

DISCLAIMER

THIS ENGLISH VERSION OF NOTICE OF THE 33rd 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 33rd Annual Shareholders Meeting.

First, we would like to offer our sincere apologies for causing considerable inconvenience to our shareholders and investors, as well as business partners and other parties concerned for projects that have not been delivered.

The results of an investigation regarding the background, causes, and recurrence prevention measures by a special investigation committee are explained on the following pages. We have taken the recommendations and opinions of the committee seriously and the entire Group is working to strengthen our risk management system, implement improvements in our business structure, recover trust and improve corporate added-value.

In addition, we would like to extend our deepest sympathies to those suffering from the novel coronavirus (COVID-19) and all those affected. The impact of the novel coronavirus (COVID-19) is having an unprecedented effect on our daily lives and throughout society. We at Net One Group are hoping for an end to this difficult situation, and are using our accumulated experience and knowledge and contributing to society by utilizing ICT so that together we can overcome these difficult times.

We would like to ask our shareholders to continue to understand and support the Group's ongoing challenge to change for the next generation as a technology professional group that, based on new risk management, makes "Charge, Channel and Change" a reality

Net One Systems Co., Ltd.

Toru Arai
President & COO

Video of COO Message

Contributing to society by utilizing ICT

<https://www.netone.co.jp/company/execution/>

Transactions where delivery of goods could not be confirmed

As announced in “Notice regarding the establishment of a special investigative committee” dated December 13, 2019, the Company was notified by Tokyo Regional Taxation Bureau that, in the process of tax inquiry, the bureau was unable to confirm that the Company actually had made deliveries in connection with some of its transactions. In response to such notification, we established a special investigative committee to investigate the situation, and ended the investigation by receiving the “Final Report on the Results of Investigation Regarding Transactions where delivery of goods could not be confirmed” Dated March 12, 2020.

The Company has taken the results of the investigation by the special investigative committee seriously and established measures to prevent a recurrence which it is putting into action.

Fraudulent acts

- Transactions where delivery of goods could not be confirmed were a series of repeated commercial transactions of fabricated product sales with a central government authority as the purported end-user (“fraudulent acts” hereinafter).
- In the scheme, a former employee of the Company communicated with contacts at companies involved in the transactions associated with the fraudulent acts and ordered his subordinates to create some of the necessary documents. He received approval from his superiors to carry out the transactions involved in the fraudulent acts, while hiding their deceitful nature.
- It is reported that the fraudulent acts were masterminded solely by one former employee of the Company and there was no organizational involvement.

Effects on the consolidated financial statements

(unit: billion yen)

	Cumulative effects	Effects for the fiscal year ended March 2020
Revenue	(32.1)	(6.5)
Operating income	(3.6)	(1.0)
Ordinary income	(3.6)	(1.0)
Profit	(9.3)	(2.1)

Analysis of causes by the special investigative committee

In its “Final Report on the Results of Investigation Regarding Transactions where delivery of goods could not be confirmed,” the special investigative committee has analyzed the causes of being unable to prevent and discover the fraudulent acts as follows.

Category	Sub-category
Issues with management of fraud risks	Rules were mere formalities
	Issues with risk management approach
	Issues with internal controls
Issues with compliance activities	Compliance activities ineffectual
	Issues in attitude of management and executives
	Measures to prevent recurrence in light of 2013 incident not fully implemented
	Issues associated with organizational culture

Measures to Prevent Recurrence

The Company have responded sincerely to the investigation results by the special investigative committee and has worked out and implemented recurrence prevention measures as follows. (Please refer to page 39 to 41 for a description of the measures to prevent recurrence and the progress of those measures.)

Category	Sub-category
Basic policy on business transactions	Eliminate the risk of fictitious transactions
Strengthen risk management systems	Fundamental review of risk management activities Identify and evaluate significant major risks in each division
Enhance business controls	Review authority of sales divisions Strengthen purchasing functions Improve effectiveness of measures to prevent recurrence Prevent overreliance on certain individuals
Review compliance activities	Revise operation of whistleblower system Strengthen compliance awareness Create new corporate culture

Video message by Takefumi Takeshita, the new CRO on initiatives to strengthen risk management and compliance.

<https://www.netone.co.jp/company/execution/>

May 27, 2020

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

NOTICE OF THE 33rd ANNUAL SHAREHOLDERS MEETING

To Our Shareholders:

We are pleased to announce the 33rd Annual Shareholders Meeting of Net One Systems Co., Ltd. (hereinafter referred to as the “Company”) will be held as indicated below.

Recently the Japanese Government has strongly requested restraint from outings to prevent the spread of the novel coronavirus disease (COVID-19). This meeting will be held with appropriate measures in place to prevent infection. However, to avoid the risk of shareholders and the Company’s executives and employees from getting infected, we request that you abstain from attending the meeting in person, regardless of your state of health on the day, and instead exercise your voting rights beforehand either in writing or via the internet.

YOU MAY EXERCISE YOUR VOTING RIGHTS AS EXPLAINED IN “Instructions Concerning the Exercise of Voting Rights” (pages 8 to 11). PLEASE CAREFULLY READ “Reference Documents regarding Shareholders Meeting” (pages 12 to 31) ATTACHED HERE TO AND EXERCISE YOUR VOTING RIGHTS BY 5:30 PM ON JUNE 10, 2020 (WEDNESDAY).

Truly yours,

Toru Arai
President & COO
Net One Systems Co.,
Ltd.

1. Date/Time: June 11, 2020 (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
To avoid the risk of shareholders and the Company’s executives and employees from getting infected, we request that you abstain from attending the meeting in person.
The meeting will be held with shareholders absent and in the presence of the Company’s officers only. Your understanding and cooperation are appreciated.
The meeting will be live-streamed. Please refer to page 7 for details on how to watch it.
3. Agenda of the Meeting:
Matters to be Reported:
 - 1) Business Report, consolidated financial statements and Accounting Auditor’s and Audit & Supervisory Board’s audit result reports on consolidated financial statements for the 33rd fiscal year (April 1, 2019 to March 31, 2020)
 - 2) Non-consolidated financial statements for the 33rd fiscal year (April 1, 2019 to March 31, 2020)Matters to be Resolved:
Proposal 1: Appropriation of surplus

Proposal 2: Election of ten (10) Executive Directors

Proposal 3: Election of three (3) Audit & Supervisory Board Members

Proposal 4: Payment of bonuses to Executive Directors

Live Streaming of the 33rd Annual Shareholders Meeting

The meeting will be live-streamed so that you can watch the meeting from home. To avoid the risk of shareholders and the Company's executives and employees from getting infected, we request that you abstain from attending the meeting in person, and the meeting will be held with only the Company's officers present. Your understand and cooperation are appreciated.

Live streaming URL link:

<https://api01-platform.stream.co.jp/apiservice/lplt3/NTY3Nw%3d%3d%23NQ%3d%3d%23280%23168%230%232FE7A059E000%23MDoyOjc6YTpmOzEw%23>

ID: netone

Password 7518

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

Reception of questions in advance

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

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

Cancellation of the Business Briefing Session

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

Information about the Attachments to this Notice

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

Instructions Concerning the Exercise of Voting Rights

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

<Exercise of voting rights on smartphone/tablet or “Smart Exercise”>

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

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

No later than 5:30 p.m. on June 10, 2020 (Wednesday)

For details, please refer to page 9.

<Exercise of voting rights via the Internet>

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

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

Deadline for the exercise of voting rights via the Internet:

No later than 5:30 p.m. on June 10, 2020 (Wednesday)

For details, please refer to page 10.

<Exercise of voting rights by mailing of written documents>

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

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

No later than 5:30 p.m. on June 10, 2020 (Wednesday)

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

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

Please abstain from attending the meeting in person to prevent the spread of COVID-19.

Date and Time of the Annual Shareholders Meeting:

10:00 a.m. on June 11, 2020 (Thursday)

<Smart Exercise of Voting Rights>

Exercise deadline

No later than 5:30 p.m. on June 10, 2020 (Wednesday)

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

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

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

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

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

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

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

If you exercise your voting rights both in writing (sending by mail) and online, including via the Internet, only the voting rights exercised online will be deemed effective. Also, if you exercise your voting rights online more than once, only the last vote will be deemed effective.

<Exercise of Voting Rights via the Internet>

Exercise deadline

No later than 5:30 p.m. on June 10, 2020 (Wednesday)

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

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

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

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

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

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

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

Inquiries regarding the online voting website:

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

For institutional investors:

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

<Exercise of Voting Rights by Mailing of Written Documents>

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

No later than 5:30 p.m. on June 10, 2020 (Wednesday)

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

Please mail this form.

Indicate either approval or disapproval

Circle "Approval" to approve the proposal.

Circle "Disapproval" to disapprove the proposal.

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

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

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

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

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

Reference Documents regarding Shareholders Meeting

Proposal 1: Appropriation of surplus

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

1. Year-end dividends

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

The year-end dividend for the 33rd fiscal year is proposed as follows.

Type of payout	Cash dividend	
Allocation of cash dividend and its total amount	24 yen per share of common stock	
	Total amount of dividends	2,033,235,936 yen
Effective date of dividend from surplus	June 12, 2020	

The dividend on an annual basis including the interim dividends is 45 yen per share with the consolidated dividend payout ratio of 37.7%.

2. Appropriation of surplus

Account and amount of surplus that will decrease	Retained earnings brought forward	3,180,000,000 yen
Account and amount of surplus that will increase	General reserve	3,180,000,000 yen

Proposal 2: Election of ten (10) Executive Directors


At the conclusion of this Annual Shareholders Meeting, the term of office of all eleven (11) Executive Directors will expire, and it is proposed that ten (10) Executive Directors (of which four (4) are Outside Executive Directors) be elected.


All the candidates for Outside Executive Directors satisfy the “Independence Standards” (page 29) established by the Company.


This proposal was deliberated by the Advisory Committee.


The candidates for Executive Directors are as follows.


Candidate number	Name	Present position and responsibility in the Company	Candidate attribute				Status of attendance at Board of Directors
1	Takayuki Yoshino	Chairman & CEO	Reelected				15/15 (100%)
2	Toru Arai	President & COO	Reelected				15/15 (100%)
3	Shinji Hirakawa	Executive Vice President, in charge of East Japan Business Unit 1	Reelected				15/15 (100%)
4	Takafumi Takeshita	Senior Vice President, in charge of Corporate Planning & Management Division	Reelected				15/15 (100%)
5	Takuya Tanaka	Senior Vice President, in charge of Investment & Financing, Corporate Planning & Management Division	Reelected				15/15 (100%)
6	Fumihiko Shinoura	Senior Vice President, in charge of Business Development Division, in charge of Customer Service Division	Reelected				13/13 (100%)
7	Mitsuo Imai	Outside Executive Director	Reelected	Outside	Independent		15/15 (100%)
8	Rieko Nishikawa	Outside Executive Director	Reelected	Outside	Independent	Female	15/15 (100%)
9	Ryugo Hayano	Outside Executive Director	Reelected	Outside	Independent		15/15 (100%)
10	Shigeki Kusaka	-	Newly elected	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]	Chairman & CEO	30,371 shares	15/15 (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 Cisco Systems, K.K. Oct. 2007 Advisor of the Company Jun. 2008 President & CEO Apr. 2011 President & CEO Jun. 2018 Chairman & CEO (incumbent)				
Reasons for selection as a candidate for Executive Director: Mr. Takayuki Yoshino has a wealth of experience and a proven track record in a wide range of fields, including management experience as Executive Director at an industrial company. In addition, since assuming the position as President & CEO of the Company, he has led the Group based on his strong leadership and made every effort to enhance corporate value. Moreover, since assuming the position as Chairman & CEO of the Company, he has supervised the entire management of the Company from a broad perspective to strengthen the management base under the new management system of the Company. 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]	President & COO	16,504 shares	15/15 (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 Aug. 1988 Joined Mitsubishi Corporation (seconded to Ungermann-Bass Networks K.K.) 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. Apr. 2011 Senior Vice President Apr. 2014 Executive Vice President Jun. 2018 President & COO (incumbent)				
Reasons for selection as a candidate for Executive Director: Mr. Toru Arai has made every effort to strengthen the management base of the entire Group and to optimize management, among others, as Executive Director of the Company in charge of corporate planning operations and others. In addition, since assuming the position as President & COO, under the new management system, he has been responsible for overall management of the Company to strengthen its management base. 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	Shinji Hirakawa (Oct. 10, 1960)  [Reelected]	Executive Vice President	358 shares	15/15 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1983 Joined Teraoka Seiko Co., Ltd. Aug. 1987 Joined Kubota Tekko K.K. (current Kubota Corporation) Aug. 1988 Joined SHOWA ELECTRIC WIRE AND CABLE CO., LTD. (current SWCC SHOWA CABLE SYSTEMS CO., LTD.) May 1999 Joined Cisco Systems K.K. (current Cisco Systems G.K.) Jun. 2010 Operation Director in charge of Public System Business Division of Cisco Systems K.K. Jan. 2011 Joined the Company Apr. 2011 Vice President Apr. 2017 Senior Vice President Jun. 2018 Executive Vice President Apr. 2020 Executive Vice President, in charge of East Japan Business Unit 1 (incumbent)				
Reasons for selection as a candidate for Executive Director: Mr. Shinji Hirakawa has a wealth of experience and a proven track record through many years of practical experience in sales operations. Since assuming the position as Vice President, he has made every effort to expand sales of the Company's products and services. 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
4	Takafumi Takeshita (Mar. 28, 1965)  [Reelected]	Senior Vice President	46,045 shares	15/15 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1988 Joined Ungermann-Bass Networks K.K. May 1989 Joined the Company Apr. 2006 Vice President, Technical Service Headquarters of Network Service And Technologies Co., Ltd. (current Net One Systems Co., Ltd.) (seconded) Jun. 2009 Executive Director, Network Service And Technologies Co., Ltd. Jul. 2011 Vice President Jun. 2018 Senior Vice President Apr. 2020 Senior Vice President, in charge of Corporate Planning & Management Division (incumbent) (Significant concurrent positions) Executive Director, Net One Next Co., Ltd.				
Reasons for selection as a candidate for Executive Director: Mr. Takafumi Takeshita has a wealth of experience and a proven track record through many years of practical experience in technology operations. Since assuming the position as Executive Director in charge of divisions such as the Corporate Planning & Management Division, he has made every effort to strengthen management and other functions of the entire Group. 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	Takuya Tanaka (Apr. 7, 1969)  [Reelected]	Senior Vice President	1,331 shares	15/15 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1992 Joined Nihon Unisys, Limited Aug. 1996 Joined Nihon Cisco Systems K.K. (current Cisco Systems G.K.) Aug. 2000 Vice President, in charge of Western Japan Sales Headquarters of Cisco Systems K.K. Apr. 2009 Joined the Company Vice President, in charge of Western Japan Sales Headquarters of Net One Partners Co., Ltd. Apr. 2013 Vice President, Net One Partners Co., Ltd. Apr. 2014 Executive Director and Vice President, Net One Partners Co., Ltd. Apr. 2017 Vice President, Executive Director and Executive Vice President, Net One Partners Co., Ltd. Apr. 2018 President & CEO, Net One Partners Co., Ltd. (incumbent) Jun. 2018 Senior Vice President of the Company Apr. 2020 Senior Vice President, in charge of Investment and Financing, Corporate Planning & Management Division (incumbent) (Significant concurrent positions) President & CEO, Net One Partners Co., Ltd.				
Reasons for selection as a candidate for Executive Director: Mr. Takuya Tanaka has a wealth of experience and a proven track record through many years of practical experience in sales operations. Since assuming the position as Vice President at one of the Company's subsidiaries, he has led and made every effort to develop the said subsidiary. 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
6	Fumihiko Shinoura (Jul. 13, 1961)  [Reelected]	Senior Vice President	204 shares	13/13 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions				
Apr. 1984 Joined Kanebo, Ltd. Apr. 1989 General Manager, Market Development Group, Information Systems Division of Kanebo, Ltd. Apr. 1992 General Manager, Business Development Office, Mudge Japan Co., Ltd. Jan. 1997 General Manager, Product Planning Division, Nihon Cisco Systems, K.K. (current Cisco Systems G.K.) Aug. 2004 Managing Director, Nihon Cisco Systems, K.K. Nov. 2008 Advisor of the Company Jan. 2009 Vice President, Net One Partners Co., Ltd. Apr. 2011 Vice President of the Company Apr. 2018 Senior Vice President Jun. 2019 Senior Vice President Apr. 2020 Senior Vice President, in charge of Business Development Division, in charge of Customer Service Division (incumbent)				
Reasons for selection as a candidate for Executive Director: Mr. Fumihiko Shinoura has a wealth of experience and a proven track record through many years of practical experience in the product planning department, and has made efforts to expand products and services of the Company since assuming the position as Vice President. Having judged that it is necessary that he continue in the position of Executive Director in order to further enhance the Company's corporate value, 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	Mitsuo Imai (May 15, 1951)  [Reelected] [Independent] [Outside]	Outside Executive Director	12,328 shares	15/15 (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, Hitachi Cable, Ltd.
Jun. 2009	Representative Executive Officer, President, Chief Executive Officer and Director, Hitachi Cable, Ltd.
Jun. 2011	Senior Corporate Advisor, Hitachi Cable, Ltd.
Jun. 2012	Outside Executive Director of the Company (incumbent)

