net one

Integrated Report

net one report
2024

net one

Net One Systems Co., Ltd.

Net One Systems Co., Ltd.

About Net One Systems

About Net One Systems   Value Creation Strategy   Value Creation in Practice   Growth-Supporting Infrastructure   Financial and Corporate Information

Enterprise Business

We strengthen client competitiveness by maintaining and optimizing their comprehensive ICT platforms, including cloud solutions.

Primary needs
• Cloud systems • Security measures • Work style innovation

Telecom Carrier Business

We are developing co-creation businesses and supporting corporate activities through the establishment of cloud and security infrastructure.

Primary needs
• Service infrastructure • Corporate support businesses

The Value Net One Delivers

Securing a "Prosperous Future" by Delivering the World's Highest Standard of Network Technology

Public Business

We support public institutions by developing service-enhancing ICT platforms and strengthening security.

Primary needs
• Cloud systems
• Security measures
• On-campus networks

Partner Business

We facilitate market expansion by delivering products to ICT companies developing information systems.

Primary needs
• Networks
• Cutting-edge ICT products

Net One's Visions

Purpose

Unleash the potential of people and networks,
and create a prosperous future by carrying on /
inheriting tradition and making innovation happen

Philosophy System

- Purpose
- Mission
- Vision
- Values

WAY (Code of Conduct)
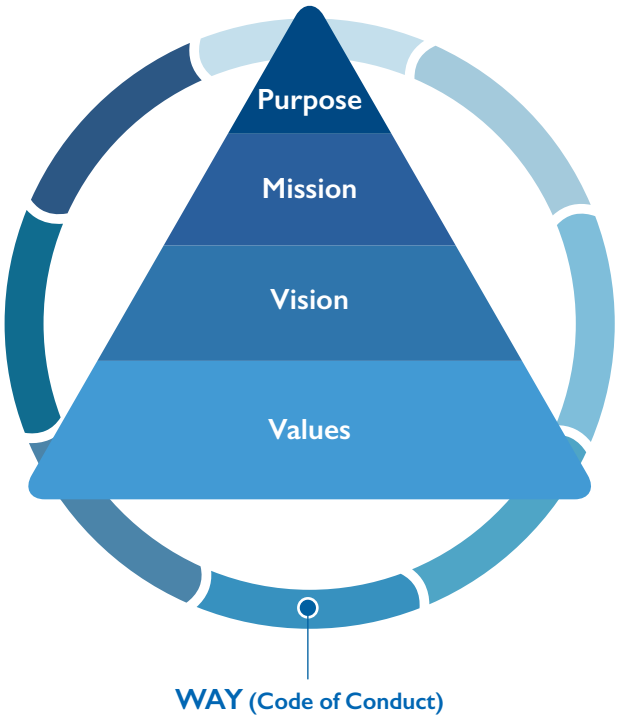
Mission Each of us is a professional with outstanding expertise and high ethical standards, and contributes to solving the problems of society and our customers

Vision
- Act with pride as a leading network company
- Create added value unique to Net One and achieve sustained growth
- Continue to be an elite group of people who train their minds and skills through continuous self-improvement
- Maintain an appropriate profit structure to fulfill our responsibilities to a wide range of stakeholders

Contents

Editorial Policy

The net one report is published to inform all stakeholders of the Net One Group regarding our value creation efforts, growth strategy, and the sustainability management concepts and initiatives we have adopted as we aim to realize our Purpose. Our net one report 2024 focuses on introducing proactive management initiatives under the theme of "clearly communicating the value created, and the growth strategies implemented, by the Net One Group." In addition, our separate Sustainability report 2024 (issued at end-December 2024) covers ESG performance data as well as extensive non-financial information. In this report, figures for financial results from fiscal 2014 through fiscal 2019 have been restated to reflect the revisions made to past financial results disclosed in December 2020.

"net one report" Integrated Report   Sustainability report

Financial information   Non-financial information
Integrated reporting

Regarding the Cover Design

Using the round curves characteristic of our corporate logo, the designs of these covers express our relentless and inexhaustible exploration of new possibilities and opportunities through network technology. The cover of our "net one report" features our corporate color, blue, while our "Sustainability report" uses four colors to represent our four material priorities. When the covers are placed side by side, their curves connect, indicating these two reports combine as a set to provide comprehensive integrated reporting.

Sustainability report 2024

Note: Issued at end-December 2024

https://www.netone.co.jp/english/investor-relations/ir-library/integrated/

Our History of Value Creation in Response to Social Challenges

The Net One Group has been accumulating experience since before the Internet became widely available.
Leveraging our strength in advanced network technology, we are expanding the scope of our operations to cover all aspects of ICT infrastructure, including cloud computing, security, and IoT technology.

(Million yen)   (%)

Revenue (Million yen)
- Total (through fiscal 2003)
- Enterprise
- Telecom Carrier
- Public
- Partner
- Other

— Operating margin (%)

— Employee count
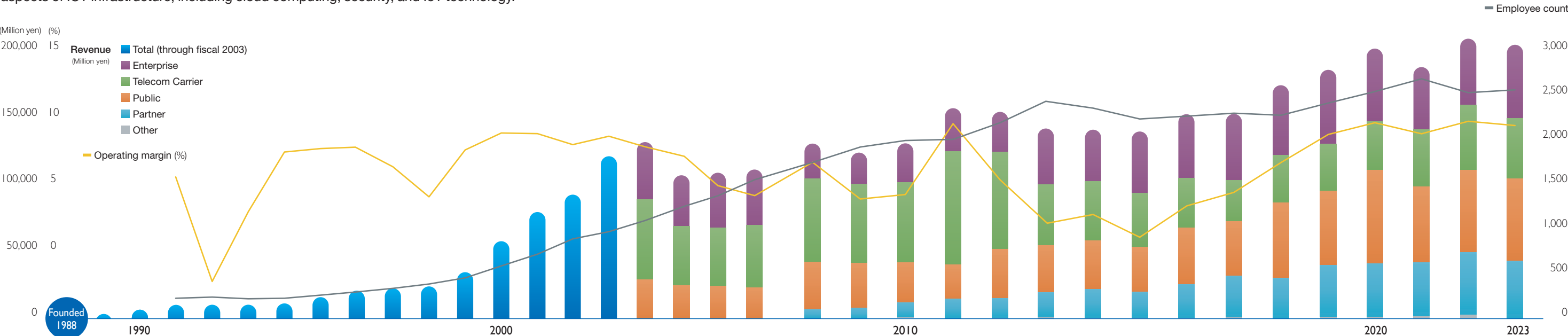
Changing times and needs

- Wider use of information systems
- Information sharing between business sites

- Spread in the availability of the Internet
- Improvement in communication speeds

- Widespread adoption of visualization and cloud computing technologies
- Streamlining of expanded ICT systems
- Work style innovation

- Acceleration of digitalization
- Integration of digital transformation and ICT into business practices
- Effective application of security measures and data

1988 onward
Linked networks across a diverse range of technological boundaries

During the early days of the Internet's arrival in Japan, Net One Systems began purchasing and selling network equipment to major private companies and research institutes. During this period, we established maintenance systems to ensure the stable operation of, and smooth communication between, our proprietary closed systems.
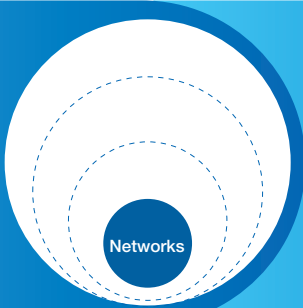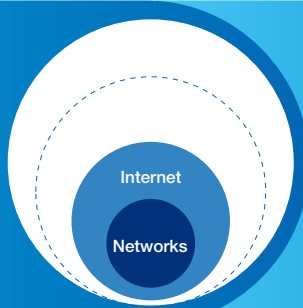
1995 onward
Expanded the scope of our operations in sync with the proliferation of the Internet

During this period, we expanded our business operations to include Internet utilization and system development solutions for telecom carriers and government agencies. Leveraging our advanced network technology, we fulfilled customer needs for secure connectivity and efficient system consolidation.

2008 onward
Enhanced the value of our services through technological innovation
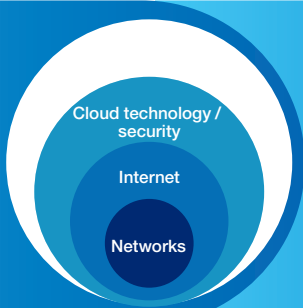
This period gave rise to work style innovation and virtualization technologies. We took the initiative to implement these new concepts internally and applied the insights we gained thereby to establish a value delivery model that optimizes the management, regulation, and utilization of digitalized audio and video systems, as well as other intricate, multifaceted systems.

2016 onward
Evolved toward a business model supporting ICT infrastructure with a network-based approach
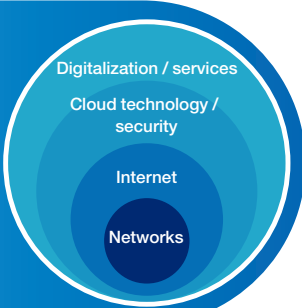
Driven by digital transformation and the increasingly prevalent application of cloud-based technologies, the era of multi-cloud computing emerged during this period. We continue to present solutions to challenges associated with the integration of ICT into business operations, the implementation of security measures, the cohesive and seamless operation of large-scale systems, and the strategic application of ICT.

Net One Highlights

1990
Established the Quality Control Center responsible for a range of operations, including quality control and the delivery of maintenance parts and materials

1999
Certified as a gold partner by Cisco Systems

2000
Established the Technical Center for the evaluation and pre-verification of multi-vendor systems

2001
Listed on the First Section of the Tokyo Stock Exchange

2007
Launched the Expert Operation Center to facilitate 24/7 remote monitoring and troubleshooting

2016
Opened the Security Operation Center to ensure immediate and round-the-clock cyber attack detection and response

2020
Established "Lab as a Service" to accelerate customer digital transformation through multi-cloud joint verification environments

2023
Jump-started "netone valley" innovation center to foster innovation through a diverse range of collaborative efforts

Evolution of Our Value Delivery and Competitive Advantage

The Net One Group is pursuing genuine innovation by leveraging the unique critical assessment capabilities it has developed through its application of ICT.
Alongside our customers, we will continue to address social challenges by crossing technological boundaries, connecting people to information, and fostering connections between people.

Since 1988
Charge
Linking Networks

Established a leading position within the field of network integration

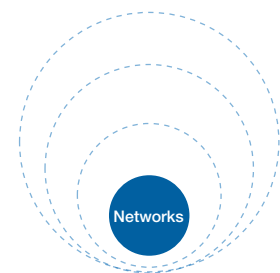To promote widespread adoption of the Internet in Japan, we collaborated with overseas vendors to facilitate technological awareness and pitch products that enable interconnectivity. Subsequently, we have continued to enhance our reliability and value creation capabilities, thereby accumulating the technology and experience necessary for the integration of modern network and cloud computing technologies.

Ensuring reliable connectivity through advanced technologies

While closely monitoring developments in technological innovation, we utilize and apply advanced technologies to devise and present contemporary network systems. Through our Technical Center, we ensure systems meet functional requirements for system configurations similar to those found in the operational environments of our customers while providing reassurance through troubleshooting services and other methods of ensuring stable performance.

Since 1995
Channel
Connecting people and information
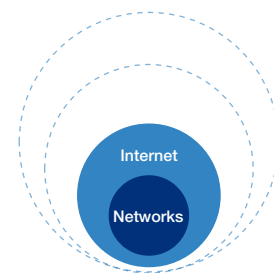
Collaborating with leading vendors to enhance and supplement existing technologies and develop joint ventures

Anticipating the Internet's foundational role in society, we turned our focus to the transition toward network-based cloud systems. Together with the world's top ICT vendors, we have developed products and services for the Japanese market while strengthening our strategic partnerships.

Development of proprietary architecture

While advocating for software-based hybrid cloud solutions, we have facilitated structural, user-centric transformations in our internal systems. Furthermore, we shared the insights thereby gained and evolved into technological experts through the development of proprietary cloud, security, and subscription-based services.

Since 2008
Change
Changes in Business Practices and Work Styles
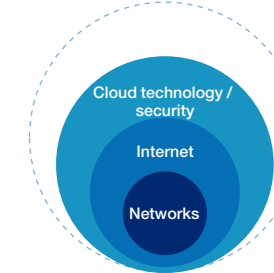
Upgrading services as we aim to become a strategic partner for our customers

Leveraging our vast repository of technological expertise, we have transformed our business model into one focused on system integration. Additionally, we have combined advanced operations and consulting with product sales to provide comprehensive support covering all aspects of infrastructure. By enabling joint system use and delivering functionality, we foster co-creation-based relationships and generate further added value.

Partnering with vendors to drive digital transformation

We have aimed to establish a leading comprehensive service model for the multi-cloud era. By incorporating both digital transformation that transcends the boundaries of legacy systems and lifecycle services, we deliver the reliable systems and stable operations that our customers demand.

Since 2016
Building a Prosperous Future
through Our Services
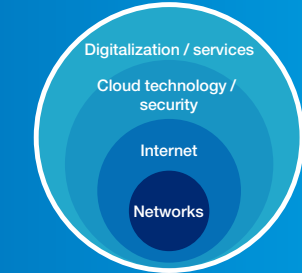
Establishing platforms that consistently deliver added value

As a strategic partner focused on fostering customer business growth, we will continue to facilitate customer success moving forward. By building digital infrastructure that establishes three-way connections between Net One Systems, its customers, and its vendors, we will achieve enhanced stability and optimization of systems in response to the evolving and increasingly complex nature of networks.

Creating innovation with collaborative efforts through netone valley

The Net One Group aims to shape the future by leveraging innovation achieved through connections among people. Alongside our customers and partners, we aim to transform our business activities into a "platform facilitating co-creation and mutual growth," thereby enabling the creation of businesses that address social challenges through the application of advanced digital technologies.

Four　　Strengths　(P.11)

- Professional personnel
- Expanding customer base
- Ability to co-create with partners
- Collaboration with multiple vendors

Exploring Network Potential and Business Fields

Expanding and Evolving Networks

As digital transformation progresses, a smart society is emerging in which many objects and devices are connected to networks. Accordingly, demand for network connectivity is accelerating in both traditional areas such as offices, data centers, and homes, and in more modern environments, such as those associated with cloud computing and the Internet of Things (IoT). This trend is additionally giving rise to new demand for cybersecurity measures and other solutions. Consequently, networks are expanding in their application as ICT infrastructure while becoming both more sophisticated and essential to society.

Societal Changes and the Development of Networks

Business Environment

Society: Declining birthrate and aging population, regional disparities, decarbonized society, sustainability, regional revitalization

Market: Shift from goods to experiences The 2025 Digital Cliff Innovative progress in ICT

Customers: Organizational transformation achieved through digital transformation Supply chain digitalization

Addressing Social Challenges with Digital Transformation

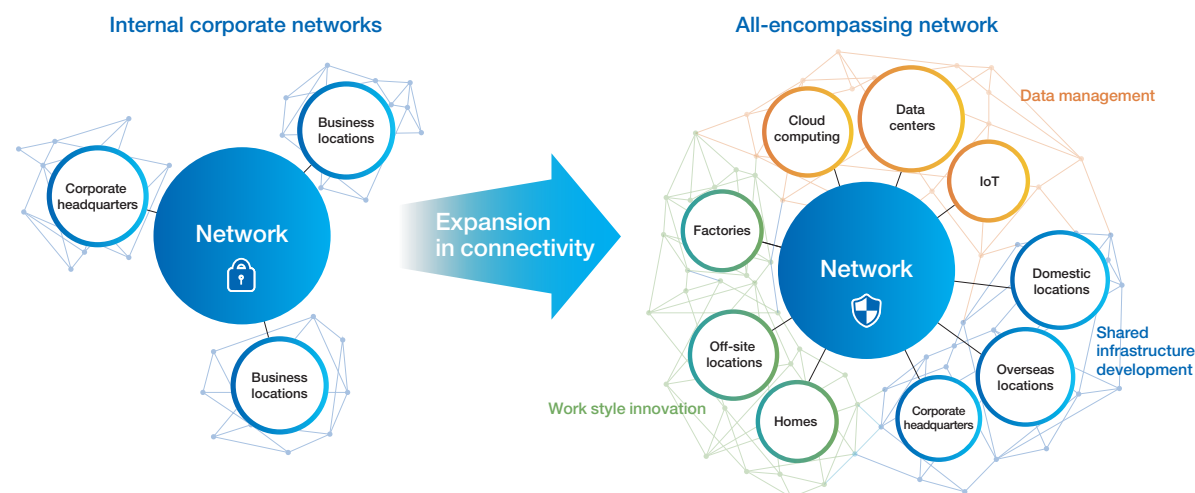Taking on social challenges by leveraging multi-cloud solutions and ensuring secure network connectivity for a comprehensive range of entities including companies (all group locations), homes (teleworking), factories (smart factory transformation), schools (GIGA schools), and hospitals (medical digital transformation).

Development of Networks into Social Infrastructure

The progress of digital transformation is leading to an expansion in ICT system utilization contexts. As network connectivity broadens to include more locations, advanced security measures are becoming increasingly essential.
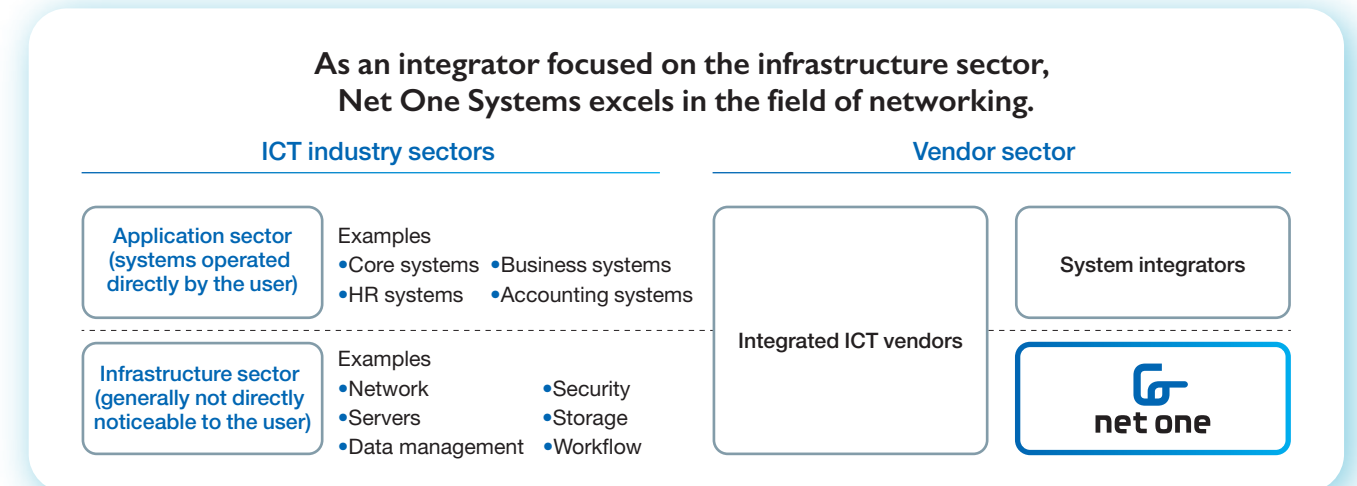
Internal corporate networks

Corporate headquarters, Business locations, Network, Business locations

Expansion in connectivity

All-encompassing network

Cloud computing, Data centers, IoT, Data management, Factories, Network, Domestic locations, Off-site locations, Homes, Corporate headquarters, Overseas locations, Shared infrastructure development

Work style innovation

The Structure of the ICT Industry and Our Business Fields

With the advent of cloud technology, the ICT industry has split into two sectors: the "application sector," which is focused on the development and maintenance of software applications, and the "infrastructure sector," which concentrates on providing the technological support that enables these applications to run efficiently. Net One Systems is one of the few companies specializing in infrastructure domain technologies and focused on the development of infrastructure for digital societies.

As vendors in the ICT industry, system integrators focus primarily on the application sector, but some comprehensive ICT vendors are active in both the application and infrastructure sectors.

ICT Industry Structure

As an integrator focused on the infrastructure sector, Net One Systems excels in the field of networking.

ICT industry sectors

Application sector (systems operated directly by the user) — Examples: •Core systems •Business systems •HR systems •Accounting systems

Infrastructure sector (generally not directly noticeable to the user) — Examples: •Network •Security •Servers •Storage •Data management •Workflow

Vendor sector

Integrated ICT vendors

System integrators

net one

A Unique Standing Divergent from Other Infrastructure Companies

What sets Net One Systems apart is its ability to independently evaluate and assess world-class network technologies from a neutral perspective.

Employing a strategy centrally supported by this technology, we monitor the latest global tech trends to create comprehensive ICT platform designs tailored to customer requirements while objectively selecting and integrating the best equipment and services to meet these needs and establishing all-encompassing ICT platforms.

Net One Systems' Position

How does Net One Systems differ from product vendors (manufacturers, etc.)?

Vendors develop and manufacture equipment with specific functions. Net One Systems evaluates and integrates equipment from sources throughout the world to provide the functionality required by its customers.

How does Net One Systems differ from telecom carriers?

Telecom carriers primarily provide services for networks that link different geographical areas and institutions. Net One Systems primarily focuses on setting up and maintaining the internal networks of these companies and organizations and incorporates the services of telecom carriers on an as-needed basis.

How does Net One Systems differ from cloud service providers?

Cloud service providers offer applications and infrastructure as services. Net One Systems establishes networks that securely and quickly connect customer systems to the cloud while creating ICT platforms that integrate multiple cloud systems.

net one

We provide cutting-edge, high-quality, and safe ICT platforms to companies and large public institutions representing Japan.
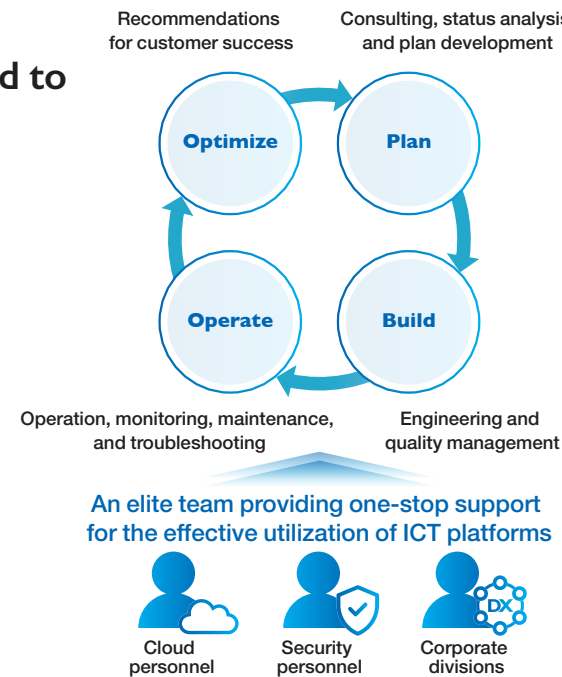
Resources Enabling Value Creation

Enhancing core competencies to create value requires the continuous strengthening of resources such as personnel, expertise, and trust-based relationships maintained with customers and partners.

Accordingly, the Net One Group integrates efforts aimed at strengthening these critical resources into its management strategy as the Group strives to further enhance its corporate value and achieve sustainable growth.

Human Capital

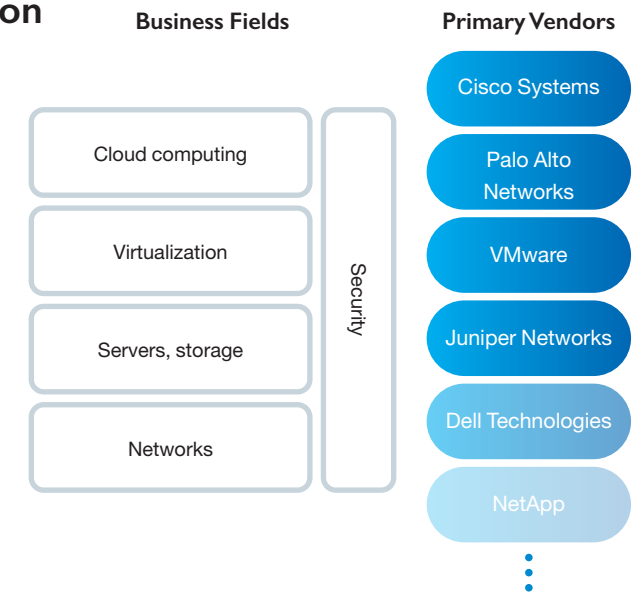### Professional personnel dedicated to providing lifecycle services

The Net One Group is a collective of highly knowledgeable and skilled professionals. Through our technological and consulting capabilities, which extend across a number of categories including cutting-edge networks, we facilitate the effective use and stable operation of ICT systems in the age of cloud computing. By offering one-stop support for all phases of the ICT lifecycle (plan, build, operate, and optimize), we ensure the success of our customers' businesses. Our personnel fully demonstrate their own individual abilities while mutually enhancing their communication skills and pursuing high-quality teamwork. Through these efforts, our personnel provide value to society and contribute to the growth of the Net One Group.

Recommendations for customer success — Consulting, status analysis, and plan development

Optimize — Plan — Operate — Build

Operation, monitoring, maintenance, and troubleshooting — Engineering and quality management

An elite team providing one-stop support for the effective utilization of ICT platforms

Cloud personnel — Security personnel — Corporate divisions

Intellectual Capital

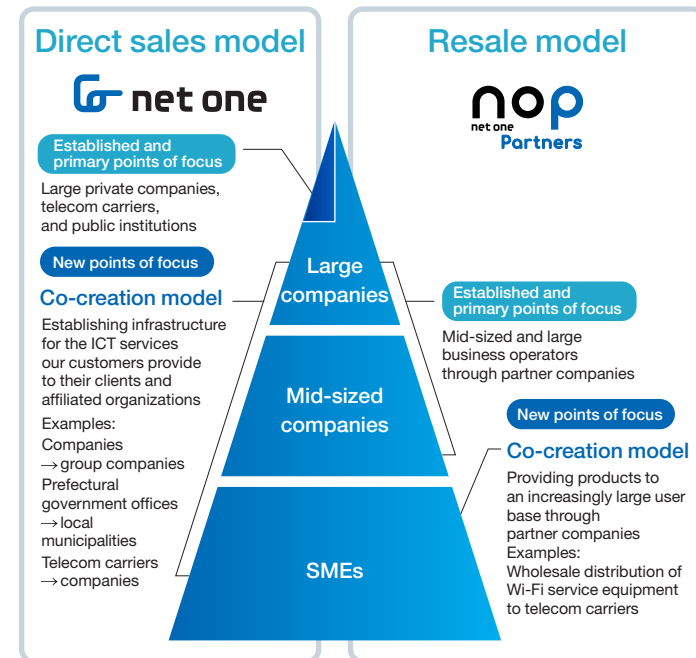### Expertise enabling collaboration with multiple vendors

The Net One Group's activities cover the full spectrum of networking. Aside from our world-class network technology, we have the ability to assess cutting-edge hardware, software, cloud services, AI, and other infrastructure products provided by leading global vendors. By drawing up the complete ICT platform landscapes required for the future business activities of our customers and employing a proprietary approach that allows us to integrate multiple vendors and products, we are able to deliver functionality that no single vendor can provide on its own. We earn customers' trust by providing detailed proposals regarding troubleshooting measures and a wide range of other solutions.

Business Fields

Cloud computing

Virtualization

Servers, storage

Networks

Security

Primary Vendors

Cisco Systems

Palo Alto Networks

VMware

Juniper Networks

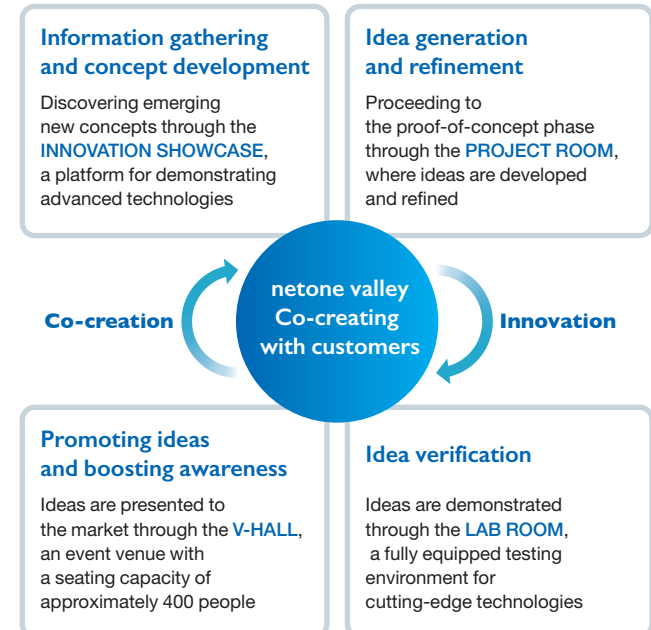Dell Technologies

NetApp

Social Capital

Expanding customer base

The Net One Group's main customers are major private companies and public institutions in Japan, with the top 100 companies by sales accounting for about 80% of its revenue. Our direct sales model encompasses approximately 80% of our sales channels and through this model, we support digital transformation-oriented companies and government agencies by proposing the development of new mechanisms for effective ICT utilization. The remaining 20% of our sales channels fall under a resale model through which we supply ICT services and products to various markets by wholesaling them to our partners via Net One Partners, a consolidated subsidiary. Through this model, we provide partners with the same equipment and technical support we deliver through our direct sales model. As a new approach, we are also developing a co-creation model focused on effective ICT utilization. As we move forward, we will broaden our client base to include SMEs and mid-sized companies, thereby generating earnings stability and growth.

