

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 10, 2021

Notice of the 6th Annual General Meeting of Shareholders

To our shareholders,

Thank you for your continued support. I hereby notify you of the Company's 6th Annual General Meeting of Shareholders.

If you will not be attending the meeting in person, please take the time to read the following Reference Material for the General Meeting of Shareholders, and exercise your vote by one of the methods described on page 4 by 5:30 p.m. on June 24, 2021 (Thursday).

Koji Kabumoto
Representative Director, President & CEO

1.	Date and time	June 25, 2021 (Friday) 1:00 p.m. (Doors open at 12:30)
2.	Venue	4F Bellesalle Onarimon Tower 1-1-1 Shibakoen, 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 6 th term (April 1, 2020 to March 31, 2021)
		2. Report on the non-consolidated financial statements for the 6 th term (April 1, 2020 to March 31, 2021)
Proposal	Election of five (5) directors	

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

<Guidance on disclosure via the internet>

Arteria's website: <https://www.arteria-net.com/en/ir/library/aggm/>

- Some images of the General Meeting of Shareholders will be posted on afterwards on the Company's website.
- Details of the General Meeting of Shareholders 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.
- 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 and are therefore not included in the documents provided with this notice. 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.
 - (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.
- 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.
- The content of this Convocation Notes will be posted on the Company's website before it is sent out, with the intention of providing information quickly.

<Measures to Prevent the Spread of COVID-19 at the General Meeting of Shareholders>

- Please wear a mask if you attend the meeting on the day.
- People who are found to have a fever or who seem unwell may be refused entry to the venue and asked to return home.
- The staff running the meeting will be wearing masks.
- The Company is considering ways to make the proposals of the meeting proceed more smoothly than in previous years.



Guidance for Exercising Voting Rights

The right to vote in the General Meeting of Shareholders is a very important right of shareholders. Please refer to the reference materials for the General Meeting of Shareholders then exercise your voting rights. You can exercise your voting rights in one of the three following methods.



(1) Attending the General Meeting of Shareholders

Submit the enclosed voting form at the reception desk.

Time

June 25, 2021 (Friday) 1:00 p.m.
(Reception scheduled to open from 12:30 p.m.)



(2) Exercising your voting rights in writing (by post)

Follow the guidance at the bottom of this page to indicate your approval or disapproval of the proposals on the enclosed voting form, then send it in by post.

Deadline

Must arrive by 5:30 p.m., June 24, 2021 (Thursday)



(3) Exercising your voting rights via the internet

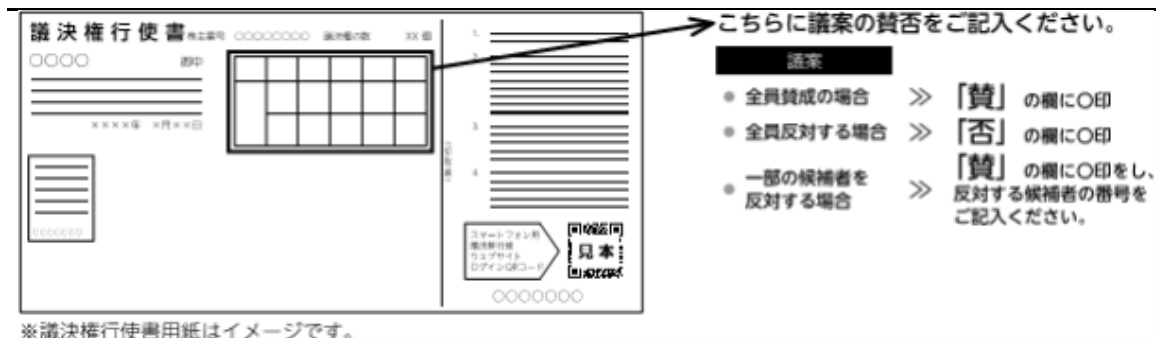
Follow the guidance on the next page to indicate your approval or disapproval.

Deadline

Voting must be complete by 5:30 p.m., June 24, 2021 (Thursday)

*If you exercise your voting rights both in writing (post) and via the internet, the vote made via the internet will be treated as the valid vote. Furthermore, if you exercise your voting rights multiple times via the internet, the last vote will be treated as the valid vote.

(2) Exercising your voting rights in writing (by post)



(3) Exercising your voting rights via the internet (only in Japanese)

By reading in the login QR code
“Smart Voting”

By entering your voting code and
password

You can log in to the voting website without entering your voting code and password.

Voting website <https://soukai.mizuho-tb.co.jp/>

1 議決権行使書用紙右下に記載のQRコードを読み取ってください。



※「QRコード」は株式会社デンソーウェーブの登録商標です。

2 以降は画面の案内に従って賛否をご入力ください。

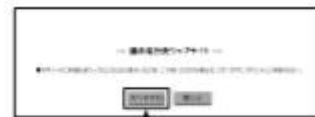


「スマート行使」での議決権行使は**1回のみ**。

議決権行使後に行使内容を変更する場合は、お手数ですがPC向けサイトへアクセスし、議決権行使書用紙に記載の「議決権行使コード」・「パスワード」を入力してログイン、再度議決権行使をお願いいたします。

※QRコードを再度読み取っていただくと、PC向けサイトへ遷移できます。

1 議決権行使ウェブサイトへアクセスしてください。



「次へすすむ」をクリック

2 議決権行使書用紙に記載された「議決権行使コード」をご入力ください。



「議決権行使コード」を入力

「次へ」をクリック

3 議決権行使書用紙に記載された「パスワード」をご入力ください。



「パスワード」を入力

実際にご使用になる新しいパスワードを設定してください

「登録」をクリック

4 以降は画面の案内に従って賛否をご入力ください。

※操作画面はイメージです。

If you are unsure how to operate your PC, smartphone, or mobile phone for exercising your voting rights via the internet, please inquire to the service on the right. (Service provided only in Japanese)

Mizuho Trust & Banking Co., Ltd.
Securities Proxy Department Internet Help Service
 0120-768-524
(Operating hours Mon-Fri 09:00-21:00 (JST))

Institutional investors may use the electronic voting platform for institutional investors operated by ICJ, Inc.

