

Professional personnel

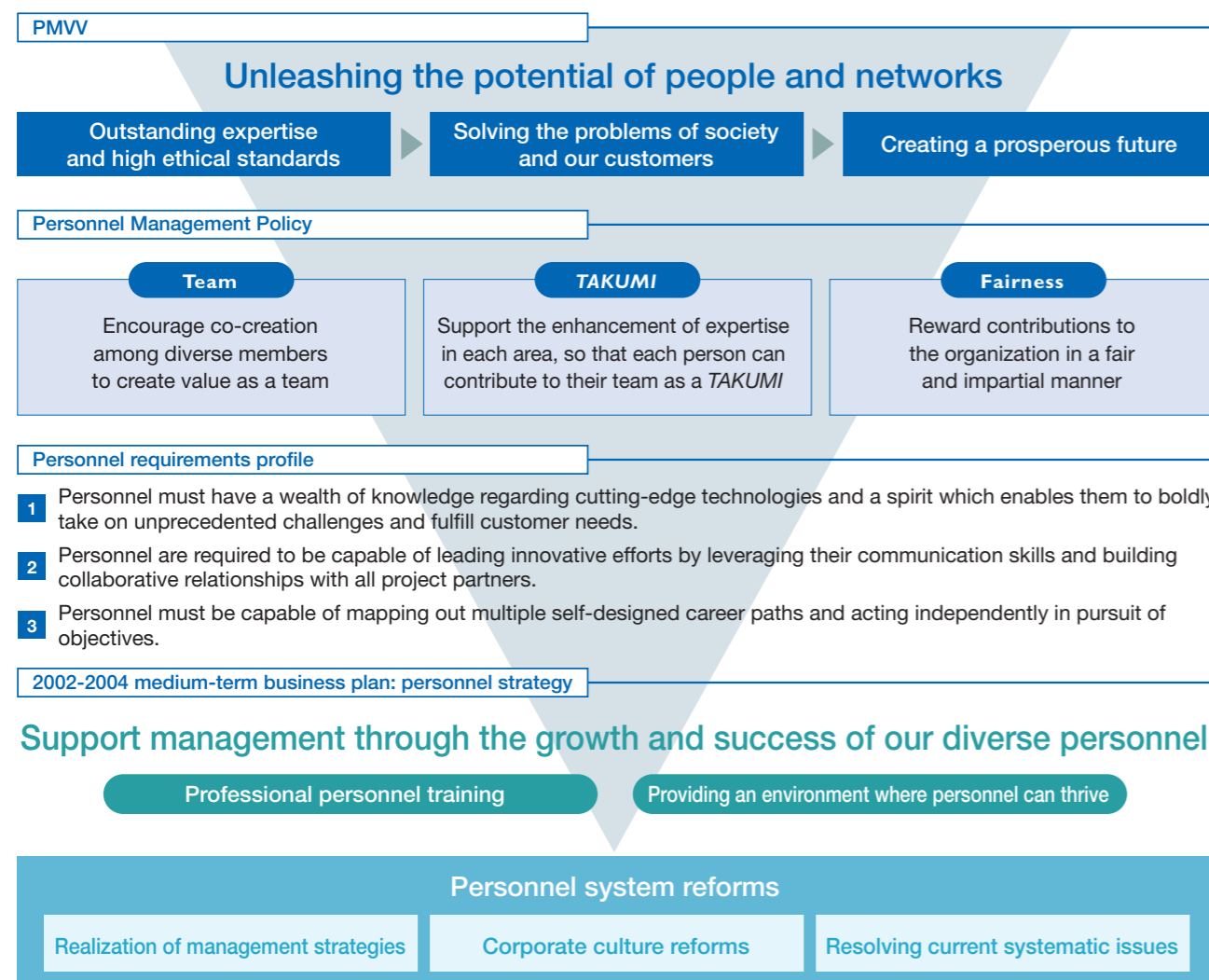
Promoting the development and active participation of personnel

The Net One Group defines human capital management as developing and deploying outstanding personnel capable of thinking and acting independently with the aim of generating value through the application of essential technologies. In accordance with the personnel strategy formulated pursuant to our Medium-Term Business Plan, we will ensure effective human capital management by providing the Group’s personnel with opportunities for growth and environments that encourage their active participation.

