

DISCLAIMER

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NET ONE SYSTEMS CO., LTD. MAKES NO GUARANTEES WHATSOEVER WITH REGARD TO THE ACCURACY OF TRANSLATION OR CONTENTS OF THIS ENGLISH DOCUMENTATION.

To our shareholders:

Thank you as ever for your kind support. We are pleased to hereby bring you this notice of our 36th Annual Shareholders Meeting.

In the fiscal year ended March 31, 2023, the Company strived to realize continued growth while ensuring governance. We are steadily moving forward to become a company that provides value to society through learning from the past and pursuing reforms for the future.

The Company celebrated the 35th anniversary of its founding in February 2023. We will remain committed to creating our unique added value by leveraging the technological capabilities and discerning ability nurtured over the years while finding joy in taking on challenges in this drastically changing society. By so doing, we will contribute to solving the issues of customers and society on the whole. Giving thought to what our future will be like five and ten years from now, we will proactively take a step further to achieve our vision as a leading company. At the same time, the Company will continue to make efforts for the growth of each and every employee and for enhancing corporate value.

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 corporate philosophy.

Net One Systems Co., Ltd.

Takafumi Takeshita
President & CEO

(Transmission date) June 1, 2023
(Start date of electronic provision) May 25, 2023

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

NOTICE OF THE 36th ANNUAL SHAREHOLDERS MEETING

To Our Shareholders:

We are pleased to announce the 36th Annual Shareholders Meeting of Net One Systems Co., Ltd. (hereinafter referred to as the “Company”) will be held as indicated below.

In convening the 36th Annual Shareholders Meeting, the Company provides the “Reference Documents regarding Shareholders Meeting” and other information (matters provided in electric form) electronically, making the information available on each of the following websites on the Internet. Please access any of the following websites for the information.

Company website: <https://www.netone.co.jp/ir/stock/meeting/> (in Japanese)
(Please check materials related to the “36th Annual Shareholders Meeting” on the above website.)

Japan Exchange Group website (Listed company search)
<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (in Japanese)
(Please access the above Japan Exchange Group website. Enter “Net One Systems” in the “Issue name (company name)” field or enter the Company’s securities code “7518” in the “Code” field and search. Select “Basic information” and “Documents for public inspection/PR information” in this order to view the information.)

In the event that you are unable to attend the meeting in person, you may exercise your voting rights in writing or the Internet, etc. as described in “Instructions Concerning the Exercise of Voting Rights” (pages 6 to 9). Please review the “Reference Documents regarding Shareholders Meeting” (pages 10 to 24) and exercise your voting rights by no later than 5:30 p.m. on June 22, 2023 (Thursday).

Truly yours,

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

1. Date/Time: June 23, 2023 (Friday) 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
*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 Committee's audit result reports on consolidated financial statements for the 36th fiscal year (April 1, 2022 to March 31, 2023)
- 2) Non-consolidated financial statements for the 36th fiscal year (April 1, 2022 to March 31, 2023)

Matters to be Resolved:

Proposal 1: Appropriation of surplus

Proposal 2: Election of six (6) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members)

Live Streaming of the 36th Annual Shareholders Meeting

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

Date/Time: June 23, 2023 (Friday) at 10:00 am (you can attend the meeting from 9:30 am)

Live streaming URL link:

<https://v.sokai.jp/7518/2023/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 March 31, 2023.

- 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 Matters Provided in Electronic Form

- Any changes to contents of the Matters Provided in Electronic Form shall be notified to shareholders by posting about the change made along with the matters prior to change and the matters after the change on the Company’s website and the Japan Exchange Group website on the Internet indicated above.
- Given the revisions to the Companies Act, as a general rule, shareholders are asked to access the above websites on the Internet and check the Matters Provided in Electronic Form, and the Company will send out the information in writing only to those shareholders who requested issuance of documents by the record date. However, for this Annual Shareholders Meeting, the Company will send out the documents containing the Matters Provided in Electronic Form to all shareholders regardless of whether or not a request for issuance of documents was made.

Of the Matters Provided in Electronic Form, the following matters are not included in the documents sent in accordance with the provisions of relevant laws and regulations, and the Company’s Articles of Incorporation.

- “Status of the Company’s share acquisition rights, etc.” in the business report
- “Consolidated statement of changes in net assets” and “Notes to consolidated financial statements”
- “Non-consolidated statement of changes in net assets” and “Notes to non-consolidated financial statements”

Therefore, the business report, consolidated financial statements and non-consolidated financial statements included in the relevant documents are part of those documents that were audited by the Accounting Auditor to prepare accounting audit reports and by the Audit & Supervisory Committee to prepare an audit report.

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 24). 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-hand corner of the enclosed Exercise of Voting Right Form along with this Notice 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 22, 2023 (Thursday)

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 22, 2023 (Thursday)

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 22, 2023 (Thursday)

For details, please refer to page 9.

<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.)

Date and Time of the Annual Shareholders Meeting:

10:00 a.m. on June 23, 2023 (Friday)

For details, please refer to page 9.

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 22, 2023 (Thursday)

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 22, 2023 (Thursday)

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 “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 22, 2023 (Thursday)

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.

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 36th fiscal year is proposed as follows.

Type of payout	Cash dividend	
Allocation of cash dividend and its total amount	37 yen per share of common stock	
	Total amount of dividends	3,041,029,223 yen
Effective date of dividend from surplus	June 26, 2023	

The dividend on an annual basis for the 36th fiscal year including the interim dividends is 74 yen per share with the consolidated dividend payout ratio of 42.1%.

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	4,380,000,000 yen
Account and amount of surplus that will increase	Retained earnings brought forward	4,380,000,000 yen

(Reference: Acquisition and cancellation of treasury shares)

To improve capital efficiency and enhance shareholder returns while maintaining a capital policy that facilitates flexible response to changes in the business environment, the Company decided based on a resolution reached at its Board of Directors meeting held on May 9, 2023 to acquire shares of the Company's common stock. It decided to do so through market purchase under a discretionary investment contract with a securities company during the period from May 10, 2023 to December 31, 2023, setting a maximum total number of shares to purchase of 3,500,000 and a maximum total acquisition price of 7,500,000,000 yen, and to cancel all of the treasury shares acquired during the acquisition period on March 29, 2024.

Proposal 2: Election of six (6) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members)


The term of office of all six (6) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, the Company proposes that six (6) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members).

All candidates were selected based on the report of the voluntary Nomination Advisory Committee, the majority of whose members are independent Outside Executive Directors. It has been reported by the Audit & Supervisory Committee that, as a result of checking the policy and process of determination with respect to each of the candidates on which the Nomination Advisory Committee has reported to the Board of Directors, the policy and process are appropriate and there are no particular matters to point out.

The candidates for Executive Directors (excluding 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	Number of years in office
1	Takafumi Takeshita	President Chief Executive Officer (CEO) Member of the Nomination Advisory Committee	Reelected	Male			15/15 (100%)	2 years and 3 months (5 years as Executive Director)
2	Takuya Tanaka	Executive Vice President Chief Operating Officer (COO)	Reelected	Male			15/15 (100%)	5 years
3	Mitsuru Kiuchi	Executive Vice President Chief Human Resources Officer (CHRO), Chief Risk Officer (CRO), Chief Compliance Officer (CCO) Member of the Remuneration Advisory Committee	Reelected	Male			13/13 (100%)	1 year
4	Maya Ito	Outside Executive Director Chairperson of the Board of Directors Member of the Nomination Advisory Committee Member of the Remuneration Advisory Committee	Reelected	Outside	Independent	Female	15/15 (100%)	2 years
5	Masayoshi Wada	Outside Executive Director Chairperson of the Remuneration Advisory Committee	Reelected	Outside	Independent	Male	13/13 (100%)	1 year
6	Shinobu Umino	-	Newly elected	Outside	Independent	Male	-	

(Note) The status of attendance at the Board of Directors meetings of Mr. Mitsuru Kiuchi and of Mr. Masayoshi Wada reflects only the Board of Directors meetings held after they assumed office on June 22, 2022.

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	57,393 shares	15/15 (100%)

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

Apr. 1988 Joined Ungermann-Bass Networks K.K.
 May 1989 Joined the Company
 Apr. 2006 Vice President, Technical Service Headquarters of Network Service And Technologies Co., Ltd. (current Net One Systems Co., Ltd.)
 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)


(Responsibilities)

Member of the Nomination Advisory Committee

Reasons for selection as a candidate:

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 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 demonstrated strong leadership and pushed forward with various initiatives including the formulation and penetration of the corporate philosophy, corporate governance reforms, strengthening of internal control of the entire Group, and corporate culture and organizational reforms to rebuild trust for the Group. He has also been contributing significantly to enhancing the corporate value of the Group through steadily implementing the Medium-term Business Plan.

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 Board of Directors 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 COO	8,805 shares	15/15 (100%)

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

Apr. 1992 Joined Nihon Unisys, Limited

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

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

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

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

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

Apr. 2017 Vice President 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 Executive Vice President


Apr. 2022 Executive Vice President and COO (incumbent)

(Significant concurrent positions)
 President & CEO, Net One Partners Co., Ltd.

Reasons for selection as a candidate:

Mr. Takuya Tanaka has abundant experience and a good track record accumulated through many years of practical experience in sales operations and as a manager of the Company's subsidiary. Since his appointment as an Executive Director in June 2018, he has made every effort to strengthen the sales division and build a sound business management system as the Executive Director in charge of sales divisions, etc. and COO and also worked on formulation and penetration of the corporate philosophy and strengthening of internal control of the entire Group, among others. More recently, he has also been demonstrating leadership in responding to exchange fluctuations and to changes in the supply chain and other changes in the management environment, thereby contributing significantly to enhancing the corporate value of 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 Board of Directors 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)  [Reelected] [Male]	Executive Vice President CHRO, CRO, CCO	5,597 shares	13/13 (100%)


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
Jun. 2022	Executive Vice President
Apr. 2023	Executive Vice President, CHRO, CRO, and CCO (incumbent)
	(Responsibilities)
	Member of the Remuneration Advisory Committee

Reasons for selection as a candidate:

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. After assuming the position of Executive Director in June 2022, he has made every effort to have the corporate philosophy take root, reform the corporate culture and organization, and restructure the personnel system as CHRO (Chief Human Resources Officer). In addition, he has been engaged in innovating the executive remuneration system as a member of the Remuneration Advisory Committee and has also been implementing various measures for increasing the effectiveness of the Board of Directors and taking other steps as an officer in charge of governance. As such, he has been contributing significantly to enhancing the corporate value of the Group.

