



Net One Systems
Sustainability Data Book
2023

Net One Systems Co., Ltd.

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Editorial Policy

This Sustainability Data Book 2023 (“SDB 2023”) serves as a complement to our net one report 2023 integrated report. Accordingly, we ensure that it reports a wide range of non-financial information while also prioritizing information concerning materiality-related initiatives.



net one report 2023

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

Reporting Period

In principle, from April 1, 2022 to March 31, 2023; however, some initiatives adopted or executed before or after this period are also included.

Reporting Scope

In principle, the Net One Group (the Company and three subsidiaries). Abbreviations indicating specific Group companies have been provided below.

NOS: Net One Systems Co., Ltd.

NOP: Net One Partners Co., Ltd.

NOX: Net One Next Co., Ltd.

NOB: Net One Business Operations G.K.

For information regarding the scopes of data used to calculate the non-financial figures presented within this data book, please refer to the specific scopes of aggregation provided for each of these non-financial data.

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 2023 are trademarks or registered trademarks of each company. “Health and Productivity Management[®]” is a registered trademark of the Non-profit Organization Kenkoikei.

Date of Issue

(Previous) September 30, 2022

(Current) November 9, 2023

Contact Information

Net One Systems Co., Ltd.

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

Message from the Chairperson of the Sustainability Committee

We will establish a value creation cycle that is unique to our Group and focuses on generating both economic and social value.

Koji Tsuji
Senior Vice President
Chief Strategy & Digital Officer (CSDO)
Chairperson of the Sustainability Committee



(Activities of the Sustainability Committee)

A year during which the Group's sustainability efforts generated increasingly widespread impact

The Net One Group revealed its Sustainability Policy in fiscal 2021 and later identified materiality-related issues to be targeted with various initiatives in fiscal 2022. We are confident that our additional establishment of original KPIs that complement existing management targets has made our approach toward increasing corporate value through both economic and social value easier to convey. In addition, we firmly believe that information distributed through our companywide Sustainability Day event has successfully enhanced employee understanding while heightening their enthusiasm for participating in managerial affairs. As chairperson of our Sustainability Committee, I would like to encourage employees to view sustainability initiatives as their own personal responsibilities and conduct themselves accordingly.

(Materiality-Related Progress)

Aiming to improve overall corporate value while maintaining an awareness regarding the interconnectedness of materiality-related issues

During fiscal 2022, we confirmed that our business strategy is on track toward solving social challenges. With regard to “expansion of green solutions,” a KPI associated with the materiality-related issue of “contribution to a decarbonized society,” we successfully developed services designed to solve social challenges and help decarbonize our society. These services have great potential, but we remain aware that contribution through our business operations will only be possible once we demonstrate the benefits these services provide when utilized. As our next step, we will expand our approach to include customers from different sectors and facilitate the creation of opportunities for new projects.

In terms of diversity, we have established goals for our female manager and newly hired female graduate ratios. By ensuring diversity, we will be able to carry out discussions and reviews from various perspectives, thereby strengthening our governance. Moving forward, we will continue to create an organizational culture characterized by respect for a diverse range of values.

We recognize that we now exist in an era during which everything is connected through networks; accordingly, we will continue to ensure that we focus on establishing connectivity as a means of contributing to the solving of social challenges. As a leading network company, we must fulfill our responsibilities by leveraging our expertise to rapidly develop and provide valuable services to society. We are confident that conducting business activities predicated upon the noble cause of solving social challenges will enhance both our economic growth and the value our existence represents to society at large. Furthermore, we plan to utilize the general value and profit we generate through both economic and social initiatives as resources for further value creation. We remain convinced that establishing such a value creation cycle will engender support from our stakeholders.

Sustainability Management

Sustainability Policy

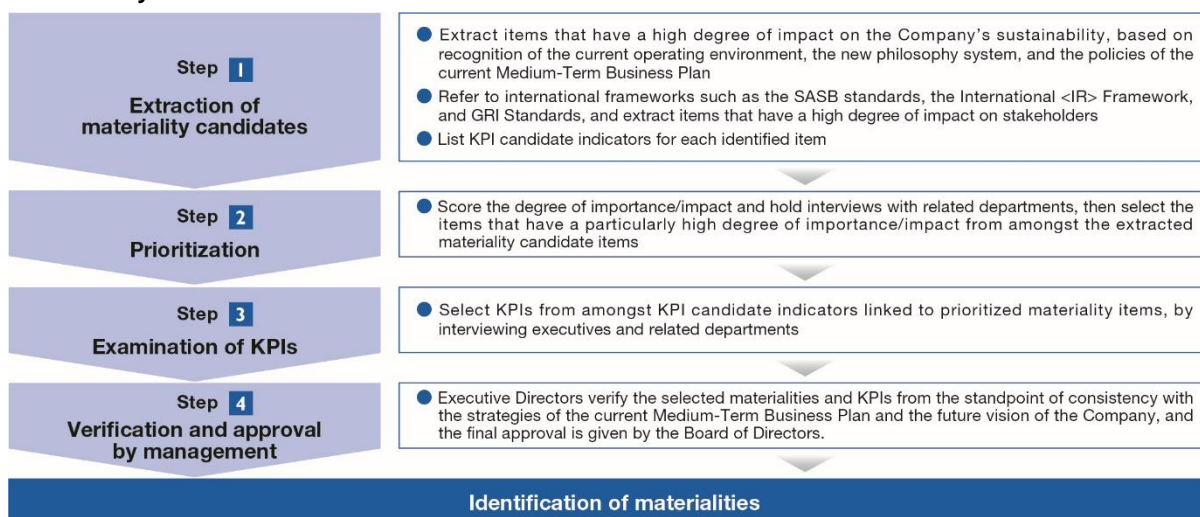
As a leading network company, the Net One Group has grown by providing high value-added services that support the transformation of its customers and society.

Our Purpose is to “unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen,” 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.

Materialities of the Net One Group


Based on our perception of our current operating environment, our philosophy system, and the policies of our current Medium-Term Business Plan, we examine materiality-related issues while emphasizing the generation of value for both Net One Systems and society. These materiality-related issues have been approved by our Board of Directors. At present, our Sustainability Committee reviews the progress of associated initiatives on a quarterly basis while our Board of Directors provides additional support through regular monitoring.




Materiality Identification Process



Four Materialities and Their KPIs

Materialities	KPIs	Fiscal 2022 results and major developments and initiatives
<p>Realization of a safe and secure advanced information society</p> <p>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.</p>	<p>Provide solutions and services by challenge and domain</p> <ul style="list-style-type: none"> • Revenue from social challenge-solving solutions*: ¥30.0 billion (fiscal 2024 target) 	<p>Provide solutions and services by challenge and domain</p> <ul style="list-style-type: none"> • Revenue from social challenge-solving solutions: ¥7.2 billion <ul style="list-style-type: none"> ➢ Progress associated with the focus areas of our Medium-Term Business Plan ➢ Demand remains strong throughout the market

Materialities	KPIs	Fiscal 2022 results and major developments and initiatives
	<p>■ Expand and promote the service business</p> <ul style="list-style-type: none"> • Service ratio: 55% (fiscal 2024 target) * Three focus areas of our current Medium-Term Business Plan: “digital government,” “social infrastructure to realize Society 5.0,” and “smart manufacturing” 	<p>■ Expand and promote the service business</p> <ul style="list-style-type: none"> • Service ratio: 45.2% <ul style="list-style-type: none"> ➢ Although revenue increased 13.0% YoY thanks to our expansion and promotion of service-oriented businesses, we recognize that further growth in revenue generated through services is necessary to achieve our target for fiscal 2024. ➢ We will focus on strengthening our service proposal system and expanding our service portfolio.
<p>Thriving professional personnel</p> <p>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.</p> 	<p>■ Train IT personnel for the next generation</p> <ul style="list-style-type: none"> • Security personnel CISSP holders: 80 (fiscal 2030 target) Registered information security specialists: 100 (fiscal 2030 target) • Cloud personnel Front divisions: 50% increase compared to 2021 (fiscal 2030 target) • DX personnel (data analysis qualification holders) Corporate divisions: increase of 150 individuals (fiscal 2030 target) Business improvement proposals: 100 proposals (cumulative target for 2022–2030) <p>■ Promotion of diversity and inclusion</p> <ul style="list-style-type: none"> • Ratio of female managers: 15% (fiscal 2030 target) 	<p>■ Train IT personnel for the next generation</p> <ul style="list-style-type: none"> • Security personnel CISSP holders: 23 Registered information security specialists: 51 <ul style="list-style-type: none"> ➢ Steady progress achieved thanks to expanded support for maintenance of qualifications • Cloud personnel Front divisions: 448 individuals <ul style="list-style-type: none"> ➢ Conducted regular qualification training • DX personnel (data analysis qualification holders) Corporate divisions: 23 individuals Business improvement proposals: seven proposals <ul style="list-style-type: none"> ➢ Planned training programs and launched related activities <p>■ Promotion of diversity and inclusion</p> <ul style="list-style-type: none"> • Ratio of female managers: 7.8% (as of April 1, 2023) <ul style="list-style-type: none"> ➢ Fostered awareness of the challenges associated with managerial positions through trial implementation of a career development mentoring system and roundtable discussions involving female managers

