

This English translation of the AGM 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
June 11, 2020

Notice of the 5th Annual General Meeting of Shareholders

To our shareholders,

Thank you for your continued support. I hereby notify you of the Company's 5th Annual General Meeting of Shareholders.

Recently, a state of emergency has been declared by the Japanese government and the national and prefectural governments have strongly advised that people refrain from going outside in order to stop the spread of the novel coronavirus (COVID-19).

After serious consideration of the situation, we have decided that the most appropriate course of action is to ask all shareholders to avoid attending this year's General Meeting of Shareholders on the day in order to avoid placing shareholders and the Company's officers and employees at risk of infection.

Therefore, we strongly urge you to exercise your voting rights in advance using the enclosed voting form and to avoid attending the General Meeting of Shareholders on the day, regardless of your state of health. To prevent the spread of COVID-19, we ask for your understanding and cooperation in allowing the Company's officers to conduct the proceedings on the day of the meeting without shareholders in attendance.

Please take the time to read the following Reference Material for the General Meeting of Shareholders, indicate your approval or disapproval of the proposals on the enclosed voting form, and return it so that it arrives by 5:30 p.m. on June 25, 2020 (Thursday).

Koji Kabumoto
Representative Director, President & CEO

1.	Date and time	June 26, 2020 (Friday) 1:00 p.m.
2.	Venue	4F Bellesalle Onarimon Tower 1-1-1 Shibakoen, Minato-ku, Tokyo
	As noted above, to avoid the risk of infection to shareholders and the Company's officers and employees, we ask shareholders to exercise their voting rights in advance and to avoid attending the General Meeting of Shareholders on the day. To prevent the spread of COVID-19, we ask for your understanding and cooperation in allowing the Company's officers to conduct the proceedings on the day of the meeting without shareholders in attendance.	
	*If the venue becomes unavailable at the above time due to the discovery of a person infected with COVID-19 present in the venue building just prior to the General Meeting of Shareholders, or a similar reason, the meeting venue will be changed to the following venue, with notification posted online on the Company's website (https://www.arteria-net.com/en/) and at the above venue.	
	Contingency venue	10F Sumitomo Shimbashi Building 6-9-8 Shimbashi, Minato-ku, Tokyo
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 5 th term (April 1, 2019 to March 31, 2020)
		2. Report on the non-consolidated financial statements for the 5 th term (April 1, 2019 to March 31, 2020)
	Proposals	
	Proposal 1:	Election of five (5) directors
	Proposal 2:	Election of one (1) Audit & Supervisory Board member
	Proposal 3:	Decision on remuneration for allocation of restricted shares to directors (excluding outside directors)

- The above measures may change depending on the status of the COVID-19 pandemic and announcements by the government up to the date of the General Meeting of Shareholders. Please check the Company's website (<https://www.arteria-net.com/en/>) online for the latest announcements.
- Please understand that the Company will not prepare gifts for shareholders attending on the day.
- The Company is considering ways to make the proposals of the meeting proceed more smoothly than in previous years.
- Any amendments to the matters recorded in the business report, consolidated financial statements, and nonconsolidated financial statements will be posted online on the Company's website (<https://www.arteria-net.com/en/>).
- Among the documents that are to be provided when giving this notice of convocation 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.

Reference Material for the General Meeting of Shareholders

Proposal 1: Election of five (5) directors

The terms of all of the Company's four (4) directors will expire at the conclusion of the Annual General Meeting. We therefore request the election of five (5) directors to strengthen the management system and further increase the smooth operation of the Board of Directors.

The details of this proposal have been approved by the Board of Directors having received notice of agreement of the Nomination and Compensation Committee, which is an advisory function to the Board of Directors that is chaired by an independent outside director. The director candidates are as follows.

Candidate No.	Name (Date of birth)	Career profile, responsibilities and position in the Company (Important concurrent positions)	(1) Number of the Company's shares owned (2) Attendance at Board of Directors meetings
1 Reelection	Koji Kabumoto (May 21, 1959)	<p>Apr. 1983 Joined Marubeni Corporation</p> <p>Oct. 1987 Assigned to Marubeni America Corporation</p> <p>Apr. 2002 Assigned to Mighty Card Corporation, President & CEO</p> <p>Apr. 2010 General Manager, IT Network Business Dept., Marubeni Corporation</p> <p>Apr. 2012 Senior Operating Officer, Finance, Logistics & IT Business Division and General Manager, ICT Service Business Dept.</p> <p>Apr. 2013 Senior Operating Officer, ICT, Finance & Insurance, Real Estate Business Division</p> <p>Aug. 2013 Chairman and Executive Director, MX Mobiling Co., Ltd.</p> <p>Jan. 2014 Representative, MAS Holdings, Co., Ltd.</p> <p>Feb. 2014 Director of the Company</p> <p>Apr. 2014 Director, MX Mobiling Co., Ltd. Executive Officer, Senior Operating Officer, ICT, Finance & Insurance, Real Estate Business Division, Marubeni Corporation</p> <p>Apr. 2015 Director, MARUBENI IT SOLUTIONS INC. Executive Officer, Chief Operating Officer, ICT & Logistics Division, Marubeni Corporation</p> <p>Director, MARUBENI INFORMATION SYSTEMS CO., LTD. Senior Managing Director, MARUNOUCHI DIRECT ACCESS Ltd.</p> <p>Director, MARUBENI LOGISTICS CORPORATION</p> <p>July 2015 Director, AIN HOLDINGS INC.</p> <p>Apr. 2016 Executive Officer, Chief Operating Officer, ICT, Logistics & Healthcare Division, Marubeni Corporation</p> <p>Mar. 2017 Representative Director and Chairman, MARUNOUCHI DIRECT ACCESS Ltd. Director, Marubeni OKI Network Solutions Inc.</p> <p>Apr. 2019 Executive Officer, Chief Operating Officer, ICT & Real Estate Business Division, Marubeni Corporation Representative Director, President & CEO of the Company (Present)</p> <p>Director, TSUNAGU NETWORK COMMUNICATIONS INC.</p> <p>May 2019 Representative Director and President,</p>	(1) - (2) 21/21 times (100%)

		TSUNAGU COMMUNICATIONS INC. Director, TSUNAGU COMMUNICATIONS INC. (Present)	NETWORK NETWORK	
	Reason for Selection as a Candidate for Director The candidate has extensive knowledge of the Group's businesses and wide-ranging experience as a manager, having served as a director of the Company since 2014 and as an executive officer of the Company's parent, Marubeni Corporation, and as director of several Marubeni Corporation operating companies. We therefore request his continued appointment as a director.			

