



# net one report

**Integrated Report**

**2022**

# Unleash the Potential of People and Networks

In order to solve social challenges and achieve continuous growth, we reexamined our value in society, and renewed our philosophy system with our new Purpose, “Unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen.” Under our new philosophy system, all employees will share our values, and work to accelerate growth in the same direction.

## Renew our philosophy system to solve social challenges through ICT utilization

In April 2022, we announced Our Declaration of the Net One Group as our new philosophy system, which consists of our Purpose, Mission, Vision, Values, and WAY (Code of Conduct) to solve social challenges through ICT utilization.

### Our Declaration of the Net One Group

#### Purpose

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

#### Mission

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

#### Vision

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

#### Values

People: I will proudly fulfill my duties honoring my loved ones  
Governance: I will strive to take socially responsible behavior  
Social: I will work with customers to create and promote values for society  
Environment: I will work to create a better future for all

**WAY**  
(Code of Conduct)

## Leverage our tradition

Network technology is the source of our competitive strength, which has been handed down from generation to generation since the time of our founding. As the importance of digitalization to solve various social challenges is growing at an accelerating pace, networks, which are our strengths, have become indispensable for digitalization, and serve as a powerful engine for problem solving.

## Make innovations

As a leading network company, we have responded to needs for digitalization as they have changed with the times, and contributed to the transformation of our customers and greater society. Digitalization is now the core of business transformation for many companies. We will become a strategic business partner in the process of our customers' business transformations, and work together with them to achieve customer success and solve social challenges.

## Create the future

Our value is in connecting people with each other as well as with society, and unleashing new possibilities as "TAKUMI" ("masters" or "experts" in English) with expertise in critical assessment for ICT. We will create a prosperous future together with our stakeholders, in order to solve social challenges and achieve sustainable growth.

## WAY

WAY is our Code of Conduct, and is a clear statement of "the basics of how we think, decide, and act in the course of our business." It expresses the actions we actually take to realize what is important to us by linking Purpose, which is our will and cause, and Values, which are our values.



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# Net One by the Numbers

## Major achievements in fiscal 2021

Related page [P.25](#) Chapter 2: Growth Strategy

### Service ratio

# 44.5%



Accelerate the shift to services and achieve customer success

### ROE

# 15.8%



Maintaining a high level of capital efficiency

## Major materiality KPIs

Related page [P.17](#) Chapter 1: Materiality

### Solving social challenges Solution revenue

FY2024

# 30.0 billion yen



### Train personnel for the next generation

Security personnel  
CISSP holders

FY2030 **80** persons

Registered Information  
Security Specialist (RISS)

FY2030 **100** persons

Cloud personnel

Front divisions

FY2030 **up 50%**

DX personnel

Corporate divisions

FY2030 **up 150** persons

### Editorial policy

From this fiscal year onwards, we will publish the "Annual Report" under the name of the "net one report," with the purpose of informing all stakeholders of the Net One Group regarding our growth strategies, value creation, and sustainability management concepts and initiatives aimed at realizing our Purpose. In "net one report 2022," the Officer in charge explains the strategy and outlook of the current Medium-Term Business Plan that started in fiscal 2022, based on our newly formulated Purpose. The report also introduces value creation through customer success, materiality identification and initiatives, and a feature article on corporate culture reforms. In addition, the separate "Sustainability Data Book 2022" comprehensively covers non-financial information, including ESG performance data. In this report, figures for financial results from fiscal 2014 to fiscal 2019 have been restated to reflect the revisions that were made to past financial results disclosed in December 2020.

### Notes on included matters

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

### Operating margin

# 8.9%



High value-added business and improved productivity

### Customer satisfaction

# 78.2%



Changed the survey policy in pursuit of higher customer satisfaction\*

\*From fiscal 2021, the survey policy has been changed with the aim of "Clarifying the gap between the Company's vision and customer expectations, as well the factors behind it."

### Ratio of Independent Outside Executive Directors

# 66.7%



Two of our Outside Executive Directors are women  
An Outside Executive Director serves as the Chairman of the Board of Directors

Resolved to transition to a company with an Audit & Supervisory Committee in March 2022, approved at the General Shareholders Meeting in June

### Percentage of male employees taking childcare leave or special leave for childbirth

# FY2030 90%



### Ratio of female managers

# FY2030 15%



### Ratio of female new graduate hires

# FY2030 50%



### Reference guidelines

Ministry of Economy, Trade and Industry:  
Guidance for Collaborative Value Creation

International Integrated Reporting Council (IIRC)  
The International <IR> Framework



### Disclosure tools for financial and non-financial information

**"net one report 2022"**: An integrated report comprising content focused on the importance and story lines of our value creation and sustainability.

**"Sustainability Data Book 2022 (SDB)"**: A data book focused on the completeness of non-financial information such as reports on ESG initiatives.

### 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.



# We are looking to build a corporate image that will serve as a role model, as the next step beyond our corporate culture reform.

Last year, when I assumed the position of President & CEO, I stated that my mission was to build a framework to support both business growth and stronger governance. To fulfill this mission, in fiscal 2021, we restructured the Net One Group philosophy system as the cornerstone of our corporate culture reform, and formulated a Medium-Term Business Plan (from fiscal 2022 to 2024; hereinafter, the “current Medium-Term Business Plan”) to realize our philosophy. During this three-year period, in which we will establish the foundation for our continued growth, we will work to strengthen our business base through “corporate culture reform,” “thorough visualization,” and a “personnel strategy,” while promoting each of our growth strategies as well as sustainability.

## Establishment of a new philosophy system

**We will create a new Net One, with organizations and associates who share our “Purpose.”**

In April 2022, we announced Our Declaration of the Net One Group as our new corporate philosophy system, which consists of our Purpose, Mission, Vision, Values, and WAY (Code of Conduct). We have replaced our corporate philosophy with the Purpose, which is positioned as the aspiration of the Net One Group, to serve as the basis for continuously confirming our stance on everything from business activities and management decisions to the way in which each employee should conduct themselves.

In formulating our Purpose, we aimed for it to represent a cause that our employees could relate to. We started with a discussion of how society would be affected if the Company ceased to exist, and then went back as far as the business plan at the time of our establishment to deeply pursue our strengths and winning strategies. What was the purpose of establishment of Net One Systems? Has the current Company inherited the will that existed at the time of its

establishment? Was the strategy and organization appropriate at that time, in response to changes in the external environment? We have repeatedly discussed the true meaning of our existence. What we realized during these discussions was the existence of the “network,” which is an essential element in the use of digital technology and the starting point of us. Our strength is our “network.” This is how the word “network” came to be included in our Purpose.

We considered the process of establishing the corporate philosophy system itself through corporate culture reform, and the management team played a central role in the development of the Purpose, Mission, and Vision, while employee volunteers played a central role in the development of the Values and the WAY. The new Declaration of the Net One Group is the result of reconciling the direction that management is aiming for with the will and values of the employees. In this process, I have come to realize the employees’ attachment to the Company, their sense of unity, their understanding of what they should do, and their high level of motivation. I am convinced that these intangible energies are assets of us and will serve as the engine for our future growth.

## Medium- to long-term vision

**As a leading network company, we aim to be a company that moves society forward in a better direction.**

We believe that the most important aspect of our medium- to long-term vision is the establishment of a clear and firm position as a leading network company. While most major system integrators have manufacturers or user companies as their parent companies, we are an independent company, and are unbound. In other words, we can create and change not only our business, but also our corporate culture and corporate governance. We are not bound by fixed ideas or



**Takafumi Takeshita**

President & CEO  
Net One Systems Co., Ltd.

conventional wisdom, and we will strive to challenge all our possibilities, as a leading network company.

What are the strengths that enable us to take on these challenges? Specifically, these strengths comprise our “Expertise” and our “Customer-oriented (Customer success) perspective,” which is part of our DNA. We focus on supporting our customers throughout their lifecycle and emphasizing the “feeling of effectiveness” that comes from more than simply proposing and implementing solutions, while also making efforts toward constant improvement to provide even greater value. Our source of value creation stems from our high level of expertise to carry out these tasks, as well as the personnel with a standpoint of customer success, who always solve problems ahead of time, thereby contributing to the business of our customers. In addition, we are also building a development system for standardizing and automating such fully customized cutting-edge case studies and expanding them laterally for new proposals. We believe they will represent an even greater strength in the future. In the current Medium-Term Business Plan, we have positioned standardization and automation as one of our service strategies.

We are promoting “visualization” to acquire further strengths. This is an essential tool for quickly gaining an understanding of matters at hand and sharing them with all employees. Considering the problems of conventional “visualization,” which was complicated and lacked an adequate management system, we will be able to accelerate management decision-making by gaining a timely understanding of the data and facts. Timely “visualization” will contribute greatly to voluntary actions and activities by employees, and we believe that making such a culture the norm will lead to stronger governance and prevent the recurrence of scandals.

In the long run, the industry will inevitably face a shortage of personnel, and one of the most important themes is how to secure personnel. One of our goals is to be a company that has an abundance of personnel who possesses the expertise and will to move society forward in the right direction, and to be a place where people can grow through their involvement with the Net One Group.

### Sustainability management

#### **We will promote sustainability management that links contributions to social challenges to business growth.**

Based on the Sustainability Policy formulated last year, Net One has identified four materialities (key challenges) that we will address: “Realization of a safe and secure advanced information society,” “Thriving professional personnel,” “Contribution to a decarbonized society,” and “Maintaining and enhancing a governance structure for sustainable

growth.” Going forward, we will position sustainability as the cornerstone of our management strategy.

