To Our Shareholders:

Disclosure on the Internet in conformity with Laws, Regulations and the Articles of Incorporations

Notes to Consolidated Financial Statements
Notes to Non-Consolidated Financial Statements

For the 29th Fiscal Year
April 1, 2015 to March 31, 2016

Net One Systems Co., Ltd.

The Company provides “Notes to Consolidated Financial Statements” and “Notes to Non-Consolidated Financial Statements” to its shareholders by posting them on its website (http://www.netone.co.jp/) in accordance with the provisions of laws, regulations and the Articles of Incorporation.
Notes to consolidated financial statements

I. Significant matters related to the basis of preparation of consolidated financial statements

1. Matters related to the scope of consolidation

   (1) Number of consolidated subsidiaries 2 companies
       Names of consolidated subsidiaries Net One Partners Co., Ltd.
       Xseed Co., Ltd.

   (2) Names, etc. of major non-consolidated subsidiaries
       Names of non-consolidated subsidiaries Net One Systems USA, Inc.
       Net One Systems Singapore Pte. Ltd.

       (Reason for excluding from the consolidation)
       Those non-consolidated subsidiaries are small in size and their total assets, revenue, the net
       income or loss for the Company’s equity interest, and retained earnings for the Company’s
       equity interest do not have a significant effect on the consolidated financial statements.

2. Matters related to application of equity method

   (1) Number of associates accounted for using equity method None
       JBS Technology Inc., which was an associate accounted for using the equity method in the
       previous fiscal year, is excluded from the scope of application of the equity method because all
       shares held were sold on July 30, 2015.

   (2) Non-consolidated subsidiaries (Net One Systems USA, Inc. and Net One Systems Singapore Pte.
       Ltd.) are excluded from the scope of application of the equity method, as their net income or loss
       and retained earnings for the Company’s equity interest do not have a significant effect on the
       consolidated financial statements and their impact are immaterial as a whole.

3. Matters related to accounting period of consolidated subsidiaries

   The fiscal year for Xseed Co., Ltd. ends on the final day of December each year. The financial
   statements as of the balance sheet date are used in preparing the consolidated financial statements.
   However the necessary adjustments to the consolidated financial statements are made for
   significant transactions that occurred during the period from January 1 through March 31, the
   consolidated balance sheet date.
4. Matters related to accounting policies

(1) Basis and method of valuation for significant assets

I. Securities

Available-for-sale securities

Securities with market value Stated at market value based upon market value on the closing date

(Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of net assets. The cost of securities sold is measured by the moving average method.)

Securities without market value Stated at cost based upon the moving average method, or at cost amortized or accumulated over the maturity based upon the straight-line method.

II. Derivatives

Stated at market value

III. Inventories

Merchandise Stated at cost based upon the moving average method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

Costs on uncompleted construction contracts Stated at cost based upon the specific identification method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

(2) Depreciation method for significant depreciable assets

I. Property, plant and equipment (excluding lease assets)

Declining balance method is applied for the Company and its consolidated subsidiaries in Japan.

The major useful lives of assets are:

- Buildings 3-23 years
- Tools, furniture and fixtures 2-20 years

II. Intangible assets (excluding lease assets)

Straight line method is applied for the Company and its consolidated subsidiaries in Japan.

The major useful lives of assets are:

- Software for own use 5 years
- Software for sale 3 years
III. Lease assets

Lease assets in finance leases that transfer ownership to the lessee
Lease assets are depreciated using the same manner to the accounting for the noncurrent assets owned by the Company.

Lease assets in finance leases that do not transfer ownership to the lessee
Lease assets are depreciated using the straight line method over the corresponding lease terms as useful lives with their residual values to be zero.

(3) Basis for significant reserves

I. Allowance for doubtful accounts
Allowance for doubtful accounts is recorded to provide reserve for possible losses on receivables based on the historical uncollectible rate for ordinary receivables and on an estimate of individual collectability of specific doubtful receivables from debtors in financial difficulties.

II. Provision for bonuses
Provision for bonuses is recorded to accrue the amount for bonuses to employees of the Company for the fiscal year.

III. Provision for directors’ bonuses
Provision for directors’ bonuses is recorded to accrue the amount for bonuses to Directors and Audit & Supervisory Board Members of the Company for the fiscal year.

(4) Other significant matters related to the basis of preparation of consolidated financial statements

I. Bases for translation of significant foreign currency denominated assets and liabilities into Japanese yen
Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the closing date of the accounting period, with translation difference charged to income or loss.

