Net One Systems Sustainability Data Book 2022

Net One Systems Co., Ltd.

Contents

Editorial Policy

Editorial Policy

This Sustainability Data Book 2022 (SDB 2022) serves as a complement to the net one report 2022, and places an emphasis on reporting a wide range of non-financial information centered on ESG, for a wide range of stakeholders.

net one report 2022
https://www.netone.co.jp/english/investor-relations/ir-library/integrated/

Reporting Period

In principle, from April 1, 2021 to March 31, 2022. However, some initiatives before and after this period are also included.

Reporting Scope

In principle, the Group (the Company and 11 subsidiaries). Where the Company is mentioned, this refers to Net One Systems on a non-consolidated basis.

With regard to data, please refer to the scope of the aggregation of data and materials that specialize in numerical information.

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.

Notes on Included Matters

The names of each company in the SDB 2022 are trademarks or registered trademarks of each company. "Health Management®" is a registered trademark of the Nonprofit Organization Kenkokeiei.

Date of Issue

(Previous) Not applicable, since this is the first issue

(Current) September 30, 2022

(Next issue scheduled) End of September 2023

Contact Information

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https://www.netone.co.jp/contact/ (Japanese only)

Message from the Chairperson of the Sustainability Committee

Collaborating between departments and accelerating initiatives centered on materiality, with the aim of achieving both contributions to a sustainable society and sustainable growth

Senior Vice President
Chief Strategy Officer (CSO)
Chairperson of the Sustainability
Committee
Koji Tsuji

(Recognition of sustainability challenges and trends)

Developing policies and systems for company-wide sustainability management

As social challenges affecting international society, such as climate change and human rights, have become more diverse and complex, the delay in digitalization has become a challenge for Japan as a whole. We have reaffirmed the importance of networks in promoting the digitalization of society.

Based on this environmental awareness, the Company has formulated our Sustainability Policy. We have expressed our determination to achieving both contributions to a sustainable society and the sustainable growth of the Company, by supporting our customers' efforts toward digitalization centered on our networks, which have been our strength since the time of our founding. Furthermore, we have established the Sustainability Committee under the Management Committee, for the purpose of promoting sustainability management across the Company.

(Roles and aspirations as the chairperson)

Promoting initiatives to solve social challenges and grow the Company's business as two wheels

I have two roles, as both the Chairperson of the Sustainability Committee and the CSO (Chief Strategy Officer), who oversees business strategy. In sustainability management and the execution of business strategies, my role is to coordinate the departments that are responsible for each business area and promote initiatives. In our current Medium-Term Business Plan, which started in fiscal 2022, we have positioned solving social challenges and growth of the Company's business as two wheels that will carry us forward. We have placed the core of our business strategy as contributing to solving social challenges. In addition, we have also extracted key challenges from a medium- to long-term perspective, and identified them as materialities.

For example, in order for the Company to contribute to solving social challenges through its business, we must create services that meet new needs, including green solutions that contribute to the decarbonization of our customers. To realize this aim, it is important that we have professional personnel who will lead the next generation. In addition to training personnel who are competitive, it is also essential for us to create an environment in which each employee can demonstrate their full potential. We have identified thriving professional personnel as one of our materialities, and set KPIs to monitor progress. Furthermore, we have organized our contributions to SDGs that are linked to our materialities, and announced them as our SDGs Declaration.

Going forward, we will contribute to solving social challenges and achieve further business growth, by focusing on initiatives that are centered on our materiality.

Sustainability Management

Net One Group's Corporate Philosophy System

On April 1, 2022, the Net One Group formulated a new corporate philosophy system.

The new corporate philosophy system consists of the "Purpose," which is the reason for the existence of the Group, the specific "Mission," which shows what we can contribute to society, the "Vision," which is our specific targets and path, the "Values" from which we should never stray, and the "WAY" which serves as the basics of how we think and decide for each and every member of the Group.

Net One Group Corporate Philosophy System

Purpose

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

Mission

Each of us is a professional with outstanding expertise and high ethical standards, and contributes to solving the problems of the 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

Values

People: I will proudly fulfill my duties honoring my loved ones

Governance: I will strive to take socially responsible behavior

Social: I will work with customers to create and promote values for society

Environment: I will work to create a better future for all

WAY (Code of Conduct**)**

Moving forward to next net one

- Remember the failure of arrogance

- Be sincere Be thoughtful

- Healthy body, Healthy mind

- Work together to break new ground

- Find seeds of growth in both failure and success

- "TAKUMI" as a never ending story

- No WAKUWAKU No work

- Go beyond all expectations

Sustainability Policy

As a leading network company, we have grown by providing high value-added services that support the transformation of our customers and society.

Our value is "to create a prosperous future through tradition and innovation by unlocking the potential of people and networks," and 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 values, thereby contributing to a sustainable society and achieving sustainable growth for our company.

Sustainability Promotion System

Net One Group's Sustainability Management

Net One Group's sustainability management promotes our materialities, the current Medium-Term Business Plan, and our SDGs Declaration in an integrated manner, based on our corporate philosophy system.

Net One Group's Sustainability Promotion System

In April 2022, the Group established the Sustainability Committee to deliberate and decide on important matters related to sustainability, with the aim of promoting sustainability initiatives. The Sustainability Committee's officer in charge is the President who serves as CEO, and the Committee is chaired by the Vice President who serves as CSO. It consists of managers and personnel who are in charge of the business divisions, corporate divisions, and some subsidiaries.

In promoting sustainability, the Committee identifies our materialities and appoints organizations in charge. KPIs are set for the identified materialities, and based on these KPIs, the Sustainability Committee monitors the activities of the organizations in charge and reports to the Management Committee. Through this system, we promote and monitor our sustainability initiatives on a Group-wide basis.
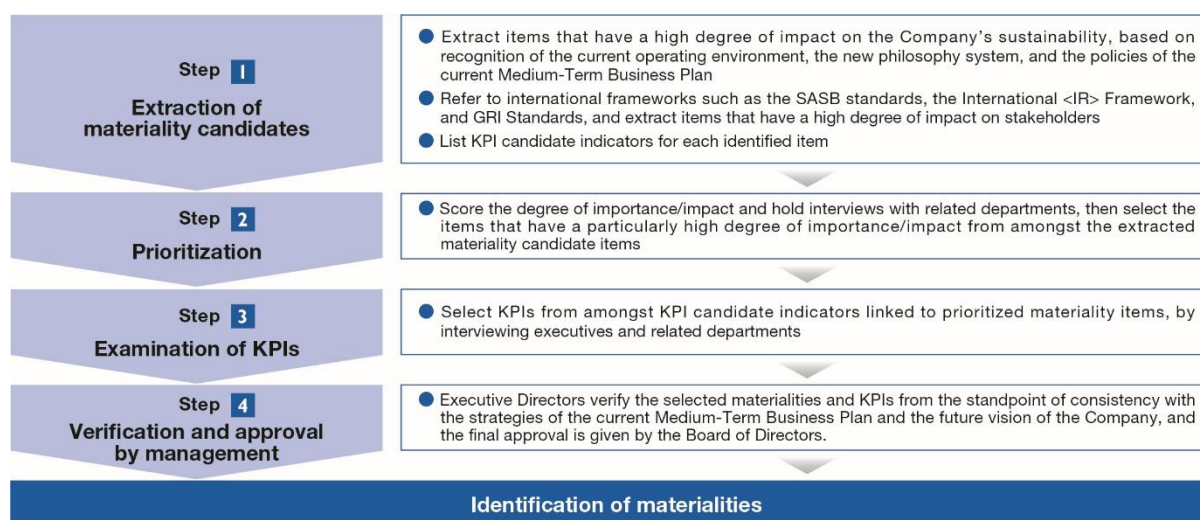
Materiarities of Net One Group

The Net One Group announced its materialities in December 2021.

Based on our recognition of the current operating environment, the new philosophy system, and the policies of the current Medium-Term Business Plan, we examine materialities with an emphasis on value for our company and value for society. These materialities are approved by the Board of Directors. Going forward, the Sustainability Committee, which was newly established in April 2022, will confirm their progress on a quarterly basis, while being monitoring by the Board of Directors.

■ **Materiality Identification Process**

■**Four Materialities and KPIs**

Materialities	KPIs
Realization of a safe and secure advanced information society We will contribute to realizing a safe and secure advanced information society through high-quality services, with our strength in network technology as our core. [SDG icons: 4 QUALITY EDUCATION, 8 DECENT WORK AND ECONOMIC GROWTH, 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 11 SUSTAINABLE CITIES AND COMMUNITIES, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION]	■ **Provide solutions and services by challenge and domain** ■ **Expand and promote the service business** · Revenue of social challenge-solving solutions[*]: 30.0 billion yen (fiscal 2024 target) · Service ratio: 55% (fiscal 2024 target) *Three focus areas of the current Medium-Term Business Plan: "Digital government," "Society 5.0," and "Smart manufacturing."

Materialities	KPIs
Thriving professional personnel In order to achieve sustainable growth, we will train and secure diverse personnel, who are the source of our competitiveness, and build a work environment where each employee can play an active role.	■ **Train IT personnel for the next generation** ■ **Promotion of diversity and inclusion** ・CISSP certification: 80 (fiscal 2030 target) ・Security specialists: 100 (fiscal 2030 target) ・Front divisions: up 50% compared to fiscal 2021 (fiscal 2030 target) ・Corporate divisions: up 150 persons (fiscal 2030 target) ・Business improvement proposals: 100 (cumulative total from fiscal 2022 to 2030) ・Ratio of female managers: 15% (fiscal 2030 target) ・Ratio of female new graduate hires: 50% (fiscal 2030 target) ・Male employees taking paternity leave and special leave for childbirth: 90% (fiscal 2030 target)
Contribution to a decarbonized society We will address climate change by both reducing greenhouse gas emissions through business, and reducing the environmental impact of our own business processes.	■ **Reduce greenhouse gas emissions through business** ■ **Reduce emissions in the business processes of our Company** ・Expansion of green solutions ・Expansion of sales of low-power consumption products and services
Maintaining and enhancing a governance structure for sustainable growth In order to improve corporate value, we will strengthen governance and work to reform our corporate culture, so as to build stronger relationships of trust with stakeholders.	■ **Foster the corporate culture and enhance internal controls** ■ **Realization of Health and Productivity Management®** ・Conduct an annual employee awareness survey as part of our efforts to foster the corporate culture ・Progress report on recurrence prevention measures ・Certification as an Outstanding Organization of Health and Productivity Management (fiscal 2024 target)

Materialities and SDGs Declaration

The Net One Group has established a total of 12 SDGs Declarations for our materialities in order to achieve both contributions to a sustainable society and the sustainable growth of the Company, through business and corporate activities toward the achievement of the SDGs.

SDGs Declaration toward Materialities
https://www.netone.co.jp/sustainability/sdgs/#sdgs_h301 (Japanese only)

Stakeholder Engagement

Stakeholders and Basic Approach

Our Mission states that "each of us is a professional with outstanding expertise and high ethical standards, and contributes to solving the problems of the society and our customers." As key factors in fulfilling this mission, we have defined our four Values as "People, Governance, Social, and Environment," and are engaging in deeper dialogue with our stakeholders as we work to resolve social challenges.

■ Examples of Dialogue with Stakeholders

Stakeholders	Key Initiatives
Customers	We are engaged in customer satisfaction surveys and dialogue with customers. In our fiscal 2021 customer satisfaction survey, we changed the survey policy significantly from the conventional "research on defects, issues, and points of dissatisfaction" to "clarifying the gap between the Company's vision and customer expectations, as well the factors behind it." As a result, 78.2% of respondents were satisfied or somewhat satisfied in terms of overall satisfaction.
Employees	We have set up training programs to support personal growth and development and ensure equal opportunities for all employees. We are also working to provide safe and comfortable working environments that take into account employees' health. We are also promoting the concept of RCT*. We conducted internal awareness surveys in fiscal 2021 as well, and the company satisfaction level was 3.69pt.
Partners	We have formulated the Partner CSR Guidelines to share our philosophy and policies with our suppliers. In addition, we have received awards from various partner companies for our contributions to the acceleration of customers' DX, such as "Japan Partner of the Year" (from Cisco Systems).
Shareholders	We disclose information and actively engage in dialogue with market participants in accordance with our disclosure policy. In fiscal 2021, the Company's President and Outside Executive Directors held investor meetings 41 times and 3 times respectively, while the Investor Relations Office held a total of 231 investor meetings.
Natural environment	We consider environmental issues, including climate change to be important management challenges, and has set "contribution to a decarbonized society" as one of our materialities. We will work to both reduce greenhouse gas emissions through our business and reduce our environmental burden in our own business processes.

*RCT (Respect, Communication, Teamwork): A shared communication approach designed to create strong links between management and employees, share our corporate philosophy, enhance workplace environments, and foster our corporate culture

Initiatives and External Organizations in Which We Participate

Affiliated Initiatives and External Organizations

We participate in a wide range of related organizations in order to contribute to the development of networks and security, innovation and industry, and the construction of a circular economy.

■ Examples of Participating and Affiliated Organizations

Net One Systems:

・Open Networking User Group (ONUG)

・P4 Users Japan

・Japan Network Security Association (JNSA, a specified nonprofit organization)

・Open Government Consortium (OGC, general incorporated association), and others

Net One Next:

・Japan Partnership for Circular Economy (J4CE)

E：Environment

One of the Net One Group's Values is "Environment: I will work to create a better future for all." In order to pass on a rich environment to the next generation as a global citizen, we will contribute to the creation of an environmentally friendly society through our daily work, such as by preventing global warming, pursuing energy conservation, promoting paperless operations, and reducing waste and CO_2 emissions. We will also strive to provide and disseminate environmental solutions by utilizing ICT, which is our core business.

Related Materialities
- **Contribution to a Decarbonized Society**

TOPICS
- **Addressing Climate Change in line with TCFD Recommendations ▶▶▶P.11**
- **Providing Green Solutions (Refurbishment)   ▶▶▶P.12**

Environment Management

Basic Approach / Environmental Policy

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Environmental Policy

Basic Principles
Through all of our business activities, we contribute to the realization of a society where sustainable growth is possible, by using cutting-edge IT technology to help prevent global warming, and working on energy and resource conservation measures.
We also aim to be a company that is trusted not only by our customers but also by society, through the actions of each and every employee, each of whom maintains a high level of environmental awareness.

Basic Policies
The Company will implement the following policies, in order to realize the principles described above:

1. **Reducing CO_2 emissions with green IT technology**
   We will contribute to the reduction of CO_2 emissions throughout society, by increasing the operational efficiency of our customers and reducing their environmental impact by proposing solutions using cutting-edge IT technology.

2. **Energy-saving and resource-saving activities**
   We will promote a reduction of the energy and paper resources used in our corporate activities.

3. **Compliance with laws and regulations**
   We will comply with environmental laws, regulations, agreements, requests from customers (green procurement), etc. that are related to our corporate activities.

4. **Maintaining and improving the environmental management system**
   We will always remain aware of the environmental aspects of our corporate activities, and work to continuously improve our environmental management system through the PDCA cycle.

5. **Conducting environmental training**
   In order to achieve our environmental policy, we will implement environmental training for all employees working at the Company, improve their environmental awareness, and strive to develop green human resources with high environmental awareness.

6. **Disclosure of environmental information**
   We will strive to disseminate information on our environmental efforts to the public, including this environmental policy, through our website and other means.

