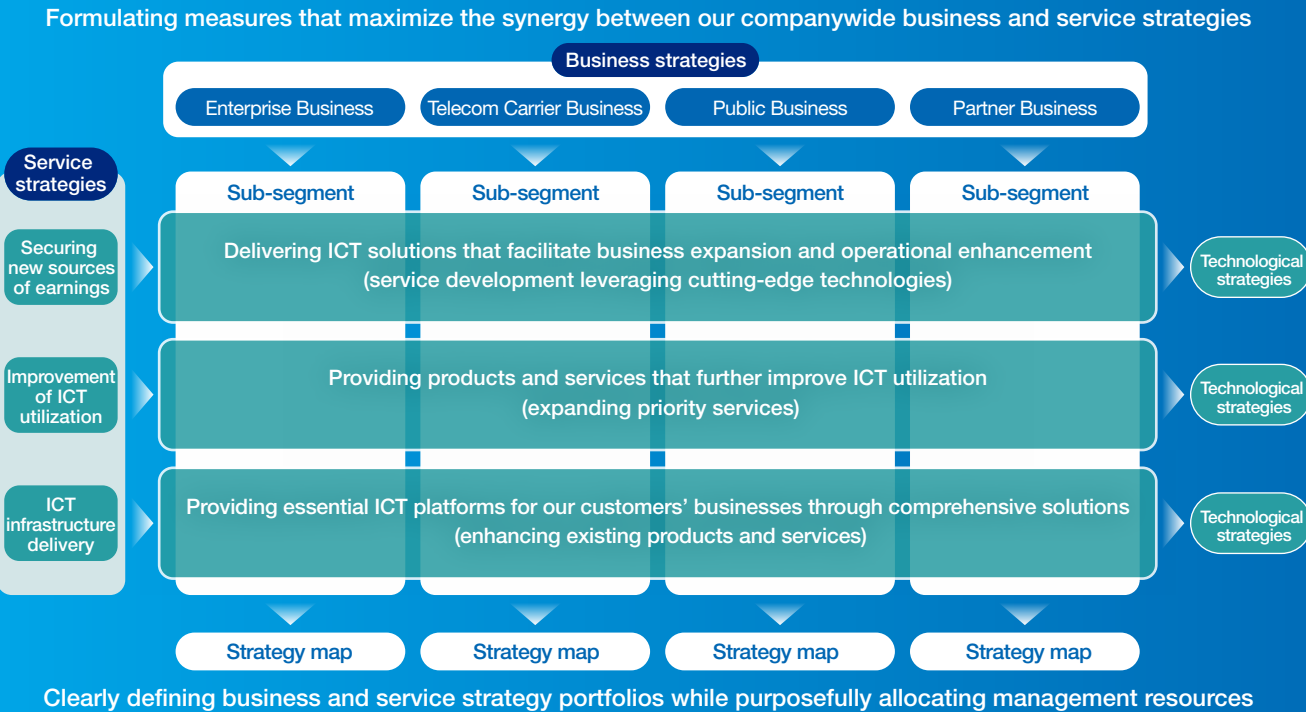




Fumihiko Shinoura
Vice president
Chief technology officer (CTO)

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

Photo location: netone valley's VALLEY space



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 (“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