Candidate No.	Name (Date of birth)	Career profile, responsibilities and position in the Company (Important concurrent positions)		(1) Number of the Company's shares held (2) Attendance at Board of Directors meetings
2 New Election	Tatsuya Abe (July 26, 1962)	Oct. 1985	Joined Marubeni Corporation	(1)- (2)-
		Apr. 2012	General Manager, Mobile Solutions Business Department Marubeni Corporation	
		July 2013	Managing Executive Officer, NEC Mobiling, Ltd.	
		Aug. 2013	Managing Executive Officer and Member of the Board, MX Mobiling Co., Ltd.	
		Apr. 2016	Representative Director and President, MX Mobiling Co., Ltd.	
		June 2019	Chief Operating Officer, ICT & Real Estate Business Division, Marubeni Corporation	
		Apr. 2020	Executive Officer, ICT & Real Estate Business Division, Marubeni Corporation (Present)	
	Reason for Selection as a Candidate for Director The candidate has extensive knowledge of the IT industry and wide-ranging experience as a manager, having served as representative director and president of MX Mobiling Co., Ltd. and as an executive officer of the Company's parent, Marubeni Corporation, and so forth. We therefore request his appointment as a director.			
3 Reelection	Hiroshi Esaki (January 18, 1963)	Apr. 1987	Joined TOSHIBA CORPORATION	(1) - (2) 18/21 times (85.7%)
		Oct. 1997	Assistant Professor, Computer Center, The University of Tokyo	
		Apr. 1998	Assistant Professor, Information Technology Center, The University of Tokyo	
		Sept. 1999	Outside Director, WIDE Research Co., Ltd.,	
		Apr. 2001	Outside Director, Above Net Japan, Inc. (currently IDC Frontier Inc.)	
		Sept. 2004	Outside Director of IRI Ubiteq, Inc. (currently Ubiteq, Inc.) (Present)	
		Apr. 2005	Professor, Graduate School of Information Science and Technology, The University of Tokyo (Present)	
		June 2018	Outside Director of the Company (Present)	
	Reason for Selection as a Candidate for Director The candidate has a wealth of knowledge and experience in the field of information science and technology as a Professor of the Graduate School of Information Science and Technology at the University of Tokyo, and as such he has useful and objective insight into the Company's management from an external perspective. We therefore request his continued appointment as a director.			

Candidate No.	Name (Date of birth)	Career profile, responsibilities and position in the Company (Important concurrent positions)		(1) Number of the Company's shares held (2) Attendance at Board of Directors meetings
4 Reelection	Ichiro Miyake (February 28, 1956)	Apr. 1979	Joined SHIMIZU CORPORATION	(1) - (2) 21/21 times (100%)
		Aug. 1990	Joined Citibank Japan Ltd.	
		Mar. 1992	Managing Director of Citigroup Global Markets Japan Inc.	
		Aug. 2004	Director and Co-President, Mitsui Sumitomo MetLife Insurance Co., Ltd.	
		Jan. 2007	Representative Director and CEO, Allianz Life Insurance Japan Inc.	
		Sept. 2013	President & Representative Director, S&P Global Ratings Japan Inc.	
		May 2017	Special Advisor of S&P Global Japan Inc.	
		June 2018	Outside Director of the Company (Present)	
		Dec. 2018	Director, Recomm Co., Ltd. (Present)	
Reason for Selection as a Candidate for Director The candidate has a wealth of knowledge and experience of corporate management, having served as representative director of several companies, and as such he has useful and objective insight into the Company's management from an external perspective. We therefore request his continued appointment as a director.				
5 New election	Daisuke Arita (October 1, 1959)	Apr. 1982	Joined Marubeni Corporation	(1) - (2) -
		Apr. 1998	Assigned to Marubeni Hong Kong	
		Apr. 2001	Director and General Manager of IT Business Division, Marubeni Telecom CO., LTD.	
		Apr. 2005	General Manager of Sales Division, MARUBENI INFORMATION SYSTEMS CO., LTD.	
		Apr. 2008	Representative Director and President, VECTANT Ltd.	
		Dec. 2010	Representative Director and President, Marubeni Access Solutions Inc.	
		Apr. 2011	Representative Director and Vice President, Fusion Communications Corporation (currently Rakuten Communications Corp.)	
		Feb. 2014	Representative Director and Vice President of the Company	
		Nov. 2014	Representative Director and President, ARTERIA Interconnect Corporation	
		Apr. 2015	Director, ARTERIA Engineering Corporation	
		Apr. 2017	Representative Director of the Company	
		July 2017	Representative Director and Vice President of the Company	
		Nov. 2017	Director, TSUNAGU NETWORK COMMUNICATIONS INC.	
		Apr. 2018	Representative Director Vice President & CCO of the Company	
		June 2019	Senior Managing Executive Officer & CCO of the Company	
Reason for Selection as a Candidate for Director The candidate has insight into the IT industry, having served as representative director and vice president of Fusion Communications Corporation. Moreover, since he is currently in a position supervising the Company's corporate sales division, making him a director will strengthen the sales structure and further increase the smooth operation of the Board of Directors. We therefore request his appointment as a director.				