Human capital management overview and personnel system reforms

Personnel are the source of the Net One Group’s competitiveness, and the Group views the development of personnel capable of acting independently and creating solutions as essential to its achievement of sustainable growth. During 2022, we established our Personnel Management Policy and a personnel requirements profile to serve as supportive pillars for our human capital management strategy. At the same time, we formulated a personnel strategy focused on “professional personnel training” and “providing an environment where personnel can thrive” under our Medium-Term Business Plan.

The first measure on which we embarked as we implemented our personnel strategy was to reform our personnel system. As the Net One Group began undergoing changes to facilitate its transition into a new phase of growth, including a shift toward services and corporate culture reforms, it encountered the need to adapt its personnel system to accommodate these changes. In accordance with our Purpose and our Personnel Management Policy, we adjusted our personnel system with the primary aims of “realizing management strategies,” “achieving corporate culture reforms,” and “resolving current systematic issues.”



Overview of personnel system reforms

Net One Systems revised its evaluation system in April 2023 before adjusting its grading and compensation system in July of the same year.

Moving forward, we will ensure that each and every employee performs at a high level and helps deliver value to society by creating more comfortable work environments through a strategy combining our new personnel system with a wide variety of existing internal systems that facilitate flexible work styles.

Goals and key points behind our personnel system reforms

Realization of management strategies	<ol style="list-style-type: none"> 1 Form a group of personnel equipped with highly specialized skills consistent with the course of our operations 2 Provide high added value to customers through team collaboration
Corporate culture reforms	<ol style="list-style-type: none"> 3 Establish corporate functions that can support and check frontline operations while building healthy inter-organizational relationships 4 Implement corporate culture reforms ensuring that each and every employee exhibits behavior that reflects well on the Company while also generating results
Resolving current systematic issues	<ol style="list-style-type: none"> 5 Ensure that personal and corporate growth motivate employee performance 6 Identify appropriate personnel through the application of diverse perspectives and fair processes

1	<h4>Evaluation system that contributes to long-term growth and human resource development</h4> <p>We have adjusted our approach to evaluations, introducing an evaluation system based on two axes: achievements and actions. With this change, we aim to ensure that our evaluations place greater emphasis on the behaviors leading up to actions and achievements and the activities in which personnel will need to engage when attempting to assume higher positions within the Company. Additionally, we extended evaluation cycles from their previous length of six months to one year, bringing them in line with our business cycles. From a long-term perspective, we are confident that this change will facilitate growth for both the Net One Group and its employees. Furthermore, to reinforce systems that support employee growth throughout our organization, we will convert our existing semi-annual personnel development meetings into forums for discussion focusing on the specific growth issues and future development paths of our individual employees.</p>
2	<h4>Grading system suited to changes in business and work styles</h4> <p>We have adjusted our classification of professional positions to facilitate personnel management in response to changing nature of our business operations and work styles. To complement our previously existing sales and engineer positions, we have created two new classifications: for ICT business staff, who are equipped with technological, market-related, and industrial expertise and provide solutions for issues facing both customers and society at large, and for corporate staff, who are endowed with corporate knowledge and support the Company’s operations while ensuring strategically sound and stable administration. By enhancing the expertise of employees in all of these categories, we aim to provide added value to our customers and establish a steady business base.</p> <p>We characterize management and specialist billets as positions required on an organizational level and do not view them in terms of individual abilities. In accordance with this approach, we only appoint to these roles individuals equipped with the necessary skills and abilities. By adopting these strategies, we aim to develop personnel that will strengthen the Company’s competitiveness while both retaining and acquiring superior human resources.</p>
3	<h4>Compensation system that ensures market competitiveness</h4> <p>We will realize competitive compensation levels commensurate with market benchmarks to ensure that benefits and remuneration are appropriate to grading levels and the scales of the roles we have defined through our position classification schemes while strengthening our ability to compete for the acquisition of personnel within target markets. Effective from July 2023, we raised monthly salaries by an average of 8% across the Company while also eliminating our system of gradually reducing base salaries for employees over a certain age, which was previously implemented, to ensure that priority was given to each employee’s individual abilities.</p> <p>In addition, we will establish our own internal certification system, which will enable us to recognize personnel who have acquired or generated the knowledge, experience, and results necessary to achieve our management strategies while empowering us to motivate these personnel in their pursuit of further skill development. We plan to launch this internal certification system beginning with technical certifications commencing in 2H FY2023.</p> <p>Furthermore, we are prepared to raise starting salaries beginning with new employees who join the Company in April 2024. To achieve a fair balance between existing base salaries and those of these freshly recruited new graduates, we will also raise the base salaries of previously recruited young employees effective from the same month.</p>

Design capabilities

A service model that epitomizes competitive advantage

As ICT systems become increasingly large and complex, we are often finding that regular delivery of fully customized solutions is not always in the best interests of our customers. Accordingly, we are committed to standardizing our service model to ensure that we can provide high value-added solutions designed with emphasis on the issues and requirements of our customers. Through this standardization process, we will efficiently render solutions that leverage our knowledge and experience while building co-creation relationships through the establishment of recurring-revenue business, thereby ensuring ongoing growth in our competitive advantage.