Materialities	KPIs	Fiscal 2022 results and major developments and initiatives
	<ul style="list-style-type: none"> • Ratio of newly hired female graduates: 50% (fiscal 2030 target) • Rate of male employees taking paternity leave and special leave for childbirth: 90% (fiscal 2030 target) 	<ul style="list-style-type: none"> • Ratio of newly hired female graduates: 28.6% <ul style="list-style-type: none"> ➢ Launched a medium- to long-term paid internship system and established a female team of recruiters on a trial basis • Rate of male employees taking paternity leave and special leave for childbirth: 68.0% <ul style="list-style-type: none"> ➢ Increased the rate of male employees taking special leave for childbirth primarily through efforts aimed at fostering a better understanding of our work–life balance support system and seminars held with the aim of encouraging employees to take paternity leave
<p>Contribution to a decarbonized society</p> <p>We will address climate change by both reducing greenhouse gas emissions through business, and reducing the environmental impact of our own business processes.</p>  	<p>■ Reduce greenhouse gas emissions through business</p> <ul style="list-style-type: none"> • Expansion of green solutions 	<p>■ Reduce greenhouse gas emissions through business</p> <ul style="list-style-type: none"> • Developed green solutions: three solutions <ul style="list-style-type: none"> ➢ Developed and began making proposals related to three solutions: data erasure certification services, visualization of data center electricity usage, and remote support
	<p>■ Reduce emissions in the business processes of our Company</p> <ul style="list-style-type: none"> • Reduce ratio of greenhouse gas emissions to revenue by expanding sales of low-power consumption products and services <ul style="list-style-type: none"> ➢ Ratio of total Scope 2 and Scope 3 greenhouse gas emissions to revenue: 9.8% decrease compared to fiscal 2021 (fiscal 2024 target) 	<p>■ Reduce emissions in the business processes of our Company</p> <ul style="list-style-type: none"> • Ratio of total Scope 2 and Scope 3 greenhouse gas emissions to revenue: reduced 27.5% compared to fiscal 2021 <ul style="list-style-type: none"> ➢ Declined by a significant 27.5% margin YoY primarily because product purchase amount (used as a basis for calculating Scope 3 Category 1 emissions [purchased goods and services]) was lower than projected
<p>Maintaining and enhancing a governance structure for sustainable growth</p> <p>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.</p> 	<p>■ Foster the corporate culture and enhance internal controls</p> <ul style="list-style-type: none"> • Conduct an annual employee awareness survey as part of our efforts to foster the corporate culture (survey results to be disclosed at a future date) • Progress report on measures to prevent recurrence of fraudulent acts 	<p>■ Foster the corporate culture and enhance internal controls</p> <ul style="list-style-type: none"> • Conducted an employee awareness survey for all personnel at end-September 2022 • Released operational status of recurrence prevention measures for 2H FY22 on our website

Materialities	KPIs	Fiscal 2022 results and major developments and initiatives
	<p>■ Realization of Health and Productivity Management®</p> <ul style="list-style-type: none"> • Certification as an Outstanding Organization of Health and Productivity Management (fiscal 2024 target) 	<p>■ Realization of Health and Productivity Management®</p> <ul style="list-style-type: none"> • Performance was commensurate with projections <ul style="list-style-type: none"> ➢ Regarding fiscal 2022 as the first year of our Health and Productivity Management efforts, we launched basic initiatives targeting certification as an Outstanding Organization of Health and Productivity Management (health management policy clarification, development of a Health and Productivity Management promotion system, etc.) ➢ Developed specific KPIs and undertook concrete actions related to health investment policy-related initiatives

■ Materialities and SDGs Declaration

The Net One Group has established a total of 12 SDGs declarations for our materiality-related issues 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 on 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 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	Fiscal 2022 results
Customers	<ul style="list-style-type: none"> • Customer satisfaction surveys • Dialogue with customers 	Results of our customer satisfaction survey indicated an overall satisfaction rate (share of “satisfied” and “somewhat satisfied” responses) of 78.3% (versus 78.2% in fiscal 2021)
Employees	<ul style="list-style-type: none"> • Providing employees with fair opportunities • Developing training programs that facilitate personal growth • Providing safe, comfortable, and health-conscious work environments • Promoting the concept of RCT* 	Results of our organizational culture survey indicated a companywide satisfaction rating of 3.46 points (versus 3.69 points in fiscal 2021)
Partners	<ul style="list-style-type: none"> • Creating partner CSR guidelines to ensure proper sharing of the Group’s philosophy and policies 	Each quarter, we hold “case study meetings,” training sessions that offer all employees opportunities to exchange opinions and ideas. To ensure legal compliance and proper business dealings with our partners, we conducted training concerning Japan’s Act on Prohibition of Private Monopolization and Maintenance of Fair Trade in Q2 FY22 and Japan’s Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors in Q4 FY22. All eligible employees completed this training.

Shareholders	<ul style="list-style-type: none"> • Disclosing information and actively engaging in dialogue with market participants in accordance with our disclosure policy 	* Please refer to the TOPICS section below for details.
Natural environment	<ul style="list-style-type: none"> • Reducing greenhouse gas emissions through business • Reducing the environmental impact of our business processes 	In September 2022, we joined the Green x Digital Consortium, which aims to facilitate carbon neutrality among Japanese companies.

* Respect, Communication, and Teamwork (RCT): 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

Joined the Green x Digital Consortium, which aims to facilitate the carbon neutrality among Japanese companies (September 5, 2022)
https://www.netone.co.jp/news/information/20220905_01-news.html (Japanese only)

TOPICS

Generating Greater Opportunity for Dialogue with Shareholders and Investors

Net One Systems proactively discloses information deemed useful for facilitating a deeper understanding of its corporate group among shareholders and investors. Meanwhile, we strive to promote greater insight into our business activities and growth strategies through both direct and indirect communication.

Fiscal 2022 Results

Shareholders	<p>Shareholder survey: recorded responses from 1,313 shareholders (out of 2,197 eligible shareholders*)</p> <p>* Shareholders who exercised their voting rights via electronic voting during our Annual Shareholders Meeting</p>
Institutional investors and analysts	<ul style="list-style-type: none"> • Personal meetings held with analysts and institutional investors: 282 (including 15 meetings involving members of senior management, three meetings involving independent outside executive directors, and 264 meetings involving our IR division) • Briefings and other events: six (four financial results briefings, one business strategy briefing, and one briefing regarding other matters) • Small meetings with analysts and institutional investors: five • Personal meetings with representatives responsible for exercising the voting rights of institutional investors: 16
Primary agenda	<ul style="list-style-type: none"> • Efforts aimed at improving the effectiveness of our Board of Directors and strengthening governance • Status of initiatives targeting the achievement of Medium-Term Business Plan objectives • Our capital allocation policy, shareholder return, and other elements of our financial strategy • Measures designed to improve employee conditions, an overview of our new personnel system, and personnel training

Please follow the link below for details regarding the status of our dialogues with shareholders and investors.

Investor Relations | Management Policy > Corporate Governance

<https://www.netone.co.jp/english/investor-relations/management-policy/corporate-governance/>

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 CO₂ emissions. We will also strive to provide and disseminate environmental solutions by utilizing ICT, which is our core business.

Related Materiality

- **Contribution to a Decarbonized Society**

Responding to Climate Change

TOPICS

Addressing Climate Change in Line with TCFD Recommendations

As the 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.

Sustainability | ESG Initiatives > Environment > Addressing Climate Change
<https://www.netone.co.jp/sustainability/esg/environment/tcfd/> (Japanese only)

Items	Response status
Governance	<ul style="list-style-type: none"> • We have set "contribution to a decarbonized society" as one of our materiality-related issues and corresponding progress is monitored by the Sustainability Committee, which is overseen by the President & CEO and chaired by a senior vice president. • The Sustainability Committee meets once per month and regularly reports on its activities to the Management Committee. • The Management Committee deliberates and decides on fundamental or important matters related to company management in a proper and prompt manner, while the Board of Directors focuses on overall management and supervisory functions.
Strategy	<ul style="list-style-type: none"> • We consider a wide range of potential impacts of climate change over the medium to long term and identify particularly important risks and opportunities. • The Net One Group discloses its judgments regarding potential business environments under different climate change scenarios (e.g., the below 2°C scenario, which would primarily produce transition risks, and the 4°C scenario, which would mainly generate more serious physical risks) and overviews of the potential business impacts the scenarios would have.
Risk management	<ul style="list-style-type: none"> • We have established the Risk Management Committee as an advisory body to the Management Committee and appointed a chief risk management officer (CRO). We identify and respond to risks, evaluate the effectiveness of risk management activities, make continuous improvements, and promote and supervise other risk management processes across the organization. In addition, we identify, evaluate, and monitor important management risks on an annual basis. • The Net One Group prepares a business continuity plan (BCP) in preparation for system blackouts and business shutdowns due to disasters. In the event of a disaster, we have established a system that ensures the safety of all Group officers and employees and enables us to continue providing services to our customers.
Metrics and targets	<ul style="list-style-type: none"> • We have expanded the scope of greenhouse gas emissions and implemented management up to Scope 3, based on the recognition that it is important to engage in energy conservation efforts not only at the Company, but also throughout the entire supply chain in order to reduce climate change risks. (Fiscal 2022 results) Scope 1: N/A / Scope 2: 5,303 t-CO₂ / Scope 3: 458,356 t-CO₂ (calculated for categories 1–7, 9, 11, and 12) • Going forward, based on the results of greenhouse gas emissions calculations, we will work actively to reduce greenhouse gas emissions through the use of renewable energy, in collaboration with our customers and business partners.