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Sustainability | ESG Initiatives > Environment Management
https://www.netone.co.jp/sustainability/esg/environment/management/ (Japanese only)

Environment Management Promotion System

Promotion System

Led by our Environmental Management Supervisor, the Net One Group engages in activities to reduce our environmental burden, such as responding to climate change. The Environmental Management Division Manager of each division, including those for group companies, and the Environmental Management Division In-charges who serve as the driving force, play central roles in these activities. At least once each year, the Environmental Management Supervisor receives and reviews reports on changes in external and internal challenges related to the environment, nonconformities and corrective actions, monitoring and measurement results, etc.
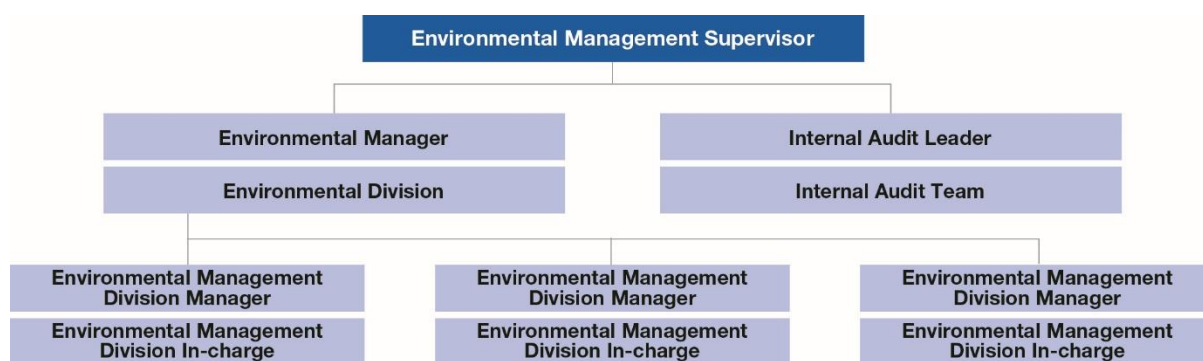
*Appoint a Manager and an In-charge for environmental management in all divisions

Environmental Training and Enhancing Awareness

All Net One Group employees (excluding those of some subsidiaries) are provided with environmental training through e-learning once each year. Furthermore, we provide "EMS* annual education" via e-learning for environmental management division managers and environmental management department in-charges once each year. The attendance rate for both of these educational courses is 100%.

* Environmental Management System

Responding to Climate Change

TOPICS
Addressing Climate Change in line with TCFD Recommendations
As Net One Group's response to the risks and opportunities related to climate change, we are promoting information disclosures regarding governance, strategy, risk management, and metrics and targets, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In addition to responding to the risks that climate change may pose to our business activities, we are discussing ways to acquire growth opportunities utilizing ICT, and will expand our disclosures going forward.

Our initiatives to address climate change in line with TCFD recommendations (June 22, 2022)
https://www.netone.co.jp/news/information/2579.html (Japanese only)

Green Solutions (Refurbishment) Deployment

S：Social

We have set our Mission as, "Each of us is a professional with outstanding expertise and high ethical standards, and contributes to solving the problems of the society and our customers." To achieve this, it is essential that we train and secure diverse personnel who are the source of our competitiveness, and build a work environment where each employee can play an active role with a sense of purpose. Even amidst drastic changes, we will continue to provide high-quality services with our network technology as our core, and contribute to realizing a safe and secure advanced information society by honing our ICT expertise in critical assessment and knowledge born of "superior network technology," "multi-vendor support" we have cultivated through relationships with various business partners, and "co-creation with customers."

Related Materialities
- **Thriving Professional Personnel**

TOPICS
- **Establishing a Personnel Management Policy for Personnel System Reform** ▶▶▶P.15
- **Launch of Support for National and Public Universities through the Establishment of a Study Support System** ▶▶▶P.25

Personnel Management

Basic Approach to Strengthening Human Capital

As the evolution of technology is rapid in the ICT industry, responding to evolution itself is "value," and represents the "source" of our competitiveness. The power of personnel is the key to maintaining our competitiveness. There is a risk that our competitive advantage may become obsolete if it is reliant on a specific technology. Therefore, we believe that the point of human capital management is to train and produce excellent personnel who can think and act on their own, so that they are able to create value from the essence and utilization of technology.

At the Group, we make reference cases from the practical experiences we have gained from successes and failures we have made through our own operations, and use these reference cases in solutions for our customers. As such, the knowledge and experience of our employees help to create added value. For this reason, we believe it is critical to train personnel who can act autonomously and create solutions, and for each and every employee to understand and adopt the Code of Conduct and compliance that form the foundation of these activities.

In addition, we are promoting diversity-and-inclusion initiatives with the aim of creating synergies and innovation through the integration of diversity. We aim to create work environments where each employee can actively express their thoughts and work in good health, regardless of gender, age, nationality, disability, work experience, sense of values, or any other differences. By doing so, we will draw forth the power of individuals, foster an open corporate culture, and achieve sustainable growth by increasing productivity.

Prior to implementing its new personnel system, the Group has established a Personnel Management Policy (Reference: P.15 TOPICS "Establishing of a Personnel Management Policy for Personnel System Reform").

Promotion System for Personnel-related Measures

To promote personnel training and empowerment of diverse personnel, we manage and operate various cross-company organizations and systems under the strong commitment of the management team.

Commitment of the top management	Promotes personnel measures to execute growth strategies and strengthen our business base, under the strong commitment of the management team
Chief Human Resources Officer (CHRO)	Establishes human capital management and leads at the forefront of the management team, to increase the value of the Group's personnel
Human Resources Department	Implements overall personnel management to establish and maintain a business base that supports the growth of the entire Group over the medium to long term

Personnel strategy in the current Medium-Term Business Plan

We will create an environment in which personnel who have a desire to grow can take on challenges without hesitation and demonstrate their abilities to the fullest.

Professional personnel training
Provide support for the development of individual expertise, so that everyone can demonstrate critical assessment skills in their responsible industries, technical fields, and corporate functions, and provide value with a high level of quality

Train personnel with strong expertise in both corporate and business divisions

Expansion of consulting personnel

Expansion of DX/CX personnel for the service business

Providing an environment where personnel can thrive
Install an environment and structure that enables personnel with different areas of expertise and values to respect each other and create value in optimal teams that are tailored to the needs of customers

Create an environment where the entire company engages in efforts to expand customer contact points
- Reorganization of the technical organization
- Consolidation of sales administration

Transition to a personnel system that supports diverse growth
- Schemes for evaluating team activities

Providing learning through industry-academia collaboration

TOPICS
Establishing a Personnel Management Policy for Personnel System Reform

The Group recognizes the necessity of reforming our personnel system, based on the past corporate culture which led to the failure of arrogance and the results of our employee awareness surveys. Accordingly, the Group is considering the introduction of a new personnel system, in order to realize personnel strategies such as professional personnel training and providing an environment where our personnel can thrive. In fiscal 2022, with the aim of introducing the new personnel system in fiscal 2023, we have established the "Personnel Management Policy" as our first step, which serves as the core concept of our system reform.

■ 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

With our new personnel system, we aim to enable each staff member to have contact with customers at every stage of the value chain, and to make proposals and provide value, irrespective of employee categories such as "sales or technical" or "front-line or follow-up." By introducing our new personnel system, we will resolve challenges in our current system, reform our corporate culture, and realize our management strategies.

Education and Training System

Basic Approach / Our Criteria for Personnel

At Net One Systems, we strive to cultivate personnel who can put customers' ideas into practice, based on our belief that "there is an optimal solution for every customer." We have a variety of training and education systems in place to enhance our personnel training programs to support each employee in realizing his/her own growth autonomously.

Employees Net One Needs

1. The ability to address customer needs using a wealth of expertise in cutting-edge technologies and the desire to boldly take on groundbreaking new challenges
2. The ability to lead innovation by leveraging communication skills and building collaborative relationships with all project partners
3. The ability to work independently towards goals in self-designed career path scenarios

Training Policy and Strategies

To promote personnel training and empowerment of diverse personnel, we manage and operate various cross-company organizations and systems under the strong commitment of the management team.

Training Program and System

■ Education System Chart of the Net One Group
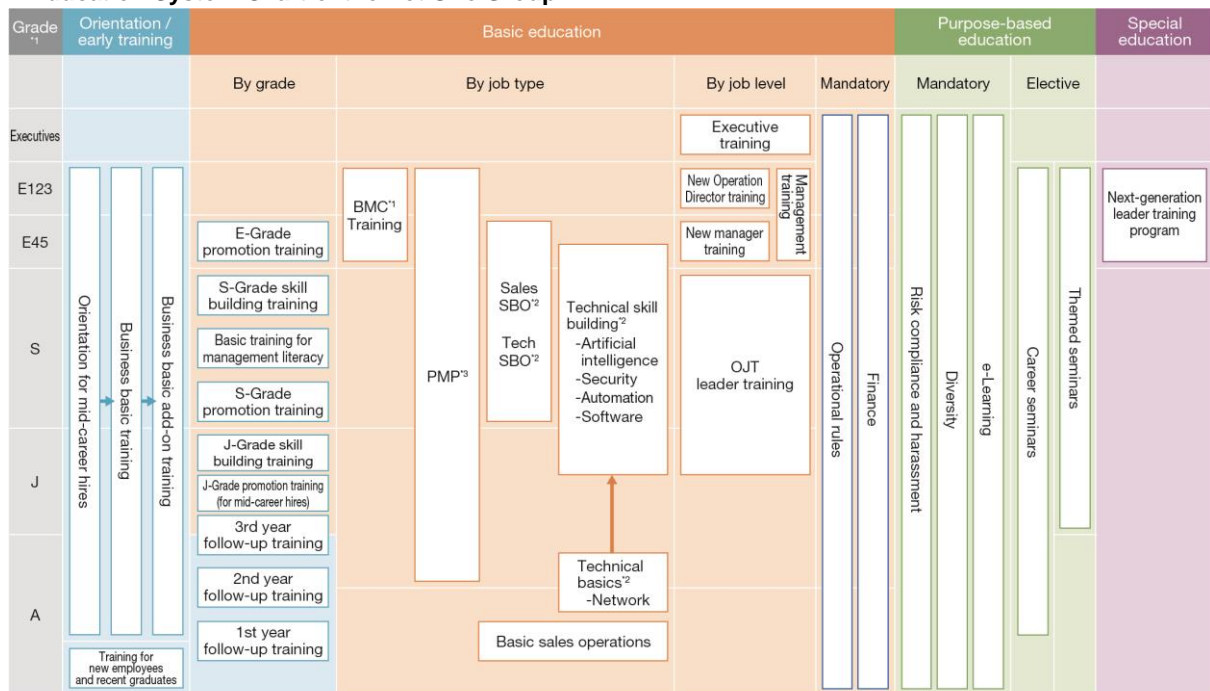
*1. Managerial positions at or above E-grade
*2. Provided by Net One's Network Academy
1. Business Model Canvas (verification method that visually documents the business structure)
2. Strategic Business Orientation (training for strategic business thinking)
3. Project Management Professionals

*Some subsidiaries have a different education system from the above.

DX Personnel Training

We provide education to many companies and organizations through our "Network Academy," which provides practical education programs that consolidate our diverse range of know-how, and have worked to produce ICT personnel that support Japanese society. Furthermore, we have grown together with our customers, by considering the experiences and knowledge we have gained through our own practice as common challenges for our customers, and providing them as added value. We will develop DX personnel through the development of training methods such as design thinking and data analytics in addition to conventional training, so that corporate personnel can promote digitalization and realize DX that leads to the creation of profit models, in order to provide further value in addition to conventional added value.

Leadership Development

In line with the establishment of the Nomination Advisory Committee, we will formulate a succession plan for sustainable growth and the medium- to long-term enhancement of our corporate value. We have established criteria for selecting and promoting personnel who are suitable for realizing our business strategies, and we will train successors while shifting personnel in the candidate talent pool as needed, through "ability development and placement" with education programs, challenging assignments, etc. In order to establish a leadership pipeline that matches this system, we will conduct leadership development aimed at training next-generation leaders from a medium- to long-term perspective. Specifically, in addition to conventional level-based education, we will conduct "personality assessments" and "action learning-type training" (target: manager level, approximately 300 persons).

Personnel System and Diversity

Basic Approach

The Net One Group is promoting diversity and inclusion with the aim of creating synergies and innovation through the integration of diversity. We aim to create work environments where employees can work in good health, regardless of gender, age, nationality, disability, work experience, sense of values, or any other differences. By doing so, we will draw forth the power of individuals and achieve increased productivity and continuous growth.

Evaluation / Compensation System

We have established a compensation system that corresponds to the scale of the role, and the scale of the job responsibilities and achievements of each employee, regardless of their employment format.

We have also introduced a system for reviewing the compensation of contract employees according to their work achievements, and hire them as full-time employees when their intentions align with the positions we offer.

In the evaluation system, individual goals are set in accordance with the strategies and goals of the organization, based on the current Medium-Term Business Plan, as well as the expectations of each individual with regard to their grade, occupation, or managerial position. We have introduced a system that measures the evaluation of the results from various perspectives, which leads to the continuous growth of our employees. In addition, we have introduced incentives that lead to medium- to long-term motivation, such as an employee stock ownership plan and a defined contribution pension system, so that targets are not biased towards enhancing short-term performance.

Initiatives to Promote the Active Participation of Diverse Personnel

See [Principle 2-4. Ensuring Diversity, Including Active Participation of Women] in our Corporate Governance Report.

Corporate Governance Report > Principle 2-4. Ensuring Diversity, Including Active Participation of Women
https://ssl4.eir-parts.net/doc/7518/ir_material15/129505/00.pdf#page=2 (Japanese only)

Employment of Persons with Disabilities

In order to draw forth the power of individuals and create work environments where our employees can work in good health, we will continue initiatives to foster a corporate culture that emphasizes diversity, and actively hire employees with consideration for their disabilities.

Main Measures to Support Work-life Balance

At Net One, we aim to grow together with our customers by first implementing work style innovations ourselves, and then considering the experiences and knowledge we have gained as a common challenge for our customers, and providing them as added value. This is what we call "netone on netone".

With the shift to working styles centered on telework, we have introduced a personnel system that allows flexibility in both working hours and work locations. We are working to create an environment in which employees can efficiently produce results, while maintaining a work-life balance amidst diversifying individual lifestyles, values, and work views.

Examples of major systems	Overview
Telework system	Workstyle is centered on telework, working from home or outside, in principle
Flex-time system	Enables employees to flexibly set their own working hours, based on the premise of autonomous work planning.
Work select system	① Area select: Improve work-life balance by limiting work locations ② Time select: A system in which employees work less than the prescribed working hours per month ③ Job select: A system that restricts expected roles by changing the rating to a lower grade or class, for reasons such as childcare or nursing care
Multi-job system	A multi-job system that realizes diverse work styles in response to changes in society, allowing employees and the Company to grow together
Work location change system	A workstyle in which an employee in a location that is distant from the base of the assigned department, and commutes as needed to the nearest business office, as a "home base"
Work-life balance support	Childcare leave of absence system, shorter working hours system while on childcare / nursing care leaves of absence, child nursing care leave, stock leave (for child nursing care), special maternity leave, long-term nursing care leave of absence system, nursing care leave, etc. Focusing on the childcare leave of absence system, we have introduced a number of flexible system designs that exceed legal requirements.

Recruit Information | System / Environment > Welfare Program
https://www.netone.co.jp/recruit/environment/welfare/ (Japanese only)

External Evaluation

We have acquired the "Kurumin Mark" from MHLW (certified in 2013) for activities to promote work-life balance, and have also received the "Eruboshi certification (second stage)" for our activities to promote the empowerment of women.

Human Rights

Basic Approach to Human Rights

Under the corporate philosophy system (Purpose, Mission, Vision, Values, and WAY), each and every member of Net One Group will fulfill our responsibility to respect the human rights of all persons as professionals with outstanding expertise and high ethical standards.

In addition to respecting basic human rights, our Code of Ethics stipulates that there shall be no discrimination based on race, religion, skin color, gender, nationality, language, body, age, marital status, etc. The compliance manual stipulates the following as standards that all employees should comply with, in common.

Standards of Conduct	Our Promises
Respect for others' personality and individuality and appropriate communication	We respect others' personalities and individuality, and strive for appropriate communication. We will hone our expertise and creativity to maximize our abilities and potential.
Respect for fundamental human rights	We respect basic human rights and do not discriminate against others. We never tolerate harassment.