Business model transformation achieved through our focus on priority services and standardization

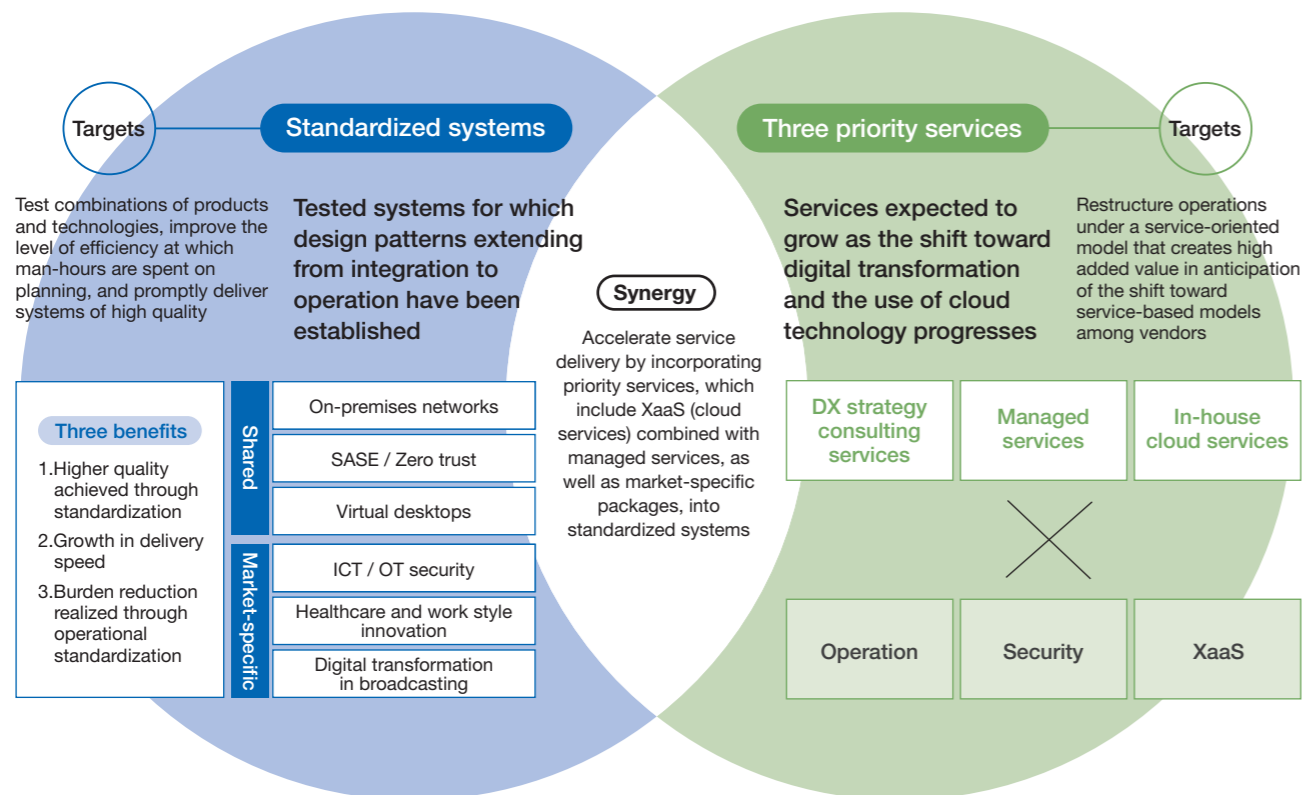
In accordance with the service strategy of our Medium-Term Business Plan, we aim to widely leverage precedent-setting applications of our fully customized "priority services" while establishing recurring-revenue businesses (managed services, in-house cloud services, etc.) through which we can build ongoing relationships with our customers.

Harnessing these precedent-setting examples, we will build standardized systems with well-established design patterns covering all stages from integration to operation, thereby ensuring efficient usage of man-hours and uniform quality assurance for new projects with similar issues and requirements. As a result of these efforts, we will be able to provide added value to our customers by increasing delivery speed and reducing operational burdens.