Matters Concerning Candidate for Outside Executive Director

- (1) Reasons for selection as a candidate for Outside Executive Director:
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 expertise in the field of information and communications business.
- (2) The Company has 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 Hitachi Metals and the Company. However, the amount of purchases from such transactions for the fiscal year ended March 31, 2019 was only approximately 15 million yen (less than 0.1% of revenue of Hitachi Metals for the fiscal year ended March 31, 2019). Therefore, we believe that these transactions pose 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 eight (8) years at the conclusion of this general meeting.
- (5) It was recently revealed that, during his term as Outside Executive Director, one of our former employees had committed round-trip transactions without actual deliveries over the period from February 2015 through November 2019, of which he was not aware until the revelation. Mr. Mitsuo Imai, however, had often commented on the importance of strengthening compliance and internal control for the Company at meetings of the Board of Directors and other opportunities. In fact, he has duly fulfilled his responsibilities and duties as Outside Executive Director since the revelation by leading a thorough investigation into the causes and voicing opinions on how to prevent its recurrence, as well as further enhance internal control, etc.

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
8	Rieko Nishikawa (Feb. 3, 1955)  [Reelected] [Independent] [Outside] [Female]	Outside Executive Director	5,082 shares	15/15 (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
Aug. 2003 Outside consultant, Inter-American Development Bank
Jun. 2015 Outside Executive Director of the Company (incumbent)
Apr. 2020 Professor Emeritus, Faculty of Law, Keio University (incumbent)

(Significant concurrent positions)

Professor Emeritus, Faculty of Law, Keio University

Matters Concerning Candidate for Outside Executive Director

(1) Reasons for selection as a candidate for Outside Executive Director:

Ms. Rieko Nishikawa has been selected as a candidate for Outside Executive Director based on the determination that she will fully contribute to the overseeing of the Company's management, taking into consideration her broad knowledge and experience as a university professor specializing in legal studies.

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


(2) The Company has 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 Emeritus at the Faculty of Law, Keio University. There are certain transactions between Keio University and the Company. However, the amount of revenue from such transactions for the current fiscal year is only approximately 6 million yen (less than 0.1% of revenue of the Company for the current fiscal year). Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.

(4) Ms. Rieko Nishikawa currently occupies the position of Outside Executive Director of the Company and her term of office will be five (5) years at the conclusion of this general meeting.

(5) It was recently revealed that, during her term as Outside Executive Director, one of our former employees had committed round-trip transactions without actual deliveries over the period from February 2015 through November 2019, of which she was not aware until the revelation. Ms. Rieko Nishikawa, however, had often commented on the importance of strengthening compliance and internal control for the Company at meetings of the Board of Directors and other opportunities. In fact, she has duly fulfilled her responsibilities and duties as Outside Executive Director since the revelation by leading a thorough investigation into the causes and voicing opinions on how to prevent its recurrence, as well as further enhance internal control, etc.

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
9	Ryugo Hayano (Jan. 3, 1952)  [Reelected] [Independent] [Outside]	Outside Executive Director	199 shares	15/15 (100%)

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

Apr. 1979 Assistant, School of Science, The University of Tokyo
Nov. 1982 Associate Professor, Ministry of Education National Laboratory for High Energy Physics (current High Energy Accelerator Research Organization)
Apr. 1985 Visiting Associate Professor, School of Science, The University of Tokyo
Apr. 1986 Associate Professor of Physics, School of Science, The University of Tokyo
Jan. 1997 Full Professor, Graduate School of Science, The University of Tokyo
Jun. 2015 Councilor, Radiation Effects Research Foundation (incumbent)
Aug. 2016 President, Talent Education Research Institute (Suzuki Method) (incumbent)
Apr. 2017 Science Fellow, Hobonichi Co., Ltd. (incumbent)
May 2017 Representative, Office-Hayano LLC (incumbent)
May 2017 Director, General Incorporated Foundation Shigeta Education Foundation (current Public Interest Incorporated Foundation Shigeta Education Foundation) (incumbent)
Jun. 2017 Professor Emeritus, The University of Tokyo (incumbent)
Apr. 2018 Director, International Physics Olympiad 2022 Association (incumbent)
Jun. 2018 Outside Executive Director of the Company (incumbent)
(Significant concurrent positions)
Councilor, Radiation Effects Research Foundation
President, Talent Education Research Institute (Suzuki Method)
Science Fellow, Hobonichi Co., Ltd.
Representative, Office-Hayano LLC
Director, Public Interest Incorporated Foundation Shigeta Education Foundation
Professor Emeritus, The University of Tokyo
Director, International Physics Olympiad 2022 Association

Matters Concerning Candidate for Outside Executive Director

(1) Reasons for selection as a candidate for Outside Executive Director:


Mr. Ryugo Hayano 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 broad knowledge and expertise as a university professor specializing in physics, and his insight attained through practical experience at various organizations. Although he has no experience of direct involvement in business management, it has been determined from the foregoing reason that he will be able to execute his duties properly.

(2) The Company has filed Mr. Ryugo Hayano as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If this proposal is resolved and approved as originally proposed, the Company will continue to have him as an Independent Executive Officer.

(3) Mr. Ryugo Hayano is currently a Professor Emeritus at The University of Tokyo. There are certain transactions between The University of Tokyo and the Company. However, the amount of revenue from such transactions for the current fiscal year is only approximately 198 million yen (less than 0.1% of revenue of the Company for the current fiscal year). Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.

(4) Mr. Ryugo Hayano currently occupies the position of Outside Executive Director of the Company and his term of office will be two (2) 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
(5) It was recently revealed that, during his term as Outside Executive Director, one of our former employees had committed round-trip transactions without actual deliveries over the period from February 2015 through November 2019, of which he was not aware until the revelation. Mr. Ryugo Hayano, however, had often commented on the importance of strengthening compliance and internal control for the Company at meetings of the Board of Directors and other opportunities. In fact, he has duly fulfilled his responsibilities and duties as Outside Executive Director since the revelation by leading a thorough investigation into the causes and voicing opinions on how to prevent its recurrence, as well as further enhance internal control, etc.				

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
10	Shigeki Kusaka (Nov. 26, 1952)  [Newly elected] [Independent] [Outside]	-	0 shares	-

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

Apr. 1977 Joined Mitsubishi Corporation

Apr. 2007 Executive Officer, Mitsubishi Corporation

Apr. 2009 Representative Director, Executive Officer, President and COO, IT Frontier Corporation (current Tata Consultancy Services Japan, Ltd.)

Apr. 2011 Managing Director, INTEC Inc.

May 2015 President and Representative Director, INTEC Inc.

Jun. 2015 Director, TIS Inc.

Apr. 2018 Senior Executive Advisor, INTEC Inc.

Matters Concerning Candidate for Outside Executive Director

- (1) Reasons for selection as a candidate for Outside Executive Director:
Mr. Shigeki Kusaka 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 broad knowledge and expertise in information and communications business, as well as his experience as Representative Director or Executive Director at other corporations.
- (2) If this proposal is resolved and approved as originally proposed, the Company will appoint Mr. Shigeki Kusaka as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE).
- (3) As Mr. Shigeki Kusaka used to work for Tata Consultancy Services Japan, Ltd. (until March 2011), there are certain transactions between Tata Consultancy Services and the Company. However, the amount of revenue from such transactions for the current fiscal year is only approximately 226 million yen (less than 0.1% of revenue of the Company for the current fiscal year). Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
As Mr. Shigeki Kusaka also used to work for INTEC Inc. (until March 2019), there are certain transactions between INTEC and the Company. However, the amount of revenue from such transactions for the current fiscal year and the amount of purchases from such transactions for the fiscal year ended March 31, 2019 are only approximately 0 million yen (less than 0.1% of revenue of the Company for the current fiscal year) and 27 million yen (less than 0.1% of revenue of INTEC for the fiscal year ended March 31, 2019), respectively. Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
Further, as he used to work for TIS Inc. (until June 2018), there are certain transactions between TIS and the Company. However, the amount of revenue from such transactions for the current fiscal year and the amount of purchases from such transactions for the fiscal year ended March 31, 2019 are only approximately 768 million yen (less than 0.5% of revenue of the Company for the current fiscal year) and 176 million yen (less than 0.1% of revenue of TIS for the fiscal year ended March 31, 2019), respectively. Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.

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

2. The Company has entered into a limited liability agreement with Mr. Mitsuo Imai, Ms. Rieko Nishikawa and Mr. Ryugo Hayano, respectively. The purpose of this agreement is to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act. The

maximum liability amount shall be the minimum amount stipulated in applicable laws and regulations. If the reelection of them is approved, the Company will continue the said agreements. In addition, if the election of Mr. Shigeki Kusaka is approved, the Company will also enter into the same limited liability agreement with him.

3. The number and percentage of attendance for Mr. Fumihiko Shinoura have been calculated based on the number of Board of Directors meetings (13 times) held after his assumption of the position as Executive Director following the election at the 32nd Annual Shareholders Meeting on June 13, 2019.

Proposal 3: Election of three (3) Audit & Supervisory Board Members


At the conclusion of this general meeting, the term of office of three (3) Audit & Supervisory Board Members, Mr. Masamichi Kikuchi, Mr. Keiichi Horii and Mr. Hideki Suda will expire. The Company therefore proposes the election of three (3) Audit & Supervisory Board Members.

All the candidates satisfy the “Independence Standards” (page 30) established by the Company.

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

The candidates for Audit & Supervisory Board Members are as follows.

