

This English translation of the Adjourned Meeting notice was prepared for reference purposes only and is qualified in its entirety by the original Japanese version.

ARTERIA Networks Corporation
Stock Ticker 4423
6-9-8 Shimbashi, Minato-ku, Tokyo
July 31, 2019

Notice of the Adjourned Meeting of the 4th Annual General Meeting of Shareholders

To our shareholders,

Thank you for your continued support. I hereby notify you of the Adjourned Meeting of the Company's 4th Annual General Meeting of Shareholders and request your kind attendance.

If you attend on the day, please bring the enclosed "Attendance Form for the Adjourned Meeting of the 4th Annual General Meeting of Shareholders" with you and submit it at the meeting reception.

As the Adjourned Meeting is part of the 4th Annual General Meeting of Shareholders, shareholders who attend it will be the same shareholders who were able to exercise their voting rights at the 4th Annual General Meeting of Shareholders.

Koji Kabumoto
Representative Director, President & CEO

1. Date and time: August 7, 2019 (Wednesday) 10:00 a.m. (doors open at 9:00 a.m.)
*The start time differs from the Annual General Meeting of Shareholders held in June 2019. Please take care to arrive at the correct time.
2. Venue: 4F Bellesalle Onarimon Tower
1-1-1 Shibakoen, Minato-ku, Tokyo
(Please refer to the Access Map at the end)
3. Agenda:
Matters to be reported
 1. Business report, report on the consolidated financial statements, and report on the result of the audit of the consolidated financial statements by the accounting auditor and the Audit & Supervisory Board for the 4th term (April 1, 2018 to March 31, 2019)
 2. Report on the non-consolidated financial statements for the 4th term (April 1, 2018 to March 31, 2019)

If you attend on the day, please bring the enclosed "Attendance Form for the Adjourned Meeting of the 4th Annual General Meeting of Shareholders" with you and submit it at the meeting reception.

Please understand that the Company will not prepare gifts for shareholders attending on the day.

As a measure for saving electricity, the Company's officers will be attending the meeting informally dressed without ties ("Cool Biz" style). Shareholders are also encouraged to attend in an informal style.

Any amendments to the matters recorded in the business report, consolidated financial statements, and non-consolidated financial statements will be posted online on the Company's website (<https://www.arteria-net.com>).

Among the documents that are to be provided when giving notice of holding the Adjourned Meeting, in accordance with laws and regulations and Article 14 of the Company's Articles of Incorporation, the following matters have been posted online on the Company's website above (<https://www.arteria-net.com>) and are therefore not included in the documents provided with this notice.

- (1) The "Consolidated Statements of Changes in Equity" and the "Notes to the Consolidated Financial Statements" of the consolidated financial statements
- (2) The "Statements of Changes in Equity" and "Notes to the Non-Consolidated Financial Statements" of the non-consolidated financial statements.

The above are part of the consolidated financial statements and non-consolidated financial statements that were audited by the accounting auditor and the Audit & Supervisory Board Members in preparing the accounting audit reports and the audit report.

Regarding the Adjourned Meeting of the 4th Annual General Meeting of Shareholders

As disclosed in our press release issued on April 16, 2019, “Potential Violation of the Antimonopoly Act,” we identified that the Company and our subsidiary, TSUNAGU NETWORK COMMUNICATIONS INC. (“TNC”), may have engaged in certain conduct (the “Conduct”) with competitors of TNC that may potentially have been in violation of the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (the “Antimonopoly Act”). We were listed on the first section of the Tokyo Stock Exchange, Inc. (the “TSE”), on December 12, 2018 (the “Listing”). In the documents that the Company filed with TSE at the time of application for the Listing, (the “Application Documents”), and the Securities Registration Statement dated November 13, 2018, we provided a general risk statement that, if we were unable to comply with the Antimonopoly Act and other regulations, our group's activities may be restricted and we may incur increased costs. However, the Conduct was not included in the Application Documents.

We take very seriously a series of incidents which form the reasons why the Conduct was not included in the Application Documents for the Listing and the Securities Registration Statement. To clarify this matter, investigations were conducted by both our legal counsel, and outside counsel who do not have an advisory relationship with the Company. However, in order to conduct more objective investigations, as announced by the Company in its press release dated April 22, 2019 titled “Notice Regarding Establishment of Third-Party Committee”, we established a Third-Party Committee, comprised solely of fair and impartial outside counsel who do not have any interests in the Company. Subsequently, the results of the investigation were received from the Third-Party Committee, as announced in the Company’s press release dated June 19, 2019 titled “Receipt of the Investigation Report of the Third-Party Committee and Policy for Future Course of Action.”

We hereby report that the Company announced a “Notice Regarding Partial Amendment to the Financial Report for the Fiscal Year Ended March 31, 2019 (IFRS) (Consolidated)” on July 31, 2019.

Furthermore, on July 19, 2019, we received the audit report relating to the Companies Act audit from the Company’s accounting auditor, and completed the settlement-related procedures for the fiscal year ended March 31, 2019. Therefore, as approved by shareholders at the 4th Annual General Meeting of Shareholders held on June 27, 2019, we hereby notify you that we will hold the Adjournment Meeting for the purpose of reporting on the details of the following for the fiscal year ended March 31, 2019: the business report, the report on the consolidated financial statements, the report on the non-consolidated financial statements, the reports on the results of the audits of the consolidated financial statements by the accounting auditor, the reports on the results of the audits of the non-consolidated financial statements by the accounting auditor, and the audit report of the Audit & Supervisory Board.

We sincerely apologize to our shareholders for the inconvenience and concern that this caused.

(Provided Documents)

Business Report

(From April 1, 2018 to March 31, 2019)

1. Current Status of the Corporate Group

(1) Status of Business in the Fiscal Year Under Review

① Business progress and results

The Group has established the following corporate philosophy: “ARTERIA Networks will continue to pioneer new solutions for customers’ changing business needs. We will leverage our distinctive network assets and customer-focused approach, along with resourceful ideas, swift action, and attention to detail. By creating information and communications platforms, we are committed to enabling the growth of our customers, our society, and our employees.” In line with this, as a provider of the main infrastructure for the new era of information and telecommunications, we will contribute to the advancement of society by leveraging the optical fiber networks that we have installed in major urban areas to expand our provision of internet services for corporate customers, network services, and services for condominiums.

In internet services, we provide corporate customers in Japan with optical internet connection services, IP telephone services, and others. Optical internet connection services are high-speed data transmission services that use optical fiber access lines. The main services include UCOM Hikari, ARTERIA Hikari Internet Access, and services provided to internet service providers (ISPs) and others on an OEM basis.