Reference Material for the General Meeting of Shareholders

Proposal: Election of five (5) directors

The terms of all of the Company's five (5) directors will expire at the conclusion of the Annual General Meeting. We therefore request the election of five (5) 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.

No.	Name	Position in the Company	Attributes	Years in office	Knowledge, Experience, and Capabilities of the Officer				
					Corporate management	Governance and risk management	Finance and accounting	Technology	Industry experience
1	Koji Kabumoto	Representative Director, President & CEO	Reelection / Male Internal Director Nomination and Compensation Committee member	7	●				●
2	Daisuke Arita	Director, Senior Managing Executive Officer & CCO	Reelection / Male Internal Director	1	●				●
3	Tatsuya Abe	Director	Reelection / Male Internal Director	1	●				●
4	Hiroshi Esaki	Director	Reelection / Male Independent Outside Director Nomination and Compensation Committee member	3				●	●
5	Ichiro Miyake	Director	Reelection / Male Independent Outside Director Nomination and Compensation Committee member	3	●	●			

(Reference) Composition of the Audit & Supervisory Board

The composition of the Audit & Supervisory Board at the end of the Annual General Meeting of Shareholders will be as follows.

Name	Position in the Company	Attributes	Years in office	Knowledge, Experience, and Capabilities of the Officer				
				Corporate management	Governance and risk management	Finance and accounting	Technology	Industry experience
Koichi Mokudai	Audit & Supervisory Board member (Full-time)	Male Outside Audit & Supervisory Board member	2	●				●
Hidenori Shibasaki	Audit & Supervisory Board member	Male Internal Audit & Supervisory Board member	4	●				●
Takeshi Motomura	Audit & Supervisory Board member	Male Independent Outside Audit & Supervisory Board member	3	●	●			
Hiroko Inokuma	Audit & Supervisory Board member	Female Outside Audit & Supervisory Board member	1		●	●		

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 Director, MX Mobiling Co., Ltd.</p> <p>Apr. 2014 Executive Officer, Senior Operating Officer, ICT, Finance & Insurance, Real Estate Business Division, Marubeni Corporation Director, MARUBENI IT SOLUTIONS INC.</p> <p>Apr. 2015 Executive Officer, Chief Operating Officer, ICT & Logistics Division, Marubeni Corporation Director, MARUBENI INFORMATION SYSTEMS CO., LTD. Senior Managing Director, MARUNOUCHI DIRECT ACCESS Ltd. 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>	(1) 9,772 shares (2) 16/16 times (100%)

	<p>Apr. 2019 Executive Officer, Chief Operating Officer, ICT & Real Estate Business Division, Marubeni Corporation</p> <p>Representative Director, President & CEO of the Company (Present)</p> <p>Director, TSUNAGU NETWORK COMMUNICATIONS INC.</p> <p>May 2019 Representative Director and President, TSUNAGU NETWORK COMMUNICATIONS INC.</p> <p>Apr. 2020 Director, TSUNAGU NETWORK COMMUNICATIONS INC. (Present)</p>	
<p>Reason for Selection as a Candidate for Director</p> <p>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.</p>		

2 Reelection	Daisuke Arita (October 1, 1959)	Apr. 1982	Joined Marubeni Corporation	(1) 2,989 shares (2) 13/13 times (100%)
		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	
June 2020	Director, Senior Managing Executive Officer & CCO of the Company (Present)			
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, we 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
3 Reelection	Tatsuya Abe (July 26, 1962)	<p>Oct. 1985 Joined Marubeni Corporation</p> <p>Apr. 2012 General Manager, Mobile Solutions Business Department Marubeni Corporation</p> <p>July 2013 Managing Executive Officer, NEC Mobiling, Ltd.</p> <p>Aug. 2013 Managing Executive Officer and Member of the Board, MX Mobiling Co., Ltd.</p> <p>Apr. 2016 Representative Director and President, MX Mobiling Co., Ltd.</p> <p>June 2019 Chief Operating Officer, ICT & Real Estate Business Division, Marubeni Corporation</p> <p>Apr. 2020 Executive Officer, ICT & Real Estate Business Division, Marubeni Corporation (Present)</p> <p>Director, MARUBENI LOGISTICS CORPORATION (Present)</p> <p>June 2020 Director of the Company (Present)</p> <p>Apr. 2021 Representative Director, MARUNOUCHI DIRECT ACCESS Ltd. (Present)</p>	(1)- (2) 12/13 times (92.3%)
<p>Reason for Selection as a Candidate for Director</p> <p>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 continued appointment as a director.</p>			

4 Reelection	Hiroshi Esaki (January 18, 1963)	Apr. 1987	Joined TOSHIBA CORPORATION	(1) 1,245 shares (2) 16/16 times (100%)
	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)	
<p>Reason for Selection as a Candidate for Outside Director</p> <p>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 an outside director. Moreover, if he is elected, the Company intends him to continue his involvement in the selection of director candidates and determination of director remuneration from an objective and neutral standpoint as a member of the Nomination and Compensation Committee.</p> <p>Furthermore, he has no experience of involvement in corporate management in the past, other than as an outside officer. However, for the above reasons, the Company judges that he can execute his duties as an outside officer appropriately.</p>				

