DISCLAIMER

THIS ENGLISH VERSION OF NOTICE OF THE 29th ANNUAL SHAREHOLDERS MEETING WAS CREATED AS A REFERENCE MATERIAL FOR THE ORIGINAL JAPANESE VERSION.

THIS ORIGINAL JAPANESE VERSION IS THE ONLY LEGALLY VALID DOCUMENTATION.

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. First, we would like to express our sincere sympathy to the victims of the 2016 Kumamoto Earthquake. We are pleased to hereby bring you this notice of our 29th Annual Shareholders Meeting, and therefore I would like to extend an introduction to each and every one of you.

Recently, customers' need is shifting to utilization of ICT from building of ICT infrastructure. We are working to be the professionals in ICT utilization by ourselves to contribute to customers with our brand slogan of "Charge, Channel and Change"

What we should hone to growth is the Company's DNA "expertise and insight", additionally, the underlying Japanese hospitality and compassion.

To realize our goal, to become "ADMIRED COMPANY", we made the theme for 2016 as "*jin*" (thoughtfulness and kindness toward others).

By putting jin into practice, we hope our expertise can contribute to the evolution of not only our customers, but also society, Japan and eventually the world.

We humbly ask for your continued understanding and support.

Takayuki Yoshino
President & CEO

Stock Code Number: 7518

May 25, 2016

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

NOTICE OF THE 29th ANNUAL SHAREHOLDERS MEETING

To Our Shareholders:

This is to notify you that the 29th Annual Shareholders Meeting of Net One Systems Co., Ltd. (hereinafter referred to as the "Company") will be held as indicated below. Your attendance is cordially requested.

IN THE EVENT THAT YOU ARE UNABLE TO ATTEND THE MEETING IN PERSON, YOU MAY EXERCISE YOUR VOTING RIGHTS IN WRITING OR BY ELECTROMAGNETIC METHODS INCLUDING THE INTERNET AS EXPLAINED IN "Instructions Concerning the Exercise of Voting Rights" (pages 5 to 6). PLEASE CAREFULLY READ "Reference document regarding Shareholders Meeting" (pages 7 to 24) ATTACHED HERE TO AND EXERCISE YOUR VOTING RIGHTS BY 5:30 PM ON JUNE 15, 2016 (WEDNESDAY).

Truly yours,

Takayuki Yoshino
President & CEO
Net One Systems Co., Ltd.

1. Date/Time: June 16, 2016 (Thursday) 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

3. Agenda of the Meeting:

   Matters to be Reported:

   1. Business Report, consolidated financial statements and Accounting Auditor's and the Audit & Supervisory Board's audit result reports on consolidated financial statements for the 29th fiscal year (April 1, 2015 to March 31, 2016)
   2. Non-consolidated financial statements for the 29th fiscal year (April 1, 2015 to March 31, 2016)

   Matters to be Resolved:

   Proposal 1: Appropriation of surplus
   Proposal 2: Election of nine (9) Executive Directors
   Proposal 3: Election of three (3) Audit & Supervisory Board Members
   Proposal 4: Payment of bonuses to Executive Directors

Requests for Attendance

If you plan to attend the meeting, please present the enclosed shareholder's Exercise of Voting Right Form to the receptionist at the meeting.

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.

Information about Business Briefing Session

To enable shareholders to further their knowledge about the Company, the shareholders are invited to participate in the Company's Business Briefing Session taking place at the same venue subsequent to the conclusion of the Shareholders Meeting.

Information about the Attachments to This Notice

- Of documents to be attached to this Notice, "Notes to consolidated financial statements" and "Notes to non-consolidated financial statements" (collectively the "Relevant Documents") are posted on the Company's website (http://www.netone.co.jp/) in accordance with the provisions of relevant laws and regulations, and the Company's Articles of Incorporation. These two notes are not therefore included in the attachments to this Notice.

  Meanwhile, the Relevant Documents posted on the Company's website as well as the attachments to this Notice are included in the consolidated financial statements and non-consolidated financial statements (excluding (Reference)), both of which have been audited by Audit & Supervisory Board Members to prepare an audit report and by Accounting Auditor to prepare an accounting audit report.
- If you wish to obtain the Relevant Documents posted on the website in paper form, please contact our Corporate Communications & Investors Relations Office (03-6256-0615) to have forms mail to you.
- Any additional explanations to or changes to contents of the reference document regarding Shareholders Meeting, business report, consolidated financial statements and non-consolidated financial statements required up to one (1) day before the Shareholders Meeting shall be notified to shareholders by posting on the Company's website.

(Company's website: http://www.netone.co.jp/)

Instructions Concerning the Exercise of Voting Rights

The right to vote at the Annual Shareholders Meeting is a key right for all shareholders. Please exercise your voting rights after considering the reference documents for the Annual Shareholders Meeting below (page 7 through page 24). Voting rights may be exercised by the three methods below.

Exercise of voting rights by attendance at the Annual Shareholders Meeting

Please submit the Exercise of Voting Right Form to the receptionist.

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.

Date and Time of the Annual Shareholders Meeting:

10:00 a.m. on June 16, 2016 (Thursday)

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 15, 2016 (Wednesday)

Exercise of voting rights via the Internet

Please access the following designated website for exercising voting rights from a personal computer, smart phone or cellular phone, etc. and indicate your approval or disapproval to each of the proposals as instructed on the screen, using the "Voting Rights Exercise Code" and "Password" printed on the enclosed Exercise of Voting Right Form.

For details, please refer to page 6.

Online voting website: http://www.web54.net

Deadline for the exercise of voting rights through online voting:

No later than 5:30 p.m. on June 15, 2016 (Wednesday)

For institutional investors:

Institutional investors may use the voting rights exercise platform operated by ICJ Inc. as a mean to exercise voting rights at the Annual Shareholders Meeting.

Instructions Concerning the Exercise of Voting Rights via the Internet

If you wish to exercise your voting rights via the Internet, we would like you to confirm the followings and exercise your voting rights by personal computer, smart phone or cellular phone by 5:30 p.m., Wednesday, June 15, 2016 (Japan Standard Time).

If you attend the meeting, you do not need to take the procedures for exercising the voting rights in writing (sending the Exercise of Voting Right Form by mail) or via the Internet, etc.

1. Website for exercising voting rights

You can exercise your voting rights through the following voting website designated by the Company:

[Online voting site] http://www.web54.net

2. How to exercise voting rights via the Internet, etc.

At the voting website, please use the "Voting Rights Exercise Code" and "Password" printed on the Exercise of Voting Right Form, and indicate your approval or disapproval of the resolutions by following the instructions on the screen.

3. Notes

(1) If you exercise your online votes more than once via the Internet, etc., only the last vote will be regarded as effectively exercised voting rights.

(2) If you exercise your voting rights both in writing (sending the Exercise of Voting Right Form by mail) and via the Internet, etc., only the online vote will be regarded as effectively exercised voting rights.

(3) The fees for the Internet service provider and for the telecommunications carriers (connection fees, etc.) in connection with utilizing the above website for the exercise of voting rights shall be borne by the shareholder.

(4) In certain Internet user environments or with certain types of smart phones or cellular phones, you may not be able to exercise your voting rights via the Internet, etc.

4. Handling of Voting Rights Exercise Code and Password

(1) Voting Rights Exercise Code indicated on the Exercise of Voting Right Form is valid only for this meeting.

(2) In case you commit more errors than a certain number of tries to input your password, you will not be allowed to use the password. If you would like your password to be reissued, please follow the screen guide and follow the procedures.

Inquiries Regarding Voting via the Internet:

Sumitomo Mitsui Trust Bank, Limited Stock Transfer Agency Web Support

Dedicated Line: 0120-652-031 (Toll-free) (Japan only)

Business Hours: 9 a.m. – 9 p.m. (Japan Standard Time)

Reference document regarding Shareholders Meeting

Proposal 1: Appropriation of surplus

The Company makes continuous efforts to maximize shareholder value 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 pay out dividends to shareholders over the long term that appropriately reflects its performance thereover.

1. Year-end dividend

Under the above policy, the Company aims to provide consolidated dividend payout ratio of 30% or more.

The year-end dividend for the 29th fiscal year is proposed as follows in order to consistently pay out dividends to shareholders.

(1) Type of payout

Cash dividend

(2) Allocation of cash dividend and its total amount

15 yen per common share is expected to be provided.

In such case, the total dividend is 1,268,197,125 yen.

Dividend on an annual basis including the interim dividend is 30 yen per share (consolidated dividend payout ratio of 168.1%).

(3) Effective date of dividend from surplus

June 17, 2016

2. Appropriation of surplus

In order to sustain consistent payouts of dividends, the Company proposes that the following transfer of a portion of "General reserve" to "Retained earnings brought forward" should be approved.

(1) Account and amount of surplus that will decrease

General reserve	1,110,000,000 yen

(2) Account and amount of surplus that will increase

Retained earnings brought forward	1,110,000,000 yen

Proposal 2: Election of nine (9) Executive Directors

At the conclusion of this general meeting, the term of office of all eleven (11) Executive Directors will expire. It is proposed that nine (9) Executive Directors (of which three (3) are Outside Executive Directors) to be elected.

All the candidates for Outside Executive Directors satisfy the "Independence Standards" (page 23) established by the Company.

This proposal was deliberated by the Advisory Committee.

The candidates for Executive Directors are as follows.

Candidate number	Name	Present position and responsibility in the Company	Attributes of the candidate		
1	Takayuki Yoshino	President & CEO	Reelected		
2	Toru Arai	Executive Director, Senior Vice President, in charge of Corporate Planning & Strategy Division, in charge of Business Development Division	Reelected		
3	Shunichi Suemitsu	Executive Director, Senior Vice President, in charge of Engineering Division, in charge of Market Development Division, in charge of Customer Service Division	Reelected		
4	Tsuyoshi Suzuki	Executive Director, Senior Vice President, in charge of Eastern Japan Business Division 1, in charge of Eastern Japan Business Division 2, in charge of Central Japan Business Division, in charge of Western Japan Business Division	Reelected		
5	Takahisa Kawaguchi	Executive Director, Vice President, in charge of Group Business, Corporate Planning & Strategy Division	Reelected		
6	Norihisa Katayama	Executive Director, Vice President, in charge of Administration & Management Division	Reelected		

7	Kunio Kawakami	Outside Executive Director	Reelected	Outside	Independent
8	Mitsuo Imai	Outside Executive Director	Reelected	Outside	Independent
9	Rieko Nishikawa	Outside Executive Director	Reelected	Outside	Independent

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
1	Takayuki Yoshino (Feb. 14, 1951) [Reelected]	President & CEO	27,684 shares	12/12 (100%)

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

Apr. 1969	Joined NEC Engineering, Ltd. (current NEC Fielding, Ltd.)
Aug. 1973	Joined Tokyo Electron Limited
May 1996	Joined Fore Systems Inc.
Apr. 1998	Joined Nihon Cisco Systems, K.K. (current Cisco Systems G.K.)
Jul. 2003	Senior Managing Director of Nihon Cisco Systems, K.K.
Oct. 2007	Advisor of the Company
Jun. 2008	President & CEO
Apr. 2011	President & CEO (incumbent)

Reasons for selecting candidate for Executive Director

Mr. Takayuki Yoshino has extensive experience and a substantial track record in a wide range of fields including involvement in management as an Executive Director at an industrial company. In addition, since assuming office as President & CEO of the Company, he has led the Group based on his strong leadership and made every effort to enhance corporate value. Having judged that it is necessary that he continue in the position of Executive Director in order to further enhance the Company's corporate value, the Company 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	Toru Arai (Oct. 6, 1958) [Reelected]	Executive Director Senior Vice President	14,881 shares	12/12 (100%)

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

Apr. 1981	Joined Ryoden Elevator Construction Ltd.
Oct. 1983	Joined Ministry of Education National Laboratory for High Energy Physics (current High Energy Accelerator Research Organization), Data Processing Center
Jun. 1989	Joined Ungermann-Bass Networks K.K.
Apr. 1990	Joined the Company
Apr. 2006	Vice President, Network Technology Division
Jun. 2006	Executive Director
Aug. 2008	President & CEO of Net One Systems USA, Inc. (incumbent)
Apr. 2011	Executive Director, Vice President
Apr. 2014	Executive Director, Senior Vice President
Apr. 2015	Executive Director, Senior Vice President, in charge of Corporate Planning & Strategy Division, in charge of Business Development Division (incumbent)

(Significant concurrent positions)
President & CEO of Net One Systems USA, Inc.

