

Disclaimer: This is the translation of the original notice of convocation in Japanese. In case of any discrepancy between the translation and the original Japanese, the Japanese version shall prevail.

Securities code: 9742
June 4, 2020

To Shareholders:

Koichi Yoshimura
President and Representative Director
INES Corporation
3-10-1, Harumi, Chuo-ku,
Tokyo Japan

Notice of Convocation of the 58th Ordinary General Meeting of Shareholders

I would like to thank all of you for your continued support of our company.

We hereby inform that the 58th Ordinary General Meeting of Shareholders of INES Corporation (the Company) will be held as stated below.

For shareholders, please exercise your voting rights after reading the information on pages 3 and 4 for guidance on exercising your voting rights and reviewing the "Ordinary General Meeting of Shareholders Reference Documents" provided below.

Particulars

- 1. Date and Time:** 10:00 a.m. on June 26 (Friday), 2020
- 2. Place:** 5F Conference Center, BELLESALLE TOKYO NIHONBASHI
Tokyo Nihonbashi Tower 2-7-1, Nihonbashi, Chuo-ku, Tokyo, Japan

3. Agenda:

Matters to be Reported:

- Item 1:** Report on the Business Report, Consolidated Financial Statements and the Audit Results on the Consolidated Financial Statements by the Accounting Auditors and the Board of Corporate Auditors for the 58th fiscal year (from April 1, 2019 to March 31, 2020)
- Item 2:** Report on the Non-Consolidated Financial Statements for the 58th fiscal year (from April 1, 2019 to March 31, 2020)

Matters to be Resolved:

- Item 1:** Appropriation of Retained Earnings
- Item 2:** Election of Six (6) Corporate Directors
- Item 3:** Election of Two (2) Corporate Auditors
- Item 4:** Election of One (1) Substitute Corporate Auditor

4. Disclosure via the Internet

- (1) In accordance with the provisions of certain laws and regulations as well as Article 17 of the Company's Articles of Incorporation, the following items are posted on the Company's website and are therefore not included in the documents accompanying this Notice of Convocation.

[Business Report]

Structure and status of implementation relating to the proper conduct of operations

[Consolidated Financial Statements]

Consolidated Statement of Changes in Shareholders' Equity, Notes to the Consolidated Financial Statements

[Financial Statements]

Non-Consolidated Statements of Changes in Shareholders' Equity, Notes to Non-Consolidated Financial Statements

- (2) In the event that the Ordinary General Meeting of Shareholders Reference Documents, Business Report, Consolidated Financial Statements and Non-Consolidated Financial Statements need to be revised, the amendments will be publicized by posting on the Company's website.

The Company's Website: <https://www.ines.co.jp/>

5. Methods of Exercising Voting Rights

Voting rights in a general meeting of shareholders are important rights for all shareholders. Please exercise your voting rights after reviewing the "Ordinary General Meeting of Shareholders Reference Documents" provided below.

There are three methods for exercising your voting rights.

Please exercise your voting rights by one of the following methods.

Exercising Voting Rights by Attending the Meeting in Person

Date of General Meeting of Shareholders: 10:00 a.m. on June 26 (Friday), 2020

(Start accepting: 9:30 a.m.)

Please submit the enclosed Voting Rights Exercise Form at the meeting reception desk.

In accordance with Article 20 of the Company's Articles of Incorporation, in the case of attendance by proxy, the proxy is limited to one (1) shareholder of the Company who has voting rights. In this case, the proxy must submit, in addition to the Voting Rights Exercise Form, a mandate form or other documents to prove power of attorney.

Exercising Voting Rights via the Internet

Deadline for Exercising Voting Rights: Entry completion by 5:20 p.m.

on June 25 (Thursday), 2020

Please visit the website for exercising voting rights from your Internet environment (PC, smartphone, or cellular phone) and enter your vote according to the instructions displayed on the screen by using the "login ID" and "temporary password" entered in the enclosed Voting Rights Exercise Form.

Website for exercising voting rights:

<https://evote.tr.mufg.jp/>

- * Inquiries regarding the exercise of voting rights via the Internet:
Mitsubishi UFJ Trust and Banking Corporation, Corporate Agency
Division (Help Desk)
TEL: 0120-173-027 (toll free) Hours: 9:00 a.m. ~ 9:00 p.m.

Exercising Voting Rights by Mail in Writing

Deadline for Exercising Voting Rights: Mail arriving by 5:20 p.m.

on June 25 (Thursday), 2020

Please indicate your approval or disapproval of each item on the agenda in the enclosed Voting Rights Exercise Form and return it by mail.