II. Significant hedge accounting method
a. Hedge accounting method
Deferral hedge accounting is applied. However, monetary claims and liabilities denominated in foreign currencies subject to forward foreign exchange contracts are translated at the foreign exchange rates stipulated in the contract if the forward foreign exchange contract satisfies the requirements for this treatment. (“Furiate-shori”)

b. Hedging instruments and hedged items
Hedging instruments: Forward exchange contract
Hedged item: Planned transactions denominated in foreign currencies
c. Hedging policy

The Company employs hedging instruments to manage risk exposure to fluctuations in foreign currency exchange rates for foreign currency denominated payables in connection with the purchase of operating assets in the future, in accordance with the Company's internal management regulations which provide the limitation policy on transactions amount and the authorization policy on execution.

d. Assessment of hedge effectiveness

Assessment of hedge effectiveness is omitted for foreign currency forward exchange contracts since their hedge relationship is deemed highly effective.

III. Method and Term of Amortization of Goodwill

Depending on the source of occurrence, the amortization of goodwill is carried out within a five year period using the straight line method.

IV. Accounting for consumption taxes

Transactions subject to national consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes, and national and local consumption taxes unqualified for deduction are recorded as expenses for FY2015.

5. Changes to accounting policies

Accounting Standard for Business Combinations


Accordingly, the accounting method was changed to record the difference arising from changes in equity in subsidiaries which the Company continues to control as capital surplus, and to record business acquisition costs as expenses for the fiscal year in which they occurred. In addition, regarding the business combinations which became or will become effective on or after April 1, 2015, the accounting method was changed to retroactively reflect adjustments to the amount allocated to acquisition cost by settling the provisional accounting treatment on the consolidated financial statements of the current fiscal year in which the relevant business combination became or will become effective. In addition, the Company has changed the method of presenting net income and changed “minority interests” to “non-controlling interests.” Consolidated financial statements for the previous fiscal year have been restated in order to reflect this change in presentation.

The Business Combinations Accounting Standard and other standards have been applied prospectively from the beginning of the fiscal year under review, in accordance with the transitional treatment set forth in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard.

This change has no effect on the consolidated financial statements.

(Note) Figures are rounded down to the nearest million yen.
II. Note to consolidated balance sheet
   Total accumulated depreciation of property, plant and equipment 23,528 million yen

III. Notes regarding consolidated statement of changes in net assets
1. Class and number of issued shares as of March 31, 2016

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Number of shares as of March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>86,000,000</td>
</tr>
</tbody>
</table>

2. Items regarding dividends from surplus during FY2015

<table>
<thead>
<tr>
<th>Date of declaration</th>
<th>Class of shares</th>
<th>Total cash dividends (million yen)</th>
<th>Cash dividend per share (yen)</th>
<th>Record Date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 16, 2015</td>
<td>Common stock</td>
<td>1,268</td>
<td>15.00</td>
<td>March 31, 2015</td>
<td>June 17, 2015</td>
</tr>
<tr>
<td>Annual Shareholders Meeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>October 29, 2015</td>
<td>Common stock</td>
<td>1,268</td>
<td>15.00</td>
<td>September 30, 2015</td>
<td>November 24, 2015</td>
</tr>
<tr>
<td>Board of Directors Meeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

3. Among the dividends whose record date is within FY2015, those having effective date in FY2016
   To be placed on the agenda of the Annual Shareholders Meeting scheduled for June 16, 2016.

<table>
<thead>
<tr>
<th>Date of declaration</th>
<th>Class of shares</th>
<th>Total cash dividends (million yen)</th>
<th>Dividend resource</th>
<th>Cash dividend per share (yen)</th>
<th>Record Date</th>
<th>Effective date</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 16, 2016</td>
<td>Common stock</td>
<td>1,268</td>
<td>Retained earnings</td>
<td>15.00</td>
<td>March 31, 2016</td>
<td>June 17, 2016</td>
</tr>
<tr>
<td>Annual Shareholders Meeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. Class and number of shares to be issued upon the exercise of share subscription rights (excluding those whose exercise period has not yet commenced) as of March 31, 2016

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Number of shares as of March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>174,700</td>
</tr>
</tbody>
</table>
IV. Financial instruments

1. Status of financial instruments

(1) Policy on treating financial instruments

With regard to the fund management, the Net One Systems Group utilizes highly secure financial assets for temporary surplus funds. Also it is our Corporate Group’s policy to utilize derivatives to avoid foreign exchange fluctuation risks pertaining to operating debt denominated in foreign currencies and not to use derivatives for speculation. Some of funds, meanwhile, are invested in compound financial instruments that incorporate derivatives to effectively manage them.

