

[Translation]



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**Receipt of the Investigation Report of the Third-Party Committee
and Policy for Future Course of Action**

We hereby announce that on June 19, 2019, we received the investigation report from the Third-Party Committee (Note).

We sincerely apologize for any inconvenience and concern caused to our shareholders, investors, business partners, and other stakeholders in relation to this matter.

(Note) Please refer to the "Notice Regarding Establishment of Third-Party Committee" issued on April 22, 2019.

Description

1. Content of the Investigation Report and Outline of the Issues at Hand

An outline of the investigation report is attached at the end of this disclosure. The full text of the investigation report (in Japanese) was published on June 19, 2019 and posted on our website (<https://www.arteria-net.com>). With the approval of the Third-Party Committee, the investigation report released does not fully disclose personal names, etc., in order to protect the privacy of individuals, etc. We would appreciate your understanding.

2. Impact on financial results

We will announce the impact on the financial results for the fiscal year ended March 2019 and future financial results resulting from this matter as soon as it becomes available.

3. Future Course of Action

We respectfully accept the findings of the investigation and the following recommendations about preventive measures regarding this matter by the Third-Party Committee. We will establish concrete preventive measures and take necessary steps, including taking disciplinary actions against related personnel.

- (a) Preventive measures regarding the insufficient knowledge of, or sensitivity to, the Antimonopoly Act
- (b) Preventive measures regarding the insufficient awareness of accountability to the market
- (c) Preventive measures concerning internal communications
- (d) Preventive measures concerning the allocation of human and economic resources to our management divisions
- (e) Preventive measures to ensure management of our subsidiaries

Outline of the Investigation Report of the Third-Party Committee

June 19, 2019

1. Outline of Investigation by the Third-Party Committee

The items delegated to the Third-Party Committee are: (1) investigation of the background of the relevant conduct not being described in the documents filed at the time of application for listing and the securities registration statement, and (2) investigation of the background of timely disclosure by ARTERIA not being issued until April 16, 2019, as well as analysis of the causes of the facts identified in these investigations, and making recommendations about preventive measures.

From April 22, 2019 to June 18, 2019, the Third-Party Committee conducted the following investigation:

The outline is as follows.

- (1) Committee Meetings: 12 meetings (other discussions held as needed among committee members to exchange opinions on investigation methods before and after interviews)
- (2) Interviews: 23 interviewees; 35 interviews in total; total interview time of 45 hours
- (3) Forensic investigation: 21 respondents; review of 8,655 documents, extracted by keyword searches
- (4) Review of related materials (including reports on the results of investigations relating to the Antimonopoly Act investigation and investigation of the listing process by attorneys and related materials)

2. Facts Found as a Result of Investigation

The outline of the facts found by the Third-Party Committee with regard to the items delegated as set forth in section 1 above is as follows.

(1) Background of Not Including the Relevant Conduct in Documents Filed at the Time of Application for Listing and Securities Registration Statement

At ARTERIA and TNC, only a limited number of persons were aware of the fact that agreements were made with competitors not to conduct sales efforts aimed at causing the internet access line customers of ARTERIA to switch to the competitors' services, and it is possible that the persons involved did not recognize the possibility of Antimonopoly Act violations because such agreements are not per se regarded as an unreasonable restraints of trade.

In addition, no objective documents were found documenting the agreements between ARTERIA and TNC, on the one hand, and their competitors, on the other hand, that they would not mutually engage in proactive sales efforts aimed at causing customers to switch services, and the remarks of TNC's executive officer were the only indications of these agreements. The former president, who received a report from the general manager of the Legal Department on the contents of the remarks made by TNC's executive officer, explained that he had determined that the exchange of information with competitors as described by TNC's executive officer was not ongoing, and in light of the circumstances at that time, there was no reason to reject such an explanation.

The risks of violations of the law should be dealt with more carefully during the preparation of listings, which entail greater accountability to the market. However, in light of the fact that the president at the time had been focusing on such issues as the establishment of strategies to improve profitability, and had no concerns about violations of the Antimonopoly Act, we must say that it is, to a certain extent, understandable under the circumstances at that time that the president did not actively issue an order to investigate possible violations of the Antimonopoly Act based solely on TNC's executive officer's statements, which were not reliable.

