

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 37th Annual Shareholders Meeting.

In line with our Purpose (i.e., our will or cause) to “unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen,” we have worked on bolstering our operating foundation and implementing growth strategies. We are laying the groundwork for continued business growth while steadily implementing corporate culture reform to enhance our corporate value via both preventive and proactive management measures. As a network expert and industry leader, we will continue to create value as we move forward to realize our medium-to long-term vision “Vision for 2030.”

In May 2023, we newly opened the Innovation Center (netone valley) designed to be a place for employees to take on the challenge of creating new value and charting pathways toward a prosperous future. Serving as a workplace that meets the changing workstyles of employees, it provides touchpoints with the broader community to spark innovation through human networks and help solve problems facing society.

We would like to ask our shareholders to continue to understand and support the Group that creates “a prosperous future” through tradition and innovation.

Net One Systems Co., Ltd.

Takafumi Takeshita
President & CEO

(Transmission date) June 4, 2024
(Start date of electronic provision) May 29, 2024

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

NOTICE OF THE 37th ANNUAL SHAREHOLDERS MEETING

To Our Shareholders:

We are pleased to announce the 37th Annual Shareholders Meeting of Net One Systems Co., Ltd. (hereinafter referred to as the “Company”) will be held as indicated below.

In convening the 37th 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 “37th 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 33) and exercise your voting rights by no later than 5:30 p.m. on June 25, 2024 (Tuesday).

Truly yours,

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

1. Date/Time: June 26, 2024 (Wednesday) at 10:00 am
(The reception of shareholders will commence at 9:00 am)
2. Place: JP TOWER Hall & Conference (KITTE 4F)
7-2, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan
*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 37th fiscal year (April 1, 2023 to March 31, 2024)
- 2) Non-consolidated financial statements for the 37th fiscal year (April 1, 2023 to March 31, 2024)

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)

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

Live Streaming of the 37th Annual Shareholders Meeting

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

Date/Time: June 26, 2024 (Wednesday) at 10:00 am (you can attend the meeting from 9:30 am)

Live streaming URL link:

<https://v.sokai.jp/7518/2024/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, 2024.

- 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.
- Of the Matters Provided in Electronic Form, the following matters are not included in the documents sent to shareholders who have requested their issuance in accordance with relevant laws and regulations, and the Company’s Articles of Incorporation, but are posted on the Company’s website noted above as well as the Tokyo Stock Exchange’s website. 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.
 - (i) “Main offices,” “Status of employees,” and “Status of the Company’s share acquisition rights, etc.” in the business report
 - (ii) “Consolidated statement of changes in net assets” and “Notes to consolidated financial statements”
 - (iii) “Non-consolidated statement of changes in net assets” and “Notes to non-consolidated financial statements”

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 33). 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 25, 2024 (Tuesday)

For details, please refer to page 7.

<Entering the voting code>

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

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

Deadline for the exercise of voting rights via the Internet:

No later than 5:30 p.m. on June 25, 2024 (Tuesday)

For details, please refer to page 8.

<Exercise of voting rights by mailing of written documents>

Please indicate your approval or disapproval for each of the proposals on the enclosed Exercise of Voting Right Form and send it back to the Company. (No postage is needed.)

Arrival deadline for the exercise of voting rights by mailing of written documents:

No later than 5:30 p.m. on June 25, 2024 (Tuesday)

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 26, 2024 (Wednesday)

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 25, 2024 (Tuesday)

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

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

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

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

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

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

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

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

<Entering the voting code>

Exercise deadline

No later than 5:30 p.m. on June 25, 2024 (Tuesday)

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

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

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

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

Enter the “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 25, 2024 (Tuesday)

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

Please mail this form.

Indicate either approval or disapproval

Circle "Approval" to approve the proposal.

Circle "Disapproval" to disapprove the proposal.

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

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

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

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

- Please be advised that, no gifts will be provided to shareholders attending the Annual Shareholders Meeting. Your understanding is greatly appreciated.

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 37th fiscal year is proposed as follows.

Type of payout	Cash dividend	
Allocation of cash dividend and its total amount	40 yen per share of common stock	
	Total amount of dividends	3,171,923,720 yen
Effective date of dividend from surplus	June 27, 2024	

The dividend on an annual basis for the 37th fiscal year including the interim dividends is 77 yen per share with the consolidated dividend payout ratio of 45.3%.

2. Appropriation of surplus

Account and amount of surplus that will decrease	Retained earnings brought forward	4,800,000,000 yen
Account and amount of surplus that will increase	General reserve	4,800,000,000 yen

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 the candidates are suitable as the Company's Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members).

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			18/18 (100%)	3 years and 3 months (6 years as Executive Director)
2	Takuya Tanaka	Vice President Chief Operating Officer (COO)	Reelected	Male			18/18 (100%)	6 years
3	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	18/18 (100%)	3 years
4	Masayoshi Wada	Outside Executive Director Chairperson of the Remuneration Advisory Committee	Reelected	Outside	Independent	Male	18/18 (100%)	2 years
5	Shinobu Umino	Outside Executive Director Chairperson of the Nomination Advisory Committee	Reelected	Outside	Independent	Male	15/15 (100%)	1 year
6	Yuka Uehara	-	Newly elected	Outside	Independent	Female	-	-

(Note) The status of attendance at the Board of Directors meetings of Mr. Shinobu Umino reflects only the Board of Directors meetings held after he assumed office on June 23, 2023.

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors	Status of attendance at Nomination Advisory Committee
1	Takafumi Takeshita (Mar. 28, 1965)  [Reelected] [Male]	President & Chief Executive Officer (CEO)	66,728 shares	18/18 (100%)	10/10 (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 & Chief Executive Officer (CEO) (incumbent)

(Responsibilities)
 Member of the Nomination Advisory Committee

Reasons for selection as a candidate for Executive Director:

Mr. Takafumi Takeshita has a wealth of experience and a proven track record in technology through many years of practical experience in technology operations. Since assuming the position as Executive Director 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. In the face of the Company's current management issue of business growth, he is boldly leading the entire company forward with a keen focus on overhauling its organizational structure and business strategies to achieve the goals of the Medium-term Business Plan and working to enhance 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
2	Takuya Tanaka (Apr. 7, 1969)  [Reelected] [Male]	Vice President Chief Operating Officer (COO)	15,195 shares	18/18 (100%)

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


Apr. 1992 Joined Nihon Unisys, Limited (current BIPROGY Inc.)
 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 Chief Operating Officer (COO)
 Apr. 2024 Vice President and Chief Operating Officer (COO) (incumbent)

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

Reasons for selection as a candidate for Executive Director:

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 Chief Operating Officer (COO) and also worked on formulation and penetration of the corporate philosophy and strengthening of internal control of the entire Group, among others. He has also demonstrated leadership in efforts to improve profit margins and strengthen relationships with stakeholders with the aim of 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	Status of attendance at Nomination Advisory Committee	Status of attendance at Remuneration Advisory Committee
3	Maya Ito (Dec. 28, 1976)  [Reelected] [Independent] [Outside] [Female]	Outside Executive Director	559 shares	18/18 (100%)	10/10 (100%)	9/9 (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 (Gaikokuho Kyodo Jigyo))

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 (current Nishimura & Asahi (Gaikokuho Kyodo Jigyo)) (incumbent)

Jun. 2019 Outside Executive 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 Executive 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 (Gaikokuho Kyodo Jigyo)
 Outside Executive Director (Audit and Supervisory Committee), OPTIMUS Group Co., Ltd.

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

Ms. Maya Ito has extensive knowledge and experience as a lawyer and as an outside executive 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 (Gaikokuho Kyodo Jigyo), 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 (Gaikokuho Kyodo Jigyo) Singapore Office	Entrustment of legal operations related to particular transactions	Less than 0.1% of the annual revenue of Nishimura & Asahi (Gaikokuho Kyodo Jigyo)	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	Status of attendance at Remuneration Advisory Committee
4	Masayoshi Wada (Jan. 5, 1959)  [Reelected] [Independent] [Outside] [Male]	Outside Executive Director	727 shares	18/18 (100%)	9/9 (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 for Outside Executive Director 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 themes, such as the standards and composition of executive remuneration as well as the indicators and ratios of bonuses, 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.	Sales of equipment, etc.	About 0.2% of the revenue of the Company for the current fiscal year