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
5 Reelection	Ichiro Miyake (February 28, 1956)	Apr. 1979 Joined SHIMIZU CORPORATION 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)	(1) 996 shares (2) 16/16 times (100%)
<p>Reason for Selection as a Candidate for Outside Director</p> <p>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 an outside director. Moreover, if he is elected, the Company intends him to continue his involvement in the selection of director candidates and determination of director remuneration from an objective and neutral standpoint as chairman of the Nomination and Compensation Committee.</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 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. 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 10 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 Tatsuya Abe, Hiroshi Esaki, and Ichiro Miyake’s reelection is approved, the Company intends to continue the agreements with them.
6. The Company has concluded a directors and officers liability insurance policy under the provision of the Companies Act Article 430-3 paragraph 1 with an insurance company. The policy covers the insureds, including the directors of the Company, for any damages that may arise from the assumption of liability related to the execution of their duties, or from the pursuit of such liability. If each candidate is elected and appointed as a director, they will be insured under the policy. Furthermore, the policy term is for one year from April 1 until March 31 of the following year, and the Company renews the policy each year. The Company has renewed the policy with basically the same details in April 2021.
7. Hiroshi Esaki and Ichiro Miyake are currently outside directors, and their term in office as outside directors will be three years as of the conclusion of the Annual General Meeting.
8. 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.
9. The career histories of the above candidates are current as of April 1, 2021.
10. The number of the Company’s shares held by the above candidates listed above includes each candidates’ holdings in the Director Shareholding Association and restricted shares allocated to them as non-monetary remuneration.

(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.

(Provided Documents)

Business Report

(From April 1, 2020 to March 31, 2021)

1. Current Status of the Corporate Group

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

① Business progress and results

The global spread of COVID-19 during the fiscal year has significantly affected the economy and economic conditions remain tough. The state of emergency has been declared a second time in Japan, and the future impact of COVID-19 on the domestic and global economy will need to be monitored continuously.

In the information and telecommunications market, where the Group operates, we have seen a slowdown in corporate revenues leading to curbing, postponement, and cancellations of ICT-related capital expenditure as a result of COVID-19. The promotion of a new workstyle, allowing people to work anywhere and anytime, has driven up the use of telecommuting and satellite offices. This is creating additional needs for high-speed communications and secure network services.

In this business environment, while the impact of COVID-19 lasted longer than expected, sales of the core services in each of our main business areas continued to grow year on year. Improvements in our cost structure and a structural reorganization of our data center business contributed to the achievement of our earnings forecasts announced on May 15, 2020 in the “Consolidated Financial Report For the Fiscal Year Ended March 31, 2020”.

In internet services, sales for our core products FTTx and ISP services increased year on year.

Driven by increased cloud usage and the continued promotion of telecommuting generating more external access to corporate networks, the roll out of our best effort basis maximum 10 Gbps (uplink and downlink) service is going well. Furthermore, demand for large bandwidth and high-quality FTTx services remains firm.

In ISP services, demand for high-quality services has increased, driven by an increase in orders from our OEM Flet’s partners and expanded provision of VNE* services to mobile carriers.

On the other hand, impacted by lower volume of phone calls generated from offices, our IP phone services showed negative growth year on year. We expect it will take some time for the demand to recover.

In network services, our customers’ operations have been impacted by the spread of COVID-19 and some delays in service provision and requests for payment reductions impacted some of our services.

Leased circuit services showed decreased growth rates year on year due to stagnant corporate activities. However, orders, which were previously sluggish due to COVID-19, started to show signs of recovery in the third quarter of the fiscal year and we expect this trend to continue.

In VPN services, while the growth rate has slowed down year on year, we received some large

orders and sales grew year on year.

In condominium internet services, comprehensive contracts with large developers and management companies increased and sales in both the owned condo market and the rental apartments market grew steadily.

While the number of new-builds in the owned condo market is trending downwards, the implementation rate of the whole-building model continues to increase, and our orders sustain a strong trend.

By introducing new services and strengthening our salesforce in the rental market, which we are focusing on for growth, we have exceeded our expansion in the owned condo market.

As a result, during the fiscal year net sales increased by 1,834 million yen (3.6%) year on year to 53,328 million yen; operating income increased by 198 million yen (2.3%) year on year to 8,867 million yen; profit before income taxes for the fiscal year increased by 250 million yen (3.1%) year on year to 8,460 million yen. Profit for the period attributable to owners of the parent increased by 238 million yen (4.5%) year on year to 5,535 million yen.

Note: Virtual Network Enabler: service provider that offers network facilities and systems required for IPoE connection to internet service providers.

② Capital expenditure

Capital expenditure during the fiscal year under review totaled 9,475 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	3 rd Term (Fiscal year ended March 2018)	4 th Term (Fiscal year ended March 2019)	5 th Term (Fiscal year ended March 2020)	6 th Term (Fiscal year under review) (Fiscal year ended March 2021)
Net sales (million yen)	47,587	49,219	51,494	53,328
Operating profit (million yen)	7,549	7,466	8,669	8,867
Profit for the period attributable to owners of the parent (million yen)	4,610	4,642	5,296	5,535
Basic earnings per share (yen)	92.21	92.85	105.93	110.74
Total assets (million yen)	78,560	81,968	90,779	89,804
Total equity attributable to owners of the parent (million yen)	11,872	16,647	20,709	23,608
Equity per share attributable to owners of the parent (yen)	237.45	332.96	414.20	472.31

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 3rd term.