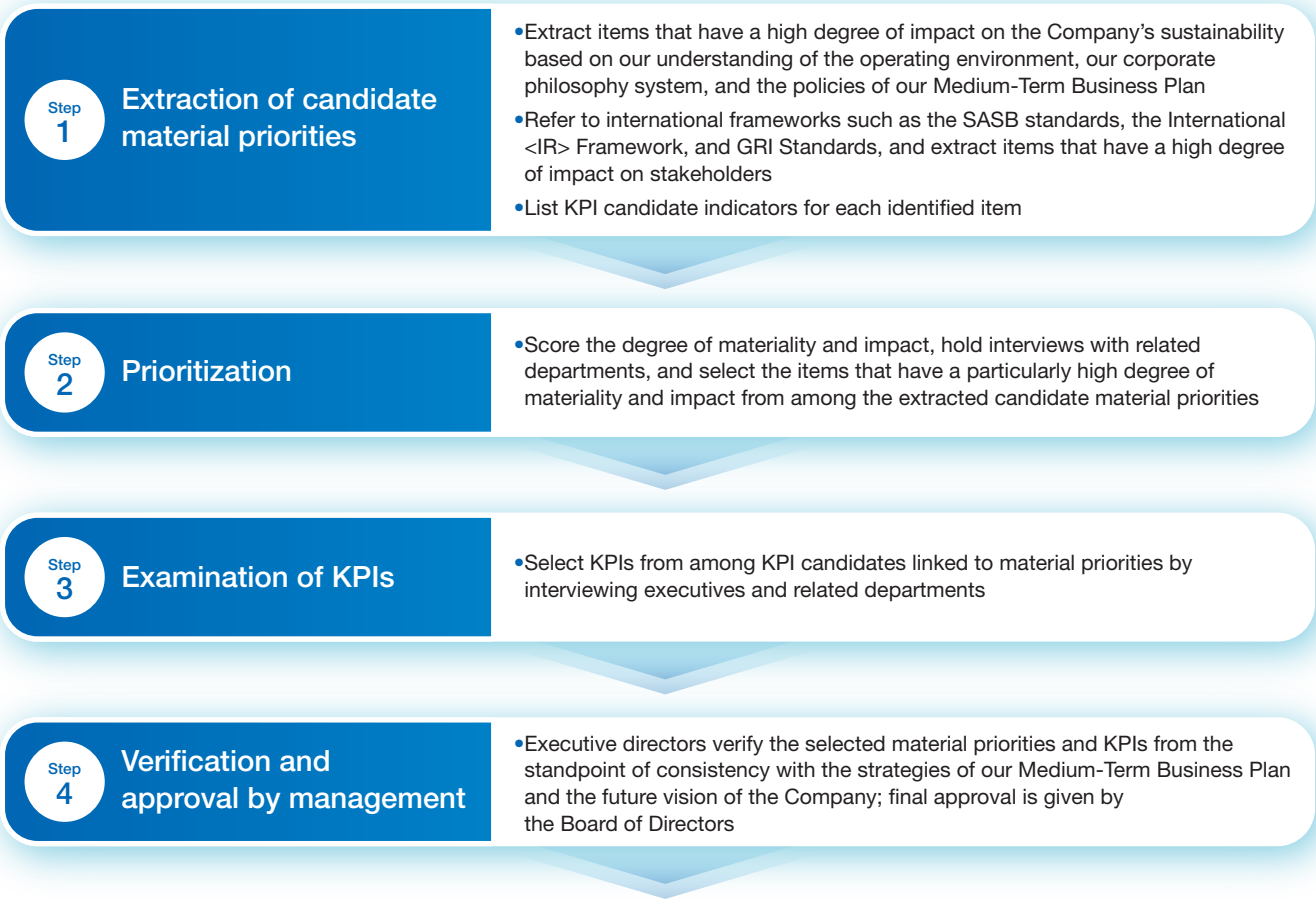
Identification of material priorities

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



Society

Applicable material priority

Thriving professional personnel

Theme 1

Develop talent for the next generation

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 as a material priority to enhance our competitiveness 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 99.9% ➡ fiscal 2022: 99.9%	Personnel maintaining an ideal body weight ^{*2} 63.8% ⬆ fiscal 2022: 63.5%	Personnel at risk for diabetes ^{*3} 41.2% ⬆ fiscal 2022: 40.2%
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Lifestyle-related KPIs

Personnel who routinely eat breakfast ^{*4} 60.8% ⬆ fiscal 2022: 60.7%	Personnel who exercise regularly ^{*5} 56.0% ⬆ fiscal 2022: 49.6%	Rate of smoking among personnel 25.9% ⬇ fiscal 2022: 26.6%
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Stress-related KPIs

