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(Securities Code: 4825)

July 30, 2020

To Shareholders with Voting Rights:

Chihito Kusabiraki
President and Representative Director
Weathernews Inc.
Makuhari Techno-Garden
1-3, Nakase, Mihama-ku, Chiba-city,
Chiba Prefecture, Japan

**NOTICE OF
THE 34th ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially informed that Weathernews Inc. (the “Company”) will hold the 34th Annual General Meeting of Shareholders. The meeting will be held for the purposes described below.

From the perspective of preventing the spread of the novel coronavirus disease (COVID-19) infection, please exercise your voting rights in advance and refrain from attending the meeting regardless of your health condition. If you exercise your voting rights in advance, please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), indicate your vote for or against the proposals on the enclosed Voting Rights Exercise Form, and return the form so that it arrives by 5:30 p.m. on Friday, August 14, 2020, Japan time.

Please also check information in advance to be posted on the Company’s website as any future changes in circumstances surrounding COVID-19 may cause us to change the place of the meeting and our response to COVID-19.

- 1. Date and Time:** Saturday, August 15, 2020, at 10:00 a.m. Japan time
(venue opens: 9:00 a.m.)
- 2. Place:** APA Hotel & Resort Tokyo Bay Makuhari, located at 2-3, Hibino,
Mihama-ku, Chiba-city, Chiba Prefecture, Japan
- 3. Meeting Agenda:**
Matters to be reported: The Business Report, the Consolidated Financial Statements and the Non-consolidated Financial Statements for the Company’s 34th Fiscal Year (June 1, 2019 - May 31, 2020), as well as the results of audits of Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board

Proposals to be resolved:

Proposal No. 1: Appropriation of Surplus

Proposal No. 2: Partial Amendments to the Articles of Incorporation

Proposal No. 3: Election of Five (5) Directors

Proposal No. 4: Renewal of Measures to Secure Corporate Value and Enhance the Common Interest of Shareholders against a Large-scale Purchase, etc. of Share Certificates of the Company (Takeover Defense)

4. Other Matters Regarding This Notice:

- (1) The following materials, which should be made available to shareholders when sending this notice of convocation, are posted on the Company's website at the following URL (<https://jp.weathernews.com/>), instead of being stated in this notice, in accordance with the provisions of the relevant laws and regulations and Article 16 of the Articles of Incorporation of the Company.

When preparing the Audit Report that is the same as the document appended to this notice of convocation, the Audit & Supervisory Board Members audited items "1)" to "4)" below and the Accounting Auditor audited items "3)" and "4)."

- 1) "Matters regarding subscriptions rights to shares, etc." inside the Business Report
 - 2) "Basic Principles regarding the Control of the Company" inside the Business Report
 - 3) "Notes to the Consolidated Financial Statements" of the consolidated financial statements (34th Fiscal Year)
 - 4) "Notes to the Non-consolidated Financial Statements" of the non-consolidated financial statements (34th Fiscal Year)
- (2) Any amendments to the Reference Documents for the General Meeting of Shareholders, the Business Report, the Consolidated Financial Statements, or the Non-consolidated Financial Statements, will be posted on the aforementioned Company's website.

Requests for Attending Shareholders

Shareholders who plan to attend the meeting in person are requested to respect the following items.

- (1) When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk on the day of the meeting for confirmation. If you wish to exercise your voting rights by proxy, designate another shareholder who is entitled to exercise your voting rights as a proxy at the meeting. Such a shareholder acting as a proxy is kindly requested to attend in person and submit your Voting Rights Exercise Form and the power of attorney at the reception desk.
- (2) Note that only shareholders of the Company may enter the venue of the meeting.
- (3) We will open for entry at 9:00 a.m. and start the meeting at 10:00 a.m.
- (4) Note that electricity-saving measures will be taken at the venue for lighting and the adjustment of the air-conditioning temperature. It is recommended that you dress lightly.

Our Response for Prevention of Spread of COVID-19 Infection

We consider the safety and health of our shareholders to be the highest priority to hold the General Meeting of Shareholders. From the perspective of preventing the spread of the COVID-19 infection, we would like to ask you as follows:

<Requests>

- To prevent the spread of the COVID-19 infection, please refrain from attending the meeting as much as possible and exercise your voting rights in writing instead.
- For those of you who are not able to attend the meeting, please feel free to send us questions. We will answer questions received in advance that deal with matters of higher interest to shareholders on the meeting day. In addition, the General Meeting of Shareholders will be streamed live on the Internet. Please access to our website for more information.
- Questions in advance are accepted through our website. For those of you who prefer to ask us questions in writing, please send them to the following attention and address. (Submission deadline: Before 5:00 p.m. Friday, August 7, 2020)
IR Office, Weathernews Inc., Makuhari Techno-Garden, Tower B, 19F,
1-3, Nakase, Mihama-ku, Chiba-city, Chiba Prefecture, Japan
- Please refrain from attending the meeting if 14 days have not passed yet since you returned home from abroad.
- For those who will attend the meeting, please wear a face mask and disinfect your hands and fingers by spraying alcohol-based sanitizer.

<Measures to be taken at the meeting venue>

- To prevent the spread of the COVID-19 infection and ensure safety of the shareholders, the number of seats available in the meeting room will be much smaller than usual as more spaces are ensured between the seats. Please be forewarned that entry to the meeting room may be restricted depending on the number of attendees from the perspective of ensuring safety of the shareholders.
- If you fall into either of the following, we may not allow you to enter the meeting room in order to prevent the spread of the COVID-19 infection. You may also be asked to have your body temperature checked from the perspective of ensuring safety of the shareholders.
 - 1) Those of you who have symptoms such as high temperature and persistent cough
 - 2) Those of you who refuse to wear a face mask and to disinfect your hands and fingers by spraying alcohol-based sanitizer
- Officers who will appear on the stage and operational staff will wear a face mask and take other preventive measures against the infection.
- The duration of the meeting may turn out to be shorter than usual in order to prevent the infection.
- We will postpone all the shareholder events (i.e., shareholder supporter meeting, service line presentation and company tour) that had usually been held on the same day before the General Meeting of Shareholders. Due to this postponement, refreshments will not be served.
- Should there be any changes in the place of the meeting and our response to the spread of the COVID-19 infection due to the future development of infection, updates will be posted on the Company's website, and you are kindly asked to check them.

<https://jp.weathernews.com/irinfor/event/34th-shareholder-meeting/>

Internet Stream for Shareholders

The Company will stream the General Meeting of Shareholders live on the Internet so that shareholders unable to attend the meeting in person can view the meeting remotely. To protect the privacy of shareholders, the stream will only show the officers' seating area during the meeting. Also please note that shareholders viewing the stream will be unable to exercise their voting rights or ask questions via the Internet platform.

Date and streaming schedule	Saturday, August 15, 2020, from 10:00 a.m. Japan time to the conclusion of the meeting
Accessing the stream	Please visit the live stream website for the meeting and enter your "Shareholder ID" and "Password" from the login screen.

Live stream website for the General Meeting of Shareholders https://jp.weathernews.com/irinfo/event/34th-shareholder-meeting/ Please check the notice of convocation for your login ID and password.
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[Notes]

1. Please be aware that images and voices may lag or temporarily freeze during the stream, or the stream may be unviewable depending on your device environment (i.e., functions and performance), Internet connection environment, or other factors.
2. Our recommended Internet environments are as follows:
 - <Windows>
OS: Windows 8.1 or later
Browsers: Internet Explorer 11, latest versions of Microsoft Edge, Google Chrome and Firefox
 - <Macintosh>
OS: Mac 10.11.4 (El Capitan) or later
Browser: Latest version of Safari
 - <Phone/iPad>
OS: iOS 9 or later
Browsers: Latest versions of Safari and Google Chrome
 - <Android (Mobile/Tablet)>
OS: Android 4.4 or later
Browser: Latest version of Google Chrome

Reference Documents for the General Meeting of Shareholders

Proposals and References

Proposal No. 1: Appropriation of Surplus

The Company desires to gain greater support from stakeholders who sympathize with the corporate dream “To Become an Information Exchange Platform for Seven Billion Seven Hundred Million People Around the World” and the projects oriented toward that dream, and intends to expand the number of shareholder supporters in the medium- to long-term.

The Company distributes profit based on its general management principle of “high contribution, high profit, high sharing.” The Company determines a policy for returning profit to shareholder supporters after considering the assumed investment plan for future services, technologies and infrastructure. We recognize growth in sales from tollgate-type business from among net sales as an important management indicator and determine the amount of dividends while taking into account other factors such as business results, the payout ratio, the dividend yield and capital efficiency.

Regarding the dividends for the fiscal year ended May 31, 2020, we will pay an annual ordinary dividend of ¥100 per share in accordance with the dividend policy under the mid-term management plan. Because we already paid an interim dividend of ¥50 per share in January for the year under review, we will provide ¥50 per share as a year-end dividend as described below.

Matters concerning the year-end dividends

(1) Type of property dividends	Cash
(2) Matters concerning the distribution of property dividends to shareholders and the total amount thereof	¥50 per share of common stock of the Company Total amount: ¥547,088,850
(3) Effective date of the dividends from surplus	August 17, 2020

Proposal No. 2: Partial Amendments to the Articles of Incorporation

1. Reasons for the Amendments

• Additional Purpose of Business

Companies are expected to help build a sustainable society to tackle extreme weather events and climate change that occurs more frequently these days. Since the beginning of the 34th fiscal year, we have deemed creating a new business as one of the four focus areas of the mid-term management plan.

Specifically, we have been considering offering insurance services as one of the countermeasures to business risks from extreme weather. We therefore propose to add this business to the objectives of the Company.

2. Details of the Amendments

The current Articles of Incorporation and the proposed amendments thereto are as follows:

(Amendments are underlined.)

Current Articles of Incorporation	Proposed Amendments
Objectives of the Company Article 2 (Omitted) (1) to (10) (Omitted) (11) Investigation, research and consulting; worker dispatching service; <u>and</u> advertising service with respect to the activities described in (1) through (10); (12) to (14) (Omitted)	Objectives of the Company Article 2 (Unchanged) (1) to (10) (Unchanged) (11) Investigation, research and consulting; worker dispatching service; advertising service; <u>property damage insurance agency;</u> <u>small-amount short-term insurance agency;</u> <u>property damage insurance; and small-</u> <u>amount short-term insurance</u> with respect to the activities described in (1) through (10); (12) to (14) (Unchanged)

Proposal No. 3: Election of Five (5) Directors

The Company's Articles of Incorporation provide that the term of office for Directors be one year. This is intended to clarify the Directors' responsibility for achieving the performance targets of each fiscal year and confirm shareholders' confidence in Directors for each fiscal year. According to the provisions of said Articles of Incorporation, the term of office of five (5) Directors of the Company will expire at the conclusion of this General Meeting of Shareholders. Accordingly, we propose the election of five (5) Directors.

The candidates for the position of Director are as follows:

No.	Name	Current positions at the Company	Number of Board of Directors' meetings attended
1	[Reappointed] Chihito Kusabiraki	President and Representative Director	13 out of 13
2	[Reappointed] Masanori Yoshitake	Managing Director	13 out of 13
3	[Newly appointed] Tomohiro Ishibashi	Executive Officer	—
4	[Reappointed] [External] [Independent] Koichiro Tsujino	Director (External)	13 out of 13
5	[Reappointed] [External] [Independent] Shigeru Muraki	Director (External)	13 out of 13

Candidate No. 1	Chihito Kusabiraki	Date of birth March 18, 1965	Number of shares of the Company held 73,460
Reappointed	<p>Past experience, positions and responsibilities (Significant concurrent positions)</p> <p>March 1987 Graduated from Department of Physics, College of Science and Engineering, Aoyama Gakuin University</p> <p>April 1987 Joined the Company</p> <p>April 1993 General Manager, CSS Business Department, Marketing Division</p> <p>June 1993 General Manager, Aviation Business Department, Marketing Headquarters</p> <p>June 1996 General Manager, Disaster Prevention/Aviation Business Division</p> <p>August 1996 Director</p> <p>August 1997 Managing Director</p> <p>August 1999 Executive Vice President and Representative Director</p> <p>September 2006 President and Representative Director (in charge of overall management and sales (Asia, Europe, and the United States))</p> <p>August 2016 President and Representative Director (Chief Executive Officer) (to present)</p> <p>Significant concurrent position</p> <p>Director, Chiba Institute of Technology</p> <p>Reason for nominating the candidate for Director</p> <p>Mr. Chihito Kusabiraki has outstanding insight and achievements in the fields of disaster prevention and aviation business in which he has been engaged since joining the Company. He also has excellent managerial skills developed through his experience, particularly his experience serving as the General Manager of the Disaster Prevention/Aviation Business Division, combined with personal qualities that are suitable for the corporate manager of the Company. Based on the aforementioned, he has assumed office as President and Representative Director since 2006, and we have reelected him as a candidate for Director.</p> <p>The number of years in office as Director (as of the conclusion of this General Meeting of Shareholders): 24 years</p>		
Candidate No. 2	Masanori Yoshitake	Date of birth October 14, 1972	Number of shares of the Company held 13,600
Reappointed	<p>Past experience, positions and responsibilities (Significant concurrent positions)</p> <p>March 1996 Graduated from Agricultural Engineering Division (Civil Engineering), Faculty of Agriculture, Kyushu University</p> <p>July 1996 Joined the Company</p> <p>June 2004 General Manager, Fukuoka Branch</p> <p>December 2006 Leader, Station Sales Division of WITH STATION Inc.</p> <p>June 2011 Group Leader, General Affairs Department of the Company</p> <p>August 2014 Director (in charge of general affairs)</p> <p>August 2015 Director (in charge of overall accounting, financial, and general affairs)</p> <p>August 2016 Managing Director (Chief Financial Officer)</p> <p>August 2017 Director (Managing Officer, Chief Financial Officer)</p> <p>June 2019 Director (Managing Officer)</p> <p>August 2019 Managing Director (to present)</p> <p>Reason for nominating the candidate for Director</p> <p>Mr. Masanori Yoshitake has outstanding insight and achievements in the field of general affairs in which he has been engaged since joining the Company. He also has excellent managerial skills developed through his experience, particularly his experience serving as the Group Leader of the General Affairs Department and of being in charge of overall accounting, financial, and general affairs, combined with personal qualities that are suitable for taking on a share of the duties of managing the Company. Based on the aforementioned, we have reelected him as a candidate for Director.</p> <p>The number of years in office as Director (as of the conclusion of this General Meeting of Shareholders): 6 years</p>		