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

Category		3 rd Term (Fiscal year ended March 2018)	4 th Term (Fiscal year ended March 2019)	5 th Term (Fiscal year ended March 2020)	6 th Term (Fiscal year under review) (Fiscal year ended March 2021)
Net sales	(million yen)	42,237	41,973	43,697	45,498
Ordinary income	(million yen)	4,816	4,566	6,554	6,136
Profit for the period	(million yen)	3,073	3,427	4,869	5,226
Net income per share	(yen)	61.48	68.54	97.4	104.56
Total assets	(million yen)	69,775	70,990	74,055	75,303
Net assets	(million yen)	9,378	12,805	16,364	18,914
Net assets per share	(yen)	187.57	256.11	327.29	378.40

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 3rd 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 secondees

Notes:

1. Transactions and so forth with the parent company are subject to confirmation of their rationality and conditions and must be approved by the Board of Directors based on laws and regulations and internal rules. Furthermore, the status of such transactions is surveyed once a year. 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. The Company and the parent company have concluded an Agreement on the Group's Internal Control Systems, etc. regarding the Company's important financial affairs and business policies. Under the agreement, the Company's management policy, business development, and important decisions concerning business execution are to be submitted in advance along with an explanation to the parent company to request the parent company's opinion. However, the parent company's opinion in this process is not binding on the Company, and the Company shall be responsible for making decisions based on its own judgement, making reference to the opinion of Marubeni Corporation.

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

① Management Philosophy

- We seek to build on our corporate identity as a pioneer in our industry to address our customers' ever-changing business needs.
- We seek to differentiate ourselves through our proprietary network assets and customer-oriented approach and be proactive and flexible in proposing ideas and taking action quickly and effectively.
- Through creating a communications platform, we seek to contribute to our customers' growth and societal progress and allow each of our employees to achieve their aspirations.

② Review of the FY18-20 Mid-Term Plan (Fiscal Year Ended March 2019- Fiscal Year Ended March 2021)

(i) Financial Targets

Over the three-years from fiscal 2018 to fiscal 2020, we achieved sales growth in all of our main services and broadly achieved the targets of the Mid-Term Plan.

Item	Target	Result
Net sales	CAGR approx. 2.5 to 3.0%	3.9%
Adjusted operating profit	CAGR approx. 5.5 to 6.0%	4.7%
Adjusted EBITDA	A margin of around 30% each year	33.7%

(ii) Implementation Plan

We used our network assets and specialized in growth markets to achieve growth outpacing the market.

- In expected growth markets, concentration of management resources achieved sales growth of 2.5%-3.0%, equivalent to three times the growth of the fixed-line telecommunications market.
- Use of network assets and application of operating leverage achieved growth in operating profit of 5.5%-6.0%, double the growth in sales.

(iii) Review

The mid-term plan targets were broadly achieved.

- Achieved sales targets through significant growth in each business field. Impacted by the spread of COVID-19 cost of sales increased resulting in adjusted operating profit falling short of the original target.
- Offered high-speed broadband services ahead of other companies in response to the continue increase in data traffic
- Won major orders for OTTs*¹ and MNOs*² by responding flexibly to customer needs
- Maintained growth in the owned-condo internet service market while making full-scale entry into the rental market
- Restructured non-core (data center) business and paved the way to carbon neutral operations

(iv) Issues to be Addressed

Further market expansion driven by the spread of cloud computing and telecommuting

- Capture further customer demand driven by the spread of cloud computing and telecommuting
- Attempt to enter new markets and domains by catering to needs for high quality and increased security awareness

③ FY21-25 Mid-Term Plan (Fiscal Year Ending March 2022 to Fiscal Year Ending March 2023) and Issues to Be Addressed

The Group will address the following issues based on the Mid-Term Management Plan announced on May 14, 2021.

- (i) Measures for growing the core business
 - Gain further demand by optimizing and updating FTTx network
 - Enhance customization capabilities to generate added value and aim to capture more network demand from OTTs
 - Accelerate growth in the rental market in addition to the owned condo market and further consolidate leading position
- (ii) Measures for incorporating a new growth portfolio
 - Respond to soaring demand for telecommuting by building a D2C^{*3} service platform for condominium residents
 - Use the D2C service platform to expand the range of customers to SOHOs, and corporations
 - Capture growth domains through M&A or business alliances, accelerate expansion of the non-telecommunications business
- (iii) Pursue planet-friendly management by addressing workstyle reform (Hatarakikata Kaikaku) and SDGs
 - Use clean energy in provisioning to condos and contribute to a decarbonized society through the provision of telecommuting solutions etc.
 - Upgrade to highly energy-efficient internal system and strengthen security by implementing zero trust^{*4} security
 - Enhance development of human resources, implement diversity and reform workstyles through roll out of satellite offices etc.

Notes:

1. Stands for Over The Top. Service providers who provide content such as video and audio over internet lines.
2. Stands for Mobile Network Operator. MNOs establish and operate their own wireless base stations to provide mobile telecommunication services.
3. Stands for Direct To Consumer. Scheme to provide services directly to users through EC sites, etc.
4. A network security environment that constantly monitors and checks users and devices on the premise that all network traffic is not trusted.

