

DISCLAIMER

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To our shareholders:

Thank you as ever for your kind support. We are pleased to hereby bring you this notice of our 35th Annual Shareholders Meeting.

Since I assumed the position of President & CEO in April 2021, the entire Company has worked together to strengthen internal controls and reform our corporate culture. Under the new management structure, this past year was marked by efforts to achieve both continued growth and governance.

In a society where digitalization is accelerating, networks, cloud, and security are becoming more and more important. In the Medium-term Business Plan starting from fiscal 2022, we have set forth our Purpose, Mission, and Vision, and each and every one of our employees will contribute to solving issues faced by our customers and society as a whole as a professional with outstanding expertise and high ethical standards.

We would like to ask our shareholders to continue to understand and support the Group that pursues “unleashing the potential of people and networks to create a prosperous future through tradition and innovation” under our new philosophy.

Net One Systems Co., Ltd.

Takafumi Takeshita
President & CEO

May 31, 2022

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

NOTICE OF THE 35th ANNUAL SHAREHOLDERS MEETING

To Our Shareholders:

We are pleased to announce the 35th Annual Shareholders Meeting of Net One Systems Co., Ltd. (hereinafter referred to as the “Company”) will be held as indicated below.

This year again, from the perspective of preventing the spread of COVID-19, we request that you exercise your voting rights beforehand, either in writing or via the internet, and refrain from attending the meeting in person.

YOU MAY EXERCISE YOUR VOTING RIGHTS AS EXPLAINED IN “Instructions Concerning the Exercise of Voting Rights” (pages 6 to 9). PLEASE CAREFULLY READ “Reference Documents regarding Shareholders Meeting” (pages 10 to 46) ATTACHED HERE TO AND EXERCISE YOUR VOTING RIGHTS BY 5:30 PM ON JUNE 21, 2022 (TUESDAY).

Truly yours,

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

1. Date/Time: June 22, 2022 (Wednesday) 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
Please note that the venue is different from the previous year.

From the perspective of preventing the spread of COVID-19, we request that you refrain from attending the meeting in person.

The meeting will be live-streamed. Please refer to page 5 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 35th fiscal year (April 1, 2021 to March 31, 2022)
- 2) Non-consolidated financial statements for the 35th fiscal year (April 1, 2021 to March 31, 2022)

Matters to be Resolved:

- Proposal 1: Appropriation of surplus
- Proposal 2: Partial amendments to the Articles of Incorporation
- Proposal 3: Election of six (6) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members)
- Proposal 4: Election of three (3) Executive Directors who are Audit & Supervisory Committee Members
- Proposal 5: Establishment of amount of remuneration for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members)
- Proposal 6: Determination of amount, etc. and details of remuneration for granting restricted stock for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors)
- Proposal 7: Establishment of amount of remuneration for Executive Directors who are Audit & Supervisory Committee Members
- Proposal 8: Payment of bonuses to Executive Directors

Live Streaming of the 35th Annual Shareholders Meeting

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

Date/Time: June 22, 2022 (Wednesday) at 10:00 am (you can attend the meeting from 9:30 am)

Live streaming URL link:

<https://v.sokai.jp/7518/2022/netone/>

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

Password: Postal code (7 digits excluding hyphen) recorded in the shareholder register as of the end of March 2022.

- 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.

Information about the Attachments to this Notice

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

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

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

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

Instructions Concerning the Exercise of Voting Rights

The right to vote at an Annual Shareholders Meeting is one of the important rights for shareholders. You are recommended to exercise your voting rights after reading and taking into consideration the “Reference Documents regarding Shareholders Meeting” below (pages 10 to 46). Voting rights can be exercised in the four methods below.

<Scanning the QR Code “Smart Exercise”>

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

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

No later than 5:30 p.m. on June 21, 2022 (Tuesday)

For details, please refer to page 7.

<Entering the voting code>

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

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

Deadline for the exercise of voting rights via the Internet:

No later than 5:30 p.m. on June 21, 2022 (Tuesday)

For details, please refer to page 8.

<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 21, 2022 (Tuesday)

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

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

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

Date and Time of the Annual Shareholders Meeting:

10:00 a.m. on June 22, 2022 (Wednesday)

Exercise of voting rights via the Internet, etc.

<Scanning the QR Code “Smart Exercise”>

Exercise deadline

No later than 5:30 p.m. on June 21, 2022 (Tuesday)

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

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

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

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

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

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

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

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

<Entering the voting code>

Exercise deadline

No later than 5:30 p.m. on June 21, 2022 (Tuesday)

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

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

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

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

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

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

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

Inquiries regarding the online voting website:	Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Web Support Dedicated Line: 0120-652-031 (Toll-free) (Japan only) Business hours: 9:00 a.m. - 9:00 p.m. (Japan Standard Time)
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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.
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<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 21, 2022 (Tuesday)

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

Please mail this form.

Indicate either approval or disapproval

Circle “Approval” to approve the proposal.

Circle “Disapproval” to disapprove the proposal.

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

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

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

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

- Please be advised that, no gifts will be provided to shareholders attending the Annual Shareholders Meeting. 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

In light of the above policy, the Company determines the dividend payout ratio based on a consolidated dividend payout ratio of 40% as a benchmark, comprehensively taking into consideration operating performance trends, financial conditions, progress in the Medium-term Business Plan, and other factors.

Considering the operating performance, etc. of the current fiscal year, the year-end dividend for the 35th fiscal year is proposed as follows.

Type of payout	Cash dividend
Allocation of cash dividend and its total amount	36 yen per share of common stock
	Total amount of dividends 2,956,313,700 yen
Effective date of dividend from surplus	June 23, 2022

The dividend on an annual basis for the 35th fiscal year including the interim dividends is 72 yen per share with the consolidated dividend payout ratio of 53.7%.

2. Appropriation of surplus

In order to provide for a stable return of profits, the Company proposes to transfer a portion of the general reserve to retained earnings brought forward as follows.

Account and amount of surplus that will decrease	General reserve	5,310,000,000 yen
Account and amount of surplus that will increase	Retained earnings brought forward	5,310,000,000 yen

Proposal 2: Partial amendments to the Articles of Incorporation

1. Reasons for the proposal

(1) Change of business purpose

The Company proposes to add a business purpose to Article 2 (Purpose) of the current Articles of Incorporation in order to clarify the nature of the Company's business and to respond to the diversification of the Company's business in the future.

(2) Changes due to the transition to a company with an Audit & Supervisory Committee

The Company proposes to shift from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee in order to enhance the independence and objectivity of the Board of Directors and further strengthen supervision of business execution by establishing a Board structure in which Outside Executive Directors (including Executive Directors who are Audit & Supervisory Committee Members) constitute a majority.

Accordingly, the Company proposes to make necessary changes for the transition to a company with an Audit & Supervisory Committee, including the establishment of new provisions concerning Audit & Supervisory Committee Members and Audit & Supervisory Committee and the deletion of provisions concerning Audit & Supervisory Board Members and Audit & Supervisory Board.

In addition, in order to enhance management efficiency and enable flexible decision-making, the Company proposes to newly establish provisions regarding the transfer of authority to Executive Directors.

(3) Change in provisions concerning the chairperson of the Board of Directors

In conjunction with the transition to a company with an Audit & Supervisory Committee, in order to clarify the separation of the business execution and supervisory functions of the Board of Directors, the Company will change the person with authority to convene a meeting of the Board of Directors and the chairperson of the Board of Directors stipulated in Article 21 (Board of Directors) of the current Articles of Incorporation to an Executive Director determined beforehand by the Board of Directors so that an Executive Director other than the Representative Director (specifically, an Outside Executive Director is assumed to take the position) can serve as the chairperson of the Board of Directors.

(4) Changes due to the introduction of the system for electronic provision of materials for general meetings of shareholders

The revised provisions stipulated in the proviso of Article 1 of the supplementary provisions of the "Act Partially Amending the Companies Act" (Act No. 70 of 2019) will be enforced on September 1, 2022, and the Company proposes the following amendments to the Company's Articles of Incorporation in preparation for the implementation of the system for electronic provision of materials for general meetings of shareholders.

- 1) Article 16 (Measures for Electronic Provision, etc.), Paragraph 1 of the proposed amendments stipulates that information that is the content of reference documents for the general meeting of shareholders, etc., shall be provided electronically.
- 2) Article 16 (Measures for Electronic Provision, etc.), Paragraph 2 of the proposed amendments establishes provisions to limit the scope of matters to be recorded in physical documents that are provided to shareholders who request the provision of physical documents.
- 3) As provisions concerning internet disclosure and deemed provision of reference documents for general meetings of shareholders (Article 16 of the current Articles of Incorporation) will no longer be necessary, these shall be deleted.
- 4) Supplementary provisions shall be established concerning the effective date, etc., in line with the new establishments and deletions above.

Current Articles of Incorporation	Proposed amendments
<p>Article 10 (Shareholder Register Administrator)</p> <ol style="list-style-type: none"> 1. The Company shall have a shareholder register administrator. 2. The shareholder register administrator and the place of business thereof shall be designated <u>by resolution of the Board of Directors</u>, and public notice thereof shall be given. 3. The administration of the Company's shareholder register and register of stock acquisition rights shall be entrusted to the shareholder register administrator and shall not be handled by the Company. 	<p>Article 10 (Shareholder Register Administrator)</p> <ol style="list-style-type: none"> 1. (Unchanged) 2. The shareholder register administrator and the place of business thereof shall be designated <u>by the Board of Directors or an Executive Director delegated by resolution of the Board of Directors</u>, and public notice thereof shall be given. 3. (Unchanged)
<p>CHAPTER III GENERAL MEETING OF SHAREHOLDERS</p>	<p>CHAPTER III GENERAL MEETING OF SHAREHOLDERS</p>
<p>Articles 11 to 15 (Omitted)</p>	<p>Articles 11 to 15 (Unchanged)</p>
<p><u>Article 16 (Internet Disclosure and Deemed Provision of Reference Documents for General Meetings of Shareholders)</u></p> <p><u>In the convocation of general meetings of shareholders, the Company may deem that it has provided to shareholders information concerning matters that must be displayed in the reference documents for general meetings of shareholders, business report, non-consolidated financial statements, and consolidated financial statements via the internet disclosure in conformity with definitions provided in the Ordinance of the Ministry of Justice.</u></p>	<p>(Deleted)</p>
<p>(Newly established)</p>	<p><u>Article 16 (Measures for Electronic Provision, etc.)</u></p> <ol style="list-style-type: none"> 1. <u>In the convocation of general meetings of shareholders, the Company shall provide electronically information that is the content of reference documents for the general meeting of shareholders, etc.</u> 2. <u>Of the matters to which electronic provision measures apply, the Company may choose not to record all or part of matters stipulated in the Ordinance of the Ministry of Justice in the physical documents provided to shareholders who made requests for the provision of physical documents by the record date for voting rights.</u>

Current Articles of Incorporation	Proposed amendments
<p style="text-align: center;">CHAPTER IV EXECUTIVE DIRECTORS AND BOARD OF DIRECTORS</p> <p>Article 17 (Number of Executive Directors) The Company shall have three or more Executive Directors.</p> <p style="text-align: center;">(Newly established)</p> <p>Article 18 (Election of Executive Directors)</p> <ol style="list-style-type: none"> 1. Executive Directors shall be elected at a general meeting of shareholders. 2. A resolution to elect Executive Directors shall be adopted by a majority of the voting rights of the shareholders present at a meeting where the shareholders holding one-third or more of the voting rights of shareholders who are entitled to exercise their voting rights are present. 3. No cumulative voting shall be used for the election of Executive Directors. (Newly established) 	<p style="text-align: center;">CHAPTER IV EXECUTIVE DIRECTORS AND BOARD OF DIRECTORS</p> <p>Article 17 (Number of Executive Directors)</p> <ol style="list-style-type: none"> <u>1.</u> The Company shall have three or more Executive Directors <u>(excluding Executive Directors who are Audit & Supervisory Committee Members)</u>. <u>2.</u> <u>The Company shall have three or more Executive Directors who are Audit & Supervisory Committee Members.</u> <p>Article 18 (Election of Executive Directors)</p> <ol style="list-style-type: none"> 1. Executive Directors <u>distinguished as Executive Directors who are Audit & Supervisory Committee Members and Executive Directors who are not Audit & Supervisory Committee Members</u> shall be elected at a general meeting of shareholders. 2. (Unchanged) 3. (Unchanged) <u>4.</u> <u>The period during which the resolution regarding the election of a substitute Executive Director who is an Audit & Supervisory Committee Member shall remain in effect shall be until the beginning of the annual shareholders meeting relating to the last fiscal year ending within two years after the said resolution.</u>

Current Articles of Incorporation	Proposed amendments
<p data-bbox="169 215 775 241">Article 19 (Term of Office of Executive Directors)</p> <p data-bbox="226 246 775 398">The term of office of Executive Directors shall expire at the conclusion of the annual shareholders meeting for the last fiscal year out of the fiscal years terminating within one year after their election.</p> <p data-bbox="414 533 660 560">(Newly established)</p> <p data-bbox="414 788 660 815">(Newly established)</p>	<p data-bbox="813 215 1420 241">Article 19 (Term of Office of Executive Directors)</p> <ol data-bbox="887 246 1420 1164" style="list-style-type: none"> <li data-bbox="887 246 1420 524">1. The term of office of Executive Directors (<u>excluding Executive Directors who are Audit & Supervisory Committee Members</u>) shall expire at the conclusion of the annual shareholders meeting for the last fiscal year out of the fiscal years terminating within one year after their election. <li data-bbox="887 533 1420 779">2. <u>The term of office of Executive Directors who are Audit & Supervisory Committee Members shall expire at the conclusion of the annual shareholders meeting for the last fiscal year out of the fiscal years terminating within two years after their election.</u> <li data-bbox="887 788 1420 1164">3. <u>The term of office of an Executive Director who is an Audit & Supervisory Committee Member elected as a substitute to an Executive Director who is an Audit & Supervisory Committee Member retired from office before the expiration of the term of office shall continue until the time the term of office of the retired Executive Director who is an Audit & Supervisory Committee Member expires.</u>
<p data-bbox="169 1205 676 1258">Article 20 (Representative Directors and Directors with Special Titles)</p> <ol data-bbox="245 1267 775 1675" style="list-style-type: none"> <li data-bbox="245 1267 775 1388">1. The Board of Directors shall appoint Representative Director(s) from among Executive Directors by its resolution. <li data-bbox="245 1460 775 1675">2. The Board of Directors may appoint, by its resolution, one Chairman, one President, one or a small number of Vice Presidents, one or a small number of Senior Managing Executive Directors, and one or a small number of Managing Executive Directors. 	<p data-bbox="813 1205 1321 1258">Article 20 (Representative Directors and Directors with Special Titles)</p> <ol data-bbox="887 1267 1420 1769" style="list-style-type: none"> <li data-bbox="887 1267 1420 1451">1. The Board of Directors shall appoint Representative Director(s) from among Executive Directors (<u>excluding Executive Directors who are Audit & Supervisory Committee Members</u>) by its resolution. <li data-bbox="887 1460 1420 1769">2. The Board of Directors may appoint, by its resolution, one Chairman, one President, one or a small number of Vice Presidents, one or a small number of Senior Managing Executive Directors, and one or a small number of Managing Executive Directors <u>from among Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members).</u>