Candidate No.
3

Tomohiro Ishibashi

Date of birth
March 28, 1975

Number of shares of the Company held
164,401

Newly appointed

Past experience, positions and responsibilities (Significant concurrent positions)

March 1998	Graduated from Department of Information and Systems Engineering, Faculty of Science and Engineering, Chuo University
April 1998	Joined Hewlett-Packard Japan, Ltd.
October 2000	Joined the Company
August 2003	MOBILE Service Group Leader
December 2006	Director, WITH STATION Inc.
November 2007	Representative Director, WITH STATION Inc.
August 2008	Director of the Company (in charge of overall BtoS business)
May 2012	Director (in charge of sales in the United States)
May 2014	Director (in charge of BtoS business sales)
August 2016	Executive Officer (in charge of Mobile/Internet Planning) (to present)
June 2020	Executive Officer (in charge of Public Relations) (to present)

Reason for nominating the candidate for Director

Mr. Tomohiro Ishibashi has outstanding insight and achievements in the BtoS business, in which he has been engaged since joining the Company. He also has excellent managerial skills developed through his experience of global business, particularly his experience of being in charge of sales in the United States, combined with personal qualities that are suitable for taking on a share of the duties of managing the Company. Accordingly, we have elected him as a new candidate for Director.

Candidate No. 4	Koichiro Tsujino	Date of birth July 10, 1957	Number of shares of the Company held 0
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Reappointed	Past experience, positions and responsibilities (Significant concurrent positions)		
External	March 1984	Master of Science in Engineering, Graduate School of Engineering, Keio University	
Independent	April 1984	Joined Sony Corporation	
	June 1988	Master of Science in Electrical Engineering, Department of Electrical Engineering, California Institute of Technology, USA	
	April 2001	President, Network Terminal Solution Company, Sony Corporation	
	November 2004	President, Connect Company, Sony Corporation	
	April 2007	Executive Officer and General Manager, Product Planning Headquarters, Google Inc.	
	January 2009	President of Google Japan Inc.	
	October 2010	Founder & CEO of ALEX Corporation (to present)	
August 2017	Director (External) of the Company (to present)		
	Significant concurrent position		
	Founder & CEO, ALEX Corporation		
	President, Green Spire Corporation		

Reason for nominating the candidate for Director

Mr. Koichiro Tsujino has abundant knowledge and experience in the BtoS business and as well possesses insight and supervisory capabilities developed as a corporate manager of global companies. He has furnished sound advice regarding management of the Company and performed a supervisory function from a standpoint of independence. Accordingly, we have reelected him as a candidate for Director (External) so that he can continue to advise and supervise the Company.

The number of years in office as Director (as of the conclusion of this General Meeting of Shareholders): 3 years

Candidate No.	Shigeru Muraki		Date of birth	Number of shares of the Company held
5			August 29, 1949	1,000
Reappointed	Past experience, positions and responsibilities (Significant concurrent positions)			
	June 1972	Graduated from Faculty of Engineering, The University of Tokyo		
External	July 1972	Joined Tokyo Gas Co., Ltd.		
	June 1996	Manager of Resource Research and Development Group, Gas Resources Dept., Tokyo Gas Co., Ltd.		
Independent	June 2000	General Manager of Gas Resources Dept., Tokyo Gas Co., Ltd.		
	June 2002	Executive Officer and General Manager of Gas Resources Dept. of Strategic Planning Div., Tokyo Gas Co., Ltd.		
	April 2004	Senior Executive Officer and Chief Executive of R&D Div., Tokyo Gas Co., Ltd.		
	April 2007	Senior Executive Officer, Chief Executive of Energy Solution Div., Tokyo Gas Co., Ltd.		
	June 2007	Director, Senior Executive Officer, Chief Executive of Energy Solution Div., Tokyo Gas Co., Ltd.		
	April 2010	Representative Director and Executive Vice President, Tokyo Gas Co., Ltd.		
	April 2014	Director and Vice Chairman, Tokyo Gas Co., Ltd.		
	June 2015	Executive Adviser, Tokyo Gas Co., Ltd. (to present)		
	August 2018	Director (External) of the Company (to present)		
	Significant concurrent position			
	Outside Director, WORLD TRADE CENTER BUILDING, INC. Representative Director (part-time), the Green Ammonia Consortium			
	Reason for nominating the candidate for Director			
	Mr. Shigeru Muraki possesses deep insight and supervisory capabilities developed over many years as a corporate manager. He has furnished sound advice regarding management of the Company and performed a supervisory function from a standpoint of independence. Accordingly, we have reelected him as a candidate for Director (External) so that he can continue to advise and supervise the Company. The number of years in office as Director (as of the conclusion of this General Meeting of Shareholders): 2 years			

Notes:

1. No material conflict of interest exists between the Company and any of the above candidates.
2. Koichiro Tsujino and Shigeru Muraki are candidates for Director (External). The Company has notified to Tokyo Stock Exchange, Inc. that both of them are Independent Officers pursuant to the provisions of the Exchange.
3. The Company has entered into limited liability agreements with Koichiro Tsujino and Shigeru Muraki, which restricts the upper limit of the liability for damages of directors (external) and audit & supervisory board members (external) to an amount specified by laws and regulations, pursuant to Article 427, Paragraph 1 of the Companies Act. If they are reelected, the Company plans to renew the agreements.
4. The number of shares held by each of the above candidates includes the number of those held thereby through the trust account for Weathernews Directors and the Shareholding Association of Weathernews Directors.

(Reference) Standard for Nominating Candidates for Directors and Audit & Supervisory Board Members and Standard for the Independence of Directors (External) and Audit & Supervisory Board Members (External)

1) Standard for Nominating Candidates for Directors and Audit & Supervisory Board Members

The Company nominates candidates for Directors in consideration of the following standards.

1. Legality

- A person who has no reason for disqualification
- A person who can fulfill the duty of care and fiduciary duties as a person entrusted with management responsibilities

2. Eligibility

- A person who has excellent, well-rounded personal qualities (i.e., fair, modest, honest and open-minded, disciplined, helps

others achieve their wishes and intentions, and graciously accepts defeat), is talented as a corporate manager, and can appropriately dedicate his/her efforts and contribute to the Company's management

- A person who can understand and sympathize with the Company's businesses and culture
 - A person who remains physically and mentally healthy in the performance of his/her duties
3. Area of specialty and originality
- A person who has outstanding capabilities (ability, knowledge, and experience) and achievements in the area of his/her specialty
 - A person who is capable of grasping the essence of things without being fettered by conventional concepts and has capabilities and a track record of success in recreating them, sometimes through a process of creative destruction.
4. Independence and diversity
- A person prepared to frankly ask questions and equipped with the mental independence necessary to propose alternatives
 - A person who is not a relevant person from the Company who holds a controlling interest in the Company or has any conflict of interest with the Company

2) Standard for the Independence of Directors (External) and Audit & Supervisory Board Members (External)

The Company judges whether or not candidates are independent in consideration of their personal relationships, capital relationships, transactional relationships, or other relationships of interest with the Company in accordance with the independence standard determined by a financial instruments exchange, in addition to judging whether the candidates meet the requirements for director (external) stipulated in the Companies Act.

(Reference) Composition of the attendees at the Board of Directors' meetings of the Company

If Proposal No. 3 is approved as proposed, as shown in the table below, audit & supervisory board members and directors (external) (non-executive directors and audit & supervisory board members) who undertake a role of supervising and monitoring executive directors will account for six out of the nine attendees at the Board of Directors' meetings of the Company, and directors (external) and audit & supervisory board members (external) will account for four out of the nine attendees, after this General Meeting of Shareholders. The Company will thus ensure sufficient consideration from multidirectional perspectives and objective decision-making by the Board of Directors.

Candidate No.			Name	Position		
Attendees at the Board of Directors' meetings	Directors	Proposal No. 3	1	Chihito Kusabiraki	President and Representative Director	
			2	Masanori Yoshitake	Managing Director	
			3	Tomohiro Ishibashi [Newly appointed]	Managing Director	
			4	Koichiro Tsujino [External] [Independent] Non-executive	Director	
			5	Shigeru Muraki [External] [Independent] Non-executive	Director	
	Audit & Supervisory Board Members				Yasushi Sugino Non-executive	Audit & Supervisory Board Member
					Takashi Tomura Non-executive	Audit & Supervisory Board Member
					Fumitaka Koyama [External] [Independent] Non-executive	Audit & Supervisory Board Member
					Izumi Hayashi [External] [Independent] Non-executive	Audit & Supervisory Board Member

Note: [Newly appointed]: Newly appointed candidate

[External]: Director (external) or audit & supervisory board member (external)

[Independent]: Independent Officer

Non-executive: Non-executive director and audit & supervisory board member

Proposal No. 4: Renewal of Measures to Secure Corporate Value and Enhance the Common Interest of Shareholders against a Large-scale Purchase, etc. of Share Certificates of the Company (Takeover Defense)

Note: In light of the great length of the text of the actual proposal, we replace it here with a condensed version for reference purposes.

Basic Principles regarding the Control of the Company

1. Outline of the Basic Principles regarding persons who control decisions on the Company's financial and business policies

In pursuit of its corporate vision as a private weather information company, "To Be a Communication Platform for Seven Billion Seven Hundred Million People Around the World," the Company Group aims to provide weather services that mitigate risks to the lives and assets of all persons and firms in the world, and further, to increase the opportunities available for all persons and firms of the world, in recognition that the weather constitutes a fifth public asset (= public infrastructure) following water, electricity, transportation, and communication. The Company Group will contribute to society and the global environment by pursuing a new weather service in which supporters join in on the observation (measurement by human senses), analysis, forecasting, information delivery, and sharing of weather in a responsible way and create value together with the Company. The Company believes that those who control decisions on the Company's financial and business policies must understand the source of the Company's corporate value and make it possible to continuously and sustainably secure and enhance the corporate value of the Company Group and the common interests of the shareholders. Needless to say, shareholders and investors are allowed to freely trade share certificates and other securities of the Company listed on the stock market (hereinafter, the "Share Certificates"). The Board of Directors of the Company believes that those who control decisions on the Company's financial and business policies shall be decided finally by all of the shareholders of the Company, and that in the case of a proposal for a large-scale acquisition of the Share Certificates of the Company or any other similar activity, the decision as to whether or not to sell the Company's shares shall be entrusted with the shareholders who own the Company's shares. In the Japanese capital market of recent years, however, moves to enforce proposals for large-scale acquisitions of Share Certificates in a unilateral or similar manner without obtaining agreement from the managements of the target companies have come to light. Some of these large-scale acquisitions of Share Certificates impair the corporate value or common interests of the shareholders of the companies targeted for acquisition; for example, those executed with an apparent intent to harm the corporate value or common interests of the shareholders; those with the potential to practically coerce the shareholders to sell shares; those that allow too little time or provide too little information to allow the Board of Directors and shareholders of the target company to review the contents of the proposed acquisition or to allow the Board of Directors of the target company to make alternative proposals; or those in which consultation and negotiation with the purchaser is required to allow the target company to produce terms more favorable than those proposed by the purchaser. The Company believes that a person who proposes a large-scale acquisition or equivalent undertaking that would impair the corporate value of the Company or the common interests of the shareholders would not be suitable as a person controlling decisions on the Company's financial and business policies, and that necessary and appropriate countermeasures should be taken against the actions of any such person in order to secure the corporate value of the Company and the common interests of the shareholders.

2. Outline of special activities to contribute to the realization of Basic Principles

The Company believes that the task of sustaining and developing the corporate value over a mid- and long-term must be given the first priority in order to enhance the common interests of the shareholders. With the purpose of enhancing the corporate value of the Company Group and the common interests of the shareholders, we will move forward with developing and implementing the new mid-term management plan, reinforcing corporate governance, and returning to our shareholders profits commensurate with our performance, as special activities to contribute to the realization of Basic Principles as mentioned in item 1 above.

