

May 31, 2022

To Our Shareholders:

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

Main offices

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Consolidated statement of changes in net assets

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Non-consolidated statement of changes in net assets

Notes to Non-Consolidated Financial Statements

For the 35th Fiscal Year
April 1, 2021 to March 31, 2022

Net One Systems Co., Ltd.

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

Main offices (as of March 31, 2022)

Company name	Office name	Location
Net One Systems Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
	Kansai Branch	Yodogawa-ku, Osaka
	Tennoz Office	Shinagawa-ku, Tokyo
	Hokkaido Branch	Chuo-ku, Sapporo
	Tohoku Branch	Aoba-ku, Sendai
	Tsukuba Office	Tsukuba-shi, Ibaraki
	Chubu Branch	Naka-ku, Nagoya
	Toyota Office	Toyota-shi, Aichi
	Hokuriku Office	Kanazawa-shi, Ishikawa
	Hiroshima Office	Naka-ku, Hiroshima
	Takamatsu Office	Takamatsu-shi, Kagawa
	Kyushu Branch	Hakata-ku, Fukuoka
	Okinawa Office	Naha-shi, Okinawa
	Technical Center	Shinagawa-ku, Tokyo
	Quality Assurance & Management Center	Ota-ku, Tokyo
	Quality Assurance & Management Center West Branch	Joto-ku, Osaka
Kariya Satellite Office	Kariya-shi, Aichi	
Matsuyama Satellite Office	Matsuyama-shi, Ehime	
Net One Partners Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
Net One Next Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
eXtreak, Inc.	Head Office	Minato-ku, Tokyo
Net One Asia Pte. Ltd.	Head Office	Singapore
Net One Asia Sdn. Bhd.	Head Office	Malaysia
PT Net One Asia	Head Office	Indonesia
ARK Virtualization Pte. Ltd.	Head Office	Singapore

Status of employees (as of March 31, 2022)

(1) Number of employees of the Corporate Group

Name of segment, etc.	Number of employees	Comparison to end of previous FY
Enterprise Sector	361	Decrease of 14
Telecom carrier Sector	175	Increase of 28
Public Sector	448	Decrease of 14
Enterprise/Telecom carrier/Public common business	569	Increase of 112
Partner Sector (Net One Partners Co., Ltd.)	181	Increase of 3
Other	127	Increase of 5
Support services for maintenance and operation	335	Increase of 31
Unallocable (Common)	507	Decrease of 8
Total	2,703	Increase of 143

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

(2) Number of employees of the Company

Name of segment, etc.	Number of employees	Comparison to end of previous FY
Enterprise Sector	361	Decrease of 14
Telecom carrier Sector	175	Increase of 28
Public Sector	448	Decrease of 14
Enterprise /Telecom carrier/Public common business	466	Increase of 97
Partner Sector (Net One Partners Co., Ltd.)	–	–
Other	–	–
Support services for maintenance and operation	335	Increase of 31
Unallocable (Common)	460	Increase of 27
Total	2,245	Increase of 155

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

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

(1) Outline of share acquisition rights under the stock compensation-type stock options plan held by Executive Directors (excluding Outside Executive Directors) of the Company as of end of FY2021

Name (Date of resolution to issue)	Number of owners	Number of share acquisition rights	Class and number of shares to be issued upon the exercise of share acquisition rights	Amount to be paid in for share acquisition rights	Value of assets contributed upon the exercise of the share acquisition rights	Effective period during which the share acquisition rights are exercisable	Conditions for the exercise of share acquisition rights	Remarks
Net One Systems Co., Ltd. FY2012 share acquisition rights (June 14, 2012)	2 Executive Directors (excluding Outside Executive Directors)	44	4,400 shares of common stock of the Company	90,000 yen per share acquisition right	1 yen per share	July 3, 2012 to July 2, 2042	(Note 1)	(Note 2)
Net One Systems Co., Ltd. FY2013 share acquisition rights (June 13, 2013)	2 Executive Directors (excluding Outside Executive Directors)	56	5,600 shares of common stock of the Company	62,700 yen per share acquisition right	1 yen per share	July 2, 2013 to July 1, 2043	(Note 1)	(Note 2)
Net One Systems Co., Ltd. FY2014 share acquisition rights (June 17, 2014)	3 Executive Directors (excluding Outside Executive Directors)	104	10,400 shares of common stock of the Company	56,400 yen per share acquisition right	1 yen per share	July 4, 2014 to July 3, 2044	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2015 share acquisition rights (June 16, 2015)	3 Executive Directors (excluding Outside Executive Directors)	75	7,500 shares of common stock of the Company	71,700 yen per share acquisition right	1 yen per share	July 3, 2015 to July 2, 2045	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2016 share acquisition rights (June 16, 2016)	3 Executive Directors (excluding Outside Executive Directors)	111	11,100 shares of common stock of the Company	53,100 yen per share acquisition right	1 yen per share	July 5, 2016 to July 4, 2046	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2017 share acquisition rights (June 15, 2017)	3 Executive Directors (excluding Outside Executive Directors)	63	6,300 shares of common stock of the Company	101,400 yen per share acquisition right	1 yen per share	July 4, 2017 to July 3, 2047	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2018 share acquisition rights (June 14, 2018)	3 Executive Directors (excluding Outside Executive Directors)	45	4,500 shares of common stock of the Company	175,400 yen per share acquisition right	1 yen per share	July 3, 2018 to July 2, 2048	(Note 1)	(Note 4)
Net One Systems Co., Ltd. FY2019 share acquisition rights (June 13, 2019)	3 Executive Directors (excluding Outside Executive Directors)	42	4,200 shares of common stock of the Company	287,200 yen per share acquisition right	1 yen per share	July 2, 2019 to July 1, 2049	(Note 1)	