Direct sales model

net one

Established and primary points of focus
Large private companies, telecom carriers, and public institutions

New points of focus

Co-creation model
Establishing infrastructure for the ICT services our customers provide to their clients and affiliated organizations
Examples:
Companies → group companies
Prefectural government offices → local municipalities
Telecom carriers → companies

Large companies — Mid-sized companies — SMEs

Resale model

nop net one Partners

Established and primary points of focus
Mid-sized and large business operators through partner companies

New points of focus

Co-creation model
Providing products to an increasingly large user base through partner companies
Examples:
Wholesale distribution of Wi-Fi service equipment to telecom carriers

Ability to co-create with partners

The Net One Group is independent from any specific manufacturers or capital groups. Accordingly, we are capable of sourcing cutting-edge products from around the world, assembling them into the best possible systems, and providing our customers with optimal services and functionality. At the same time, we have the ability to co-create along with a diverse pool of partners. Facilitating societal digital transformation by fostering co-creation rooted in a design-based philosophy and cutting-edge technology, the Net One Group strives to function as an advisor for the digital age. Meanwhile, using workspaces in our netone valley innovation center as a springboard, we collaborate with customers and vendors to accelerate innovation. Moving forward, we will continue to create new value by developing unprecedented technological combinations and configurations.

Information gathering and concept development
Discovering emerging new concepts through the INNOVATION SHOWCASE, a platform for demonstrating advanced technologies

Idea generation and refinement
Proceeding to the proof-of-concept phase through the PROJECT ROOM, where ideas are developed and refined

Co-creation — netone valley Co-creating with customers — Innovation

Promoting ideas and boosting awareness
Ideas are presented to the market through the V-HALL, an event venue with a seating capacity of approximately 400 people

Idea verification
Ideas are demonstrated through the LAB ROOM, a fully equipped testing environment for cutting-edge technologies

Value Creation Process

While utilizing financial and non-financial capital, we aim to fulfill our Purpose by providing high-quality ICT environments and expanding customer support, thereby creating both economic and societal value.

Note: The figures are for fiscal 2023.

Business Environment

Society
- Declining birthrate and aging population
- Regional disparities
- Decarbonized society
- Sustainability
- Regional revitalization

Market
- Shift from goods to experiences
- The 2025 Digital Cliff
- Innovative progress in ICT

Customers
- Corporate transformation through digitalization
- Accelerated digitalization

INPUTS

Financial and non-financial capital

Human capital
Employee count ···· 2,579
Security personnel
  CISSP holders ········· 30
  Registered information security specialists ···· 60
Cloud personnel
  In front divisions ···· 516
DX personnel
  In corporate divisions 42

Intellectual capital
NET ONE BLOG posts 94
LaaS[*1] technical verification performed ··········· 3,379

*1 Lab as a Service: a testing facility for multi-cloud environments established to facilitate digital transformation

Social capital
INNOVATION SHOWCASE facility usage
··········· 280 companies
Strategic business partners
··········· 115 companies

Financial capital
ROE ········· 18.0%
FCF[*2] ········ ¥19.3 billion

*2 Free cash flow (FCF) = cash flow from operating activities + cash flow from investing activities

Value Creation Activities

Providing cutting-edge and high-quality network infrastructure to the core industries and government sectors of Japan

Professional personnel

Expanding customer base

Four Strengths
Ability to co-create with partners

Collaboration with multiple vendors

Cloud computing
Virtualization
Servers, storage
Networks
Security

Support for all ICT infrastructure-related needs

Three new value-creating service models
- DX strategy consulting services
- Managed services
- In-house cloud services

Systems for Sustained Customer Support
Optimize — Plan — Build — Operate
Consulting — Proposals — Design / installation — Project management — Maintenance — Operation
Lifecycle services

Medium-Term Business Plan (fiscal 2022–2024)   Growth strategy / reinforcement of the business base / social responsibility

OUTPUTS

Client count
1,560 companies
(based on actual order receipts)

Customer satisfaction
83.4%
(overall satisfaction)

Enterprise Business — Bookings ¥55.3 billion
Telecom Carrier Business — Bookings ¥44.5 billion
Public Business — Bookings ¥60.2 billion
Partner Business — Bookings ¥41.2 billion

Economic value

Growth in revenue and income

+

Society
- Investment in digitalization
- Revitalization of industry
- Business transformation
- Administrative streamlining

Value Created

Social value

Development of next generation of talent Improvement in ICT application

+

Society
- Reduction of regional disparities
- Regional revitalization
- Realization of sustainable societies
- Expansion of ICT and available human resources
- Acceleration of the digital economy

Reinvestment targeting   capital enhancement

Material priorities
- Realization of a safe and secure advanced information society
- Thriving professional personnel
- Contribution to a decarbonized society
- Maintaining and enhancing a governance structure for sustainable growth

Purpose Unleash the potential of people and networks, and create   a prosperous future by carrying on / inheriting tradition and making innovation happen
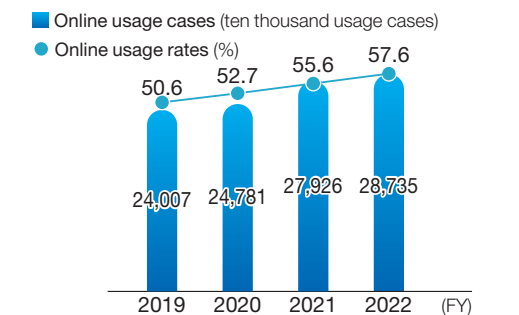
Mission   Vision   Values

WAY (Code of Conduct)   Core guidelines for the judgment and decision-making of all Net One Group employees

Net One's Vision for the Future

Purpose

Unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen

Achieving Society 5.0

Digital Government

The shift to online government services is accelerating; with the power of networking, we develop quick and lean electronic systems for both local and national government agencies.

Online Usage for Administrative Procedures

■ Online usage cases (ten thousand usage cases)
● Online usage rates (%)

	2019	2020	2021	2022 (FY)
Online usage rates (%)	50.6	52.7	55.6	57.6
Online usage cases	24,007	24,781	27,926	28,735

Source: An overview regarding fiscal 2023 municipal DX and information promotion published by the Ministry of Internal Affairs and Communications

Green Transformation

Electricity usage is expected to increase with the proliferation of data centers; The Net One Group facilitates the achievement of a decarbonized society with its green solutions.

Size of the Market for Data Center Services

■ Market size (trillion yen)

→ Projected size

2021	2022 (Estimate)	2023	2024	2025 (Year)
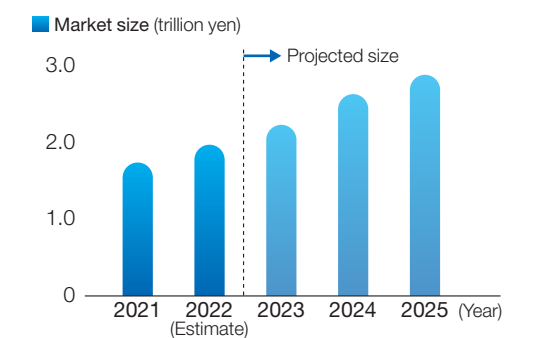
Source: The 2023 White Paper on Information and Communications in Japan published by the Ministry of Internal Affairs and Communications

GIGA School Concept

The application within educational settings of secure, high-speed wireless LANs capable of simultaneously handling connections from multiple devices is expanding. The Net One Group establishes ICT environments that nurture profound learning experiences.

School Internet Infrastructure Development

● Internet connection rate (100Mbps or higher) (%)
● Internet connection rate (1Gbps or higher) (%)

	2019 March	2020 March	2021 March	2022 March	2023 March
100Mbps or higher	70.3	79.2	88.8	96.6	98.0
1Gbps or higher		15.0	40.0	59.8	66.3
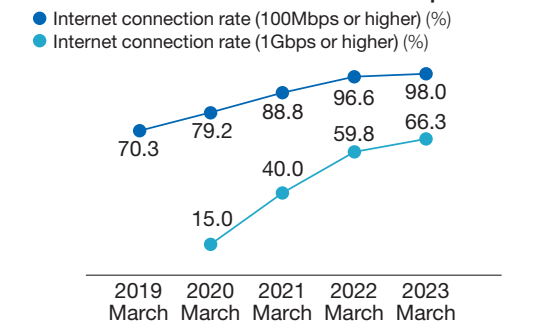
Source: Results of a study regarding the fiscal 2022 state of IT application in school-based education published by the Ministry of Education, Culture, Sports, Science and Technology

Smart Manufacturing

IT investment among manufacturing sites is on the rise. We will address workforce shortage especially that of skilled workers to replace retiring workforce by improving both quality and productivity through digital transformation.

Software Investment within the Manufacturing Industry

■ IT investment amount (billion yen)

2019	2020	2021	2022	2023 (Year)
1,351	1,523	1,431	1,675	1,929
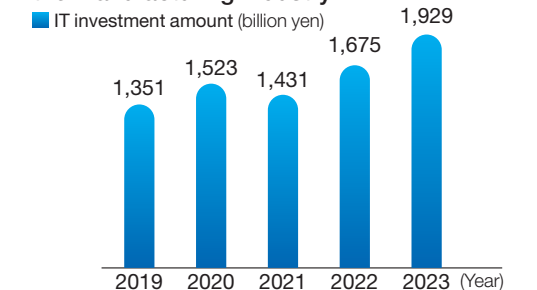
Source: The White Paper on Monodzukuri 2024 published by the Ministry of Economy, Trade and Industry

Value Creation Strategy

About Net One Systems   Value Creation Strategy   Value Creation in Practice   Growth-Supporting Infrastructure   Financial and Corporate Information

Takafumi Takeshita

President & CEO
Net One Systems Co., Ltd.

Photo location: netone valley's VALLEY space

Message from the CEO

We are committed to creating a prosperous future by providing networks of the highest global standard

Aiming to evolve into a market-pioneering enterprise capable of leading the network-based society of tomorrow

Since its establishment in 1988, Net One Systems has specialized in networks as an expert in ICT applications, contributing to society by establishing networks that serve as the foundation for both customer business activities and efforts targeting the resolution of social challenges.

We have consistently focused on networks over the years because we have always been confident their possibilities would continue steadily expanding with the evolution of ICT. At the same time, we consistently refined our technologies to address the needs of the times, thereby establishing the unique position and advantages we now hold.

In 2022, to cast light on these advantages and leverage them for business growth, we introduced our Purpose: "Unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen." In keeping with this Purpose, we put people first because we realize they are the source of our corporate value; new value emerges when people unlock the potential of networks. Our raison d'être is to create a prosperous future by preserving the network traditions we have developed thus far while continuing to pursue technological innovation that evolves with the times.

As we consider the next big step in infrastructure innovation, we are turning our attention toward the "surge in data." The increasing prevalence of generative AI and similar technologies has led to an exponential increase in the amount of data on networks. Moreover, as networks transition from current electrical signals to optical and quantum signals, data volume will increase significantly along with growth in transfer speeds. These shifts will contribute directly to greater power consumption, necessitating energy-saving measures. All these changes will inevitably generate the need for network reconfiguration using new technologies. The Net One Group is determined to lead these reconstruction efforts.

To achieve this objective, we must move away from our conventional needs-based approach and evolve into a "market-pioneering enterprise." I believe that pioneering is all about imagination; in other words, the innovation generated through imagination is pioneering in its true form. Consistently generating innovation of this nature over time requires the interplay of diverse values that transcend all boundaries and barriers.

In May 2023, we opened our innovation center (netone valley) as a forum for the convergence of diverse viewpoints

and the creation of new value. Serving as a hub for generating new innovation, netone valley facilitates meaningful interaction with customers and external partners. Within a year of its opening, over 7,000 customers, partners, vendors, and individuals from different industries and fields have visited netone valley. Through exchanges with this diverse range of visitors, we have sharpened our imaginative skills while co-creating new value. Moving forward, the Net One Group will achieve widespread recognition by further enhancing its unique critical assessment capabilities and execution capabilities in the field of networking. Through these efforts, we will establish a reputation as the go-to company for network solutions.

Addressing critical objectives in pursuit of our medium- to long-term vision while fostering corporate culture reforms

Focusing on the four key themes presented in our Vision as we aim to fulfill our Vision for 2030

To support the achievement of its Purpose, the Net One Group formulated a medium- to long-term vision, "Vision for 2030." Our aspiration is to become a "role model" enterprise that is recognized and highly valued by other companies in a wide variety of respects. Essentially, we aim to continuously evolve, achieving standards of corporate governance, corporate culture reform, business growth, and employee satisfaction to which other companies will aspire.

Working behind the scenes, our business activities facilitate societal progress much in the way a stagehand would facilitate a theatrical performance. This approach is precisely why we must continue to take center stage as a superior company. Guided by this conviction, we are tackling the four themes set forth in our Vision (see page three for more details) as part of our corporate philosophy system.

The first of these themes concerns becoming a leading network company. When determining whether we have become such a company, we must rely on objective evaluations rather than self-assessments. As examples of objective appraisals identifying an organization as a leading company, I would emphasize our inclusion in both the JPX Prime 150 Index and Nikkei 225, receipt of the Corporate Governance of the Year award, and certification as an Outstanding Organization for KENKO (health) Investment in the category of employee satisfaction. The Net One Group is already moving forward with efforts aimed at obtaining these objective evaluations and accreditations.

The second theme centers on creating unique added value. If we continue to confine our technology and expertise

within the Group as we have to date, we will not be able to address the complex and diverse social challenges that will emerge with the progress of digitalization. Accordingly, we recognize the need to share our added value-generating technologies and expertise with other companies and collaborate with them. Through these efforts, we can enhance the convenience of our services or create automation systems for alleviating growing manpower shortages. Additionally, as a corporate group specializing in networking, we believe our role should involve exploring ever more advanced and complex technological fields.

With the third theme, we are concentrating on becoming an **"elite group"** of professionals that continuously achieves self-improvement. The Net One Group employs many talented personnel and retains a considerable number of experts across various technical domains. By emphasizing the power of collective effort, we have focused on strengthening our teamwork, gradually instilling a culture of creating value as a team. Additionally, we recognize the importance of systematizing the knowledge of our experts and transforming it into intellectual property, as we prepare to shift toward a service-oriented business model.

The fourth theme focuses on maintaining an appropriate **profit structure**. Our efforts targeting "no-surprise management," which ensures stable earnings while avoiding excessive susceptibility to market fluctuations, require sophisticated business management cognizant of both the cost of capital and stock prices. To this end, we are pushing forward with a project promoting the "visualization" of various management indicators, and we believe that our ability to accurately understand our current circumstances has been steadily improving. With the aim of ensuring wider and stronger application of no-surprise management, we will commit to improving the projections we make based on our understanding and analysis of current circumstances.

Fostering five corporate culture practices driven by independent thinking and action capable of facilitating proactive management

As an indicator of our progress toward the objectives in our medium- to long-term vision, we aim to ensure the widespread application of five specific corporate culture practices by the end of our Medium-Term Business Plan.

Of these five cultural practices, I feel we have quite successfully inculcated the importance of **"creating value as a team."** In the past, we occasionally observed a tendency to dismiss divergent viewpoints or ideas, but now we see extensive respect for diverse values and a widespread awareness that teamwork is meaningful precisely because of these different perspectives. I am also proud of the progress we have achieved in terms of **"showing mutual support."**

Meanwhile, we need to further address the cultural practices of **"relishing challenges," "maintaining purpose-driven attitudes,"** and **"confronting risks."** Within the Company, I still seem to observe a substantial number of instances in which employees lack a purpose-driven mindset and therefore fail to face risks or take on challenges. Granted, the Net One Group has established a variety of rule-based

systems in response to past incidents of misconduct[*1]. However, to fulfill our Vision for 2030, we need to adopt a principle-based system under which each and every employee thinks and acts independently in accordance with a rule-based framework.

I believe the Net One Group must instill these five cultural practices as it shifts toward proactive management and aims to evolve into a market-pioneering enterprise. Moving forward, we will continue striving to establish a corporate culture that encourages employees to think and act on their own initiative.

*1 Progress of measures aimed at preventing recurrence of misconduct
https://www.netone.co.jp/company/responsibility/ (Japanese Only)
We have released updates regarding the progress of measures taken in response to transactions without actual deliveries (announced in fiscal 2019) and suspicions of fund misappropriation and unauthorized cost reallocation (announced in fiscal 2020).

Enhancing governance and human capital management to establish a sustainable corporate foundation

Chief executive system and human capital management in full swing to further strengthen executive capabilities

To bolster our governance, we appointed chief executives in fiscal 2022 (see page 65 for details). Our Board of Directors, which represents the views of our shareholders, has established a strategic path forward for the Net One Group. In accordance with this strategic path, our chief executives formulate strategies for their respective areas of responsibility based on company-wide perspectives. Our vice presidents then ensure the effective implementation of these strategies. This system clarifies the responsibilities of each individual involved, allowing for the methodical execution of company-wide strategies.

When we fully launched the chief executive system in fiscal 2023, we went through a trial-and-error process to determine how to properly facilitate company-wide leadership under this system. We generated a variety of positive results through this process. For example, in terms of finance, our chief financial officer (CFO) has spearheaded the development of concepts and management methods geared toward no-surprise management. Meanwhile, with regard to human capital, our chief human resources officer (CHRO) led efforts aimed at revamping our personnel systems while establishing a human capital portfolio for 2030. These achievements have enabled company-wide discussions regarding the personnel required to execute future initiatives.

I believe effective human capital management enables all employees throughout the Company to fully leverage their diverse abilities. In other words, management is responsible for creating an environment in which employees can completely apply their personal attributes and skills, thereby generating an advantageous and self-perpetuating cycle that generates growth for the Net One Group through the achievements of its personnel.

To ensure our employees can fully demonstrate their abilities, we absolutely must foster the five cultural practices I mentioned previously. Once this foundation is in place,

the Net One Group will assuredly grow while expanding its corporate value. At the same time, profits generated through our human capital management will be proactively returned to our employees and other stakeholders. By clearly defining the return of profits secured through the application of individual employee attributes and skills as a company policy, we will raise the motivation of our personnel while simultaneously improving the transparency and openness of our management.

As a method for measuring the effectiveness of our human capital management, the rest of the management team and I heavily rely on the results of our corporate culture monitoring surveys. We have not observed significant growth in survey scores measuring "workload optimization" or "trust in management," and I believe these two scores are connected. When optimizing workloads, managers need to fulfill their role as supervisors by proactively designing appropriate work processes. However, we recognize deficiencies in our process design itself and in the communication required to design it. Furthermore, we conclude that "trust in management" scores have not risen because the management team as a whole has thus far failed to act in the manner most employees expect. We will address these issues earnestly moving forward as we aim to create better working environments.

Examining recurrence prevention-based management skills training as a means of achieving sustainable growth

Finally, in response to previous instances of misconduct, we are continuing to strengthen our recurrence-prevention efforts. Reflecting on the three years that have passed since I became president of Net One Systems, I am pleased to see we have achieved solid progress and established a strong foundation in this regard. At the same time, to establish even stronger recurrence-prevention systems, we will need to implement corporate culture reforms that include the development of a principle-based approach toward

decision-making. Ensuring the successful realization of this approach will require all employees to be capable of making appropriate decisions while adhering to a rule-based framework. Accordingly, we are exploring the possibility of providing management skills training to all employees in the future with the aim of enhancing their viewpoints and broadening their perspectives.

Adopting a proactive management approach to put the Net One Group on a growth trajectory and achieve sustainable corporate value enhancement

The Net One Group has continuously undertaken initiatives targeting corporate culture reform and governance enhancement. I am confident we are becoming more experienced in terms of both internal management and responding to external environmental factors.

Although we plan to maintain our current defensive measures, from fiscal 2024, we will also adopt a more proactive approach to place the Net One Group on a solid growth trajectory and enable it to contribute to the resolution of an even greater number of social challenges. At the same time, we intend to further improve transparency by disclosing long-term objectives to shareholders and stakeholders while also appropriately providing updates regarding the progress and results we generate en route toward achieving these objectives.

While continuing to focus on ensuring transparent management, the Net One Group will proactively leverage its strong technical capabilities and unique market position to achieve sustainable growth in corporate value. We hope all our stakeholders will continue having high expectations for the prosperous future envisioned by the Net One Group, and I would like to express my personal gratitude in advance for their ongoing support moving forward.

Dialogue between the CEO and Chairperson of the Board of Directors

Jump-starting discussion among members of our Board of Directors to facilitate our shift toward proactive management

Enhancing discussions through the adoption of diverse perspectives and strengthening monitoring through "visualization"

Ito: Having served as an outside executive director for three years and chairperson of the Board of Directors for two, I feel that Net One Systems' Board of Directors has become better able to engage in discussions focused on establishing proactive management. Discussions regarding our Medium-Term Business Plan were a highlight of the Board's meetings for fiscal 2023. Initially, the Board's outside executive directors discussed their goals and expectations among themselves before sharing the details of these discussions with the other executive directors. This process ensured that the views of outside executive directors were properly reflected through Net One Systems' Medium-Term Business Plan.

Takeshita: I am aware that the Company's outside executive directors have experiences and diverse perspectives that differ from ours. A prime example of how these differences are beneficial was their suggestion indicating the Company should define its strategies for success more clearly. Through our discussions in formulating the Medium-Term Business Plan, we were able to examine these strategies, determine market growth potential, and identify the bases and strengths of our business activities from a variety of perspectives. Through these efforts, I believe we succeeded in formulating a highly effective Medium-Term Business Plan.

Ito: Our Board of Directors maintains a culture that allows outside executive directors to freely express their opinions. This culture has enabled very meaningful discussions held from angles such as "the ideal formulation of our Medium-Term Business Plan" and "actions we should take to strengthen the Group's footing." I am confident this is how Net One Systems' Board of Directors should operate. Even after the Medium-Term Business Plan was formulated, several outside executive directors requested additional materials that would enable them to see the progress and evolution of all operations. Moving forward, I would like to have discussions regarding how and when these materials should be provided.

Takeshita: As you mentioned, for the Net One Group to achieve progress through proactive management, it will need to take risks as appropriate and doing so will require the "visualization" of management indicators. Accordingly, we are working to ensure the smooth delivery of materials to outside executive directors while introducing an "integrated monitoring framework" through which key management indicators and the progression of business results versus targets are displayed using a heat-map format. The creation of this framework will strengthen the monitoring capabilities of the Board of Directors and enable it to provide explanations to shareholders and other stakeholders more promptly and in greater detail. Furthermore, our adoption of a system allowing outside executive directors to set the agenda for board meetings has also helped enhance the Board's monitoring capabilities.

Ito: As outside executive directors, we can set the Board's agenda after discussing key monitoring points and other issues in advance, which provides a sense of security. This approach enables us to establish agendas through which we can present proactive requests, receive suggestions from executive directors responsible for business execution, and discuss these topics collectively. I believe these attributes are what constitutes a dynamic and action-oriented Board of Directors.

Selecting a new independent outside executive director to strengthen our business base while also focusing on developing our next generation of leaders

Ito: Another important topic of discussion for fiscal 2023 was the selection of a new independent outside executive director, and we ultimately chose Ms. Yuka Uehara as the candidate. Initially, the Nomination Advisory Committee discussed which skills and qualities are necessary for our executive directors. Subsequently, the committee made recommendations to the Board of Directors, pointing out its predominantly male composition and the lack of financial expertise among members of the Board of Directors. Additionally, the committee recommended the Board of Directors include a member with an international background.

Takeshita: During the selection process, we responded to requests from shareholders and investors by focusing on finance and investor perspectives. We were confident bringing in an executive director who excels in these areas would help strengthen our business base, which is a priority for the Company. Additionally, we concluded an executive director with these attributes would improve the Board's capacity to drive operational execution. Furthermore, the selection process included interviews with Ms. Ito and other members of the Nomination Advisory Committee, and I think these discussions had a significant positive impact as well.

Ito: Yes, we held discussions with the candidates to confirm their backgrounds and identify what they would like to achieve at the Company. Following these interviews, we examined and assessed the candidates during meetings of the Board of Directors and decided that Ms. Uehara was the best fit. Through this process, we also concluded that succession planning will be an important topic moving forward.

Takeshita: I share the same view. When developing our next-generation leaders, we shortlist candidates based on specific criteria and conduct interviews between these candidates and external experts and outside executive directors who are primarily members of the Nomination Advisory Committee. We also assign mentors to these candidates and guide their development using a succession chart. Although criteria for candidate selection vary depending on each position, we generally emphasize mental toughness, receptiveness, and willingness to learn. What points do you personally prioritize, Ms. Ito?

Ito: I believe in the importance of having the resolve and sense of responsibility to stand at the helm of the Company. From observing you closely, I feel that you truly love the Net One Group and its employees, constantly thinking about the Company both day and night. I want the Company's next leaders to approach their roles with that same level of dedication.

Takeshita: Through ongoing corporate culture reforms, we are developing personnel capable of taking on challenges while facing risks. Once Net One Group employees understand a concept, they grow incredibly fast. I expect this trait will be advantageous when we are nurturing our next generation of leaders. Through future discussions covering a variety of topics, I look forward to gaining further insight that can be used to facilitate further growth moving forward.

Takafumi Takeshita
President & CEO

Maya Ito
Independent outside executive director
Chairperson of the Board of Directors
Attorney at law

Photo location: netone valley's V-HALL

Message from the COO

We will steadily push forward with our shift toward services while strengthening co-creation with customers and partners

Takuya Tanaka

Executive director
Vice president
Chief operating officer (COO)

Photo location: netone valley's PARK space

Utilizing our refined integration capabilities to establish ICT platforms capable of facilitating response to environmental changes

Due to the increasing severity of Japan's declining birthrate, aging population, and labor shortages, networks and other information and communications technologies (ICT) are becoming an essential part of social infrastructure. In a society that relies on ICT, the importance of cybersecurity measures is also growing, and awareness of these issues is rising throughout society.

We believe that the decisive factor driving this trend in Japan was the spread of COVID-19, which changed the lifestyles of many people and accelerated work style innovation, such as the use of web conferencing and remote working. Adopting a global perspective, fully automated (level 4) driving has already become a commercial product within the United States, allowing professionals to eat, participate in online conferences, or otherwise effectively utilize their time while commuting, even if they are stuck in traffic. As regulations are relaxed, organizations are implementing advanced ICT-based services on a scale extending far beyond what is observable in Japan.

I view Japan's situation, which remains limited to adopting ICT practices from Silicon Valley, with a sense of alarm. However, due precisely to these circumstances, I believe the Net One Group's unique network-focused integration capabilities and critical assessment capabilities will become a major force in the Japanese market. In fact, customer demand surrounding networks and security has surged, and the Net One Group has established itself as a

trusted business partner. I sense many companies appreciate and value the wealth of expertise and practical experience the Net One Group has accumulated over the years.

Changes occurring among ICT vendors and partners are also contributing to the growth of our business. As ICT vendors consolidate and increasingly shift toward software, cloud, and subscription-based offerings, the advantages of the Net One Group's integration capabilities are becoming ever more apparent. At the same time, software and cloud services require hardware to be viable, so the integration of hardware and software remains crucial. The Net One Group's key differentiators include its multi-vendor integration capabilities and the technical support provided by its engineers, and these attributes constitute significant growth opportunities for the Company. Major manufacturer-affiliated system integrators are shifting toward service development through digital transformation and the application of AI, as well as toward consulting services facilitating the use of ICT in business. Given this context, we recognize the growing advantage represented by the Net One Group's ability to establish comprehensive ICT system designs by integrating infrastructure and services.

Steady progress in the three focus areas of our Medium-Term Business Plan and our shift toward services

The Net One Group has observed steady growth in social challenge-solving solutions within the three focus areas of the growth strategy in its Medium-Term Business Plan: smart manufacturing, digitalization of social infrastructure to realize Society 5.0, and digital government. Initially, we planned

to focus on initiatives related to these three focus areas while maintaining and developing relationships with existing customers. However, as these efforts have progressed, they have developed into a business unto themselves and continue to grow steadily.

The Net One Group is also generating steady progress through its shift toward services, another major cornerstone of its business strategy. In fiscal 2023, services generated 51.5% of our bookings and 49.1% of our revenue, with the latter figure falling slightly short of our 50% target. However, revenue secured through services is rising steadily relative to overall revenue growth. We have achieved particularly significant progress, in terms of our shift toward services, through the Public business.

Despite this progress, we are also beginning to identify issues we will need to address in the future. For example, when the customer's system includes equipment configurations designed by other companies, providing comprehensive support becomes difficult. Furthermore, preliminary assessments require considerable effort in these cases, which narrows our service recommendation options. Adopting a diverse range of perspectives, we are currently looking into how to provide services under such circumstances.

As we look ahead to future progress in our shift toward services and the path toward digital transformation, we are also reemphasizing the importance of hardware. We view the security landscape associated with the Internet of Things (IoT), which connects a wide range of devices through networks, as rife with opportunities for creating new businesses in the markets for major manufacturing industries and social infrastructure development. Additionally, in regions abroad where cloud usage is more prevalent, we are beginning to see a shift from hybrid environments, which combine cloud and on-premises systems, back to exclusively on-premises systems. The Net One Group is confident its ability to select and provide services that offer long-term value to customers in terms of both hardware and software will be a source of strength in the future.