During the fiscal year under review, we launched an internet connection service offering uplink and downlink speeds of up to 10 Gbps (multi gigabit Ethernet compatible) on a best-effort basis in ARTERIA Hikari Internet Access.

In network services, we provide leased circuits, VPN connection services, and others.

Leased circuit services refer to services that establish a direct network connection between two connection points. Leased circuit services provide a high-quality, reliable and secure network connection that are typically used to support the core network and data center access for business users as well as the backbone connection architecture for businesses operating in the telecommunications or other industries.

During the fiscal year under review, leased circuits saw brisk new installations, supported by a strong reputation among business operators requiring large volume data transmission, such as video content distributors.

Virtual Private Network (VPN) connection services are private networks that configure virtual communication tunnels. The communication routes are protected by authentication and encoding, enabling construction of a safe network that cannot be penetrated by third parties. The Company provides comprehensive, one-stop VPN connection services from design and construction to operation and maintenance.

In the fiscal year under review, there was an increase in inquiries from sales partners handling only line services for us to provide comprehensive, one-stop VPN managed services covering VPN connection service design, construction, operation and maintenance. This expanded our proposal opportunities and customers.

In condominium internet services, we provide optical internet connection services for condominiums. The Group provides the high-quality UCOM Hikari Residence and e-mansion optical internet connection services, in a building-wide format in which all residents of a condominium sign a contract with the service provider. The services have a high adoption rate in the projects of major developers.

In the fiscal year under review, we started sales of a new 10 Gbps building-wide internet service offering the fastest broadband communication in Japan in our UCOM Hikari Residence service. Orders to lay optical fiber in large newly developed condominium buildings increased and the adoption of this service in university dormitories is also expanding. Orders in the rental market space also grew atop stronger sales activities.

Moreover, the Company has its own optical fiber networks in major urban areas throughout Japan, which provide the basis for provision of its services. Utilizing these networks enables us to control our fixed costs. In addition, we made progress in reducing procurement costs by leveraging benefits of scale as our business expanded.

As disclosed in our press release issued on April 16, 2019 “Potential Violation of the Antimonopoly Act” we identified that the Company and our subsidiary TNC, may have engaged the Conduct with competitors of TNC that may potentially have been in violation of the Antimonopoly Act. Accordingly, the Company has accrued an estimated amount of 180 million yen as a provision for levies etc. relating to the Antimonopoly Act this fiscal year.

As a result, during the fiscal year under review, net sales increased by 1,631 million yen (3.4%) year on year to 49,219 million yen; operating profit decreased by 82 million yen (1.1%) year on year to 7,466 million yen; profit for the period before income taxes decreased by 158 million yen (2.2%) year on year to 6,987 million yen; and profit for the period increased by 129 million yen (2.6%) year on year to 5,042 million yen.

② Capital expenditure

Capital expenditure during the fiscal year under review totaled 9,057 million yen and was mainly for backbone network construction, construction work to connect new customers and equipment for connections.

③ Procurement of funds

The Company did not procure funds by increasing capital, issuing bonds, executing new borrowings, or other methods during the fiscal year under review.

④ Business transfers, absorption-type company splits or incorporation-type company splits

Not applicable.

⑤ Business transfers from other companies

Not applicable.

⑥ Succession to rights and obligations related to business of other corporations, etc., through absorption-type merger or absorption-type company split

Not applicable.

⑦ Acquisition or disposal of shares or other holdings or stock acquisition rights of other companies

Not applicable.

(2) Status of Assets and Profit and Loss for the Preceding 3 Fiscal Years

① Status of the corporate group's assets and profit and losses (IFRS)

| Category | | 1 st Term (Fiscal year ended March 2016) | 2 nd Term (Fiscal year ended March 2017) | 3 rd Term (Fiscal year ended March 2018) | 4 th Term (Fiscal year under review) (Fiscal year ended March 2019) |
|---|------------------|---|---|---|--|
| Net sales | (million yen) | - | 41,365 | 47,587 | 49,219 |
| Operating profit | (million yen) | - | 5,926 | 7,549 | 7,466 |
| Profit for the period attributable to owners of the parent | (million yen) | - | 4,142 | 4,610 | 4,642 |
| Basic earnings per share | (yen) | - | 82.85 | 92.21 | 92.85 |
| Total assets | (million yen) | - | 75,419 | 78,560 | 81,968 |
| Total equity attributable to owners of the parent | (million yen) | - | 6,239 | 11,872 | 16,647 |
| Equity per share attributable to owners of the parent | (yen) | - | 124.79 | 237.45 | 332.96 |

Notes:

1. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) from the fiscal year ended March 31, 2018.
Figures for the fiscal year ended March 31, 2017 have been restated in accordance with IFRS.
2. The Company conducted a stock split of 5 shares for each share of common stock with an effective date of September 28, 2018. Basic earnings per share and equity per share attributable to owners of the parent are calculated as though the stock split took place at the start of the 2nd term.

② Status of the Company's assets and profit and loss (JGAAP)

| Category | | 1 st Term (Fiscal year ended March 2016) | 2 nd Term (Fiscal year ended March 2017) | 3 rd Term (Fiscal year ended March 2018) | 4 th Term (Fiscal year under review) (Fiscal year ended March 2019) |
|------------------------------|------------------|---|---|---|--|
| Net sales | (million yen) | - | 31,588 | 42,237 | 41,973 |
| Ordinary income (loss) | (million yen) | (422) | 3,380 | 4,816 | 4,566 |
| Profit (loss) for the period | (million yen) | (422) | 3,333 | 3,073 | 3,427 |
| Net income (loss) per share | (yen) | (113.19) | 66.67 | 61.48 | 68.54 |
| Total assets | (million yen) | 49,660 | 67,867 | 69,775 | 70,990 |
| Net assets | (million yen) | 9,577 | 6,304 | 9,378 | 12,805 |
| Net assets per share | (yen) | 957.73 | 126.10 | 187.57 | 256.11 |

Notes:

1. The Company conducted a stock split of 5 shares for each share of common stock with an effective date of September 28, 2018. Earnings per share and net assets per share are calculated as though the stock split took place at the start of the 2nd term.
2. The Company was founded on February 12, 2016, and therefore the 1st term is one month and 18 days from February 12, 2016 to March 31, 2016.
3. Partial changes in the Accounting Standard for Tax Effect Accounting (Business Accounting Standard No. 28, February 16, 2018) are applied from the 4th Term. These changes have been applied to the 3rd Term retroactively.