Name (Date of resolution to issue)	Number of owners	Number of share acquisition rights	Class and number of shares to be issued upon the exercise of share acquisition rights	Amount to be paid in for share acquisition rights	Value of assets contributed upon the exercise of the share acquisition rights	Effective period during which the share acquisition rights are exercisable	Conditions for the exercise of share acquisition rights	Remarks
Net One Systems Co., Ltd. FY2020 share acquisition rights (June 11, 2020)	4 Executive Directors (excluding Outside Executive Directors)	53	5,300 shares of common stock of the Company	341,400 yen per share acquisition right	1 yen per share	July 2, 2020 to July 1, 2050	(Note 1)	(Note 5)
Net One Systems Co., Ltd. FY2021 share acquisition rights (June 23, 2021)	4 Executive Directors (excluding Outside Executive Directors)	75	7,500 shares of common stock of the Company	344,600 yen per share acquisition right	1 yen per share	July 13, 2021 to July 12, 2051	(Note 1)	

(Notes) 1. (1) Persons who have received allotment of share acquisition rights (herein, “Share Acquisition Right Holders”) may only execute the share acquisition rights as one lump transaction that shall be limited to the period from the day following the day on which any position of Director, Audit & Supervisory Board Member, Executive Officer or employee (excluding consigned employees) of the Company or the Company’s subsidiary during the exercise period of the share acquisition rights has been forfeited until the day on which ten days expire (if the tenth day falls on a holiday, then the next business day).

(2) In the event that a Share Acquisition Right Holder dies while serving or being employed in any position of Director, Audit & Supervisory Board Member, Executive Officer or employee (excluding consigned employees) of the Company or the Company’s subsidiary, or between the period from the day following the day on which such position has been forfeited until the day on which ten days expire, the heir of that person may only execute the share acquisition rights as one lump transaction that shall be limited to the period from the day that follows the day on which that person died until the day on which six months expire.

2. The share acquisition rights owned by two (2) Executive Directors were granted prior to appointment as Executive Director.
3. The share acquisition rights owned by three (3) Executive Directors were granted prior to appointment as Executive Director.
4. The share acquisition rights owned by one (1) Executive Director out of three (3) Executive Directors were granted prior to appointment as Executive Director.
5. The share acquisition rights owned by one (1) Executive Director out of four (4) Executive Directors were granted prior to appointment as Executive Director.

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

Name (Date of resolution to issue)	Number of grantees	Number of share acquisition rights	Class and number of shares to be issued upon the exercise of share acquisition rights	Amount to be paid in for share acquisition rights	Value of assets contributed upon the exercise of the share acquisition rights	Effective period during which the share acquisition rights are exercisable	Conditions for the exercise of share acquisition rights
Net One Systems Co., Ltd. FY2021 share acquisition rights (June 23, 2021)	8 Vice Presidents	75	7,500 shares of common stock of the Company	344,600 yen per share acquisition right	1 yen per share	July 13, 2021 to July 12, 2051	(Note)

- (Notes)
1. Persons who have received allotment of share acquisition rights (herein, "Share Acquisition Right Holders") may only execute the share acquisition rights as one lump transaction that shall be limited to the period from the day following the day on which any position of Director, Audit & Supervisory Board Member, Executive Officer or employee (excluding consigned employees) of the Company or the Company's subsidiary during the exercise period of the share acquisition rights has been forfeited until the day on which ten days expire (if the tenth day falls on a holiday, then the next business day).
 2. In the event that a Share Acquisition Right Holder dies while serving or being employed in any position of Director, Audit & Supervisory Board Member, Executive Officer or employee (excluding consigned employees) of the Company or the Company's subsidiary, or between the period from the day following the day on which such position has been forfeited until the day on which ten days expire, the heir of that person may only execute the share acquisition rights as one lump transaction that shall be limited to the period from the day that follows the day on which that person died until the day on which six months expire.