Expansion of Green Solutions

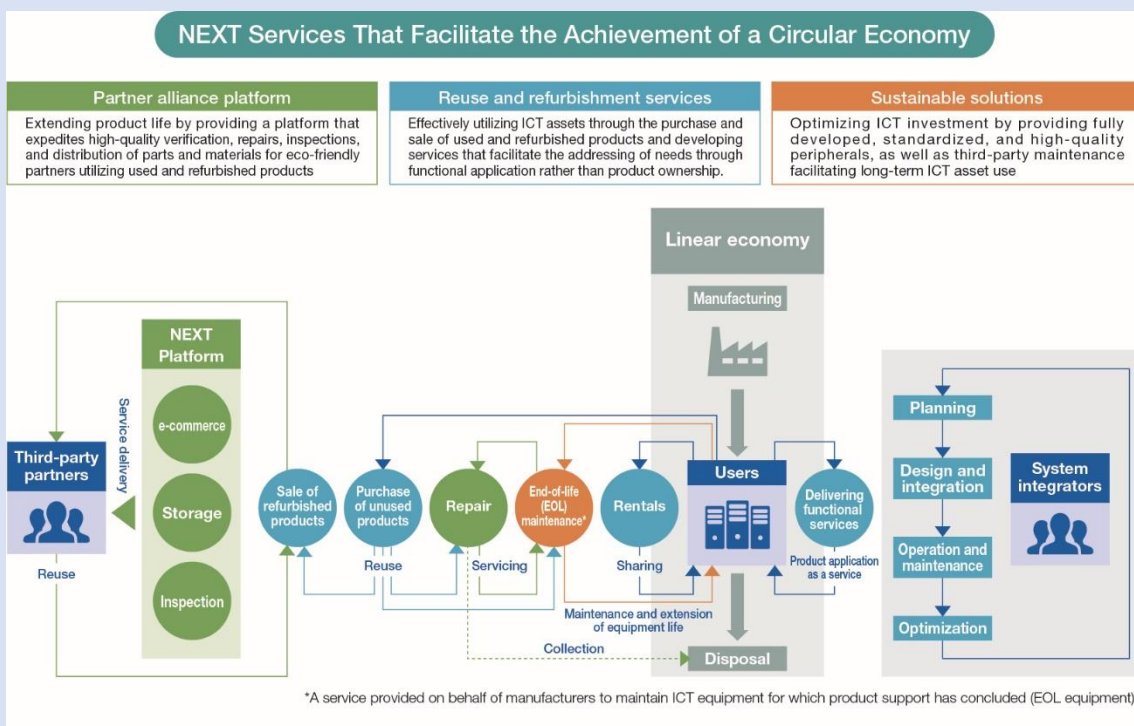
TOPICS

Development of an ICT Circular Economy

The Net One Group has been offering the NetOne “all in” Platform since 2017 as a service that allows customers to utilize functions they deem necessary on a subscription basis (pay-per-use) to help customers shift from ownership to use of ICT platforms. In 2019, we established Net One Next Co., Ltd. to handle refurbished ICT platform products in an aim to expand the use of this service.

Part of the NetOne “all in” Platform utilizes recycled products that are handled by Net One Next. In addition, Net One Next provides maintenance services for hardware failure recovery of ICT equipment that are not limited to the manufacturer support period, rental services for ICT assets, sales of refurbished products, and rental and sales of SFP transceivers, which are necessary parts for network connection. Additionally, we have joined the Japan Partnership for Circular Economy (J4CE), a public-private initiative, and are working to build a larger database of ICT application examples to facilitate the realization of a recycling-oriented society.

Going forward, Net One Next will accelerate circular economy-type business while circulating resources for as long as possible in order to reduce the generation of waste. At the same time, will aim to realize both environmental protection and profit creation.



TOPICS

Storage Disk Data Erasure Certification Service

Physical destruction of hard disks does not entirely eliminate the risk of remaining data. To ensure that hard disks can be reused safely and securely, Net One Systems has developed a service through which it completely erases data and obtains certification confirming total erasure from third-party organizations. During December 2021, we conducted Japan's first demonstrative stored software data erasure test in Shiojiri, Nagano. This test was performed in compliance with security policies established by Japan's Ministry of Internal Affairs and Communications and provided technological proof that data recovery was practically impossible following the erasure methods we applied.

Through services that apply and utilize ICT, the Net One Group will provide new value and recommend maintainable ecosystems as it supports the construction of sustainable social infrastructure.

Issue Resolution Achieved through Data Erasure Certification Services

- Business operators independently issue certificates confirming or refuting data erasure
 - ✓ The Association of Data Erase Certification (ADEC) ensures high reliability through third-party involvement
* Association of Data Erase Certification
- Equipment must be destroyed to ensure that data cannot be read
 - ✓ Data can be erased through logical deletion rather than physical destruction
- In the case of cloud services, physical destruction of storage devices is extremely difficult
 - ✓ Logical deletion can also be used to erase data maintained through cloud services
- Physical destruction of hard disk or solid-state drives generates waste and greenhouse gas emissions
 - ✓ Logical deletion enables drive reuse, allowing drives to be utilized until they break down, thereby reducing waste

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 Materiality

• Thriving Professional Personnel

Personnel Management

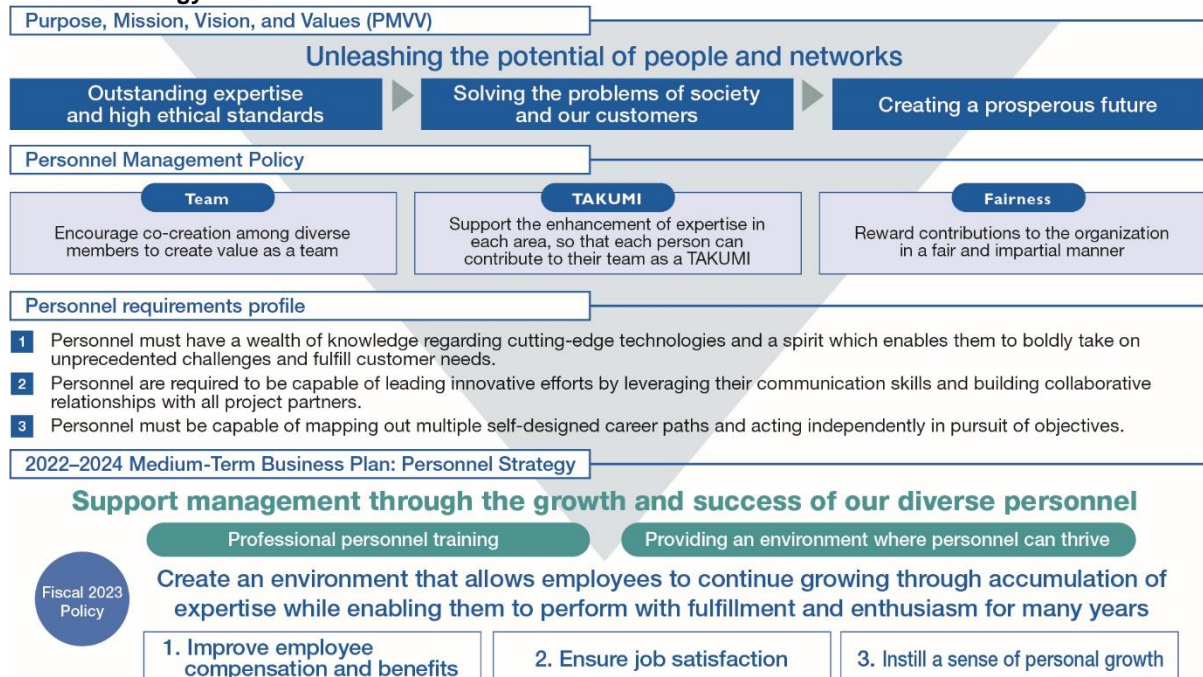
Basic Approach to Strengthening Human Capital

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 Net One 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 perform with fulfillment and enthusiasm, regardless of gender, age, nationality, physical ability, 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.

Personnel Strategy Overview



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 top management	We promote personnel measures to execute growth strategies and strengthen our business base, under the strong commitment of our management team.
Chief Human Resources Officer (CHRO)	Our 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	Our 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 Our 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	Providing an environment where personnel can thrive
<p>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</p> <p>Train personnel with strong expertise in both corporate and business divisions</p> <p>Expansion of consulting personnel</p> <p>Expansion of DX/CX personnel for the service business</p>	<p>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</p> <p>Create an environment where the entire company engages in efforts to expand customer contact points</p> <ul style="list-style-type: none"> • Reorganization of the technical organization • Consolidation of sales administration <p>Transition to a personnel system that supports diverse growth</p> <ul style="list-style-type: none"> • Schemes for evaluating team activities <p>Providing learning through industry-academia collaboration</p>

○ Companywide Personnel Development Policy

The Net One Group maintains a training policy of “supporting the independent growth of each and every employee as they apply their skills as professional personnel.” Accordingly, our companywide personnel development rests on three pillars: “baseline education,” which requires employees to acquire the skills necessary for their respective positions or grades; “skill development education,” through which employees can independently choose what they want to learn; and “selective education,” which is attended by designated employees.

