

**ARTERIA**

アルテリア・ネットワークス株式会社

7<sup>th</sup>

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Adjourned Meeting of  
Shareholders

# Notice of Convocation

Date and time September 15, 2022 (Thursday) 2:00 p.m.  
Reception open from 1:30 p.m.

Venue 4F Bellesalle Onarimon Tower  
1-1-1 Shibakoen, Minato-ku, Tokyo  
105-0011

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

ARTERIA Networks Corporation  
(Stock code 4423)

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

ARTERIA Networks Corporation  
Stock Ticker 4423  
6-9-8 Shimbashi, Minato-ku, Tokyo  
August 29, 2022

## Notice of the Adjourned Meeting of the 7<sup>th</sup> Annual General Meeting of Shareholders

To our shareholders,

Thank you for your continued support. I hereby notify you of the Company's Adjourned Meeting of the 7<sup>th</sup> Annual General Meeting of Shareholders.

**If you attend on the day, please bring the enclosed "Attendance Form for the Adjourned Meeting of the 7<sup>th</sup> Annual General Meeting of Shareholders" with you and submit it at the meeting reception.**

**As the Adjourned Meeting is part of the 7<sup>th</sup> Annual General Meeting of Shareholders, shareholders who attend it will be the same shareholders who were able to exercise their voting rights at the 7<sup>th</sup> Annual General Meeting of Shareholders.**

Koji Kabumoto  
Representative Director, President & CEO

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<b>1. Date and time</b>	September 15, 2022 (Thursday) 2:00 p.m. (Doors open at 1:30 p.m.) The start time differs from the Annual General Meeting of Shareholders held in June 2022. Please take care to arrive at the correct time.
<b>2. Venue</b>	4F Bellesalle Onarimon Tower 1-1-1 Shibakoen, Minato-ku, Tokyo
<b>3. Agenda</b>	<b>Matters to be reported</b> <ol style="list-style-type: none"><li>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 &amp; Supervisory Board for the 7<sup>th</sup> term (April 1, 2021 to March 31, 2022)</li><li>2. Report on the non-consolidated financial statements for the 7<sup>th</sup> term (April 1, 2021 to March 31, 2022)</li></ol>

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\*Measures to prevent the spread of COVID-19 at the Adjourned 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.

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## Guidance on disclosure via the internet

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### The Company's website <https://www.arteria-net.com/en/ir/library/agm/>

- Some images of the Adjourned General Meeting of Shareholders will be posted on the Company's website at a later date.
  - The measures for the Adjourned General Meeting may change depending on the status of the COVID-19 pandemic and announcements by the government up to the date of the Adjourned General Meeting of Shareholders. Please check the Company's website on the internet for the latest announcements.
  - Among the documents that are to be provided with this Convocation Notice in accordance with laws and regulations and Article 14 of the Company's Articles of Incorporation, the following matters have been posted on the Company's website and are therefore not included in the paper-based documents provided with this notice. The above are part of the business report, 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) "System for Ensuring Appropriateness of Operations and Operation Status of the System" in the business report
    - (2) The "Consolidated Statements of Changes in Equity" and the "Notes to the Consolidated Financial Statements" of the consolidated financial statements
    - (3) 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 Notice will be posted on the Company's website before it is sent out, with the intention of providing information quickly.
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## Regarding the Adjourned Meeting of the 7<sup>th</sup> Annual General Meeting of Shareholders

As disclosed in our press release issued on June 9, 2022, “Notice on Arrest of Employee,” one of our employees has been arrested for suspicion of fraudulently obtaining access charge fees from NTT Docomo and violating the law against organized crime.

As announced in the “Notice of the Seventh Annual General Meeting of Shareholders, Adjourned Meeting and Establishment of an Investigation Committee”, dated June 13, 2022, we established an Investigation Committee including external experts to execute fact-checking and analyze the root cause. Subsequently, the results of the investigation were received from the Investigation Committee, as announced in the Company’s press release dated August 10, 2022, titled “Receipt of the Report of the Investigation Committee and Policy for Future Course of Action.”