Consolidated statement of changes in net assets

(April 1, 2021 to March 31, 2022)

(unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2021	12,279	19,536	42,247	(987)	73,075
Cumulative effects of changes in accounting policies			(638)		(638)
Balance as of April 1, 2021 reflecting changes in accounting policies	12,279	19,536	41,608	(987)	72,436
Changes of items during the period					
Dividends from surplus			(6,427)		(6,427)
Profit attributable to owners of parent			11,225		11,225
Purchase of treasury stock				(10,000)	(10,000)
Cancellation of treasury stock		(7,656)		7,656	-
Disposal of treasury stock		55		117	172
Transfer from retained earnings to capital surplus		7,518	(7,518)		-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(82)	(2,720)	(2,226)	(5,029)
Balance as of March 31, 2022	12,279	19,453	38,888	(3,214)	67,406

	Accumulated other comprehensive income				Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance as of April 1, 2021	0	448	(10)	438	222	60	73,795
Cumulative effects of changes in accounting policies							(638)
Balance as of April 1, 2021 reflecting changes in accounting policies	0	448	(10)	438	222	60	73,156
Changes of items during the period							
Dividends from surplus							(6,427)
Profit attributable to owners of parent							11,225
Purchase of treasury stock							(10,000)
Cancellation of treasury stock							–
Disposal of treasury stock							172
Transfer from retained earnings to capital surplus							–
Net changes of items other than shareholders' equity	(0)	530	(12)	518	(53)	(44)	420
Total changes of items during the period	(0)	530	(12)	518	(53)	(44)	(4,608)
Balance as of March 31, 2022	–	978	(22)	956	168	15	68,547

Notes to consolidated financial statements

(Significant matters related to the basis of preparation of consolidated financial statements)

1. Matters related to the scope of consolidation

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

PT Net One Asia changed its company name from PT SCALENOW SOLUSI.

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

Names of non-consolidated subsidiaries	Net One Connect G.K. Net One Business Operations G.K. Net One Systems USA, Inc. Net One Systems Singapore Pte. Ltd.
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(Reason for excluding from the consolidation)

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

2. Matters related to application of equity method

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

3. Matters related to fiscal years of consolidated subsidiaries

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

4. Matters related to accounting policies

(1) Basis and method of valuation for significant assets

I. Securities

Available-for-sale securities

Securities other than shares, etc. that do not have a market price Stated at market value. (Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of net assets. The cost of securities sold is measured by the moving average method.)

Shares, etc. that do not have a market price Stated at cost based upon the moving average method.

II. Derivatives

Stated at market value

III. Inventories

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

Costs on uncompleted construction contracts

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

(2) Depreciation method for significant depreciable assets

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

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

The major useful lives of assets are:

Buildings 3 to 23 years

Tools, furniture and fixtures 2 to 20 years

II. Intangible assets (excluding lease assets)

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

The major useful lives of assets are:

Software for own use 3 to 5 years

Software for sale 3 years

III. Lease assets

Lease assets in finance leases that transfer ownership to the lessee

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

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

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

(3) Basis for significant reserves

I. Allowance for doubtful accounts

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

II. Provision for bonuses

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

III. Provision for directors' bonuses

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

(4) Recognition standard for significant revenues and expenses

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) and recognized revenue when control of the promised goods or services is transferred to the customer or as they are transferred to the customer at the amount expected to be received in exchange for such goods or services.

The major performance obligations in the major businesses of the Company and its consolidated subsidiaries and the usual time point at which revenue is recognized are described in the "Notes to revenue recognition."

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

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

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the closing date of the accounting period, with translation difference charged to profit or loss. Assets and liabilities of overseas subsidiaries are translated into yen at the spot exchange rate on the closing date of the overseas subsidiaries, while revenues and expenses are translated into yen at the average exchange rate during the period, and translation adjustments are included in foreign

currency translation adjustment and non-controlling interests.

II. Significant hedge accounting method

a. Hedge accounting method

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

b. Hedging instruments and hedged items

Hedging instruments: Forward exchange contract

Hedged items: Planned transactions denominated in foreign currencies

c. Hedging policy

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

d. Assessment of hedge effectiveness

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

III. Method and term of amortization of goodwill

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

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

(Notes to changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the fiscal year under review, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Standard”) and other standards and has recognized revenue at the time when control of the promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services. As a result, although the Company previously recognized revenue at the time of shipment for certain sales, revenue from those sales is now recognized at the time of acceptance of goods or services. In addition, the Company has recognized revenue by calculating the transaction price for each unit of performance by distributing the entire project to appropriate prices.

The Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Standard in applying the Revenue Recognition Standard and other standards. The cumulative effect of retrospective application of the new accounting policies to the period prior to the beginning of the fiscal year under review is added to or deducted from retained earnings at the beginning of the fiscal year under review, and the new accounting policies are applied from such beginning balance. However, the new accounting policies are not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous

treatment prior to the beginning of the fiscal year under review by applying the method prescribed in Paragraph 86 of the Revenue Recognition Standard. In addition, the Company has applied the method prescribed in Paragraph 86 (1) of the Revenue Recognition Standard to account for contract modifications made prior to the beginning of the fiscal year under review based on the contract terms after reflecting all contract modifications, and the cumulative effect of such change has been added to or deducted from retained earnings at the beginning of the fiscal year under review.