Driving customer-facing initiatives through strategic organizational reforms

In April 2024, Net One Systems undertook organizational reforms that transferred previously centralized technical, strategic, and governance support functions to individual business divisions. By allocating these functions to individual business divisions, which typically have closer interactions with customers, we have enabled these divisions to handle entire processes—ranging from identifying customer issues to strategy formulation, sales activities, technical proposals, and corresponding verification. With our new organizational structure, we will pursue even more strategic and responsive customer-facing operations.

In anticipation of our next organizational reforms, we have inventoried the skills of our approximately 1,600 talented engineers, analyzing and cataloging each employee's technical specialties and competencies.

These reforms established an environment that has allowed the Net One Group to evolve into an organization capable of generating more comprehensive sales activities and recommendations. Accordingly, during the system design stage, engineers with knowledge of the customer's industry and business, as well as strong design skills, can participate in sales activities, enabling us to offer proposals that are closely aligned with the customer's needs. In the operational phase, our engineers can analyze prevailing circumstances to identify issues while cooperating with account managers to propose further improvements. We expect engineers who participate in sales activities to play a role in developing these value-enhancing proposals. In fiscal 2024, we plan to continue expanding our team of employees who interact with customers, thereby further enhancing our customer-facing initiatives.

Creating new core businesses through co-creation involving customers and partners

As we focus on expanding the growth of the Net One Group and ensuring a prosperous future, I recognize the key challenges we need to address are "targeting profit expansion" and "addressing staffing shortages."

At the outset, in terms of "targeting profit expansion," we will rigorously utilize our operations management systems to ensure we can generate revenue expansion while maintaining appropriate profit levels.

Next, with regard to "addressing staffing shortages," we recognize the crucial first step of optimizing operational efficiency. By taking stock of current operations, we have identified many processes that can be entrusted to AI. Moving forward, we will ensure our efforts targeting improved operational efficiency include further application of AI technologies. Additionally, we aim to establish a diverse range of co-creation businesses by leveraging our strong business foundation beyond the confines of our Group and utilizing netone valley. We are already working with several companies to create new businesses and plan to continue actively engaging in co-creation while maintaining a fresh and open-minded perspective. Furthermore, by pursuing collaboration with partners from the initial phase of customer engagement, we will facilitate the discovery and creation of new needs and opportunities.

Through these initiatives, I hope to create a new core business for the Company over the three years of its next Medium-Term Business Plan. At the same time, I will ensure I fulfill my duties as COO by appropriately evaluating and executing strategic partnerships and M&A deals.

I would like to humbly request the continued support and confidence of all our stakeholders as the Net One Group targets further growth moving forward.
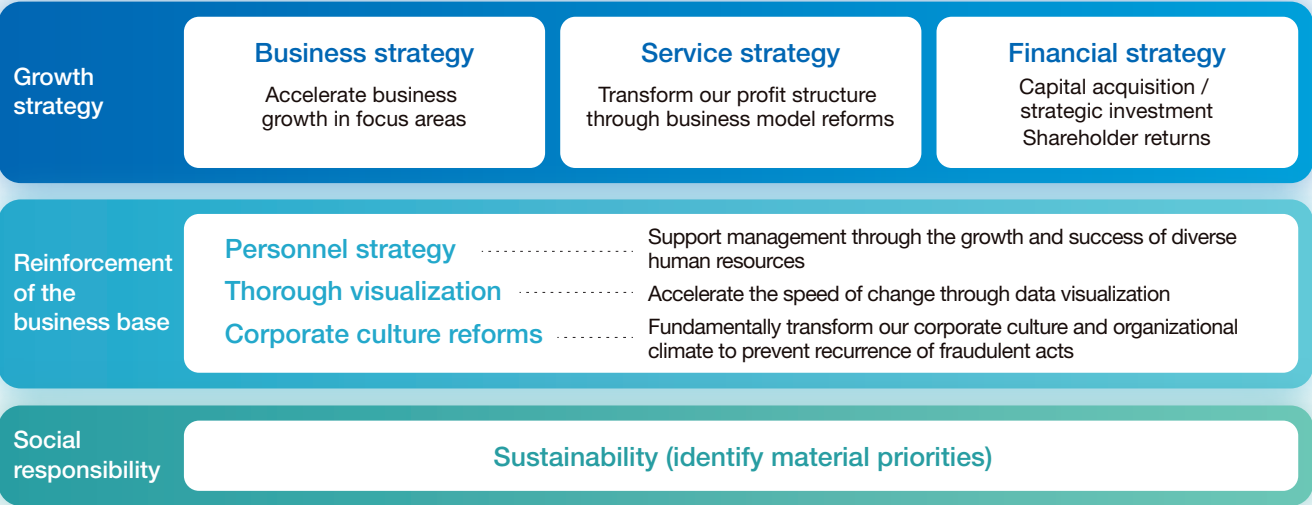
Progress of Medium-Term Business Plan (Fiscal 2022–2024)

Basic Management Policy

Under our new corporate philosophy system (see page 3 for details), we will implement growth strategies and reinforce our business base as we aim to further enhance our corporate value and achieve sustainable growth. In addition, we will fulfill our social responsibility by promoting sustainability management.

Overview of Medium-Term Business Plan

We aim to implement growth strategies and reinforce our supporting business base in alignment with our new corporate philosophy system (Purpose, Mission, Vision, and Values)

Growth strategy	Business strategy	Service strategy	Financial strategy
	Accelerate business growth in focus areas	Transform our profit structure through business model reforms	Capital acquisition / strategic investment Shareholder returns

Reinforcement of the business base

- Personnel strategy ········· Support management through the growth and success of diverse human resources
- Thorough visualization ········· Accelerate the speed of change through data visualization
- Corporate culture reforms ········· Fundamentally transform our corporate culture and organizational climate to prevent recurrence of fraudulent acts

Social responsibility — Sustainability (identify material priorities)

Management Indicators and Corresponding Progress

In October 2023, we lowered our financial projections for fiscal 2023 due to stagnation in order bookings and slow improvement in profitability[1]. Despite growth in key focus areas within our growth strategy, we continued to observe issues related to order intake and service profitability. In May 2024, we revised our forecast fiscal 2024, the final year of our Medium-Term Business Plan, based on bookings reported for fiscal 2023.

[1] Revised forecast for FY2023: Revenue of ¥201,000 million, operating income of ¥16,500 million, and operating margin of 8.2%

Projections and Results

	FY2021 result	FY2022 forecast	FY2022 result	FY2023 forecast	FY2023 result	FY2024 forecast (revised)
Operating margin	8.9%	10.5%	9.8%	11.2%	**9.5%**	9.5%
Revenue (million)	¥188,520	¥210,000	¥209,680	¥220,000	**¥205,127**	¥220,000
Service ratio	44.5%	47.6%	45.2%	50.0%	**49.1%**	50.0%
ROE	15.8%	19.2%	20.1%	19.5%	**18.0%**	20.0%

Growth strategy

Accelerating management to enhance our problem-solving solutions and improve capital efficiency and profitability   P.23, 27

In terms of our business strategy, we have achieved solid growth through three key focus areas associated with response to social challenges amidst expanding demand for security enhancement and the adoption of cloud-based technologies due to advances in ICT utilization. With regard to our service strategy, we continuously strengthened our competitiveness by promoting three priority services that generate new value and building co-creation relationships through the establishment of recurring-revenue businesses. Concerning our financial strategy, we pursued an optimal capital structure that prioritizes appropriate cost of capital in accordance with our capital allocation policy. Furthermore, we established processes for making investment decisions and carrying out investment aimed at enhancing profitability while concluding a committed credit line agreement to ensure dynamic and stable procurement of working capital.

Reinforcement of the business base

Personnel strategy

Targeting human capital management focused on developing and mobilizing human resources capable of thinking and acting independently   P.53

Under our Personnel Management Policy, we introduced a new personnel system to build a framework that facilitates adaptation to changes in business operations and work styles, ensures market competitiveness, and encourages the long-term growth and development of our employees. Additionally, we enhanced our training of "security personnel" and "cloud personnel" to accelerate our shift toward a service-based business model while strengthening our cultivation of "DX (digital transformation) personnel" to improve the capabilities of our corporate divisions.

Thorough visualization

Building information infrastructure for data visualization and analysis geared toward management reform   P.45

We effectively captured timely data and information regarding business conditions and management issues, managed key indicators necessary for improving the momentum behind our management strategy, and conducted periodic monitoring of improvement proposals and their effects. Additionally, we pushed forward with activities aimed at refining management and business administration through unified management of information, increasing operational efficiency through company-wide projects, and enhancing profitability management through integrated monitoring.

Corporate culture reforms

Targeting further corporate culture reform and improved implementation and application of recurrence prevention measures   P.21

To prevent further incidents of fraudulent acts, we continued to implement company-wide initiatives and improvement measures in accordance with guidance from the Governance and Corporate Culture Advisory Committee. With the aim of strengthening governance, we held discussions regarding growth strategies, reviewed and revised optimal roles and skills required for our Board of Directors, and carried out our first-ever third-party effectiveness assessment. Additionally, we facilitated dialogue between management and employees to foster understanding of our philosophy and conducted corporate culture monitoring survey.

Social responsibility

Promoting sustainability management aimed at achieving KPIs associated with material priorities   P.49

Based on the Sustainability Policy we formulated in fiscal 2021, we have identified four material priorities as essential for sustainable growth. Thanks to the efforts we undertook in connection with these priorities, our MSCI ESG Rating improved from A back to AA in August 2023.

Message from the CFO

We are committed to achieving improved profitability and efficiency through strategic investment

Masayuki Kitajima

Vice president
Chief financial officer (CFO)

Photo location: netone valley's NORTH OFFICE

Thorough performance management to ensure the achievement of profit targets

Since I became CFO in April 2023, we have been advancing various measures based on the financial strategy of our Medium-Term Business Plan. Among these measures, we are concentrating on business opportunities generated through the rapidly spreading prevalence of AI. For example, we anticipate the expanded application of AI technologies will lead to both growth in data loads and an increase in demand for enhanced network infrastructure, and we view these developments as major business opportunities. Furthermore, we expect AI will significantly reduce operational costs. At the same time, the shortage of ICT experts throughout Japan poses a business risk. As it increasingly books orders in association with large projects and as projects become more complex in general, the Net One Group has also experienced a growing shortage of personnel capable of handling work on the ground. In response, we are recruiting new personnel while also focusing on reducing labor requirements through the standardization and automation of operational processes.

In fiscal 2023, we responded to downward financial forecast revisions by implementing thorough performance management measures. These downward revisions were applied to reflect a decline in service profitability caused by delays in adjusting selling prices to cover rising costs. Having reflected upon these circumstances, we completely reexamined and fundamentally improved an exhaustive range of processes extending from performance forecasting to progress management.

When formulating our performance forecast, we drew on previous data to evaluate the feasibility of our targets and

executed a more in-depth evaluation of our order backlog with the specific goal of ensuring the accuracy of calculations and projections related to gross profit margins. Additionally, in terms of progress management, our corporate planning division meticulously reviewed the monthly revenues and operating incomes of all individual divisions, and we have also implemented procedures for managing price optimization and changes in additional costs—which are key to achieving our targets—on a monthly basis and for ensuring swift and immediate corrective action when issues are identified.

First and foremost, I aim to ensure the achievement of all established targets in the fiscal 2024 performance plan we formulated through these efforts. Moving forward, I will continue taking decisive steps toward fulfilling this plan while ensuring appropriate progress management throughout its term.

Steady progress achieved in association with all three pillars of our Medium-Term Business Plan's financial strategy

The financial strategy of our Medium-Term Business Plan includes three pillars. In terms of the first pillar, "strengthening profitability through strategic investment," we are generating steady progress through efficiency-enhancing investment aimed at accelerating our shift toward services. From fiscal 2024, we will also prioritize investment in generative AI and develop our own large language model (LLM) to support the production of design documents while aiming to improve operational efficiency, reduce costs, and increase profitability. Meanwhile, we recognize that investment in M&A and other business activities will be an essential point of focus moving forward. However, finding M&A deals through which we can

achieve our internal rate of return (IRR) target of over 20% will not be easy. At the same time, we believe a consistent increase in human capital investment will be necessary each year. To cover these additional expenditures, we will aim to improve profitability by fostering service standardization and automation through efficiency-enhancing investment in projects such as the development of our own original generative AI technology and the overhaul of our business systems.

We are also achieving steady progress through efforts associated with the strategy's second pillar, "pursuing an optimal capital structure." Our equity ratio rose from 42.3% as of March 31, 2022 to 46.5% as of March 31, 2024. Regarding financing, in preparation for orders we expect to book in connection with large projects moving forward, we finalized a ¥15 billion syndicated commitment line agreement in March 2024. The Net One Group has faced substantial funding requirements due to prolonged product procurement times caused by the 2021 global semiconductor shortage. Since similar situations could occur in the future, we believe securing stable financing through this commitment line agreement was a significant achievement.

As for the strategy's third pillar, "proactive delivery of shareholder returns," we have at present raised our dividends for six consecutive fiscal years. Effective from fiscal 2024, we have introduced a policy of progressively increasing dividends in principle while maintaining our existing consolidated dividend payout ratio target of 40%. This policy further clarifies our commitment to prioritizing dividends, which we believe enhances the sense of security for those investing in Net One Systems. If we come to expect a long-term downturn in performance due to changes in market conditions, we may consider revising our dividend projections. However, temporary declines in performance will not lead to changes in these projections.

Targeting an appropriate market valuation through a logic tree-based approach to improving corporate value

In the May 2024 release titled "Notice regarding measures aimed at realizing management conscious of cost of

capital and stock prices", we highlighted equity spread and PBR as key financial indicators. This announcement also covered tactics and measures targeting the achievement of management indicators by leveraging a logic tree-based approach to improving corporate value.

Our cost of capital is 6–7%, and as of end-fiscal 2023, our ROE was 18%. Accordingly, our equity spread is currently 11–12%. These levels are favorable compared to the averages among information and communications industry companies listed on the Tokyo Stock Exchange's Prime Market. However, we also recognize a gap between our perceived cost of equity and what our investors expect as returns on their investment.
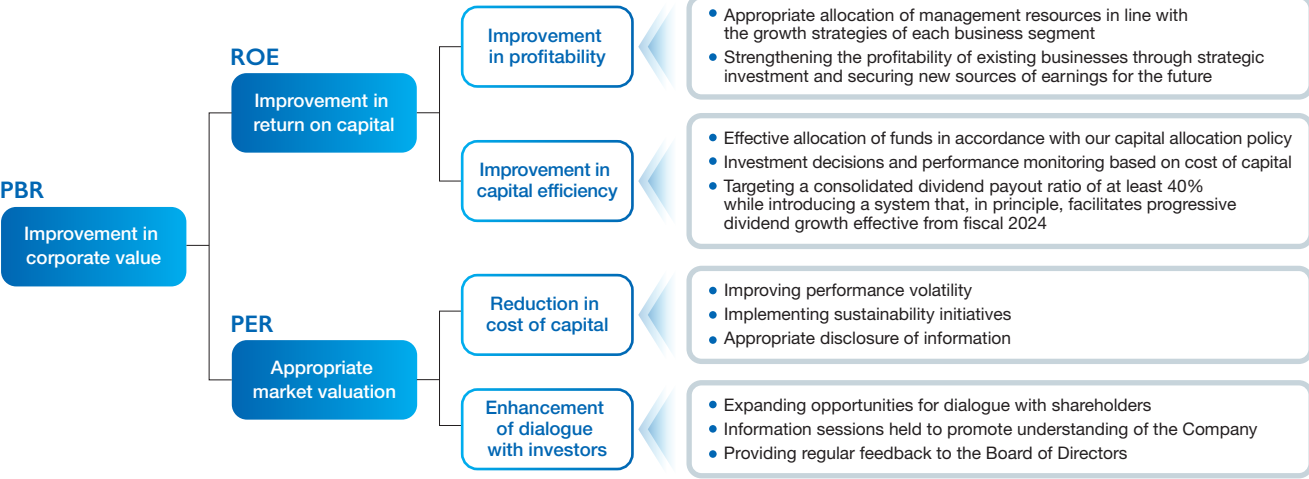
Our PBR, which is positioned at the top of our logic tree, is currently low when compared to those of industry peers and in comparison with our historical peak PBR, which was four times higher. This situation is the result of a significant adjustment in our stock price in response to concerns about our growth potential and a lack of confidence in our performance management, which were triggered in part by downward revisions applied to our financial forecast for fiscal 2023.

Raising these financial indicators will require improvement in return on capital. To generate this needed improvement, we will aim to restore our order acquisition capabilities by strengthening customer-facing activities and ensuring the achievement of our targets for bookings. Additionally, we will raise the profitability of our service business by reducing costs through standardization and automation and enforcing proper pricing.

At the same time, we will target an appropriate market valuation by refining performance management to eliminate negative surprises in the capital market and reduce our cost of capital by controlling performance volatility. Furthermore, we will increase opportunities for dialogue with investors and enhance market engagement by holding briefings to explain our business activities and strategies. We believe that steadily demonstrating our achievements through these efforts will lead to an appropriate market valuation for Net One Systems.
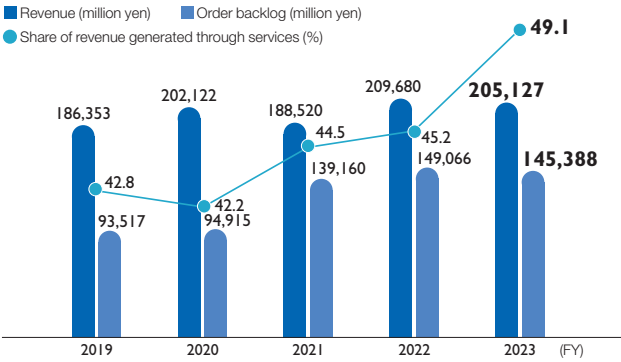
With many large projects in our pipeline, we will do our utmost to achieve our targets for bookings, enhance the reliability of our performance management, and steer the Net One Group back onto a growth trajectory based on strong profitability.

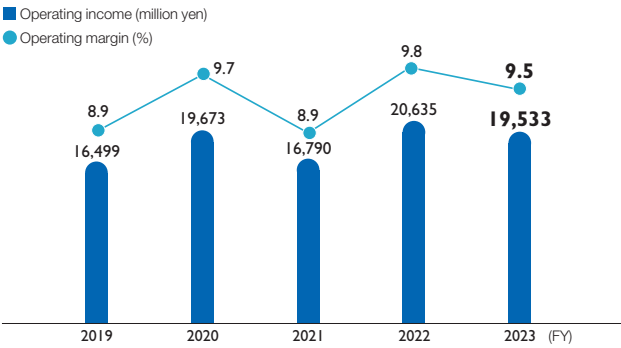### Logic tree for improvement in corporate value

PBR
Improvement in corporate value

ROE
Improvement in return on capital

- **Improvement in profitability**
  - Appropriate allocation of management resources in line with the growth strategies of each business segment
  - Strengthening the profitability of existing businesses through strategic investment and securing new sources of earnings for the future

- **Improvement in capital efficiency**
  - Effective allocation of funds in accordance with our capital allocation policy
  - Investment decisions and performance monitoring based on cost of capital
  - Targeting a consolidated dividend payout ratio of at least 40% while introducing a system that, in principle, facilitates progressive dividend growth effective from fiscal 2024

PER
Appropriate market valuation

- **Reduction in cost of capital**
  - Improving performance volatility
  - Implementing sustainability initiatives
  - Appropriate disclosure of information

- **Enhancement of dialogue with investors**
  - Expanding opportunities for dialogue with shareholders
  - Information sessions held to promote understanding of the Company
  - Providing regular feedback to the Board of Directors

Financial Highlights

Note: Effective from fiscal 2022, we have begun recording a portion of labor costs and other expenses incurred through our engineering division (responsible for the rendering of services) as costs of revenue. These same labor costs and other expenses were previously booked as SG&A expenses.

Revenue / Order backlog

■ Revenue (million yen)　■ Order backlog (million yen)
● Share of revenue generated through services (%)

Revenue varies depending on annual bookings but has recently hovered around ¥200 billion due to ongoing demand surrounding investment in digitalization. The Group's order backlog has remained high due to an accumulation of orders for services such as subscription-based services (primarily associated with multi-year contracts or large projects).

Gross profit / Gross profit margin

■ Gross profit (million yen)
● Gross profit margin (%)

The Group continued to face challenges including additional costs incurred through prolonged product delivery times caused by semiconductor shortages that emerged in fiscal 2021 and delays impacting service price adjustments made to reflect cost growth. However, profitability has been rising thanks to the success of various countermeasures.
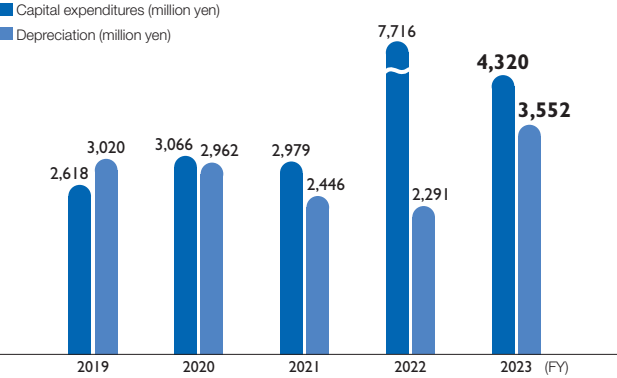
*1 If applying the Group's previous accounting policies, the gross profit margin for fiscal 2022 would be 26.2%.

Operating income / Operating margin

■ Operating income (million yen)
● Operating margin (%)

Operating income has been trending from ¥16–20 billion due to revenue fluctuations resulting from prolonged product delivery times. The Group's SGA ratio has varied along with personnel and office expenses, but its operating margin has remained in the high 8% to 9% range thanks to its gross profit margin, which has held steady at 24–27%.

Net income attributable to owners of the parent
Return on Equity

● Net income attributable to owners of the parent (million yen)
● ROE (%)
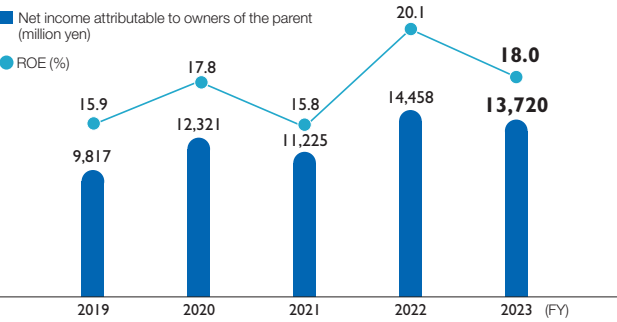
Net income attributable to owners of the parent temporarily declined due to a revenue downturn caused by prolonged product delivery times but subsequently increased thanks to improved profitability. Similarly, return on equity (ROE) dropped in fiscal 2021 but has remained between 15% and 20% since fiscal 2019.

Dividend per share
Consolidated dividend payout ratio

● Dividend per share (yen)
● Consolidated dividend payout ratio (%)

In addition to the capital allocation policy formulated in fiscal 2023, we introduced a general policy of issuing progressive dividends effective from fiscal 2024. In fiscal 2020, we raised our consolidated dividend payout ratio target from at least 30% to 40%. Furthermore, we have achieved six consecutive years of dividend growth dating back to fiscal 2018.

Capital expenditures / Depreciation

■ Capital expenditures (million yen)
■ Depreciation (million yen)

Our capital investment primarily targets the development of new products, the enhancement of evaluative systems, and the strengthening of our framework for customer support. Recently, capital expenditures have risen due to internal digital transformation initiatives and the acquisition of equipment for an office we opened in 2023. Depreciation has increased due to the acquisition of office-related equipment in fiscal 2022.

Non-financial Highlights

Consolidated employee count[*2] and employee engagement

■ Male　■ Female
● Percentage of respondents who indicated positive employee engagement (%)
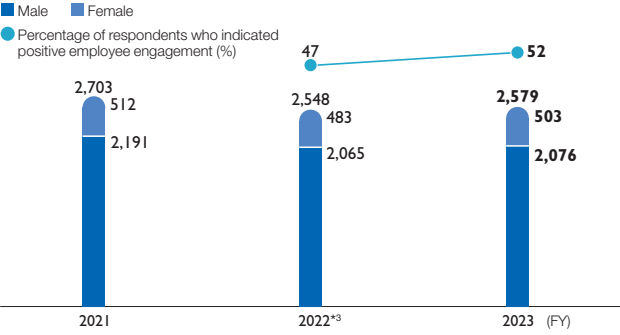
We have introduced a new personnel system while pushing forward with talent development and the creation of environments where our personnel can thrive. These efforts have generated growth in both employee satisfaction and the pride and enthusiasm our personnel feel when working for the Group. As a result, the share of survey respondents expressing positive employee engagement improved five percentage points.

*2 Includes current employees working directly for the Net One Group and employees seconded from other companies; excludes employees seconded outside of the Group, those on leave of absence, and those seconded to non-consolidated subsidiaries (Net One Systems USA and Net One Business Operations)
*3 The number of respondents for fiscal 2022 would have been 38 individuals higher if impact from the deconsolidation of two subsidiaries were excluded.

Ratios for female managers[*4], recruitment of new female graduates[*4], and male employees taking childcare leave[*4]

● Ratio of male employees taking childcare leave (%)
● Ratio of females among recruited new graduates (%)
● Ratio of female managers (%)
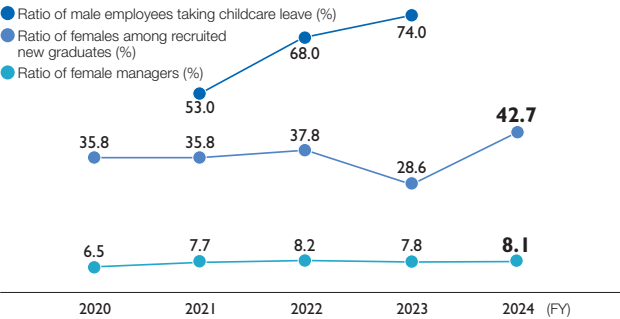
By fiscal 2030, the Net One Group aims to achieve a female manager ratio of 15%, a 50% ratio of females among its recruited new graduates, and a ratio of 90% for male employees taking childcare leave and special leave for childbirth. Accordingly, we are developing various initiatives and environments conducive to diversity and inclusion, exchange and communication with other companies, and career development for female employees.

*4 Figures exclude data from some overseas subsidiaries and some domestic subsidiaries of the Net One Group.
Note: Data used to calculate our female manager ratio and our ratio of females among recruited new graduates was current as of April 1. Meanwhile, data used for the calculation of our ratio of male employees taking childcare leave and special leave for childbirth was current as of March 31.

Customer satisfaction[*5]

● Overall satisfaction (%)
● Satisfied (%)
● Somewhat satisfied (%)
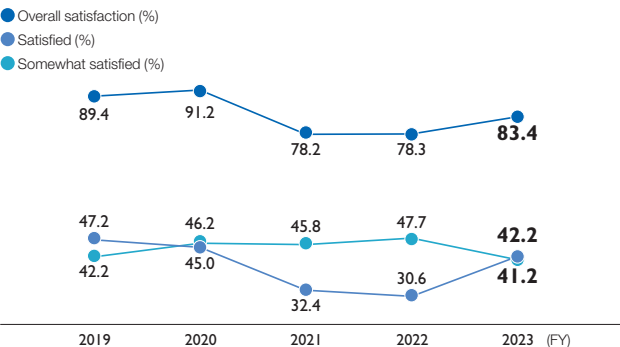
The Net One Group consistently strives to enrich the relationships it maintains with its customers, and its customer satisfaction is on the rise thanks to these efforts. While remaining attentive to the needs of our customers, we remain committed to delivering dependable, high-quality services and ensuring prompt response to any issues that may arise. In support of these objectives, we will continue to provide our customers with valuable information while sharing innovative and forward-thinking proposals.

*5 Effective from fiscal 2021, we have changed our customer satisfaction survey policy, introducing a central focus on customer expectations.

Agenda for meetings of the Board of Directors

■ Resolution (%)　■ Reporting (%)　■ Deliberation (%)
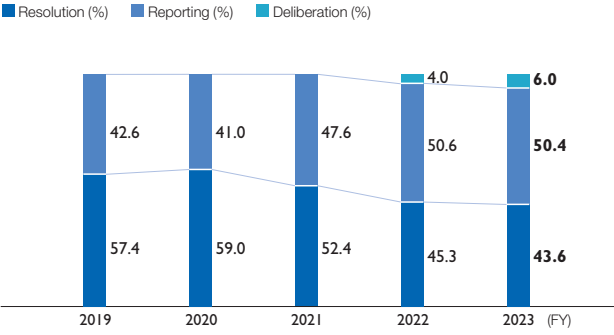
Effective from fiscal 2022, by delegating authority to the Management Committee and other bodies, we began narrowing the focus of our Board of Directors to agenda items of higher priority. Additionally, we added new deliberation items to the agenda, thereby facilitating intensive discussions and decision-making regarding growth strategies and other key issues.