(3) Status of Important Parent Companies and Subsidiaries

① Status of parent company

| Company name | Capital (million yen) | Investment Ratio in the Company (%) | Relationship with the Company |
|----------------------|--------------------------|--|--|
| Marubeni Corporation | 262,686 | 50.0 | Concurrent positions of directors, acceptance of secondees |

Note:

Transactions and so forth with the parent company are subject to prior judgement by the Board of Directors as to whether the transaction is possible, and the Company strive to prevent transactions that harm the interests of the Company or minority shareholders.

② Status of important subsidiaries

| Company name | Capital (million yen) | Investment Ratio of the Company (%) | Principal Business Operations |
|-------------------------------------|--------------------------|---|---|
| TSUNAGU NETWORK COMMUNICATIONS INC. | 1,500 | 80.0 | Telecommunication business |
| ARTERIA Engineering Corporation | 30 | 100.0 | Telecommunication construction business |
| Arteria Interconnect Corporation | 9 | 100.0 | Telecommunication business |

(4) Issues to be Addressed

The Group is engaged on the following issues to achieve the Company's medium- to long-term management strategies.

① Strengthen compliance structure

The Company announced on April 16, 2019 that it identified that the Company and its subsidiary, TNC may have engaged in the Conduct with competitors of TNC that may potentially have been in violation of the Act on Prohibition of the Antimonopoly Act. The Company has taken these facts very seriously and has taken steps to strengthen compliance awareness through a message from top management regarding observation of laws and regulations, conducting training for all Group employees, and obtaining pledges regarding ensuring overall compliance. In addition, going forward the Group will strive to further strength the compliance structure by formulating internal rules on observing the Antimonopoly Act.

Furthermore, on June 19, 2019, we received a report from the Third-Party Committee comprised solely of fair and impartial outside legal counsel who do not have any interests in the Company regarding the series of incidents that form the reasons why the Conduct was not included in the Application Documents or the Securities Registration Statement when the Company was listed on the first section of the TSE, on December 12, 2018.

The Company takes the investigation results and recommendations of this report seriously. We will formulate and execute concrete measures to ensure that not only management but all employees have a deep understanding of this series of experiences and the lessons to be drawn from them, and to prevent a recurrence. The measures to prevent a recurrence are as follows.

- (a) Preventive measures regarding the insufficient knowledge of, or sensitivity to, the Antimonopoly Act
- (b) Preventive measures regarding the insufficient awareness of accountability to the market
- (c) Preventive measures concerning internal communications
- (d) Preventive measures concerning the allocation of human and economic resources to our management divisions
- (e) Preventive measures to ensure management of our subsidiaries

② Expansion of the customer base

The Group's business is based on recurring revenue (Note 1) in the form of monthly usage charges. It is therefore important to expand the number of customers at an appropriate price in order to increase the earnings base. To expand the number of customers requires preventing cancellations among existing customers as well as increasing the number of new customers. For this reason, the Group is undertaking efficient promotion activities to increase recognition of its characteristics, such as its reliability as the No. 1. company in the field of building-wide internet services for condominiums (27% of the entire market) (Note 2) and its provision of telecommunication services for diverse corporations. At the same time, the Group is strengthening its relationships with collaboration partners to encourage users to switch their provider of various services from competitors to the Company.

③ Retention and development of human resources

The Group needs to continuously secure high-quality human resources with the necessary expertise

and experience to enable further business growth going forward. The Group will therefore focus on developing the next generation of human resources by carrying out enhancement of its personnel and training systems while aggressively conducting recruitment of new graduates.

④ Strengthening the internal control system

As the Group's business environment changes and its business continuously develops, it will be essential to streamline operational management and strengthen corporate governance functions. We believe this will necessitate proper implementation of an internal control system to ensure the reliability of our financial reporting. To this end, the Group will continuously maintain and upgrade the internal control system and work to strengthen the organizational structure for ensuring the fairness and transparency of management.

⑤ New businesses

The Group's business environment is changing rapidly and is expected to change even more dramatically going forward. We therefore consider it important to address the development of future-oriented services and the creation of new businesses. The Group will leverage its strength in backbone networks (Note 3) along with FTTx Networks (Note 4) to develop completely new services and undertake collaboration and open innovation with other companies to open up new markets that it has not yet approached.

Notes:

1. Refers to revenues associated with continuous service provision and monthly usage charges billed to customers
2. Source: MM Research Institute "Market share research for ISP for condominiums (building-wide internet services for condominiums (March 2018))"
3. Backbone networks refer to the core section of the network, for example of a network operator.
4. Refers to the installation of optical fiber from the base station of a network operator to a destination site such as a building or condominium to enable high-speed broadband data transmission. Also refers to installation of FTTH optical fiber connections to individual households.

(5) Main Business Activities (As of March 31, 2019)

The Group is mainly engaged in the provision of internet services (optical internet connection services, etc.), network services (leased circuit services, VPN connection services, etc.), and condominium internet services (building-wide internet services for condominiums, etc.) in a single operating segment of telecommunications business based on the Telecommunications Business Act.

(6) Main Offices and Factories (As of March 31, 2019)

| | |
|--------------|--|
| Head office | 6-9-8 Shimbashi, Minato-ku, Tokyo |
| Osaka office | 2-1-6 Honmachi, Chuo-ku, Osaka City, Osaka |

(7) Status of Employees (As of March 31, 2019)

① Status of employees of the corporate group

| Segment Name | Number of Employees |
|----------------------------|---------------------|
| Telecommunication business | 699 |
| Total | 699 |

Notes:

1. Since the Group operates a single business, segment information is omitted.
2. The number of temporary employees is omitted since they account for less than 10% of the total number of employees.

② Status of employees of the Company

| Number of Employees | Average Age | Average years of Service |
|---------------------|-------------|--------------------------|
| 526 | 42.0 | 9.6 |

Notes:

1. Since the Company operates a single business, segment information is omitted.
2. The number of temporary employees is omitted since they account for less than 10% of the total number of employees.

(8) Status of Main Lenders (As of March 31, 2019)

| Lender | Amount of Borrowings (million yen) |
|-------------------------------------|---------------------------------------|
| MUFG Bank, Ltd. | 15,140 |
| Sumitomo Mitsui Banking Corporation | 15,140 |
| Mizuho Bank, Ltd. | 7,570 |
| Aozora Bank, Ltd. | 4,205 |

(9) Other Important Matters Related to the Current Status of the Corporate Group

The TSE accepted the listing of the Company's shares, which were listed on the First Section of the TSE on December 12, 2018.