Current Articles of Incorporation	Proposed amendments
<p>Article 21 (Board of Directors)</p> <ol style="list-style-type: none"> 1. Unless otherwise provided by laws and regulations, a meeting of the Board of Directors shall be convened and chaired by <u>a Representative Director (or, if there is more than one Representative Director, by a person determined beforehand by the Board of Directors)</u>. However, in the absence or disability of <u>such Representative Director</u>, another Executive Director shall take his or her place in the order determined beforehand by the Board of Directors. 2. Convocation notice of a meeting of the Board of Directors shall be given to each Executive Director <u>and each Audit & Supervisory Board Member</u> at least three days prior to the date of the meeting. However, in case of an emergency, this period may be shortened. 3. The operation of the Board of Directors and other matters relating thereto shall be governed by the Regulations of the Board of Directors established by the Board of Directors, in addition to those provided by the laws and regulations or the Articles of Incorporation. 	<p>Article 21 (Board of Directors)</p> <ol style="list-style-type: none"> 1. Unless otherwise provided by laws and regulations, a meeting of the Board of Directors shall be convened and chaired by <u>an Executive Director determined beforehand by the Board of Directors</u>. However, in the absence or disability of <u>said Executive Director</u>, another Executive Director shall take his or her place in the order determined beforehand by the Board of Directors. 2. Convocation notice of a meeting of the Board of Directors shall be given to each Executive Director at least three days prior to the date of the meeting. However, in case of an emergency, this period may be shortened. 3. (Unchanged)
<p>Article 22 (Omission of Resolutions of Board of Directors Meetings)</p> <p>In cases where an Executive Director makes a proposal on a matter to be resolved at a meeting of the Board of Directors, the Company shall deem that proposal has been approved by a resolution of the Board of Directors if all Executive Directors (limited to those who are entitled to vote on the said matter) have expressed their consent to such proposal in writing or by electromagnetic record <u>(except when an Audit & Supervisory Board Member has stated an objection to said proposal)</u>.</p>	<p>Article 22 (Omission of Resolutions of Board of Directors Meetings)</p> <p>In cases where an Executive Director makes a proposal on a matter to be resolved at a meeting of the Board of Directors, the Company shall deem that proposal has been approved by a resolution of the Board of Directors if all Executive Directors (limited to those who are entitled to vote on the said matter) have expressed their consent to such proposal in writing or by electromagnetic record.</p>

Current Articles of Incorporation	Proposed amendments
(Newly established)	
<p>Article <u>23</u> (Remuneration, etc. of Executive Directors) Remuneration, etc. of Executive Directors shall be determined by a resolution of the General Meeting of Shareholders.</p>	<p><u>Article 23 (Delegation of Decisions on Important Business Execution)</u> <u>Pursuant to the provisions of Article 399-13, Paragraph 6 of the Companies Act, the Company may delegate decisions on important business execution (except matters provided for under each item of Paragraph 5 of the same Article) in part or in whole to Executive Directors by resolutions of the Board of Directors.</u></p>
<p>Article <u>24</u> (Omitted)</p>	<p>Article <u>24</u> (Remuneration, etc. of Executive Directors) Remuneration, etc. of Executive Directors <u>distinguished as Executive Directors who are Audit & Supervisory Committee Members and Executive Directors who are not Audit & Supervisory Committee Members</u> shall be determined by a resolution of the General Meeting of Shareholders.</p>
<p>Article <u>24</u> (Omitted)</p>	<p>Article <u>25</u> (Unchanged)</p>
<p style="text-align: center;"><u>CHAPTER V</u> <u>AUDIT & SUPERVISORY BOARD MEMBERS</u> <u>AND AUDIT & SUPERVISORY BOARD</u></p>	<p>(Deleted)</p>
<p><u>Article 25 (Number of Audit & Supervisory Board Members)</u> <u>The Company shall have three or more Audit & Supervisory Board Members.</u></p>	<p>(Deleted)</p>
<p><u>Article 26 (Election of Audit & Supervisory Board Members)</u></p> <ol style="list-style-type: none"> 1. <u>Audit & Supervisory Board Members shall be elected at a general meeting of shareholders.</u> 2. <u>Resolutions of the election of Audit & Supervisory Board Members shall be made by a majority of the votes of the shareholders present at the meeting where the shareholders holding at least one-third of the voting rights of the shareholders entitled to exercise their votes at such meetings are present.</u> 	<p>(Deleted)</p>

Current Articles of Incorporation	Proposed amendments
<p><u>Article 27 (Term of Office of Audit & Supervisory Board Members)</u></p> <ol style="list-style-type: none"> 1. <u>The term of office of an Audit & Supervisory Board Member shall expire at the conclusion of the annual shareholders meeting for the last fiscal year out of the fiscal years terminating within four years after the election of the Audit & Supervisory Board Member.</u> 2. <u>The term of office of an Audit & Supervisory Board Member who is elected as a substitute Audit & Supervisory Board Member retired from office before the expiration of the term of office shall continue until the time the term of office of the retired Audit & Supervisory Board Member expires.</u> 	(Deleted)
<p><u>Article 28 (Election of Substitute Audit & Supervisory Board Members)</u></p> <p><u>The effective date of a resolution for the election of a substitute Audit & Supervisory Board Member shall expire at the beginning of the annual shareholders meeting for the last fiscal year out of the fiscal years terminating within four years after the said resolution.</u></p>	(Deleted)
<p><u>Article 29 (Full-time Audit & Supervisory Board Members)</u></p> <ol style="list-style-type: none"> 1. <u>The Audit & Supervisory Board shall, by its resolution, select a few Full-time Audit & Supervisory Board Members from among Audit & Supervisory Board Members.</u> 2. <u>The Audit & Supervisory Board may, by its resolution, appoint a Standing Audit & Supervisory Board Member from among the Full-time Audit & Supervisory Board Members.</u> 	(Deleted)

Current Articles of Incorporation	Proposed amendments
<p><u>Article 30 (Audit & Supervisory Board)</u></p> <ol style="list-style-type: none"> 1. <u>Convocation notice of a meeting of the Audit & Supervisory Board shall be given to each Audit & Supervisory Board Member at least three days prior to the date of the meeting. However, in case of an emergency, this period may be shortened.</u> 2. <u>The operation of the Audit & Supervisory Board and other matters relating thereto shall be governed by the Regulations of the Audit & Supervisory Board established by the Audit & Supervisory Board, in addition to those provided by the laws and regulations or the Articles of Incorporation.</u> 	(Deleted)
<p><u>Article 31 (Remuneration, etc.)</u> <u>Remuneration, etc. of Audit & Supervisory Board Members shall be determined by a resolution of the General Meeting of Shareholders.</u></p>	(Deleted)
<p><u>Article 32 (Exemption of Audit & Supervisory Board Members from Liability)</u></p> <ol style="list-style-type: none"> 1. <u>The Company may, by a resolution of the Board of Directors (a resolution pursuant to Article 426, Paragraph 1 of the Companies Act), exempt Audit & Supervisory Board Members from liability to the extent provided by laws and regulations.</u> 2. <u>The Company may enter into an agreement with Audit & Supervisory Board Members (an agreement pursuant to Article 427, Paragraph 1 of the Companies Act) to limit their liability for damages due to negligence of duties. However, the maximum amount of liability based on such agreement shall be the amount stipulated by laws and regulations.</u> 	(Deleted)

Current Articles of Incorporation	Proposed amendments
<p data-bbox="411 215 660 241">(Newly established)</p> <p data-bbox="411 309 660 336">(Newly established)</p> <p data-bbox="384 913 560 972">CHAPTER VI ACCOUNTS</p> <p data-bbox="167 1010 536 1037">Articles <u>33</u> to <u>35</u> (Omitted)</p>	<p data-bbox="975 181 1259 208">Proposed amendments</p> <p data-bbox="858 215 1375 273"><u>CHAPTER V</u> <u>AUDIT & SUPERVISORY COMMITTEE</u></p> <p data-bbox="810 309 1366 336"><u>Article 26 (Audit & Supervisory Committee)</u></p> <ol data-bbox="890 342 1426 880" style="list-style-type: none"> <li data-bbox="890 342 1426 562"><u>1. Convocation notice of a meeting of the Audit & Supervisory Committee shall be given to each Audit & Supervisory Committee Member at least three days prior to the date of the meeting. However, in case of an emergency, this period may be shortened.</u> <li data-bbox="890 568 1426 880"><u>2. The operation of the Audit & Supervisory Committee and other matters relating thereto shall be governed by the Regulations of the Audit & Supervisory Committee established by the Audit & Supervisory Committee, in addition to those provided by the laws and regulations or the Articles of Incorporation.</u> <p data-bbox="1031 913 1206 972">CHAPTER VI ACCOUNTS</p> <p data-bbox="810 1010 1219 1037">Articles <u>27</u> to <u>29</u> (Unchanged)</p>

Current Articles of Incorporation	Proposed amendments
<p>(Newly established)</p> <p>(Newly established)</p>	<p><u>(Supplementary Provisions)</u></p> <p><u>Article 1 Pursuant to Article 426, Paragraph 1 of the Companies Act, the Company may, to the extent permitted by laws and regulations, exempt any Audit & Supervisory Board Member (including former Audit & Supervisory Board Members) from liability for damage due to negligence of duties before the partial amendments to the Articles of Incorporation resolved at the 35th Annual Shareholders Meeting take effect by a resolution of the Board of Directors.</u></p> <p><u>Article 2</u></p> <p><u>1. The amendment of Article 16 of the Articles of Incorporation shall take effect from September 1, 2022, which is the date of enforcement of the revised provisions stipulated in the proviso of Article 1 of the supplementary provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019; the “Enforcement Date”).</u></p> <p><u>2. Notwithstanding the provisions of the previous paragraph, Article 16 (Internet Disclosure and Deemed Provision of Reference Documents for General Meetings of Shareholders) of the Articles of Incorporation shall remain valid for general meetings of shareholders held on a day that is within six months of the Enforcement Date.</u></p> <p><u>3. Provisions of this Article shall be deleted on the day after which six months have elapsed since the Enforcement Date or the day after which three months have elapsed since the day of the general meeting of shareholders in the previous paragraph, whichever is later.</u></p>

Proposal 3: Election of six (6) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members)

If Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a company with an Audit & Supervisory Committee, and the term of office of all seven (7) Executive Directors will expire upon the effective date of the amendments to the Articles of Incorporation. Accordingly, the Company proposes that six (6) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members; the same shall apply hereinafter in this proposal), of which three (3) are Outside Executive Directors, be elected. This proposal will take effect on the condition that amendments to the Articles of Incorporation in Proposal 2 “Partial Amendments to the Articles of Incorporation” come into effect.


All the candidates for Outside Executive Directors satisfy the “Independence Standards” (page 38) established by the Company.

This proposal was deliberated by the Advisory Committee.

The candidates for Executive Directors are as follows.

Candidate number	Name	Present position and responsibility in the Company	Candidate attribute				Status of attendance at Board of Directors
1	Takafumi Takeshita	President & CEO	Reelected	Male			18/18 (100%)
2	Takuya Tanaka	Executive Vice President, in charge of East Japan Business Unit 1, in charge of East Japan Business Unit 2, in charge of East Japan Business Unit 3, in charge of Central Japan Business Unit, in charge of West Japan Business Unit	Reelected	Male			18/18 (100%)
3	Mitsuru Kiuchi	Executive Vice President	Newly elected	Male			-
4	Maya Ito	Outside Executive Director	Reelected	Outside	Independent	Female	15/15 (100%)
5	Hideki Suda	Outside Audit & Supervisory Board Member	Newly elected	Outside	Independent	Male	18/18 (100%)
6	Masayoshi Wada	-	Newly elected	Outside	Independent	Male	-

- (Notes)
- Ms. Maya Ito was newly elected as and assumed the position of Executive Director at the 34th Annual Shareholders Meeting held on June 23, 2021, and the number and percentage of attendance at the Board of Directors meetings held after her assumption of the position are shown.
 - Mr. Hideki Suda is currently an Outside Audit & Supervisory Board Member and attended all 16 meetings of the Audit & Supervisory Board held during the fiscal year under review.

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	Takafumi Takeshita (Mar. 28, 1965)  [Reelected] [Male]	President & CEO	46,387 shares	18/18 (100%)


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

Apr. 1988	Joined Ungermaun-Bass Networks K.K.
May 1989	Joined the Company
Apr. 2006	Vice President, Technical Service Headquarters of Network Service And Technologies Co., Ltd. (current Net One Systems Co., Ltd.) (seconded)
Jun. 2009	Executive Director, Network Service And Technologies Co., Ltd.
Jul. 2011	Vice President of the Company
Jun. 2018	Senior Vice President
Apr. 2021	President & CEO (incumbent)

Reasons for selection as a candidate for Executive Director:

Mr. Takafumi Takeshita has a wealth of experience and a proven track record in technology through many years of practical experience in technology operations. Since assuming the position as Executive Director of the Company in June 2018, he has made an effort to strengthen the business management system of the entire Group as Executive Director in charge of divisions such as the Corporate Planning & Management Division.

Since assuming the position of President & CEO in April 2021, he has made every effort to build a sound governance system for the entire Group through the steady implementation of measures to prevent recurrence and to reform the corporate culture and organization, and has also focused on the formulation of the new Medium-term Business Plan and has worked to formulate a medium- to long-term growth strategy for the Group. Having judged that it is necessary that he continues to be in the position of Executive Director in order to further enhance the Company's corporate value in light of the above, the Company has selected him as a candidate for Executive Director.

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
2	Takuya Tanaka (Apr. 7, 1969)  [Reelected] [Male]	Executive Vice President	2,624 shares	18/18 (100%)

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

Apr. 1992 Joined Nihon Unisys, Limited

Aug. 1996 Joined Nihon Cisco Systems K.K. (current Cisco Systems G.K.)

Aug. 2000 Vice President, in charge of Western Japan Sales Headquarters of Cisco Systems K.K.

Apr. 2009 Joined the Company
Vice President, in charge of Western Japan Sales Headquarters of Net One Partners Co., Ltd.

Apr. 2013 Vice President, Net One Partners Co., Ltd.

Apr. 2014 Executive Director and Vice President, Net One Partners Co., Ltd.

Apr. 2017 Vice President of the Company
Executive Director and Executive Vice President, Net One Partners Co., Ltd.

Apr. 2018 President & CEO, Net One Partners Co., Ltd. (incumbent)

Jun. 2018 Senior Vice President of the Company

Jun. 2021 Senior Vice President

Apr. 2022 Executive Vice President, in charge of East Japan Business Unit 1, in charge of East Japan Business Unit 2, in charge of East Japan Business Unit 3, in charge of Central Japan Business Unit, in charge of West Japan Business Unit (incumbent)


(Significant concurrent positions)

President & CEO, Net One Partners Co., Ltd.

Reasons for selection as a candidate for Executive Director:

Mr. Takuya Tanaka has an extensive track record based on experience through many years of practical experience in sales operations. Since his appointment as an Executive Director of the Company in June 2018, he has made every effort to strengthen the management foundation, business management system, and sales operations as the Executive Director in charge of sales divisions, etc., and has also worked to establish a sound governance system for the entire Group and to reform the corporate culture and organization.

Having judged that it is necessary that he continues to be in the position of Executive Director in order to further enhance the Company's corporate value in light of the above, 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	Mitsuru Kiuchi (Dec. 26, 1958)  [Newly elected] [Male]	Executive Vice President	0 shares	-


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

Apr. 1981	Joined Tokio Marine & Fire Insurance Co., Ltd. (current Tokio Marine & Nichido Fire Insurance Co., Ltd.)
Jul. 2009	General Manager, Nagano Branch, Tokio Marine & Fire Insurance Co., Ltd.
Jun. 2012	General Manager, Kansai Business Support Department, Tokio Marine & Fire Insurance Co., Ltd.
Jun. 2013	Executive Officer, Tokio Marine & Fire Insurance Co., Ltd.
Jul. 2015	Full-time Auditor, Health Insurance Claims Review & Reimbursement Services
Jul. 2019	Full-time Audit & Supervisory Board Member, Tokio Marine & Nichido Facilities, Inc.
Mar. 2021	Advisor of the Company
Apr. 2022	Executive Vice President (incumbent)

Reasons for selection as a candidate for Executive Director:

Mr. Mitsuru Kiuchi has an extensive track record based on his experience in the human resources and internal audit operations, as well as in senior management positions of other companies. Since March 2021, he has served as an Advisor to the Company, mainly supporting various measures to strengthen internal audits, which are also being undertaken as part of measures to prevent recurrence. After assuming the position of Executive Vice President of the Company in April 2022, he has made every effort to restructure the Company's personnel system and reform the corporate culture and organization as the Chief Human Resources Officer.