Any Voting Rights Exercise Form on which approval or disapproval of each item on the agenda has not been indicated shall be treated as an approval of the Company's proposals.

Ordinary General Meeting of Shareholders Reference Documents

Item 1: Appropriation of Retained Earnings

Positioning profit returns to shareholders as one of the most important policies of management, INES Corporation deems continuously implementing stable dividends as its basic policy and pays dividends after having comprehensively considered various factors, including its performance and the business environment.

In light of the above basic policy, the Company would like to further enhance profit returns to shareholders in relation to dividends at the end of the current fiscal year and proposes as follows.

Fiscal year-end dividend matters

(1) Type of dividend

Cash dividends

(2) Financial assets to be distributed as dividends and total dividend amount

¥25.00 per share of common stock (including ¥10 of special dividends)

¥595,089,050 total dividend payment

(3) Effective date of appropriation of retained earnings as cash dividends

June 29, 2020

For the fiscal year, since we paid an interim dividend of ¥15.00 per share on December 5, 2019, the total annual dividend for the period under review amounted to ¥40.00 per share, increased by ¥15.00 compared with the previous period.

Item 2: Election of Six (6) Corporate Directors

The term of office of all six (6) Corporate Directors will expire at the end of this Ordinary General Meeting of Shareholders. Accordingly, we propose that six (6) Corporate Directors be elected.

The candidates for director positions are as follows:

Nominee Number	Name	Position and Duty	Attendance Status at 2019 Board of Corporate Directors
1	Koichi Yoshimura	President and Representative Director <u>Reappointment</u>	12 times/12 times (100%)
2	Susumu Tsukahara	Director, Managing Executive Officer and General Manager, Financial & Accounting Division <u>Reappointment</u>	12 times/12 times (100%)
3	Etsuo Isobe	Director, Executive Officer and General Manager, Financial IT Solutions Division <u>Reappointment</u>	10 times/10 times (100%)
4	Kyota Omori	Outside Director <u>Reappointment</u> <u>Outside Director</u> <u>Independent Officer</u>	11times/12 times (91.7%)
5	Tadahiko Fukuhara	Outside Director <u>Reappointment</u> <u>Outside Director</u> <u>Independent Officer</u>	12 times/12 times (100%)
6	Qun Jin	--- <u>New appointee</u> <u>Outside Director</u> <u>Independent Officer</u>	---