2. Current Status of the Company

(1) Status of Shares (As of March 31, 2019)

- ① Total number of authorized shares 200,000,000

Note:

The Company changed its Articles of Incorporation effective September 28, 2018 so that the total number of authorized shares was changed from 1,000,000,000 to 200,000,000.

Accordingly, the total number of authorized shares was reduced by 800,000,000.

- ② Total number of issued shares 50,000,000

Note:

The Company conducted a stock split of 5 shares for each share of common stock with an effective date of September 28, 2018. Accordingly, the total number of issued shares increased by 40,000,000.

- ③ Number of shareholders 7,944

④ Major shareholders

| Shareholder Name | Number of Shares Held | Ownership Ratio (%) |
|--|-----------------------|---------------------|
| Marubeni Corporation | 25,000,100 | 50.0 |
| UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT | 4,879,600 | 9.8 |
| BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC) | 1,861,356 | 3.7 |
| GOLDMAN, SACHS & CO. REG | 1,668,400 | 3.3 |
| BNYM SA/NV FOR BNYM FOR BNYM GCM CLIENT ACCTS M ILM FE | 1,435,500 | 2.9 |
| J.P. MORGAN BANK LUXEMBOURG S.A. 1300000 | 1,243,460 | 2.5 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 855,100 | 1.7 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 699,300 | 1.4 |
| STATE STREET BANK AND TRUST COMPANY 505225 | 624,100 | 1.2 |
| Morgan Stanley MUGF Securities Co., Ltd. | 602,000 | 1.2 |

Notes:

1. Ownership ratios are calculated after deducting treasury stock (61 shares).
2. In a report on large shareholders made available for public inspection as of December 18, 2018, it is stated that Janchor Partners Limited holds the following shares as of December 12, 2018: However, as the Company could not confirm the actual number of shares owned as of March 31, 2019, Janchor Partners Limited has not been included in the above status of major shareholders. The contents of the report on large shareholders are as follows.

| | |
|-----------------------|--|
| Large shareholder | Janchor Partners Limited |
| Address | 1608, One Exchange Square, 8 Connaught Place, Central, Hong Kong |
| Number of shares held | 4,500,000 |
| Ownership ratio | 9.0% |

(2) Status of Stock Acquisition Rights, etc.

Not applicable.

(3) Status of Officers of the Company

① Status of directors and Audit & Supervisory Board members (As of March 31, 2019)

| Position in the Company | Name | Responsibilities and Important Concurrent Positions |
|---|--------------------|--|
| Representative Director, President & CEO | Jun Kawakami | Representative Director and President, TSUNAGU NETWORK COMMUNICATIONS INC. |
| Representative Director, Vice President & CCO | Daisuke Arita | Director, TSUNAGU NETWORK COMMUNICATIONS INC. Director, ARTERIA Engineering Corporation |
| Director & CFO | Seiichi Tateishi | Director, TSUNAGU NETWORK COMMUNICATIONS INC. |
| Director & CMO | Kazunori Ohashi | Director, TSUNAGU NETWORK COMMUNICATIONS INC. Director, ARTERIA Engineering Corporation Representative Director, ARTERIA Interconnect Corporation |
| Director | Koji Kabumoto | Executive Officer, Chief Operating Officer, ICT, Logistics & Healthcare Division, Marubeni Corporation Director, MARUBENI INFORMATION SYSTEMS CO., LTD. Director, MARUBENI IT SOLUTIONS INC. Representative Director and Chairman, MARUNOUCHI DIRECT ACCESS Ltd. Director, MX Mobiling Co., Ltd. Director, MARUBENI LOGISTICS CORPORATION |
| Director | Kenichiro Oikawa | Chief Operating Officer, Insurance, Finance & Real Estate Business Division, Marubeni Corporation Director, MITSUBISHI JISHO COMMUNITY HOLDINGS CO., LTD. |
| Director | Hiroshi Esaki | Professor, Graduate School of Information Science and Technology, The University of Tokyo Director, Ubiteq, Inc. |
| Director | Ichiro Miyake | Special Advisor, S&P Global Japan Inc. Director, RECOMM CO., LTD. |
| Audit & Supervisory Board member | Yasuhiro Sano | Audit & Supervisory Board member, ARTERIA Engineering Corporation |
| Audit & Supervisory Board member | Hidenori Shibasaki | General Manager, ICT Business Dept.-I, Marubeni Corporation Representative Director and President, MAS Holdings Co., Ltd. Director, MARUBENI INFORMATION SYSTEMS CO., LTD. Director, Marubeni OKI Network Solutions Inc. Director, i2ts, inc. Director, MARUBENI IT SOLUTIONS INC. Director, Marplless Communication Technologies (PTY) Ltd. |
| Audit & Supervisory Board member | Takeshi Motomura | Lawyer, Partner, IWATA GODO Director, Audit and Supervisory Committee Member, Data Applications Co., Ltd. Audit & Supervisory Board member, Oi Electric Co., Ltd. |

Notes:

1. Directors Hiroshi Esaki and Ichiro Miyake are outside directors. As the Company became a consolidated subsidiary of Marubeni Corporation on December 12, 2018, directors Koji Kabumoto and Kenichiro Oikawa ceased to meet the requirements for outside directors as of that date.
2. Audit & Supervisory Board Members Yasuhiro Sano and Takeshi Motomura are outside Audit & Supervisory Board members.
3. Audit & Supervisory Board Member Takeshi Motomura has abundant knowledge and experience as a lawyer, and has considerable knowledge of finance and accounting.
4. Directors Kenichiro Oikawa, Hiroshi Esaki, and Ichiro Miyake were newly elected as directors at the 3rd Annual General Meeting of Shareholders, held on June 29, 2018, and were each appointed.
5. Directors Hiroshi Esaki and Ichiro Miyake, and Audit & Supervisory Board Member Takeshi Motomura are independent officers, which the Company is obliged to secure by the TSE, and have been notified as such.
6. Directors Roy Kuan, Alvin Lam, and Daisuke Takatsuki, and Audit & Supervisory Board Member Masanori Obara resigned on November 12, 2018, and director Jun Kawakami resigned on June 26, 2019.
7. The status of important concurrent positions of directors and Audit & Supervisory Board members during the fiscal year under review changed as follows.