Having judged that it is necessary that he is in the position of Executive Director in order to further enhance the Company's corporate value in light of the above, the Company has newly 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	<p>Maya Ito (Dec. 28, 1976)</p>  <p>[Reelected] [Independent] [Outside] [Female]</p>	Outside Executive Director	131 shares	15/15 (100%)

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

Oct. 2002 Registered Lawyer
Joined Asahi Koma Law Offices (current Nishimura & Asahi)

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

Apr. 2010 Lecturer, Surugadai University Law School

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

Jan. 2016 Partner, Nishimura & Asahi (incumbent)

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

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


Jun. 2021 Outside Executive Director of the Company (incumbent)

(Significant concurrent positions)

Partner, Nishimura & Asahi
Outside Director (Audit and Supervisory Committee), OPTIMUS Group Co., Ltd.
Audit & Supervisory Board Member, Human Life CORD Japan Inc.

Matters Concerning Candidate for Outside Executive Director

- (1) Reasons for selection as a candidate for Outside Executive Director and overview of expected role:
Ms. Maya Ito has appropriately supervised the Company's management through actively providing opinions and proposals as a specialist in corporate governance, and law and compliance, based on her extensive knowledge and experience as a lawyer and as an Outside Director who is an Audit & Supervisory Committee Member and Audit & Supervisory Board Member at other companies. Having judged that she will continue to contribute to the strengthening of management oversight functions, the Company has selected her as a candidate for Outside Executive Director. Although she has no direct experience of being involved in management, for the reasons stated above, the Company believes that she will be able to appropriately perform her duties as an Outside Executive Director.
- (2) The Company has filed Ms. Maya Ito as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If the election of Ms. Maya Ito is approved, the Company will continue to file her as an Independent Executive Officer.
- (3) Ms. Maya Ito currently occupies the position of Outside Executive Director of the Company and her term of office will be one (1) year 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	Status of attendance at Audit & Supervisory Board
5	Hideki Suda (May 4, 1943)  [Newly elected] [Independent] [Outside] [Male]	Outside Audit & Supervisory Board Member	2,979 shares	18/18 (100%)	16/16 (100%)


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

Apr. 1966	Joined Fujikura Electric Wire Corporation (current Fujikura Ltd.)
Jul. 1987	Deputy General Manager, Human Resources Department, Fujikura Electric Wire Corporation
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 Executive Director

- (1) Reasons for selection as a candidate for Outside Executive Director and overview of expected role:
Since his appointment as an Outside Audit & Supervisory Board Member of the Company in June 2016, Mr. Hideki Suda has objectively and neutrally audited the Company's management by actively providing opinions and proposals, drawing on his extensive knowledge and experience as a President and Corporate Auditor at other companies. In addition to this knowledge and experience, he has a proven track record in human resources and organizational reform based on his experience in the human resources operations of other companies. Having judged that he will provide appropriate supervision from the standpoint of an Outside Executive Director as the Company restructures its personnel system and promotes corporate culture and organizational reforms, the Company has newly selected him as a candidate for Outside Executive Director.
- (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 approved as originally proposed, the Company will continue to file 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 six (6) years at the conclusion of this general meeting.
- (4) During Mr. Hideki Suda's tenure as an Outside Audit & Supervisory Board Member of the Company, the following incidents occurred: (1) the Company's former employee had misappropriated the Company's funds through the use of fictitious transactions and inflated transactions with suppliers; (2) the Company's employees and former employees undertook improper substitution of costs securing "risk expenses" from lease companies and suppliers; (3) the Company's former employee undertook improper substitution of costs for multiple transactions; (4) the Internal Audit Office's evaluation operations of internal controls relating to financial reporting used inadequate sampling; (5) the extraordinary losses in relation to approximately 5,100 million yen in advances paid concerning transactions without actual deliveries of good recorded over the three year period from the 31st fiscal year to the 33rd fiscal year for the corrections of previous results made in March 2020 were of a nature

that should have been borne over the period from the 29th fiscal year, the year in which the series of fictitious and circular transactions commenced, until the 33rd fiscal year; (6) part of the funds from the Company to multiple operators concerning the transactions without actual deliveries of goods are assigned as the provision of services and goods relating to transactions recorded by the Company as sales; and (7) part of the stock received transactions that were recognized as transactions without actual deliveries of goods for the corrections to previous results made in March 2020 were authentic. Although Mr. Hideki Suda was unaware of these facts in advance, he had regularly made comments at Board of Directors meetings and other meetings from a neutral standpoint as an Outside Audit & Supervisory Board Member, from the perspective of strengthening compliance and internal controls. After the discovery of the incidents, he fulfilled his responsibilities by proposing a thorough investigation to determine the cause of the incidents and providing opinions on measures to prevent recurrence and to further strengthen internal controls.

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	Masayoshi Wada (Jan. 5, 1959)  [Newly elected] [Independent] [Outside] [Male]	-	0 shares	-

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

Apr. 1983	Joined IBM Japan, Ltd.
Jul. 2007	VP, in charge of global engineering solutions, IBM Japan, Ltd.
May 2008	General Manager, Corporate Planning Division, Canon Marketing Japan Inc.
Mar. 2010	Director, Senior Executive Officer, General Manager, Infrastructure Business Division, Canon IT Solutions Inc.
Mar. 2013	Director, Senior Executive Officer, General Manager, Infrastructure Business Division, Canon IT Solutions Inc. Director, Canon ITS Medical inc.
Jan. 2014	Director, Senior Executive Officer, Deputy General Manager, SI Service Division, Canon IT Solutions Inc.
Mar. 2016	Full-time Audit & Supervisory Board Member, Canon IT Solutions Inc.
Mar. 2020	Director (in charge of Development Department), SOFTMAX CO., LTD

Matters Concerning Candidate for Outside Executive Director

- (1) Reasons for selection as a candidate for Outside Executive Director and overview of expected role:
Mr. Masayoshi Wada has experience as a Director and Audit & Supervisory Board Member at other companies and a wealth of knowledge and experience in the information and telecommunications business field. He has been newly selected as a candidate for Outside Executive Director based on the expectation that he will supervise the Company's management from an independent and objective standpoint, from the perspective of corporate management, technology, risk management, and other areas.
- (2) If the election of Mr. Masayoshi Wada is approved, the Company will file him as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE).
- (3) Mr. Masayoshi Wada used to work for Canon IT Solutions Inc. (until March 2016), and the Company has business transactions with Canon IT Solutions Inc. However, the amount of revenue from such transactions for the current fiscal year is only approximately 0.1% of the revenue of the Company for the current fiscal year, and the amount of purchases from such transactions during the fourth quarter of the fiscal year ended March 31, 2021 through the third quarter of the fiscal year ended March 31, 2022 was only less than 0.1% of the revenue of Canon IT Solutions Inc. for the fiscal year ended December 31, 2021. Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
Moreover, Mr. Masayoshi Wada used to work for Canon ITS Medical inc. (until March 2016), and the Company has business transactions with Canon ITS Medical inc. However, the amount of revenue from such transactions for the current fiscal year is only less than 0.1% of the 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.
Furthermore, Mr. Masayoshi Wada used to work for SOFTMAX CO., LTD (until March 2022), and the Company has business transactions with SOFTMAX CO., LTD. However, the amount of revenue from such transactions for the current fiscal year is only less than 0.1% of the 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.

- (Notes)
1. There are no special interests between the candidates and the Company.
 2. The Company has entered into a limited liability agreement with Ms. Maya Ito 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 amount stipulated in applicable laws and regulations. If the election of both candidates is approved, the Company will continue the said agreements. In addition, if the election of Mr. Masayoshi Wada is approved, the Company will also enter into the same limited liability agreement with him.
 3. The Company has entered into an agreement of Directors and Officers liability insurance policy with an insurance company in accordance with Paragraph 1 of Article 430-3 of the Companies Act and if claim for damages is made by shareholder(s) or any third party, the compensation for the damage, fees for legal actions, etc. shall be paid for by said insurance agreement. All candidates will be included in the insured of the said insurance agreement. The Company plans to renew said insurance agreement under the same conditions as stated above.

Proposal 4: Election of three (3) Executive Directors who are Audit & Supervisory Committee Members

If Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a company with an Audit & Supervisory Committee.

Accordingly, the Company proposes that three (3) Executive Directors who are Audit & Supervisory Committee Members be elected.

This proposal will take effect on the condition that amendments to the Articles of Incorporation in Proposal 2 “Partial Amendments to the Articles of Incorporation” come into effect.


All candidates are candidates for Outside Executive Director and satisfy the “Independence Standards” (page 38) established by the Company.

Additionally, this proposal has been deliberated by the Advisory Committee and consented to by the Audit & Supervisory Board.

The candidates for Executive Directors who are Audit & Supervisory Committee Members are as follows.

Candidate number	Name	Present position and responsibility in the Company	Candidate attribute				Status of attendance at Board of Directors	Status of attendance at Audit & Supervisory Board
1	Kazuhiro Noguchi	Full-time Outside Audit & Supervisory Board Member	Newly elected	Outside	Independent	Male	15/15 (100%)	11/11 (100%)
2	Sachiko Iizuka	Outside Audit & Supervisory Board Member	Newly elected	Outside	Independent	Female	18/18 (100%)	16/16 (100%)
3	Shigeki Kusaka	Outside Executive Director	Newly elected	Outside	Independent	Male	18/18 (100%)	-

(Note) Mr. Kazuhiro Noguchi was newly elected as and assumed the position of Audit & Supervisory Board Member at the 34th Annual Shareholders Meeting held on June 23, 2021, and the number and percentage of attendance at the Board of Directors meetings and Audit & Supervisory Board meetings held after his assumption of the position are shown.


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
1	Kazuhiro Noguchi (Jun. 6, 1957)  [Newly elected] [Independent] [Outside] [Male]	Full-time Outside Audit & Supervisory Board Member	78 shares	15/15 (100%)	11/11 (100%)

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

Sep. 1985 Joined Chuo Accounting Audit Corporation
 Mar. 1989 Registered as Certified Public Accountant
 Jul. 2000 Partner, ChuoAoyama Audit Corporation
 Aug. 2007 Senior Partner, Shin Nihon & Co. (current Ernst & Young ShinNihon LLC)
 Jul. 2019 Established Kazuhiro Noguchi Certified Public Accountant Office (incumbent)
 Jun. 2020 Outside Audit & Supervisory Board Member, NICHIRYOKU Co., Ltd. (incumbent)
 Jun. 2021 Full-time Outside Audit & Supervisory Board Member of the Company (incumbent)
 (Significant concurrent positions)
 Kazuhiro Noguchi Certified Public Accountant Office
 Outside Audit & Supervisory Board Member, NICHIRYOKU Co., Ltd.

Matters Concerning Candidate for Outside Executive Director

- (1) Reasons for selection as a candidate for Outside Executive Director and overview of expected role:
 Since assuming office as an Outside Audit & Supervisory Board Member of the Company in June 2021, Mr. Kazuhiro Noguchi has objectively and neutrally audited the Company's management by actively providing opinions and proposals from the perspective of his extensive knowledge and experience in finance and accounting accumulated as a certified public accountant. He has been newly selected as a candidate for Outside Executive Director who is an Audit & Supervisory Committee Member based on the determination that he will continue to contribute to strengthening the supervisory function of the Company's management. 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 as Outside Executive Director properly.
- (2) The Company has filed Mr. Kazuhiro Noguchi as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If this proposal is approved as originally proposed, the Company will continue to file him as an Independent Executive Officer.
- (3) Mr. Kazuhiro Noguchi currently occupies the position of Outside Audit & Supervisory Board Member of the Company, and his term of office as Outside Audit & Supervisory Board Member will be one (1) year 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	Status of attendance at Audit & Supervisory Board
2	Sachiko Iizuka (Sep. 16, 1969)  [Newly elected] [Independent] [Outside] [Female]	Outside Audit & Supervisory Board Member	349 shares	18/18 (100%)	16/16 (100%)

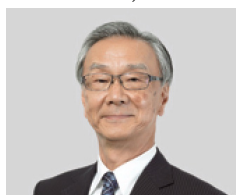
Career summary, position and responsibilities at the Company, and significant concurrent positions

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)
Jun. 2020	Outside Audit & Supervisory Board Member of the Company (incumbent)
Mar. 2021	Representative Partner, Cenxus Audit Corporation (incumbent)
	(Significant concurrent positions)
	Representative Director, LAULEA CORPORATION
	Auditor (Outside), KORAKUEN HOLDINGS CORPORATION
	Auditor (Outside), BeeX Co., Ltd.
	Representative Partner, Cenxus Audit Corporation

Matters Concerning Candidate for Outside Executive Director

- (1) Reasons for selection as a candidate for Outside Executive Director and overview of expected role: Since assuming office as an Outside Audit & Supervisory Board Member of the Company in June 2020, Ms. Sachiko Iizuka has objectively and neutrally audited the Company's management by actively providing opinions and proposals based on her extensive knowledge and experience in finance and accounting as a certified public accountant and as a Representative Director of other company. She has been newly selected as a candidate for Outside Executive Director who is an Audit & Supervisory Committee Member based on the determination that she will continue to contribute to strengthening the supervisory function of the Company's management.
- (2) The Company has filed Ms. Sachiko Iizuka as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If this proposal is approved as originally proposed, the Company will continue to file her as an Independent Executive Officer.
- (3) Ms. Sachiko Iizuka currently occupies the position of Outside Audit & Supervisory Board Member of the Company and her term of office will be two (2) years at the conclusion of this general meeting.
- (4) During Ms. Sachiko Iizuka's tenure as an Outside Audit & Supervisory Board Member of the Company, the following incidents occurred: (1) the Company's former employee had misappropriated the Company's funds through the use of fictitious transactions and inflated transactions with suppliers; (2) the Company's employees and former employees undertook improper substitution of costs securing "risk expenses" from lease companies and suppliers; (3) the Company's former employee undertook improper substitution of costs for multiple transactions; (4) the Internal Audit Office's

evaluation operations of internal controls relating to financial reporting used inadequate sampling; (5) the extraordinary losses in relation to approximately 5,100 million yen in advances paid concerning transactions without actual deliveries of good recorded over the three year period from the 31st fiscal year to the 33rd fiscal year for the corrections of previous results made in March 2020 were of a nature that should have been borne over the period from the 29th fiscal year, the year in which the series of fictitious and circular transactions commenced, until the 33rd fiscal year; (6) part of the funds from the Company to multiple operators concerning the transactions without actual deliveries of goods are assigned as the provision of services and goods relating to transactions recorded by the Company as sales; and (7) part of the stock received transactions that were recognized as transactions without actual deliveries of goods for the corrections to previous results made in March 2020 were authentic. Although Ms. Sachiko Iizuka had not been appointed as an Audit & Supervisory Board Member yet at the time of the incident, after the discovery of the incidents, she fulfilled her responsibilities by proposing a thorough investigation to determine the cause of the incidents and providing opinions on measures to prevent recurrence and to further strengthen internal controls.