Of particular note is our skill development education program. Under this program, volunteer employees serve as instructors and share their knowledge with other employees through in-house training sessions, and we also offer correspondence courses on more than 50 topics, and e-learning courses on more than 700 topics, per year. Through this program, we provide an environment that enhances the skills and expertise associated with all organizations, positions, and individuals within the Net One Group.

Additionally, all departments appoint an HR representative who serves as a liaison between his or her department and our personnel divisions. This arrangement strengthens coordination between departments and our personnel divisions; enables two-way sharing of information and knowledge between those involved in companywide training provided through our personnel divisions and those providing or receiving department-level training; and facilitates management of training conditions throughout the Company (e.g., securing budgets and conducting training).

○ Development of Professional Specialists

• Development of DX Professionals within Our Corporate Divisions

Our corporate divisions have launched initiatives aimed at both equipping employees with the specialized skills they need and developing digital transformation (DX) personnel. By improving DX literacy among personnel in our corporate divisions, we aim to enhance operational efficiency and utilize the knowledge thereby attained to facilitate the creation of profit models. We are currently categorizing and defining DX personnel skills by level and plan to provide our staff with the experience and training they need to eventually become DX experts.

• **Development of Consulting Personnel within Our Business Divisions (ICT Business Positions)**

Through our business divisions, we are expanding our team of personnel who demonstrate the critical insight to identify customer issues and are capable of adopting consulting-based approaches that deliver high quality and value (consulting personnel).

Since fiscal 2022, we have been providing consulting personnel development programs consisting of both training and e-learning facilitated by internal and external instructors. These programs are aimed at improving “IT human skills,” which are a fusion of the creative, executive, practical, and communicative capabilities that represent the foundational competencies required of consulting personnel. Moving forward, we will focus on creating new business opportunities that allow these well-trained personnel to work with, and provide support to, clients as they aim to address managerial challenges.

TOPICS

Personnel System Reform

Having identified areas in need of improvement, including a corporate culture impacted by past misconduct and revelatory employee awareness survey results, our Group recognizes the need for personnel system reform. Accordingly, we have been introducing a new personnel system designed to facilitate the implementation of our personnel strategy, which includes developing professional personnel and establishing environments under which they can thrive. In 2022, we established a Personnel Management Policy that constitutes the core idea behind our personnel system reforms. Later, in April 2023, we revised our evaluation system before launching a new grading and compensation system in July of the same year.

Under our new personnel system, we aim to increase the value we provide to customers while encouraging all employees to contribute to the enhancement of Net One Systems’ competitiveness by eliminating job classifications, such as “sales or engineer” or “frontline or follow-up,” and simplifying them into two categories: ICT business positions and corporate positions. Additionally, by defining both managerial and specialized positions necessary for organization within the Net One Group, we aim to accomplish our management strategy through the incentivization of strong expertise that enhances the value we provide to our customers and through compensation and benefits commensurate with the scales and roles of their corresponding positions. Furthermore, as we establish competitive compensation levels based on market benchmarks, we are aiming through our Human Resource Development Council, which fulfills a critical role with regard to evaluations, to focus more intently on personnel development by devoting sufficient time to both discussions concerning evaluations and compensation decisions and conversations related to the development of individual employees.

○ **Providing Learning through Industry–Academia Collaboration**

• **Industry–Academia Collaboration Programs Carried Out through Universities**

The Net One Group supports the development of ICT personnel at multiple universities and colleges of technology. In fiscal 2022, we began conducting industry–academia collaboration classes focused on “AI technology in modern society” through Kyoto Women’s University; industry–academia collaboration courses targeting “security personnel development” with the assistance of the Osaka Institute of Technology; and special lectures designed to provide university education-related societal contributions with the aid of Hosei University.

○ **Contribution to the Development of Next-Generation ICT Personnel**

• **Support for National and Public Universities through Our Study Support System**

As part of our social contribution activities, the Net One Group established a study support system in fiscal 2022 and has since been providing support for national and public universities with track records of carrying out industry–academia collaboration with the Group. This system supports university students with tuition fees until graduation, thereby raising awareness regarding employment at companies, etc. In addition, this system also aims to help generate more opportunities for active participation in society moving forward.

• **ICT Support for Educational Environments and Development of Vocational Learning Opportunities for Primary, Middle, and High School Students**

While providing operation services consistent with the GIGA school concept through our business activities, we also advance our overall social contribution efforts by visiting schools and conducting online career education programs. At the same time, we provide opportunities for children to develop their future career perspectives and cultivate their dreams and aspirations for the future by introducing our business activities and offering them opportunities to interact with our employees. Through these activities, we supply children with hands-on ICT experiences through which they can deepen their understanding of the network technologies that will help lead society toward a prosperous future.

Promotion of Diversity and Inclusion

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 perform with fulfillment and enthusiasm, regardless of gender, age, nationality, physical ability, work experience, sense of values, or any other differences. By doing so, we will draw forth the power of individuals and achieve sustainable growth while increasing productivity.

Initiatives Aimed at Promoting Active Participation from Diverse Personnel

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 (Japanese only)

Employment of People with Disabilities

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

Main Measures Implemented in Support of Work–Life Balance

The Net One Group aims to grow together with its customers by first implementing work style innovation and then considering how the experiences and knowledge thereby gained can be applied to challenges facing both the Group and its customers and converted into added value for the latter.

We are striving to create environments under which employees can efficiently produce results while maintaining proper work–life balance that is centrally driven by remote working amidst a trend toward increasingly diverse 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 under which employees work less than the prescribed working hours per month (3) Job select: A system that limits expected roles in response to individual requests concerning work–life balance related to childcare, nursing care, etc.
Multi-job system	A multi-job system that enables diverse work styles in response to changes in society, allowing employees and the Company to grow together
Work location change system	A workstyle according to which an employee residing in a location that is distant from the base of his or her assigned department commutes as needed to the nearest business office (his or her “home base”)
Work–life balance support	Childcare leave of absence system, shorter working hours system while on childcare or nursing care, 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 | Systems and Environment > Welfare Program
<https://www.netone.co.jp/recruit/environment/welfare/> (Japanese only)

External Evaluation

We have acquired the Kurumin mark from the Ministry of Health, Labour and Welfare (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 Group's corporate philosophy system (Purpose, Mission, Vision, Values, and WAY), each and every member of the Net One Group will fulfill his or her responsibility toward respecting the human rights of all people as a professional with outstanding expertise and high ethical standards.

In addition to requiring respect for basic human rights, our Code of Ethics, which sets forth ethical standards for both officers and employees, stipulates that there shall be no discrimination based on race, religion, skin color, gender, nationality, language, physical ability, age, marital status, or any other personal characteristics.

Furthermore, we have established our compliance manual as a concrete and practical guide to compliance. This manual establishes five basic principles and 20 standards of conduct as minimum criteria necessary for ensuring fair and impartial corporate activities and respect for human rights. By requiring semi-annual compliance self-checks, we communicate and disseminate the manual's five basic principles and 20 standards of conduct on an ongoing basis.

The Net One Group is planning to augment and modify its human rights policy in accordance with current global perspectives and consensus observed in recent years and aims to make this policy publicly available in fiscal 2024.

Compliance Manual

Basic principle No. 1: Demonstrating responsibility to all employees while behaving ethically and virtuously

Standard of conduct No. 3: Respect for basic human rights

■ We respect basic human rights and do not discriminate against others

Personnel employed by the Net One Group respect each other's fundamental human rights and do not discriminate against others based on employment status, race, religion, skin color, gender, nationality, language, physical ability, age, marital status, sexual orientation, or any other irrational reason not relevant to the performance of professional responsibilities. The Net One Group employees will not slander, defame, or harass any employee or third party, inside or outside the Group.

■ We never tolerate harassment

Harassment seriously disrupts both the overall atmosphere and order of the entire workplace and generates serious consequences, including declines in the morale of both victims of harassment and other employees. In accordance with regulations concerning harassment prevention, we will endeavor to thwart both harassment and bullying while fostering positive human relations and establishing pleasant work environments.

Compliance Manual

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

Initiatives Targeting Respect for Human Rights

○ Implementation of Training and Survey of Actual Conditions and 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.

Furthermore, we conduct compliance surveys to ascertain conditions related to harassment and other issues. Our fiscal 2022 compliance survey polled 4,691 individuals including both employees of the Net One Group and personnel employed by partner companies. Moving forward, we will target further improvement by continuing to provide training related to harassment and human rights while fostering a corporate culture consistent with our Purpose.