(until March 2016)	Purchase of equipment, etc.	About 0.1% of the revenue of Canon IT Solutions Inc. for the fiscal year ended December 31, 2023.
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	Status of attendance at Nomination Advisory Committee
5	Shinobu Umino (Aug. 4, 1952)  [Reelected] [Independent] [Outside] [Male]	Outside Executive Director	1,038 shares	15/15 (100%)	9/9 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions					
<p>Apr. 1975 Joined Nippon Telegraph and Telephone Public Corporation (currently, NIPPON TELEGRAPH AND TELEPHONE CORPORATION)</p> <p>Jun. 2003 Director, General Manager, Corporate Planning Division, NTT DATA Corporation</p> <p>Jun. 2008 Senior Executive Vice President, Representative Member of the Board, NTT Communications Corporation</p> <p>Jun. 2012 President, Executive Officer, NTT COMWARE Corporation</p> <p>Jun. 2018 Outside Executive Director, Internet Initiative Japan Inc.</p> <p>May 2019 Outside Executive Director, TerraSky Co., Ltd.</p> <p>Jun. 2020 Outside Executive Director, Hitachi Kokusai Electric Inc.</p> <p>Jun. 2021 Outside Executive Director, Nippon Avionics Co., Ltd. (incumbent)</p> <p>Jul. 2021 Senior Advisor, NTT COMWARE Corporation</p> <p>Jun. 2023 Outside Executive Director of the Company (incumbent)</p> <p>Apr. 2024 Director, Kitano Gakuen Incorporated Educational Institution (incumbent)</p> <p>(Responsibilities)</p> <p>Chairperson of the Nomination Advisory Committee</p> <p>(Significant concurrent positions)</p> <p>Outside Executive Director, Nippon Avionics Co., Ltd.</p> <p>Director, Kitano Gakuen Incorporated Educational Institution</p>					
Reasons for selection as a candidate for Outside Executive Director and overview of expected role:					
<p>Mr. Shinobu Umino has experience as a corporate manager and abundant knowledge and experience in the information communication business industry, and has been actively providing opinions and proposals, from the perspective of corporate management, technology, personnel and corporate culture and organization reform, governance, etc. Serving as the chairperson of the Nomination Advisory Committee, he also voluntarily involves himself in the selection process for Outside Executive Director candidates, makes recommendations for revising the skill matrix of the Board of Directors, and interviews the CEO and other members of the management team who are involved in succession planning, significantly contributing to monitoring the selection and dismissal process for Executive Directors and Executive Officers as well as succession planning.</p> <p>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.</p>					
Special interests between the candidate and the Company:					
<p>Mr. Shinobu Umino used to work for NTT COMWARE Corporation (until June 2023), 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.</p>					

Related party	Transaction details	Transaction size	Description
NTT COMWARE Corporation (until June 2023)	Sales of equipment, etc.	About 0.2% of the revenue of the Company for the current fiscal year	Mr. Shinobu Umino served as Senior Advisor of NTT COMWARE Corporation until June 2023, but senior advisor does not apply to an executive provided in Article 2, Paragraph 3, Item (vi) of the Regulations for Enforcement of the Companies Act.
	Purchase of equipment, etc.	Less than 0.1% of the revenue of NTT COMWARE Corporation for the fiscal year ended March 31, 2024.	

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	Yuka Uehara (Oct. 2, 1969)  [Newly elected] [Independent] [Outside] [Female]	-	0 shares	-
Career summary, position and responsibilities at the Company, and significant concurrent positions				
<p>Apr. 1993 Joined Goldman Sachs (Japan) Ltd. (currently, Goldman Sachs Japan Co., Ltd.)</p> <p>Jul. 1994 Joined Merrill Lynch Japan Securities Co., Ltd. (currently, BofA Securities Japan Co., Ltd.)</p> <p>Feb. 2007 Managing Director, Equity Capital Markets, Merrill Lynch Japan Securities Co., Ltd.</p> <p>Mar. 2012 Managing Director, Head of Japan Equity Capital Markets, Asia-Pacific Global Capital Markets, Merrill Lynch Japan Securities Co., Ltd.</p> <p>Nov. 2015 Director, Strategic Financial Product Dept., Equity Group, Mizuho Securities Co., Ltd.</p> <p>Apr. 2016 Head of Equity Capital Market Department 1, Products Business Division, Mizuho Securities Co., Ltd.</p> <p>Apr. 2018 Senior Executive, Investment Banking Business Division, Mizuho Securities Co., Ltd.</p> <p>Jul. 2019 Joined JP Morgan Securities Japan Co., Ltd. Managing Director, Equity Capital Markets</p> <p>Dec. 2021 Outside Executive Director (Audit & Supervisory Board Member), Retty, Inc. (incumbent)</p> <p>May 2022 Executive Officer and Head of Corporate Communications Division, Premier Anti-Aging Co., Ltd. (incumbent)</p> <p>(Significant concurrent positions)</p> <p>Outside Executive Director (Audit & Supervisory Board Member), Retty, Inc.</p> <p>Executive Officer and Head of Corporate Communications Division, Premier Anti-Aging Co., Ltd.</p>				
<p>Reasons for selection as a candidate for Outside Executive Director and overview of expected role:</p> <p>Ms. Yuka Uehara has a wealth of knowledge and experience in the areas of finance and capital strategy garnered through many years of experience at securities companies. She also has experience as an outside director concurrently serving as an Audit and Supervisory Board member at another company. The Board of Directors has selected her as a new candidate for the position of outside executive director with the expectation that she will supervise the Company's management from an independent and objective standpoint, primarily from the perspectives of finance and accounting. 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.</p> <p>In addition, if her appointment is approved, she will serve as a member of the Nomination Advisory Committee and the Remuneration Advisory Committee, where she will monitor the skills required of members of the Board of Directors and the succession plans of the CEO and other members of management, as well as the objectivity, transparency, and accountability of the executive remuneration system, thereby enhancing the supervisory function of the Board of Directors.</p> <p>Special interests between the candidate and the Company:</p> <p>Ms. Yuka Uehara used to work for Mizuho Securities Co., Ltd. (until June 2019), and while the Company has the following relationship with Mizuho Securities Co., Ltd., she satisfies the Independent Standards of the Company. Therefore, we believe this poses no risk of a conflict of interest with general shareholders.</p>				
Related party		Transaction details	Transaction size	
Mizuho Securities Co., Ltd.		Sales of equipment, etc.	About 1.2% of the revenue of the Company for the current fiscal year	

(until June 2019)		
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- (Notes)
1. There are no special interests between the candidates and the Company.
 2. The Company has filed Ms. Maya Ito, Mr. Masayoshi Wada, and Mr. Shinobu Umino 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 Ms. Yuka Uehara is approved, the Company will file her as a new Independent Executive Officer.
 3. The Company has entered into a limited liability agreement with Ms. Maya Ito, Mr. Masayoshi Wada, and Mr. Shinobu Umino, 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 these candidates is approved, the Company will continue the said agreements. In addition, if the election of Ms. Yuka Uehara is approved, the Company will also enter into the same limited liability agreement with her.
 4. Yuka Uehara's name in her official family register is Yuka Ono.
 5. The Company has entered into an agreement of Directors and Officers liability insurance policy with an insurance company in accordance with Paragraph 1 of Article 430-3 of the Companies Act and if claim for damages is made by shareholder(s) or any third party, the compensation for the damage, fees for legal actions, etc. shall be paid for by said insurance agreement. All candidates will be included in the insured of the said insurance agreement. The Company plans to renew said insurance agreement under the same conditions as stated above.


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


The term of office of all three (3) Executive Directors who are Audit & Supervisory Committee Members will expire at the conclusion of this Annual Shareholders Meeting. Accordingly, the Company proposes that three (3) Executive Directors who are Audit & Supervisory Committee Members be elected.


All candidates were selected based on the report of the voluntary Nomination Advisory Committee, the majority of whose members are independent Outside Executive Directors. Additionally, this proposal has been consented to by the Audit & Supervisory Committee.

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

Candidate number	Name	Present position in the Company	Candidate attribute				Status of attendance at Board of Directors	Status of attendance at Audit & Supervisory Committee	Number of years in office
1	Kazuhiro Noguchi	Outside Executive Director (Full-time Audit & Supervisory Committee Member)	Reelected	Outside	Independent	Male	18/18 (100%)	13/13 (100%)	2 years
2	Mitsuru Kiuchi	Executive Director	Newly elected	Male			18/18 (100%)	-	-
3	Sachiko Iizuka	Outside Executive Director (Audit & Supervisory Committee Member)	Reelected	Outside	Independent	Female	18/18 (100%)	13/13 (100%)	2 years

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors	Status of attendance at Audit & Supervisory Committee
1	Kazuhiro Noguchi (Jun. 6, 1957)  [Reelected] [Independent] [Outside] [Male]	Outside Executive Director (Full-time Audit & Supervisory Committee Member)	335 shares	18/18 (100%)	13/13 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions					
Sep. 1985 Joined Chuo Accounting Audit Corporation Mar. 1989 Registered as Certified Public Accountant Jul. 2000 Partner, ChuoAoyama Audit Corporation Aug. 2007 Senior Partner, Shin Nihon & Co. (current Ernst & Young ShinNihon LLC) Jul. 2019 Established Kazuhiro Noguchi Certified Public Accountant Office (incumbent) Jun. 2020 Outside Audit & Supervisory Board Member, NICHIRYOKU Co., Ltd. (incumbent) Jun. 2021 Full-time Outside Audit & Supervisory Board Member of the Company Jun. 2022 Outside Executive Director (Full-time Audit & Supervisory Committee Member) (incumbent) (Significant concurrent positions) Director, Kazuhiro Noguchi Certified Public Accountant Office Outside Audit & Supervisory Board Member, NICHIRYOKU Co., Ltd.					
Reasons for selection as a candidate for Outside Executive Director and overview of expected role: Since assuming office as an Outside Audit & Supervisory Board Member of the Company in June 2021, Mr. Kazuhiro Noguchi has actively provided opinions and proposals from the perspective of his extensive knowledge and experience in finance and accounting accumulated as a certified public accountant. After assuming office as an Outside Executive Director who is an Audit & Supervisory Committee Member in June 2022, he also has objectively and neutrally audited the Company's management and business execution of Executive Directors. He has been selected as a candidate for Outside Executive Director who is an Audit & Supervisory Committee Member based on the determination that he will continue to contribute to strengthening the supervisory function of the Company's management. Although he has no experience of direct involvement in business management, it has been determined from the foregoing reason that he will be able to execute his duties as Outside Executive Director properly.					