| Name | Status of Important Concurrent Positions | | |
|--------------------|---|--------------|----------------|
| | Before change | After change | Transfer date |
| Koji Kabumoto | Director, MARUBENI INFORMATION SYSTEMS CO., LTD. | Retired | March 31, 2019 |
| | Director, MARUBENI IT SOLUTIONS INC. | Retired | March 31, 2019 |
| | Director, MARUBENI LOGISTICS CORPORATION | Retired | March 31, 2019 |
| Kenichiro Oikawa | Director, MITSUBISHI JISHO COMMUNITY HOLDINGS CO., LTD. | Retired | March 31, 2019 |
| Yasuhiro Sano | Audit & Supervisory Board member, ARTERIA Engineering Corporation | Retired | June 29, 2018 |
| Hidenori Shibasaki | Director, MARUBENI INFORMATION SYSTEMS CO., LTD. | Retired | March 31, 2019 |
| | Director, Marubeni OKI Network Solutions Inc. | Retired | March 31, 2019 |
| | Director, i2ts, inc. | Retired | March 31, 2019 |
| | Director, MARUBENI IT SOLUTIONS INC. | Retired | March 31, 2019 |

② Details of limited liability agreement

The Company's Articles of Incorporation have provisions regarding limited liability agreements with its directors (excluding executive directors, etc.) and Audit & Supervisory Board members. In accordance with the Articles of Incorporation, the Company concluded limited liability agreements with all of its directors (excluding executive directors, etc.) and Audit & Supervisory Board members. An overview of the agreements is as follows.

(Limited liability agreement with directors)

After concluding the agreement, the liability for damages of directors (excluding executive directors, etc.) who fail in their duties shall be limited to the higher amount of 5 million yen or the amount prescribed by laws and regulations, provided that they have acted in good faith and without gross negligence in performing their duties.

(Limited liability agreement with Audit & Supervisory Board members)

After concluding the agreement, the liability for damages of Audit & Supervisory Board members who fail in their duties shall be limited to the higher amount of 5 million yen or the amount prescribed by laws and regulations, provided that they have acted in good faith and without gross negligence in performing their duties.

③ Remuneration, etc. of directors and Audit & Supervisory Board members

Total amount of remuneration, etc. for the fiscal year under review

| Category | Number of Recipients | Amount of Compensation (million yen) |
|--|----------------------|--------------------------------------|
| Directors (incl. outside directors) | 6 (2) | 156 (9) |
| Audit & Supervisory Board members (incl. outside Audit & Supervisory Board members) | 2 (2) | 18 (18) |
| Total (incl. outside officers) | 8 (4) | 174 (27) |

Note:

As indicated in the table above, six of the directors are eligible to receive remuneration.

As indicated in the table above, two of the Audit & Supervisory Board members are eligible to receive remuneration.

The amount of compensation paid to directors does not include employee salaries paid to directors serving concurrently as employees.

④ Outside officers

A) Status of important positions held concurrently at other companies and relationship between the Company and such companies

The status of important positions held concurrently at other companies is as described in “Status of directors and Audit & Supervisory Board members”

Directors Koji Kabumoto and Kenichiro Oikawa and Audit & Supervisory Board member Hidenori Shibasaki hold concurrent positions within the Marubeni Group, including the Company’s parent company, Marubeni Corporation. However, the ratio of the transaction amount between the Company and the entire Marubeni Group is less than 10% of both sales and purchases. Furthermore, transactions with the Marubeni Group are subject to approval by the Board of Directors to ensure the appropriateness of the transaction conditions.

Moreover, with regard to other outside officers and relationships with other companies, there are no important special relationships between the companies where they hold concurrent positions and the Company.

B) Main activities during the fiscal year under review

Attendance at meetings of the Board of Directors and the Audit & Supervisory Board

| Name | Board of Directors Meetings (held 18 times) | | | Audit & Supervisory Board Meetings (held 15 times) | | |
|---|--|-----------------|-----------------|---|-----------------|-----------------|
| | Number of meetings requiring attendance | Number attended | Attendance rate | Number of meetings requiring attendance | Number attended | Attendance rate |
| Director Roy Kuan | 10 | 9 | 90.0% | – | – | – |
| Director Alvin Lam | 10 | 9 | 90.0% | – | – | – |
| Director Koji Kabumoto | 13 | 13 | 100.0% | – | – | – |
| Director Daisuke Takatsuki | 10 | 10 | 100.0% | – | – | – |
| Director Kenichiro Oikawa | 9 | 9 | 100.0% | – | – | – |
| Director Hiroshi Esaki | 14 | 11 | 78.6% | – | – | – |
| Director Ichiro Miyake | 14 | 14 | 100.0% | – | – | – |
| Audit & Supervisory Board Member Yasuhiro Sano | 18 | 18 | 100.0% | 15 | 15 | 100.0% |
| Audit & Supervisory Board Member Takeshi Motomura | 18 | 18 | 100.0% | 15 | 15 | 100.0% |

Notes:

1. The number of Board of Directors meetings held does not include the number of written resolutions.
2. Each outside director attends the periodic Board of Directors meetings and makes appropriate comments as required regarding important management matters and other matters concerning the Company's systems
3. Each outside Audit & Supervisory Board member attends the periodic Board of Directors meetings and Audit & Supervisory Board meetings and makes appropriate comments as required regarding the method of audits and other matters concerning the execution of the Audit & Supervisory Board members' duties.
4. As the Company became a consolidated subsidiary of Marubeni Corporation on the day of its listing on December 12, 2018, Directors Koji Kabumoto and Kenichiro Oikawa ceased to meet the requirements for outside directors as of that date.
5. As disclosed in our press release issued on April 16, 2019 as of that date. day of its listing on December 12, 2018, Directors Koji Kabumoto and Keniche comments as regaged the Conduct with competitors of TNC that may potentially have been in violation of the Act on Prohibition of the Antimonopoly Act. We also disclosed that in the Application Documents and Securities Registration Statement dated November 13, 2018, that we submitted to the TSE for our listing, we provided a general risk statement that, if we were unable to comply with the Antimonopoly Act and other regulations, our group's activities may be restricted and we may incur increased costs.

However, the Conduct was not included in the Application Documents. The outside directors and outside Audit & Supervisory Board members were not aware of the matter until it became apparent; however, they have often provided advice from a perspective of legal and regulatory compliance, and since the matter came to light, they have called for a thorough investigation, provided proposals for strengthening the Company's internal structures and compliance structures, and so forth.

(4) Status of Accounting Auditor

① Name of accounting auditor: Ernst & Young ShinNihon LLC

② Amount of compensation

| | Amount of Compensation (million yen) |
|--|--------------------------------------|
| Compensation for the accounting auditor for the fiscal year under review | 152 |
| Total amount of money and property benefits to be paid to the accounting auditor by the Company and its subsidiaries | 187 |

Notes:

1. In the audit contract between the Company and the accounting auditor, there is no clear division between the amounts of audit compensation, etc. for audits conducted based on the Companies Act and audits conducted based on the Financial Instruments & Exchange Act. Since it is not practically possible to divide them, the amount of compensation, etc. for the accounting auditor for the fiscal year under review represents the total amount for both of these audits.
2. The Audit & Supervisory Board has judged the amount of compensation, etc. to be appropriate, having conducted the necessary investigations regarding the content of the accounting auditors Act and audit status of audit execution, and grounds for calculation of the compensation estimate to determine whether they are appropriate.