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
3	Shigeki Kusaka (Nov. 26, 1952)  [Newly elected] [Independent] [Outside] [Male]	Outside Executive Director	1,164 shares	18/18 (100%)	-

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

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

Matters Concerning Candidate for Outside Executive Director

- (1) Reasons for selection as a candidate for Outside Executive Director and overview of expected role:
Since assuming office as an Outside Executive Director of the Company in June 2020, Mr. Shigeki Kusaka has appropriately supervised the Company's management by actively providing opinions and proposals based on a wealth of knowledge and experience in the information and telecommunications business field and his experience as a Representative Director or Director at other companies. He has been newly selected as a candidate for Outside Executive Director who is an Audit & Supervisory Committee Member based on the determination that he will continue to contribute to strengthening the supervisory function of the Company's management.
- (2) The Company has filed Mr. Shigeki Kusaka as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If this proposal is approved as originally proposed, the Company will continue to file him as an Independent Executive Officer.
- (3) Mr. Shigeki Kusaka 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.
- (4) Mr. Shigeki Kusaka used to work for INTEC Inc. (until March 2019), and the Company has business transactions with INTEC Inc. However, the amount of revenue from such transactions for the current fiscal year is only less than 0.1% of the revenue of the Company for the current fiscal year, and the amount of purchases from such transactions for the fiscal year ended March 31, 2021 was only less than 0.1% of the revenue of INTEC Inc. for the fiscal year ended March 31, 2021. Therefore, we believe that these transactions pose no risk of conflict of interest with general shareholders.
Moreover, Mr. Shigeki Kusaka used to work for TIS Inc. (until June 2018), and the Company has business transactions with TIS Inc. However, the amount of revenue from such transactions for the current fiscal year is only approximately 0.1% of the revenue of the Company for the current fiscal year, and the amount of purchases from such transactions for the current fiscal year was only less than 0.1% of the revenue of TIS Inc. for the fiscal year ended March 31, 2022. 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. Kazuhiro Noguchi, Ms. Sachiko Iizuka, and Mr. Shigeki Kusaka, respectively. The purpose of this agreement is to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act. The maximum liability amount shall be the amount stipulated in applicable laws and regulations. If the election of each candidate is approved, the Company will continue the said agreements.
3. The Company has entered into an agreement of Directors and Officers liability insurance policy with an insurance company in accordance with Paragraph 1 of Article 430-3 of the Companies Act and if claim for damages is made by shareholder(s) or any third party, the compensation for the damage, fees for legal actions, etc. shall be paid for by said insurance agreement. All candidates will be included in the insured of the said insurance agreement. The Company plans to renew said insurance agreement under the same conditions as stated above.

(For Reference)

<Skill matrix of the Company's (expected) Executive Directors following the conclusion of the Annual General Meeting of Shareholders on June 22, 2022>

Name	Title	Tenure	Corporate management/ Management strategy	Technology	Human resources/ Corporate culture and organizational reform	Finance/ accounting	Governance/ law/ risk management	Sustainability
Takafumi Takeshita	Representative Director	1 year and 3 months (4 years as Executive Director)	○	○	○			○
Takuya Tanaka	Executive Director	4 years	○	○	○			
Mitsuru Kiuchi	Executive Director	-			○	○	○	
Maya Ito	Outside Executive Director	1 year					○	○
Hideki Suda	Outside Executive Director	-	○		○			
Masayoshi Wada	Outside Executive Director	-	○	○			○	○
Kazuhiro Noguchi	Outside Executive Director (Full-time Audit & Supervisory Committee Member)	-				○	○	
Sachiko Iizuka	Outside Executive Director (Audit & Supervisory Committee Member)	-	○			○		
Shigeki Kusaka	Outside Executive Director (Audit & Supervisory Committee Member)	-	○	○			○	

(Notes) 1. The number of years in office is as at the conclusion of this general meeting.

2. Mr. Hideki Suda is currently an Outside Audit & Supervisory Board Member of the Company, and his term of office as an Outside Audit & Supervisory Board Member will be six (6) years at the conclusion of this general meeting.
3. Mr. Kazuhiro Noguchi is currently an Outside Audit & Supervisory Board Member of the Company, and his term of office as an Outside Audit & Supervisory Board Member will be one (1) year at the conclusion of this general meeting.
4. Ms. Sachiko Iizuka is currently an Outside Audit & Supervisory Board Member of the Company, and her term of office as an Outside Audit & Supervisory Board Member will be two (2) years at the conclusion of this general meeting.
5. Mr. Shigeki Kusaka is currently an Outside Executive Director of the Company, and his term of office as an Outside Executive Director will be two (2) years at the conclusion of this general meeting.

(Reference)

Independence Standards

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

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

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

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

Proposal 5: Establishment of amount of remuneration for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members)

The amount of remuneration for Executive Directors of the Company was resolved at the 28th Annual Shareholders Meeting held on June 16, 2015 to be no more than 470 million yen per year (of which, no more than 400 million yen per year for Executive Directors excluding Outside Executive Directors and no more than 70 million yen per year for Outside Executive Directors), which is the current amount. Bonuses for Executive Directors have been paid separately from the above remuneration, subject to approval by a resolution of the General Meeting of Shareholders each year.

If Proposal 2 “Partial amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a company with an Audit & Supervisory Committee as of the conclusion of this general meeting. Taking the transition to a company with an Audit & Supervisory Committee as an opportunity, the Company has decided to revise the remuneration of Executive Directors in order to motivate Executive Directors more strongly than ever to improve corporate value over the medium to long term by steadily implementing the performance targets set forth in the Medium-term Business Plan, of which the fiscal year ending March 31, 2023 is the first year, and non-financial targets to solidify the Company’s social significance, by thoroughly implementing measures to prevent recurrence of the fraudulent transactions discovered in the past fiscal year, and by promoting corporate culture reform.

Accordingly, in consideration of the responsibilities of Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) and various circumstances such as the economic situation, the Company proposes that the amount of basic remuneration for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) shall be no more than 280 million yen per year (of which, no more than 80 million yen per year for Outside Executive Directors).

With respect to bonuses for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors), in accordance with the revise of the remuneration system, the Company proposes to set a ceiling on the total amount of bonuses by a resolution of the General Meeting of Shareholders, separate from the ceiling for basic remuneration, for the purpose of more flexible management of bonuses. For the purpose of making such bonuses act as a strong incentive by increasing the linkage between the bonuses and important KPIs, such as the achievement of performance targets and non-financial targets, as well as the promotion of corporate culture reform, the Company proposes that the amount of the bonuses shall be no more than 150 million yen per year.

Both basic remuneration and bonuses do not include the employee’s portion of salary for Executive Directors who concurrently serve as employees, nor do they include the amount of remuneration for the grant of restricted stock in “Proposal 6: Determination of amount, etc. and details of remuneration for granting restricted stock for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors).”

In revising the remuneration system, after deliberations by the Advisory Committee, the Board of Directors, at its meeting held on May 13, 2022, determined the details of the policy for determining the remuneration, etc. of individual Executive Directors of the Company, as described at the end of this proposal, subject to the approval of this proposal as originally proposed at this general meeting. The Company has determined that the contents of this proposal are appropriate since this proposal is necessary and reasonable for the payment of remuneration to Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) in accordance with said policy.

The basic remuneration covers all Executive Directors including Outside Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members), and the bonuses cover Executive Directors other than Outside Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members). If Proposal 3 “Election of six (6) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members),” is approved at this general meeting as originally proposed, the number of Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) will be six (6) (of which, three (3) are Outside Executive Directors).

In addition, the effectiveness of the resolution on this proposal shall be conditional upon the amendments to the Articles of Incorporation regarding Proposal 2 “Partial Amendments to the Articles of Incorporation” taking effect.

The specific timing of payment and allocation of remuneration to each Executive Director (excluding Executive Directors who are Audit & Supervisory Committee Members) will be determined by the Board of Directors after deliberation by the Remuneration Advisory Committee. (The Company plans to separate and reorganize the functions of the Advisory Committee into the “Nomination Advisory Committee” and the “Remuneration Advisory Committee” at the meeting of the Board of Directors scheduled to be held after this general meeting.)

The amount of bonuses to be paid for the current fiscal year has been submitted as Proposal 8 “Payment of bonuses to Executive Directors.” If this proposal is approved as originally proposed, payment of bonuses for the next and subsequent fiscal years will be determined by the Board of Directors within the above remuneration amount (within 150 million yen per year) after deliberation by the Remuneration Advisory Committee as described above.

<Policy for Determining Remuneration for Officers (resolution at a meeting of the Board of Directors held on May 13, 2022)>

1. Basic policy on executive remuneration

The basic policy of the Company’s executive remuneration system is as follows:

- 1) The executive remuneration system shall contribute to the realization of the Company’s long-term vision, Medium-term Business Plan, and corporate culture reform in order to achieve continuous growth and enhance corporate value.
- 2) The executive remuneration system shall promote the sharing of interests with shareholders and also enhance the management awareness from the perspectives of shareholders.
- 3) The executive remuneration system shall be a highly objective and transparent remuneration system that is accountable to shareholders and other stakeholders.

2. Remuneration levels

In consideration of the management environment of the Group and its competitiveness in the external market, the Company shall set the remuneration level of each officer by using the remuneration level of officers of other companies in the same industry as a benchmark and utilizing objective remuneration survey data from external professional organizations.

The Remuneration Advisory Committee, of which the majority is composed of independent Outside Executive Directors, will verify the appropriateness of the remuneration levels before determining them by a resolution of the Board of Directors.

3. Overview of the executive remuneration system

Remuneration, etc. for officers consists of (1) a fixed amount of basic remuneration, (2) a bonus linked to annual company-wide performance as a short-term incentive, and (3) stock-based remuneration in the form of restricted stock as a medium- to long- term incentive.

For Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors), in light of the series of misconducts, the Company has increased the ratio of stock-based remuneration in the breakdown of remuneration for the purpose of promoting the sharing of interests with shareholders and further enhancing the management awareness from the perspectives of shareholders. Accordingly, with regard to the breakdown of the remuneration for the President & CEO, basic remuneration, bonus, and stock-based remuneration shall constitute 44%, 22%, and 33% of the remuneration, respectively.

As for the breakdown of the remuneration by position, the ratio of incentive remuneration (bonus and stock-based remuneration) for the President & CEO shall be the highest at approximately 55%, followed by approximately 45% for the Executive Vice President, 40% for the Senior Vice President, and 37% for the Vice President, based on position, with the ratio of incentive remuneration increasing gradually for high-ranking officers.

Outside Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) receive only basic remuneration in consideration of their roles and independence.

Executive Directors who are Audit & Supervisory Committee Members shall receive only basic remuneration, in consideration of their roles and independence. Individual remuneration for Executive Directors who are Audit & Supervisory Committee Members shall be determined through consultation among the Executive Directors who are Audit & Supervisory Committee Members.

4. Outline of each remuneration

1) Basic remuneration

Basic remuneration is a monetary remuneration that is paid in fixed monthly amounts in line with the clearly defined roles and responsibilities of each position.

2) Bonuses

Company-wide performance indicators and individual performance indicators will be weighted 70% and 30%, respectively.

As company-wide performance indicators, the Company adopts the “service ratio,” “consolidated revenue,” and “consolidated operating income,” which are also important indicators in the new Medium-term Business Plan. Of these, the Company will place the highest priority on the “service ratio” in order to further promote the Group’s current transition from a business model centered on the sale of goods to one that provides comprehensive ICT-related services, with service ratio, consolidated revenue, and consolidated operating income weighted 50%, 10%, and 10%, respectively.

As individual performance indicators, taking into consideration the lessons from the past misconducts, the Company adopts “corporate culture reform,” “materiality KPIs,” and “other individual goals,” which are indispensable for further enhancement of corporate value, with each weighted 10%, 15%, and 5%, respectively.

Based on the degree of target achievement regarding these indicators and other factors, the amount of the bonuses will fluctuate between 0% and 200% of the standard amount to be paid.

3) Stock-based remuneration

The Company introduces a restricted stock remuneration plan. Specifically, the plan is designed to provide a fixed amount of shares each year in accordance with the role and responsibilities by position and to lift restrictions on transfer upon the retirement of the Executive Director, etc.

5. Procedures and methods for determining remuneration

The Remuneration Advisory Committee, in response to the inquiry from the Board of Directors, shall deliberate and report to the Board of Directors on the individual remuneration of Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members). The Board of Directors determines the individual remuneration of Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) in accordance with the report of the Remuneration Advisory Committee.

6. Malus/clawback system

As part of efforts to establish a high-level corporate governance system, the Company introduces the following system (malus/clawback system) for bonuses and stock-based remuneration.

1) A system to force the return of bonuses paid in the event of a material revision of financial results or serious misconduct.

2) A system under the restricted stock remuneration plan whereby, if, after the expiration of the restricted transfer period, an eligible officer is found to have committed an act in violation of laws and regulations during the restricted transfer period, the Company may demand the eligible officer to return all or part of the allotted shares held by him or her, or to pay an amount equivalent to the market value of the shares in lieu of the said shares.

3) A system under the restricted stock remuneration plan whereby, if an eligible officer is found to have committed an act in violation of laws and regulations during the restricted transfer period, the Company may acquire all or part of the allotted shares held by the eligible officer without consideration.

Proposal 6: Determination of amount, etc. and details of remuneration for granting restricted stock for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors)

1. Reasons for the proposal

As described in Proposal 5 “Establishment of amount of remuneration for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members),” the Company decided to revise the remuneration for Executive Directors, and as part of such revision, the Company proposes to newly pay remuneration to the Company’s Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors; hereinafter the “Eligible Directors”) for the grant of restricted stock, separately from the remuneration described in Proposal 5, for the purpose of providing incentives to continuously improve the Company’s corporate value and promote further value sharing between the Eligible Directors and the Company’s shareholders.

Since this proposal is necessary and reasonable for the grant of remuneration to the Eligible Directors in accordance with the Company’s policy for determining remuneration, etc. for individual Executive Directors after the change described on Proposal 5, the Company believes that this proposal is appropriate.

In addition, the resolution on this proposal will become effective on the condition that the amendments to the Articles of Incorporation in relation to Proposal 2 “Partial Amendments to the Articles of Incorporation,” take effect.

At the 25th Annual Shareholders Meeting held on June 14, 2012, the Company received approval for the allocation of stock acquisition rights as stock options to Executive Directors (excluding Outside Executive Directors) in the amount of no more than 50 million yen per year, and based on this approval resolution, stock acquisition rights have been issued as stock options. However, the Company has decided to abolish this remuneration framework and will not issue such rights in the future.

2. Overview of the plan

(1) Maximum amount of monetary compensation claims and maximum number of shares

The remuneration to be paid to the Eligible Directors for the grant of restricted stock in accordance with this proposal shall be monetary compensation claims, and the total amount of the monetary compensation claims shall not exceed 150 million yen per year as an amount considered reasonable in light of the above purposes. The specific timing of payment and allocation of the remuneration to each Eligible Director shall be determined by the Board of Directors after deliberation by the Remuneration Advisory Committee (please refer to Proposal 5).

The Company currently has seven (7) Executive Directors (including three (3) Outside Executive Directors), and if Proposal 3 “Election of six (6) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members)” is approved as originally proposed, the number of Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) will be six (6) (of which, three (3) are Outside Executive Directors), resulting in the number of the Eligible Directors to be three (3).

The Eligible Directors shall, based on the resolution of the Board of Directors of the Company, deliver to the Company all of the monetary compensation claims to be paid under this proposal as assets contributed in kind, and shall be issued or disposed of shares of common stock of the Company (provided, however, that the Eligible Director is in the position of an Executive Director of the Company on the date of resolution on the issuance requirements for the restricted stock), and the total number of shares of common stock of the Company to be issued or disposed of as a result thereof shall be 100,000 shares or less per year (however, in the event of a stock split (including gratis allotment of shares of the Company’s common stock) or reverse stock split of the Company’s common stock with an effective date on or after the date on which this proposal is approved, such maximum total number of shares shall be adjusted, as necessary, to a reasonable extent in accordance with the split ratio, allotment ratio, reverse stock split ratio, etc. after such effective date).

The amount to be paid per share shall be the closing price of the Company’s common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors (or the closing price of the immediately preceding trading day if no trading was effected on that date).

(2) Overview of restricted stock

The allotment of shares of common stock to the Eligible Directors by the Company shall be subject to the execution of a restricted stock allotment agreement (hereinafter the "Allotment Agreement") between the Company and the Eligible Directors, which contains the following contents in summary (the shares of common stock of the Company allotted to the Eligible Directors under the Allotment Agreement are hereinafter referred to as the "Shares").

(a) Period of restricted transfer

During the period from the payment date of the Shares (hereinafter the "Payment Date") to the time when the Eligible Director retires or resigns from his or her position as an Executive Director, Vice President, or employee (excluding commissioned employees) of the Company or its subsidiaries (hereinafter, the "Restriction Period"), he or she may not transfer, create a security interest, or otherwise dispose of the Shares.