(5) Main Business Activities (As of March 31, 2021)

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, 2021)

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, 2021)

① Status of employees of the corporate group

Segment Name	Number of Employees
Telecommunication business	755
Total	755

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
577	42.4	8.8

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, 2021)

Lender	Amount of Borrowings (million yen)
MUFG Bank, Ltd.	13,854
Sumitomo Mitsui Banking Corporation	13,854
Mizuho Bank, Ltd.	6,927
Aozora Bank, Ltd.	3,848

(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	9,783
④ Major shareholders	

Shareholder Name	Number of Shares Held	Ownership Ratio (%)
Marubeni Corporation	25,000,100	50.01
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	4,515,200	9.03
The Master Trust Bank of Japan (Trust Account)	3,595,900	7.19
Custody Bank of Japan (Trust Account)	3,062,400	6.13
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	987,288	1.98
KIA FUND F149	595,200	1.19
BNYM TREATY DTT 15	456,651	0.91
JPMBL RE NOMURA INTERNATIONAL PLC 1 COLL EQUITY	385,851	0.77
MSCO CUSTOMER SECURITIES	383,000	0.77
JP MORGAN CHASE BANK 385781	376,802	0.75

Notes:

- Ownership ratios are calculated after deducting treasury stock (13,625 shares).
- 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, 2021, 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 change of large shareholders made available for public inspection as of June 4, 2020, it is stated that Sumitomo Mitsui DS Asset Management Company, Limited holds the following shares as of May 29, 2020. However, as the Company could not confirm the actual number of shares owned as of March 31, 2021, Sumitomo Mitsui DS Asset Management Company, Limited has not been included in the above status of major shareholders. The contents of the report on change in 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	1,771,300
Ownership ratio	3.54%

4. In a report on large shareholders made available for public inspection as of July 21, 2020, it is stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint equity holder Nikko Asset Management Co., Ltd. respectively hold the following shares as of July 15, 2020. However, as the Company could not confirm the actual number of shares owned as of March 31, 2021, Sumitomo Mitsui Trust Asset Management Co., Ltd. and Nikko Asset Management Co., Ltd. have not been included in the above status of major shareholders. The contents of the report on large shareholders are as follows.

Shareholder Name	Address	Number of Shares Held	Ownership Ratio (%)
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1 Shiba Koen, Minato-ku, Tokyo	1,433,700	2.87
Nikko Asset Management Co., Ltd.	9-7-1 Akasaka, Minato-ku, Tokyo	1,230,300	2.46

⑤ Status of shares delivered to officers of the Company as consideration for execution of duties during the fiscal year under review.

The details of shares delivered as remuneration during the fiscal year under review are as follows.

Officer Category	Number of Shares	Number of Recipients
Executive director	10,271	2

(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, 2021)

Position in the Company	Name	Responsibilities and Important Concurrent Positions
Representative Director, President & CEO	Koji Kabumoto	Representative Director and President, TSUNAGU NETWORK COMMUNICATIONS INC.
Senior Managing Executive Officer & CCO	Daisuke Arita	Corporate Sales Division
Director	Tatsuya Abe	Executive Officer, Chief Operating Officer, ICT & Real Estate Business Division, Marubeni Corporation Director, MARUBENI LOGISTICS CORPORATION Representative Director, Managing Executive Officer, MARUNOUCHI DIRECT ACCESS Ltd. Director, MX Mobiling Co., Ltd.
Director	Hiroshi Esaki	Professor, Graduate School of Information Science and Technology, The University of Tokyo Outside Director, Ubiteq, Inc.
Director	Ichiro Miyake	Outside Director, Recomm Co., Ltd.
Audit & Supervisory Board Member (Full-time)	Koichi Mokudai	Audit & Supervisory Board member, TSUNAGU NETWORK COMMUNICATIONS INC. Audit & Supervisory Board member, ARTERIA Engineering Corporation
Audit & Supervisory Board Member	Hidenori Shibasaki	Representative Director and President, ma Telecom Co., Ltd. Director, MarPless 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. Part-time Lecturer, The University of Tokyo Graduate Schools for Law and Politics, The University of Tokyo Faculty of Law Auditor, OTSUMA GAKUIN EDUCATIONAL INSTITUTION
Audit & Supervisory Board Member	Hiroko Inokuma	Professor, Musashi University PDP Education Centre (Present) Part-time Lecturer, Keio University Faculty of Business and Commerce (Commerce Studies Course) Part-Time Lecturer, Keio University Graduate School of System Design and Management

Notes:

1. Directors Hiroshi Esaki and Ichiro Miyake are outside directors.
2. Audit & Supervisory Board Members Koichi Mokudai, Takeshi Motomura, and Hiroko Inokuma 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. Audit & Supervisory Board Member Hiroko Inokuma has abundant knowledge and experience as a certified public accountant, and has considerable knowledge of finance and accounting.
5. At the 5th Annual General Meeting of Shareholders, held on June 26, 2020, Daisuke Arita and Tatsuya Abe were newly elected and appointed as directors, and Hiroko Inokuma as an Audit & Supervisory Board member.
6. 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.
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
Hidenori Shibasaki	General Manager, ICT Business Dept.-II, Marubeni Corporation	Retired	November 30, 2020
	Director, MX Mobiling Co., Ltd.	Retired	November 30, 2020
	Director, Mobile Care Technologies Co., Ltd.	Retired	November 30, 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 and Audit & Supervisory Board members)

After concluding the agreement, the liability for damages of directors (excluding executive directors, etc.) and 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 Details of directors and officers liability insurance policy

The Company has concluded a directors and officers liability insurance policy as provided by Article 430-3 paragraph 1 of the Companies Act with an insurance company. The insureds under the policy are the directors and Audit & Supervisory Board members (including those in office during the fiscal year under review) of the Company and its subsidiaries. The Company bears the entire amount of the insurance premium.

To give an outline of the insurance policy details, under the policy the insurance company covers any damage incurred by the insureds from the assumption of liability related to the execution of their duties, or from the receipt of claims connected to the pursuit of such liability.

Furthermore, the policy term is for one year from April 1 until March 31 of the following year, and the Company renews the policy each year. The Company has renewed the policy with basically the same details in April 2021.