Candidate number	Name	Present position in the Company	Candidate attribute				Status of attendance at Board of Directors	Status of attendance at Audit & Supervisory Board
1	Keiichi Horii	Outside Audit & Supervisory Board Member	Reelected	Outside	Independent		15/15 (100%)	13/13 (100%)
2	Hideki Suda	Outside Audit & Supervisory Board Member	Reelected	Outside	Independent		15/15 (100%)	13/13 (100%)
3	Sachiko Iizuka	–	Newly elected	Outside	Independent	Female		–


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	Status of attendance at Audit & Supervisory Board meetings
1	Keiichi Horii (Sep. 4, 1951)  [Reelected] [Independent] [Outside]	Outside Audit & Supervisory Board Member	0 shares	15/15 (100%)	13/13 (100%)


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

Apr. 1979	Registered Lawyer (Dai-ichi Tokyo Bar Association) Worked for Hiranuma Takaharu Law Office
Jan. 1995	Partner, Law Offices of Harada, Uchida & Sugiyama (current South Toranomon Law Offices) (incumbent)
Apr. 1995	Member, Operating Committee of the Arbitration Center of the Daiichi Tokyo Bar Association (incumbent)
Mar. 2008	Audit & Supervisory Board Member, Mabuchi Motor Co., Ltd.
Jun. 2011	Audit & Supervisory Board Member, Sanwa Soko Co., Ltd.
Jun. 2016	Outside Audit & Supervisory Board Member of the Company (incumbent) (Significant concurrent positions) Partner, South Toranomon Law Offices Member, Operating Committee of the Arbitration Center of the Daiichi Tokyo Bar Association

Matters Concerning Candidate for Outside Audit & Supervisory Board Member

- (1) Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member
Mr. Keiichi Horii has been selected as a candidate for Outside Audit & Supervisory Board Member based on the determination that he will fully contribute to the objective and neutral audit of the Company's management, taking into consideration his broad knowledge and experience in the field of corporate legal affairs he has garnered to date as an attorney. Although he has no experience of direct involvement in business management, it has been determined from the foregoing reason that he will be able to execute his duties properly.
- (2) The Company has filed Mr. Keiichi Horii 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) Mr. Keiichi Horii currently occupies the position of Outside Audit & Supervisory Board Member of the Company and his term of office will be four (4) years at the conclusion of this general meeting.
- (4) It was recently revealed that, during his term as Outside Audit & Supervisory Board Member of the Company, one of our former employees had committed round-trip transactions without actual deliveries over the period from February 2015 through November 2019, of which he was not aware until the revelation. Mr. Keiichi Horii, however, had often commented on the importance of strengthening compliance and internal control for the Company, from a neutral standpoint as an Outside Audit & Supervisory Board Member, at meetings of the Board of Directors and other opportunities. In fact, he has duly fulfilled his responsibilities and duties as Outside Audit & Supervisory Board Member since the revelation by leading a thorough investigation into the causes and voicing opinions on how to prevent its recurrence, as well as further enhance internal control, etc.

Candidate Number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors	Status of attendance at Audit & Supervisory Board meetings
2	Hideki Suda (May 4, 1943)  [Reelected] [Independent] [Outside]	Outside Audit & Supervisory Board Member	2,596 shares	15/15 (100%)	13/13 (100%)
Career summary, position at the Company, and significant concurrent positions					
Apr. 1966	Joined Fujikura Electric Wire Corporation (current Fujikura Ltd.)				
Jul. 1994	Managing Director, General Manager, General Affairs Department, Fujikura Electric Wire Corporation				
Jul. 1998	Managing Director, General Manager, Regional Development Department, Fujikura Electric Wire Corporation				
Jun. 2000	President, Fujikura Development Co., Ltd.				
Jun. 2005	Corporate Auditor, Fujikura Ltd.				
Jun. 2007	Senior Advisor, Fujikura Ltd.				
Dec. 2007	Advisor, Fuji Kyushoku Center Corporation				
Jun. 2012	Advisor, Asahi Building Kanzai K.K.				
Jun. 2016	Outside Audit & Supervisory Board Member of the Company (incumbent)				
Matters Concerning Candidate for Outside Audit & Supervisory Board Member					
(1) Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member Mr. Hideki Suda has been selected as a candidate for Outside Audit & Supervisory Board Member based on the determination that he will fully contribute to objective and neutral audit of the Company's management, taking into consideration his broad knowledge and expertise in the field of information and communications business and his experience as a corporate manager.					
(2) The Company has filed Mr. Hideki Suda 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) Mr. Hideki Suda currently occupies the position of Outside Audit & Supervisory Board Member of the Company and his term of office will be four (4) years at the conclusion of this general meeting.					
(4) It was recently revealed that, during his term as Outside Audit & Supervisory Board Member of the Company, one of our former employees had committed round-trip transactions without actual deliveries over the period from February 2015 through November 2019, of which he was not aware until the revelation. Mr. Hideki Suda, however, had often commented on the importance of strengthening compliance and internal control for the Company, from a neutral standpoint as an Outside Audit & Supervisory Board Member, at meetings of the Board of Directors and other opportunities. In fact, he has duly fulfilled his responsibilities and duties as Outside Audit & Supervisory Board Member since the revelation by leading a thorough investigation into the causes and voicing opinions on how to prevent its recurrence, as well as further enhance internal control, etc.					

Candidate Number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors	Status of attendance at Audit & Supervisory Board meetings
3	Sachiko Iizuka (Sep. 16, 1969)  [Newly elected] [Independent] [Outside] [Female]	-	0 shares	-	-

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

Oct. 1994	Joined Ohara Bookkeeping School, O-HARA Gakuen, a legally incorporated educational institute
Apr. 1998	Registered as Certified Public Accountant
Jan. 2000	Joined DIVA CORPORATION
Mar. 2012	Representative Director, LAULEA CORPORATION (incumbent)
Jun. 2019	Auditor (Outside), KORAKUEN HOLDINGS CORPORATION (incumbent)
Sep. 2019	Auditor (Outside), BeeX Co., Ltd. (incumbent)
	(Significant concurrent positions)
	Representative Director, LAULEA CORPORATION
	Auditor (Outside), KORAKUEN HOLDINGS CORPORATION
	Auditor (Outside), BeeX Co., Ltd.

Matters Concerning Candidate for Outside Audit & Supervisory Board Member

- (1) Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member
Ms. Sachiko Iizuka has been selected as a candidate for Outside Audit & Supervisory Board Member based on the determination that she will fully contribute to objective and neutral audit of the Company's management, taking into consideration her broad knowledge and expertise in finance and accounting as a certified public accountant, as well as her experience as Representative Director at other companies.
- (2) If this proposal is resolved and approved as originally proposed, the Company will appoint Ms. Sachiko Iizuka as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE).

- (Notes)
1. There are no special interests between each of the candidates and the Company.
 2. The Company has entered into a limited liability agreement with Mr. Keiichi Horii and Mr. Hideki Suda, respectively. The purpose of this agreement is to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum liability amount shall be the minimum amount stipulated in applicable laws and regulations. If the reelection of them is approved, the Company will continue the said agreements. In addition, if the election of Ms. Sachiko Iizuka is approved, the Company will also enter into the same limited liability agreement with her.

(Reference)

Independence Standards

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

1. Persons who perform executive roles*₁ or persons who have performed executive roles in the Company or its subsidiaries, at present or in the past;
2. Parties for whom the Company is a major business partner and whose transaction amounts with the Company exceed 2% of their sales in their latest business year or persons who perform executive roles therein;
3. Major business partners of the Company with which the Company's transaction amounts 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 from the Company);
7. Persons who have fallen under any of items 2 through 6 above in the past three years; or
8. Spouses and relatives of up to the second degree of kinship of those who fall under any of items below:
 - (1) Principal persons who currently perform executive roles*₂ or principal persons who have performed executive roles in the Company or its subsidiaries in the past three years;
 - (2) Persons to whom any of items 2 through 4 apply;
"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 4: Payment of bonuses to Executive Directors

With consideration of the results for the current fiscal year, the Company proposes payment of bonuses in the total amount of 136,800,000 yen to six (6) Executive Directors excluding Executive Directors Mr. Takuya Tanaka, Mr. Kunio Kawakami, Mr. Mitsuo Imai, Ms. Rieko Nishikawa and Mr. Ryugo Hayano out of eleven (11) 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 the Board of Directors.

This proposal was deliberated by the Advisory Committee.

End

(Attachments)

Business Report

April 1, 2019 to March 31, 2020

1. Business conditions for the Corporate Group

(1) Business activities and results

• Market environment

The ICT sector, which the Group belongs to, has entered an era of transformation. For our customers, ICT is at the core of their business transformation, and digitization and work style reform are their major motives to invest in ICT. Also, since the breakout of COVID-19, they have been increasingly aware of the need to drastically reform the way they work.

In order for us to achieve continued growth in the current business environment, we need to create high added value to help a wide range of customers by delivering them tangible returns on their investments.

Furthermore, in order to realize services that integrate proposals, implementation and stable operation that supports this, it is necessary to increase the productivity of the Group and the quality of services.

Faced with these situations, the Group formulated a three-year medium-term business plan (hereinafter, the "Medium-term Business Plan"), spanning from the fiscal year ended March 31, 2020 (the current fiscal year) through the fiscal year ending March 31, 2022, and has launched initiatives outlined below.

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

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

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

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

Over the Medium-term Business Plan period, we plan to achieve 5.0 billion yen of growth in five areas (total, 25.0 billion yen of growth); namely, the three focus markets where digitization is expected to make significant gains ("healthcare," "school systems," and "smart factories") and the two new models that have captured growth in demand for a "shift from possession to utilization" ("support for MSP (managed service providers)" and "development of refurbishment (refurbished products)").

During the current fiscal year, bookings accepted remained solid for all of the focus markets, new models and existing markets, driven especially by deals related to multiple cloud utilization and information security enhancement.

Category	Name of market	Progress in the amount of bookings accepted (vs. FY2019)
Focus markets	Healthcare market	+2.0 billion yen
	School systems	+2.5 billion yen
	Smart factories	+2.7 billion yen
New models	Support for MSP (managed service providers)	+1.0 billion yen
	Development of refurbishment (refurbished products)	+1.6 billion yen

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

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

During the current fiscal year, the Group’s service businesses performed strongly, backed by its continued focus on “customer success (success of customers’ business)” and the launch of focused efforts to provide “optimization proposals” which will contribute to more effective usage of ICT.

Item	Amount	Amount of growth (vs. FY2019)	Service ratio
Bookings accepted for service business	88.8 billion yen	+9.1 billion yen	43.4%
Revenue from service business	79.7 billion yen	+5.3 billion yen	42.8%

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

The Group has worked on business reform and business digitization at the same time, towards achieving higher productivity, to ultimately speed up operations, improve quality and enhance governance. In addition, the Group is committed to delivering unique values to customers by sharing with them its experiences of success/failure for this initiative (netone to netone).

During the current fiscal year, the Group delayed compliance with a new revenue recognition standard as it had to deal with fraudulent behavior that occurred. On the other hand, the Group worked out policies for digital infrastructure which helps automate operations, while reviewing operation processes and optimizing internal rules.

Transactions where delivery of goods could not be confirmed

As announced in “Notice regarding the establishment of a special investigative committee” dated December 13, 2019, the Company was notified by Tokyo Regional Taxation Bureau that, in the process of tax inquiry, the bureau was unable to confirm that the Company actually had made deliveries in connection with some of its transactions. In response to such notification, we established a special investigative committee to investigate the situation, and ended the investigation by receiving the “Final Report on the Results of Investigation Regarding Transactions where delivery of goods could not be confirmed” Dated March 12, 2020.

The Company has taken the results of the investigation by the special investigative committee seriously and established measures to prevent a recurrence (pages 39 to 41) which it is putting into action.

The transactions where delivery of goods could not be confirmed were conducted in a scheme where a series of repeated commercial transactions of fabricated product sales with a central government authority as the purported end-user. In the scheme, a former employee of the Company communicated with contacts at companies involved in the transactions associated with the fraudulent acts and ordered his subordinates to create some of the necessary documents. He received approval from his superiors to carry out the transactions involved in the fraudulent acts, while hiding their deceitful nature. It is reported that the fraudulent acts were masterminded solely by one former employee of the Company and there was no organizational involvement.

The cumulative impact on the Group’s consolidated financial statements comprises a decrease in revenue of 32.1 billion yen, a decrease in operating income of 3.6 billion yen, a decrease in ordinary income of 3.6 billion yen and a decrease in profit attributable to owners of parent of 9.3 billion yen; while the impact on Group’s earnings for the current fiscal year alone comprises a decrease in revenue of 6.5 billion yen, a decrease in operating income of 1.0 billion yen, a decrease in ordinary income of 1.0 billion yen and a decrease in profit attributable to owners of parent of 2.1 billion yen.

Results for the fiscal year ended March 31, 2020

As a result of the above, after revising the financial statements for the past five fiscal years, overall bookings accepted were 204,423 million yen (up 13.0% year-over-year), revenue was 186,169 million yen (up 6.5% year-over-year), and backlog was 93,517 million yen (up 24.6% year-over-year) for the current fiscal year.

Regarding profit and loss, the Company's gross profit stood at 48,908 million yen (up 12.3% year-over-year). Selling, general and administrative expenses stood at 32,431 million yen (up 3.3% year-over-year), operating income at 16,476 million yen (up 35.4% year-over-year), ordinary income at 16,563 million yen (up 33.4% year-over-year), and profit attributable to owners of parent at 10,124 million yen (up 134.2% year-over-year).

■ Overview by product category

In the fiscal year under review, bookings accepted, revenue and backlog by product category were as follows. With the expansion of the “integrated service businesses,” the bookings accepted, revenue and backlog steadily increased. On the other hand, the service business share of bookings accepted, revenue and backlog lowered due to the acquisition of 5G projects, which are centered on equipment products.

(unit: million yen)

	Equipment products	Service business
Bookings accepted	115,603 million yen (up 14.1% YoY)	88,820 million yen (up 11.5% YoY)
Revenue	106,436 million yen (up 6.0% YoY)	79,733 million yen (up 7.1% YoY)
Backlog	27,351 million yen (up 51.0% YoY)	66,165 million yen (up 16.2% YoY)

<Reference: Product category>

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

■ Overview by market sector

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

**Enterprise – Enterprise (ENT)
market**

—— Composition ratio in 33rd term: **29.7%**

<Main business description>

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

<Highlights of fiscal year under review>

Sales for security measures, cloud infrastructure, work style innovation, and smart factory business remain steady. As a result, bookings accepted and revenue increased compared with the previous fiscal year.