As with the aforementioned “Values” and “WAY,” our materialities were based on deep employee-led discussions on the linkage between our business and social challenges. One of the means of solving issues such as decarbonization, declining birthrates, and an aging population is to utilize digital technology, and networks are indispensable for achieving this aim. In other words, while our business creates the social infrastructure of networks, it is also connected to social challenges and can serve as a powerful engine for building a new social infrastructure. We believe that an essential aspect of employee engagement is that they themselves recognize that our business is connected to social challenges, and that this is directly related to “Unleash the potential,” as stated in our Purpose.

On the other hand, if we simply make vague claims about how we can “solve problems using the power of the network,” our progress will slow. Accordingly, we moved one step further, in discussing what issues exist behind phenomena such as climate change and declining birthrates. We clarified what we could achieve with the power of networks to realize a prosperous future and identified areas where we could contribute. An awareness of social challenges also enhances the connection between employees and society. We continued to communicate to our employees the importance of exploring challenges further, in order to gain an essential understanding of why networks can solve social challenges. The fact that we were able to share this awareness with our employees during the materiality identification process was a major achievement.

In the current Medium-Term Business Plan, we have identified “Digital government,” “Social infrastructure to realize Society 5.0,” and “Smart manufacturing,” which contribute to solving social challenges such as “Regional revitalization,” “Declining birthrates and an aging population,” and “Decarbonization,” as related focus areas that are closely related to the focus markets and focus models we have been promoting to accelerate our business growth. To realize a sustainable society, we will leverage our strengths in these areas to solve social challenges, while at the same time ensuring economic viability and business growth. This is our approach to sustainability.

### Strengthening governance

#### **In addition to reforming our Board of Directors, we will transform our executive structure.**

We are continuing our efforts to strengthen governance. In fiscal 2022, we established the Governance and Corporate Culture Advisory Committee as an advisory body to the Board of Directors, through the integration of the existing Internal Control Enhancement Council and Corporate



“ We will leverage our strengths to solve social challenges, while at the same time accelerate business growth. ”



Culture Reform Committee. In addition, the Company transitioned to a company with an Audit & Supervisory Committee, to enhance the independence and objectivity of the Board of Directors, and to further strengthen the supervision of business execution. After the transition, the Board of Directors will include six outside executive directors among a total of nine directors and will be chaired by an outside executive director.

Furthermore, to strengthen governance, it is essential not only to reform the supervisory function which is centered on the Board of Directors, but also to strengthen the executive function. In order to reform our organizational structure and authority, we have appointed a Chief x Officer (CxO) as a functional manager in each area and positioned them as a CxO Team to execute management strategies. The CxOs provide direction and guidance as the chief executive officers of Net One in their respective areas of responsibility, while the executives run the organization under their direction, and the Board of Directors supervises and monitors them. Although executive officers may view the CxOs as their superiors, it is important to recognize that execution and supervision do not comprise a supervision-subordinate relationship, and that the roles of the two are different. By instilling this awareness, it will be possible for the executive function to deal with business management challenges that should essentially be handled by them, and for the Board of Directors to engage in higher-level, substantive discussions. By clarifying the authority, roles, and responsibilities of the executive officers and higher positions, rather than simply strengthening the formal

governance system, the perspectives of the executive officers will be broadened, which in turn will lead to a broadening of the perspectives of general managers and below, leading to the improved functionality and growth of the organization as a whole. This is the form of corporate governance that we are aiming for.

Although our starting point was to prevent recurrence, my vision is to promote these measures and make them truly effective, so that we can become a role model for governance.

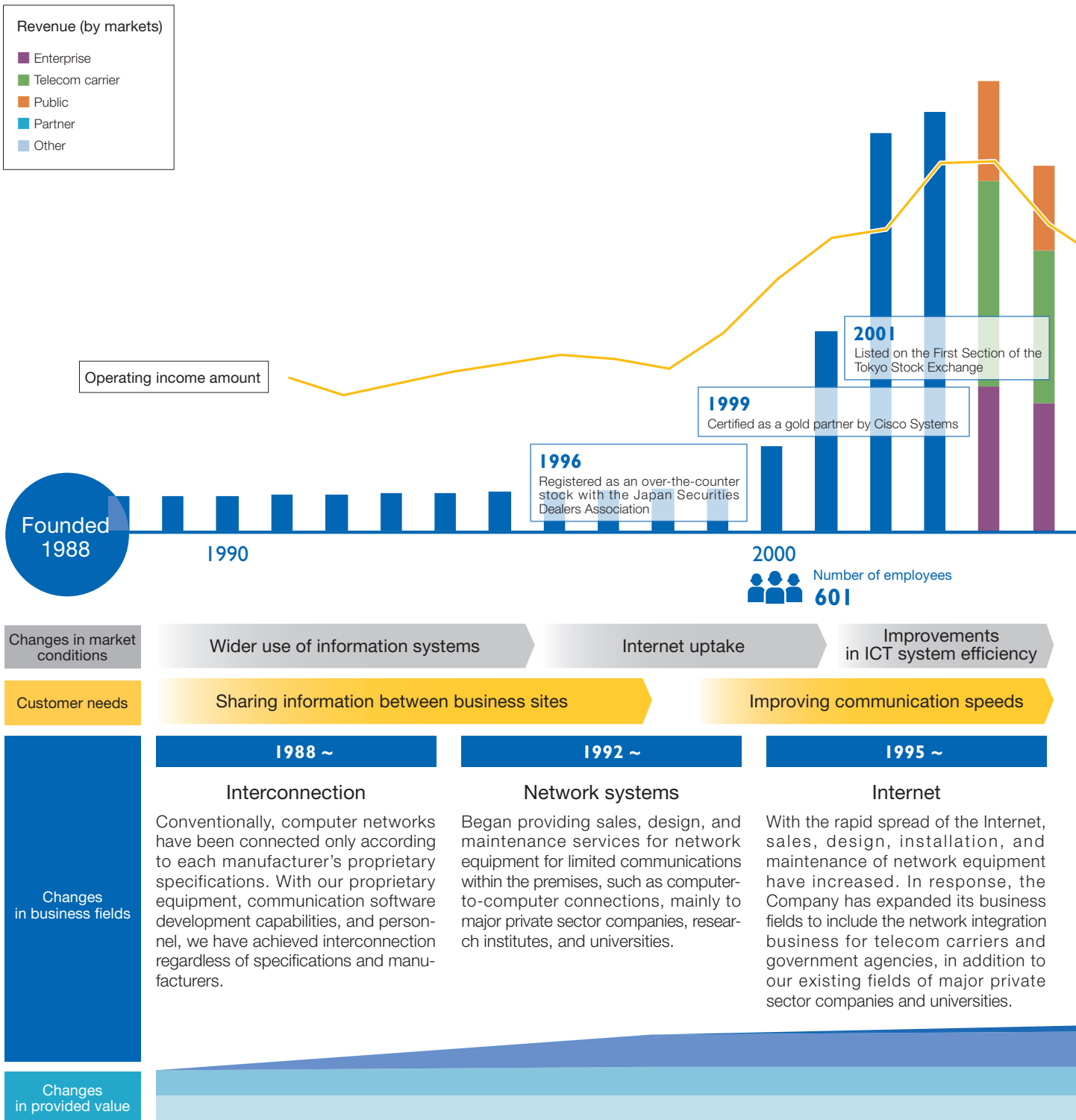
Over the past year, we have had many conversations in the process of promoting corporate culture reform, and we have come to believe in the direction of our business, the strategies and tactics for achieving reform, and the vision we are aiming for. The market is continuing to grow, and we have the foundation in place to grow as a company.

Everyone, from top management to each employee, is now working together to transform our corporate culture. What we are looking forward to is further business growth and the creation of a corporate image that will serve as a role model, in all aspects. Part of the WAY drafted by our employees states that, “Remember the failure of arrogance.” I am confident that one day, we will be able to look back and say that Net One was able to evolve because we overcame the failure of arrogance and united further to work as one. We would greatly appreciate your support as we move forward with strong resolve.

# Corporate History

Net One Systems was established in 1988 as a specialist network installation company, focusing initially on the procurement and sale of routers, switches and other ICT equipment.

Since then, we have continued to grow in response to the evolution of ICT and changing customer needs, using our advanced network technologies as a point of difference, while extending our business reach from networks into all areas of ICT platforms, such as cloud systems, security and IoT.