(Top two fiscal 2022 compliance survey responses that reported compliance issues)

- Sample: 4,691 individuals consisting of the Net One Group personnel and employees of partner companies; 3,200 respondents (valid response rate of 68.2%)
- Harassment: indicated by 2.5% of respondents
- Labor-related compliance issues: indicated by 0.7% of respondents

We also require our business partners to consider human rights and comply with labor laws through 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 healthy and safe working environments
- Respect the dignity and diversity of humankind and prohibit all forms of discrimination and unfair labor practices (ensure compliance with legal working age limits and prohibit forced labor)
- Strictly implement safety and health measures, manage working hours, and comply with labor practices (abstain from unfairly withholding or reducing wages)

Partner CSR Guidelines

https://www.netone.co.jp/sustainability/files/5f1e671effac28a00c03e3143a5c48f3_1.pdf (Japanese only)

○ Establishment of, and Responses Received through, Our Harassment Helpdesk

To foster trust in its whistleblower system and protect whistleblowers, the Net One Group modified this system in fiscal 2022, allowing anonymous whistleblowers to communicate directly with designated points of contact. Through this change, we have established a system that further enhances the credibility and protection of whistleblowers while also speeding up investigations conducted in response to incident reports.

Additionally, we hold quarterly internal study sessions (case study meetings) attended by all employees. During these study sessions, we cover topics including misconduct, fraud, and harassment while raising awareness of our whistleblower contact desk and striving to instill awareness among our employees to ensure they can effectively utilize our whistleblower system. Through these and other efforts, we aim to prevent serious issues from an early stage by activating self-purification mechanisms.

Furthermore, the Net One Group confirms the facts surrounding all reports made through its whistleblower system and, if necessary, takes disciplinary action against the parties involved while following up with, and properly tending to, those affected. Moreover, to prevent recurrence of reported incidents, the Group conducts training to inform its staff regarding relevant policies and procedures.

Please follow the link below for information regarding our whistleblower system.

Sustainability Data Book 2022 > Compliance > Whistleblower System

https://www.netone.co.jp/english/files/E_sustainability-data-book_2022.pdf#page=49

G: Governance

The Net One Group will achieve continuous growth in accordance with its 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 Materiality

- **Maintaining and Enhancing a Governance Structure for Sustainable Growth**

Progress in Strengthening Corporate Governance

	Board of Directors and Audit & Supervisory Committee (Board)	Committees	Other
Through 2005	<ul style="list-style-type: none"> • Appointed one outside executive director (2004) 	<ul style="list-style-type: none"> • Established the Compliance Committee (2003) 	<ul style="list-style-type: none"> • Established the Group compliance manual (2003)
2006	<ul style="list-style-type: none"> • Reduced the term of office for executive directors from two years to one 		<ul style="list-style-type: none"> • Introduced the whistleblower system
2007		<ul style="list-style-type: none"> • Established the Risk Management Committee • Established the Investment & Financing Committee 	
2009		<ul style="list-style-type: none"> • Established the Advisory Committee • Established the Vision Inculcation Committee (through 2015) 	<ul style="list-style-type: none"> • Published the Vision Book
2011			<ul style="list-style-type: none"> • Introduced the Vice President system
2012			<ul style="list-style-type: none"> • Introduced the stock option compensation system
2015	<ul style="list-style-type: none"> • Appointed a female outside executive director 	<ul style="list-style-type: none"> • Integrated the Compliance Committee and the Risk Management Committee as the Risk & Compliance Committee 	<ul style="list-style-type: none"> • Published the Corporate Governance Guidelines
2016	<ul style="list-style-type: none"> • Began evaluating the effectiveness of the Board of Directors 		
2017			<ul style="list-style-type: none"> • Added an Audit & Supervisory Board member contact point to the compliance reporting and advice line
2020		<ul style="list-style-type: none"> • Separated the Risk & Compliance Committee into the Risk Management Committee and the Compliance Committee • Reestablished the Vision Inculcation Committee 	<ul style="list-style-type: none"> • Established the Sales Supervisory Office • Revised the Vision Book
2021		<ul style="list-style-type: none"> • Renamed the Vision Inculcation Committee to the Corporate Culture Reform Committee 	<ul style="list-style-type: none"> • Established the Compliance Office • Established the Business Control Division and the Business Planning Office

	Board of Directors and Audit & Supervisory Committee (Board)	Committees	Other
		<ul style="list-style-type: none"> Established the Internal Control Enhancement Council 	
2022	<ul style="list-style-type: none"> Transitioned to a company with an audit and supervisory committee Six out of nine appointed executive directors are outside executive directors Outside executive director appointed as Chairperson of the Board of Directors 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Revised the executive remuneration system, including the introduction of a restricted stock remuneration plan Established the Corporate Data and Analytic Office
2023	<ul style="list-style-type: none"> Developed and strengthened chief executive system to clearly define the separation of supervisory and executive responsibilities 		<ul style="list-style-type: none"> Established a common whistleblower contact desk for all Group companies

TOPICS

Development and Enhancement of Our Chief Executive System

Net One Systems has been appointing personnel to chief executive positions as it aims to strengthen its governance. In fiscal 2022, we clearly defined the roles of our chief executives and are striving to support these personnel as they carry out their respective functions.

By developing and strengthening our chief executive system, we aim to clarify both supervisory and executive responsibilities; create synergy among business divisions by facilitating lateral cooperation between them; optimize resource allocation; and facilitate the execution of policies and measures. Additionally, by establishing direct lines of communication between chief executives and our CEO, we will further improve our CEO's ability to gather information. Furthermore, through proper delegation of authority, we will ensure that the CEO can focus on activities reserved for senior management.

To establish a succession plan that will allow our chief executive system to function continuously, we are also creating profiles for a total of 19 positions ranging from vice president to CEO.

net one report 2023 > Reinforcement of executive functions: Development and enhancement of our chief executive system

https://www.netone.co.jp/english/files/Netone_2023EN_a3.pdf#page=24

Corporate Governance: Basic Approach and System

Basic Approach

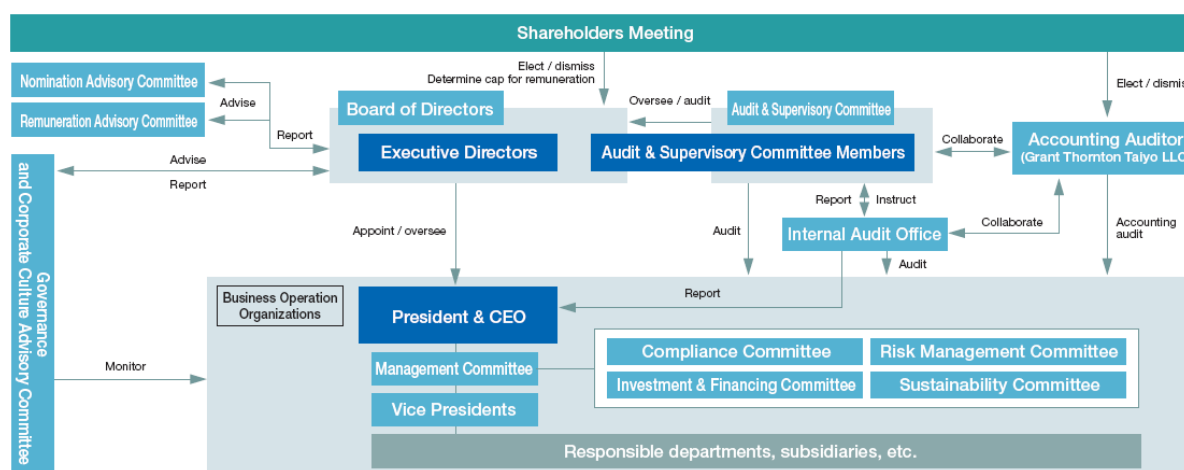
The Net One Group will achieve continuous growth based on its corporate philosophy. Aiming for an enhancement of our corporate value over the medium to long term, we are working continuously to improve and strengthen corporate governance to ensure transparent, fair, prompt, and decisive decision-making.

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

Investor Relations | Management Policy > Corporate Governance

<https://www.netone.co.jp/english/investor-relations/management-policy/corporate-governance/>

Corporate Governance Structure



Organizations and Committees: Status and Content of Meetings

Please see below for information regarding the compositions and meeting attendance rates associated with our Board of Directors, Audit and Supervisory Committee, Nomination Advisory Committee, and Remuneration Advisory Committee. All these committees reported attendance rates of 100%.

net one report 2023 > Executives

https://www.netone.co.jp/english/files/Netone_2023EN_a3.pdf#page=26

Board of Directors

Meeting Status (Fiscal 2022)

Net One Systems Annual Securities Report for the Fiscal Year Ended March 31, 2023

(1) Executive Directors and Board of Directors

https://ssl4.eir-parts.net/doc/7518/yuho_pdf/S100R3JF/00.pdf#page=57 (Japanese only)

Major Details of Discussions Held during Meetings of the Board of Directors

- Our Medium-Term Business Plan and annual budget
- Financial strategy
- Restructuring of Group companies
- Evaluation of the effectiveness of our Board of Directors
- Succession plans for executive director and vice president positions
- Our executive remuneration system
- Sustainability
- Visualization
- Progress of measures targeting recurrence prevention and enhancement of internal controls

Quantitative Data Associated with Activities of the Board of Directors (Period Covered: July 2022–March 2023)

Our Board of Directors transferred approximately 70% of its previous decision-making authority to our Management Committee and other bodies. As a result, total items resolved or reported decreased in comparison to the previous period of measurement. Meanwhile, due to the introduction of new items for deliberation, total items discussed and time spent on discussion have increased.