④ Remuneration, etc. of directors and Audit & Supervisory Board members

(i) Determination by resolution of the General Meeting of Shareholders

The General Meeting of Shareholders held on July 17, 2017 resolved that remuneration for directors is to be an annual amount of no more than 300 million yen. The number of directors as of the end of that General Meeting of Shareholders was eight (8) (including four (4) outside directors).

Furthermore, at the 5th Annual General Meeting of Shareholders, held on June 26, 2020, it was resolved that the Company may allocate to directors, excluding outside directors, restricted shares up to an upper limit of 50,000 shares each business year within an annual allowance of 100 million yen, separate from the abovementioned remuneration allowance. This allocation is to serve as a medium- to long-term incentive remuneration to further enhance their motivation toward contribution to the rise in stock price and the increase in corporate value. The number of directors as of the end of that General Meeting of Shareholders was five (5) (including two (2) outside directors).

Remuneration for Audit & Supervisory Board members was resolved to be within an annual amount of 70 million yen at the General Meeting of Shareholders held on June 30, 2016. As of the end of that meeting, the number of Audit & Supervisory Board members was four (4).

(ii) Policy regarding determination of details of officer remuneration, etc.

The Company makes the determination by having it deliberated and reported by the Nomination and Compensation Committee, which is an advisory committee to the Board of Directors, taking into account the responsibilities, capabilities and contribution to the Company that are required of each director, as well as the status of the Company's earnings and management. The Nomination and Compensation Committee comprises three members, including an independent outside director as chairman and two other members one of whom is also an independent outside director.

A) Remuneration for part-time directors

At its meeting held on February 26, 2021, the Company's Board of Directors resolved the following policy on details of individual remuneration, etc. for part-time directors. In making its resolution, the Board of Directors consulted with the Nomination and Compensation Committee on the details of the resolution in advance and received a report.

(Policy for deciding on remuneration of part-time directors)

The remuneration for part-time directors shall be basic remuneration only, with the amount decided individually by resolution of the Board of Directors based on a comprehensive consideration of responsibilities and role, etc. In making the decision, the Board of Directors shall consult with the Nomination and Compensation Committee in advance.

B) Remuneration for full-time directors

At its meeting held on March 30, 2020, the Company's Board of Directors resolved the following policy on content of individual remuneration, etc. for full-time directors. In making its resolution, the Board of Directors consulted with the Nomination and Compensation Committee on the content of the resolution in advance and received a report.

Furthermore, the Board of Directors has confirmed that the details of remuneration in the decision on individual remuneration of directors for the fiscal year under review are in accordance with the following policy.

(Policy regarding decision on payment ratio for performance-linked remuneration and remuneration, etc. other than performance-linked remuneration)

The Company's remuneration for full-time directors consists of fixed remuneration, variable remuneration (performance-linked remuneration), and non-monetary remuneration (restricted shares).

The calculation method for variable remuneration is decided with the intention that it should function as a healthy incentive for the Company's sustainable growth.

(Indicators for performance-linked remuneration, reason for selection of the indicators, and method of deciding the amount of the performance-linked remuneration)

The indicators for quantitative evaluation of variable remuneration are the achievement rate of annual earnings (consolidated sales, consolidated profit for the year, and consolidated free cash flow). These indicators were selected because the Company judges that it is important to increase total earning power and free cash flow, including from financing activities in particular.

Furthermore, as a qualitative evaluation of variable remuneration, the result of the quantitative evaluation may be adjusted through consideration of the Nomination and Compensation Committee based on the overall judgement of the representative director and president. The adjustment of the result may be $\pm 20\%$ in principle, but the adjustment may be as large as $\pm 50\%$ in special circumstances.

(Content of non-monetary compensation, etc.)

The content of non-monetary compensation is restricted shares of the Company. The allocation is decided giving overall consideration to general matters such as contribution to the Company's Board of Directors.

The status of deliveries of restricted shares in the fiscal year under review is described in "2. (1) ⑤ Status of shares delivered to officers of the Company as consideration for execution of duties during the fiscal year under review."

(Policy for each position regarding determination of the amount of officer remuneration, etc. and method of calculation thereof)

There is no policy for each position.

(Targets and results for indicators relating to the performance-linked remuneration for the fiscal year under review)

The targets and results for Companywide performance in the fiscal year ended March 31, 2021 (the 6th term)

Indicator	Evaluation Weighting	Evaluation Coefficient Variation	Announced Forecasts (Millions of yen)	Actual Results (Millions of yen)
Consolidated net sales	25%	0-200%	52,235	53,328
Consolidated profit for the year	50%	0-200%	5,777	5,897
Consolidated free cash flow	25%	0-200%	5,304	6,631

(Name of the entity with authority to determine the amount of officer remuneration, etc. or the calculation method thereof, content of that authority, and extent of discretion)

The entity with authority to determine the amount of remuneration, etc. of the directors of the Company, or the calculation method thereof, is the Board of Directors. The content of that authority and extent of discretion is the determination, etc. of the individual portions of director remuneration.

(Overview of the procedure of the committee involved in determining the policy regarding the determination of the amount of officer remuneration, etc. or the calculation method thereof)

The Nomination and Compensation Committee acts as an advisory organization to the Board of Directors. It deliberates on the content of proposals regarding the basic policy and standards on remuneration, etc. of officers, etc., and total allowances of remuneration, etc. for directors and Audit & Supervisory Board members. The committee reports its opinion to the Board of Directors to assist the decision making of the Board of Directors.

(Activities of the Board of Directors and committees, etc. in the determination process of the amount of remuneration, etc. for officers)

The Nomination and Remuneration and Compensation committee also deliberated on remuneration for the fiscal year ended March 31, 2021 and reported to the Board of Directors.

