



June 22, 2022

To whom it may concern:

Net One Systems Co., Ltd.
(Stock Code: 7518, TSE Prime)

Notice of partial revision to the Basic Policy of Internal Control System

Net One Systems Co., Ltd. (“Net One Systems” or the “Company”) has transitioned into a company with an audit and supervisory committee in accordance with approval granted during the 35th Annual Shareholders Meeting held on June 22, 2022. Accordingly, the Company’s Board of Directors resolved during a meeting held on June 22, 2022 to partially revise the Company’s Basic Policy of Internal Control System. Details of these revisions have been provided below.

In accordance with the following basic policy, Net One Systems shall establish, administer, and continuously strive to improve an internal control system that will serve as the foundation for its business operations.

System for ensuring that the execution of duties performed by executive directors and employees of the Company and its subsidiaries complies with laws, regulations, the Company’s Articles of Incorporation, etc.

1. The Company shall establish a corporate philosophy, principles of conduct, and a compliance manual that apply to its entire corporate group (the “Group”). By continuing to review, disseminate, and inculcate these protocols, the Company shall foster a corporate culture of compliance and ensure that all business activities are legal and ethical.
2. The Compliance Committee and other organizations responsible for compliance shall play a central role in deliberations and oversight of policies and plans governing the entire Group’s compliance activities and shall take the lead in investigations of serious compliance violations and discussions concerning recurrence prevention measures. Employing a fundamental strategy that integrates compliance with its corporate philosophy, the Company shall systematically and continuously provide compliance training aimed at fostering and elevating compliance awareness while pursuing improvement in its establishment and administration of internal regulations related to compliance.
3. To ensure the early detection and correction of all compliance violations within its Group, the Company shall establish internal and external contact points for reporting and consultation, as well as a contact point through which individuals can report to or consult with full-time Audit & Supervisory Committee members regarding compliance violations committed by executive directors and vice presidents. In the event of a report or consultation regarding compliance violations, the Company shall take appropriate and prompt action in accordance with its internal regulations, while ensuring that the informant is properly protected. Furthermore, through its corporate intranet and various types of training, the Company shall actively inform its officers and employees regarding the roles of these contact points for reporting and consultation and the strict confidentiality protocols in place for the protection of informants.

4. The Group's internal regulations shall clearly specify behavioral standards prohibiting association with organized crime, and the Group shall maintain a basic policy of avoiding all engagement (business transactions, etc.) with organized crime that threatens the order and safety of civil society. In addition, the Company shall cooperate closely with specialized external organizations and experts (Federation of Special Violence Prevention Measures under the jurisdiction of the Tokyo Metropolitan Police Department, responsible police agencies, legal advisors, etc.) while establishing and strengthening systems aimed at gathering information on organized crime and securing appropriate guidance and cooperation from these organizations and experts. Furthermore, through means including groupwide compliance training, the Company shall ensure that all employees are fully aware of the importance of eliminating organized crime.

System for storing and managing information related to the execution of duties performed by executive directors

1. Consequential documents (records of proceedings, reference materials, etc.) related to important meetings of the Board of Directors, the Management Committee, and other key bodies shall be stored and managed in accordance with laws, regulations, and internal regulations. Furthermore, the Company shall maintain systems that allow executive directors to inspect and copy these documents whenever necessary.

Regulations and other systems in place for the management of risks of loss affecting the Company and/or its subsidiaries

1. The Risk Management Committee and other organizations responsible for risk management shall play a central role in the formulation of policies and plans governing the Group's comprehensive risk management activities and analysis and evaluation of risks impacting the Group.
2. The Risk Management Committee and other organizations responsible for risk management shall play a central role in providing guidance and oversight aimed at preventing risk occurrence and addressing risks as they materialize.
3. The Group shall establish systems ensuring that risk-related information is appropriately reported to and gathered by the Risk Management Committee and other organizations responsible for risk management.
4. While pursuing improvement in its establishment and administration of internal regulations related to risk management, the Group shall aim to raise risk management awareness among its officers and employees by keeping them informed of risks that have arisen.
5. Primary risks affecting the Group have been provided below. The Group shall appropriately address these risks through the risk management activities described above. With regard to risk management activities specifically targeting operational risk, the Company will apply its "three lines of defense" concept to its organizational structure, designating its sales and business divisions as line one, its business control division (monitors line one) as line 1.5, its administrative division as line two, and its internal audit division as line three. Through this action, the Company will seek to establish systems through which it can strengthen its checks and balances and appropriately manage risks.