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

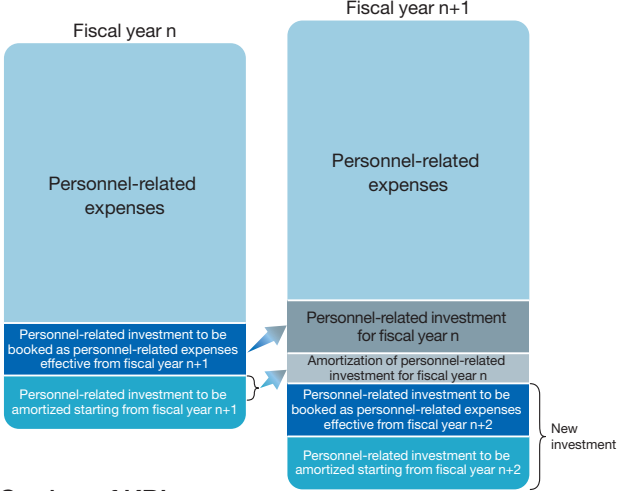
Furthermore, we have established a Personnel Management Policy and a personnel requirements profile to serve as the cornerstone of our human capital management approach. Guided by the personnel strategy outlined through our Medium-Term Business Plan, which calls for professional personnel training and the maintenance of environments in which our personnel can thrive, we will continue to ensure appropriate and effective human capital management.

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.

Budget management approach



Setting of KPIs

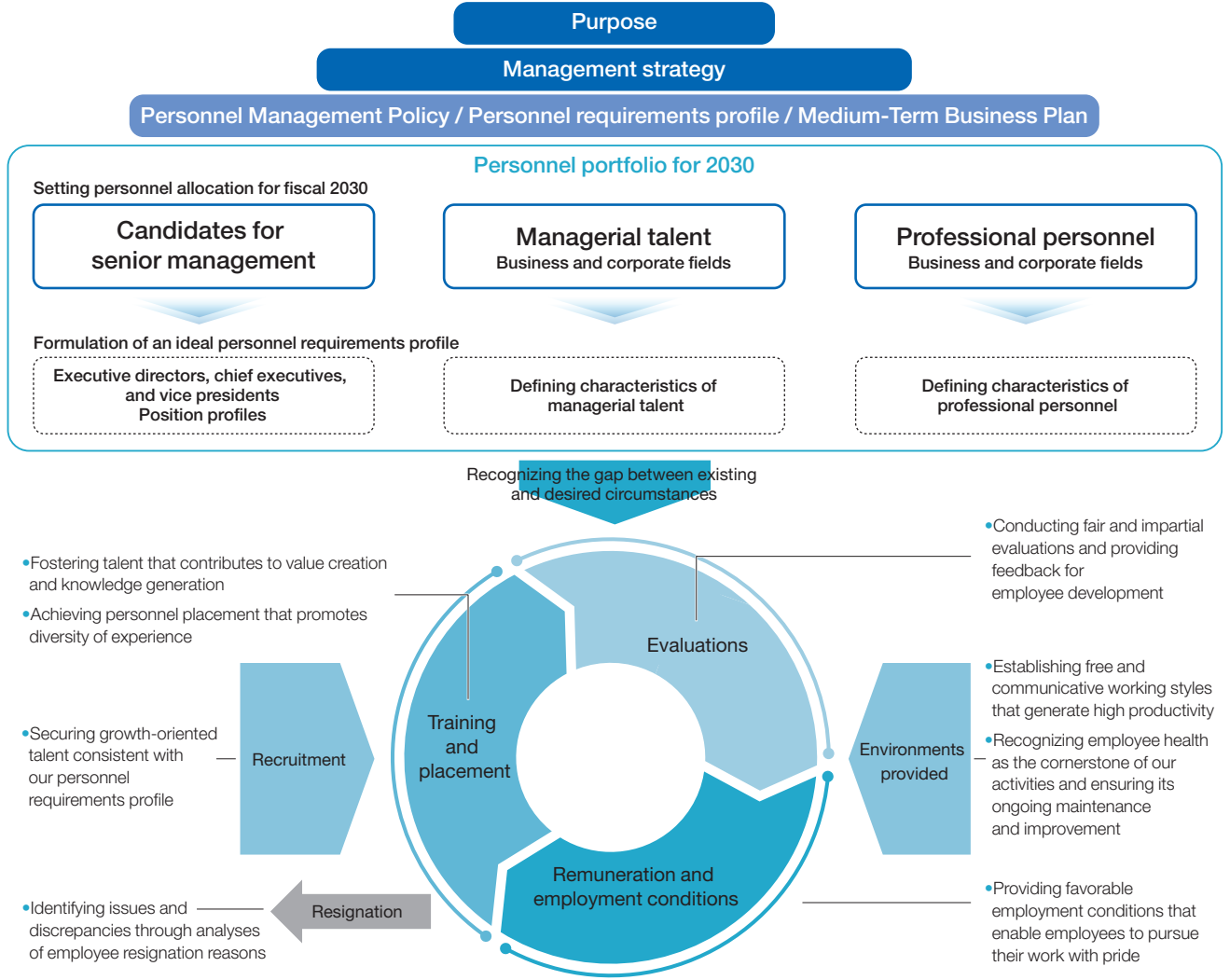
We gauge the impact of measures implemented in accordance with our personnel strategy using pre-determined KPIs, assess the effectiveness of these measures, modify them when appropriate, and if necessary, adjust our strategy. When carrying out this process, we focus on employee-related and organizational 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.