③ Details of non-audit services

The Company has paid consideration to Ernst & Young ShinNihon LLC for services related to the listing of the Company's shares.

④ Policy concerning decisions on dismissal or non-reappointment of an accounting auditor

The Audit & Supervisory Board decides on the content of resolutions submitted to the Annual General Meeting of Shareholders regarding the dismissal or non-reappointment of the accounting auditor in cases where it deems this to be necessary, such as cases where the accounting auditor is obstructed from executing its duties.

In cases where the accounting auditor is deemed to fall under the items specified in each item of Article 340, paragraph 1 of the Companies Act, the Audit & Supervisory Board will dismiss the accounting auditor with the consensus of all Audit & Supervisory Board members. In such cases, an Audit & Supervisory Board member selected by the Audit & Supervisory Board will report the dismissal of the accounting auditor and the reason therefore at the first General Meeting of Shareholders convened after the dismissal.

⑤ Details of limited liability agreement

Not applicable.

3. System for Ensuring the Appropriateness of Business Operations and Operation Status of the System

(1) Overview of Decisions Regarding the System for Ensuring Appropriateness of Business Operations

The Company's basic policy on the system for ensuring appropriate business operations of the Company was partially revised at a Board of Directors' meeting held on November 13, 2018, to enhance the content of the system. An overview of the revised system for ensuring appropriate business operations of the Company is as follows.

① System for ensuring that the execution of the duties of directors and employees is in compliance with laws, regulations, and the Articles of Incorporation

A) Corporate governance

The term of office of the Company's directors is one year, and the Company shall appoint outside directors. The directors shall execute their duties in accordance with laws and regulations and with the Articles of Incorporation, etc., based on the duties under their charge decided on by the Board of Directors, and shall report on the status of execution of their duties to the Board of Directors. The Board of Directors shall decide on critical matters relating to business management in accordance with laws and regulations and with the Articles of Incorporation, etc., and shall monitor the directors' execution of their duties.

The Audit & Supervisory Board members and the Audit & Supervisory Board shall exercise their authority as prescribed by laws and regulations and shall coordinate with the accounting auditor to audit the appropriateness of the directors' execution of their duties and the reasonableness of the results of the an audit by the accounting auditor in accordance with the Regulations for the Audit & Supervisory Board and the Audit & Supervisory Board Members' Audit Standards, etc.

The accounting auditor shall perform audits under the system established in accordance with Quality Control Standards for Audit prescribed by the Business Accounting Council.

B) Compliance

The Company shall establish Work Rules, a compliance manual and other codes of conduct to ensure the compliance of the corporate activities led by its directors and employees. To achieve this objective, the Company shall establish the various committees including the Compliance Committee and shall implement various measures. Moreover, in case the reporting line fails to function, the Company shall set up an internal consultation desk and an external attorney contact as contact points for reporting or consulting regarding the Company's compliance.

C) Monitoring

The Compliance Committee shall hold discussions regarding the identification of causes for misconduct related to compliance issues in the Company and measures to prevent recurrences. Based on the results of the discussions, the committee shall promote recurrence prevention measures and initiatives to prevent misconduct. Directors or employees who violate laws or regulations in the execution of their duties are strictly penalized pursuant to the Regulations for the Board of Directors, the Work Rules, and other regulations.

D) Handling of anti-social forces

The Company will not have any relationship, including business relationships, with anti-social forces. The Company will respond resolutely as a united organization to any unjust demands received from anti-social forces.

② System for the storage and management of information regarding the execution of duties by directors

The Company shall establish document management regulations and shall specify the documents that are to be stored and the storage period, and shall appoint the persons responsible for document management. Information regarding the execution of duties by directors and employees shall be stored and managed, and the documents shall be made available for inspection by directors and Audit & Supervisory Board members at all times.

③ Regulations and other systems relating to managing the risk of loss

A) Principles of authority of duties

The directors and employees in certain positions shall be given the authority necessary to perform their duties according to the resolutions of the Board of Directors and relevant regulations. They shall manage risks associated within the execution of their duties within the scope of their authority and shall take responsibility for the results.

B) Internal approval system

Decisions on important investments and other individual issues require the approval of the president in accordance with the relevant regulations. The approval of the Board of Directors may also be required by laws and regulations or the Articles of Incorporation, or depending on the importance of issues.

C) Risk assessment

From the perspective of company-wide risk distribution, the Company shall implement the management of credit and other risks related to industry type, market, and customer. Reputational risk, information security risk, and so forth shall be managed by strengthening the compliance system and other means.

D) Crisis management

In the event of a critical situation such as a natural disaster, the Company shall appoint a crisis management task force led by the president, or corporate officer from a relevant internal department with responsibility for allocation of duties appointed by the president, or other person in a management role, in accordance with the manuals for crisis management and shall promptly determine and implement specific measures to minimize damage, losses, and so forth.

④ System for ensuring the efficient execution of directors' duties

A) Management policies, strategies, and plans

To ensure the efficient execution of directors' duties, the Company shall set goals to be shared by all directors and employees through management policies, strategies, plans, and so forth, shall make efforts to have all of them penetrated across the organization, and shall set specific targets to be achieved by each director and employee.

B) Clarification of authority duties and responsibilities

The Company shall establish in its regulations a clear division of the roles, authority, and responsibilities of each director and employee and clear decision-making rules.

C) Internal audits

To investigate the appropriateness and compliance of the execution of duties of the Company's executives, the Company shall establish the Internal Audit Department directly under the president.

The department shall conduct internal audits, and the audit results shall be periodically reported to the Board of Directors.

- ⑤ Systems for ensuring the appropriate business operations of the group of enterprises comprising the Company, its parent company, and its subsidiaries

The Compliance Committee and various other committees shall support and provide guidance for internal compliance activities. Moreover, the Company shall develop and maintain systems necessary for ensuring the reliability of its consolidated financial statements and other financial reports, carrying out continuous monitoring, and appropriately acquiring, storing, and disposing of its assets.

The Audit & Supervisory Board members shall conduct audits and shall provide the directors with recommendations or advice as necessary.