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors	Status of attendance at Audit & Supervisory Committee
2	Mitsuru Kiuchi (Dec. 26, 1958)  [Newly elected] [Male]	Executive Director	11,699 shares	18/18 (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, Chief Human Resources Officer (CHRO), Chief Risk Officer (CRO), and Chief Compliance Officer (CCO) Apr. 2024 Executive Director (incumbent) (Responsibilities) Member of the Remuneration Advisory Committee					
Reasons for selection as a candidate for Executive Director: Mr. Mitsuru Kiuchi has an extensive track record based on his experience in the human resources and internal audit departments of other companies, as well as in senior management positions. Since joining the Company in March 2021, he has primarily supported various initiatives to strengthen internal auditing. Since his appointment as Executive Vice President in April 2022, he has worked as Chief Human Resources Officer (CHRO), Chief Risk Officer (CRO), and Chief Compliance Officer (CCO) in a wide range of areas, including activities to promote the Company's corporate philosophy, corporate culture and organizational reform, restructuring of the personnel system, and development of risk management and compliance systems. In addition, as a member of the Remuneration Advisory Committee, he has made significant contributions to enhancing the corporate value of the Group by reforming the executive remuneration system and leading the implementation of various measures to improve the effectiveness of the Board of Directors in the area of governance. Based on the above, the Company's Board of Directors has selected him as a new candidate for the position of Executive Director serving concurrently as an Audit and Supervisory Committee Member, as the Company believes that he will help strengthen management supervision with his extensive knowledge in a wide range of fields at the Company and at other companies.					

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors	Status of attendance at Audit & Supervisory Committee
3	Sachiko Iizuka (Sep. 16, 1969)  [Reelected] [Independent] [Outside] [Female]	Outside Executive Director (Audit & Supervisory Committee Member)	869 shares	18/18 (100%)	13/13 (100%)
Career summary, position and responsibilities at the Company, and significant concurrent positions					
Oct. 1994 Joined Ohara Bookkeeping School, O-HARA Gakuen, a legally incorporated educational institute Apr. 1998 Registered as Certified Public Accountant Jan. 2000 Joined DIVA CORPORATION (current AVANT CORPORATION) Mar. 2012 Representative Director, LAULEA CORPORATION (incumbent) Jun. 2019 Auditor (Outside), KORAKUEN HOLDINGS CORPORATION Sep. 2019 Auditor (Outside), BeeX Co., Ltd. (incumbent) Jun. 2020 Outside Audit & Supervisory Board Member of the Company Mar. 2021 Representative Partner, Cenus Audit Corporation (incumbent) Jun. 2022 Outside Executive Director (Audit & Supervisory Committee Member) (incumbent) (Significant concurrent positions) Representative Director, LAULEA CORPORATION Auditor (Outside), BeeX Co., Ltd. Representative Partner, Cenus Audit Corporation					
Reasons for selection as a candidate for Outside Executive Director and overview of expected role: Since assuming office as an Outside Audit & Supervisory Board Member of the Company in June 2020, Ms. Sachiko Iizuka has actively provided opinions and proposals based on her extensive knowledge and experience in finance and accounting as a certified public accountant and as a Representative Director of other company. After assuming office as an Outside Executive Director who is an Audit & Supervisory Committee Member in June 2022, she also has objectively and neutrally audited the Company's management and business execution of Executive Directors. She has been selected as a candidate for Outside Executive Director who is an Audit & Supervisory Committee Member based on the determination that she will continue to contribute to strengthening the supervisory function of the Company's management.					

- (Notes) 1. There are no special interests between the candidates and the Company.
2. The Company has filed Mr. Kazuhiro Noguchi and Ms. Sachiko Iizuka 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.
3. The Company has entered into a limited liability agreement with Mr. Kazuhiro Noguchi and Ms. Sachiko Iizuka, 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 these candidates is approved, the Company will continue the said agreements. In addition,

if the election of Mr. Mitsuru Kiuchi 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) Ideal vision for the Company’s Board of Directors and topics it should address

The Company revised the skills required of its Board members and their definitions at the January 30, 2024, Board of Directors meeting following discussions based on the deliberations and reports of the Nomination Advisory Committee. In addition, as a premise for the revision, the Company also discussed and decided on the ideal vision for its Board of Directors and topics the Board of Directors should address. The details of the ideal vision for the Board of Directors and topics it should address are as described below, and the revised skills required of Board members and their definitions are provided on the following page.

1. Ideal vision for the Company’s Board of Directors

(1) Conducting proactive management to establish our position as a leader in the industry

Since the early days of the Internet, we have continued to grow as a leading network company, responding to the changing times and customer needs by leveraging our strengths of deep expertise, customer-oriented viewpoints, and executive capabilities.

Going forward, we will continue to add value as an “elite group” of professionals to achieve continuous growth by pursuing an appropriate profit structure, while aiming to go beyond network operations to become a leading company across all corporate activities.

To achieve this goal, we believe that the role and responsibility of our Board of Directors is to overcome past cases of misconduct and spearhead proactive management by drawing up a big picture of management based on diverse opinions, while leveraging our traditional strengths of deep expertise, customer-oriented viewpoints, and executive capabilities.

(2) Independent, objective, and effective supervision

We have been focusing on governance and corporate culture reforms in the wake of the revelations of past cases of misconduct. Moving forward, we aim to overcome these cases and develop the Company into a “role model of governance” effectively.

To make this happen, we believe it is important to ensure highly independent and objective management supervision from our Board of Directors comprised of a majority of independent outside executive directors and chaired by an independent outside executive director. It is also critical for our Board of Directors to conduct effective supervision and monitoring by clarifying the roles of vice presidents and other corporate officers and delegating authority to these individuals.

2. Topics our Board of Directors should address

Our Board of Directors will address topics including our growth strategy, reinforcement of our business base, our social responsibilities, and our external environment to achieve our Medium-Term Business Plan and drive proactive management. Furthermore, to conduct independent, objective, and highly effective supervision, our Board of Directors will address comprehensive corporate management in addition to the seven key topics for which individual committees have been established due to their importance to the Company’s management.

Ideal vision	Directing proactive management				Supervision	
Classification	Growth strategy	Reinforcement of business base	Social responsibilities	External environment	Overall	Key individual topics
Topics to be addressed	Business and service strategy, customer-oriented viewpoints, deep expertise, executive capabilities, finance and accounting	Personnel and organization, visualization, corporate culture reform	Environmental, social, and governance (ESG)	Megatrends	Corporate management	Nomination, compensation, governance and corporate culture, compliance, risk management, investments and loans, sustainability

(For Reference)

<Skill matrix of the Company's (expected) Executive Directors following the conclusion of the Annual General Meeting of Shareholders on June 26, 2024>

Name	Title	Corporate management/ Management strategy	Technology	Human resources and organization management	Corporate culture reform	Governance	Sustainability	Legal affairs / risk management	Finance / accounting
Takafumi Takeshita	Representative Director	○	○	○	○	○	○	○	
Takuya Tanaka	Executive Director	○	○	○	○				○
Maya Ito	Outside Executive Director				○	○	○	○	
Masayoshi Wada	Outside Executive Director	○	○			○	○		
Shinobu Umino	Outside Executive Director	○	○	○	○	○			
Yuka Uehara	Outside Executive Director				○	○			○
Kazuhiro Noguchi	Outside Executive Director (Full-time Audit & Supervisory Committee Member)					○			○
Mitsuru Kiuchi	Executive Director (Full-time Audit & Supervisory Committee Member)			○	○			○	○
Sachiko Iizuka	Outside Executive Director (Audit & Supervisory Committee Member)	○				○			○