“Notes and account receivable-trade,” which was presented under “Current assets” in the consolidated balance sheet for the previous fiscal year, is included in “Notes and accounts receivable-trade, and contract assets” from the fiscal year under review.

As a result, the beginning balance of retained earnings in the consolidated statement of changes in net assets decreased by 638 million yen due to the cumulative effect reflected on net assets at the beginning of the fiscal year under review. The effect of this change on profit and loss for the fiscal year under review is immaterial.

(Application of Accounting Standard for Fair Value Measurement)

Effective from the beginning of the fiscal year under review, the Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards, and the Company decided to apply new accounting policy stipulated in the Fair Value Measurement Standard, etc. in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) prospectively. This change has no impact on the consolidated financial statements.

In addition, notes on matters concerning the breakdown of financial instruments into the appropriate categories of fair value are provided in “Notes to financial instruments.”

(Notes to changes in representation methods)

(Consolidated balance sheet)

“Short-term borrowings,” which was included in “Other” under “Current liabilities” in the previous fiscal year, is separately presented in the fiscal year under review due to its increased financial materiality. The amount of “Short-term borrowings” in the previous fiscal year was 2 million yen.

(Notes to accounting estimates)

(Deferred tax assets)

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

Deferred tax assets	2,955 million yen
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- (2) Information regarding details of important accounting estimates for identified items

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

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

(Additional information)

(Matters related to fraudulent transactions)

In the fiscal year ended March 31, 2020, the Company has recognized that transactions without actual deliveries had been repeated since December 2014. Payables of 5,553 million yen arising from the cancellation of transactions, etc. related to the fraud are included in and presented as “Other” of “Current liabilities.”

Since the settlements between the companies involved in the fraudulent transactions and the Company's request for correction of income taxes, etc. have not been completed and lawsuits seeking compensation for damages, etc. from each company are still ongoing, the financial position and business performance of the Group may be affected depending on future circumstances. In the event that the Company is found liable in said lawsuits, the above current liabilities may be used to pay for damages and other liabilities.

In addition, the Company received a notice of suit on October 28, 2020 by NS Solutions Corporation (hereinafter, the "defendant") in the case where Mizuho-Toshiba Leasing Company, Limited (hereinafter, the "plaintiff") made a penalty claim against the defendant. As stated in the notice of suit, the plaintiff claims penalties for cancellation of sales contracts of 10,926 million yen and damages for delay against the defendant, and if the defendant loses the penalty claim case, which resulted from involvement in transactions related to fraud by a former employee of the Company, the plaintiff shall exercise claims for compensation for loss or damage against the Company based on vicarious liability of the Company. With regard to this penalty claim case, the Company filed an application for assisting intervention on September 17, 2021.

On June 11, 2021, the Securities and Exchange Surveillance Commission recommended that the Prime Minister and the Commissioner of the Financial Services Agency issue a payment order for a surcharge in the amount of 81 million yen against the Company pursuant to Article 20, Paragraph 1 of the Act for Establishment of the Financial Services Agency. Subsequently, on June 16, 2021, the Company received a notice of decision of commencement of hearing from the Commissioner of the Financial Services Agency. On June 23, 2021, the Company submitted a written answer to the Administrative Law Judges of the Financial Services Agency admitting the facts pertaining to the said surcharge and the amount of the surcharge to be paid. On August 5, 2021, the Company received a decision from the Commissioner of the Financial Services Agency ordering the payment of the surcharge, and in accordance with the decision on the payment order for a surcharge and the payment notice, the Company paid the surcharge to the national treasury on August 31, 2021.

(Impact of COVID-19)

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

(Note to consolidated balance sheet)

1. Of notes and accounts receivable-trade, and contract assets, the amount of receivables arising from contracts with customers is as follows:

Notes receivable-trade	685 million yen
Accounts receivable-trade	50,411 million yen

2. Inventories and provision for loss on order received pertaining to order contracts that are expected to incur losses are offset. The amount of the provision for loss on order received offset against the inventories is as follows:

Costs for uncompleted construction contracts	21 million yen
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3. Total accumulated depreciation of property, plant and equipment 19,212 million yen

The above accumulated depreciation includes accumulated impairment losses.

(Note to consolidated statement of income)

Revenue from contracts with customers

Of net sales, the amounts of revenue from contracts with customers and revenue from other sources are as follows.

Revenue from contracts with customers	186,780 million yen
Revenue from other sources	1,740 million yen

(Notes to consolidated statement of changes in net assets)**1. Class and number of issued shares as of March 31, 2022**

Class of shares	Number of shares as of March 31, 2022
Common stock	83,267,300 shares

2. Items regarding dividends from surplus during FY2022

Date of resolution	Class of shares	Total cash dividends (million yen)	Cash dividend per share (yen)	Record Date	Effective date
June 23, 2021 Annual Shareholders Meeting	Common stock	3,389	40.00	March 31, 2021	June 24, 2021
November 4, 2021 Board of Directors Meeting	Common stock	3,038	36.00	September 30, 2021	December 2, 2021

3. Among the dividends whose record date is within FY2022, those having effective date in FY2023

To be placed on the agenda of the Annual Shareholders Meeting scheduled for June 22, 2022.