(2) Details of financial instruments, and risks and risk management system thereof

Notes and accounts receivable-trade, which are operating receivables, are exposed to customer credit risks. To manage these risks, the status of collection of these receivables from counterparties is periodically monitored and the due dates and balances are managed for each counterparty pursuant to the internal management regulations; and efforts trying to identify at an early stage and reduce losses from doubtful accounts caused by their worsened financial positions are made.

Short-term investment securities are compound financial instruments mainly consisted of commercial papers and derivatives. Commercial papers are exposed to security issuer credit risks. There are, however, few credit risks because the Corporate Group only invests, pursuant to the internal management regulations, in securities issued by entities with high ratings. Compound financial instruments that incorporate derivatives are exposed to credit risks. There are, however, few credit risks because the Corporate Group only invests, pursuant to the internal management regulations, in securities issued by entities with high ratings.

Investment securities, mainly consisted of stocks issued by companies with business relations, are exposed to risks of the stock issuers’ financial positions. The Corporate Group periodically examines the issuers’ financial positions and continuously reviews the stock holdings in consideration of relationships with the issuers. In addition to the aforementioned risks, foreign stocks are also exposed to foreign exchange fluctuation risks.

Default risk of accounts payable-trade, which are operating debt and whose due dates are within one year, on due dates, are managed by a timely fund management. Some of accounts payable-trade are denominated in foreign currencies and exposed to foreign exchange fluctuation risks, but these risks are hedged by forward exchange contracts.

Derivatives adopted are forward exchange contracts used for the purpose of hedging foreign exchange fluctuation risks arising from operating debt denominated in foreign currencies. The basic policy on derivatives is determined by the Board of Directors, and the Finance & Accounting Department executes and manages derivative transactions pursuant to the internal management regulations which define the transaction limit amount and the transaction authority. Regarding hedging instruments and hedged items, hedging policy and method of assessing hedge effectiveness in hedge accounting, please refer to the aforementioned (4) II. “Significant hedge accounting method” in “I. Significant matters related to the basis of preparation of consolidated financial statements, 4. Matters related to accounting policies.”

(3) Supplementary explanation to matters regarding fair values of financial instruments

The contracted amounts related to derivatives, mentioned in “2. Matters regarding fair values of financial instruments,” in themselves, should not be considered indicative of the market risks associated with the derivatives.
2. Matters regarding fair values of financial instruments

Consolidated balance sheet amounts and fair values as of March 31, 2016, and their variances, of financial instruments, are as follows. However, financial instruments whose fair values are deemed to be extremely difficult to measure are not included (Note 2).

<table>
<thead>
<tr>
<th></th>
<th>Consolidated balance sheet amount (*)</th>
<th>Fair value (*)</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Cash and deposits</td>
<td>20,668</td>
<td>20,668</td>
<td>–</td>
</tr>
<tr>
<td>(2) Notes and accounts receivable-trade</td>
<td>41,077</td>
<td>41,077</td>
<td>–</td>
</tr>
<tr>
<td>(3) Short-term investment securities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Available-for sale securities</td>
<td>1,498</td>
<td>1,498</td>
<td>–</td>
</tr>
<tr>
<td>(4) Accounts payable-trade</td>
<td>(21,387)</td>
<td>(21,387)</td>
<td>–</td>
</tr>
<tr>
<td>(5) Derivatives</td>
<td>(660)</td>
<td>(660)</td>
<td>–</td>
</tr>
</tbody>
</table>

(*) The figures in parentheses indicate those posted in liabilities.

(Note) 1. Method of fair value measurement of financial instruments and matters regarding securities and derivatives

(1) Cash and deposits, and (2) Notes and accounts receivable-trade

Since these accounts are settled in a short period of time, their fair values are nearly equal to their book values. Therefore, the book values are deemed as their fair values.

(3) Short-term investment securities

Fair values of commercial papers whose maturities are within three months from the acquisition are nearly equal to their book values. Therefore, the book values are deemed as their fair values. Compound financial instruments that incorporate derivatives are valued as a whole using prices provided by counterparty financial institutions since the derivative portion cannot be reasonably measured separately.