(b) Conditions for cancellation of transfer restrictions

The restriction on transfer of all of the Shares shall be canceled upon expiration of the Restriction Period, provided that the Eligible Director has continuously held the position of Executive Director, Vice President, or employee (excluding commissioned employees) of the Company or its subsidiaries during the period from the day following the date of the Annual Shareholders Meeting immediately preceding the Payment Date until the conclusion of the next Annual Shareholders Meeting (hereinafter the "Service Period").

(c) Reasons for acquisition without consideration

- i. The Company shall acquire all of the Shares without consideration if it is determined that the Eligible Director retires or resigns from the positions of Executive Director, Vice President, or employee (excluding commissioned employees) of the Company or its subsidiaries due to reasons other than death, expiration of term of office, retirement age, or any other justifiable reason.
- ii. If, during the Restriction Period, it is discovered that the Eligible Director has committed an act in violation of laws and regulations, etc., the Company shall acquire all or part of the Shares pertaining to such Eligible Director without consideration.
- iii. If, after the expiration of the Restriction Period, the Company discovers that the Eligible Director committed an act in violation of laws and regulations, etc. during the Restriction Period, the Company shall acquire all or part of the Shares pertaining to such Eligible Director without consideration.
- iv. Other reasons for the acquisition of the Shares without consideration shall be as set forth in the Allotment Agreement based on a resolution of the Board of Directors of the Company.

(d) Treatment in the event of death or mid-term retirement

Notwithstanding the provisions of (b) above, in the event of the resignation or retirement from the positions of Executive Director, Vice President, or employee (excluding commissioned employees) of the Company or its subsidiaries during the Service Period due to death, expiration of term of office, retirement age, or any other justifiable reason, the Company shall cancel the restriction on transfer of the number of the Shares reasonably determined by a resolution of the Board of Directors based on the period of service during the Service Period upon such resignation or retirement. In this case, the Company shall naturally acquire the Shares for which the restrictions on transfer have not been lifted without consideration as of the time immediately after the cancellation of the restrictions of transfer.

(e) Treatment in the event of organizational restructuring, etc.

Notwithstanding the provisions of (a) and (b) above, if, during the Restriction Period, the General Meeting of Shareholders of the Company (or, in cases where approval by the General Meeting of Shareholders of the Company is not required for such organizational restructuring, etc., the Board of Directors of the Company) approves a merger agreement under which the Company shall become an absorbed company, a share exchange agreement or a share transfer plan under which the Company shall become a wholly-owned subsidiary, or other matters relating to organizational restructuring, etc., the Company may, by a resolution of the Board of Directors, cancel the restrictions on the transfer of a reasonably determined number of the Shares prior to the effective date of such organizational restructuring, etc., based on the period from the start of

the Restriction Period to the date of such approval. In this case, the Company shall naturally acquire the Shares of which transfer restrictions have not been lifted without consideration as of the time immediately following the cancellation of such restrictions.

(f) Other matters

Other matters concerning the Allotment Agreement shall be determined by the Board of Directors of the Company.

The Company plans to issue the same restricted stock as described above as remuneration to the Vice Presidents of the Company by a resolution of the Board of Directors of the Company after the conclusion of this general meeting.

Proposal 7: Establishment of amount of remuneration for Executive Directors who are Audit & Supervisory Committee Members

If Proposal 2 “Partial Amendments to the Articles of Incorporation” is approved as originally proposed, the Company will transition to a company with an Audit & Supervisory Committee as of the conclusion of this Annual Shareholders Meeting.

Accordingly, the Company proposes that the amount of remuneration for Executive Directors who are Audit & Supervisory Committee Members be set at no more than 100 million yen per year, taking into consideration their responsibilities and various circumstances such as the economic situation. The remuneration, etc. for Executive Directors who are Audit & Supervisory Committee Members will consist solely of the basic remuneration at a fixed amount based on the contents of this proposal.

The Company believes that this proposal is appropriate because it is necessary and reasonable to grant remuneration to Executive Directors who are Audit & Supervisory Committee Members in accordance with the Company’s policy for determining remuneration, etc. for individual Executive Directors after the change described on Proposal 5 “Establishment of amount of remuneration for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members).”

The specific amount, timing, method, etc. of payment to the Executive Directors who are Audit & Supervisory Committee Members are proposed to be left to the discretion of the Executive Directors who are Audit & Supervisory Committee Members.

If Proposal 4 “Election of three (3) Executive Directors who are Audit & Supervisory Committee Members” is approved as originally proposed, there will be three (3) Executive Directors who are Audit & Supervisory Committee Members (including three (3) Outside Executive Directors).

The resolution on this proposal will become effective on the condition that the amendments to the Articles of Incorporation in relation to Proposal 2 “Partial Amendments to the Articles of Incorporation” take effect.

Proposal 8: Payment of bonuses to Executive Directors

The Company proposes to pay bonuses to four (4) Executive Directors (excluding three (3) Outside Executive Directors) as of the end of the current fiscal year in the total amount of 46,705,000 yen.

This proposal was decided by the Board of Directors after deliberation by the Advisory Committee, taking into consideration the business results for the current fiscal year, and the Company has determined that it is appropriate because it is in line with the Company's policy for determining officers' remuneration as described in the 35th Term Business Report on pages 65 to 67.

The specific amount, timing, method, etc. of payment to each Executive Director will be decided by the Board of Directors.

End

(Attachments)

Business Report

April 1, 2021 to March 31, 2022

1. Business conditions for the Corporate Group

(1) Business activities and results

• Market environment

In recent years, customers have promoted management with a strong awareness of sustainability, and digitalization to solve such issues has become the foundation of all industries. In this market environment, secure and high-quality network infrastructure is essential.

The Group has realized optimal network systems for the customers by combining “world-class network technology,” “discerning ability” to derive optimal solutions from a neutral standpoint based on the market environment, cutting-edge technology, and actual customer issues, and “integration ability” to combine multiple products and services.

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

The Group has established the following Medium-term Business Plan covering the three-year period from the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022, and has been taking steps to respond to changes in the market.

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

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

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

The target for the period of the Medium-term Business Plan was 5.0 billion yen growth in each of the focused markets and new models (total growth of 25.0 billion yen), and the plan was achieved with a total growth of 32.2 billion yen. In each of the focus markets and new models, progress during the current fiscal year is as follows.

Category	Name of market	Amount of growth for each fiscal year during the Medium-term Business Plan period				Progress during current fiscal year
		FY2019	FY2020 (First year)	FY2021 (Second year)	FY2022 (Third year: current fiscal year)	
Focus markets	Healthcare market	4.0 billion yen	6.0 billion yen	3.8 billion yen	5.2 billion yen	External factors: Investment in ICT at hospitals gradually resumed despite the continuing impact of COVID-19 Internal factors: Orders received have increased due to efforts to obtain projects amid an increase in total investment
	School systems	5.1 billion yen	7.6 billion yen	23.9 billion yen	8.6 billion yen	External factors: A revised supplementary budget to improve the school network associated with the Ministry of Education, Culture, Sports, Science and Technology's GIGA school concept, which was created in the fiscal year ended March 31, 2021, has been lost Internal factors: Against the background of the significant decrease in budget, orders received decreased significantly despite the promotion of proposals for the digitalization of education
	Smart factories	4.0 billion yen	6.7 billion yen	7.1 billion yen	8.7 billion yen	External factors: The desire of manufacturers to invest in ICT is falling due to the shortage of semiconductors. However, the investment priority for digitization to grow businesses has remained high Internal factors: Proposals for high-quality networks connected to production equipment, etc. for digitization of manufacturing facilities and facility-specific security measures have been promoted, with an increase in orders received at a level slightly below initial expectations
New models	Support for MSP	3.7 billion yen	4.7 billion yen	8.6 billion yen	23.8 billion yen	External factors: Increased demand for working-style reforms such as teleworking with an awareness of information security due to COVID-19 Internal factors: Significant increase in orders received due to the acceleration of co-creation of new services with MSP to capture increased demand
	Development of refurbishment	0.0 billion yen	1.6 billion yen	2.0 billion yen	2.7 billion yen	External factors: Ongoing demand to optimize investment and operating costs Internal factors: There was a delay in new proposals for recycled products and third-party maintenance services, and orders received did not achieve initial expectations. However, profit progressed in line with the plans due to the high profitability of business

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

The Group has defined all activities for customers as “integrated service businesses” aimed at creating high added value, and supports the entire ICT lifecycle from planning, implementation, operation to optimization.

During the current fiscal year, the Group made significant progress in supporting customers’ entire ICT infrastructure through initiatives to link operational support to grand design proposals, resulting in a large increase in orders received. On the other hand, the target of 50%, which was set for the Medium-term Business Plan period, was not reached, due to the simultaneous growth of the equipment product lineup, although the service product lineup itself also grew significantly.

Item	Amount of growth for Over the Medium-term Business Plan period				Service ratio for the current fiscal year
	FY2019	FY2020 (First year)	FY2021 (Second year)	FY2022 (Third year: current fiscal year)	
Bookings accepted for service business	79.6 billion yen	88.8 billion yen	89.4 billion yen	103.9 billion yen	44.8%
Revenue from service business	74.4 billion yen	79.7 billion yen	85.2 billion yen	83.9 billion yen	44.5%

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

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

During the current fiscal year, approximately 80% of the employees worked from home on an ongoing basis in response to the spread of COVID-19, and the Group accelerated co-creation between office workers and teleworkers in anticipation of the society “with/after COVID-19.” On the other hand, with regard to DX, priority was given to reestablishing policies and systemic measures to prevent a recurrence.

Results for the current fiscal year

In the current fiscal year, overall bookings accepted were 231,844 million yen (up 13.9% year-over-year), a record high, due to strong orders mainly from the telecommunications carrier market, public market, and partner business.

On the other hand, the shortage of semiconductors continued to prolong the lead time for equipment procurement, delaying revenue of several projects totaling approximately 12.0 billion yen, resulting in revenue of 188,520 million yen (down 6.7% year-over-year). As a result, backlog was 139,160 million yen (up 46.6% year-over-year), a record high.

Regarding the profit and loss, gross profit stood at 51,786 million yen (down 7.4% year-over-year) due to delays in revenue of several projects totaling approximately 12.0 billion yen, caused by extended equipment delivery times. Selling, general and administrative expenses were 34,995 (down 3.4% year-over-year), resulting in operating income of 16,790 (down 14.7% year-over-year), ordinary income of 16,832 million yen (down 7.6% year-over-year), and profit attributable to owners of parent stood at 11,225 million yen (down 8.9% year-over-year).

The Group’s business was favorable, including overall bookings accepted, in line with the growth strategy, but delays in the timing of sales due to extended equipment delivery times prevented us from achieving the Medium-term Business Plan targets of 220.0 billion yen in revenue, 21.0 billion yen in operating income, an operating margin of 9.5%, a service ratio of 50.0%, and ROE of 16.8%.

Prevention of recurrence of fraudulent acts: Summary of the current fiscal year

In the current fiscal year, the Company implemented measures to prevent recurrence as planned, and steadily built a foundation for fostering a corporate culture that will prevent fraudulent acts from ever occurring again. In the fiscal year ending March 31, 2023 and beyond, the Company will continue to strengthen the effectiveness of measures to prevent recurrence by reflecting employees' opinions on them, promote corporate culture reform, and continue monitoring to solidify the trend of trust recovery.

1) Items achieved in the current fiscal year

Revision of management vision and action guidelines	Management and employees worked together to formulate a new corporate philosophy (the Company's Purpose, Mission, Vision, Values, and WAY) as the basis for corporate culture reform.
Improvement and strengthening of internal control system	The Internal Control Enhancement Council, headed by the President & CEO and including outside experts, promoted company-wide and continuous measures to prevent recurrence. The 1.5 line (Business Control Division), which checks and supports the first line from a standpoint closer to the front-line workers, was established. The structure and functions of the third line (Internal Audit Office) were also strengthened.
Promotion of various improvement initiatives that reflect the opinions of front-line workers	The Company promoted various initiatives while collecting employees' opinions and providing feedback.
Disclosure of information to stakeholders on measures to prevent recurrence	The Company submitted an improvement status report to the Tokyo Stock Exchange and disclosed monthly implementation status and a detailed semiannual report on the status of its operation on the Company's website.

2) Action guidelines for further advancement in the fiscal year ending March 31, 2023 and beyond

Strengthen corporate governance by revising the design of the organization	Through the (planned) transition to a company with an Audit & Supervisory Committee, the Company will strengthen supervision of business execution and establish a prompt and flexible business execution system.
Disseminate the new management vision and action guidelines	All management and employees will work together to promote activities to disseminate the new corporate philosophy system.
Establishment of a system to prevent the fraudulent acts from fading into obscurity	The Company will establish a forum for management and employees to reflect on the past, including the occurrence of the fraudulent acts, and for the Company's future development. The Company will further strengthen the operation of the internal control system, continue to devise ways to further enhance the effectiveness of its initiatives, and conduct patrols (periodic investigations other than internal audits) of the status of implementation of measures to prevent recurrence.
Strengthen governance of Group companies	The Company will foster common recognition by setting forth objectives common to all Group companies and promote improvement activities in accordance with the practices of each company. The Company will establish and operate a whistleblower contact point common to all Group companies.

■ Overview by product category

In the fiscal year under review, bookings accepted, revenue and backlog by product category were as follows. In equipment products, orders increased from the previous fiscal year due to receiving orders ahead of schedule in the telecommunications carrier market and 5G projects in the partner business. Net sales decreased from the previous fiscal year due to delays in sales in each market caused by prolonged equipment delivery times. As a result, the order backlog increased significantly.

	Equipment products	Service business
Bookings accepted	127,904 million yen (up 12.1% YoY)	103,940 million yen (up 16.3% YoY)
Revenue	104,611 million yen (down 10.5% YoY)	83,908 million yen (down 1.6% YoY)
Backlog	47,928 million yen (up 94.6% YoY)	91,232 million yen (up 29.8% 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 35th term: **24.7%**

<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, etc.), Japanese financial institutions and foreign affiliates. We support utilizing ICT to realize information utilization aimed at improving competitiveness, work-style innovation, reducing costs, and other goals.

<Highlights of fiscal year under review>

Orders and sales decreased due to suppressed investment in the manufacturing industry impacted by a shortage of semiconductors, and a delay in the timing of investment in the financial industry. In addition, sales were delayed due to prolonged equipment delivery times.

Bookings accepted	53,207 million yen (down 7.1% YoY)
Revenue	46,583 million yen (down 14.6% YoY)

Backlog	35,971 million yen (up 23.2% YoY)
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**Telecom carrier – Telecom carrier
(SP) market**

—— Composition ratio in 35th term: **22.8%**

<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 Company continued to receive orders ahead of schedule in anticipation of prolonged delivery times in order to strengthen lines in response to increased telecommunications traffic due to teleworking, etc. In addition, while support for MSP and corporate business remained strong, sales were delayed due to prolonged equipment delivery times.

Bookings accepted	47,576 million yen (up 20.6% YoY)
Revenue	42,912 million yen (up 17.6% YoY)
Backlog	22,862 million yen (up 30.8% YoY)

Public – Public (PUB) market

—— Composition ratio in 35th term: **30.2%**

<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>

Orders for the local government information security cloud and security hardening were strong, covering the drop in orders for the GIGA School project in the fiscal year ended March 31, 2021. Sales were delayed due to prolonged equipment delivery times.

Bookings accepted	80,639 million yen (up 13.2% YoY)
Revenue	56,961 million yen (down 18.4% YoY)
Backlog	63,459 million yen (up 59.8% YoY)

<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 of major partners, which had been affected by COVID-19, were in a recovery trend overall. The MSP business also performed well, winning a 5G project of approximately 3.0 billion yen in the first quarter of the current fiscal year. On the other hand, sales were delayed due to prolonged equipment delivery times.

Bookings accepted	48,659 million yen (up 43.7% YoY)
Revenue	40,201 million yen (up 1.2% YoY)
Backlog	16,757 million yen (up 101.9% YoY)

(2) Issues to be addressed

Long-term vision

Prior to the formulation of the Medium-term Business Plan covering the period from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025, the Group established the following long-term vision.

1) Declaration of the Net One Group

In order to solve social issues through the use of ICT, the Company has formulated its Purpose, Mission, Vision, Values, and WAY.