<p>Nominee Number 1</p> <p style="border: 1px solid black; display: inline-block; padding: 2px;">Reappointment</p> <p>Koichi Yoshimura (October 25, 1965)</p> <p>Company Shares Owned 20,448</p> <p>Term of Office as Director (As of the end of this General Meeting) 6 years</p> <p>His Attendance Status at Board of Corporate Directors 12 times/12 times (100%)</p>	<p>Brief Personal History, Position and Duty in the Company</p> <p>Apr. 1988 Joined the Company</p> <p>Aug. 2010 General Manager, Life Insurance Institution Systems Division, Finance Systems Group, the Company</p> <p>Apr. 2013 Executive Officer and Group Executive, Finance Systems Group, the Company</p> <p>Jun. 2014 Director and Executive Officer, General Manager, Financial Systems Group, the Company</p> <p>Apr. 2016 Director, Executive Officer and General Manager, IT Solutions Division, the Company</p> <p>Apr. 2018 Director, Executive Officer and General Manager, Public Service Systems Solutions Division, the Company</p> <p>Apr. 2019 Director, Managing Executive Officer and General Manager, Public Service Systems Solutions Division, the Company</p> <p>Apr. 2020 President and Representative Director, the Company (Current position)</p> <p>Important Concurrent Roles N/A</p> <p>Reason for Nominating Mr. Yoshimura as a Director</p> <p>Having been responsible for the Company's general public, financial and industry business fields, Candidate Mr. Yoshimura has become familiar with the Company's business as a whole and since 2018, made significant contributions to the expansion and promotion of business mainly in the field of the public service industry. As it can be expected that he will be able to bring about improvements in business performance and corporate value for future management of the Company and its Group by promoting and taking the initiative in implementation of the 2021 Mid-term Business Plan based on his wealth of business experience and insight, the Company is requesting he be reappointed as a director.</p>
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<p>Nominee Number 2</p> <p style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</p> <p>Susumu Tsukahara (April 8, 1961)</p> <p>Company Shares Owned 20,876</p> <p>Term of Office as Director (As of the end of this General Meeting) 5 years</p> <p>His Attendance Status at Board of Corporate Directors 12 times/12 times (100%)</p>	<p>Brief Personal History, Position and Duty in the Company</p> <p>Apr. 1985 Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)</p> <p>Jun. 2005 Assistant Head of General Planning Office, The Mitsubishi Bank, Ltd.</p> <p>May 2008 Manager, Financial Accounting Office, Corporate Planning Division, The Mitsubishi Bank, Ltd.</p> <p>Nov. 2014 Executive Officer and General Manager, Financial & Accounting Division, the Company</p> <p>Jun. 2015 Director, Managing Executive Officer and General Manager, Financial & Accounting Division, the Company (Current position)</p> <p>Important Concurrent Roles</p> <p>N/A</p> <p>Reason for Nominating Mr. Tsukahara as a Director</p> <p>Candidate Mr. Tsukahara has engaged in finance-related business and corporate management over the years and also contributed to the management of the Company and its Group as the Company's managing executive officer and director since 2015 while working on the establishment of a sustainable and stable earnings structure with a focus on financial and capitalization strategies. As it can be expected that he will be able to bring about improvements in business performance and corporate value for future management by promoting the implementation of the 2021 Mid-term Business Plan based on his wealth of experience and insight, the Company is requesting he be reappointed as a director.</p>
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<p>Nominee Number 3</p> <p style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointment</p> <p>Etsuo Isobe (January 7, 1957)</p> <p>Company Shares Owned 9,046</p> <p>Term of Office as Director (As of the end of this General Meeting) 1 year</p> <p>His Attendance Status at Board of Corporate Directors 10 times/10 times (100%)</p>	<p>Brief Personal History, Position and Duty in the Company</p> <p>Apr. 1981 Joined Mitsubishi Research Institute, Inc.</p> <p>Oct. 2001 General Manager, Research Center for E-Government, Mitsubishi Research Institute, Inc.</p> <p>Oct. 2005 General Manager, Public Service Systems Solutions Division, Mitsubishi Research Institute, Inc.</p> <p>Dec. 2006 Executive Officer and General Manager, Solutions Business Division, Mitsubishi Research Institute, Inc.</p> <p>Feb. 2008 Executive Officer and General Manager, Solutions Department, Mitsubishi Research Institute, Inc.</p> <p>Oct. 2008 Managing Executive Officer and General Manager of Solutions Department, Mitsubishi Research Institute, Inc.</p> <p>Dec. 2014 Representative Director and Senior Managing Director, Mitsubishi Research Institute DCS Co., Ltd.</p> <p>Oct. 2018 Executive Officer and General Manager, Technology Division, the Company</p> <p>Apr. 2019 Executive Officer and General Manager, Financial IT Solutions Division, the Company</p> <p>Jun. 2019 Director, Executive Officer and General Manager, Financial IT Solutions Division, the Company (Current position)</p> <p>Important Concurrent Roles</p> <p>N/A</p> <p>Reason for Nominating Mr. Isobe as a Director</p> <p>Candidate Mr. Isobe has been engaged in the execution of business and corporate management of think tanks and consulting companies over the years and has a wealth of business experience and insight acquired over the course of his career. Based on such experience and insight, as it can be expected that he will be able to bring about improvements in business performance and corporate value for the management of the Company and its Group by promoting the implementation of the 2021 Mid-term Business Plan, the Company is requesting he be reappointed as a director.</p>
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Nominee Number 4	Brief Personal History, Position and Duty in the Company
Reappointment	Apr. 1972 Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)
Outside Director	May 2003 Managing Director, The Bank of Tokyo-Mitsubishi, Ltd. (current MUFG Bank, Ltd.)
Independent Officer	May 2004 Managing Director and Americas General Manager (in New York), The Bank of Tokyo-Mitsubishi, Ltd.
Kyota Omori (March 14, 1948)	Oct. 2007 Executive Operating Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (current MUFG Bank, Ltd.)
Company Shares Owned 0	Jun. 2008 Vice President and Director, Mitsubishi UFJ Financial Group, Inc.
Term of Office as Outside Director (As of the end of this General Meeting) 2 years	Dec. 2010 President and Representative Director, Mitsubishi Research Institute, Inc.
His Attendance Status at Board of Corporate Directors 11 times/12 times (91.7%)	Jul. 2011 Chairman and Director, Mitsubishi Research Institute DCS Co., Ltd.
	Jun. 2015 Outside Director, NCS&A Co., Ltd. (Current position)
	Dec. 2016 Chairman and Representative Director, Mitsubishi Research Institute, Inc.
	Dec. 2017 Chairman and Director, Mitsubishi Research Institute, Inc. (Current position)
	Dec. 2017 Director, Mitsubishi Research Institute DCS Co., Ltd.
	Jun. 2018 Outside Director, the Company (Current position)
	Important Concurrent Roles
	Chairman and Director, Mitsubishi Research Institute, Inc.
	Outside Director, NCS&A Co., Ltd.
	Reason for Nominating Mr. Omori as an Outside Director
	Candidate Mr. Omori has engaged in corporate management in the banking and IT service industries over the years. In the Company, he has exercised appropriate oversight of the management of the Company and its Group as an outside director since 2018 based on his wealth of experience and insight as a management expert acquired over the course of his career. Judging that he will continue to make a contribution to the management of the Company and its Group, the Company is requesting he be reappointed as an outside director.
	Matters Relating to Independence
	The trade volume between Mitsubishi Research Institute, Inc. for which he serves as a director and the Company in fiscal year 2019 accounted for less than 0.4% of the Company's consolidated sales in terms of sales amount and less than 0.1% of the Company's consolidated cost of sales in terms of amount of purchase. The trade volume between Mitsubishi Research Institute DCS Co., Ltd. for which he served as a director until December 2018 and the Company in fiscal year 2019 accounted for less than 0.2% of the Company's consolidated sales in terms of sales amount and less than 0.3% of the Company's consolidated cost of sales in terms of amount of purchase. Therefore, the Company is certain that his independence is fully ensured.