Date of declaration	Class of shares	Total cash dividends (million yen)	Dividend resource	Cash dividend per share (yen)	Record Date	Effective date
June 22, 2022 Annual Shareholders Meeting	Common stock	2,956	Retained earnings	36.00	March 31, 2022	June 23, 2022

4. Class and number of shares to be issued upon the exercise of share acquisition rights (excluding those whose exercise period has not yet commenced) as of March 31, 2022

Class of shares	Number of shares as of March 31, 2022
Common stock	112,000 shares

(Notes to financial instruments)

1. Status of financial instruments

(1) Policy on treating financial instruments

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

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

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

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

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

Derivatives adopted are forward exchange contracts used for the purpose of hedging foreign exchange fluctuation risks arising from operating receivables and payables denominated in foreign currencies. The basic policy on derivatives is determined by the Board of Directors, and the Finance Department executes and manages derivative transactions pursuant to the internal management regulations which define the transaction limit amount and the transaction authority. Regarding hedging instruments and hedged items, hedging policy and method of assessing hedge effectiveness in hedge accounting, please refer to the aforementioned (5) II. "Significant hedge accounting method" in "Significant matters related to the basis of preparation of consolidated financial statements, 4. Matters related to accounting policies."

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

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

2. Matters regarding fair values of financial instruments

Consolidated balance sheet amounts and fair values as of March 31, 2022, and their variances, of financial instruments, are as follows. Shares, etc. that do not have a market price (the consolidated balance sheet amount of 147 million yen) are not included. Cash is not included in the notes, and deposits, notes and accounts receivable-trade, accounts payable-trade, and short-term borrowings are also not included in the notes because they are settled in a short period of time and their market value approximates their book value.

(unit: million yen)

	Consolidated balance sheet amount (*)	Fair value (*)	Variance
(1) Investments in leases	16,051	15,694	(357)
(2) Lease obligations	(23,035)	(22,765)	269
(3) Derivatives	978	978	—

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

(*2) Net receivables and payables arising from derivatives are presented on a net basis.

(Note) 1. A description of the valuation technique(s) and inputs used in the fair value measurements

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Investments in leases

The fair value is the discounted present value of total principal and interest using an assumed interest rate on equivalent new lease transactions, and is classified as Level 2.

(2) Lease obligations

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

The fair value is the discounted present value of total principal and interest using an assumed interest rate on equivalent new lease transactions, and is classified as Level 2.

(3) Derivatives

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

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

(unit: million yen)

Hedge accounting method	Type of derivatives	Major hedged items	As of March 31, 2022			
			Contracted amounts	Of the contracted amounts, those over 1 year	Fair value	Fair value measurement method
Deferral hedge accounting method	Sold forward exchange contracts					Based on prices provided by counterparty financial institutions and classified as Level 2
	-U.S. dollar	Accounts receivable-trade	172	-	(0)	
	-British pound sterling	Accounts receivable-trade	12	-	0	
	-Singapore dollars	Accounts receivable-trade	3	-	(0)	
	Purchased forward exchange contracts					
	-U.S. dollar	Accounts payable-trade	25,080	-	978	
“ <i>Furiate-shori</i> ” method	Sold forward exchange contracts					
	-U.S. dollar	Accounts receivable-trade	407	-	(*)	
	Purchased forward exchange contracts					
	-U.S. dollar	Accounts payable-trade	7,789	-	(*)	
Total			33,465	-	978	

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

(Note) 2. Scheduled redemption amounts of monetary claims after the consolidated balance sheet date (unit: million yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash and deposits	20,281	-	-
Notes and accounts receivable-trade	51,362	-	-
Investments in leases	5,343	10,620	88
Total	76,987	10,620	88

(Note) 3. Scheduled repayment amounts of lease obligations after the consolidated balance sheet date
(unit: million yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Lease obligations	8,642	14,279	113
Total	8,642	14,279	113

(Note regarding per share information)

Net assets per share	832.48 yen
Profit per share	134.15 yen

(Note regarding significant subsequent events)

Not applicable

(Notes to revenue recognition)

1. Disaggregation of revenue from contracts with customers

(unit: million yen)

	Reportable segment					Other (Note 1)	Total
	ENT Sector	SP Sector	PUB Sector	Partner Sector	Subtotal		
Net sales							
Equipment	18,249	25,067	25,892	34,012	103,221	1,389	104,611
Service	28,334	17,845	31,068	6,189	83,438	470	83,908
Revenue from contracts with customers	45,363	42,887	56,467	40,200	184,919	1,860	186,780
Revenue from other sources	1,220	24	493	1	1,740	–	1,740
Net sales to outside customers	46,583	42,912	56,961	40,201	186,660	1,860	188,520

(Notes) 1. “Other” is a business segment that is not included in the reportable segments and includes the Global Sector, etc.