(unit: million yen)

Bookings accepted	60,233 million yen (up 17.4% YoY)
Revenue	55,376 million yen (up 5.8% YoY)
Backlog	26,472 million yen (up 23.1% YoY)

**Telecom carrier – Telecom carrier
(SP) market**—— Composition ratio in 33rd term: **18.9%**

<Main business description>

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

<Highlights of fiscal year under review>

The service infrastructure business made brisk progress and bookings accepted and revenue increased year on year.

(unit: million yen)

Bookings accepted	35,442 million yen (up 0.2 % YoY)
Revenue	35,176 million yen (down 1.1 % YoY)
Backlog	14,508 million yen (up 1.9 % YoY)

Public – Public (PUB) market—— Composition ratio in 33rd term: **29.9%**

<Main business description>

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

<Highlights of fiscal year under review>

Security measure business proceeded firmly mainly in local municipalities, healthcare and education sectors. As a result, bookings accepted and revenue increased compared with the previous fiscal year.

(unit: million yen)

Bookings accepted	62,487 million yen (up 0.0 % YoY)
Revenue	55,609 million yen (down 1.7 % YoY)
Backlog	38,255 million yen (up 21.9% YoY)

**Partners – Partner Business
(Net One Partners Co., Ltd.)**—— Composition ratio in 33rd term: **20.8%**

<Main business description>

The Group engages in cooperative business ventures with partner companies (resale business models) in order to realize businesses that can reach a wide range of markets that the Group

cannot reach alone. By fusing the Group's ICT infrastructure solutions with the system solutions of partner companies, it is possible to create optimized added value for each market.

<Highlights of fiscal year under review>

Business for major partners was strong, and with 5G projects arriving during the third quarter, bookings accepted and revenue both increased compared to the previous fiscal year.

(unit: million yen)

Bookings accepted	44,962 million yen (up 42.3 % YoY)
Revenue	38,727 million yen (up 29.0 % YoY)
Backlog	14,165 million yen (up 78.6 % YoY)

(2) Issues to be addressed

Preventing recurrence of “transactions where delivery of goods could not be confirmed”

<Analysis of causes by the special investigative committee>

In its “Final Report on the Results of Investigation Regarding Transactions where delivery of goods could not be confirmed,” the special investigative committee has analyzed the causes of being unable to prevent and discover such fictitious transactions as follows.

Category	Sub-category
Issues with management of fraud risks	Rules were mere formalities
	Issues with risk management approach
	Issues with internal controls
Issues with compliance activities	Compliance activities ineffectual
	Issues in attitude of management and executives
	Measures to prevent recurrence in light of 2013 incident not fully implemented
	Issues associated with organizational culture

<Recurrence prevention measures based on recommendations by the special investigative committee>

The Company have responded sincerely to the investigation results by the special investigative committee and has worked out and implemented recurrence prevention measures as follows.

Basic policy on business transactions	Eliminate the risk of fictitious transactions	Only deal with projects where our Group’s added value (our unique services and solutions) is recognized	Started: February 13
		Prohibit projects with no specifications, recorded as “a set of ...”	Started: February 13
		Only deal with projects where the client receiving the delivery and vendor supplying the goods are clearly stated and transactions are made directly with them	Started: February 13
		Close Kasumigaseki office, whose clients are central government ministries and agencies	Implemented: March 31
		Strengthen of project screening by PMS (Process Management System)	Started from May
Strengthen risk management systems	Fundamental review of risk management activities	Clarify role of Chief Risk Officer (CRO) as “oversight of risk identification and response, efficacy assessment and sustained improvement of risk management activities, and other risk management processes”	Implemented: April 1
		Reorganize former Risk & Compliance Committee into two organizations—the Risk Management Committee, which evaluates and controls risk management activities, and the Compliance Committee, which evaluates and controls compliance activities. The CRO is in charge of both committees, whose members include outside executive directors to ensure they provide objective feedback and assessment.	Implemented: April 22

	Identify and evaluate significant major risks in each division	Formulate action plans	Implemented: April 22
		Each division to conduct risk analysis of its own division at the start of fiscal year and submit risk survey sheet to the risk management office Risk management office to examine risk survey sheet and make judgments from an objective viewpoint	Implemented throughout the year from May
Enhance business controls	Review authority of sales divisions	Separate authority to place orders and manage acceptances from sales divisions	Started to be addressed from April
		Revise operating rules regarding approval of estimates, receiving order and sales, placing orders, and checking deliveries and acceptances	Started to be addressed from June
		Revise operating rules and associated system modifications	Started to be addressed from June
	Strengthen purchasing functions	Make purchasing function independent by establishing group purchasing department (currently performed by the group procurement and logistics department)	Implemented: April 1
		Redefine and strengthen procurement process and functions related to purchasing and acceptances	Started to be addressed from June
	Improve effectiveness of measures to prevent recurrence	Establish sales management office under direct control of the president to oversee and manage companywide changes in business rules to prevent recurrence	Implemented: April 1
	Prevent overreliance on certain individuals	Implement personnel rotation within divisions	Implemented: April 1
Review compliance activities	Revise operation of whistleblower system	Change the way the whistleblower system is run to make it more effective, such as separate channels for reporting harassment and wrongdoing	Planned to be implemented by the end of June
	Strengthen compliance awareness	Conduct training for all employees (including officers and other executives)	Implemented throughout the year
		All divisions must prepare a compliance action plan at the start of fiscal year	Planned to be implemented by the end of May
		All officers and executives must declare their own compliance implementation targets, to be reviewed quarterly by the Board of Directors and Management Committee	Implemented throughout the year

	Create new corporate culture	Form vision inculcation committee, with outside executive directors participating to ensure it provides objective feedback and assessment	Implemented: April 22
		Update the vision book, which contains the Group's goals, mission, and code of conduct, based on discussions by the vision inculcation committee, and redouble efforts to inculcate this throughout the Company	Scheduled to be renewed in September To be thoroughly promoted thereafter

Promotion of the Medium-term Business Plan

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

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

In each of the focus markets and new models, the Company will speed up its efforts to make proposals on network infrastructure, security measures and cloud utilization tailored to customer needs, with “customer success” at the core.

Category	Name of market	Customer requests
Focus markets	Healthcare	<ul style="list-style-type: none">• Separation between medical applications and ICT infrastructure• Work style reform for healthcare professionals
	School systems	<ul style="list-style-type: none">• Use of ICT in education of children and students• Integration of educational information system infrastructure
	Smart factory	<ul style="list-style-type: none">• Collection/visualization/analysis/improvement of production data towards improved utilization rates of production facilities
New models	Support for MSP (managed service providers)	<ul style="list-style-type: none">• Service providers: Co-creation of new services• Corporate users: Shift to a new model due to shortage of ICT personnel
	Development of refurbishment (recycled products)	<ul style="list-style-type: none">• Use of recycled goods to improve investment efficiency• Shift from possession to utilization

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

The Company keeps focusing on “customer success” and assist customers with their entire ICT utilization process, from the initial stage of developing an overall concept. Also, the Company expands service businesses by continuing to deliver a suite of unique high-added value solutions, including network infrastructure, security measures and cloud utilizations, in a phased manner and in line with the “sought-after vision” and roadmap it has developed jointly with customers.

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

The Company is promoting digitization in order to shift smoothly to a new operation process. The Company is digitizing data in a phased manner and with a view to complying with the new revenue recognition standard scheduled to take effect in April 2021, improving productivity, reforming operations and strengthening governance. Through the digitization, the Company explores a possibility of linking existing data with the new operation process, automating operations and providing more useful information to customers.

Measures against COVID-19

With the breakout of COVID-19, our customers have found it increasingly difficult to commute to work. As a result, customers are carrying out a thorough review of their work styles from the perspective of business continuity. The Group will support customers’ business continuity and work style reform through the following initiatives:

<Provide a remote work environment that helps customers’ business continuity>

The Group provides a suite of systems to realize a remote work environment, which will help customers with their business continuity (including video/web conferencing system, virtual desktop

and file sharing service).

In addition, the Group also provides network infrastructure, which ensure stable operation of these systems; security measures, which prevent accidental leakage of information by employees working remotely; and expertise in work style reform, which the Group has promoted for a decade.

<Increase the Group's probability of business continuity through accelerated implementation of "Work-Style Innovation 2.0/DX">

The Group has established a work environment that allows its employees to perform most of their tasks and duties wherever they are – at home or on the go (Work Style Innovation 1.0). In addition, given the recent business environment, the Group is driving the "Work Style Reform 2.0/DX" initiative, which is incorporated in the Medium-term Business Plan, by digitizing paper forms, contract and other documents left undigitized and extending the scope of electronic transactions (EDI), to further accelerate digitization. Also, the Group will reinforce the system to remotely operate customers' systems so that it can seamlessly provide services to customers even when commuting to work is difficult.

Through the initiatives above, the Group aims to continue achieving revenue of 220.0 billion yen, operating income of 21.0 billion yen, operating margin of 9.5%, service ratio of 50% and ROE of 16.8% in the final year of the Medium-term Business Plan period (fiscal year ending March 31, 2022).

In its consolidated financial results for the fiscal year ending March 31, 2021, the Group is forecasting revenue of 190.0 billion yen, operating income of 17.0 billion yen, ordinary income of 17.0 billion yen, and profit attributable to owners of parent of 11.5 billion yen.

The operating income is expected to increase in line with the Medium-term Business Plan due to improvements in the gross profit margin and productivity. On the other hand, revenue is expected to remain level with the fiscal year ended March 31, 2020 due to the impact of novel coronavirus.

(Note) The above forecast is based on conditions the Company determines as reasonable based on the current backlog and bookings accepted, and the actual business performance may differ due to various factors. Factors that may significantly affect the actual business result include, but are not limited to 1) changes in economic conditions and market demand surrounding the Company, and 2) sharp fluctuation in currency exchange rate.

Medium-term management indicators

The Group aims to enhance its corporate value by seeking to become a "company trusted and supported by all stakeholders" and continuing efforts to create new additional values.

(3) Status of income and assets

I. Status of consolidated financial results

Segment	30 th FY (April 1, 2016 to March 31, 2017)	31 st FY (April 1, 2017 to March 31, 2018)	32 nd FY (April 1, 2018 to March 31, 2019)	33 rd FY (current FY) (April 1, 2019 to March 31, 2020)
Revenue (million yen)	153,124	153,349	174,838	186,169
Ordinary income (million yen)	5,519	7,433	12,412	16,563
Profit attributable to owners of parent (million yen)	3,584	4,401	4,323	10,124
Basic earnings per share (yen)	42.38	52.02	51.07	119.52
Total assets (million yen)	102,038	102,146	118,313	136,111
Net assets (million yen)	55,954	57,708	59,614	66,674
Equity ratio (%)	54.7	56.3	50.2	48.8
Net assets per share (yen)	660.06	680.10	702.13	783.66

(Note) Figures presented for the 30th FY, 31st FY and 32nd FY reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on March 13, 2020.

II. Status of non-consolidated financial results

Segment	30 th FY (April 1, 2016 to March 31, 2017)	31 st FY (April 1, 2017 to March 31, 2018)	32 nd FY (April 1, 2018 to March 31, 2019)	33 rd FY (current FY) (April 1, 2019 to March 31, 2020)
Revenue (million yen)	129,931	122,995	146,063	146,357
Ordinary income (million yen)	5,137	5,696	10,323	13,956
Profit (million yen)	3,341	3,218	2,902	8,377
Basic earnings per share (yen)	39.52	38.04	34.29	98.90
Total assets (million yen)	95,197	94,266	107,342	120,801
Net assets (million yen)	52,688	53,353	53,721	58,821
Equity ratio (%)	55.2	56.4	49.9	48.5
Net assets per share (yen)	621.44	628.64	632.53	692.19

(Note) Figures presented for the 30th FY, 31st FY and 32nd FY reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on March 13, 2020.

(4) Status of financing

No special matters to report.

(5) Status of capital expenditures

The Company spent a total of 2,618 million yen for capital expenditures during the fiscal year under review mainly on upgrading equipment for the purpose of developing new products, and improving the evaluation system and the customer support framework.

(6) Status of parent company and significant subsidiaries

I. Status of the parent company

Not applicable.

II. Status of significant subsidiaries

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

- (Notes) 1. eXtreak, Inc., which was a non-consolidated subsidiary up until the previous fiscal year, is included in the scope of consolidation from the fiscal year under review because of its increase in significance.
2. On April 17, 2019, the Company acquired additional shares of Net One Asia Pte. Ltd., having made that company a consolidated subsidiary.