Items	Item details	Current period	Previous period (for reference)
Agenda items	Resolutions	34	78
	Reports	61	87
	Deliberations	7	—
	Total	102	165
Average time required per agenda item	Resolutions	14.9 minutes	—
	Reports	14.6 minutes	—
	Deliberations	35.2 minutes	—
	Average	21.6 minutes	13.4 minutes
Average number of questions	Resolutions	2.0	—
	Reports	1.7	—
	Deliberations	5.3	—
	Average	3.0	—

Agenda items amended or resubmitted in response to points raised	Number Percentage of total agenda items	4 3.9%	—
Record concerning preliminary confirmation of provided materials	Percentage of participants with preliminary access	47.2%	—

Sustainability | ESG Initiatives > Governance > Corporate Governance > Assessment of Effectiveness of Board of Directors
 Summary of Results of Evaluations of the Effectiveness of the Company's Board of Directors (April 28, 2023)
 Appendix
https://ssl4.eir-parts.net/doc/7518/ir_material18/129484/00.pdf#page=3 (Japanese only)

net one report 2023 > Message from the Chairperson of the Board of Directors
https://www.netone.co.jp/english/files/Netone_2023EN_a3.pdf#page=6

Status of Audit and Supervisory Committee Audits (Fiscal 2022)

Please see below for information regarding the activities of our Audit and Supervisory Committee.

Net One Systems Annual Securities Report for the Fiscal Year Ended March 31, 2023

(3) Status of Audits

https://ssl4.eir-parts.net/doc/7518/yuho_pdf/S100R3JF/00.pdf#page=71 (Japanese only)

Major Details of Discussions Held during Meetings of the Audit and Supervisory Committee

- Status of the development and operation of internal control systems (risk management system, governance system, internal controls applied to the entire Group, including operations overseas, etc.)
- Critical audit items, etc.
- Development of audit environments
- The appropriateness of audits performed by the accounting auditor
- Transactions performed by executive directors that may compete with the Company's interests or transactions involving conflicts of interest
- Misconduct, etc.

net one report 2023 > Message from the Chairperson of the Audit and Supervisory Committee
https://www.netone.co.jp/english/files/Netone_2023EN_a3.pdf#page=25

Nomination Advisory Committee / Remuneration Advisory Committee

Meeting Status (Fiscal 2022)

Net One Systems Annual Securities Report for the Fiscal Year Ended March 31, 2023

(3) General Committees

- Nomination Advisory Committee
- Remuneration Advisory Committee

https://ssl4.eir-parts.net/doc/7518/yuho_pdf/S100R3JF/00.pdf#page=57 (Japanese only)

Main Topics Considered by Our Two General Committees

Nomination Advisory Committee

- Succession plans for executive directors and vice presidents (formulation of a CEO qualifications profile, creation of position profiles, selection of candidate personnel, performance of assessments, etc.)
- Skill matrix
- Candidates for executive director positions (not including executive director positions held concurrently with Audit and Supervisory Committee member positions) to be nominated during the 36th Annual Shareholders Meeting

Remuneration Advisory Committee

- Executive director and vice president remuneration for the current fiscal year
- Executive remuneration system for the fiscal year ending March 31, 2024 (setting remuneration levels based on expectations for specific positions rather than rank, reassessing the overall constitution of our remuneration structure, establishing financial and non-financial indicators for short-term incentive remuneration, considering evaluative weightings for each indicator, etc.)
- Changes that could potentially be made to compensation and benefits for vice presidents in response to our full transition toward a delegated vice president structure

Initiatives Aimed at Improving the Effectiveness of Our Board of Directors

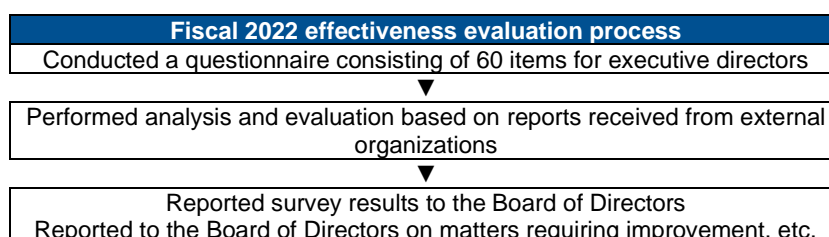
Evaluation of the Effectiveness of the Board of Directors

Effectiveness Evaluation Method

In 2016, the Company began evaluating the effectiveness of its Board of Directors. During fiscal 2022, we expanded the content of evaluative questionnaires primarily in response to the establishment of our Nomination Advisory Committee and our Remuneration Advisory Committee.

■ Contents of the Effectiveness Evaluation Questionnaire (Major Items)

Fiscal 2021 (12 items)	Fiscal 2022 (16 items)
(1) Composition of the Board of Directors	(1) Composition of the Board of Directors
(2) Operation of the Board of Directors	(2) Operation of the Board of Directors
(3) Deliberation by the Board of Directors	(3) Deliberation by the Board of Directors
(4) Monitoring function of the Board of Directors	(4) Monitoring function of the Board of Directors
(5) Performance of inside executive directors	(5) Performance of inside executive directors
(6) Supervisory functions of outside executive directors	(6) Performance of independent outside executive directors
(7) Support systems for executive directors and Audit & Supervisory Board members	(7) Support systems for executive directors
(8) Dialogue with shareholders (investors)	(8) Training
(9) Personal efforts	(9) Dialogue with shareholders (investors)
(10) Operation of committees	(10) Personal efforts
(11) Summary	(11) Operation of the Nomination Advisory Committee and Remuneration Advisory Committee
(12) Outside executive liaison meetings	(12) Details deliberated by the Remuneration Advisory Committee
	(13) Details deliberated by the Nomination Advisory Committee
	(14) Outside executive liaison meetings
	(15) Personal evaluations
	(16) Summary



Effectiveness Evaluation and Response (Last Three Years)

Evaluation in fiscal 2020	Response to evaluation
(Insights and issues realized through points raised) <ul style="list-style-type: none"> • The need to strengthen both internal controls and the roles and responsibilities of inside executive directors following several cases of fraudulent acts committed by former employees of the Company • The urgency of continuously improving the quality and quantity of, and quickly providing, materials to enhance discussions at meetings of the Board of Directors and the importance of conducting preliminary briefings, enhancing executive training, and ensuring the transparency of advisory committee meetings. 	<ul style="list-style-type: none"> • To reaffirm the importance of understanding internal controls and ideal corporate governance, we provided training conducted by outside experts in response to the discovery of several cases of fraudulent acts committed by former employees of the Company. • Membership of the Board of Directors Secretariat was reorganized to strengthen its functional capabilities (reconstituted to include members from multiple divisions, etc.).
Evaluation in fiscal 2021	Response to evaluation
(Insights and issues realized through points raised) <ul style="list-style-type: none"> • Generation of tangible results through response to the previous year's issues • The necessity of enhancing all manner of discussions regarding management strategies and reviewing agenda items for meetings of the Board of Directors and the obligation to secure time for the 	<ul style="list-style-type: none"> • We ensured regular reporting to the Board of Directors regarding the actions of critical internal decision-making bodies and the operation of the Board of Directors in an effort to enhance discussions held during meetings of the Board of Directors. • Visualization was identified as a priority theme for deliberation, and corresponding discussions based

discussion of important agenda items through systematic and planned submission	<p>on objective data were held once every three months.</p> <ul style="list-style-type: none"> • The Board of Directors delegated approximately 70% of its previous decision-making authority to the Management Committee and other bodies. • We ensured well-planned and methodical operations through the formulation of annual agendas. • Apart from matters to be resolved and/or reported as stipulated by the rules of the Board of Directors, we established “matters for deliberation” to stimulate opinion exchange and discussion regarding important topics such as management strategies.
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Evaluation in fiscal 2022	Response to evaluation
<p>(Insights and issues realized through points raised)</p> <ul style="list-style-type: none"> • Measures targeting a highly effective Board of Directors (addressing issues identified through our fiscal 2021 evaluation, actions taken in connection with structural changes made to decision-making bodies and the reorganization of our Nomination and Remuneration Advisory Committees, etc.) are effectively generating impact. • We recognized the need to enhance discussions regarding progress toward targets in our Medium-Term Business Plan and circumstances surrounding risk management for all Group companies. 	<ul style="list-style-type: none"> • We improved and fleshed out discussions concerning our risk management system, potential risks associated with all Group companies, and other related issues. • Net One Systems has been continuously following up on progress related to its Medium-Term Business Plan. • The Company has improved and enhanced materials provided for meetings of its Board of Directors (clarifying issues and refining preliminary discussions).

Various Measures Established to Revitalize Our 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 established and implemented in fiscal 2022	Implementation timing and frequency	Content
Holding outside executive liaison meetings	Held once per 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 per 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 ensuring 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.

Succession Plan

As an advisory body to the Board of Directors, we have established a Nomination Advisory Committee that deliberates and reports on various matters (the nomination of executive directors and vice presidents, etc.) in order to strengthen our corporate governance by enhancing the transparency and fairness of the selection, dismissal, and succession plans associated with executive director and vice president positions.