Notes:

1. The Company has established a Nomination and Compensation Committee, chaired by an independent outside director, as an advisory function to the Board of Directors. The committee deliberates on the nomination and compensation, etc. of directors and Audit & Supervisory Board members (“officers, etc.”). This enables the Company to draw on the insight and advice of outside directors, while ensuring objectivity and transparency in the processes related to determining the nomination and compensation and so forth of officers, etc., thereby enhancing the supervisory function of the Board of Directors and further enhancing the Company’s corporate governance functions.
2. There are no particular interests between the candidates and the Company.
3. Director candidates Koji Kabumoto and Tatsuya Abe have the positions and areas of responsibility as business executors of the Company’s parent company, etc., Marubeni Corporation, both currently and in the past five years, included in the column, “Career profile, responsibilities and position in the Company (Important concurrent positions).”
4. Hiroshi Esaki and Ichiro Miyake satisfy the requirements for outside director candidates and the Company’s Independent Officer Selection Standards.
5. In accordance with the provisions of Article 427 (I) of the Companies Act, the Company has entered agreements with Hiroshi Esaki and Ichiro Miyake, limiting their liability under Article 423 (I) of the same act. The limit of their liability under the agreements is the higher of 5 million yen or the minimum amount stipulated by Article 425 (I) of the Companies Act. If Hiroshi Esaki and Ichiro Miyake’s reelection is approved, the Company intends to continue the agreements with them, and if Tatsuya Abe’s election is approved, then the Company intends to enter a similar agreement with him.
6. Hiroshi Esaki and Ichiro Miyake are currently outside directors, and their term in office as outside directors will be two years as of the conclusion of the Annual General Meeting.
7. The Company has submitted notification in accordance with the stipulation of the Tokyo Stock Exchange that Hiroshi Esaki and Ichiro Miyake are independent officers. If Hiroshi Esaki and Ichiro Miyake’s reelection is approved, the Company intends to continue to consider them both to be independent officers.
8. The career histories of the above candidates are current as of May 1, 2020.

(Reference) Independent Officer Selection Standards

The Independent Officer Selection Standards stipulated by the Company are as follows.

The Company has stipulated its standards for independence of outside officers (outside directors and outside Audit & Supervisory Board members) as follows. If an outside officer does not correspond with any of the following, that outside officer is deemed to be independent from the Company.

1. A business executor (*1) of the Company or a subsidiary
2. A business executor of a sibling company of the Company
3. An entity for which the Company is a principal business partner (*2), or a business executor thereof
4. A principal business partner (*3) of the Company, or a business executor thereof
5. A consultant, accounting expert, or legal expert who receives a significant amount (*4) of money or other assets from the Company other than executive remuneration (or, in the case where an organization is receiving the assets, a member of the organization)
6. A member of an accounting audit firm that is an accounting auditor of the Company or its subsidiary
7. A business executor or Audit & Supervisory Board member of the Company's parent company
8. A principal shareholder (*5) of the Company, or a business executor thereof
9. A person from an organization with which the Company has mutually appointed outside officers
10. An entity or organization that receives a large donation from the Company, or a director or other business executor thereof
11. A person that has corresponded to 1. above within the past 10 years
12. A person that has corresponded to 2.-10. above within the past 3 years
13. Where a person corresponding to 1.-10. above is a significant person (*6), a spouse or relation within two degrees of consanguinity of that person
14. Notwithstanding the preceding items, a person for whom there is a special reason deemed to entail a potential conflict of interest with ordinary shareholders

Notes:

1. A business executor refers to an executive director, an executive officer, or corporate officer who executes business of a corporation, etc., or a staff member who executes business, or other equivalent person or employee.
2. An entity for whom the Company is a principal business partner is an entity that has received payment of 2% or more of the amount its annual consolidated net sales for the most recent business year from the Company.
3. A principal business partner of the Company is an entity that makes payment to the Company of an amount that is 2% or more of the Company's annual net sales in the most recent business year, or an entity that has loaned the Company an amount that is 2% or more of the Company's consolidated total assets as of the most recent fiscal year-end.
4. A significant amount refers to an average over the past three business years of 10 million yen or more for an individual or over 2% of the consolidated net sales or total revenue for an organization.
5. A principal shareholder of the Company refers to an entity that holds 10% or more of the voting rights in the Company, either directly or indirectly.
6. A significant person refers to a director (excluding outside directors), Audit & Supervisory Board member (excluding outside Audit & Supervisory Board members), executive, executive officer, or employee in a senior management position of general manager class or higher, or other person that can be judged objectively and rationally to hold a position of significance.

Proposal 2: Election of one (1) Audit & Supervisory Board member

To strengthen and enhance the audit system, we request the new election of one (1) Audit & Supervisory Board member.

The details of this proposal have been approved by the Board of Directors having received notice of agreement of the Nomination and Compensation Committee, which is an advisory function to the Board of Directors that is chaired by an independent outside director. This proposal has also received the approval of the Audit & Supervisory Board.

The candidate for Audit & Supervisory Board member is as follows.

Type	Name (Date of birth)	Career profile and position in the Company (Important concurrent positions)	(1) Number of the Company's shares owned (2) Attendance at Board of Directors meetings (3) Attendance at Audit & Supervisory Board Meetings
New election	Hiroko Inokuma (July 6, 1971)	<p>Apr. 2000 Joined Century Ota Showa Audit Corporation (Currently Ernst & Young ShinNihon LLC)</p> <p>Oct. 2004 Worked at the office of Ernst & Young LLP Cleveland (U.S.)</p> <p>Apr. 2010 Associate professor, Accounting School, Tohoku University Graduate School of Economics and Management</p> <p>Apr. 2015 Manager, Ernst & Young ShinNihon LLC Adjunct Lecturer, International Graduate School of Accounting Policy, Accounting School, Tohoku University Graduate School of Economics and Management</p> <p>Apr. 2019 Professor, Musashi University PDP Education Centre (Present)</p> <p>Sept. 2019 Part-time Lecturer, Keio University Faculty of Business and Commerce (Commerce Studies Course)</p>	(1) - (2) - (3) -
		<p>Reason for Selection as a Candidate for Audit & Supervisory Board Member</p> <p>The candidate has expert knowledge and practical experience as a certified public accountant. As such, we judge that she will provide appropriate advice and guidance on the Company's management from a perspective of corporate accounting and internal control. We therefore request her election as an Audit & Supervisory Board Member.</p>	

Notes:

1. The Company has established a Nomination and Compensation Committee, chaired by an independent outside director, as an advisory function to the Board of Directors. The committee deliberates on the nomination and compensation, etc. of directors and Audit & Supervisory Board members (“officers, etc.”). This enables the Company to draw on the insight and advice of outside directors, while ensuring objectivity and transparency in the processes related to determining the nomination and compensation, etc. of officers, etc., thereby enhancing the supervisory function of the Board of Directors and further enhancing the Company’s corporate governance functions.
2. There are no particular interests between the candidate and the Company.
3. Hiroko Inokuma satisfies the criteria for an outside Audit & Supervisory Board member candidate.
4. In accordance with the provisions of Article 427 (I) of the Companies Act, the Company has entered agreements with each Audit & Supervisory Board member, limiting their liability under Article 423 (I) of the same act. The limit of their liability under the agreements is the higher of 5 million yen or the minimum amount stipulated by Article 425 (I) of the Companies Act. If the above candidate’s election is approved, the Company intends to enter such an agreement with her.
5. The career history of the above candidate is current as of May 1, 2020.
6. Candidate Hiroko Inokuma’s surname by marriage is Shimizu; however, she uses her former surname, Inokuma, in her professional role.