Compliance Manual
https://www.netone.co.jp/sustainability/esg/governance/compliance/ (Japanese only)

Implementation of Training and Survey of Actual Conditions / Awareness

The Net One Group conducts compliance training on harassment every year. In addition, to confirm the status of dissemination and thorough enforcement of compliance, we conduct surveys regarding actual conditions and awareness for all officers and employees during annual training. The results of these surveys are utilized in compliance education and policy formulation in order to make improvements.

In addition, we conduct an "internal awareness survey" and strive to understand the situation of harassment. In fiscal 2021, we conducted a survey of 2,665 persons, and confirmed improvements in power harassment and sexual harassment for the second consecutive year. Going forward, we will continue to implement training on harassment and human rights, and foster a corporate culture based on our Purpose, with the aim of making further improvements.

[Survey results on harassment in the fiscal 2021 "Internal Awareness Survey"]

・Target: 2,665 persons (valid response rate: 94.7%)
・Power harassment: Improved by 0.1pt compared to the previous year
・Sexual harassment: Improved by 0.06pt from the previous year

We also require our business partners to consider human rights and comply with labor laws, in our Partner CSR Guidelines.

> **[Partner CSR Guidelines] 3.4 Consideration for human rights and compliance with labor laws**
> ・Respect the human rights of employees, and promote the creation of a healthy and safe working environment.
> ・Respect the dignity and diversity of humankind, and prohibit all forms of discrimination and unfair labor practices (ensure compliance with legal working age limits, prohibit forced labor, etc.).
> ・Strictly implement safety and health measures, manage working hours, and comply with labor practices such as not unfairly withholding or reducing wages.

Partner CSR Guidelines
https://www.netone.co.jp/sustainability/files/e05105156064dd325f50db7c171e800e_1.pdf(Japanese only)

Establishment and Responses of Our Harassment Helpdesk

In fiscal 2020, the Net One Group reviewed the operation of its whistleblower system and separated the reporting desks for misconduct and harassment, with the aim of fostering trust in the system. As a result, we have established a system that allows each responsible department to respond quickly and appropriately.

In addition, to ensure that employees can use the whistleblower system with peace of mind, our Whistleblowing Regulations stipulate the confidentiality of all involved parties, including those who cooperate in investigations. The regulations also prohibit searching for whistleblowers, as well as the possibility of being subject to disciplinary action in the event of a violation of the aforementioned rules. These regulations are made known to all employees via the internal portal site, in order to ensure the confidentiality of whistleblowers.

We confirm the facts of all consultations and take actions against the relevant parties, as necessary. We also conduct follow-up and care for those who are affected, as well as dissemination through training, in order to prevent any recurrence.

Labor Relations

Basic Approach

Although the Net One Group does not have a labor union, we place importance on building labor-management relations and are promoting various initiatives.

■ Key Initiatives

Examples of initiatives	Details
Conclusion of an Agreement on Overtime Work (Agreement 36)	Based on Article 36 of the Labor Standards Act, we have concluded agreements between employees and the Company, with the aim of arranging working hours and ensuring that working hours are not disadvantageous to employees.
Establishment of a Safety and Health Committee	Based on the Industrial Safety and Health Act, we have established a "Safety and Health Committee" for the purpose of investigating and deliberating important matters, such as basic measures to prevent dangers or health problems for employees.
Establishment of an Employee Association	The Net One Group has set up an "Employee Association" to solicit requests from employees and opinions from management.
Establishment of the Employee Council	With the aim of maintaining a good relationship between the Company and employees, and to communicate with each other to enhance the working environment and working conditions, we have established the "Employee Association," which consists of employees, and an "Employee Council," which is a council for discussions with management.

In addition, we are building systems to ensure that employee opinions reach and receive feedback from management, such as through the installation of suggestion boxes.

Employee Engagement

Conducting Engagement Surveys

The Group conducts the following three types of engagement surveys, in order to understand the current state of the workplace environment and organizational culture.

・Internal awareness survey (implemented until fiscal 2021)

・Organizational culture survey (implemented from fiscal 2021)

・Corporate culture monitoring survey (pulse survey) (implemented from fiscal 2021)

Internal Awareness Survey

Our aim is to collect opinions and proposals for future initiatives, as well as to clarify employees' job satisfaction and awareness of the workplace environment, and identify challenges related to work style measures based on survey results.

■ Fiscal 2021: Internal Awareness Survey Overview

In fiscal 2021, the identification of challenges has progressed further, as the number of questions in the survey was expanded from 75 in fiscal 2020 to 97, and the effective response rate was 94.7%, which is an improvement of 1.1pt over the previous survey.

	Fiscal 2019	Fiscal 2020	Fiscal 2021
Number of persons surveyed	2,332	2,393	2,665
Number of valid responses	2,163	2,241	2,524
Percent of valid responses	92.8%	93.6%	94.7%

・Survey target: Net One Group* executives, employees, temporary employees, contract employees, and seconded employees

*Net One Systems, Net One Partners, Net One Next, Net One Business Operations, eXtreak

■ Fiscal 2021 Implementation Results and Year-to-year Comparison

In fiscal 2021, it was confirmed that "customer orientation," "compliance," and "overall feelings" have improved over the past three years, by category. In terms of items, compliance, evaluation of superiors, understanding of the management philosophy, and customer orientation were evaluated as strengths. On the other hand, room for improvement remains in areas such as work load, work efficiency, information sharing, and willingness for reforms in the workplace.

Internal awareness survey: Year-to-year comparison of average scores by item
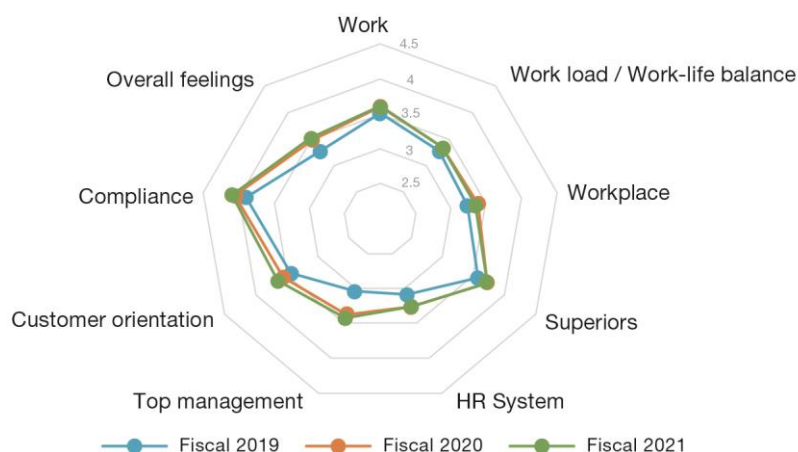
*Category averages were calculated by narrowing the scope to questions that can be compared for 3 years.

Relevant indicators: Company satisfaction level, up 0.05pt from the previous year
*Fiscal 2019: 3.45pt, Fiscal 2020: 3.64pt, Fiscal 2021: 3.69pt

Organizational Culture Survey and Corporate Culture Monitoring Survey

In fiscal 2021, the Group launched a new organizational culture survey as part of its activities to reform and cultivate our organizational culture. Based on the results of this survey, we identify challenges related to organizational

culture and implement various measures for improvement. In addition, we also conduct a "corporate culture monitoring survey" every other month, in order to observe the results of these measures from a fixed perspective.

Responsibility to Customers and Customer Satisfaction

Basic Approach

We aim to realize a sustainable society together with our customers and business partners, and our mission is to build fair relationships with our partners while adhering to rules and social norms, and to provide customers with optimized ICT utilization to contribute to customer success.

Promotion System

From fiscal 2022, we have established the Customer Satisfaction Enhancement Subcommittee, as an organization that cooperates with the department in charge of the materiality, "realizing a safe and secure advanced information society." The Customer Satisfaction Enhancement Subcommittee plays the role of examining important matters related to enhancing the Net One Group's customer satisfaction, reporting to the Sustainability Committee, and promoting activities aimed at enhancing customer satisfaction.

Key Initiatives in Fiscal 2021

Based on the previous year's customer satisfaction survey, we pursued and implemented more effective activities in three phases: survey, policy formulation, and promotion support.

○ **Examples of Activities in Fiscal 2021**

Survey: Customer Satisfaction Survey

In the fiscal 2021 customer satisfaction survey, we changed the survey policy significantly from the conventional "research on defects, challenges, and points of dissatisfaction," with the aim of "clarifying the gap between the Company's vision and customer expectations, as well as the factors behind it."

Measure Example 1: Holding "online sales skill building training"

While sales activities are shifting toward online-centered sales, based on the analysis results of the customer satisfaction survey in fiscal 2021, we focused on the fact that customers have challenges such as "difficulties unique to online sales," "a decline in communication quality," and "the significance of participation in web conferences with a large number of participants." Accordingly, we hold in-house online sales training for our employees in order to acquire effective methods to lead online sales and skills to enhance communication.

Measure Example 2: Holding "interdepartmental collaboration workshops"

In order to enhance the quality and speed of our services, we hold workshops for the core employees of each department, to foster a culture of mutual understanding and mutual support between departments.

Measure Example 3: Utilization of digital marketing to strengthen customer contact points

As sales activities are shifting to online-centered sales and the reduced number of customer contact points is becoming a challenge, we are strengthening our regular communication of information so that we can utilize various methods of information distribution more effectively.

Customer satisfaction improvement activities in fiscal 2021
https://www.netone.co.jp/sustainability/esg/social/customer-survey/2021/ (Japanese only)

Initiative Policies after Fiscal 2022

In order to achieve the targets of our current Medium-Term Business Plan for revenue for social challenge-solving solutions (2024 target: 30.0 billion yen) and improving the service ratio (2024 target: 55%), we will work to implement customer satisfaction surveys that contribute to our business and service strategies, and to realize a highly sustainable customer satisfaction management system. Specifically, we will consolidate information on the activities of each division and identify challenges based on the results of the fiscal 2021 survey, and plan and implement a customer satisfaction survey for fiscal 2022 based on the resulting data. In addition, we will consider more effective systems for improving customer satisfaction, while determining the correlation of our survey data with various surveys and measures, such as corporate culture monitoring surveys.

Responsibility to our Partners and Building Co-creative Relationships

Basic Approach

We aim to realize a sustainable society together with our business partners, build fair and long-term relationships of trust while adhering to rules and social norms, and strive for coexistence and co-prosperity as a company that is trusted by society.

Sustainability | ESG Initiatives > Responsibility to our Partners
https://www.netone.co.jp/sustainability/esg/social/responsibility/ (Japanese only)

Key Initiatives in Fiscal 2021

In addition to conducting compliance questionnaire surveys for our partners, we hold safety and health conventions and safety study sessions for major partners.

We have also received various awards from our partners.

■ **Examples of Fiscal 2021 Awards from Our Partners**

・ **Net One Systems**

Company name	Award details
Dell Technologies	Awarded the "Excellence in Services Sales APJ Award" at the Dell Technologies Partner of the Year Awards 2021
Red Hat K.K.	Awarded the "Innovation Partner of the Year" at the Red Hat Japan Partner Awards 2021
Citrix Systems Japan K.K.	Awarded the "2021 1st Half Best Partner Engineer" at the 2021 1st Half Citrix Partner Awards
Veeam Software Japan K.K.	Awarded "The Best ProPartner AWARD" at VeeamON TOUR Japan 2021
Cisco Systems	Awarded the "Enterprise Networking & Meraki Partner of the Year" at the Global Awards of the Cisco Partner Conference Japan 2021
Cisco Systems	Awarded the "JAPAN Partner of the Year" at the APAC Awards of the Cisco Partner Conference Japan 2021
Cisco Systems	Awarded the "Customer Experience Partner of the Year" at the APAC Awards of the Cisco Partner Conference Japan 2021
Cisco Systems	Awarded the "Japan Partner of the Year" at the Japan Awards of the Cisco Partner Conference Japan 2021
Cisco Systems	Awarded the "Customer Experience Partner of the Year" at the Japan Awards of the Cisco Partner Conference Japan 2021
Cisco Systems	Awarded the "Enterprise Networking Partner of the Year" at the Japan Awards of the Cisco Partner Conference Japan 2021
Cisco Systems	Awarded the "DevNet Partner of the Year" at the Japan Awards of Cisco Partner Conference Japan 2021

Company name	Award details
Juniper Networks	Awarded the "Japan Mist Partner of the Year 2021" Award for partners who have contributed the most to sales of Mist products, the company's AI cloud-based Wi-Fi products in Japan.
Palo Alto Networks	Awarded the "FY21 JAPAC CDSS Partner of the Year" Award for partners who contributed the most to sales of the company's cloud-provided security service (CDSS) in Japan

・ **Net One Partners**

Company name	Award details
Cisco Systems	Awarded the Cisco Business Resilience Award
Cisco Systems	Awarded the "Audience Award" at the Japan DevNet Innovation Challenge 2021

・ **Net One Asia**

Company name	Award details
VMware	Award: Digital Partner of the Year 2021 - Singapore.
Citrix	Award: Citrix CSP Partner of the Year 2021 - Singapore
Dell Technologies	Award: Data Center Solutions, Server, Partner of the Year FY 2021 - Singapore

■ **Acquisition examples of manufacturer certified partner programs in fiscal 2021**

・ **Net One Systems**

Company name	Award details
NVIDIA	Promoted to "Elite," the highest partner qualification in Virtualization Competency
Palo Alto Networks	Acquired the "Prisma Cloud Specialization," held by select partners with Prisma Cloud specialized skills
Google	Acquired Sell partner certification in Google Cloud Partner Advantage
Cisco Systems	Acquired "Cisco DevNet Specialization," a qualification that evaluates software development capabilities and business processes for infrastructure automation, as the first company in Japan to receive this qualification

・ **Net One Partners**

Company name	Details
Cisco Systems	Acquired the "Customer Experience Specialization," a Cisco certification in the field of customer experience for the first time as a distributor in the Asia-Pacific, Japan and Greater China (APJC) region

*The listed company names are trademarks or registered trademarks of each company.

Community Contribution (Stakeholder Communication)

Basic Approach

   As long as we live on the Earth, we must always contribute to society. There will be no future for us if we neglect to take the currently required actions for society and the environment. We believe that it is an important responsibility and an important role for humanity to approach the Earth and society head-on, and take action.

Based on our Philosophy, the Net One Group will realize and achieve contributions to society and the environment, by promoting activities that leverage our strengths.

Promotion System

We are promoting initiatives based on the Sustainability Promotion System (P. 5), as we have set "train personnel for the next generation" as a relevant theme for the materiality, "Thriving professional personnel."

Key Initiatives in Fiscal 2021

We have been supporting the development of ICT personnel at multiple universities and colleges of technology. In addition to holding information security classes, we conduct practical information security exercises using actual network equipment, joint basic research, and program development. In fiscal 2021, we launched industry-academia collaboration classes with Kyoto Women's University, and strengthened the information security education program that is being jointly developed by Kagawa University and Net One Systems from the perspective of DX.

Launch of the industry-academia collaboration classes with Kyoto Women's University and Net One Systems / Practical academic content on the theme of "Modern Society and ICT" (2021.4.5)
https://www.netone.co.jp/news/release/20210405_01.html (Japanese only)

Strengths of the information security education program that is being jointly developed by Kagawa University and Net One Systems from the perspective of DX (2021.4.7)
https://www.netone.co.jp/news/release/20210407_01.html (Japanese only)

Initiative Policies after Fiscal 2022

Training personnel for the next generation is also a theme that is related to this materiality, and we plan to promote initiatives more strongly than ever. In April 2022, we launched a new industry-academia collaboration class on the theme of "AI technology in modern society" with Kyoto Women's University, with which we have been conducting industry-academia collaboration classes with thus far. In addition, we have established a new study support system for national and public universities that have a track record of industry-academia collaboration with the Company.

