To Our Shareholders:

# Matters Omitted in the Documents Delivered

## Status of the Company's share acquisition rights, etc.
## Consolidated statement of changes in net assets
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## Notes to Non-Consolidated Financial Statements

For the 36th Fiscal Year

April 1, 2022 to March 31, 2023

Net One Systems Co., Ltd.

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|---|
| Pursuant to the relevant laws and regulations and the Articles of Incorporation of the Company, the above matters are not stated in the documents to be delivered to shareholders who have made a request for issuance of documents. For this Annual Shareholders Meeting, the Company sends out the documents that contain the Matters Provided in Electronic Form excluding the above items to all shareholders regardless of whether or not a request for the issuance of documents was made. |

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

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

| Name (Date of resolution to issue) | Number of owners | Number of share acquisition rights | Class and number of shares to be issued upon the exercise of share acquisition rights | Amount to be paid in for share acquisition rights | Value of assets contributed upon the exercise of the share acquisition rights | Effective period during which the share acquisition rights are exercisable | Conditions for the exercise of share acquisition rights | Remarks |
|---|---|---|---|---|---|---|---|---|
| Net One Systems Co., Ltd. FY2012 share acquisition rights (June 14, 2012) | 1 Executive Director (excluding Outside Executive Directors) | 22 | 2,200 shares of common stock of the Company | 90,000 yen per share acquisition right | 1 yen per share | July 3, 2012 to July 2, 2042 | (Note 1) | (Note 2) |
| Net One Systems Co., Ltd. FY2013 share acquisition rights (June 13, 2013) | 1 Executive Director (excluding Outside Executive Directors) | 28 | 2,800 shares of common stock of the Company | 62,700 yen per share acquisition right | 1 yen per share | July 2, 2013 to July 1, 2043 | (Note 1) | (Note 2) |
| Net One Systems Co., Ltd. FY2014 share acquisition rights (June 17, 2014) | 2 Executive Directors (excluding Outside Executive Directors) | 72 | 7,200 shares of common stock of the Company | 56,400 yen per share acquisition right | 1 yen per share | July 4, 2014 to July 3, 2044 | (Note 1) | (Note 3) |
| Net One Systems Co., Ltd. FY2015 share acquisition rights (June 16, 2015) | 2 Executive Directors (excluding Outside Executive Directors) | 50 | 5,000 shares of common stock of the Company | 71,700 yen per share acquisition right | 1 yen per share | July 3, 2015 to July 2, 2045 | (Note 1) | (Note 3) |
| Net One Systems Co., Ltd. FY2016 share acquisition rights (June 16, 2016) | 2 Executive Directors (excluding Outside Executive Directors) | 74 | 7,400 shares of common stock of the Company | 53,100 yen per share acquisition right | 1 yen per share | July 5, 2016 to July 4, 2046 | (Note 1) | (Note 3) |
| Net One Systems Co., Ltd. FY2017 share acquisition rights (June 15, 2017) | 2 Executive Directors (excluding Outside Executive Directors) | 42 | 4,200 shares of common stock of the Company | 101,400 yen per share acquisition right | 1 yen per share | July 4, 2017 to July 3, 2047 | (Note 1) | (Note 3) |
| Net One Systems Co., Ltd. FY2018 share acquisition rights (June 14, 2018) | 2 Executive Directors (excluding Outside Executive Directors) | 30 | 3,000 shares of common stock of the Company | 175,400 yen per share acquisition right | 1 yen per share | July 3, 2018 to July 2, 2048 | (Note 1) | |
| Net One Systems Co., Ltd. FY2019 share acquisition rights (June 13, 2019) | 2 Executive Directors (excluding Outside Executive Directors) | 28 | 2,800 shares of common stock of the Company | 287,200 yen per share acquisition right | 1 yen per share | July 2, 2019 to July 1, 2049 | (Note 1) | |

| Name (Date of resolution to issue) | Number of owners | Number of share acquisition rights | Class and number of shares to be issued upon the exercise of share acquisition rights | Amount to be paid in for share acquisition rights | Value of assets contributed upon the exercise of the share acquisition rights | Effective period during which the share acquisition rights are exercisable | Conditions for the exercise of share acquisition rights | Remarks |
|---|---|---|---|---|---|---|---|---|
| Net One Systems Co., Ltd. FY2020 share acquisition rights (June 11, 2020) | 2 Executive Directors (excluding Outside Executive Directors) | 32 | 3,200 shares of common stock of the Company | 341,400 yen per share acquisition right | 1 yen per share | July 2, 2020 to July 1, 2050 | (Note 1) | |
| Net One Systems Co., Ltd. FY2021 share acquisition rights (June 23, 2021) | 2 Executive Directors (excluding Outside Executive Directors) | 45 | 4,500 shares of common stock of the Company | 344,600 yen per share acquisition right | 1 yen per share | July 13, 2021 to July 12, 2051 | (Note 1) | |

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

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

2. The share acquisition rights owned by one (1) Executive Director were granted prior to appointment as Executive Director.