- ⑥ Matters related to employees who have been assigned at the request of the Audit & Supervisory Board members as assistants to assist in their duties

The Company shall appoint assistants to the Audit & Supervisory Board members to assist the Audit & Supervisory Board members in the performing their duties. In the case of performing personnel management functions (transfer, appraisal, disciplinary actions, etc.) with regard to the assistants to the Audit & Supervisory Board members the division manager of the Personnel and General Affairs Division shall provide a prior report thereof to the Audit & Supervisory Board members to seek their opinions. The Audit & Supervisory Board members may request a change of their assistants if necessary.

- ⑦ System for directors and employees to report to Audit & Supervisory Board members and system for making other reports to Audit & Supervisory Board members

Audit & Supervisory Board members shall attend the Board of Directors' meetings and shall receive reports from the directors on the execution of duties and other important matters. Audit & Supervisory Board members shall also attend other important meetings in accordance with the division of duties specified by the Audit & Supervisory Board.

The president shall hold periodic meetings with the Audit & Supervisory Board members, and shall report to them on the status of execution of duties. The directors shall immediately report to the Audit & Supervisory Board members if they discover any fact that may cause significant damage to the Company.

The Audit & Supervisory Board members may request reports from directors or employees at any time as necessary.

- ⑧ Other systems for ensuring that audits will be conducted effectively by the Audit & Supervisory Board members

Audit & Supervisory Board members may hold meetings with the accounting auditor and may exchange opinions about audit policies and reports on audit results. If deemed necessary by the Audit & Supervisory Board members, an attorney, a certified public accountant, or any other outside advisor may be appointed.

(2) Overview of Operational Status of System for Ensuring Appropriateness of Business Operations

① Compliance system

The Company held 18 meetings of the Board of Directors during the fiscal year under review. At the meetings, the directors discussed and made decisions on important matters and the directors and others in charge of the key divisions reported on the execution of their duties. The Company held the Compliance Committees' meetings to monitor the status of compliance, provided education to maintain the necessary compliance, had all employees refresh their knowledge of the compliance manual, and obtained a written pledge of compliance from every employee.

② Risk management system

In December 2018, the Company formulated new Risk Management Regulations to replace its previous regulations. The updated system has a Risk Management Committee chaired by the president and CEO, which has supervisory control of the risk management plans for each organization category and their execution. The Risk Management Committee shall examine the reports from each organization category during fourth quarter, and provide amendments, recommendations, and guidance as necessary.

③ System for efficient execution of duties

The Company established a system for appropriate and efficient management judgement and decision making, including periodically reviewing its management policies, strategies, and targets through the Board of Directors' meetings.

④ Group management system

The Company has appropriately shared its management policies, strategies, and targets with its subsidiaries, for instance by receiving their reports as appropriate and managing the progress of their business operations. In addition, the Company's subsidiaries have ensured compliance by providing their employees with training and opportunities for discussion and obtaining their written pledges of compliance as necessary. Furthermore, on June 1, 2018, the Company revised the "Group Company Management Regulations" in order improve the management structure at subsidiaries and affiliates.

⑤ Audit & Supervisory Board member audit system

The Audit & Supervisory Board members held 15 meetings of the Audit & Supervisory Board during the fiscal year under review. At the meetings, they shared information appropriately with the corporate and other divisions.

Assistants to the Audit & Supervisory Board members were appointed to ensure the effectiveness of the Audit & Supervisory Board members' audits. The Company has also built a system enabling the Audit & Supervisory Board members to order the corporate divisions of the head office and so forth to conduct appropriate investigations when necessary. Further, the Company has built a system enabling Audit & Supervisory Board members, including outside Audit & Supervisory Board members, to attend nearly all the meetings of the Board of Directors and also the meetings of the Board of Management as necessary to provide their opinions.

The Audit & Supervisory Board members received periodic reports from the accounting auditor on the audit results for the fiscal year under review pursuant to the applicable laws and regulations, and interviewed the accounting auditor regarding the status of audits as appropriate.

The Audit & Supervisory Board members have shared information with the Audit & Supervisory Board members of the Company's subsidiaries as appropriate. There was no budget shortage for performing audits in accordance with the audit plan during the fiscal year under review.

4. Policies Concerning Decisions on the Distribution of Retained Earnings and Other Matters

Our basic policy for dividend distributions is to provide stable dividends while retaining internal reserves for increasing our corporate value and strengthening our competitiveness. We will allocate internal reserves for proactive investments, etc. to carry out measures for strengthening our management foundation.

The Company's dividends are scheduled to be paid once a year as a year-end dividend, with a medium- to long-term payout ratio target of 50%.

The Company's Articles of Incorporation provide that dividends of surplus (including interim dividends) may be conducted by a resolution of the Board of Directors in accordance with Article 459 paragraph 1 of the Companies Act.

Consolidated Statement of Financial Position

(As of March 31, 2019)

(Millions of yen)

| Item | Amount | Item | Amount |
|------------------------------------|---------------|--|---------------|
| (Assets) | | (Liabilities) | |
| Current assets | 17,834 | Current liabilities | 12,864 |
| Cash and cash equivalents | 9,288 | Borrowings | 1,634 |
| Trade and other receivables | 6,608 | Trade and other payables | 5,240 |
| Other financial assets | 30 | Other financial liabilities | 748 |
| Inventories | 372 | Income and other taxes payable | 817 |
| Income and other taxes receivables | 186 | Provisions | 182 |
| Other current assets | 1,348 | Other current liabilities | 4,241 |
| Non-current assets | 64,134 | Non-current liabilities | 50,367 |
| Property, plant and equipment | 30,621 | Borrowings | 40,060 |
| Goodwill | 12,646 | Other financial liabilities | 2,827 |
| Intangible assets | 16,214 | Retirement benefit liabilities | 598 |
| Other financial assets | 2,872 | Provisions | 2,797 |
| Deferred tax assets | 1,201 | Deferred tax liabilities | 2,880 |
| Other non-current assets | 578 | Other non-current liabilities | 1,203 |
| | | Total liabilities | 63,231 |
| | | (Equity) | |
| | | Total equity attributable to owners of the parent | 16,647 |
| | | Common stock | 5,150 |
| | | Capital surplus | 5,951 |
| | | Retained earnings | 5,575 |
| | | Treasury Stock | (0) |
| | | Other components of equity | (28) |
| | | Non-controlling interests | 2,089 |
| | | Total Equity | 18,736 |
| Total assets | 81,968 | Total liabilities and equity | 81,968 |