TOPICS

Launch of Support for National and Public Universities through the Establishment of a Study Support System

As part of our social contribution activities, Net One Systems has established a study support system from fiscal 2022, and has launched support for national and public universities that have a track record of industry-academia collaboration with the Company.

This system supports university students with tuition fees until graduation, thereby raising awareness regarding employment at companies, etc. In addition, it is also is aimed at contributing to the provision of opportunities for active participation in society, in the future.

As the first school, in April 2022, a memorandum signing ceremony in relation to this system was held at Hiroshima City University. At this University, graduate students who find it difficult to advance to higher education due to the burden of tuition fees will receive two years' worth of annual tuition fees, through a Net One Systems Scholarship.

Going forward, we will continue to contribute to the stable production of ICT personnel over the medium to long term through this system.

Net One Systems: Launch of support for national and public universities through the establishment of a study support system (2022.4.27).
https://www.netone.co.jp/news/information/20220427_01-news.html (Japanese only)

Launch of the industry-academia collaboration classes on the theme of "AI Technology in Modern Society" with Kyoto Women's University and Net One Systems (2022.4.5)
https://www.netone.co.jp/news/release/20220405_01.html (Japanese only)

See below for a wide range of other activities.

Sustainability | ESG Initiatives > Social Contribution Activities
https://www.netone.co.jp/sustainability/esg/social/social-contribution/ (Japanese only)

G：Governance

The Company will achieve continuous growth based on our corporate philosophy. Aiming for an enhancement of our corporate value over the medium to long term, we are continuously working to enhance and strengthen corporate governance for transparent, fair, prompt, and conclusive decision-making.

Related Materialities
- **Foster the Corporate Culture and Enhance Internal Controls**
- **Realization of Health and Productivity Management®**

TOPICS
- **Transition to a Company with an Audit & Supervisory Committee and Increasing the Ratio of Outside Executive Directors to More than Half (Six out of Nine Members Are Outside Executive Directors)** ▶▶▶P.29
- **Outside Executive Director Appointed as Chairperson of the Board of Directors** ▶▶▶P.29
- **Revision of the Executive Remuneration System (Introduction of a Restricted Stock Remuneration Plan, Adoption of Non-financial Target Indicators, etc.)** ▶▶▶P.39

Progress in Strengthening Corporate Governance

	Board of Directors / Audit & Supervisory Board	Committees	Other
- 2005	·One outside executive director appointed (2004)	·Compliance Committee established (2003)	·Group compliance manual established (2003)
2006	·Term of office for executive directors reduced from two years to one		·Whistleblower system introduced
2007		·Risk Management Committee established ·Investment & Financing Committee established	
2009		·Advisory Committee established ·Vision Inculcation Committee established (-2015)	·Vision Book published
2011			·Vice President system introduced
2012			·Stock option compensation system introduced
2015	·Female outside executive director appointed	·Compliance Committee and Risk Management ·Committee integrated as the Risk & Compliance Committee	·Corporate Governance Guidelines published
2016	·Assessment of effectiveness of Board of Directors started		
2017			·Audit & Supervisory Board member contact point added to compliance reporting and advice line
2020		·Risk & Compliance Committee divided into Risk Management Committee and Compliance Committee ·Vision Inculcation Committee reestablished	·Sales Supervisory Office established ·Vision Book revised
2021		·Vision Inculcation Committee renamed to Corporate Culture Reform Committee ·Internal Control Enhancement Council established	·Compliance Office established ·Business Control Division and Business Planning Office established
2022	·Transitioned to a company with an Audit & 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, etc. ·The Corporate Data and Analytic Office established

Transition to a Company with an Audit & Supervisory Committee and Increasing the Ratio of Outside Executive Directors to More than Half (Six out of Nine Members Are Outside Executive Directors)

In 2019 and 2020, several cases of fraudulent acts committed by former employees of the Company were discovered, and an external investigative committee analyzed the causes of these fraudulent incidents, and provided advice on measures to prevent recurrence.

Since that time, we have formulated specific measures to prevent recurrence, and have engaged in Group-wide efforts to strengthen internal control, and fundamentally reform our corporate governance and corporate culture. In order to sustainably develop these initiatives and achieve our current Medium-Term Business Plan, we determined that it is necessary to increase the independence and objectivity of the Board of Directors and further strengthen the supervision of business execution, and to establish a business execution system that is capable of responding quickly and flexibly to rapid changes in the operating environment of our Group. Accordingly, following approval at the 35th Annual Shareholders Meeting held on June 22, 2022, we transitioned from a company with an audit and supervisory board to a company with an Audit & Supervisory Committee. After the transition, the Board of Directors comprises six outside executive directors out of a total of nine executive directors.

Outside Executive Director Appointed as Chairperson of the Board of Directors

On June 22, 2022, Independent Outside Executive Director Maya Ito was appointed Chairperson of the Board of Directors. A message from the Chairperson of the Board of Directors is available in the net one report 2022.

net one report 2022
P.43   Message from the Chairperson of the Board of Directors
https://www.netone.co.jp/english/investor-relations/ir-library/integrated/

Chairperson of the Board of Directors/
Independent Outside Executive Director
        Maya Ito

Basic Approach and System on Corporate Governance

Basic Approach

The Company will achieve continuous growth based on its corporate philosophy. Aiming for an enhancement of our corporate value over the medium to long term, we are working continuously to improve and strengthen corporate governance to ensure transparent, fair, prompt, and decisive decision-making.

The basic approach to corporate governance is stipulated in Article 1 of the "Corporate Governance Guidelines."

Sustainability | ESG Initiatives > Corporate Governance
https://www.netone.co.jp/sustainability/esg/governance/corporate/ (Japanese only)

In addition, we transitioned to a company with an Audit & Supervisory Committee following approval at the 35th Annual Shareholders Meeting held on June 22, 2022, with the aim of further strengthening the supervision of business execution, and establishing a business execution system that is capable of responding quickly and flexibly to rapid changes in the operating environment.

Corporate Governance Structure
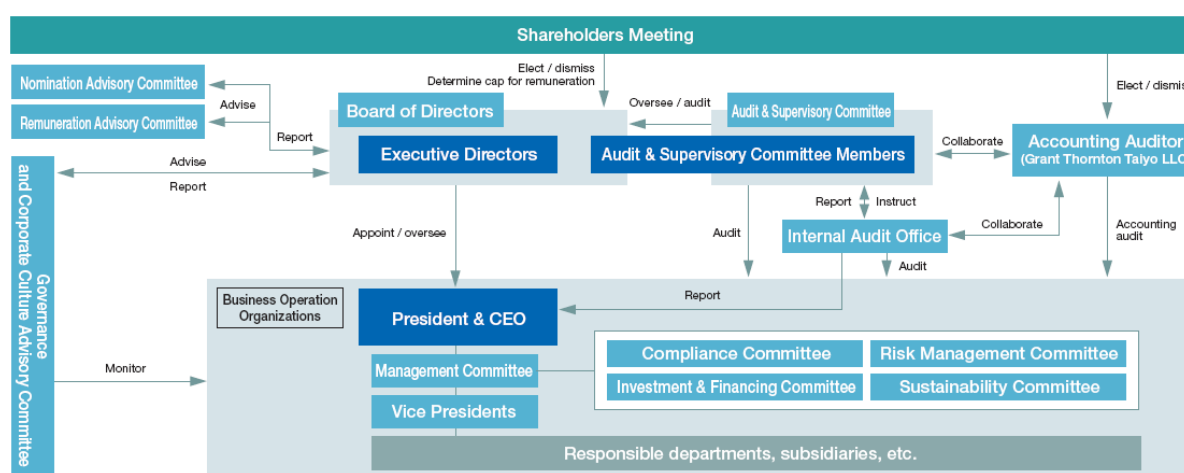
The Board of Directors
As a general rule, the Board of Directors meets regularly once a month. In addition to matters stipulated in laws and regulations and our Articles of Incorporation, the Board makes decisions regarding management strategy, management policies, Medium-Term Business Plans, and other important matters related to management and business execution. In addition, it also oversees overall management through reports on the execution of duties by the executive directors. Since June 2022, it has been chaired by an outside executive director.

Audit & Supervisory Committee
As a general rule, the Committee meets regularly once a month to audit the execution of duties by the executive directors, elect / dismiss the accounting auditor, and exercise authority related to audit compensation. It is chaired by an outside executive director who is a full-time Audit & Supervisory Committee member.

Nomination Advisory Committee
As a voluntary advisory body to the Board of Directors, the Committee deliberates and reports on matters such as the nomination of executive directors and vice presidents, in order strengthen our corporate governance by enhancing the transparency and fairness of the election, dismissal, and succession plans of executive directors and vice presidents. The Committee is chaired by an outside executive director.

Remuneration Advisory Committee
As a voluntary advisory body to the Board of Directors, the Committee deliberates and reports on matters such as the remuneration of executive directors and vice presidents, in order to strengthen our corporate governance by enhancing the transparency and fairness of the remuneration of executive directors and vice presidents. The Committee is chaired by an outside executive director.

Governance and Corporate Culture Advisory Committee

The Committee was established as a voluntary advisory body to the Board of Directors, and examines and reports on matters related to the evaluation and progress monitoring of action plans for strengthening governance, corporate culture reforms, continuous implementation of measures to prevent recurrence, and strengthening of internal control systems, and also engages in continuous management involvement in monitoring and further improvement. The Committee is chaired by the President & CEO.

Management Committee

The Committee was established under the President & CEO, in order to establish a system for speedy and efficient business execution, while ensuring the transparency and fairness of management by focusing on business management and supervisory functions, with regard to the functions of the Board of Directors. The Committee has been delegated with decision-making authority for matters that do not require resolution by the Board of Directors according to internal regulations, and it promptly and appropriately and promptly deliberates and decides on basic or important matters for corporate management. The Committee is chaired by the President & CEO.

Investment & Financing Committee

The Committee deliberates and decides on matters related to the management of the Company's investments and loans. The Committee is chaired by a vice president who also serves as the CFO.

Risk Management Committee

The Committee deliberates and decides on important matters concerning the evaluation and control of risk management activities, in order to continuously enhance the corporate value of the Group. It is chaired by a vice president who also serves as the CRO.

Compliance Committee

The Committee is responsible for evaluation and control of compliance activities, and it deliberates and decides on important matters related to the compliance activities of the Group, in order to promote the strengthening of compliance within the Group. It is chaired by a vice president who also serves as the CCO.

Sustainability Committee

The Committee deliberates and decides on important matters related to sustainability, in order to promote sustainability initiatives by the Group. It is chaired by a vice president who also serves as the CSO.

Executives (as of June 22, 2022)

Executive Directors

Position	Name	Divisions and Committees in charge

President & CEO	Takafumi Takeshita	General management
		Divisions in charge
		  Risk Management Department
		  Compliance Office
		  Government Affairs Promotion Office
		  Business Control Division
		  Business Development Division
		  Customer Service Division
		Committees in charge
		  Chairperson of Governance and Corporate Culture Advisory Committee
		  Member of the Nomination Advisory Committee
		  Chairperson of the Management Committee

Executive Vice President & Chief Operating Officer (COO) President & CEO, Net One Partners Co., Ltd.	Takuya Tanaka	Divisions in charge
		  East Japan Business Unit 1
		  East Japan Business Unit 2
		  East Japan Business Unit 3
		  Central Japan Business Unit
		  West Japan Business Unit
		  Sales Engineering Unit

Executive Vice President & Chief Human Resources Officer (CHRO)	Mitsuru Kiuchi	Division in charge of
		  Corporate Planning Division
		  Corporate Management & Administration Division
		  Member of the Remuneration Advisory Committee

Outside Executive Director	Maya Ito	Chairperson of the Board of Directors Member of the Nomination Advisory Committee Member of the Remuneration Advisory Committee
Outside Executive Director	Hideki Suda	Chairperson of the Nomination Advisory Committee
Outside Executive Director	Masayoshi Wada	Chairperson of the Remuneration Advisory Committee
Outside Executive Director (Full-time Audit & Supervisory Committee Member)	Kazuhiro Noguchi	Chairperson of the Audit & Supervisory Committee
Outside Executive Director (Audit & Supervisory Committee Member)	Sachiko Iizuka	
Outside Executive Director(Audit & Supervisory Committee Member)	Hideki Kusaka	

* All outside executive directors have been filed with the Tokyo Stock Exchange as independent executive directors.

Skill Matrix of Executive Directors

Based on our management strategy, business content, business scale, and external environment, we have defined the skills required of the executive directors to be "corporate management / management strategy," "technology," "personnel / corporate culture and organizational reform," "finance / accounting," "governance / law / risk management," and "sustainability." The members of the Board of Directors, as a whole are to possess all of these skills, in principle.

Name	Corporate management Management strategy	Technology	Human resources Corporate culture and organizational reform	Finance Accounting	Governance Law Risk management	Sustainability
Takafumi Takeshita	○	○	○			○
Takuya Tanaka	○	○	○			
Mitsuru Kiuchi			○	○	○	
Maya Ito					○	○
Hideki Suda	○		○			
Masayoshi Wada	○	○			○	○
Kazuhiro Noguchi				○	○	
Sachiko Iizuka	○			○		
Hideki Kusaka	○	○			○	

Status of Vice Presidents (Excluding Those Who Concurrently Serve as Executive Directors)

Position	Name	Committees chaired
Senior Vice President & Chief Technical Officer (CTO)	Fumihiko Shinoura	
Senior Vice President & Chief Strategy Officer (CSO) Executive Director, Net One Partners Co., Ltd.	Koji Tsuji	Chairperson of the Sustainability Committee
Senior Vice President & Chief Risk Officer (CRO) Chief Compliance Officer (CCO) President & CEO, Net One Business Operations G.K. Executive Director, Net One Partners Co., Ltd. Executive Director, Net One Next Co., Ltd.	Masayuki Kitajima	Chairperson of the Risk Management Committee Chairperson of the Compliance Committee
Vice President & Chief Financial Officer (CFO) General Manager, Corporate Planning Division Executive Director, Net One Partners Co., Ltd.	Kazuaki Ishibashi	Chairperson of the Investment & Financing Committee
Vice President & Chief Information Officer (CIO) General Manager, Corporate Management & Administration Division	Tomohiro Iwamoto	
Vice President General Manager, Business Control Division	Katsuya Hayashi	
Vice President General Manager, East Japan Business Unit 1	Junji Ueno	
Vice President General Manager, East Japan Business Unit 2 Executive Director, Net One Partners Co., Ltd.	Akiko Kanai	
Vice President	Yoshimitsu Narita	

Position	Name	Committees chaired
General Manager, East Japan Business Unit 3		
Vice President General Manager, Central Japan Business Unit	Yoichi Matsumoto	
Vice President General Manager, West Japan Business Unit	Daisuke Hatakeyama	
Vice President General Manager, Sales Engineering Unit	Kenta Minagawa	

Composition of Organizations and Committees, Status of Meetings, and Content of Deliberations

Board of Directors

Composition (as of June 22, 2022)

Position	Name	Roles, composition(○)
Outside Executive Director	Maya Ito	Chairperson
President & CEO	Takafumi Takeshita	○
Executive Director	Takuya Tanaka	○
Executive Director	Mitsuru Kiuchi	○
Outside Executive Director	Hideki Suda	○
Outside Executive Director	Masayoshi Wada	○
Outside Executive Director (Full-time Audit & Supervisory Committee Member)	Kazuhiro Noguchi	○
Outside Executive Director (Audit & Supervisory Committee Member)	Sachiko Iizuka	○
Outside Executive Director (Audit & Supervisory Committee Member)	Shigeki Kusaka	○

Meeting Status (Fiscal 2021)

Period	Attendance rate	Resolutions	Reports
April, 2021	100%	7	3
May	100%	11	3
June	100%	17	5
July	100%	3	9
August	100%	5	7
September	100%	9	15
October	100%	6	8
November	100%	13	13
December	100%	6	9
January, 2022	100%	5	6
February	100%	7	12
March	100%	19	8
(Total)	100%	108	98

* In addition to the above meetings of the Board of Directors, there were ten written resolutions that are deemed to have been made by the Board of Directors based on the provisions of the Companies Act and the Articles of Incorporation of the Company.