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 executive 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

TOPICS

Formulation and Implementation of Succession Plans

In fiscal 2022, which is the first year of the Nomination Advisory Committee, we strove to achieve sustainable growth and enhance our corporate value over the medium to long term, developing and introducing a new succession plan under our current management structure. Under this plan, we first conduct interviews with the current president regarding the attributes of an ideal CEO moving forward before formulating our CEO profile and selecting, assessing, and planning for the development of candidate personnel. To ensure well-planned and continuous succession, we also create profiles for each chief executive and vice president position while preparing succession charts that illustrate the completeness of our succession pipeline.

During fiscal 2023, we plan to implement our successor development plan while also aiming to expand our talent pool through a repeated succession candidate screening process that encompasses a variety of steps ranging from selection to assessment. In anticipation of these efforts, we are currently developing definitions for the roles of each chief executive position while also formulating a more detailed skills matrix.

net one report 2023 > Nomination Advisory Committee: Formulation and administration of succession plans
https://www.netone.co.jp/english/files/Netone_2023EN_a3.pdf#page=25

Executive Remuneration System

As an advisory body to the Board of Directors, we have established a Remuneration Advisory Committee that 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.

Roles of the Remuneration Advisory Committee

- Matters related to policies and systems for the remuneration for executive directors and vice presidents
- Matters related to individual remuneration for executive directors (excluding executive directors who concurrently serve as Audit and Supervisory Committee members) and vice presidents
- Other important matters related to the above, regarding which the Board of Directors seeks advice

TOPICS

Refining Our Remuneration System (Adjusting Compensation Breakdown, etc.) as We Strengthen Our Chief Executive System

During fiscal 2022, we made major revisions to our remuneration system, introducing a restricted stock compensation plan and adopting non-financial targets and indicators for bonuses. In fiscal 2023, we have referred to our current executive remuneration system as we prepare for fiscal 2024, adjusting remuneration levels based on the expectations and roles, rather than the ranks, associated with different positions and reassessing compensation breakdowns. Furthermore, we have reexamined compensation and benefits for vice presidents in the aftermath of our transition toward a delegated vice president structure. Results of these efforts have been reported to the Board of Directors.

When reexamining our compensation breakdowns, we expand the compensation share consisting of incentives, adopt ROE as an indicator, and increase the weight of corporate culture reform indicators (categorized as non-financial target indicators).

net one report 2023 > Remuneration Advisory Committee: Fine-tuning our remuneration system while strengthening our chief executive system

https://www.netone.co.jp/english/files/Netone_2023EN_a3.pdf#page=25

Net One Systems Annual Securities Report for the Fiscal Year Ended March 31, 2023 > Executive Remuneration, etc.

https://ssl4.eir-parts.net/doc/7518/yuho_pdf/S100R3JF/00.pdf#page=74 (Japanese only)

Internal Control

Risk Management and Internal Control

The Risk Management Committee and other divisions responsible for risk management spearhead the Net One Group's efforts aimed at formulating policies and plans for comprehensive risk management activities while conducting risk analysis and assessment and providing instructions regarding risk response.

With regard to operational risk, we have established internal controls in accordance with our three lines of defense model (a model for organizational risk management and control activities) to facilitate corporate risk management, goal attainment, and value creation.

Overview of Internal Controls

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 typical three lines of defense models (first line of defense: sales divisions and business divisions, second line of defense: back-office divisions, third line of defense: internal audit division), we have also established our own 1.5th line of defense in order to independently monitor the first line of defense controls. As such, our system is characterized by our efforts to establish highly effective business rules together with discipline.



With regard to internal audits, we have established an Internal Audit Office (16 members, as of March 31, 2023) as an organization that reports directly to the Audit and 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. In addition to pointing out the necessary items for improvement, it follows up on their improvement status.

The Internal Audit Office, Audit and Supervisory Committee members, and the accounting auditor hold meetings on a regular basis or as necessary, to report on audit plans and audit implementation status, and work to strengthen mutual cooperation.

For more information concerning the basic policies surrounding our internal control system, please follow the link below.

Net One Systems Annual Securities Report for the Fiscal Year Ended March 31, 2023
(Basic Internal Control System Policies)

https://ssl4.eir-parts.net/doc/7518/yuho_pdf/S100R3JF/00.pdf#page=59 (Japanese only)

Key Initiatives in Fiscal 2022

○ Ongoing Review of Organizational Structures Related to Our Three Lines of Defense Model

From the perspective of expediting business execution, we conducted an integrated review of the roles of the first and 1.5th lines of defense associated with our three lines of defense model in an effort to streamline and condense first-line sales activity support operations and management promotion functions related to sales operations. Additionally, to facilitate more substantive internal audits (categorized as a third-line activity), our Internal Audit Office does not limit its observations to verification of rule compliance; it also evaluates the adequacy and effectiveness of our internal control system.

○ Reinforcement of Our Check-and-Balance Function Achieved through Adjusted Executive Assignments

To establish equal partnerships between divisions and across all three lines of defense, we have appointed vice presidents with titles to be in charge of each line of defense rather than assigning vice presidents to individual divisions. We have also reviewed the lines of defense that are supervised by executive directors, and have decided to appoint different executive directors in charge of the 1.5th line and the second line of defense.

○ Clarifying the Operational Details and Check-and-Balance Functions Associated with Both Sales and Engineering Divisions

We have identified in detail the operations and checks and balances all divisions must perform both before and after booking orders in association with business transactions. Additionally, we have created operational guidelines and checklists to provide further support. Furthermore, to further improve effectiveness while ensuring that checks and balances continue to function as intended, we have implemented constructive upgrades,

transitioning from a system of uniform checks for all projects to a system under which checks are performed using risk-based criteria determined according to project characteristics and associated monetary values. For an overview concerning the implementation of our internal control system during fiscal 2022, please follow the link below.

Net One Systems Annual Securities Report for the Fiscal Year Ended March 31, 2023
 (Overview of Internal Control System Implementation)
https://ssl4.eir-parts.net/doc/7518/yuho_pdf/S100R3JF/00.pdf#page=62 (Japanese only)

Fostering a Corporate Culture Based on Our Purpose

Basic Approach

In 2022, the Net One Group formulated a new corporate philosophy system (Purpose, Mission, Vision, Values, and WAY) to steadily build a foundation for a corporate culture that will prevent fraudulent acts from recurring. Although already a peerless and unrivaled force in the industry, the Net One Group is committed to cementing its status as an organization capable of resolving social and client challenges. To ensure further progress for our corporate group, we must ensure that our corporate philosophy system is understood and accepted by both our managerial staff and all other employees. Moving forward, 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 effectiveness by effecting more widespread recognition and awareness of our WAY (Code of Conduct), which serves as the basis for how we think and decide for each member of the Group.

Company | Message > Philosophy
<https://www.netone.co.jp/english/company/message/philosophy/>

Promotion System

In order to prevent recurrences of past misconduct, we have positioned corporate culture reforms as a key measure. To this end, we have established the Governance and Corporate Culture Advisory Committee as an advisory committee to the Board of Directors. 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.



Key Initiatives in Fiscal 2022

○ Implementation of Recurrence Prevention Measures

The Net One Group has 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 continues to ensure that its internal controls function effectively by implementing “measures to prevent recurrence” (dated May 13, 2021). Meanwhile, the entire Company remains undivided in its efforts targeting fundamental corporate governance and culture reforms.

Company > Progress of Recurrence Prevention Measures of Inappropriate Conduct
<https://www.netone.co.jp/company/responsibility/> (Japanese only)

○ Initiatives Undertaken to Propagate Our Philosophy Primarily through Event Activities

By holding events that allow for various forms of participation, we are broadening our dialogue-based approach to spreading our philosophy.

Event overviews	Results
Vision Week From February 13 through 17, 2022, we held our Vision Week event. This event serves to deepen awareness and understanding regarding our new corporate philosophy while promoting corresponding mindfulness and action. Vision Week includes programs through which we introduce the initiatives of individual divisions, deliver lectures through third-party individuals, and announce awards received.	Total number of participants: 2,225
Vision Award With the aim of ensuring that employees of the Net One Group will be able to explain the new corporate philosophy to their colleagues, we asked employees to submit presentation materials designed to introduce our new corporate philosophy system to fellow staff. Submissions were subsequently reviewed and selected for awards through a voting process.	Total number of submissions: nine Number of votes: 645
Respect, Communication, and Teamwork (RCT) To generate an increase in Group members who agree with and embrace our new corporate philosophy, we have established a forum through which management and employees can hold relevant discussions.	Number of participants: 297
Workshop After discussing the relevance between our corporate philosophy system and internal issues identified through our organizational culture survey, members of our philosophy inculcation project consider measures targeting systemic improvements.	Number of participants: 21

○ Efforts Aimed at Promoting Our Philosophy through the Use of Tools

We produce pictograms that represent our WAY and can be utilized for a variety of purposes. These pictograms deepen understanding regarding the details of our corporate philosophy and WAY as comic-style drawings, animations, and icons.

We have introduced a One WAY per Day system through which employees recording their attendance electronically can view daily awareness-raising information that illustrates how different elements of our WAY relate to their everyday operations. Additionally, we have included details regarding our corporate philosophy and WAY on posters, PowerPoint templates, and background screens used for our web conferencing systems, thereby ensuring their daily visibility.