Reasons for selecting candidate for Executive Director

Mr. Toru Arai has extensive experience and a substantial track record through his many years of practical experience in operations including technology and quality control. Since assuming office as an Executive Director, as the Executive Director in charge of corporate planning operations and others, he has made every effort to strengthen the management base of the entire Group and to optimize management, among others. Having judged that it is necessary that he continue in the position of Executive Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Executive Director.

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
3	Shunichi Suemitsu (Feb. 22, 1961) [Reelected]	Executive Director Senior Vice President	27,500 shares	12/12 (100%)

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

Apr. 1984	Joined FOR-A Company Limited
Oct. 1985	Joined Nihon Univac, Limited (current Nihon Unisys, Limited)
Feb. 1991	Joined Ungermann-Bass Networks K.K.
May 1998	Joined the Company
Apr. 2006	Vice President, Service Provider Technology Division
Jun. 2006	Executive Director
Apr. 2011	Executive Director, Vice President
Jun. 2012	Senior Vice President
Jun. 2014	Executive Director, Senior Vice President
Mar. 2016	Chairman and Representative Director of Xseed Co., Ltd. (incumbent)
Apr. 2016	Executive Director, Senior Vice President, in charge of Engineering Division, in charge of Market Development Division, in charge of Customer Service Division (incumbent)

(Significant concurrent positions)

Chairman and Representative Director of Xseed Co., Ltd.

Reasons for selecting candidate for Executive Director

Utilizing the extensive experience he has acquired in sales and technology operations, Mr. Shunichi Suemitsu has led the Company's sales operations for many years and made every effort to increase the sales of the Company's products and services and improve customer satisfaction. Having judged that it is necessary that he continue in the position of Executive Director in order to further enhance the Company's corporate value, the Company has selected him as a candidate for Director.

Candidate number	Name (Date of birth)	Present position in the Company	Number of the Company's shares owned	Status of attendance at Board of Directors
4	Tsuyoshi Suzuki (May 16, 1958) [Reelected]	Executive Director Senior Vice President	33,600 shares	12/12 (100%)

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

Jun. 1983	Joined Humo Laboratory, Ltd.
Jan. 1990	Joined Ungermann-Bass Networks K.K.
Jul. 1995	Joined the Company
Apr. 2006	Vice President, Western Japan Business Division
Jun. 2006	Executive Director
Apr. 2011	Executive Director, Vice President
Jun. 2012	Senior Vice President
Jun. 2014	Executive Director, Senior Vice President
Apr. 2016	Executive Director, Senior Vice President, in charge of Eastern Japan Business Division 1, in charge of Eastern Japan Business Division 2, in charge of Central Japan Business Division, in charge of Western Japan Business Division (incumbent)

Reasons for selecting candidate for Executive Director

Utilizing the extensive experience he has acquired in sales operations, Mr. Tsuyoshi Suzuki has led the Company's sales operations for many years and made every effort to develop them. Having judged that it is necessary that he continue in the position of Executive Director in order to further enhance the Company's corporate value, the Company 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
5	Takahisa Kawaguchi (Oct. 28, 1953) [Reelected]	Executive Director Vice President	15,777 shares	10/10 (100%)

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

Apr. 1976	Joined Tokyo Electron Limited
Oct. 1996	Joined KANEMATSU CORPORATION
Oct. 1999	Joined Kanematsu Aerospace Corporation
Apr. 2002	President & CEO of Kanematsu Aerospace Corporation
Apr. 2004	Joined Cisco Systems K.K.(current Cisco Systems G.K.)
Aug. 2004	Executive Officers of Cisco Systems K.K.
Nov. 2008	Advisor of the Company
Jan. 2009	Senior Managing Director of Net One Partners Co., Ltd.
Jun. 2009	Director, Senior Managing Director of Net One Partners Co., Ltd.
Oct. 2013	President & CEO, Net One Systems Singapore Pte. Ltd. (incumbent)
Feb. 2014	President & CEO of Xseed Co., Ltd.
Apr. 2014	Vice President
Oct. 2014	President & CEO of Net One Partners Co., Ltd. (incumbent)
Mar. 2015	Chairman and Representative Director of Xseed Co., Ltd.
Apr. 2015	Vice President
Jun. 2015	Executive Director, Vice President
Apr. 2016	Executive Director, Vice President, in charge of Group Business, Corporate Planning & Strategy Division (incumbent) (Significant concurrent positions) President & CEO of Net One Partners Co., Ltd. President & CEO, Net One Systems Singapore Pte. Ltd.

Reasons for selecting candidate for Executive Director

Mr. Takahisa Kawaguchi is not only involved in management as President & CEO of an industrial company but also is currently making every effort to grow and develop a subsidiary of the Company as that subsidiary's President & CEO. In these respects and others, he has extensive experience and a substantial track record covering all aspects of management. Having judged that he assume the position of Executive Director in order to further enhance the Company's corporate value, the Company 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
6	Norihisa Katayama (Jun. 30, 1955) [Reelected]	Executive Director Vice President	105,988 shares	12/12 (100%)

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

Apr. 1980	Joined Komatsu Forklift Co., Ltd. (current Komatsu Ltd.)
Jul. 1984	Joined Ungermann-Bass Networks K.K.
May 1989	Joined the Company
Apr. 2003	Operation Director of CEO Office
Jun. 2006	Executive Director
Apr. 2011	Executive Director, Vice President
Apr. 2014	Executive Director, Vice President, in charge of Administration & Management Division (incumbent)

Reasons for selecting candidate for Executive Director

Utilizing the extensive experience he has acquired in business administration and management operations, Mr. Norihisa Katayama has led the Company's business administration and management operations for many years and made every effort to strengthen the financial structure, improve earning capabilities and spread compliance, among other efforts. Having judged that it is necessary that he continue in the position of Executive Director in order to further enhance the Company's corporate value, the Company 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
7	Kunio Kawakami (Sep. 24, 1943) [Reelected] [Independent] [Outside]	Outside Executive Director	22,537 shares	12/12 (100%)

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

Apr. 1967	Joined Kanto Denki Koji Co., Ltd. (current Kandenko Co., Ltd.)
Jul. 1999	Director, Assistant Senior Sales Director and Engineering Manager of Kanto Denki Koji Co., Ltd.
Jul. 2003	Managing Director, Director of Network Solutions Division, Kanto Denki Koji Co., Ltd
Jun. 2008	Director of Tepco Systems Corporation
Jul. 2008	Special Adviser of Kandenko Co., Ltd.
Jun. 2009	Executive Director of the Company (incumbent)
Jun. 2010	Adviser of Kandenko Co., Ltd.
Dec. 2012	Vice President and Director of ZECO Co., Ltd. (incumbent)
	(Significant concurrent positions) Vice President and Director of ZECO Co., Ltd.

Matters Concerning Candidate for Outside Executive Director

(1) Reasons for the nomination of candidate for Outside Executive Director:

Mr. Kunio Kawakami has been selected as a candidate for Outside Executive Director based on the determination that he will fully contribute to the overseeing of the Company's management, taking into consideration his experience as director of other companies, as well as his broad knowledge and experience in the field of information and communication business attained through working at Kandenko Co., Ltd.

(2) The Company filed Mr. Kunio Kawakami as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE). If this proposal is resolved and approved as originally proposed, the Company will continue to have him as an Independent Executive Officer

(3) As Mr. Kunio Kawakami used to work for Kandenko Co., Ltd. (until June 2011), there are certain transactions between the company and the Company including those related to electrical and communications construction, etc. However, the amount of revenue from such transactions for the current fiscal year is approximately 22 million yen (less than 0.1% of revenue of the Company for the current fiscal year) and the amount of purchases through such transactions for the current fiscal year is approximately 40 million yen (less than 0.1% of revenue of the company for the current fiscal year). Therefore, we believe that there is no risk of conflict of interest with general shareholders in these transactions.

As he used to work for Tepco Systems Corporation (until June 2009), there are certain transactions between the company and the Company including those related to contracting of design service, etc. However, the amount of revenue from such transactions for the current fiscal year is approximately 32 million yen (less than 0.1% of revenue of the Company for the current fiscal year). Therefore, we believe that there is no risk of conflict of interest with general shareholders in these transactions.

(4) Mr. Kunio Kawakami currently occupies the position of Outside Executive Director of the Company and his term of office will be seven (7) years at the conclusion of this general meeting.

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
8	Mitsuo Imai (May 15, 1951) [Reelected] [Independent] [Outside]	Outside Executive Director	6,546 shares	12/12 (100%)

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

Apr. 1974	Joined Hitachi Cable, Ltd. (current Hitachi Metals, Ltd.)
Apr. 2005	Executive Officer, General Manager of Corporate Planning & Development Office, Group Executive of Environment & Disaster Prevention Group and CIO, Hitachi Cable, Ltd.
Sep. 2006	Executive Officer, Group Executive of Information Systems Group, Group Executive of Information Technology Business Innovation Promotion Group and CIO, Hitachi Cable, Ltd.
Apr. 2007	Executive Managing Officer, Group Executive of Information Systems Group, Group Executive of Information Technology Business Innovation Promotion Group and CIO, Hitachi Cable, Ltd.
Apr. 2009	Representative Executive Officer, President and Chief Executive Officer of Hitachi Cable, Ltd.
Jun. 2009	Representative Vice president, President, Chief Vice president and Director of Hitachi Cable, Ltd.
Jun. 2011	Senior Corporate Advisor of Hitachi Cable, Ltd.
Jun. 2012	Executive Director of the Company (incumbent)

Matters Concerning Candidate for Outside Executive Director

(1) Reasons for the nomination of candidate for Outside Executive Director:

Mr. Mitsuo Imai has been selected as a candidate for Outside Executive Director based on the determination that he will fully contribute to the overseeing of the Company's management, taking into consideration his experience as a corporate manager as well as his broad knowledge and experience in the field of information and communication business.

(2) If this proposal is resolved and approved as originally proposed, the Company will appoint Mr. Mitsuo Imai as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE).

(3) As Mr. Mitsuo Imai used to work for Hitachi Metals, Ltd. (until June 2013), there are certain transactions between the company and the Company including purchase of network products. However, the amount of such purchases for the current fiscal year is approximately 1,219 million yen (approximately 0.2% of revenue of the company for the current fiscal year). Therefore, we believe that these transactions have no risk of conflict of interest with general shareholders.

(4) Mr. Mitsuo Imai currently occupies the position of Outside Executive Director of the Company and his term of office will be four (4) years at the conclusion of this general meeting.

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
9	Rieko Nishikawa (Feb. 3, 1955) [Reelected] [Independent] [Outside]	Outside Executive Director	1,271 shares	8/10 (80%)

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

Apr. 1985	Full-time lecturer, Faculty of Law, Keio University
Sep. 1989	Visiting Researcher, Harvard Law School
Sep. 1991	Visiting Foreign Scholar, Fordham University, School of Law
Apr. 1992	Assistant Professor, Faculty of Law, Keio University
Oct. 1999	Visiting Scholar, The George Washington University Law School
Apr. 2000	Professor, Faculty of Law, Keio University (incumbent)
Aug. 2003	Outside consultant, Inter-American Development Bank
Jun. 2015	Executive Director (incumbent)
	(Significant concurrent positions)
	Professor, Faculty of Law, Keio University

Matters Concerning Candidate for Outside Executive Director

(1) Reasons for the nomination of candidate for Outside Executive Director

Ms. Rieko Nishikawa has been selected as a candidate for Outside Executive Director based on the consideration that she will be able to fully apply her ample knowledge and experience as a university professor specializing in legal research to the overseeing of the Company's management.

Although she has no experience of direct involvement in management, it has been determined from the foregoing reason that she will be able to execute her duties properly.

(2) If this proposal is resolved and approved as originally proposed, the Company will appoint Ms. Rieko Nishikawa as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE).

(3) Ms. Rieko Nishikawa is currently a Professor in the Faculty of Law, Keio University. There are certain transaction between Keio University and the Company related to purchase of network products and contracting of electrical and communications construction, etc. However, the amount of such transactions for the current fiscal year is only approximately 21 million yen (less than 0.1% of revenue of the company for the current fiscal year). Therefore, we believe that these transactions have no risk of conflict of interest with general shareholders.

(4) Ms. Rieko Nishikawa currently occupies the position of Outside Executive Director of the Company and her term of office will be one (1) year at the conclusion of this general meeting.

(Notes) 1. There are no special interests between the candidates and the Company.

2. The Company has entered into a limited liability agreement with Mr. Kunio Kawakami, Mr. Mitsuo Imai and Ms. Rieko Nishikawa, 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 minimum amount stipulated in applicable laws and regulations. If the reelection of them is approved, the Company will continue the said agreements.

3. Status of attendance at Board of Directors for Mr. Takahisa Kawaguchi and Ms. Rieko Nishikawa has been shown based on the number of Board of Directors meetings held after his/her assumption of office following the election at the 28th Annual Shareholders Meeting on June 16, 2015, which is 10 times.