Audit & Supervisory Committee

Composition (as of June 22, 2022)

Position	Name	Roles, composition(〇)
Outside Executive Director (Full-time Audit & Supervisory Committee Member)	Kazuhiro Noguchi	Chairperson
Outside Executive Director (Audit & Supervisory Committee Member)	Sachiko Iizuka	〇
Outside Executive Director (Audit & Supervisory Committee Member)	Shigeki Kusaka	〇

Advisory Committee (Fiscal 2021)

Composition

Position	Name	Roles, composition(〇)
Outside Executive Director	Ryugo Hayano	Chairperson
Outside Executive Director	Shigeki Kusaka	〇
Outside Executive Director	Maya Ito	〇
Full-time Outside Audit & Supervisory Board Member	Kazuhiro Noguchi	〇
Outside Audit & Supervisory Board Member	Keiichi Horii	〇
Outside Audit & Supervisory Board Member	Hideki Suda	〇
Outside Audit & Supervisory Board Member	Sachiko Iizuka	〇
President & CEO	Takafumi Takeshita	〇

Meeting Status

Period	Number of meetings held	Attendance rate	Major deliberations
Fiscal 2021, first half	5	100%	・Examination of the skill matrix
Second half	4	100%	・Analysis of the current state of the executive remuneration system ・Examination of the skill matrix ・Examination and deliberation of the new executive remuneration system ・Deliberation on executive director candidates

Initiatives to Improve the Effectiveness of the Board of Directors

Evaluation of the Effectiveness of the Board of Directors

Effectiveness Evaluation Method

In 2016, the Company began evaluating the effectiveness of the Board of Directors. In fiscal 2021, we significantly expanded the items contained in the questionnaire, and adopted an anonymous response method, which ensures confidentiality by having executive directors respond to external organizations. Based on the aggregated results of the responses, the Board of Directors analyzes and evaluates the effectiveness of the Board of Directors, and considers and implements future responses.

■ Contents of the Effectiveness Evaluation Questionnaire (Major Items)

Fiscal 2020 (Six items)	Fiscal 2021 (12 items)
(1) Composition of the Board of Directors (2) Operation of the Board of Directors (3) Contents of the proceedings of the Board of Directors (4) Systems supporting the Board of Directors (5) Relationships with stakeholders (6) Summary	(1) Composition of the Board of Directors (2) Operation of the Board of Directors (3) Deliberation by the Board of Directors (4) Monitoring function of the Board of Directors (5) Performance of inside executive directors (6) Supervisory functions of outside executive directors (7) Support systems for executive directors and Audit & Supervisory Board members (8) Dialogue with shareholders (investors) (9) Personal efforts (10) Operation of the Committee (11) Summary (12) Outside Executive Liaison Meetings

Fiscal 2021 Effectiveness Evaluation Process

Conducted a questionnaire consisting of 52 items, for executive directors and Audit & Supervisory Board members

▼

Received reports from external organizations
Analysis / Evaluation

▼

Reported survey results to the Board of Directors
Reported to the Board of Directors on matters requiring improvement, etc.
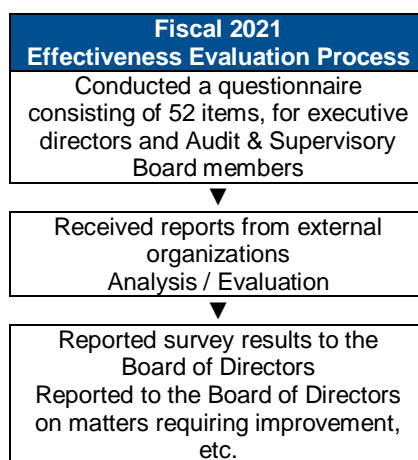
Effectiveness Evaluation and Response (Last 3 Years)

Evaluation in Fiscal 2019	Responses based on the Evaluation
With regard to challenges related to the abovementioned (3) Contents of the proceedings of the Board of Directors, and (4) Systems supporting the Board of Directors that were identified in past surveys, we confirmed from the results of the questionnaire that each of the implemented measures was bearing fruit. Specifically, in fiscal 2019, the Advisory Committee held discussions on executive tenure and remuneration, and conducted executive training mainly for inside executive directors and future executive candidates. Nevertheless, in a survey conducted in 2020 targeting the Board of Directors of fiscal 2019, the necessity of a further strengthening of the supervisory function was pointed out, in response to the discovery of transactions that did not actually deliver goods.	Regular reports were made to the Board of Directors regarding the progress of measures to prevent recurrence formulated in response to the discovery of fraudulent transactions. In addition, the Board of Directors has supervised initiatives to strengthen internal control, with reports made to the Board of Directors on risk and compliance activities by executive directors. In addition, through deliberations by the Advisory Committee, we have begun formulating specific programs, such as successor development plans for representative executive directors and training for the next generation of senior management.

▼

Evaluation in Fiscal 2020	Responses based on the Evaluation
We have determined that the effectiveness of the Board of Directors has largely been ensured. However, partly due to the impact of a series of fraudulent transactions by former employees of the Company, the roles and responsibilities of inside executive directors and a strengthening of internal controls were pointed out as challenges that we should address, in order to improve the effectiveness of the Board of Directors. We also recognized that it is necessary to continue to improve the quality and quantity of reference materials, provide reference materials early or provide explanations in advance, enhance executive training, and ensure the transparency of the Advisory Committee, in order to enhance the discussions at the Board of Directors.	In response to the discovery of a series of fraudulent transactions, we conducted training by external experts, in order to reaffirm the importance of understanding internal controls and the state of our corporate governance. We have also worked to improve the operation of the Board of Directors, such as by restructuring the Board of Directors Secretariat to include members from multiple departments, in order to strengthen its functions.

▼

Evaluation in Fiscal 2021	Responses based on the Evaluation
In the previous effectiveness evaluation, partly due to the impact of a series of fraudulent transactions by former employees of the Company, we clarified the challenges related to roles and responsibilities of inside executive directors, as well as those related to strengthening internal controls. Challenges such as improving the quality and quantity of reference materials and the early provision of materials to enhance discussions were also shared. In response to these, we provided training on the roles and responsibilities of inside executive directors, promoted the strengthening of the overall internal control system of the Company through the newly established Internal Control Enhancement Council as an advisory body to the Board of Directors, and proceeded with advance reviews of reference materials and initiatives to provide reference materials early, by strengthening the structure of the Board of Directors Secretariat. As a result, we considered that our efforts to have been fruitful. On the other hand, we also recognized the need to enhance various discussions based on management strategies, review the agenda items of the Board of Directors, and secure time for the discussion of important agenda items through planned agenda submissions.	For the purpose of deepening the discussions at the Board of Directors, we have decided to regularly report to the Board of Directors on the status of activities at important internal meetings and the operational status of the Board of Directors. In addition to the matters to be resolved and matters to be reported, as stipulated in the rules of the Board of Directors, we have also established "deliberation matters" in order to encourage an exchange of opinions as well as discussions on important themes such as management strategies, and decided to hold regular discussions at the Board of Directors meetings.

Various Measures to Revitalize the Board of Directors

In order to ensure appropriate decision-making and management supervision by the Board of Directors, we provide outside executive directors with appropriate information in a timely manner and provide opportunities for exchanging opinions where they are able to collect a wide range of information.

Examples of measures provided and implemented in fiscal 2021	Implementation timing and frequency	Content
Holding Outside Executive Liaison Meetings	Held once a month	We hold outside executive liaison meetings comprising only outside executives, in order to secure opportunities for cooperation and information exchange among outside officers. If necessary, these meetings are also utilized as opportunities for outside executives to gain a deeper understanding of the Company's business, etc., with the attendance of relevant internal personnel to report on individual themes.
Ensuring opportunities to attend important internal meetings such as those of the Management Committee	When meetings are held, such as Management Committee meetings (roughly twice a month)	We ensure opportunities for outside executives to attend important internal meetings (Management Committee, Compliance Committee, etc.) as observers in addition to the Board of Directors, and strive to provide appropriate information.
Providing explanations in advance and the early provision of reference materials	Implemented in a timely manner, as necessary	We have established a system that allows outside officers to be given explanations in advance regarding agenda items and reference materials, prior to meetings of the Board of Directors. We also strive to provide reference materials for the Board of Directors meetings as early as possible to secure time for consideration in advance.

Executive Remuneration System

Basic Approach

The basic policy of the Company's executive remuneration system is as follows:

（１） The executive remuneration system shall contribute to the realization of the Company's long-term vision, Medium-term Business Plan, and corporate culture reform in order to achieve continuous growth and enhance corporate value.

（２） The executive remuneration system shall promote the sharing of interests with shareholders and also enhance the management awareness from the perspectives of shareholders.

（３） The executive remuneration system shall be a highly objective and transparent remuneration system that is accountable to shareholders and other stakeholders.

Policy for determining executive remuneration
https://ssl4.eir-parts.net/doc/7518/ir_material29/157287/00.pdf (Japanese only)

TOPICS

Revision of the Executive Remuneration System (Introduction of a Restricted Stock Remuneration Plan, Adoption of Non-financial Target Indicators, etc.)

Following approval at the 35th Annual Shareholders Meeting held on June 22, 2022, we revised our executive remuneration system. The purpose of this revision is to further share value between the Company's management team and shareholders by further motivating executive directors and vice presidents to enhance our corporate value over the medium to long term, and through an increase in the proportion of stock-based remuneration. To this end, we will make efforts towards the steady achievement of the performance targets set forth in the current Medium-Term Business Plan which started in fiscal 2022 and non-financial targets to solidify the Company's social significance, and to ensure the thorough implementation of measures to prevent a recurrence of fraudulent transactions discovered in the past fiscal year, and the dissemination of corporate culture reforms. For details, please see "**Revision of the Remuneration System for Fiscal 2022**" below.

Revision of the Remuneration System for Fiscal 2022

Following approval at the 35th Annual Shareholders Meeting held on June 22, 2022, we revised our executive remuneration system. Remuneration, etc. for officers of the Company consists of (1) a fixed amount of basic remuneration, (2) a bonus linked to annual company-wide performance as a short-term incentive, and (3) stock-based remuneration in the form of restricted stock as a medium- to long- term incentive. Among these, (1) basic remuneration is for all executive directors, including outside executive directors, and vice presidents, while (2) bonuses and (3) stock-based remuneration are for executive directors other than outside executive directors (excluding executive directors who are Audit & Supervisory Committee members) and vice presidents.

■ **Comparison between the Conventional System and the New System** (Using the President & CEO as an Example)

Conventional:

Title	Basic remuneration	Bonuses	Stock compensation-type stock option
Representative Director	62.69% - 63.58%	26.39% - 27.36%	9.93% - 10.26%

(Note) The percentages shown in the table above are guidelines for the case where the degree of achievement related to performance-based remuneration is 100%.

New system:

Title	Basic remuneration	Bonuses	Restricted Stock Remuneration
President & CEO	Approx. 44%	Approx. 22%	Approx. 33%

Aim of the Revision

The purpose of this revision is to further share value between the Company's management team and shareholders, by further motivating the executive directors and vice presidents to enhance our corporate value over the medium to long term, and through an increase in the proportion of stock-based remuneration. To this end, we will make efforts toward the steady achievement of performance targets set forth in the current Medium-Term Business Plan which started in fiscal 2022 and non-financial targets to solidify the Company's social significance, and to ensure the thorough implementation of measures to prevent recurrence of fraudulent transactions discovered in the past fiscal year, and the dissemination of corporate culture reforms.

Points of Revision

（1） Introduction of Restricted Stock and Expansion of the Proportion of Stock-based Compensation in the Remuneration Composition

Conventionally, we had introduced a stock compensation-type stock options plan. The new restricted stock remuneration plan was introduced with the aim of providing incentives to the Company's executive directors (excluding executive directors who are Audit & Supervisory Committee members and outside executive directors) and vice presidents (hereinafter, collectively referred to as "eligible executives") to continuously improve the corporate value of the Company, while further promoting the sharing of value between eligible executives and shareholders.

（2） Adoption of Non-financial Target Indicators in Bonuses

In the revision, company-wide performance indicators and individual performance indicators are weighted 70% and 30%, respectively.

As company-wide performance indicators, the Company adopts the "service ratio," "consolidated revenue," and "consolidated operating income," which are also important indicators in the current Medium-Term Business Plan. Of these, the Company places the highest priority on the "service ratio" in order to further promote the Group's current transition from a business model centered on the sale of goods to one that provides comprehensive ICT-related services, with service ratio, consolidated revenue, and consolidated operating income weighted 50%, 10%, and 10%, respectively.

As individual performance indicators, taking into consideration the lessons from the past misconducts, the Company adopts "corporate culture reform," "materiality KPIs," and "other individual goals" as non-financial indicators, which are indispensable for further enhancement of corporate value, with each weighted 10%, 15%, and 5%, respectively.

Based on the degree of target achievement regarding these indicators and other factors, the amount of the bonuses will fluctuate between 0% and 200% of the standard amount to be paid.

（3） Introduction of the Malus / Clawback System

As part of efforts to establish a high-level corporate governance system, the Company has introduced the following system (malus / clawback system) for bonuses and stock-based remuneration.

1) A system to force the return of bonuses paid in the event of a material revision of financial results or serious misconduct.

2) A system under the restricted stock remuneration plan whereby, if, after the expiration of the restricted transfer period, an eligible executive officer is found to have committed an act in violation of laws and regulations during the restricted transfer period, the Company may demand the eligible executive officer to return all or part of the allotted shares held by him or her, or to pay an amount equivalent to the market value of the shares in lieu of the said shares.

3) A system under the restricted stock remuneration plan whereby, if an eligible executive officer is found to have committed an act in violation of laws and regulations during the restricted transfer period, the Company may acquire all or part of the allotted shares held by the eligible executive officer without consideration.

See the Annual Securities Report for details of the remuneration system and the results for fiscal year 2021.

Annual Securities Report for the Fiscal Year Ended March 31, 2022 > Executive remuneration etc.
https://ssl4.eir-parts.net/doc/7518/yuho_pdf/S100ODD8/00.pdf#page=56 (Japanese only)

Policy and Processes to Elect / Dismiss Executive Directors

Election of Executive Director Candidates

The election of executive director candidates and vice presidents is decided by resolution of the Board of Directors, after deliberation by the Nomination Advisory Committee.

Selection Criteria for Executive Director Candidates (excluding Outside Executive Director Candidates) and Vice Presidents

1. Individuals who have a practical perspective based on extensive business experience

2. Individuals who are highly knowledgeable in social affairs, economic trends, industry trends, etc.

3. Individuals who have a company-wide, objective and professional perspective, with the optimization of the overall Company in mind

4. Individuals who have the ability to build relationships of trust and teamwork as a person, and have the ability to take action and lead others

5. Individuals who have a high standard of ethics, compliance awareness, accounting literacy, and can think fairly and impartially

6. Individuals who are able to form opinions from the standpoint of fairness and universality and act based on their own convictions

7. Individuals who have the ability to communicate and build relationships of trust with other executive directors and employees

8. Individuals who are sound in physical and mental health

Selection Criteria for Outside Executive Director Candidates

1. Individuals who possess extensive experience in fields such as corporate management, legal compliance, and financial accounting, with an objective and professional perspective based on a high level of insight into social affairs and economic trends

2. Individuals who satisfy the "Independence Standards" to ensure consistency with the original purpose of selection of outside executive directors

Independence Criteria
https://ssl4.eir-parts.net/doc/7518/ir_material17/129483/00.pdf (Japanese only)

Dismissal

In the event that an executive director (including the Representative Director) or vice president lacks the qualifications, the Nomination Advisory Committee will discuss the candidate for dismissal, and a decision will be made by resolution of the Board of Directors.