In the past, our application of knowledge and experience had been somewhat limited to specific projects and divisions, but the consolidation of our engineering divisions into a single Sales Engineering Unit in 2022 has enabled us to achieve company-wide standardization. As a strategy to be employed throughout the Net One Group, we are standardizing common operational procedures and elements, including patterns for proposed scenarios, comparisons of our products with those of competitors, the testing of different combinations of solutions, basic design, and partner selection, while ensuring that this standardization is maintained when handling projects. By sharing the results generated through these efforts, we promote a continuous cycle of improvement.

Moving forward, we will demonstrate the optimal applications of ICT for the business environments of our customers while providing services that leverage the technology and experience we have cultivated throughout our existence. Using the knowledge gained through the administration of these services, we will strengthen our proposal models and systems to ensure ICT utilization that fulfills the needs of our customers.

Strategic connections and targets associated with our standardized systems and our three priority services



Green ICT

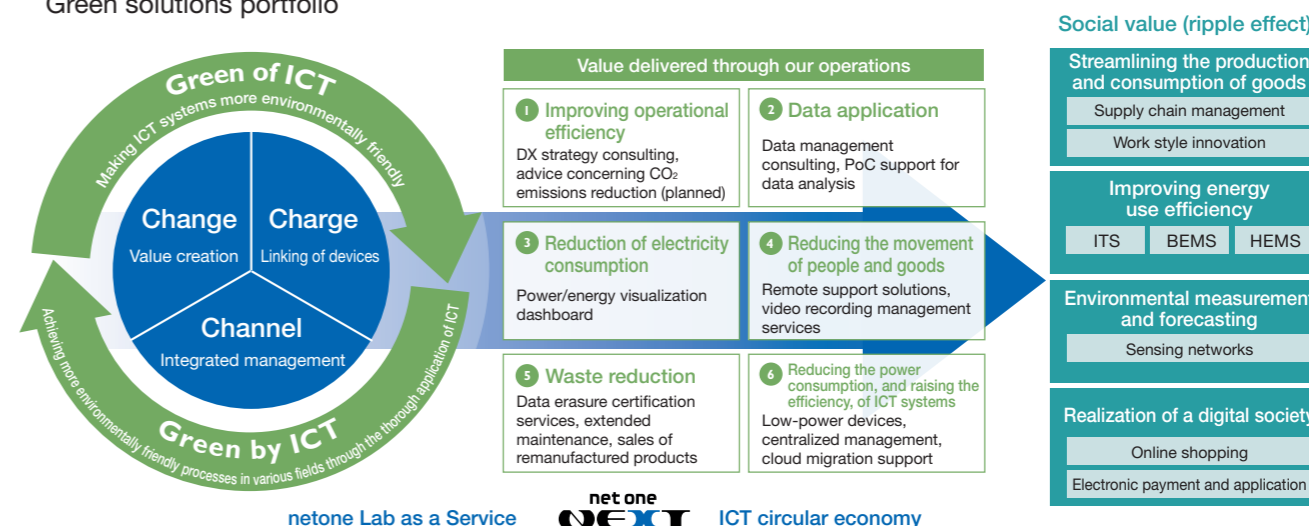
Development and expansion of green solutions

The Net One Group views facilitating the realization of a decarbonized society by developing and providing solutions that help reduce the greenhouse gases emitted by both our customers and society at large as a materiality-related objective. Adopting a decarbonization-based perspective, we have reconceived solutions heretofore rendered as "green solutions" and are addressing social challenges by making both ICT systems and their usage more environmentally friendly.