3. The share acquisition rights owned by two (2) Executive Directors were granted prior to appointment as Executive Director.

# Consolidated statement of changes in net assets

(April 1, 2022 to March 31, 2023)

(unit: million yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of April 1, 2022 | 12,279 | 19,453 | 38,888 | (3,214) | 67,406 |
| Changes of items during the period | | | | | |
| Dividends from surplus | | | (5,997) | | (5,997) |
| Profit attributable to owners of parent | | | 14,458 | | 14,458 |
| Purchase of treasury stock | | | | (0) | (0) |
| Disposal of treasury stock | | (36) | | 197 | 160 |
| Transfer from retained earnings to capital surplus | | 36 | (36) | | – |
| Net changes of items other than shareholders' equity | | | | | |
| Total changes of items during the period | – | – | 8,424 | 197 | 8,622 |
| Balance as of March 31, 2023 | 12,279 | 19,453 | 47,312 | (3,017) | 76,029 |

| | Accumulated other comprehensive income | | | Share acquisition rights | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|
| | Deferred gains or losses on hedges | Foreign currency translation adjustment | Total accumulated other comprehensive income | | | |
| Balance as of April 1, 2022 | 978 | (22) | 956 | 168 | 15 | 68,547 |
| Changes of items during the period | | | | | | |
| Dividends from surplus | | | | | | (5,997) |
| Profit attributable to owners of parent | | | | | | 14,458 |
| Purchase of treasury stock | | | | | | (0) |
| Disposal of treasury stock | | | | | | 160 |
| Transfer from retained earnings to capital surplus | | | | | | – |
| Net changes of items other than shareholders' equity | (1,386) | 22 | (1,364) | (24) | (15) | (1,404) |
| Total changes of items during the period | (1,386) | 22 | (1,364) | (24) | (15) | 7,217 |
| Balance as of March 31, 2023 | (408) | – | (408) | 143 | – | 75,764 |

# Notes to consolidated financial statements

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

1. **Matters related to the scope of consolidation**

(1) Number of consolidated subsidiaries 2 companies

Names of consolidated subsidiaries Net One Partners Co., Ltd.

Net One Next Co., Ltd.

Two former consolidated subsidiaries, eXtreak, Inc. and Net One Asia Pte. Ltd., have been excluded from the scope of consolidation since the Company transferred all shares of these firms it held.

In conjunction with this, Net One Asia Sdn. Bhd., PT Net One Asia, and ARK Virtualization Pte. Ltd., which are subsidiaries of Net One Asia Pte. Ltd., have been excluded from the scope of consolidation.

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

Names of non-consolidated subsidiaries Net One Connect G.K.

Net One Business Operations G.K.

Net One Systems USA, Inc.

Net One Systems Singapore Pte. Ltd.

(Reason for excluding from the consolidation)

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

2. **Matters related to application of equity method**

(1) Number of associates accounted for using equity method None

(2) Non-consolidated subsidiaries (Net One Connect G.K., Net One Business Operations G.K., Net One Systems USA, Inc., Net One Systems Singapore Pte. Ltd.) are excluded from the scope of application of the equity method, as their profit or loss for the Company's equity interest and retained earnings for the Company's equity interest do not have a significant effect on the consolidated financial statements and their impact are immaterial as a whole.

3. **Matters related to accounting policies**

(1) Basis and method of valuation for significant assets

I. Securities

Available-for-sale securities

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

II. Derivatives — Stated at market value

III. Inventories

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

Costs on uncompleted construction contracts

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

(2) Depreciation method for significant depreciable assets

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

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

The major useful lives of assets are:

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

II. Intangible assets (excluding lease assets)

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

The major useful lives of assets are:

| | |
|---|---|
| Software for own use | 3 to 5 years |
| Software for sale | 3 years |

III. Lease assets

Lease assets in finance leases that transfer ownership to the lessee

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

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

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

(3) Basis for significant reserves

I. Allowance for doubtful accounts

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

II. Provision for bonuses

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

III. Provision for directors' bonuses

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

(4) Recognition standard for significant revenues and expenses

The major performance obligations in the major businesses of the Company and its consolidated subsidiaries and the usual time point at which revenue is recognized are described in the "Notes to revenue recognition 2. Useful information in understanding revenue."