**2022-2024**  
Current Medium-Term Business Plan

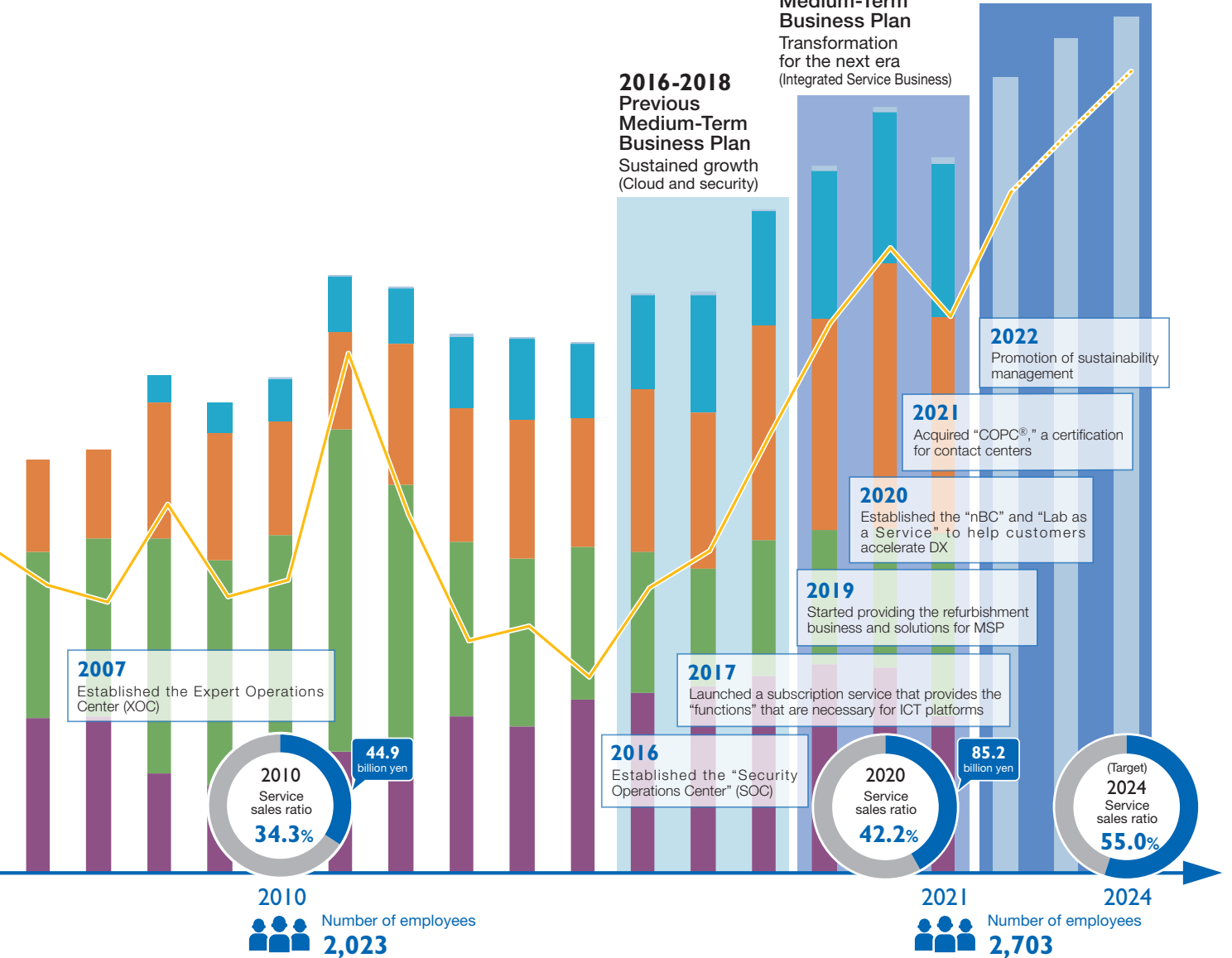
Executing our growth strategy and strengthening our business base, with the aim of realizing our new philosophy system (Shift to services)

**2019-2021**  
Previous Medium-Term Business Plan

Transformation for the next era (Integrated Service Business)

**2016-2018**  
Previous Medium-Term Business Plan

Sustained growth (Cloud and security)



ICT utilization becomes central to business reform

ICT utilization

2008 ~

**Virtualization**

The Company has focused on virtualization as a new technology for pursuing efficiency. By utilizing the characteristics of virtualization technology, which presents various advantages including the effective use of ICT assets, flexibility in adding capacity, and power saving, the Company strived to expand its business to major private sector companies, government agencies, and local governments.

2011 ~

**Cloud & Security**

By leveraging its network know-how, the Company has shifted to a business style that provides total solutions, including the installation of servers and cloud systems for client companies. The Company had also begun to focus on security, such as countermeasures to prevent information leaks through networks.

2016 ~

**Digitalization**

ICT utilization has expanded rapidly, and the Company has transformed itself to play a central role in business reforms. The Company is creating new added value, in response to the growing importance of network technologies that safely connect all kinds of products and services as its business field continues to expand.

Strategy support

Systems optimization

Maintenance / Operations

Hardware sales

# Review of Operations

The Group proposes integrated systems and measures to accelerate new ICT utilization, with a focus on large-scale companies and government agencies that are working on business model transformations and work style innovation utilizing ICT, with the aim of strengthening competitiveness. We have expanded our scope to support general ICT platforms, such as support for cloud systems and cyber security measures. We also provide services ranging from proposing grand designs for the installation of next-generation systems, to establishing efficient systems that optimally combine a variety of products, as well as services that support the entire lifecycle of systems.

## Expansion of our business fields centered on networks

We have leveraged our strengths in networks, and expanded our business fields in line with the increase in demand for ICT utilization.

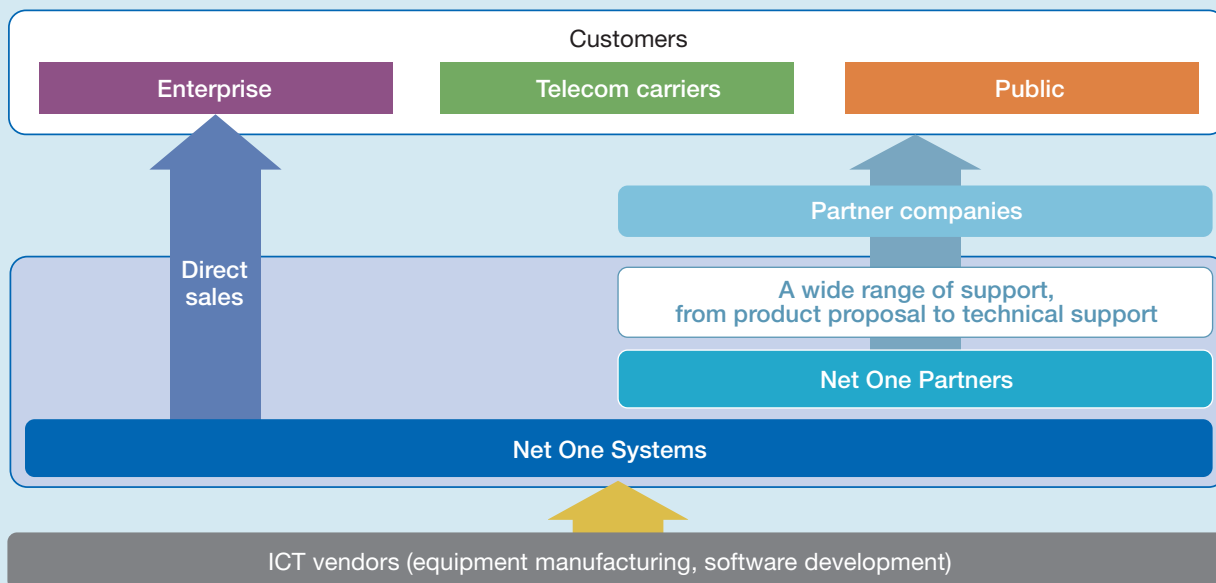
In recent years, new roles are being sought for networks along with the rise of the cloud computing. Such roles include the provision of required ICT resources as needed, such as CPUs, memory, disks, etc., which are built into servers and storage. Accordingly, we provided more server/storage functions via networks, and thus expanded our business fields. As for cyber security measures, the most effective method to prevent the spread of infections and information leaks is to detect and contain the movements of network intruders. It is precisely due to the advanced network technology we possess that we are able to create much differentiation and added value.

Currently, the ICT platform itself is expanding into multi-cloud systems that utilize a combination of private and public clouds. Networks are also essential for connecting clouds safely and functionally, and the Group's business fields are continuing to expand.

## Characteristics of our business segments

The Group's business is broadly divided into four segments based on the industry of the customers they serve. The composition ratio of each segment is well-balanced, at roughly 20% to 30%.

In the enterprise, telecom carrier, and public markets, we provide customers with solutions from system proposals to various services under a direct sales model. In the partner business, we are conducting a resale business that sells products and services through collaboration with system integrators who undertake all-in-one information system outsourcing. In addition to the conventional direct sales model, we also engage in co-creation with telecom carriers and partner companies, and provide support for corporate groups. We are working to acquire a diversified market, by making efficient proposals to customers who are difficult for us to approach directly.



FY2021 Revenue **188.5** billion yen



\* Note that the sum of the above percentages does not add up to 100%, due to other business segments that are not included in the reportable segments (the Global business segment, etc.).  
 \*1. From fiscal 2022, the ISP industry has been reclassified from the enterprise market to the telecom carrier market. Changes have been applied to these figures.

	Key markets / sectors	Strengths and characteristics
 <b>Enterprise market</b>	<b>Manufacturing / non-manufacturing / finance</b> <ul style="list-style-type: none"> <li>● Cloud systems</li> <li>● Security measures</li> <li>● Work style innovation</li> </ul> <p><b>Focus areas</b>                      Smart manufacturing, social infrastructure to realize Society 5.0</p>	<ul style="list-style-type: none"> <li>● The enterprise business has built up a high level of trust with customers after many years of providing high-quality network systems.</li> <li>● Backed by that trust, we share with customers the Group's knowledge and experience of utilizing ICT. Our approach allows customers to use cloud systems, reinforce security and implement work style innovation in a more flexible and practical way.</li> </ul>
 <b>Telecom carrier market</b>	<b>Telecom carriers / ISP <sup>*2</sup></b> <ul style="list-style-type: none"> <li>● Service platforms</li> <li>● Corporate business</li> </ul> <p><small>*2. ISP: Internet service providers</small></p> <p><b>Focus areas</b>                      Social infrastructure to realize Society 5.0, digital government, and smart manufacturing</p>	<ul style="list-style-type: none"> <li>● Extensive track record in the design and installation of large-scale networks</li> <li>● Strong position in multivendor product integration and automated system operation, backed by advanced network design capabilities</li> </ul>
 <b>Public market</b>	<b>Local governments / education / universities, research centers / social infrastructures / healthcare</b> <ul style="list-style-type: none"> <li>● Cloud systems</li> <li>● Security measures</li> <li>● Campus networks</li> </ul> <p><b>Focus areas</b>                      Digital government, social infrastructure to realize Society 5.0</p>	<ul style="list-style-type: none"> <li>● Consulting services that help customers clearly identify the challenges they face</li> <li>● Optimization of the full ICT lifecycle, from design, installation and maintenance to operation, optimization and in-field improvement of ICT platforms</li> </ul>
 <b>Partner business</b>	<b>System integrators</b> <ul style="list-style-type: none"> <li>● Specializes in collaboration with partner companies</li> <li>● Network</li> <li>● Cutting-edge ICT equipment and related solutions</li> </ul> <p><b>Focus areas</b>                      Social infrastructure to realize Society 5.0, digital government, and smart manufacturing</p>	<ul style="list-style-type: none"> <li>● Handles a wide range of products from overseas</li> <li>● Provides quality assurance, technology verification and value-added services such as proposal support and system maintenance</li> </ul>

\* Revenue for external customers is used in revenue by segment presented on this page and in Chapter 4.