Nominee Number 5	Brief Personal History, Position and Duty in the Company
Reappointment	Apr. 1995 Professor, Faculty of Law, Chuo University
Outside Director	Apr. 2004 Professor, Chuo Law School (Current position) Registered as a lawyer (a member of the Tokyo Bar Association) (Current)
Independent Officer	Nov. 2007 Dean, Legal Affairs Research Course (Law School), Chuo Law School
Tadahiko Fukuhara (February 22, 1954)	Jul. 2009 Trustee, The Investment Trusts Association, Japan (Current position)
Company Shares Owned 0	Aug. 2010 Chairman and Trustee, Payment Service Association (current Japan Payment Service Association) (Current position)
Term of Office as Outside Director (As of the end of this General Meeting) 2 years	Nov. 2011 President, Principal and Trustee, Chuo University
His Attendance Status at Board of Corporate Directors 12 times/12 times (100%)	Jun. 2017 Outside Director, The Kyoei Fire and Marine Insurance Co., Ltd. (Current position)
	May 2018 President (Current position) and Principal (Current position), Chuo University
	Jun. 2018 Outside Director, the Company (Current position)
	Important Concurrent Roles President, Chuo University Professor, Chuo Law School Chairman and Trustee, Japan Payment Service Association Outside Director, The Kyoei Fire and Marine Insurance Co., Ltd.
	Reason for Nominating Mr. Fukuhara as an Outside Director Although Candidate Mr. Fukuhara has no experience of being directly involved in company management in the past, he has specialized knowledge of laws and regulations as a whole and as a professor of law as well as a wealth of experience in the management of universities, etc., as a president of a university. In the Company, he has exercised appropriate oversight of the management of the Company and its Group as an outside director since 2018 based on his professional knowledge and insight acquired over the course of his career. Judging that he will continue to make a contribution to the management of the Company and its Group, the Company is requesting he be reappointed as an outside director.
	Matters Relating to Independence There are no business and donation relationships between each company for which he concurrently serves and the Company. Therefore, the Company is certain that his independence is fully ensured.

<p>Nominee Number 6</p> <p style="border: 1px solid black; padding: 2px;">New appointee</p> <p style="border: 1px solid black; padding: 2px;">Outside Director</p> <p style="border: 1px solid black; padding: 2px;">Independent Officer</p> <p>Qun Jin (September 27, 1962)</p> <p>Company Shares Owned 0</p>	<p>Brief Personal History, Position and Duty in the Company</p> <p>Dec. 1984 Assistant Professor and Full-time Lecturer, Department of Computer Science, Hangzhou Dianzi University, China</p> <p>Apr. 1995 Assistant Professor, Department of Information Science and Intelligent Systems, Faculty of Engineering, Tokushima University</p> <p>Apr. 1999 Assistant Professor, Department of Software, Faculty of Computer Science and Engineering, The University of Aizu</p> <p>Apr. 2003 Professor, Department of Human Informatics and Cognitive Sciences, Faculty of Human Sciences, Waseda University (Current position)</p> <p>Sep. 2018 Deputy Dean, Faculty of Human Sciences, Waseda University (in charge of international relations) (Current position)</p> <p>Sep. 2018 Dean, Graduate School of Human Sciences, Waseda University (Current position)</p> <p>Important Concurrent Roles</p> <p>Professor, Department of Human Informatics and Cognitive Sciences, Faculty of Human Sciences, Waseda University</p> <p>Reason for Nominating Mr. Jin as an Outside Director</p> <p>Although Candidate Mr. Jin has no experience of being directly involved in company management in the past, he has been engaged in research on trends and application fields of computer science at universities over the years. Judging that he will make use of his professional knowledge and experience related to such technology and business for the management of the Company and its Group, the Company is requesting he be newly appointed as an outside director.</p> <p>Matters Relating to Independence</p> <p>There are no business and donation relationships between the organization for which he concurrently serves and the Company. Therefore, the Company is certain that his independence is fully ensured.</p>
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Notes:

1. None of the above appointees have special vested interests in the Company.
2. Mr. Kyota Omori, Mr. Tadahiko Fukuhara and Mr. Qun Jin, candidates for directors are candidates for outside directors.
The Company notified the Tokyo Stock Exchange of positions of Mr. Kyota Omori and Mr. Tadahiko Fukuhara as independent officers provided for in the provisions of the Tokyo Stock Exchange. If their appointment as outside directors is approved, we will once again notify the said stock exchange of the above two persons' position as independent officers. Also, if the appointment of Mr. Qun Jin as an outside director is approved, we will notify the said stock exchange of his position as an independent officer.
3. Both Mr. Kyota Omori and Mr. Tadahiko Fukuhara, candidates for directors, and the Company have entered into an agreement limiting the liability for damages provided for in Article 423 (1) of the Companies Act. The total maximum liability under such an agreement is the minimum amount required by laws and regulations. If the appointments of Mr. Kyota Omori, Mr. Tadahiko Fukuhara and Mr. Qun Jin as outside directors are approved, the Company will continue the agreements with Mr. Kyota Omori and Mr. Tadahiko Fukuhara, and will newly enter into an agreement with Mr. Qun Jin.

Item 3: Election of Two (2) Corporate Auditors

The term of office of Corporate Auditor Mr. Minoru Touyama will expire at the end of this Ordinary General Meeting of Shareholders. Corporate Auditor Mr. Aiichiro Uchikomi will also leave his office due to resignation at the end of this Ordinary General Meeting of Shareholders, though his term of office still remains in effect. Accordingly, we propose that two (2) corporate auditors be elected.

Approval for this proposal has been obtained in advance from the Board of Corporate Auditors.

The candidates for outside auditor positions are as follows:

Nominee Number 1	Brief Personal History
New appointee	Apr. 1979 Joined The Mitsubishi Bank, Ltd. (current MUFG Bank, Ltd.)
Outside Auditor	Jul. 2009 General Manager, Systems Promotion Department, Mitsubishi UFJ Securities Co., Ltd.
Independent Officer	Jan. 2010 Executive Officer and Deputy General Manager, Systems Division, Mitsubishi UFJ Securities Co., Ltd.
Kazumasa Otoshi (January 11, 1957)	May 2010 Managing Executive Officer and Deputy General Manager, Systems Division, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
Company Shares Owned 0	Jun. 2011 Managing Executive Officer and General Manager, Systems Division, Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.
	Jun. 2013 Managing Executive Officer, Mitsubishi UFJ Securities Holdings Co., Ltd.
	Jul. 2016 Managing Executive Officer and General Manager, Financial Business Division, Mitsubishi Research Institute DCS Co., Ltd.
	May 2018 Managing Executive Officer and General Manager, Solutions Business Division, Mitsubishi Research Institute DCS Co., Ltd.
	Dec. 2019 Corporate Adviser, Mitsubishi Research Institute DCS Co., Ltd. (Current position)
	Important Concurrent Roles
	Corporate Adviser, Mitsubishi Research Institute DCS Co., Ltd. (He will leave his office in June, 2020.)
	Reason for Nominating Mr. Otoshi as an Outside Auditor
	Candidate Mr. Otoshi has been engaged in the execution of business and corporate management of banks and securities companies over the years. As it can be expected that he will be able to exercise appropriate oversight of the management of the Company based on his wealth of experience and insight as an IT expert acquired over the course of his career, the Company is requesting he be appointed as an outside auditor.
	Matters Relating to Independence
	The trade volume between Mitsubishi Research Institute DCS Co., Ltd. for which he serves as a corporate adviser and the Company in fiscal year 2019 accounted for less than 0.2% of the Company's consolidated sales in terms of sales amount and less than 0.3% of the Company's consolidated cost of sales in terms of amount of purchase. Therefore, the Company is certain that his independence is fully ensured.