Personnel management cycle



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.

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 purposefully 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

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

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

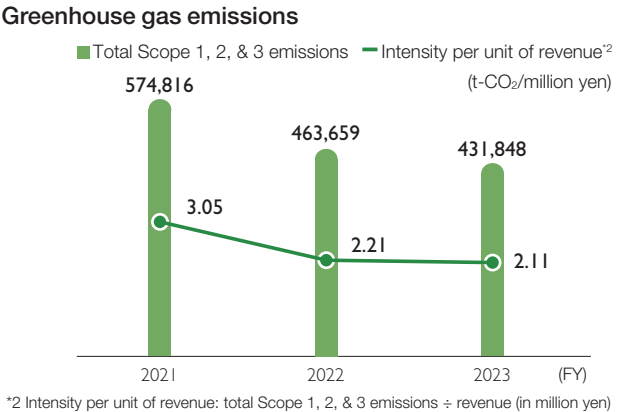
Reduce emissions generated through our business operations

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



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

Applicable material priority

Maintaining and enhancing a governance structure for sustainable growth

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 independent 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

Progress in strengthening governance

	Board of Directors and Audit & Supervisory Committee (Board)	Committees	Other
Through 2005	•Appointed one outside executive director (2004)	•Established the Compliance Committee (2003)	•Established the Group compliance manual (2003)
2006	•Reduced the term of office for executive directors from two years to one		•Introduced the whistleblower system
2007		•Established the Risk Management Committee •Established the Investment & Financing Committee	
2009		•Established the Advisory Committee •Established the Vision Inculcation Committee (through 2015)	•Published the Vision Book
2011			•Introduced the vice president system
2012			•Introduced the stock option compensation system
2015	•Appointed a female outside executive director	•Integrated the Compliance Committee and the Risk Management Committee as the Risk & Compliance Committee	•Published the Corporate Governance Guidelines
2016	•Began evaluating the effectiveness of the Board of Directors		
2017			•Added an Audit & Supervisory Board member contact point to the compliance reporting and advice line
2020		•Separated the Risk & Compliance Committee into the Risk Management Committee and the Compliance Committee •Reestablished the Vision Inculcation Committee	•Established the Sales Supervisory Office •Revised the Vision Book
2021		•Renamed the Vision Inculcation Committee to the Corporate Culture Reform Committee •Established the Internal Control Enhancement Council	•Established the Compliance Office •Established the Business Control Division and the Business Planning Office
2022	•Transitioned to a company with an audit and supervisory committee •Six out of nine appointed executive directors are outside executive directors •Outside executive director appointed as Chairperson of the Board of Directors	•Reorganized the Internal Control Enhancement Council and the Corporate Culture Reform Committee into the Governance and Corporate Culture Advisory Committee •Separated the Advisory Committee into the Nomination Advisory Committee and the Remuneration Advisory Committee	•Revised the executive remuneration system, including the introduction of a restricted stock remuneration plan •Established the Corporate Data and Analytic Office
2023	•Developed and strengthened chief executive system to clearly define the separation of supervisory and executive responsibilities		•Established a common whistleblower contact desk for all Group companies
2024	•Three out of nine executive directors (33.3%) are female	•Operation of the Nomination Advisory Committee and the Remuneration Advisory Committee, which both consist solely of independent outside executive directors	•Conducted effectiveness evaluations for the Board of Directors through questionnaires and interviews with all executive directors, which were administered by a third-party organization