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

Category	Remuneration Amount (million yen)	Amount by Type (million yen)			Number of Recipients
		Fixed	Performance-linked	Non-monetary	
Directors (incl. outside directors)	127 (18)	79 (18)	33 (-)	15 (-)	6 (2)
Audit & Supervisory Board members (incl. outside Audit & Supervisory Board members)	29 (26)	29 (26)	- (-)	- (-)	4 (3)
Total (incl. outside officers)	157 (45)	109 (45)	33 (-)	15 (-)	10 (5)

Notes:

1. The table above includes one director who retired at the end of the 5th Annual General Meeting of Shareholders, held on June 26, 2020.
2. The amount of remuneration paid to directors does not include employee salaries paid to directors serving concurrently as employees.

⑤ Outside officers

- (i) 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.

(ii) Main activities during the fiscal year under review

Name	Board of Directors Meetings	Audit & Supervisory Board Meetings	Overview of Statements Made and Duties Performed Related to the Expected Role of Outside Director
Director Ichiro Miyake	16/16 times (100%)	—	<p>Since his appointment as outside director, Mr. Ichiro Miyake has adequately performed the role and responsibilities required of an outside director, including supervision of management from the standpoint of minority shareholders and giving advice on management in general, such as corporate governance, drawing on his abundant knowledge and experience of corporate management.</p> <p>Furthermore, as the chairman of the Nomination and Compensation Committee, he was involved in deliberations regarding officer personnel and compensation.</p>
Director Hiroshi Esaki	16/16 times (100%)	—	<p>Since his appointment as outside director, Mr. Hiroshi Esaki has adequately performed the role and responsibilities required of an outside director, including guidance on the status and latest trends in network infrastructure, which is the Company's business foundation, and advice regarding new service development and industry trends, based on his abundant knowledge and experience in the field of information science and technology.</p> <p>Furthermore, as the chairman of the Cyber Security Committee (5 meetings held in the fiscal year under review), he has also contributed to improving the Company's cyber security system.</p>
Audit & Supervisory Board Member Koichi Mokudai	16/16 times (100%)	14/14 times (100%)	<p>Since his appointment as outside Audit & Supervisory Board Member, Mr. Koichi Mokudai has drawn on his broad and high-level insight and experience as a manager, cultivated through many years in the field of information and telecommunications. As a full-time Audit & Supervisory Board member he has attended important meetings, exchanged opinions with the representative director and president, viewed important documents, and surveyed important financial assets. He has also conducted interviews with business units and surveys of subsidiaries, etc. as well as conducting three-way audits, etc. in coordination with the Internal Audit Department and the accounting auditor.</p>

<p>Audit & Supervisory Board Member Takeshi Motomura</p>	<p>16/16 times (100%)</p>	<p>14/14 times (100%)</p>	<p>Since his appointment as outside Audit & Supervisory Board member, Mr. Takeshi Motomura has made statements to secure the appropriateness and validity of decision making by the Board of Directors in its meetings, based on his abundant knowledge and experience as a lawyer. Furthermore, in the Audit & Supervisory Board meetings he has made appropriate and necessary statements regarding the Company's compliance system, etc.</p> <p>Furthermore, he also attended meetings of the Cyber Security Committee (5 meetings held in the fiscal year under review), where he contributed to improving the Company's cyber security system by giving advice from specialist perspective.</p>
<p>Audit & Supervisory Board Member Hiroko Inokuma</p>	<p>13/13 times (100%)</p>	<p>11/11 times (100%)</p>	<p>Since her appointment as outside Audit & Supervisory Board member, Ms. Hiroko Inokuma has made statements to secure the appropriateness and validity of decision making by the Board of Directors in its meetings, based on her abundant knowledge and experience as a certified public accountant. Furthermore, in the Audit & Supervisory Board meetings she has made appropriate and necessary statements regarding issues for the Company in the fields of accounting and finance, and its accounting audits, etc.</p>

Note:

Audit & Supervisory Board Member Hiroko Inokuma was newly elected as an Audit & Supervisory Board member at the 5th Annual General Meeting of Shareholders on June 26, 2020. For this reason, the number of Board of Directors meetings and Audit & Supervisory Board meetings she has attended differs from that of other Audit & Supervisory Board members.

(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	87

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 consulting services related to internal controls.

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) Basic Policy on Corporate Governance

The Company has formulated its “Basic Policy on Internal Controls” with the intention of promoting management that emphasizes fulfilling the Company’s social responsibility to various stakeholders including shareholders, business partners, employees, and local communities, while also maximizing corporate value. The Company recognizes the foundation of corporate governance to be rigorous adherence to corporate ethics as well as laws and regulations, along with promotion of the establishment and enhancement of internal control and risk management systems.

Furthermore, the Company will strive to clarify the supervision responsibility of the Board of Directors, reinforce its compliance systems, enhance prompt and accurate disclosure of information, and strengthen corporate governance.

(2) 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
 - (i) 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.
 - (ii) 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.
 - (iii) 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.
 - (iv) 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.
 - (v) 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.
 - (vi) 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.
 - (vii) 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
 - (i) 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.
 - (ii) 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
 - (i) 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.
 - (ii) 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.
 - (iii) 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
 - (i) 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.
 - (ii) 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
- (i) 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.
 - (ii) 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.
 - (iii) 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
- (i) 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.
 - (ii) 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
- (i) 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.
 - (ii) 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.
 - (iii) 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.
- (3) 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 16 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 Executive Committee meetings 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 making effective use of 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%.