Purpose	Unleashing the potential of people and networks to create a prosperous future through tradition and innovation.
Mission	Each of us is a professional with outstanding expertise and high ethical standards, contributing to solving the problems of society and our customers.
Vision	Take pride in being a leading network company. Create added value unique to Net One and achieve continuous growth. Continue to be an elite group that trains its mind and skill through continuous self-improvement. Maintain an appropriate profit structure to fulfill our responsibilities to a wide range of stakeholders.
Values	People: We do work we can be proud of for our loved ones. Governance: I will continue to take actions that are valued by society. Social: I will create and develop value together with customers. Environment: I will take care of the future and create the structure for the future.
WAY	Net One, one step ahead. Never forget past fraudulent acts Be sincere and courteous Respect mind and body Take half steps to move closer to each other Learn from both failures and success Continue to evolve as a “Takumi” (artisan) Spread excitement Exceed expectations

2) Business transformation: Major initiatives over the past nine years

From the fiscal year ended March 31, 2014 to the fiscal year ended March 31, 2016, the Company transformed its business model from a business solely related to networks to the entire ICT infrastructure, including cloud, security, and IoT, thereby breaking away from its dependence on the telecommunications carrier market and expanded its value-added business in all segments.

From the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2019, the Company has expanded its business performance with cloud and security as its core business, thereby shifting its business from being primarily an equipment sales business to one that also includes profitable and high value-added services.

From the fiscal year ended March 31, 2020 to the fiscal year ended March 31, 2022, the Company defined all of its activities for customers as an “integrated service business” to create high added value, supporting the entire lifecycle (a series of planning, building, operation, and optimization) for the future vision of ICT, expanding the scale of projects and improving profitability.

3) Recognition of external environment and value creation aimed for

With the increasing demand for digitalization, the Group sees commercial opportunities in businesses that can contribute to solving social issues, and aims for further growth and development by taking advantage of its unique characteristics.

Specifically, society is facing issues such as “declining birthrate and aging population, and regional disparities,” “decarbonization and sustainability,” and “regional revitalization,” while the market is undergoing major changes such as “shift from goods to services,” “2025 digital cliff,” and “innovative progress in ICT technology.” In addition, our customers are experiencing “corporate transformation through digitalization” and “changing priorities for ICT investment.” The Group will create social value in the form of “contribution to sustainability and social issues” and economic value in the form of “continuous growth of the Company” by leveraging its characteristics of “integrating ICT infrastructure,” “connecting and providing goods and services,” and “providing system operation services.”

4) Sustainability policy

As a leading network company, the Group has grown by providing high-value-added services that support the transformation of its customers and society.

The Group’s Purpose is to “unleash the potential of people and networks to create a prosperous future through tradition and innovation” and believes that contributing to the success of our customers, the happiness of our employees, the building of co-creation relationships with our partners, the enhancement of shareholder value, and the conservation of the natural environment through our business activities will lead to an increase in corporate value. The Group will sophisticate its discerning ability and expertise concerning ICT, which are derived from “superior network technology,” “multi-vendor support,” and “co-creation with customers,” and provide services that create social and economic value, thereby contributing to a sustainable society and achieving sustainable growth for the Company at the same time.

Based on this, the Group has identified the materiality (key issues) that the Group will address as “realization of a safe and secure advanced information society,” “professional human resource development,” “contribution to a decarbonized society,” and “maintenance and enhancement of a governance structure that will realize sustainable growth.”

Opportunities and issues recognized in the previous Medium-term Business Plan period

Looking back over the three-year period of the previous Medium-term Business Plan, the Group has identified opportunities and issues recognized as follows.

Opportunities	Expansion of clients' business ICT investment and sustainability investments	Through deep relationships with clients, the Group has gained opportunities to participate in and support upstream DX strategies and grand designs, thereby expanding the areas related to clients' business ICT investments and sustainability investments.
	Expand business opportunities through co-creation	"Support for MSPs," which is co-created with service providers and others, accelerated. Further business development through the promotion of standardization and automation is expected.
	Expansion of customer contacts	The Group realized the deepening and expansion of its customer base by realizing an organization and work style that maximize the quality and efficiency of its sales staff and engineers.
Issues	Governance and corporate culture	Since multiple misconducts have occurred, the challenge is not only to thoroughly prevent recurrence but also to continuously reform the corporate culture itself in order to establish a stronger management foundation.
	Promotion of stock-type business	A short-term decline in revenue occurred due to the spread of COVID-19 and delays in equipment deliveries caused by the shortage of semiconductors. Promotion of stock-type business to enable stable management is an issue.
	Visualization of data	The development of the management system could not keep pace with the increasing complexity of the business structure, and issues were discovered in the speed and comprehensiveness of the method for monitoring earnings and business risks.

Medium-term Business Plan

Based on the long-term vision and the recognition of opportunities and issues in the previous Medium-term Business Plan period, the Group established a Medium-term Business Plan covering the period from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2025.

1) Recognition of the external environment and the Group's strengths

Digitalization has become the foundation of all industries, not limited to IT companies, the manufacturing industry, and the service industry. As the digitalization of society accelerates, it is essential to strengthen network infrastructure to solve these issues.

The Group will realize optimal systems from a neutral standpoint by leveraging its network technology, multi-vendor support, and discerning ability cultivated from its large customer base. Furthermore, by making full use of the utilization know-how accumulated through in-house installations ahead of its customers, the Group provides services that take into consideration how the systems will be used after installation.

2) Basic management policy

Based on the above, the Group aims to “implement growth strategies” and “strengthen the management foundation” to support the implementation, in accordance with the Group's redefined philosophy system (Purpose, Mission, Vision, and Values). In addition, the Group will work on “sustainability” as its social responsibility.

The Company will work on the following three points to “strengthen the management foundation.”

(1) Corporate culture reform

To prevent a repetition of past misconducts, the Group has positioned “corporate culture reform” as a key measure and established the “Governance and Corporate Culture Advisory Committee,” a specialized organization integrating the Internal Control Enhancement Council and the Reform Committee of Governance and Corporate Culture, as an advisory committee to the Board of Directors. The Group aims to further promote the reform of corporate culture and the implementation and dissemination of measures to prevent recurrence in line with “Action guidelines for further advancement in the fiscal year ending March 31, 2023 and beyond” described on page 50 from the fiscal year ended March 2023 onward.

(2) Thorough visualization

The current “half-hearted visualization” has resulted in a situation in which the development of the management system has not kept pace with the growing complexity of the business structure. Specific problems include “delay in the development of data integration infrastructure and dispersion of data management,” “inadequate profit management per project,” and “insufficient coordination due to the organization's stove-piped structure.”

In response to these issues, the Group will improve its business performance by realizing “thorough visualization” to grasp data and facts related to business conditions and management issues in a timely manner. Specifically, the Group will work on “visualization of management,” “visualization of business processes,” and “visualization of organizations and people.” Through this “thorough visualization,” the Group will activate communication based on information common to all employees and support a management foundation conducive to decision-making.

(3) Human resource strategy

The Group will create an environment in which human resources with a desire to grow can take on challenges without hesitation and maximize their potential.

First, to develop professional human resources, the Group will support the improvement of individual expertise so that they can provide high-quality value by exercising their “discerning ability” in their respective industries, technical fields, and corporate functions. Specifically, the

Group will develop human resources with strong expertise, expand consulting human resources, and enhance digitalization and customer success human resources corresponding to its service business, both in corporate divisions and business divisions.

In order to provide an environment in which human resources can play an active role, the Group will build an environment and structure in which human resources with different areas of expertise and values respect each other and can create value in optimal teams that meet the needs of our customers. Specifically, the Group will reorganize the technology organization and consolidate sales administration with the intention of creating an environment in which the entire Company can work together to expand customer contact; develop a system to evaluate team activities by shifting to a personnel system that supports diverse growth; and provide learning opportunities through industry-academia collaboration.

The Company will work on the following three points to “implement growth strategies.”

(1) Business strategies

In order to contribute to solving social issues, the Group will accelerate business growth in three focus areas adjacent to existing businesses: “Digital government,” “social infrastructure for realizing Society 5.0,” and “smart manufacturing.” In the fiscal year ending March 31, 2025, the final year of the Medium-term Business Plan period, the Group aims to increase revenue by 30.0 billion yen (compared to the fiscal year ended March 31, 2022) in the three focus areas.

In the “digital government,” the Group will work on the enhancement of local governments’ resilience and work to solve local issues and revitalize local communities through the advancement and digitalization of the information security cloud and local communities’ ICT infrastructure.

In the “social infrastructure for realizing Society 5.0,” the Group will work to stabilize social infrastructure by upgrading telecommunication infrastructure, power, gas, and railroad infrastructure and their operations, targeting telecommunication and social infrastructure, private companies, and medical care.

In the “smart manufacturing,” the Group will work to improve business value through the use of data, enhance security in business domains, and visualization for the realization of management realizing decarbonization, targeting the manufacturing industry, including automobiles, electrical machinery, and machinery.

(2) Service strategies

The Group will develop highly profitable services that respond to changing needs and realize “standardization and automation of systems” by leveraging its past achievements to improve “improve customers’ use of ICT” by linking our business strategy with our knowledge of cutting-edge technologies. The Group aims to achieve a service ratio of 55% in the fiscal year ending March 31, 2025, which is the final year of the Medium-term Business Plan period.

Specifically, focused services include “DX strategy consulting service,” which supports the formulation of IT strategies for ICT utilization and business contribution, “managed service,” which provides total functionality and operation for continuous operation of customer systems, and “in-house cloud service,” that can be used securely through a network in an environment in which various functions of ICT systems are prepared beforehand.

(3) Financial strategies

The Group will enhance corporate value through three pillars: strengthening profitability through strategic investments, pursuing an optimal capital structure, and proactively returning profits to shareholders. As a basic policy, the Group will actively invest capital to implement its growth strategy, realizing acceleration of growth and enhancement of profitability. Investments will be funded by cash on hand as well as through borrowings. The Group will continue to actively return profits to shareholders, aiming for a dividend payout ratio of 40%.

During the three-year period of the Medium-term Business Plan, the Group plans to make strategic investments of approximately 30.0 billion yen, 1.5 times the amount of the previous Medium-term Business Plan. Specifically, the Group will invest in “thorough visualization, internal digital

infrastructure, and security enhancement” as improvement investments and in “human resource development and acquisition, research and study for new services, business service infrastructure, sustainability, and M&A” as growth investments.

Under “sustainability,” the Group has established KPIs for the four categories of materiality it has identified.

(1) Realization of a safe and secure advanced information society

Provide solutions and services by issue/area: Achieve revenue of 30.0 billion yen in the fiscal year ending March 31, 2025, from solutions that solve social issues (i.e., the three focus areas in the Medium-term Business Plan).

Expand and promote service business: Increase service ratio to 55% in the fiscal year ending March 31, 2025.

(2) Enhancement of professional human resources

Cultivate IT human resources who will lead the next generation: As security personnel, acquire 80 CISSP certified personnel by the fiscal year ending March 31, 2031, and 100 Registered Information Security Specialists by the fiscal year ending March 31, 2031. Increase cloud computing personnel by 50% (compared to the fiscal year ended March 31, 2022) by the fiscal year ending March 31, 2031. Increase the number of digital personnel by 150 in the corporate divisions by the fiscal year ending March 31, 2031, and increase the cumulative number of business improvement proposals from the fiscal year ending March 31, 2023 to the fiscal year ending March 31, 2031 to 100. In addition, the Group will expand its next-generation IT human resources development program through industry-academia collaboration and other means.

Promote diversity and inclusion: Raise the ratio of female officers and employees with titles to 15% by the fiscal year ending March 31, 2031. Increase the ratio of female new graduate hires to 50% by the fiscal year ending March 31, 2031. Increase the percentage of male employees taking paternity leave and special leave for childbirth to 90% by the fiscal year ending March 31, 2031.

(3) Contribution to a decarbonized society

Reduce greenhouse gas emissions through business activities: Expand green solutions

Reduce emissions in the Company’s business processes: Establish medium- and long-term targets

(4) Maintain and strengthen governance structure for sustainable growth

Cultivate corporate culture and strengthen internal controls: Conduct an annual employee awareness survey as part of initiatives to cultivate corporate culture (*the Group plans to disclose the results of the survey in the future), and report on the progress of measures to prevent recurrence.

Realization of “Health and Productivity Management®”: Aim to be recognized as a Certified Health & Productivity Management Outstanding Organization in the fiscal year ending March 31, 2025.

3) Performance goals

In the above ways, the Group will expand the areas in which it provides value while shifting its approach to that solves social issues, and will enhance its corporate value by further improving profitability and efficiency. For the fiscal year ending March 31, 2025, the final year of the Medium-term Business Plan, the Group aims to achieve revenue of 226.0 billion yen, operating margin of 12%, service ratio of 55.0%, and ROE of 20.0%.

For the consolidated financial results for the fiscal year ending March 31, 2023, the Group plans to achieve revenue of 210.0 billion yen, operating income of 22.0 billion yen, ordinary income of 21.0 billion yen, and profit attributable to owners of parent of 14.0 billion yen.

(Note) The above forecasts are based on certain assumptions that the Company considers reasonable at the present time and may differ significantly from actual results.

(3) Status of income and assets

I. Status of consolidated financial results

Segment	32 nd FY (April 1, 2018 to March 31, 2019)	33 rd FY (April 1, 2019 to March 31, 2020)	34 th FY (April 1, 2020 to March 31, 2021)	35 th FY (current FY) (April 1, 2021 to March 31, 2022)
Revenue (million yen)	174,825	186,353	202,122	188,520
Ordinary income (million yen)	12,043	16,387	18,208	16,832
Profit attributable to owners of parent (million yen)	7,155	9,817	12,321	11,225
Basic earnings per share (yen)	84.52	115.90	145.42	134.15
Total assets (million yen)	121,494	135,764	155,782	161,713
Net assets (million yen)	58,584	65,337	73,795	68,547
Equity ratio (%)	48.1	47.9	47.2	42.3
Net assets per share (yen)	689.97	767.89	867.48	832.48

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

II. Status of non-consolidated financial results

Segment	32 nd FY (April 1, 2018 to March 31, 2019)	33 rd FY (April 1, 2019 to March 31, 2020)	34 th FY (April 1, 2020 to March 31, 2021)	35 th FY (current FY) (April 1, 2021 to March 31, 2022)
Revenue (million yen)	146,050	146,541	161,069	146,616
Ordinary income (million yen)	9,954	13,780	14,926	13,204
Profit (million yen)	5,734	8,070	10,147	8,802
Basic earnings per share (yen)	67.73	95.28	119.76	105.19
Total assets (million yen)	110,523	120,454	137,405	142,493
Net assets (million yen)	52,691	57,484	63,526	55,369
Equity ratio (%)	47.5	47.6	46.1	38.7
Net assets per share (yen)	620.38	676.41	747.02	672.19

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

(4) Status of financing

During the current fiscal year, the Group raised 18.0 billion yen in short-term borrowings from financial institutions to meet its funding requirements.

No other funds were raised through a capital increase, bond issuance, or other means.

(5) Status of capital expenditures

The Company spent a total of 2,979 million yen for capital expenditures during the fiscal year under review mainly on upgrading equipment for the purpose of developing new products, and improving the evaluation system and the customer support framework.

(6) Status of parent company and significant subsidiaries

I. Status of the parent company

Not applicable.

II. Status of significant subsidiaries

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

(7) Main creditors (as of March 31, 2022)

Creditor	Balance of borrowings
	Million yen
MUFG Bank, Ltd.	7,500
Mizuho Bank, Ltd.	7,500
Sumitomo Mitsui Banking Corporation	3,000

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

Not applicable.