Furthermore, on August 10, 2022, we received the audit report relating to the Companies Act audit from the Company’s accounting auditor, and completed the settlement-related procedures for the fiscal year ended March 31, 2022. Therefore, as approved by shareholders at the 7<sup>th</sup> Annual General Meeting of Shareholders held on June 29, 2022, we hereby notify you that we will hold the Adjourned Meeting for the purpose of reporting on the details of the following for the fiscal year ended March 31, 2022: the business report, the report on the consolidated financial statements, the report on the non-consolidated financial statements, the reports on the results of the audits of the consolidated financial statements by the accounting auditor, the reports on the results of the audits of the non-consolidated financial statements by the accounting auditor, and the audit report of the Audit & Supervisory Board.

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

## **(Provided Documents)**

### **Business Report** **(From April 1, 2021 to March 31, 2022)**

#### **1. Current Status of the Corporate Group**

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

###### ① Business progress and results

During the fiscal year the spread of COVID-19 impacted the economy and conditions remain tough. In addition, the downward risk of the war in Ukraine and rise in oil prices and other raw materials needs to be monitored.

In the information and telecommunications market, where the Group operates, the spread of cloud-based services and increase in telecommuting has continuously accelerated the demand for high-speed communications and secure network services.

In this business environment, our core service sales operations and cost control efforts led to our overall earnings results trending in line with expectations.

To contribute to a sustainable world through the provision of telecommunication services, our core business, and other activities we have established a basic sustainability policy for the Group to promote these activities further towards 2030.

In internet services, sales for our FTTx, ISP and IP phone services increased year on year.

Driven by a continued increase in cloud usage and the spread of telecommuting, sales of our best effort basis maximum 10Gbps (uplink and downlink) FTTx service are expanding steadily

In ISP services, demand for high-quality services has increased, and take-up of our Cross Pass (note 1) service has expanded.

Due to higher demand from cloud PBX service providers IP phone services sales grew year on year.

In network services, sales for our core products—leased circuits and VPN services—increased year on year.

Driven by steady demand from corporates, OTTs and telecommunication providers, who are promoting the introduction of DX, leased circuit sales grew year on year

We released VANILA, a software-based virtualization service using NFV (note 2) technology, which offers a variety of network services in the cloud.

In condominium internet services, sales in both the owned condo market and the rental apartments market grew steadily.

The implementation rate of the building-wide model continues to increase in the owned condo market, and our orders sustain a strong trend. Moreover, we have developed an internet connection service aimed at detached homes and commenced provision to large-scale owned home sites.

In the rental market, which we are focusing on for growth, we have enhanced our competitiveness by introducing high-quality services and other optional services, such as smart locks, and achieved sales growth.

In DX services, we have obtained the copyright for our Connectix service, which contributes to our differentiation in the building-wide market, and the number of buildings to which it is available continues to grow.

Through a joint capital investment with GameWith, Inc., we have established GameWith ARTERIA Corporation, which operates a streaming studio used for e-Sports competitions and promotes telecommunication services directed at online gamers.

In Others, which includes our data center business, we recorded a disposal gain on the partial transfer (data center ComSpace I and ComSpace II) of our data center business during the fiscal year.

As a result, during the fiscal year net sales increased by 2,073 million yen (3.9%) year on year to 55,402 million yen; operating profit increased by 673 million yen (7.6%) year on year to 9,541 million yen; and profit for the year before income taxes increased by 783 million yen (9.3%) year on year to 9,243 million yen. Profit for the period attributable to owners of the parent increased by 498 million yen (9.0%) year on year to 6,033 million yen.