Compliance and fraud risk whistleblowing / consultation

■ Cases of compliance whistleblowing / consultation
■ Cases of fraud risk whistleblowing / consultation
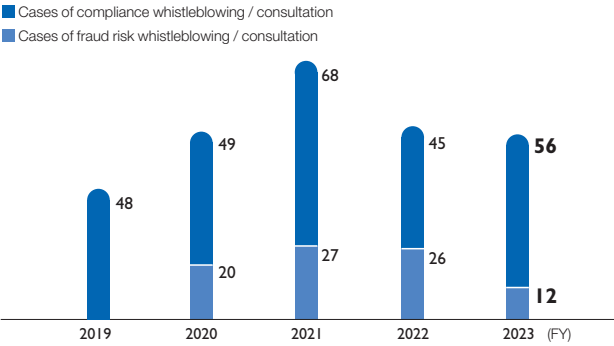
In fiscal 2022, we began allowing anonymous reporting to make whistleblowing / consultation more accessible and less daunting. Meanwhile, thanks to recurrence prevention measures implemented since fiscal 2021 in response to incidents of misconduct, fraud risk-related whistleblowing / consultation cases reported for fiscal 2023 were half those observed for fiscal 2022. The Company has received no reports regarding incidents with significant potential negative impact.
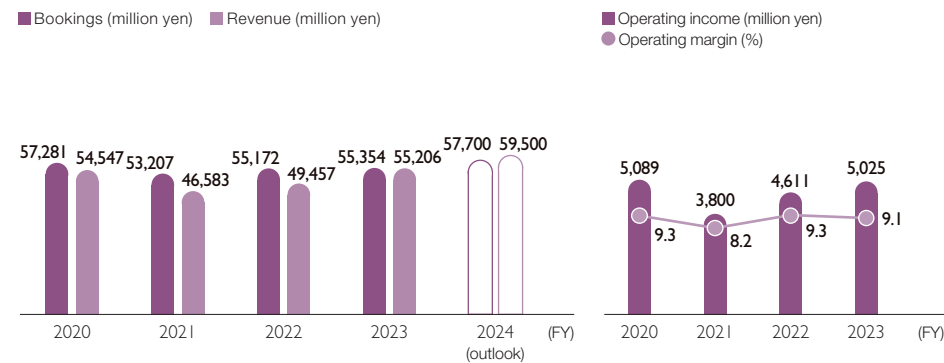
Greenhouse gas emissions

■ Scope1 (t-CO_2)
■ Scope2 (t-CO_2)
■ Scope3 (t-CO_2)
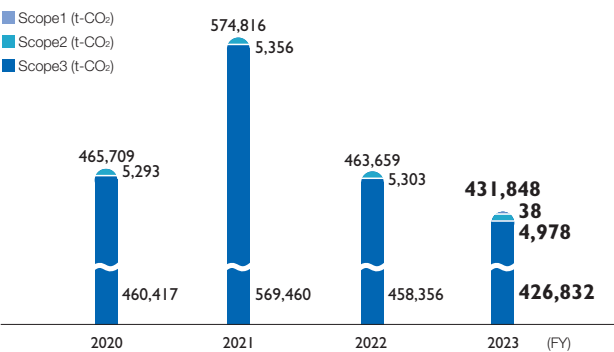
Greenhouse gas emissions for fiscal 2023 were down 6.9% year on year. The largest share of the Net One Group's greenhouse gas emissions falls under Scope 3, but the Group's Scope 3 emissions declined thanks to reduced product purchase costs, primarily resulting from improved product delivery schedules from vendors, which offset impact from growth in capital goods that occurred as the Group acquired equipment in connection with new business site openings.

Value Creation in Practice

About Net One Systems · Value Creation Strategy · Value Creation in Practice · Growth-Supporting Infrastructure · Financial and Corporate Information

Overview by Segment

Enterprise Business
Share of consolidated revenue **26.9%**

Bookings (million yen) / Revenue (million yen)

2020: 57,281 / 54,547 · 2021: 53,207 / 46,583 · 2022: 55,172 / 49,457 · 2023: 55,354 / 55,206 · 2024 (outlook): 57,700 / 59,500

Operating income (million yen) / Operating margin (%)

2020: 5,089 / 9.3 · 2021: 3,800 / 8.2 · 2022: 4,611 / 9.3 · 2023: 5,025 / 9.1

Fiscal 2023 results
- Bookings: +0.3% YoY • Revenue: +11.6% YoY
- Operating income: +9.0% YoY

Performance generated through the manufacturing industry was strong, driven mainly by results secured through automakers and electronics manufacturers. Through the non-manufacturing industry, we acquired several major projects focused on enhancing security through the implementation of secure access service edge (SASE) and other security measures. However, performance achieved through the financial industry was weaker than in previous years due to the scarcity of new investment projects.

Fiscal 2024 outlook
- Bookings: +4.2% YoY
- Revenue: +7.8% YoY

Due to new investment projects, we project recovery in performance achieved through the financial industry. Meanwhile, with regard to the manufacturing and non-manufacturing industries, we anticipate growth generated through investment in digital transformation. Through our consulting and system operations expertise, we expect to secure projects related to security, cloud utilization, and smart manufacturing.

Telecom Carrier Business
Share of consolidated revenue **22.1%**

Bookings (million yen) / Revenue (million yen)

2020: 39,464 / 36,489 · 2021: 47,576 / 42,912 · 2022: 51,519 / 49,005 · 2023: 44,585 / 45,197 · 2024 (outlook): 46,700 / 47,900

Operating income (million yen) / Operating margin (%)

2020: 3,688 / 10.1 · 2021: 4,480 / 10.4 · 2022: 4,958 / 10.1 · 2023: 5,161 / 11.4
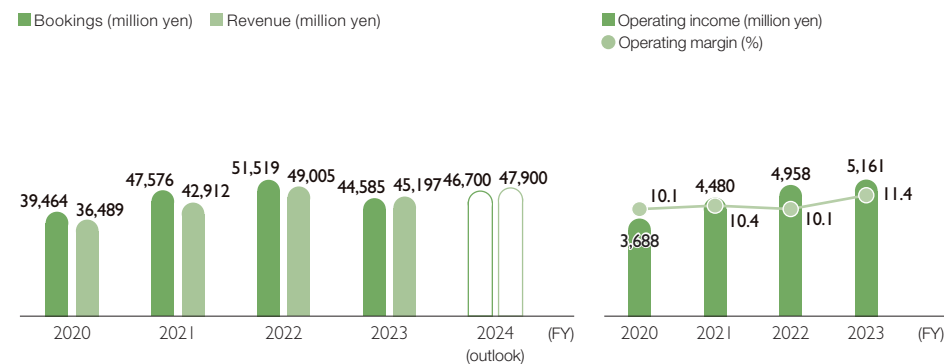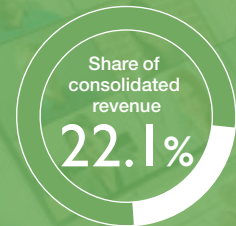
Fiscal 2023 results
- Bookings: -13.5% YoY • Revenue: -7.8% YoY
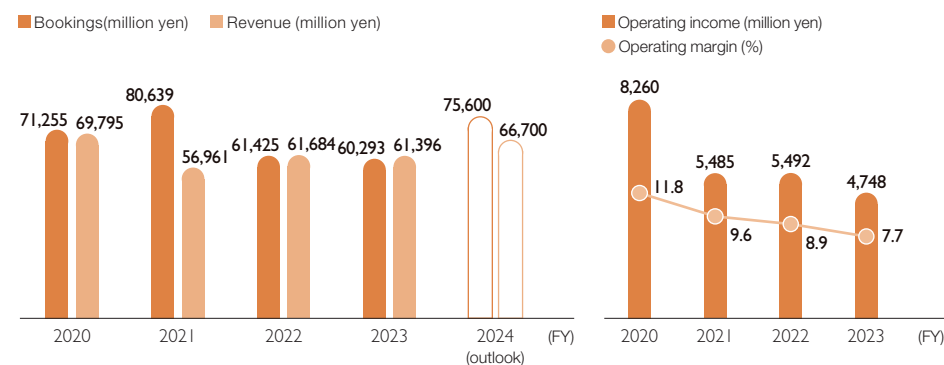- Operating income: +4.1% YoY

Performance fell off due to the dissipation of positive impact generated previously through investment aimed at enhancing communication lines used primarily for teleworking. Focusing on leveraging our abundant expertise and digital technologies, we generated performance expansion through co-creation businesses targeting corporate clients. However, this performance fell short of our initial expectations.

Fiscal 2024 outlook
- Bookings: +4.7% YoY
- Revenue: +6.0% YoY

We continue to anticipate expansion in performance generated through co-creation businesses targeting corporate clients. Moving forward, we plan to broaden our collaboration with Internet service providers (ISPs). Additionally, through existing network business domains, we will advance proposals aimed at increasing bandwidth and reducing operational load.

Public Business
Share of consolidated revenue **29.9%**

Bookings (million yen) / Revenue (million yen)

2020: 71,255 / 69,795 · 2021: 80,639 / 56,961 · 2022: 61,425 / 61,684 · 2023: 60,293 / 61,396 · 2024 (outlook): 75,600 / 66,700

Operating income (million yen) / Operating margin (%)

2020: 8,260 / 11.8 · 2021: 5,485 / 9.6 · 2022: 5,492 / 8.9 · 2023: 4,748 / 7.7

Fiscal 2023 results
- Bookings: -1.8% YoY • Revenue: -0.5% YoY
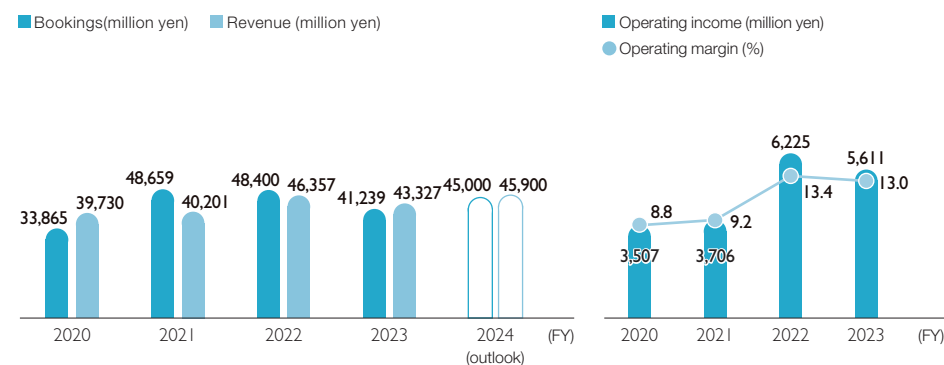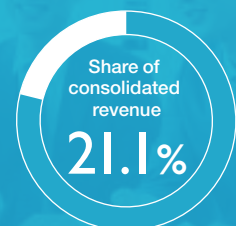- Operating income: -13.5% YoY

In terms of municipal governments, we secured several large projects but also lost some bids. With regard to social infrastructure, we secured projects focused on upgrading operations and others associated with cloud systems. Meanwhile, in the healthcare category, we acquired projects related to large-scale cloud systems. On the other hand, the booking of orders for multiple projects was delayed until fiscal 2024.

Fiscal 2024 outlook
- Bookings: +25.4% YoY
- Revenue: +8.6% YoY

We project an abundance of projects linking municipal systems to the Government Cloud and expect to acquire several major projects as well. Furthermore, through our expertise concerning consulting and system operations, we anticipate acquisition of orders in association with projects surrounding security and cloud utilization.

Partner Business
Share of consolidated revenue **21.1%**

Bookings (million yen) / Revenue (million yen)

2020: 33,865 / 39,730 · 2021: 48,659 / 40,201 · 2022: 48,400 / 46,357 · 2023: 41,239 / 43,327 · 2024 (outlook): 45,000 / 45,900

Operating income (million yen) / Operating margin (%)

2020: 3,507 / 8.8 · 2021: 3,706 / 9.2 · 2022: 6,225 / 13.4 · 2023: 5,611 / 13.0

Fiscal 2023 results
- Bookings: -14.8% YoY • Revenue: -6.5% YoY
- Operating income: -9.9% YoY

Performance generated through security enhancement business operations was favorable, but we encountered market competition surrounding some low-priced products, and the booking of orders associated with some major projects was pushed back until fiscal 2024 or later. Additionally, the boost previously provided by orders booked in association Wi-Fi service projects for managed service providers (MSPs) during fiscal 2022 dissipated, and we observed corresponding year-on-year negative impact.

Fiscal 2024 outlook
- Bookings: +9.1% YoY
- Revenue: +5.9% YoY

We mainly expect performance growth due to the acquisition of Wi-Fi service projects for Managed Service Providers (MSPs). At the same time, we aim to expand our security and cloud service lineups in anticipation of future demand growth while further intensifying our collaboration with partner companies.

Enterprise Business

Business Overview

Business details

The Enterprise business targets major private companies in the manufacturing and non-manufacturing industries, as well as domestic financial institutions and foreign companies. By developing and optimizing entire ICT platforms, including cloud systems, we help our customers boost their competitiveness through improved information utilization, work style innovation, and cost reductions.

In recent years, we have also participated in proof-of-concept projects aimed at both facilitating the use of digital data at manufacturing sites by establishing network environments and data processing platforms and supporting decarbonization efforts through the visualization of power consumption.

Additionally, with the expanding connections linking systems to external environments, driven largely by the proliferation of cloud systems and remote work, we evaluate our clients' current ICT platforms and establish guidelines. We also provide suggestions regarding how to integrate network and security functions to optimize data authentication, monitoring, and routing within ICT environments.

Primary customer industries

🏭 Manufacturing   🏢 Non-manufacturing   💵 Finance

Primary needs	•Cloud systems •Security measures •Work style innovation	
Strengths	**•Strong customer confidence** Since the emergence of the Internet in the early 1990s, we have consistently supported the ICT utilization of our customers. We design and integrate high-quality network systems using advanced technologies while also delivering troubleshooting and maintenance services. Through the optimal integration of technologies developed through different design approaches and products from multiple manufacturers, we have delivered the highest possible return on investment for our customers. Leveraging the deep trust we have earned through these activities, we can consistently acquire and develop a diverse range of technologies and expertise that no single manufacturer could ever hope to match.	**•ICT utilization expertise that can be shared with customers** With the advancement of digital data utilization and work style innovation, ICT platforms are quickly becoming more advanced and complex. To streamline the design and operation of ICT platforms, we share our proven expertise with customers, helping them achieve more responsive and practical use of ICT. While managing ICT platforms on behalf of our customers, we identify issues and use this insight to provide recommendations that support their future business development.

Growth potential

Ensuring the effective utilization of rapidly evolving digital technology requires well-integrated and stably operated ICT platforms. In addition to requirements related to security enhancement ensuring the safe use of data distributed across cloud environments and remote work settings, we are also observing growth in demand for ICT utilization in manufacturing environments and for balancing data use with ICT governance within corporate groups. In the financial industry, we anticipate ongoing demand for technology and platform upgrades, while in the manufacturing and non-manufacturing industries, we expect demand for broader ICT utilization in business activities.

Profitability

The Net One Group generates about 60% of its Enterprise business revenue through services, giving the Enterprise business the highest service ratio and profitability of the Group's four businesses. We maintain high levels of service revenue primarily through operations focused on optimizing the lifecycles of ICT systems. Due to the effects of COVID-19 and reduced investment in the manufacturing industry, the Enterprise business operating margin declined in fiscal 2020 and 2021 before improving in fiscal 2022. Although the service ratio decreased in fiscal 2023 due to revenue growth for the Enterprise business overall, we were nevertheless able to secure year-on-year growth in both revenue and profit.

Growth Strategy

Vision
Contribute to the resolution of social challenges by sharing visions for the future of ICT utilization

Strategy and outlook

Deliver issue-solving lifecycle services and propose comprehensive system designs for the future

Net One Systems assists in developing its clients' digital transformation strategies by expanding the scope of its proposed solutions to include comprehensive system optimization in addition to core conventional services such as network system design, integration, maintenance, and operation. We have accumulated extensive experience and insight through our rich history of successfully deploying, integrating, and subsequently operating systems for clients. Leveraging this expertise, we present highly effective plans as comprehensive system designs while collaborating with clients to fully optimize their ICT platforms.

To keep up with growing demand, we remain dedicated to nurturing talent in upstream processes such as consulting and project management, deploying proven, standardized systems of uniform quality, and enhancing service excellence and value.

Business expansion in production technology and other categories of business ICT

As digital transformation initiatives expand within the manufacturing industry, the demand for better production capacities, higher quality, and greater automation and autonomy continues to grow. We support productivity-enhancing smart manufacturing by utilizing proven technologies and design concepts to link all business activities through data. When multiple devices are ill-equipped in terms of connectivity, complicating the data procurement process, we provide optimal solutions that fully leverage our technical capabilities—combining the information technologies of ICT systems and the technologies used to control and manage industrial equipment—and our track record in system integration for large-scale factories. We also take full advantage of our multi-vendor approach to deliver unbiased proposals that fulfill the requirements of both the information systems and production technology departments of our clients.

Efforts associated with strategic priorities

Implementation of digital and green transformation

While pushing forward with cybersecurity initiatives, we continue to develop large-scale networking for factories by leveraging both wireless technologies and data arising from production processes to support objectives such as preventive maintenance, traceability, and the visualization of electrical power consumption for decarbonization. Additionally, we facilitate the ideal selection of cloud solutions for organizations moving toward more comprehensive and integrated utilization of cloud computing while also providing support for increasingly complicated operational management.

Enhancement of security and ICT governance

As the use of cloud technology and other ICT expands, we continue to observe demand for management, authentication, and access control for externally distributed data. While performing network design assuming the use of both in-house ICT platforms and cloud technology, we are also broadening the scope of our proposed security enhancement solutions, anticipating the potential adoption of zero trust network access as a means of ensuring safe access to information assets.

Focus

Delivering next-generation security designed for the new social landscape

SASE model

■ Range of Net One Systems' activities
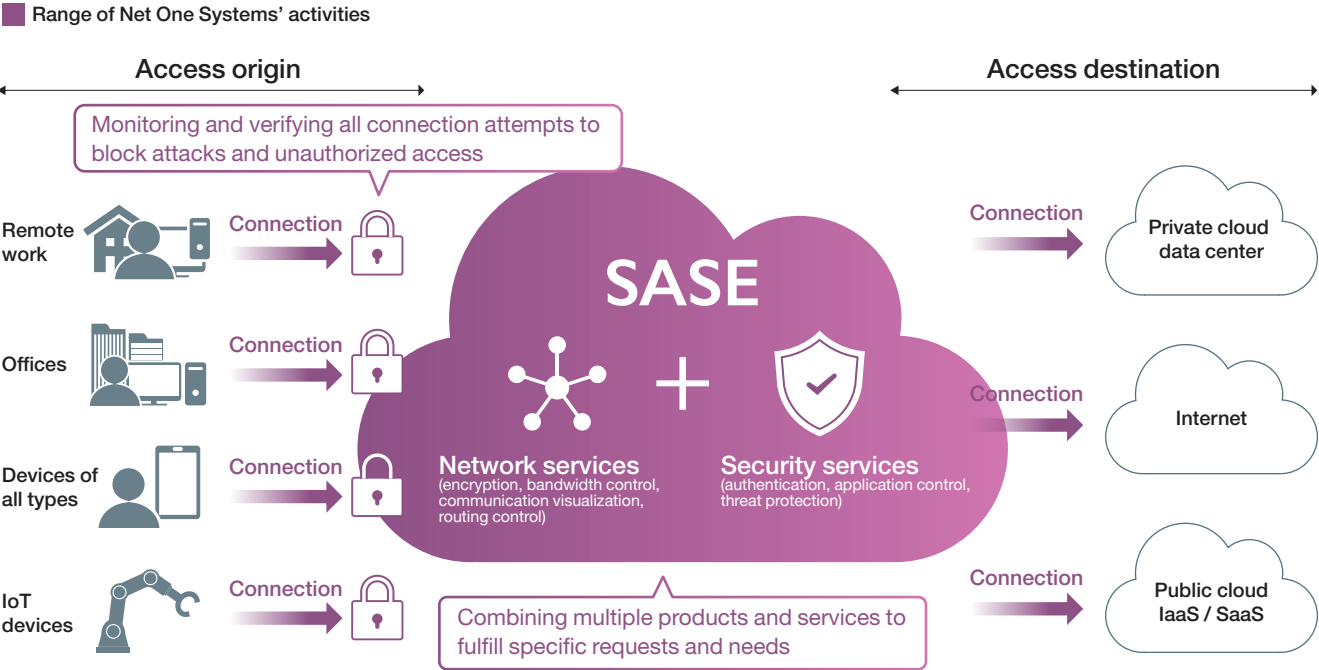
Our business environment in changing as remote work and the utilization of cloud services become more widespread. Executing new ICT strategies to enhance operational efficiency and productivity while providing flexibility for employee workstyles will require both the reinforcement of ICT platforms and security enhancement with a focus on accelerating cloud utilization. Additionally, next-generation ICT platforms must have the flexibility to quickly adapt to changes in network traffic, usage time, and resource utilization, while also ensuring security for safe communication across both internal and external systems, and reducing operational load through simplified architecture.
Consequently, attention has shifted to SASE, which

integrates both network and security functions into a single cloud-based service. SASE simplifies network configurations and achieves zero trust security frameworks through consistent protective protocols, while also enhancing the visibility and control of ICT platforms through centralized management. In anticipation of growing demand, Net One Systems provides comprehensive network and security services necessary for the implementation of SASE. To improve ICT system efficiency and ensure stable operations, we deliver a range of optimal solutions customized to our clients' business environments, encompassing analyses of current conditions, design adjustments, license distribution, and advanced operational support for the security lifecycle.

Features of Net One Systems' services
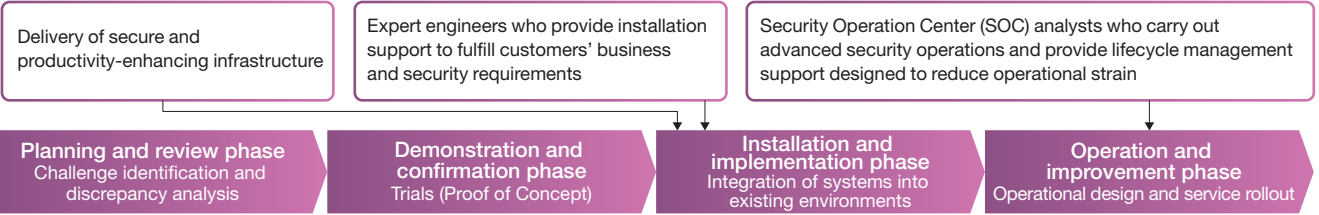
Examples of solution implementation

Ensuring efficient operation and stable performance through advanced managed services

When implementing SASE, many companies face challenges such as redesigning their existing networks and security policies, a shortage of security engineers capable of handling lifecycle management, and increasingly complex system administration. They also need to implement security measures to ensure the proper handling of extensive amounts of confidential data. To help address these challenges, we offer "netone Managed SASE powered by Prisma® Access," a managed service that supports advanced security and lifecycle management.

Customer challenges

- Inability to quickly respond to changes in system requirements arising from variations in workforce size or number of business locations
- Insufficient security measures for mobile devices used outside the office resulting from the proliferation of remote work
- Rising configurational complexity and growing risk of errors and other operational issues accompanying expansion in security products used in data centers

Solutions

- ICT platform-related solutions customized to meet client business and security needs and proposed by expert engineers with deep experience and knowledge
- Updating ICT platforms to enable continuous traffic monitoring and zero trust security
- Delivery of managed services that support entire ICT lifecycles, covering assessment, PoC, design, integration, and operation

Results achieved through our proposed solutions

- Creation of flexible ICT platforms that can be quickly scaled up or down according to network traffic and resource usage
- Development of hybrid work environments ensuring secure access to business systems at all times and from all locations
- Achievement of efficient system operation and stable performance through optimal SASE utilization

Sales representative commentary

Net One Systems took part in the development and operational design of customer ICT environments, aiming to achieve integrated management enabling central control of all operational aspects through data consolidation. I was responsible for the customer's systems, which comprised a combination of products from different manufacturers, and thanks to Net One Systems' extensive experience, its strong relationships with these manufacturers, and its ability to perform thorough testing using actual equipment and devices, we successfully delivered an ICT system that reliably met the customer's needs and requirements. To establish the ideal ICT system for our client, we proposed a detailed migration plan leveraging our zero trust expertise and experience, and by delivering a thoroughly tested and proven configuration, we ensured the system's effectiveness. The client was highly appreciative of our technical insight regarding system implementation and expressed eagerness for additional proposals from Net One Systems.

Telecom Carrier Business

Business Overview

Business details

Net One Systems has expanded its Telecom Carrier business by focusing on the integration of communication networks owned by telecommunications carriers and ISPs. Recently, the Company has also been involved in the integration of cloud systems, security, and Fifth Generation Mobile Communication System (5G)-related service platforms that complement these communication networks.

Amid a recent upsurge in investment targeting digital transformation, the Company has encountered growth in opportunities for providing products and technical support within the realm of corporate business, an area of focus for its customers. We take part in new projects by providing high-value proposals that integrate multiple advanced technologies, including proving the technical feasibility of innovative ideas through Proof of Concept (PoC) testing. Building on the partnerships established through these efforts, we support the early launch of new services while reducing planning and development costs. Together with its customers, Net One Systems aims to support ICT platforms as a key component of social infrastructure while striving for the co-creation of value through the application of ICT.

Primary customer industries

📱))) Telecom carriers   ☁ Internet service providers (ISPs)

Primary needs	•Service infrastructure •Corporate support businesses
Strengths	•**Extensive track record in designing and developing large-scale networks** Over the past 30-year period, which began as the share of the population with Internet access started to expand, we integrated many of the most prominent large-scale network systems in Japan. We have accumulated extensive experience building technically complex, nationwide high-speed communication and mobile communication networks, large-scale data centers, and ICT platforms using virtualization technology. Our involvement spans from testing the most advanced technologies of each era to evaluating manufacturer products for real-world use; we are proud to have pioneered network technology while opening new markets in Japan.	•**Advanced network design-backed ability to propose operational solutions** The networks of telecom carriers must meet high standards of quality, reliability, and fault tolerance. With our integration technology, we address the multifaceted requirements of ICT platform development, encompassing performance and functionality testing and assessment, system design performed in accordance with assessment results, and collaboration with overseas product vendors. Furthermore, drawing from our extensive experience and knowledge, we propose solutions facilitating enhancements in operational management, which is rapidly becoming more diverse and complex.

Growth potential

Demand for large-scale equipment used in telecommunications facilities reached its peak in the early 2010s. The spread of COVID-19 led to a temporary increase in revenue as facilities were expanded to support telework and video streaming. Meanwhile, Net One Systems' fields of business are broadening as its customers focus on strengthening services outside of the telecommunications sector. We fulfill our customers' needs by building and supporting the operation of service delivery platforms, assisting in the development of new services, and participating in co-creation businesses aimed at exploring new corporate markets.

Profitability

Due to the sale of large-scale equipment, only about 40% of Telecom Carrier business revenue is generated through services on average, which is lower than the companywide average. However, our Telecom Carrier business serves a limited customer base, which minimizes SG&A expenses and enables the business to generate operating income on par with our other businesses. By shifting the focus of this business from equipment sales to service development and early involvement in the integration of ICT platforms, as well as the delivery of advanced operational services, we aim to enhance profitability while contributing to the growth of our customers' businesses.

Growth Strategy

> **Vision**
>
> Expand new business prospects through co-creation involving telecom carriers

Strategy and outlook

Proposing co-creation business opportunities for telecom carriers

Through collaboration with telecom carriers, Net One Systems is expanding its co-creation business operations targeting corporate clients. We integrate our knowledge in building network and cloud service infrastructures provided by telecom carriers with the expertise in corporate ICT platform integration that we have cultivated in the Enterprise business. Through this approach, we deliver cloud services and IoT solutions that strengthen the competitiveness of companies. Through our co-creation efforts, we strive to improve the satisfaction of our customers, which include both telecom carriers and their clients, by creating new value. At the same time, we support the sustainable growth and development of markets in Japan. Under our co-creation model, we are recommending new solutions aimed at addressing technological issues. As an example of these efforts, we are participating in 5G demonstration experiments utilizing multi-access edge computing (MEC[*1]) technology while supporting the corporate business operations of telecom carriers by sharing expertise and collaborative environments for testing and verifying smart factory technologies and solutions. Moving forward, we will use the results of our evaluations to develop solutions and create new business opportunities for corporate clients.

*1 Multi-access Edge Computing: A network architecture concept that facilitates the processing of large amounts of data closer to the user devices and equipment through which it is generated

Efforts associated with strategic priorities

Strengthen corporate business through collaboration with telecom carriers

Turning our attention toward the non-telecommunications area on which telecom carriers are focusing, we plan to establish an original co-creation model for corporate businesses. In terms of planning and proposals, we will push forward with co-creation efforts involving the corporate service planning departments of our clients while continuing to explore new product opportunities. With regard to service delivery, we will promote the development and deployment of sales expansion tools through mutual collaboration with customers and manufacturers while expanding and streamlining proposal activities using standardized systems. With respect to the marketing of large-scale equipment for telecommunication facilities, we will continue to base our future decisions on comprehensive assessments of profitability and other critical factors.

Expanding solutions for MSPs and pioneering new markets

Through its co-creation efforts targeting corporate businesses, Net One Systems supports the planning, development, and sale of managed service provider (MSP) services that deliver a comprehensive range of solutions extending from ICT service implementation to monitoring and operation on behalf of clients. In addition to our lineup of network and cloud services, we are working to launch security solutions such as SASE technology and to establish a Network as a Service (NaaS) market that delivers the core functionalities for network utilization. Moreover, we are pushing forward with efforts targeting the development of digital infrastructure designed to improve the efficiency of service delivery.