Succession Plan

Basic Approach

The Company shall strive to nurture successors, by providing the necessary training, including external training, to future senior management candidates as appropriate, and by having them gain experience in various internal committees and as executive directors of subsidiaries, and by securing opportunities to attend important meetings such as those of the Management Committee. The Board of Directors appropriately supervises the implementation status of the succession plan by receiving reports on the deliberations of the Advisory Committee.

Initiatives to Enhance Succession Plans

In June 2022, in line with the transition to a company with an Audit & Supervisory Committee, the Advisory Committee, which had formerly been established as a voluntary advisory body to the Board of Directors, had its functions separated, and was reorganized as the "Nomination Advisory Committee" and the "Remuneration Advisory Committee."

Roles of the Nomination Advisory Committee

- Matters related to policies and standards for the nomination of executive directors and vice presidents

- Matters related to the election and dismissal of executive directors and vice presidents

- Matters related to the selection and dismissal of representative directors, executive directors with titles, and vice presidents with titles

- Matters related to succession plans for executive directors and vice presidents

- Matters related to the composition of the Board of Directors and the skill matrix

- Other important matters related to the above, regarding which the Board of Directors seeks advice

In fiscal 2022, which is the first year of the Nomination Advisory Committee, we aim to build a stable business base by introducing a succession plan that includes the top management and completing a succession chart, with the aim of achieving sustainable growth and enhancing our corporate value over the medium to long term. First of all, we plan to consider initiatives centered on defining the type of personnel required for management, formulating each position profile, and creating a talent pool selection, assessment, and development plan for candidate personnel.

Risk Management

Basic Approach

The Company defines risks as events that have a negative impact on the Company (including events that may have a negative impact). We analyze and evaluate various risks surrounding the Group, and carry out risk management activities to minimize losses for the Group by formulating, implementing, and promoting plans to deal with each risk.

The Group's basic policy regarding risk management activities is as follows:

1．We will develop a risk management system, with full recognition of the possibility of a significant impact on management if a risk materializes.

2．Based on consistency with the Medium-Term Business Plan (management strategy and business strategy), we determine the management resources that are to be invested in safety measures, according to the characteristics of the risk.

3．We conduct periodic reviews of risk management status and strive to improve the management system. Based on the results of our reviews, we revise the basic policy of risk management on a company-wide basis, and establish a continuous and sustainable management system.

4．With consideration for the emergence of new threats and cases of damage to other companies, we establish an appropriate risk management process, properly allocate management resources according to management targets, and decide on concrete and highly feasible response policies.

5．To ensure that the interests of shareholders are not damaged, we continuously manage internal controls that are compatible with the environment surrounding the Group.

Promotion System and Initiatives

See our Annual Securities Report for details regarding the Group's risk management system, risk classification and assessment, risk assessment, overview and assessment of major risks, and the status of countermeasures.

Annual Securities Report for the Fiscal Year Ended March 31, 2022 > Business and Other Risks
https://ssl4.eir-parts.net/doc/7518/yuho_pdf/S100ODD8/00.pdf#page=14 (Japanese only)

See below for other initiatives to date to strengthen our risk management system.

Corporate Information | Progress of Recurrence Prevention Measures of Inappropriate Conduct, etc. > 2. Strengthening risk management system
https://www.netone.co.jp/company/responsibility/prevention/details-2/ (Japanese only)

Key Initiatives in Fiscal 2021

In fiscal 2021, we continued to identify and assess risks, and implemented thorough recurrence prevention measures and responded to the most important risks by specifying and implementing countermeasures. At the same time, we strengthened our comprehensive risk management by building a system in which subcommittees identify various risks and report to the CRO / Risk Management Committee.

Initiatives	Details
Risk identification / assessment	In fiscal 2021, we identified a total of 115 risks for the entire company, consisting of the most important risks (25), major risks (30), and general risks (60).
Materialization / implementation of countermeasures	We scrutinize the countermeasures considered by the department in charge from the perspective of the accuracy and validity of the cause analysis confirm their sufficiency, and implement monitoring.

Initiatives	Details
Establishment / implementation of monitoring system (including building an information aggregation system)	・Holding meetings of the Risk Management Committee The Representative Director and CRO is in charge of the Committee, while the Vice President and General Manager of the Corporate Planning & Strategy Division serves as its chairperson. Executive directors, the General Manager of the Risk Management Office, and General Manager of the Legal Office are appointed as Committee members, and the Committee held a total of 11 meetings. Outside executive directors, full-time outside Audit & Supervisory Board members, the General Manager of the Internal Audit Office, and advisers all participate as observers.
Initiatives related to risk management	The Risk Management Committee conducts an annual review of risks, and promotes the strengthening of our risk management activities by identifying and assessing risks that are important to Group management, identifying and assessing specific responses, implementing countermeasures, and conducting monitoring. In December 2020, we concluded an advisory agreement with an external expert, in order to incorporate the perspective of an external expert to strengthen our risk management systems. Following the agreement, we maintained our system for receiving appropriate advice and support from external experts.

Initiative Policies after Fiscal 2022

- In order to promote risk management activities while responding promptly and flexibly to rapid changes in the operating environment surrounding the Group, we will change the Risk Management Committee into an advisory body to the Management Committee, which is the final decision-making body for business execution.

- We will assign a departmental CRO to each department with the aim of creating a system in which each department autonomously promotes risk management activities.

- We will prioritize the promotion of various measures related to individual risks (partner management / BCP).

- We will continuously promote other risk management activities.

Internal Control

Basic Approach and System

We have established a basic policy regarding our internal control system, in order to develop and operate the system, which should serve as the foundation of our corporate operations, and to strive for its continuous improvement. In terms of structure, in contrast with the three-lines model that is common for organizational risk management and control activities (First line: sales divisions / business divisions, Second line: back-office divisions, Third line: internal audit division), we have also established our own 1.5 line in order to independently monitor the First line. As such, our system is characterized by our efforts to establish highly effective business rules together with discipline.

■ Overview of Internal Controls
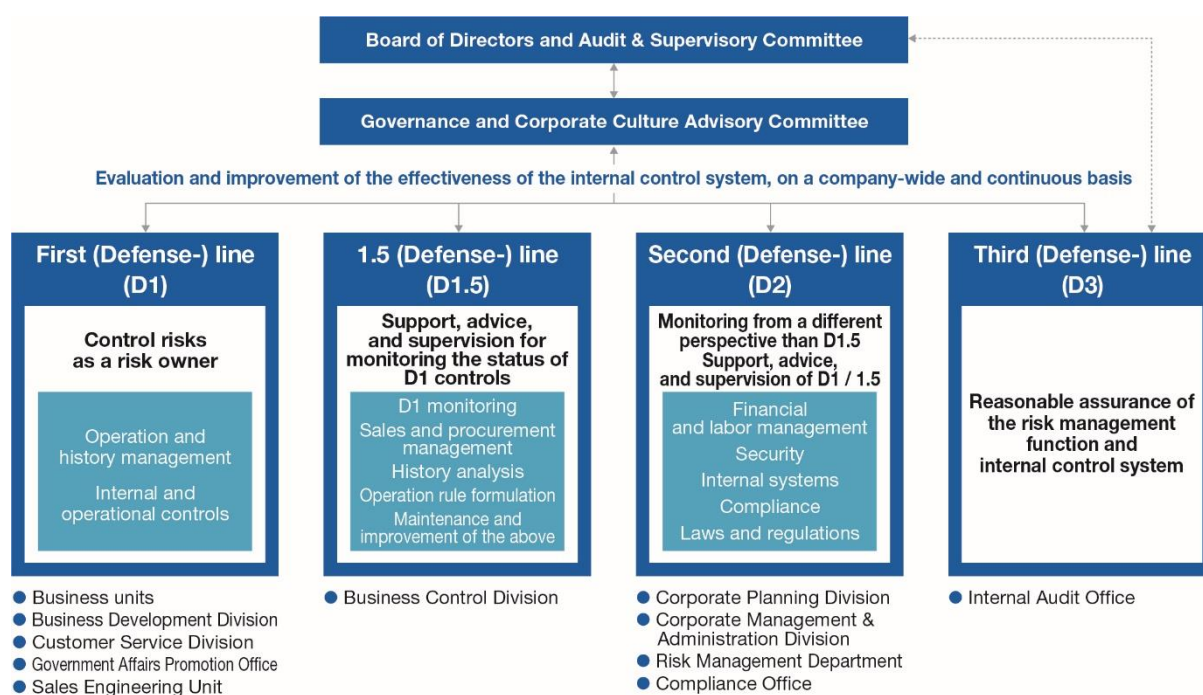
With regard to internal audits, we have established an Internal Audit Office (18 members, as of the end of June 2022) as an organization that reports directly to the Audit & Supervisory Committee. The Internal Audit Office investigates whether the Company's business activities are conducted properly and efficiently, in accordance with business plans, management policies, and internal regulations, and are not in conflict with laws and social ethics, etc. In addition to pointing out the necessary items for improvement, it follows up on their improvement status.

The Internal Audit Office, Audit & Supervisory Committee Members, and the Accounting Auditor hold meetings on a regular basis or as necessary, to report on audit plans, audit implementation status, etc., and work to strengthen mutual cooperation.

See our Annual Securities Report for details on the basic approach regarding the internal control system and its development status.

Net One Systems Annual Securities Report for the Fiscal Year Ended March 31, 2022
Basic Policy and Status of Internal Control System
https://ssl4.eir-parts.net/doc/7518/yuho_pdf/S100ODD8/00.pdf#page=43 (Japanese only)

Key Initiatives in Fiscal 2021

〇 Review of the Organizational Structure regarding the 3 Lines

The Internal Control Enhancement Council (currently the Governance and Corporate Culture Advisory Committee), which is headed by the President & CEO and includes external experts, promoted continuous, company-wide recurrence prevention measures. We established the 1.5 line (Business Control Division) with the aim of checking and supporting the First line from a position that is closer to actual operations. In addition, we also strengthened the structure and functions of the Third line (Internal Audit Office).

〇 Development and Recruitment of Personnel to Strengthen Internal Control

In the Company, certified internal auditors have long been eligible for the system for supporting the acquisition of qualifications, and in May 2021, we added certified fraud examiner to the qualifications that are eligible for support. We also determine and disseminate the operation policy and content of the qualification acquisition support, in order to promote the acquisition of qualifications. We are also strengthening the recruitment of qualified personnel and mid-career hires with extensive knowledge of internal audits. As of August 2022, among the 18 members of the Internal Audit Office, there are two certified internal auditors, two certified fraud examiners, one financial internal auditor, and one internal auditor (note that some hold multiple qualifications).

See the information below for an overview of the operational status of our internal control system for fiscal 2021.

Net One Systems Attachment to the Notice of the 35th Annual Shareholders Meeting
【Overview of Internal Control System Operation】
https://ssl4.eir-parts.net/doc/7518/ir_material22/185231/00.pdf#page=78

See the information below for our initiatives to date to strengthen the internal control of the Group.

Corporate Information | Progress of Recurrence Prevention Measures of Inappropriate Conduct, etc.
4. Fundamental Review of the Audit System
https://www.netone.co.jp/company/responsibility/prevention/details-4/ (Japanese only)

Initiative Policies after Fiscal 2022

〇 Enabling the Early Understanding of Situations through Visualization and Strengthening of the System for the Prompt and Steady Execution of Operations

From the perspective of expediting business execution, we will review the roles in the organization, in order to consolidate the sales activity support operations and the management promotion function of sales operation processing in the First line.

We will establish a Business Promotion Department (Office) in each business unit in the First line, and promote visualization of the business status. We will also establish a new Business Promotion Department in the Business Control Division for the 1.5 line, and the Business Planning Office within the Business Control Division will be responsible for business quality assurance, sales supervision, and technology supervision functions. In this manner, we will expand the business control function of the entire Business Control Division, and realize management and ensure the completeness of contract execution details with customers. By reviewing the roles of the First line and the 1.5 line in an integrated manner, we will enhance the productivity of an effective check-and-balance function, and the business execution of the Company, as a whole. As a result, we will track the expectations of, and signs from our customers and the market at an early stage, and realize smooth sales activities.

〇 Reinforcement of the Check-and-balance Function by Changing the Assignment of Executives

In addition to equal partnerships between departments, we will appoint vice presidents with titles to be in charge of each line, with the aim of forming equal partnerships between the lines. We have also reviewed the lines that are supervised by executive directors, and have decided to appoint different executive directors in charge of the 1.5 line and the Second line.

Compliance

Basic Approach

The Net One Group aims to achieve an equal balance between stronger governance, further leaps forward, and sustainable growth. Compliance is not only a "defensive" measure to prevent fraud and failures of arrogance, but is also an essential element in terms of serving as an "offense," in order to realize the enhancement of our corporate value and allow us to continue to be the brand of choice for many customers. In other words, we believe that our true basic stance regarding compliance is to take the expectations and trust of the many stakeholders who support the Net One Group seriously, and respond to them in a sincere manner.

In order to ensure that compliance takes root as a corporate culture, it is essential that each and every employee, including executives, maintains a high sense of ownership and acts through steady initiatives. We will always examine ourselves, and strive to conduct sincere and trustworthy corporate activities and actions on a daily basis, thereby building a strong compliance system and culture throughout the Group, based on the pride and awareness of being a member of the Net One Group.

Compliance Manual
https://www.netone.co.jp/english/files/CSR2.pdf

Fair Relationships with Customers and Business Partners

As our responsibility to our customers, it is our policy to always think from the customers' point of view, to accurately grasp their needs, and to strive to provide products and services that truly meet their needs.

In addition, as a responsibility to our partner companies, we stipulate that we maintain and continue fair business relationships, by adhering to a fair attitude and expecting the same attitude from our partners.

To this end, we have set the following standards in our compliance manual.

Standards of Conduct	Our Promises
Customer needs are first	We grasp the true needs of individual customers. We provide excellent products and services.
Fair and transparent business relationships with customers	We endeavor to provide precise information and respect customers' own decisions. We execute written contracts with customers.
Developing business in accordance with laws and ethics	We do not engage in illegal or unfair sales activities which harm customers' interests. We ensure that we acquire the necessary permits, licenses, qualifications, and requirements.
Handling customers' complaints promptly and appropriately and preventing troubles beforehand	We act faithfully, promptly, and properly. We improve our products and services through complaints. We always endeavor to improve our skills and prevent the occurrence of complaints.
Managing customers' confidential information and personal information strictly	We strictly manage customers' confidential information and personal information. We do not obtain confidential information or personal information without authorization, or leak such information.
Fair and transparent business relationships with partners	We maintain sound and normal partnerships. We have no vested interests, and do not accept entertainment or gifts that exceed socially accepted norms.
Selecting and managing partners adequately	We build appropriate relationships with partners. We manage and instruct subcontractors and endeavor to maintain quality of their business.
Maintaining and controlling product quality through cooperation	We thoroughly control the quality of delivered products and services.

Standards of Conduct	Our Promises
	We do not make complaints, nor demand returns or exchanges for unjust reasons.