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 Board of Directors has selected him as a candidate for Executive Director.

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
4	<p>Maya Ito (Dec. 28, 1976)</p>  <p>[Reelected] [Independent] [Outside] [Female]</p>	Outside Executive Director	330 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)

Apr. 2023 Outside Director (Audit and Supervisory Committee Member), J-Will CO., LTD. (incumbent)

(Responsibilities)

Chairperson of the Board of Directors

Member of the Nomination Advisory Committee

Member of the Remuneration Advisory Committee

(Significant concurrent positions)

Partner, Nishimura & Asahi

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

Reasons for selection as a candidate and overview of expected role:

Ms. Maya Ito has 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, and has been actively providing opinions and proposals as a specialist in corporate governance and legal compliance. Since assuming the post of chairperson of the Board of Directors in June 2022, she has taken initiatives in agenda-setting and proceeding with the meetings. In particular, she has led discussions at times of deliberation regarding the effectiveness of the Board of Directors and made efforts such as executing a PDCA cycle related to the analysis of the present status and improvement measures. She has nurtured an atmosphere in which Outside Executive Directors can feel comfortable in actively participating in discussions and raising issues, and has been contributing significantly to realizing an effective Board of Directors as a forum for having constructive discussions and exchanging opinions in a free and open-minded manner.


Having expected that she will continue to contribute to the strengthening of management oversight functions in light of the above, the Board of Directors 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.

Special interests between the candidate and the Company:

Ms. Maya Ito is a partner at Nishimura & Asahi, and while the Company has the following relationship

with the Singapore Office of Nishimura & Asahi, she satisfies the Independent Standards of the Company. Therefore, we believe this poses no risk of a conflict of interest with general shareholders.

Related party	Transaction details	Transaction size	Description
Nishimura & Asahi Singapore Office	Entrustment of legal operations related to particular transactions	Less than 0.1% of the annual revenue of Nishimura & Asahi	The Company requests the handling of legal operations to lawyers belonging to the said office other than Ms. Maya Ito, and Ms. Ito does not engage in the transactions of the Company whatsoever. There is no advisory contract with the said office.

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
5	Masayoshi Wada (Jan. 5, 1959)  [Reelected] [Independent] [Outside] [Male]	Outside Executive Director	278 shares	13/13 (100%)

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
 Jun. 2022 Outside Executive Director of the Company (incumbent)
 (Responsibilities)
 Chairperson of the Remuneration Advisory Committee

Reasons for selection as a candidate and overview of expected role:

Mr. Masayoshi Wada has experience as a corporate manager and a wealth of knowledge and experience in the information and telecommunications business field, and has been actively providing opinions and proposals from the perspective of corporate management, technology, risk management, and other areas. In addition, as the chairperson of the Remuneration Advisory Committee, he has been actively providing opinions and proposals on the design of an incentive curve for bonuses and on themes such as the determination of standard remuneration amounts based on the magnitude of functions of each Executive Director's position from the perspective of shareholders and other stakeholders. As such, he has been contributing significantly to ensuring the transparency and enhancing accountability of the executive remuneration system.


Having expected that he will continue to contribute to the strengthening of management oversight functions in light of the above, the Board of Directors has selected him as a candidate for Outside Executive Director.

Special interests between the candidate and the Company:

Mr. Masayoshi Wada used to work for Canon IT Solutions Inc., Canon ITS Medical inc., and SOFTMAX CO., LTD, and while the Company has the following relationship with each of them, he satisfies the Independent Standards of the Company. Therefore, we believe this poses no risk of a conflict of interest with general shareholders.

Company for which the candidate used to work	Transaction details	Transaction size
Canon IT Solutions Inc. (until March 2016)	Sales of equipment, etc.	Less than 0.1% of the revenue of the Company for the current fiscal year
	Purchase of equipment, etc.	About 0.2% of the revenue of Canon IT

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
			Solutions Inc. for the fiscal year ended December 31, 2022.	
	Canon ITS Medical inc. (until March 2016)	Sales of equipment, etc.	Less than 0.1% of the revenue of the Company for the current fiscal year	
	SOFTMAX CO., LTD (until March 2022)	Sales of equipment, etc.	Less than 0.1% of the revenue of the Company for the current fiscal year	

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	Shinobu Umino (Aug. 4, 1952)  [Newly elected] [Independent] [Outside] [Male]	-	0 shares	-

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

Apr. 1975 Joined Nippon Telegraph and Telephone Public Corporation (currently, NIPPON TELEGRAPH AND TELEPHONE CORPORATION)

Jun. 2003 Director, General Manager, Corporate Planning Division, NTT DATA Corporation

Jun. 2008 Senior Executive Vice President, Representative Member of the Board, NTT Communications Corporation

Jun. 2012 President, Executive Officer, NTT COMWARE Corporation

Jun. 2018 Outside Director, Internet Initiative Japan Inc.

May 2019 Outside Director, TerraSky Co., Ltd.

Jun. 2020 Director, Hitachi Kokusai Electric Inc. (incumbent)

Jun. 2021 Member of the Board, Nippon Avionics Co., Ltd. (incumbent)

Jul. 2021 Senior Advisor, NTT COMWARE Corporation (incumbent)

(Significant concurrent positions)

Senior Advisor, NTT COMWARE Corporation

Director, Hitachi Kokusai Electric Inc.

Member of the Board, Nippon Avionics Co., Ltd.

Reasons for selection as a candidate and overview of expected role:

Mr. Shinobu Umino has experience as a corporate manager and abundant knowledge and experience in the information communication business industry. The Board of Directors has newly selected him 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, personnel and corporate culture and organization reform, governance, etc. If the election of Mr. Umino is approved, he is expected to serve as the chairperson of the Nomination Advisory Committee and make every effort to enhance the supervisory function of the Board of Directors through monitoring the skill matrix of the Board of Directors, succession plans of the CEO and other members of the management team, and others.

Special interests between the candidate and the Company:

Mr. Shinobu Umino is Senior Advisor of NTT COMWARE Corporation, and while the Company has the following relationship with NTT COMWARE Corporation, he satisfies the Independent Standards of the Company. Therefore, we believe this poses no risk of a conflict of interest with general shareholders.

Related party	Transaction details	Transaction size	Description
NTT COMWARE Corporation	Sales of equipment, etc.	About 0.1% of the revenue of the Company for the current fiscal year	Mr. Shinobu Umino currently serves as Senior Advisor of NTT COMWARE Corporation, but senior

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
	Purchase of equipment, etc.	Less than 0.1% of the revenue of NTT COMWARE Corporation for the fiscal year ended March 31, 2023.	advisor does not apply to an executive provided in Article 2, Paragraph 3, Item (vi) of the Regulations for Enforcement of the Companies Act.	

- (Notes)
1. There are no special interests between the candidates and the Company.
 2. The Company has filed Ms. Maya Ito and Mr. Masayoshi Wada as Independent Executive Officers pursuant to the provisions of Tokyo Stock Exchange (TSE). If this proposal is approved as originally proposed, the Company will continue to file them as Independent Executive Officers. In addition, if the election of Mr. Shinobu Umino is approved, the Company will file him as a new Independent Executive Officer.
 3. The Company has entered into a limited liability agreement with Ms. Maya Ito and Mr. Masayoshi Wada, 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. Shinobu Umino is approved, the Company will also enter into the same limited liability agreement with him.
 4. 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 23, 2023>

Name	Title	Corporate management/ Management strategy	Technology	Human resources/ Corporate culture and organizational reform	Finance/ Accounting	Governance/ Law/ Risk management	Sustainability
Takafumi Takeshita	Representative Director	○	○	○			○
Takuya Tanaka	Executive Director	○	○	○	○		
Mitsuru Kiuchi	Executive Director			○	○	○	○
Maya Ito	Outside Executive Director					○	○
Masayoshi Wada	Outside Executive Director	○	○			○	○
Shinobu Umino	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)	○	○			○	

(Note) The above skill matrix discloses the primary expertise and experience of each Executive Director and does not provide all special knowledge each Executive Director has.

Definition of each of the skills and reasons for selecting the skills

Corporate management/ Management strategy	Experience in corporate management or in supervising corporate management is required in order to realize the Net One Group Declaration including the Purpose and to appropriately supervise and support the decision-making of the management team with the intention of continuously increasing corporate value.
Technology	Knowledge and experience concerning the areas of technology, such as knowledge on networks and ICT, insight into the market environment, and speculations on future trends, are required in order for the Company to establish a firm position as a leading company in networks.
Human resources/ Corporate culture and organizational reform	Knowledge and experience concerning basic personnel policies, ways to manage human capital, and corporate culture and organizational reforms are required in order to drive corporate culture reform through increasing employee engagement by maximizing the performance of human capital, which is the source of competitiveness of the Company, and utilizing the reconstructed corporate philosophy system as the engine.
Finance/ Accounting	Knowledge and experience concerning finance and accounting as well as on dialogue with shareholders are required in order to build a stable management foundation through balancing strategic business investments and active return to shareholders while pursuing an optimal capital structure with the intention of enhancing corporate value over the medium and long term.
Governance/ Law/ Risk management	Comprehensive knowledge and experience concerning governance, legal matters, and risk management are required for the Company to improve as a role model of a company with effective governance in an aim to build strong and trusting relationships with stakeholders and further reinforce the management foundation.
Sustainability	Knowledge and experience concerning co-creation of social value and economic value, including understanding of social issues and harmonizing with management strategies, in order to position sustainability at the core of management and accelerate the initiatives for the four categories of materiality.

(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.

Business Report

April 1, 2022 to March 31, 2023

1. Business conditions for the Corporate Group

(1) Business activities and results

Market environment

Given the expectations for management with a strong awareness of sustainability, the importance of digitalization has been growing even more in order to improve productivity and create added value by using digital technologies. Secure and high-quality network infrastructure is essential for responding to the spread of digitalization and advancement of technology.

The Group has come to provide customers with optimal services encompassing the design and development of systems as well as post-implementation utilization 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

Setting our Purpose as “unleash the potential of people and networks, and create a prosperous future by carrying on/inheriting tradition and making innovation happen,” the Group has established the Medium-term Business Plan covering the three-year period from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2025, aimed at further enhancement of corporate value and sustainable growth.

To achieve our Medium-term Business Plan, we are focusing on “implementation of growth strategies,” “strengthening of the management foundation” to support the implementation of growth strategies, and “sustainability” as our social responsibility. Details of specific measures are described below.

[Implementation of growth strategies]

We took the following initiatives under the three types of strategies: business, service, and financial strategies.