(7) Main offices (as of March 31, 2020)

Company name	Office name	Location
Net One Systems Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
	Kansai Branch	Yodogawa-ku, Osaka
	Tennoz Office	Shinagawa-ku, Tokyo
	Hokkaido Branch	Chuo-ku, Sapporo
	Tohoku Branch	Aoba-ku, Sendai
	Tsukuba Office	Tsukuba-shi, Ibaraki
	Chubu Branch	Naka-ku, Nagoya
	Toyota Office	Toyota-shi, Aichi
	Hokuriku Office	Kanazawa-shi, Ishikawa
	Hiroshima Office	Naka-ku, Hiroshima
	Takamatsu Office	Takamatsu-shi, Kagawa
	Kyushu Branch	Hakata-ku, Fukuoka
	Okinawa Office	Naha-shi, Okinawa

Company name	Office name	Location
	Technical Center	Shinagawa-ku, Tokyo
	Quality Assurance & Management Center	Ota-ku, Tokyo
	Quality Assurance & Management Center West Branch	Joto-ku, Osaka
	Kasumigaseki Office	Chiyoda-ku, Tokyo
	Kariya Satellite Office	Kariya-shi, Aichi
	Matsuyama Satellite Office	Matsuyama-shi, Ehime
Net One Partners Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
Net One Next Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
eXtreak, Inc.	Head Office	Minato-ku, Tokyo
Net One Asia Pte. Ltd.	Head Office	Singapore
Net One Asia Sdn. Bhd.	Head Office	Malaysia
PT SCALENOW SOLUSI	Head Office	Indonesia
ARK Virtualization Pte. Ltd.	Head Office	Singapore

(8) Status of employees (as of March 31, 2020)

I. Number of employees of the Corporate Group

Name of segment, etc.	Number of employees	Comparison to end of previous FY
Enterprise Sector	374	Decrease of 20
Telecom carrier Sector	149	Increase of 8
Public Sector	379	Increase of 18
Enterprise/Telecom carrier/Public common business	463	Increase of 9
Partner Sector (Net One Partners Co., Ltd.)	136	Decrease of 16
Other	105	Increase of 104
Support services for maintenance and operation	283	Increase of 28
Unallocable (Common)	542	Increase of 6
Total	2,431	Increase of 137

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

II. Number of employees of the Company

Name of segment, etc.	Number of employees	Comparison to end of previous FY
Enterprise Sector	374	Decrease of 20
Telecom carrier Sector	149	Increase of 8
Public Sector	379	Increase of 18
Enterprise /Telecom carrier/Public common business	399	Decrease of 55
Partner Sector (Net One Partners Co., Ltd.)	–	–
Other	–	–
Support services for maintenance and operation	283	Increase of 28
Unallocable (Common)	426	Decrease of 110
Total	2,010	Decrease of 131

(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, 2020)

- (1) Number of authorized shares to be issued 200,000,000 shares
- (2) Total number of shares issued 86,000,000 shares
(including 1,281,836 shares of treasury stock)
- (3) Number of shareholders 18,877

(4) Distribution of shares by shareholder type

Foreign institutions and others	46.4%
Financial institutions	35.8%
Individual shareholders, etc.	14.6%
Net One Systems Co., Ltd.	1.5%
Securities companies	1.3%
Other institutions	0.3%

(5) Major shareholders (Top 10)

Name of shareholder	Number of shares held	Percentage of ownership (%)
SSBTC CLIENT OMNIBUS ACCOUNT	9,436,881	11.1
Japan Trustee Services Bank, Ltd. (Trust Account)	7,913,900	9.3
The Master Trust Bank of Japan, Ltd. (Trust Account)	5,927,500	7.0
Japan Trustee Services Bank, Ltd. (Trust Account 9)	4,665,100	5.5
JP MORGAN CHASE BANK 385632	2,646,323	3.1
JP MORGAN BANK LUXEMBOURG S.A. 1300000	2,382,820	2.8
Japan Trustee Services Bank, Ltd. (Trust Account 5)	1,521,300	1.8
STATE STREET BANK AND TRUST COMPANY 505001	1,500,109	1.8
JP MORGAN CHASE BANK 385151	1,445,559	1.7
Meiji Yasuda Life Insurance Company	1,440,000	1.7

- (Notes) 1. The Company owns 1,281,836 shares of treasury stock.
2. The calculation of the percentage of ownership excludes treasury stock.

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

Not applicable

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

(1) Outline of share acquisition rights under the stock compensation-type stock options plan held by Executive Directors (excluding Outside Executive Directors) of the Company as of end of FY2019

Name (Date of resolution to issue)	Number of owners	Number of share acquisition rights	Class and number of shares to be issued upon the exercise of share acquisition rights	Amount to be paid in for share acquisition rights	Value of assets contributed upon the exercise of the share acquisition rights	Effective period during which the share acquisition rights are exercisable	Remarks
Net One Systems Co., Ltd. FY2012 share acquisition rights (June 14, 2012)	6 Executive Directors (excluding Outside Executive Directors)	166	16,600 shares of common stock of the Company	90,000 yen per share acquisition right	1 yen per share	July 3, 2012 to July 2, 2042	(Note 1)
Net One Systems Co., Ltd. FY2013 share acquisition rights (June 13, 2013)	6 Executive Directors (excluding Outside Executive Directors)	211	21,100 shares of common stock of the Company	62,700 yen per share acquisition right	1 yen per share	July 2, 2013 to July 1, 2043	(Note 1)
Net One Systems Co., Ltd. FY2014 share acquisition rights (June 17, 2014)	6 Executive Directors (excluding Outside Executive Directors)	252	25,200 shares of common stock of the Company	56,400 yen per share acquisition right	1 yen per share	July 4, 2014 to July 3, 2044	(Note 1)
Net One Systems Co., Ltd. FY2015 share acquisition rights (June 16, 2015)	7 Executive Directors (excluding Outside Executive Directors)	220	22,000 shares of common stock of the Company	71,700 yen per share acquisition right	1 yen per share	July 3, 2015 to July 2, 2045	(Note 2)
Net One Systems Co., Ltd. FY2016 share acquisition rights (June 16, 2016)	7 Executive Directors (excluding Outside Executive Directors)	327	32,700 shares of common stock of the Company	53,100 yen per share acquisition right	1 yen per share	July 5, 2016 to July 4, 2046	(Note 2)
Net One Systems Co., Ltd. FY2017 share acquisition rights (June 15, 2017)	7 Executive Directors (excluding Outside Executive Directors)	184	18,400 shares of common stock of the Company	101,400 yen per share acquisition right	1 yen per share	July 4, 2017 to July 3, 2047	(Note 2)
Net One Systems Co., Ltd. FY2018 share acquisition rights (June 14, 2018)	7 Executive Directors (excluding Outside Executive Directors)	123	12,300 shares of common stock of the Company	175,400 yen per share acquisition right	1 yen per share	July 3, 2018 to July 2, 2048	(Note 3)
Net One Systems Co., Ltd. FY2019 share acquisition rights (June 13, 2019)	7 Executive Directors (excluding Outside Executive Directors)	128	12,800 shares of common stock of the Company	287,200 yen per share acquisition right	1 yen per share	July 2, 2019 to July 1, 2049	

- (Notes) 1. The share acquisition rights owned by four (4) Executive Directors out of six (6) Executive Directors were granted prior to appointment as Executive Director.
2. The share acquisition rights owned by four (4) Executive Directors out of seven (7) Executive Directors were granted prior to appointment as Executive Director.
3. The share acquisition rights owned by one (1) Executive Director out of seven (7) Executive Directors were granted prior to appointment as Executive Director.

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

Name (Date of resolution to issue)	Number of grantees	Number of share acquisition rights	Class and number of shares to be issued upon the exercise of share acquisition rights	Amount to be paid in for share acquisition rights	Value of assets contributed upon the exercise of the share acquisition rights	Effective period during which the share acquisition rights are exercisable
Net One Systems Co., Ltd. FY2019 share acquisition rights (June 13, 2019)	2 Vice Presidents	22	2,200 shares of common stock of the Company	287,200 yen per share acquisition rights	1 yen per share	July 2, 2019 to July 1, 2049

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

(1) Status of Executive Directors and Audit & Supervisory Board Members (as of March 31, 2020)

Position	Name	Responsibilities at the Company and significant concurrent positions
Chairman & CEO	Takayuki Yoshino	General management
President & COO	Toru Arai	General management
Executive Director	Takahisa Kawaguchi	In charge of Corporate Planning & Management Division Chairman, Net One Partners Co., Ltd. President & CEO, Net One Systems Singapore Pte. Ltd. Director, Net One Asia Pte. Ltd.
	Shinji Hirakawa	In charge of East Japan Business Unit 1, in charge of West Japan Business Unit
	Takafumi Takeshita	In charge of East Japan Business Unit 2, in charge of Central Japan Business Unit President and Representative Executive Officer, Net One Connect G.K. Executive Director, Net One Next Co., Ltd.
	Takuya Tanaka	In charge of Investment & Financing and New Business, Corporate Planning & Management Division, President & CEO, Net One Partners Co., Ltd.
	Fumihiko Shinoura	In charge of Business Development Division, in charge of Customer Service Division
	Kunio Kawakami	
	Mitsuo Imai	
	Rieko Nishikawa	Professor, Faculty of Law, Keio University
	Ryugo Hayano	Councilor, Radiation Effects Research Foundation President, Talent Education Research Institute (Suzuki Method) Science Fellow, Hobonichi Co., Ltd. Representative, Office-Hayano LLC Director, Public Interest Incorporated Foundation Shigeta Education Foundation Professor Emeritus, The University of Tokyo Director, International Physics Olympiad 2022 Association

Position	Name	Responsibilities at the Company and significant concurrent positions
Audit & Supervisory Board Member (Full-time)	Toru Matsuda	
Audit & Supervisory Board Member	Masamichi Kikuchi	
	Keiichi Horii	Partner, South Toranomom Law Offices Member, Operating Committee of the Arbitration Center of the Daiichi Tokyo Bar Association
	Hideki Suda	

- (Notes)
1. Executive Director Mr. Takahisa Kawaguchi retired from the position of Representative Chairman of Net One Partners Co., Ltd. and assumed the position of Chairman of the Board of the same company on June 11, 2019.
 2. Executive Director Ms. Rieko Nishikawa retired as Professor of the Faculty of Law at Keio University on March 31, 2020.
 3. Executive Directors Mr. Kunio Kawakami, Mr. Mitsuo Imai, Ms. Rieko Nishikawa and Mr. Ryugo Hayano 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, Ms. Rieko Nishikawa and Mr. Ryugo Hayano as Independent Executive Officers pursuant to the provisions of the Exchange.
 4. 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.
 5. Audit & Supervisory Board Member Mr. Masamichi Kikuchi is a certified public accountant and has a respectable degree of knowledge in finance and accounting.
 6. The Company has entered into a limited liability agreement with each of Outside Executive Directors and each of Audit & Supervisory Board Members. The purpose of this agreement is to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act.

(Reference)

The Company has introduced a Vice President system, and the Vice Presidents as of March 31, 2020 are as follows.

Position	Name	Responsibilities at the Company, etc.
President	Toru Arai*	General management
Senior Vice President	Shinji Hirakawa*	In charge of East Japan Business Unit 1, in charge of West Japan Business Unit
Vice President	Takahisa Kawaguchi*	In charge of Corporate Planning & Management Division Chairman, Net One Partners Co., Ltd. President & CEO, Net One Systems Singapore Pte. Ltd.
	Takafumi Takeshita*	In charge of East Japan Business Unit 2 President and Representative Executive Officer, Net One Connect G.K.
	Takuya Tanaka*	President & CEO, Net One Partners Co., Ltd.
	Fumihiko Shinoura*	In charge of Business Development Division, in charge of Customer Service Division
	Junichi Nakamura	In charge of Central Japan Business Unit
	Hideo Fukumoto	General Manager, Corporate Planning & Management Division (in charge of Finance Department, Accounting Department and Capital Services Department) President & CEO, Net One Next Co., Ltd.

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

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

I. The amount of, method of and 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. Note that the basic policies are determined, after deliberation at the Advisory Committee, by resolution of the Board of Directors.

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

Remuneration, etc. for the Company's Executive Directors (excluding Outside Executive Directors) consists of a basic remuneration, which is fixed; bonuses, which is a corporate performance-linked compensation over the short term offered annually based on performance; and stock compensation-type stock options, which is a corporate performance-linked compensation over the medium to long term. The percentage split of remunerations for Executive Directors by title is shown below.

Percentage split of remunerations for Executive Directors by title

Rank as Director or Rank as Executive Director	Percentage split of remunerations for Executives			Total
	Basic remuneration	Performance-linked compensation		
		Bonuses	Stock compensation- type stock options	
Chairman & CEO	64%	26%	10%	100%
President & COO	63%	27%	10%	
Senior Vice President	63%	26%	11%	
Vice President	64% - 66%	25% - 26%	9 % - 10%	

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

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

[Basic remuneration]

The basic remuneration is determined based on the title of each Executive Director.

[Bonuses]

Since the Company places emphasis on operating margins and revenue growth rates as key performance indicators, the amount of bonuses for each Executive Director is determined based on the achievement rate of performance targets on a consolidated basis (productivity per employee in terms of consolidated revenue and operating income) for i) Chairman & CEO, President & COO and other Vice Presidents not in charge of any business units; and on the achievement rate of performance targets for the business unit the Vice President is in charge (productivity per employee in terms of bookings accepted, revenue and operating income earned by the division) for ii) Executive Directors in charge of business units.

[Stock compensation-type stock options]

The stock compensation-type stock option plan is designed so that Executive Directors share benefits and risks associated with rising and falling share prices with shareholders and are more encouraged and motivated to raise the share price and enhance the corporate value over the medium to long term. The amount of individual payment (the number of stock options granted) to each Executive Director is calculated by dividing the base amount set based on the title of each Executive Director by the fair value per such stock option. The fair value is calculated by an outside appraiser, with the day preceding the date of the Board of Directors' meeting where the issuance of stock options is resolved as the beginning date and the day 10 business days prior to

the beginning date as the reference date, in accordance with the accounting standards related to stock options, etc., and based on the Black-Scholes Model. The share price used as the basis for the fair value calculation is the simple average of the closing prices of the common stock (in case no trade was made, the closing price of the most recent trading date) on Tokyo Stock Exchange over 10 business days prior to the reference date, inclusive of the reference date (any fraction less than one yen is rounded up). These stock options are granted also to Vice Presidents of the Company and Executive Directors of its subsidiaries through resolution by the Board of Directors. During the exercise period, Executive Directors, Audit & Supervisory Committee Members, Vice Presidents and employees (excluding contract-based employees) of the Company and its subsidiaries are permitted to exercise stock acquisition rights, granted in the form of the stock compensation-type stock options, only on a lump-sum basis between the day following the day he/she lost his position as Executive Directors, Audit & Supervisory Committee Member, Vice President or employee (excluding contract-based employees) of the Company or any of its subsidiaries and 10th day (or the next business day if the 10th day is a holiday).

