Balance as of April 1, 2016	19,490	2,699	22,189
Changes of items during the period			
Reversal of general reserve	(1,110)	1,110	—
Dividends from surplus		(2,536)	(2,536)
Profit		3,580	3,580
Disposal of treasury stock		(3)	(3)
Total changes of items during the period	(1,110)	2,150	1,040
Balance as of March 31, 2017	18,380	4,849	23,229

(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, 2016	(7)	(294)	(301)
Changes of items during the period			
Net changes of items other than shareholders' equity	7	297	304
Total changes of items during the period	7	297	304
Balance as of March 31, 2017	0	2	2

Independent auditor's reports

(not attached)

Audit report from Audit & Supervisory Board

Audit Report

We the Audit & Supervisory Board received reports on 30th period, April 1, 2016 to March 31, 2017 from each Audit & Supervisory Board Member with regard to the procedure and results of audit over the execution of duties by Executive Directors. We examined them, prepared this Audit Report and report to you as follows.

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

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

2. Results of the audit

(1) Results of audit related to business reports

- a. We confirm that business reports and supporting schedules are in accordance with laws and regulations, and the Articles of Incorporation and correctly indicate the corporate status.
- b. We could not confirm unlawful acts or significant events indicating breach of laws and regulations or the Articles of Incorporation related to execution of duties by Directors.
- c. We confirm that contents of resolution by the Board of Directors relating to internal control system are suitable. In addition, there are no matters to report regarding the business reports and 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.

May19, 2017

Audit & Supervisory Board

Net One Systems Co., Ltd.

Audit & Supervisory Board Member (Full-time)	Toru Matsuda
Audit & Supervisory Board Member	Masamichi Kikuchi
Audit & Supervisory Board Member	Keiichi Horii
Audit & Supervisory Board Member	Hideki Suda

(Note) Pursuant to Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act, Masamichi Kikuchi, Keiichi Horii and Hideki Suda are Outside Audit & Supervisory Board Members.

Helping customers maximize their value as the specialists of leveraging ICT

“Contributing to social innovation by leveraging ICT.”

This is our management philosophy that our Group defined for 2017.

Aiming at its realization, we have defined our growth scenario as “provision of cloud systems that support the smooth operation of business applications in the form of a service business.”

We hereby report on the outline and major initiatives for the Net One Group’s Mid-Term Growth Strategies based on the scenario.

Takayuki Yoshino

President & CEO

Net One Systems Co., Ltd.

Responding to changes in the external environment and growth scenario

In these years, we have felt that customers have deepened their understanding of ICT utilization in the course of our Group's pursuit of our business structural reform. We are grateful to have now more supporters for Net One as the fruits of our focus on consultation to customers.

Especially, in the PUB market (public sector), approaches for a number of years have paid off as an increase in bookings for security cloud projects in FY2016. What we have focused on in the course of the approaches was to gain customers' understanding that continuous changes allow to maintain the current level and eventually to improve the situation.

For instance, in the cybersecurity domain, a hot topic in recent years, a continuous response to latest threats is indispensable after deployments of systems. Gaining customers' understanding in this regard is crucial in the frontlines of every business, irrespective of markets or applications.

In light of such changes in the external environment, the Group has set out its policy for management in and after FY2017 as "promotion of growth strategies" and "building a strong business base," based on its growth scenario, defined as service business development for cloud systems utilizing software functions."

In addition, in the Mid-Term Growth Strategies started from FY2016, the Group defined challenges for the two areas of "expansion of customers' investment," and "development for new markets", making strategies to differentiate it even clearer.

Net One Group's Mid-Term Growth Strategies

Expansion of customers' investment

Cloud system with security

Starting from FY2017, we introduced a new concept of Architectural Approach. This is the business model adjusted to customers' lifecycles, in which systems are integrated progressively in tune with customers' needs at times, based on the comprehensive understanding of the goal of the system that customers need, rather than a conventional product sales model as a mere combined components.