Business strategies

In order to contribute to solving social issues, the Group will accelerate business growth in three focus areas adjacent to existing businesses: “Smart manufacturing,” “digitalization of social infrastructure for realizing Society 5.0,” and “digital government.” 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 “smart manufacturing,” the Group has been working 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.

In the “digitalization of social infrastructure for realizing Society 5.0,” we clarified the focus areas and the Company’s value offerings in fiscal 2022 and have been working to help solve issues through promoting digitalization of social infrastructure in six segments of power and gas, railroad, medical care, construction, finance and information communication.

In the “digital government,” the Group has been working on the enhancement of local governments’ security 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 fiscal year ended March 31, 2023, there was further penetration of measures on

decarbonization and new energy, semiconductors, etc. in the entire market and of DX policy, etc. in the domestic public sector, and expectations for ICT and domestic demand were robust throughout the year.

		Amount of progress in fiscal 2022	Status in fiscal 2022
Focus areas	Smart manufacturing	Bookings ¥4.3 billion Revenue ¥2.0 billion	Capturing the demand for business IT investments, received orders for network visualization, security enhancement, etc.
	Digitalization of social infrastructure for realizing Society 5.0	Bookings ¥3.5 billion Revenue ¥1.7 billion	Created projects for smart buildings, reinforcement of group-wide ITC governance, etc.
	Digital government	Bookings ¥10.5 billion Revenue ¥3.5 billion	Received a large-scale order for offering information security cloud services for local governments. Began offering a new service as DX service for local governments.

Service strategies

With the aim of developing highly profitable services that respond to changing needs, we began offering new services in the three areas of focus, that is “DX strategy consulting services,” “managed services,” and “in-house cloud services,” to realize “standardization and automation of systems” by leveraging its past achievements and “improve customers’ use of ICT” by linking our business strategy with our knowledge of cutting edge technologies.

“DX strategy consulting services” support the formulation of IT strategies for ICT utilization and business contribution. We provide ICT management reform support services that help customers carry out infrastructure and operational tasks and DX (Digital Transformation) and digital platform consulting services that offer assistance from putting together strategies for promoting active utilization of data to executing plans.

“Managed services” provide total functionality and operation for continuous operation of customer systems. We offer services that collectively support the design, development, and operation of the SASE (Secure Access Service Edge) solution which highly integrates complicated networks and security functions in response to diverse workstyles.

“In-house cloud services” enable secure use of an environment in which various functions of ICT systems are prepared beforehand through a network. We offer services to realize uniform management of online meeting system video files and data utilization. We also offer cloud-based resident portal services to administrative organizations to help them promote active communication by linking local residents with the administration, educational institutions, and systems.

In the fiscal year ended March 31, 2023, there was an increase in the stock-type service offering model that combines equipment and services aimed at offering functions. However, bookings in the service products group declined mainly due to the slowdown of information security cloud for local governments. As for the service ratio, although revenue increased, the ratio fell short of 47.6% which we had expected for the fiscal year ended March 31, 2023, because the product group also saw simultaneous growth. Meanwhile, we continued to pursue activities to expand our service offerings such as providing a portal site that accepts and manages services and also shares knowledge for customers using the services of the Company and taking measures toward standardization, automation, and visualization of operation services.

Financial strategies

To carry out our growth strategy based on the Medium-term Business Plan, we implemented steps to “strengthen profitability through strategic investments,” “pursue an optimal capital structure,” and “secure proactive shareholder returns.” In addition, to further promote management that

focuses on capital efficiency, we have newly formulated the Capital Allocation Policy. Based on this, we will realize optimal allocations to “strategic investments,” “reinforcement of the financial base,” and “shareholder returns” to further enhance corporate value. Moreover, we established a process to evaluate investment decisions based on capital cost and made progress in reorganizing business companies with a view to concentrating management resources.

To “strengthen profitability through strategic investments,” we worked to improve operations by investing in internal DX infrastructure. We did so with a view to having thorough visualization and we focused on acquiring and developing human resources by investing in human capital. In addition, we made efforts to strengthen the service infrastructure for businesses.

To “pursue an optimal capital structure,” we took steps to expand our capital services and make use of debt finance. Interest-bearing liabilities at the end of March 2023 amounted to approximately 36.5 billion yen, of which short-term borrowings accounted for approximately 8.0 billion yen.

As for “securing proactive shareholder returns,” the annual dividend for the 36th fiscal year will be 74.00 yen per share, which includes the interim dividend (37.00 yen per share) with the record date of September 30, 2022 and the year-end dividend (37.00 yen per share) with the record date of March 31, 2023. The consolidated dividend payout ratio will be 42.1% against the benchmark of 40%.

[Strengthening of the management foundation]

The Company worked on corporate culture reform, thorough visualization, and human resource strategy.

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 as an advisory committee to the Board of Directors. To further promote the reform of corporate culture and the implementation and dissemination of measures to prevent recurrence of misconduct, we took steps to strengthen governance, reform the corporate culture, continuously implement measures to prevent recurrence, and reinforce the internal control system.

Thorough visualization

To grasp the data and facts related to business conditions and management issues in a timely manner and increase the driving force of management strategies, we developed an information base for visualization and analysis of data. We did so from the perspective of “visualization of management” to realize appropriate judgment from the key indicator trends, “visualization of business processes” to encourage common understanding of profitability information, and “visualization of organizations and people” to promote increasingly productive work styles.

Human resource strategy

We believe that the point of human capital management is to train and produce excellent personnel who can think and act on their own, so that they are able to create value from the essence and utilization of technology. To promote training of personnel and enhancement of diverse human resources, we are managing and operating a mechanism with various organizations across the company under the strong commitment of the management team.

For example, to see that each individual becomes a professional and that professionals utilize their expertise and mutually improve their ability to communicate, we support the improvement of individual types of expertise. Specifically, to accelerate the shift to a service offering-type business model, we put in place a structure to support the acquisition of knowledge not only of networks but also of technology fields such as the cloud and security, and strengthened the development of security personnel and cloud personnel. In addition, we supported people in the acquisition of DX skills aimed at strengthening the functions of the corporate departments and have been making progress with the development of DX personnel.

Furthermore, to promote the expansion of customer contacts and accelerate the service shift, we consolidated the technical departments under the business divisions and integrated the technology function. Effective from the fiscal year ending March 31, 2024, we have also introduced a new

personnel system with the keys “Team,” “TAKUMI (“masters” or “experts” in English),” and “Fairness,” which we set out in the Personnel Management Policy formulated in the fiscal year ended March 31, 2022. We will expand training for next-generation IT personnel through the industry-academia collaboration activities that have been conducted from before.

[Sustainability]

Based on its Sustainability Policy formulated in 2021, the Group established KPIs for the four categories of materiality it established as priority issues for sustainable growth and proceeded with various measures.

In the “realization of a safe and secure advanced information society,” we set out to provide services for resolving social issues and to expand our service business, and we made good progress.

In the “enhancement of professional human resources,” we worked on cultivating human resources who will lead the next generation and promoting diversity & inclusion. We have made progress in increasing ICT personnel and encouraging females to take on active roles.

In the “contribution to a decarbonized society,” we have been working to expand sales of green solutions that contribute to reducing greenhouse gas emissions and low-power-consuming products and services.

In the “maintenance and enhancement of a governance structure that will realize sustainable growth,” we worked to nurture a corporate culture and reinforce internal control. The details of the operation of measures to prevent recurrence of misconduct are disclosed on the Company’s website.

Results for the current fiscal year

In the fiscal year ended March 31, 2023, overall bookings were 219,807 million yen (down 5.2% year-over-year), due mainly to a reactionary decline in the public market although the enterprise market continued to be favorable, capturing demand for network enhancements and security reinforcement.

Revenue amounted to 209,680 million yen (up 11.2% year-over-year) thanks to the gradual arrival of equipment the delivery of which was delayed due to the shortage of semiconductors that had continued to prolong the lead time for equipment procurement since the previous fiscal year. As a result, the backlog came to 149,066 million yen (up 7.1% year-over-year).

As for profit and loss, gross profit stood at 50,367 million yen (down 2.7% year-over-year) despite of the increase in revenue. Selling, general and administrative expenses were 29,731 million yen, resulting in operating income of 20,635 million yen (up 22.9% year-over-year), ordinary income of 20,660 million yen (up 22.7% year-over-year), and profit attributable to owners of parent stood at 14,458 million yen (up 28.8% year-over-year).

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, 2024 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

Strengthen corporate governance by revising the design of the organization	The Company transitioned to a company with an Audit & Supervisory Committee to 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 worked 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 formulated a policy for creating a forum for management and employees to reflect on the past, including the occurrence of fraudulent acts, and to learn for the Company's future development, and determined an outline of exhibited details.
Further strengthen internal control system	The Company made improvements to operational rules and processes, reflecting the voices of employees. In addition, we performed periodic investigations other than internal audits and established a PDCA cycle leading to improvement activities.
Strengthen governance of Group companies	The Company established a whistleblower contact point common to all Group companies.

2) Action guidelines for further advancement in the fiscal year ending March 31, 2024 and beyond

Further disseminate the corporate philosophy and action guidelines	The Company will enhance the system and measures to firmly establish the corporate philosophy and action guidelines. In addition, the Company will continue to conduct checks to monitor corporate culture and reform the corporate culture.
Establish a system to prevent the fraudulent acts from fading into obscurity	The Company will establish and operate the Corporate Culture Future Center, a forum for learning for management and employees.
Transition to the new personnel system and ensure operation	The Company will form an entity of personnel with high-level expertise, eyeing the realization of management strategies. We will also develop a human foundation that prevents fraudulent acts from occurring ever again.
Reform operations for company-wide optimization	The Company will promote the establishment of a new business foundation and strengthen system controls.
Strengthen risk management system	The Company will realize autonomous risk management activities through departments in charge of risk management. In addition, we will furnish information and provide education to further raise the awareness of each and every officer and employee about risk management.
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. In addition, the Company will continue to 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, bookings accepted decreased from the previous fiscal year mainly due to the slowdown in information security cloud services for local governments in the public market and as the MSP business in the partner business ran its course. Revenue increased from the previous fiscal year due to the elimination of an abundant order backlog thanks to the measures against prolonged equipment delivery times.

In the service business, bookings accepted decreased from the previous fiscal year mainly due to the slowdown of service offering-type information security cloud services for local governments in the public market. Revenue increased, driven by information security cloud services for local governments and in conjunction with the expansion of all services along with an increase in services accompanying equipment.