(Note) The above skill matrix discloses 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	To maintain our position as a leading network company and continue to expand into other areas, we must demonstrate thorough understanding and experience in technological areas, including our strengths of advanced technological capabilities and expertise in networks and ICT, market acumen, and perception of future trends.
Human resources and organization management	The source of our competitive strength is our personnel, and in order to acquire and develop professional and diverse personnel and build a highly effective organization based on the success of individuals, we must exhibit knowledge and experience concerning basic HR principles and human capital management.
Corporate culture reform	To overcome past cases of misconduct and foster a culture of collaboration and taking on challenges while controlling risks to achieve targets, we must have knowledge and experience in corporate culture and organizational reform, such as instilling a corporate philosophy and code of conduct and creating a rewarding work environment.
Governance	To become a shining example of effective corporate governance, we must exhibit comprehensive knowledge and experience in strengthening the management and supervisory functions of the Board of Directors, streamlining and expediting business execution, and in the nomination and compensation of executive directors and vice presidents.
Sustainability	To position sustainable development together with society as the foundation of our management and accelerate efforts addressing our four materiality-related issues of information society, personnel, decarbonized society, and governance, we must demonstrate knowledge and experience related to the co-creation of social and corporate value.
Legal affairs / risk management	To strengthen risk management and compliance systems with the aim of developing strong trust-based relationships with stakeholders and making transparent, impartial, and swift decisions, we must exhibit knowledge and experience in legal affairs and risk management to help strengthen internal controls.
Finance / accounting	As we aim to increase our medium- to long-term corporate value, we must demonstrate knowledge and experience in finance, accounting, and shareholder relations, thereby ensuring a proper balance between strategic business investment and the proactive delivery of shareholder returns while facilitating our pursuit of an optimal capital structure and our establishment of a stable business base.

(For Reference) Summary of Results of Evaluations of the Effectiveness of the Company's Board of Directors

Board Advisors Japan, Inc. ("BAJ"), a third-party organization, analyzed and evaluated how effective the Company's Board of Directors was during fiscal year 2023 in accordance with Article 6 of the Company's Corporate Governance Guidelines. A summary of the analysis and evaluation is provided below.

Purpose of conducting third-party evaluation and analysis and evaluation method

We have conducted questionnaire-based self-evaluations and analyses of the effectiveness of our Board of Directors, with the aim of improving its functions and thereby enhancing our corporate value.

In the wake of fraud incidents found in 2019 and 2020, we have taken steps to strengthen our business execution function in order to drastically reform our corporate governance. These include 1) enhancing the supervisory function by transitioning to a company with an audit and supervisory committee and implementing a monitoring board system where the Board of Directors is chaired by an Outside Executive Director, with Outside Executive Directors constituting a majority of its members, and 2) forming a Chief x Officer (CxO) team consisting of functional managers from across different sections and delegating authority to Executive Officers.

In order to evaluate the effectiveness of these initiatives aimed at enhancing corporate governance, including the reform of our Board of Directors, from a professional and objective perspective, we had BAJ, a third-party organization, prepare a questionnaire and conduct an evaluation and analysis for FY2023, so that we can make our corporate governance reform efforts more substantial than ever and further enhance our corporate value.

We chose BAJ because of its proven track record in conducting board effectiveness evaluations for listed companies as well as its high level of expertise in corporate governance.

◆ Evaluation overview and evaluation process

<Evaluation overview>

Target: All of the nine Executive Directors

Evaluation method: Questionnaire and interviews with all Executive Directors (approx. 1 hour)

Evaluator: Third-party organization (BAJ)

Evaluation period: December 2023 – March 2024 (including preparation period)

<Evaluation process>

1. December 2023 – February 2024: Evaluation by BAJ

- The Company hired BAJ to determine the areas for evaluation and prepare a questionnaire in order to ensure the transparency and objectivity of the evaluation.
- During this process, BAJ reviewed the minutes of the Board of Directors meetings for fiscal 2022 and 2023.
- BAJ analyzed each Executive Director's answers to the questionnaire and conducted individual interviews (approximately 1 hour) with all Executive Directors based on the analysis.
- BAJ evaluated effectiveness in light of the analysis of the above results as well as progress in addressing the issues pointed out in the previous evaluation.

2. February – March 2024: Deliberation by the Board of Directors

- BAJ reported on the evaluation results at the Board of Directors meeting held on February 28, 2024, and the Board discussed the evaluation results.
- President & CEO Takafumi Takeshita and the Board of Directors Secretariat exchanged opinions on the effectiveness evaluation on March 26, 2024.
- Based on the above discussions, the Board of Directors discussed and finalized the focus areas for fiscal 2024 on March 28, 2024.

*The Liaison Committee of Outside Officers (a meeting body for independent Outside Executive Directors to exchange information and get on the same page) will monitor the progress.

FY2023 evaluation results and FY2024 focus areas

FY2023 focus areas and actions taken	Third-party organization evaluation	FY2023 evaluation results and areas to be considered	FY2024 focus areas
		New Issues	
		①	
		Getting everyone on the same page about the Board of Directors' roles	<ul style="list-style-type: none"> • Redefining the Board of Directors' roles and reviewing the issues to be addressed with an eye to continuously enhancing corporate value • Providing opportunities to get Outside Executive Directors and Executive Officers on the same page about the roles expected of them
		②	
<p>Continuously following up on progress related to the Medium-term Business Plan, etc.</p> <ul style="list-style-type: none"> • Reporting on business execution by CsOs • Broadening discussions on the Medium-term Business Plan 	<p>Under improvement</p> <ul style="list-style-type: none"> • A common understanding about progress has not been fully developed. • Adequate sharing of management information and monitoring of business execution by the Board of Directors remain ongoing issues. 	Go further	<p>Bolstering the monitoring system and accelerating strategic discussions with an aim of enhancing corporate value</p> <ul style="list-style-type: none"> • Reorganizing the areas to be monitored to enhance corporate value over the medium to long term and realize the Vision for 2030 • Broadening board discussions on human capital management and ensuring the board's appropriate involvement in company-level policies and operations regarding the recruitment and development of the next generation of leaders • Sharing the contents of board discussions and dialogs with institutional investors to further strengthen business execution functions • Providing Executive Directors with opportunities to deepen discussions on medium- to long-term strategies
		③	
<p>Improving board meeting materials (clarifying issues and enhancing preliminary discussions)</p> <ul style="list-style-type: none"> • Revising the agenda format • Strengthening cooperation and enhancing preliminary review by the secretariat 	<p>Under improvement</p> <ul style="list-style-type: none"> • Some improvements have been made, such as clarification of issues and early provision of meeting materials. • Meeting materials were prepared from the executive's point of view. 	Go further	<p>Improving board meeting operations and secretariat functions</p> <ul style="list-style-type: none"> • Creating materials and providing explanations at board meetings suitable for the supervisory perspective • Having Executive Officers and the secretariat identify issues to be addressed in light of the roles of the Board of Directors and discuss them with the chair ahead of a board meeting to make discussions at the meeting more substantial
		④	
<p>Broadening discussions on potential risks, crisis management system, etc.</p> <ul style="list-style-type: none"> • Regular reporting on business execution by the CRO and CCO 	<p>Improved</p> <ul style="list-style-type: none"> • Substantial discussions have been conducted on the crisis management system, including the implementation of recurrence-prevention measures. • It is important to identify risks associated with anticipated changes in the business environment, assess whether or not the situation is controllable after a risk incident occurs, assign roles and responsibilities, and conduct quantitative analysis. 	Ongoing	<p>Broadening discussions on potential risks, crisis management system, etc.</p> <ul style="list-style-type: none"> • Regularly assessing the status of key risks and broadening discussions on integrated risk management • Supervising progress in establishing risk management and crisis management systems in response to changes in the business environment

(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, 2023 to March 31, 2024

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 services encompassing the design and development of optimal systems for solving social issues 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.

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, 2024, the need for enhanced security and cloud utilization increased as the use of ICT expanded across the market. In addition, there was further penetration of measures for semiconductors and such like, and of the DX policy, etc. in the domestic public sector, and expectations for ICT and domestic demand were robust throughout the year.

		Results in fiscal 2022	Results in fiscal 2023	Status in fiscal 2023	
Focus areas	Smart manufacturing	Bookings	¥4.3 billion	¥6.0 billion	EV and semiconductor-related investments continued. Created businesses with the R&D division and strategic partners, in addition to expanding the manufacturing division's business.
		Revenue	¥2.0 billion	¥7.4 billion	
	Digitalization of social infrastructure for realizing Society 5.0	Bookings	¥3.5 billion	¥11.7 billion	Moved ahead with society-wide DX projects, which are gaining momentum in various sectors. Created projects for advanced operations, SASE, cloud infrastructure, and generative AI infrastructure.
		Revenue	¥1.7 billion	¥7.1 billion	
	Digital government	Bookings	¥10.5 billion	¥11.3 billion	Received an order for large-scale integrated infrastructure projects for workstyle reform (teleworking), cloud utilization, and security solutions.
		Revenue	¥3.5 billion	¥7.1 billion	

Service strategies

After exploring service business opportunities with a focus on strengthening our core businesses, we launched three new value-creating services: “DX strategy consulting services,” “managed services,” and “in-house cloud services.” At the same time, we have also established function-providing services and platforms to strengthen our recurring-revenue businesses.