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

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

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

II. Significant hedge accounting method

a. Hedge accounting method

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

b. Hedging instruments and hedged items

| | |
|---|---|
| Hedging instruments: | Forward exchange contract |
| Hedged items: | Planned transactions denominated in foreign currencies |

c. Hedging policy

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

d. Assessment of hedge effectiveness

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

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

**(Notes to changes in accounting policies)**

(Accounting for expenses in the Engineering Division)

In the fiscal year ended March 31, 2023, the Company concentrated and reorganized its Engineering Division in order to expand customer contacts and accelerate the shift to services through integrating technology functions and to reinforce profit/loss management, and redefined the roles. As a result, the Company decided to record labor cost and certain expenses belonging to the Engineering Division, which undertakes the role of service offering, that were conventionally recorded in selling, general and administrative expenses in cost of sales.

Since this change in the accounting policy cannot be reflected for past year results in the same manner and the principle-based treatment pertaining to the retrospective application is not practically possible, the change is applied effective from the fiscal year ended March 31, 2023 and onwards.

As a result of this change, costs on uncompleted construction contracts at the end of the fiscal year ended March 31, 2023 increased by 808 million yen. In addition, cost of revenue grew 4,662 million yen, selling, general and administrative expenses fell 5,470 million yen, and operating income, ordinary income, and income before income taxes and minority interests increased 808 million yen, respectively.

**(Notes to changes in representation methods)**

(Consolidated balance sheet)

In conjunction with newly recording lease receivables in the fiscal year ended March 31, 2023, the item "Investments in leases" which was presented under "Current assets" in the previous fiscal year has been renamed as "Lease receivables and investments in leases" from the fiscal year under review.

"Construction in progress," which was included in "Buildings" under "Noncurrent assets" in the previous fiscal year, is separately presented in the fiscal year under review due to its increased financial materiality.

The amount of "Construction in progress" in the previous fiscal year was 559 million yen.

**(Notes to accounting estimates)**

(Deferred tax assets)

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

| | |
|---|---|
| Deferred tax assets | 3,216 million yen |

(2) Information regarding details of important accounting estimates for identified items

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

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

**(Additional information)**

(Matters related to fraudulent transactions)

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

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

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

**(Note to consolidated balance sheet)**

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

| | |
|---|---|
| Notes receivable-trade | 863 million yen |
| Accounts receivable-trade | 49,641 million yen |

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

| | |
|---|---|
| Costs for uncompleted construction contracts | 63 million yen |

3. Total accumulated depreciation of property, plant and equipment 19,517 million yen

**(Note to consolidated statement of income)**

Revenue from contracts with customers

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

| | |
|---|---|
| Revenue from contracts with customers | 206,430 million yen |
| Revenue from other sources | 3,249 million yen |

**(Notes to consolidated statement of changes in net assets)**

1. **Class and number of issued shares as of March 31, 2023**

| Class of shares | Number of shares as of March 31, 2023 |
|---|---|
| Common stock | 83,267,300 shares |

2. **Items regarding dividends from surplus during FY2022**

| Date of resolution | Class of shares | Total cash dividends (million yen) | Cash dividend per share (yen) | Record Date | Effective date |
|---|---|---|---|---|---|
| June 22, 2022 Annual Shareholders Meeting | Common stock | 2,956 | 36.00 | March 31, 2022 | June 23, 2022 |
| November 2, 2022 Board of Directors Meeting | Common stock | 3,041 | 37.00 | September 30, 2022 | December 1, 2022 |

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

To be placed on the agenda of the Annual Shareholders Meeting scheduled for June 23, 2023.

| Date of declaration | Class of shares | Total cash dividends (million yen) | Dividend resource | Cash dividend per share (yen) | Record Date | Effective date |
|---|---|---|---|---|---|---|
| June 23, 2023 Annual Shareholders Meeting | Common stock | 3,041 | Retained earnings | 37.00 | March 31, 2023 | June 26, 2023 |

4. **Class and number of shares to be issued upon the exercise of share acquisition rights (excluding those whose exercise period has not yet commenced) as of March 31, 2023**

| Class of shares | Number of shares as of March 31, 2023 |
|---|---|
| Common stock | 89,200 shares |

(Notes to financial instruments)

1. **Status of financial instruments**

(1) Policy on treating financial instruments

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

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

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

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

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

Derivatives adopted are forward exchange contracts used for the purpose of hedging foreign exchange fluctuation risks arising from operating receivables and payables denominated in foreign currencies. The basic policy on derivatives is determined by the Board of Directors, and the Finance Department executes and manages derivative transactions pursuant to the internal management regulations which define the transaction limit amount and the transaction authority. Regarding hedging instruments and hedged items, hedging policy and method of assessing hedge effectiveness in hedge accounting, please refer to the aforementioned "(5) II. Significant hedge accounting method" in "Significant matters related to the basis of preparation of consolidated financial statements, 3. Matters related to accounting policies."