	Equipment products	Service business
Bookings accepted	118,586 million yen (down 7.3% YoY)	101,220 million yen (down 2.6% YoY)
Revenue	114,903 million yen (up 9.8% YoY)	94,776 million yen (up 13.0% YoY)
Backlog	51,460 million yen (up 7.4% YoY)	97,606 million yen (up 7.0% 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 36th term: **23.6%**

<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>

In the manufacturing industry, investments by automakers, primarily EV-related investments, were strong. Meanwhile, the non-manufacturing industry experienced growth in businesses related to next-generation infrastructure bases and security enhancement. In the financial sector, the trend to develop next-generation platforms continued.

Bookings accepted	55,172 million yen (up 17.6% YoY)
Revenue	49,457 million yen (up 19.8% YoY)
Backlog	36,996 million yen (up 18.2% YoY)

**Telecom carrier – Telecom carrier
(SP) market**

—— Composition ratio in 36th term: **23.4%**

<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>

Bookings decreased due to the impact of the completion of investments to strengthen lines in response to increased telecommunications traffic caused by teleworking, etc. On the other hand, large-scale projects and the co-creation business utilizing the knowledge of digitalization support remained strong.

Bookings accepted	51,519 million yen (down 4.4% YoY)
Revenue	49,005 million yen (up 1.7% YoY)
Backlog	30,044 million yen (up 9.1% YoY)

Public – Public (PUB) market

—— Composition ratio in 36th term: **29.4%**

<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>

Bookings declined due to lower orders for the local government information security cloud and security-enhancing projects and for large projects related to social infrastructure. Meanwhile, there was growth in demand for network operations for research institutions and universities.

Bookings accepted	61,425 million yen (down 23.8% YoY)
Revenue	61,684 million yen

	(up 8.3% YoY)
Backlog	63,200 million yen (down 0.4% YoY)

**Partners – Partner Business
(Net One Partners Co., Ltd.)**

—— Composition ratio in 36th term: **22.1%**

<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>

Bookings slightly decreased due to a reactionary decline in the WiFi service business for MSP although the network reinforcement and security enhancement business for major partners remained strong. Revenue increased year-over-year, driven by the favorable business for major partners.

Bookings accepted	48,400 million yen (down 0.5% YoY)
Revenue	46,357 million yen (up 15.3% YoY)
Backlog	18,800 million yen (up 12.2% YoY)

(2) Issues to be addressed

Long-term vision

The Group has formulated the Medium-term Business Plan covering the period from the fiscal year ended March 31, 2023 to the fiscal year ending March 31, 2025. In the fiscal year ending March 31, 2024, which is the second year of the Medium-term Business Plan, the Company will continue to “implement growth strategies” set out in the Basic Management Policy and “strengthen the management foundation” to support the implementation of growth strategies, as well as work on “sustainability” as its social responsibility to achieve the targets set forth under the Medium-term Business Plan.

[Implementation of business strategies]

The Company combines the three types of strategies, which are business, service, and financial strategies, to expand business domains through entering fields that have notable room for solving social issues through digitalization, enhance highly profitable services, and pursue an optimal capital structure.

1. Business strategies

There is a market environment where demand for security in response to further return to business and expanding ICT infrastructure is expanding even more regardless of industry and market. In it, the Company will accelerate activities to offer proposals that solve customer issues, with the aim of achieving total revenue growth of 30 billion yen (compared with the level in the fiscal year ended March 31, 2022) in the three focus areas of “smart manufacturing,” “digitalization of social infrastructure for realizing Society 5.0,” and “digital government.”

Focus areas	Smart manufacturing	<ul style="list-style-type: none">- EV-related investments- Investment in security measures- Consulting and operation in line with Group reorganization
	Digitalization of social infrastructure for realizing Society 5.0	<ul style="list-style-type: none">- Establishment of MEC sites- Integration of IT services for the entire Group- Multi-access and multi-cloud for medical DX- Circular economy business- Smart cities, smart buildings
	Digital government	<ul style="list-style-type: none">- DX for local governments- Upgrading of infrastructure for government cloud connection- Digitalization of semi-public areas such as education

2. Service strategies

With a view to establishing and implementing services by leveraging the Company’s strengths, which are its network technologies, discerning ability, and integration ability, the Group will aim to create competitive in-house cloud services and expand the DX consulting field. Specifically, we will evolve the service-creation models tested in the previous fiscal year and promote “strengthening of service sales strategy,” “expansion of XaaS (X as a Service: cloud service) + managed services,” and “advancement into the DX consulting domain” to accelerate the creation of services. In addition, the Company will aim to achieve a service ratio of 55% in the final fiscal year of the Medium-term Business Plan through implementing these measures.

3. Financial strategies

The Group will strive to further enhance corporate value by continuing to “strengthen profitability through strategic investments,” “pursue an optimal capital structure,” and “secure proactive shareholder returns.” In addition, to further promote management that focuses on capital efficiency, we will set optimal allocations to “strategic investments,” “reinforcement of the financial base,” and “shareholder returns” based on the Capital Allocation Policy which we newly formulated. We will work to expand cash flows from operating activities, which are the source funds for capital allocation, by improving the cash conversion cycle (CCC) in addition to pursuing continuous creation through business activities. Furthermore, we will work to strengthen profitability by establishing a monitoring process for investment and financing projects with capital cost as the standard, thereby pushing forward with

improving capital efficiency.

[Strengthening of the management foundation]

The Company will make concerted efforts to establish a solid management structure based on corporate culture reform, thorough visualization, and human resource strategy.

<p>Corporate culture reform</p> <p>With the aim of enhancing corporate value through continuous business growth and reinforcement of governance, the management team and all employees will work together to accelerate corporate culture reform activities to firmly put in place a corporate culture that does not allow repetition of past misconduct. To have our corporate philosophy system take root in the second year of introduction, we will make a shift from broad measures applicable to all employees to selective measures by organization, by level, etc. and continue to push forward with them.</p> <p>The Governance and Corporate Culture Advisory Committee, a specialized organization which was established in the fiscal year ended March 31, 2023, will continue to monitor the aforementioned initiatives to further promote corporate culture reform along with the implementation and penetration of measures to prevent recurrence.</p>
<p>Thorough visualization</p> <p>We will promote active communication based on common company-wide information, bring out the performance of the organization to the fullest extent, and support the management foundation conducive to decision-making, thereby leading these efforts to encouraging the enhancement of corporate value, prevention of recurrence of misconduct, and corporate culture reform. Specifically, to encourage the management team and employees to utilize data, we will establish an environment for company-wide use through data democratization and increase sophistication of data analysis, and work to monitor the progress of strategies such as a shift to services. In collaboration with departments in charge, we will contribute to maximizing profits and moving forward with the creation of output that contributes to achieving our management and business strategies.</p>
<p>Human resource strategy</p> <p>The Group will create an environment in which employees can continue to grow with the focus on expertise and actively work in order to draw forth the power of individuals, foster an open corporate culture, and achieve sustainable growth by increasing productivity. Specifically, the Group will clarify the current gap with the Company's vision based on the definition of expertise personnel, and formulate strategies toward realizing the vision. As a measure associated with the start of our new personnel system, we will train evaluators to ensure that feedback contributes to appropriate growth, ascertain treatment according to roles and appropriate human resources, and operate a mechanism that evaluates team activities, while taking other steps. Meanwhile, in our diversity-and-inclusion initiatives, we will consider measures such as training programs for developing female managers and measures to promote the hiring of persons with disabilities, as well as consider measures to promote senior personnel to take on active roles in line with the new personnel system.</p>

[Sustainability]

Based on its Sustainability Policy, the Group will work on the following KPIs for the four categories of materiality (important management issues) it has identified for contributing to a sustainable society while pursuing sustainable growth of the Group.

1. Realization of a safe and secure advanced information society

- Provision of solutions and services by issue and area

The Group will aim to achieve total revenue growth of 30 billion yen (compared with the level in the fiscal year ended March 31, 2022) through providing solutions and services that solve social issues, centering on the three focus areas identified in the new Medium-term Business Plan, which are “digital government,” “digitalization of social infrastructure for realizing Society 5.0,” and “smart manufacturing,” and thereby realizing the Company's business growth and a sustainable society.

- Expansion and promotion of the service business
In order for the Company to realize sustainable growth over the medium and long term amid a period when the ICT market is going through a major change, we will expand our service business with a target service ratio of 55% in the fiscal year ending March 31, 2025 by accelerating the shift to a business model centered on the service business.
2. Enhancement of professional human resources
 - Development of IT personnel to lead the next generation
To heighten the competitiveness of our solutions and services for business growth, the Group will strengthen the development of security personnel and cloud personnel, as well as focus on acquiring DX skills with the aim of strengthening the functions of corporate departments. We will work to acquire 80 CISSP-certified personnel and 100 security specialists as security personnel and increase cloud personnel by 50% (compared with the level of the fiscal year ended March 31, 2022) by the fiscal year ending March 31, 2031. In addition, we will increase the number of digital personnel in corporate departments by 150, aiming for a cumulative total of 100 business improvement proposals by the fiscal year ending March 31, 2031. Further, the Group will expand its next-general IT personnel development program through industry-academia collaboration and other means.
 - Promotion of diversity & inclusion
The Group will establish environments and systems to have diverse personnel mutually accept one another and take on active roles while leveraging individual strengths in order to promote the improvement of productivity and creation of innovation. We will raise the ratio of female officers and employees with titles to 15% and raise the ratio of female new graduate hires to 50% by the fiscal year ending March 31, 2031. We will also aim to 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
 - Reduction of greenhouse gas emissions through business activities
We will strive to realize a decarbonized society while pursuing the Company's growth through developing and offering green solutions that contribute to reducing greenhouse gas emissions by customers and in society.
 - Reduction of emissions in the Company's business processes
We will work to reduce emissions in our business processes and supply chains as well as reduce the risk of climate change. We will expand sales of low-power-consuming products and services to reduce CO2 emissions per purchase/selling price, focusing reduction efforts on the purchase and sale of products and services, which account for the majority of CO2 emissions.
 4. Maintenance and enhancement of a governance structure for sustainable growth
 - Cultivation of corporate culture and strengthening of internal controls
We will foster a corporate culture that embodies the new Net One, as well as strengthen internal controls, including measures to prevent the recurrence of scandals. We will conduct an annual employee awareness survey as part of our efforts to foster corporate culture (*future disclosure of survey results is planned) and report the operational status of recurrence-prevention measures on the Company's website once every six months.
 - Realization of Health and Productivity Management®
We will work on health and productivity management to maintain the physical and mental health of our employees, which is essential for business growth and continuation. We will aim to receive certification as an Outstanding Organization of Health and Productivity Management by the fiscal year ending March 31, 2025.