Public Business

Business Overview

Business details

Net One Systems is supporting public institutions by strengthening the security of public data and developing shared infrastructure that optimizes investment costs. Our primary customers include local governments (and the administrative and educational organizations within their jurisdiction), educational institutions (universities and research institutes), companies providing social infrastructure (power, gas, railways, cable television, etc.), and healthcare providers (hospitals). Within Japan's municipal market, core information systems are becoming more uniform and standardized as the market transitions toward a more centralized Government Cloud platform. We support local public entities as they aim to implement digital government initiatives while also recommending ways ICT can be used to digitalize administrative procedures and improve services for residents. Furthermore, we plan to further transform the Company by leveraging knowledge and experience gained through socially significant projects undertaken in the fields of education, social infrastructure, and healthcare to deliver proposals facilitating the development of infrastructure that supports the stability of societal foundations.

Primary customer industries

Local governments	Educational institutes	Social infrastructure	Healthcare

Primary needs	•Cloud systems •Security measures •On-campus networks	
Strengths	**•Consulting capable of identifying and defining customer challenges** Following rapid and thorough security enhancement implemented in 2016, demand within Japan's municipal market for ICT utilization has been growing, particularly in the areas of cloud technology adoption, the shift to online administrative procedures, and the implementation of teleworking. We robustly support our customers' digital transformation efforts by leveraging our critical assessment skills to identify fundamental challenges and propose the best solutions from a neutral standpoint, as well as our integration capabilities to implement these solutions.	**•Proposals capable of optimizing ICT lifecycles** While developing concepts and systems that provide customer support throughout all stages of the ICT lifecycle, the Net One Group also delivers optimal solutions and services by leveraging its strengths in integrating advanced technologies, including network technologies in particular. We enhance relationships with our customers by consistently making proposals that focus on overall optimization, ranging from operational improvements to the formulation of comprehensive system designs over the medium to long term.

Growth potential

Following an unauthorized access incident in 2016, which led to a fundamental review of municipal security measures, we have steadily captured upgrade demand associated with the GIGA school concept, security cloud systems, and security enhancement projects. The success of our business growth hinges on our ability to propose ICT application methods that promptly address social conditions and challenges. In the fields of electricity, gas, railways, and healthcare, we are observing a growing movement toward reassessing information infrastructure in anticipation of changes in business structures. Moving forward, we plan to expand our comprehensive support services to enable the effective utilization of ICT, thereby facilitating the achievement of digital transformation.

Profitability

The ratio of revenue generated through services (service ratio) is the second-highest in our Public business, following the Enterprise business, making it a key driver of the Group's overall profit generation. We have enhanced the profitability of this business by addressing all aspects of ICT platforms; focusing on capturing more opportunities for direct transactions with customers, thereby avoiding reliance on comprehensive ICT vendors; and expanding our range of services, which includes maintenance and operational support.

As time progresses, we aim to further expand our stable revenue base by enhancing our operational and managed services.

Growth Strategy

Vision
Provide a safe and secure ICT platform for social infrastructure and realize a sustainable society

Strategy and outlook

Supporting a rapidly digitizing market by proposing comprehensive ICT platform optimization that covers operational requirements

Having enhanced its proposal and technical capabilities, Net One Systems is now able to integrate and maintain entire ICT platforms, which are becoming increasingly sophisticated as a result of security enhancement and their use as shared infrastructure. By ensuring proper use of existing client ICT platforms, we support functional expansion and system operations to improve service convenience and business efficiency. Additionally, by establishing, and improving the convenience of, platforms that facilitate secure connections to cloud and other services, we help upgrade ICT infrastructure in local communities, solve regional challenges through the digitalization of public services, and stimulate regional revitalization through the digitalization of educational systems. We also contribute to the efficiency and revitalization of businesses in the electricity, gas, railways, and healthcare industries through the effective use of data.

Participate in bidding focused on value-added proposals such as ICT utilization and provision of functions

Net One Systems supports its customers from the initial stage of comprehensive ICT strategy formulation. At the same time, by serving as a strategic partner throughout the entire ICT lifecycle, we enhance our relationships with customers, leading to successful bids through a comprehensive evaluation process. Adopting a problem-solving approach, we design ICT platforms critical for digital transformation and convert the technologies leveraging the functionality thereby generated into standardized services, which we then provide to customers who are actively pursuing digital transformation. Furthermore, with regard to bidding based on comprehensive evaluation criteria, we create a competitive edge with proposals combining design driven by technical expertise with innovative financial services to deliver functional solutions.

Efforts associated with strategic priorities

Shift to cloud computing for ICT platforms, strengthen security

Net One Systems focuses on business areas in which ICT utilization is anticipated, including municipal systems and social infrastructure. While prioritizing efforts aimed at improving the convenience of service users, who are the customers of our clients, we steadily fulfill demand associated with data governance-based security measures, group business restructuring, and group infrastructure enhancement.

**Social infrastructure to realize Society 5.0**

Ensuring proper data utilization, we capture demand for business efficiency in public sectors such as electricity, gas, railways, and healthcare. We propose platform integration that contributes to the stability and expansion of social infrastructure. Our proposals encompass upgrades to electricity, gas, railway, and healthcare infrastructures to enhance maintenance and management of facilities through the utilization of digital technology, as well as cybersecurity measures and the stable operation of increasingly complex systems.

Focus
Connecting local municipalities to government cloud-based systems with the aim of facilitating the digital transformation of administrative services

Government cloud structure

■ Range of Net One Systems' activities
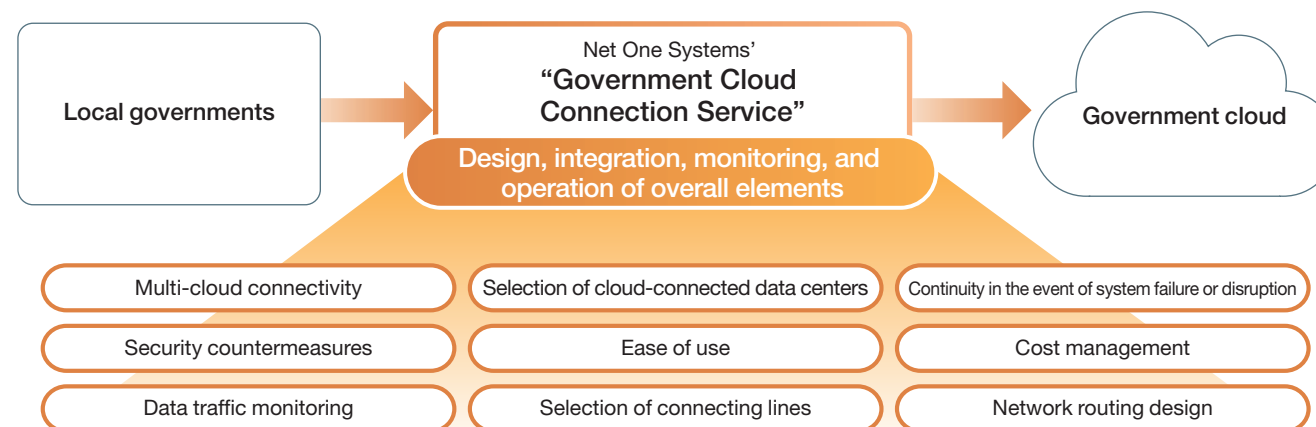
The Priority Plan for Realizing a Digital Society clearly lays out measures the Japanese government ought to implement quickly and decisively. The plan's core concept focuses on addressing local societal challenges while advancing the digital transformation efforts of Japan's national government, aiming to create a society in which digitalization allows everyone to live conveniently and comfortably anywhere in the country.

Municipalities currently face the urgent challenge of developing data-linking platforms designed around the effective utilization of data through government cloud-based efforts such as the digitalization of administrative services and infrastructure development. In addition, with many digital services being delivered via the cloud, municipalities need to expand their ICT platforms to support both on-premises systems and cloud environments.

To help advance these initiatives, we provide multi-cloud connectivity services that establish the environments needed to connect to cloud-based government systems and support services for managing cloud operations within these environments. Additionally, we proactively collect information issued by the Digital Agency, verify and review it, and build secure cloud networks compliant with national policies. Our extensive understanding of the existing municipal network structures, which includes knowledge covering three-tiered security strategies[*1], has generated many opportunities for us to present proposals throughout Japan.

*1 Security measures that separate municipal networks into three layers (one for administrative services associated with Japan's My Number system, another for systems connected to local government wide area networks [LGWAN], and a third for Internet-connected systems); each layer has specific security rules that manage the data it handles and how it connects to external systems

Overview of government cloud connectivity and operations[*2] service
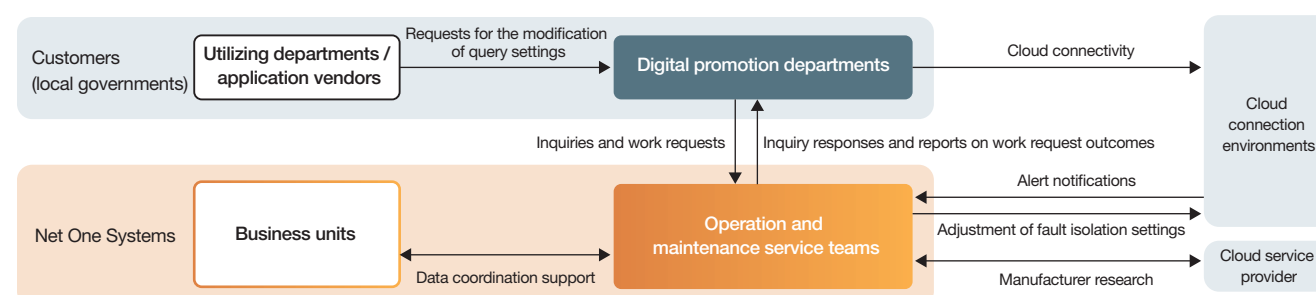
*2 Separate maintenance contracts required

Enabling a smooth transition to government cloud infrastructure through collaborative efforts

Municipal Service Window DX SaaS is one of the services operating within the government cloud framework. Established for shared use on the government cloud, this service digitizes and streamlines the operations of municipal counters. Net One Systems has collaborated with Kitami Computer Business, which was selected as one of the providers for Municipal Service Window DX SaaS. Leveraging the long-standing technological capabilities and knowledge we have accumulated as a network integrator, we have designed and developed government cloud connection services while facilitating the smooth introduction of Municipal Service Window DX SaaS.

Customer challenges
- Compliance with strict security requirements required when connecting to the government cloud
- Lack of expertise and technical knowledge required for the establishment of government cloud connection environments
- Difficulty securing the human resources to begin operating Municipal Service Window DX SaaS

Solutions
- Comprehensive design and integration of networks covering all components, from internal on-premises infrastructure to government cloud systems
- Establishment of government cloud connection environments through research into national policies, requirements, and specifications and the preparation of documents including procedural manuals and design specifications
- Support for the reform of municipal counter operations through collaboration with Kitami Computer Business

Results achieved through our proposed solutions
- Established government cloud connection environments that fulfill security requirements
- Efficient implementation of Municipal Service Window DX SaaS achieved through collaboration between Net One Systems and Kitami Computer Business, facilitating a quick startup and addressing human resource shortages during the preparation phase

Partner company commentary   Kitami Computer Business

Providing Municipal Service Window DX SaaS requires government cloud connectivity. Net One Systems designed and built a reliable network environment that enabled smooth service delivery. Additionally, through close information exchange with Net One Systems, our company was able to deepen its understanding of the government cloud. Leveraging the experience gained through this collaboration, we will target functional enhancements aimed at promoting the usage of Municipal Service Window DX SaaS.

Sales representative commentary

When undertaking projects associated with the establishment of government cloud connection environments, we have prepared by identifying the necessary requirements and specifications in accordance with government policy and producing a variety of documents including procedural manuals and system designs. Net One Systems sets itself apart largely through its team of engineers, who are well-versed in networks and public cloud systems. We have established a successful history of integrating on-premises environments with public cloud systems, connecting municipalities with Municipal Service Window DX SaaS, and facilitating the digitalization of resident services. As we continue to support local governments throughout Japan moving forward, we will convert this practical expertise into standardized methods and procedures that increase our operational efficiency.

Sales representatives,
Public Business Strategy Department,
East Japan Business Unit 1

Partner Business

Business Overview

Business details

In the Partner business, we operate a resale business that offers products and services through collaboration with system integrators who develop and operate comprehensive information systems on behalf of clients. The Net One Group aims to establish itself as a distributor of advanced technology by leveraging its expertise, robust and innovative business foundation, and superior critical assessment capabilities. While promptly delivering new technologies through the advanced technical capabilities of our TAKUMI (experts), we leverage our strong relationships with vendors to contribute to the success of our customers' businesses, enhance corporate value, and drive social progress in collaboration with our partner companies. As partner companies shift their focus toward services and solutions and transition to subscription-based business models, the Net One Group creates new businesses with these partners by providing the components and value necessary for achieving digital transformation and successfully shifting to services.

Primary customer industries

System integrators

Primary needs	•Networks •Cutting-edge ICT products	
Strengths	•A diverse range of products from overseas	•Robust value-added services
	Our multi-vendor approach, which enables us to avoid relying on any single manufacturer or capital affiliation, is a major strength of our resale business. Through the skillful integration of a diverse range of cutting-edge products, we are able to deliver high-quality networks that best meet the specific requirements and environments of our customers.	Drawing on the extensive technical capabilities and expertise we developed over our many years of operation while leveraging our facilities, which rank among the largest and most technologically advanced in Japan, we provide comprehensive support to our partner companies, covering an extensive range of requirements extending from pre-installation quality assurance, technical testing, and proposal support to post-installation maintenance services.

Growth potential

Sales of ICT platform products targeting system integrators, particularly network equipment from Cisco Systems, are steadily expanding. Our ability to source products from overseas, cultivated over many years since our founding, and the strong partnerships bolstered by our sophisticated quality control processes are the driving forces behind our business growth. At the same time, our growth has also been attributable to the sale of specific products provided by partner companies functioning as MSPs. By offering technical support and high value-added products in addition to the resale of equipment, we have expanded our business opportunities. Furthermore, demand growth driven by the advancement of digital transformation is accelerating our growth.

Profitability

Our Partner business has an earnings structure very different from those of our other three businesses, which primarily conduct transactions directly with customers. The Partner business focuses mainly on the wholesale of equipment (indirect transactions not linked directly with end-clients), and the share of its revenue generated through services (service ratio) is accordingly about 20%, the lowest among our four businesses.

At the same time, the gross profit margins generated by product sales in the Partner business are similar to our companywide average gross profit margin on product sales because in addition to product evaluation and procurement, Partner business product sales include value added through quality assurance, technical verification, and proposal support. Operating margins secured through the Partner business are also on par with those generated through our other businesses, as we operate this business with a small workforce, allowing us to keep SG&A expenses under control.

Growth Strategy

Vision

Readily adopt cutting-edge technology, enabling accommodation of diverse business models

Strategy and outlook

Establish a collaborative model with partner companies

Since its founding, the Net One Group has focused on collaborating with partner companies, delivering enhanced value in a range of forms extending from sales support and the implementation of advanced ICT products and services to maintenance assistance. By keeping up with cutting-edge technology and market trends and introducing partner companies to highly regarded products, solutions, and vendors attracting attention both in Japan and overseas, we provide optimal solutions tailored to the needs of our clients' customers. As the demand for digital transformation expands, the Net One Group leverages its expertise in product selection, technical support, and logistics to assist partner companies, thereby reinforcing its strong position in the Japanese market.

Expanding and enhancing proposals concerning strategic products and solutions

In response to ever-evolving ICT market conditions and management environments, the Net One Group will continue to drive structural changes in society through collaboration with its partner companies. In addition to core network equipment, we aim to expand our delivery of ICT platform products and cloud-based solutions associated with networking and security. Moving forward, we will maintain our emphasis on presenting forward-looking information predictive of future trends while providing technical support facilitating the proposal activities of partner companies. The Net One Group helps drive business development for its partner companies through high value-added solutions that leverage both its strong relationships with various vendors and its technical capabilities, quality management, and logistical support.

Efforts associated with strategic priorities

Expand solution businesses for partner companies

Adopting a multi-vendor approach, we devise ICT product combinations based on our deep understanding of their attributes, thereby generating optimal systems for our customers. We furnish the operational platforms necessary for the service development of our partner companies, including solution verification labs, kitting environments for ICT equipment sales, and logistical support. Through these efforts, we support the rapid market rollout of new services.
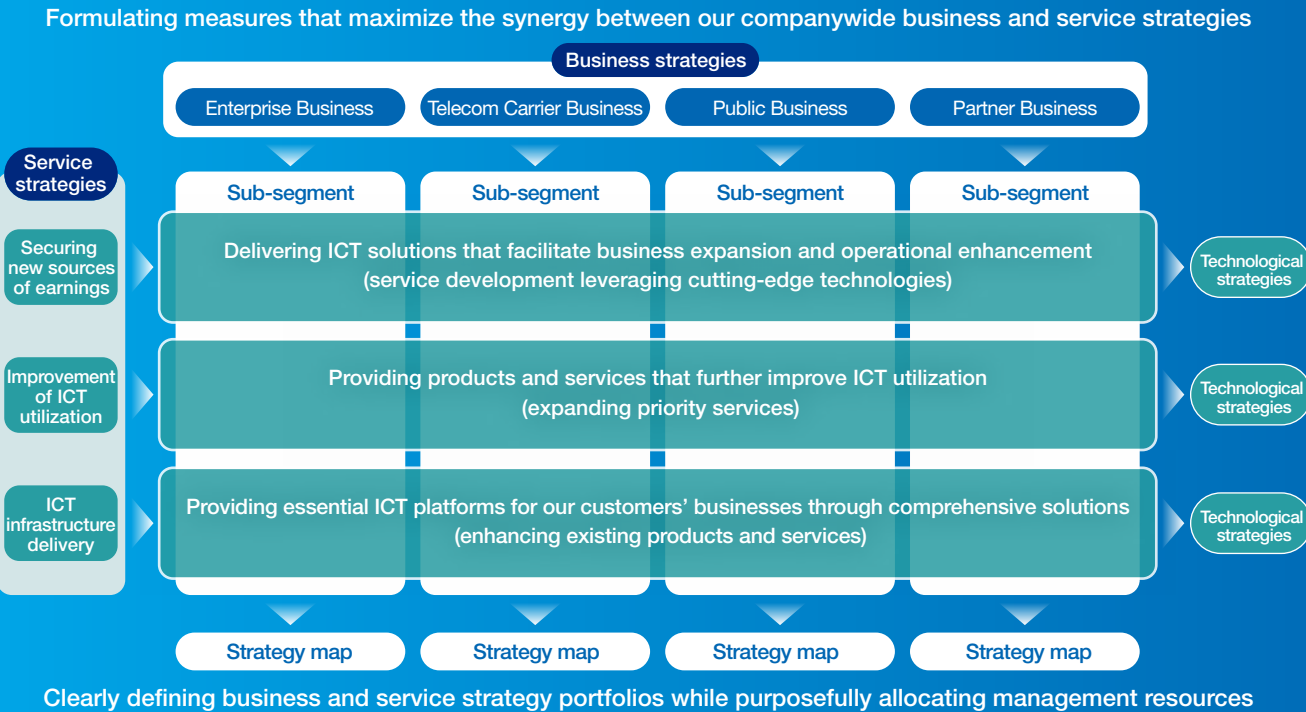
Develop solutions for MSPs

By proposing products appropriate for specific businesses and ensuring thorough supply management, the Net One Group continues to expand its market reach, efficiently servicing customers who are less accessible through direct contact.

Growth-Supporting Infrastructure

About Net One Systems   Value Creation Strategy   Value Creation in Practice   **Growth-Supporting Infrastructure**   Financial and Corporate Information

Formulating measures that maximize the synergy between our companywide business and service strategies

Photo location: netone valley's VALLEY space

Fumihiko Shinoura
Vice president
Chief technology officer (CTO)

Koji Tsuji
Vice president
Chief strategy and digital officer (CSDO)

Clearly defining business and service strategy portfolios while purposefully allocating management resources

Dialogue between Our CTO and CSDO

Fully Leveraging Our Technological Capabilities and Expertise to Create Value and Generate Sustainable Growth

Our CTO is responsible for formulating technology-based management policies and presenting them to stakeholders outside the Net One Group. Meanwhile, our CSDO oversees our business strategies and drives digitalization across all Net One Group organizations. Our CTO and CSDO held a discussion concerning changes in our business environment and the needs of our customers, the value we provide, the progress and results of our "thorough visualization" efforts, and the current circumstances and challenges facing our next generation of talent.

Topic 1: Changes in our business environment and customer needs, and the value we provide

Business model transformation through "strategy maps"

Shinoura: Our business environment is currently undergoing major changes. Our ability to build efficient network systems while effectively utilizing cloud technology will have a significant impact on our efforts targeting further growth moving forward. The technical issues associated with building cloud-based ICT platforms are different from those of the past and include connecting to cloud systems from customer network environments and ensuring security in multi-cloud contexts. At the same time, we are witnessing changes in both system configurations and the nature of ICT investment among our customers. As the phrase "from ownership to usage" suggests, customers are now seeking access to functional solutions appropriate for their needs, rather than ICT assets themselves, driving growth in demand for cloud-based SaaS*1 applications.

Given these changes, the Net One Group has been targeting business model transformation since its previous Medium-Term Business Plan while focusing on two key themes: supporting customer businesses and evolving into a center for value co-creation. We have transitioned from a primary focus on ICT platform integration, maintenance, and operation to a broader support role that covers the entire ICT lifecycle. While building and operating ICT platforms simultaneously, we continue to propose new solutions during the operational phase, thereby maximizing our contribution to customer businesses. Moving forward, our next objective is to serve as a central hub connecting customers, partners, vendors, research institutions, and other critical organizations with the aim of establishing a platform for co-existence and co-creation.

Tsuji: We developed our "strategy map" in 2023 to advance this business model transformation. Previously, the Net One Group had been formulating separate strategies for each of its business segments. However, with the constant changes in our business environment and the evolution of digital technologies, we began to recognize the growth strategies of individual business segments would not be sufficient for meeting the challenges and needs of our customers. Therefore, we developed a strategy map with a matrix format (business segments on the vertical axis and products and services our customers demand on the horizontal axis), detailing and clarifying each of our strategies. This strategy map enables us to more accurately determine and comprehend the services our customers expect. For example, by enhancing our solutions for conventional network connections in our business environment ("legacy services"), we can ensure we remain able to deliver services in line with our customers' values and needs. By incorporating these concepts into our strategy map, we can confidently create new value through integration of a diverse range of products and services.

Shinoura: I see our use of this strategy map as a critical step toward improving the quality of our operations and management as we move forward to our next stage of growth.

Tsuji: I agree. This strategic map defines "delivering ICT platforms," situated at the base of the map's vertical axis, as a current earnings base. In the center of the vertical axis, we have included high value-added domains such as managed services and lifecycle management under the heading "improving ICT utilization." At the top of the vertical axis, we have "acquiring new sources of earnings," a category covering emerging fields involving advanced technologies.

Previously, our proposed solutions seemed too uniformly focused on managed services, which are located within the middle tier of our strategy map. However, I am confident this strategy map helps reaffirm that ICT platforms (located at the base of the vertical axis) form the foundation of our core business activities.

The strategy map has also generated improvement in terms of internal budget allocation; Business units assume responsibility for the vertical segment axis, while engineering divisions take charge of the horizontal product / service axis. Adopting this approach has enabled us to launch efficient and coordinated initiatives.

Shinoura: I believe accountability for performance metrics should apply across all segments and strategy map tiers. Looking forward to our next stage of growth, I am also convinced improvement in the quality of our recurring-revenue businesses will be the key to sustained, stable growth for the Net One Group. Currently, our recurring-revenue businesses focus on maintenance and operation. Moving forward, we must transition to a business partner model focused on delivering functionality and contributing to business success while continuing to provide lifecycle-spanning services and support. If we successfully achieve this transition and enhance the profitability of our recurring-revenue businesses, we will be more likely to retain the customers utilizing our highly beneficial services. Although this transition represents a major challenge, I am confident our strategy map will enable us to appropriately identify and capitalize on business opportunities.

Tsuji: Our strategy map clearly defines the challenges we should address as an organization. I am confident this map will serve as a powerful growth engine for the Net One Group.

*1 Software as a Service

Topic 2: Progress and results achieved through "thorough visualization"

Improving the precision of strategy formulation and increasing productivity with visualization

Tsuji: Through our Medium-Term Business Plan, which covers fiscal 2022 through fiscal 2024, we are targeting "thorough visualization*1" as a means of strengthening our business base, and I believe we are currently halfway there. Our initial visualization efforts focused on management indicators used by our leadership to assess business performance. These efforts could be likened to the creation of a management dashboard enabling quick and accurate comprehension of indicators used in decision-making, thereby improving the precision of management policy and strategy formulation.

Currently, we are aiming to facilitate visualization of our business processes. Through this approach, we seek to improve productivity by ensuring appropriate operations are carried out in proper order. As a non-manufacturing company, our personnel are the source of the value we create. Boosting the productivity of each employee has a direct impact on our business performance. Accordingly, we are developing systems through which we can ensure visualization of business processes, eliminate waste, and streamline operations.

Shinoura: I believe our commitment to thorough visualization has greatly transformed the mindset of our engineers. Engineers who have taken part in our visualization projects have become much more conscious of metrics associated with man-hours and the time required for business processes as well as project profitability. Our engineers must continuously be mindful of these metrics, particularly when providing ICT lifecycle support for our customers. When interacting with customers, we cannot focus exclusively on

technical details; we must also consider how the introduction of new technology into their systems will affect their operations and assess the extent to which it will contribute to business success. I am confident participation in visualization projects has equipped our personnel with these perspectives and sensibilities.

Tsuji: All personnel involved in our visualization projects are seasoned professionals who are highly motivated to drive corporate transformation.

Shinoura: As you say, these projects are drawing participation from top-tier engineers. With all our organizations contributing their very best personnel, I feel a sense of responsibility toward transforming the Net One Group is spreading throughout our Company.

Tsuji: I agree. At the same time, the extensive and diverse information we have acquired through thorough visualization has highlighted our need for comprehensive data analysis and assessment in a more streamlined and accessible manner. In response, we are establishing an integrated monitoring framework to facilitate quick and appropriate managerial decision-making and aim to have this framework up and running sometime during fiscal 2024. Ensuring proper performance management decisions requires an accurate understanding of discrepancies between planned and actual performance. In addition to promoting visualization of a diverse range of information and establishing dashboards, through this integrated monitoring framework, we will strive to enable more accurate decision-making by utilizing hybrid information analysis that incorporates data obtained through extensive managerial experience. By achieving highly accurate performance management, we will undoubtedly uncover and raise awareness of personnel allocation-related issues, including our ability to develop personnel with the skills required to support and render our expanding services. Accordingly, I strongly believe our next visualization efforts should focus on our organizations and personnel.

*1 Thorough visualization: A management indicator framework that generates appropriate countermeasures by providing accurate insight into facts and precise tracking of event causes through the creation of a single, cohesive set of visible internal metrics based on perspectives related to business management indicators (profitability, safety, efficiency, finance, labor, etc.), operational processes (workload optimization), and organizations and personnel (productivity by category, resource allocation).

Topic 3: Current circumstances and challenges facing our next-generation leaders

Fostering self-motivated personnel while ensuring their timely and appropriate allocation

Shinoura: I believe further advancement in our shift toward services will require simultaneous changes in both our business processes and the skills of our personnel. Through our current Medium-Term Business Plan, we have established common KGIs and KPIs for our engineering divisions. Additionally, when conducting organizational reforms in April 2024, we reorganized our engineering divisions to align them with specific business segments, positioning them within business units linked more directly with our customers.

These measures aim to further enhance the technical capabilities and productivity of our engineers while efficiently advancing our shift toward services. For example, we currently require a large volume of man-hours when performing design and integration operations, partly because we design complex systems to address the specific challenges and requirements of each individual customer. However, in terms of business value, these complex systems do not differ greatly from simple systems built with highly stable, standardized components. By thoroughly standardizing system components and introducing automation, we can significantly reduce the man-hours required for design and integration, enabling us to address customer challenges and requirements through different combinations of these components. Our intention is to adopt a broader, more comprehensive perspective, thereby facilitating a shift toward fields that generate higher added value.

Tsuji: In my view, our visualization efforts ultimately aim to enhance our performance, boost our stock prices, and maximize our corporate value. To achieve these objectives, we will need to develop the skills of each and every employee. Furthermore, we must maximize the value we create through optimal allocation of our current team of human resources. I believe the standardization and automation that you mentioned previously will be an essential prerequisite for these efforts.

Shinoura: Our engineers have adopted a new mindset, focusing on how to deliver systems capable of enhancing business value for customers while also raising their own productivity. As a result, we have also observed changes in the depth of our communication with customers. Furthermore, I seem to have noticed growth in the number of our personnel capable of developing rational methods for fulfilling customer requirements, articulating the cost-efficiency and general benefits of system implementation, and establishing trust with our clients.

Tsuji: At the same time, in the context of skills, each engineer brings his or her own set of strengths. The Net One Group employs engineers who possess extensive knowledge and years of experience related to network integration. I am confident personnel such as these engineers can thrive by delivering specialized technical support to specific clients who can best benefit from their skills.