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

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

2. **Matters regarding fair values of financial instruments**

Consolidated balance sheet amounts and fair values as of March 31, 2023, and their variances, of financial instruments, are as follows. Shares, etc. that do not have a market price (the consolidated balance sheet amount of 146 million yen) are not included. Cash is not included in the notes, and deposits, notes and accounts receivable-trade, accounts payable-trade, and short-term borrowings are also not included in the notes because they are settled in a short period of time and their market value approximates their book value.

(unit: million yen)

| | Consolidated balance sheet amount (*) | Fair value (*) | Variance |
|---|---|---|---|
| (1) Lease receivables and investments in leases | 21,394 | 20,884 | (509) |
| (2) Lease obligations | (28,552) | (28,128) | 424 |
| (3) Derivatives | (569) | (569) | – |

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

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

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

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

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

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

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

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

(1) Lease receivables and investments in leases

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

(2) Lease obligations

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

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

(3) Derivatives

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

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

(unit: million yen)

| Hedge accounting method | Type of derivatives | Major hedged items | As of March 31, 2023 | | | |
|---|---|---|---|---|---|---|
| | | | Contracted amounts | Of the contracted amounts, those over 1 year | Fair value | Fair value measurement method |
| Deferral hedge accounting method | Sold forward exchange contracts | | | | | Based on prices provided by counterparty financial institutions and classified as Level 2 |
| | -U.S. dollar | Accounts receivable-trade | 184 | – | (1) | |
| | -British pound sterling | Accounts receivable-trade | 13 | – | (0) | |
| | -Singapore dollars | Accounts receivable-trade | 4 | – | (0) | |
| | Purchased forward exchange contracts | | | | | |
| | -U.S. dollar | Accounts payable-trade | 25,007 | – | (567) | |
| "*Furiate-shori*" method | Purchased forward exchange contracts | | | | | |
| | -U.S. dollar | Accounts payable-trade | 10,344 | – | (*) | |
| Total | | | 35,555 | – | (569) | |

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

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

(unit: million yen)

| | Within 1 year | Over 1 year within 5 years | Over 5 years within 10 years |
|---|---|---|---|
| Cash and deposits | 35,509 | – | – |
| Notes and accounts receivable-trade | 51,383 | – | – |
| Lease receivables and investments in leases | 7,079 | 13,943 | 371 |
| Total | 93,972 | 13,943 | 371 |

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

(unit: million yen)

| | Within 1 year | Over 1 year within 5 years | Over 5 years within 10 years |
|---|---|---|---|
| Lease obligations | 9,977 | 18,277 | 297 |
| Total | 9,977 | 18,277 | 297 |

**(Note regarding per share information)**

Net assets per share 920.08 yen

Profit per share 175.95 yen

**(Note regarding significant subsequent events)**

(Acquisition and cancellation of treasury shares)

The Company resolved at its Board of Directors meeting held on May 9, 2023 the matters related to the acquisition of treasury shares pursuant to the provisions of Article 156 of the Companies Act as applied mutatis mutandis in accordance with the provisions of Article 165, Paragraph 3 of the said Act, and to cancel the treasury shares pursuant to the provisions of Article 178 of the said Act.

1. Reasons for the acquisition of treasury shares

The Company decided to acquire treasury shares as a means of improving capital efficiency and enhancing shareholder returns while maintaining a capital policy that facilitates flexible response to changes in the business environment.