Performance goals

The Group will expand the areas in which it provides value from its approach of solving 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 12.0%, service ratio of 55.0%, and ROE of 20.0%.

For the consolidated financial results for the fiscal year ending March 31, 2024, the Group plans to

achieve revenue of 220.0 billion yen, operating income of 24.6 billion yen, ordinary income of 24.4 billion yen, and profit attributable to owners of parent of 17.0 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	33 rd FY (April 1, 2019 to March 31, 2020)	34 th FY (April 1, 2020 to March 31, 2021)	35 th FY (April 1, 2021 to March 31, 2022)	36 th FY (current FY) (April 1, 2022 to March 31, 2023)
Revenue (million yen)	186,353	202,122	188,520	209,680
Ordinary income (million yen)	16,387	18,208	16,832	20,660
Profit attributable to owners of parent (million yen)	9,817	12,321	11,225	14,458
Basic earnings per share (yen)	115.90	145.42	134.15	175.95
Total assets (million yen)	135,764	155,782	161,713	178,651
Net assets (million yen)	65,337	73,795	68,547	75,764
Equity ratio (%)	47.9	47.2	42.3	42.3
Net assets per share (yen)	767.89	867.48	832.48	920.08

(Note) Figures presented for 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	33 rd FY (April 1, 2019 to March 31, 2020)	34 th FY (April 1, 2020 to March 31, 2021)	35 th FY (April 1, 2021 to March 31, 2022)	36 th FY (current FY) (April 1, 2022 to March 31, 2023)
Revenue (million yen)	146,541	161,069	146,616	160,530
Ordinary income (million yen)	13,780	14,926	13,204	14,013
Profit (million yen)	8,070	10,147	8,802	9,885
Basic earnings per share (yen)	95.28	119.76	105.19	120.30
Total assets (million yen)	120,454	137,405	142,493	153,088
Net assets (million yen)	57,484	63,526	55,369	59,261
Equity ratio (%)	47.6	46.1	38.7	38.6

Net assets per share (yen)	676.41	747.02	672.19	719.28
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(Note) Figures presented for 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 8.0 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) Main creditors (as of March 31, 2023)

Creditor	Balance of borrowings
	Million yen
MUFG Bank, Ltd.	3,000
Mizuho Bank, Ltd.	3,000
The Tokyo Star Bank, Limited	2,000

(6) Status of capital expenditures

The Company spent a total of 7,716 million yen for capital expenditures during the fiscal year under review mainly on upgrading equipment for the purpose of upgrading facilities and equipment in conjunction with office relocation, developing new products, and improving the evaluation system and the customer support framework.

(7) 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

(Notes) 1. The Company has excluded eXtreak, Inc. from the scope of consolidation in conjunction with the transfer of all shares of the said firm effective February 28, 2023.

2. The Company has excluded Net One Asia Pte. Ltd. and its subsidiaries from the scope of consolidation in conjunction with the transfer of all shares of the said firm effective March 6, 2023.

(8) Main offices (as of March 31, 2023)

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
	Chugoku Branch	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

(9) Status of employees (as of March 31, 2023)

I. Number of employees of the Corporate Group

Name of segment, etc.	Number of employees	Comparison to end of previous FY
Enterprise Sector	390	Increase of 29
Telecom carrier Sector	251	Increase of 76
Public Sector	527	Increase of 79
Enterprise/Telecom carrier/Public common business	325	Decrease of 244
Partner Sector (Net One Partners Co., Ltd.)	182	Increase of 1
Other	–	Decrease of 127
Support services for maintenance and operation	342	Increase of 7
Unallocable (Common)	531	Increase of 24
Total	2,548	Decrease of 155

- (Notes) 1. 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. The number of employees in “Enterprise/Telecom carrier/Public common business” decreased by 66 and the number of employees in “Other” decreased by 127 due to excluding eXtreak, Inc.

and Net One Asia Pte. Ltd. from the scope of consolidation in conjunction with the sale of all shares of the said firms.

II. Number of employees of the Company

Name of segment, etc.	Number of employees	Comparison to end of previous FY
Enterprise Sector	390	Increase of 29
Telecom carrier Sector	251	Increase of 76
Public Sector	527	Increase of 79
Enterprise /Telecom carrier/Public common business	284	Decrease of 182
Partner Sector (Net One Partners Co., Ltd.)	–	–
Other	–	–
Support services for maintenance and operation	342	Increase of 7
Unallocable (Common)	467	Increase of 7
Total	2,261	Increase of 16

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

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

Not applicable.

2. Status of shares of the Company (as of March 31, 2023)

- (1) Number of authorized shares to be issued 200,000,000 shares
- (2) Total number of shares issued 83,267,300 shares
(including 1,077,321 shares of treasury stock)
- (3) Number of shareholders 13,840

(4) Distribution of shares by shareholder type

Foreign institutions and others	47.99%
Financial institutions	33.63%
Individual shareholders, etc.	11.91%
Net One Systems Co., Ltd.	4.73%
Securities companies	1.29%
Other institutions	0.43%

(5) Major shareholders (Top 10)

Name of shareholder	Number of shares held	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,543,200	17.69
SSBTC CLIENT OMNIBUS ACCOUNT	8,518,996	10.37
Custody Bank of Japan, Ltd. (Trust Account)	8,324,200	10.13
STATE STREET BANK AND TRUST COMPANY 505001	1,930,538	2.35
TAIYO FUND, L.P.	1,926,900	2.34
MSIP CLIENT SECURITIES	1,767,365	2.15
Meiji Yasuda Life Insurance Company	1,440,000	1.75
JP MORGAN CHASE BANK 385632	1,294,623	1.58
Nomura Securities Co., Ltd. (Proprietary Account)	1,190,000	1.45
GOVERNMENT OF NORWAY	1,166,560	1.42

- (Notes) 1. The Company owns 1,077,321 shares of treasury stock.
2. The calculation of the percentage of ownership excludes treasury stock.

(6) Outline of shares granted to officers of the Company during the current fiscal year

	Number of shares	Number of grantees
Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors)	21,100	3

- (Note) The details of stock-based compensation of the Company are provided in “IV. Matters concerning restricted stock remuneration, (2) Remuneration, etc. for Executive Directors, 3. Items regarding the Company’s Executive Directors” on page 48.

(7) Other important matters concerning the Company’s shares

Not applicable

3. Items regarding the Company's Executive Directors

(1) Status of Executive Directors (as of March 31, 2023)

Position	Name	Responsibilities at the Company	Significant concurrent positions
President & CEO	Takafumi Takeshita	Member of the Nomination Advisory Committee	–
Executive Vice President COO	Takuya Tanaka	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, in charge of Sales Engineering Unit	President & CEO, Net One Partners Co., Ltd.
Executive Vice President CHRO	Mitsuru Kiuchi	In charge of Corporate Planning & Strategy Division, in charge of Corporate Planning & Management Division, Member of the Remuneration Advisory Committee	–
Outside Executive Director	Maya Ito	Chairperson of the Board of Directors Member of the Nomination Advisory Committee Member of the Remuneration Advisory Committee	Partner, Nishimura & Asahi Outside Director (Audit and Supervisory Committee), OPTIMUS Group Co., Ltd.
Outside Executive Director	Hideki Suda	Chairperson of the Nomination Advisory Committee	–
Outside Executive Director	Masayoshi Wada	Chairperson of the Remuneration Advisory Committee	–
Outside Executive Director (Full-time Audit & Supervisory Committee Member)	Kazuhiro Noguchi	–	Kazuhiro Noguchi Certified Public Accountant Office Outside Audit & Supervisory Board Member, NICHIRYOKU Co., Ltd.
Outside Executive Director (Audit & Supervisory Committee Member)	Sachiko Iizuka	–	Representative Director, LAULEA CORPORATION Auditor (Outside), KORAKUEN HOLDINGS CORPORATION Auditor (Outside), BeeX Co., Ltd. Representative Partner, Cenxus Audit Corporation
	Shigeki Kusaka	–	–

- (Notes) 1. Executive Directors Ms. Maya Ito, Mr. Hideki Suda, Mr. Masayoshi Wada, Mr. Kazuhiro Noguchi, Ms. Sachiko Iizuka, and Mr. Shigeki Kusaka 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 each of them as Independent Executive Officers pursuant to the provisions of the Exchange.
2. Executive Directors Mr. Kazuhiro Noguchi and Ms. Sachiko Iizuka are certified public

accountants and have a respectable degree of knowledge in finance and accounting.

3. The Company has selected Mr. Kazuhiro Noguchi as a full-time Audit & Supervisory Committee Member to enhance the effectiveness of audits thorough increasing exchange of information and promoting adequate collaboration with the internal audit division and other areas, and thereby strengthening the audit and supervisory functions.
4. The Company has entered into a limited liability agreement with each of Outside Executive Directors. The purpose of this agreement is to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act.
5. Ms. Maya Ito is a partner at Nishimura & Asahi, and while the Company has entered into an entrustment agreement of legal operations related to particular transactions with the Singapore Office of Nishimura & Asahi, the Company requests the handling of legal operations to lawyers belonging to the said office other than Ms. Maya Ito, and Ms. Ito does not engage in the transactions of the Company whatsoever. In addition, as the remuneration for the transactions is less than 0.1% of the annual revenue of Nishimura & Asahi, she satisfies the Independent Standards of the Company. Therefore, we believe this poses no risk of a conflict of interest with general shareholders. In addition, there are no special relationships between the Company and each Outside Executive Director or between the Company and the companies at which the Outside Executive Directors hold significant concurrent positions.

(2) Remuneration, etc. for Executive Directors

I. Policy for determination of the details of remuneration, etc. for Officers

The Company has passed a resolution on the policy for determination of remunerations, etc. for each Executive Director at a Board of Directors meeting held on June 22, 2022. Before reaching resolution at said Board of Directors meeting, consultation concerning the details of the resolution was made to the Remuneration Advisory Committee and a report from the Remuneration 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 Remuneration Advisory Committee has been respected, and judged that it is in line with said policy for determination.

The details of policy for determination of remunerations, etc. for each Executive Director is as follows.

Policy for Determining Remuneration for Officers

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.