Consolidated Statement of Income

From April 1, 2018

To March 31, 2019

(Millions of yen)

| Item | Amount |
|--|---------------|
| Net sales | 49,219 |
| Cost of sales | 33,375 |
| Gross profit | 15,843 |
| Selling, general and administrative expenses | 7,427 |
| Other income | 56 |
| Other expenses | 1,006 |
| Operating profit | 7,466 |
| Finance income | 33 |
| Finance costs | 512 |
| Profit for the year before income taxes | 6,987 |
| Income taxes | 1,945 |
| Profit for the year | 5,042 |
| Profit for the year attributable to: | |
| Owners of the parent | 4,642 |
| Non-controlling interests | 399 |
| Profit for the year | 5,042 |

Non-Consolidated Balance Sheet

(As of March 31, 2019)

(Millions of yen)

| Item | Amount | Item | Amount |
|---------------------------------------|---------------|---|---------------|
| (Assets) | | (Liabilities) | |
| Current assets | 14,107 | Current liabilities | 10,579 |
| Cash and deposits | 6,705 | Current portion of long-term loans | 1,634 |
| Trade receivables | 5,087 | Current portion of lease obligations | 710 |
| Non-trade receivables | 492 | Account payables | 2,793 |
| Income and other taxes receivables | 186 | Account payables – Facilities | 2,173 |
| Goods | 291 | Accrued expenses | 1,570 |
| Supplies | 476 | Deposit received | 22 |
| Prepaid expenses | 802 | Guarantee deposit | 199 |
| Other current assets | 69 | Deferred income | 914 |
| Allowance for doubtful accounts | (3) | Provision for bonus | 379 |
| Non-current assets | 56,882 | Provision for losses on Antimonopoly Act | 180 |
| Property, plant and equipment | 30,396 | Non-current liabilities | 47,605 |
| Cable and Wiring | 15,940 | Long-term loans | 40,423 |
| Ducts and Poles | 8,799 | Long term deferred income | 1,183 |
| Buildings | 6,974 | Lease obligations | 2,814 |
| Structures | 18 | Retirement benefit liabilities | 531 |
| Machinery equipment | 41,071 | Directors' retirement benefit liabilities | 4 |
| Tools, furniture and fixtures | 1,160 | Asset retirement obligations | 2,633 |
| Land | 1,006 | Other non-current liabilities | 15 |
| Lease assets | 11,295 | Total liabilities | 58,184 |
| Construction in progress | 1,055 | (Net Assets) | |
| Accumulated depreciation | (56,927) | Shareholders' equity | 12,805 |
| Intangible assets | 14,799 | Common stock | 5,150 |
| Right of use of submarine cable | 19 | Capital surplus | 4,849 |
| Right of use of facilities | 105 | Legal capital surplus | 4,849 |
| Trademarks | 1,772 | Retained earnings | 2,805 |
| Customer-related intangible assets | 2,881 | Other retained earnings | 2,805 |
| Software | 504 | Retained earnings brought forward | 2,805 |
| Goodwill | 9,189 | Treasury stock | (0) |
| Software in progress | 46 | Total net assets | 12,805 |
| Other intangible assets | 280 | Total liabilities and net assets | 70,990 |
| Investments and other assets | 11,687 | | |
| Investment securities | 45 | | |
| Shares of subsidiaries and affiliates | 8,834 | | |
| Claims in bankruptcy | 2 | | |
| Security deposit | 2,699 | | |
| Other assets | 77 | | |
| Deferred tax assets | 29 | | |
| Allowance for doubtful accounts | (2) | | |
| Total assets | 70,990 | | |

Non-Consolidated Statement of Income

From April 1, 2018

To March 31, 2019

(Millions of yen)

| Item | Amount | |
|---|--------|---------------|
| Net sales | | 41,973 |
| Cost of sales | | 30,414 |
| Gross profit | | 11,559 |
| Selling, general and administrative expenses | | 6,837 |
| Operating profit | | 4,721 |
| Non-operating income | | |
| Interest income | 0 | |
| Dividends income | 1,169 | |
| Other income | 53 | 1,223 |
| Non-operating expenses | | |
| Interest expenses | 353 | |
| Commission for syndicate loan | 203 | |
| Loss on asset disposal | 115 | |
| Initial public offering related costs | 629 | |
| Other expenses | 75 | 1,377 |
| Ordinary income | | 4,566 |
| Extraordinary expenses | | |
| Provision for losses on Antimonopoly Act | 180 | 180 |
| Profit for the year before income taxes | | 4,386 |
| Income taxes - current | | 764 |
| Income taxes - deferred | | 194 |
| Profit for the year | | 3,427 |

Independent Auditor's Report

The Board of Directors
ARTERIA Networks Corporation

Ernst & Young ShinNihon LLC

Tadashi Watanabe
Certified Public Accountant
Designated and Engagement Partner

Shinichi Masuda
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of income, the consolidated statement of changes in equity and the notes to the consolidated financial statements of ARTERIA Networks Corporation (the "Company") applicable to the fiscal year from April 1, 2018 through March 31, 2019.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Regulation on Corporate Accounting in Article 120, paragraph 1, the latter part which allows the Company to omit a certain part of the disclosures required by International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above which are prepared by omitting a certain part of the disclosures required by International Financial Reporting Standards in compliance with Regulation on Corporate Accounting in Article 120, paragraph 1, the latter part, present fairly, in all material respects, the financial position and results of operations of the ARTERIA Networks Corporation Group, which consisted of the Company and consolidated subsidiaries, applicable to the fiscal year ended March 31, 2019.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

July 18, 2019

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

Independent Auditor's Report

The Board of Directors
ARTERIA Networks Corporation

Ernst & Young ShinNihon LLC

Tadashi Watanabe
Certified Public Accountant
Designated and Engagement Partner

Shinichi Masuda
Certified Public Accountant
Designated and Engagement Partner

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of ARTERIA Networks Corporation (the "Company") applicable to the 4th fiscal year from April 1, 2018 through March 31, 2019.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. The purpose of an audit of the financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in all material respects, the financial position and results of operations of ARTERIA Networks Corporation applicable to the 4th fiscal year ended March 31, 2019 in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

July 18, 2019

(The above represents a translation, for convenience only, of the original report issued in the Japanese language.)

Access Map for the Adjourned Meeting of Shareholders Venue

Bellesalle Onarimon Tower 4F
1-1-1 Shiba Koen, Minato-ku, Tokyo
Japan 105-0011



[Nearest Station:
Toei Mita Line Onarimon Station (Exit A3b)
One minute walk]

*Please be aware that there is no dedicated parking at the venue.

As a measure for saving electricity, the Company's officers will be attending the meeting informally dressed without ties ("Cool Biz" style). Shareholders are also encouraged to attend in an informal style.