2. Details of the matters related to the acquisition of treasury shares

(1) Type of shares to be acquired: Shares of the Company's common stock

(2) Total number of acquirable shares: 3,500,000 (maximum)
(4.26% of the total outstanding shares (excluding treasury shares))

(3) Total acquisition price: 7,500,000,000 yen (7.5 billion yen) (maximum)

(4) Period of acquisition: May 10, 2023 through December 31, 2023

(5) Method of acquisition: Market purchase based on a discretionary investment contract with a securities company

3. Details of the cancellation of treasury shares

(1) Types of shares to be canceled: Shares of the Company's common stock

(2) Total number of cancelable shares: All treasury shares acquired through the acquisition described in 2. above

(3) Scheduled date of cancellation: March 29, 2024

(Notes to revenue recognition)

1. Disaggregation of revenue from contracts with customers

(unit: million yen)

| | Reportable segment | | | | | Other (Note 1) | Total |
|---|---|---|---|---|---|---|---|
| | ENT Sector | SP Sector | PUB Sector | Partner Sector | Subtotal | | |
| Net sales | | | | | | | |
| Equipment | 19,118 | 28,714 | 25,612 | 38,803 | 112,249 | 2,653 | 114,903 |
| Service | 30,339 | 20,291 | 36,071 | 7,553 | 94,256 | 520 | 94,776 |
| Revenue from contracts with customers | 48,061 | 48,980 | 59,862 | 46,352 | 203,256 | 3,174 | 206,430 |
| Revenue from other sources | 1,396 | 25 | 1,822 | 5 | 3,249 | – | 3,249 |
| Net sales to outside customers | 49,457 | 49,005 | 61,684 | 46,357 | 206,505 | 3,174 | 209,680 |

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

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

2. **Useful information in understanding revenue**

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

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

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

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

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

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

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

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

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

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

| | Fiscal year under review |
|---|---|
| Receivables from contracts with customers (beginning balance) | 51,097 million yen |
| Receivables from contracts with customers (ending balance) | 50,504 million yen |
| Contract liabilities (beginning balance) | 18,858 million yen |
| Contract liabilities (ending balance) | 20,805 million yen |

In the consolidated balance sheet, receivables arising from contracts with customers are included in notes and accounts receivable-trade, and contract assets, while contract liabilities are included in advances received. Description on contract assets is omitted because of the lack of materiality in terms of their balance and since no major fluctuation has occurred.

The amount of revenue recognized in the fiscal year under review that was included in contract liabilities as of the beginning of the period was 10,583 million yen. The amount of revenue recognized in the fiscal year under review from performance obligations that were satisfied (or partially satisfied) in prior periods is not material.

(2) Transaction price allocated to the remaining performance obligations

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

| | Fiscal year under review |
|---|---|
| Within one year | 106,839 million yen |
| Over one year and within two years | 19,462 million yen |
| Over two years and within three years | 10,562 million yen |
| Over three years | 12,202 million yen |
| Total | 149,066 million yen |

**(Other notes)**

**Notes concerning business combination, etc.**

Business divestiture

(Transfer of shares of eXtreak, Inc.)

The Company resolved at its Board of Directors meeting held on February 1, 2023 to transfer all outstanding shares of its consolidated subsidiary eXtreak, Inc. (“eXtreak”) to INVOICE Inc. (“Invoice”), and entered into a share transfer agreement.

As a result of this share transfer, eXtreak was excluded from the scope of consolidation of the Company.

1. Outline of business divestiture

(1) Name of buyer company

INVOICE Inc.

(2) Details of divested business

IT facility services business

(3) Main reason for the business divestiture

The Company acquired all shares of eXtreak on September 28, 2018 with the aim of strengthening its engineering capabilities to accelerate the integrated services business, and has been expanding its facility services business. In order to respond to subsequent changes in the business environment and to execute business strategies such as smart manufacturing in our Medium-term Business Plan, we decided that transferring eXtreak shares as part of our efforts to establish a more efficient structure in the facility services field in terms of optimal management resource allocation throughout the Group was the best way to proceed. After a comprehensive review of multiple potential buyers, which involved taking into consideration economic rationality and business continuity, we determined that Invoice was the most appropriate buyer and reached the decision to transfer the shares to Invoice.

(4) Date of business divestiture

February 28, 2023

(5) Matters concerning an outline of other transactions including legal form

Business transfer in which the consideration received is to be cash or other properties only

2. Outline of accounting treatment

(1) Amount of transferred profit/loss

Gain on sale of shares of subsidiaries 110 million yen

(2) Appropriate book values of assets and liabilities related to the business transferred and their breakdown

| | |
|---|---|
| Current assets | 706 million yen |
| Non-current assets | 68 million yen |
| Total assets | 774 million yen |
| Current liabilities | 275 million yen |
| Non-current liabilities | 9 million yen |
| Total liabilities | 285 million yen |

(3) Accounting

The difference between the book value and the sales price of the respective shares transferred on a consolidated basis is recorded as “Gain on sale of shares of subsidiaries” under extraordinary income.