Example Pictogram



Moving forward to next netone

○ Conducting Our Organizational Culture Survey and Corporate Culture Monitoring Survey

Each year, the Net One Group conducts an organizational culture survey as part of its activities targeting the reform and cultivation of its 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; one per quarter from fiscal 2023

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

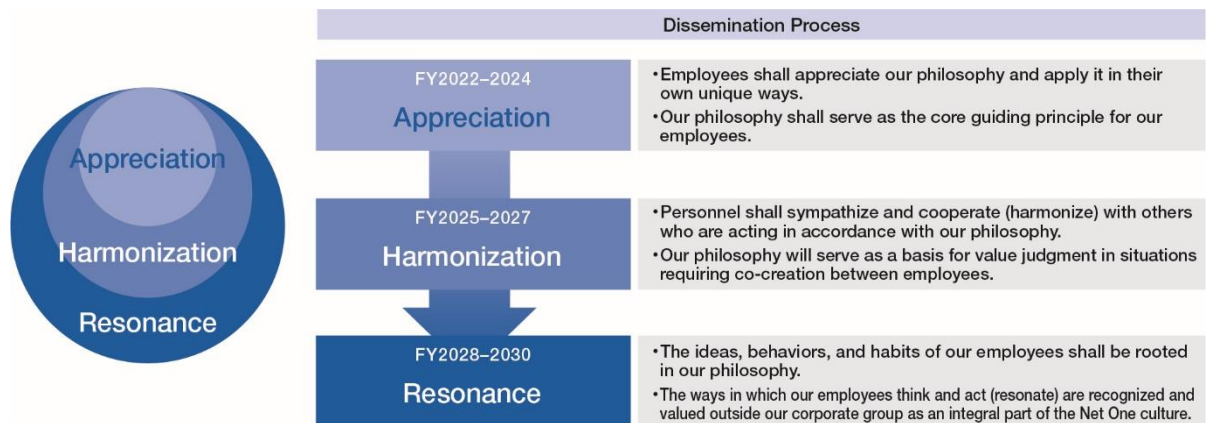
Question themes: (1) Measuring the awareness and acceptance of our organizational culture, (2) Measuring changes in organizational issues, (3) Listening to employees' opinions, (4) Raising employee awareness

Fiscal 2022 results associated with theme one (1) above:

Awareness: 93% / understanding: 89% / acceptance: 80% / implementation: 82% / dissemination: 52%

Based on indicators demonstrating awareness and understanding, we can conclude that we have successfully reached our "appreciation" phase, in which employees appreciate our philosophy and put it into practice using their own unique approaches. Moving forward, we will adopt measures aimed at transitioning into the "harmonization" and "resonance" phases.

Inculcation of Our Corporate Philosophy



Health Management

Basic Approach

The Net One Group has established the following health declaration 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, 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.



Health Management Initiatives

Fiscal 2022 Initiatives

We implemented the following initiatives during our first year of health management.

- Disseminated health management policies inside and outside of the Company
- Maintained the health promotion system and infrastructure
- Conducted thorough management of appropriate working hours
- Improved work styles based on work–life balance indicators
- Ensured thorough health checkups and recommended re-examinations

- Took measures against second-hand smoke and implemented initiatives to reduce the smoking rate among our employees
- Utilized stress checks and recommended retests

Priority Measures for Fiscal 2023

While continuing to adopt initiatives we implemented in fiscal 2022, we will particularly prioritize the following initiatives with the aim of achieving certification as an Outstanding Organization of Health and Productivity Management (a target for 2024 and a materiality-related KPI).

○ Educating and Informing Managers and Employees

As the basis for all our health-related initiatives, we are focusing on educating, and spreading awareness among, both managers and employees as we aim to increase health consciousness and foster a more health-oriented organizational culture. Specifically, we will coordinate with the HR representatives of each of our divisions as we aim to promote and disseminate health-related concepts within these divisions. At the same time, we will establish a website summarizing our health management initiatives while developing other health-related training systems to ensure that health-oriented information is routinely accessible. Furthermore, along with other visualization efforts, we will focus on measuring the effectiveness of this health-oriented information.

○ Ensuring Thorough Compliance with Health Checkup Requirements and Application of Checkup

Results

We aim to achieve a health examination rate of 100% by urging employees to receive early medical examinations before the end of December. Additionally, we will strengthen follow-up procedures that encourage individuals diagnosed with areas in need of attention to retest and facilitate improvement in our health examination rate.

○ Anti-smoking Measures

The smoking rate among the Net One Group employees during fiscal 2022 was relatively high at 27%. Accordingly, the Group has been introducing measures, including financial assistance, to reduce this smoking rate.

We began partially implementing financial assistance for employees seeking outpatient smoking cessation services in 1H FY23. Effective from 2H FY23, we plan to add a question confirming the presence or absence of smoking cessation intent among employees to our health awareness survey. Additionally, we have decided to establish mechanisms through which employees who indicated an intent to quit smoking within one month can utilize health insurance to receive financial assistance for outpatient smoking cessation services.

In addition, on the 22nd of each month (Smoking Cessation Day) and International No Smoking Day (May 31), we raise smoking cessation awareness by holding seminars and providing pertinent information. Furthermore, our president communicates the importance of smoking cessation by personally issuing a message regarding this challenge.

Data and Materials

External Evaluations

Inclusion in ESG Indices

We have been evaluated by, and included in, the following ESG indices (as of August 2023).

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 Prime 150 Index
This index comprises Japanese companies that are listed on the TSE Prime Market and estimated to create value based on assessments of their return on capital and market valuation.
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.
MSCI Japan Empowering Women Index (WIN)*
An index composed of companies with outstanding gender diversity in their industry classification
Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)*
This index comprises companies that have strong gender diversity policies embedded in their corporate culture and facilitates investment primarily targeting companies that ensure equal opportunities for employees, irrespective of their genders.
iSTOXX MUTB Japan Platinum Career 150 Index
This index consists of companies that are proactive toward employee career development in accordance with three perspectives: long-term view, active learning, and social contribution.

* Denotes major ESG investment indices recognized by Japan’s Government Pension Investment Fund (GPIF)

ESG Evaluations

MSCI ESG Rating: AA
This evaluative index is constructed based on MSCI’s research and analyses concerning environment, social, and governance-related initiatives and information disclosure conducted by companies throughout the world. Net One Systems’ rating was upgraded from BBB to A in December 2022, and in August 2023, it was raised from A to AA, the second-highest rating behind AAA.

Acquisition of Certifications for Management Systems

<ul style="list-style-type: none"> • ISO/IEC 27001: Information security management system certification standard • ISO/IEC 27017: Security management system for cloud services • ISO 14001: Environmental management system certification standard • ISO 9001: 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

Examples of Partner Awards (Fiscal 2022)

• Net One Systems

Company	Award details
Juniper Networks	<ul style="list-style-type: none"> • Japan Mist Partner of the Year 2021 US-based Juniper Networks recognized Net One Systems for achieving the highest sales of its AI-driven Enterprise solutions powered by Mist, an AI product from Juniper Networks, during January through December 2021.
NetApp	<ul style="list-style-type: none"> • Partner SE Award 2022 NetApp recognized the daily activities of Net One Systems’ engineers for the outstanding impact they generated in terms of proposing and providing innovative solutions and excellent customer support.
Cisco Systems	<ul style="list-style-type: none"> • APJC Partner of the Year (Global) • Service Provider Partner of the Year (APJC) • Software Partner of the Year (APJC) • Technology Excellence: Security Partner of the Year (APJC) Cisco Systems granted Net One Systems an award in each of four categories: Global, Asia Pacific, Japan, and China (APJC). Cisco Systems determined that Net One Systems generated the greatest contribution to its business among its partners in the APJC region by selling its products and developing solutions.

Company	Award details
Cisco Systems	<ul style="list-style-type: none"> • Lifecycle Selling Partner of the Year • Innovation Partner of the Year Power Hybrid Work • DevNet Partner of the Year <p>Cisco Systems recognized Net One Systems as a leader in the Japanese market for its prompt launch of a service platform optimized for customer lifecycles and commended it for contributing to the creation of secure hybrid work environments for customers through its development of the Cisco Webex recording management service and the success it has generated through efforts targeting expanded sales of Cisco SASE.</p>
Palo Alto Networks	<ul style="list-style-type: none"> • JAPAC NextWave Partner of the Year 2022 <p>This award is presented to the partner recognized as having made the greatest contribution to Palo Alto Networks' business within markets in the Asia Pacific region, including Japan (JAPAC markets). In granting this award, Palo Alto Systems certified that Net One Systems achieved record sales in fiscal 2022 while generating strong growth in the public sector.</p>
Palo Alto Networks	<ul style="list-style-type: none"> • 2022 Japan Partner of the Year Award JAPAN NextWave Partner of the Year <p>This award is presented to the partner recognized as having made the most significant contribution to Palo Alto Networks' business within the Japanese market; during fiscal 2022, Net One Systems achieved record sales and generated robust growth in the public sector.</p>

• **Net One Partners**

Company	Award details
Cisco Systems	<ul style="list-style-type: none"> • Japan Distributor of the Year <p>This award commends Net One Partners for its focus on the development of original services, such as CX and DevNet.</p>
OPSWAT	<ul style="list-style-type: none"> • 2022 Public Sector Development Award <p>This award commends Net One Partners for the contributions it made as a sales agent for OPSWAT in terms of expanding the recognition and use of OPSWAT's products within Japan's municipal market.</p>

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