Proposal 3: Decision on remuneration for allocation of restricted shares to directors (excluding outside directors)

We received approval for an amount of remuneration for directors of the Company within ¥300 million per year at the general meeting of shareholders held on July 17, 2017.

The Company seeks to allocate common shares of the Company subject to a transfer restriction period and the Company's right to acquire them without consideration (hereinafter, "Restricted Shares") to directors (excluding outside directors) of the Company, as follows, in order for them to share the benefits and risks of stock price fluctuations with shareholders and to enhance their motivation toward further contribution to the rise in stock price and the increase in corporate value.

To this end, having given comprehensive consideration to the contributions made by the directors to the Company, and various other factors, the Company seeks to establish a separate allowance totaling up to 100 million yen per year for monetary remuneration receivables to be paid as remuneration, etc., related to restricted shares for directors (excluding outside directors) of the Company, separately from the above amount of remuneration, etc. The allocation of restricted shares is to be determined after giving comprehensive consideration to the contribution of the directors to the Company, and various other factors.

Currently, the Company has four directors (including two (2) outside directors), and this number will be five (5) directors (including two (2) outside directors) if Proposal 1 is approved.

Specific details and limit on number of Restricted Shares for directors (excluding outside directors) of the Company

1. Allocation of restricted shares and pay-in

The Company pays monetary remuneration receivables within the abovementioned annual amount allowance as remuneration related to restricted shares to the directors (excluding outside directors) of the Company in accordance with a resolution of the Company's Board of Directors, and each director pays the entire amount of the monetary remuneration receivables by way of a contribution in kind to receive the allocation of Restricted Shares.

The pay-in amount of the restricted shares is determined by the Company's Board of Directors within a range that does not constitute an especially advantageous amount for the directors receiving the restricted shares, based on the closing price of the Company's common shares on the Tokyo Stock Exchange on the business day preceding the day of the Company's Board of Directors resolution regarding the issuance or disposal of the restricted shares (or if the shares are not traded on that day, the closing price on the most recent trading day on which they were traded).

Moreover, the abovementioned monetary remuneration receivables will be paid the Company's directors (excluding outside directors) on the conditions that 1) they agree to make the abovementioned contribution in kind and 2) they have concluded a contract including the content stipulated below in 3.

2. Total number of restricted shares

The total number of 50,000 restricted shares that can be allocated to the Company's directors (excluding outside directors) shall be the upper limit on the number of restricted shares that can be allocated each business year.

However, if the total number of restricted shares that can be allocated needs to be adjusted in the case of a stock split of the Company's common stock (including an uncompensated stock split of the common stock of the Company) or a reverse stock split, or some other case after the resolution on this proposal, the total number of restricted shares may be adjusted rationally.

3. Main details of the restricted share allocation contract

When the restricted shares are to be allocated, the restricted share allocation contract to be concluded between the Company and the directors receiving the allocation of restricted shares in accordance with the Company's Board of Directors resolution shall include the following details.

(1) Details of transfer restrictions

For a period of at least three years decided by the Company's Board of Directors (hereinafter, the "Transfer Restriction Period," directors who have received an allocation of restricted shares may not dispose of the restricted shares allotted to them (the "Allotted Shares") in any way whatsoever, including transfer to third parties, establishment of right of pledge, establishment of a security interest, advancement or bequest (the "Transfer Restriction").

(2) Acquisition of the restricted shares without consideration

If a director who has received an allocation of restricted shares resigns or retires from the position of director, executive officer, or employee of the Company or the Company's subsidiary between the first day of the Transfer Restriction Period and the day before to the day of the next Annual General Meeting of Shareholders of the Company, except for cases where the Company accepts the reason to be just, the Company shall automatically acquire the Allotted Shares without consideration.

Furthermore, at the time when the Transfer Restriction Period of (1) above is complete, if any of the Allotted Shares have not had their Transfer Restriction lifted in accordance with the reasons for lifting transfer restrictions detailed below in (3), the Company shall automatically acquire them without consideration.

(3) Lifting of the Transfer Restriction

Provided that a director who has received an allocation of restricted shares remained continuously in the position of director, executive officer, or employee of the Company or the Company's subsidiary between the first day of the Transfer Restriction Period and the day before to the day of the next Annual General Meeting of Shareholders of the Company, the Transfer Restriction shall be lifted from all of the Allotted Shares upon completion of the Transfer Restriction Period.

However, if the director has retired or resigned from the position of director, executive officer, or employee of the Company or the Company's subsidiary before the completion of the Transfer Restriction Period for a reason that the Company's Board of Directors accepts as being just, the number of the Allocated Shares subject to lifting of the Transfer Restriction and the timing for lifting of the Transfer Restriction shall be rationally adjusted as necessary.

(4) Treatment of organizational restructuring, etc.

During the Transfer Restriction Period, if a proposal regarding a merger in which the Company is the dissolving company, a share exchange in which the Company becomes a wholly-owned subsidiary, a share transfer plan, or other organizational restructure, etc. is approved by the Company's general meeting of shareholders (or in the case of an organization restructure, etc., that does not require the approval of the Company's general meeting of shareholders, the Company's Board of Directors), then by resolution of the Company's Board of Directors a number of the Allotted Shares rationally determined based on the period from the start date of the Transfer Restriction Period until the date of approval of the organizational restructuring, etc., shall have their Transfer Restriction lifted ahead of the effective date of the organizational restructuring, etc.