3. Names of reported segments in which the divested business was included

ENT business, SP business, PUB business

4. Estimated amount of profit/loss related to the separate business recorded in the consolidated statements of income for the fiscal year under review

| | |
|---|---|
| Revenue | 1,346 million yen |
| Operating income | 70 million yen |

(Transfer of shares of Net One Asia Pte. Ltd.)

The Company resolved at the Board of Directors meeting held on February 22, 2023 to sell all shares it holds in Net One Asia Pte. Ltd. ("NOA"), a consolidated subsidiary in which the Company holds a 51% stake, to the founding shareholder of NOA, and entered into a share transfer agreement.

As a result of this share transfer, NOA and its subsidiaries were excluded from the scope of consolidation of the Company.

1. Outline of business divestiture

(1) Name of buyer

Toh Kian Hong

(2) Details of divested business

ICT infrastructure integration business in Southeast Asia

(3) Main reason for the business divestiture

With the aim of strengthening its ASEAN business, the Company acquired the majority of the outstanding shares of Asiasoft Solutions Pte. Ltd. (currently NOA) on April 17, 2019, and has been working to reinforce its proposal capabilities, enhancing the quality of maintenance and operations, and taking other steps. However, we realize the need to respond promptly to changes in the business environment as well as to the expectations to develop highly profitable services that meet customer needs in order to realize our service strategies such as the in-house cloud services set forth in the Medium-term Business Plan. Hence, we decided that transferring NOA shares was the best way to proceed from the perspective of optimally applying management resources. After a comprehensive review of multiple potential buyers, which involved taking into consideration economic rationality and business continuity, we determined that the founding shareholder was the most appropriate buyer and reached the decision to transfer all shares in our holding.

(4) Date of business divestiture

March 6, 2023

(5) Matters concerning an outline of other transactions including legal form

Business transfer in which the consideration received is to be cash or other properties only

2. Outline of accounting treatment

(1) Amount of transferred profit/loss

Loss on liquidation of business 476 million yen

(2) Appropriate book values of assets and liabilities related to the business transferred and their breakdown

| | |
|---|---|
| Current assets | 1,317 million yen |
| Non-current assets | 79 million yen |
| Total assets | 1,396 million yen |
| Current liabilities | 1,083 million yen |
| Non-current liabilities | 35 million yen |
| Total liabilities | 1,119 million yen |

(3) Accounting

The difference between the book value and the sales price of the respective shares transferred on a consolidated basis is recorded as "Loss on liquidation of business" under extraordinary losses.

3. Names of reported segments in which the divested business was included

Other business

4. Estimated amount of profit/loss related to the separate business recorded in the consolidated statements of income for the fiscal year under review

| | |
|---|---|
| Revenue | 3,387 million yen |
| Operating income | 103 million yen |

# Non-consolidated statement of changes in net assets

(April 1, 2022 to March 31, 2023)

(unit: million yen)

| | Shareholders' equity | | | | | | | | | Valuation and translation adjustments (Note 2) | Share acquisition rights | Total net assets |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Capital surplus | | | Retained earnings | | | | | | | |
| | Capital stock | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings (Note 1) | Total retained earnings | Treasury stock | Total share-holders' equity | | | |
| Balance as of April 1, 2022 | 12,279 | 19,453 | – | 19,453 | 86 | 26,598 | 26,685 | (3,214) | 55,203 | (3) | 168 | 55,369 |
| Changes of items during the period | | | | | | | | | | | | |
| Provision of general reserve | | | | | | – | – | | – | | | – |
| Dividends from surplus | | | | | | (5,997) | (5,997) | | (5,997) | | | (5,997) |
| Profit | | | | | | 9,885 | 9,885 | | 9,885 | | | 9,885 |
| Purchase of treasury stock | | | | | | | | (0) | (0) | | | (0) |
| Disposal of treasury stock | | | (36) | (36) | | | | 197 | 160 | | | 160 |
| Transfer from retained earnings to capital surplus | | | 36 | 36 | | (36) | (36) | | – | | | – |
| Net changes of items other than shareholders' equity | | | | | | | | | | (131) | (24) | (156) |
| Total changes of items during the period | – | – | – | – | – | 3,851 | 3,851 | 197 | 4,048 | (131) | (24) | 3,892 |
| Balance as of March 31, 2023 | 12,279 | 19,453 | – | 19,453 | 86 | 30,449 | 30,536 | (3,017) | 59,252 | (134) | 143 | 59,261 |