Notes:

1. Cross Pass is a flat-rate internet connection service compatible with NTT EAST and NTT WEST's Flet's service. It is also compatible with services provided by their OEM partners.
2. Network Functions Virtualization

② Capital expenditure

Capital expenditure during the fiscal year under review totaled 17,250 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 Three Fiscal Years**

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

Category	4 <sup>th</sup> Term (Fiscal year ended March 2019)	5 <sup>th</sup> Term (Fiscal year ended March 2020)	6 <sup>th</sup> Term (Fiscal year ended March 2021)	7 <sup>th</sup> Term (Fiscal year under review) (Fiscal year ended March 2022)
Net sales (million yen)	49,219	51,494	53,328	55,402
Operating profit (million yen)	7,466	8,669	8,867	9,541
Profit for the period attributable to owners of the parent (million yen)	4,642	5,296	5,535	6,033
Basic earnings per share (yen)	92.85	105.93	110.74	120.89
Total assets (million yen)	81,968	90,779	89,804	99,081
Total equity attributable to owners of the parent (million yen)	16,647	20,709	23,608	26,017
Equity per share attributable to owners of the parent (yen)	332.96	414.20	472.31	521.52

Note:

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 4<sup>th</sup> term.



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

Category		4 <sup>th</sup> Term (Fiscal year ended March 2019)	5 <sup>th</sup> Term (Fiscal year ended March 2020)	6 <sup>th</sup> Term (Fiscal year ended March 2021)	7 <sup>th</sup> Term (Fiscal year under review) (Fiscal year ended March 2022)
Net sales	(million yen)	41,973	43,697	45,498	45,303
Ordinary income	(million yen)	4,566	6,554	6,136	5,215
Profit for the period	(million yen)	3,427	4,869	5,226	7,100
Net income per share	(yen)	68.54	97.4	104.56	142.27
Total assets	(million yen)	70,990	74,055	75,303	84,563
Net assets	(million yen)	12,805	16,364	18,914	21,435
Net assets per share	(yen)	256.11	327.29	378.40	429.68

Note:

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 4<sup>th</sup> term.

### (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	262,947	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	Telecommunications business
ARTERIA Engineering Corporation	30	100.0	Telecommunication construction business
Arteria Interconnect Corporation	9	100.0	Telecommunication business
GameWith ARTERIA Corporation	80	51.0	Streaming studio operation business Telecommunication service business

Note: GameWith ARTERIA Corporation was established on February 18, 2022

#### **(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 FY2021-FY2025 Mid-Term Plan (Fiscal Year Ended March 2022- Fiscal Year Ending March 2026) and Issues to Be Addressed**

The Group is addressing the following issues based on the Mid-Term Plan announced on May 14, 2021.

##### **(i) Measures for growing 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 (note 1)
- 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 (note 2) 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 (note 3) 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 Direct To Consumer. Scheme to provide services directly to users through EC sites, etc.
3. A network security environment that constantly monitors and checks users and devices on the premise that all network traffic is not trusted.