The background as to why the general manager of the Legal Department did not conduct a full-fledged internal investigation includes the special nature of the need to handle information regarding suspected violations of the Antimonopoly Act with extreme caution, as well as limitations on personnel at ARTERIA and the cost of consulting with outside counsel at the time.

(2) History and Background from the Listing to the Timely Disclosure

After objective materials that could suggest the existence of violations of the Antimonopoly Act were discovered, ARTERIA promptly retained outside counsel and implemented an investigation of potential violations under the Antimonopoly Act, and after the situation about the Antimonopoly Act violations became clear, ARTERIA carried out an investigation of the listing process by attorneys to confirm that there was nothing unreasonable in the listing process. Based on the results of the investigations, ARTERIA issued timely disclosure as soon as practicable.

It is true that it took about two months from the start of the Antimonopoly Act investigation by outside counsel until the disclosure. During this period, however, ARTERIA selected and appointed several outside counsel, clarified the situation regarding the Antimonopoly Act violations, and conducted investigations to confirm that there was nothing unreasonable in the listing process.

In sum, the Third-Party Committee did not find any fact indicating that specific parties concerned intentionally delayed the timely disclosure.

3. Causes, Background, and Measures to Prevent a Recurrence

(1) Insufficient Knowledge of, or Sensitivity to, the Antimonopoly Act

One of the reasons why the relevant conduct continued for a long period of time, and why most officers and employees were unable to recognize the acts that could violate the Antimonopoly Act or to suspect such acts, is that the officers and employees of ARTERIA and TNC had insufficient knowledge or sensitivity as to what conduct might violate the Antimonopoly Act.

ARTERIA should consider holding regular compliance training sessions on the Antimonopoly Act for officers and employees, analyzing the risk concerning the Antimonopoly Act in business fields other than those in which the relevant conduct at issue occurred, and take counter measures such as setting up information barriers corresponding to the above-mentioned risk analysis.

(2) Insufficient Awareness of Accountability to the Market

ARTERIA, which was preparing for a new listing, was in a position to carefully address the risk of violations of laws and regulations to fulfill its accountability to the market. Considering the accountability imposed on listed companies and the fact that companies preparing for listing should take careful measures against violations of laws and regulations, in hindsight, it would have been ideal to conduct a thorough investigation and clearly confirm whether potential violations of the Antimonopoly Act existed. Going forward, ARTERIA should be aware of the knowledge and awareness expected of a listed company and strive to take measures to secure the trust of the market.

ARTERIA should consider sending a clear message from management to the officers and employees regarding market accountability, and providing internal training and education to comply with the disclosure obligations under the Financial Instruments and Exchange Act and stock exchange disclosure rules.

(3) Internal Communications

Within ARTERIA, the exchange of risk information between the Listing Preparation Office and the Legal and Risk Management Department was not smooth, and information on possible violations of the Antimonopoly Act was not shared with the Listing Preparation Office by each business division.

The statements made by TNC's executive officer at a management meeting were not shared with Outside Directors and Corporate Auditors who did not attend the management meeting. In addition, there is a possibility that communication within the company was affected by the fact that ARTERIA has been formed through mergers of several different companies that originally engaged in different businesses.

There must be opportunities to freely and openly discuss certain predetermined topics concerning management issues across departments and positions, and to consider active information collection by the legal and compliance divisions (by way of inquiries and hearings) from the business divisions and other management divisions.

(4) Allocation of Human and Economic Resources to our Management Divisions

Within ARTERIA, the number of legal staff and fees for advice from outside counsel were reduced in order to improve the company's financial situation in preparation for listing. This may be one of the reasons why a full-fledged internal investigation was not carried out. There seems to have been room to consider whether sufficient human and economic resources for a compliance system were allocated during the preparation period for listing the company, or after the company was listed.

ARTERIA should consider establishing a system whereby the compliance committee, etc., regularly checks whether compliance systems are effective, both qualitatively and quantitatively.

(5) Measures to Ensure Management of our Subsidiaries

An organizational management system suited to the nature of each subsidiary is necessary in order to appropriately manage and supervise subsidiaries. ARTERIA should take seriously the fact that the actions in this case that may have violated the Antimonopoly Act involved TNC, a subsidiary of ARTERIA, and focus on establishing an organizational management system for subsidiary management.

ARTERIA should consider establishing an organizational management system of its subsidiaries and a system whereby the compliance committee, etc., regularly checks whether the management system is effective.