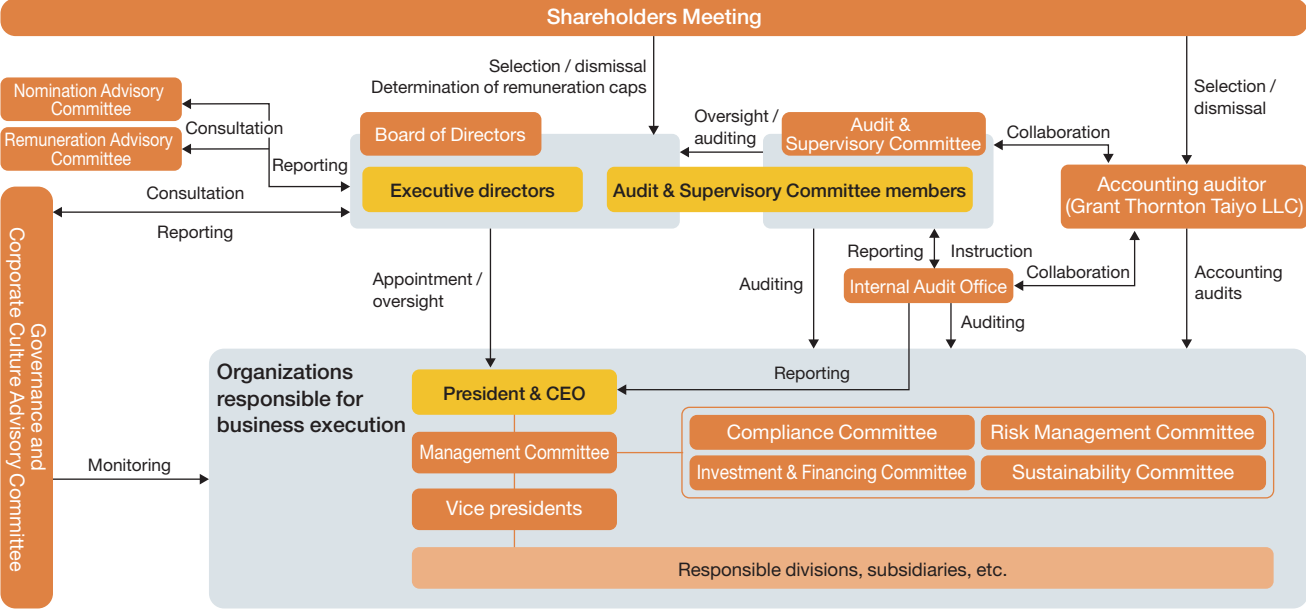
performance of important business operations. At the same time, our Board of Directors has been delegating significant authority to our Management Committee, our chief executives, and our vice presidents. Through these fundamental reforms, which were conducted in parallel with sweeping changes to our 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.