③ Basic sustainability policy

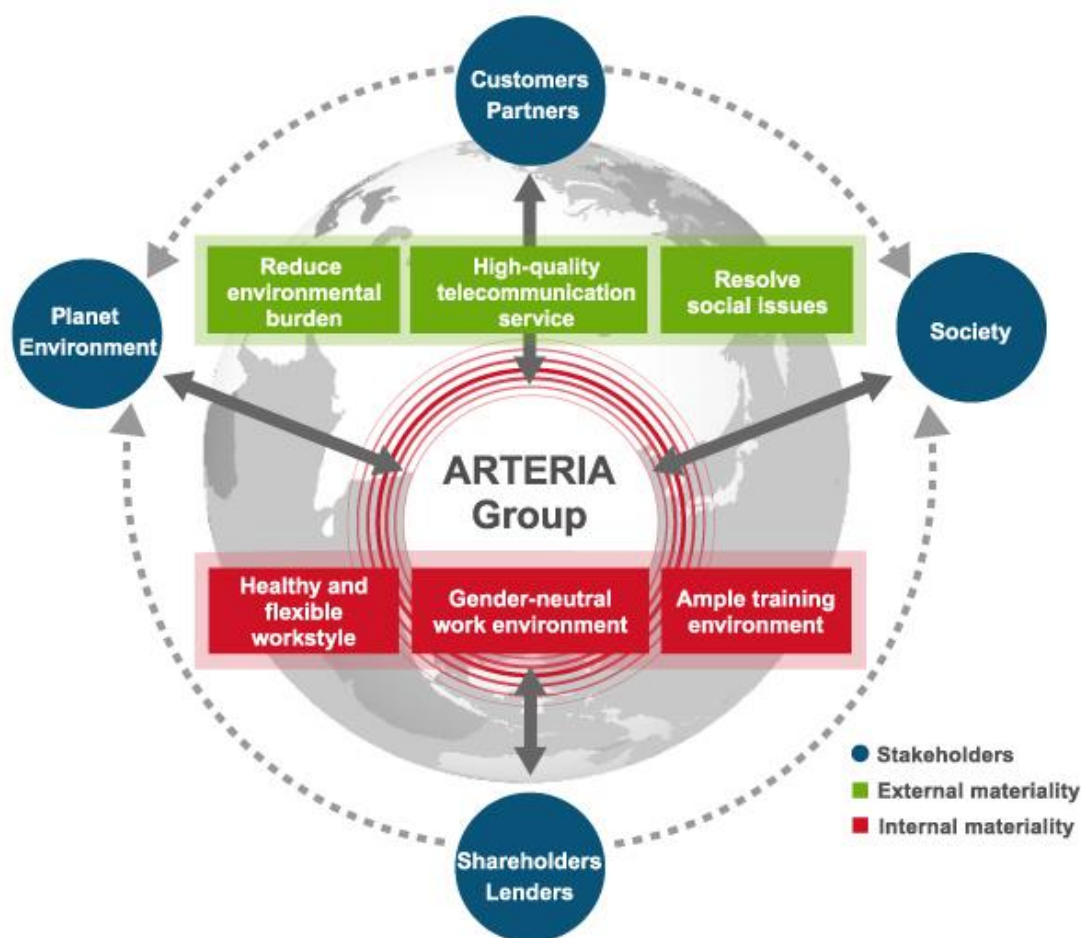
In the above Mid-Term Plan, we outlined a management strategy framework with and committed to pursue planet-friendly management by addressing workstyle reform (Hatarakikata Kaikaku), SDGs and developing a basic sustainability policy during FY2021.

Based on this basic sustainability policy the group will aim to contribute to a sustainable world through the provision of telecommunication services—our core business—and other activities.

(i) Outline of the basic sustainability policy







ARTERIA will contribute to a sustainable world through our proprietary network assets and flexible and agile services. Through these activities we will realize the dreams of each employee and hopes of our stakeholders as a corporate group.

The following chart shows how ARTERIA will serve as the arteries and heart to convey these priority issues (materiality) to the planet and the other stakeholders to contribute to a sustainable world.



(ii) Materiality

The six priority issues (materiality) defined in the basic sustainability policy are as follows:

Materiality	Goals for 2030	KGI • KPI	SDGs
High-quality telecommunication services	Provide and develop forward-looking services catering to diversified customers' needs and market trends Ensure a high-quality brand image	<ul style="list-style-type: none"> <li>- Expand provision of high-quality services</li> <li>- Develop new services catering to new customer needs</li> <li>- Maintain high availability for line services</li> </ul>	
Decrease environmental burden	All group employees will be aware of the climate change risks and implement measures to reduce emission of CO2, proactively and aggressively in both personal and professional settings	<ul style="list-style-type: none"> <li>- Obtain ISO 14001 certificate, expand scope of application</li> <li>- Transition company vehicles to electrical/fuel-cell vehicles</li> <li>- Increase procurement of environmentally responsible products</li> <li>- Promote volunteering activities</li> </ul>	
Resolve social issues	Through our various business activities, such as providing high-quality telecommunication services, we will work proactively and ambitiously to resolve various social issues	<ul style="list-style-type: none"> <li>- Expand services in education, health care and public services</li> <li>- Promote education on telecommunication through internships and endowed chairs</li> </ul>	
Gender-neutral work environment	Diversify workforce and provide gender-neutral work environment	<ul style="list-style-type: none"> <li>- Increase ratio of female employees</li> <li>- Increase the ratio of women etc. on the board and in managerial positions</li> <li>- Aim to obtain "Platinum Eruboshi" certification</li> </ul>	
Healthy and flexible workstyle	Enable each employee the flexibility to choose a comfortable place and time to work, depending on their environment Work in a physically and mentally healthy way	<ul style="list-style-type: none"> <li>- Aim to obtain "Platinum Kurumin" certification</li> <li>- Eradicate harassment</li> </ul>	
Ample training programs	In anticipation of life expectancy reaching 100 years, maintain human resources where each employee, through recurrent reskilling based on their personal life vision, finds their job rewarding and contributes to the company and society	<ul style="list-style-type: none"> <li>- Promotion and roll out of recurrent reskilling training program</li> </ul>	