Shinoura: The Net One Group has a diverse workforce, and I agree with you on the importance of leveraging the unique skills of each employee. Additionally, in terms of developing personnel capable of discussing business value enhancement with customers, I believe in the importance of equipping motivated engineers with expertise regarding new methodologies gaining global attention and cutting-edge technologies that enable the delivery of high value-added services. Generative AI is one of these cutting-edge technologies, and the Net One Group's generative AI efforts began as voluntary initiatives carried out by our engineers. Subsequently, the scale of these efforts rapidly expanded within the Company, and our application of generative AI has now progressed further than I had initially anticipated.

Tsuji: Voluntary employee initiatives like these are a fundamental element of the Net One Group's corporate culture. When our personnel see value in an endeavor, they come together with a common sense of purpose and launch efforts leading to new business opportunities. I anticipate these activities will in no way be limited to generative AI; in fact, I expect similar activities will continue emerging and contributing to business results moving forward.

Shinoura: The Net One Group fosters a culture that encourages employees to take independent action on their own initiative. Our personnel played a central role in formulating our WAY (Code of Conduct). As we develop our next generation of talent, we will aim to fully leverage this culture of proactive engagement.

Tsuji: Certainly. In addition, we must further improve our personnel allocation by utilizing data acquired through visualization efforts to ensure the proper placement and distribution of our talent. For instance, I believe we should prioritize allocating personnel to growth areas such as generative AI, which are expected to generate profit moving forward. Utilizing our integrated monitoring framework, our management team will be able to assess circumstances accurately, make decisions based on comprehensive analyses, and promptly implement appropriate policies and strategies. In part, visualization aims to facilitate personnel allocation and development. Accordingly, achieving visualization will accelerate our creation of value.

Shinoura: Through this discussion, I became even more convinced that effectively aligning business model transformation efforts carried out according to our strategy map with a personnel strategy grounded in appropriate talent allocation will generate growth for the Net One Group moving forward. I look forward to future cohesive efforts that will unify all members of the Group as we seek to achieve sustainable growth.

Sustainability Management

Sustainability Policy

As a leading network company, the Net One Group has grown by providing high value-added services that support the transformation of its customers and society. Our Purpose is to "unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen." At the same time, we believe that contributing to customer success, employee happiness, building co-creation relationships with partners, increasing shareholder value, and preserving the natural environment through our business will enhance corporate value.

We will hone our ICT expertise in critical assessment and knowledge born of "superior network technology," "multi-vendor support," and "co-creation with customers" to provide services that create both social and economic value, thereby contributing to a sustainable society and achieving sustainable growth for our Company.

Promotion system

The Net One Group is undertaking initiatives aimed at supporting the achievement of a sustainable society. In April 2022, we established our Sustainability Committee, thereby creating a system for reviewing and discussing material sustainability-related issues. Our CSDO serves as the committee chairperson, and the committee itself comprises managers and staff from our business and corporate divisions, as well as some representatives from our subsidiaries, bringing together a wide range of expertise and extensive knowledge.

The Net One Group has identified four key (material) priorities based on its corporate philosophy system: the "realization of a safe and secure advanced information society," the importance of "thriving professional personnel," "contribution to a decarbonized society," and "maintaining and enhancing a governance structure for sustainable growth." Meanwhile, the Sustainability Committee has established KPIs for each of these four material priorities. Equipped with these metrics, the Sustainability Committee monitors the progress of initiatives, provides guidance and advice as necessary, and reports its findings to the Management Committee.

Furthermore, during its meetings, our Board of Directors ensures appropriate governance by discussing and resolving material sustainability-related issues.

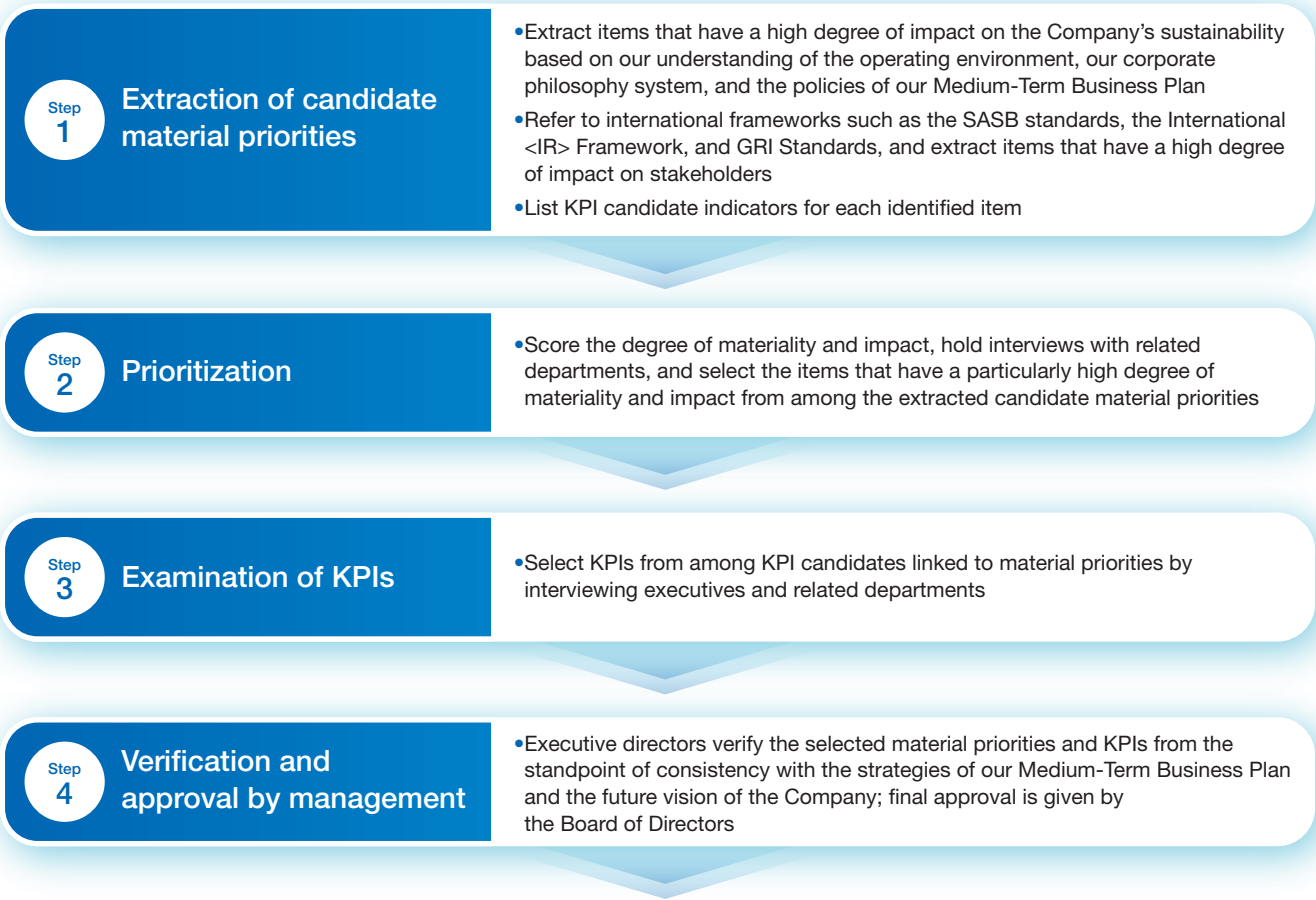### Sustainability promotion system
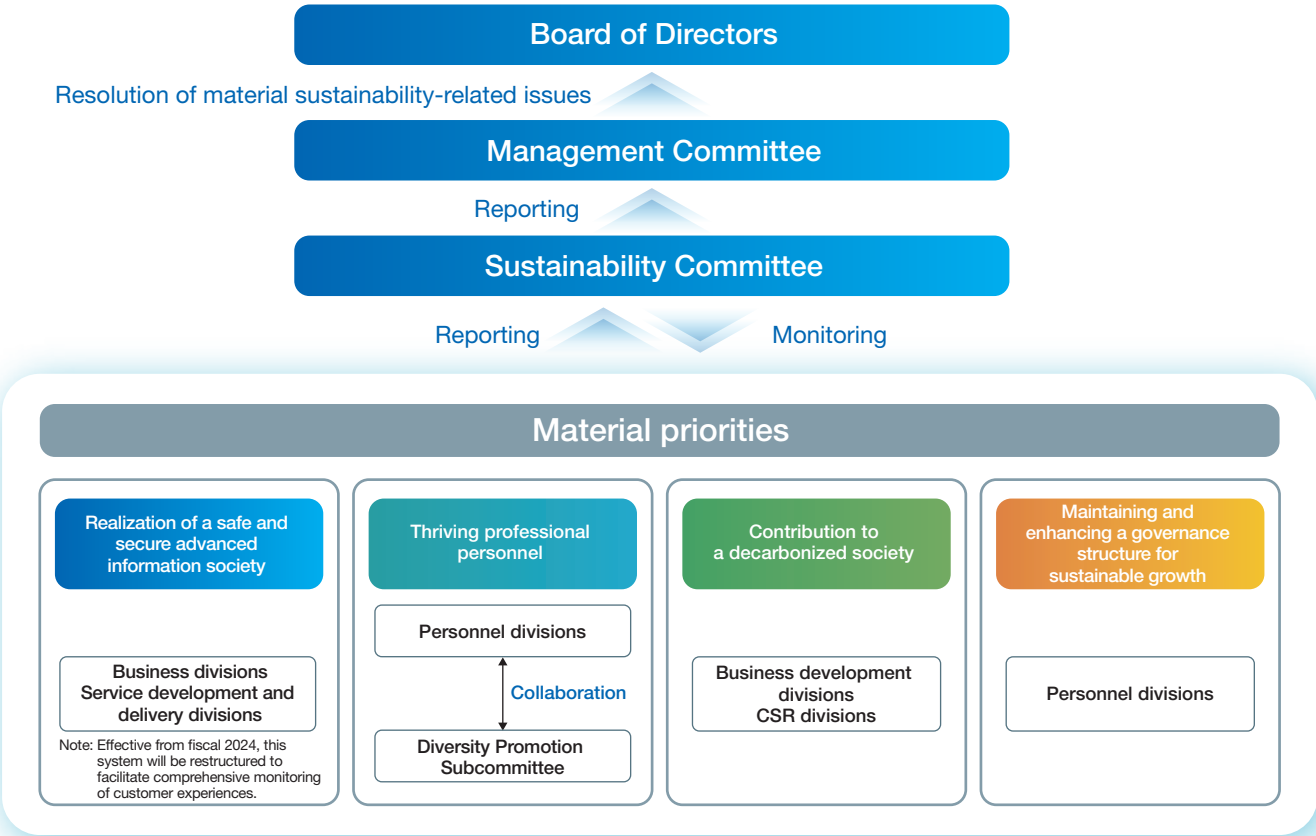
Identification of material priorities

In December 2021, the Net One Group announced its material priorities for sustainability management. When identifying these priorities, we evaluated their impact and materiality based on two axes—social value and value for our Company—while also accounting for our understanding of the operating environment, our corporate philosophy system, and the policies of our Medium-Term Business Plan. Meanwhile, we have incorporated targets and KPIs associated with these material priorities into our Medium-Term Business Plan and linked them with executive compensation. Additionally, our Sustainability Committee verifies the progress of our initiatives on a quarterly basis and publishes its findings semiannually.

Note: For more information regarding our material priorities, please refer to the section entitled "Four material priorities and the status of activities and KPIs for fiscal 2023" on page three of our Sustainability Report (scheduled for release at the end of December 2024).

Material priorities and their identification process

Step 1 — Extraction of candidate material priorities
- Extract items that have a high degree of impact on the Company's sustainability based on our understanding of the operating environment, our corporate philosophy system, and the policies of our Medium-Term Business Plan
- Refer to international frameworks such as the SASB standards, the International <IR> Framework, and GRI Standards, and extract items that have a high degree of impact on stakeholders
- List KPI candidate indicators for each identified item

Step 2 — Prioritization
- Score the degree of materiality and impact, hold interviews with related departments, and select the items that have a particularly high degree of materiality and impact from among the extracted candidate material priorities

Step 3 — Examination of KPIs
- Select KPIs from among KPI candidates linked to material priorities by interviewing executives and related departments

Step 4 — Verification and approval by management
- Executive directors verify the selected material priorities and KPIs from the standpoint of consistency with the strategies of our Medium-Term Business Plan and the future vision of the Company; final approval is given by the Board of Directors

Material priorities

Realization of a safe and secure advanced information society
- Provide solutions and services by challenge and domain
- Expand and promote the service business

P.23

Thriving professional personnel
- Develop talent for the next generation
- Promote diversity and inclusion

P.51

Contribution to a decarbonized society
- Reduce greenhouse gas emissions through business
- Reduce emissions generated through our business operations

P.57

Maintaining and enhancing a governance structure for sustainable growth
- Foster the corporate culture and enhance internal controls
- Realize Health and Productivity Management

P.59

Society

Applicable material priority		Theme 1	Develop talent for the next generation
Thriving professional personnel		Theme 2	Promote diversity and inclusion

Overview of social challenges and initiatives

During the early days of the Internet, Net One Systems quickly developed an understanding of the market and launched a business connecting networks worldwide. In response to changing times and conditions, we have expanded our business fields by leveraging our strong critical assessment capabilities and our robust technological expertise. Targeting further business growth, we are concentrating on developing security and cloud personnel in the field of solution services, while also fostering digital transformation (DX) personnel with the aim of strengthening the functions of our corporate divisions. At the same time, we help cultivate next-generation ICT talent through a range of initiatives including lectures delivered at universities and technical colleges and scholarship programs that support students at national and public universities. Additionally, we are promoting diversity and inclusion (D&I) with the goal of generating synergy and innovation.

Theme 1   Develop talent for the next generation

The Net One Group has launched a Next-Generation Technical Talent Development project that extends across all its engineering divisions and is rolling out training measures company-wide.

In connection with this project, we have identified five focus areas: security, cloud technology, APIs, data management, and service development. For each area, we have established subcommittees led primarily by managerial personnel, aiming to develop multi-skilled professionals with foundations in infrastructure knowledge while determining key technical domains and improving skills in lockstep with evolving market needs. While leveraging existing informative content, we are expanding the range of educational options for participants by developing educational curricula in collaboration with manufacturers and external educational institutions. At the same time, we are widening the range of available skill paths for each learning category by gathering the foundational skill sets and training materials maintained by various divisions within the Group.

While encouraging employees to obtain qualifications, we stimulate intrinsic motivation for learning by illustrating ways to apply these qualifications through joint study sessions and internal interviews conducted with qualified employees. Over the course of two years, about 200 employees have chosen to participate in these personnel development efforts and are still actively progressing with their studies.

Through our corporate divisions, we are striving to develop DX personnel with aims of creating new revenue models and raising operational efficiency through improved DX literacy. After identifying and categorizing DX personnel skills by level, we offer programs that teach core knowledge, technical skills, and ideas for business transformation.

Theme 2   Promote diversity and inclusion

In 2013, we launched working group activities targeting diversity and later formally launched the Diversity Promotion Committee as an advisory body for our Management Committee. Initially, these efforts focused primarily on gender diversity, but their scope has since expanded to encompass a wide range of other themes including balancing work with childcare and eldercare, senior workforce participation, professional development and career progression, support and accommodations for employees with disabilities, and inclusion of LGBTQ employees. In fiscal 2022, we established KPIs for our material sustainability-related priorities and accordingly renamed the committee as the Diversity Promotion Subcommittee.

Our Diversity Promotion Subcommittee consists of a diverse group of members who are assigned to different divisions, hold different job titles, and joined the Company at different times. For fiscal 2023, the committee's key initiatives included supporting autonomous career development, fostering a culture of mutual assistance, and enhancing value and branding. In terms of corresponding initiatives, we have introduced a mentorship program for female managerial candidates, collaborated with other companies to host events aimed at raising career awareness among female employees, and shared event details and personal experiences through our company blog. As a new initiative, we organized and hosted a Universal Day, which featured guest lectures regarding SOGIESC[*1] and diversity, equity, and inclusion (DEI), as well as awareness-raising workshops designed to simulate the experiences of individuals with intellectual and developmental disabilities. We also set up stations where employees could try wheelchair tennis and experience color vision deficiencies through VR goggles. During our annual Sustainability Day event, we organized panel discussions on women's career development and childcare leave for male employees while hosting guest lectures regarding inclusive behaviors and communication (universal manners). Through these measures, we aim to foster a deeper understanding of D&I initiatives among all employees.

*1 Sexual orientation, gender identity and expression, and sex characteristic

Focus

Realize Health and Productivity Management

The Net One Group has issued a health declaration aimed at providing an environment where employees can maintain good physical and mental health and strategically implementing business-driven health management. Meanwhile, we have established a vision for health management initiatives and are currently promoting strategy map-backed health management activities while independently setting nine KPIs (the "Wellness 9 Panel"; see the figure below).

During fiscal 2023, we aimed to educate and spread awareness among our employees by explaining health management initiatives to managerial staff and launching a website for the company-wide distribution of health management-related information. We also introduced year-round financial assistance for employees interested in smoking cessation treatment and established wellness leave to promote health and safeguard the physical, mental, and emotional well-being of employees during pregnancy and after childbirth. As a result of these efforts, we obtained certification as an Outstanding Organization for KENKO (health) Investment for 2024 within the large enterprise category. Moving forward, we will continue advancing and promoting these initiatives with the goal of obtaining White 500 certification.

Fiscal 2023 Wellness 9 Panel progress
Medical examination-related KPIs

Examination participation rate	Personnel maintaining an ideal body weight[*2]	Personnel at risk for diabetes[*3]
99.9% ➡	**63.8%** ⬆	**41.2%** ⬆
fiscal 2022: 99.9%	fiscal 2022: 63.5%	fiscal 2022: 40.2%

Lifestyle-related KPIs

Personnel who routinely eat breakfast[*4]	Personnel who exercise regularly[*5]	Rate of smoking among personnel
60.8% ⬆	**56.0%** ⬆	**25.9%** ⬇
fiscal 2022: 60.7%	fiscal 2022: 49.6%	fiscal 2022: 26.6%

Stress-related KPIs

Stress assessment completion rate	Paid leave utilization rate	Rate of personnel reporting high stress levels
98.1% ⬆	**70.0%** ⬆	**16.7%** ⬆
fiscal 2022: 97.9%	fiscal 2022: 65%	fiscal 2022: 15.8%

*2 BMI that is at least 18.5 and less than 25
*3 Fasting blood glucose of 100 or higher, or HbA1c of 5.6% or above
*4 Breakfast eaten at least three days per week
*5 Exercise performed for at least 30 minutes per day

Initiatives targeting respect for human rights

Through approval from its Board of Directors, in July 2024, Net One Systems established the Net One Group Human Rights Policy in accordance with global standards, including the International Bill of Human Rights[*6], the United Nations' Guiding Principles on Business and Human Rights[*7], and the Japanese government's Guidelines on Respect for Human Rights in Responsible Supply Chains[*8].

This policy stipulates the following in alignment with the United Nations' Guiding Principles on Business and Human Rights:

- We shall establish and continue to implement human rights due diligence practices to identify, assess, prevent, and mitigate potential negative impact on the human rights of all stakeholders with connections to the Net One Group's business activities. At the same time, we shall evaluate the effectiveness of these practices and ensure accountability through disclosure.
- If the Net One Group's business activities are found to have caused or contributed to negative impact on human rights, we shall take corrective action by either implementing appropriate solutions or assisting in their execution. When addressing this negative impact, we shall establish and maintain reporting channels through which both internal and external stakeholders can raise concerns and seek advice.

Moving forward, in accordance with our human rights policy, we will disclose information regarding our efforts targeting respect for human rights through our integrated reports and sustainability reports, our website, and other appropriate channels. Meanwhile, we will continue undertaking activities focused on reinforcing our status as corporate group that respects the human rights of all stakeholders.

Net One Group Human Rights Policy
https://www.netone.co.jp/sustainability/esg/social/human-rights/
(Japanese Only)

*6 A collective term describing the United Nations' Universal Declaration of Human Rights and the two international human rights covenants that derive from the declaration
*7 Adopted by the UN Human Rights Council in June 2011, these guidelines affirm that companies have a responsibility to respect human rights.
*8 Developed in September 2022 based on the UN's Guiding Principles on Business and Human Rights and other international standards, these guidelines provide a clear and practical explanation of the human rights efforts required of companies operating in Japan, tailored to the actual circumstances of these businesses, with the goals of enhancing corporate understanding and encouraging such initiatives.

Society

The Net One Group's personnel strategy

Our approach to human capital management

In the rapidly evolving world of ICT, responding to change itself is a source of value and competitive advantage. The Net One Group recognizes the crucial importance of its personnel in maintaining this competitive advantage. Due to the risk of obsolescence when depending on a particular technology for competitive advantage, we firmly believe that proper human capital management means developing and producing excellent talent capable of thinking and acting autonomously while creating value through their understanding of the core principles of technology and its practical application.

The Net One Group utilizes the successes and failures generated through its operations as reference models, applying them to the development of solutions for its customers. The collective knowledge and experience of our employees create added value, so we accordingly focus on cultivating personnel who act independently and produce solutions. At the same time, we recognize the importance

of promoting an understanding of behavioral guidelines and compliance, which provide the basis for these attributes, and we regularly conduct training to ensure all employees are fully informed.

The Net One Group is also advancing diversity and inclusion (D&I) initiatives with the aim of creating synergy and innovation. By establishing working environments in which all individuals—regardless of gender, age, nationality, physical or mental ability, work experience, or personal values—can proactively express their own ideas while undertaking their duties with enthusiasm and vigor, we aim to draw out individual strengths, cultivate an open corporate culture, and achieve sustainable growth through improved productivity.
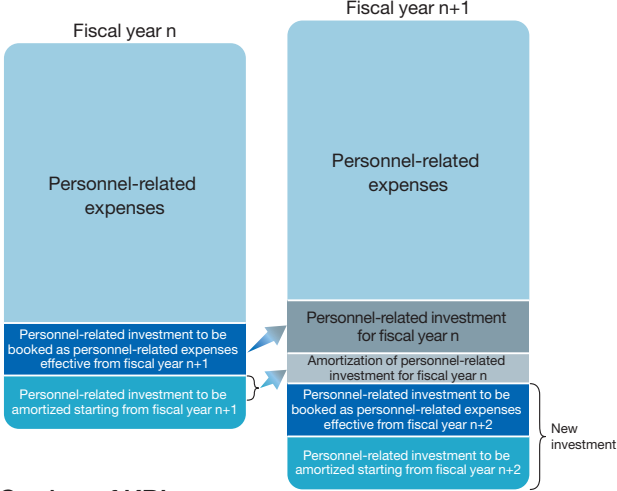
Furthermore, we have established a Personnel Management Policy and a personnel requirements profile to serve as the cornerstone of our human capital management approach. Guided by the personnel strategy outlined through our Medium-Term Business Plan, which calls for professional personnel training and the maintenance of environments in which our personnel can thrive, we will continue to ensure appropriate and effective human capital management.

Personnel management cycle

The philosophy behind our personnel strategy

In accordance with its Purpose—unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen—the Net One Group aims to address social challenges and benefit as many people as possible by leveraging networks and other forms of ICT. Our management strategy charts the path toward fulfilling this Purpose, and our employees are responsible for ensuring the Net One Group continues to tread this path moving forward. At the same time, we also firmly believe that our Purpose motivates our employees. Accordingly, we recognize the critical importance of ensuring our personnel and management strategies remain closely aligned. In line with this conviction, we task our management with creating motivating work environments and developing professionals with both strong expertise and high ethical standards.

Building on this concept, in fiscal 2023, we formulated a personnel portfolio to facilitate achievement of our Vision for 2030 while defining corresponding personnel allocation targets and establishing a personnel requirements profile. While identifying and understanding gaps between current and desired conditions and maintaining a perspective focused on personnel quality, quantity, productivity, and utilization rates, we will determine the measures necessary for ensuring proper recruitment, training and placement, assessment, and remuneration and employment conditions throughout our personnel management cycles. With a forward-looking approach targeting comprehensive optimization, we will also ensure more favorable alignment and coordination between the growth strategies of our various businesses. Recognizing that management requires advanced expertise, we will secure a strong management team to enhance our organizational strength while prioritizing succession programs for senior management candidates.

Personnel-related investment and expenditures

To date, the Net One Group has recognized all personnel-related expenditures as SG&A expenses. However, we have reassessed these expenditures, recognizing that spending on labor and operations differ in nature from spending aimed at linking employee growth with medium- to long-term growth for the Group. Therefore, effective from fiscal 2024, we will begin recognizing the former expenditures as "personnel-related expenses" and the latter as "personnel-related investment." We believe personnel-related investment should be managed in accordance with our capital allocation policy and carried out in a particularly systematic and stable manner focused on ensuring future success. Correspondingly, decisions regarding our annual personnel-related investment amounts will be based on discussions carried out by our management team. Our budget framework for personnel expenses and other similar expenditures will clearly distinguish between operational outlays and investment while ensuring investment remains aligned with our capital allocation policy.

### Budget management approach

Setting of KPIs

We gauge the impact of measures implemented in accordance with our personnel strategy using pre-determined KPIs, assess the effectiveness of these measures, modify them when appropriate, and if necessary, adjust our strategy. When carrying out this process, we focus on employee-related and organizational changes, as well as the mutual connections between these changes. We recognize the importance of linking our personnel strategy with our management strategy; the effectiveness of corresponding measures should be reflected in financial figures, particularly through improved business performance, ultimately contributing to enhanced corporate value. However, we are also aware that impact from various measures will not necessarily be immediately or directly reflected through financial figures; instead, this impact initially becomes apparent through employee-related or organizational changes that eventually affect financial figures. As a result, we firmly believe in the necessity of tracking progress using KPIs that measure changes in the behavior of employees and organizations.

Specific KPI categories

Fields	KPI categories (examples)[1]
(1) Base data	a. Employee recruitment b. Personnel-related investment c. Education and training d. Personnel placement e. Remuneration
(2) Employee-related changes	a. Retention b. Diversity c. Work hours and work styles d. Health e. Acquisition of qualifications
(3) Organizational changes	a. Engagement b. Stress assessment results
(4) Behavioral changes	a. Customer contact points b. Productivity

*1 We carefully examine and establish necessary KPIs for each field.
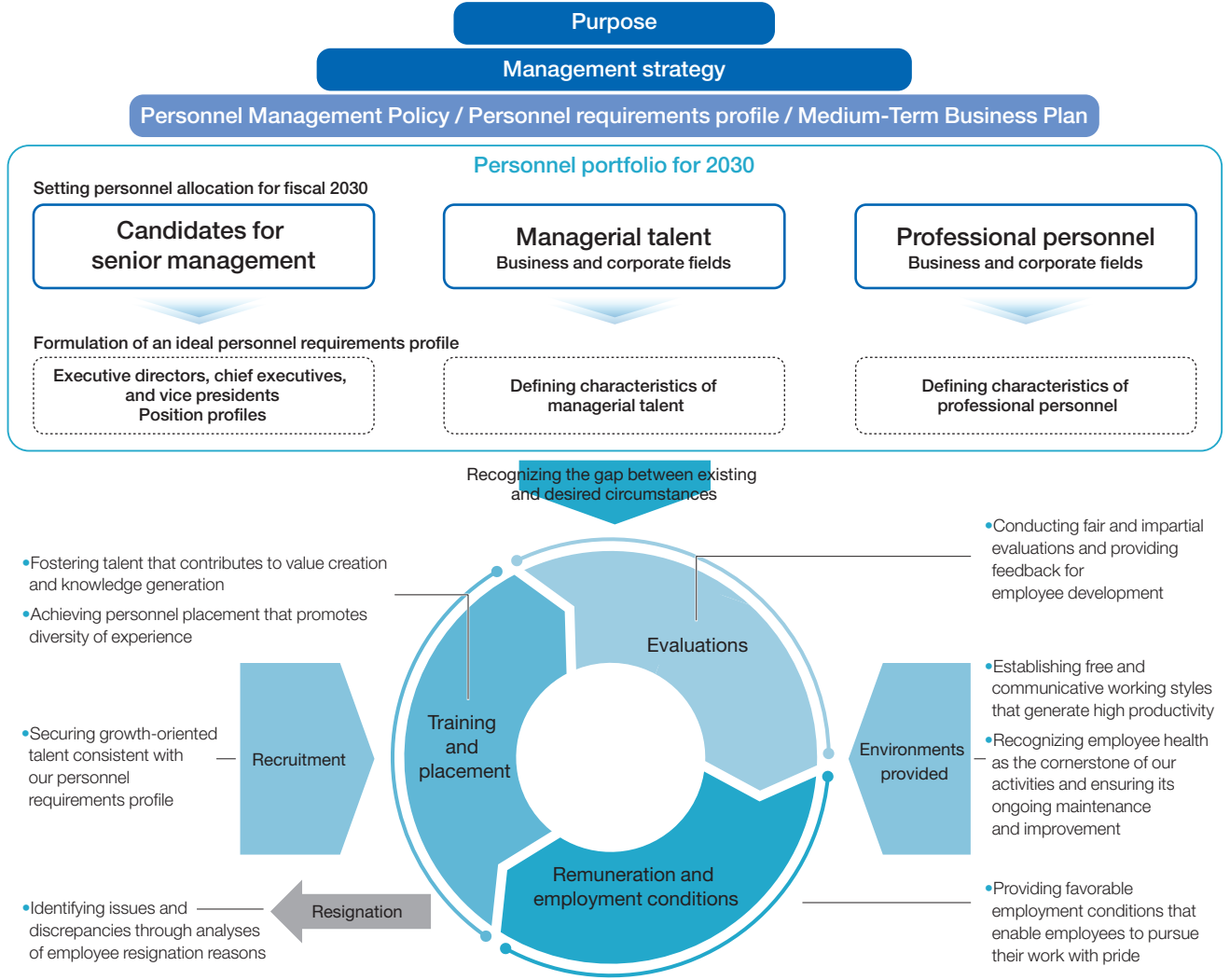
Message from the CHRO

Through a personnel strategy aligned with our management strategy, we will focus on enhancing the power of people (the personnel who constitute the source of our profits) and creating environments that foster the development of *TAKUMI*

Akiko Kanai

Vice president
Chief human resources officer (CHRO)

Photo location: netone valley's VALLEY space

Leveraging our experience, we promote diversity and elevate human capital management

In fiscal 2022, I became the Net One Group's first female vice president, and in fiscal 2024, I was appointed CHRO. My appointments represent a step forward for the Company in terms of demographic diversity (covering personal attributes such as gender or nationality), but I am also keenly aware of the further responsibilities I have in these roles.