2. Revenue from other sources mainly includes lease revenues based on the “Accounting Standard for Lease Transactions.”

2. Useful information in understanding revenue

The Group provides services in two product groups, the equipment product group and the service product group, in four reportable segments: ENT Sector, SP Sector, PUB Sector, and Partner Sector.

For the equipment product group, the Company sells to customers purchased products such as networks and platforms that comprise ICT systems. Since delivery of products to customers is a performance obligation, the Company judges that the performance obligation is satisfied at the time of customer acceptance and recognizes revenue at that point.

For the service product group, the Company mainly provides support services and design/construction services for systems that combine equipment handled in the equipment product group. For system design/construction, the Company judges that the performance obligation is satisfied when provision of the design, performance verification, and/or configuration services is completed and acceptance has been received from the customer, and recognizes revenue at that point. For system maintenance/operation, cloud services, and capital services, the Company recognizes revenue as performance obligations that are satisfied over a certain period of time because their services are routine or recurring.

The Company also provides services that combine the above two product groups. In the case of combined services of equipment products and system design/construction included in one contract, the Company identifies them as a single performance obligation and recognizes revenue accordingly. In the case of combined services that include system maintenance/operation, cloud services, and capital services, the Company identifies the performance obligation to be satisfied at a point in time and the performance obligation to be satisfied over a certain period of time separately and recognizes revenue accordingly.

The Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to the customer. In the case of a combined service that involves both performance obligation satisfied at a point in time and performance obligation satisfied over a certain period of time, to allocate the transaction price to each performance obligation in proportion to the stand-alone selling prices, the Group calculates the stand-alone selling prices of the separate goods or services underlying each performance obligation in the contract and allocates the transaction price in proportion to such stand-alone selling prices. If a stand-alone selling price is not directly observable, it is estimated. For the equipment and service product groups, the stand-alone selling price is the price calculated by the approach of adding an amount equal to profit to the expected cost. For combined services, the transaction price is calculated by subtracting discounts, etc. from the amount determined through negotiations with the customers, and is allocated based on the stand-alone selling price calculated for each performance obligation.

Payments are received at the normal due date after satisfying the performance obligation, according to the payment terms stipulated in each contract. In cases where consideration is received in the form of advance payment prior to the satisfaction of a performance obligation in accordance with the terms of the contract depending on the customer and other conditions, advances received is recorded.

There are no variable considerations, non-cash considerations, or significant financial elements in the calculation of transaction prices.

3. Useful information in understanding revenue for the current and subsequent fiscal years

(1) Balance of contract assets and contract liabilities, etc.

The balances of receivables and contract liabilities arising from contracts with customers are as follows.

	Fiscal year under review
Receivables from contracts with customers (beginning balance)	62,801 million yen
Receivables from contracts with customers (ending balance)	51,097 million yen
Contract liabilities (beginning balance)	17,068 million yen
Contract liabilities (ending balance)	18,858 million yen

In the consolidated balance sheet, receivables arising from contracts with customers are included in notes and accounts receivable-trade, and contract assets, while contract liabilities are included in advances received.

The amount of revenue recognized in the fiscal year under review that was included in contract liabilities as of the beginning of the period was 9,302 million yen. The amount of revenue recognized in the fiscal year under review from performance obligations that were satisfied (or partially satisfied) in prior periods is not material.

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame the Company expects to recognize the amount as revenue are as follows.

	Fiscal year under review
Within one year	103,668 million yen
Over one year and within two years	13,754 million yen
Over two years and within three years	9,164 million yen
Over three years	12,573 million yen
Total	139,160 million yen

(Other notes)

Notes to impairment losses

In the fiscal year under review, the Group recognized impairment losses on the following assets.

Location	Purpose of use	Type	Impairment loss
Shinagawa-ku, Tokyo	Software for in-house use	Software	462 million yen
Singapore	Assets for the Global Sector operations	Buildings; tools, furniture and fixtures; software; and other intangible assets	118 million yen

The Group considers assets used for network-related business in Japan as a single asset group because all assets generate cash flow together. The Global Sector operations of Net One Asia Pte. Ltd. and its subsidiaries is grouped individually.

Of the software for in-house use held by the Company, the Company evaluated the recoverable amount of assets that are not expected to be used in the future as zero, and recorded the book value of 462 million yen as an extraordinary loss.

In the Global Sector, the Company has assessed the recoverable amount of non-current assets held

by Net One Asia Pte. Ltd. and its subsidiaries for which no future cash flow is expected as zero because they have continued to incur operating losses since the previous fiscal year. As a result, an unamortized balance of 118 million yen was recognized as an extraordinary loss.