(4) Accounts payable-trade

Since the account is settled in a short period of time, the fair value is nearly equal to the book values. Therefore, the book value is deemed as the fair value.

(5) Derivatives

I. Derivatives to which hedge accounting is not applied: None.

II. Derivatives to which hedge accounting is applied: Contracted amounts or notional amounts defined in contracts as of consolidated balance sheet date for each hedge accounting method are as follows:
Hedge accounting method | Type of derivatives | Major hedged items | Contracted amounts | Including those over 1 year | Fair value | Fair value measurement method
--- | --- | --- | --- | --- | --- | ---
Deferral hedge accounting method | Purchased forward exchange contracts–U.S. dollar | Accounts payable–trade | 21,827 | – | (660) | Based on prices provided by counterparty financial institutions
“Furiate-shori” method | Purchased forward exchange contracts–U.S. dollar | Accounts payable–trade | 7,369 | – | (*) | 
Total | 29,197 | – | (660) |

(*) Forward exchange contracts under designated hedge accounting (“Furiate-shori”) method are accounted for together with accounts payable–trade designated as a hedged item, their fair values are included in the corresponding amount of accounts payable–trade.

(Note) 2. Financial instruments whose fair values are deemed to be extremely difficult to measure

<table>
<thead>
<tr>
<th>Classification</th>
<th>Consolidated balance sheet amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlisted equity securities</td>
<td>162</td>
</tr>
</tbody>
</table>

(*) The fair value of unlisted equity securities is not disclosed because their market price is not available and the Company deems it extremely difficult to measure their fair value.

(Note) 3. Scheduled redemption amounts of monetary claims or short-term investment securities with maturity after the consolidated balance sheet date

<table>
<thead>
<tr>
<th>(unit: million yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and deposits</td>
</tr>
<tr>
<td>Notes and accounts receivable–trade</td>
</tr>
<tr>
<td>Short-term investment securities</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

V. Note regarding per share information

Net assets per share 655.43 yen
Net income per share 17.85 yen

VI. Note regarding significant subsequent events

Not applicable.
Notes to non-consolidated financial statements

I. Significant accounting policies

1. Basis and method of valuation for assets

   (1) Securities
   I. Subsidiaries
      Stated at cost based upon the moving average method
   II. Available-for-sale securities
      Securities with market value
      Stated at market value based upon market value on the closing date
      (Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of net assets. The cost of securities sold is measured by the moving average method.)
      Securities without market value
      Stated at cost based upon the moving average method, or at cost amortized or accumulated over the maturity based upon the straight-line method

   (2) Derivatives
      Stated at market value

   (3) Inventories
      I. Merchandise
      Stated at cost based upon the moving average method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)
      II. Costs for uncompleted construction contracts
      Stated at cost based upon the specific identification method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

2. Depreciation method for noncurrent assets

   (1) Property, plant and equipment (excluding lease assets)
      Declining balance method is applied.
      The major useful lives of assets are:
      Buildings 3-23 years
      Tools, furniture and fixtures 2-20 years
(2) Intangible assets (excluding lease assets)

Straight line method is applied.
The major useful-lives of assets are:
- Software for own use: 5 years
- Software for sale: 3 years

(3) Lease assets

I. Lease assets in finance leases that transfer ownership to the lessee
   Lease assets are depreciated using the same manner to the accounting for the noncurrent assets owned by the Company.

II. Lease assets in finance leases that do not transfer ownership to the lessee
   Lease assets are depreciated using the straight line method over the corresponding lease terms as useful lives with their residual values to be zero.

3. Basis for significant reserves

(1) Allowance for doubtful accounts
   Allowance for doubtful accounts is recorded to provide reserve for possible losses on receivables based on the historical uncollectible rate for ordinary receivables and on an estimate of individual collectability of specific doubtful receivables from debtors in financial difficulties.

(2) Provision for bonuses
   Provision for bonuses is recorded to accrue the amount for bonuses to employees of the Company for the fiscal year.

(3) Provision for directors’ bonuses
   Provision for directors’ bonuses is recorded to accrue the amount for bonuses to Directors and Audit & Supervisory Board Members of the Company for the fiscal year.

4. Other significant matters related to the basis of preparation of non-consolidated financial statements

(1) Bases for translation of significant foreign currency denominated assets and liabilities into Japanese yen
   Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the closing date of the accounting period, with translation difference charged to income or loss.