In this case, immediately after the lifting of the Transfer Restriction in accordance with the abovementioned

provision, the Company shall automatically acquire without consideration the Allotted Shares whose Transfer Restriction is not lifted.

(Reference)

The Company plans to allot restricted shares similar to the Restricted Shares described above to its executive directors and certain employees, and the directors, executive officers, and certain employees of the Company's subsidiaries after the conclusion of this general meeting of shareholders.

(Provided Documents)

Business Report

(From April 1, 2019 to March 31, 2020)

1. Current Status of the Corporate Group

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

① Business progress and results

While there were some signs of gradual recovery during the fiscal year in Japan such as improvement in the employment and income environment, uncertainty prevails regarding the future impact of the COVID-19 pandemic on the global economy and sudden reduced consumer spending.

In the information and telecommunications market, where the Group operates, dramatic changes in the level of convenience in people's lives and in the productivity of every industry are occurring with the spread of artificial intelligence (AI), the internet of things (IoT), online video consumption, cloud-based services, 5G, and so forth. The market is expected to expand going forward as data traffic increases. Furthermore, the information and telecommunications business is to play a more important role in society due to the increase of telecommuting triggered by the spread of the COVID-19 virus.

In this business environment, we continued to steadily expand sales and orders for our core products in our three business areas: internet services, network services and condominium internet services.

In internet services, our FTTH services ARTERIA Hikari Internet Access and UCOM Hikari Internet Access sustained the steady revenue trends of the previous fiscal year. The demand for broadband internet access is also growing due to the increase in traffic, and orders for our fastest service in Japan^{*1} at maximum 10 Gbps (uplink and downlink) on a best effort basis are trending strong. In ISP services, sales to OEM Flet's partners continue to expand, and we plan to sustain this growth trend by entering the VNE^{*2} market from April 2020 on.

In network services, against the backdrop of the increase in traffic volume and the roll out of 5G, OTTs^{*3} and mobile operators are proactively investing in the build-out of proprietary backbone networks. We continued to cater to these needs and revenue for leased circuits is trending strong. In February 2020, we were the first in Japan^{*4} to successfully complete a 400 Gbps long-distance transmission trial between Tokyo and Osaka without regenerator. The trial was executed on a single wavelength over two different commercial fiber routes. We will offer the 400 Gbps leased circuit services from April 2020 on.

In VPN services, orders for our router pack service, which provides total support from the fiber lines to the router, are sustaining a strong trend. Revenue growth was achieved as a result of higher average revenue per user.

Orders and inquiries regarding telecommuting VPN services, which were already showing higher adoption as a result of the government's work-style reform policy (Hatarakikata Kaikaku), have increased further as a result of COVID-19.

In condominium internet services, by catering to different users' needs and providing a broad lineup of products orders from medium to large condo complexes in the owned condo and rental apartments market are steadily expanding. The product lineup includes a broadband access service up to 10 Gbps using a dedicated fiber line, All Hikari, which wires the whole condo with optical fiber and a service using the existing metal lines (indoor wiring for telephone) supporting the next generation high-speed standard G.fast. Revenue and orders for rental apartments are expanding as a result of pursuing comprehensive contracts with management companies.

As a result, during the fiscal year net sales increased by 2,275 million yen (4.6%) year on year to 51,494 million yen; operating income increased by 1,202 million yen (16.1%) year on year to 8,669 million yen; and profit before income taxes for the fiscal year increased by 1,221 million yen (17.5%) year on year to 8,209 million yen. Profit for the period attributable to owners of the parent increased by 654 million yen (14.1%) year on year to 5,296 million yen.

Notes:

1. In the FTTH best effort base service for enterprises market (as of end of December 2018, Company research).
2. Virtual Network Enabler: service provider that offers network facilities and systems required for IPoE connection to internet service providers.
3. Over The Top service providers
4. Single wavelengths on 2 different commercial routes between Tokyo and Osaka without regenerator (as of end of February 2020, Company research).

② Capital expenditure

Capital expenditure during the fiscal year under review totaled 10,785 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		2 nd Term (Fiscal year ended March 2017)	3 rd Term (Fiscal year ended March 2018)	4 th Term (Fiscal year ended March 2019)	5 th Term (Fiscal year under review) (Fiscal year ended March 2020)
Net sales	(million yen)	41,365	47,587	49,219	51,494
Operating profit	(million yen)	5,926	7,549	7,466	8,669
Profit for the period attributable to owners of the parent	(million yen)	4,142	4,610	4,642	5,296
Basic earnings per share	(yen)	82.85	92.21	92.85	105.93
Total assets	(million yen)	75,419	78,560	81,968	90,779
Total equity attributable to owners of the parent	(million yen)	6,239	11,872	16,647	20,709
Equity per share attributable to owners of the parent	(yen)	124.79	237.45	332.96	414.20

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		2 nd Term (Fiscal year ended March 2017)	3 rd Term (Fiscal year ended March 2018)	4 th Term (Fiscal year ended March 2019)	5 th Term (Fiscal year under review) (Fiscal year ended March 2020)
Net sales	(million yen)	31,588	42,237	41,973	43,697
Ordinary income	(million yen)	3,380	4,816	4,566	6,554
Profit for the period	(million yen)	3,333	3,073	3,427	4,869
Net income per share	(yen)	66.67	61.48	68.54	97.4
Total assets	(million yen)	67,867	69,775	70,990	74,055
Net assets	(million yen)	6,304	9,378	12,805	16,364
Net assets per share	(yen)	126.10	187.57	256.11	327.29

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. Partial changes in the Accounting Standard for Tax Effect Accounting (Business Accounting Standard No. 28, February 16, 2018) was 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 seconded

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 strives to prevent transactions that harm the interests of the Company or minority shareholders. The Company's Board of Directors judges that transactions with the parent company and so forth during the fiscal year under review were conducted under appropriate conditions and did not damage the interests of the Company.

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, TSUNAGU NETWORK COMMUNICATIONS INC., may have engaged in conduct with competitors of TSUNAGU NETWORK COMMUNICATIONS INC. that may potentially have been in violation of the Act on Prohibition of the Antimonopoly Act (hereinafter "the Conduct"). 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 formulated and executed the following 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 Company will continue to strengthen these preventative measures.