**(5) Main Business Activities (As of March 31, 2022)**

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, 2022)**

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, 2022)**

## ① Status of employees of the corporate group

Business Category	Number of Employees
Telecommunications business	787
Total	787

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
614	42 years and 5 months	8 years and 10 months

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, 2022)**

Lender	Amount of Borrowings (million yen)
MUFG Bank, Ltd.	13,048
Sumitomo Mitsui Banking Corporation	13,048
Mizuho Bank, Ltd.	6,524
Aozora Bank, Ltd.	3,624

**(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, 2022)

① Total number of authorized shares 200,000,000

② Total number of issued shares 50,000,000

③ Number of shareholders 10,619

#### ④ Major shareholders

Shareholder Name	Number of Shares Held	Ownership Ratio (%)
Marubeni Corporation	25,000,100	50.11
The Master Trust Bank of Japan (Trust Account)	4,803,800	9.63
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	4,514,600	9.05
Custody Bank of Japan (Trust Account)	2,849,100	5.71
BNYM TREATY DTT 15	715,551	1.43
KIA FUND F149	631,200	1.27
JP MORGAN CHASE BANK 385781	376,990	0.76
MSCO CUSTOMER SECURITIES	356,300	0.71
Natixis Japan Securities Co., Ltd. BNYM	312,400	0.63
UBS AG LONDON ASIA EQUITIES	261,096	0.52

#### Notes:

1. Ownership ratios are calculated after deducting treasury stock (112,766 shares).

2. In a report on large shareholders made available for public inspection as of December 18, 2018, it is stated that Janchor Partners Limited holds the following shares as of December 12, 2018. However, as the Company could not confirm the actual number of shares owned as of March 31, 2022, 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, 2022, 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, 2022, 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	12,253	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, 2022)

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, MARUNOUCHI DIRECT ACCESS Ltd. Director, MX Mobiling Co., Ltd. Director, PubteX 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, GameWith ARTERIA 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. Auditor, Otsuma Gakuin Educational Institution
Audit & Supervisory Board Member	Hiroko Inokuma	Professor, Musashi University PDP Education Centre 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. Directors Hiroshi Esaki and Ichiro Miyake and Audit & Supervisory Board Members Takeshi Motomura and Hiroko Inokuma are independent officers, which the Company is obliged to secure by the TSE, and have been notified as such.
6. The status of important concurrent positions of directors and Audit & Supervisory Board members during the fiscal year under review changed as follows.

Name	Status of Important Concurrent Positions		
	Before change	After change	Transfer date
Tatsuya Abe	-	Director, PubteX Co., Ltd.	March 11, 2022
Koichi Mokudai	-	Audit & Supervisory Board member, GameWith ARTERIA Corporation	March 22, 2022
	Audit & Supervisory Board member, TSUNAGU NETWORK COMMUNICATIONS INC.	Retired	March 31, 2022
Takeshi Motomura	Audit & Supervisory Board member, Oi Electric Co., Ltd.	Retired	June 24, 2021

## 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 the 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 2022.

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 5<sup>th</sup> 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.