(2) Significant hedge accounting method

I. Hedge accounting method
   Deferral hedge accounting is applied. However, monetary claims and liabilities denominated in foreign currencies subject to forward foreign exchange contracts are translated at the foreign exchange rates stipulated in the contract if the forward foreign exchange contract satisfies the requirements for this treatment.
   ("Furiate-shori")

II. Hedging instruments and hedged items
   - Hedging instruments: Forward exchange contract
   - Hedged item: Planned transactions denominated in foreign currencies
III. Hedging policy

The Company employs hedging instruments to manage risk exposure to fluctuations in foreign currency exchange rates for foreign currency denominated payables in connection with the purchase of operating assets in the future, in accordance with the Company’s internal management regulations which provide the limitation policy on transactions amount and the authorization policy on execution.

IV. Assessment of hedge effectiveness method

Assessment of hedge effectiveness is omitted for foreign currency forward exchange contracts since their hedge relationship is deemed highly effective.

(3) Accounting for consumption taxes

Transactions subject to national consumption tax and local consumption tax are recorded at amounts exclusive of consumption taxes, and national and local consumption taxes unqualified for deduction are recorded as expenses for FY2015.

5. Changes to accounting policies

Accounting Standard for Business Combinations

The Company has been adopted the “Revised Accounting Standard for Business Combinations” (ASBJ Statement No. 21, issued on September 13, 2013, hereinafter “Business Combinations Accounting Standard”), “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, issued on September 13, 2013, hereinafter “Business Divestitures Accounting Standard”) and other standards from the beginning of the current fiscal year under review.

Accordingly, the accounting method was changed to record business acquisition costs as expenses for the fiscal year in which they occurred. In addition, regarding the business combinations which became or will become effective on or after April 1, 2015, the accounting method was changed to retroactively reflect adjustments to the amount allocated to acquisition cost under provisional accounting treatment on the financial statements of the current fiscal year in which the relevant business combinations became or will become effective.

The Business Combinations Accounting Standard and other standards have been applied prospectively from the beginning of the fiscal year under review, in accordance with the transitional treatment set forth in Article 58-2 (4) of the Business Combinations Accounting Standard and Article 57-4 (4) of the Business Divestitures Accounting Standard.

This change has no effect on the financial statements.

(Note) Figures are rounded down to the nearest million yen.

II. Notes to non-consolidated balance sheet

1. Total accumulated depreciation of property, plant and equipment

23,247 million yen

2. Monetary claims and liabilities to subsidiaries and associates

   Short term monetary claims 3,106 million yen
   Short term monetary liabilities 1,724 million yen

3. Guarantee of obligations of subsidiaries and associates

   A guarantee is offered for the following subsidiary’s obligation to its specified supplier.
   Net One Partners Co., Ltd. 1,853 million yen

III. Matters related to non-consolidated statement of income
Transactions with subsidiaries and associates

Transactions relating to the Company’s operation

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2,502 million yen</td>
</tr>
<tr>
<td>Purchase</td>
<td>3,450 million yen</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>1,978 million yen</td>
</tr>
<tr>
<td>Transactions not relating to the Company’s operation</td>
<td>1,692 million yen</td>
</tr>
</tbody>
</table>

IV. Matters related to non-consolidated statement of changes in net assets

Class and number of treasury stock shares as of March 31, 2016

<table>
<thead>
<tr>
<th>Class of shares</th>
<th>Number of shares as of March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock</td>
<td>1,453,525</td>
</tr>
</tbody>
</table>
V. Notes regarding tax effect accounting