Proposal 3: Election of three (3) Audit & Supervisory Board Members

At the conclusion of this general meeting, the term of office three (3) Audit & Supervisory Board Members, Masamichi Kikuchi, Minoru Uchida and Tadashi Nakaoka will expire. The Company therefore proposes the election of three (3) Audit & Supervisory Board Members.

All the candidates are candidates for outside Audit & Supervisory Board Members and satisfy the "Independence Standards" (page 23) established by the Company.

Additionally, the Company has obtained the agreement of the Audit & Supervisory Board with respect to this proposal.

The candidates for Audit & Supervisory Board Members are as follows.

Candidate number	Name	Present position in the Company	Attribute of the candidate		
1	Masamichi Kikuchi	Outside Audit & Supervisory Board Member	Reelected	Outside	Independent
2	Keiichi Horii	–	Newly elected	Outside	Independent
3	Hideki Suda	–	Newly elected	Outside	Independent

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 Board meetings
1	Masamichi Kikuchi (Jul. 8, 1947) [Reelected] [Independent] [Outside]	Outside Audit & Supervisory Board Member	0 shares	12/12 (100%)	13/13 (100%)

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

Apr. 1970	Joined The Daimaru Inc. (current Daimaru Matsuzakaya Department Stores Co. Ltd.)
Mar. 1981	Registered as certified public accountant
	Worked for Natsume Tatsuro Office
Nov. 1981	Partner of Natsume Auditor Corporation
Apr. 1987	Representative Partner of Natsume Auditor Corporation (incumbent)
Jun. 2008	Audit & Supervisory Board Member of the Company (incumbent)
	(Significant concurrent positions)
	Representative Partner of Natsume Auditor Corporation

Matters Concerning Candidate for Outside Audit & Supervisory Board Member

(1) Reasons for the nomination of candidate for Outside Audit & Supervisory Board Member

Mr. Masamichi Kikuchi has been selected as a candidate for Outside Audit & Supervisory Board Member based on the determination that he will fully contribute to the objective and neutral audit of the Company's management, taking into consideration his broad knowledge and experience in the field of finance and accounting he has cultivated to date as a certified public accountant. Although he has no experience of direct involvement in management, it has been determined from the foregoing reason that he will be able to execute his duties properly.

(2) If this proposal is resolved and approved as originally proposed, the Company will appoint Mr. Masamichi Kikuchi as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE).

(3) Mr. Masamichi Kikuchi is currently Representative Partner of Natsume Auditor Corporation. However, he will retire from that position on June 30, 2016 and assume the position of Advisor of Natsume Auditor Corporation.

(4) Mr. Masamichi Kikuchi currently occupies the position of Outside Audit & Supervisory Board Member of the Company and his term of office will be eight (8) years at the conclusion of this general meeting.

(5) During the term of Mr. Masamichi Kikuchi as an Outside Audit & Supervisory Board Member of the Company, it was discovered that one of our former employees conspired with third party subcontractors to embezzle monies from the Company by illicitly charging the Company under the name of fictitious outsourcing cost over the period from 2005 to 2012. Mr. Masamichi Kikuchi had any prior knowledge of said wrongdoings. However, he had made comments from the perspective of strengthening compliance and internal control with a neutral stance as an Outside Audit & Supervisory Board Member on a regular basis at meetings of the Board of Directors and other occasions. After the wrongdoings were discovered, he ordered a thorough investigation into the matter for the identification of the cause and made comments on, among others, measures to prevent recurrence and further strengthen internal controls. In this way, he performed his duties sufficiently and appropriately.

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 Board meetings
2	Keiichi Horii (Sep. 4, 1951) [Newly elected] [Independent] [Outside]	—	0 shares	—	—

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

Apr. 1979	Registered Lawyer (Dai-ichi Tokyo Bar Association)
	Worked for Hiranuma Takaharu Law Office
Jan. 1995	Partner, Law Offices of Harada, Uchida & Sugiyama (current South Toranomon Law Offices) (incumbent)
Apr. 1995	Member, Operating Committee of the Arbitration Center of the Daiichi Tokyo Bar Association (incumbent)
Mar. 2008	Audit & Supervisory Board Member, Mabuchi Motor Co., Ltd.
Jun. 2011	Audit & Supervisory Board Member, Sanwa Soko Co., Ltd. (incumbent)
	(Significant concurrent positions)
	Partner, South Toranomon Law Offices
	Member, Operating Committee of the Arbitration Center of the Daiichi Tokyo Bar Association
	Audit & Supervisory Board Member, Sanwa Soko Co., Ltd.

Matters Concerning Candidate for Outside Audit & Supervisory Board Member

(1) Reasons for the nomination of candidate for Outside Audit & Supervisory Board Member

Mr. Keiichi Horii has been selected as a candidate for Outside Audit & Supervisory Board Member based on the determination that he will fully contribute to the objective and neutral audit of the Company's management, taking into consideration his broad knowledge and experience in the field of corporate legal affairs he has cultivated to date as an attorney. Although he has no experience of direct involvement in management, it has been determined from the foregoing reason that he will be able to execute his duties properly.

(2) If this proposal is resolved and approved as originally proposed, the Company will appoint Mr. Keiichi Horii as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE).

(3) Mr. Keiichi Horii is currently an Audit & Supervisory Board Member of Sanwa Soko Co., Ltd. However, he is scheduled to retire from that position on June 30, 2016.

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 Board meetings
3	Hideki Suda (May 4, 1943) [Newly elected] [Independent] [Outside]	—	1,000 shares	—	—

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

Apr. 1966	Joined Fujikura Electric Wire Corporation (current Fujikura Ltd.)
Jul. 1987	Deputy Director, Human Resources Department, Fujikura Electric Wire Corporation
May 1990	Deputy Director, Sakura Plant, Fujikura Electric Wire Corporation
Jul. 1994	Managing Director, General Manager, General Affairs Department, Fujikura Electric Wire Corporation
Jul. 1998	Managing Director, General Manager, Regional Development Department, Fujikura Electric Wire Corporation
Jun. 2000	President, Fujikura Development Co., Ltd. (current Fujikura Ltd.)
Jun. 2005	Corporate Auditor, Fujikura Ltd.
Jun. 2007	Senior Advisor, Fujikura Ltd.
Dec. 2007	Advisor, Fuji Kyushoku Center Corporation
Jun. 2012	Advisor, Asahi Building Kanzai K.K. (incumbent)
	(Significant concurrent positions)
	Advisor, Asahi Building Kanzai K.K.

Matters Concerning Candidate for Outside Audit & Supervisory Board Member

(1) Reasons for the nomination of candidate for Outside Audit & Supervisory Board Member

Mr. Hideki Suda has been selected as a candidate for Outside Audit & Supervisory Board Member based on the determination that he will fully contribute to the objective and neutral audits of the Company's management, taking into consideration his experience as a corporate manager as well as his broad knowledge and experience in the field of information and communication business.

(2) If this proposal is resolved and approved as originally proposed, the Company will appoint Mr. Hideki Suda as an Independent Executive Officer pursuant to the provisions of Tokyo Stock Exchange (TSE).

(Notes) 1. There are no special interests between the candidates and the Company.

2. The Company has entered into a limited liability agreement with Mr. Masamichi Kikuchi. 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 minimum amount stipulated in applicable laws and regulations. If the reelection of him is approved, the Company will continue the said agreements.

   If the election of Mr. Keiichi Horii and Mr. Hideki Suda is approved, the Company plans to enter into the same limited liability agreement with them.

(Reference)

Independence Standards

The Company has established Independence Standards for Outside Executive Directors and Outside Audit & Supervisory Board Members as follows, and deems that any Outside Executive Directors and Outside Audit & Supervisory Board Members who do not fall under any of following items possess independence from the Company with no potential conflict of interest with ordinary 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 exceeds 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 exceeds 2% of the Company's sales 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);

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;

"Persons who perform executive roles" refer to principal persons who perform executive roles.

(3) Persons to whom item 5 or item 6 apply.

"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.

End

Proposal 4: Payment of bonuses to Executive Directors

With consideration of the results for the current fiscal year, the Company proposes payment of bonuses which amount is 42,400,000 yen in total to six (6) Executive Directors excluding Executive Director Mr. Takahisa Kawaguchi, Executive Director Mr. Kunio Kawakami, Executive Director Mr. Masasuke Naito, Executive Director Mr. Mitsuo Imai and Executive Director Ms. Rieko Nishikawa out of eleven (11) Executive Directors as of the end of the current fiscal year.

The decision of the specific amount, timing and payment method of the bonuses to each individual Executive Director is requested to be settled by Board of Directors.

This proposal was deliberated by the Advisory Committee.

(Attachments)

Business Report

April 1, 2015 to March 31, 2016

1. Business conditions of the Corporate Group

(1) Business activities and results

Although network investment by telecommunications carriers, the Company's principal customers, continued to be restrained, there have been significant changes in the needs towards the improvement of operational speed and productivity, cost reduction and robust security measures by the "introduction of the cloud infrastructure" in all market sectors.

In order to cope with this change better and leverage our network technology built over the years effectively, Net One Group has strived to utilize our managerial resources in an optimal way by promoting "acceleration of selection and concentration," "expansion of the cloud infrastructure business," "expansion of Mutual Benefit Business," and "development of human resources" as priority strategies in FY2015. Consequently, the number of the cloud infrastructure integration business and network upgrade projects towards cloud-ready networks increased.

On the other hand, as for profit, conditions remained severe with the impact of exchange rate fluctuations on some projects and price competition.

Due to an increase of bookings accepted in the Enterprise Sector and decreases in the Telecom and Carrier Sector and the Public Sector, overall bookings accepted in FY2015 were 142,551 million yen (down 3.0% year-over-year). Meanwhile, revenue the Company generated during FY2015 was 145,180 million yen (up 1.4% year-over-year), as an increase in the Enterprise Sector offset decreases in revenue in the Telecom and Carrier Sector and the Partner Sector.

Regarding the profit and loss, the subdued gross profit ratio with the impact of price competition in the second half did not make up for the substantial decline in the profit of a certain project caused by exchange rate fluctuations in the first half. Accordingly, the Company's gross profit stood at 29,844 million yen (down 7.8% year-over-year). As a result of effects for cost containment, selling, general, and administrative expenses decreased to 27,391 million yen (down 2.7% year-over-year). However, operating income stood at 2,453 million yen (down 41.7% year-over-year), ordinary income stood at 2,594 million yen (down 38.9% year-over-year), and profit attributable to owners of parent was 1,508 million yen (down 38.6% year-over-year).

■Overview by product category

The Group classifies products into three categories which are network products, platform products, and service depending on the configuration of ICT system and the type of services business delivered.

In the fiscal year under review, bookings accepted, revenue and backlog by product category were as follows.

(unit: million yen)

	Network products	Platform products	Service business
Bookings accepted	60,546 (down 9.0% YoY)	25,666 (up 19.2% YoY)	56,337 (down 4.3% YoY)
Revenue	63,045 (down 5.5% YoY)	25,899 (up 23.1% YoY)	56,235 (up 1.5% YoY)
Backlog	8,522 (down 22.7% YoY)	5,252 (down 4.2% YoY)	42,416 (up 0.2% YoY)

<Reference: Business description by product category>

The Group carries out verification and operation testing of new products from vendors inside and outside Japan using the Company's technology to deliver the optimum solution in line with customer needs. Based on the experience and know-how obtained from its own practical application of next generation ICT infrastructure combining state of the art products and technology, the Company will provide further support for the business of its customers by raising its own unique value added.

■ 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. During the fiscal year under review, bookings accepted, revenue, and backlog by market sector were as follows.

Enterprise – ENT market —— Composition ratio in 29th term: **32.3%**

<Main business description>

The Company expanded its business targeting manufacturing industry (automobiles, electrical machinery, etc.), non-manufacturing industry (transport, services), Japanese financial institutions and foreign affiliates. We provide support for customers requiring large-scale ICT systems, seeking to cut time and cost, and improve work style, etc., by utilizing advanced ICT.

<Highlights of fiscal year under review>

Steady demands have been seen in financial sectors due to the work style innovation and among Internet Services Providers for the cloud service infrastructure, while investments in manufacturing industry picked up gradually in the second half. As a result, bookings accepted and revenue increased compared with the previous fiscal year.

(unit: million yen)

Bookings accepted	45,149 (up 6.4% YoY)
Revenue	46,834 (up 20.6% YoY)
Backlog	18,632 (down 8.3% YoY)

Telecom carrier – SP market —— Composition ratio in 29th term: **27.7%**

<Main business description>

The Company expanded its business targeting fixed and mobile telecommunication carriers. We established social infrastructure in partnership with customers providing services related to network platforms and networks as infrastructure.