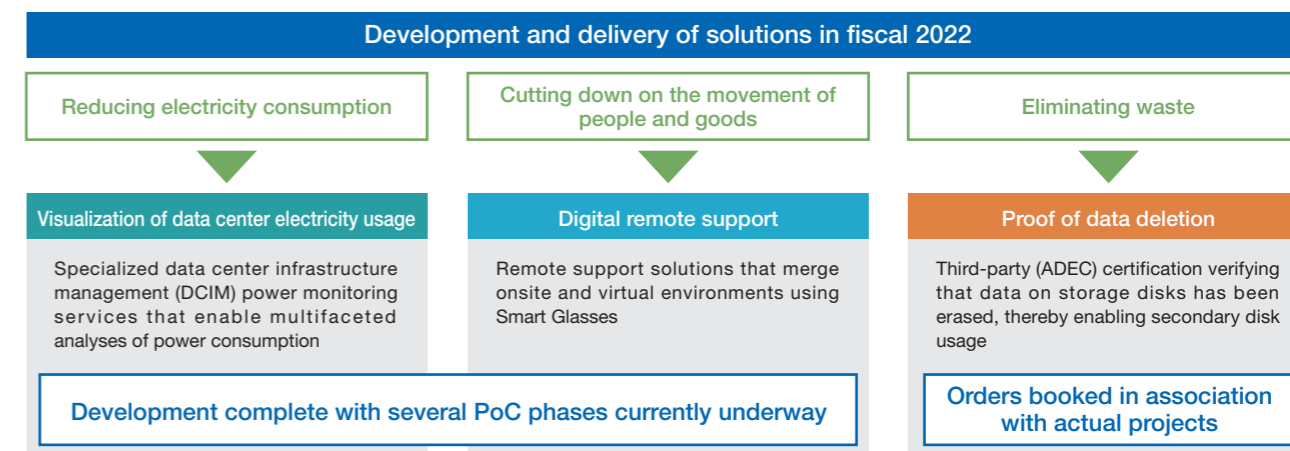
Overview of green solutions and associated initiatives

Adopting an approach based on circular economy models and efforts aimed at making both ICT systems and their application more environmentally friendly (referred to as "Green of ICT" and "Green by ICT," respectively), the Net One Group is formulating a portfolio of green solutions covering six areas defined according to the type of value provided. During fiscal 2022, we achieved progress primarily in the areas of "reducing electricity consumption," "cutting down on the movement of people and goods," and "eliminating waste," conducting development and booking orders in association with three projects in total. When implementing green solutions, we must first understand what should and can be done with ICT to achieve decarbonization. Accordingly, while providing these solutions, we are also developing internal education programs to foster understanding and spread awareness. Moving forward, we plan to expand these programs outside the Company as well.

Green solutions portfolio



Progress on the creation of green solutions



Co-creation capabilities

Enhancement of customer-facing activities

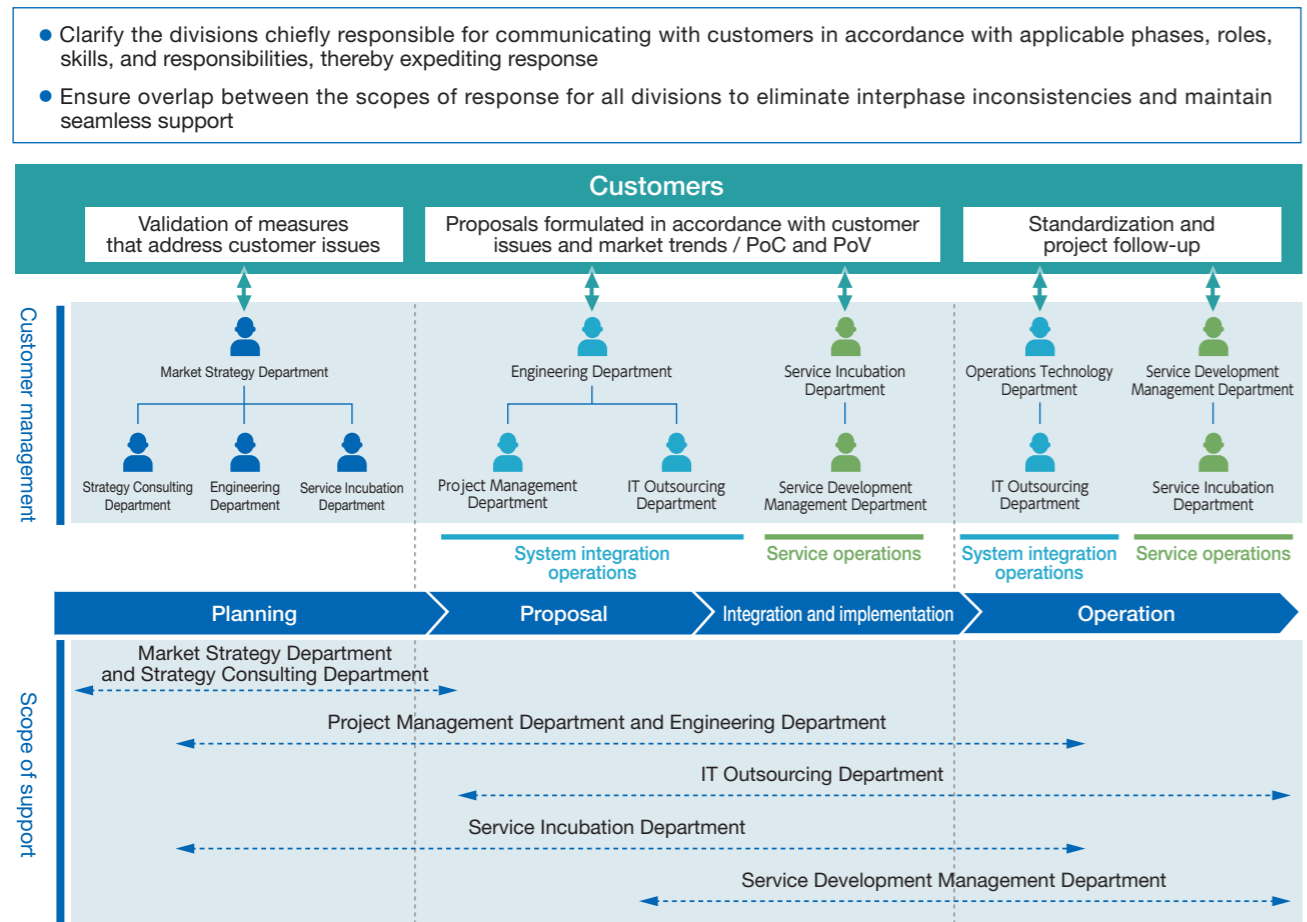
To further improve customer success, we are enhancing our customer-facing activities, which enable us to adopt a more in-depth approach to addressing customer issues. Moving forward, we will establish support systems for all procedural phases extending from planning to operation while firmly establishing our position as a strategic partner through supportive frameworks, solutions, and services that help our customers successfully implement their strategies.