I have been involved in a variety of roles over the course of my career. During my tenure as a university staff member, I supported international exchange programs for students and assisted the establishment of a new university campus. I began working in marketing after joining a foreign ICT company, and in 2009, I took a position with Net One Partners, a subsidiary of Net One Systems, where I gained experience in corporate marketing and business development. In 2019, I was appointed a managing director and later, in 2020, I became a vice president. In this latter role, I oversaw the Business Development Department and the Sales Engineering Department. Beginning in 2022, I further acquired experience in sales while serving as a vice president and as general manager of East Japan Business Unit 2.

These experiences are also useful in terms of facilitating task-based diversity (diversity of abilities such as experience and knowledge). Furthermore, I am confident I can utilize the expertise I gained through the roles I fulfilled in sales and at Net One Partners to synchronize our management and personnel strategies under human capital management, which will become increasingly crucial moving forward.

Our current personnel strategy includes three key themes. The first theme focuses on the development of a personnel portfolio aligned with our management strategy. Under our next Medium-Term Business Plan, which begins with fiscal 2025, we will identify the organizational structures best suited toward strengthening our earning power, and based on these

structures, will analyze the gaps between the current and desired personnel conditions for each of our businesses and formulate strategies for closing these gaps. We must also recognize the importance of ensuring all measures in each phase of recruitment, training / placement, evaluation, and compensation are closely aligned with our management strategy.

The second key theme centers on further instilling our corporate philosophy and improving employee engagement. In 2023, we conducted an annual organizational culture survey and a quarterly corporate culture monitoring survey with the aim of gauging employee awareness. These surveys indicated improvement in appreciation for our Purpose and workplace implementation of our WAY (both elements of our corporate philosophy system) while also revealing a five-percentage-point increase in employee engagement year on year, with 52% of respondents expressing positive sentiment. Based on these results, we sense the corporate philosophy system we established in 2022 has effectively taken root.

In addition to companywide dissemination activities, we have also enhanced systems and initiatives through a variety of efforts, including the appointment of divisional ambassadors (corporate philosophy dissemination activity representatives), while prioritizing dialogue between management and employees (RCT*1). I am confident these measures have contributed to the advancement of our corporate philosophy system. Furthermore, regular employee awareness surveys have enabled us to advance PDCA activities with the hands-on involvement of frontline personnel, including identifying issues and implementing improvements. Regardless, half of awareness survey respondents expressed neutral or negative sentiments. Moving forward, we will conduct more detailed post-survey issue analyses and take concrete steps to ensure improvement. (Please refer to the section concerning organizational culture survey results on page 64 for more information regarding corporate culture reforms.)

After completion of the "appreciation" phase, efforts targeting the propagation of our corporate philosophy advance

to the "harmonization" and "resonance" phases, during which actions aligned with our philosophy are recognized and valued externally as a culture unique to Net One. In the future, we will continue to address issues identified through our survey results with concrete actions, ensuring our corporate philosophy is firmly embedded in employee mindsets and behaviors as we aim to build a better corporate culture and climate.

The third key theme spotlights diversity and inclusion (D&I). By creating an environment in which all individuals, regardless of gender, age, nationality, physical ability or disability, professional experience, or values, can contribute proactively and enthusiastically, we aim to eliminate risks arising from a lack of diversity or inclusion while continuing our transformation into a company capable of consistently creating new value even during times of rapid change.

The first step associated with this theme involves promoting the empowerment of women. Instead of focusing exclusively on numerical targets, we will consistently explore ways to ensure both men and women can naturally excel in our workplaces. We encourage male employees to take childcare leave and special leave for childbirth, but few employees currently take extended childcare leave. Moving forward, we will need to create workplace environments and develop new approaches to work that enable team members to support each other.

*1 Respect, communication, and teamwork: Activities focused on maintaining positive relationships and facilitating communication between management and employees, with the goals of sharing our corporate philosophy, improving workplace environments, and fostering our corporate culture

Maximizing the value of the personnel responsible for our Purpose by embracing the principles of "Team, *TAKUMI*, and Fairness"

The Net One Group purposely refers to its members as "human assets" rather than "human resources," recognizing "people" as both its most valuable asset and the source of its profit-generating value and expertise. Reflecting this belief, we revamped our personnel strategy in fiscal 2022 and established the principles of "Team, *TAKUMI*, and Fairness" as the foundation of our Personnel Management Policy. In accordance with these principles, each individual employee strives to sharpen their skills as a "*TAKUMI*" (expert), maximizing the ability to create value as a "Team." Meanwhile, the principle of "Fairness," which ensures equality, remains permanently at the core of this foundation.

Personnel Management Policy
Team
Encourage co-creation among diverse members to create value as a team
TAKUMI
Support the enhancement of expertise in each area, so that each person can contribute to their team as a *TAKUMI*
Fairness
Reward contributions to the organization in a fair and impartial manner

We emphasize the following three traits as the ideal qualities we seek through our personnel requirements profile.

1. Personnel must have a wealth of knowledge regarding cutting-edge technologies and a spirit which enables them to boldly take on unprecedented challenges and fulfill customer needs.
2. Personnel are required to be capable of leading innovative efforts by leveraging their communication skills and building collaborative relationships with all project partners.
3. Personnel must be capable of mapping out multiple self-designed career paths and acting independently in pursuit of objectives.

To ensure our personnel fulfill these requirements, we are evaluating strategies from the viewpoints of both personnel development and management. Meanwhile, we are identifying issues occurring throughout all personnel stages extending from recruitment through compensation while striving to generate improvements in a phased and systematic manner.

We are conducting personnel development through two major approaches: education directed by our Human Resources Department and grounded in our companywide personnel development framework and training adjusted to match the unique characteristics of business operations or functions performed by each individual division. Meanwhile, we are also exploring measures aimed at boosting management skills to ensure individual managers remain aware of their mission with regard to team member development.

In terms of management, we are focused on creating environments in which all employees can approach their work with enthusiasm. In fiscal 2023, we completely revamped our evaluation system and grading and compensation system. Our evaluation system now considers behavior in addition to results, ensuring the careful assessment of both outcomes and processes. With regard to our grading and compensation system, we redefined grade categories and adopted an approach focused on placing personnel in roles for which they are best suited while also making commensurate adjustments to compensation amounts. In addition, we have also implemented salary hikes and adjusted raises to ensure our compensation levels properly reflect current market conditions.

Moving forward, we will also maintain our commitment to health management. Additionally, we will adopt strategies to enhance retention and create an environment and culture within which our talented personnel can continue to showcase their abilities well into the future.

The Net One Group remains fully devoted to its Purpose, "Unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen." We view people as the primary force behind the ongoing innovation we generate in pursuit of this Purpose. To unleash the potential of people, we will continue to create environments that allow all personnel to enthusiastically work toward a common goal while also cultivating opportunities for nurturing and developing a legion of *TAKUMI*.

Environment

<div style="background:green">

Applicable material priority

Contribution to a decarbonized society

Theme 1 Reduce greenhouse gas emissions through business

Theme 2 Reduce emissions generated through our business operations

</div>

Overview of environmental challenges and initiatives

In accordance with its material priority of contributing to a decarbonized society, the Net One Group is addressing climate change through two key themes: "reduce greenhouse gas emissions through business" and "reduce emissions generated through our business operations." We address climate change-related challenges facing our customers and society at large while contributing to decarbonization on a societal scale through an approach focused on two operational categories. First, we carry out social value-generating initiatives, including contributions to a decarbonized society through services promoting carbon neutrality and efforts that drive green growth for our customers and society at large. Additionally, we concentrate on initiatives targeting the creation of value for our Company, such as acquiring business opportunities, expanding earnings secured through services, and ensuring compliance with environmental regulations.

Theme 1 Reduce greenhouse gas emissions through business

In recent years, the swift proliferation of generative AI and cloud services has heightened the importance of networks capable of efficiently and securely delivering large volumes of data. Meanwhile, growing social demands for action on climate change and environmental issues are forcing many companies to strike a balance between business expansion and support for the achievement of a decarbonized society.

Companies operating within the ICT field are expected to achieve cost savings by streamlining operations and increasing their use of remote solutions while efficiently addressing surging demand for electricity. In response to these market needs, the Net One Group is expanding its portfolio of green transformation (GX) solutions, which leverages the Group's vast range of network expertise.

Core initiatives

Expanding our focus beyond operational streamlining achieved through ICT application, in 2024, we launched the GX Education Service, which draws from our internal expertise and track record to support the acquisition of basic knowledge concerning green transformation and carbon neutrality.

Additionally, to promote an "ICT circular economy," we are purchasing customer equipment, selling refurbished products,

and extending the lifespan of ICT products through collection and recycling efforts.
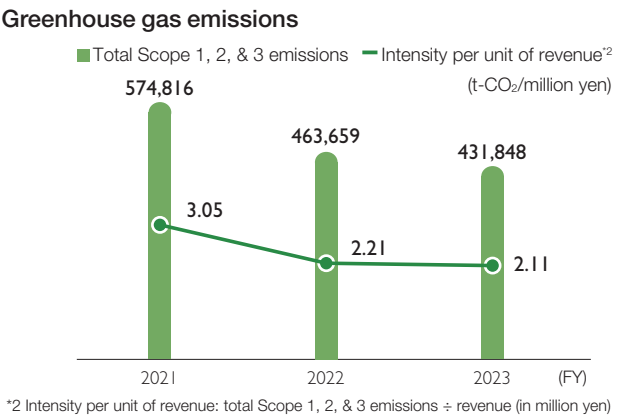
Theme 2 Reduce emissions generated through our business operations

To mitigate risks associated with climate change, we have committed to reducing greenhouse gas emissions generated through our business operations and supply chain. We primarily focus on reducing emissions generated through purchased goods and services, which account for the majority of emissions associated with the Net One Group. By expanding our range of services with relatively low emission intensity and leveraging digital technologies to facilitate visualization of our greenhouse gas emissions and energy usage, we will generate operational reforms and efficiency improvements that contribute to decarbonization efforts.

Core initiatives

Growth in the electricity consumption of its Technical Center has caused challenges for the Net One Group in terms of both cost and the environment. To address these challenges, we are leveraging our energy board service[*1] to visualize energy consumption within the Technical Center. By labeling the information of connected devices for each electrical outlet, we can link individual devices and their practical applications with corresponding electricity consumption, enabling real-time monitoring. After identifying power consumption and device utilization rates, we consider possibly replacing, deactivating, or relocating devices.

*1 A service that enables central management of electricity consumption and other data through real-time measurement of metrics related to the operation and performance of data centers and server rooms

Greenhouse gas emissions

- ■ Total Scope 1, 2, & 3 emissions   — Intensity per unit of revenue[*2]   (t-CO_2/million yen)

574,816   3.05
463,659   2.21
431,848   2.11

2021   2022   2023   (FY)

*2 Intensity per unit of revenue: total Scope 1, 2, & 3 emissions ÷ revenue (in million yen)

Focus

Responding to climate change

The Net One Group regards addressing the urgent issue of climate change as vital to its management strategy. In accordance with recommendations issued by the Task Force on Climate-related Financial Disclosures (TCFD), we are promoting the disclosure of information regarding the impact climate change has on the financial aspects of our business operations. Our Risk Management Committee, which was established to advise our Management Committee concerning the risk management activities of the Net One Group, also makes key decisions regarding the assessment and oversight of these activities. This committee additionally assesses and manages the risks climate change presents to the Group's business activities.

Should the impact of climate change expand globally and inflict severe damage on the environment, it could disrupt the economy and society as a whole. The Net One Group recognizes that the consequences of this scenario would also pose risks to its business activities. At the same time, we believe leveraging advanced ICT to address the environmental issues facing various industries will generate business

opportunities for the Net One Group. The Net One Group remains committed to both contributing to the achievement of a sustainable society and pursuing sustainable growth for the Group.

Specifically, we aim to cut greenhouse gas emissions through our business by developing and expanding green solutions that help reduce emissions for our customers and society at large. Additionally, we are striving to lower emissions generated through our own business operations by expanding our sale of energy-efficient products and services.

We are extensively reviewing events and occurrences with potential impact on the Net One Group, including physical risks that could emerge due to climate change, with the aim of identifying particularly significant risks and opportunities. We are analyzing the financial impacts each risk and opportunity could potentially have on the Net One Group based on two scenarios. The first assumes less than 2°C of global warming and poses mainly risks that emerge in association with the transition toward a low-carbon economy as climate change measures and regulations develop. The second assumes 4°C of global warming with physical risks becoming more pronounced.

Climate-change related risks and opportunities the Net One Group could face and their potential impact

Risks/opportunities		Types	Sources of impact	Primary impact on the Net One Group	Anticipated periods of occurrence[*3]	Degree of impact[*4]	
						< 2° of global warming	4° of global warming
Risks	Transition risks	Technical risks	Transition to low-carbon technologies	• Given the growing emphasis on reducing environmental impact, the Net One Group' competitive advantage could weaken if the Company is slow to transition to low-carbon technologies.	Short to medium term	High	High
		Market risks	Growth in procurement prices reflecting expansion in production costs incurred by vendors	• Should climate change and environmental initiatives drive up vendor production costs, this uptick will cause a rise in procurement costs.	Medium term	High	–
	Physical risks		Growth in the severity and frequency of extreme weather	• Erosion or flood damage impacting our logistics facilities could disrupt our supply chain and affect product delivery or distribution.	Long term	Medium	High
Opportunities	Resource efficiency		Use of refurbished products	• Expansion of third-party maintenance and functional services provided by subsidiary Net One Next Co., Ltd. using refurbished products • More opportunities to participate in infrastructure modernization projects through life-extending proposals involving the use of refurbished products	Short to medium term	High	High

*3 Anticipated periods of occurrence Short term: 0–3 years Medium term: 3–10 years Long term: 10–30 years
*4 Degree of financial impact Low: < ¥1 billion Medium: ≥ ¥1 billion and < ¥5 billion High: ≥ ¥5 billion

Governance

<div style="background:orange">

Applicable material priority

Maintaining and enhancing a governance structure for sustainable growth

</div>

Governance enhancement efforts

The Net One Group has long been committed to strengthening its governance. However, in response to recent events, we are fundamentally reassessing our previous efforts and are tackling reform as a top management priority.

In June 2022, we eliminated our Audit and Supervisory Board and became a company with an audit and supervisory committee. Along with this transition, we began ensuring independent outside executive directors comprise two-thirds of our Board of Directors (six out of nine members) and appointed an outside executive director as the board's chairperson. Additionally, we established the Nomination Advisory Committee and Remuneration Advisory Committee and made independent outside executive directors constitute majorities within both committees.

Following its June 2024 Shareholders Meeting, the Company has continued to ensure independent outside executive directors occupy two-thirds of its Board of Directors. At the same time, we have maintained a board membership that includes three female executive directors (out of the total nine) while also strengthening the board's oversight functions by establishing a composition that includes seven executive directors who are not vice presidents and two who concurrently serve as vice presidents. The Nomination Advisory Committee and Remuneration Advisory Committee are both composed entirely of independent outside executive directors.

In terms of executive functions, since fiscal 2022, we have been establishing clearly defined roles and responsibilities for chief executives selected from among our vice presidents to take charge of ensuring the proper
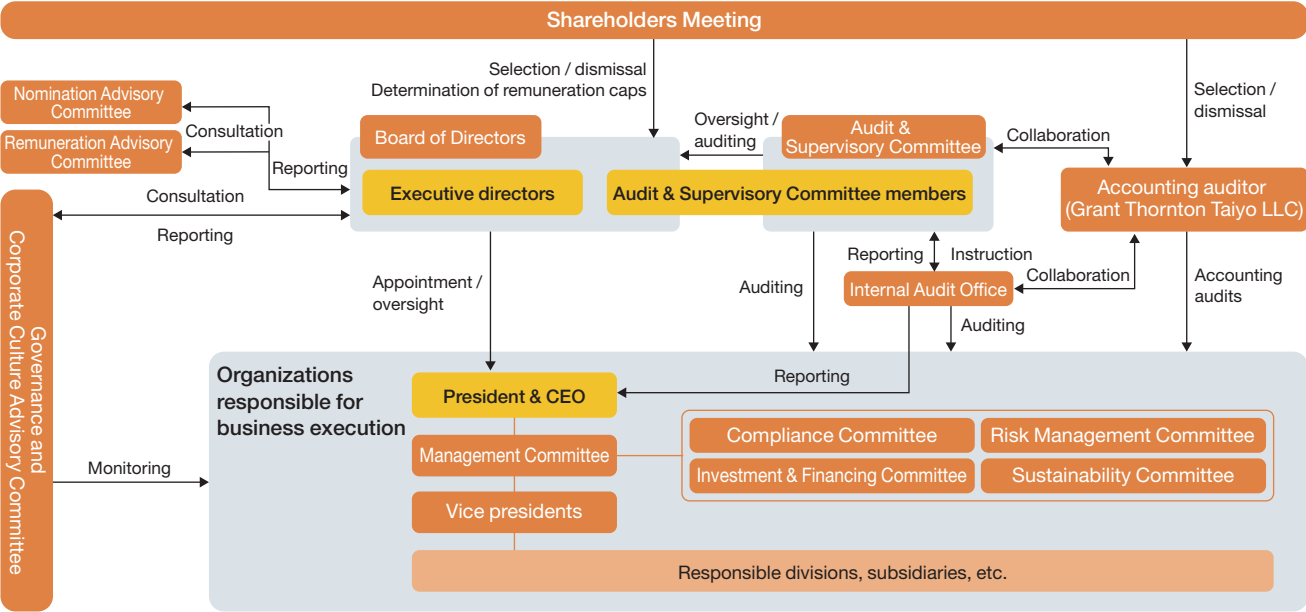
performance of important business operations. At the same time, our Board of Directors has been delegating significant authority to our Management Committee, our chief executives, and our vice presidents. Through these fundamental reforms, which were conducted in parallel with sweeping changes to our Board of Directors, we have facilitated prompt and effective decision-making in addition to a wide range of other advantageous improvements.

This framework has facilitated more robust discussions during meetings of our Board of Directors while also shifting the focus of these discussions to more strategic themes. In fiscal 2023, the board's discussions focused on proactive management targeting growth in the Net One Group's corporate value primarily through an enhanced growth strategy and a stronger capital policy. During fiscal 2024, we have responded to effectiveness evaluations concerning our Board of Directors by restating and reaffirming the roles of the board, strengthening our monitoring systems, and expediting strategic discussions.

Governance system

Net One Systems aims to enhance its supervisory functions through the establishment of robust corporate governance systems. As a company with an audit and supervisory committee, its Board of Directors consists of a majority of independent outside executive directors, one of whom serves as the board's chairperson. Our Audit and Supervisory Committee oversees and audits both management and business execution. Meanwhile, our Nomination Advisory Committee and Remuneration Advisory Committee ensure fairness and objectivity in our nomination and compensation of executive directors and vice presidents. With regard to executive functions, our team of chief executives, who serve as functional managers in their respective fields, develop and diligently implement management strategies. We have also introduced a vice president system and delegated various authorities to achieve operational streamlining and speed up business execution. Through these measures, we have established a highly effective governance framework.

Progress in strengthening governance

Governance structure

Key governance characteristics

Governance

The ideal vision for our Board of Directors and topics it should address

During a meeting held on January 30, 2024, our Board of Directors discussed and redefined the set of skills deemed necessary for the board based on the deliberations and report of our Nomination Advisory Committee. These revisions were premised upon further discussions and decisions regarding the ideal vision for our Board of Directors and topics it should address. Our Board of Directors approved detailed descriptions regarding its ideal vision and topics it should address, and these descriptions can be found below. The revised and redefined set of required skills for our Board of Directors is available on the next page of this report.

Ideal vision for our Board of Directors

(1) Conducting proactive management to establish our position as a leader in the industry
Since the early days of the Internet, we have continued to grow as a leading network company, responding to the changing times and customer needs by leveraging our strengths of deep expertise, customer-oriented viewpoints, and executive capabilities.

Going forward, we will continue to add value as an "elite group" of professionals to achieve continuous growth by pursuing an appropriate profit structure, while aiming to go beyond network operations to become a leading company across all corporate activities.

To achieve this goal, we believe that the role and responsibility of our Board of Directors is to overcome past cases of misconduct and spearhead proactive management by drawing up a big picture of management based on diverse opinions, while leveraging our traditional strengths of deep expertise, customer-oriented viewpoints, and executive capabilities.

(2) Independent, objective, and effective supervision
We have been focusing on governance and corporate culture reforms in the wake of the revelations of past cases of misconduct. Moving forward, we aim to overcome these cases and develop the Company into a "role model of governance" by securing highly independent and objective management supervision from our Board of Directors.

To make this happen, we believe it is important to ensure highly independent and objective management supervision from our Board of Directors comprised of a majority of independent outside executive directors and chaired by an independent outside executive director. It is also critical for our Board of Directors to conduct effective supervision and monitoring by clarifying the roles of vice presidents and other corporate officers and delegating authority to these individuals.

Topics our Board of Directors should address

Our Board of Directors will address topics including our growth strategy, reinforcement of our business base, our social responsibilities, and our external environment to achieve our Medium-Term Business Plan and drive proactive management. Furthermore, to conduct independent, objective, and highly effective supervision, our Board of Directors will address comprehensive corporate management in addition to the seven key topics for which individual committees have been established due to their importance to the Company's management.

Through corresponding discussions, our Board of Directors will periodically update the list of topics deemed necessary for it to address with the aims of further strengthening corporate governance and implementing and executing strategies that will drive growth for the Net One Group both during fiscal 2025 and subsequently.

Ideal vision for our Board of Directors and topics it should address

Ideal vision	Classification	Topics to be addressed
Directing proactive management	Growth strategy	Business and service strategy, customer-oriented viewpoints, deep expertise, executive capabilities, finance and accounting
	Reinforcement of business base	Personnel and organization, visualization, corporate culture reform
	Social responsibilities	Environmental, social, and governance (ESG)
	External environment	Megatrends
Supervision	Overall	Corporate management
	Key individual topics	Nomination, compensation, governance and corporate culture, compliance, risk management, investments and loans, sustainability

Skills required of our Board members

We selected the knowledge and experience necessary to discuss the topics identified for achieving the ideal vision for our Board of Directors as skills required of our Board members, as shown in the table on the following page.

Our Board of Directors approved this set of skills following its most recent review. Effective from fiscal 2025, these skills will be revised as necessary via discussions held through our Nomination Advisory Committee or Board of Directors.

Definition of skills, and reasons for selection

Skills	Definition and reason for selection
Corporate management / management strategy	As we aim to fulfill our Purpose and all other elements of the Declaration of the Net One Group while simultaneously enhancing our corporate value, we must ensure appropriate oversight and support for the decision-making processes of our executive management team by securing experience in the fields of corporate management or managerial oversight.
Technology	To maintain our position as a leading network company and continue to expand into other areas, we must demonstrate thorough understanding and experience in technological areas, including our strengths of advanced technological capabilities and expertise in networks and ICT, market acumen, and perception of future trends.
Human resources and organization management	The source of our competitive strength is our personnel, and in order to acquire and develop professional and diverse personnel and build a highly effective organization based on the success of individuals, we must exhibit knowledge and experience concerning basic HR principles and human capital management.
Corporate culture reform	To overcome past cases of misconduct and foster a culture of collaboration and taking on challenges while controlling risks to achieve targets, we must have knowledge and experience in corporate culture and organizational reform, such as instilling a corporate philosophy and code of conduct and creating a rewarding work environment.
Governance	To become a shining example of effective corporate governance, we must exhibit comprehensive knowledge and experience in strengthening the management and supervisory functions of the Board of Directors, streamlining and expediting business execution, and in the nomination and compensation of executive directors and vice presidents.
Sustainability	To position sustainable development together with society as the foundation of our management and accelerate efforts addressing our four materiality-related issues of information society, personnel, decarbonized society, and governance, we must demonstrate knowledge and experience related to the co-creation of social and corporate value.
Law / risk management	To strengthen risk management and compliance systems with the aim of developing strong trust-based relationships with stakeholders and making transparent, impartial, and swift decisions, we must exhibit knowledge and experience in legal affairs and risk management to help strengthen internal controls.
Finance / accounting	As we aim to increase our medium- to long-term corporate value, we must demonstrate knowledge and experience in finance, accounting, and shareholder relations, thereby ensuring a proper balance between strategic business investment and the proactive delivery of shareholder returns while facilitating our pursuit of an optimal capital structure and our establishment of a stable business base.

Evaluation of effectiveness

Board Advisors Japan, Inc. ("BAJ"), a third-party organization, analyzed and evaluated how effective the Company's Board of Directors was during fiscal 2023 in accordance with Article 6 of the Company's Corporate Governance Guidelines. A summary of the analysis and evaluation is available below.

Purpose of conducting third-party evaluation and analysis and evaluation method

Previously, we had conducted questionnaire-based self-evaluations and analyses of the effectiveness of our Board of Directors, with the aim of improving its functions and thereby enhancing our corporate value.

The Net One Group has enhanced its supervisory functions by transitioning into a company with an audit and supervisory committee and implementing a monitoring board system under which its Board of Directors is chaired by, and primarily consists of, independent outside executive directors. At the same time, the Group has strengthened its executive functions through measures such as forming a team of chief executives who serve as functional managers in their respective fields and delegating authority to vice presidents and other executives.

In order to evaluate the effectiveness of these initiatives aimed at enhancing corporate governance, including the reform of our Board of Directors, from a professional and objective perspective, we requested BAJ, a third-party organization, prepare a questionnaire and conduct an evaluation and analysis for fiscal 2023, with the aims of establishing our most substantial corporate governance reform efforts to date and further enhancing our corporate value.

We chose BAJ because of its proven track record in conducting board effectiveness evaluations for listed companies, as well as its high level of expertise in corporate governance.

This assessment conducted by BAJ marked the first time we have ever evaluated the effectiveness of our Board of Directors through a third-party organization. As shown on the following page, we have identified certain aspects related to the operation of our Board of Directors still require improvement. Moving forward, we will focus on implementing these improvements while concentrating specifically on issues highlighted through the evaluation process.

Governance

Evaluation overview and evaluation process

Evaluation overview
Target: All nine executive directors
Evaluation method: Questionnaire and interviews with all executive directors (approx. one hour)
Evaluator: Third-party organization (BAJ)
Evaluation period: December 2023–March 2024 (including preparation period)

Evaluation process
1. December 2023–February 2024: Evaluation by BAJ
- The Company hired BAJ to determine the areas for evaluation and prepare a questionnaire in order to ensure the transparency and objectivity of the evaluation.
- During this process, BAJ reviewed the minutes of the Board of Directors meetings for fiscal 2022 and 2023.
- BAJ analyzed each executive director's answers to the questionnaire and conducted individual interviews (approximately one hour) with all executive directors based on the analysis.

- BAJ evaluated effectiveness in light of the analysis of the above results as well as progress in addressing the issues pointed out in the previous evaluation.

2. February–March 2024: Deliberation by the Board of Directors
- BAJ reported on the evaluation results at the Board of Directors meeting held on February 28, 2024, and the board discussed the evaluation results.
- Our president and CEO and the Board of Directors secretariat exchanged opinions on the effectiveness evaluation on March 26, 2024.
- Based on the above discussions, the Board of Directors discussed and finalized the focus areas for fiscal 2024 on March 28, 2024.

Note: The outside executive liaison meeting (a forum for independent outside executive directors to exchange information and ensure a consensus) will monitor the progress.