When implementing this approach, Market Development Division and Business Development Division will prepare a comprehensive plan, which is in line with technological trends and to be then reconciled with customers' needs brought by the sales team. Subsequently, Engineering Division provides support in actual design and integration. This is the structure that the Company has built over the years.

Through these new initiatives, Net One Systems will endeavor to establish the unique and unrivaled business on its own.

Net One Group's Mid-Term Growth Strategies

Development for new markets

Corporate market

The Company has promoted the new solution rollout with the establishment of a dedicated team for the corporate market in April 2016. In FY2017, we plan to introduce new, more profitable cloud-based services that lead to sales expansion into the market. Beginning with the provision of cloud-based services with improved convenience and necessary functions including security, we will be involved in offering a comprehensive service in the medium term.

Global

In September 2016, with the aim of our outbound*1 business expansion for Japanese companies in the ASEAN region, we have entered a capital alliance with Asiasoft Solutions Pte. Ltd. (hereinafter referred to as "Asiasoft".) Asiasoft is a dedicated company with cloud infrastructure solutions. In FY2017, we plan to boost their technical capacities by introducing our products with advanced server virtualization technology, while offering our technological know-how, in order to eventually provide highly specialized and high quality services with Japanese companies.

Concurrently, efforts for entering local business centered in Singapore, the Asiasoft's home ground, will be made, spearheaded by local management.

*1: Outbound: demand arising from overseas business expansion of Japanese companies

IoT *2

So far, together with partner companies, we have worked on trials for commercialization of IIoT (Industrial IoT), targeting at manufacturing and assembly industries including automotive. In FY2016, we have succeeded in confirming its effectiveness through the establishment of multiple systems. By utilizing the data obtained from these trials, visualization of technologies such as improvement and application, assets of Japan's manufacturing industry, will be possible.

Given that IIoT is the framework with high affinity against the Japanese industrial structure and potentials for new markets cultivation, we intend to generate revenues in this field at an early stage.

*2: Internet of Things (IoT): digitization of status and installation environment of things

Net One Group's Mid-Term Growth Strategies	Challenges
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Accelerate service business

Starting from FY2017, we redefined our product sales business and service business in a more detailed manner. Until FY2016, our business has been classified into the product sales business that comprises of network and platforms and the service business that offers such services as consultation, design, integration, maintenance and operation. However, for instance, our security cloud business is a solution with competitive edges realized by adding new functions to hardware. As such, we decided to carve out these solutions, which have been categorized within the product sales segment till FY2016, as our second service business from FY2017.

In addition, we will classify our differentiated systems built on our own into the third service business as complex solutions, and evaluate them as management indicators for our profit growth, with an ultimate goal of raised profitability.

Build a strong business base that supports the Mid-Term Growth Strategies

In April 2017, we have established the New Business Development Office in charge of the business development that extends beyond the existing frameworks. Our highly entrepreneurial younger employees, in their thirties, take the lead in testing their ideas through trials and errors as well as implementing test marketing and other activities with multiple vendors, aiming to discover new technologies and companies for the creation of new business opportunities. Such initiatives are crucial elements in terms of challenges for streamlining business development processes.

Furthermore, in terms of technology, the initiative to dispatch young engineers to the frontline for state-of-art technology development at our partner vendor companies in the United States will be continued to accelerate highly-skilled, globally competitive human resources development.

To realize continuous growth for the Group, it is indispensable to create an organization that allows each and every employee with different talents and qualities to leverage their strengths, and to achieve improved productivity while supporting diverse work styles, such as shortened working hours for childcare and nursing.

From FY2017, we will strengthen our organizational structure that ensures the implementation of personnel system for fair evaluation of employees with various work styles and human resources development based on commitments by each employee, on a full scale.

In closing

Through these new initiatives, the Group will endeavor to become specialists who are known for its seasoned expertise and insight for leveraging ICT, and capable of supporting customers in maximizing their value. We humbly ask for your continued support and encouragement.