- (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 (23.7% of the entire market) (Note 2) and its provision of telecommunication services for diverse corporations. At the same time, the Group will strengthen its own sales capabilities and its alliances with partners as it works to expand its customer base.

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 both new graduates and mid-career hires.

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 create new businesses by leveraging its strength in backbone networks (Note 3) and FTTx Networks (Note 4) while developing new services that incorporate the latest technologies and considering strategic alliances and so forth with other companies.

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 2019))."
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, 2020)

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, 2020)

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, 2020)

① Status of employees of the corporate group

Segment Name	Number of Employees
Telecommunication business	721
Total	721

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
550	42.2	9.3

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, 2020)

Lender	Amount of Borrowings (million yen)
MUFG Bank, Ltd.	14,552
Sumitomo Mitsui Banking Corporation	14,552
Mizuho Bank, Ltd.	7,276
Aozora Bank, Ltd.	4,042

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

Not applicable.

2. Current Status of the Company

(1) Status of Shares (As of March 31, 2020)

① Total number of authorized shares	200,000,000
② Total number of issued shares	50,000,000
③ Number of shareholders	7,910

④ Major shareholders

Shareholder Name	Number of Shares Held	Ownership Ratio (%)
Marubeni Corporation	25,000,100	50.00
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	4,606,100	9.21
Japan Trustee Services Bank, Ltd. (Trust Account)	2,589,500	5.18
The Master Trust Bank of Japan (Trust Account)	1,905,700	3.81
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	781,917	1.56
BNYM TREATY DTT 15	629,366	1.26
J.P. MORGAN BANK LUXEMBOURG S.A. 1300000	589,979	1.18
JP MORGAN CHASE BANK 385151	500,479	1.00
Japan Trustee Services Bank, Ltd. (Trust Account 5)	442,300	0.88
HAYAT	371,000	0.74

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, 2020, 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%

3. In a report on large shareholders made available for public inspection as of October 4, 2019, it is stated that Sumitomo Mitsui DS Asset Management Company, Limited holds the following shares as of September 30, 2019. However, as the Company could not confirm the actual number of shares owned as of March 31, 2020, Sumitomo Mitsui DS Asset Management Company, 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	Sumitomo Mitsui DS Asset Management Company, Limited
Address	Atago Green Hills MORI Tower 28F, 2-5-1 Atago, Minato-ku, Tokyo
Number of shares held	2,568,100
Ownership ratio	5.14%

- (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, 2020)

Position in the Company	Name	Responsibilities and Important Concurrent Positions
Representative Director, President & CEO	Koji Kabumoto	Representative Director and President, TSUNAGU NETWORK COMMUNICATIONS INC.
Director	Takashi Fujinaga	Senior Operating Officer, General Manager, Planning & Strategy Department ICT & Real Estate Division Marubeni Corporation Director, MARUBENI LOGISTICS CORPORATION Director, MARUBENI INFORMATION SYSTEMS CO., LTD. Director, MX Mobiling Co., Ltd. Director, MARUBENI IT SOLUTIONS INC.
Director	Hiroshi Esaki	Professor, Graduate School of Information Science and Technology, The University of Tokyo Outside Director, Ubiteq, Inc.
Director	Ichiro Miyake	Special Advisor, S&P Global Japan Inc. Outside Director, Recomm Co., Ltd.
Audit & Supervisory Board Member	Koichi Mokudai	
Audit & Supervisory Board Member	Hidenori Shibasaki	General Manager, ICT Business Department-II, ICT & Real Estate Business Division Marubeni Corporation Director, MX Mobiling Co., Ltd. Director, Mobile Care Technologies Co., Ltd. Director, Marpless Communication Technologies (PTY) Ltd. Director, Marubeni Business Machines (America), Inc.
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. Visiting Professor, The University of Tokyo Graduate Schools for Law and Politics, The University of Tokyo Faculty of Law Auditor, OTSUMA GAKUIN EDUCATIONAL INSTITUTION

Notes:

1. Directors Hiroshi Esaki and Ichiro Miyake are outside directors.
2. Audit & Supervisory Board Members Koichi Mokudai 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 legal affairs.
4. Director Takashi Fujinaga was newly elected as a director at the 4th Annual General Meeting of Shareholders, held on June 27, 2019, and was appointed as a director at the Adjourned Meeting of the 4th Annual General Meeting of Shareholders, held on August 7, 2019.
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. 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
Takashi Fujinaga	Director, MARUBENI LOGISTICS CORPORATION	Retired	March 31, 2020
	Director, MARUBENI INFORMATION SYSTEMS CO., LTD.	Retired	March 31, 2020
	Director, MX Mobiling Co., Ltd.	Retired	March 31, 2020
	Director, MARUBENI IT SOLUTIONS INC.	Retired	March 31, 2020
Hidenori Shibasaki	Representative Director, MAS Holdings Co., Ltd.	Retired	March 25, 2020
	Director, Marubeni Business Machines (America), Inc.	Retired	March 31, 2020

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 Remuneration (million yen)
Directors (incl. outside directors)	9 (2)	98 (15)
Audit & Supervisory Board members (incl. outside Audit & Supervisory Board members)	4 (2)	26 (14)
Total (incl. outside officers)	13 (4)	125 (29)

Note:

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

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

The amount of remuneration 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.”

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 21 times)			Audit & Supervisory Board Meetings (held 14 times)		
	Number of meetings requiring attendance	Number attended	Attendance rate	Number of meetings requiring attendance	Number attended	Attendance rate
Director Ichiro Miyake	21	21	100.0%	-	-	-
Director Hiroshi Esaki	21	18	85.7%	-	-	-
Audit & Supervisory Board Member Takeshi Motomura	21	21	100.0%	14	13	92.9%

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) 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	73
Total amount of money and property benefits to be paid to the accounting auditor by the Company and its subsidiaries	83

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 auditor's audit plan and state 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 & Yong ShinNihon LLC for advisory services related to translation of financial closing documents and annual securities reports.