<Highlights of fiscal year under review>

Despite investments for upgrades to existing equipment and a brisk demand for cloud in the fourth quarter, bookings accepted and revenue decreased compared with the previous fiscal year, due to the continuous curtailment of network investment by our major customers.

(unit: million yen)

Bookings accepted	38,218 (down 6.8% YoY)
Revenue	40,287 (down 8.7% YoY)
Backlog	10,833 (down 16.0% YoY)

Public – PUB market —— Composition ratio in 29th term: **26.2%**

<Main business description>

The Company expanded its business targeting government, local government, the education sector, and corporations that provide social infrastructure (cable television, power, etc.). We provided technical support for utilization of national telecommunications infrastructure, integration of campus infrastructure as well as joint public-private sector projects.

<Highlights of fiscal year under review>

Although the delay in solution development resulted in price competition, the number of accepted proposals with new solutions has grown in the fourth quarter. Consequently, bookings accepted decreased but revenue remained flat compared with the previous fiscal year.

(unit: million yen)

Bookings accepted	36,694 (down 12.5% YoY)
Revenue	37,998 (down 0.9% YoY)
Backlog	18,641 (down 6.5% YoY)

Net One Partners – NOP —— Composition ratio in 29th term: **13.4%**

<Main business description>

The Company developed new value added solutions with partner companies using the resale business model as the prototype rather than direct sales in order to develop new markets. We joined the resources of the Group to system solutions that partner companies specialize in with the aim of acquiring new customers.

<Highlights of fiscal year under review>

Due to the curtailment of investment by customers of some major partners, bookings accepted decreased slightly and revenue fell compared with the previous fiscal year.

(unit: million yen)

Bookings accepted	20,181 (down 3.1% YoY)
Revenue	19,506 (down 7.9% YoY)
Backlog	6,300 (up 12.0% YoY)

(2) Issues to be addressed

FY2015 in Review

Our focus area of cloud business grew, but issues remained in profit control

In FY2015, network investment by telecommunications carriers, the Company's principal customers, remained subdued. Meanwhile, the cloud infrastructure integration business which utilizes network technologies, our new growth area on which we have focused for years, is steadily expanding to offset such trend. As a result, revenue remained at the same level as in FY2014. However, the operating income ratio fell due to issues in the profit control in some projects.

The Company will address the following issues to improve earning capabilities.

Issues to be addressed

1. Profit control

-Decline in the profit of a certain project due to the effect of exchange rate fluctuations

-Delays in responses in the budget control of multiple projects

2. Human resources development

-The development of human resources in line with our strategies is in progress, but its speed is slower than anticipated.

Initiatives in FY2016

The Company will strive to achieve its growth through the continuous promotion of the cloud business, retention of existing customers, challenge for new markets, and solid profit control

In FY2016, we will continue our focus on the cloud infrastructure integration business, by adding robust security elements for further differentiation. In addition, we will endeavor the development of new markets as a foundation for our future growth, while retaining existing customers. Measures for an earnings growth will be also taken by means of the thorough profit control and human resources development.

Priority strategies in FY2016

1. Retention of existing customers and engagement in new markets

By working to further strengthen relationships with existing customers, we will aim to maintain bookings and revenue. In addition, we strive to develop new markets including the corporate market where we can efficiently offer products for cloud services, an overseas market, and the Internet of Things (IoT) market, with the objective of continuous and stable growth.

2. Thorough profit control

By introducing new features to our new in-house core system aiming to increase profit, we will realize the real-time control of revenue and expenses by projects and customers, while seeking thorough outsourcing management continuously.

3. Human resources development

We will work to improve our sales, technological and organizational capability consistent with the strategies by means of accelerating initiatives for enhancement of the cloud technologies, our focus area of business.

Medium-Term Performance Objectives

Performance objectives for the fiscal year ending March 31, 2019 (compared with the fiscal year ended March 31, 2016)

We endeavor to achieve the following medium-term performance objectives in three years by the

revenue growth through the engagement in new markets and solutions as well as the reduction in selling, general and administrative expenses ratio through the promotion of in-house development and productivity improvement.

Revenue	170 billion yen (up 17.1%)
Operating Income	11 billion yen (up 348.4%)
Operating Margin	6.5% (up 4.8pts)

(3) Status of income and assets

I. Status of consolidated financial results

Segment	26th FY (April 1, 2012 to March 31, 2013)	27th FY (April 1, 2013 to March 31, 2014)	28th FY (April 1, 2014 to March 31, 2015)	29th FY (current FY) (April 1, 2015 to March 31, 2016)
Revenue (million yen)	154,869	142,427	143,173	145,180
Operating Income (million yen)	8,658	3,537	4,249	2,594
Profit attributable to owners of parent (million yen)	4,324	983	2,457	1,508
Basic Earnings per Share (yen)	48.89	11.40	29.07	17.85
Total Assets (million yen)	92,924	90,624	103,623	102,613
Net Assets (million yen)	61,387	57,263	57,113	55,533
Equity Ratio (%)	65.8	63.1	55.0	54.0
Net Assets per Share (yen)	699.63	676.65	674.49	655.43

II. Status of non-consolidated financial results

Segment	26th FY (April 1, 2012 to March 31, 2013)	27th FY (April 1, 2013 to March 31, 2014)	28th FY (April 1, 2014 to March 31, 2015)	29th FY (current FY) (April 1, 2015 to March 31, 2016)
Revenue (million yen)	141,421	126,387	123,842	127,655
Operating Income (million yen)	7,179	2,363	3,278	2,297
Profit (million yen)	3,458	403	1,862	1,437
Basic Earnings per Share (yen)	39.09	4.68	22.03	17.00
Total Assets (million yen)	88,044	84,955	96,543	95,770
Net Assets (million yen)	59,433	54,893	54,136	52,683
Equity Ratio (%)	67.5	64.5	56.0	54.9
Net Assets per Share (yen)	679.13	648.62	639.27	621.72

(4) Status of financing

No special matters to report.

(5) Status of capital expenditures

The Company spent a total of 3,568 million yen for capital expenditures during FY 2015 mainly on equipment improvement for the purpose of 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	Investments in capital	Ratio of the Company's capital contribution	Main business activities
	Million yen	%	
Net One Partners Co., Ltd.	400	100.0	Sales, installation and maintenance service related to network equipment
Xseed Co., Ltd.	74	100.0	Planning, design and integration services for information system infrastructure, and provision of server services

(7) Main offices (as of March 31, 2016)

Company name	Office name	Location
Net One Systems Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
	Kansai Branch	Yodogawa-ku, Osaka
	Tennoz Office	Shinagawa-ku, Tokyo
	Hokkaido Branch	Chuo-ku, Sapporo
	Touhoku Branch	Aoba-ku, Sendai
	Tsukuba Office	Tsukuba-shi, Ibaraki
	Chubu Branch	Naka-ku, Nagoya
	Toyota Office	Toyota-shi, Aichi
	Hiroshima Office	Naka-ku, Hiroshima
	Takamatsu Office	Takamatsu-shi, Kagawa
	Kyusyu Branch	Hakata-ku, Fukuoka
	Okinawa Office	Naha-shi, Okinawa
	Technical Center	Shinagawa-ku, Tokyo
	Quality Assurance & Management Center	Ota-ku, Tokyo
	Quality Assurance & Management Center West Branch	Joto-ku, Osaka
Net One Partners Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
Xseed Co., Ltd.	Head Office	Shinagawa-ku, Tokyo

(8) Status of employees (as of March 31, 2016)

I. Number of employees of the Corporate Group

Name of segment, etc.	Number of employees	Comparison to end of previous FY
ENT Sector	315	Increase of 65
SP Sector	123	Decrease of 1
PUB Sector	326	Increase of 85
ENT/SP/PUB common business	523	Increase of 30
Partner Sector	212	Increase of 13
Other	61	Decrease of 2
Support services for maintenance and operation	338	Decrease of 298
Unallocable (Common)	354	Decrease of 14
Total	2,252	Decrease of 122

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

II. Number of employees of the Company

Name of segment, etc.	Number of employees	Comparison to end of previous FY
ENT Sector	315	Increase of 65
SP Sector	123	Decrease of 1
PUB Sector	326	Increase of 85
ENT/SP/PUB common business	523	Increase of 30
Partner Sector	–	–
Other	–	–
Support services for maintenance and operation	338	Decrease of 298
Unallocable (Common)	354	Decrease of 14
Total	1,979	Decrease of 133

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

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

Not applicable.

2. Status of shares of the Company (as of March 31, 2016)

(1) Number of authorized shares to be issued 200,000,000 shares

(2) Total number of shares issued 86,000,000 shares
(including 1,453,525 shares of treasury stock)

(3) Number of shareholders 24,944

(4) Major shareholders (Top 10)

Name of shareholder	Number of shares held	Percentage of ownership (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	5,902,000	7.0
The Master Trust Bank of Japan, Ltd. (Trust Account)	4,586,200	5.4
Japan Trustee Services Bank, Ltd. (Trust Account 4)	2,260,300	2.7
NORTHERN TRUST CO. (AVFC) RE NVI01	2,136,600	2.5
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,610,100	1.9
STATE STREET BANK AND TRUST COMPANY	1,591,310	1.9
Association of Net One Systems Employees participating the Employee Stock Ownership Program	1,498,473	1.8
THE BANK OF NEWYORK 133522	1,486,340	1.8
Meiji Yasuda Life Insurance Company	1,440,000	1.7
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,324,800	1.6

(Notes) 1. Although the Company owns 1,453,525 shares of treasury stock, it is excluded from the major shareholders above.

2. The calculation of the percentage of ownership excludes treasury stocks.

(5) Other important matters concerning the Company's shares

Not applicable.

3. Status of the Company's stock options, etc.

(1) Outline of share subscription rights under the equity compensation-type stock options plan held by Executive Directors (excluding Outside Executive Directors) of the Company as of end of FY2015

Name (Date of resolution to issue)	Number of owners	Number of share subscription rights	Class and number of shares to be issued upon the exercise of share subscription rights	Amount to be paid in for share subscription rights	Value of assets contributed upon the exercise of the share subscription rights	Effective period during which the share subscription rights are exercisable	
Net One Systems Co., Ltd. FY2012 share subscription rights (June 14, 2012)	7 Executive Directors (excluding Outside Executive Directors)	204	20,400 shares of common stock of the Company	90,000 yen per share subscription right	1 yen per share	July 3, 2012 to July 2, 2042	(Note 1)
Net One Systems Co., Ltd. FY2013 share subscription rights (June 13, 2013)	7 Executive Directors (excluding Outside Executive Directors)	259	25,900 shares of common stock of the Company	62,700 yen per share subscription right	1 yen per share	July 2, 2013 to July 1, 2043	(Note 1)
Net One Systems Co., Ltd. FY2014 share subscription rights (June 17, 2014)	7 Executive Directors (excluding Outside Executive Directors)	304	30,400 shares of common stock of the Company	56,400 yen per share subscription right	1 yen per share	July 4, 2014 to July 3, 2044	(Note 2)
Net One Systems Co., Ltd. FY2015 share subscription rights (June 16, 2015)	7 Executive Directors (excluding Outside Executive Directors)	240	24,000 shares of common stock of the Company	71,700 yen per share subscription right	1 yen per share	July 3, 2015 to July 2, 2045	

(Notes) 1. The share subscription rights owned by three (3) executive directors out of seven (7) executive directors were granted prior to appointment as executive director.

2. The share subscription rights owned by one (1) executive director out of seven (7) executive directors were granted prior to appointment as executive director.