(Note) 1. Details of other retained earnings

(unit: million yen)

| | General reserve | Retained earnings brought forward | Total |
|---|---|---|---|
| Balance as of April 1, 2022 | 22,870 | 3,728 | 26,598 |
| Changes of items during the period | | | |
| Provision of general reserve | (5,310) | 5,310 | – |
| Dividends from surplus | | (5,997) | (5,997) |
| Profit | | 9,885 | 9,885 |
| Transfer from retained earnings to capital surplus | | (36) | (36) |
| Total changes of items during the period | (5,310) | 9,161 | 3,851 |
| Balance as of March 31, 2023 | 17,560 | 12,889 | 30,449 |

(Note) 2. Details of Valuation and translation adjustments

(unit: million yen)

| | Deferred gains or losses on hedges | Total |
|---|---|---|
| Balance as of April 1, 2022 | (3) | (3) |
| Changes of items during the period | | |
| Net changes of items other than shareholders' equity | (131) | (131) |
| Total changes of items during the period | (131) | (131) |
| Balance as of March 31, 2023 | (134) | (134) |

# Notes to non-consolidated financial statements

**(Significant accounting policies)**

**1. Basis and method of valuation for assets**

(1) Securities

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

(2) Derivatives — Stated at market value

(3) Inventories

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

**2. Depreciation method for non-current assets**

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

Declining balance method is applied.

The major useful lives of assets are:

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

(2) Intangible assets (excluding lease assets)

Straight line method is applied.

The major useful-lives of assets are:

| | |
|---|---|
| Software for own use | 5 years |
| Software for sale | 3 years |

(3) Lease assets

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

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

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

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

**3. Basis for reserves**

(1) Allowance for doubtful accounts

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

(2) Provision for bonuses

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

(3) Provision for directors' bonuses

Provision for directors' bonuses is recorded to accrue the amount for bonuses to Executive Directors of the Company for the fiscal year.

**4. Recognition standard for revenues and expenses**

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

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

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

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

(2) Significant hedge accounting method

I. Hedge accounting method

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

II. Hedging instruments and hedged items

| | |
|---|---|
| Hedging instruments: | Forward exchange contract |
| Hedged items: | Planned transactions denominated in foreign currencies |

III. Hedging policy

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

IV. Assessment of hedge effectiveness

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

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

**(Notes to changes in accounting policies)**

(Accounting for expenses in the Engineering Division)

In the fiscal year ended March 31, 2023, the Company concentrated and reorganized its Engineering Division in order to expand customer contacts and accelerate the shift to services through integrating technology functions and to reinforce profit/loss management, and redefined the roles. As a result, the Company decided to record labor cost and certain expenses belonging to the Engineering Division, which undertakes the role of service offering, that were conventionally recorded in selling, general and administrative expenses in cost of sales.

Since this change in the accounting policy cannot be reflected for past year results in the same manner and the principle-based treatment pertaining to the retrospective application is not practically possible, the change is applied effective from the fiscal year ended March 31, 2023 and onwards.

As a result of this change, costs on uncompleted construction contracts at the end of the fiscal year ended March 31, 2023 increased by 808 million yen. In addition, cost of revenue grew 4,662 million yen, selling, general and administrative expenses fell 5,470 million yen, and operating income, ordinary income, and profit before income taxes increased 808 million yen, respectively.

(Accounting for outsourcing agreements between Group companies)

The Company recorded expenses borne by Group companies for quality control activities and for maintaining corporate functions in selling, general and administrative expenses, and recorded the amount equivalent to the cost burden received from subsidiaries in fiduciary obligation fee from associates under non-operating income. However, as the corresponding relationships between the outsourcing transactions and the expenses for quality control activities and for maintaining corporate functions have become clear amid the “thorough visualization” that the Group is promoting as one of the core measures in its efforts to strengthen its management foundation, the Company has determined that it is more reasonable to record the cost burden, which is allocated more in line with actual conditions, as expenses that should be borne by the Company. Accordingly, the Company has changed to a method where the amount equivalent to the cost burden received from subsidiaries is deducted from selling, general and administrative expenses from the fiscal year under review.

This change in accounting policy has been applied retrospectively, and is reflected in the information for the previous fiscal year in the non-consolidated financial statements.

As a result of this change, selling, general and administrative expenses decreased by 1,329 million yen, operating income increased by 1,329 million yen, and non-operating income decreased by 1,329 million yen, while there was no impact on ordinary income, profit before income taxes, and information per share compared to the former method.

**(Notes to changes in representation methods)**

(Non-consolidated balance sheet)

In conjunction with newly recording lease receivables in the fiscal year ended March 31, 2023, the item “Investments in leases” which was presented under “Current assets” in the previous fiscal year has been renamed as “Lease receivables and investments in leases” from the fiscal year under review.