Promotion System

We have developed and operated a compliance system by establishing the Compliance Committee, appointing division compliance managers, and establishing departments in charge. The Compliance Committee deliberates and decides on important policies and matters related to compliance.
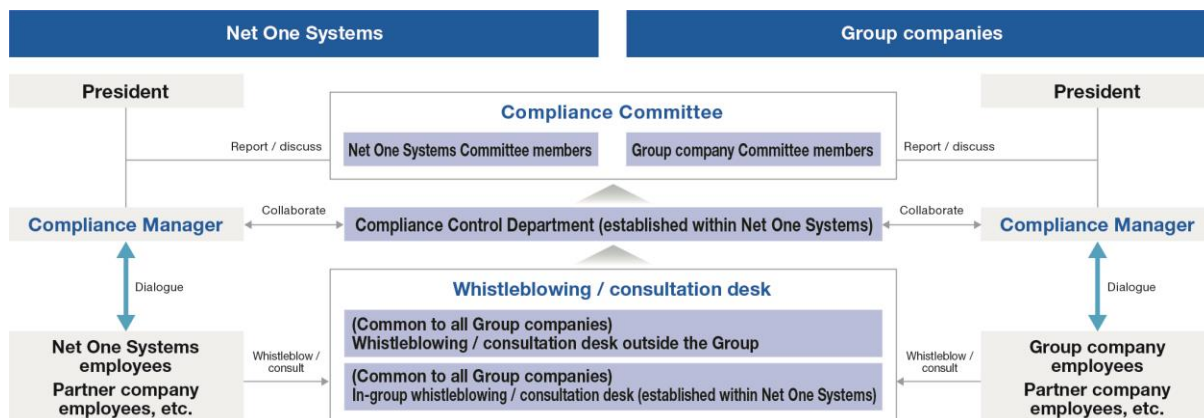
Whistleblower System

The Compliance Control Department accepts reports and consultation requests from employees and partner company employees, and based on the results of investigations conducted by the Compliance Control Department, the Compliance Committee determines the facts regarding compliance violation events. Furthermore, the Rewards and Disciplinary Committee deliberates on the necessity of disciplinary action for incidents that are considered to be grounds for such action under the Employment Regulations.

We have established four whistleblowing and consultation desks. For example, if the Risk Management Department or Compliance Office accepts a report regarding a serious incident, it is promptly reported to the CRO, CCO, and the President prior to the investigation. The Risk Management Department or Compliance Office conducts an investigation, and through the processes and decisions of the Risk Management Committee, Compliance Committee, Rewards and Disciplinary Committee, etc., feedback is provided to the whistleblower or consulter, and measures to prevent recurrence are formulated.

	Contact point	Responsibilities	Reception
Internal	Fraud Risk whistleblowing and consultation desk	・Accounting Fraud ・Fraud related to business transactions ・Others (matters other than those that are the responsibility of the compliance whistleblowing and consultation desk)	Risk Management Department
	Compliance whistleblowing and consultation desk	・Harassment (power harassment, sexual harassment, etc.) ・Work environment, etc.	Compliance Office
	Full-time Audit & Supervisory Committee Member whistleblowing and consultation desk	Injustice by executives and general matters related to risk and compliance	Full-time Audit & Supervisory Committee Member
External	Law offices whistleblowing and	General matters related to risk and compliance	Law offices

	Contact point	Responsibilities	Reception
	consultation desk		

In addition, we stipulate confidentiality obligations and the prohibition of disadvantageous treatment, and disseminate them thoroughly. Based on the relevant laws and regulations and the internal regulations of each company, we will strictly protect the confidentiality of those who have reported or consulted with the whistleblowing and consultation desks inside and outside of the Group, and the confidentiality of the contents of such reports and consultations. We also promise that the whistleblower or consulter will not be disadvantaged as a result of whistleblowing or consulting. Any individual who retaliates against a whistleblower or consulter will be severely punished, based on the Employment Regulations and other internal regulations.

Key Initiatives in Fiscal 2021

We are continuously strengthening our initiatives to disseminate compliance through the following examples.

○ **Implementation of Compliance Education and Improvement of Communication**

In each division that executes business, we hold an "opinion exchange meeting" to discuss the compliance activity plan of the division, as well as a "case study meeting" to discuss past cases. Afterwards, based on the opinions provided by each department at these "opinion exchange meetings" and "case study meetings," we hold "internal Group opinion exchange meetings," the members of which are selected from the executives in charge of each division, general managers, deputy general managers, employees of headquarters, representative directors of group companies, executives, and employees. Through this series of initiatives, we facilitate the understanding of management regarding the opinions of each department, the sharing of compliance awareness throughout the Company, and a strengthening of communication.

In addition, the Compliance Office takes charge of conducting annual e-learning-style compliance education and compliance questionnaires for all employees, in order to inculcate and confirm compliance awareness.

○ **Inculcation Activities for the Middle Management Layer**

The Compliance Office serves as the secretariat, and conducts group training once every 6 months for the middle management layer, in order to spread awareness of the role of middle management (its hub function), which is to accurately understand and share messages from executive management so that they take root in the field, as well as to integrate the voices of the field and convey them to management. In addition, regarding the role of this middle management layer, each target person is asked to set a personal goal, and the role that they have actually fulfilled is evaluated at the end of the term.

○ **Operation of a Suggestion Box**

Since August 2021, under the supervision of the Compliance office, we have set up a suggestion box as a system for gathering employee feedback, in order to solicit candid opinions and evaluations from employees. In fiscal 2021, we received 389 suggestions. After examining the contents of the comments and evaluations, we post specific improvement measures and their response status on our internal portal site, and update them as needed.

○ **Use of Compliance Self-check Sheets in Personnel Evaluation Interviews**

During the personnel evaluation interviews held twice a year, we utilize the compliance self-check sheet provided by the Compliance Office for the purpose of self-inspection, and through dialogue between superiors and subordinates, we confirm the degree of inculcation of compliance awareness among employees.

○ **Learning from Cases of Failure**

We are undertaking initiatives to disseminate and mutually share (timely) examples of daily failures and problems among all First line employees. This includes study groups and comprehension tests (every quarter) for all employees in the First line to ensure an understanding of the Company's business rules, led by education staff who are selected from the first line. We also hold workshops (every quarter) for First line employees in order to

share examples of failures in proposal activities for customers and system introduction and installation work, and use tools such as a post-type internal portal site for sharing cases of failure.

Supply Chain Risk Assessment

We conduct compliance surveys for our partners. Although it is possible to respond to the questionnaire anonymously, if there are matters for consultation in answers that are provided with names, we conduct interviews with the responding companies based on the content of the consultations listed in the responses, and work to resolve the issue.

Initiative Policies after Fiscal 2022

From fiscal 2022, each division will have a new division CCO (Chief Compliance Officer). The division CCO is responsible for reviewing and implementing the investigation policy, verifying countermeasures, and monitoring the reports and cases of consultation from each department, for those cases that do not fall under the Whistleblower Protection Act, and which can be resolved quickly and efficiently by utilizing the work environment information of the concerned division for investigation. Through these initiatives, we aim to build a system that realizes autonomous compliance activities, including whistle-blowing investigations in each division and advanced prevention of recurrence.

Fostering a Corporate Culture based on Our Purpose

Basic Approach

The Net One Group has formulated a new corporate philosophy system (Purpose, Mission, Vision, Values, and WAY) in order to promote measures to prevent recurrence as planned, and steadily build a foundation for establishing a corporate culture that will prevent fraudulent acts from recurring. For the Group to make a further leap forward, it is essential that all members of the management team and employees engage in initiatives together to disseminate the new corporate philosophy system. We will improve our corporate value by putting into practice a series of strategic stories that are derived from our "Purpose." Furthermore, we will enhance its effectiveness by clearly defining the WAY (Code of Conduct), which serves as the basis for how we think and decide for each member of the Group, who serve as the main drivers in the implementation of the series of strategic stories from "Purpose" to "Values."

Corporate information | Corporate philosophy > Philosophy system
https://www.netone.co.jp/company/philosophy/(Japanese only)

Promotion System

In order to prevent a recurrence of the failure of arrogance, 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 committee to the Board of Directors. In order to further promote 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 strengthen our internal control systems.

Governance and Corporate Culture Advisory Committee

Governance and corporate culture reforms

Enhancing governance
- Shift focus from business management to monitoring
- Strengthen the management oversight system, including further coordination of three-way audits, etc.

Corporate culture reforms
- Foster an environment in which employees feel comfortable voicing their opinions
- Instill a new code of conduct and values
- Train and actively recruit personnel
- Create a system to prevent scandals from being forgotten

Continuous implementation of measures to prevent recurrence
- Continued implementation, including the improvement of recurrence prevention measures developed under eight themes

Enhance internal control systems
- Strengthen the effectiveness of the three (Defense-) lines model
- Continuous, effective PDCA implementation

Key Initiatives in Fiscal 2021

〇 Implementation of Recurrence Prevention Measures

We have sincerely accepted the survey results and recommendations that were given in the "External Investigation Committee Report - From the Perspective of Governance and Corporate Culture -," and we believe it is important to ensure that our internal controls function effectively by implementing the "measures to prevent recurrence" dated May 13, 2021, and for the entire Company to work together to reform our fundamental corporate governance and culture.

Corporate information | Progress of recurrence prevention measures of inappropriate conduct, etc.
https://www.netone.co.jp/company/responsibility/ (Japanese only)

○ Toward the Fostering of a Corporate Culture Based on Our Purpose

Implementing the Organizational Culture Survey and Corporate Culture Monitoring Survey

In fiscal 2021, the Group launched a new organizational culture survey as part of its activities toward the reform and cultivation of our organizational culture. Based on the results of this survey, we identify challenges related to organizational culture and implement various measures for improvement. In addition, we also conduct "corporate culture monitoring surveys," in order to observe the results of these measures from a fixed perspective.

<Overview of the Corporate Culture Monitoring Survey >

Start time: Every other month from February 2022

Target employees: Employees of Net One Systems and major subsidiaries on secondment

    *Excludes full-time employees of Group companies, employees on leave of absence, and advisers

Question themes: (1) Measuring changes in our organizational culture, (2) Measuring changes in organizational issues, (3) Listening to employees' opinions, (4) Raising employee awareness

Operation of a Suggestion Box

The Compliance Office has taken charge of setting up a suggestion box with external (third-party) lawyers as points of contact, in order to solicit candid opinions and evaluations from employees regarding the implementation of recurrence prevention measures. The suggestion box takes the form of employees posting opinions using a posting form on our internal portal site.

Measures to Inculcate the Corporate Philosophy

Publishing of the Vision Book, and Setup of a Special Internal Site on an Electronic Bulletin Board

After formulating our new code of conduct, we published an electronic version of the Vision Book, which reflects the code of conduct, and posted it on our internal electronic bulletin board. In January 2022, after reviewing the management vision and code of conduct, we revised the electronic version of the Vision Book and posted it on the internal electronic bulletin board.

Implementation of Vision Week and the Vision Awards

Vision Week was held from January 31, 2022 to February 4, 2022, under the theme of "Considering the future of Net One," in order to promote resonance with and inculcation of the Group's new corporate philosophy system.

Initiative Policies after Fiscal 2022

We have recruited new members for our philosophy inculcation project, and launched corporate philosophical inculcation activities under the new system in fiscal 2022. We plan and execute events, tools, etc. for inculcation from the perspective of the WAY, in an effort to inculcate our corporate philosophy. In addition, we will work on measures to improve the inculcation of the philosophy utilizing the 1-on-1 training implemented in fiscal 2021, and promote the inculcation of the corporate philosophy system together with the measures planned by the members of the philosophy inculcation project. Through these measures, we aim to enable all of our employees to embody the philosophy in their daily actions.

Health Management

Basic Approach

The Net One Group has established a health declaration as follows, with the aim of providing an environment where employees can continue to work in good physical and mental health in order to achieve sustainable growth, and to strategically practice employee health management from a management perspective.

Net One Group Health Declaration

The Net One Group aims to achieve its Purpose to "Unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen." To this end, we declare that we will support our employees and their families, who are our irreplaceable assets, to ensure that they achieve work-life balance and self-fulfillment, both professionally and privately by working autonomously to maintain and improve their health.

Promotion System

The Net One Group has established a health management promotion system based on the Health Declaration under the President & CEO, who serves as the Health Management Officer. Health management measures are promoted by the Human Resources Department. In order to properly operate health management and promote health, professional staff such as industrial physicians, public health nurses, nurses, clinical psychologists, and career counselors work together with related parties to develop various measures such as health promotion, literacy improvement, a variety of consultations, and mental health support. Under this promotion system, we are working to continuously improve health management through the PDCA cycle.

Initiatives for Health Management

○ Understanding Employee Health Issues and Considering Necessary Measures

We will implement the following initiatives in the first year of health management.

• Dissemination of health management policies, etc. inside and outside of the Company

• Maintenance of the health promotion system and infrastructure

• Thorough management of appropriate working hours

• Improvement of work styles based on work-life balance indicators

• Ensuring thorough health checkups and recommending re-examinations

• Measures against second-hand smoke and initiatives to reduce the smoking rate

• Utilizing stress checks and recommending retests

○ **Practicing Health Management: Sophistication of Labor Management**

The Group is working to make our labor management more sophisticated, in response to the fact that each of our departments tend to be overloaded against the backdrop of the increasing demand for ICT in recent years, and the fact that work styles are changing further due to the progress of remote work.

In terms of ICT systems, in 2020, we took the change in work styles centered on telework as an opportunity to introduce a web clocking system that enables the collection of timely and simple attendance records on the internal portal site. Currently, in addition to these attendance records, using the VDI[*1] PC connection management system, we are strengthening our monitoring of working conditions, and are working to understand the actual working conditions according to differences in departments and operations.

We are also focusing on teaching and inculcating knowledge regarding labor management. Completion of labor management training with a perfect score is required for managers with titles, and labor management topics are also covered in compliance case study sessions for all employees.

Through these initiatives, we aim to protect the health of our employees, as well as to refine FTE[*2] by grasping the actual situation, which will lead to the sophistication of personnel allocation and project management. In addition, we aim to accumulate and provide the knowledge gained from these systems and initiatives, so that it can be useful for our customers as netone on netone.

1. VDI (Virtual Desktop Infrastructure): A system for consolidating, managing, and using the processes performed on a PC. It strengthens ICT controls by increasing manageability. Although the desktop screen can be viewed and operated like a PC via a network, it can also be used as a countermeasure against information leakage, since data does not remain on the device.

2. FTE (Full-Time Equivalent): The amount of work per full-time employee. In project management, this is used when examining the number of personnel engaged in a project.

Information Security

Basic Approach

Since the time of its founding, the Net One Group has acted as a pioneer of new products and technologies in the network field, and by providing these to our customers, we have contributed to the advancement of information technology in all of its aspects, including industrial economics and academic culture. For the Group, the appropriate handling of information and the implementation of safety management measures are important social responsibilities, and are some of our most important management challenges.

The importance of security will continue to grow in modern society. Accordingly, the Group is working to strengthen security by formulating policies in terms of its own risk management and service menu. In addition, we are also enhancing our service menu by making references to our initiatives to strengthen security.

Basic Policy on Information Security

In order to protect the information assets owned by the Group, we are working on various measures such as compliance with regulations, appropriate management, and employee education and training, in accordance with our basic policy on information security. In addition, we have acquired the ISMS certification for the entire Company, as a third-party evaluation of our measures.