2. Status of shares of the Company (as of March 31, 2022)

- (1) Number of authorized shares to be issued 200,000,000 shares
- (2) Total number of shares issued 83,267,300 shares
(including 1,147,475 shares of treasury stock)
- (3) Number of shareholders 15,400

(4) Distribution of shares by shareholder type

Foreign institutions and others	46.13%
Financial institutions	35.83%
Individual shareholders, etc.	12.94%
Net One Systems Co., Ltd.	3.33%
Securities companies	1.38%
Other institutions	0.40%

(5) Major shareholders (Top 10)

Name of shareholder	Number of shares held	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,862,700	20.53
SSBTC CLIENT OMNIBUS ACCOUNT	7,715,834	9.40
Custody Bank of Japan, Ltd. (Trust Account)	7,114,900	8.66
MSIP CLIENT SECURITIES	2,332,671	2.84
JP MORGAN CHASE BANK 385632	2,035,333	2.48
TAIYO FUND, L.P.	2,034,200	2.48
STATE STREET BANK AND TRUST COMPANY 505001	1,822,568	2.22
Meiji Yasuda Life Insurance Company	1,440,000	1.75
JPLLC CLIENT ASSET S - SKJ	1,375,402	1.67
STATE STREET BANK WEST CLIENT - TREATY 505234	1,064,300	1.30

- (Notes) 1. The Company owns 1,147,475 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. 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, 2022)

Position	Name	Responsibilities at the Company and significant concurrent positions
President & CEO	Takafumi Takeshita	General management
Executive Director	Takuya Tanaka	In charge of East Japan Business Unit 1, in charge of East Japan Business Unit 2, in charge of Central Japan Business Unit, in charge of West Japan Business Unit President & CEO, Net One Partners Co., Ltd.
	Fumihiko Shinoura	In charge of Business Development Division, in charge of Customer Service Division
	Koji Tsuji	Deputy in charge of East Japan Business Unit 1, deputy in charge of East Japan Business Unit 2, deputy in charge of Central Japan Business Unit, deputy in charge of West Japan Business Unit Executive Director, Net One Partners Co., Ltd.
	Ryugo Hayano	Councilor, Radiation Effects Research Foundation President, Talent Education Research Institute (Suzuki Method) Director, Public Interest Incorporated Foundation Shigeta Education Foundation Professor Emeritus, The University of Tokyo Director, International Physics Olympiad 2023 Association
	Shigeki Kusaka	
	Maya Ito	Partner, Nishimura & Asahi Outside Director (Audit and Supervisory Committee), OPTIMUS Group Co., Ltd. Audit & Supervisory Board Member, Human Life CORD Japan Inc.

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

- (Notes) 1. Executive Director Mr. Ryugo Hayano retired as Representative due to the dissolution of Office-Hayano LLC as of December 10, 2021.
2. Executive Directors Mr. Ryugo Hayano, Mr. Shigeki Kusaka, and Ms. Maya Ito 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. Ryugo Hayano, Mr. Shigeki Kusaka, and Ms. Maya Ito as Independent Executive Officers pursuant to the provisions of the Exchange.
3. Audit & Supervisory Board Members Mr. Kazuhiro Noguchi, Mr. Keiichi Horii, Mr. Hideki Suda, and Ms. Sachiko Iizuka are Outside Audit & Supervisory Board Members as stipulated by Article 2, Item 16 of the Companies Act. The Company has notified Tokyo Stock Exchange (TSE) of the status of Mr. Kazuhiro Noguchi, Mr. Keiichi Horii, Mr. Hideki Suda, and Ms. Sachiko Iizuka as Independent Executive Officers pursuant to the provisions of the Exchange.
4. Audit & Supervisory Board Members Mr. Kazuhiro Noguchi and Ms. Sachiko Iizuka are certified public accountants and have a respectable degree of knowledge in finance and accounting.
5. 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.
6. There are transactions between the University of Tokyo, where Mr. Ryugo Hayano serves as Professor Emeritus, and the Company. However, the amount of the revenue from such transactions for the current fiscal year is only approximately 0.2% of the 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. There is no other special relationship between the Company and each of the Outside Executive Directors and Outside Audit & Supervisory Board Members and their significant concurrent positions.

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

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

1) Remuneration, etc. for Executive Directors

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

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

The details of the policy for determination of remuneration for Executive Directors and Audit & Supervisory Board Members is as follows. The policy for determination of remuneration for Executive Directors and Audit & Supervisory Board Members was revised by a resolution of the Board of Directors on May 13, 2022 (please refer to pages 40 to 41 of the Reference Documents regarding Shareholders Meeting).

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

Basic policies

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

System of remuneration

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

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

Policy for determination concerning details of remuneration for each Executive Director

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

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

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

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

amount resolved at the Annual Shareholders Meeting in each fiscal year, it is paid at certain time of the year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Board of Directors plans to delegate the determination of the amount to be paid to each individual Executive Director as basic remuneration and the determination of the amount to be paid to each individual Executive Director (excluding Outside Executive Director) as bonuses to Takafumi Takeshita, who is President & CEO. The reason for delegating the authority for these determinations, or for planning to delegate such authority, is because the Representative Director is deemed to be the most suited to provide assessment regarding each Executive Director's division and responsibilities while considering the results, etc. of the Company overall. Note that the President & CEO, for the aforementioned cases, at the time of deciding the delegated content to be decided, has or will make the determination in accordance with the contents deliberated beforehand at the Advisory Committee. The determination of the amount to be paid to each individual Executive Director (excluding Outside Executive Director) as bonuses shall become effective subject to the approval of the Proposal 8 "Payment of bonuses to Executive Directors."

1) Composition of the Advisory Committee (* represents the chairperson of the committee)

Outside	Executive Director	Ryugo Hayano*, Shigeki Kusaka, Maya Ito
	Audit & Supervisory Board Member	Kazuhiro Noguchi, Keiichi Horii, Hideki Suda, Sachiko Iizuka
Inside	Executive Director	Takafumi Takeshita

2) Activities of the Advisory Committee

During the current fiscal year, the Advisory Committee held a total of five meetings to discuss the amounts of remuneration, etc. for Executive Directors.

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

Classification	Executive Directors (Of which Outside Executive Directors)		Audit & Supervisory Board Members (Of which Outside Audit & Supervisory Board Members)		Total (Of which Outside Executive Directors and Audit & Supervisory Board Members)		Remarks
	Number of persons paid	Amount paid	Number of persons paid	Amount paid	Number of persons paid	Amount paid	
Basic Remuneration	9 (5)	Million yen 139 (41)	4 (4)	Million yen 44 (44)	13 (9)	Million yen 183 (85)	(Notes 1, 2)
Bonuses	4 (-)	46 (-)	- (-)	- (-)	4 (-)	46 (-)	(Note 3)
Stock compensation-type stock options	4 (-)	25 (-)	- (-)	- (-)	4 (-)	25 (-)	(Note 4)
Total		211 (41)		44 (44)		256 (85)	

- (Notes) 1. The maximum amount of remunerations was decided as 470 million yen per year for Executive Directors (of which, maximum amount for Executive Directors excluding Outside Executive Directors is 400 million yen per year and maximum amount for Outside Executive Directors is 70 million yen per year), based on a resolution passed at the 28th Annual Shareholders Meeting on June 16, 2015 (eleven (11) Executive Directors at the conclusion of this Shareholders Meeting (of which, four (4) Outside Executive Directors)), while 100 million yen per year for Audit & Supervisory Board Members, based on a resolution passed at the 17th Annual Shareholders Meeting on June 25, 2004 (four (4) Audit & Supervisory Board Members at the conclusion of this Shareholders Meeting)
2. Although the Company has seven (7) Executive Directors and four (4) Audit & Supervisory Board Members as of the end of the current fiscal year, the number of persons paid, and amount paid shown above includes two (2) Executive Directors retired at the conclusion of the 34th Annual Shareholders Meeting on June 23, 2021, respectively.
3. Number of persons paid and amount paid based on “Proposal 8: Payment of bonuses to Executive Directors” scheduled for resolution at this meeting.
4. Remuneration, etc. through share acquisition rights under stock compensation-type stock option plan was decided as not exceeding 50 million yen per year for Executive Directors (excluding Outside Executive Directors) based on a resolution passed at the 25th Annual Shareholders Meeting held on June 14, 2012 (the number of Executive Directors (excluding Outside Executive Directors) at the conclusion of said Annual Shareholders Meeting is five (5)). In the columns of “Stock compensation-type stock options,” expenses for the current fiscal year are presented.

IV. Matters concerning bonuses

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

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

Indicator		Target (Million yen)	Results (Million yen)
Company-wide consolidated performance	Productivity per employee in terms of consolidated bookings accepted	77.7	86.2
	Productivity per employee in terms of consolidated operating income	7.8	6.1
Performance of business division responsible for	Productivity per employee in terms of bookings accepted by the division	139.5~168.2	143.4~209.3
	Productivity per employee in terms of operating income earned by the division	12.7	10.3~12.4

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

V. Matters concerning the stock compensation-type stock options plan

The conditions, etc. for allotment of the stock compensation-type stock options plan is as stated in the “Policy for determination of remuneration for Executive Directors and Audit & Supervisory Board Members” in the above I.

(3) Outline of Directors and Officers Liability Insurance Policy, etc.

The Company has entered into a directors and officers liability insurance agreement with an insurance company as stipulated in Article 430-3, paragraph (1) of the Companies Act. The outline of the contents of the policy is as follows.

I. Scope of insured

Directors, corporate auditors, executive officers, and management employees of the Company and its subsidiaries

II. Outline of the contents of the insurance policy

The insurance policy covers damages (defense costs, compensation for damages, and settlement payments) incurred by the insured as a result of claims for damages, etc. filed during the insurance period with respect to the insured’s performance of their duties. However, in order to ensure that the insured’s performance of their duties is not compromised, the policy does not cover claims arising from the insured’s breach of trust, criminal acts, or willful violation of laws and regulations. The premiums are borne entirely by the Company, and there is virtually no burden of premium on the insured.

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

I. Significant activities during the current fiscal year

Classification	Name	Status of attendance at Board of Directors	Status of remarks made at Board of Directors meetings and overview of the Audit & Supervisory Board Members' execution of duties regarding his/her expected roles
Executive Director	Ryugo Hayano	18/18 (100%)	Using his abundant insight and experience as a university professor specializing in physics research and the insights gained through the practice of various groups, he has been appropriately providing opinions and suggestions to the Company's management at the Board of Directors meetings. As a chairperson of the Advisory Committee, he participates in the deliberation and discussion concerning human resources and remunerations, etc. of the officers of the Company. He also attends meetings of the Management Committee as an observer, shares management issues, and exchanges information and ideas. Through these and other activities, he has appropriately fulfilled the role expected of an Outside Executive Director.
	Shigeki Kusaka	18/18 (100%)	Using his abundant insight and experience in the information and communication business field, and experience as a representative director or a director of other companies, he has been appropriately providing opinions and suggestions to the Company's management at the Board of Directors meetings. As a member of the Advisory Committee, he participates in the deliberation and discussion concerning human resources and remunerations, etc. of the officers of the Company. He also attends meetings of the Management Committee as an observer, shares management issues, and exchanges information and ideas. Through these and other activities, he has appropriately fulfilled the role expected of an Outside Executive Director.
	Maya Ito	15/15 (100%)	Using her abundant insight and experience as lawyer, and experience as a director or an audit & supervisory board member of other companies, she has been appropriately providing opinions and suggestions to the Company's management at the Board of Directors meetings. As a member of the Advisory Committee, she participates in the deliberation and discussion concerning human resources and remunerations, etc. of the officers of the Company. She also attends meetings of the Management Committee as an observer, shares management issues, and exchanges information and ideas. Through these and other activities, she has appropriately fulfilled the role expected of an Outside Executive Director.

Classification	Name	Status of attendance at Board of Directors and Audit & Supervisory Board	Status of remarks made at Audit & Supervisory Board meetings
Audit & Supervisory Board Member	Kazuhiro Noguchi	Board of Directors 15/15 (100%) Audit & Supervisory Board 11/11 (100%)	Based on his broad knowledge and expertise in finance and accounting as a certified public accountant, Kazuhiro Noguchi expresses opinions and makes comments regarding the Company's management.
	Keiichi Horii	Board of Directors 18/18 (100%) Audit & Supervisory Board 16/16 (100%)	Based on his broad knowledge and experience in the field of corporate legal affairs he has garnered to date as an attorney, Keiichi Horii expresses opinions and makes comments regarding the Company's management.
	Hideki Suda	Board of Directors 18/18 (100%) Audit & Supervisory Board 16/16 (100%)	Based on his broad knowledge and experience in the information and communication business as well as experience as a corporate manager of other companies, Hideki Suda expresses opinions and makes comments regarding the Company's management.
	Sachiko Iizuka	Board of Directors 18/18 (100%) Audit & Supervisory Board 16/16 (100%)	Based on her broad knowledge and expertise in finance and accounting as a certified public accountant, as well as her experience as Representative Director at other companies, Sachiko Iizuka expresses opinions and makes comments regarding the Company's management.

- (Notes) 1. The percentage of attendance for Executive Director Ms. Maya Ito has been calculated based on the number of Board of Directors meetings (15 times) held after her assumption of the position as Executive Director following the election at the 34th Annual Shareholders Meeting on June 23, 2021.
2. The percentage of attendance for Audit & Supervisory Board Member Mr. Kazuhiro Noguchi has been calculated based on the number of Board of Directors meetings (15 times) and the number of Audit & Supervisory Board meetings (11 times) held after his assumption of the position as Audit & Supervisory Board Member following the election at the 34th Annual Shareholders Meeting on June 23, 2021.
3. In addition to the number of Board of Directors meetings held above, 10 resolutions were adopted in writing which are regarded as having been resolved by the Board of Directors in accordance with the provisions of the Companies Act and of the Company's Articles of Incorporation.

4. Items regarding Accounting Auditors

(1) Name of Accounting Auditor

Grant Thornton Taiyo LLC

(Note) Deloitte Touche Tohmatsu LLC, the Company's former accounting auditor, resigned at the conclusion of the 34th Ordinary General Meeting of Shareholders, which was held on June 23, 2021.

(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	119 million yen
II. Total amount of money and other property benefits to be paid by the Company and its subsidiaries	119 million yen

(Notes) 1. The audit contract between the Company and the Accounting Auditor does not separate the audit remuneration for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act, and as they cannot be separated in practice, the total amount is shown in I. above.

2. The Audit & Supervisory Board obtained necessary materials and received reports from Executive Directors, relevant internal departments, and the Accounting Auditor, and performed verification to confirm that the auditing performance in the previous fiscal year, the content of the Accounting Auditors' accounting plan for the current fiscal year, and the basis for calculation of the remuneration estimate, were appropriate. Based upon this verification, the Audit & Supervisory Board determined that the amount regarding remuneration, etc. for the Accounting Auditor is reasonable, and gave consent to it.

(3) Description of non-audit service

Not applicable.

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

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

5. Corporate Governance

(1) Basic matters regarding corporate governance (as of March 31, 2022)

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

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

I. Executive Directors and the Board of Directors

The Company's Board of Directors consists of seven (7) members (male: 6, female: 1) including three (3) independent Outside Executive Directors (a notification has been filed with the Tokyo Stock Exchange explaining that all of which are Independent Executive Officers), and meets once a month in principle to 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 strategy and policy for management and the Medium-term Business Plan. The Board of Directors also oversees overall management of the Company through reports on status of Executive Directors' execution of duties, etc.

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

II. Business Execution System

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

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

The Company's Audit & Supervisory Board consists of four (4) independent Outside Audit & Supervisory Board Members (a notification has been filed with the Tokyo Stock Exchange explaining that all of which are Independent Executive Officers) (male: 3, female: 1), and it meets once a month in principle to audit the execution of duties by Executive Directors as well as to exercise the authority relating to the appointment or dismissal of Accounting Auditors and audit remuneration, among other matters.

The Audit & Supervisory Board Members also attend notable meetings including those of the Board of Directors, the Management Committee, the Advisory Committee, the Risk & Compliance Committee, and the Investment & Financing Committee to express their opinion from time to time when discussing significant matters related to management and business execution and to listen to reports on the status of management and business execution, as well as to audit the Executive Directors' performance of their duties from perspective of compliance with laws and regulations and the Articles of Incorporation by examining the operations and financial conditions of the Company and its subsidiaries.