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 Appropriateness of Business Operations and Operation Status of the System

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

An overview of the Company's system for ensuring appropriateness of business operations 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) The term of office of directors shall be one year in order to clarify management responsibility and flexibly build an optimal management system for responding to changes in the management environment.

B) The Board of Directors shall comprise directors, including outside directors, and meet once a month as the organization that decides on important matters and supervises directors' execution of duties in accordance with regulations including laws and ordinances, the Articles of Incorporation, and the Regulations for the Board of Directors.

C) The Audit & Supervisory Board members audit the appropriateness of the Directors' execution of duties in accordance with the Regulations for the Audit & Supervisory Board and the Audit & Supervisory Board Members' Audit Standards.

D) The Group has set out a Charter of Conduct, Compliance Regulations, and a Compliance Manual, and the Compliance Committee meets once every three months to promote and manage various activities designed to firmly embed awareness of observing laws and regulations, etc., and to ensure they are implemented.

E) The Group has set up an internal consultation desk and an external attorney contact as contact points for reporting or consulting regarding the violations of laws and ordinances and compliance within the Group. The system also allows reporting and consultation through the Marubeni Group consultation desk set up at the Company's parent company, Marubeni Corporation.

F) The Internal Audit Department has been set up under direct supervision of the president to audit the Group's operating activities with regard to whether they conform with the Articles of Incorporation and internal regulations, and whether they are conducted rationally and efficiently, in accordance with the Regulations for Internal Audits.

G) The Company has established Regulations for Rejecting Antisocial Forces, an Antisocial Forces Checking Manual, and a Manual for Dealing with Antisocial Forces, and has put in place policies and systems for dealing with Antisocial Forces.

② System for storage and management of information regarding the execution of duties by directors Information regarding the execution of duties by directors is documented (including in electromagnetic records), and stored and managed in accordance with the target documents, storage periods, and the person responsible for document management set out in the Document Management Regulations.

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

A) Specific measures for minimizing damage and loss in the event of a crisis that threatens the Group's management are set out in the Crisis Management Regulations, the Crisis Management

Mobilization Response Procedure Document, the Disaster Response Manual and the BCP Manual. These are reviewed as needed in response to changes in the external and internal environments.

B) The basic provisions for the Group's risk management system are set out as the Risk Management Regulations, and a Risk Management Committee chaired by the Company's CAO meets once every three months to deliberate on matters regarding Risk Management.

④ System for ensuring the efficient execution of directors' duties

A) To ensure efficient execution of duties by the Group's directors, the Group sets common targets for all directors and employees, such as management policies, management strategies, and management plans, and ensures that they are made known throughout the Group, as well as setting specific individual targets for each director and employee to carry out in order to achieve the common targets and managing and evaluating their results.

B) The Group sets clear methods for allocating roles, authority, responsibility, and decision making to each director and employee in its regulations, and builds a system to ensure that duties are executed appropriately and efficiently.

C) The Regulations for the Board of Directors are set out, the matters for resolution and reporting at the Board of Directors meetings are clarified, and the Board of Directors meets once a month in principle to ensure swift, accurate management decisions.

⑤ System for ensuring the appropriateness business operations of the group of enterprises

A) To ensure the appropriateness of operations at subsidiaries, the Affiliate Management Regulations have been established, and important matters are reported or approved by the Company's Board of Directors.

B) The Audit & Supervisory Board members and the Internal Audit Department conduct accounting audits and operations audits in accordance with the Audit & Supervisory Board Members' Audit Standards and the Regulations for Internal Audits, and audit improvements in the rationality and efficiency of management at affiliates as well as the appropriateness of their operations.

⑥ Matters related to employees assigned to assist the Audit & Supervisory Board members in their duties and matters related to the independence of such employees from the directors

A) To enhance the effectiveness of audits and enable smooth execution of audit duties, assistants to the Audit & Supervisory Board members are appointed to assist the Audit & Supervisory Board members in their duties, at the request of the Audit & Supervisory Board members.

B) Personnel changes and personnel evaluation of the assistance to the Audit & Supervisory Board members shall be subject to approval by the Audit & Supervisory Board members, and the Audit & Supervisor Board members may request that the assistants to the Audit & Supervisory Board members be changed as necessary.

C) The assistants to the Audit and Supervisory Board members, who assist the Audit & Supervisory Board members in their duties, shall provide assistance for the audit duties of the Audit & Supervisory Board members under their direction, and shall not receive orders or restrictions from the directors.

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

A) The Audit & Supervisory Board members and the representative director shall have periodic meetings to report on the status of execution of duties and exchange opinions on issues to be addressed by the Company and risks surrounding the Company, etc.

B) Directors and employees shall immediately report to the Audit & Supervisory Board members if they discover any fact that may cause significant damage or disadvantage to the Company.

Moreover, notwithstanding the above, the Audit & Supervisory Board members may request reports from directors or employees at any time as necessary.

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

A) Audit & Supervisory Board members may attend the Board of Directors meetings, the Executive Committee meetings, and other important meetings to hear from the directors, etc. about the status of business execution, and view related materials.

B) The Audit & Supervisory Board members shall maintain adequate coordination with the Internal Audit Department and the accounting auditor, and shall attend the Board of Directors meetings so that they can raise issues as necessary with the directors, etc.

C) The Audit & Supervisory Board members gather opinions from attorneys, certified public accountants, or any other outside expert as needed to conduct timely and appropriate audits.

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

① Compliance and risk management system

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.

Furthermore, the Risk Management Committee, chaired by the CAO, carefully examined the reports from each organizational category based on the predetermined risk management plans for each organizational category.

② System for efficient execution of duties

During the fiscal year under review, the Company held 21 meetings of the Board of Directors, at which the directors discussed and made decisions on important matters. The Board of Directors also received reports from the directors and others in charge of the key divisions on the execution of their duties, and conducted periodic reviews of its management policies, strategies, and targets.

③ 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.