3. Outline of activities to prevent an inappropriate person from controlling decisions on the Company's financial and business policies in view of the Basic Principles

As an activity to prevent an inappropriate person from controlling decisions on the Company's financial and business policies in view of the Basic Principles as mentioned in item 1 above, the renewal of measures against a large-scale acquisition of the Share Certificates of the Company (Takeover Defense) was approved by the shareholders (hereinafter, the Takeover Defense to be introduced after approval shall be referred to as the "Plan") at the 31st Annual General Meeting of Shareholders held on August 11, 2017. The Plan stipulates the procedures to be observed in the case of (i) a purchase or other acquisition or an activity similar thereto that would result in an ownership ratio of a shareholder of 20% or more of the Share Certificates issued by the Company or (ii) a tender offer or an activity similar thereto that would result in an ownership ratio of a holder or persons in special relationships totaling 20% or more or a proposal to conduct such an activity (hereinafter, the "Purchase"): e.g., procedures whereby the Board of Directors of the Company requests a person who plans to conduct the Purchase (hereinafter, the "Purchaser") to provide information regarding the purchase in advance, and whereby the Board of Directors of the Company thereupon submits to the shareholders a plan or an alternative proposal of the Company's management and conducts negotiations with the Purchaser, while securing time to collect information and deliberate the relevant purchase. The Purchaser may not commence the Purchase after the procedures regarding the Plan have been initiated, until (i) the termination of the period in which the Board of Directors of the Company performs evaluation, deliberation, negotiation, and opinion-forming, or (ii) the termination of the period in which the Board of Directors goes through the procedures to confirm the shareholders' intent, if such procedures are taken. If it is recognized that the corporate value of the Company and the common interests of the shareholders may be infringed by a Purchase, including any infringement due to a failure of the purchaser to follow the procedures stipulated in the Plan, the Company may implement a countermeasure (implementation of gratis allotment of stock acquisition rights (hereinafter, the "Stock Acquisition Rights") with the attachment of conditions for exercise that prohibit the Purchaser from exercising the rights or the attachment of acquisition terms whereby the Company will acquire the stock acquisition rights from persons other than the Purchaser in exchange for the shares of the Company). In order to eliminate arbitrary decisions on whether or not to implement the gratis allotment of the Stock Acquisition Rights by the Board of Directors, the Plan stipulates that procedures either (i) to confirm the intent of the shareholders by the relevant procedures or (ii) to obtain a judgment from the Independent Committee consisting solely of persons independent from the management of the Company shall be conducted, and that the Board of Directors of the Company shall respect the results of the confirmation of the intent of the shareholders or the recommendation by the Independent Committee to a maximum extent and decide promptly whether or not to implement the gratis allotment of the Stock Acquisition Rights as a body stipulated by the Companies Act. The Company publicly announced the contents of the Basic Principles mentioned in item 1 above, the activities mentioned in item 2 above, and the Plan itself (now posted on the following website):

4. Decisions of the Board of Directors on the Plan, and the reasoning behind them

The Company believes that the task of sustaining and developing the mid- and long-term corporate value must be given the first priority in order to enhance the common interests of the shareholders. With the purpose of enhancing the corporate value of the Company Group and the common interests of the shareholders, we will perform the activities mentioned in item 2 above. By enhancing the corporate value of the Company Group and the common interests of the shareholders through the activities mentioned in item 2 above and fairly reflecting the enhanced corporate value in the evaluation of the Company's shares by the shareholders and investors, a large-scale acquisition of the Share Certificates of the Company that would impair the corporate value of the Company Group and the common interests of the shareholders should become difficult to perform. Therefore, we believe that these activities contribute to the Basic Principles mentioned in item 1 above. Furthermore, the Plan is a framework to secure the corporate value of the Company and the common interests of the shareholders by securing necessary information and time to ensure that the shareholders are able to decide whether or not to accept any Purchase of the Share Certificates of the Company or to ensure that the Board of Directors of the Company is able to make alternative proposals, and by enabling the Board of Directors to consult and negotiate with the Purchaser on behalf of the shareholders. Therefore, the Board of Directors of the Company believes that the Plan is in conformity with the Basic Principles mentioned in item 1 above. The Board of Directors of the Company also believes that the Plan does not impair the common interests of the shareholders and does not aim at the preservation of the positions of the Company's officers, for the following reasons: the plan fulfills the requirements of the guideline regarding the Takeover Defense; the plan attaches great importance to the intent of the shareholders; the Independent Committee is established as a body to conduct an actual judgment objectively on the management of the Plan, including the triggering and abolishment of the Plan, in order to eliminate arbitrary decisions by the directors; the Plan will not be triggered unless the reasonable and objective requirements are fulfilled; the Independent Committee is authorized to obtain the opinions of external specialists; the term of office for the Directors of the Company is one year; and the Plan may be abolished at any time before the expiry of the effective period by the General Meeting of Shareholders or the Board of Directors.

(Appendix)

Business Report

(From June 1, 2019, to May 31, 2020)

1. Overview of the Company Group

(1) Business Progress and Results

i) Business environment

In the fiscal year ended May 31, 2020 (the “fiscal year under review”), the global economy continued to slow down against a backdrop of the U.S.-China trade friction, and went on worsening rapidly from the late stage of the second half of the fiscal year under review due to the impact of the global COVID-19 pandemic. The customers whose primary business is passenger and cargo transportation were also affected by these negative factors, and their business conditions have deteriorated, causing a decrease in sales of our sea planning service and sky planning service. We expect such a situation to change for the better going forward, but are also aware that the situation will continue to be unpredictable.

In the meteorological environment, weather risks have become evident as extreme weather events and serious disasters are increasing worldwide due to climate change, such as the bush fires in Australia. Japan also experienced tremendous damages one after another resulting from natural disasters, such as levee breaches and massive power outages due to heavy rains and strong winds of Typhoon Faxai (Typhoon No. 15) and Typhoon Hagibis (Typhoon No. 19) in 2019. This made us realize that we need to take further measures against weather risks. In response to such changes in the meteorological environment and the environment surrounding companies, we will strive to perform our duty as a weather services company with a mission to reduce weather risks for companies and people’s daily lives across the world by providing our weather services.

As specified in “Climate Action: Take urgent action to combat climate change and its impacts,” one of the 17 SDGs, companies are encouraged to work on ESG initiatives in their corporate management as public concern about weather and climate is growing. As our initiatives for enhancing corporate value driven by ESG factors, we will leverage the very nature of our business domain to help make our customers more eco-friendly through the provision of our weather services. At the same time, we will support companies and people’s daily lives from a disaster mitigation perspective, and disclose our achievements in quantitative and qualitative manners.

ii) Business overview

The global weather service market is estimated at more than ¥600.0 billion and is expected to continue growing with rising interest in weather risks and the development of Internet technologies.

In the fiscal year under review, the eighth year of the fourth growth period, during which we pursued a full-fledged global evolution under the theme of “Innovation,” we have introduced a planning system comprised of seven business fields. Through this planning system, we have clarified the management

responsibilities of each business field and conducted our service planning, operation, development, and marketing with specific focus on each business field. We also addressed the following initiatives, aiming to establish TG sales ratio of 50:50 between Japan and overseas in the BtoB business.

<BtoB (for corporations)>

- Sea Planning:

Actively engage in overseas sales activities centered in Asia and Europe to market a service for each type of ship to recommend a total fleet optimization plan and a service in response to the regulations introduced on carbon dioxide emission, and pilot the Navigation Assessment & Routing (NAR) service, a countermeasure against the risk of ship damage from getting involved in accidents in coastal areas, such as being stranded and collided

- Sky Planning:

Expand service development mainly for airline companies in Asia and promote marketing in Europe and the Americas

- Land Planning:

Develop a service in relation to extreme weather events mainly for the domestic market, enhance the service development, and services targeted at expressways and high-speed railway markets in Asia

- Environment Planning:

Expand into the energy market and the distribution and retail market in Europe, Japan, and other Asian countries, mainly offering a demand forecasting service

<BtoS (for individuals)>

- Mobile/Internet Planning:

Implement initiatives aimed at maximizing traffic by enhancing content to be delivered with growth hacking strategies and by making an advertising investment, and develop the original Internet advertising service for individuals including weather-based ads

- Broadcast Planning:

Maintain the existing markets in Japan, and consider a new revenue model to respond to structural changes in the broadcast planning market

For the fiscal year ended May 31, 2020, consolidated net sales rose 5.3% year over year to ¥17,953 million. In the BtoB business, sales of both land planning and sky planning services increased because the former service expanded in the Japanese road market and the latter expanded in the Asian market including Japan, despite a decrease in sales of sea planning service due to the U.S.-China trade friction and the impact of COVID-19. Accordingly, net sales in the overall BtoB business increased 3.0% year over year to ¥10,264 million. In the BtoS business, sales of our mobile/Internet planning services aimed at smartphones and advertising sales increased on account of an upturn in the rate of continued utilization that has flowed from a rise in the number of daily active users (DAU) owing to rising interest in weather due to the occurrences of typhoons and other major disasters, an increase in the number of news articles delivered, and increased traffic from TV commercial viewers. Accordingly, net sales in the overall BtoS business increased 8.4% year over year to ¥7,688 million.

For income during the fiscal year under review, operating income increased 11.5% year over year to

¥2,280 million; ordinary income increased 13.3% year over year to ¥2,188 million despite recording our share of loss from investment in maruFreight, Inc., our equity-method affiliate; and net income attributable to owners of parent increased 18.8% year over year to ¥1,629 million. These results were chiefly attributable to higher sales of Stage Requirement Settings (SRS) and increased efficiency of software development using talent employed during the period in which we made aggressive investments and through the improvement of our mission critical system, despite increased advertising investment and increased personnel expenses resulting from the proactive recruitment until the previous fiscal year.

Net sales by business segment were as follows:

Business segment (Planning)	Previous Fiscal Year ended May 31, 2019 (from June 1, 2018, to May 31, 2019)			Fiscal Year ended May 31, 2020 (from June 1, 2019, to May 31, 2020)			Rate of change
	(Millions of yen)			(Millions of yen)			(%)
	SRS	Tollgate	Total	SRS	Tollgate	Total	Total
Sea Planning	48	4,888	4,936	24	4,742	4,766	(3.5)
Sky Planning	133	814	948	161	868	1,029	8.6
Land Planning	293	2,895	3,189	481	3,058	3,539	11.0
Environment Planning	118	758	877	174	700	874	(0.3)
Other BtoB business	–	9	9	37	17	54	474.3
Total BtoB business	595	9,366	9,961	878	9,386	10,264	3.0
Mobile/Internet Planning	26	4,186	4,212	23	5,074	5,098	21.0
Broadcast Planning	609	2,267	2,877	595	1,993	2,589	(10.0)
Total BtoS business	636	6,454	7,090	619	7,068	7,688	8.4
Total	1,231	15,821	17,052	1,497	16,455	17,953	5.3

(Note) Starting from the fiscal year under review, the Company introduced a Planning system in order to clarify the managerial responsibilities of each business and changed the business segments. Accordingly, the information for net sales by business segment for the previous fiscal year has been prepared based on the segments after the change in classification of segments.

(Reference) Net sales by region

Regional segment		Previous Fiscal Year ended May 31, 2019 (from June 1, 2018, to May 31, 2019)			Fiscal Year ended May 31, 2020 (from June 1, 2019, to May 31, 2020)			Rate of change
		(Millions of yen)			(Millions of yen)			(%)
		SRS	Tollgate	Total	SRS	Tollgate	Total	Total
Japan	528	5,438	5,966	838	5,696	6,534	9.5	
Asia	4	1,732	1,736	11	1,691	1,703	(1.9)	
Europe	62	1,881	1,944	27	1,688	1,716	(11.7)	
North America	–	313	313	–	309	309	(1.3)	
Total BtoB business	595	9,366	9,961	878	9,386	10,264	3.0	
Japan	635	6,195	6,831	616	6,635	7,251	6.2	
Asia	0	188	189	2	362	364	92.9	
Europe	–	68	68	–	60	60	(11.5)	
North America	–	1	1	1	10	11	542.1	
Total BtoS business	636	6,454	7,090	619	7,068	7,688	8.4	
Total	1,231	15,821	17,052	1,497	16,455	17,953	5.3	

(Note) Starting from the fiscal year under review, the Company introduced a Planning system in order to clarify the managerial responsibilities of each business and changed the business segments. Accordingly, the information for net sales by business segment for the previous fiscal year has been prepared based on the segments after the change in classification of segments.

The Company mainly promotes the tollgate-type business model to continuously provide content while seeking opportunities to sell temporary research and systems with the potential to lead to tollgate-type sales in the future. The Company refers to these opportunities as SRS (Stage Requirement Settings).

In the BtoB business, sales of both land planning service and sky planning service increased because each of the services expanded in the Japanese road market and Asia including Japan, respectively. On the other hand, sales of sea planning service decreased due to a drop in the number of services provided resulting from stagnant shipping market conditions. In addition, sales of environment planning service decreased in the European markets as a result of a review of business partners in the distribution and retail market.