# Net One in All These Places

The Group's solutions and services are utilized in various places and situations where they support social infrastructure.

We are working to achieve our materiality of "realizing a safe and secure advanced information society," by leveraging our strengths in network technology to connect society and contribute to ICT utilization.

**Enterprise market**

**Main contribution scenes**

- Offices** Remote working / Zero trust
- Factories** Smart factories
- Construction** Smart buildings
- Logistics** Smart logistics

**Zero trust security**

Properly authenticate incoming users, in order to allow only legitimate access.

- Authenticate by user / group
- Authenticate by device / OS
- Authenticate by place / time
- Authenticate by action history

Ground security

Offices, Mobile, Homes, Factories

**Telecom carrier market**

**Main contribution scenes**


- Service platforms** ICT Platform Security Cloud
- Corporate business** Access control solutions MEC / edge cloud

**Examples of the cloud service platform business**

Realizing a safe Internet connection environment with high-performance security

**net one**

Supporting the installation of cloud service infrastructure → Corporate cloud services provided by telecom carriers → Corporate customers




Public market

### Main contribution scenes

- Local governments Security cloud, strengthening the information security  
Digitalization of business processes / Local government CRM
- Educational institutions School systems / GIGA schools
- Hospitals Work style innovation, telemedicine  
Hospital Wi-Fi / Security

### Examples of reviewing local government security measures


Strengthening security measures in consideration of enhancing efficiency and convenience



*Juki Net*  
(Basic Resident Ledger Network)

Affairs using the individual number system


Separation



LGWAN

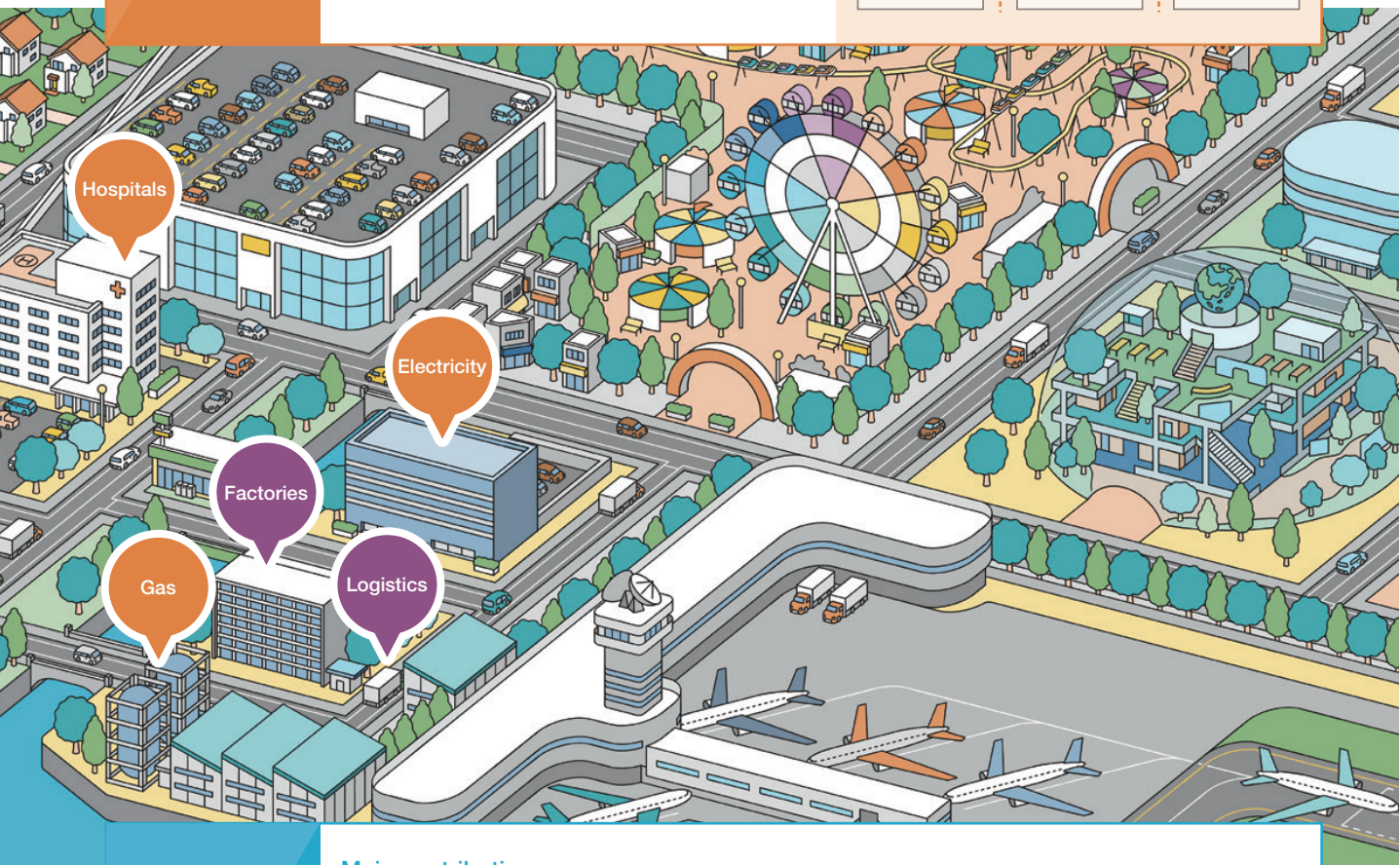
LGWAN connection system


Separation



The Local Government Information Security Cloud

Internet connection system



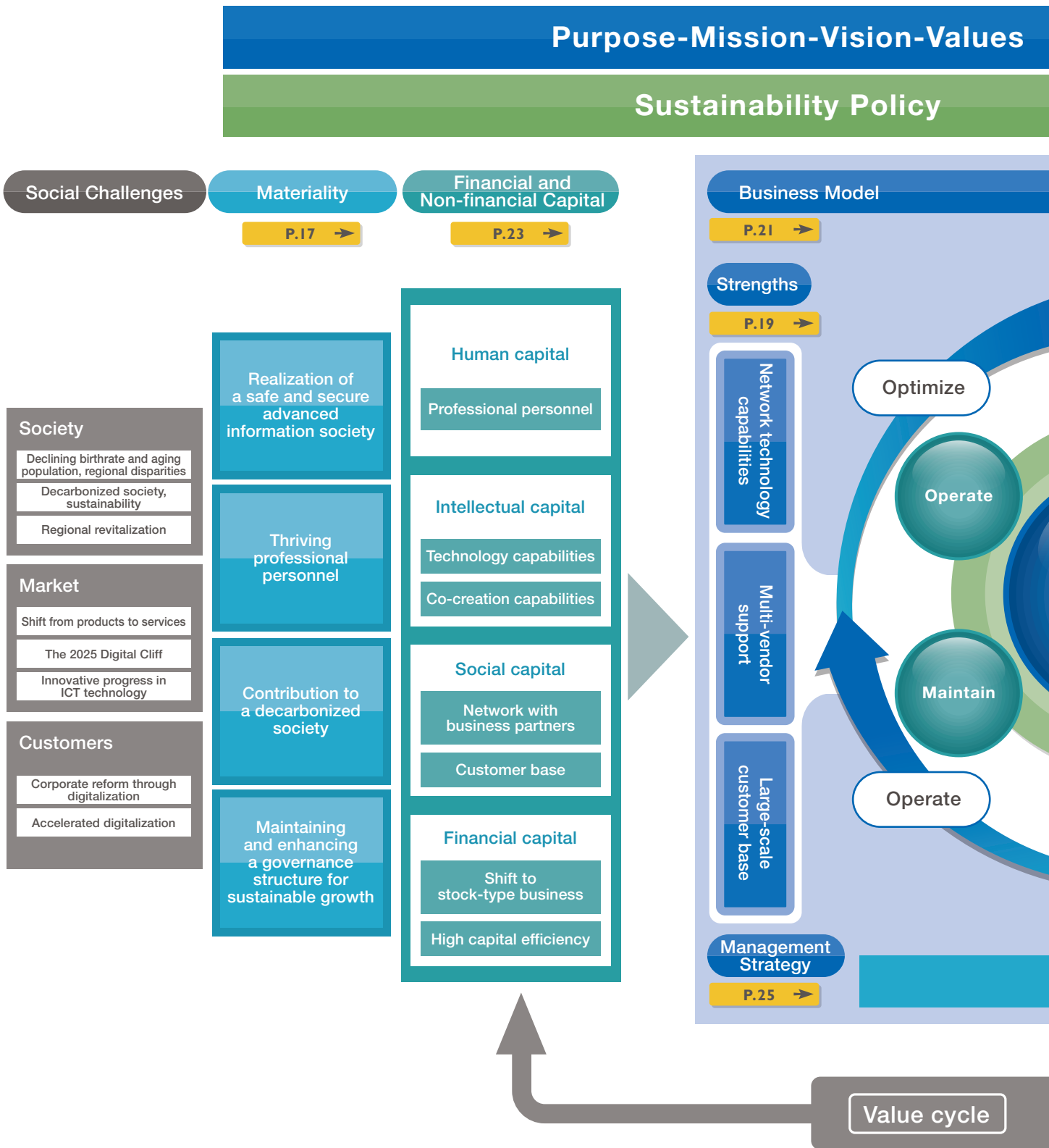


Partner business

### Main contribution scenes

<span style="background-color: #2980b9; color: white; padding: 2px 5px; border-radius: 3px;">Logistics</span> Supply chains	<span style="background-color: #2980b9; color: white; padding: 2px 5px; border-radius: 3px;">Education</span> GIGA schools
<span style="background-color: #2980b9; color: white; padding: 2px 5px; border-radius: 3px;">Manufacturing</span> Smart factories	<span style="background-color: #2980b9; color: white; padding: 2px 5px; border-radius: 3px;">Social infrastructures</span> Smart cities
<span style="background-color: #2980b9; color: white; padding: 2px 5px; border-radius: 3px;">Personnel services</span> Talent management systems	<span style="background-color: #2980b9; color: white; padding: 2px 5px; border-radius: 3px;">Healthcare</span> Wearables
<span style="background-color: #2980b9; color: white; padding: 2px 5px; border-radius: 3px;">Retail</span> Digital marketing	<span style="background-color: #2980b9; color: white; padding: 2px 5px; border-radius: 3px;">Entertainment</span> AR / VR e-sports

Based on our newly formulated Purpose, we will use our network as our strength to achieve customer success and create social and corporate value.