(2) Outline of share subscription rights under the equity compensation-type stock options plan granted to employees, etc. during FY2015

Name (Date of resolution to issue)	Number of owners	Number of share subscription rights	Class and number of shares to be issued upon the exercise of share subscription rights	Amount to be paid in for share subscription rights	Value of assets contributed upon the exercise of the share subscription rights	Effective period during which the share subscription rights are exercisable
Net One Systems Co., Ltd. FY2015 share subscription rights (June 16, 2015)	6 Vice Presidents of the Company	150	15,000 shares of common stock of the Company	71,700 yen per share subscription right	1 yen per share	July 3, 2015 to July 2, 2045
	2 Executive Directors of subsidiaries	50	5,000 shares of common stock of the Company			

4. Items regarding the Company's Executive Directors and Audit & Supervisory Board Members

(1) Names, etc. of Executive Directors and Audit & Supervisory Board Members (as of March 31, 2016)

Position	Name	Responsibilities at the Company and significant concurrent positions
President & CEO	Takayuki Yoshino	President and Executive Officer
Executive Director	Toru Arai	Senior Vice President, in charge of Corporate Planning & Strategy Division and Business Development Division President & CEO of Net One Systems USA, Inc.
Executive Director	Shunichi Suemitsu	Senior Vice President, in charge of Eastern Japan Business Division Chairman and Representative Director of Xseed Co., Ltd.
Executive Director	Tsuyoshi Suzuki	Senior Vice President, in charge of Western Japan Business Division
Executive Director	Takahisa Kawaguchi	Vice president, in charge of Group Business, Corporate Planning & Strategy Division President & CEO, President and Executive Officer of Net One Partners Co., Ltd. Net One Systems Singapore Pte. Ltd. President & CEO
Executive Director	Norihisa Katayama	Vice President, in charge of Administration & Management Division
Executive Director	Yoshiharu Horiuchi	Vice President, in charge of Maintenance and Operation Service Division
Executive Director	Kunio Kawakami	Vice President and Director of ZECO Co., Ltd.
Executive Director	Masasuke Naito	
Executive Director	Mitsuo Imai	
Executive Director	Rieko Nishikawa	Professor, Faculty of Law, Keio University
Audit & Supervisory Board Member (full-time)	Toru Matsuda	
Audit & Supervisory Board Member	Masamichi Kikuchi	Representative Partner of Natsume Auditor Corporation
Audit & Supervisory Board Member	Minoru Uchida	Partner of South Toranomon Law Offices Outside Audit & Supervisory Board Member, Hakuhodo DY Holdings Inc. Outside Audit & Supervisory Board Member, Yomiko Advertising Inc.

Audit & Supervisory Board Member	Tadashi Nakaoka	

(Notes) 1. Executive Director Mr. Takahisa Kawaguchi retired from the position of President & CEO of Xseed Co., Ltd. on March 28, 2016.

2. Executive Directors Mr. Kunio Kawakami, Mr. Masasuke Naito, Mr. Mitsuo Imai and Ms. Rieko Nishikawa are Outside Executive Directors as stipulated by Article 2, Item 15 of the Companies Act. The Company has notified Tokyo Stock Exchange (TSE) of Mr. Kunio Kawakami's status as an Independent Executive Officer pursuant to the provisions of the exchange.

3. Audit & Supervisory Board Members Mr. Masamichi Kikuchi, Mr. Minoru Uchida, and Mr. Tadashi Nakaoka are Outside Audit & Supervisory Board Members as stipulated by Article 2, Item 16 of the Companies Act.

4. Audit & Supervisory Board Member Mr. Masamichi Kikuchi is a certified public accountant and has a respectable degree of knowledge in finance and accounting.

5. The Company has entered into a limited liability agreement with each of Outside Executive Directors and Audit & Supervisory Board Members. The purpose of this agreement is to limit liability as provided for in Article 423, Paragraph 1 of the Companies Act.

(2) Remuneration, etc. for Executive Directors and Audit & Supervisory Board Members

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

Classification	Executive Directors (Including Outside Executive Directors)		Audit & Supervisory Board Members (Including Outside Audit & Supervisory Board Members)		Total (Including Outside Executive Directors and Audit & Supervisory Board Members)		Remarks
	Number of persons paid	Amount paid	Number of persons paid	Amount paid	Number of persons paid	Amount paid	
		Million yen		Million yen		Million yen	
Basic Remuneration	12 (4)	261 (49)	5 (3)	43 (20)	17 (7)	305 (70)	(Note 1) (Note 2)
Bonuses	6 (–)	42 (–)	– (–)	– (–)	6 (–)	42 (–)	(Note 3)
Equity compensation-type stock options	7 (–)	17 (–)	– (–)	– (–)	7 (–)	17 (–)	(Note 4)
Total		321 (49)		43 (20)		365 (70)	

(Notes) 1. The maximum amounts of remunerations was decided as 470 million yen per year for Executive Directors (of which, maximum amount for Executive Directors excluding Outside Executive Directors is 400 million yen per year and maximum amount for Outside Executive Directors is 70 million yen per year), based on a resolution passed at the 28th Annual Shareholders Meeting on June 16, 2015, while 100 million yen per year for Audit & Supervisory Board Members, based on a resolution passed at the 17th Annual Shareholders Meeting on June 25, 2004.

2. Although the Company has 11 Executive Directors and four Audit & Supervisory Board Members as of the end of the current fiscal year, the number of persons paid and amount paid shown above includes one Executive Director and one Audit & Supervisory Board Member retired at the conclusion of 28th Annual Shareholders Meeting on June 16, 2015, respectively.

3. Number of persons paid and amount paid based on "Payment of bonuses to Executive

Directors" scheduled for resolution at the 29th Annual Shareholders Meeting to be held on June 16, 2016.

4. Remuneration, etc. through share subscription rights under equity compensation-type stock option plan was decided as not exceeding 50 million yen per year for Executive Directors who is not an Outside Executive Director based on a resolution passed at the 25th Annual Shareholders Meeting held on June 14, 2012. In the columns of "Equity compensation-type stock options," expenses for the current fiscal year are presented.

II. Policy for determining the amount of remuneration, etc. for Executive Directors and Audit & Supervisory Board Members

For its executive remuneration system, the Company adopts basic policies to continue its growth and enhance the corporate value of the Company continuously by strengthening the link between executive remuneration and the Company's business performance, and to ensure fairness and objectivity in the process of determining executive remuneration, etc.

1) Remuneration, etc. for Executive Directors (excluding Outside Executive Directors)

Remuneration, etc. for the Company's Executive Director (excluding Outside Executive Directors) consists of a basic remuneration, which is fixed, bonuses, which is a corporate performance-linked compensation offered annually based on performance, and equity compensation-type stock options, which is a corporate performance-linked compensation for the medium- and long-term.

The basic remuneration is determined according to the position and title of each Executive Director, and a basic amount is set for each rank.

Bonuses for each Executive Director are determined by considering the business target achievement rate and other factors for both the Company on a consolidated basis (productivity per employee in terms of revenue and operating income) and the department that the Executive Director is in charge of (productivity per employee in terms of revenue and bookings accepted).

The amounts of share subscription rights under equity compensation-type stock option plan are decided in consideration of the Company's operation results as well as each Executive Director's discharge of duties and contribution to the Company's performance. The Company believes that linking Executive Directors' compensations to the value of the Company will encourage the Executive Directors to enhance the corporate value in the medium to long term and further increase incentives and motivation to increase the share price in the context of sharing with its shareholders the benefits and risk from a stock price's rise or fall.

With a view to ensuring fairness and objectivity in determining the amounts of remuneration, etc. for Executive Directors (excluding Outside Executive Directors), the determination of specific amounts of remuneration must follow the deliberations by the Advisory Committee, and must be set within the ceiling of remuneration, etc. resolved at the Shareholders Meeting. Determining the amount of basic remuneration and equity compensation-type stock options require resolution of the Board of Directors, while determining the amount of bonuses requires resolution of the Shareholders Meeting.

2) Remuneration, etc. for Outside Executive Directors and Audit & Supervisory Board Members

Remuneration, etc. of Outside Executive Directors and Audit & Supervisory Board Members consists only of a basic remuneration from the perspective of securing their independence. Amounts of remuneration, etc. for Outside Executive Directors are determined along with those for other Executive Directors by the resolution of the Board of Directors within the ceiling of Executive Directors remuneration resolved at the Shareholders Meeting. Amounts of remuneration, etc. for Audit & Supervisory Board Members are determined by deliberations among Audit & Supervisory Board Members within the ceiling of Audit & Supervisory Board Members remuneration resolved at the Shareholders Meeting.

(3) Items regarding Outside Executive Directors and Outside Audit & Supervisory Board Members

I. Significant concurrent positions and relationships with organizations where concurrent positions are held

Classification	Name	Significant concurrent positions	Remarks
Executive Director	Kunio Kawakami	Vice President and Director of ZECO Co., Ltd.	(Note 1)
	Rieko Nishikawa	Professor, Faculty of Law, Keio University	(Note 2)
Audit & Supervisory Board Member	Masamichi Kikuchi	Representative Partner of Natsume Auditor Corporation	(Note 3)
	Minoru Uchida	Partner of South Toranomon Law Offices Outside Audit & Supervisory Board Member, Hakuhodo DY Holdings Inc. Outside Audit & Supervisory Board Member, Yomiko Advertising Inc.	(Note 4) (Note 5) (Note 6)

(Notes) 1. There are no special relationship between ZECO Co., Ltd. and the Company.

2. There are certain transaction between Keio University and the Company related to purchase of network products and contracting of electrical and communications construction, etc. However, the amount of such transactions for the current fiscal year is only approximately 21 million yen (less than 0.1% of revenue of the company for the current fiscal year). Therefore, we believe that these transactions have no risk of conflict of interest with ordinary shareholders.

3. There are no special relationship between Natsume Auditor Corporation and the Company.

4. There are no special relationship between South Toranomon Law Offices and the Company.

5. There are no special relationship between Hakuhodo DY Holdings Inc. and the Company.

6. There are no special relationship between Yomiko Advertising Inc. and the Company.

II. Significant activities during the current fiscal year

1) Status of attendance at Board of Directors meetings and Audit & Supervisory Board meetings

Classification	Name	Board of Directors meetings (held 12 times)		Audit & Supervisory Board meetings (held 13 times)	
		Number of meetings attended	Percentage of attendance	Number of meetings attended	Percentage of attendance
Executive Director	Kunio Kawakami	12	100.0%	–	–%
	Masasuke Naito	12	100.0%	–	–%
	Mitsuo Imai	12	100.0%	–	–%
	Rieko Nishikawa	8	80.0%	–	–%
Audit & Supervisory Board Member	Masamichi Kikuchi	12	100.0%	13	100.0%
	Minoru Uchida	12	100.0%	13	100.0%
	Tadashi Nakaoka	12	100.0%	13	100.0%

(Notes) 1. The percentage of attendance for Ms. Rieko Nishikawa has been calculated based on the number of Board of Directors meetings held after her assumption of office following the election at the 28th Annual Shareholders Meeting on June 16, 2015, which is 10 times.

2.In addition to the number of Board of Directors meetings held above, four (4) 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.

2) Status of remarks made at Board of Directors meetings and Audit & Supervisory Board meetings

Classification	Name	Status of remarks made at Board of Directors meetings and Audit & Supervisory Board meetings
Executive Director	Kunio Kawakami	Based on his knowledge and experience in the information and communication business and experience as director of other companies, Kunio Kawakami expresses opinions and makes comments regarding the Company's business.
	Masasuke Naito	Based on his knowledge and experience in the information and communication business as well as experience as director and audit & supervisory board member of other companies, Masasuke Naito expresses opinions and makes comments regarding the Company's business.
	Mitsuo Imai	Based on his knowledge and experience in the information and communication business as well as experience as a corporate manager of other companies, Mitsuo Imai expresses opinions and makes comments regarding the Company's business.
	Rieko Nishikawa	Based on her ample knowledge and experience as a university professor specializing in legal research, Rieko Nishikawa expresses opinions and makes comments regarding the Company's business.
Audit & Supervisory Board Member	Masamichi Kikuchi	From his standpoint as a certified public accountant, Masamichi Kikuchi expresses opinions and makes comments regarding the Company's business.
	Minoru Uchida	From his standpoint as an attorney, Minoru Uchida expresses opinions and makes comments regarding the Company's business.
	Tadashi Nakaoka	Based on his knowledge and experience in the information and communication business as well as experience as a corporate manager of other companies, Tadashi Nakaoka expresses opinions and makes comments regarding the Company's business.

5. Items regarding Accounting Auditors

(1) Name of Accounting Auditor

Deloitte Touche Tohmatsu 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	48 million yen
II. Total amount of money and other property benefits to be paid by the Company and its subsidiaries	53 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 Board 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 Board determined that the amount regarding remuneration, etc. for the Accounting Auditor is reasonable, and gave consent to it.

(3) Description of non-audit service

Advices and guidance concerning the core system

(4) Policy on resolution of dismissal or non-reappointment of Accounting Auditor

When the Audit & Supervisory Board deems it necessary such as when there is an impediment to the execution of the Accounting Auditor's duties, the Audit & Supervisory Board 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 Annual Shareholders Meeting on the basis of that decision.