In the BtoS business, amid rising interest in weather due to the occurrences of major weather disasters such as Typhoon Faxai (Typhoon No. 15) and Typhoon Hagibis (Typhoon No. 19) in 2019, sales of our mobile/Internet planning services aimed at smartphones and advertising sales increased in Japan and other Asian countries on account of an upturn in the rate of continued utilization and a rise in the number of DAU that have flowed from increased traffic owing to an increase in the number of news articles delivered and enhanced original content with growth hacking strategies and to greater brand awareness through TV commercial broadcasting. On the other hand, sales of broadcast planning service decreased because we moved some of the sales to mobile/Internet planning service in order to push forward the transition from divisional business to comprehensive company-wide business in line with changes in market categories.

iii) Capital investments

For the fiscal year ended May 31, 2020, the Company Group made capital investments (for property, plant and equipment and intangible assets) of ¥795 million (versus ¥859 million for the previous fiscal year).

The main investments were for the infrastructure to realize value-creation services, IT development, and renewals for business continuation.

iv) Financing

The necessary funds of the Group for the fiscal year under review were furnished by its own resources.

v) Transfer of business, absorption-type company split or incorporation-type company split

Not applicable

vi) Business taken over from other companies

Not applicable

vii) Succession of rights and obligations with respect to business of other companies through absorption-type company merger or split

Not applicable

viii) Acquisition and disposal of shares and other equity interests or subscription rights to shares of other companies

Not applicable

ix) Medium- to long-term company management strategies and issues to be addressed

1. Medium- to long-term company management strategies

<The Company's mission>

Toward the corporate dream “To Become an Information Exchange Platform for Seven Billion Seven Hundred Million People Around the World,” the Group has made being the world’s largest “weather content maker,” providing the most abundant, updated and speediest content services along with supporters and addressing social risks related to weather and environment as its basic concept, and while originally developing new markets as a global leader in the weather content market, it aims to achieve “value creation for supporters” and maximize corporate value.

In addition, in order to realize this concept, we believe that our mission is to become a Full Service “Weather & Climate” Company, treating “the largest database in the world, the most accurate forecasting in the world, and Risk Communicator in every market” as our core competence.

<Vision for the fourth growth period>

The Company has plotted out its business development in accordance with the themes of “Growth Potential of Business” in its first growth period (June 1986–May 1995), “Diversification of Business Models” in its second growth period (June 1995–May 2004) and “Soundness of Management” in its third growth period (June 2004–May 2012). The Company has selected “Innovation” as its theme for the fourth growth period (June 2012–May 2022) in order to pursue a full-fledged global evolution.

<Basic strategy for the fourth growth period>

—From a Service Company to a “Service & Infrastructure Company with the Supporters”—

The Company is experienced in starting businesses centering on transportation weather and environment weather via the systematic operation of the Risk Communication (RC) service while developing innovative infrastructures jointly with customers. Based on the experience, we intend to develop new global businesses in Asia, Europe and the Americas.

As from the fiscal year ended May 31, 2020, in order to clarify the responsibilities of each business unit for its sales and profits in respective markets, the Company has designated its major business as Planning (Sea Planning, Sky Planning, Land Planning, Environment Planning, Mobile/Internet Planning, Broadcast Planning, and Sports Planning). Each Planning business unit has conducted its service planning, operation, development, and marketing with specific focus on each market to promote business. In the BtoB market, we aim to establish TG sales ratio of 50:50 between Japan and overseas.

The divisions providing shared service infrastructures to all Planning business units (share-use infrastructure operation, development and management divisions) will be called SSI. SSI will support each Planning business unit from a professional point of view and will establish overall improvement in quality and productivity of the entire Company. In addition, Directors will not be assigned to specific executive duties, but will be responsible for supervision of the overall business and realize a check-and-balance relationship in the system for the execution.

Strategies by business field:

Business field	Business strategy
Sea Planning	<ul style="list-style-type: none"> Expand our routing service to 10,000 vessels (* This expansion is expected to be delayed by one year due to stagnant market conditions resulting from the COVID-19 pandemic.)
Sky Planning	<ul style="list-style-type: none"> Expand into the markets in Europe and the Americas
Land Planning	<ul style="list-style-type: none"> Develop a service in relation to extreme weather events mainly for the domestic market, and enhance the service development Expand the road and railway fields into Asian market
Environment Planning	<ul style="list-style-type: none"> Expand into the environment and energy markets of energy companies, etc. through demand forecasting Expand into the distribution and retail market on the basis of sales volume forecasting
Broadcast Planning	<ul style="list-style-type: none"> Maintain our market and endeavor to promote our Internet-based services for broadcasting stations
Mobile/Internet Planning	<ul style="list-style-type: none"> Overwhelming No. 1 weather content platform in Japan
Sports Planning	<ul style="list-style-type: none"> Support sport event operation, both domestic and overseas, and support national teams Consider a new service targeted at athletes

<Area deployment>

In addition to the Asian market in which we have already advanced, we will continue to market the sky planning services in the markets in Europe and the Americas and will drive the further development of the environment planning services in Europe from the second half of the fiscal year ending May 31, 2021 onward.

2. Overview and progress of the mid-term management plan

We position the three years (June 2019—May 2022) from the fiscal year ended May 31, 2020 as the 3rd stage of the fourth growth period during which we pursue a full-fledged global evolution of Transportation Weather under the theme of “Innovation.” During the stage we will accelerate our business in the following four priority subjects, and by so doing, further stabilize the foundation of our business, and seek to create new growing business with an eye to the fifth growth period.

1) Strengthen our revenue base by continuing growth in the existing business

We believe that our existing business (Sea Planning, Sky Planning, Environment Planning, and Mobile/Internet Planning) is our core business and has potential for global business growth. Therefore, we will continue to make growth in our existing business and seek to strengthen our revenue base in order to increase TG sales and establish TG sales ratio of 50:50 between Japan and overseas in the BtoB business.

<Sea Planning>

It can be said that sea planning service is an “authorized private market” where no government service exists. The Company already develops sea planning services in a global market but we still only provide the service to about 30% of the 20,000 vessels now at sea worldwide. In the fourth growth period, we intend to improve the quality of existing services and start new services to cover almost 10,000 vessels, which accounts for 50% of the 20,000 vessels now at sea worldwide. However, due to stagnant market conditions resulting from the COVID-19 pandemic, we expect to take another one year to reach the target of 10,000 vessels.

As we charge fees for sea planning service per sail to which the service is provided, we set the number of vessels that receive our service as one of KPIs (key performance indicators), and show both our sales and market positioning including market share.

<Sky Planning>

We provide sky planning services centered in Japan and other Asian markets, and increase our brand awareness in each of the markets. In the second half of the fourth growth period, we drive business development to expand our market share and raise our brand awareness in Europe and the Americas.

We enter into a contract with each airline company and provide sky planning services. As service prices are determined based on the number of destination airports, the contract amount varies depending on customer flight routes. In order to clarify our progress and market positioning including market share, one of our KPIs is to provide our sky planning services to 85 airline companies, which accounts for about 25% of the 320 airline companies worldwide.

<Environment Planning>

Guided by global structural changes toward the use of natural energy, we are aware of new customer needs, and will aim to newly launch environment planning services mainly providing demand forecasting to energy companies in Europe, Japan, and other parts of Asia and seek to acquire new customers there.

In new markets, we develop our services with symbolic customers and turn this into the development of services that enable more sales. We therefore set the number of symbolic customers as one of KPIs, which indicates the progress of market development, and aim to increase the number of customers to 29.

<Mobile/Internet Planning>

We will analyze not only observation data provided by meteorological agencies around the world, but also data obtained from our proprietary satellites, radars, small observation instruments, and live cameras, and Eye-servation* data such as large amount of photographs and sensory data sent from supporters by using the updated technologies such as AI/Deep Learning. By so doing, we will create our contents that are difficult for our competitors to imitate. By expanding these contents on a variety of diverse platforms in addition to ours, we will increase the number of paying members and grow our advertising service.

We analyzed and found that traffic to our weathernews app helped increase the number of paying members and brand awareness in our advertising service. We therefore set the number of monthly active users (MAU) as one of KPIs, which indicates the number of continuing service users, and aim to reach 44.70 million MAU.

*A coined term that literally means “observation with human eyes and senses.”

2) Pursue world’s highest level of forecasting accuracy and drastically improve contents productivity

We will aim to achieve the most accurate forecasting in the world by utilizing our world’s largest database of weather and climate and our original AI analysis, as well as to improve contents productivity by utilizing new core database, development platform, and our original AI technologies.

We will realize over 90% forecasting accuracy and increase our brand value in terms of weather forecasting. In order to achieve these aims, we will make full use of the IT technologies that utilize AI to implement analysis and forecast as well as our world’s largest database of weather and climate containing the weather data observed by its proprietary weather observation infrastructures such as WNI Satellite

and WITH Radar that we have improved, various business data gathered through communication with customers in each market, and the Eye-servation data provided by supporters. We also aim to realize “the most accurate forecasting in the world” that accommodates to the needs of each market instead of making a standardized forecast. In the provision of its Risk Communication (RC) service, we will replace part of predicted value corrections and communication that used to be done manually with latest IT technologies, enhance quality and productivity, and improve its profit margin.

During the fiscal year under review, nowcasting (the forecast of the present and the next few hours) and the forecasting accuracy of temperatures in Europe improved. We have advanced the preparation of Eagle Radar, the next-generation proprietary observation infrastructure, and aim to implement it during the next fiscal year. We have also pushed forward operational improvements with its original AI analysis, and continue to strive to improve forecasting accuracy and productivity.

3) Establishment of IT service base to accelerate market growth

We aim to establish an infrastructure environment that makes weather information available to 7.7 billion people around the world as fast as possible on the global scale regardless of their devices and other environment, and to realize business continuity based on a BCP (business continuity plan). Looking ahead to improvements in the system development speed as required for a development platform and strengthening the resilience of the business against system failure risk during times of emergency from excessive concentration of servers, we will promote transitioning from physical servers to cloud servers.

In addition, with the aim of encouraging markets to engage in the value creation cycle by linking weather information with external platforms, we will enable speedy service development and the fast provision of services to customers by migrating IT infrastructures to the cloud and accelerate market development as well as collaborations with other industries and global-scale collaborations.

In the fiscal year under review, we established the necessary environment to fully migrate to the cloud, such as creating cloud migration guidelines, and actually began migrating portions of the platform.

4) Create new growing business that addresses climate change

We will aim to develop and provide full range services to cover various weather risks, including a research and the detailed analysis on business risks in the market as well as creation of services in adapting to business risks due to extreme weather events and climate change. We will achieve long-term growth by expanding business areas to address business structural risks that may cause economic damage continuously, not just helping address conventional business operational risks due to the meteorological environment.

During the fiscal year under review, we promoted marketing activities in each market toward the goals of conducting research and analysis on long-term business structural risks and launching services that help adapt to risks. In the sea planning service market, we have currently considered a warranty service targeted at shipping companies in Japan that covers arrival delays due to extreme weather events.

x) Outlook

Further impact of the spread of the COVID-19 and when the outbreak ends remain uncertain, but we expect that the level of economic activity will gradually recover. We forecast business results, taking into account factors as much as we can at this moment based on trends and characteristics of each business field.

In terms of sales, sales progress is expected to be delayed in the BtoB market mainly in the sea planning and sky planning service markets due to economic stagnation resulting from the U.S.-China trade friction

and the COVID-19 pandemic. However, we expect the BtoB market to grow steadily as we will launch services that address extreme weather events in each market, such as services that address the risk of ships being stranded and collided in coastal areas. In the BtoS market, we expect that sales of services aimed at smartphones and advertising sales will grow since traffic increases owing to enhanced original content delivered with growth hacking strategies of mobile/Internet planning and to greater brand awareness via TV commercials and other media. In terms of profitability, despite an increase in advertising investment that helps make our business grow, profit is expected to be at the same level as the fiscal year under review by successfully increasing the efficiency of software development using talent employed during the aggressive investments under the previous mid-term management plan and through the improvement of our mission critical system and by optimizing the number of service operation staff members.

As a result of the ongoing initiatives described above, the Group expects to achieve consolidated net sales of ¥19,200 million, operating income of ¥2,300 million, ordinary income of ¥2,300 million, and net income attributable to owners of parent of ¥1,700 million for the fiscal year ending May 31, 2021.