(1) Business risks

- i. Business risks including changes in economic environment (fluctuations in the economy, exchange rates, interest rates, etc.), developments in markets and customer needs, and shifts in the market positions of products and services caused by competition related to technological development and sales
- ii. Risk of business continuity issues caused by large-scale natural disasters, the spread of malignant infectious diseases, etc.
- iii. Risks associated with new business and investments

(2) Operational risks

- i. Operational risks including potential business stagnation caused by damage to the Company's credibility stemming from misconduct or leakage of confidential information committed by executive directors or employees

System for ensuring the efficient execution of duties by executive directors

1. The Company shall enhance its corporate governance by introducing a vice president system and ensuring that the functions of its Board of Directors are focused primarily on management and supervision. At the same time, the Company shall establish systems for ensuring the prompt and efficient performance of executive functions that are separate from managerial and supervisory functions.
2. The Management Committee shall discuss and decide all critical matters related to management and business execution that are not handled by the Board of Directors.
3. Powers of authority and processes related to executive decisions regarding major matters shall be governed by internal regulations.
4. With the goal of improving operational efficiency (reducing costs and expanding performance), the Company shall continuously reassess and improve its business systems while developing and expanding the information systems infrastructure that supports them.

System for ensuring the appropriateness of operations performed by the Group (consisting of the Company and its subsidiaries)

The Company shall establish and maintain the following systems in addition to those described in the sections entitled "System for ensuring that the execution of duties performed by executive directors and employees of the Company and its subsidiaries complies with laws, regulations, the Company's Articles of Incorporation, etc." and "Regulations and other systems in place for the management of risks of loss affecting the Company and/or its subsidiaries."

• System for reporting to the Company on matters related to the execution of duties by executive directors of subsidiaries or other individuals holding functionally equivalent positions (hereinafter referred to as "executive directors, etc.")

1. The Company shall establish organizations responsible for reporting at each "group company" (refers to all companies in the Net One Systems Group other than Net One Systems Co., Ltd.) and receive regular reports from these organizations regarding issues such as management and financial conditions in accordance with internal regulations. Furthermore, the Company shall hold discussions with these organizations before reaching decisions on critical managerial issues.
2. The Company shall facilitate smooth group management by holding regular group business liaison meetings to share information regarding relevant issues.

• System for ensuring the efficient execution of duties performed by executive directors, etc. of subsidiaries

1. The Company shall formulate its medium-term business plan with participation from each group company, receive regular reports regarding the management statuses of all group companies in accordance with this plan, and manage the plan's progress.
2. Powers of authority and processes related to executive decisions made regarding major matters at all group companies shall be governed by the internal regulations of these group companies.

• Other systems for ensuring the appropriateness of operations performed by the Group (consisting of the Company and its subsidiaries)

1. The Company shall assign or deploy its own executive directors or employees to serve as executive directors or corporate auditors at group companies. When carrying out these assignments, these personnel will supervise or audit the execution of operations by executive directors and employees of these group companies.

2. To ensure reliable financial reporting in compliance with the Financial Instruments and Exchange Act of Japan, the internal audit division, acting in accordance with internal regulations, shall collaborate with all group companies to regularly monitor and evaluate the establishment and administration of the Group's internal controls.