The breakdown of impairment losses is as follows:

I.	Software for in-house use	
	Software	462 million yen
II.	Assets for the Global Sector operations	
	Buildings	17 million yen
	Tools, furniture and fixtures	34 million yen
	Software	0 million yen
	Other intangible assets	66 million yen
	<hr/> Total	<hr/> 118 million yen

Non-consolidated statement of changes in net assets

(April 1, 2021 to March 31, 2022)

(unit: million yen)

	Shareholders' equity									Valuation and translation adjustments (Note 2)	Share acquisition rights	Total net assets
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings (Note 1)	Total retained earnings					
Balance as of April 1, 2021	12,279	19,453	82	19,536	86	32,380	32,467	(987)	63,295	9	222	63,526
Cumulative effects of changes in accounting policies						(638)	(638)		(638)			(638)
Balance as of April 1, 2021 reflecting changes in accounting policies	12,279	19,453	82	19,536	86	31,741	31,828	(987)	62,656	9	222	62,887
Changes of items during the period												
Provision of general reserve						–	–		–			–
Dividends from surplus						(6,427)	(6,427)		(6,427)			(6,427)
Profit						8,802	8,802		8,802			8,802
Purchase of treasury stock								(10,000)	(10,000)			(10,000)
Cancellation of treasury stock			(7,656)	(7,656)				7,656	–			–
Disposal of treasury stock			55	55				117	172			172
Transfer from retained earnings to capital surplus			7,518	7,518		(7,518)	(7,518)		–			–
Net changes of items other than shareholders' equity										(12)	(53)	(66)
Total changes of items during the period	–	–	(82)	(82)	–	(5,143)	(5,143)	(2,226)	(7,452)	(12)	(53)	(7,518)
Balance as of March 31, 2022	12,279	19,453	–	19,453	86	26,598	26,685	(3,214)	55,203	(3)	168	55,369

(Note) 1. Details of other retained earnings

(unit: million yen)

	General reserve	Retained earnings brought forward	Total
Balance as of April 1, 2021	21,530	10,850	32,380
Cumulative effects of changes in accounting policies		(638)	(638)
Balance as of April 1, 2021 reflecting changes in accounting policies	21,530	10,211	31,741
Changes of items during the period			
Provision of general reserve	1,340	(1,340)	–
Dividends from surplus		(6,427)	(6,427)
Profit		8,802	8,802
Transfer from retained earnings to capital surplus		(7,518)	(7,518)
Total changes of items during the period	1,340	(6,483)	(5,143)
Balance as of March 31, 2022	22,870	3,728	26,598

(Note) 2. Details of Valuation and translation adjustments

(unit: million yen)

	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total
Balance as of April 1, 2021	0	9	9
Cumulative effects of changes in accounting policies			
Balance as of April 1, 2021 reflecting changes in accounting policies	0	9	9
Changes of items during the period			
Net changes of items other than shareholders' equity	(0)	(12)	(12)
Total changes of items during the period	(0)	(12)	(12)
Balance as of March 31, 2022	–	(3)	(3)

Notes to non-consolidated financial statements

(Significant accounting policies)

1. Basis and method of valuation for assets

(1) Securities

I. Subsidiaries and affiliates	Stated at cost based upon the moving average method
II. Available-for-sale securities	
Securities other than shares, etc. that do not have a market price	Stated at market value. (Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of net assets. The cost of securities sold is measured by the moving average method.)
Shares, etc. that do not have a market price	Stated at cost based upon the moving average method.

(2) Derivatives Stated at market value

(3) Inventories

I. Merchandise	Stated at cost based upon the moving average method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)
II. Costs for uncompleted construction contracts	Stated at cost based upon the specific identification method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

2. Depreciation method for non-current assets

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

Declining balance method is applied.

The major useful lives of assets are:

Buildings	3 to 23 years
Tools, furniture and fixtures	2 to 20 years

(2) Intangible assets (excluding lease assets)

Straight line method is applied.

The major useful-lives of assets are:

Software for own use	5 years
Software for sale	3 years

(3) Lease assets

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

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

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

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

3. Basis for reserves

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for directors' bonuses

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

4. Recognition standard for revenues and expenses

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and the "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021) and recognized revenue when control of the promised goods or services is transferred to the customer or as they are transferred to the customer at the amount expected to be received in exchange for such goods or services.

The major performance obligations in the major businesses of the Company and the usual time point at which revenue is recognized are described in the "Notes to consolidated financial statements, (Notes to revenue recognition)."

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

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

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

(2) Significant hedge accounting method

I. Hedge accounting method

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

II. Hedging instruments and hedged items

Hedging instruments: Forward exchange contract

Hedged items: Planned transactions denominated in foreign currencies

III. Hedging policy

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

IV. Assessment of hedge effectiveness

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

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

(Notes to changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

Effective from the beginning of the fiscal year under review, the Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter the “Revenue Recognition Standard”) and other standards and has recognized revenue at the time when control of the promised goods or services is transferred to the customer in the amount expected to be received in exchange for those goods or services. As a result, although the Company previously recognized revenue at the time of shipment for certain sales, revenue from those sales is now recognized at the time of acceptance of goods or services. In addition, the Company has recognized revenue by calculating the transaction price for each unit of performance by distributing the entire project to appropriate prices.