(Progress during the fiscal year under review)

Business field	KPI			Progress
	Targets as of May 31, 2022	Plans as of May 31, 2020	Results as of May 31, 2020	
TG sales ratio in the overall BtoB business between Japan and overseas	50:50	60:40	61:39	<ul style="list-style-type: none"> Although the sales from the overall BtoB business (TG) increased, the overseas share of the sales ratio has remained stagnant and below the sales plan due to the impact on the Sea Planning and Sky Planning, which are driven by overseas sales, of the spread of COVID-19.
1) Strengthen our revenue base by continuing growth in the existing business				
Sea Planning (Number of vessels)	8,000	6,000	4,600	<ul style="list-style-type: none"> The number of vessels to which our services provided fell short of original plan due to stagnant market conditions. We have developed new service NAR as planned. We expect to expand the service from the next fiscal year.
Sky Planning (Number of customers)	85	57	60	<ul style="list-style-type: none"> Service provision increased mainly among customers in Southeast Asia, but fell short of original plan due to the COVID-19 pandemic and other factors. We promoted marketing new services, aiming to acquire new customers in Europe and the Americas during the next fiscal year.
Environment Planning (Number of customers)	29	8	8	<ul style="list-style-type: none"> We acquired eight symbolic customers as planned. We strove to jointly create service menus in new markets from the next fiscal year.
Mobile/Internet Planning (Number of MAU: tens of thousands of users)	4,470	2,950	3,242	<ul style="list-style-type: none"> Sales far exceeded the original plan of the fiscal year under review owing to strengthened growth hacking strategies and effects of advertising investment. In the following fiscal year, we plan to continue the implementation of advertising investment.
2) Pursue world's highest level of forecasting accuracy and drastically improve contents productivity				
Forecasting accuracy (%)	90.0 or higher	90.0	93.3	<ul style="list-style-type: none"> Nowcasting and the forecasting accuracy of temperatures in Europe were improved. Notwithstanding changes in the precipitation capture rate through efforts to improve accuracy, we aim to maintain 90%.

(2) Trends in Assets and Income

Item	31st fiscal year ended May 31, 2017	32nd fiscal year ended May 31, 2018	33rd fiscal year ended May 31, 2019	34th fiscal year ended May 31, 2020
Net sales (Millions of yen)	14,542	15,874	17,052	17,953
Operating income (Millions of yen)	2,824	2,490	2,045	2,280
Ordinary income (Millions of yen)	2,825	2,495	1,930	2,188
Net income attributable to owners of parent (Millions of yen)	1,965	1,138	1,370	1,629
Net assets (Millions of yen)	13,557	13,618	13,860	14,468
Total assets (Millions of yen)	15,311	15,106	15,746	16,894
Net assets per share (Yen)	¥1,235.32	¥1,241.38	¥1,261.16	¥1,314.65
Basic net income per share (Yen)	¥180.39	¥104.49	¥125.63	¥149.01
Return on equity (%)	15.0	8.4	10.0	11.6

(3) Material Parent Company and Subsidiaries

i) Relationship with a Parent Company

Not applicable

ii) Material Subsidiaries

Company name	Capital	The Company's percentage of equity participation	Principal business
WEATHERNEWS AMERICA INC.	USD 81,644	100.0%	Comprehensive weather information services
WEATHERNEWS U.K. LTD.	GBP 272	100.0%	Comprehensive weather information services
Weathernews Benelux B.V.	EUR 180,000	100.0%	Comprehensive weather information services
WEATHERNEWS RUS LLC.	RUB 12,000,000	100.0%	Comprehensive weather information services
Weathernews France SAS	EUR 3,607,059	100.0%	Comprehensive weather information services
AXANTEM SAS	EUR 2,041	100.0%	Comprehensive weather information services
WEATHERNEWS HONG KONG LIMITED	HKD 1,594,000	100.0%	Comprehensive weather information services
Weathernews Korea Inc.	KRW 653,000,000	100.0%	Comprehensive weather information services
Weathernews Shanghai Co, Ltd.	USD 140,000	100.0%	Comprehensive weather information services
WEATHERNEWS TAIWAN LTD.	TWD 10,000,000	100.0%	Comprehensive weather information services
Weathernews Nepal Pvt. Ltd.	NPR 45,000,000	100.0%	Comprehensive weather information services
Weathernews India Pvt. Ltd.	INR 45,000,000	100.0%	Comprehensive weather information services
WEATHERNEWS SINGAPORE PTE. LTD.	SGD 620,002	100.0%	Comprehensive weather information services

Notes:

1. The shares of AXANTEM SAS are indirectly held through Weathernews France SAS.
2. Weathernews India Pvt. Ltd. is under liquidation process.
3. Weathernews Nepal Pvt. Ltd. is under liquidation process.
4. WEATHERNEWS RUS LLC. is under liquidation process.

iii) Major Affiliates

Company name	Capital	The Company's percentage of equity participation	Principal business
maruFreight, Inc.	USD 0.65	40.0%	Services for matching shipowners and shippers

Note: The liquidation of maruFreight, Inc. was resolved on March 3, 2020, and the company is now under liquidation process.

In addition, capital stock has been transferred to capital surplus.

(4) Major Business Locations

Headquarters: Makuhari Techno Garden, 1-3 Nakase, Mihama-ku, Chiba-city, Chiba Prefecture, Japan

Major Sales Offices: 11 domestic offices, 13 overseas offices

Sapporo SSB	New York SSB	(USA)
Sendai SSB	Sao Paulo SSB	(Brazil)
Tokyo SSB	London SSB	(UK)
Niigata SSB	Copenhagen SSB	(Denmark)
Kanazawa SSB	Athens SSB	(Greece)
Nagoya SSB	Paris SSB	(France)
Osaka SSB	Hong Kong SSB	(Hong Kong)
Hiroshima SSB	Seoul SSB	(South Korea)
Takamatsu SSB	Shanghai SSB	(China)
Fukuoka SSB	Taipei SSB	(Taiwan)
Naha SSB	New Delhi SSB	(India)
	Singapore SSB	(Singapore)
	Manila SSB	(Philippines)

Major Service & Operation Centers: 7 centers

Global Center	(Japan, Headquarters)
Oklahoma	(USA)
Amsterdam	(Netherlands)
Copenhagen	(Denmark)
Paris	(France)
Manila	(Philippines)
Yangon	(Myanmar)

Other Overseas Offices: 1 office

Hanoi SSB	(Vietnam)
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Notes:

1. "SSB" refers to offices that are strategic sales bases or representative offices in the preliminary phase of operations.
2. Jakarta SSB and Bangkok SSB are in the process of closing, and these offices were eliminated from Other Overseas Offices.

2. Status of the Company

(1) Matters Related to Shares of the Company (as of May 31, 2020)

- i) Total number of shares authorized to be issued: 47,000,000 shares
- ii) Total number of shares outstanding: 11,844,000 shares
(no change compared with the previous year)

Note: This number includes 902,223 shares of treasury shares.

- iii) Number of shareholders 10,825 persons
(includes 10,249 shareholders of shares constituting one unit)

iv) Major shareholders

Shareholder name	Number of shares	Shareholding ratio (%)
WNI WxBunka Foundation	1,700,000	15.54
WNI Institute Inc.	1,700,000	15.54
The Master Trust Bank of Japan, Ltd. (trust account)	505,300	4.62
Weathernews Employee Supporter Shareholding Association	464,520	4.25
MUFG Bank, Ltd.	360,000	3.29
The Chiba Bank, Ltd.	360,000	3.29
Taeko Ishibashi	353,800	3.23
The Master Trust Bank of Japan, Ltd. (trust account for Weathernews Directors)	298,400	2.73
THE BANK OF NEW YORK MELLON 140051	203,000	1.86
Nippon Life Insurance Company	200,000	1.83
Sumitomo Mitsui Banking Corporation	180,000	1.65

Notes:

1. Although the Company owns 902,223 shares of treasury shares, it is excluded from the major shareholders above.
2. The shareholding ratio has been calculated excluding treasury shares.
3. All of the shares held by The Master Trust Bank of Japan, Ltd. (trust account) and The Master Trust Bank of Japan, Ltd. (trust account for Weathernews Directors) are related to the trust services.
4. The number of the shares held by The Master Trust Bank of Japan, Ltd. (trust account for Weathernews Directors) includes shares held by Weathernews Directors and Executive Officers.
5. On April 16, 2018, Mitsubishi UFJ Financial Group, Inc. submitted a Statement of Changes to a Statement of Large-Volume Holdings pertaining to the Company's stock to the Director-General of the Kanto Finance Bureau. Whereas the Statement of Large-Volume Holdings states that Mitsubishi UFJ Financial Group's holdings amount to 716,395 shares as of April 9, 2018, we did not include Mitsubishi UFJ Financial Group among the major shareholders of the Company listed above because we could not confirm the number of shares substantially held at the end of the fiscal year ended May 31, 2020.

v) Other important matters related to shares of the Company

The Company introduced the Restricted Stock Remuneration Plan in accordance with the resolution made at the Annual General Meeting of Shareholders held on August 11, 2018. Furthermore, the

resolution was made at the Board of Directors' meeting of the Company on September 2, 2019 to dispose of treasury shares for the restricted stock remuneration. The disposition of 27,200 shares of treasury shares was made on September 30, 2019 to three Directors (excluding Directors [External]), eleven Executive Officers, and twenty-three employees.

(2) Company Officers

i) Directors and Audit & Supervisory Board Members

(As of May 31, 2020)

Position	Name	Areas of responsibility	Significant concurrent position
President and Representative Director	Chihito Kusabiraki	Chief Executive Officer	Director, Chiba Institute of Technology
Senior Managing Director	Yasushi Shiga		
Managing Director	Masanori Yoshitake		
Director	Koichiro Tsujino	Director (External)	Founder & CEO, ALEX Corporation President, Green Spire Corporation
Director	Shigeru Muraki	Director (External)	Outside Director, WORLD TRADE CENTER BUILDING, INC. Representative Director (part-time), the Green Ammonia Consortium

Audit & Supervisory Board Member	Yasushi Sugino		
Audit & Supervisory Board Member	Takashi Tomura		
Audit & Supervisory Board Member	Fumitaka Koyama	Audit & Supervisory Board Member (External)	
Audit & Supervisory Board Member	Izumi Hayashi	Audit & Supervisory Board Member (External)	Lawyer / Partner, Sakurazaka Law Offices Expert Member of the Council for Promotion of Regulatory Reform, Cabinet Office, Government of Japan Member of the Intellectual Property Strategy Headquarters, Cabinet Secretariat, Government of Japan Board Member of Hitotsubashi University

Notes:

1. Audit & Supervisory Board Member Takashi Tomura has gained extensive experience and knowledge about accounting at a leading steel company, was responsible for preparations for the Company's stock listing and overall management of the accounting and financial affairs of the Company as an officer, and thereby has considerable knowledge about finance and accounting.
2. The Company has no special interest relationships expected to create problems or hinder the performance of the duties of Directors (External) or Audit & Supervisory Board Members (External) with any of the Directors (External), Audit & Supervisory Board Members (External), or entities in which the Directors (External) or Audit & Supervisory Board Members (External) concurrently hold positions.
3. Pursuant to the provision of Tokyo Stock Exchange, Inc., the Company has designated Directors Koichiro Tsujino and Shigeru Muraki and Audit & Supervisory Board Members Fumitaka Koyama and Izumi Hayashi as Independent Officers, and has so notified the said Exchange.

ii) Overview of liability limitation agreement

Pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into an agreement with each of the Directors (External), Audit & Supervisory Board Members (External), and Audit & Supervisory Board Members to limit his/her liability for compensation to the amount provided by laws and regulations.

iii) Executive Officers

Name and area of responsibility of each Executive Officer as of June 1, 2020 are as follows.

	Name	Areas of responsibility
*	Chihito Kusabiraki	Chief Executive Officer
*	Masanori Yoshitake	Finance, Administrative and Business Planning Risk Management
*	Tomohiro Ishibashi	Mobile/Internet Planning Public Relations
	Hidenori Iwasa	Sea Planning Sky Planning
	Tetsuo Aruga	Land Planning Service Operations
	Mitsuhiro Ogata	Environment Planning
	Daisuke Abe	Sports Planning Service Operation and Development
	Shoko Isogai	Broadcast Planning
	Thomas Skov	Sales & Market Development, EMEA
	Kiyoteru Morita	Forecast Center
	Masaki Fukuda	IT System Development
	Masaya Yamamoto	Innovation and Development

Notes:

1. * indicates a person scheduled to serve concurrently as Director.
2. Yasushi Shiga and Yoshinori Fujita resigned from their posts as Executive Officer on May 31, 2020.

(3) Accounting Auditor

i) Name

Deloitte Touche Tohmatsu LLC

ii) Amount of remuneration

(Thousands of yen)	
Category	Amount
Amount of remuneration for services provided in Article 2, Paragraph 1 of the Certified Public Accountants Act (Act No. 103 of 1948)	44,300
Amount of remuneration for services other than those provided in Article 2, Paragraph 1 of the Certified Public Accountants Act	-
Total	44,300

Total amount of remuneration paid or payable to the Accounting Auditor by the Company and its subsidiaries	44,300
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Note: Given that the audit engagement agreement between the Company and the Accounting Auditor does not clearly differentiate the amount of audit fees payable under the Companies Act from the amount of audit fees payable under the Financial Instruments and Exchange Act, and given that such differentiation is practically impossible, the above amount of remuneration is stated as an aggregate of both amounts.

The Audit & Supervisory Board confirmed that the amount of remuneration had been determined after sufficient consultation with the Company's Accounting Auditor on the details of the auditing plans, the performance of duties in the past, the number of days required for auditing, the number of personnel required, etc., in order to realize fair and efficient audits. The Audit & Supervisory Board thereupon consented to the Accounting Auditor's remuneration pursuant to Article 399, Paragraph 1 of the Companies Act.

iii) Audits of subsidiaries

From the viewpoint of internal control, the following consolidated subsidiaries were audited by Certified Public Accountants or audit corporations (including those who have a foreign qualification equivalent to said certificates) other than the Company's Accounting Auditor, irrespective of the existence of legal provisions in operating countries.