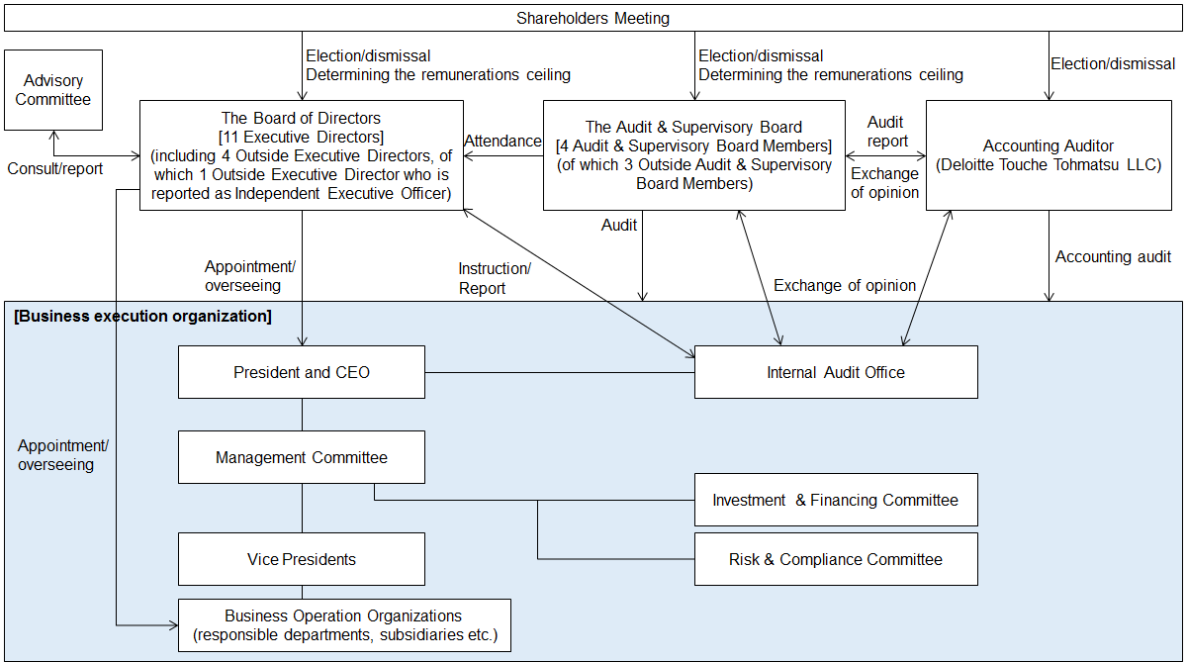
In addition, when it is deemed that the Accounting Auditor falls into the categories stipulated under each item of paragraph 1, Article 340 of the Companies Act, the Accounting Auditor will be dismissed based on the unanimous agreement of the members of the Audit & Supervisory Board. In this event, the Audit & Supervisory Board member appointed by the Audit & Supervisory Board shall report the fact of the dismissal of the Accounting Auditor and the reasons for it to the first Annual Shareholders Meeting to be convened following the dismissal.

6. Corporate Governance

(1) Basic matters regarding corporate governance (as of May 1, 2016)

Based on a management vision of "to be a company trusted and supported by all stakeholders (an admired company)," the Company advocates "sustainable growth" as its foremost priority. In order to attain the objective and to enhance its corporate value over the mid- to long-term, the Company continuously strives to enhance and strengthen corporate governance to realize fair and transparent decision-making in a swift and decisive way.

The Company adopts the following mechanism to establish a highly effective corporate governance system: The Company has in place an Audit & Supervisory Board system, which, with more than half of its members being independent Outside Audit & Supervisory Board Members, audits the execution of duties by the Executive Directors; in addition, independent Outside Executive Directors who constitute more than thirty percent of the members of the Board of Directors oversee management and execution of duties. The Company also employs the Vice President System to beef up its management control and overseeing function by the Board of Directors, and to execute business more efficiently and promptly. Moreover, by establishing the Advisory Committee the Company adopts a fair and objective way of electing or dismissing the Company's Executive Directors and Vice presidents as well as determining their remuneration, etc.



I. Executive Directors and the Board of Directors

The Company's Board of Directors consists of eleven (11) members (male: 10, female: 1) including four (4) independent Outside Executive Directors (a notification has been filed with the Tokyo Stock Exchange explaining that one of which is an Independent Executive Officer), and meets once a month in principle to discuss and decide on matters stipulated by laws and regulations, or the Company's Articles of Incorporation, as well as significant matters relating to management or business execution including the vision and policy for management and Mid-Term Business Plan. The Board of Directors also oversees overall management of the Company through reports on status of Executive Directors' execution of duties, etc.

In addition, in order to increase fairness and transparency in management and to strengthen corporate governance, the Company has established an Advisory Committee, which consists of Representative Directors, Outside Executive Directors, Full-time Audit & Supervisory Board Members and Outside Audit & Supervisory Board Members, and chaired by one of Outside Executive Directors as a consultative body to the Board of Directors to discuss matters related to the election or dismissal of candidates for Executive Directors and Vice Presidents and their remuneration, etc.

II. Business Execution System

The Company constructed a system which enables prompt and efficient business execution, securing fairness and transparency in management, by way of concentrating the function of the Board of Directors on control and overseeing of management through delegation of decision-making authority on matters not requiring resolution of the Board of Directors as stipulated by internal regulations to the Management Committee (which meets approximately twice a month) under the President & CEO, or Vice Presidents, etc.

III. Audit & Supervisory Board Members and the Audit & Supervisory Board

The Company's Audit & Supervisory Board consists of four (4) members (male: 4, female: 0) including three (3) Outside Audit & Supervisory Board Members, and it meets once a month in principle to audit the execution of duties by Executive Directors as well as to exercise the authority relating to the appointment or dismissal of Accounting Auditors and audit remuneration, among other matters.

The Audit & Supervisory Board Members also attend the Board of Directors meetings, the Management Committee, and the Advisory Committee to express their opinion 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.

(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 based on it.

An overview of the system is as follows.

【Basic Policy of Internal Control System】

I. System for ensuring that Executive Directors' execution of duties comply with laws and regulations, and Articles of Incorporation

1) Matters requiring resolution of the Board of Directors as stipulated by laws and regulations, or Articles of Incorporation, as well as significant matters relating to management or business execution, are discussed and decided at Board of Directors meeting.

2) Outside Executive Directors are elected to strengthen the overseeing functions of the Board of Directors, while the Advisory Committee is established to discuss matters relating to the election or dismissal of candidates for Executive Directors and their remunerations, etc.

3) Audit & Supervisory Board Members audit the execution of duties by the Executive Directors to ensure compliance with laws and regulations, and Articles of Incorporation. Also, the Audit & Supervisory Board receives reports from Executive Directors with regard to significant matters relating to audits, and discusses and resolves the matters amongst the Audit & Supervisory

Board Members.

II. System for retention and management of information related to Executive Directors' execution of duties

The Company's document retention and management shall be as stipulated by "Document Management Rules."

III. Policy and other system regarding management of risks of loss

1) Business risks related to changes in the economic environment and market needs are managed by the principal departments in charge of business and investments with the support and cooperation of the departments involved to comprehend and evaluate risks and provide a timely and appropriate response. With regard to new businesses and investments, subsequent to research and review of business risks by each principal department with the support and cooperation of the departments involved followed by deliberation by the Investment & Financing Committee, actions are taken upon determination of the Board of Directors or the Management Committee.
2) With regard to operational risks to the Company, including business interruption risks caused by natural disasters and diseases such as major earthquakes, wind and flood damage and infectious diseases, etc., and business cessation risks caused by the loss of credibility for the Company due to misconducts of the Company's Directors or employees or leakage of confidential information, the Company implements corporate-wide risk management activities after deliberations at Risk & Compliance Committee, while determining at the Management Committee the significant risks being managed for each fiscal year and holding the meetings of Risk & Compliance Committee regularly. The Company also formulates and improves risk management regulations and related rules that establish basic policies and systems for the Company's risk management.

IV. System for ensuring efficiency of execution of duties by Executive Directors

1) The Company has employed the Vice President System and, by concentrating the function of the Board of Directors on management control and overseeing, the Company aims to strengthen corporate governance and has constructed a system which enables prompt and efficient business execution separate from management control and overseeing activities.
2) 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.
3) Decision to execute and the process of executing significant matters are as stipulated by the Administrative Authority Standard Table.
4) From the viewpoint of improving operational efficiency, the Company continually revises and improves its operational system and formulates and expands the information system infrastructure that supports it.

V. System for ensuring execution of duties by employees comply with laws and regulations, and Articles of Incorporation

1) Risk & Compliance Committee discusses and decides on significant matters regarding compliance system and reviews its operational status. In the case of a material compliance violation, the Compliance Committee identifies facts based on investigation and discusses and determines the appropriate measures to prevent recurrence. In the event Compliance Committee discovers that a compliance violation has been committed by an employee, the Company will take disciplinary action against the relevant employee according to the rules of employment.
2) The Company, upholding "integrity and trust" as its common corporate value, establishes a group compliance manual that indicates the specific behavioral standard to be adhered by the executives and employees and a code of ethics that indicates the ethical standard for executives

and employees. The Company also provides systematic compliance training to all executives and employees on an ongoing basis based on the understanding that compliance forms the basis for sustainable growth and the enhancement of the enterprise value of the Company.

3) Hotline for reporting violation of compliance and offering consultations is established, at least one (1) each within and outside of the Company. Hotline outside of the Company also accepts reports and offers consultations anonymously. The Company ensures that employees are fully aware of the availability of such hotline and establishes an environment in which employees can use the hotline/consultation contact with a sense of security.

VI. System for ensuring appropriateness of operation of the Corporate Group comprised of the Company and its subsidiaries

1) In addition to establishing the principal department for the management of Group companies and receiving regular reports based on the Investment and Financing Control Regulations, the Company discusses key decisions in advance. Moreover, Group Business Liaison Meetings are held regularly to share various issues at each Group company.

2) With regard to Group-wide risk management, the Company has formulated Risk Management Regulations and promotes Group-wide risk management activities in addition to appointing members from subsidiaries to Risk & Compliance Committee in order to operate on a Group basis. Moreover, in the event of an event with a serious impact on the Group, the Company implements a prompt and smooth response based on the Emergency Countermeasure Regulations.

3) The Company has formulated a Mid-Term Business Plan with the participation of subsidiaries, and manages the progress of the plan while regularly receiving reports on the status of management at subsidiaries.

4) In addition to having common values and standards of conduct as a Group through the Group Compliance Manual, Risk & Compliance Committee discusses and decides on significant matters regarding the Group's compliance. In addition, the Company's whistleblower hotline also handles reports and inquiries from officers and employees of Group companies.

5) The Company's executive directors and employees are appointed and seconded as executive directors and Audit & Supervisory Board Members at subsidiaries to oversee and audit the execution of business at subsidiaries.

6) With regard to ensuring credibility of financial reporting based on the Financial Instruments and Exchange Act, through coordination with the subsidiaries, the Company undertakes periodical review and evaluation of the maintenance and operation status of internal control of the Group, as well as striving for its maintenance and improvement.

VII. Matters relating to employees involved when Audit & Supervisory Board Members request the placement of employees to assist in their duties

Employee(s) to assist in Audit & Supervisory Board Members' duty shall be placed at Internal Audit Office.

VIII. Matters concerning the independence from Executive Directors of employees assisting in the duties of Audit & Supervisory Board Members and matter related to ensuring the effectiveness of the instructions from Audit & Supervisory Board Members to the employees involved

1) Internal transfers and evaluations for employees assisting in the duties of Audit & Supervisory Board Members require the consent of Audit & Supervisory Board Members to ensure the independence of the employee involved from the Executive Directors.

2) When the employees assisting the duties of Audit & Supervisory Board Members receive the necessary instruction related to those duties, the system required to enable them to follow the relevant instructions is established.

IX. Systems for reporting to Audit & Supervisory Board Members and systems for ensuring that a person who made a report to Audit & Supervisory Board Members does not receive

disadvantageous treatment as a result of the report in question

1) When an Executive Director discovers a fraudulent act by another Executive Director, an act by an Executive Director in violation of laws and regulations and/or the Articles of Incorporation, or a fact that may cause significant damage to the Company, the Executive Director must report it to Audit & Supervisory Board members at once.
2) The Internal Audit Office reports plans for internal audits and the results of internal audits to Audit & Supervisory Board Members.
3) When Audit & Supervisory Board Members request reports on the execution of duties, officers and employees of the Group must provide reports on the relevant matters without delay.
4) The Group Audit & Supervisory Board must be convened regularly and receive reports on the implementation status of audits from Audit & Supervisory Board Members of subsidiaries.
5) When officers and employees of the Group discover the fact that causes significant damages to the Group, they must immediately report to the Company's Audit & Supervisory Board Members.
6) In addition to prohibiting disadvantageous treatment of a Group director, officer or employee who has made a report to an Audit & Supervisory Board Member 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 directors, officers and employees of the Group to be relaxed about making reports and inquiries.