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 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.

i) 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.

ii) 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.

iii) 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."

iv) 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.

v) 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, 2022 (the 7<sup>th</sup> term)

Indicator	Evaluation Weighting	Evaluation Coefficient Variation	Targets (Millions of yen)	Actual Results (Millions of yen)
Consolidated net sales	25%	0-200%	54,519	55,402
Consolidated profit for the year	50%	0-200%	6,162	6,408
Consolidated free cash flow	25%	0-200%	3,977	6,503

vi) 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.

vii) 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.

viii) 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, 2022 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)	151 (20)	82 (20)	46 (-)	21 (-)	5 (2)
Audit & Supervisory Board members (incl. outside Audit & Supervisory Board members)	32 (29)	32 (29)	- (-)	- (-)	4 (3)
Total (incl. outside officers)	183 (49)	115 (49)	46 (-)	21 (-)	9 (5)

Note:

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, there are no important special relationships between the companies where the outside officers hold important 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 Hiroshi Esaki	15/15 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 (3 meetings held in the fiscal year under review), he has also contributed to improving the Company's cyber security system.</p> <p>Furthermore, as a member of the Nomination and Compensation Committee, he was involved in deliberations regarding officer personnel and compensation.</p>
Director Ichiro Miyake	15/15 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>
Audit & Supervisory Board Member Koichi Mokudai	15/15 times (100%)	13/13 times (100%)	<p>Since his appointment as outside Audit &amp; 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.</p> <p>As a full-time Audit &amp; Supervisory Board member he has attended important meetings, exchanged opinions with the representative director and president and senior managing executive officers, 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 &amp; Supervisory Board Member Takeshi Motomura</p>	<p>15/15 times (100%)</p>	<p>13/13 times (100%)</p>	<p>Since his appointment as outside Audit &amp; 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 &amp; 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 (3 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 &amp; Supervisory Board Member Hiroko Inokuma</p>	<p>15/15 times (100%)</p>	<p>13/13 times (100%)</p>	<p>Since her appointment as outside Audit &amp; 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 &amp; 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>



**(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	126
Total amount of money and property benefits to be paid to the accounting auditor by the Company and its subsidiaries	134

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

Not applicable

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

Our basic policy for dividend distributions is to provide stable dividends while using internal reserves to increase 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.

Regarding dividends for the interval of our mid-term plan, the fiscal year ended 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, 2022)

(Millions of yen)

Item	Amount	Item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>18,715</b>	<b>Current liabilities</b>	<b>53,762</b>
Cash and cash equivalents	7,781	Borrowings	36,163
Trade and other receivables	8,258	Trade and other payables	7,655
Other financial assets	5	Lease liabilities	2,630
Inventories	275	Income and other taxes payable	2,519
Other current assets	2,395	Provisions	182
		Other current liabilities	4,611
<b>Non-current assets</b>	<b>80,365</b>	<b>Non-current liabilities</b>	<b>17,388</b>
Property, plant and equipment	41,775	Long-term lease liabilities	8,508
Goodwill	12,646	Retirement benefit liabilities	906
Intangible assets	15,052	Provisions	3,704
Other financial assets	8,017	Deferred tax liabilities	2,320
Deferred tax assets	1,923	Other non-current liabilities	1,948
Other non-current assets	950		
		<b>Total liabilities</b>	<b>71,151</b>
		<b>(Equity)</b>	
		<b>Total equity attributable to owners of the parent</b>	<b>26,017</b>
		<b>Common stock</b>	<b>5,150</b>
		<b>Capital surplus</b>	<b>4,703</b>
		<b>Retained earnings</b>	<b>16,485</b>
		<b>Treasury Stock</b>	<b>(322)</b>
		<b>Other components of equity</b>	<b>(0)</b>
		<b>Non-controlling interests</b>	<b>1,913</b>
		<b>Total equity</b>	<b>27,930</b>
<b>Total assets</b>	<b>99,081</b>	<b>Total liabilities and equity</b>	<b>99,081</b>

## Consolidated Statement of Income

(From April 1, 2021

To March 31, 2022)

(Millions of yen)

Item	Amount
<b>Net sales</b>	<b>55,402</b>
<b>Cost of sales</b>	<b>38,543</b>
<b>Gross profit</b>	<b>16,859</b>
Selling, general and administrative expenses	9,315
Other income	2,270
Other expenses	273
<b>Operating profit</b>	<b>9,541</b>
Finance income	189
Finance costs	486
<b>Profit for the year before income taxes</b>	<b>9,243</b>
Income taxes	2,835
<b>Profit for the year</b>	<b>6,408</b>
Profit for the year attributable to:	
Owners of the parent	6,033
Non-controlling interests	374
<b>Profit for the year</b>	<b>6,408</b>