Statutory audits	Voluntary audits, etc.
WEATHERNEWS U.K. LTD. Weathernews France SAS AXANTEM SAS WEATHERNEWS HONG KONG LIMITED Weathernews Shanghai Co, Ltd. Weathernews Nepal Pvt. Ltd. Weathernews India Pvt. Ltd. WEATHERNEWS SINGAPORE PTE. LTD.	WEATHERNEWS AMERICA INC. Weathernews Benelux B.V. WEATHERNEWS RUS LLC. Weathernews Korea Inc. WEATHERNEWS TAIWAN LTD.

Note: Statutory audits are limited to those conducted pursuant to the provisions of the Companies Act or the Financial Instruments and Exchange Act (including foreign laws and regulations equivalent to the said Acts).

iv) Policy on decisions to appoint or dismiss the Accounting Auditor

1) Policy on decisions to appoint or reappoint the Accounting Auditor

The Company believes that the relationship between corporate accounting and accounting audits is a relationship of co-creation in the realm of financial accounting undertaken to appropriately represent the

actual status of business and secure objectivity. At the same time, the Company is to periodically review its engagement audit corporation or engagement partners for the purpose of mutually maintaining the appropriateness of operations.

When the Audit & Supervisory Board appoints an Accounting Auditor, the Audit & Supervisory Board shall confirm its qualification, its attitude toward co-creation with the Company, and other factors, and thereupon decide on the contents of its proposal for the appointment of the Accounting Auditor to be submitted to the General Meeting of Shareholders. When the Audit & Supervisory Board reappoints the Accounting Auditor, the Audit & Supervisory Board shall, in addition to the above, confirm the appropriateness of the auditing plans, the status of audit implementation, and other factors, and thereupon conclude that there is no need to dismiss or to not reappoint the Accounting Auditor.

2) Policy on decisions to dismiss or to not reappoint the Accounting Auditor

In addition to the dismissal of Accounting Auditor by the Audit & Supervisory Board as stipulated in Article 340 of the Companies Act, the Audit & Supervisory Board shall decide and submit the proposal on the dismissal or non-reappointment of the Accounting Auditor to the General Meeting of Shareholders if it is deemed difficult for the Accounting Auditor to appropriately perform duties.

(4) System to ensure the appropriateness of business

i) Basic approach to corporate governance

The Company's general management principle is to realize the Company's purpose of "value creation for supporters" through the efforts of all its employees and the exchange of information among all of its stakeholders, including shareholders, customers, officers, and employees, with a deep awareness that the Company is a presence open to the market. The Company considers it important to make efforts to maximize medium- to long-term corporate value and shareholder value, and concurrently to fulfill social responsibility and achieve sustainable growth and development.

Under its corporate commitment to "Transparency," the Company proactively discloses information far beyond the scope of statutory information disclosure, including its corporate philosophy, corporate culture, management strategies, business models, visions toward future value creation, to enunciate the fundamental approaches underlying its corporate value. Through these efforts, the Company will cultivate mutual reliance with supporters and thereby aim for medium- to long-term improvement of its corporate value through a co-creative approach.

The Company's corporate culture prescribes that the necessary information should be shared with not only shareholders and customers, but also officers and employees in house, that everything should be discussed openly, and that all processes of discussion should be made clear. The Company has cultivated this corporate culture as an "information democracy." To respond to the ever-changing market circumstances, we aspire to become an AAC (Aggressively Adaptable Company) in our management philosophy, reflect wisdom and deep insights from outside the Company into our management, and promote fair business activities.

Under these two policies, our implementation guideline places most importance on efforts by every officer and employee of the Company to maintain entrepreneurship. The principle of "no autonomy without independence" forms the bedrock of our management and implementation system. With a "culture of mutual trust," we aim to operate as an independently dependent company. We recognize the importance of "monitoring with our own eyes" without depending too much on indirect information.

As from the 34th fiscal year, in order to clarify the responsibilities of each business unit for its sales and profits in respective markets, the Company has designated its major business as Planning (Sea Planning, Sky Planning, Land Planning, Environment Planning, Mobile/Internet Planning, Broadcast Planning, and Sports Planning). Each Planning business unit will conduct its service planning, operation, development, and marketing with specific focus on each market to promote business. The divisions providing shared service infrastructures to all Planning business units (share-use infrastructure operation, development and management divisions) will be called SSI. SSI will support each Planning business unit from a professional point of view and will establish overall improvement in quality and productivity of the entire Company. In addition, Directors will not be assigned to specific executive duties, but will be responsible for supervision of the overall business and realize a check-and-balance relationship in the system for the execution.

For business implementation, we promote decision-making on management issues and the appropriate implementation, rationalization, and efficiency of management by sharing our corporate vision and management policy among all of our officers and employees engaged in business operations and unifying their vectors

through SMART (Service Menu Affirmative Review and Toll gating) month activities, AAC meetings, and SSM (Speed & Scope Merit) meetings. We emphasize process above procedures in order to avoid falling into formulaic thinking. We understand that corporate culture as implicit knowledge is born anew every day, value an explicit knowledge culture in which corporate culture, wisdom, and information that are known and recognized internally are shared with words, illustrations and audio visuals via channels such as internal magazines and the intranet, and thereby endeavor to realize a management system in which all employees are involved and compliance with laws, regulations, and internal rules. We also grasp the implementation status and progress of our business plans in quantitative and qualitative terms by establishing a scoring committee and evaluate the proposals for new businesses and infrastructure investment from the standpoints of business strategy and economic rationalism at the investment committee (How Wonderful Committee), while mutually confirming our compliance with laws, regulations, and internal rules from the viewpoint of internal control.

To evaluate the performance of the officers and employees who bear the above system, we use an evaluation system whereby each officer and employee determines his or her objectives, tasks, and specific challenges (small category) according to the Company's business policy (large category) from an MMCL perspective (My & My Colleague Leader: an entrepreneur who leads colleagues by example), declares them to others, and thus shares the themes. Our performance evaluations are managed and confirmed by company-wide eyes based on evaluation by the objective eyes of the market at the MMM (Matrix Management Meeting) of officers and employees held every three months. This evaluation system, whereby the declaration and performance of each officer and employee are valued even if the objectives are not achieved and a mere consequentialism is excluded, is thus managed with high transparency and persuasiveness supported by a commitment to "evaluate the process as well."

1) Reason for selecting the current corporate governance system

In developing a corporate governance system, the Company emphasizes "Managerial effectiveness, fairness and transparency." The Board of Directors, a body consisting of Directors well versed in the Company's business and Directors (External) taking part in the management of the Company from independent standpoints, decides upon the important business execution in an appropriate and swift manner and supervises the performance of duties by Directors. The Audit & Supervisory Board Members, who are endowed with the legal right to audit, audit the performance of duties by Directors and improve supervising functions over the management from a standpoint of fairness and independence. The Company believes that the above-mentioned system is effective in ensuring managerial effectiveness, fairness, and transparency and in achieving sound and sustainable growth for the Company. Accordingly, the Company adopted a "company with an Audit & Supervisory Board" system.

2) The Board of Directors and executive officer system

Under the "company with an Audit & Supervisory Board" system, the Company adopted an executive officer system to ensure that its Directors may perform their duties and supervise as corporate managers in an effective and efficient manner. The Directors (the Board of Directors) delegate authority over business execution to the Executive Officers and then supervise the execution of duties by the Executive Officers. In order to better clarify the Directors' managerial responsibilities for the performance objectives for each fiscal year, the term of office of every Director is stipulated to be one year.

The Company considers it important to reflect into its management excellent wisdom and deep insight from outside parties, with a view to quickly grasping changes in social environments and business

conditions and promoting socially fair corporate activities. To that end, we are further reinforcing our corporate governance through the active involvement of Directors (External) with broad management experience and knowledge and through neutral and objective audits by Audit & Supervisory Board Members (External) with excellent expertise (two Directors [External] and two Audit & Supervisory Board Members [External] out of five Directors and four Audit & Supervisory Board Members).

In recognition of the managerial importance of the optimal selection of and fair remuneration for the members of management, the Board of Directors decides these issues by adopting resolutions with reference to reports from the Nominating Committee and Remuneration Committee, advisory organs of the Board of Directors that include Directors (External) and Audit & Supervisory Board Members (External).

ii) Basic policy on the establishment of an internal control system

At the Board of Directors' meeting held on June 30, 2020, the Company resolved its "Basic Policy on the Establishment of an Internal Control System" pursuant to Article 362 of the Companies Act and Article 100 of the Regulation for Enforcement of the Companies Act, as follows.

1) System to ensure that Directors execute their duties in compliance with relevant laws, regulations, and the Articles of Incorporation

(Article 362, Paragraph 4, Item 6 of the Companies Act)

- a. The Company shall hold a Board of Directors' meeting once a month in principle according to the "Board of Directors Regulations."
- b. Directors shall supervise the execution of duties by other Directors through the Board of Directors' meetings.
- c. In order to ensure the execution of duties in compliance with relevant laws and regulations, etc., the Directors, Executive Officers and leaders shall make preliminary reports on important information concerning group-wide business execution to prevent legal violations in advance at the Board of Directors' meetings, EM (Executive Meeting) meetings, SSM meetings and other important meetings of the Company. If any behavior or event likely to constitute a legal violation comes to light, they shall take necessary measures to prevent or remedy the violation.
- d. The Company has an Audit & Supervisory Board. Under the audit policy stipulated by the Audit & Supervisory Board, each Audit & Supervisory Board Member shall audit the execution of duties by Directors by attending the Board of Directors' meetings and examining business execution, etc.
- e. The Group shall establish and provide multiple "WNI Help Lines" as compliance reports and consultancy routes for its officers and employees and take necessary measures to protect whistleblowers.

2) System to retain and manage information relating to the execution of duties by Directors

(Article 100, Paragraph 1, Item 1 of the Regulation for Enforcement of the Companies Act)

- a. Minutes of the General Meetings of Shareholders and the Board of Directors' meetings shall be prepared according to the relevant laws, regulations and internal rules, and appropriately retained and managed.
- b. Important information, decisions, internal notices, etc. concerning management and business execution shall be prepared by the divisions in charge and appropriately retained and managed.

3) Rules and systems related to the management of risk of loss

(Article 100, Paragraph 1, Item 2 of the Regulation for Enforcement of the Companies Act)

- a. Matters to be approved at the Board of Directors' meetings, EM meetings and SSM meetings of the Company and matters to be approved at the group companies shall be stipulated according to the "WNI Approval Standard."
- b. Executive Officers and leaders shall make periodical reports on important information concerning group-wide business execution at the Board of Directors' meetings, EM meetings, SSM meetings, and other important meetings of the Company. All Directors shall monitor the judgments and content such reports.
- c. To respond to risks concerning information security, the environment, disaster prevention, hygiene and health, each division in charge shall establish rules, implement education and enlightenment activities, and conduct the necessary monitoring.
- d. The Contingency Planning Committee shall convene meetings as an organization in charge of risk management when necessary to clarify the Company's basic policy of group-wide risk management and to develop response measures in the event of the occurrence of any significant risks that may destabilize business continuity.

4) System to ensure that Directors execute their duties efficiently

(Article 100, Paragraph 1, Item 3 of the Regulation for Enforcement of the Companies Act)

- a. The Board of Directors shall resolve the basic policy of management, matters concerning the execution of important business and matters stipulated by laws, regulations and the Articles of Incorporation, receive reports on the execution of important business, and supervise the same. An executive officer system shall be adopted to enable the Directors to more effectively and efficiently execute and supervise their duties as managers.
- b. Group-wide matters to be resolved by the Board of Directors shall be preliminarily discussed and important matters stipulated by the "WNI Approval Standard" shall be confirmed at EM meetings.
- c. For the decision-making by the Board of Directors, sufficient and appropriate information shall be provided to each Director.
- d. The Group holds DEViCo (Dream Enthusiasm Vision Concept and Commitment) Week in May and November every year to formulate the most appropriate business plans for the whole Group.

5) System to ensure that employees conduct business in compliance with relevant laws, regulations and the Articles of Incorporation

(Article 100, Paragraph 1, Item 4 of the Regulation for Enforcement of the Companies Act)

- a. "Makuhari Weather Street Charter," the policy and standard of behavior for the execution of group-wide business, shall be established and made available for access by all employees through the Company's intranet, etc., and education, enlightenment, and audit activities concerning compliance with laws, regulations and social norms shall be implemented. A code of conduct that clarifies the Company's corporate social responsibilities has been established in the 34th fiscal year and made available in the same manner.
- b. The Company shall clarify the authorities and responsibilities forming the foundation of the internal controls to improve the shortfalls identified in the internal controls during the fiscal year and implement measures to improve the independence and autonomy of organizations.