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

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

[Basic Policy of Internal Control System]

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

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

Incorporation, etc.

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

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

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

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

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

V. The major risks of the Group are as follows. The Company addresses those risks appropriately through the risk management activities described above. With regard to risk management activities for operational risks, the Company has reviewed its organizational structure based on the so-called three lines model, designating sales divisions and business divisions as the first line, business controls divisions monitoring the first line as the 1.5 line, management departments as the second line, and the internal audit division as the third line respectively, with the aim of creating a system in which the Company can strengthen its control functions and conduct appropriate risk management.

(1) Business Risks

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

(2) Operational Risks

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

System for ensuring efficiency of execution of duties by Executive Directors

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

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

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

- System related to reporting of matters on execution of duties of Executive Directors and other persons equivalent thereto of subsidiaries of the Company (hereinafter, collectively, Executive Directors, etc.)

- I. In addition to establishing the principal department responsible for Group companies (refers to companies in the Group other than the Company. The same applies hereinafter.) and receiving regular reports primarily on the operating and financial statuses based on the Company's regulations, the Company discusses key management decisions in advance.

- II. The Company promotes smooth management of its Group companies through such efforts as holding Group Business Liaison Meetings regularly to share various management issues at each Group company.

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

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

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

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

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

- I. When officers and employees of the Group discover any material violations of laws and regulations or the Company's Articles of Incorporation or a fact that may cause significant damage to the Group, they must immediately report to their company's Audit & Supervisory Board Members (or to the Company's Audit & Supervisory Board Members if the company does not have its own Audit & Supervisory Board Members).
- II. When officers and employees of the Group are requested by Audit & Supervisory Board Members of the Company or Group companies to report on matters concerning the execution of duties, they provide reports on the relevant matters without delay.
- III. When Audit & Supervisory Board Members of the Group companies receive reports from officers and employees of the Group in accordance with the preceding two paragraphs, they provide such reports to Audit & Supervisory Board Members of the Company without delay. In addition, Audit & Supervisory Board Members of the Company receive reports on the implementation status of audits at the Group companies from Audit & Supervisory Board Members of the Group companies in the liaison meeting for Audit & Supervisory Board Members of the Group companies which is convened regularly.
- IV. In addition to prohibiting disadvantageous treatment of a Group officer and employee who has made a report to an Audit & Supervisory Board Member of the Company or Group companies for the reason of having made the relevant report, the Company actively publicizes the role played by the whistleblower hotline and the strict confidentiality of reporting and inquiries and establishes an environment that enables officers and employees of the Group to be relaxed about making reports and inquiries.

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

- I. Audit & Supervisory Board Members understand the process of important decision making and the status of business execution by attending notable meetings such as those of the Board of Directors and the Management Committee. Furthermore, Full-time Audit & Supervisory Board Members hold a meeting regularly with the management including the Representative Directors of the Company, as well as Outside Executive Directors to exchange opinions, and share the results of the meeting with Outside Audit & Supervisory Board Members.
- II. Audit & Supervisory Board Members hold a meeting regularly to exchange opinions with the Accounting Auditors and the Internal Audit Office.
- III. Audit & Supervisory Board Members receive reports on the Company's annual plans for internal audits, as well as the progress and results of the internal audits from the internal audit division on a regular basis.
- IV. When an Audit & Supervisory Board Member claims prepayment or refund of expenses arising in connection with execution of their duties, the Company processes the expense or obligation concerned immediately, except for when it is deemed that the expense or obligation related to the claim in question is not necessary for the execution of the duties of the Audit & Supervisory Board Member concerned.

[Overview of Internal Control System Operation]

I. Risk Management System

(1) Holding of Meetings of Risk Management Committee

The Committee consists of the Representative Director who is the CRO and was appointed as Executive Director responsible for the Committee, Executive Directors, Director of the Risk Management Office, and Director of the Legal Office, and is chaired by Vice President in charge of the Corporate Planning & Strategy Division. A total of 11 meetings were held in the current fiscal year. Outside Executive Directors, Full-time Outside Audit & Supervisory Board Members, Manager of Internal Audit Office, and Advisor also attended the meetings as an observer.

(2) Measures relating to risk management

The Risk & Compliance Committee conducts an annual review of risks and strengthens risk management activities by identifying, evaluating, specifying responses to, implementing countermeasures against, and monitoring risks that are important to the Group's management. In addition, the Company has maintained a system that allows the Company to receive advice and support from external experts as appropriate since it entered into an advisory agreement in December 2020 with the aim of incorporating the perspective of an external expert on the strengthening of the risk management system.

II. Compliance System

(1) Holding of Meetings of the Compliance Committee

The Committee consists of the Executive Director in charge of the Business Division who is responsible for the Committee (who was also in charge of the Corporate Planning & Management Division until June 2021), deputies in charge of divisions, General Managers, Directors, Deputy General Managers, Senior Expert at the Corporate Planning & Strategy Division of the Company, and Directors, persons in charge of divisions, and General Managers of subsidiaries, and is chaired by the deputy in charge of the Business Division. A total of 12 meetings were held in the current fiscal year. Full-time Outside Audit & Supervisory Board Members, Manager of Internal Audit Office, Advisor, and corporate attorneys also attended the meetings as an observer.

(2) Measures relating to compliance

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

meetings were held for the employees at the headquarters and the responsible officers to exchange opinions on the opinions expressed from each department at the opinion exchange meetings and case study meetings. In addition, the Company implemented measures, including questionnaire surveys targeting employees of the Company and its partner companies and educational activities (including e-learning, oath, compliance lecture targeting all employees, trainings for new employees and mid-career workers). The details of these measures are assessed and discussed at the Compliance Committee before actually addressing the issues and implementing the measures.

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

III. System for effective business execution

In accordance with decision-making rules including matters to be resolved at the Board of Directors and Management Committee as stipulated by internal regulations, the Board of Directors (held 18 times in the current fiscal year in addition to 10 resolutions adopted in writing which are regarded as having been resolved by the Board of Directors) and Management Committee (held 24 times in the current fiscal year) conduct deliberations on matters to be discussed in their meetings and efficient decision-making.

IV. System for management of subsidiaries

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

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

V. System for audit by Audit & Supervisory Board Members

In addition to attending notable meetings such as those of the Board of Directors, the Management Committee, the Advisory Committee, the Risk & Compliance Committee, the Investment & Financing Committee, and the Liaison Committee of Outside Officers, Audit & Supervisory Board Members convened meetings for mutual exchange of opinions with the Representative Directors of the Company (held four times in the current fiscal year) and the Group Audit & Supervisory Board (held twice in the current fiscal year), and conducted interviews (held monthly with rotation) 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 a regular basis and exchanged opinions and information regarding Internal Control System operation and operation of measures to prevent recurrence.

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

Consolidated balance sheet

(unit: million yen)

Account title	35 th FY (As of March 31, 2022)	34 th FY (Reference) (As of March 31, 2021)	Account title	35 th FY (As of March 31, 2022)	34 th FY (Reference) (As of March 31, 2021)
Assets			Liabilities		
Current assets	149,334	142,482	Current liabilities	77,918	66,637
Cash and deposits	20,281	32,429	Accounts payable-trade	18,988	21,124
Notes and accounts receivable-trade	-	63,027	Short-term borrowings	18,002	2
Notes and accounts receivable-trade, and contract assets	51,362	-	Lease obligations	8,642	6,677
Investments in leases	16,051	14,305	Accounts payable-other	2,036	2,303
Merchandise	11,172	3,009	Income taxes payable	1,461	4,872
Goods in transit	310	585	Advances received	18,858	17,068
Costs on uncompleted construction contracts	32,419	13,970	Asset retirement obligations	-	172
Supplies	26	27	Provision for bonuses	2,474	4,866
Prepaid expenses	13,701	13,691	Provision for directors' bonuses	59	34
Other	4,009	1,438	Other	7,394	9,514
Allowance for doubtful accounts	(1)	(2)	Noncurrent liabilities	15,247	15,350
Noncurrent assets	12,378	13,300	Lease obligations	14,392	14,787
Property, plant and equipment	4,728	4,504	Asset retirement obligations	814	522
Buildings	1,420	853	Other	41	39
Tools, furniture and fixtures	3,308	3,651	Total liabilities	93,165	81,987
Intangible assets	1,070	1,467	Net assets		
Other	1,070	1,467	Shareholders' equity	67,406	73,075
Investments and other assets	6,579	7,328	Capital stock	12,279	12,279
Investment securities	147	171	Capital surplus	19,453	19,536
Long-term loans receivable	1	1	Retained earnings	38,888	42,247
Deferred tax assets	2,955	3,387	Treasury stock	(3,214)	(987)
Other	3,475	3,792	Accumulated other comprehensive income	956	438
Allowance for doubtful accounts	-	(25)	Valuation difference on available-for-sale securities	-	0
			Deferred gains or losses on hedges	978	448
			Foreign currency translation adjustment	(22)	(10)
			Share acquisition rights	168	222
			Non-controlling interests	15	60
			Total net assets	68,547	73,795
Total assets	161,713	155,782	Total liabilities and net assets	161,713	155,782

Consolidated statement of income

(unit: million yen)

Account title	35 th FY (April 1, 2021 to March 31, 2022)	34 th FY (Reference) (April 1, 2020 to March 31, 2021)
Revenue	188,520	202,122
Cost of revenue	136,734	146,209
Gross profit	51,786	55,913
Selling, general and administrative expenses	34,995	36,239
Operating income	16,790	19,673
Non-operating income	616	586
Interest income	0	0
Fiduciary obligation fee from associates	188	153
Sales incentive	24	91
Dividends income of group insurance	60	21
Insurance claim income	70	-
Other	273	319
Non-operating expenses	574	2,051
Interest expenses	157	47
Foreign exchange losses	192	221
Commission for purchase of treasury shares	135	-
Donations	-	1,354
Special investigation expenses	-	306
Other	90	122
Ordinary income	16,832	18,208
Extraordinary income	92	-
Gain on sale of investment securities	92	-
Extraordinary losses	605	14
Loss on retirement of noncurrent assets	24	14
Impairment losses	581	-
Income before income taxes and minority interests	16,319	18,193
Income taxes-current	4,428	6,661
Income taxes-deferred	713	(786)
Profit	11,176	12,318
Loss attributable to non-controlling interests	49	3
Profit attributable to owners of parent	11,225	12,321

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

Non-consolidated balance sheet

(unit: million yen)

Account title	35 th FY (As of March 31, 2022)	34 th FY (Reference) (As of March 31, 2021)	Account title	35 th FY (As of March 31, 2022)	34 th FY (Reference) (As of March 31, 2021)
Assets			Liabilities		
Current assets	130,358	123,927	Current liabilities	72,034	58,859
Cash and deposits	17,454	29,253	Accounts payable-trade	18,168	18,813
Notes receivable-trade	113	129	Short-term borrowings	18,000	–
Accounts receivable-trade	42,533	51,636	Lease obligations	8,408	6,413
Electronically recorded monetary claims - operating	253	838	Accounts payable-other	2,066	2,304
Lease investment assets	15,926	14,174	Accrued expenses	747	997
Merchandise	277	208	Income taxes payable	298	3,867
Goods in transit	120	148	Accrued consumption taxes	–	1,124
Costs on uncompleted construction contracts	26,733	12,726	Advances received	15,789	14,247
Supplies	19	21	Deposits received	182	125
Prepaid expenses	13,217	13,038	Asset retirement obligations	–	172
Short-term loans receivable	10,895	268	Provision for bonuses	2,234	4,388
Other	2,814	1,483	Provision for directors' bonuses	46	22
Allowance for doubtful accounts	(1)	(1)	Other	6,090	6,382
Noncurrent assets	12,135	13,478	Noncurrent liabilities	15,090	15,019
Property, plant and equipment	4,089	3,767	Lease obligations	14,276	14,496
Buildings	1,364	774	Asset retirement obligations	814	522
Tools, furniture and fixtures	2,724	2,993	Total liabilities	87,124	73,879
Intangible assets	1,034	1,378	Net assets		
Software	1,030	1,372	Shareholders' equity	55,203	63,295
Other	3	6	Capital stock	12,279	12,279
Investments and other assets	7,012	8,333	Capital surplus	19,453	19,536
Investment securities	22	45	Legal capital surplus	19,453	19,453
Stocks of subsidiaries and affiliates	1,380	1,522	Other capital surplus	–	82
Investments in capital of subsidiaries and affiliates	30	30	Retained earnings	26,685	32,467
Long-term loans receivable	1	1	Legal retained earnings	86	86
Long-term prepaid expenses	4	5	Other retained earnings	26,598	32,380
Deferred tax assets	2,176	3,037	General reserve	22,870	21,530
Lease and guarantee deposits	3,328	3,560	Retained earnings brought forward	3,728	10,850
Other	67	129	Treasury stock	(3,214)	(987)
			Valuation and translation adjustments	(3)	9
			Valuation difference on available-for-sale securities	–	0
			Deferred gains or losses on hedges	(3)	9
			Share acquisition rights	168	222
			Total net assets	55,369	63,526
Total assets	142,493	137,405	Total liabilities and net assets	142,493	137,405

Non-consolidated statement of income

(unit: million yen)

Account title	35 th FY (April 1, 2021 to March 31, 2022)	34 th FY (Reference) (April 1, 2020 to March 31, 2021)
Revenue	146,616	161,069
Cost of revenue	103,930	113,662
Gross profit	42,685	47,407
Selling, general and administrative expenses	30,818	32,050
Operating income	11,867	15,357
Non-operating income	1,708	1,441
Interest income	28	15
Foreign exchange gains	16	-
Fiduciary obligation fee from associates	1,297	1,128
Other	366	297
Non-operating expenses	370	1,872
Interest expenses	150	37
Commission for purchase of treasury shares	135	-
Donations	-	1,354
Special investigation expenses	-	306
Other	84	174
Ordinary income	13,204	14,926
Extraordinary income	92	-
Gain on sale of investment securities	92	-
Extraordinary losses	629	12
Loss on retirement of non-current assets	24	12
Loss on valuation of shares of subsidiaries and associates	141	-
Impairment losses	462	-
Profit before income taxes	12,668	14,913
Income taxes-current	2,722	5,393
Income taxes-deferred	1,142	(626)
Profit	8,802	10,147

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

Independent auditor's reports
(not attached)

Audit report from Audit & Supervisory Board

Audit Report

We the Audit & Supervisory Board received reports on 35th period, April 1, 2021 to March 31, 2022 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 mentioned in the Business Report complies with the laws and regulations and the Articles of Incorporation, and other systems prescribed by Article 100, Paragraphs 1 and 3 of Ordinance for Enforcement of the Companies Act as systems necessary to ensure the properness of operations of the corporate group consisting of the Company and its subsidiaries and status of systems (internal control system) established by such resolutions, as well as the status of the establishment and operations of those systems, the Audit & Supervisory Board received reports from Executive Directors and other employees of the Company, requested their explanations, and expressed its opinions.
 - c. The Audit & Supervisory Board monitored and examined that Accounting Auditors are maintaining their independency and are performing proper audit, and received reports on status of execution of duties and requested for explanations as necessary. Based upon notice from the Accounting Auditors that "system for ensuring proper execution of duties" (the matters listed in each item of Article 131 of Corporate Accounting Rules) are maintained in accordance with "Quality Control Standard for Audit" (Business Accounting Council dated October 28, 2005), the Audit & Supervisory Board requested for explanations as necessary.

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

2. Results of the audit

(1) Results of audit related to business reports

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

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

We confirm that Grant Thornton Taiyo LLC's auditing procedures and results are correct.

(3) Results of audit related to consolidated financial statements

We confirm that Grant Thornton Taiyo LLC's auditing procedures and results are correct.

May 16, 2022

Audit & Supervisory Board

Net One Systems Co., Ltd.

Audit & Supervisory Board Member (Full-time)	Kazuhiro Noguchi
Audit & Supervisory Board Member	Keiichi Horii
Audit & Supervisory Board Member	Hideki Suda
Audit & Supervisory Board Member	Sachiko Iizuka

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