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

Category	Total amount of remuneration (millions of yen)	Total by classification of remuneration (millions of yen)			Number of eligible Executive Directors	Remarks
		Basic remuneration	Bonuses	Restricted stock		
Executive Directors (excluding Audit & Supervisory Committee Members) (of which, Outside Executive Directors)	225 (46)	138 (46)	28 (-)	59 (-)	10 (5)	(Notes 1, 2, 3, 4, 5, 6)
Executive Directors (Audit & Supervisory Committee Members) (of which, Outside Executive Directors)	43 (43)	43 (43)	-	-	3 (3)	(Notes 2, 6)
Audit & Supervisory Board Members (of which, Outside Audit & Supervisory Board Members)	12 (12)	12 (12)	-	-	4 (4)	(Notes 1, 5, 6)
Total (of which, Outside Executive Directors and Outside Audit & Supervisory Board Members)	281 (102)	194 (102)	28 (-)	59 (-)	13 (8)	(Note 6)

- (Notes)
- The numbers shown above include three (3) Executive Directors (of which, one (1) Outside Executive Director) and four (4) Outside Audit & Supervisory Board Members retired at the conclusion of the 35th Annual Shareholders Meeting on June 22, 2022. The Company transitioned from a company with an Audit & Supervisory Board to a company with an Audit & Supervisory Committee based on a resolution passed at the Annual Shareholders Meeting.
 - The maximum amount of basic remuneration for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) after the transition to a company with an Audit & Supervisory Committee was decided as 280 million yen per year (of which, maximum amount for Outside Executive Directors is 80 million yen per year), based on a resolution passed at the 35th Annual Shareholders Meeting on June 22, 2022 (six (6) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) at the conclusion of this Shareholders Meeting (of which, three (3) Outside Executive Directors)), while 100 million yen per year for Executive Directors who are Audit & Supervisory Committee Members, based on a resolution passed at the 35th Annual Shareholders Meeting on June 22, 2022 (three (3) Executive Directors who are Audit & Supervisory Committee Members at the conclusion of this Shareholders Meeting).
 - The maximum amount of bonuses for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors) after the transition to a company with an Audit & Supervisory Committee was decided as 150 million yen per year, based on a resolution passed at the 35th Annual Shareholders Meeting on June 22, 2022 (three (3) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors) at the conclusion of this Shareholders Meeting).
 - The maximum amount of restricted stock remuneration and maximum number of shares granted for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors) after the transition to a company with an Audit & Supervisory Committee were decided as 150 million yen per year and as 100,000 shares per year, based on a resolution passed at the 35th Annual Shareholders Meeting on June 22, 2022 (three (3) Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors) at the conclusion of this Shareholders Meeting).
 - The maximum amount of remunerations for Executive Directors before the transition to a company with an Audit & Supervisory Committee was decided as 470 million yen per year (of which, 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).

6. “Number of Eligible Executive Directors and Audit & Supervisory Board Members” reflects actual numbers of executive directors and Audit & Supervisory Board Members who were paid.

III. Matters concerning bonuses

The weight of overall performance indicators and individual performance indicators is set at 70%:30%.

As overall performance indicators, the Company adopts “service ratio,” “consolidated revenue,” and “consolidated operating income,” which are also emphasized in the Medium-term Business Plan. Of these, the Company places the highest priority on “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 learned from the past misconduct, the Company adopts “corporate culture reform,” “materiality KPIs,” and “other individual goals,” which are indispensable for the further enhancement of corporate value, with each weighted 10%, 15%, and 5%, respectively.

Based on the degree of achievement of the targets regarding these indicators and other factors, the amount will fluctuate between 0% and 200% of the standard amount to be paid. The Company has decided to select the aforesaid performance indicators and non-financial indicators in order to motivate Executive Directors more strongly than ever. It will motivate them to improve corporate value over the medium to long term by steadily implementing the performance targets set forth in the Medium-term Business Plan and the 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.

The targets and results for indicators and payment ratio related to bonuses are as follows.

Indicator (weight)		Target	Results	Payment ratio (%)
Overall performance indicators (70%)	Consolidated revenue (10%)	¥216.3 billion	¥209.6 billion	85
	Consolidated operating income (10%)	¥22.7 billion	¥20.6 billion	85
	Service ratio (50%)	47.6%	45.2%	61
Individual performance indicators (30%)	Corporate culture reform (10%)	61%	55%	0
	Materiality KPIs (15%)	B	A	150
	Other individual goals (5%)	B	B	100

- (Notes)
1. With respect to the corporate culture reform targets, the Company adopts the average value of the ratio of positive responses to the following two questions on the “trust for the management team” in the “pulse survey” conducted on all employees twice a year: (i) I feel I can trust the management team of executive officers and above, and (ii) I feel the management team of executive officers and above proactively takes the lead in encouraging people to work properly. The above results signify the average value of the ratio of positive responses given in the fiscal year ended March 31, 2023.
 2. As for the materiality KPI targets, the Company adopts the KPI by theme set based on the four types of materiality identified toward contributing to a sustainable society while achieving the Group’s sustainable growth under the Sustainability Policy. These types are “realization of a safe and secure advanced information society,” “enhancement of professional human resource,” “contribution to a decarbonized society,” and “maintenance and enhancement of a governance structure that will realize sustainable growth.” The above results have been derived by going through a process where the Sustainability Committee conducts an assessment (five-level evaluation from S to D) based on the degree of achievement of each KPI, the results of which are comprehensively re-evaluated by the CEO and CHRO, and the Remuneration Advisory Committee deliberates the evaluation results before the final decision is made.
 3. Other personal goals have been derived by going through a process where each individual conducts a self-assessment (five-level evaluation from S to D) at the end of the said fiscal year, the results

of the self-assessment are re-evaluated by the CEO and CHRO, and the Remuneration Advisory Committee deliberates the evaluation results before the final decision is made. The figures indicated above reflect the results that received the highest number of respondents in the five-level evaluation.

IV. Matters concerning restricted stock remuneration

Restricted stock is the Company's common stock with transfer restrictions, and the terms, etc. for issuance are as stated in the policy for determination of remuneration in I. above. The status of issuance in the fiscal year ended March 31, 2023 is indicated in "2. Status of shares of the Company" under "(6) Outline of shares granted to officers of the Company during the current fiscal year" as consideration for the execution of duties in the fiscal year ended March 31, 2023."

(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

Significant activities during the current fiscal year

Classification	Name	Status of remarks made at Board of Directors meetings, overview of the Outside Executive Directors' execution of duties regarding his/her expected roles, and status of attendance at Board of Directors
Executive Director	Maya Ito	Ms. Maya Ito attended all Board of Directors meetings (15 times), and since assuming the post of chairperson of the Board of Directors in June 2022, she proceeded with the Board of Directors meetings in an active and efficient manner. At the same time, using her abundant experience and knowledge as a lawyer and as an outside director who is an audit & supervisory committee member, etc. of other companies, she has been actively providing opinions and suggestions as a specialist in corporate governance and legal compliance. Ms. Ito also attended all meetings of the Nomination Advisory Committee (10 times) and those of the Remuneration Advisory Committee (10 times) as a member of both committees, and actively made comments as a specialist in corporate governance and legal compliance. Through these activities, she has appropriately fulfilled the role expected of an Outside Executive Director.
	Hideki Suda	Mr. Hideki Suda attended all Board of Directors meetings (15 times), and before transition to a company with an Audit & Supervisory Committee, he attended all Audit & Supervisory Board meetings (3 times) as Outside Audit & Supervisory Board Member. Using his abundant experience and knowledge as a president and as an outside auditor of other companies, he has been actively providing opinions and suggestions. In addition, after transition to a company with an Audit & Supervisory Committee, Mr. Suda attended all meetings of the Nomination Advisory Committee (10 times) as the chairperson, and actively made comments based on his experience at human resource departments of other companies. Through these activities, he has appropriately fulfilled the role expected of an Outside Executive Director.
	Masayoshi Wada	Mr. Masayoshi Wada attended all Board of Directors meetings (13 times). Using his experience as a corporate manager as well as abundant knowledge and experience in the information and communication business, he has been actively providing opinions and suggestions from the perspective of technology and risk management. Mr. Wada also attended all meetings of the Remuneration Advisory Committee (10 times) as the chairperson, and contributed significantly to ensuring the transparency and enhancing accountability of the executive remuneration system. Through these activities, he has appropriately fulfilled the role expected of an Outside Executive Director.
Executive Director (Audit & Supervisory Committee Member)	Kazuhiro Noguchi	Mr. Kazuhiro Noguchi attended all Board of Directors meetings (15 times), and before and after transition to a company with an Audit & Supervisory Committee, he attended all Audit & Supervisory Board meetings (3 times) and Audit & Supervisory Committee meetings (10 times) as Outside Audit & Supervisory Board Member and Executive Director who is an Audit & Supervisory Committee Member, respectively. Using his broad knowledge and expertise in finance and accounting as a certified public accountant, he has been actively providing opinions and suggestions. Through these activities, he has appropriately

		fulfilled the role expected of an Outside Executive Director.
	Sachiko Iizuka	Ms. Sachiko Iizuka attended all Board of Directors meetings (15 times), and before and after transition to a company with an Audit & Supervisory Committee, she attended all Audit & Supervisory Board meetings (3 times) and Audit & Supervisory Committee meetings (10 times) as Outside Audit & Supervisory Board Member and Executive Director who is an Audit & Supervisory Committee Member, respectively. Using 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, she has been actively providing opinions and suggestions. Through these activities, she has appropriately fulfilled the role expected of an Outside Executive Director.
	Shigeki Kusaka	Mr. Shigeki Kusaka attended all Board of Directors meetings (15 times), and after transition to a company with an Audit & Supervisory Committee, he attended all Audit & Supervisory Committee meetings (10 times) as Executive Director who is an Audit & Supervisory Committee Member. Using his broad knowledge and experience in the information and communication business as well as experience as Representative Director or Director at other companies, he has been actively providing opinions and suggestions. Through these activities, he has appropriately fulfilled the role expected of an Outside Executive Director.

- (Notes) 1. The percentage of attendance for Executive Director Mr. Masayoshi Wada has been calculated based on the number of Board of Directors meetings (13 times) held after his assumption of the position as Executive Director following the election at the 35th Annual Shareholders Meeting on June 22, 2022.
2. In addition to the number of Board of Directors meetings held above, 5 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

(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	84 million yen
II. Total amount of money and other property benefits to be paid by the Company and its subsidiaries	103 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 Committee 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 Committee 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 Committee deems it necessary such as when there is an impediment to the execution of the Accounting Auditor's duties, the Audit & Supervisory Committee 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 Committee Members. In this event, the Audit & Supervisory Committee Member appointed by the Audit & Supervisory Committee 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, 2023)

The Group has set forth its Purpose as “Unleash the potential of people and networks, and create a prosperous future by carrying on/inheriting tradition and making innovation happen,” and defined its Mission as “Each of us is a professional with outstanding expertise and high ethical standards, and contributes to solving the problems of the society and our customers.”