- c. The Internal Audit Office, which works as an internal audit division, shall conduct audits on whether the business execution of each division complies with laws, regulations and the Articles of Incorporation.
- 6) System to ensure the appropriateness of business operations of the Company and the business group consisting of the Company, its parent company, and its subsidiaries
(Article 100, Paragraph 1, Item 5 of the Regulation for Enforcement of the Companies Act)
 - a. The Group shall have the Directors and Executive Officers of the Company supervise decision-making on important group-wide matters and the business execution of subsidiaries through the Board of Directors' meetings and EM meetings.
 - b. For the management of subsidiaries, the Directors and Executive Officers of the Company who control each business and subsidiary shall make the officers and employees of the subsidiaries under their control fully aware of the Company's business operation policies, etc. and thereby ensure the effectiveness of business execution and the appropriateness of the business of the whole Group. The management divisions shall request reports, as necessary, in order to precisely grasp the business of the subsidiaries based on the "Affiliated Company Management Regulations."
 - c. The Company holds a Board of Directors' meeting once a month in principle and EM meetings once a week in principle, where important matters concerning group management and the status of business execution are appropriately discussed and reported based on the "WNI Approval Standard."
- 7) Matters concerning employees who assist Audit & Supervisory Board Members when Audit & Supervisory Board Members request those assistant employees
(Article 100, Paragraph 3, Item 1 of the Regulation for Enforcement of the Companies Act)
 - a. An Auditors' Office shall be established as a department to exclusively assist the duties of the Audit & Supervisory Board Members.
- 8) Independence of the employees described in the preceding paragraph from Directors and the assurance of the effectiveness of instructions from the Audit & Supervisory Board Members to those employees
(Article 100, Paragraph 3, Items 2 and 3 of the Regulation for Enforcement of the Companies Act)
 - a. The Audit & Supervisory Board Members shall hold the rights to supervise and instruct the employees who belong to the Auditors' Office in daily business, and such employees will not be subject to supervision or instruction by Directors.
 - b. The personnel transfer and evaluation of the employees who belong to the Auditors' Office shall be subject to prior approval by the Audit & Supervisory Board Members.
- 9) System for Directors and employees and Directors, Audit & Supervisory Board Members and employees of subsidiaries to report to Audit & Supervisory Board Members and other matters concerning reporting to Audit & Supervisory Board Members
(Article 100, Paragraph 3, Items 4 and 5 of the Regulation for Enforcement of the Companies Act)
 - a. Matters to be reported by officers and employees of the Group to the Audit & Supervisory Board Members and the method of reporting shall be stipulated.
 - b. The Audit & Supervisory Board Members may request reports from Directors and employees at any time if deemed necessary to conduct their duties.

- c. The division in charge of the “WNI Help Line” shall periodically report to the Audit & Supervisory Board Members on the situation of whistleblowing by the officers and employees of the Group.
- d. With regard to those who have reported to the Audit & Supervisory Board Members through the use of the “WNI Help Line” or other channels, necessary measures shall be taken to protect them against any disadvantage incurred as a result of such reporting.

10) Matters concerning the policy to process expenses arising from the execution of duties of Audit & Supervisory Board Members

(Article 100, Paragraph 3, Item 6 of the Regulation for Enforcement of the Companies Act)

- a. The Company shall promptly process the expenses, etc. arising from the execution of duties of Audit & Supervisory Board Members based on the “WNI Approval Standard,” excluding any expenses considered to be unnecessary for the execution of duties by the said Audit & Supervisory Board Members.

11) Other systems to ensure that Audit & Supervisory Board Members conduct audits effectively

(Article 100, Paragraph 3, Item 7 of the Regulation for Enforcement of the Companies Act)

- a. Systems shall be established to enable the Audit & Supervisory Board Members to hold hearings with Directors and key employees and to exchange opinions periodically or from time to time as necessary with President and Representative Director, Internal Audit Office and Accounting Auditor.
- b. In order to implement a system to audit the group effectively, the Audit & Supervisory Board Members shall periodically exchange opinions with the Directors and Audit & Supervisory Board Members of subsidiaries, and, irrespective of the existence of legal provisions in operating countries, every subsidiary shall conclude an agreement with an accounting auditor who has a global network.

12) Basic policies on exclusion of antisocial forces and the development status thereof

- a. In its general management principle, the Company aims to “behave with a recognition of its mission to contribute to an affluent human society that coexists with nature” as a “global people committed to contributing to society.” In keeping with this philosophy, the Group will fulfill the social responsibility as a “global people” by ensuring that it has no relationships with antisocial forces.
- b. If circumstances arise where the Company faces coercive pressure to enter into any relationship with antisocial forces, the Legal Division will engage the cooperation of corporate lawyers, police forces, etc., and play a leading role in taking a resolute stance against antisocial forces.

iii) Outline of the implementation of internal control system during the 34th fiscal year

The Company has established and implemented an internal control system based on the “Basic Policy on the Establishment of an Internal Control System” resolved at the Board of Directors’ meeting. Outline of the implementation of internal control system during the 34th fiscal year is as follows.

1) Internal control system in general

- a. DEViCo Week was held at the beginning and in the middle of the fiscal year, at which the strategy of the Group’s business plan for the current fiscal year was confirmed and the vectors for the management policy were unified.
- b. Nine AAC meetings were held during the year, at which the monthly progress of the business plan and changes of circumstances of each market were confirmed and the appropriate implementation of group-

wide business and rational and effective performance were confirmed. Twelve Scoring Committee meetings were held during the year, at which the implementation and progress of the business plan were grasped in both quantitative and qualitative terms, and nine investment committee meetings were held during the year, at which the proposals for new businesses and infrastructure investment were evaluated from the standpoints of business strategy and economic rationalism, and the prescribed procedure for confirmation was conducted from the viewpoint of ensuring the objectives of the internal control system, namely, the “effectiveness and efficiency of operations,” “safeguarding of assets,” “reliability of financial reporting,” and “compliance with applicable laws and regulations.”

- c. The Internal Audit Office appropriately reports the status of the establishment and implementation of the internal control system to the Scoring Committee, EM meetings, and the Board of Directors during the year. The Internal Audit Office also reports the results of its evaluations of the effectiveness of the internal control system to the Scoring Committee, EM meetings, and the Board of Directors at the end of the year, based on the status of implementation of internal control activities, the results of internal auditing, etc.
 - d. Based on the results of the aforesaid evaluation, the Company formulates measures conducive to the improved effectiveness of the internal control system and reflects them in its internal control implementation plan for the next year.
- 2) Implementation of a system to ensure compliance with relevant laws and regulations, etc.
- a. In addition to completing the process of appropriately reviewing the corporate motto, the general management principle, the Staff Charter, and the Makuhari Weather Street Charter, the Company established a code of conduct that clarifies its corporate social responsibilities, and makes its officers and employees fully aware of the code of conduct in order to enhance their awareness of compliance and encourage them to commit to undertaking specific compliance activities. In addition, at the SSM meeting, a plenary session held every week, meeting participants share issues related to business operations and administration and multi directionally discuss them from legal, ethical, and other viewpoints.
In the 34th fiscal year, the Company clarified the authorities and responsibilities forming the foundation of the internal controls to improve the shortfalls identified in the internal controls during the fiscal year and commenced efforts to improve the independence and autonomy of organizations.
 - b. The Company held 13 meetings of the Board of Directors during the year, whereby the Board of Directors deliberated and resolved agenda based on active opinion exchanges on matters regarding important business execution and matters stipulated by laws, regulations and the Articles of Incorporation. In addition, the Board of Directors received reports on matters provided in laws and regulations and matters regarding important business execution, and supervised the performance of duties by Directors and Executive Officers. The Company also held two meetings during the year, whereby officers voluntarily attended and exchanged opinions.
 - c. The Scoring Committee grasped the issues of the Company Group’s compliance and formulated and implemented measures therefor.
 - d. The Company has established management divisions, Audit & Supervisory Board Members, Audit & Supervisory Board Members (External), and an outside entity as compliance reports and consultancy routes (WNI Help Lines). The Company specifies the handling of personal information and measures to protect whistleblowers in the guideline for action of WNI Help Lines, and continuously makes them well known to the officers and staff of the Company Group.

- 3) Implementation of measures to manage the risk of loss
 - a. Executive Directors and Executive Officers periodically report on the progress of the business execution of the Company Group as a whole to the Board of Directors and EM meetings.
 - b. If a risk in business execution becomes apparent, the Company will cope with the risk by establishing an appropriate system, implementing countermeasures, and duly disclosing the relevant information according to the level assigned to the risk under the Company's contingency planning regime.
 - c. The Company took stricter security measures and made improvements in implementing those measures in the area of information management and goods inventory management, for example by introducing a personnel access control system at warehouses.

- 4) Implementation of measures to ensure efficiency
 - a. An EM meeting attended by Executive Officers (including those concurrently serving as Directors) is held once a week to deliberate in advance on matters to be discussed for the Company Group as a whole at the Board of Directors' meetings and SSM meetings.
 - b. The Company strives to deliver in advance agenda items and related materials for the Board of Directors' meetings and EM meetings, and thereby strives to ensure time to review before attending the meetings.
 - c. The AAC meetings are held to share information on the changes in the market environment and numerical changes in performance and plans relating to the monthly progress of business plans. If any change is made in business/sales plans, the development management will be revised so that the vectors between manufacturing and sales are unified.

- 5) Implementation of the internal control system in the Group
 - a. In order to clarify the responsibilities of each business unit for its sales and profits and aim to further increase profits, each business unit leader responsible for major business in local areas manages overseas subsidiaries. Each Director and Executive Officer in charge of each business unit supervises its leader, shares issues on the business operations and administration of subsidiaries by appropriately taking up the issues for discussion and reporting on them to the Board of Directors and EM meetings according to the division of his/her duties, and thereupon clarifies procedures therefor.
 - b. The Company has overseas subsidiaries directly participate in SSM meetings via a videoconferencing platform and translate parts of the Company's internal newsletter (President message at SSM meeting, etc.) into *Businglish* (materials translated into English, illustrations, etc.), and thereby makes the officers and employees of its subsidiaries fully aware of its policies on business operations and compliance issues. In addition, the Executive Officers in charge of business and operation and the business unit leaders visit subsidiaries appropriately. Through these efforts, the Company strives to facilitate direct communications.

- 6) Implementation of measures to ensure the effectiveness of audits by the Audit & Supervisory Board Members
 - a. The Audit & Supervisory Board Members attend the Board of Directors' meetings and the Audit & Supervisory Board Member attends EM meetings, SSM meetings, the Scoring Committee and other important meetings and participates in meetings for financial analysis at the monthly closing. Through

these initiatives, the Audit & Supervisory Board Members strive to ensure the appropriateness of the establishment and implementation of its internal control system.

- b. Fifteen meetings of the Audit & Supervisory Board were held during the year, at which agenda at the Board of Directors' meetings and other important matters on management were shared in advance among Audit & Supervisory Board Members. Each Audit & Supervisory Board Member examined the execution of duties by the Directors and Executive Officers, audited the performance of duties by the Directors in cooperation with the Internal Audit Office and the Accounting Auditor, and put together their opinions as the opinions of the Audit & Supervisory Board each quarter to report them to the Board of Directors. In addition, the Audit & Supervisory Board Members appropriately held the (extensive) meetings of the Audit & Supervisory Board where the Directors (External) also attended so that the Directors (External) and Audit & Supervisory Board Members (External) could mutually understand and share important managerial matters. In regard to shortfalls in internal controls identified during the fiscal year, the Company carried out measures inside the company aimed at preventing recurrence and kept track of the resulting improvements.
- c. The Company has established an Auditors' Office in which one staff member is assigned to assist the duties of the Audit & Supervisory Board Members. The said staff member engages in operations based on instructions from the Audit & Supervisory Board Members, and any personnel transfer, evaluation, etc. of the said staff member requires the approval of the Audit & Supervisory Board Members.

Note: With regard to numerical figures stated in this business report, monetary amounts are rounded down to the nearest stated unit, and percentages, etc. are rounded off to one decimal place.