<p>Nominee Number 2</p> <p style="border: 1px solid black; padding: 2px;">New appointee</p> <p style="border: 1px solid black; padding: 2px;">Outside Auditor</p> <p style="border: 1px solid black; padding: 2px;">Independent Officer</p> <p>Kazuhiko Tomoda (April 30, 1956)</p> <p>Company Shares Owned 0</p>	<p>Brief Personal History</p> <p>Mar. 1979 Joined Pricewaterhouse Accounting Firm</p> <p>Jul. 1997 Representative Partner, Aoyama Audit Corporation (Reorganized Pricewaterhouse Accounting Firm)</p> <p>Sep. 2006 Representative Partner, Arata Audit Corporation (Current PwC Arata LLC)</p> <p>Jul. 2012 Executive Officer in charge of manufacture/distribution/service sectors, PwC Arata LLC</p> <p>Jun. 2019 Retired from PwC Arata LLC</p> <p>Jul. 2019 Established Tomoda CPA Office (Current position)</p> <p>Important Concurrent Roles</p> <p>Office Manager, Tomoda CPA Office</p> <p>Outside Director (audit commissioner), Persol Holdings Co., Ltd. (He will take office in June, 2020)</p> <p>Outside Auditor, Hakuhodo DY Holdings Inc. (He will take office in June, 2020)</p> <p>Outside Auditor, Daiko Advertising Inc. (He will take office in June, 2020)</p> <p>Reason for Nominating Mr. Tomoda as an Outside Auditor</p> <p>Although Candidate Mr. Tomoda has no experience of being directly involved in company management in the past, he has specialized knowledge of finance and accounting as a certified public accountant and has been engaged in audits of a number of listed companies as a member of audit corporations over the years. As it can be expected that he will be able to exercise appropriate oversight of the management of the Company based on his professional insight acquired over the course of his career, the Company is requesting he be appointed as an outside auditor.</p> <p>Matters Relating to Independence</p> <p>There are no business and donation relationships between each company for which he concurrently serves and the Company. Therefore, the Company is certain that his independence is fully ensured.</p>
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Notes:

1. None of the above appointees have special vested interests in the Company.
2. If the appointment of Mr. Kazumasa Otoshi and Mr. Kazuhiko Tomoda as outside auditors is approved, the Company will notify the Tokyo Stock Exchange of the above two persons' positions as independent officers provided for in the provisions of the Tokyo Stock Exchange.
3. If the appointment of Mr. Kazumasa Otoshi and Mr. Kazuhiko Tomoda as outside auditors is approved, the two persons and the Company are to enter into an agreement limiting the liability for damages provided for in Article 423 (1) of the Companies Act. The total maximum liability under such an agreement shall be the minimum amount required by laws and regulations.

Item 4: Election of One (1) Substitute Corporate Auditor

To ensure that the number of corporate auditors does not fall below the number stipulated in laws and regulations, we propose the election of one (1) substitute corporate auditor.

Approval for this proposal has been obtained in advance from the Board of Corporate Auditors.

The candidate for the position of substitute outside auditor is as follows:

<div style="border: 1px solid black; padding: 2px; margin-bottom: 10px;">Substitute Outside Auditor</div> <div style="border: 1px solid black; padding: 2px; margin-bottom: 10px;">Independent Officer</div> <p>Ryo Haga (February 9, 1966)</p> <p>Company Shares Owned 0</p>	<p>Brief Personal History</p> <p>Aug. 1996 Assistant Professor, Faculty of Economics, Yamaguchi University</p> <p>Apr. 2003 Professor, Faculty of Law, Okayama University</p> <p>Apr. 2004 Professor, School of Law, Okayama University</p> <p>Apr. 2007 Professor, Graduate School of Humanities and Social Sciences, Okayama University</p> <p>Apr. 2010 Professor, Graduate School of International Social Sciences, Yokohama National University (Current position)</p> <p>Jun. 2010 Registered as an attorney (Joined Daiichi Tokyo Bar Association) (Current)</p> <p>Apr. 2015 Dean, Law School, Graduate School of International Social Sciences, Yokohama National University (Current position)</p> <p>Important Concurrent Roles</p> <p>Professor, Graduate School of International Social Sciences, Yokohama National University</p> <p>Dean, Law School, Graduate School of International Social Sciences, Yokohama National University</p> <p>Reason for Nominating Mr. Haga as a Substitute Outside Auditor</p> <p>Although Candidate Mr. Haga has not been directly involved in company management, he is well-versed in the Financial Instruments and Exchange Act and Companies Act as a qualified attorney and a graduate school professor. With this in mind, the Company is certain that he can be relied upon to reflect his knowledge and expertise acquired over the course of his career in the audit system of the Company.</p> <p>Matters Relating to Independence</p> <p>There is no business relationship between each organization for which the candidate concurrently serves and the Company. Therefore, the Company is certain that his independence is fully ensured.</p>
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Notes:

1. Mr. Ryo Haga, the candidate for the position of substitute corporate auditor, has no special vested interests with the Company.
2. He satisfies the requirements as an independent officer provided for in the provisions of the Tokyo Stock Exchange. If he is appointed as an outside auditor, we will notify the said stock exchange of his position as an independent officer.
3. If he is appointed as a corporate auditor, he and the Company are to enter into an agreement limiting the liability for damages provided for in Article 423 (1) of the Companies Act. The total maximum liability under such an agreement shall be the minimum amount required by laws and regulations.

Consolidated Balance Sheet
(As of March 31, 2020)

(¥ millions)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current Assets:	(33,291)	Current Liabilities:	(7,944)
Cash and deposits	22,049	Accounts payable	2,184
Notes and accounts receivable	9,716	Accrued expenses	997
Work in process	940	Income taxes payable	1,150
Raw materials and supplies	102	Accrued consumption taxes	677
Prepaid expenses	399	Advances received	524
Other	91	Provision for bonuses	1,327
Allowance for doubtful accounts	△ 9	Provision for directors' bonuses	47
		Provision for loss on order received	445
Non-current Assets:	(19,385)	Other	590
Tangible Non-current Assets:	(4,106)	Non-current Liabilities:	(6,864)
Buildings and structures	1,830	Provision for directors' retirement benefits	118
Tools, furniture and fixture	1,500	Net defined benefit liability	6,431
Land	775	Assets retirement obligations	249
Intangible Non-current Assets:	(3,800)	Other	65
Software	3,775	Total Liabilities	14,808
Other	24	NET ASSETS	
Investments and Other Assets:	(11,478)	Shareholders' Equity:	(38,705)
Investment securities	4,632	Capital stock	15,000
Long-term prepaid expenses	726	Capital surplus	14,579
Deferred tax assets	5,046	Retained earnings	9,245
Other	1,073	Treasury shares	△ 119
Allowance for doubtful accounts	△ 0	Accumulated Other Comprehensive Income:	(△ 836)
		Valuation difference on available-for-sale securities	△ 7
		Remeasurements of defined benefit plans	△ 829
		Total Net Assets	37,868
Total Assets	52,677	Total Liabilities and Net Assets	52,677

Consolidated Statement of Operations
(For the year from April 1, 2019 to March 31, 2020)

(¥ millions)

Item	Amount	
Revenue		42,278
Cost of Sales		33,121
Gross Profit		9,157
Selling, General and Administrative Expenses		6,253
Operating Income		2,903
Non-Operating Income:		113
Interest income	9	
Dividends income	16	
Real estate rent	55	
Dividend income on insurance	14	
Other	17	
Non-Operating Expenses:		59
Interest expenses	0	
Rent expenses on real estate	48	
Other	9	
Ordinary Income		2,957
Extraordinary Income:		4,356
Gain on sales of non-current assets	4,307	
Gain on negative goodwill	49	
Extraordinary Losses:		4,280
Loss on retirement of non-current assets	95	
Impairment loss	4,178	
Loss on valuation of membership	5	
Income before Income Taxes		3,034
Income Taxes and Other		1,525
Adjustment of Corporate Taxes		△ 554
Net Income		2,063
Net Income attributable to Owners of Parent		2,063

Consolidated Statement of Changes in Shareholders' Equity
(For the year from April 1, 2019 to March 31, 2020)

(¥ millions)

	Shareholder's equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance as of April 1, 2019	15,000	14,582	7,895	△ 166	37,311
Changes during year					
Cash dividends from retained earnings			△ 713		△ 713
Net income attributable to owners of parent			2,063		2,063
Purchase of treasury shares				△ 2	△ 2
Disposal of treasury shares		△ 3		49	46
Net changes of items other than shareholders' equity					
Total changes during year	---	△ 3	1,349	46	1,393
Balance as of March 31, 2020	15,000	14,579	9,245	△ 119	38,705