“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. We also started offering optimal system designs catered to the needs of customers and stages.

“Managed services” provide total functionality and operation for continuous operation of customer systems. We offer services that collectively support the investigation, testing, 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, as well as security monitoring and analysis services that can be flexibly configured to fit the customer's system environment.

“In-house cloud services” enable secure use of an environment in which various functions of ICT systems are prepared beforehand through a network. We started offering cloud connection services compliant with the Digital Agency's template and design guidelines.

In the fiscal year ended March 31, 2024, bookings remained unchanged year on year due to an increase in maintenance services despite a slowdown in overall bookings. The service ratio fell short of 50.0%, which we had expected for the fiscal year ended March 31, 2024. We will continue to build co-creation relationships by establishing recurring-revenue businesses in an effort to sharpen our competitive edge on an ongoing basis.

Financial strategies

To carry out our growth strategy based on the Medium-term Business Plan, we continued to implement 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 carried out optimal allocations to “strategic investments,” “reinforcement of the financial base,” and “shareholder returns” based on the established Capital Allocation Policy in order to further enhance corporate value. Moreover, we established a process to monitor capital efficiency on a regular basis, even when investment and financing projects are in progress.

To “strengthen profitability through strategic investments,” we invested in our internal DX infrastructure with a view to having thorough visualization. This enabled us to quickly access and use data on business conditions and management issues and improve operational efficiency. We also focused on acquiring and developing human resources by investing our management resources to actively conduct recruitment activities and upgrade education and training systems, with the aim of strengthening the service infrastructure for businesses and develop a large pool of talent with technical expertise, which is our Group’s strength,

To “pursue an optimal capital structure,” we are taking steps to expand our capital services and make use of debt finance. We entered into a commitment line agreement in March 2024, in order to flexibly and stably procure working capital. Interest-bearing liabilities at the end of March 2024 amounted to approximately 28.5 billion yen.

As for “securing proactive shareholder returns,” the annual dividend for the 37th fiscal year will be 77.00 yen per share, which includes the interim dividend (37.00 yen per share) and the year-end dividend (40.00 yen per share) for the fiscal year under review. The consolidated dividend payout ratio will be 45.3% against the benchmark of 40%. In addition, the Company has decided in principle to introduce a progressive dividend system from fiscal 2024.

[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. We have developed a mechanism to promote training of personnel and enhancement of diverse human resources under the strong commitment of the management team.

For example, 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, from the fiscal year under review, we have 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. We use a “grading system” suited to changes in business and workstyles, a “compensation system” that ensures market competitiveness, and an “evaluation system” that contributes to long-term growth of employees and human resource development to enable each and every employee to achieve higher performance and contribute to providing value to society.

[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. In the fiscal year ended March 31, 2024, we became certified as a Health & Productivity Management Outstanding Organization.

Results for the current fiscal year

Overall bookings were 201,448 million yen (down 8.4% year-over-year), and revenue amounted to 205,127 million yen (down 2.2% year-over-year). This was due to the absence of large equipment projects we had in the previous fiscal year as well as sluggish performance in the telecom carrier market, public market, and the partner business despite our efforts to make proposals to meet the demand for network enhancement and security reinforcement associated with digitization. As a result, the backlog came to 145,388 million yen (down 2.5% year-over-year).

As for profit and loss, gross profit stood at 52,555 million yen (up 4.3% year-over-year) thanks to the improvement in the gross profit margin over the previous fiscal year. Selling, general and administrative expenses were 33,022 million yen, resulting in operating income of 19,533 million yen (down 5.3% year-over-year), ordinary income of 19,151 million yen (down 7.3% year-over-year), and profit attributable to owners of parent of 13,720 million yen (down 5.1% year-over-year).

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

We continued to focus on maintaining a foundation for fostering a corporate culture that will prevent fraudulent acts from ever occurring again. We will continue to further strengthen our governance and internal control systems and promote corporate culture reform to ensure sound and continuous business growth and enhance our corporate value.

1) Items achieved in the current fiscal year

Further disseminate the corporate philosophy and action guidelines	The Company enhanced the system and measures to firmly establish the corporate philosophy and action guidelines. In addition, the Company continued to conduct checks to monitor
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	corporate culture and reformed the corporate culture.
Enhance systems for learning lessons from past incidents of fraud and collect employee opinions	The Company has established and started operating the Corporate Culture Future Center, a forum for learning for management and employees. We also began using a suggestion box, with a third party as the point of contact, in order to collect constructive and specific employee opinions.
Transition to the new personnel system and ensure operation	The Company implemented an evaluation system designed to facilitate professional personnel training with an eye to realizing its management strategies, and started initiatives aimed at ensuring fair and impartial evaluations.
Reform operations for company-wide optimization	The Company promoted the establishment of a new business foundation and strengthened system controls.
Strengthen risk management system	The Company realized autonomous risk management activities through departments in charge of risk management and furnished information and provided education to further raise the awareness of each and every officer and employee about risk management.
Strengthen governance of Group companies	The Company continued to operate a whistleblower contact point common to all Group companies.

2) Action guidelines for further advancement in the fiscal year ending March 31, 2025 and beyond

Further disseminate the corporate philosophy and action guidelines	The Company will implement improvement measures on an ongoing basis in light of the checks to monitor corporate culture.
Further strengthen governance and internal control systems	The Company will improve our three-line model and strengthen organizational management to accelerate business growth, and strengthen their effectiveness through well-balanced operations.
Ensure operation of the new personnel system and develop human resources	The Company will continue to work on developing a pool of personnel with a high level of expertise who maintain contact with customers and help them from the customer's perspective. We will also work on building a stronger human foundation that prevents fraudulent acts from occurring ever again.
Reform operations for company-wide optimization	The Company will continue to promote the establishment of a new business foundation and strengthen system controls.
Strengthen a system for integrated risk management	The Company will ensure that the departments in charge of risk management use an improvement cycle to enhance their risk management activities. In addition, we will provide information and education to further raise risk management awareness and skills of the departments in charge of risk management.
Strengthen governance of Group companies	The Company will foster a common understanding of its corporate philosophy and code of conduct by further disseminating them throughout the Group, and move ahead with improvement activities that are in line with each company's operations. 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 and revenue decreased from the previous fiscal year due to a decline in large equipment projects, which we won last fiscal year, as well as a downturn in bookings in the telecom carrier market, public market, and the partner business.

In the service business, bookings accepted and revenue increased from the previous fiscal year mainly for maintenance services despite a decline in overall bookings.

	Equipment products	Service business
Bookings accepted	97,771 million yen (down 17.6% YoY)	103,677 million yen (up 2.4% YoY)
Revenue	104,485 million yen (down 9.1% YoY)	100,642 million yen (up 6.2% YoY)
Backlog	44,745 million yen (down 13.0% YoY)	100,642 million yen (up 3.1% 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 37th term: **26.9%**

<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, we were awarded security and smart manufacturing projects mainly from automakers and electronics manufacturers. In the non-manufacturing industry, we won multiple large-scale projects for the security enhancement business. In the financial sector, we won ongoing projects for cloud utilization and security enhancement despite the weak market performance.

Bookings accepted	55,354 million yen (up 0.3% YoY)
Revenue	55,206 million yen (up 11.6% YoY)
Backlog	37,144 million yen (up 0.4% YoY)

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

—— Composition ratio in 37th term: **22.0%**

<Main business description>

The Company engages in business targeting 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>

Performance did not reach our initial forecast due to the completion of investments to strengthen lines in response to increased telecommunications traffic caused by teleworking, etc. although the co-creation business for corporate customers expanded.

Bookings accepted	44,585 million yen (down 13.5% YoY)
Revenue	45,197 million yen (down 7.8% YoY)
Backlog	29,432 million yen (down 2.0% YoY)

Public – Public (PUB) market

—— Composition ratio in 37th term: **29.9%**

<Main business description>

The Company engages in business targeting 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>

While we were awarded several large-scale projects geared toward digitalization from local governments, we lost a large-scale project. We won cloud infrastructure projects in the social infrastructure and healthcare sectors, but several prospective orders were delayed into the next fiscal year.

Bookings accepted	60,293 million yen (down 1.8% YoY)
Revenue	61,396 million yen (down 0.5% YoY)
Backlog	62,097 million yen (down 1.7% YoY)

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

—— Composition ratio in 37th term: **21.1%**

<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>

Several prospective orders were delayed into the next fiscal year or later due to competition, especially for low-priced products, that occurred as a result of improved equipment delivery times, although the security enhancement business remained strong. There was a reactionary decline in the WiFi service business for MSP last fiscal year.

Bookings accepted	41,239 million yen (down 14.8% YoY)
Revenue	43,327 million yen (down 6.5% YoY)
Backlog	16,713 million yen (down 11.1% 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, 2025, which is the final 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.