## Non-Consolidated Balance Sheet

(As of March 31, 2022)

(Millions of yen)

Item	Amount	Item	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
<b>Current assets</b>	<b>15,327</b>	<b>Current liabilities</b>	<b>50,231</b>
Cash and deposits	5,066	Current portion of long-term loans	36,244
Trade receivables	6,001	Current portion of lease obligations	837
Non-trade receivables	1,185	Account payables	3,683
Goods	26	Account payables – Facilities	3,686
Supplies	1,129	Accrued expenses	1,431
Prepaid expenses	1,702	Income and other taxes payables	2,010
Other current assets	214	Consumption tax payables	7
Allowance for doubtful accounts	(0)	Deposit received	35
<b>Non-current assets</b>	<b>69,235</b>	Guarantee deposit	129
<b>Property, plant and equipment</b>	<b>38,573</b>	Deferred income	1,296
Cable and wiring	15,149	Provision for bonus	686
Ducts and poles	8,756	Provision for losses on Antimonopoly Act	180
Buildings	3,697	Other current liabilities	2
Structures	23	<b>Non-current liabilities</b>	<b>12,896</b>
Machinery equipment	51,530	Long-term deferred income	3,444
Tools, furniture and fixtures	1,390	Lease obligations	4,867
Land	222	Retirement benefit liabilities	909
Lease assets	14,656	Asset retirement obligations	3,668
Construction in progress	3,012	Other non-current liabilities	7
Accumulated depreciation	(59,862)	<b>Total liabilities</b>	<b>63,127</b>
<b>Intangible assets</b>	<b>12,928</b>	<b>(Net Assets)</b>	
Right of use of submarine cable	6	<b>Shareholders' equity</b>	<b>21,435</b>
Right of use of facilities	69	<b>Common stock</b>	<b>5,150</b>
Trademarks	1,358	<b>Capital surplus</b>	<b>3,537</b>
Customer-related intangible assets	2,207	Legal capital surplus	131
Software	779	Other legal capital surplus	3,406
Goodwill	7,040	<b>Retained earnings</b>	<b>12,954</b>
Software in progress	924	Legal retained earnings	686
Other intangible assets	542	Retained earnings brought forward	12,268
<b>Investments and other assets</b>	<b>17,733</b>	<b>Treasury stock</b>	<b>(206)</b>
Investment securities	40	<b>Total net assets</b>	<b>21,435</b>
Long-term non-trade receivables	5,213	<b>Total liabilities and net assets</b>	<b>84,563</b>
Shares of subsidiaries and affiliates	8,874		
Claims in bankruptcy	0		
Security deposit	2,697		
Deferred tax assets	499		
Other assets	408		
Allowance for doubtful accounts	(0)		
<b>Total assets</b>	<b>84,563</b>		

**Non-Consolidated Statement of Income**

(From April 1, 2021

To March 31, 2022)

(Millions of yen)

<b>Item</b>	<b>Amount</b>	
<b>Net sales</b>		<b>45,303</b>
<b>Cost of sales</b>		<b>33,590</b>
<b>Gross profit</b>		<b>11,713</b>
<b>Selling, general and administrative expenses</b>		<b>7,861</b>
<b>Operating profit</b>		<b>3,851</b>
<b>Non-operating income</b>		
Interest income	94	
Dividends income	1,762	
Other income	117	1,974
<b>Non-operating expenses</b>		
Interest expenses	342	
Commission for syndicate loan	17	
Loss on asset disposal	167	
Other expenses	83	611
<b>Ordinary income</b>		<b>5,215</b>
<b>Extraordinary income</b>		
Gain on transfer of customer contracts	1,616	
Gain on sale of fixed assets	1,493	
Gain on sale of investment securities	1,494	4,603
<b>Profit for the year before income taxes</b>		<b>9,819</b>
Income taxes - current		3,095
Income taxes - deferred		(376)
<b>Profit for the year</b>		<b>7,100</b>

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.