Policies and initiatives associated with customer-facing activity enhancement

The Net One Group is continuously adjusting the approaches through which it interacts with its customers, and these customers have begun to demand solutions attuned to their business strategies and current industry trends. Societal needs surrounding digital transformation have grown and customer issues have become more complicated, so we can no longer fulfill client demands through the simple proposal of services. Rather than waiting for customers to define their requirements, our engineers, who routinely handle cutting-edge technologies, must remain on center stage, acquiring intimate understandings of the concerns and quandaries facing our customers. Furthermore, to ensure the fulfillment of client requirements, we must propose effective product combinations while exploring opportunities to integrate services and providing wide-ranging support that includes operational assistance.

In 2022, we consolidated our engineering divisions into a single Sales Engineering Unit in an effort to facilitate more intensive collaboration. Abandoning our earlier system, under which front departments were exclusively responsible for serving as customer contact points for all procedural phases, we have shifted toward a system that enables speedy, smooth, and sustainable co-creation of value by assigning core phase responsibility to divisions equipped with suitably specialized expertise. By honing our expertise through specialization in a range of specific functions spanning from planning to operation and establishing systems facilitating collaboration with front department engineering staff, we will strive to ensure that customers select the Net One Group as their partner of choice for issue resolution.

Forming teams to enhance customer-facing activities



Co-creation with stakeholders

The strength of the Net One Group lies in its ability to establish optimal systems for customers while leveraging its multi-vendor status, which frees it from undue influence from specific manufacturers or corporate groups; discovering new products; and ensuring effective functional integration. In recent years, changes in customer needs have forced both the Net One Group and its vendors to undergo changes. Given these circumstances, moving forward, we will leverage mutual strengths to enhance our co-creation relationships and provide new value while optimizing our product portfolio.

Creating new value through enhancement of co-creation relationships

Vendors are also being forced to shift toward subscription-based business models that provide functionality rather than products. While some vendors are now approaching customers directly, the Net One Group has the advantage of being able to design and operate ICT platforms that track data movement throughout entire systems in accordance with a network-based approach. Furthermore, with regard to Japan, where utilization of hybrid cloud structures combining internal ICT systems and cloud computing is standard, we are confident that the opportunity to collaborate with the Net One Group, which is well-versed in the application of products and services and fully capable of adapting this application to meet the unique needs of Japanese companies, represents a significant advantage.

Given these circumstances, the Net One Group will pursue new business models while strengthening relationships with vendors and customers to accelerate its shift toward services. By enhancing these relationships and establishing ecosystems for the development of managed services and other optimal solutions, we can ensure our ability to efficiently provide impeccable systems with higher uptime rates.

Moving forward, the Net One Group will combine the best of its technologies to create system architecture (overall pictures) and create new value together with its customers and vendors, thereby further strengthening these relationships.

Examples of ecosystem construction targeting new value co-creation