[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. We will also clarify services to focus on in each market before approaching customers in order to effectively implement strategies. We will identify areas where there is customer demand, optimize resources to invest in, and improve customer-facing activities, with an aim of maximizing growth.

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 implement optimal allocations to “strategic investments,” “reinforcement of the financial base,” and “shareholder returns” based on the Capital Allocation Policy which we 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 make investments with high capital efficiency via investment decisions and a monitoring process focused on capital cost, with an eye to strengthening profitability.

[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 third 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>We will continue to monitor the aforementioned initiatives by conducting the checks to monitor corporate culture and the Governance and Corporate Culture Advisory Committee 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 continue to focus on “professional personnel training” and “providing an environment where personnel can thrive” with an eye to supporting its operations through the growth and success of a diverse pool of human resources.</p> <p>We are building a human capital portfolio to realize our Vision for 2030 as we aim to achieve sustainable growth and increase competitiveness. We will create an environment in which employees can continue to grow with the focus on expertise and actively work in order to maximize individual power by turning it into team power, foster an open corporate culture, and achieve sustainable growth by increasing productivity. Meanwhile, in our diversity-and-inclusion initiatives, we will consider measures such as training programs for developing female managers, measures to promote the hiring of persons with disabilities, and measures to help senior personnel to take on active roles.</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 50% (revised from the previous target 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 CO2 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.

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.

We made some progress in our effort to strengthen the management foundation set forth in the Basic Management Policy in terms of enhancing governance and reforming the corporate culture, and worked on keeping up that effort. We will continue to implement improvement measures to build a foundation upon which the Group can grow.

With regard to our growth strategies, although we saw steady growth in our focus areas, there were some issues with bookings and service profitability. In order to address these issues, we have started implementing the following improvement measures.

- Increasing bookings

In order to capture growing demand, we will effectively implement strategies by approaching customers after clarifying markets and services, increase resources and efficiency of business divisions once the recurrence-prevention measures are in place, and enhance operational efficiency of business divisions via new business systems scheduled to start in April 2025, all with an eye to improving our capacity to accept orders and customer-facing activities.

- Improving service profitability

We will ensure adequate profitability and reduce the cost ratio by reflecting cost increases in selling prices to make them more optimal, standardizing and automating core solutions and operational services, etc. that are designed to help engineers increase productivity, and monitoring the profitability of these solutions and services.

In light of the above, we have decided to revise our numerical targets for consolidated performance for the fiscal year ending March 31, 2025, the final year of our Medium-term Business Plan, as follows.

FY ending March 31, 2025	Before revision	After revision
Revenue	226.0 billion yen	220.0 billion yen
Operating margin	12.0%	9.5%
Service ratio	55.0%	50.0%
ROE	20.0%	20.0%

For the consolidated financial results for the fiscal year ending March 31, 2025, the Group plans to achieve revenue of 220.0 billion yen, operating income of 21.0 billion yen, ordinary income of 20.8 billion yen, and profit attributable to owners of parent of 14.4 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	34 th FY (April 1, 2020 to March 31, 2021)	35 th FY (April 1, 2021 to March 31, 2022)	36 th FY (April 1, 2022 to March 31, 2023)	37 th FY (current FY) (April 1, 2023 to March 31, 2024)
Revenue (million yen)	202,122	188,520	209,680	205,127
Ordinary income (million yen)	18,208	16,832	20,660	19,151
Profit attributable to owners of parent (million yen)	12,321	11,225	14,458	13,720
Basic earnings per share (yen)	145.42	134.15	175.95	169.82
Total assets (million yen)	155,782	161,713	178,651	164,909
Net assets (million yen)	73,795	68,547	75,764	76,814

Equity ratio (%)	47.2	42.3	42.3	46.5
Net assets per share (yen)	867.48	832.48	920.08	967.03

II. Status of non-consolidated financial results

Segment	34 th FY (April 1, 2020 to March 31, 2021)	35 th FY (April 1, 2021 to March 31, 2022)	36 th FY (April 1, 2022 to March 31, 2023)	37 th FY (current FY) (April 1, 2023 to March 31, 2024)
Revenue (million yen)	161,069	146,616	160,530	162,606
Ordinary income (million yen)	14,926	13,204	14,013	14,899
Profit (million yen)	10,147	8,802	9,885	11,259
Basic earnings per share (yen)	119.76	105.19	120.30	139.37
Total assets (million yen)	137,405	142,493	153,088	136,942
Net assets (million yen)	63,526	55,369	59,261	57,316
Equity ratio (%)	46.1	38.7	38.6	41.8
Net assets per share (yen)	747.02	672.19	719.28	721.15

(4) Status of financing

The Company has entered into a syndicated commitment line agreement totaling 15,000 million yen with seven banks, including banks with which the Company already does business, in order to ensure flexible and stable procurement of working capital.

There were no loans outstanding at the end of the fiscal year under review.

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

(5) Status of capital expenditures

The Company spent a total of 4,320 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.

(6) Status of parent company and significant subsidiaries

I. Status of the parent company

Not applicable.

II. Status of significant subsidiaries

Company name	Capital stock	Ratio of the Company's capital contribution	Main business activities
Net One Partners Co., Ltd.	400 million yen	100.0%	Sales, installation, introduction and maintenance service related to ICT equipment for partners
Net One Next Co., Ltd.	100 million yen	100.0%	Sales, installation, introduction and maintenance of reusable ICT equipment

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

Not applicable.

2. Status of shares of the Company (as of March 31, 2024)

- (1) Number of authorized shares to be issued 200,000,000 shares
- (2) Total number of shares issued 80,308,700 shares
(including 1,010,607 shares of treasury stock)
- (3) Number of shareholders 14,246

(4) Distribution of shares by shareholder type

Foreign institutions and others	44.76%
Financial institutions	36.81%
Individual shareholders, etc.	13.35%
Net One Systems Co., Ltd.	3.47%
Securities companies	1.26%
Other institutions	0.35%

(5) Major shareholders (Top 10)

Name of shareholder	Number of shares held	Percentage of ownership (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	13,426,400	16.93
Custody Bank of Japan, Ltd. (Trust Account)	10,875,700	13.71
STATE STREET BANK AND TRUST COMPANY 505001	3,436,407	4.33
CGML PB CLIENT ACCOUNT/COLLATERAL	1,882,600	2.37
Meiji Yasuda Life Insurance Company	1,440,000	1.82
JP MORGAN CHASE BANK 385781	1,081,826	1.36
STATE STREET BANK WEST CLIENT TREATY 505234	1,062,400	1.34
STATE STREET BANK AND TRUST COMPANY 505227	1,056,270	1.33
GOVERNMENT OF NORWAY	1,011,407	1.28
THE BANK OF NEW YORK MELLON 140044	1,009,699	1.27

- (Notes) 1. The Company owns 1,010,607 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)	19,600	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.”

(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, 2024)

Name	Position and responsibilities at the Company	Significant concurrent positions
Takafumi Takeshita	President & CEO Member of the Nomination Advisory Committee	—
Takuya Tanaka	Executive Vice President COO	President & CEO, Net One Partners Co., Ltd.
Mitsuru Kiuchi	Executive Vice President CHRO CRO CCO Member of the Remuneration Advisory Committee	—
Maya Ito	Outside Executive Director Chairperson of the Board of Directors Member of the Nomination Advisory Committee Member of the Remuneration Advisory Committee	Partner, Nishimura & Asahi (Gaikokuho Kyodo Jigyō) Outside Executive Director (Audit and Supervisory Committee), OPTIMUS Group Co., Ltd.
Masayoshi Wada	Outside Executive Director Chairperson of the Remuneration Advisory Committee	—
Shinobu Umino	Outside Executive Director Chairperson of the Nomination Advisory Committee	Outside Executive Director, Nippon Avionics Co., Ltd. Director, Kitano Gakuen Incorporated Educational Institution
Kazuhiro Noguchi	Outside Executive Director (Full-time Audit & Supervisory Committee Member)	Director, Kazuhiro Noguchi Certified Public Accountant Office Outside Audit & Supervisory Board Member, NICHIRYOKU Co., Ltd.
Sachiko Iizuka	Outside Executive Director (Audit & Supervisory Committee Member)	Representative Director, LAULEA CORPORATION Auditor (Outside), BeeX Co., Ltd. Representative Partner, Cenxus Audit Corporation
Shigeki Kusaka	Outside Executive Director (Audit & Supervisory Committee Member)	—

- (Notes) 1. Executive Directors Ms. Maya Ito, Mr. Masayoshi Wada, Mr. Shinobu Umino, 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 through 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 (Gaikokuho Kyodo Jigyo), 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 23, 2023. 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

The remuneration levels of officers are determined on the basis of the magnitude of the roles they play in their respective positions.