With newly formulated Purpose: “Unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen,” we provide solutions and services that support customers through their entire ICT lifecycle by leveraging the network that we have built since our founding. We will contribute to solving social challenges and create social and economic value through achieving customer success.



**WAY**

P.I. →

Market

P.I. →

Plan

Propose

Lifecycle services

Design / Install

Project management

Build

Enterprise market

Telecom carrier market

Public market

Partner business

Achieve customer success

Solve social challenges

Social Value / Economic Value

**Social Value**

- Responding to the declining birthrate and aging population
- Regional revitalization
- Realizing a decarbonized society
- Customer business success
- Realizing a rewarding society
- DX personnel training
- Maximizing shareholder value



**Economic Value**

Current Medium-Term Business Plan Indicators

Revenue
Operating margin
Service ratio
ROE

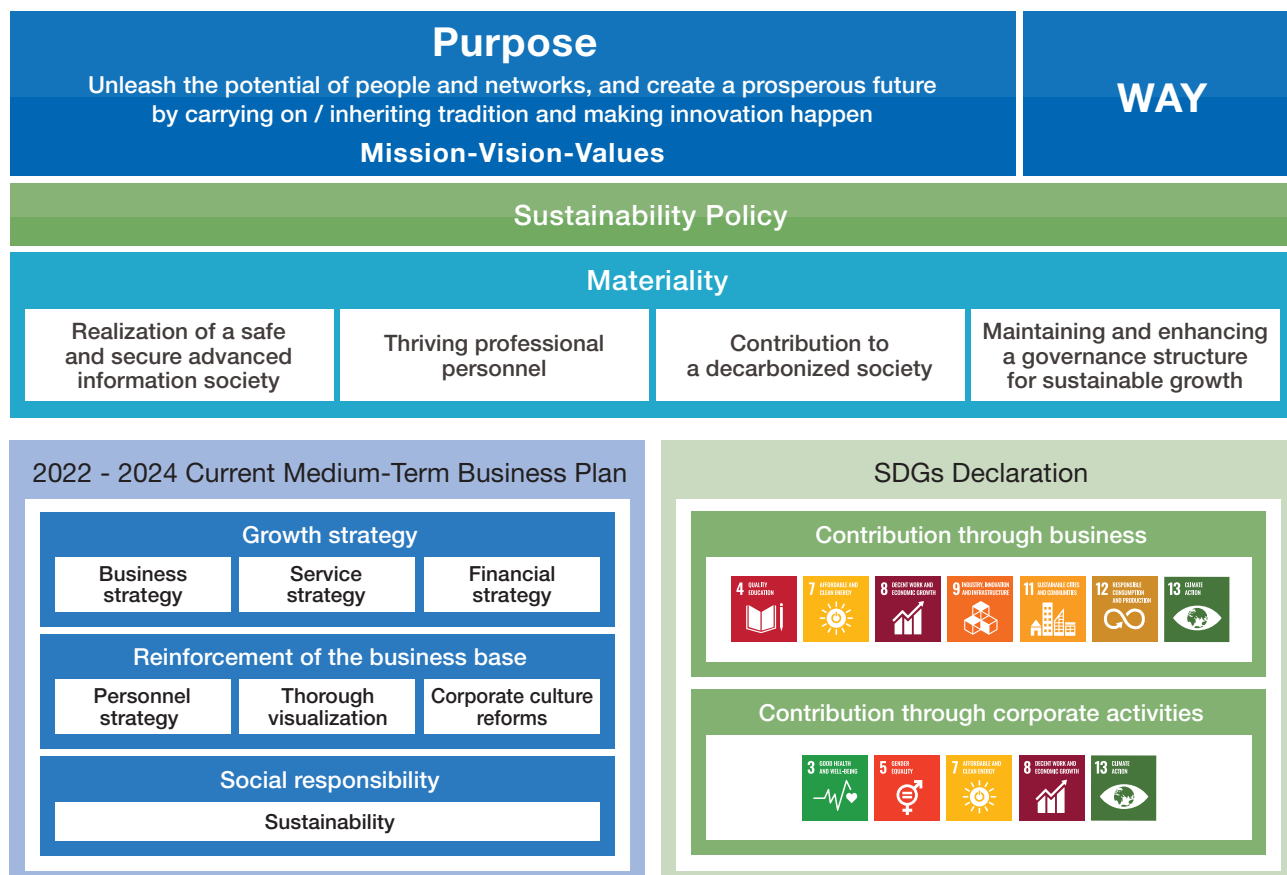
Current Medium-Term Business Plan

Reinvesting to strengthen capital

# We will identify opportunities and risks for sustainable growth as materialities, in order to promote sustainability management.

## Overview of Sustainability Management

We have identified materialities as key challenges for sustainable growth, based on our corporate philosophy system, including our Purpose, and sustainability policy. Materialities are incorporated into specific initiatives in our current Medium-Term Business Plan and SDGs Declaration.



## Positioning and identifying materialities

We have assigned an order of priority to opportunities and risks for our sustainable growth, based on their degree of impact on both business growth and solving social challenges, and have identified four challenges of particularly high importance as materialities.

Realization of a safe and secure advanced information society	Thriving professional personnel	Contribution to a decarbonized society	Maintaining and enhancing a governance structure for sustainable growth
Initiatives Policy	Initiatives Policy	Initiatives Policy	Initiatives Policy
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.	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.	We will address climate change by both reducing greenhouse gas emissions through business, and reducing the environmental impact of our own business processes.	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.

In order to further promote sustainability management, we identify challenges of high importance as materialities from the perspective of opportunities and risks for sustainable growth, then set KPIs, and manage progress. In addition, we announced our contribution to the SDGs through our materiality initiatives in our SDGs Declaration.



## Materiality KPIs and Contribution to SDGs

Realization of a safe and secure advanced information society			
	Theme 1	KPI	SDGs
<b>Provide solutions and services by challenge and domain</b>	We aim to grow our business and realize a sustainable society, by providing social challenge-solving solutions and services, centered on the three focus areas of the current Medium-Term Business Plan: Digital government, Society 5.0, and Smart manufacturing.	<ul style="list-style-type: none"> <li>Revenue of social challenge-solving solutions (three focus areas of the current Medium-Term Business Plan) Fiscal 2024 target: 30.0 billion yen</li> </ul>	
	Theme 2	KPI	SDGs
<b>Expand and promote the service business</b>	As the ICT market reaches a major turning point, we will accelerate our shift to a business model centered on the service business, in order to achieve sustainable growth over the medium to long term.	<ul style="list-style-type: none"> <li>Service ratio Fiscal 2024 target: 55%</li> </ul>	
Thriving professional personnel			
	Theme 1	KPI	SDGs
<b>Train IT personnel for the next generation</b>	<p>In order to become more competitive in the solutions services for business growth, we will strengthen the training of security personnel and cloud personnel, and also focus on the acquisition of DX skills with the aim of strengthening the functions of our corporate departments.</p> <p>We will also contribute to the training of future ICT personnel by providing learning opportunities that utilize Net One's intellectual property, for students who will lead the next generation.</p>	<ul style="list-style-type: none"> <li>Security personnel (parentheses show the number of personnel as of March 2021) CISSP certification Fiscal 2030 target: 80 (22) Security specialists Fiscal 2030 target: 100 (41)</li> <li>Cloud personnel (parentheses show the number of personnel as of March 2021) Front department Fiscal 2030 target: 50% increase in cloud personnel (232)</li> <li>DX personnel (data analysis qualification holders) Corporate division Fiscal 2030 target: 150 people increase Business improvement proposals: 100 (cumulative total from Fiscal 2022 to 2030)</li> <li>Train ICT personnel for the next generation Expanding next-generation IT personnel training programs through industry-academia collaboration</li> </ul>	
	Theme 2	KPI	SDGs
<b>Promotion of diversity and inclusion</b>	We will strive to improve productivity and promote creation of innovation by developing environments and systems that allow diverse personnel to recognize each other and make the most of their individual qualities.	<ul style="list-style-type: none"> <li>Ratio of female managers (parentheses show the number of personnel as of March 2021) Fiscal 2030 target: 15% (6.5%)</li> <li>Ratio of newly hired female graduates (parentheses show the number of personnel as of March 2021) Fiscal 2030 target: 50% (35.5%)</li> <li>Male employees taking paternity leave and special leave for childbirth Fiscal 2030 target: 90%</li> </ul>	
Contribution to a decarbonized society			
	Theme 1	KPI	SDGs
<b>Reduce greenhouse gas emissions through business</b>	We will both contribute to realization of a decarbonized society and achieve growth of our own company by developing and providing "green solutions" that contribute to reducing greenhouse gas emissions in our customers and society.	<ul style="list-style-type: none"> <li>Expansion of green solutions Develop and expand solutions and services that contribute to reducing greenhouse gas emissions in our customers and society.</li> </ul>	
	Theme 2	KPI	SDGs
<b>Reduce emissions in the business processes of our Company</b>	We will strive to reduce risks caused by climate change by reducing emissions in our own business processes and supply chains.	<ul style="list-style-type: none"> <li>Expansion of sales of low power consumption products and services Reduce CO<sub>2</sub> emissions per purchase / selling price, focusing reduction efforts on the purchase and sale of products and services, which account for the majority of CO<sub>2</sub> emissions.</li> </ul>	
Maintaining and enhancing a governance structure for sustainable growth			
	Theme 1	KPI	SDGs
<b>Foster the corporate culture and enhance internal controls</b>	We will foster a corporate culture that embodies the new Net One, as well as strengthen internal controls, including measures to prevent the recurrence of scandals.	<ul style="list-style-type: none"> <li>Conduct an annual employee awareness survey as part of our efforts to foster the corporate culture (Future disclosure of survey results planned)</li> <li>Progress report on recurrence prevention measures The operational status of recurrence prevention measures is reported on our website once every six months.</li> </ul>	
	Theme 2	KPI	SDGs
<b>Realization of Health and Productivity Management®</b>	We will work on health and productivity management to maintain the physical and mental health of our employees, which is essential for business growth and continuation.	<ul style="list-style-type: none"> <li>Certification as an Outstanding Organization of Health and Productivity Management Fiscal 2024 target: Be a Certified Health and Productivity Management Organization (METI system)</li> </ul>	