Matters concerning executive directors and employees assisting the Company's Audit & Supervisory Committee in the performance of its duties, matters pertaining to the independence of these executive directors and employees from the influence of other executive directors (excluding executive directors serving as members of the Audit & Supervisory Committee), and matters related to ensuring the effectiveness of guidance provided to these executive directors and employees by the Audit & Supervisory Committee

1. The Company shall assign employees to assist the Audit & Supervisory Committee in its duties.
2. The Company shall obtain consent from the Audit & Supervisory Committee before assigning or evaluating employees tasked with assisting the Audit & Supervisory Committee in the performance of its duties. Furthermore, the Company shall ensure that these employees are independent from the influence of executive directors (excluding executive directors serving as members of the Audit & Supervisory Committee).
3. The Company shall establish systems ensuring that employees who are assigned to assist the Audit & Supervisory Committee in the performance of its duties are able to comply with relevant instructions received from the committee.

Systems facilitating reports to the Audit & Supervisory Committee and systems for ensuring that individuals who make reports to the Audit & Supervisory Committee are not penalized or subjected to disadvantageous treatment for having made these reports

1. In the event that an executive director or employee of the Group identifies a serious violation of laws, regulations, or Net One Systems' Articles of Incorporation or circumstances that may cause significant damage to the Group, he or she shall immediately report this discovery to the Audit & Supervisory Committee or a corporate auditor of his or her group company. If his or her group company has no Audit & Supervisory Committee or corporate auditor, he or she shall report this discovery to Net One Systems' Audit & Supervisory Committee.
2. When requested by the Audit & Supervisory Committee of the Company or corporate auditors of group companies, executive directors and employees of the Group shall promptly report on matters related to the execution of their duties.
3. After receiving reports as described in item two (2.) from executive directors and employees of group companies, corporate auditors of group companies shall promptly share these reports with the Company's Audit & Supervisory Committee. Additionally, corporate auditors of the Net One Systems Group shall hold regular liaison meetings, and the Company's Audit & Supervisory Committee shall receive reports from these corporate auditors regarding the statuses of audits conducted at all group companies.
4. Officers or employees of the Net One Systems Group who file reports with the Audit & Supervisory Committee of the Company or corporate auditors of group companies shall not receive any disadvantageous treatment in retaliation for these reports. Additionally, the Company shall actively inform them regarding the roles of contact points for reporting and consultation and the strict confidentiality protocols in place for the protection of informants and shall establish an environment in which officers and employees of the Group can safely and securely file reports and seek consultation.

Procedures for prepayment or reimbursement of expenses incurred by members of the Audit & Supervisory Committee in the performance of their duties, policies concerning the management

of other expenses or liabilities incurred through performance of duties, and systems for ensuring that audits performed by the Audit & Supervisory Committee are carried out effectively

1. Members of the Audit & Supervisory Committee shall attend meetings of the Board of Directors, the Management Committee, and other important bodies to ensure their understanding of critical decision-making processes and circumstances surrounding the execution of business operations. Additionally, full-time Audit & Supervisory Committee members shall meet regularly with the representative director and other members of management and outside executive directors (excluding outside executive directors serving concurrently as Audit & Supervisory Committee members) to exchange their views and perspectives. Subsequently, the results of these meetings shall be shared with all other members of the Audit & Supervisory Committee.
2. To enhance the effectiveness of internal audits and further raise the degree to which the internal audit division remains independent from the influence of divisions responsible for business execution, the internal audit division shall, upon receiving approval from the Audit & Supervisory Committee regarding basic internal audit policies and associated annual plans, report regularly to the Audit & Supervisory Committee concerning the statuses and results of internal audits and receive guidance as necessary. Additionally, the internal audit division shall obtain consent from the Audit & Supervisory Committee when changing its top manager or evaluating his or her performance.
3. The Audit & Supervisory Committee shall meet regularly with the accounting auditor and the internal audit division to exchange views and perspectives.
4. When a member of the Audit & Supervisory Committee makes a request for prepayment or reimbursement of expenses incurred through the performance of his or her duties, the Company shall promptly disburse the required funds, except in cases where the expenses or obligations associated with the request are deemed to be unnecessary for the performance of the member's duties.