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 (ABS: Annual Base Salary), 2) a bonus linked to annual company-wide performance as a short-term incentive (STI: Short Term Incentive), and 3) stock-based remuneration in the form of restricted stock as a medium- to long-term incentive (LTI: Long Term Incentive).

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. In addition, the ratio of incentive remuneration (STI+LTI ratio) increases gradually for high-ranking officers as follows.

Ranks	ABS	STI	LTI
CEO	44%	22%	33%
CxO	50%	20%	30%
Vice President	55%	25%	20%

*The total may not add up to 100% since the figures have been rounded to the nearest percentage point.

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

Financial indicators and non-financial indicators will be weighted 70% and 30%, respectively.

As financial indicators, the Company adopts “revenue,” “operating margin or operating income^{Note 1},” “service ratio,” “three priority services^{Note 2},” and “ROE,” which are also important indicators in the Medium-term Business Plan. Of these, the Company will place the highest priority on “service ratio” and “three priority services” 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 each indicator weighted as shown below.

Revenue	Operating margin or operating income	Service ratio	Three priority services	ROE
10%	10%	20%	20%	10%

Notes: 1. Operating margin is used as a financial indicator for Executive Directors, those in CxO positions, and Executive Officers who do not oversee business divisions, and operating income is used as a financial indicator for those who oversee business divisions.

2. The three priority services are in-house cloud services, managed services, and consulting services, and the Group places particular emphasis on them among its services.

As non-financial indicators, taking into consideration the lessons from the past misconducts, the Company adopts “corporate culture reform,” “materiality,” and “other individual goals,” which are indispensable for further enhancement of corporate value, with each weighted as follows.

Corporate culture reform	Materiality	Other individual goals
15%	10%	5%

Based on the degree of target achievement regarding these indicators and other factors, the amount of the bonuses will fluctuate between 0% and 150% 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 importance of each position’s role 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

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)	213 (50)	133 (50)	15 (-)	64 (-)	7 (4)	(Notes 1, 2, 3, 4)
Executive Directors (Audit & Supervisory Committee Members) (of which, Outside Executive Directors)	57 (57)	57 (57)	-	-	3 (3)	(Note 5)
Total (of which, Outside Executive Directors and Outside Audit & Supervisory Board Members)	270 (107)	191 (107)	15 (-)	64 (-)	10 (7)	(Note 6)

- (Notes)
- The numbers shown above include one (1) Executive Director (of which, one (1) Outside Executive Director) retired at the conclusion of the 36th Annual Shareholders Meeting on June 23, 2023.
 - The maximum amount of basic remuneration for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members) 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)).
 - The maximum amount of bonuses for Executive Directors (excluding Executive Directors who are Audit & Supervisory Committee Members and Outside Executive Directors) 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) 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 remuneration for Executive Directors who are Audit & Supervisory Committee Members were decided as 100 million yen per year, 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).
 - “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

Financial indicators and non-financial indicators are weighted 70% and 30%, respectively.

As financial indicators, the Company adopts “revenue,” “operating margin or operating income,” “service ratio,” “three priority services,” and “ROE,” which are also important indicators in the Medium-term Business Plan. Of these, the Company places the highest priority on “service ratio” and “three priority services” 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 each indicator weighted as shown below.

Revenue	Operating margin or operating income	Service ratio	Three priority services	ROE
10%	10%	20%	20%	10%

As non-financial indicators, taking into consideration the lessons from the past misconducts, the Company adopts “corporate culture reform,” “materiality,” and “other individual goals,” which are indispensable for further enhancement of corporate value, with each weighted as follows.

Corporate culture reform	Materiality	Other individual goals
15%	10%	5%

Based on the degree of achievement of the targets regarding these indicators and other factors, the amount will fluctuate between 0% and 150% 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 (%)
Financial indicators (70%)	Revenue (10%)	¥224.8 billion	¥205.1 billion	56
	Operating margin (10%)	11.2%	9.5%	75
	Service ratio (20%)	¥112.9 billion	¥100.6 billion	0
	Three priority services (20%)	¥21.0 billion	¥16.0 billion	37
	ROE (10%)	19.5%	18.0%	0
Non-financial indicators (30%)	Corporate culture reform (15%)	59.5%	54.0%	0
	Materiality (10%)	B	A	150
	Other individual goals (5%)	B	B	103

- (Notes)
1. With respect to the corporate culture reform targets, the Company adopts the ratio of positive responses to the question on the “trust for the management team” in the “pulse survey” conducted on all employees (I feel I can trust the management team of executive officers and above).
 2. As for the materiality 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 based on the degree of achievement of each KPI, and the Remuneration Advisory Committee deliberates the evaluation results (a seven-point scale consisting of S, A, B+, B, B-, C, and D is used) 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 at the end of the said fiscal year, and the Remuneration Advisory Committee deliberates the evaluation results (for those other than the CEO, a process where the results of evaluation by the CEO are deliberated on by the Remuneration Advisory Committee; a seven-point scale consisting of S, A, B+, B, B-, C, and D is used in both cases) before the final decision is made. The figures indicated above reflect the results that received the highest number of respondents in the seven-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, 2024 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, 2024.

(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 (18 times), and as the chairperson of the Board of Directors, 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 (9 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.
	Masayoshi Wada	Mr. Masayoshi Wada attended all Board of Directors meetings (18 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 corporate management, technology and risk management. Mr. Wada also attended all meetings of the Remuneration Advisory Committee (9 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.
	Shinobu Umino	Mr. Shinobu Umino attended all Board of Directors meetings (15 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 corporate management, technology and risk management. Mr. Umino also attended all meetings of the Nomination Advisory Committee (9 times) as the chairperson, and contributed significantly to monitoring the selection and dismissal process for Executive Directors and Executive Officers as well as succession planning. 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 (18 times) and all Audit & Supervisory Committee meetings (13 times) as Executive Director who is an Audit & Supervisory Committee Member. 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 (18 times) and all Audit & Supervisory Committee meetings (13 times) as Executive Director who is an Audit & Supervisory Committee Member. 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 (18 times) and all Audit & Supervisory Committee meetings (13 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. Shinobu Umino has been calculated based on the number of Board of Directors meetings (15 times) and meetings of the Nomination Advisory Committee (9 times) held after his assumption of the position as Executive Director following the election at the 36th Annual Shareholders Meeting on June 23, 2023.
2. In addition to the number of Board of Directors meetings held above, 3 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	70 million yen
II. Total amount of money and other property benefits to be paid by the Company and its subsidiaries	86 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) **Business suspension order issued to the Accounting Auditor in the past two years**

Overview of the administrative action announced by the Financial Services Agency on December 26, 2023

1) Party subject to the administrative action

Grant Thornton Taiyo LLC

2) Details of the administrative action

- Suspension of business relating to the conclusion of new contracts for three months (from January 1, 2024, to March 31, 2024, excluding the renewal of audit contracts and signing of new contracts due to the listing of companies with whom audit contracts have already been signed)
- Business improvement order (improvement of operational management structure)
- Prohibiting the accounting firm's employees who were materially responsible for the conduct that resulted in the administrative action from being involved in part of the accounting firm's audit services (monitoring of auditing services) for three months (from January 1, 2024, to March 31, 2024)

3) Reason for administrative action

In the audit of another company's amendment reports and other documents, two certified public accountants (CPAs) of the firm, in negligence of due care, attested financial documents containing material misstatements as if they contained no misstatements.

5. Corporate Governance

(1) Basic matters regarding corporate governance (as of March 31, 2024)

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.”

In line with this corporate philosophy, the Company aims to be a leading company in all corporate activities beyond the realm of network services as well as a role model for good corporate governance.

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 leads in proactive management aimed at establishing a position as a leading company. In order to fulfill its role of ensuring independent, objective, and effective oversight, 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, 2024, a total of 18 Board of Directors meetings were held, and the attendance rate was 100% for all Executive Directors.

II. Nomination Advisory Committee

In order to increase the transparency and fairness of selection, dismissal, succession plan (selecting candidates, conducting assessments, implementing training measures, etc.), 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, 2024, deliberated on matters such as the skill matrix, candidates for Executive Directors to be addressed at the Shareholders Meeting, and succession plans of CEO and CxO, 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 (excluding Executive Directors who are Audit & Supervisory Committee Members; hereinafter the same applies in this section) 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 9 meetings in the fiscal year ended March 31, 2024, 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, 2025 (standards and composition of executive remuneration as well as the indicators and ratios of bonuses), 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 11 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.