Recognizing that corporate governance is an important foundation to realize our Purpose and Mission and to promote continuous growth as well as the enhancement of corporate value over the medium and long term, the Company continues to work on enhancing and strengthening corporate governance.

The Company is a company with an Audit & Supervisory Committee, with more than half of the committee members being Outside Executive Directors, and has in place the Board of Directors that is chaired by an Outside Executive Director. We strive to enhance the supervisory function by having the Audit & Supervisory Committee supervise and audit the management and execution of duties, having the Nomination Advisory Committee and the Remuneration Advisory Committee nominate Executive Directors and Executive Officers and secure the fairness and objectivity of remuneration, etc., and taking other steps. In terms of the executive function, we have appointed a Chief x Officer (CxO) as a functional manager in each area and positioned them as a CxO team to formulate management strategies and thoroughly implement them. We have also introduced an executive officer system under which we increase the efficiency and speed of execution of duties through delegation and transfer of authority. Through these initiatives, we have established a highly effective corporate governance structure.

I. Executive Directors and the Board of Directors

The Company's Board of Directors consists of nine (9) members (male: 7, female: 2) including six (6) independent Outside Executive Directors (a notification has been filed with the Tokyo Stock Exchange explaining that all of them are independent Outside Executive Directors), and meets once a month in principle, with an independent Outside Executive Director serving as the chairperson. The Board of Directors decides on significant matters relating to management and business execution while overseeing the overall management of the Company through reports on the status of Executive Directors' execution of duties, etc. In the fiscal year ended March 31, 2023, a total of 15 Board of Directors meetings were held, and the attendance rate was 100% for all Executive Directors.

<Evaluation of effectiveness of the Board of Director>

To see that the Board of Directors functions effectively and carries out its roles, the Company conducts an analysis and assessment of the effectiveness of the Board of Directors each year. In the fiscal year ended March 31, 2023, we conducted the evaluation for all Executive Directors in the form of a Q&A questionnaire on the effectiveness of the Board of Directors, the Nomination Advisory Committee, the Remuneration Advisory Committee, and individual Executive Directors (excluding those who are Audit & Supervisory Committee Members). We secured the objectivity and anonymity of the questionnaire by adopting the method of having Executive Directors respond directly, with support from a third-party institution that is an outside specialist. The Board of Directors received reports on the results of the questionnaire from the said outside specialist, analyzed and deliberated on the contents, and confirmed the status of securing the effectiveness of the Board of Directors, each of the committees, etc.

Issues and matters recognized in the evaluation of effectiveness in the fiscal year ended March 31, 2022, and the response taken to such issues and matters in the fiscal year ended March 31, 2023 are summarized below.

Issues in the evaluation of effectiveness in fiscal 2021	Response taken in fiscal 2022
Enhancement of discussions in consideration of management strategies	<p>The Company formulated and began operating the Capital Allocation Policy as part of its financial strategies.</p> <p>We set “visualization” as an important deliberation theme and discussed the status of the Company, etc. based on objective data once every three months.</p> <p>The Governance and Corporate Culture Advisory Committee made reports on the progress of the corporate culture reform and recurrence-prevention measures and other matters at the monthly Board of Directors meeting, and discussions were held.</p>
Revision of matters addressed at the Board of Directors meetings	<p>With the transition to a company with an Audit & Supervisory Committee, approximately 70% of the conventional authority of the Board of Directors was delegated and transferred to the Management Committee, etc.</p>
Securing time for discussing important agenda items through planned agenda submissions	<p>By formulating an annual agenda at the beginning of the fiscal year, systematic operation was achieved throughout the year.</p> <p>The number of agenda items at the Board of Directors meetings decreased from 165 in the previous fiscal year (July through March of the following year) to 102 (down 38%) while the average amount of time spent on an agenda item increased from 13 minutes to 21 minutes.</p>

In the evaluation of effectiveness in the fiscal year ended March 31, 2023, we confirmed that the various initiatives to realize a highly effective Board of Directors, such as the transition to a company with an Audit & Supervisory Committee, delegation and transfer of authority to the Management Committee, etc., and reorganization of the Nomination Advisory Committee and the Remuneration

Advisory Committee, were functioning effectively in general. In order to further enhance its effectiveness, the Board of Directors will work on the following matters in the fiscal year ending March 31, 2024.

- Enhancement of discussions on dormant risks, crisis management system, etc.
- Continuous follow-up on the status of progress of the management plan, etc.
- Further enhancement of materials for the Board of Directors meetings (increasing clarity of discussion points, enhancing sophistication of prior examination)

II. Nomination Advisory Committee

In order to increase the transparency and fairness of selection, dismissal, succession plan, etc. of Executive Directors and Executive Officers and strengthen corporate governance, the Company has established the Nomination Advisory Committee as an advisory organ of the Board of Directors to deliberate and report on the nomination of Executive Directors and Executive Officers and other matters. The Nomination Advisory Committee consists of two (2) Outside Executive Directors and the President & CEO, and an Outside Executive Director serves as the chairperson. The Committee held a total of 10 meetings in the fiscal year ended March 31, 2023, deliberated on matters such as the skill matrix, candidates for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) to be addressed at the Shareholders Meeting, and CEO succession plan (formulation of CEO model, selection of candidates, conducting assessments, etc.), and made reports. The attendance rate was 100% for all members.

III. Remuneration Advisory Committee

In order to increase the transparency and fairness of remuneration, etc. of Executive Directors and Executive Officers and strengthen corporate governance, the Company has established the Remuneration Advisory Committee as an advisory organ of the Board of Directors to deliberate and report on the remuneration of Executive Directors and Executive Officers and other relevant matters. The Remuneration Advisory Committee consists of two (2) Outside Executive Directors and the Executive Director & Chief Human Resources Officer (CHRO), and an Outside Executive Director serves as the chairperson. The Committee held a total of 10 meetings in the fiscal year ended March 31, 2023, deliberated on matters such as bonuses for Executive Directors and Executive Officers for the said fiscal year, examination of the executive remuneration system for the fiscal year ending March 31, 2024 (setting remuneration standards based not on level but on the magnitude of expectations for each position, revision of the remuneration composition ratio, setting financial and non-financial indicators for short-term incentive remuneration, examination of evaluation weight for each indicator, etc.), treatment associated with the full transition to a delegation-type system for Executive Officers, and made reports. The attendance rate was 100% for all members.

IV. Business execution system

The Company constructed a system that enables prompt and efficient business execution, securing fairness and transparency in management, by way of concentrating the function of the Board Directors on control and overseeing of management through significant delegation and transfer of authority to the Management Committee (which meets approximately twice a month) which was established under the President & CEO or Executive Officers, etc. We have also appointed a Chief x Officer (CxO) as a functional manager in each area and positioned them as a CxO team to formulate management strategies and implement them.

V. Audit & Supervisory Committee

The Company's Audit & Supervisory Committee consists of three (3) Outside Executive Directors who are Audit & Supervisory Committee Members (male: 2, female: 1), and it meets once a month in principle. The Audit & Supervisory Committee conducts audits on the business execution of Executive Directors and exercises authority related to the selection and dismissal of Accounting Auditors and audit remuneration, among other matters.

The Audit & Supervisory Committee also has its Audit & Supervisory Committee Members attend

notable meetings including those of the Board of Directors, the Management Committee and the Risk Management Committee to express their opinions 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 the 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]

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 management 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 Committee 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 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.” and “Policy and other systems regarding management of risks of loss in the Company and its subsidiaries,” 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 division 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 Executive Directors and employees to assist duties of Audit & Supervisory Committee and matters concerning the independence from Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) of the Executive Directors and employees and matters related to ensuring execution of the instructions given by Audit & Supervisory Committee to the Executive Directors and employees

- I. The Company places employee(s) to assist in Audit & Supervisory Committee’s duty.
- II. Internal transfers and evaluations for employees assisting in the duties of Audit & Supervisory Committee require the consent of Audit & Supervisory Committee to ensure the independence of the employee involved from the Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members).
- III. When the employees assisting in the duties of Audit & Supervisory Committee 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 Committee and systems for ensuring that a person who made a report to Audit & Supervisory Committee 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

Committee or Audit & Supervisory Board Members (or to the Company's Audit & Supervisory Committee if the company does not have its own Audit & Supervisory Committee or Audit & Supervisory Board Members).

- II. When officers and employees of the Group are requested by Audit & Supervisory Committee of the Company or Audit & Supervisory Board Members of the 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 Committee of the Company without delay. In addition, Audit & Supervisory Committee of the Company receives 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 Audit & Supervisory Committee of the Company or an Audit & Supervisory Board Member of the 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 Committee, 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 Committee are implemented effectively

- I. Audit & Supervisory Committee 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 Committee Members hold a meeting regularly with the management including the Representative Directors of the Company, as well as Outside Executive Directors (excluding Outside Executive Directors who are Audit & Supervisory Committee Members) to exchange opinions, and share the results of the meeting with other Audit & Supervisory Committee Members.
- II. To heighten the effectiveness of internal audits and the independence of the internal audit division from business execution departments, the internal audit division, after obtaining the approval of the Audit & Supervisory Committee with respect to the basic policy on internal audits of the Company and the annual plan, makes periodic reports on the status of internal audits conducted and their results to the Audit & Supervisory Committee, and receives instructions from the Audit & Supervisory Committee as needed. The approval of the Audit & Supervisory Committee is also obtained for personnel transfer of the head of the internal audit division and personnel evaluation, etc.
- III. Audit & Supervisory Committee holds a meeting regularly to exchange opinions with the Accounting Auditors and the internal audit division.
- IV. When the Audit & Supervisory Committee 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 Committee 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 Executive Director who was appointed as Executive Director responsible for the Committee, deputies in charge of divisions, and General Managers, and is chaired by Senior Vice President who is CRO. A total of 12 meetings were held in the current fiscal year. Outside Executive Directors and Manager of Internal Audit Office also attended the meetings as observers.

(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 who is responsible for the Committee, deputies in charge of divisions and General Managers of the Company, and General Managers of subsidiaries, and is chaired by Senior Vice President who is COO. A total of 12 meetings were held in the current fiscal year. Outside Executive Directors, Executive Vice President, General Manager of risk management division, and corporate attorneys also attended the meetings as an observer.