Consolidated Balance Sheet

(As of May 31, 2020)

(Thousands of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	12,407,750	Current liabilities	2,423,124
Cash and deposits	8,435,408	Accounts payable - trade	180,934
Notes receivable - trade	4,400	Accounts payable - other	403,449
Accounts receivable - trade	3,175,809	Income taxes payable	598,329
Accounts receivable - completed operation	38,668	Provision for loss on order received	27,703
Work in process	259,078	Provision for product warranties	488
Supplies	142,146	Other	1,212,219
Other	368,049		
Allowance for doubtful accounts	(15,811)	Noncurrent liabilities	2,054
Noncurrent assets	4,486,385	Other	2,054
Property, plant and equipment	1,898,818	Total liabilities	2,425,178
Buildings and structures	834,031	(Net assets)	
Tools, furniture and fixtures	510,592	Shareholders' equity	14,411,082
Communication satellite facilities	104,216	Capital stock	1,706,500
Land	413,062	Capital surplus	1,055,681
Construction in progress	36,916	Retained earnings	12,621,155
Other	0	Treasury stock	(972,254)
Intangible assets	1,184,911	Accumulated other comprehensive income	(26,456)
Software	1,018,632	Valuation difference on available-for-sale securities	(6,496)
Software in progress	140,493	Foreign currency translation adjustment	(19,960)
Other	25,785	Subscription rights to shares	84,332
Investments and other assets	1,402,656		
Investment securities	205,914	Total net assets	14,468,957
Deferred tax assets	573,090		
Other	637,996	Total liabilities and net assets	16,894,136
Allowance for doubtful accounts	(14,344)		
Total assets	16,894,136		

Consolidated Statement of Income

(From June 1, 2019, to May 31, 2020)

(Thousands of yen)

Item	Amount	
Net sales		17,953,249
Cost of sales		11,311,784
Gross profit		6,641,465
Selling, general and administrative expenses		4,360,563
Operating income		2,280,901
Non-operating income		
Interest income	2,194	
Dividends income	1,928	
Gain on sales of investment securities	30,060	
Dividends income of insurance	7,572	
Gain on forfeiture of unclaimed dividends	1,178	
Compensation income for damage	45,562	
Other	7,376	95,872
Non-operating expenses		
Commitment line-related expenses	14,738	
Foreign exchange losses	27,183	
Loss on retirement of non-current assets	392	
Share of loss of entities accounted for using equity method	139,968	
Other	6,475	188,759
Ordinary income		2,188,014
Extraordinary loss		
Impairment loss	4,366	
Cost for product warranties	387	4,754
Income before income taxes		2,183,260
Income taxes - current	859,400	
Income taxes - deferred	(305,318)	554,082
Net income		1,629,177
Net income attributable to non-controlling interests		—
Net income attributable to owners of parent		1,629,177

Consolidated Statement of Changes in Net Assets

(From June 1, 2019, to May 31, 2020)

(Thousands of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury stock	
Balance as of June 1, 2019	1,706,500	998,128	12,085,075	(1,002,989)	13,786,714
Changes of items during the fiscal year					
Dividends from surplus			(1,093,097)		(1,093,097)
Net income attributable to owners of parent			1,629,177		1,629,177
Acquisition of treasury stock				(259)	(259)
Disposal of treasury stock		57,553		30,994	88,547
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	57,553	536,079	30,734	624,367
Balance as of May 31, 2020	1,706,500	1,055,681	12,621,155	(972,254)	14,411,082

	Accumulated other comprehensive income			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance as of June 1, 2019	(3,209)	(11,210)	(14,419)	88,694	13,860,988
Changes of items during the fiscal year					
Dividends from surplus					(1,093,097)
Net income attributable to owners of parent					1,629,177
Acquisition of treasury stock					(259)
Disposal of treasury stock					88,547
Net changes of items other than shareholders' equity	(3,287)	(8,749)	(12,036)	(4,362)	(16,398)
Total changes of items during the fiscal year	(3,287)	(8,749)	(12,036)	(4,362)	607,969
Balance as of May 31, 2020	(6,496)	(19,960)	(26,456)	84,332	14,468,957

(Reference)

Consolidated Statement of Cash Flows

(From June 1, 2019, to May 31, 2020)

(Thousands of yen)

Item	Amount
Net cash provided by (used in) operating activities	2,670,161
Net cash provided by (used in) investing activities	(714,373)
Net cash provided by (used in) financing activities	(1,091,602)
Effect of exchange rate change on cash and cash equivalents	(26,078)
Net increase (decrease) in cash and cash equivalents	838,107
Cash and cash equivalents at beginning of the fiscal year	7,595,517
Cash and cash equivalents at end of the fiscal year	8,433,624

Non-consolidated Balance Sheet

(As of May 31, 2020)

(Thousands of yen)

Item	Amount	Item	Amount
(Assets)		(Liabilities)	
Current assets	11,467,252	Current liabilities	2,697,768
Cash and deposits	7,454,769	Accounts payable - trade	756,791
Notes receivable - trade	4,400	Accounts payable - other	336,450
Accounts receivable - trade	3,236,516	Accrued consumption taxes	264,097
Accounts receivable - completed operation	38,668	Accrued expenses	361,781
Work in process	254,202	Income taxes payable	593,838
Supplies	141,804	Advances received	155,441
Prepaid expenses	236,019	Deposits received	200,805
Short-term loans receivable	36,000	Provision for loss on order received	27,703
Other	101,165	Provision for product warranties	488
Allowance for doubtful accounts	(36,293)	Other	371
Noncurrent assets	5,176,910		
Property, plant and equipment	1,872,395	Total liabilities	2,697,768
Buildings	834,031	(Net assets)	
Vehicles	0	Shareholders' equity	13,868,558
Tools, furniture and fixtures	484,168	Capital stock	1,706,500
Communication satellite facilities	104,216	Capital surplus	1,058,256
Land	413,062	Other capital surplus	1,058,256
Construction in progress	36,916	Retained earnings	12,076,056
Intangible assets	1,184,759	Legal retained earnings	426,625
Software	1,018,632	Other retained earnings	11,649,431
Software in progress	140,493	General reserve	9,500,000
Telephone subscription right	25,634	Retained earnings brought forward	2,149,431
Investments and other assets	2,119,755	Treasury stock	(972,254)
Investment securities	190,706	Valuation and translation adjustments	(6,496)
Shares of subsidiaries and affiliates	692,249	Valuation difference on available-for-sale securities	(6,496)
Investments in capital of subsidiaries and affiliates	49,361	Subscription rights to shares	84,332
Long-term loans receivable from subsidiaries and affiliates	160,825	Total net assets	13,946,394
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,472	Total liabilities and net assets	16,644,163
Long-term prepaid expenses	37,888		
Deferred tax assets	599,337		
Insurance funds	296,767		
Lease and guarantee deposits	265,618		
Allowance for doubtful accounts	(174,472)		
Total assets	16,644,163		

Non-consolidated Statement of Income

(From June 1, 2019, to May 31, 2020)

(Thousands of yen)

Item	Amount	
Net sales		17,729,501
Cost of sales		11,561,521
Gross profit		6,167,980
Selling, general and administrative expenses		3,947,264
Operating income		2,220,715
Non-operating income		
Interest income	1,902	
Dividends income	1,928	
Gain on sales of investment securities	30,060	
Dividends income of insurance	7,572	
Gain on forfeiture of unclaimed dividends	1,178	
Recoveries of written off receivables	75,960	
Compensation income for damage	45,562	
Other	9,749	173,913
Non-operating expenses		
Foreign exchange losses	11,315	
Commitment line-related expenses	14,738	
Provision of allowance for doubtful accounts	3,000	
Other	2,691	31,745
Ordinary income		2,362,883
Extraordinary income		
Reversal of provision for loss on business of subsidiaries and associates	12,000	12,000
Extraordinary loss		
Impairment loss	4,366	
Loss on valuation of investments in subsidiaries and affiliates	207,600	
Cost for product warranties	387	212,354
Income before income taxes		2,162,529
Income taxes - current	844,946	
Income taxes - deferred	(271,465)	573,480
Net income		1,589,048

Non-consolidated Statement of Changes in Net Assets

(From June 1, 2019, to May 31, 2020)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Other capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance as of June 1, 2019	1,706,500	1,000,703	1,000,703	426,625	9,500,000	1,653,481	11,580,106
Changes of items during the fiscal year							
Dividends from surplus						(1,093,097)	(1,093,097)
Net income						1,589,048	1,589,048
Acquisition of treasury stock							
Disposal of treasury stock		57,553	57,553				
Net changes of items other than shareholders' equity							
Total changes of items during the fiscal year	—	57,553	57,553	—	—	495,950	495,950
Balance as of May 31, 2020	1,706,500	1,058,256	1,058,256	426,625	9,500,000	2,149,431	12,076,056

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance as of June 1, 2019	(1,002,989)	13,284,320	(3,209)	(3,209)	88,694	13,369,805
Changes of items during the fiscal year						
Dividends from surplus		(1,093,097)				(1,093,097)
Net income		1,589,048				1,589,048
Acquisition of treasury stock	(259)	(259)				(259)
Disposal of treasury stock	30,994	88,547				88,547
Net changes of items other than shareholders' equity			(3,287)	(3,287)	(4,362)	(7,649)
Total changes of items during the fiscal year	30,734	584,238	(3,287)	(3,287)	(4,362)	576,588
Balance as of May 31, 2020	(972,254)	13,868,558	(6,496)	(6,496)	84,332	13,946,394

Audit & Supervisory Board's Report

Audit Report

The Audit & Supervisory Board, upon deliberations based on the reports made by each Audit & Supervisory Board Member concerning the results of the audit on the execution of duties by the Directors for the 34th fiscal year from June 1, 2019 through May 31, 2020, have prepared this Audit Report and hereby submits it as follows:

1. Auditing Methods by the Audit & Supervisory Board Members and Audit & Supervisory Board and the Content thereof

- (1) The Audit & Supervisory Board established the auditing policies, division of duties, etc., received reports on the implementation status and results of the audits from each Audit & Supervisory Board Member, as well as reports regarding the status of the execution of duties from the Directors and Accounting Auditor, and requested explanations as necessary.
- (2) In accordance with the auditing standards for Audit & Supervisory Board Members determined by the Audit & Supervisory Board and the auditing policies and division of duties, etc. each Audit & Supervisory Board Member made efforts to collect information and establish an auditing environment through communication with Directors, the internal audit division, and other employees, and conducted the audits in accordance with the following procedures.
 - (i) Each Audit & Supervisory Board Member attended the Board of Directors' meeting and other important meetings to receive reports regarding the execution of duties from Directors and employees and requested explanations as necessary. Each Audit & Supervisory Board Member also inspected the approved documents and examined the status of operations and conditions of assets at its head office and principal offices. With respect to subsidiaries, each Audit & Supervisory Board Member communicated and exchanged information with the Directors and Audit & Supervisory Board Members of subsidiaries and received reports on business from the subsidiaries as necessary.
 - (ii) With respect to the resolutions adopted by the Board of Directors regarding the establishment of the system to ensure that Directors execute their duties in compliance with relevant laws, regulations, and the Articles of Incorporation of the Company as specified in the business report and the establishment of a system to ensure the appropriateness of business operations of the Company and the business group consisting of the Company, its parent company, and its subsidiaries, as set forth in Article 100, Paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act, as well as the systems (Internal Control System) established in accordance with the resolution of the Board of Directors, each Audit & Supervisory Board Member regularly received reports from the Directors and employees on the status of the establishment and operations thereof, requested explanations as necessary, and expressed his/her opinion.
 - (iii) With respect to the basic policy set forth in Article 118, Item 3 (a) of the Regulation for Enforcement of the Companies Act as specified in the business report and each approach set forth in Item 3 (b) of the same article, the Audit & Supervisory Board Members reviewed the details based on discussion at the Board of Directors' meeting and on other occasions.
 - (iv) Each Audit & Supervisory Board Member monitored and verified that the Accounting Auditor maintained independence and conducted the audits appropriately. Each Audit & Supervisory Board Member also received reports on the status of the execution of duties from the Accounting Auditor and requested explanation as necessary. In addition, the Audit & Supervisory Board Members were informed of the arrangement of the "System for ensuring that the duties are performed appropriately" (matters stipulated in the items of Article 131 of the Regulation on Accounting of Companies in accordance with "Quality Control Standard for Audit" [Business Accounting Council, October 28, 2005]), etc. by the Accounting Auditor and requested explanations as necessary.

In accordance with the procedures mentioned above, the Audit & Supervisory Board reviewed the business report and supplementary schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets, and notes to the non-consolidated financial statements), the supplementary schedules thereto, and the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in net assets, and notes to the consolidated financial statements) for the fiscal year ended May 31, 2020.

2. Results of Audit

(1) Results of the audit of business report, etc.

- (i) The business report and supplementary schedules present fairly the financial condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation of the Company;
- (ii) Regarding the execution of duties by Directors, there were no instances of misconduct or material matters in violation of laws, regulations, or the Articles of Incorporation of the Company;
- (iii) The resolutions of the Board of Directors regarding the internal control system are fair and reasonable. Furthermore, over the 34 years since its foundation, the Company has been working to deepen a renewed awareness of issues arising from changes in the business environment and the Company's business and operations, to take measures in response, and to put in place a framework for improvement. There are no significant matters that require pointing out regarding the content of the business report relating to the aforementioned internal control and the Director's execution of duties. With regard to shortfalls in internal controls identified during the fiscal year, the Company will closely monitor the status of the recurrence prevention measures that were established in response to this shortfall.
- (iv) There are no matters requiring additional mention regarding the Basic Policy on the Composition of Persons to Control Decision-Making over the Financial and Business Policies of the Company specified in the business report. The Audit & Supervisory Board acknowledges that the approaches set forth in Article 118, Item 3 (b) of the Regulation for Enforcement of the Companies Act as specified in the business report conform with the basic policy, do not harm any common interests of shareholders, and were not adopted with the intention of maintaining the positions of Directors and Audit & Supervisory Board Members.

(2) Results of the audit of the non-consolidated financial statements and supplementary schedules

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

(3) Results of the audit of the consolidated financial statements

The auditing methods and results of the Accounting Auditor, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

July 13, 2020

The Audit & Supervisory Board of Weathernews Inc.

Yasushi Sugino (Seal)
Audit & Supervisory Board Member

Takashi Tomura (Seal)
Audit & Supervisory Board Member

Fumitaka Koyama (Seal)
Audit & Supervisory Board Member

Izumi Hayashi (Seal)
Audit & Supervisory Board Member

Note: The Audit & Supervisory Board Members Mr. Fumitaka Koyama and Ms. Izumi Hayashi are Audit & Supervisory Board Members (External) as stipulated in Article 2, Item 16 and Article 335, Paragraph 3 of the Companies Act.