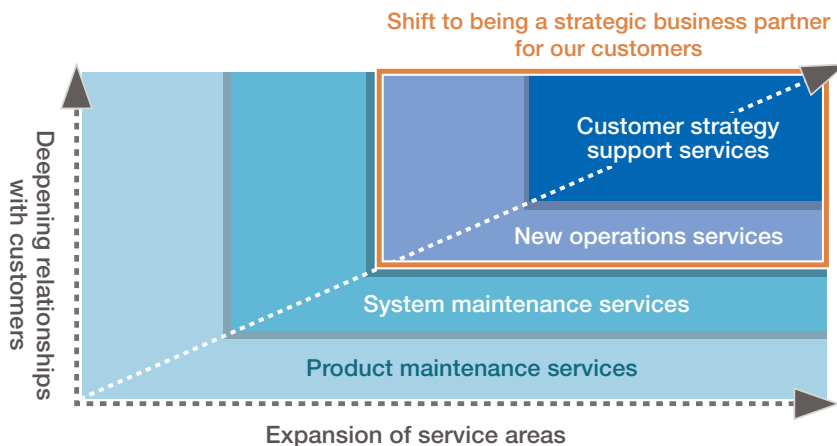
We aim to achieve a higher level of customer success and become a strategic business partner for our customers, by leveraging our strengths and developing our services.

### Achieving a higher level of customer success by developing our services

As a strategic business partner of our customers, we will pursue further development of our services based on service strategies and focus areas of our current Medium-Term Business Plan, in order to achieve a higher level of customer success.

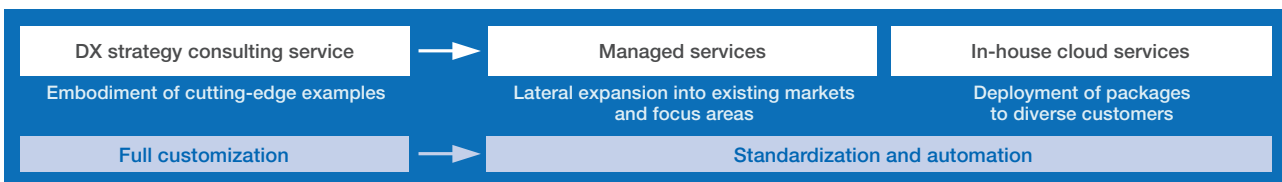
#### Net One's ideal lifecycle services

We will expand the range of proposals, from conventional services including design, installation, and maintenance, to include operation and optimization of systems overall, so that we can support formulation of ICT platform strategies as a strategic business partner of our customers.



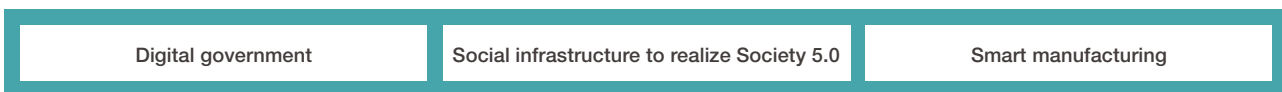
#### Net One's service strategy

We will apply our achievements and knowledge of providing ICT platform which we have accumulated so far, in order to achieve system standardization and automation, and realize improvements in "the utilization of ICT by customers," by linking business strategies to cutting-edge technological knowledge.

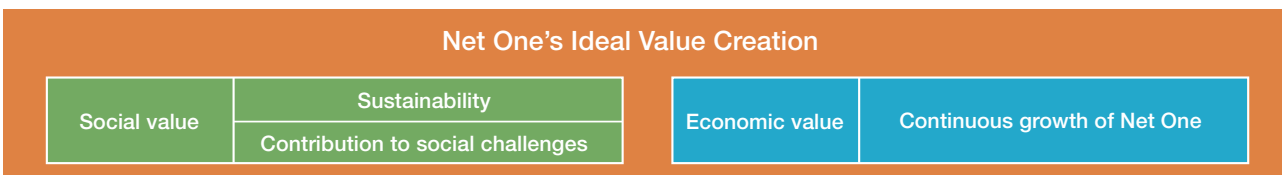


#### Net One's Focus Areas

We will accelerate business growth in three focus areas adjacent to existing businesses, in order to contribute to solving social challenges.



#### Evolution of customer success



The Group provides services to customers that support them through their entire ICT lifecycle, thereby realizing customer success. This also creates social value, such as by contributing to solving social challenges, and creating economic value that leads to our growth.

We are working to develop services that enable advanced customer success, with the aim of being a business partner that supports customers in formulation of ICT platform strategies.

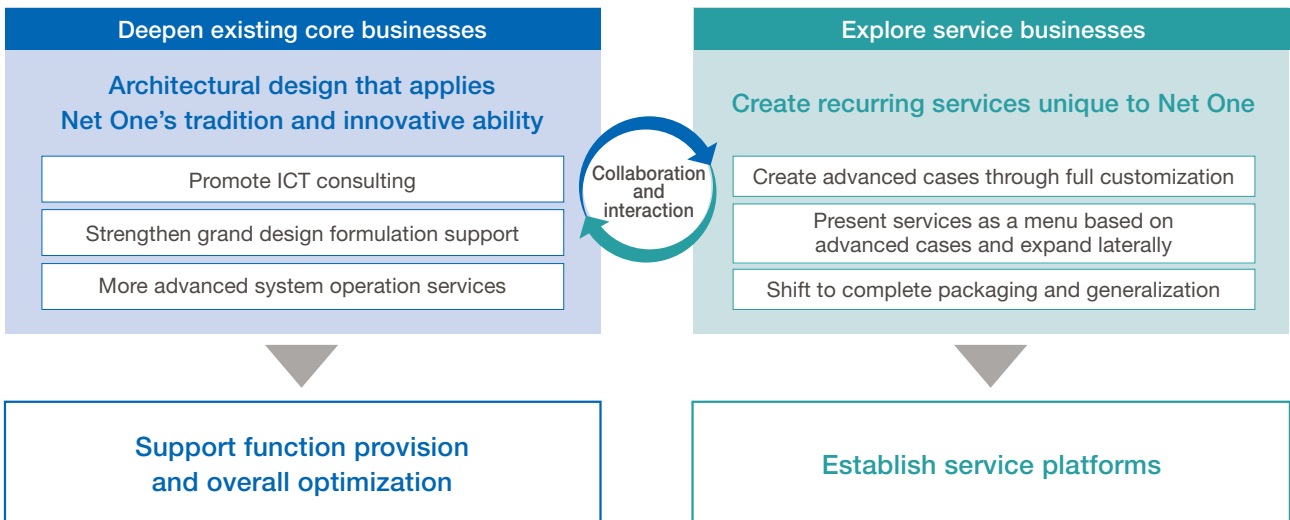
**Measure 1 | Acquire and demonstrate strengths**

Acquire and demonstrate new strengths to further shift to services, by using our expertise in critical assessment that we have cultivated

Our strength is our expertise in critical assessment		Strengths to be utilized and acquired in the future	
<b>Network technology capabilities</b>	<ul style="list-style-type: none"> <li>As a pioneer of Network Integrator in Japan, we have unparalleled technology and knowledge in the network field</li> <li>Specializing in the ICT infrastructure required by all companies, enabling the lateral deployment of technology</li> </ul>	<b>DX enablement capabilities</b>	<ul style="list-style-type: none"> <li>Ability to make proposals and respond to the business challenges of our customers, leading to the achievement of solutions together</li> <li>Requirement definitions with a comprehensive view of business support that goes beyond ICT specifications</li> </ul>
<b>Multi-vendor support</b>	<ul style="list-style-type: none"> <li>Offers optimal solutions for customers, with no affiliations to a single vendor or corporate group</li> <li>Capable of providing optimized, cutting-edge solutions due to our extensive knowledge of the latest network equipment from overseas</li> </ul>	<b>Expertise</b>	<ul style="list-style-type: none"> <li>Develop and provide the latest and best solutions in the networking field, in response to increasingly complex technologies and customer needs</li> </ul>
<b>Large-scale customer base</b>	<ul style="list-style-type: none"> <li>Strong relationships with large-scale customers and accumulated know-how in diverse range of industries</li> </ul>	<b>Standpoint of customer success</b>	<ul style="list-style-type: none"> <li>Expansion of post-implementation lifecycle services (planning, building, operation, and optimization)</li> <li>Realization of customer success by linking DX enablement capabilities, expertise, and lifecycle services</li> </ul>