II. Compliance System

(1) Holding of Meetings of the Compliance Committee

The Committee consists of 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, General Manager of internal audit division, General Manager of risk management division, special advisor, 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 operates a system for the whistle-blowing consultation counter with a mechanism by which the whistleblower can directly communicate anonymously at the consultation counter to establish the mechanism to ensure whistleblower protection while securing control and more speedy operations at the consultation counter. In addition, the Company formulated a plan for compliance-related activities to be undertaken by each department and exchanged opinions on such activities. The Company also held case study sessions by department or team on the subject of accounting literacy and internal control (J-SOX). Moreover, the Company is working to identify legal risks associated with its operations, develop rules to address legal risks, and establish a sustainable system, with the aim of preventing major risks related to legal violations that may arise. In addition, the Company implemented measures, including questionnaire surveys targeting employees of the Company and its partner companies, educational activities (including e-learning and oath), and trainings for new employees and mid-career workers. The Company also opened a training facility highlighting past fraud incidents, and all employees visited the facility. 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. However, the Company is working to identify legal risks associated with its operations, develop rules to address legal risks, and establish a sustainable system, with the aim of preventing major risks related to legal violations that may arise in the future.

III. System for effective business execution

In accordance with decision-making rules including matters to be resolved at the Board of Directors and Management Committee as stipulated by internal regulations, the Board of Directors (held 18 times in the current fiscal year in addition to 3 resolutions adopted in writing which are regarded as having been resolved by the Board of Directors) and Management Committee (held 22 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, 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	37 th FY (As of March 31, 2024)	36 th FY (Reference) (As of March 31, 2023)	Account title	37 th FY (As of March 31, 2024)	36 th FY (Reference) (As of March 31, 2023)
Assets			Liabilities		
Current assets	147,488	161,106	Current liabilities	66,703	80,084
Cash and deposits	32,035	35,509	Accounts payable-trade	16,940	17,581
Notes and accounts receivable- trade, and contract assets	46,180	51,383	Short-term borrowings	-	8,000
Lease receivables and investments in leases	18,206	21,394	Lease obligations	9,842	9,977
Merchandise	3,184	7,373	Accounts payable-other	3,914	4,971
Goods in transit	907	230	Income taxes payable	2,271	4,200
Costs on uncompleted construction contracts	29,580	30,274	Advances received	20,701	20,805
Supplies	22	25	Asset retirement obligations	325	191
Prepaid expenses	16,004	14,242	Provision for bonuses	2,330	2,859
Other	1,367	674	Provision for directors' bonuses	77	32
Allowance for doubtful accounts	(1)	(0)	Other	10,297	11,462
			Noncurrent liabilities	21,391	22,802
			Provision for executive officers' retirement benefits	220	-
			Lease obligations	18,688	18,574
			Asset retirement obligations	1,449	2,172
			Long-term accounts payable-other	1,032	2,054
Noncurrent assets	17,420	17,545	Total liabilities	88,094	102,887
Property, plant and equipment	8,895	9,497	Net assets		
Buildings	5,109	721			
Tools, furniture and fixtures	3,785	3,760	Shareholders' equity	76,414	76,029
Construction in progress	-	5,015	Capital stock	12,279	12,279
Intangible assets	2,644	1,523	Capital surplus	19,453	19,453
Other	2,644	1,523	Retained earnings	47,312	47,312
Investments and other assets	5,881	6,523	Treasury stock	(2,630)	(3,017)
Investment securities	50	146			
Long-term loans receivable	0	1	Accumulated other comprehensive income	268	(408)
Deferred tax assets	2,809	3,216	Deferred gains or losses on hedges	268	(408)
Other	3,020	3,159			
			Share acquisition rights	130	143
			Total net assets	76,814	75,764
Total assets	164,909	178,651	Total liabilities and net assets	164,909	178,651

Consolidated statement of income

(unit: million yen)

Account title	37 th FY (April 1, 2023 to March 31, 2024)	36 th FY (Reference) (April 1, 2022 to March 31, 2023)
Revenue	205,127	209,680
Cost of revenue	152,571	159,312
Gross profit	52,555	50,367
Selling, general and administrative expenses	33,022	29,731
Operating income	19,533	20,635
Non-operating income	359	308
Interest income	0	0
Dividend income	60	89
Sales incentive	69	9
Dividends income of group insurance	52	69
Insurance claim income	53	-
Compensation income	57	-
Foreign exchange gains	-	10
Other	65	128
Non-operating expenses	741	283
Interest expenses	242	240
Foreign exchange losses	193	-
Commission for purchase of treasury shares	164	-
Commission expenses	13	29
Compensation expenses	104	-
Other	22	14
Ordinary income	19,151	20,660
Extraordinary income	-	197
Gain on sale of investment securities	-	11
Gain on sale of shares of subsidiaries	-	110
Gain on liquidation of subsidiaries	-	75
Extraordinary losses	56	490
Loss on retirement of noncurrent assets	56	14
Loss on sale of membership	0	-
Loss on liquidation of business	-	476
Income before income taxes and minority interests	19,094	20,366
Income taxes-current	5,265	5,970
Income taxes-deferred	108	(110)
Profit	13,720	14,506
Profit attributable to non-controlling interests	-	47
Profit attributable to owners of parent	13,720	14,458

Non-consolidated balance sheet

(unit: million yen)

Account title	37 th FY (As of March 31, 2024)	36 th FY (Reference) (As of March 31, 2023)	Account title	37 th FY (As of March 31, 2024)	36 th FY (Reference) (As of March 31, 2023)
Assets			Liabilities		
Current assets	119,807	136,003	Current liabilities	58,259	71,091
Cash and deposits	21,228	32,530	Accounts payable-trade	14,444	16,268
Notes receivable-trade	24	31	Short-term borrowings	—	8,000
Accounts receivable-trade	36,978	40,059	Lease obligations	9,783	9,929
Electronically recorded monetary claims - operating	554	280	Accounts payable-other	4,004	5,147
Lease receivables and investments in leases	18,140	21,316	Accrued expenses	893	657
Merchandise	256	359	Income taxes payable	1,418	3,373
Goods in transit	67	77	Accrued consumption taxes	1,902	1,519
Costs on uncompleted construction contracts	25,187	25,295	Advances received	16,589	17,018
Supplies	19	19	Deposits received	449	160
Prepaid expenses	15,234	13,823	Asset retirement obligations	325	191
Short-term loans receivable	1	302	Provision for bonuses	2,050	2,500
Other	2,115	1,908	Provision for directors' bonuses	74	28
Allowance for doubtful accounts	(1)	(1)	Other	6,321	6,295
Noncurrent assets	17,134	17,085	Noncurrent liabilities	21,365	22,734
Property, plant and equipment	8,590	9,025	Provision for executive officers' retirement benefits	220	—
Buildings	5,109	720	Lease obligations	18,662	18,507
Tools, furniture and fixtures	3,481	3,288	Asset retirement obligations	1,449	2,172
Construction in progress	—	5,015	Other	1,032	2,054
Intangible assets	2,184	1,427	Total liabilities	79,625	93,826
Software	2,184	1,426	Net assets		
Other	0	0	Shareholders' equity	57,178	59,252
Investments and other assets	6,359	6,632	Capital stock	12,279	12,279
Investment securities	0	22	Capital surplus	19,453	19,453
Stocks of subsidiaries and affiliates	950	1,024	Legal capital surplus	19,453	19,453
Investments in capital of subsidiaries and affiliates	20	20	Retained earnings	28,075	30,536
Long-term loans receivable	0	1	Legal retained earnings	86	86
Long-term prepaid expenses	25	6	Other retained earnings	27,988	30,449
Deferred tax assets	2,390	2,430	General reserve	13,180	17,560
Lease and guarantee deposits	2,898	3,053	Retained earnings brought forward	14,808	12,889
Other	74	73	Treasury stock	(2,630)	(3,017)
Total assets	136,942	153,088	Valuation and translation adjustments	7	(134)
			Deferred gains or losses on hedges	7	(134)
			Share acquisition rights	130	143
			Total net assets	57,316	59,261
			Total liabilities and net assets	136,942	153,088

Non-consolidated statement of income

(unit: million yen)

Account title	37 th FY (April 1, 2023 to March 31, 2024)	36 th FY (Reference) (April 1, 2022 to March 31, 2023)
Revenue	162,606	160,530
Cost of revenue	121,021	122,249
Gross profit	41,584	38,280
Selling, general and administrative expenses	28,212	24,313
Operating income	13,372	13,966
Non-operating income	2,058	317
Interest income	5	43
Dividend income	1,710	89
Foreign exchange gains	44	23
Dividends income of group insurance	52	69
Sales incentive	69	-
Compensation income	57	-
Insurance claim income	53	-
Other	65	91
Non-operating expenses	532	271
Interest expenses	246	240
Commission for purchase of treasury shares	164	-
Commission expenses	13	29
Compensation expenses	104	-
Other	1	1
Ordinary income	14,899	14,013
Extraordinary income	-	330
Gain on sale of investment securities	-	11
Gain on sale of shares of subsidiaries	-	244
Gain on liquidation of subsidiaries	-	75
Extraordinary losses	28	315
Loss on retirement of non-current assets	28	4
Loss on liquidation of business	-	310
Profit before income taxes	14,870	14,028
Income taxes-current	3,632	4,337
Income taxes-deferred	(22)	(194)
Profit	11,259	9,885

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 37th period from April 1, 2023 to March 31, 2024 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), 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 21, 2024

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.