Sustainability | ESG Initiatives > Information Security
https://www.netone.co.jp/sustainability/esg/governance/security/ (Japanese only)

Promotion System

We believe that it is our social responsibility to ensure the Company's cybersecurity against cyber-attacks, which have become more sophisticated in recent years. At Net One, we have established a CSIRT (Computer Security Incident Response Team) system across a wide range of internal departments, in order to respond quickly to cybersecurity incidents in our network systems and to make prompt decisions, in addition to a personal information protection system.
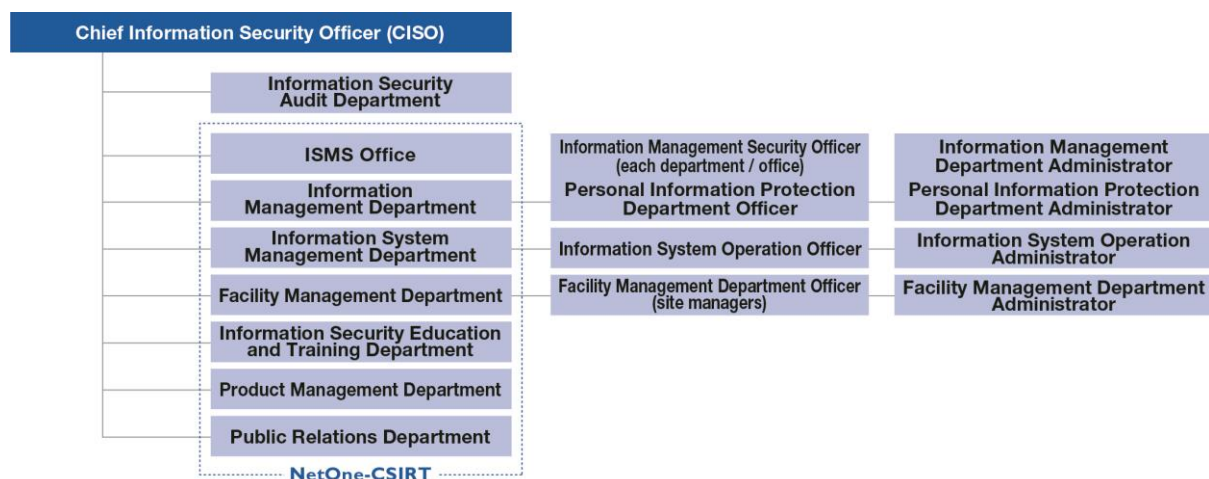
Strengthening of Information Security System

Relevant indicators (Fiscal 2021)
- Number of significant incidents that require an announcement to the public related to information security: zero
- E-learning employee participation rate related to information security: 100%
- Comprehension test related to information security: completed with full marks for all employees

* Scope of e-learning participation rate and comprehension test: Net One Systems, Net One Partners, Net One Next, Net One Business Operations. Employees, temporary employees, contract employees are in the scope.

Providing Security Services

Amid advances in ICT technology, security threats and risks are becoming more sophisticated, making existing approaches and measures increasingly obsolete. Net One Systems provides a range of security services that ensure the reliable and secure operation of public ICT platforms.

We also provide research and training for customers and run courses at universities and colleges of technology to cultivate security professionals who understand and can utilize the latest security technologies.

Optimal security services and solutions that support a variety of ICT environments are introduced below.

Services | Technology > Security
https://www.netone.co.jp/service/technology/security/ (Japanese only)

Other case studies include a wide range of introductions including work style innovation, cloud, and security, etc.

Knowledge Center > Case Studies
https://www.netone.co.jp/knowledge-center/?category=%E5%B0%8E%E5%85%A5%E4%BA%8B%E4%BE%8B (Japanese only)

Protection of Personal Information

Basic Approach

For the ICT market, our business ranges from the installation of network systems using cutting-edge technologies and products, to the provision of high added value services. We recognize the importance of personal information, and believe that the proper handling and management of personal information is our important social responsibility. In order to properly fulfill this responsibility and continue to be a company that is trusted by our customers, in accordance with the following basic policy, we will continue to implement various company-wide measures and strive to protect personal information.

Group companies also formulate their own policies based on the same concept.

Policies on Personal Information Protection
https://www.netone.co.jp/english/privacy-policy/

Promotion System

We have established a PMS (Personal information protection Management System) which is integrated with our ISMS system (Reference: P. 55 Information Security > Promotion System), and have acquired the Privacy Mark.

The main contents of the safety management measures taken by the Company are as follows:

(Formulation of Policies on Personal Information Protection)
- In order to ensure the proper handling of personal information, we have formulated our "Policies on Personal Information Protection" and the "Handling of Personal Information" with respect to "compliance with relevant laws and regulations, guidelines, etc.," as well as a "point of contact for inquiries and complaints."

(Development of rules related to the handling of personal information)
- For each stage in the handling of personal information, including acquisition, use, storage, provision, deletion, disposal, etc., we have formulated rules for handling methods, as well as responsible persons, persons in charge, and their duties.

(Organizational security management measures)
- In addition to appointing an administrative manager for the handling of personal information, we have clarified the employees who handle personal information as well as the scope of the personal information

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handled by them, and have developed a system for reporting and contacting the administrative manager in the event that the actual occurrence or a sign of a violation of the Act on the Protection of Personal Information or internal regulations is identified.
- With regard to the handling of personal information, we regularly conduct self-inspections and audits by other departments or external parties.

(Personnel security management measures)
- We provide regular education to our employees regarding points to note about the handling of personal information.
- Matters concerning the confidentiality of personal information are explained in the Employment Regulations.

(Physical security management measures)
- In areas where personal information is handled, we manage the entry of employees and take measures to prevent unauthorized persons from viewing personal information.
- In addition to taking measures to prevent the theft or loss of equipment, electronic media, and documents that handle personal information, we take measures to prevent personal information from being easily identified, such as setting passwords and access restrictions, when transporting the relevant equipment or electronic media, including during transfers within the office.

(Technical security management measures)
- Access control is implemented in order to limit the scope of the person in charge, as well as the personal information database handled.
- We have introduced a system to protect the information system that handles personal information from unauthorized external access or unauthorized software.

Key Initiatives in Fiscal 2021

In fiscal 2021, we formulated our Policies on Personal Information Protection in accordance with the April 2022 revision of the Act on the Protection of Personal Information, and conducted annual training for all employees through e-learning. In addition, the number of cases of guidance and recommendations from the Personal Information Protection Committee is zero.

Quality Management

Basic Approach

For the Group, it is essential to perform the correct operations using the correct procedures, and to ensure service quality that is in line with promises to our customers. In securing and enhancing the quality of our operations, we conduct project screening based on the PMS (Process Management System) guidelines, which standardize the project response process related to project acquisition, profit improvement, risk management, quality control, and related business control for systems and services provided to customers.

Promotion System

The PMS guidelines, which are a series of project handling processes, consist of two phases: the sales process before receiving an order and the delivery process after receiving an order. As a general rule in screening, the details of the project are reviewed by the concerned parties, with the aim of building a consensus on each risk. Based on these reviews, in our sales process, the general manager of the sales division decides whether to implement the project, while in the delivery process, the general manager of the engineering division decides whether to consider and implement risk countermeasures. In screening, our projects are verified from four perspectives: technology, project management, business, and compliance. In addition, the Business Control Division monitors the operational status of the screening and tracks the implementation status of the indicated items, thereby building a system that fulfills quality assurance.

In addition to PMS, which is our unique system for business process management, we have acquired additional certifications for our management systems. This includes "ISO9001" in the inspection and verification work of computer network equipment at our "Quality Control Center," which centrally manages the quality, distribution, and inventory of sales products and maintenance parts. Furthermore, Our Expert Operation Center (XOC), which supports the high availability of our customers' ICT platforms, has acquired the "COPC® CX standard CSP version Release 6.1," a standard that evaluates the quality of contact center operations according to international standards.

Key Initiatives up to Fiscal 2021

In 2016, we began screening based on the PMS guidelines in order to standardize our project response process, and in 2018, we strengthened risk management in the financial and delivery processes, and streamlined operations. In 2021, we strengthened risk management from a compliance perspective, and established rules to improve the accuracy of budget planning.

Initiative Policies after Fiscal 2022

From May 2022, we newly established detailed regulations for the PMS in order to clarify the implementation policy and each role, and revised the PMS guidelines to optimize company-wide operations and establish a quality culture. We have also introduced an approval support system that visualizes project screening. In addition to expanding the scope of screening to include all projects and establishing criteria to enable a flexible risk-based operation system, by introducing an operational application that promotes both process reform and digitization, we will continue to improve the workflow according to the operations. In addition, we aim to accumulate and provide the knowledge gained from these systems and initiatives, so that it can be useful for our customers as netone on netone.

Responsibility to Shareholders

Basic Approach

The Company gives due consideration to ensuring substantial equality among the Company's shareholders in accordance with the content and number of shares they hold, and takes appropriate measures to ensure that the rights of all shareholders are substantially secured. At the same time, we promote constructive dialogue with shareholders, in order to encourage continued growth and medium to long-term enhancement of our corporate value.

Sustainability | ESG Initiatives > Corporate Governance
https://www.netone.co.jp/sustainability/esg/governance/corporate/ (Japanese only)

To this end, we have set the following standards in our compliance manual.

Standards of Conduct	Our Promises
Proper accounting processing	We will conduct proper and prompt accounting processing pursuant with various laws and accounting standards. We will conduct management that places importance on our shareholders.
Disclosure of management information in a timely and proper manner	We will disclose accurate and fair information in a timely and proper manner. We will actively conduct IR activities.

Compliance Manual
https://www.netone.co.jp/sustainability/esg/governance/compliance/#compliancemanual (Japanese only)

Promotion System

The Company places importance on constructive dialogue with shareholders, in order to encourage continued growth and a medium to long-term enhancement of corporate value.

We have established a disclosure policy and actively disclose information that is deemed to be useful in helping shareholders gain a deeper understanding of our Company, in addition to legally mandated disclosures.

Disclosure Policy
https://www.netone.co.jp/english/investor-relations/management-policy/disclosure-policy/

■ System Chart for Timely Disclosures
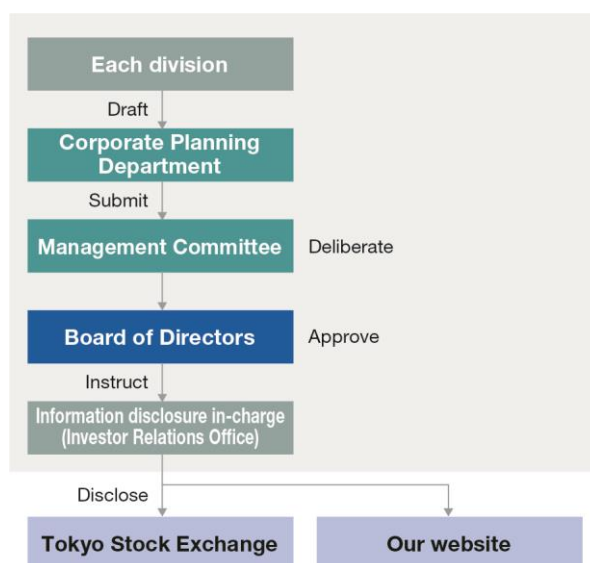
In addition, we promote dialogue between the senior management, including the President & CEO, the CFO, and executive directors (including independent outside executive directors), according to the purpose of the dialogue. The IR division is in charge of dialogue with shareholders, and these matters are supervised by the executive in charge of the division. Divisions such as IR, corporate planning, finance and accounting, legal affairs, and compliance support dialogue with shareholders through organic collaboration, such as by mutually sharing information.

■ IR-related Activities

Activities	Overview
Holding regular briefings for individual investors	We have generally held a business briefing session after the Annual Shareholders Meeting. However, the briefing session after the 35th Annual Shareholders Meeting was cancelled from the perspective of preventing the spread of COVID-19.
Holding regular briefings for analysts and institutional investors	We hold financial results briefings for analysts and institutional investors on the quarterly results announcement day. Full-year financial results and 2nd quarter financial results will primarily be explained by the representative director, while 1st and 3rd quarter financial results will primarily be explained by the vice presidents.
Holding regular briefings for overseas investors	The representative director visits institutional investors three times a year (once each in New York, London, Hong Kong, etc.) and holds individual meetings. In 2022, we will continue to hold dialogue with investors in the relevant regions through web conferences and telephone conferences, in order to prevent the spread of COVID-19.
Posting of IR materials on our website	We post our IR materials on our website, at the page shown below. https://www.netone.co.jp/english/investor-relations/ With regard to IR materials, we post financial results information (financial results, financial results briefing materials), timely disclosure materials other than financial results information, Annual Securities Reports, Quarterly Reports (both reports are disclosed in Japanese only), notices of shareholders meetings, and other materials announced externally.
Establishment of a department (person in charge) for IR	We have an IR in-charge in the Investors Relations Office of the Corporate Planning Division.
Others	We hold business strategy briefings for analysts and institutional investors to help them understand our business strategy. Individual meetings are held between independent outside executive directors and shareholders (institutional investors) in order to facilitate the outside executive directors' understanding of the intentions of shareholders and strengthen supervision.

Ensuring Shareholder Rights and Equality, and Shareholders Meetings

We make early delivery of the notices of shareholders meetings, schedule shareholders meetings to avoid peak days, accept questions asked in advance, adopt electronic voting methods, participate in electronic voting platforms, and publish the notices of shareholders meetings in English.

In addition to live streaming of the Annual Shareholders Meeting, we conduct a web questionnaire for our shareholders in conjunction with electronic voting (exercise of voting rights via the Internet) at the Annual Shareholders Meeting, and publish the results on our website.

Shareholders Meetings
https://www.netone.co.jp/ir/stock/meeting/ (Japanese only)
Report on the Results of the Shareholder Survey
https://ssl4.eir-parts.net/doc/7518/ir_material19/187806/00.pdf (Japanese only)

Key Initiatives in Fiscal 2021

○ IR Activities

Financial results briefings (for analysts and institutional investors): Held 4 times

Other briefings: Held 1 time. *Briefings on share buybacks

Meetings with investors: Held 275 times

- President: Held 41 times

- Independent outside executive directors: Held 3 times

- IR Division: Held 231 times

In addition, as a first-time initiative in fiscal 2021, we held business strategy briefings for analysts and institutional investors, as well as interviews between independent outside executive directors and shareholders (institutional investors).

Awards and Evaluations related to IR in Fiscal 2021

Overview	Related News Release URL (Japanese only)
Selected for the first time as a Highly Improved Integrated Report selected by GPIF's domestic equity management institutions	https://ssl4.eir-parts.net/doc/7518/announcement/76169/00.pdf
Selected as the "AAA Website" for substantial content in the Overall Ranking of the Ranking Survey of All Japanese Listed Companies' Website for fiscal 2021	https://ssl4.eir-parts.net/doc/7518/announcement/74813/00.pdf
Selected for the "'Most Liked!' IR Award" at the 2021 IR Award	https://ssl4.eir-parts.net/doc/7518/announcement/73903/00.pdf

Initiative Policies after Fiscal 2022

We will implement the following initiatives, in order to proactively provide information other than disclosure based on laws and regulations, and to actively engage in constructive dialogue with shareholders.

- Implementation of business strategy briefings (IR Day)

- Holding small meetings with independent outside executive directors

- Creation of opportunities for active dialogue between executives and shareholders

- Strengthening ESG information disclosure through integrated reports, our sustainability website, etc.

Data and Materials

External Evaluations

State of Adoption in ESG Indices

We have been evaluated and adopted by the following ESG indices (as of August 2022).

JPX-Nikkei Index 400 An index comprising "companies with high investment appeal for investors" that meet a variety of requirements in global investment standards, such as efficient use of capital and an investor-oriented management perspective.	JPX-NIKKEI 400
FTSE Blossom Japan Sector Relative Index An index that reflects the performance of Japanese companies that are relatively outstanding in responding to ESG in each sector, and that promotes the transition to a low-carbon economy.	FTSE Blossom Japan Sector Relative Index
MSCI Japan ESG Select Leaders Index An index composed by selecting companies with excellent ESG evaluations, with a target of 50% market capitalization by industry classification.	**2022** CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX
MSCI Japan Empowering Women Index (WIN) An index composed of companies with outstanding gender diversity in their industry classification	**2022** CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)

As a result of a third-party investigation, FTSE Russell (registered trademark of FTSE International Limited and Frank Russell Company) certifies that Net One Systems Co., Ltd. has met the requirements for inclusion in the FTSE Blossom Japan Sector Relative Index, and has become a constituent of the index. The FTSE Blossom Japan Sector Relative Index is widely used in the creation and evaluation of sustainable investment funds and other financial instruments.

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.

Acquisition of Certifications for Management Systems

- ISO/IEC27001: Information security management system certification standard
- ISO/IEC27017: Security management system for cloud services
- ISO14001: Environmental management system certification standard
- ISO9001: Quality management system (inspection and verification of computer network equipment at our Quality Control Center)
- Privacy mark: Personal information protection management system
- COPC® CX Standard CSP Version Release 6.1: Response speed and quality in ICT platform maintenance and operation services

ESG Data

See the appendix sheet dedicated to numerical information.

charge ∠ channel ∠ change

net one