④ Audit & Supervisory Board member audit system

The Audit & Supervisory Board members held 14 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, 2020)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	20,047	Current liabilities	15,624
Cash and cash equivalents	11,996	Borrowings	1,938
Trade and other receivables	6,362	Trade and other payables	5,310
Other financial assets	10	Other financial liabilities	2,609
Inventories	151	Income and other taxes payable	1,369
Other current assets	1,526	Provisions	181
		Other current liabilities	4,21
Non-current assets	70,732	Non-current liabilities	52,448
Property, plant and equipment	38,152	Borrowings	38,223
Goodwill	12,646	Other financial liabilities	7,146
Intangible assets	15,362	Retirement benefit liabilities	718
Other financial assets	3,012	Provisions	2,880
Deferred tax assets	821	Deferred tax liabilities	2,668
Other non-current assets	735	Other non-current liabilities	810
		Total liabilities	68,072
Total assets	90,779	(Equity)	
		Total equity attributable to owners of the parent	20,709
		Common stock	5,150
		Capital surplus	4,640
		Retained earnings	10,873
		Treasury Stock	(0)
		Other components of equity	46
		Non-controlling interests	1,997
		Total equity	22,706
		Total liabilities and equity	90,779

Consolidated Statement of Income

From April 1, 2019

To March 31, 2020

(Millions of yen)

Item	Amount
Net sales	51,494
Cost of sales	34,393
Gross profit	17,100
Selling, general and administrative expenses	8,176
Other income	172
Other expenses	427
Operating profit	8,669
Finance income	61
Finance costs	521
Profit for the year before income taxes	8,209
Income taxes	2,541
Profit for the year	5,668
Profit for the year attributable to:	
Owners of the parent	5,296
Non-controlling interests	371
Profit for the year	5,668

Non-Consolidated Balance Sheet

(As of March 31, 2020)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	16,748	Current liabilities	11,509
Cash and deposits	9,406	Current portion of long-term loans	1,938
Trade receivables	5,060	Current portion of lease obligations	691
Non-trade receivables	481	Account payables	2,619
Goods	44	Account payables – Facilities	2,497
Supplies	541	Accrued expenses	1,068
Prepaid expenses	1,208	Income and other taxes payables	802
Other current assets	7	Consumption tax payables	257
Allowance for doubtful accounts	(3)	Deposit received	23
		Guarantee deposit	197
Non-current assets	57,306	Deferred income	784
Property, plant and equipment	31,825	Provision for bonus	447
Cable and wiring	16,064	Provision for losses on Antimonopoly Act	180
Ducts and poles	8,766	Other current liabilities	1
Buildings	6,960	Non-current liabilities	46,181
Structures	23	Long-term loans	38,484
Machinery equipment	42,742	Long term deferred income	796
Tools, furniture and fixtures	1,121	Lease obligations	3,162
Land	1,006	Retirement benefit liabilities	659
Lease assets	12,181	Asset retirement obligations	2,727
Construction in progress	1,881	Deferred tax liabilities	336
Accumulated depreciation	(58,924)	Other non-current liabilities	14
		Total liabilities	57,690
Intangible assets	13,710	(Net Assets)	
Right of use of submarine cable	16	Shareholders' equity	16,364
Right of use of facilities	103	Common stock	5,150
Trademarks	1,634	Capital surplus	3,538
Customer-related intangible assets	2,656	Legal capital surplus	131
Software	465	Other legal capital surplus	3,407
Goodwill	8,473	Retained earnings	7,675
Software in progress	80	Other retained earnings	7,675
Other intangible assets	280	Retained earnings brought forward	7,675
		Treasury stock	(0)
Investments and other assets	11,770	Total net assets	16,364
Investment securities	45	Total liabilities and net assets	74,055
Shares of subsidiaries and affiliates	8,834		
Claims in bankruptcy	0		
Security deposit	2,691		
Other assets	200		
Allowance for doubtful accounts	(0)		
Total assets	74,055		

Non-Consolidated Statement of Income

From April 1, 2019

To March 31, 2020

(Millions of yen)

Item	Amount	
Net sales		43,697
Cost of sales		30,565
Gross profit		13,131
Selling, general and administrative expenses		7,839
Operating profit		5,292
Non-operating income		
Interest income	0	
Dividends income	1,888	
Other income	167	2,055
Non-operating expenses		
Interest expenses	359	
Commission for syndicate loan	17	
Loss on asset disposal	342	
Other expenses	73	793
Ordinary income		6,554
Profit for the year before income taxes		6,544
Income taxes - current		1,318
Income taxes - deferred		366
Profit for the year		4,869

Translation Independent Auditor's Report

The Board of Directors
ARTERIA Networks Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Tadashi Watanabe
Designated Engagement Partner
Certified Public Accountant

Shinichi Masuda
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, paragraph 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 notes to the consolidated financial statements of ARTERIA Networks Corporation (the "Company") applicable to the fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group, which consisted of the Company and its consolidated subsidiaries, applicable to the fiscal year ended March 31, 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditor and Board of Corporate Auditors 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by 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, matters related to going concern.

Corporate Auditor and Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

We have no interest in the Company and its consolidated subsidiaries which should be disclosed in accordance with the Certified Public Accountants Act.

May 22, 2020

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Translation

Independent Auditor's Report

The Board of Directors
ARTERIA Networks Corporation

Ernst & Young ShinNihon LLC
Tokyo, Japan

Tadashi Watanabe
Designated Engagement Partner
Certified Public Accountant

Shinichi Masuda
Designated Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, paragraph 2, item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated 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 5th fiscal year from April 1, 2019 to March 31, 2020.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position and results of operations of the Company applicable to the 5th fiscal year ended March 31, 2020, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, Corporate Auditor and Board of Corporate Auditors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

Corporate Auditor and Board of Corporate Auditors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- In making those risk assessments, we consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the purpose of the audit of the financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Corporate Auditor and Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Conflicts of Interest

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

May 22, 2020

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by the Companies Act of Japan for the conveniences of the reader.

Annual General Meeting of Shareholders
Bellesalle Onarimon Tower 4F
1-1-1 Shiba Koen, Minato-ku, Tokyo
Japan 105-0011

To avoid the risk of infection to shareholders and the Company's officers and employees, we ask shareholders to exercise their voting rights in advance and to avoid attending the General Meeting of Shareholders on the day. To prevent the spread of COVID-19, we ask for your understanding and cooperation in allowing the Company's officers to conduct the proceedings on the day of the meeting without shareholders in attendance.



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

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