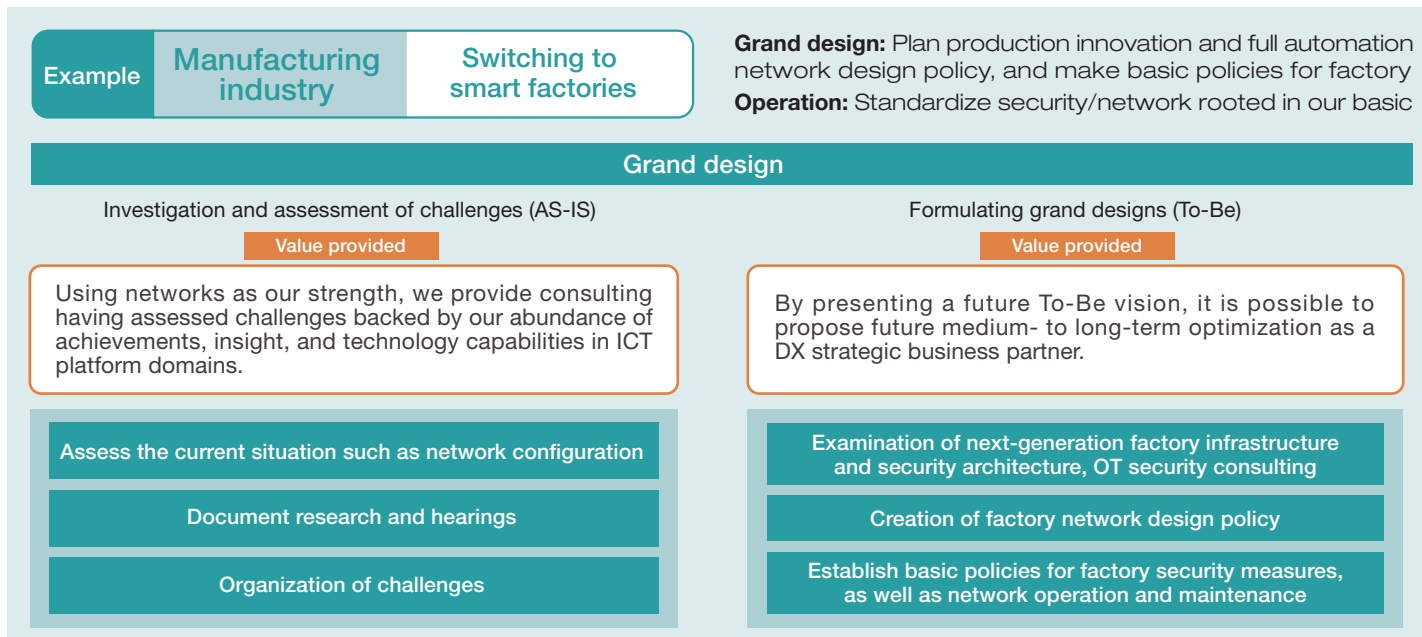
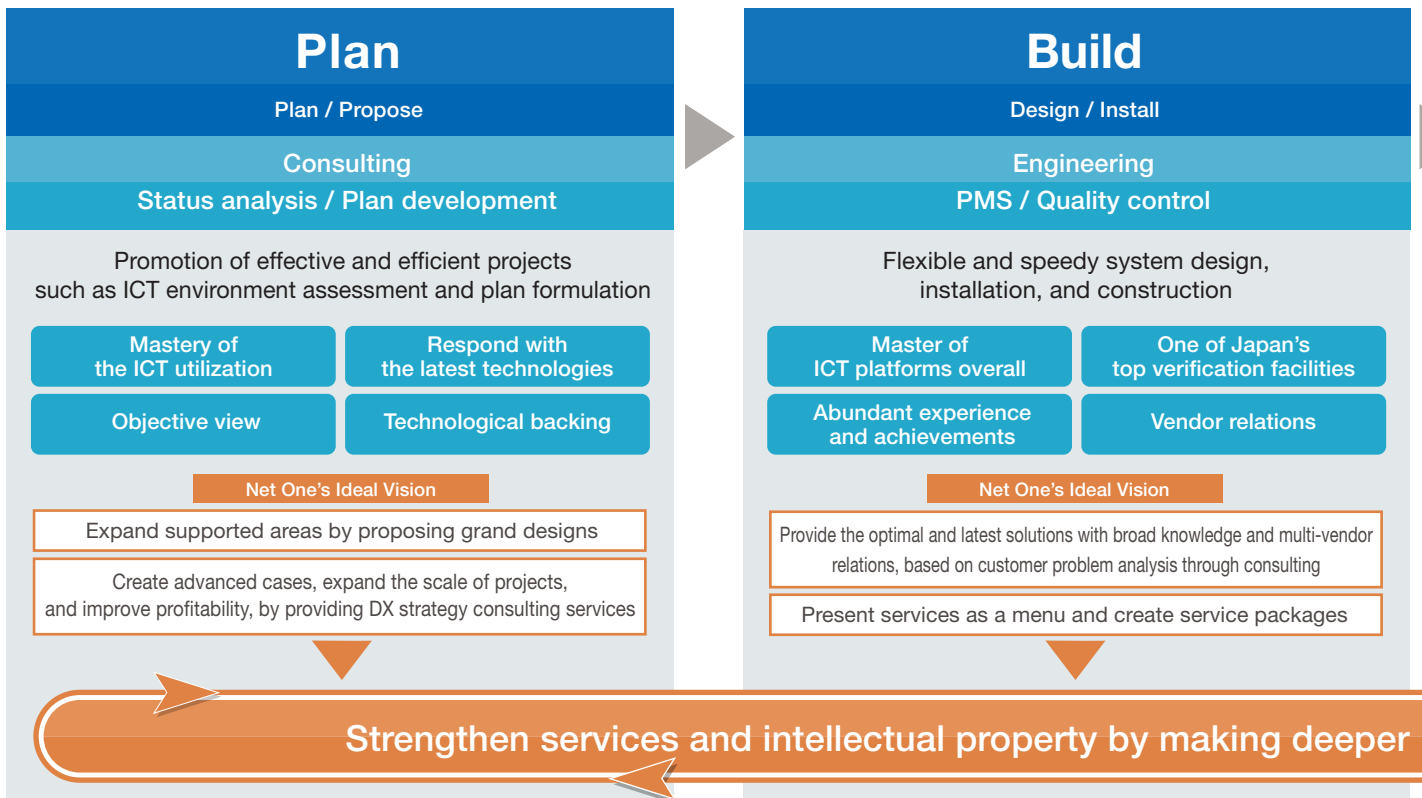
**Measure 2 | Deepen existing core businesses and explore service businesses (Shift to services)**

Create new value by shifting from existing core businesses to services  
 Establish function-providing services and platforms, and strengthen stock-type businesses



# We provide a wide range of services that support the entire ICT lifecycle and guide our customers to optimization.

The Group supports the entire ICT lifecycle, through a process in which we plan/propose, design/install, operate/maintain, and optimize. We provide optimal solutions and services that leverage our strengths in combining cutting-edge technologies, including networks. We are building deeper relationships with our customers through a process of proposals aimed at overall optimization, from improving operations to formulating medium- to long-term grand designs.

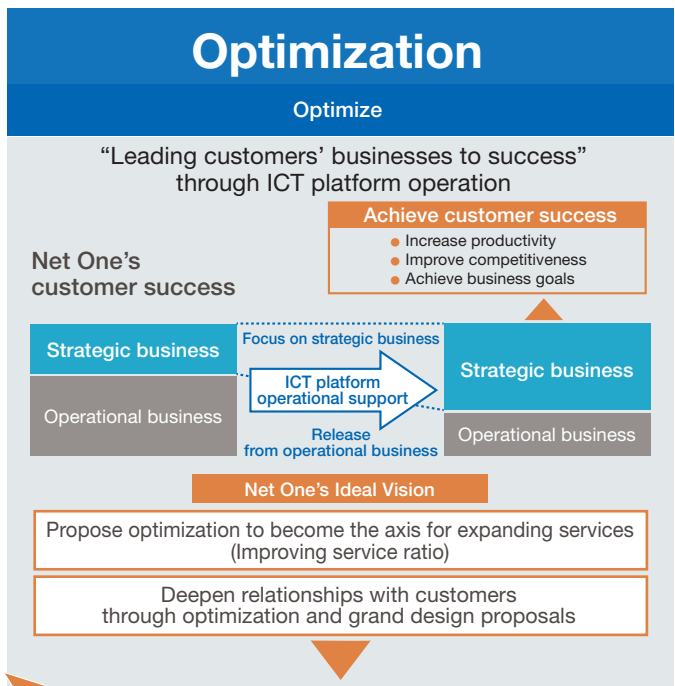
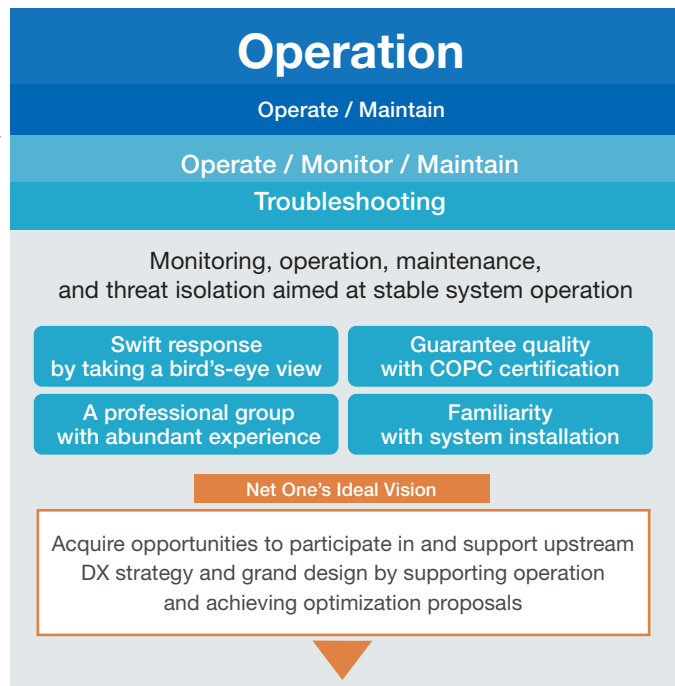


### Features of Net One's business model

ICT platforms that run applications are important for demonstrating the performance of ICT solutions. While many applications are industry-specific, ICT platforms have many requirements that are common to different industries, even if their demands differ, and the integration of technologies enables lateral development of highly functional and stable systems.