"Construction in progress," which was included in "Buildings" under "Noncurrent assets" in the previous fiscal year, is separately presented in the fiscal year under review due to its increased financial materiality.

The amount of "Construction in progress" in the previous fiscal year was 559 million yen.

(Non-consolidated statement of income)

"Dividends income of group insurance," which was included in "Other" under "Non-operating income" in the previous fiscal year, is separately presented in the fiscal year under review due to its increased financial materiality.

The amount of "Dividends income of group insurance" in the previous fiscal year was 60 million yen.

**(Notes to accounting estimates)**

(Deferred tax assets)

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

| | |
|---|---|
| Deferred tax assets | 2,430 million yen |

(2) Information regarding details of important accounting estimates for identified items

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

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

**(Additional information)**

(Matters related to fraudulent transactions)

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

**(Notes to non-consolidated balance sheet)**

| | |
|---|---|
| 1. Total accumulated depreciation of property, plant and equipment | 18,233 million yen |
| 2. Monetary claims and liabilities to subsidiaries and associates | |
| Short-term monetary claims | 2,574 million yen |
| Short-term monetary liabilities | 3,655 million yen |
| 3. Guarantee of obligations of subsidiaries and associates | |
| A guarantee is offered for the following subsidiary's obligation to its specified supplier. | |
| Net One Partners Co., Ltd. | 2,753 million yen |

**(Note to non-consolidated statement of income)**

Transactions with subsidiaries and associates

| | |
|---|---|
| Transactions relating to the Company's operation | |
| Net sales | 1,057 million yen |
| Purchase | 20,213 million yen |
| Selling, general and administrative expenses | 4,377 million yen |
| Transactions not relating to the Company's operation | 62 million yen |

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

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

| Class of shares | Number of shares as of March 31, 2023 |
|---|---|
| Common stock | 1,077,321 |

(Notes regarding tax effect accounting)

1. **Breakdown of major reason for deferred tax assets and deferred tax liabilities (as of March 31, 2023)**

(unit: million yen)

| | |
|---|---|
| Deferred tax assets | |
| Provision for bonuses | 776 |
| Depreciation for tools, furniture and fixtures | 700 |
| Accounts receivable-other | 154 |
| Accrued enterprise tax | 208 |
| Asset retirement obligations | 693 |
| Software | 38 |
| Loss on valuation of investment securities | 1 |
| Loss on valuation of inventories | 19 |
| Deferred gains or losses on hedges | 59 |
| Loss on fraudulent transactions | 1,525 |
| Other | 556 |
| Sub-total deferred tax assets | 4,733 |
| Valuation allowance | (1,769) |
| Total deferred tax assets | 2,963 |
| Deferred tax liabilities | |
| Asset retirement cost | (533) |
| Total deferred tax liabilities | (533) |
| Net deferred tax assets | 2,430 |

Extraordinary losses of 1,525 million yen that occurred due to the cancellation of transactions related to the fraud are included in the valuation allowance of negative 1,769 million yen.

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

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

**(Notes regarding transactions with related parties)**

Subsidiaries

(unit: million yen)

| Classification | Company name | Percentage of voting rights holding (held) | Relationship | Transaction | Amount of transaction | Account | As of March 31, 2023 |
|---|---|---|---|---|---|---|---|
| Subsidiary | Net One Partners Co., Ltd. | Holding directly 100.0% | • Purchase of products<br>• Loan transactions<br>• Guarantee of obligations<br>• 1 dispatched officer | Purchase of products (Note 1) | 16,869 | Accounts payable-trade | 2,849 |
| | | | | Loan transactions (Note 2) | 7,016 | Short-term loans receivable | 300 |
| | | | | Interest income (Note 2) | 42 | – | – |
| | | | | Guarantee of obligations (Note 3) | 2,753 | – | – |

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

(Notes) 1. Prices are determined by reference to market prices

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

**(Note regarding per share information)**

| | |
|---|---|
| Net assets per share | 719.28 yen |
| Profit per share | 120.30 yen |

**(Note regarding significant subsequent events)**

This note has been omitted as it is the same as described under "Notes to consolidated financial statements, Note regarding significant subsequent events" above.

**(Notes to revenue recognition)**

**Useful information in understanding revenue**

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

**(Other notes)**

**Notes concerning business combination, etc.**

This note has been omitted as it is the same as described under "Notes to consolidated financial statements, Other notes, Notes concerning business combination, etc." above.