(2) Measures relating to compliance

In order to further enhance the reliability of the whistle-blowing system, the Company established a system for the whistle-blowing consultation counter with a mechanism by which the whistleblower can directly communicate anonymously at the consultation counter, and made improvements to the mechanism to ensure whistleblower protection while securing control and more speedy operations at the consultation counter, 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 conducted reviews and exchanged opinions on such activities. The Company also held case study sessions by department or team on the subject of unlawful overtime, fraud, the Antimonopoly Act, etc. 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 15 times in the current fiscal year in addition to 5 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 Committee Members

In addition to attending notable meetings such as those of the Board of Directors, the Management Committee, the Governance and Corporate Culture Advisory Committee, the Risk & Compliance Committee, the Investment & Financing Committee, and the Liaison Committee of Outside Officers, Audit & Supervisory Committee Members convened meetings for mutual exchange of opinions with the Representative Directors of the Company (held two times in the current fiscal year) and the Group Audit & Supervisory Board (held once in the current fiscal year), and conducted discussions (held monthly with rotation) with officers and employees of the Group and audits of important consolidated subsidiaries.

Furthermore, the Audit & Supervisory Committee 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	36 th FY (As of March 31, 2023)	35 th FY (Reference) (As of March 31, 2022)	Account title	36 th FY (As of March 31, 2023)	35 th FY (Reference) (As of March 31, 2022)
Assets			Liabilities		
Current assets	161,106	149,334	Current liabilities	80,084	77,918
Cash and deposits	35,509	20,281	Accounts payable-trade	17,581	18,988
Notes and accounts receivable-trade, and contract assets	51,383	51,362	Short-term borrowings	8,000	18,002
Lease receivables and investments in leases	21,394	16,051	Lease obligations	9,977	8,642
Merchandise	7,373	11,172	Accounts payable-other	4,971	2,036
Goods in transit	230	310	Income taxes payable	4,200	1,461
Costs on uncompleted construction contracts	30,274	32,419	Advances received	20,805	18,858
Supplies	25	26	Asset retirement obligations	191	-
Prepaid expenses	14,242	13,701	Provision for bonuses	2,859	2,474
Other	674	4,009	Provision for directors' bonuses	32	59
Allowance for doubtful accounts	(0)	(1)	Other	11,462	7,394
			Noncurrent liabilities	22,802	15,247
			Lease obligations	18,574	14,392
			Asset retirement obligations	2,172	814
			Long-term accounts payable-other	2,054	-
			Other	-	41
Noncurrent assets	17,545	12,378	Total liabilities	102,887	93,165
Property, plant and equipment	9,497	4,728	Net assets		
Buildings	721	861	Shareholders' equity	76,029	67,406
Tools, furniture and fixtures	3,760	3,308	Capital stock	12,279	12,279
Construction in progress	5,015	559	Capital surplus	19,453	19,453
Intangible assets	1,523	1,070	Retained earnings	47,312	38,888
Other	1,523	1,070	Treasury stock	(3,017)	(3,214)
Investments and other assets	6,523	6,579	Accumulated other comprehensive income	(408)	956
Investment securities	146	147	Deferred gains or losses on hedges	(408)	978
Long-term loans receivable	1	1	Foreign currency translation adjustment	-	(22)
Deferred tax assets	3,216	2,955			
Other	3,159	3,475	Share acquisition rights	143	168
			Non-controlling interests	-	15
			Total net assets	75,764	68,547
Total assets	178,651	161,713	Total liabilities and net assets	178,651	161,713

Consolidated statement of income

(unit: million yen)

Account title	36 th FY (April 1, 2022 to March 31, 2023)	35 th FY (Reference) (April 1, 2021 to March 31, 2022)
Revenue	209,680	188,520
Cost of revenue	159,312	136,734
Gross profit	50,367	51,786
Selling, general and administrative expenses	29,731	34,995
Operating income	20,635	16,790
Non-operating income	308	616
Interest income	0	0
Dividend income	89	-
Fiduciary obligation fee from associates	-	188
Sales incentive	9	24
Dividends income of group insurance	69	60
Insurance claim income	-	70
Foreign exchange gains	10	-
Other	128	273
Non-operating expenses	283	574
Interest expenses	240	157
Foreign exchange losses	-	192
Commission for purchase of treasury shares	-	135
Commission expenses	29	-
Other	14	90
Ordinary income	20,660	16,832
Extraordinary income	197	92
Gain on sale of investment securities	11	92
Gain on sale of shares of subsidiaries	110	-
Gain on liquidation of subsidiaries	75	-
Extraordinary losses	490	605
Loss on retirement of noncurrent assets	14	24
Impairment losses	-	581
Loss on liquidation of business	476	-
Income before income taxes and minority interests	20,366	16,319
Income taxes-current	5,970	4,428
Income taxes-deferred	(110)	713
Profit	14,506	11,176
Profit (loss) attributable to non-controlling interests	47	(49)
Profit attributable to owners of parent	14,458	11,225

Non-consolidated balance sheet

(unit: million yen)

Account title	36 th FY (As of March 31, 2023)	35 th FY (Reference) (As of March 31, 2022)	Account title	36 th FY (As of March 31, 2023)	35 th FY (Reference) (As of March 31, 2022)
Assets			Liabilities		
Current assets	136,003	130,358	Current liabilities	71,091	72,034
Cash and deposits	32,530	17,454	Accounts payable-trade	16,268	18,168
Notes receivable-trade	31	113	Short-term borrowings	8,000	18,000
Accounts receivable-trade	40,059	42,533	Lease obligations	9,929	8,408
Electronically recorded monetary claims - operating	280	253	Accounts payable-other	5,147	2,066
Lease receivables and investments in leases	21,316	15,926	Accrued expenses	657	747
Merchandise	359	277	Income taxes payable	3,373	298
Goods in transit	77	120	Accrued consumption taxes	1,519	—
Costs on uncompleted construction contracts	25,295	26,733	Advances received	17,018	15,789
Supplies	19	19	Deposits received	160	182
Prepaid expenses	13,823	13,217	Asset retirement obligations	191	—
Short-term loans receivable	302	10,895	Provision for bonuses	2,500	2,234
Other	1,908	2,814	Provision for directors' bonuses	28	46
Allowance for doubtful accounts	(1)	(1)	Other	6,295	6,090
Noncurrent assets	17,085	12,135	Noncurrent liabilities	22,734	15,090
Property, plant and equipment	9,025	4,089	Lease obligations	18,507	14,276
Buildings	720	805	Asset retirement obligations	2,172	814
Tools, furniture and fixtures	3,288	2,724	Other	2,054	—
Construction in progress	5,015	559	Total liabilities	93,826	87,124
Intangible assets	1,427	1,034			
Software	1,426	1,030	Net assets		
Other	0	3	Shareholders' equity	59,252	55,203
Investments and other assets	6,632	7,012	Capital stock	12,279	12,279
Investment securities	22	22	Capital surplus	19,453	19,453
Stocks of subsidiaries and affiliates	1,024	1,380	Legal capital surplus	19,453	19,453
Investments in capital of subsidiaries and affiliates	20	30	Retained earnings	30,536	26,685
Long-term loans receivable	1	1	Legal retained earnings	86	86
Long-term prepaid expenses	6	4	Other retained earnings	30,449	26,598
Deferred tax assets	2,430	2,176	General reserve	17,560	22,870
Lease and guarantee deposits	3,053	3,328	Retained earnings brought forward	12,889	3,728
Other	73	67	Treasury stock	(3,017)	(3,214)
Total assets	153,088	142,493	Valuation and translation adjustments	(134)	(3)
			Deferred gains or losses on hedges	(134)	(3)
			Share acquisition rights	143	168
			Total net assets	59,261	55,369
			Total liabilities and net assets	153,088	142,493

Non-consolidated statement of income

(unit: million yen)

Account title	36 th FY (April 1, 2022 to March 31, 2023)	35 th FY (Reference) (April 1, 2021 to March 31, 2022)
Revenue	160,530	146,616
Cost of revenue	122,249	103,930
Gross profit	38,280	42,685
Selling, general and administrative expenses	24,313	29,521
Operating income	13,966	13,164
Non-operating income	317	410
Interest income	43	28
Dividend income	89	-
Foreign exchange gains	23	16
Dividends income of group insurance	69	60
Other	91	305
Non-operating expenses	271	370
Interest expenses	240	150
Commission for purchase of treasury shares	-	135
Commission expenses	29	-
Other	1	84
Ordinary income	14,013	13,204
Extraordinary income	330	92
Gain on sale of investment securities	11	92
Gain on sale of shares of subsidiaries	244	-
Gain on liquidation of subsidiaries	75	-
Extraordinary losses	315	629
Loss on retirement of non-current assets	4	24
Loss on valuation of shares of subsidiaries and associates	-	141
Loss on liquidation of business	310	-
Impairment losses	-	462
Profit before income taxes	14,028	12,668
Income taxes-current	4,337	2,722
Income taxes-deferred	(194)	1,142
Profit	9,885	8,802

Independent auditor's reports
(not attached)

Audit report from Audit & Supervisory Committee

Audit Report

The Audit & Supervisory Committee has audited the execution of duties by the Executive Directors in the 36th period from April 1, 2022 to March 31, 2023 and reports as follows in regard to the method and results of those audits.

1. Method and contents of audit

In regard to the contents of resolutions of the Board of Directors related to the matters provided in Article 399-13, Paragraph 1, Items (i) (b) and (i) (c) of the Companies Act, as well as the systems developed pursuant to those resolutions (internal control systems), the Audit & Supervisory Committee periodically received reports from Executive Directors, employees, etc. with respect to the status of the establishment and operation of those systems and as necessary requested explanations and expressed opinions in regard thereto, in addition to which the Audit & Supervisory Committee conducted audits using the following methods.

- a. In compliance with the auditing standards established by the Audit & Supervisory Committee and in accordance with the audit policies and division of duties, etc. determined by the Committee, the Audit & Supervisory Committee attended important meetings, received reports from Executive Directors, employees, etc. on matters related to the execution of their duties, requested explanations as necessary, viewed important decision-making documents, etc., and inspected the status of operations and financial conditions of the Company, in collaboration with the internal audit division and other internal control departments of the Company.
Additionally, in regard to subsidiaries, the Audit & Supervisory Committee communicated and exchanged information with the directors and audit & supervisory board members, etc. of subsidiaries, and received reports on business from subsidiaries, as necessary.
- b. The Audit & Supervisory Committee 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 Committee 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 18, 2023

Audit & Supervisory Committee

Net One Systems Co., Ltd.

Full-time Audit & Supervisory Committee Member Kazuhiro Noguchi

Audit & Supervisory Committee Member Sachiko Iizuka

Audit & Supervisory Committee Member Shigeki Kusaka

(Note) Audit & Supervisory Committee Members Mr. Kazuhiro Noguchi, Ms. Sachiko Iizuka, and Mr. Shigeki Kusaka are Outside Executive Director pursuant to Article 2, Item 15 and Article 331, Paragraph 6 of the Companies Act.