The Company has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Revenue Recognition Standard in applying the Revenue Recognition Standard and other standards. The cumulative effect of retrospective application of the new accounting policies to the period prior to the beginning of the fiscal year under review is added to or deducted from retained earnings at the beginning of the fiscal year under review, and the new accounting policies are applied from such beginning balance. However, the new accounting policies are not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the fiscal year under review by applying the method prescribed in Paragraph 86 of the Revenue Recognition Standard. In addition, the Company has applied the method prescribed in Paragraph 86 (1) of the Revenue Recognition Standard to account for contract modifications made prior to the beginning of the fiscal year under review based on the contract terms after reflecting all contract modifications, and the cumulative effect of such change has been added to or deducted from retained earnings at the beginning of the fiscal year under review.

As a result, the beginning balance of retained earnings in the non-consolidated statement of changes in net assets decreased by 638 million yen due to the cumulative effect reflected on net assets at the beginning of the fiscal year under review. The effect of this change on profit and loss for the fiscal year under review is immaterial.

(Application of Accounting Standard for Fair Value Measurement)

Effective from the beginning of the fiscal year under review, the Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter “Fair Value Measurement Standard”) and other standards, and the Company decided to apply new accounting policy stipulated in the Fair Value Measurement Standard, etc. in accordance with the transitional treatment prescribed in Paragraph 19 of the Fair Value Measurement Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019) prospectively. This change has no impact on the non-consolidated financial statements.

(Notes to accounting estimates)

(Deferred tax assets)

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

Deferred tax assets	2,176 million yen
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(2) Information regarding details of important accounting estimates for identified items

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

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

(Additional information)

(Matters related to fraudulent transactions)

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

(Notes to non-consolidated balance sheet)

1. Total accumulated depreciation of property, plant and equipment	18,160 million yen
2. Monetary claims and liabilities to subsidiaries and associates	
Short-term monetary claims	12,553 million yen
Short-term monetary liabilities	4,322 million yen
3. Guarantee of obligations of subsidiaries and associates	
A guarantee is offered for the following subsidiary’s obligation to its specified supplier.	
Net One Partners Co., Ltd.	2,935 million yen

(Note to non-consolidated statement of income)

Transactions with subsidiaries and associates

Transactions relating to the Company’s operation

Net sales	784 million yen
Purchase	16,620 million yen
Selling, general and administrative expenses	1,984 million yen
Transactions not relating to the Company’s operation	1,360 million yen

(Note to non-consolidated statement of changes in net assets)

Class and number of treasury shares as of March 31, 2022

Class of shares	Number of shares as of March 31, 2022
Common stock	1,147,475

(Notes regarding tax effect accounting)

1. Breakdown of major reason for deferred tax assets and deferred tax liabilities (as of March 31, 2022)

(unit: million yen)

Deferred tax assets	
Provision for bonuses	684
Depreciation for tools, furniture and fixtures	774
Accounts receivable-other	164
Accrued enterprise tax	74
Asset retirement obligations	249
Software	53
Loss on valuation of investment securities	95
Loss on valuation of inventories	6
Loss on fraudulent transactions	1,581
Other	1,264
Sub-total deferred tax assets	4,947
Valuation allowance	(2,651)
Total deferred tax assets	2,296
Deferred tax liabilities	
Asset retirement cost	(119)
Total deferred tax liabilities	(119)
Net deferred tax assets	2,176

Extraordinary losses of 1,581 million yen and other in current assets and current liabilities of 644 million yen that occurred due to the cancellation of transactions related to wrongful act are included in the valuation allowance of negative 2,651 million yen.

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

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

(Notes regarding transactions with related parties)

Subsidiaries

(unit: million yen)

Classification	Company name	Percentage of voting rights holding (held)	Relationship	Transaction	Amount of transaction	Account	As of March 31, 2022
Subsidiary	Net One Partners Co., Ltd.	Holding directly 100.0%	<ul style="list-style-type: none"> • Purchase of products • Outsourcing of operations • Loan transactions • Guarantee of obligations • 2 dispatched officers 	Purchase of products (Note 1)	14,007	Accounts payable-trade	3,625
				Outsourcing of operations (Note 1)	955	Other current assets	176
				Loan transactions (Note 2)	6,091	Short-term loans receivable	10,600
				Interest income (Note 2)	26	—	—
				Guarantee of obligations (Note 3)	2,935	—	—

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

- (Notes) 1. Prices are determined by reference to market prices
2. Interest rates applied to the loan transactions are determined by taking into account the market interest rates. Since loan and collection transactions are repeatedly conducted, the average balance during the fiscal year is given in the amount of transaction section.
3. Guarantee of obligations is provided for the obligations of specific suppliers. The guarantee fees are not collected.

(Note regarding per share information)

Net assets per share	672.19 yen
Profit per share	105.19 yen

(Note regarding significant subsequent events)

Not applicable

(Notes to revenue recognition)**Useful information in understanding revenue**

This note has been omitted as it is the same as described under “Notes to consolidated financial statements, Notes to revenue recognition” above.