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

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

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

Classification	Executive Directors (Of which Outside Executive Directors)		Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)		Total (Of which Outside Executive Directors and Audit & Supervisory Board Members)		Remarks
	Number of persons paid	Amount paid	Number of persons paid	Amount paid	Number of persons paid	Amount paid	
Basic Remuneration	12 (4)	Million yen 283 (58)	4 (3)	Million yen 54 (27)	16 (7)	Million yen 337 (86)	(Notes 1, 2)
Bonuses	6 (-)	136 (-)	- (-)	- (-)	6 (-)	136 (-)	(Note 3)
Stock compensation-type stock options	7 (-)	36 (-)	- (-)	- (-)	7 (-)	36 (-)	(Note 4)
Total		457 (58)		54 (27)		511 (86)	

(Notes) 1. The maximum amount of remunerations was decided as 470 million yen per year for Executive Directors (of which, maximum amount for Executive Directors excluding Outside Executive Directors is 400 million yen per year and maximum amount for Outside Executive Directors is 70 million yen per year), based on a resolution passed at the 28th Annual Shareholders Meeting on June 16, 2015, 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 eleven (11) Executive Directors as of the end of the current fiscal year, the number of persons paid, and amount paid shown above includes one (1) Executive Director retired at the conclusion of the 32nd Annual Shareholders Meeting on June 13, 2019.

3. Number of persons paid and amount paid based on "Payment of bonuses to Executive Directors" scheduled for resolution at the 33rd Annual Shareholders Meeting to be held on June 11, 2020.

4. Remuneration, etc. through share acquisition rights under stock compensation-type stock

option plan was decided as not exceeding 50 million yen per year for Executive Directors (excluding Outside Executive Directors) based on a resolution passed at the 25th Annual Shareholders Meeting held on June 14, 2012. In the columns of “Stock compensation-type stock options,” expenses for the current fiscal year are presented.

III. Items related to decision-making authority on policies regarding the amounts of remuneration, etc. for Executive Directors and Audit & Supervisory Board Members and the method of calculation

With regard to remuneration, etc. for Executive Directors (excluding Outside Executive Directors), i) the amounts of the basic remuneration and stock compensation-type stock options are determined by the resolution of the Board of Directors within the ceiling of remuneration for Executive Directors resolved at the Shareholders Meeting, and ii) the amounts of bonuses are left to the discretion of Chairman & CEO of the Company, who is supposed to decide the amount to be paid to each of Executive Directors based on the total amount resolved each fiscal year at Annual Shareholders Meeting. The amounts of basic remuneration, bonuses and stock compensation-type stock options paid to each Executive Director are determined finally by Chairman & CEO of the Company, through deliberation at the Advisory Committee and upon report by the Board of Directors to ensure fairness and objectivity of remuneration, etc. and based on the reports by the Advisory Committee.

The amounts of remuneration, etc. for Outside Executive Directors are, through resolution by the Board of Directors, left to the discretion of Chairman & CEO of the Company, who is supposed to decide the amount to be paid to each of Outside Executive Directors within the ceiling of remuneration for Outside Executive Directors resolved at the Shareholders Meeting. The amounts of remuneration paid to Outside Executive Directors are determined finally by Chairman & CEO of the Company, through deliberation at the Advisory Committee and upon report by the Board of Directors to ensure fairness and objectivity of remuneration, etc. and based on the reports by the Advisory Committee.

The amounts of remuneration, etc. for Audits & Supervisory Board Members are determined within the ceiling of remuneration for Audit & Supervisory Board Members resolved at the Shareholders Meeting and are decided upon discussion of Audit & Supervisory Board Members.

1) Overview of procedures related to the Advisory Committee

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

<Composition of the Advisory Committee> (* represents the chairman of the committee)

Outside	Executive Director	Kunio Kawakami*, Mitsuo Imai, Rieko Nishikawa, Ryugo Hayano
	Audit & Supervisory Board Member	Masamichi Kikuchi, Keiichi Horii, Hideki Suda
Inside	Executive Director	Takayuki Yoshino, Toru Arai
	Audit & Supervisory Board Member	Toru Matsuda

2) Activities of the Board of Directors and the Advisory Committee

The Board of Directors has resolved to leave the decision concerning details of remuneration, etc. for Executive Directors to the discretion of Chairman & CEO of the Company, based on the judgment that it would be appropriate to consult the Advisory Committee about the amounts of remuneration, etc. for Executive Directors prior to determining the amounts of remuneration, etc.

for Executive Directors and determine the amounts of the basic remuneration, bonuses and stock compensation-type stock options paid to each Executive Director in accordance with the reports received from the Committee.

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

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

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

Classification	Name	Significant concurrent positions	Remarks
Executive Director	Rieko Nishikawa	Professor, Faculty of Law, Keio University	(Note 1)
	Ryugo Hayano	Councilor, Radiation Effects Research Foundation President, Talent Education Research Institute (Suzuki Method) Science Fellow, Hobonichi Co., Ltd. Representative, Office-Hayano LLC Director, Public Interest Incorporated Foundation Shigeta Education Foundation Professor Emeritus, The University of Tokyo Director, International Physics Olympiad 2022 Association	(Note 2) (Note 3)
Audit & Supervisory Board Member	Keiichi Horii	Partner, South Toranomom Law Offices Member, Operating Committee of the Arbitration Center of the Daiichi Tokyo Bar Association	(Note 4)

- (Notes) 1. Executive Director Ms. Rieko Nishikawa retired as Professor of the Faculty of Law at Keio University on March 31, 2020. There are certain transactions between Keio University and the Company. However, the amount of revenue from such transactions for the current fiscal year is only approximately 6 million yen (less than 0.1% of revenue of the Company for the current fiscal year). Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
2. There are certain transactions between The University of Tokyo and the Company. However, the amount of revenue from such transactions for the current fiscal year is only approximately 198 million yen (less than 0.1% of revenue of the Company for the current fiscal year). Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
3. There are no special relationships between Radiation Effects Research Foundation, Talent Education Research Institute (Suzuki Method), Hobonichi Co., Ltd., Office-Hayano LLC, Public Interest Incorporated Foundation Shigeta Education Foundation and International Physics Olympiad 2022 Association and the Company.
4. There are no special relationships between South Toranomom Law Offices and the Daiichi Tokyo Bar Association and the Company.

II. Significant activities during the current fiscal year

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

Classification	Name	Board of Directors meetings (held 15 times)		Audit & Supervisory Board meetings (held 13 times)	
		Number of meetings attended	Percentage of attendance	Number of meetings attended	Percentage of attendance
Executive Director	Kunio Kawakami	15	100.0%	–	–%
	Mitsuo Imai	15	100.0%	–	–%
	Rieko Nishikawa	15	100.0%	–	–%
	Ryugo Hayano	15	100.0%	–	–%
Audit & Supervisory Board Member	Masamichi Kikuchi	15	100.0%	13	100.0%
	Keiichi Horii	15	100.0%	13	100.0%
	Hideki Suda	15	100.0%	13	100.0%

(Note) In addition to the number of Board of Directors meetings held above, three (3) resolutions were adopted in writing which are regarded as having been resolved by the Board of Directors in accordance with the provisions of the Companies Act and of the Company's Articles of Incorporation.

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

Classification	Name	Status of remarks made at Board of Directors meetings and Audit & Supervisory Board meetings
Executive Director	Kunio Kawakami	Based on his knowledge and experience in the information and communication business as well as experience as director of other companies, Kunio Kawakami expresses opinions and makes comments regarding the Company's management.
	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 management.
	Rieko Nishikawa	Based on her broad knowledge and expertise as a university professor specializing in legal research, Rieko Nishikawa expresses opinions and makes comments regarding the Company's management.
	Ryugo Hayano	Based on his broad knowledge and expertise as a university professor specializing in physics research and the insights gained through the practice of various groups, Ryugo Hayano expresses opinions and makes comments regarding the Company's management.
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 management.
	Keiichi Horii	From his standpoint as an attorney, Keiichi Horii expresses opinions and makes comments regarding the Company's management.
	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 management.

(Ref.) In order to strengthen governance, the Company holds meetings as an optional system between Outside Executive Directors and Audit & Supervisory Board Members (Full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members), and utilizes the views of Outside Executive Directors and Audit & Supervisory Board Members in management. The meetings of between Outside Executive Directors and Audit & Supervisory Board Members are held twice a year. By securing opportunities for recommendations by Outside Executive Directors and Audit & Supervisory Board Members, together with exchanging of information and sharing, we promote collaboration between Outside Executive Directors and Audit & Supervisory Board Members.

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

It was recently revealed that one of our former employees had committed round-trip transactions without actual deliveries over the period from February 2015 through November 2019, of which Executive Directors Mr. Kunio Kawakami, Mr. Mitsuo Imai, Ms. Reiko Nishikawa and Mr. Ryugo Hayano, and Audit & Supervisory Members Mr. Masamichi Kikuchi, Mr. Keiichi Horii and Mr. Hideki Suda were not aware until the revelation. They, however, had often commented on the importance of strengthening compliance and internal control for the Company at meetings of the Board of Directors and other opportunities. In fact, they have duly fulfilled their responsibilities and duties since the revelation by leading a thorough investigation into the causes and voicing opinions on how to prevent its recurrence, as well as further enhance internal control, etc.

5. Items regarding Accounting Auditors

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

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

I. The amount of remuneration, etc. for the Accounting Auditor during the current fiscal year	241 million yen
II. Total amount of money and other property benefits to be paid by the Company and its subsidiaries	241 million yen

- (Notes) 1. The audit contract between the Company and the Accounting Auditor does not separate the audit remuneration for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act, and as they cannot be separated in practice, the total amount is shown in I. above.
2. The Audit & Supervisory Board obtained necessary materials and received reports from Executive Directors, relevant internal departments, and the Accounting Auditor, and performed verification to confirm that the auditing performance in the previous fiscal year, the content of the Accounting Auditors' accounting plan for the current fiscal year, and the basis for calculation of the remuneration estimate, were appropriate. Based upon this verification, the Audit & Supervisory Board determined that the amount regarding remuneration, etc. for the Accounting Auditor is reasonable, and gave consent to it.
3. The amount of remuneration, etc. includes 188 million yen related to the revised versions of financial statements from FY 28th to the second quarter of the fiscal year under review

(3) Description of non-audit service

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

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

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

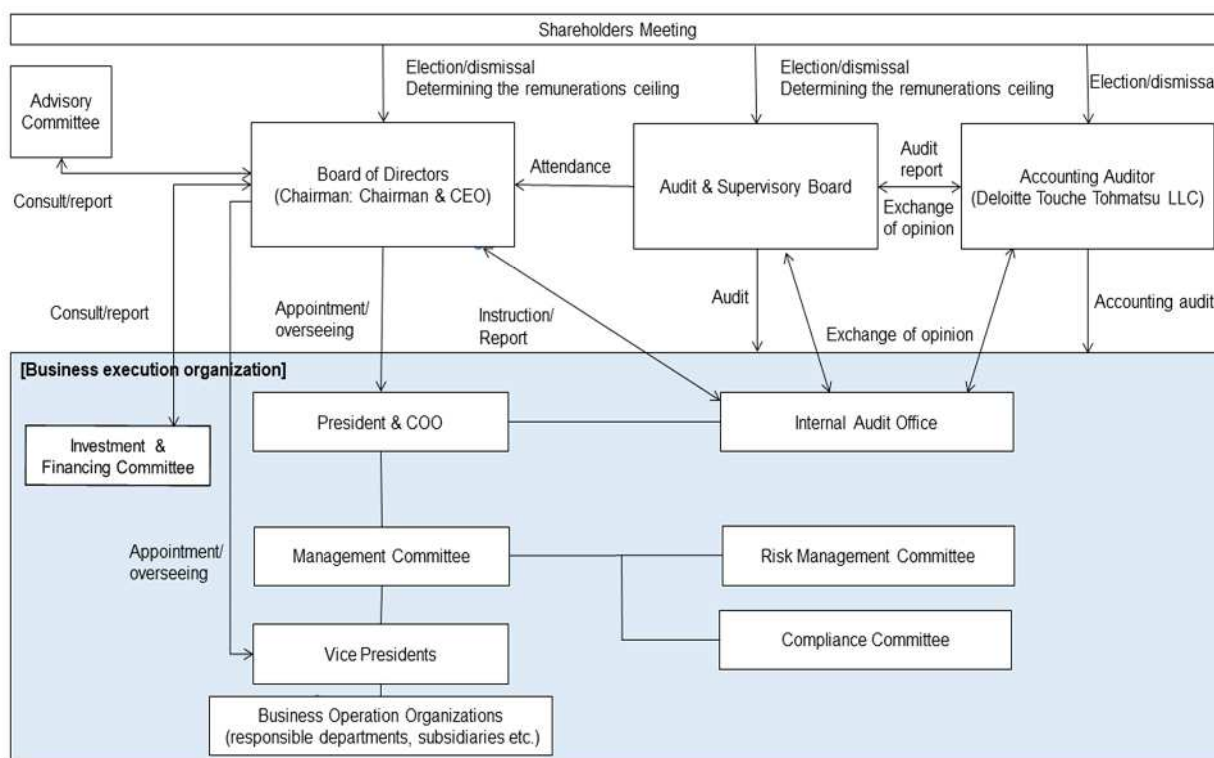
In addition, when it is deemed that the Accounting Auditor falls into the categories stipulated under each item of Paragraph 1, Article 340 of the Companies Act, the Accounting Auditor will be dismissed based on the unanimous agreement of the Audit & Supervisory Board Members. In this event, the Audit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

6. Corporate Governance

(1) Basic matters regarding corporate governance (as of April 23, 2020)

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

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



I. Executive Directors and the Board of Directors

The Company's Board of Directors consists of eleven (11) members (male: 10, female: 1) including four (4) independent Outside Executive Directors (a notification has been filed with the Tokyo Stock Exchange explaining that all of which are Independent Executive Officers), and meets once a month in principle to decide on matters stipulated by laws and regulations, and the Company's Articles of Incorporation, as well as significant matters relating to management or business execution including the vision and policy for management and the Medium-term Business Plan. The Board of Directors also oversees overall management of the Company through reports on status of Executive Directors' execution of duties, etc.