Governance structure



Key governance characteristics

Oversight and execution	Risk management and internal control	Corporate culture reforms
Pursuit of monitoring board-based governance	Net One's unique three lines model	Fostering a corporate culture rooted in our Purpose
Major examples <ul style="list-style-type: none">•Six out of nine executive directors are independent outside executive directors•Chairperson of the Board of Directors is an independent outside executive director•Discussions regarding nomination and remuneration conducted exclusively by independent outside executive directors•Executive functions enhanced through our chief executive system	Major examples <ul style="list-style-type: none">•Risk management process oversight from the chief risk management officer (CRO) and the Risk Management Committee•Establishment of a Governance and Corporate Culture Advisory Committee•Establishment of a unique 1.5th line between the first and second internal control lines of defense	Major examples <ul style="list-style-type: none">•Corporate culture monitoring surveys•Dialogue held between management and employees (RCT)•Corporate philosophy dissemination activities

Continuous implementation of measures to prevent recurrence of misconduct

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, customeroriented 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	1 Ensuring a consensus regarding the roles of the Board of Directors	<ul style="list-style-type: none">•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 <ul style="list-style-type: none">•Reporting on business execution by chief executives•Broadening discussions on the Medium-Term Business Plan	Under improvement <ul style="list-style-type: none">•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	2 Bolstering the monitoring system and accelerating strategic discussions with an aim of enhancing corporate value	<ul style="list-style-type: none">•Reorganizing the areas to be monitored to enhance corporate value over the medium to long term and realize the Vision 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) <ul style="list-style-type: none">•Revising the agenda format•Strengthening cooperation and enhancing preliminary reviews performed by the secretariat	Under improvement <ul style="list-style-type: none">•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	3 Improving board meeting operations and secretariat functions	<ul style="list-style-type: none">•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 <ul style="list-style-type: none">•Regular reporting on business execution by the chief risk management officer (CRO) and chief compliance officer (CCO)	Improved <ul style="list-style-type: none">•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	4 Broadening discussions regarding potential risks, crisis management systems, and related matters	<ul style="list-style-type: none">•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.

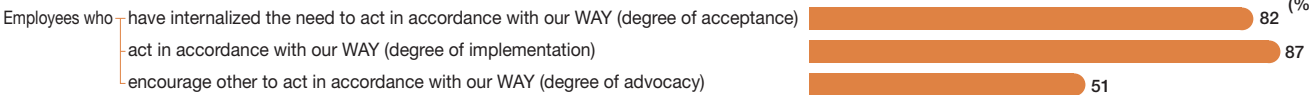
Achieving corporate culture reform through organizational culture surveys

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



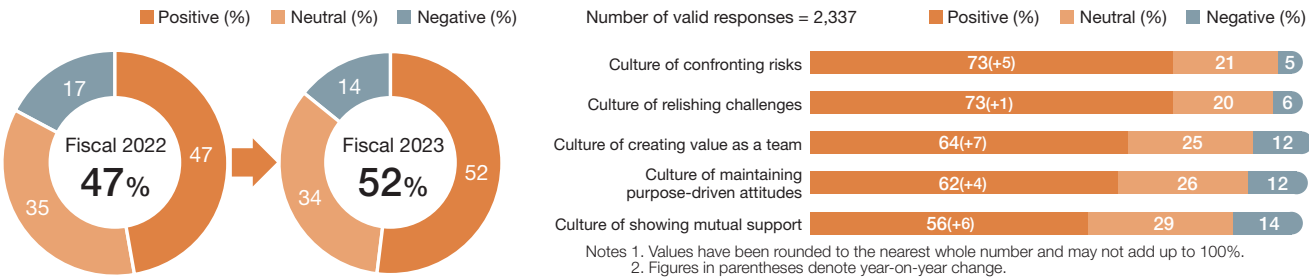
Dissemination of our corporate philosophy (degree of WAY inculcation)



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.



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
		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}	— ^{*2}
	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, CFO, 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)

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.