1. Breakdown of major reason for deferred tax assets and deferred tax liabilities (as of March 31, 2016)
   (unit: million yen)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Deferred tax assets–current</strong></td>
<td></td>
</tr>
<tr>
<td>Accrued enterprise tax</td>
<td>16</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>751</td>
</tr>
<tr>
<td>Deferred gains or losses on hedges</td>
<td>131</td>
</tr>
<tr>
<td>Loss on valuation of inventories</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>254</td>
</tr>
<tr>
<td><strong>Total deferred tax assets–current</strong></td>
<td>1,155</td>
</tr>
<tr>
<td><strong>Net deferred tax assets–current</strong></td>
<td>1,155</td>
</tr>
<tr>
<td><strong>Deferred tax assets–non-current</strong></td>
<td></td>
</tr>
<tr>
<td>Depreciation for tools, furniture and fixtures</td>
<td>919</td>
</tr>
<tr>
<td>Software</td>
<td>204</td>
</tr>
<tr>
<td>Loss on valuation of investment securities</td>
<td>14</td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>3</td>
</tr>
<tr>
<td>Accounts receivable–other</td>
<td>214</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>112</td>
</tr>
<tr>
<td>Other</td>
<td>85</td>
</tr>
<tr>
<td><strong>Sub-total net deferred tax assets–non-current</strong></td>
<td>1,553</td>
</tr>
<tr>
<td><strong>Valuation allowance</strong></td>
<td>(388)</td>
</tr>
<tr>
<td><strong>Total net deferred tax assets–non-current</strong></td>
<td>1,165</td>
</tr>
<tr>
<td><strong>Deferred tax liabilities–non-current</strong></td>
<td></td>
</tr>
<tr>
<td>Asset retirement cost</td>
<td>(84)</td>
</tr>
<tr>
<td><strong>Total deferred tax liabilities–non-current</strong></td>
<td>(84)</td>
</tr>
<tr>
<td><strong>Net deferred tax assets–non-current</strong></td>
<td>1,080</td>
</tr>
</tbody>
</table>
2. Breakdown of significant items that lead to a significant difference between statutory tax rate and effective tax rate after adoption of tax effect accounting.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount (adjusted)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory tax rate (adjusted)</td>
<td>33.10%</td>
</tr>
<tr>
<td>Entertainment expenses etc. not qualifying for deduction</td>
<td>2.37</td>
</tr>
<tr>
<td>Inhabitant tax on per capita basis etc.</td>
<td>1.10</td>
</tr>
<tr>
<td>Downward revision of year-end deferred tax assets due to changes in tax rate</td>
<td>6.40</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(1.50)</td>
</tr>
<tr>
<td>Other</td>
<td>0.57</td>
</tr>
<tr>
<td><strong>Effective tax rate after adoption of tax effect accounting</strong></td>
<td><strong>42.04</strong></td>
</tr>
</tbody>
</table>

3. Revisions to deferred tax assets and deferred tax liabilities due to changes in rates of income taxes

Following the establishment of the Act for Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act for Partial Revision, etc. of the Local Tax Act, etc. (Act No. 13 of 2016) on March 29, 2016, at the Diet, the rates of income taxes will be lowered from the fiscal year starting on or after April 1, 2016. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities fell from the previous rate of 33.10% to 30.86% for temporary differences expected to be reversed in the fiscal years starting on April 1, 2016 and April 1, 2017, and 30.62% for temporary differences expected to be reversed in the fiscal year starting on and after April 1, 2018. As a result of this change in the tax rate, the amount of deferred tax assets (after deducting deferred tax liabilities) decreased by 168 million yen, income taxes-deferred increased by 158 million yen, deferred gains or losses on hedges increased by 9 million yen, and the valuation difference on available-for-sale securities increased by 0 million yen.

VI. Notes regarding transactions with related parties

Subsidiaries

<table>
<thead>
<tr>
<th>Classification</th>
<th>Company name</th>
<th>Ownership % including voting right</th>
<th>Relationship</th>
<th>Transaction</th>
<th>Amount of transaction</th>
<th>Account</th>
<th>As of March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsidiary</td>
<td>Net One Partners Co., Ltd.</td>
<td>Holding directly 100.0%</td>
<td></td>
<td>Partial outsourcing of back-office operations (Note 1)</td>
<td>1,603</td>
<td>Other current assets</td>
<td>288</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Loan transactions (Note 2)</td>
<td>933</td>
<td>Short-term loans receivable</td>
<td>2,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Interest income (Note 2)</td>
<td>4</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Guarantee of obligations (Note 3)</td>
<td>1,853</td>
<td>–</td>
<td>–</td>
</tr>
</tbody>
</table>

Terms and conditions of transactions and the policy of determining the terms and conditions of the transactions:

(Notes) 1. Terms and conditions are determined considering the details and descriptions of outsourcing
deals and contracts.

2. Interest rates applied to the loan transactions are determined by taking into account the market interest rates. Since loan and collection transactions are repeatedly conducted, the average balance during the fiscal year is given in the amount of transaction section.

3. Guarantee of obligations is provided for the obligations of specific suppliers. The guarantee fees are not collected.

4. The above indicated amount of transaction is exclusive of consumption taxes.

VII. Note regarding per share information

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets per share</td>
<td>621.72 yen</td>
</tr>
<tr>
<td>Net income per share</td>
<td>17.00 yen</td>
</tr>
</tbody>
</table>

VIII. Note regarding significant subsequent events

Not applicable.