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

II. Business Execution System

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

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 those of the Board of Directors, the Management Committee, the Advisory Committee, the Risk & Compliance Committee, and the Investment & Financing Committee to express their opinion from time to time when discussing significant matters related to management and business execution and to listen to reports on the status of management and business execution.

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

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

[Basic Policy of Internal Control System]

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

(1) Board of Directors

- 1) Matters requiring resolution of the Board of Directors as stipulated by laws and regulations, and the Articles of Incorporation, as well as significant matters relating to management or business execution, are discussed and decided at the Board of Directors meetings.
- 2) Outside Executive Directors are elected to strengthen the overseeing functions of the Board of Directors.
- 3) The Advisory Committee, which consists of Representative Directors, Outside Executive Directors, Full-time Audit & Supervisory Board Members and Outside Audit & Supervisory

Board Members, is established to discuss matters related to the election of candidates for or dismissal of Executive Directors and their remunerations, etc.

(2) Audit & Supervisory Board Members and Audit & Supervisory Board

- 1) Audit & Supervisory Board Members audit the execution of duties by the Executive Directors to ensure compliance with laws and regulations, and the Articles of Incorporation.
- 2) The Audit & Supervisory Board receives reports from Executive Directors with regard to significant matters relating to audits, and discusses and resolves the matters amongst Audit & Supervisory Board Members.

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

(1) Summary

- 1) The Company's document retention and management shall be as stipulated by the Document Management Rules.
- 2) The Company intends to retain and manage its documents by archiving them in electromagnetic media to prevent loss of or damage to such documents.

(2) Preparation, preservation and management of minutes of the Board of Directors meetings

Minutes of the Board of Directors meetings are prepared, preserved and managed by the Corporate Planning Department in compliance with laws and regulations and the Regulations on the Board of Directors.

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

(1) Risk Management System

The Risk Management Committee deliberates and decides on significant matters related to risk management and checks the operational status of the risk management system and relevant regulations and rules. The Risk Management Office puts in place and improves the operation of risk management related regulations that stipulate basic policies and systems for the Company's risk management. In addition, the Office promotes across-the-board risk management activities through the operation of the Risk Management Committee.

(2) Business Risks

- 1) Business risks include changes in the economic environment such as business, currency and interest-rate fluctuations; changes in market and customer needs; and also changes in market positions of the Company's products and services as a result of competition in the fields of technological development and sales. Such business risks are managed by departments principally responsible for relevant business and investments, which comprehend and evaluate risks with support and cooperation from departments involved to provide a timely and appropriate response.
- 2) With regard to the risk of the Company having difficulty in continuing its business due to large-scale natural disasters and an outbreak of a virulent infectious disease, the Risk Management Office discusses measures against such risk in collaboration with the departments involved. Thereafter, the measures are deliberated by the Risk Management Committee, and specific actions are taken upon determination by the Management Committee. In case of emergency, the Company will promptly and smoothly implement countermeasures in accordance with the Emergency Countermeasure Regulations.
- 3) With regard to new businesses and investments, subsequent to necessary and sufficient 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.

(3) Operational Risks

Operational risks include business cessation risks caused by the loss of credibility for the Company due to misconducts of the Company's Executive Directors and employees or leakage of confidential information. To reduce and avoid such risks, the Risk Management Office formulates necessary measures through utilization and management of the risk management sheets. Such measures are then deliberated by the Risk Management Committee. Finally, the Management Committee decides on the improvement measures against specifically identified risks to implement the across-the-board risk management activities.

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

(1) Clarification of authority to make decision to execute and its process

- 1) The Company has employed the Vice President System and, by concentrating the function of the Board of Directors on control and overseeing of management, the Company aims to strengthen corporate governance and has constructed a system which enables prompt and efficient business execution separate from control and overseeing function of management.
- 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) Authority for decision to execute significant matters and its process are stipulated by the Administrative Authority Standard Table.

(2) Reform of the operational system and development of the information system infrastructure

- 1) From the viewpoint of improving operational efficiency (through cost reduction and performance improvement), the Company continually revises and improves its operational system.
- 2) To support the preceding item, the Company formulates and expands its information system infrastructure.

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

(1) Compliance system

- 1) The Compliance Committee deliberates and decides on significant matters on the compliance system and checks operational status of the compliance system and related regulations. The Legal & CSR Office establishes the compliance-related regulations that stipulate basic policies for the Company's compliance system and improves the operation of those regulations. In addition, the Legal & CSR Office promotes across-the-board compliance activities through operating the Compliance Committee.
- 2) If a material compliance violation occurs, or if doubt about such a violation arises, the Legal & CSR Office will immediately report it to President & CEO, Executive Director in Charge of Compliance, and Full-time Audit & Supervisory Board Member. Simultaneously, the Legal & CSR Office promptly investigates the fact. The Compliance Committee then confirms the findings based on the investigation to deliberate and determine the appropriate measures to prevent recurrence.
- 3) 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 employment regulations.

(2) Compliance-related regulations

- 1) The Company, upholding "integrity & trust" as its common value, establishes the Group Compliance Manual that specifies the code of conduct to be adhered to by Executive Directors and employees.
- 2) To ensure that the Company's business activities and working environments do not deviate from social norms and social justice, the Company establishes ethical standards for Executive

Directors and employees that include the code of ethics as individuals on top of the code of ethics as professionals and as company employees.

(3) Compliance awareness training

- 1) For the basic purpose of ingraining compliance into its corporate philosophy, the Company cultivates and enhances compliance awareness among Executive Directors and employees. Specifically, the Company intends to continuously and systematically provide compliance awareness training and enrich its content on a step-by-step basis.
- 2) Along with the enforcement of relevant laws and regulations, the Company releases legal news internally and held legal briefing sessions as necessary.

(4) Whistleblower hotline

- 1) At least one (1) whistleblower hotline for reporting and inquiring about compliance violations is established both inside and outside the Company, and a hotline connecting to Full-time Audit & Supervisory Board Member is established for reporting and inquiring regarding violations of compliance by Executive Directors and Vice Presidents. Furthermore, the whistleblower hotline outside of the Company also accepts reports and inquiries anonymously.
- 2) With regard to reports and inquiries about compliance violations, the Company properly and promptly deals with them in accordance with the Whistleblower Protection Regulations while making all-out efforts to protect individuals who have reported and inquired about compliance violations.
- 3) By providing various training sessions and utilizing the intranet, the Company actively familiarizes employees with roles and confidential nature of the whistleblower system. Furthermore, the Company ensures that employees are fully aware of the availability of such a system 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 stock company and any parent company or subsidiaries thereof

- (1) System related to reporting of matters on execution of duties of Executive Directors and other persons equivalent thereto of subsidiaries of the Company (hereinafter, collectively, Executive Directors, etc.)
 - 1) In addition to establishing the principal department responsible for the management of Group companies and receiving regular reports primarily on the operating and financial statuses based on the Investment and Financing Control Regulations, the Company discusses key management decisions in advance.
 - 2) The Company promotes smooth management of its Group companies through such efforts as holding Group Business Liaison Meetings regularly to share various management issues at each Group company.
- (2) Regulations and other systems related to management of the risk of loss of subsidiaries
 - 1) With regard to Group-wide risk management, the Company formulates the Risk Management Regulations and promotes Group-wide risk management activities. In addition, persons from subsidiaries are also appointed as members of the Risk Management Committee to deliberate and decide on significant matters on the Group's risk management.
 - 2) If an event that may cause a serious impact on the Group occurs, the Company will implement a prompt and smooth response based on the Emergency Countermeasure Regulations.

- (3) System for ensuring that execution of duties of Executive Directors, etc. of subsidiaries is performed efficiently

The Company formulates the Medium-term Business Plan with the participation of subsidiaries, and manages progress of the plan while regularly receiving reports from subsidiaries on their management status based on the Plan.

- (4) System for ensuring that execution of duties of Executive Directors, etc. and employees of subsidiaries complies with laws and regulations and the Articles of Incorporation

- 1) Upholding “integrity & trust” as its common corporate value, the Company shares the value and code of conduct as the Group through the Group Compliance Manual, which establishes the specific code of conduct Executive Directors and employees should strictly observe. In addition, persons from subsidiaries are also appointed as members of the Compliance Committee to discuss and decide on significant matters on the Group’s compliance.
- 2) Whenever a material compliance violation occurs at a subsidiary, the subsidiary immediately reports the fact to the Company. The Company will then investigate the violation together with the subsidiary as necessary, and based on the investigation result, urge the subsidiary to take appropriate measures.
- 3) By making the Company’s whistleblower hotline system available for officers and employees of the Group companies as well, the Company strives to establish a system that can handle reports and inquiries from officers and employees of the Group companies.

- (5) Other systems for ensuring appropriateness of operation of the Corporate Group comprised of the stock company and any parent company or subsidiaries thereof

- 1) The Company appoints and seconds its Executive Directors and employees as Executive Directors and Audit & Supervisory Board Members at subsidiaries and have them oversee or audit the execution of duties by Executive Directors and employees of the subsidiaries.
- 2) With regard to ensuring credibility of financial reporting based on the Financial Instruments and Exchange Act, the Internal Audit Office in coordination with the subsidiaries undertakes periodical review and evaluation of the maintenance and operational status of internal control of the Group, as well as promotes its maintenance and improvement.

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

The Company places employee(s) to assist in Audit & Supervisory Board Members’ duty.

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

- (1) Independence from Executive Directors

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) Ensuring execution of instructions given

When the employees assisting in the duties of Audit & Supervisory Board Members receive the necessary instructions related to those duties, the system required to enable them to follow the relevant instructions is established.

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

(1) System for Executive Directors, Accounting Advisor(s), and employees of the Group companies to report to Audit & Supervisory Board Members

- 1) When an Executive Director discovers a fraudulent act by another Executive Director, an act by another 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 the Company's annual plans for internal audits, as well as the progress and results of the internal audits to the Audit & Supervisory Board or Audit & Supervisory Board Members.
- 3) When officers and employees of the Group are requested by Audit & Supervisory Board Members to report on matters concerning the execution of duties, they provide reports on the relevant matters without delay.
- 4) The liaison meeting for Audit & Supervisory Board Members of the Group companies must be convened regularly to receive reports on the implementation status of audits at subsidiaries from Audit & Supervisory Board Members of subsidiaries.
- 5) When officers and employees of the Group discover a fact that may cause significant damage to the Group, they must immediately report to the Company's Audit & Supervisory Board Members.

(2) System for ensuring that persons who make a report to Audit & Supervisory Board are not treated disadvantageously due to making the report

In addition to prohibiting disadvantageous treatment of a Group officer and employee who has made a report to an Audit & Supervisory Board Member for the reason of having made the relevant report, the Company actively publicizes the role played by the whistleblower hotline and the strict confidentiality of reporting and inquiries and establishes an environment that enables officers and employees of the Group to be relaxed about making reports and inquiries.

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

(1) Exchange of opinions with Executive Directors

Audit & Supervisory Board Members share information and exchange opinions with Executive Directors by attending meetings of the Board of Directors and Management Committee.

(2) Exchange of opinions with Accounting Auditors

Audit & Supervisory Board Members exchange opinions with the Accounting Auditors about the development and operational status of the internal control system at least once every six months.

(3) Exchange opinions with Legal & CSR Office and the Company's corporate attorneys

Audit & Supervisory Board Members exchange opinions as necessary with the Legal & CSR Office and the corporate attorneys of the Company about corporate governance, the development and operational status of the compliance system, and compliance violations by Executive Directors and employees.

(4) Policy for processing expenses for audit

When an Audit & Supervisory Board Member claims prepayment or refund of expenses arising in connection with execution of their duties, the Company processes the expense or obligation concerned immediately, except for when it is deemed that the expense or obligation related to the claim in question is not necessary for the execution of the duties of the Audit & Supervisory Board Member concerned.

XI. Basic policy and system towards antisocial forces

(1) Basic policy

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) System

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, corporate attorneys, etc., the Legal & CSR Office will develop and strengthen a system to ensure the collection of information related to antisocial forces and to secure access to appropriate advice and cooperation. In addition, the Legal & CSR Office strives to raise awareness and alertness through compliance training programs within the Group to ensure the Group has no relationships with antisocial forces.

[Overview of Internal Control System Operation]

I. Risk and compliance system

1) Holding of Meetings of Risk & Compliance Committee

The Committee consists of General Managers and Directors of the Company and its subsidiaries and is chaired by Director of the Risk Management Office. A total of five (5) meetings were held in the current fiscal year.

2) Measures relating to risk management

The Risk & Compliance Committee has engaged in improving and strengthening risk management activities by exhaustively identifying all operational risks faced by each department in the current fiscal year and by monitoring risk management activities undertaken by the principal departments, while reporting to the Management Committee semiannually and seeking its instructions as appropriate.