Fiscal 2023 evaluation results and fiscal 2024 focus areas

Fiscal 2023 focus areas and actions taken	Third-party organization evaluation		Fiscal 2023 evaluation results and areas to be considered	Fiscal 2024 focus areas
		New issues	❶ Ensuring a consensus regarding the roles of the Board of Directors	• Redefining the roles of the Board of Directors and reviewing the issues to be addressed with an eye to continuously enhancing corporate value • Providing opportunities to establish a consensus among independent outside executive directors and executives responsible for business execution regarding the roles expected of them
Continuously following up on progress related to the Medium-Term Business Plan and other initiatives • Reporting on business execution by chief executives • Broadening discussions on the Medium-Term Business Plan	**Under improvement** • A common understanding regarding progress has not been fully developed. • Adequate sharing of management information and the board's method of monitoring business execution remain ongoing issues.	**Going further**	❷ Bolstering the monitoring system and accelerating strategic discussions with an aim of enhancing corporate value	• Reorganizing the areas to be monitored to enhance corporate value over the medium to long term and realize the Vison for 2030 • Broadening board discussions concerning human capital management and ensuring the board's appropriate involvement in company-level policies and operations regarding the recruitment and development of the next generation of leaders • Sharing the content of board discussions and dialogues with institutional investors with vice presidents to further strengthen executive functions • Providing executive directors with opportunities to engage in in-depth discussions on medium- to long-term strategies
Further improving board meeting materials (clarifying issues and enhancing preliminary discussions) • Revising the agenda format • Strengthening cooperation and enhancing preliminary reviews performed by the secretariat	**Under improvement** • Some improvements have been made, such as clarification of issues and early provision of meeting materials • Meeting materials were prepared from an executive point of view.	**Going further**	❸ Improving board meeting operations and secretariat functions	• Creating materials and providing explanations at board meetings suitable from a supervisory perspective • Charging executives responsible for business execution and the secretariat with identifying issues to be addressed in light of the roles of the Board of Directors and discussing them with the chairperson in advance to enhance discussions during the board meeting
Broadening discussions regarding potential risks, crisis management systems, and related matters • Regular reporting on business execution by the chief risk management officer (CRO) and chief compliance officer (CCO)	**Improved** • Substantial discussions have been conducted on the crisis management system, including the implementation of recurrence prevention measures. • It is important to identify risks associated with anticipated changes in the business environment, assess whether or not the situation is controllable after a risk incident occurs, assign roles and responsibilities, and conduct quantitative analyses.	**Ongoing**	❹ Broadening discussions regarding potential risks, crisis management systems, and related matters	• Regularly assessing the status of key risks and broadening discussions on integrated risk management • Supervising progress in establishing risk management and crisis management systems in response to changes in the business environment

Corporate culture reform

The Net One Group aspires to be a unique force in the industry, capable of addressing challenges facing both its customers and society at large while steadily progressing toward a corporate culture where misconduct will never occur again. To ensure smooth progress toward this goal, we formulated a new corporate philosophy system consisting of a Purpose, Mission, Vision, Values, and WAY in 2022. Ensuring all personnel, including management and rank-and-file employees, fully embrace and understand this corporate philosophy system is necessary to achieve further growth for the Net One Group moving forward. As time progresses, we will aim to raise our corporate value by implementing a series of strategic initiatives derived from our Purpose, made possible through the widespread acceptance of our corporate philosophy system. At the same time, we will further enhance the effectiveness of our corporate philosophy system by encouraging each member of the Net One Group to embody our WAY (Code of Conduct), which serves as the basis for our thought and decision-making processes.

Promotion system
In order to prevent recurrences of past misconduct, we have positioned corporate culture reforms as a key measure. To this end, we have established the Governance and Corporate Culture Advisory Committee as an advisory body to the Board of Directors. To further advance corporate culture reforms, and the implementation and inculcation of recurrence prevention measures, we are promoting initiatives to strengthen governance, make corporate culture reforms, continuously implement recurrence prevention measures, and enhance our internal control systems.
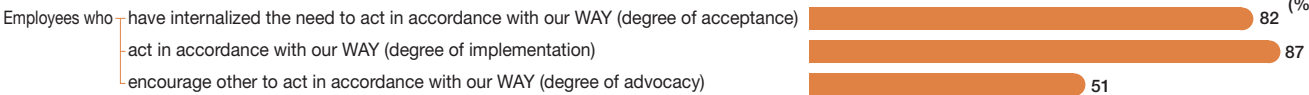
Achieving corporate culture reform through organizational culture surveys
We conduct annual organizational culture surveys to improve our comprehension of current circumstances and drive corporate culture reform. Based on the results of these surveys, we identify challenges related to our internal organizations and workplace environments while implementing various improvement measures that address these challenges. We also administer a quarterly corporate culture monitoring survey to regularly assess the effectiveness of these measures. Through our application of these surveys, we have generated understanding and acceptance of our corporate philosophy, thereby successfully shepherding this philosophy into its "appreciation" phase. Moving forward, we will push forward with various policies and initiatives to propel our advancement to the "harmonization" and "resonance" phases of our corporate philosophy. At the same time, we will ensure this philosophy serves as a set of guiding principles for each employee and as a standard for value in co-creation with others.
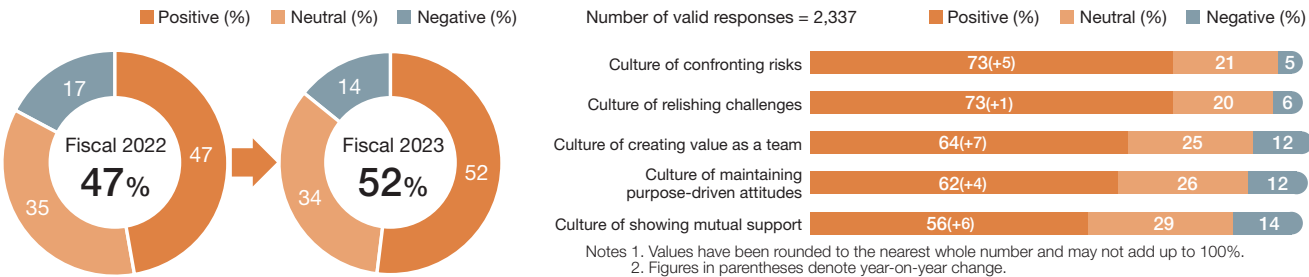
Philosophy dissemination process

Fiscal 2022–2024 **Appreciation**	• Employees appreciate the philosophy and apply it in their own unique ways • The philosophy serves as a set of guiding principles for all individuals
Fiscal 2025–2027 **Harmonization**	• Individuals acting in accordance with the philosophy connect with one another and take action collectively (harmonization) • The philosophy serves as a standard for value in co-creation with others
Fiscal 2028–2030 **Resonance**	• The philosophy is deeply integrated into employee mindsets and behaviors, becoming second nature • Employee mindsets and behaviors develop into a unique Net One culture recognized and appreciated externally (resonance)

Dissemination of our corporate philosophy (degree of WAY inculcation)

Employees who:
- have internalized the need to act in accordance with our WAY (degree of acceptance) — 82 (%)
- act in accordance with our WAY (degree of implementation) — 87
- encourage other to act in accordance with our WAY (degree of advocacy) — 51

Organizational culture survey results (conducted in October 2023)

Employee engagement improved 5% year on year. Growth in overall satisfaction with the Company was particularly notable.

We have formulated five essential organizational cultures based on our WAY. Year-on-year improvement has been observed across all five cultures.

■ Positive (%) ■ Neutral (%) ■ Negative (%)

Fiscal 2022 **47%** (47 / 35 / 17) → Fiscal 2023 **52%** (52 / 34 / 14)

Number of valid responses = 2,337

	Positive (%)	Neutral (%)	Negative (%)
Culture of confronting risks	73(+5)	21	5
Culture of relishing challenges	73(+1)	20	6
Culture of creating value as a team	64(+7)	25	12
Culture of maintaining purpose-driven attitudes	62(+4)	26	12
Culture of showing mutual support	56(+6)	29	14

Notes 1. Values have been rounded to the nearest whole number and may not add up to 100%.
2. Figures in parentheses denote year-on-year change.

Executives

Executive directors (as of June 26, 2024)

◎ Chairperson ● Member

Name and position / Executive director career summaries https://www.netone.co.jp/english/company/executives/	Takafumi Takeshita	Takuya Tanaka	Maya Ito (Independent executive director)	Masayoshi Wada (Independent executive director)	Shinobu Umino (Independent executive director)	Yuka Uehara (Independent executive director)	Kazuhiro Noguchi (Independent executive director)	Mitsuru Kiuchi	Sachiko Iizuka (Independent executive director)
Position	President & CEO	Executive director, Vice president, Chief operating officer (COO)	Independent outside executive director; Chairperson of the Board of Directors; Nomination Advisory Committee member; Remuneration Advisory Committee member	Independent outside executive director; Chairperson of the Remuneration Advisory Committee	Independent outside executive director; Chairperson of the Nomination Advisory Committee	Independent outside executive director; Nomination Advisory Committee member; Remuneration Advisory Committee member	Independent outside executive director; Full-time Audit & Supervisory Committee member; Chairperson of the Audit & Supervisory Committee; Remuneration Advisory Committee member	Executive director; Full-time Audit & Supervisory Committee member	Independent outside executive director; Audit & Supervisory Committee member; Nomination Advisory Committee member
Years in office	3.25 *1	6	3	2	1	(Newly appointed)	2	(Newly appointed)	2
Shares held	76,946	21,742	647	901	1,547	29	388	12,254	978
Attendance at Board of Directors meetings	18/18 (100%)	18/18 (100%)	18/18 (100%)	18/18 (100%)	15/15 (100%)*3	– *2	18/18 (100%)	18/18 (100%)	18/18 (100%)
Attendance at Audit & Supervisory Committee meetings	–	–	–	–	–	–	◎ 13/13 (100%)	– *2	● 13/13 (100%)
Meetings attended — Nomination Advisory Committee	● 10/10 (100%)*4		● 10/10 (100%)		◎ 9/9 (100%)*3	– *2			– *2
Meetings attended — Remuneration Advisory Committee			● 9/9 (100%)	◎ 9/9 (100%)		– *2	– *2	● 9/9 (100%)*4	
Skills matrix*5 — Corporate management / management strategy	●	●		●	●				●
Technology	●	●		●	●				
Human resources and organization management	●	●			●			●	
Corporate culture reform	●	●		●	●			●	
Governance	●		●		●	●	●	●	●
Sustainability	●		●						
Law / risk management	●		●					●	
Finance / accounting		●				●	●		●

Reasons for selection									
	Through strong leadership, Mr. Takeshita spearheaded corporate culture reform and strengthened internal controls, restoring trust in the Company. Targeting fulfillment of Medium-Term Business Plan targets, he is resolutely driving comprehensive reassessments of the Net One Group's organizational structure and business strategies.	Bringing a wealth of experience in sales and corporate management, Mr. Tanaka has focused on bolstering our sales division and developing an operational management system while also showcasing his leadership through efforts targeting improved profitability and stronger relationships.	Drawing on her abundant experience and knowledge as an attorney and outside executive director at other companies, Ms. Ito has shared valuable suggestions and insight. Since June 2022, she has served as chairperson of the Board of Directors, setting agendas, leading meetings, and helping to improve the Board's effectiveness.	Combining his experience as a corporate executive with his substantial knowledge in the information and communications field, Mr. Wada provides valuable advice regarding risk management. As chairperson of the Remuneration Advisory Committee, he helps improve transparency and accountability.	Leveraging his experience as a corporate executive and abundant knowledge of the information and communications sector, Mr. Umino shares valuable recommendations concerning human resources and governance. As chairperson of the Nomination Advisory Committee, he plays a crucial role in selecting candidates and monitoring their development plans.	Ms. Uehara has garnered extensive knowledge and experience in finance and capital strategy through her roles at securities companies and has also served as an outside executive director at another company. Leveraging this expertise, she is expected to contribute to the enhancement of managerial oversight, particularly from financial and accounting perspectives.	Leveraging the wide-ranging knowledge and experience he acquired in finance and accounting as a certified public accountant, Mr. Noguchi provides valuable advice and insight. Since becoming an outside Audit & Supervisory Board member, he has consistently overseen management and the duty execution of executive directors in an objective and neutral manner.	Mr. Kiuchi has held positions in human resources and internal auditing at other companies and has also served in senior management positions (CHRO, CRO, and CCO) at Net One Systems. Drawing on this extensive experience and knowledge, he is expected to contribute to the enhancement of managerial oversight and related functions.	Leveraging the extensive knowledge and experience she accumulated as a certified public accountant and as a representative director at another company, Ms. Iizuka shares valuable recommendations and insight. Since her appointment as an outside Audit & Supervisory Board member, she has consistently overseen management and the duty execution of executive directors in an objective and neutral manner.

*1 Six years as executive director *2 Appointed on June 26, 2024
*3 Covers attendance at meetings of the Board of Directors and the Nomination Advisory Committee held after Mr. Umino's appointment on June 23, 2023
*4 Resigned on June 26, 2024 *5 The skills matrix above identifies the primary specialties and experience of each executive director and does not reflect the full ranges of their expertise.

Independence standards for outside officers
To ensure the supervisory capability of its Board of Directors remain strong, Net One Systems has established the following criteria to guarantee the independence of its outside officers.
https://www.netone.co.jp/sustainability/esg/governance/corporate/(Japanese Only)

Vice presidents (as of April 1, 2024)

Position	Name	Position	Name	Position	Name	Position	Name
Vice president, chief financial officer (CFO) Executive director of Net One Partners Co., Ltd.	Masayuki Kitajima (Shares held: 11,553)	Vice president, chief risk management officer (CRO), chief compliance officer (CCO)	Takaaki Wakatsuki (Shares held: 4,100)	Vice president, general manager of East Japan Business Unit 2 Executive director of Net One Next Co., Ltd.	Daisuke Hatakeyama (Shares held: 5,457)	Vice president, general manager of West Japan Business Unit	Masaki Hashimoto (Shares held: 3,366)
Vice president, chief technology officer (CTO)	Fumihiko Shinoura (Shares held: 13,129)	Vice president, general manager of Corporate Planning Division, general manager of Corporate Management & Administration Division, general manager of Business Control Division	Kazuaki Ishibashi (Shares held: 5,800)	Vice president, general manager of East Japan Business Unit 3	Yoshimitsu Narita (Shares held: 6,127)	Vice president, general manager of Sales Engineering Division, general manager of Business Development Division Executive director of Net One Next Co., Ltd.	Yusuke Fujita (Shares held: 4,300)
Vice president, chief strategy and digital officer (CSDO)	Koji Tsuji (Shares held: 13,552)	Vice president, general manager of East Japan Business Unit 1	Junji Ueno (Shares held: 5,323)	Vice president, general manager of Central Japan Business Unit	Yoichi Matsumoto (Shares held: 11,929)	Vice president, general manager of Customer Service Division	Takatoshi Tsuchiya (Shares held: 4,100)
Vice president, chief human resources officer (CHRO)	Akiko Kanai (Shares held: 9,640)						

Note: "Shares held" refers to the combined total of held shares recorded in the shareholder register as of March 31, 2024, restricted shares granted as compensation through the Board of Directors resolution adopted on June 26, 2024, and shares held in the Company's employee shareholding association as of August 31, 2024.

Financial and Corporate Information

About Net One Systems   Value Creation Strategy   Value Creation in Practice   Growth-Supporting Infrastructure   **Financial and Corporate Information**

Consolidated Financial Data

	Unit	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Bookings	million yen	154,582	146,216	144,684	138,103	158,181	163,843	180,957	204,607	203,520	231,844	219,807	201,448
Service business	million yen	53,147	57,490	57,935	56,291	63,736	71,220	79,658	88,855	89,408	103,940	101,220	103,677
Year over year	%	4.8	8.2	0.8	(2.8)	13.2	11.7	11.8	11.5	0.6	16.3	(2.6)	2.4
Composition ratio	%	34.4	39.3	40.0	40.8	40.3	43.5	44.0	43.4	43.9	44.8	46.0	51.5
Order backlog	million yen	51,316	55,104	58,259	56,192	58,423	68,920	75,052	93,517	94,915	139,160	149,066	145,388
Revenue	million yen	154,869	142,427	141,529	140,170	153,124	153,346	174,825	186,353	202,122	188,520	209,680	205,127
Year over year	%	(1.8)	(8.0)	(0.6)	(1.0)	9.2	0.1	14.0	6.6	8.5	(6.7)	11.2	(2.2)
CAGR*1 (three years)	%	7.6	2.9	(3.5)	(3.3)	2.4	2.7	7.6	6.8	9.6	2.5	4.0	0.5
Service business	million yen	50,350	53,763	54,545	56,139	59,611	63,237	74,416	79,768	85,293	83,908	94,776	100,642
Year over year	%	3.6	6.8	1.5	2.9	6.2	6.1	17.7	7.2	6.9	(1.6)	13.0	6.2
Share of total	%	32.5	37.7	38.5	40.1	38.9	41.2	42.6	42.8	42.2	44.5	45.2	49.1
Gross profit	million yen	36,266	31,699	31,916	29,015	34,843	36,515	43,206	48,953	55,913	51,786	50,367	52,555
Gross profit margin	%	23.4	22.3	22.6	20.7	22.8	23.8	24.7	26.3	27.7	27.5	24.0	25.6
Selling, general and administrative expenses	million yen	27,814	28,556	28,157	27,391	29,475	29,590	31,397	32,453	36,239	34,995	29,731	33,022
SGA ratio	%	18.0	20.0	19.9	19.5	19.2	19.3	18.0	17.4	17.9	18.6	14.2	16.1
Operating income	million yen	8,451	3,142	3,759	1,623	5,368	6,925	11,809	16,499	19,673	16,790	20,635	19,533
Year over year	%	(44.5)	(62.8)	19.6	(56.8)	230.6	29.0	70.5	39.7	19.2	(14.7)	22.9	(5.3)
CAGR*1 (three years)	%	19.1	(18.0)	(37.3)	(42.3)	19.5	22.6	93.8	45.4	41.6	12.4	7.7	(0.2)
Operating margin	%	5.5	2.2	2.7	1.2	3.5	4.5	6.8	8.9	9.7	8.9	9.8	9.5
Net income attributable to owners of the parent	million yen	4,324	983	1,453	(124)	1,075	4,551	7,155	9,817	12,321	11,225	14,458	13,720
Total assets	million yen	92,924	90,624	103,013	99,266	102,038	102,502	121,494	135,764	155,782	161,713	178,651	164,909
Cash and deposits	million yen	18,580	18,184	19,374	20,668	16,236	21,953	23,305	31,473	32,429	20,281	35,509	32,035
Interest bearing liabilities (mainly lease obligations)	million yen	1,882	2,173	4,700	5,832	6,994	7,306	12,442	16,109	21,498	41,069	36,552	28,531
Net assets	million yen	61,387	57,263	56,109	52,896	51,943	53,847	58,584	65,337	73,795	68,547	75,764	76,814
Equity*2	million yen	61,190	57,196	56,014	52,777	51,815	53,686	58,420	65,053	73,513	68,363	75,620	76,683
Equity ratio	%	65.8	63.1	54.4	53.2	50.8	52.4	48.1	47.9	47.2	42.3	42.3	46.5
D/E ratio	times	0.03	0.04	0.08	0.11	0.13	0.14	0.21	0.25	0.29	0.60	0.48	0.37
Net D/E ratio	times	(0.27)	(0.28)	(0.26)	(0.28)	(0.18)	(0.27)	(0.19)	(0.24)	(0.15)	0.30	0.01	(0.05)
Return on Equity	%	6.9	1.7	2.6	(0.2)	2.1	8.6	12.8	15.9	17.8	15.8	20.1	18.0
Return on Assets	%	9.0	3.9	3.9	1.7	5.3	6.9	10.8	12.7	12.5	10.6	12.1	11.1
Book-value per share	yen	699.63	676.65	662.62	624.24	612.64	634.47	689.97	767.89	867.48	832.48	920.08	967.03
Dividend per share	yen	34.00	34.00	30.00	30.00	30.00	30.00	37.00	45.00	64.00	72.00	74.00	77.00
Earnings per share	yen	48.89	11.40	17.20	(1.47)	12.72	53.79	84.52	115.90	145.42	134.15	175.95	169.82
Diluted earnings per share	yen	48.89	11.39	17.17	—	12.69	53.65	84.30	115.63	145.09	133.98	175.76	169.65
Cash flows from operating activities	million yen	3,932	1,016	5,291	5,877	259	11,569	6,682	12,281	9,800	(10,874)	34,183	23,872
Cash flows from investing activities	million yen	(3,416)	(3,823)	(1,610)	(2,235)	(1,127)	(1,264)	(1,424)	(1,194)	(3,336)	(1,515)	(1,654)	(4,542)
Cash flows from financing activities	million yen	(7,167)	(5,589)	(3,490)	(3,329)	(3,564)	(3,588)	(3,905)	(5,131)	(5,505)	233	(17,332)	(22,803)
Cash and cash equivalents at end of period	million yen	29,580	21,183	21,374	21,668	17,236	23,953	25,305	31,473	32,429	20,281	35,509	32,035
Total employees	people	2,210	2,422	2,374	2,252	2,284	2,317	2,294	2,431	2,560	2,703	2,548	2,579
Bookings per employee	million yen	70	60	61	61	69	71	79	84	80	86	86	78
Revenue per employee	million yen	70	59	60	62	67	66	76	77	79	70	82	79
Gross profit per employee	million yen	16	13	13	13	15	16	19	20	22	19	20	20
Operating income per employee	million yen	4	1	2	1	2	3	5	7	8	6	8	7

*1 CAGR : compound annual growth rate   *2 Equity =Total net assets – Share acquisition rights – Non-controlling interests
Notes 1. Effective from fiscal 2022, we have begun recording a portion of labor costs and other expenses incurred through our engineering division (responsible for the rendering
of services) as costs of revenue. These same labor costs and other expenses were previously booked as SG&A expenses.
2. Despite potentially dilutive shares, diluted earnings per share for fiscal 2015 has not been shown because earnings per share was negative.

Glossary

Terminology	Meanings
Expert Operation Center (XOC)	Through our Expert Operation Center (XOC), we provide one of the largest integrated operation management services in Japan. The XOC supports high network availability 24 hours per day, 365 days per year.
Customer success	A technical support process through which we continuously monitor the post-installation usage of ICT systems, and, if performance differs from pre-installation expectations, work with customers to ensure more optimal usage; we also propose modifications to existing systems in response to technological advancements.
Customer facing	This term describes roles or duties that involve direct interaction with customers. To enhance the trust-based relationships we maintain with our customers, we must ensure our organizations and work styles are structurally optimized to maximize the skills and efficiency of personnel responsible for resolving customer issues.
Smart factories	Through the use of IoT networks and other technologies, smart factories create new added value by acquiring, collecting, and subsequently analyzing and applying data regarding all equipment, facilities, and tasks performed by personnel within the factory.
Smart manufacturing	Smart manufacturing aims to decarbonize and enhance manufacturing performance by improving efficiency through the use of IoT, big data, AI, and other technologies. This concept refers to the digitalization of manufacturing, which uses data to connect all corporate activities, including not only factory operations but also product design, supply chain management, production, distribution, and sales.
Three lines model	A model of an organization's risk management and control activities; generally, the first line consists of the business department, the second line the management department, and the third line the internal audit department. In the case of the Company, we have established our own 1.5th line to monitor the first line, thereby ensuring discipline and supporting the establishment of effective business rules.
Security Operation Center (SOC)	Our security monitoring system, which consists of our high-quality security analysis infrastructure and a team of dedicated security analysts.
Zero trust / Zero trust network	A new security measure that replaces the conventional perimeter defense type of security, which protects the internal network from external threats. This mechanism safeguards information assets and ICT assets by verifying the reliability of access through appropriate authorization in an ICT environment where various users and devices are connected, such as cloud use and remote work.
Digital government	A revision by national and local governments of the administrative services they provide through the utilization of digital technology and data, with the aim of transforming the very nature of government itself. Digital government aims to create new value from the perspective of users such as citizens and companies.
2025 Digital Cliff	A term coined in METI's "DX Report" (2018), which refers to the prediction that "there is a possibility that Japan's international digital competitiveness will stagnate after 2025, due to the retirement of IT system personnel who support corporate legacy systems, and the resulting continuation of system black-boxization, as well as a lack of progress in digitalization."
Managed Service Provider (MSP)	A business provider that provides support from line connection to usage. In addition to conducting various analyses that are necessary when introducing ICT systems / equipment, MSPs provide simple usage of equipment similar to home appliances, at a fixed monthly fee.
Lifecycle service	Services that support the development of the ICT infrastructure strategies of customers, by expanding the scope of proposals from traditional services such as design, installation and maintenance to operations, as well as overall system optimization.
Certified information systems security professional (CISSP®)	An internationally recognized professional information security certification granted by the International Information Systems Security Certification Consortium (ISC2), which was established in 1989. Obtaining CISSP certification is deemed essential for individuals performing information security-related duties at major companies.
Digital Transformation (DX)	The utilization of ICT to create new revenue models and significantly enhance operational efficiency. As it aims to provide valuable lifecycle services, the Net One Group remains focused on the digitalization of business processes (netone DX). In order to improve productivity, we are promoting behavioral reforms, including revisions of organizations and personnel systems.
Electricity visualization service (energy board)	This cloud-based green transformation (GX) solution enables users to visualize the electricity consumption and greenhouse gas emissions of ICT devices, as well as the costs these devices generate on a per-power outlet basis. Developed internally, this service is equipped with data grouping capabilities that support multi-faceted analysis for the development of power reduction strategies in data centers and similar facilities.
Green transformation (GX)	This term refers to viewing efforts to achieve a decarbonized society as opportunities for economic growth and social change. The Net One Group aims to simultaneously contribute to the achievement of a sustainable society and facilitate sustainable growth through cutting-edge ICT.
Innovation Showcase	A platform for sharing information regarding our advanced technologies and collaborating with customers and partners to generate new ideas; the Innovation Showcase introduces technology and provides hands-on demonstrations centered on five themes: digital collaboration, data and AI, cyber–physical systems (CPSs) and digital twins, digital infrastructure, and green transformation (GX).
Lab as a Service (LaaS)	LaaS offers multi-cloud environments tailored to the specific technical requirements of customers while functioning as a hub for the collaborative testing and verification of advanced technologies. LaaS enables users to verify the functionality, security, and costs of systems while also facilitating pre-deployment checks that confirm stability and operational procedures. Through LaaS, we additionally provide technical advice and support to ensure speedy system deployment and effective decision-making.
Multi-access Edge Computing (MEC)	This network architecture concept shortens communication delays and reduces network load by placing servers in decentralized locations near IoT devices and mobile devices, thereby achieving high-speed processing.
Network as a Service (NaaS)	This subscription-based service enables users to access and leverage network functionality and performance capabilities. By utilizing AI, NaaS reduces initial investment in network setup, management workloads, and operating costs. Even without specialized knowledge, users of NaaS can quickly deploy and stably operate network systems.
Secure access service edge (SASE)	SASE is a technological concept according to which security and networking functions are integrated and managed using cloud-based technology. SASE technology allows security to be maintained even when accessing cloud-based networks externally.

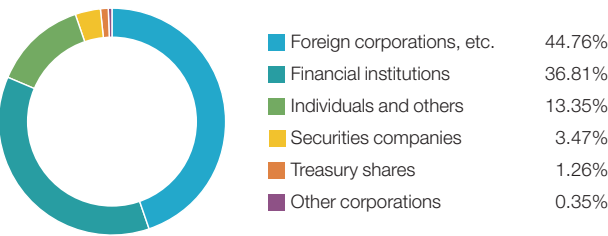# Company Information (as of March 31, 2024)

Company Profile

Established	February 1, 1988
Capital	¥12,279 million
Employee count	2,579
Head office location	JP TOWER, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo 100-7025

Stock Information

Stock and shareholder information

Total authorized shares	200,000,000
Total shares issued	80,308,700
(includes 1,010,607 treasury shares)	
Shareholder count	14,246
Securities code	7518

Distribution of Shares by Owner Category

Owner Category	%
Foreign corporations, etc.	44.76%
Financial institutions	36.81%
Individuals and others	13.35%
Securities companies	3.47%
Treasury shares	1.26%
Other corporations	0.35%

External Evaluation (as of July 31, 2024)

Major indices carrying our shares

- JPX-Nikkei Index 400
- JPX Prime 150 Index
- FTSE4Good Index Series
- FTSE Blossom Japan Index [*1]
- FTSE Blossom Japan Sector Relative Index [*1]
- MSCI Japan ESG Select Leaders Index [*1]
- MSCI Japan Empowering Women Index (WIN) [*1]
- S&P/JPX Carbon Efficient Index [*1]
- Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J) [*1]

*1 Indicates major ESG investment index adopted by the Government Pension Investment Fund (GPIF)

Notes 1. FTSE Russell confirms that Net One Systems has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

2. The inclusion of Net One Systems in MSCI indices, and the use of MSCI logos, trademarks, service marks, or index names herein, does not imply sponsorship, endorsement, or promotion of Net One Systems by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Third-party evaluation

- Eruboshi certification
- Kurumin certification
- Outstanding Organization for KENKO (health) Investment for 2024 (large enterprise category)

ESG ratings

- MSCI ESG Rating: AA (second-highest rating)
- FTSE Russell ESG Score: 3.3 (out of 5.0)
- Sustainalytics ESG Risk Rating: 19.9 (low risk)

For information regarding external evaluations, please visit our website.

https://www.netone.co.jp/english/sustainability/evaluations/

Notes on included matters

The names of each company in the net one report are trademarks or registered trademarks of each company.

Reference guidelines

Ministry of Economy, Trade and Industry: Guidance for Collaborative Value Creation
International Integrated Reporting Council (IIRC)
The International Framework

Forward-looking statements

This report contains forward-looking statements that involve inherent risks and uncertainties and therefore may differ materially from actual results. Forward-looking statements are based on information currently available to the Company and investors should not place undue reliance on them. The Company undertakes no obligation to update or revise current forecasts in this report to reflect events, changes in the operating environment or other unforeseen developments that may occur in the future.