X. Matters concerning procedures for prepayment or refund of expenses arising in connection with the execution of the duties of Audit & Supervisory Board Members, 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 Board Members are implemented effectively

1) Audit & Supervisory Board Members share information and exchange opinions with Executive Directors by attending meetings of the Board of Directors and Management Committee.
2) Audit & Supervisory Board Members exchange opinions with the Accounting Auditors at least once every six months and, when necessary, exchange opinions with relevant departments and corporate attorneys of the Company.
3) When an Audit & Supervisory Board Member claims prepayment or refund of expenses arising in connection with execution of their duties, the Company processes the expense or obligation concerned, 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 Board Member concerned.

XI. Basic policy and system towards antisocial forces

1) 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 Compliance Manual.
2) In close coordination with outside specialized agencies such as The Federation for Prevention of Special Violence under Jurisdiction of the Metropolitan Police Department ("Tokubouren") and its regional council, of which the Company is a member, police stations under the jurisdiction, and corporate attorneys, the Company 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, while raising awareness and alertness to ensure the Group has no relationships with antisocial forces through compliance training programs within the Group.

【Overview of Internal Control System operation】

I. Risk and compliance system

1) Establishment of Risk & Compliance Committee

In July 2015, aiming to further promote effectiveness of activities in risk management and compliance, the twin engines of internal control, the Company established Risk & Compliance Committee as a consultative body to the Management Committee by integrating former Risk Management Committee and Compliance Committee. The Committee, which consists of Executive Directors and General Managers of the Company and its subsidiaries and is chaired by the Executive Director in charge of Administration & Management Division, has been held monthly in the current fiscal year.

2) Measures relating to compliance

Measures implemented by the Company include the development of the Group Compliance Manual, operation of whistleblower hotline for reports and inquiries, survey targeting employees of the Company and its partner companies, and educational activities (including e-learning, verification tests, trainings for new employees and mid-career workers).

Furthermore, Risk & Compliance Committee revises and approves the Group Compliance Manual, while reviewing the utilization status of whistleblower hotline for reports and inquiries, and the results of the survey, among other matters.

In the current fiscal year, no report or inquiry relating to the material breach of laws and regulations has been made.

3) Measures relating to risk management

Risk & Compliance Committee has engaged in improving and strengthening risk management activities by means of determining the significant management risks of the Group in the current fiscal year as well as conducting monitoring, analysis and evaluation on the risk management activities by the principal departments responsible for each risk, while reporting the Management Committee on a quarterly basis and seeking its instructions as appropriate.

Furthermore, aiming to clarify more prompt and accurate reporting to the senior management as well as appropriate responses and procedures in the event of an incident that has a serious impact on the Group, the Company has abolished existing Crisis Management Regulations and newly stipulated Emergency Countermeasure Regulations.

In the current fiscal year, no risk incident that could have a significant impact on the Group's management has occurred.

II. 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 12 times in the current fiscal year in addition to four 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.

III. System for management of subsidiaries

The Company's Executive Directors or employees are appointed as the President & CEO 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, Management Committee and Investment & Financing Committee. Moreover, Group Business Liaison Meetings have been held 12 times in the current fiscal year.

IV. System for audit by Audit & Supervisory Board Members

In addition to attending important meetings such as those of the Board of Directors, Management Committee, Risk & Compliance Committee and Investment & Financing Committee, Audit & Supervisory Board Members convened meetings for mutual exchange of opinions with the President & CEO of the Company (held once in the current fiscal year) and the Group Audit & Supervisory Board (held twice in the current fiscal year), and conducted interviews with executives and employees of the Group.

Furthermore, the Audit & Supervisory Board Members received results of the audit relating to the fiscal years as stipulated by laws and regulations from Accounting Auditor on regular basis and exchanged opinions and information regarding Internal Control System operation.

(Note) Figures stated in this Business Report are rounded down to the nearest unit.

Consolidated balance sheet

(unit: million yen)

Account title	29th FY (As of March 31, 2016)	28th FY (Reference) (As of March 31, 2015)	Account title	29th FY (As of March 31, 2016)	28th FY (Reference) (As of March 31, 2015)
Assets			**Liabilities**		
Current assets	**91,519**	**92,498**	**Current liabilities**	**42,444**	**42,640**
Cash and deposits	20,668	19,374	Accounts payable-trade	21,387	20,491
Notes and accounts receivable-trade	41,077	41,996	Lease obligations	1,672	1,403
			Accounts payable-other	1,178	1,201
Short-term investment securities	1,498	1,999	Income taxes payable	413	1,476
Merchandise	3,286	2,131	Advances received	12,426	13,395
Goods in transit	645	322	Provision for bonuses	2,686	2,930
Costs on uncompleted construction contracts	12,625	14,975	Provision for directors' bonuses	55	92
			Other	2,624	1,648
Supplies	17	20			
Prepaid expenses	6,815	6,087			
Deferred tax assets	1,334	1,284			
Other	3,550	4,308			
Allowance for doubtful accounts	(1)	(1)			
Noncurrent assets	**11,093**	**11,124**	**Noncurrent liabilities**	**4,635**	**3,869**
Property, plant and equipment	**5,536**	**5,386**	Lease obligations	4,130	3,257
Buildings	1,528	1,697	Asset retirement obligations	367	335
Tools, furniture and fixtures	4,007	3,689	Other	136	276
Intangible assets	**2,309**	**1,627**	**Total liabilities**	**47,079**	**46,510**
Goodwill	61	82	**Net assets**		
Other	2,248	1,545	**Shareholders' equity**	**55,878**	**56,897**
			Capital stock	12,279	12,279
Investments and other assets	**3,247**	**4,110**	Capital surplus	19,453	19,453
Investment securities	162	891	Retained earnings	25,289	26,317
Long-term loans receivable	17	24	Treasury stock	(1,143)	(1,152)
Deferred tax assets	1,103	1,189	**Accumulated other comprehensive income**	**(463)**	**120**
Other	1,962	2,005			
Allowance for doubtful accounts	–	(0)	Valuation difference on available-for-sale securities	(7)	(4)
			Deferred gains or losses on hedges	(456)	124
			Subscription rights to shares	**119**	**95**
			Total net assets	**55,533**	**57,113**
Total assets	**102,613**	**103,623**	**Total liabilities and net assets**	**102,613**	**103,623**

Consolidated statement of income

(unit: million yen)

Account title	29th FY (April 1, 2015 to March 31, 2016)	28th FY (Reference) (April 1, 2014 to March 31, 2015)
Revenue	**145,180**	**143,173**
Cost of revenue	**115,336**	**110,810**
Gross profit	**29,844**	**32,362**
Selling, general and administrative expenses	27,391	28,157
Operating income	**2,453**	**4,205**
Non-operating income	**309**	**245**
Interest income	28	10
Dividends income	5	–
Share of profit of entities accounted for using equity method	14	16
Miscellaneous income	260	217
Non-operating expenses	**168**	**201**
Interest expenses	76	58
Foreign exchange losses	87	51
Provision of allowance for doubtful accounts	–	(0)
Miscellaneous loss	3	91
Ordinary income	**2,594**	**4,249**
Extraordinary income	**120**	**–**
Gain on sales of investment securities	120	–
Gain on sales of shares of subsidiaries and associates	0	**–**
Extraordinary loss	**22**	**50**
Loss on retirement of noncurrent assets	18	41
Loss on valuation of investment securities	3	8
Profit before income taxes	**2,693**	**4,199**
Income taxes-current	881	1,894
Income taxes-deferred	302	(153)
Profit	**1,508**	**2,457**
Profit attributable to owners of parent	**1,508**	**2,457**

Consolidated statement of changes in net assets

(April 1, 2015 to March 31, 2016)

(unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2015	12,279	19,453	26,317	(1,152)	56,897
Changes of items during the period					
Dividends from surplus			(2,536)		(2,536)
Profit attributable to owners of parent			1,508		1,508
Disposal of treasury stock			(1)	8	7
Net changes of items other than shareholders' equity					
Total changes of items during the period	–	–	(1,028)	8	(1,019)
Balance as of March 31, 2016	12,279	19,453	25,289	(1,143)	55,878

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance as of April 1, 2015	(4)	124	120	95	57,113
Changes of items during the period					
Dividends from surplus					(2,536)
Profit attributable to owners of parent					1,508
Disposal of treasury stock					7
Net changes of items other than shareholders' equity	(3)	(580)	(583)	23	(560)
Total changes of items during the period	(3)	(580)	(583)	23	(1,579)
Balance as of March 31, 2016	(7)	(456)	(463)	119	55,533

Non-Consolidated balance sheet

(unit: million yen)

Account title	29th FY (As of March 31, 2016)	28th FY (Reference) (As of March 31, 2015)	Account title	29th FY (As of March 31, 2016)	28th FY (Reference) (As of March 31, 2015)
Assets			**Liabilities**		
Current assets	**83,598**	**84,462**	**Current liabilities**	**38,471**	**38,566**
Cash and deposits	20,205	18,690	Accounts payable-trade	19,810	19,115
Notes receivable-trade	119	466	Lease obligations	1,672	1,403
Accounts receivable-trade	35,119	34,592	Accounts payable-other	1,883	1,596
Short-term investment securities	1,498	1,999	Accrued expenses	709	314
Merchandise	2,016	771	Income taxes payable	399	1,200
Goods in transit	398	310	Accrued consumption taxes	788	583
Costs on uncompleted construction contracts	10,712	13,555	Advances received	9,939	11,116
			Deposits received	140	129
Supplies	12	16	Provision for bonuses	2,435	2,700
Prepaid expenses	6,469	5,963	Provision for directors' bonuses	42	56
Deferred tax assets	1,155	1,151	Other	648	349
Short-term loans receivable	2,006	2,007			
Other	3,884	4,936	**Noncurrent liabilities**	**4,615**	**3,840**
Allowance for doubtful accounts	(1)	(1)	Lease obligations	4,130	3,257
			Asset retirement obligations	367	335
Noncurrent assets	**12,172**	**12,080**	Other	117	246
Property, plant and equipment	**5,402**	**5,251**			
Buildings	1,486	1,678	**Total liabilities**	**43,087**	**42,407**
Tools, furniture and fixtures	3,915	3,573	**Net assets**		
			Shareholders' equity	**52,865**	**53,957**
Intangible assets	**2,242**	**1,545**	**Capital stock**	**12,279**	**12,279**
Software	2,227	1,528	**Capital surplus**	**19,453**	**19,453**
Other	14	16	Legal capital surplus	19,453	19,453
			Retained earnings	**22,276**	**23,376**
Investments and other assets	**4,527**	**5,283**	Legal retained earnings	86	86
Investment securities	37	545	Other retained earnings	22,189	23,289
Stocks of subsidiaries and affiliates	1,466	1,617	General reserve	19,490	20,160
Investments in capital	0	2	Retained earnings brought forward	2,699	3,129
Long-term loans receivable	17	24			
Claims provable in bankruptcy, claims provable in rehabilitation and other	–	0	**Treasury stock**	**(1,143)**	**(1,152)**
			Valuation and translation adjustments	**(301)**	**83**
Long-term prepaid expenses	8	9	Valuation difference on available-for-sale securities	(7)	(4)
Deferred tax assets	1,080	1,166			
Lease and guarantee deposits	1,779	1,780	Deferred gains or losses on hedges	(294)	87
Other	136	136	**Subscription rights to shares**	**119**	**95**
Allowance for doubtful accounts	–	(0)			
			Total net assets	**52,683**	**54,136**
Total assets	**95,770**	**96,543**	**Total liabilities and net assets**	**95,770**	**96,543**

Non-Consolidated statement of income

(unit: million yen)

Account title	29th FY (April 1, 2015 to March 31, 2016)	28th FY (Reference) (April 1, 2014 to March 31, 2015)
Revenue	**127,655**	**123,842**
Cost of revenue	**101,804**	**96,580**
Gross profit	**25,850**	**27,262**
Selling, general and administrative expenses	25,346	25,919
Operating income	**504**	**1,342**
Non-operating income	**1,924**	**2,045**
Interest income	32	18
Dividends income	5	–
Operations consignment fee from subsidiaries and associates	1,603	1,795
Foreign exchange gain	–	25
Miscellaneous income	283	206
Non-operating expenses	**130**	**109**
Interest expenses	76	57
Foreign exchange loss	50	–
Provision of allowance for doubtful accounts	–	(20)
Miscellaneous loss	3	71
Ordinary income	**2,297**	**3,278**
Extraordinary income	**201**	**–**
Gain on sales of investment securities	120	–
Gain on sales of shares of subsidiaries and associates	80	–
Extraordinary loss	**19**	**52**
Loss on retirement of noncurrent assets	18	41
Loss on valuation of investment securities	0	8
Loss on liquidation of subsidiaries	–	2
Profit before income taxes	**2,479**	**3,226**
Income taxes-current	784	1,452
Income taxes-deferred	258	(89)
Profit	**1,437**	**1,862**