In the current fiscal year, the Company has engaged in risk management based on the measures as stated above; however, the occurrence of round-trip transactions without actual deliveries that can be traced back over the past years had an impact on the business performance for the current fiscal year.

3) Measures relating to compliance

With the Legal & CSR Office functioning as the principal department, the Company implemented measures, including operation of the whistleblower hotline for reports and inquiries, questionnaire surveys targeting employees of the Company and its partner companies, and educational activities (including e-learning, oath, compliance lecture targeting all employees, trainings for new employees and mid-career workers). The details of these measures are assessed and discussed at the Risk & Compliance Committee before actually addressing the issues and implementing the measures.

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

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 15 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 21 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 Executive Directors and Audit & Supervisory Board Members at subsidiaries.

As stipulated by internal regulations, the principal department for the management of Group companies submits business plans of subsidiaries, etc., to the Management Committee for its approval, and reports on the status of management at subsidiaries to the Board of Directors, the Management Committee, and the Investment & Financing Committee. Moreover, Group Business Liaison Meetings have been held 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 Representative Directors of the Company (held twice in the current fiscal year) and the Group Audit & Supervisory Board (held twice in the current fiscal year), and conducted interviews with officers and employees of the Group.

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

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

Consolidated balance sheet

(unit: million yen)

Account title	33 rd FY (As of March 31, 2020)	32 nd FY (Reference) (As of March 31, 2019)	Account title	33 rd FY (As of March 31, 2020)	32 nd FY (Reference) (As of March 31, 2019)
Assets			Liabilities		
Current assets	124,980	106,225	Current liabilities	57,704	49,906
Cash and deposits	31,473	23,305	Accounts payable-trade	20,002	18,791
Notes and accounts receivable-trade	52,845	42,928	Lease obligations	4,995	4,051
Investments in leases	11,693	8,723	Accounts payable-other	1,692	1,919
Short-term investment securities	–	1,999	Income taxes payable	3,337	3,839
Merchandise	2,254	3,385	Advances received	16,851	14,990
Goods in transit	337	416	Asset retirement obligations	13	19
Costs on uncompleted construction contracts	13,050	10,464	Provision for bonuses	3,308	3,969
Supplies	14	23	Provision for directors' bonuses	154	134
Prepaid expenses	12,182	13,108	Other	7,349	2,191
Other	1,129	1,870	Noncurrent liabilities	11,732	8,793
Allowance for doubtful accounts	(2)	(1)	Lease obligations	11,078	8,391
			Asset retirement obligations	612	396
			Other	41	5
Noncurrent assets	11,131	12,087	Total liabilities	69,437	58,699
Property, plant and equipment	4,709	5,240	Net assets		
Buildings	922	1,097			
Tools, furniture and fixtures	3,787	4,143	Shareholders' equity	66,104	59,387
Intangible assets	1,501	1,434	Capital stock	12,279	12,279
Goodwill	64	–	Capital surplus	19,503	19,475
Other	1,436	1,434	Retained earnings	35,328	28,676
Investments and other assets	4,920	5,412	Treasury stock	(1,007)	(1,044)
Investment securities	171	730			
Long-term loans receivable	5	6	Accumulated other comprehensive income	286	62
Deferred tax assets	2,763	2,690			
Other	2,004	1,985	Valuation difference on available-for-sale securities	–	1
Allowance for doubtful accounts	(25)	–	Deferred gains or losses on hedges	293	61
			Foreign currency translation adjustment	(7)	–
			Share acquisition rights	180	163
			Non-controlling interests	103	–
			Total net assets	66,674	59,614
Total assets	136,111	118,313	Total liabilities and net assets	136,111	118,313

*Figures for the previous fiscal year (32nd fiscal year) reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on March 13, 2020 . These figures are not included in audits specified by the Companies Act.

Consolidated statement of income

(unit: million yen)

Account title	33 rd FY (April 1, 2019 to March 31, 2020)	32 nd FY (Reference) (April 1, 2018 to March 31, 2019)
Revenue	186,169	174,838
Cost of revenue	137,261	131,288
Gross profit	48,908	43,549
Selling, general and administrative expenses	32,431	31,383
Operating income	16,476	12,166
Non-operating income	512	334
Interest income	1	1
Fiduciary obligation fee from associates	201	117
Sales incentive	70	91
Dividends income of group insurance	73	69
Foreign exchange gains	22	–
Gain on donation of non-current assets	4	8
Other	137	46
Non-operating expenses	425	88
Interest expenses	49	50
Foreign exchange losses	–	26
Special investigation expenses	363	–
Other	12	11
Ordinary income	16,563	12,412
Extraordinary losses	1,216	3,931
Loss on retirement of noncurrent assets	4	24
Loss on sales of investment securities	–	7
Loss on valuation of investment securities	87	–
Loss on fraudulent transactions	1,124	3,899
Income before income taxes and minority interests	15,347	8,480
Income taxes-current	5,271	4,597
Income taxes-deferred	(28)	(440)
Profit	10,104	4,323
Loss attributable to non-controlling interests	19	–
Profit attributable to owners of parent	10,124	4,323

*Figures for the previous fiscal year (32nd fiscal year) reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on March 13, 2020. These figures are not included in audits specified by the Companies Act.

Consolidated statement of changes in net assets

(April 1, 2019 to March 31, 2020)

(unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2019	12,279	19,475	35,921	(1,044)	66,631
Cumulative effects by correcting errors			(7,244)		(7,244)
Balance as of April 1, 2019 reflecting correction of errors	12,279	19,475	28,676	(1,044)	59,387
Changes of items during the period					
Dividends from surplus			(3,472)		(3,472)
Profit attributable to owners of parent			10,124		10,124
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		27		37	64
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	27	6,652	37	6,716
Balance as of March 31, 2020	12,279	19,503	35,328	(1,007)	66,104

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance as of April 1, 2019	1	61	–	62	163	–	66,858
Cumulative effects by correcting errors							(7,244)
Balance as of April 1, 2019 reflecting correction of errors	1	61	–	62	163	–	59,614
Changes of items during the period							
Dividends from surplus							(3,472)
Profit attributable to owners of parent							10,124
Purchase of treasury stock							(0)
Disposal of treasury stock							64
Net changes of items other than shareholders' equity	(1)	232	(7)	223	16	103	343
Total changes of items during the period	(1)	232	(7)	223	16	103	7,059
Balance as of March 31, 2020	–	293	(7)	286	180	103	66,674

Non-consolidated balance sheet

(unit: million yen)

Account title	33 rd FY (As of March 31, 2020)	32 nd FY (Reference) (As of March 31, 2019)	Account title	33 rd FY (As of March 31, 2020)	32 nd FY (Reference) (As of March 31, 2019)
Assets			Liabilities		
Current assets	109,431	94,538	Current liabilities	50,662	44,827
Cash and deposits	30,199	21,686	Accounts payable-trade	17,155	16,889
Notes receivable-trade	167	176	Lease obligations	4,678	4,051
Accounts receivable-trade	38,062	36,452	Accounts payable-other	1,686	1,880
Electronically recorded monetary claims - operating	374	299	Accrued expenses	949	1,025
Lease investment assets	11,628	8,723	Income taxes payable	2,732	3,428
Short-term investment securities	–	1,999	Accrued consumption taxes	1,105	587
Merchandise	320	996	Advances received	14,212	12,684
Goods in transit	140	226	Deposits received	133	282
Costs on uncompleted construction contracts	10,233	9,142	Asset retirement obligations	13	19
Supplies	11	19	Provision for bonuses	3,014	3,686
Prepaid expenses	11,516	12,641	Provision for directors' bonuses	136	121
Short-term loans receivable	5,326	1	Other	4,843	170
Other	1,451	2,172	Noncurrent liabilities	11,318	8,793
Allowance for doubtful accounts	(1)	(1)	Lease obligations	10,705	8,391
			Asset retirement obligations	612	396
			Other	–	5
Noncurrent assets	11,369	12,803	Total liabilities	61,980	53,620
Property, plant and equipment	3,913	5,190	Net assets		
Buildings	912	1,096			
Tools, furniture and fixtures	3,001	4,093	Shareholders' equity	58,498	53,528
			Capital stock	12,279	12,279
Intangible assets	1,370	1,435	Capital surplus	19,503	19,475
Software	1,361	1,424	Legal capital surplus	19,453	19,453
Other	8	11	Other capital surplus	49	22
			Retained earnings	27,723	22,817
Investments and other assets	6,085	6,177	Legal retained earnings	86	86
Investment securities	45	133	Other retained earnings	27,636	22,731
Stocks of subsidiaries and affiliates	1,522	1,497	General reserve	24,710	21,030
Investments in capital	–	1	Retained earnings brought forward	2,926	1,701
Investments in capital of subsidiaries and affiliates	30	30	Treasury stock	(1,007)	(1,044)
Long-term loans receivable	5	6	Valuation and translation adjustments	142	28
Long-term prepaid expenses	5	5	Valuation difference on available-for-sale securities	–	1
Deferred tax assets	2,572	2,557	Deferred gains or losses on hedges	142	27
Lease and guarantee deposits	1,772	1,818	Share acquisition rights	180	163
Other	131	126			
			Total net assets	58,821	53,721
Total assets	120,801	107,342	Total liabilities and net assets	120,801	107,342

* Figures for the previous fiscal year (32nd fiscal year) reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on March 13, 2020. These figures are not included in audits specified by the Companies Act..

Non-consolidated statement of income

(unit: million yen)

Account title	33 rd FY (April 1, 2019 to March 31, 2020)	32 nd FY (Reference) (April 1, 2018 to March 31, 2019)
Revenue	146,357	146,063
Cost of revenue	104,538	108,206
Gross profit	41,819	37,856
Selling, general and administrative expenses	29,003	28,921
Operating income	12,815	8,935
Non-operating income	1,558	1,445
Interest income	17	8
Fiduciary obligation fee from associates	1,234	1,244
Other	307	192
Non-operating expenses	417	57
Interest expenses	44	50
Special investigation expenses	363	-
Other	10	6
Ordinary income	13,956	10,323
Extraordinary income	-	18
Gain on extinguishment of tie-in shares	-	18
Extraordinary losses	1,216	3,931
Loss on retirement of non-current assets	4	24
Loss on sales of investment securities	-	7
Loss on valuation of investment securities	87	-
Loss on fraudulent transactions	1,124	3,899
Profit before income taxes	12,740	6,410
Income taxes-current	4,364	3,948
Income taxes-deferred	(2)	(441)
Profit	8,377	2,902

* Figures for the previous fiscal year (32nd fiscal year) reflect the correction report of the annual securities report that was submitted to the Kanto Finance Bureau on March 13, 2020. These figures are not included in audits specified by the Companies Act..

Non-consolidated statement of changes in net assets

(April 1, 2019 to March 31, 2020)

(unit: million yen)

	Shareholders' equity									Valuation and translation adjustments (Note 2)	Share acquisition rights	Total net assets
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total share-holders' equity			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings (Note 1)	Total retained earnings					
Balance as of April 1, 2019	12,279	19,453	22	19,475	86	29,975	30,062	(1,044)	60,772	28	163	60,965
Cumulative effects by correcting errors						(7,244)	(7,244)		(7,244)			(7,244)
Balance as of April 1, 2019 reflecting correction of errors	12,279	19,453	22	19,475	86	22,731	22,817	(1,044)	53,528	28	163	53,721
Changes of items during the period												
Dividends from surplus						(3,472)	(3,472)		(3,472)			(3,472)
Profit						8,377	8,377		8,377			8,377
Purchase of treasury stock								(0)	(0)			(0)
Disposal of treasury stock			27	27				37	64			64
Net changes of items other than shareholders' equity										113	16	130
Total changes of items during the period	–	–	27	27	–	4,905	4,905	37	4,970	113	16	5,100
Balance as of March 31, 2020	12,279	19,453	49	19,503	86	27,636	27,723	(1,007)	58,498	142	180	58,821

(Note) 1. Details of other retained earnings

(unit: million yen)

	General reserve	Retained earnings brought forward	Total
Balance as of April 1, 2019	21,030	8,945	29,975
Cumulative effects by correcting errors		(7,244)	(7,244)
Balance as of April 1, 2019 reflecting correction of errors	21,030	1,701	22,731
Changes of items during the period			
Provision of general reserve	3,680	(3,680)	–
Dividends from surplus		(3,472)	(3,472)
Profit		8,377	8,377
Purchase of treasury stock			
Disposal of treasury stock			
Total changes of items during the period	3,680	1,225	4,905
Balance as of March 31, 2020	24,710	2,926	27,636

(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, 2019	1	27	28
Cumulative effects by correcting errors			
Balance as of April 1, 2019 reflecting correction of errors	1	27	28
Changes of items during the period			
Net changes of items other than shareholders' equity	(1)	115	113
Total changes of items during the period	(1)	115	113
Balance as of March 31, 2020	–	142	142

Independent auditor's reports

(not attached)

Audit report from Audit & Supervisory Board

Audit Report

We the Audit & Supervisory Board received reports on 33rd period, April 1, 2019 to March 31, 2020 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 Executive Directors.
- c. We confirm that contents of resolution by the Board of Directors relating to internal control system are suitable. In addition, there are no matters to report regarding the business reports and Executive Directors' execution of duties related to the internal control system. As mentioned in the Business Report, an incident came to light during the aforementioned fiscal year concerning improper conduct by a former employee of the Company. The Company can confirm that efforts to prevent recurrence along with appropriate installment and operation of internal controls are being implemented, including basic guidelines for sales transactions, strengthening of the risk management system, strengthening of operational controls and revision to compliance activities. The Audit & Supervisory Board is also continuing to monitor and verify the effective execution of improvements based on the aforementioned efforts.

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

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

(3) Results of audit related to consolidated financial statements

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

May 15, 2020

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.