Regarding dividends for the interval of our new mid-term plan, the fiscal year ending March 31, 2022 to the fiscal year ending March 31, 2026, our basic policy will be to target a payout ratio of 50% and to announce the forecasted minimum dividend at the beginning of each fiscal year. The dividends of surplus are to be paid out twice a year as an interim dividend and a year-end dividend.

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, 2021)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	21,167	Current liabilities	17,253
Cash and cash equivalents	10,957	Borrowings	2,240
Trade and other receivables	7,495	Trade and other payables	6,031
Other financial assets	309	Lease liabilities	2,027
Inventories	200	Income and other taxes payable	2,181
Other current assets	2,204	Provisions	182
Non-current assets	68,637	Other current liabilities	4,589
Property, plant and equipment	35,414	Non-current liabilities	47,019
Goodwill	12,646	Borrowings	36,076
Intangible assets	15,072	Long-term lease liabilities	4,741
Other financial assets	3,562	Retirement benefit liabilities	867
Deferred tax assets	1,253	Provisions	2,041
Other non-current assets	687	Deferred tax liabilities	2,469
		Other non-current liabilities	823
		Total liabilities	64,273
		(Equity)	
		Total equity attributable to owners	23,608
		of the parent	
		Common stock	5,150
		Capital surplus	4,663
		Retained earnings	13,765
		Treasury stock	(79)
		Other components of equity	109
		Non-controlling interests	1,922
		Total equity	25,531
Total assets	89,804	Total liabilities and equity	89,804

Consolidated Statement of Income

From April 1, 2020

To March 31, 2021

(Millions of yen)

Item	Amount
Net sales	53,328
Cost of sales	36,828
Gross profit	16,500
Selling, general and administrative expenses	8,113
Other income	702
Other expenses	221
Operating profit	8,867
Finance income	71
Finance costs	479
Profit for the year before income taxes	8,460
Income taxes	2,562
Profit for the year	5,897
Profit for the year attributable to:	
Owners of the parent	5,535
Non-controlling interests	361
Profit for the year	5,897

Non-Consolidated Balance Sheet

(As of March 31, 2021)

(Millions of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	17,505	Current liabilities	13,307
Cash and deposits	8,689	Current portion of long-term loans	2,240
Trade receivables	5,882	Current portion of lease obligations	618
Non-trade receivables	709	Account payables	3,436
Goods	60	Account payables – Facilities	2,398
Supplies	604	Accrued expenses	1,361
Prepaid expenses	1,252	Income and other taxes payables	1,580
Other current assets	307	Consumption tax payables	298
Allowance for doubtful accounts	(1)	Deposit received	17
Non-current assets	57,797	Guarantee deposit	134
Property, plant and equipment	32,344	Deferred income	580
Cable and wiring	14,755	Provision for bonus	459
Ducts and poles	8,733	Provision for losses on Antimonopoly Act	180
Buildings	3,457	Other current liabilities	1
Structures	23	Non-current liabilities	43,081
Machinery equipment	46,494	Long-term loans	36,244
Tools, furniture and fixtures	1,266	Long-term deferred income	848
Land	1,006	Lease obligations	3,145
Lease assets	12,654	Retirement benefit liabilities	819
Construction in progress	2,381	Asset retirement obligations	2,008
Accumulated depreciation	(58,428)	Other non-current liabilities	14
Intangible assets	13,229	Total liabilities	56,388
Right of use of submarine cable	12	(Net Assets)	
Right of use of facilities	87	Shareholders' equity	18,914
Trademarks	1,496	Common stock	5,150
Customer-related intangible assets	2,432	Capital surplus	3,538
Software	588	Legal capital surplus	131
Goodwill	7,757	Other legal capital surplus	3,407
Software in progress	574	Retained earnings	10,253
Other intangible assets	280	Legal retained earnings	264
Investments and other assets	12,223	Retained earnings brought forward	9,988
Investment securities	45	Treasury stock	(27)
Long-term non-trade receivables	714	Total net assets	18,914
Shares of subsidiaries and affiliates	8,834	Total liabilities and net assets	75,303
Claims in bankruptcy	1		
Security deposit	2,387		
Deferred tax assets	40		
Other assets	200		
Allowance for doubtful accounts	(1)		
Total assets	75,303		

Non-Consolidated Statement of Income

From April 1, 2020

To March 31, 2021

(Millions of yen)

Item	Amount	
Net sales		45,498
Cost of sales		32,505
Gross profit		12,993
Selling, general and administrative expenses		8,193
Operating profit		4,799
Non-operating income		
Interest income	0	
Dividends income	1,793	
Other income	101	1,895
Non-operating expenses		
Interest expenses	330	
Commission for syndicate loan	17	
Loss on asset disposal	169	
Other expenses	41	559
Ordinary income		6,136
Extraordinary income		
Gain on transfer of customer contracts	436	
Gain on sale of fixed assets	470	907
Profit for the year before income taxes		7,043
Income taxes - current		2,194
Income taxes - deferred		(377)
Profit for the year		5,226

Translation Independent Auditor's Report

May 21, 2021

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 balance sheet, the consolidated statement of income, the consolidated statement of changes in equity, and notes to the consolidated financial statements of ARTERIA Networks Corporation and its consolidated subsidiaries (the Group) applicable to the fiscal year from April 1, 2020 to March 31, 2021.

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 applicable to the fiscal year ended March 31, 2021, in accordance with Regulation on Corporate Accounting in Article 120, paragraph 1, the latter part which allows the Group 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 Group 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 Group 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, 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 Group 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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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

May 21, 2021

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 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 5th fiscal year from April 1, 2020 to March 31, 2021.

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 6th fiscal year ended March 31, 2021, 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.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated 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.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

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Annual General Meeting of Shareholders
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.