Non-consolidated statement of changes in net assets

(April 1, 2015 to March 31, 2016)

(unit: million yen)

	Shareholders' equity							Valuation and translation adjustments (Note 2)	Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings			Treasury stock	Total shareholders' equity			
		Legal capital surplus	Legal retained earnings	Other retained earnings (Note 1)	Total retained earnings					
Balance as of April 1, 2015	12,279	19,453	86	23,289	23,376	(1,152)	53,957	83	95	54,136
Changes of items during the period										
Dividends from surplus				(2,536)	(2,536)		(2,536)			(2,536)
Profit				1,437	1,437		1,437			1,437
Disposal of treasury stock				(1)	(1)	8	7			7
Net changes of items other than shareholders' equity								(385)	23	(362)
Total changes of items during the period	–	–	–	(1,100)	(1,100)	8	(1,091)	(385)	23	(1,453)
Balance as of March 31, 2016	12,279	19,453	86	22,189	22,276	(1,143)	52,865	(301)	119	52,683

(Note) 1. Details of Other retained earnings

(unit: million yen)

	General reserve	Retained earnings brought forward	Total
Balance as of April 1, 2015	20,160	3,129	23,289
Changes of items during the period			
Reversal of general reserve	(670)	670	–
Dividends from surplus		(2,536)	(2,536)
Profit		1,437	1,437
Disposal of treasury stock		(1)	(1)
Total changes of items during the period	(670)	(430)	(1,100)
Balance as of March 31, 2016	19,490	2,699	22,189

(Note) 2. Details of Valuation and translation adjustments

(unit: million yen)

	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total
Balance as of April 1, 2015	(4)	87	83
Changes of items during the period			
Net changes of items other than shareholders' equity	(3)	(382)	(385)
Total changes of items during the period	(3)	(382)	(385)
Balance as of March 31, 2016	(7)	(294)	(301)

Independent auditor's reports

(not attached)

Audit report from Audit & Supervisory Board

Audit Report

We the Audit & Supervisory Board received reports on 29th period, April 1, 2015 to March 31, 2016 from each Audit & Supervisory Board Member with regard to the procedure and results of audit over the execution of duties by Executive Directors. We examined them, prepared this Audit Report and report to you as follows.

1. Auditing procedure employed by Audit & Supervisory Board Members and the Audit & Supervisory Board, and contents of the audit
   (1) The Audit & Supervisory Board established auditing policy and division of responsibilities. In addition to receiving status and results of the audit from each Audit & Supervisory Board Member, the Audit & Supervisory Board received reports from Executive Directors, etc. and Accounting Auditors regarding execution of their duties and requested for explanations as necessary.
   (2) In addition to complying with the standard established by the Audit & Supervisory Board, following the auditing policy and division of responsibilities, communicating with Executive Directors, internal audit division and other employees, and collecting information and developing the structure for auditing, each Audit & Supervisory Board Member performed the audit in the following methods.
      a. The Audit & Supervisory Board attended Board of Directors meetings and other notable meetings, received reports from Executive Directors and employees on execution of their duties, received further explanations from Executive Directors and employees as necessary, reviewed important documents regarding significant decisions, and researched the status of business and finance at the head office and other significant offices. With regard to subsidiaries, the Audit & Supervisory Board communicated with Directors and Audit & Supervisory Board Members of subsidiaries and exchanged information and received business reports from subsidiaries as necessary.
      b. With regard to the Board of Directors' resolutions regarding the development of systems necessary to ensure that the execution of the duties by the Executive Directors complies with the laws and regulations and the articles of incorporation, which is described in the Business Report, and other systems prescribed by Article 100, Paragraphs 1 and 3 of Ordinance for Enforcement of the Companies Act as systems necessary to ensure the properness of operations of the corporate group consisting of the Company and its subsidiaries and status of systems (internal control system) established by such resolutions, as well as the status of the establishment and operations of those systems, the Audit & Supervisory Board received reports from Executive Directors and other employees of the Company, requested their explanations, and expressed its opinions.
      c. The Audit & Supervisory Board monitored and examined that Accounting Auditors are maintaining their independency and are performing proper audit, and received reports on status of execution of duties and requested for explanations as necessary. Based upon notice from the Accounting Auditors that "system for ensuring proper execution of duties" (the matters listed in each item of Article 131 of Corporate Accounting Rules) are maintained in accordance with "Quality Control Standard for Audit" (Business Accounting Council dated October 28, 2005), the Audit & Supervisory Board 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 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 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 Deloitte Touche Tohmatsu LLC's auditing procedures and results are correct.

(3) Results of audit related to consolidated financial statements

We confirm that Deloitte Touche Tohmatsu LLC's auditing procedures and results are correct.

May 13, 2016

Audit & Supervisory Board
Net One Systems Co., Ltd.

Audit & Supervisory Board Member (Full-time)	Toru Matsuda
Audit & Supervisory Board Member	Masamichi Kikuchi
Audit & Supervisory Board Member	Minoru Uchida
Audit & Supervisory Board Member	Tadashi Nakaoka

(Note) Pursuant to Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act, Masamichi Kikuchi, Minoru Uchida and Tadashi Nakaoka are Outside Audit & Supervisory Board Members.

Aim to be the specialists of utilizing ICT, Strive for revitalizing the market

The ICT market is making minute-by-minute progress nearly 28 years after the appearance of the Internet, which mutually connects computer networks. Recently, the needs for utilizing and leveraging the ICT infrastructure have become pronounced. We hereby report on Net One Systems Group's key initiatives and the future direction for FY2016.

Takayuki Yoshino

President & CEO

Net One Systems Co., Ltd.

Shift in needs in the ICT user

More than a decade has passed since the Internet was integrated into Information and Communications Technology (ICT) infrastructure of Japan. Also, in the ICT Growth Strategy compiled by Ministry of Internal Affairs and Communications, policies are promoted to facilitate utilizing ICT, based on the recognition that Japan entered an era of the effective use of the world's most advanced ICT infrastructure built in that period.

Under these circumstances, major changes are taking place in the user market, where the Internet becomes a part of everyday life. One of such changes is a shift in needs from hardware to software. The source of value added is shifting from the system and network (hardware) to the know-how to utilize them (software).

Net One Systems Group, along with the relocation of the headquarters in 2013, has been making a major turn changing its business domain, from building network infrastructure in the SP (for telecom carrier) market, a former mainstay business of the Group, towards utilizing ICT, to the present.

The ultimate goal of this change in the business strategy is to become known for our seasoned expertise and insight for utilizing ICT. Towards the development of new markets, We initiated its efforts, starting from innovating its own work style with cutting-edge ICT, followed by initiatives such as building of unified platform infrastructure and shift to cloud-computing which increase operational efficiency by utilizing the Internet.

Pronounced demands for utilizing ICT

Recently, demands for utilizing ICT system become pronounced especially in the ENT (for enterprises) and PUB (for public) market. In the PUB market, in 2013, the post of "Government CIO" has been newly established in 2013 to facilitate renewal of the government information system by linking ministries and agencies with the aim of slashing operating costs by 30% by means of halving 1,500 information systems within the government and shifting all systems to those of cloud-based in principle by 2021.

As a result, the number of prefectures we contract in the form of direct transaction increased to nine. The investment demand for "building of unified platform infrastructure" and "work style innovation" in the PUB market is expected to expand further.

New challenges of the horizon for Net One Systems

In a challenge to develop the use of ICT market, we have also seen our challenges. We are now well recognized in the SP market, where we have been involved in a range of network development so far. However we are not enough known except SP market.

We are aware of the importance that we need to connect, promote communication, and build relationships with customers who understand us as the "expert of the use of ICT".

Growth strategies and key initiatives for FY2016 and beyond

Based on the understanding of those challenges, we have formulated the three-year medium-term growth scenario starting in FY2016, with three pillars: 1. Establish a dominant position as No. 1 cloud builder, 2. Service-oriented practices, and 3. Evolution to the customer-oriented cloud broker.

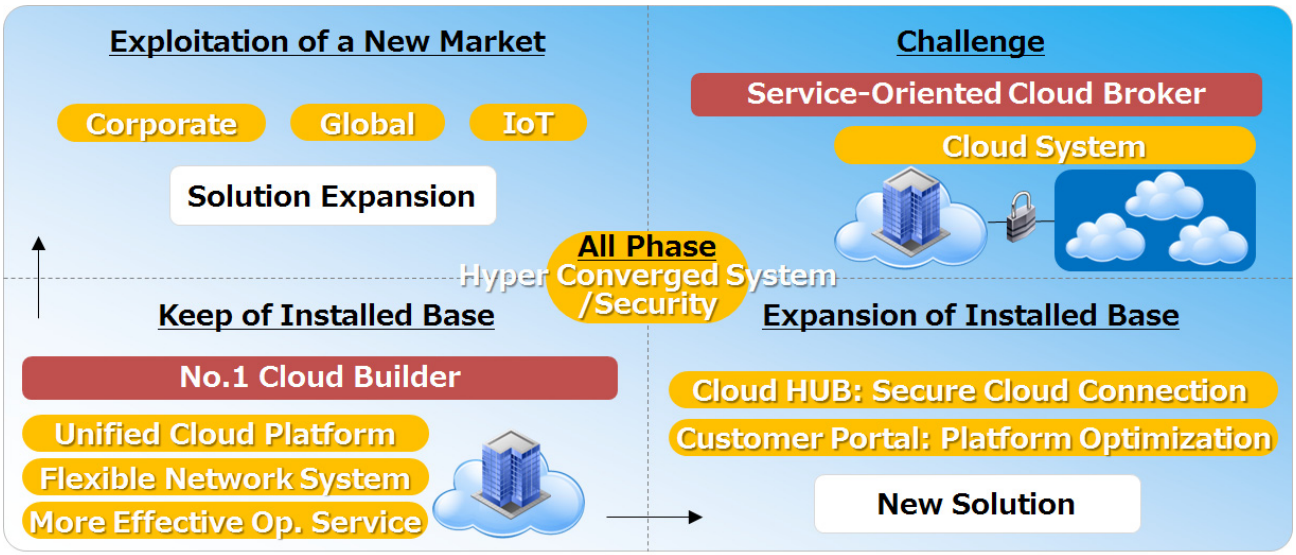
Realization of these pillars will enable us to build the cloud infrastructure and to link external cloud services under a robust security environment, and eventually to deliver high-value-added "cloud system" that covers these elements to our customers.

Furthermore, in order to establish ourselves as an "expert in utilizing ICT" as ways to put those pillars into practice, we promote the development of the corporate market and acceleration of globalization, while offering new services based on customer's lifecycles and solutions as a cloud broker for optimal cloud connection.

Going further forward, we will seek the materialization and monetization of IoT*.

* Internet of Things (IoT): the innovation by connecting everything to the Internet

The followings are the selected details of new initiatives from FY2016.



■Development of the corporate market through new services

In FY2015, we promoted marketing activities targeting the corporate market via the contact center of Net One Partners Co., Ltd., our wholly-owned subsidiary. Aggregating customer's needs that have become visible in the activities, we have promoted the development of cloud-based packaged services.

With the aim of developing the new services in the corporate market, a dedicated in-house sales and technical team has been established. We have started the business operations from April 2016.

■Acceleration of globalization

In FY2016, we will partner with a major system integrator in North America which operates globally. Upon business developments by its large client companies in the Japanese market, we will provide supports to them what they are not able to cope with. We aim to convey our brand of "expert in utilizing ICT" to the global market, establishing a track record of providing services with global companies and transaction as a cloud broker by meeting inbound demand from large international firms.

■Materialization and Monetization of IoT

Last autumn, we have launched building of experiment and verification tests for manufacturing sector-focused IoT systems with ecosystem partners. We are currently collecting production data of FA domain (factory automation division) which is the new field for us with FA domain partner companies together with the aim of realization of the systems linking OA domain (office automation division) which is our area of expertise.

The goal is to develop the business infrastructure that provides real-time insight into market demands, the inventories and production volume in each factory, based on the collected data.

We will further promote additional verification tests in FY2016, and would like to realize the monetization of the business model of IoT business by around FY2018.

Our shift in focus to the businesses related to utilizing and leveraging ICT is in progress steadily in line with the Group's growth strategies. Going forward, we will further concentrate on expansion of its scale to develop it as our future core business.

To this end, we humbly ask for your continued support and encouragement.