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance as of April 1, 2019	150	△ 923	△ 773	36,538
Changes during year				
Cash dividends from retained earnings				△ 713
Net income attributable to owners of parent				2,063
Purchase of treasury shares				△ 2
Disposal of treasury shares				46
Net changes of items other than shareholders' equity	△ 157	94	△ 63	△ 63
Total changes during year	△ 157	94	△ 63	1,329
Balance as of March 31, 2020	△ 7	△ 829	△ 836	37,868

Non-Consolidated Balance Sheets

(As of March 31, 2020)

(¥ millions)

Item	Amount	Item	Amount
ASSETS		LIABILITIES	
Current Assets:	(29,462)	Current Liabilities:	(7,257)
Cash and deposits	18,920	Accounts payable	2,306
Accounts receivable	8,834	Accrued payable	258
Work in process	926	Accrued expenses	648
Raw materials and supplies	102	Income taxes payable	1,090
Prepaid expenses	366	Accrued consumption taxes	463
Other	320	Advances received	517
Allowance for doubtful accounts	△ 9	Deposits received	303
Non-current Assets:	(18,936)	Provision for bonuses	1,138
Tangible Non-current Assets:	(3,719)	Provision for directors' bonuses	29
Buildings	1,761	Provision for loss on order received	445
Structures	1	Other	56
Tools, furniture and fixture	1,181	Non-current Liabilities:	(4,994)
Land	775	Provision for retirement benefits	4,654
Intangible Non-current Assets:	(3,762)	Provision for directors' retirement benefits	64
Telephone rights	16	Assets retirement obligations	215
Software	3,742	Other	60
Other	4	Total Liabilities	12,252
Investments and Other Assets:	(11,453)	NET ASSETS	
Investments securities	4,129	Shareholders' Equity:	(36,140)
Shares in affiliates	1,298	Capital Stock:	(15,000)
Investments in capital of subsidiaries and affiliates	13	Capital Surplus:	(14,579)
Long-term prepaid expenses	630	Capital reserve	3,750
Deferred tax assets	4,400	Other capital surplus	10,829
Guarantee deposited	861	Retained earnings:	(6,680)
Long-term loans	1	Other retained earnings	6,680
Utility membership	81	Retained earnings carried forward	6,680
Other	37	Treasury shares:	(△ 119)
		Valuation, Translation Adjustment and Other:	(6)
		Valuation difference on available-for-sale securities	6
		Total Net Assets	36,147
Total Assets	48,399	Total Liabilities and Net Assets	48,399

Non-Consolidated Statements of Operations
(For the year from April 1, 2019 to March 31, 2020)

(¥ millions)

Item	Amount	
Revenue		36,495
Cost of Sales		28,664
Gross Profit		7,831
Selling, General and Administrative Expenses		5,760
Operating Income		2,070
Non-Operating Income:		372
Dividends income	260	
Real estate rent	75	
Dividend income on insurance	14	
Other	22	
Non-Operating Expenses:		76
Rent expenses on real estate	69	
Other	7	
Ordinary Income		2,366
Extraordinary Income:		4,307
Gain on sales of non-current assets	4,307	
Extraordinary Losses:		4,276
Loss on retirement of non-current assets	92	
Impairment loss	4,178	
Loss on valuation of membership	5	
Income before Income Taxes		2,397
Income Taxes and Other		1,268
Adjustment of Corporate Taxes		△ 599
Net Income		1,728

Non-Consolidated Statements of Changes in Shareholders' Equity
(For the year from April 1, 2019 to March 31, 2020)

(¥ millions)

	Shareholders' equity					
	Capital stock	Capital surplus			Retained earnings	
		Capital reserve	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings carried forward	Total retained earnings
Balance as of April 1, 2019	15,000	3,750	10,832	14,582	5,665	5,665
Changes during year						
Cash dividends from retained earnings					△ 713	△ 713
Net income					1,728	1,728
Purchase of treasury shares						
Disposal of treasury shares			△ 3	△ 3		
Net changes of items other than shareholders' equity						
Total changes during year	---	---	△ 3	△ 3	1,014	1,014
Balance as of March 31, 2020	15,000	3,750	10,829	14,579	6,680	6,680

	Shareholders' equity		Valuation, translation adjustment and other		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation, translation, adjustment and other	
Balance as of April 1, 2019	△ 166	35,081	153	153	35,235
Changes during year					
Cash dividends from retained earnings		△ 713			△ 713
Net income		1,728			1,728
Purchase of treasury shares	△ 2	△ 2			△ 2
Disposal of treasury shares	49	46			46
Net changes of items other than shareholders' equity			△ 146	△ 146	△ 146
Total changes during year	46	1,058	△ 146	△ 146	911
Balance as of March 31, 2020	△ 119	36,140	6	6	36,147