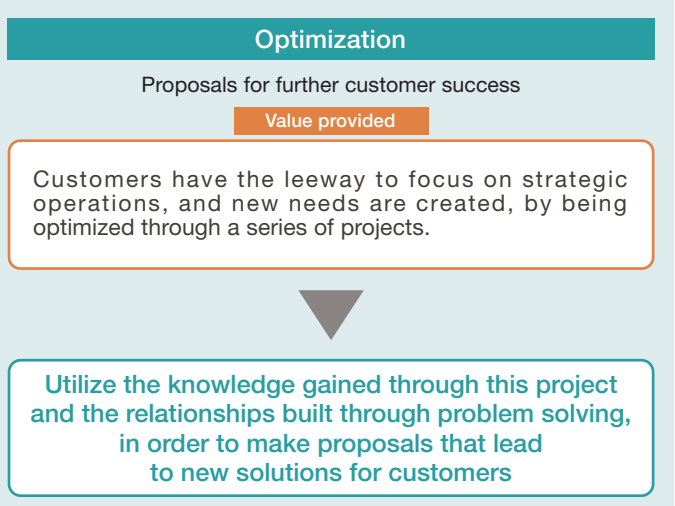
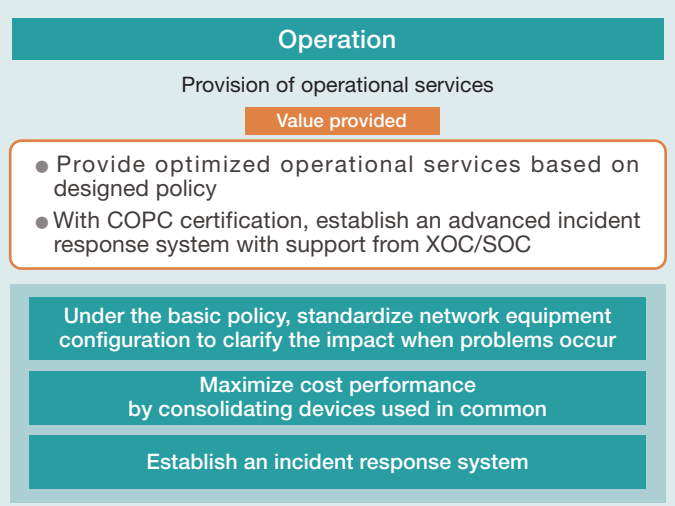
As the digitalization of society progresses at an accelerating pace, and all manner of products and people become connected, we support safe and secure utilization of ICT based on the strengths of network technology.

We continuously deepen and develop our relationships with our customers by providing the optimal system for them as a service, and by proposing everything from operational improvements to grand designs for the next system.






relationships with customers and accumulating know-how and data

(smart factory) along with renovation of factories. In anticipation of many production facilities getting connected, create a security measures, and to operate and maintain factory networks. policy. Install an advanced incident response system and maximize cost performance.



We work to strengthen management capital that supports value creation, in order to build a stronger management foundation.

	 Management capital	 Professional personnel	 Technology capabilities
<b>Definition of capital</b>	<p>We have accumulated experience of successes and failures in our own business, and we use this as know-how to provide solutions for our customers. All of our employees' knowledge and experience enables us to create added value, so our personnel is the source of our competitiveness.</p> <p>The defining features of our company's personnel are their consulting capabilities that enable them to follow projects from upstream to downstream aimed at achieving customer success, as well as their technology capabilities which cover a wide range of areas, including networks, and enable them to realize installation and operation.</p>	<p>One of our core competencies is network technology, which we have cultivated over many years since our founding as a company specialized in integration of network systems. In the future, as ICT technology develops, it will be more necessary to take robust security measures, so it is likely that there will be greater need for network technology.</p> <p>Because our company specializes not in business applications, but in ICT platforms which are indispensable to all companies, we improve efficiency by laterally deploying this technology.</p>	
<b>Specific examples and current status of capital</b>	<ul style="list-style-type: none"> <li>● Security personnel: CISSP certification 22 Security specialists 41</li> <li>● Cloud personnel: Sales staff: 46 Technical staff: 186</li> <li>● Percentage of female managers: 6.5%</li> </ul>	<ul style="list-style-type: none"> <li>● Technical staff: 1,500</li> <li>● XOC, SOC</li> <li>● "COPC®" certification</li> </ul>	
<b>Related materialities</b>	<ul style="list-style-type: none"> <li>● Train personnel for the next generation</li> <li>● Promote diversity and inclusion</li> <li>● Realize health and productivity management</li> </ul>	<ul style="list-style-type: none"> <li>● Provide solutions and services by challenge and domain</li> <li>● Expand and promote the service business</li> </ul>	
<b>Initiatives for strengthening</b>	<ul style="list-style-type: none"> <li>● Training security, cloud, and DX personnel (personnel strategy)</li> <li>● Providing opportunities to promote innovation creation (R&amp;D, innovation)</li> <li>● Industry-academia collaboration</li> </ul>	<ul style="list-style-type: none"> <li>● Promotion of netone DX</li> <li>● Development of personnel system</li> </ul>	



In our value creation process, it is essential to have management capital, such as personnel, technology, knowledge, and relationships of trust with customers and business partners. By strengthening these forms of capital, we will further strengthen our business models and strengths, and achieve greater value creation. We incorporate the strengthening of important capital into our management strategy as a materiality, and build a solid management foundation so as to further improve corporate value and achieve sustainable growth.



### Co-creation capabilities

We must be a strategic business partner that supports the ICT lifecycle of customers, from the making ICT investment plans to installation and operation of systems, as seen from the perspective of total optimization. To that end, it is essential that we develop mechanisms for effectively applying intellectual property, including the technology, know-how, and infrastructure we have accumulated so far.

In addition to providing high-quality services and solutions, we are working to expand our platforms for intellectual property utilization, so as to maximize their value.

- nBC (netone Briefing Center)
- Incubation Lab
- Gitlab
- netone on netone (Reference realization cases, etc.)
- LaaS (Lab as a Service)
- Business news, technical news

- Provide solutions and services by challenge and domain
- Expand and promote the service business

- Application of GitLab (R&D, innovation)
- Integration of engineering departments



### Network with business partners

Leveraging our position as a multi-vendor not constrained to specific manufacturers or capital groups, and based on trusting relationships with vendors, we devise combinations that identify the characteristics of products through a wide variety of collaborations and exchanges, so we can realize the optimal system for our customers from a neutral standpoint.

Based on our record of leading the network industry for many years, we have built a wide range of collaborative relationships, including work on product development, with top-class telecom carriers, general electronics manufacturers, automobile manufacturers, and integrators both in Japan and overseas.

- Awards from business partners
- Roles and functions of Net One Partners
- Record of collaborations with customers

- Provide solutions and services by challenge and domain
- Expand green solutions

- Partner CSR guidelines
- Compliance questionnaire



### Customer base

The top 100 companies account for slightly less than 80% of our revenue, and our client base is centered on Japan's leading private companies and public institutions. In these circumstances, we are in a position where we can work with customers who are proactively transforming their businesses with ICT, and create new mechanisms that take advantage of our strengths.

- Customer satisfaction survey results
- DX strategy consulting service
- Stock-type services
- Many customers who are responsible for infrastructure and other foundations of society

- Provide solutions and services by challenge and domain
- Expand and promote the service business
- Expand green solutions

- Customer satisfaction survey
- Network Academy
- Net One Blog
- Acceleration of services
- Expansion of services and solutions

2022 – 2024 Current Medium-Term Business Plan

# Review of the previous Medium-Term Business Plan and status of the current Medium-Term Business Plan

## 2016–2018

## 2019–2021

Concept and strategy

**Sustained growth**  
(Cloud and security)

**Transformation for the next era**  
(Integrated Service Business)

Improved our track record with cloud and security as our core business. Shifted from a hardware sales-oriented business to a business that includes highly profitable, added value services

Defined all of our activities for customers as an Integrated Service Business to create high added value, and supported the entire life cycle for the future vision of ICT. Expanded the scale of our projects and improved profitability

Results and challenges

**Results** Our cloud systems and network security service business contributed significantly to profit growth, and drove our overall growth. We made progress in the development of new markets, such as the transition to smart factories in the manufacturing industry, and managed services for telecom carriers, etc., as well as support for work style innovation. We also accelerated the shift to services by providing capital services and security services.

**Challenges** Customers' needs have changed from ownership of ICT equipment to solving management issues utilizing ICT. In order to respond to the shift from ownership to utilization, it is essential for us to shift our business model from hardware sales to service provision.

**Results** As digitalization accelerates, demand is growing for networking, security reinforcement, and cloud utilization. The Integrated Service Business accelerated due to increased proposals for ICT strategy grand design, as well as operation and optimization, and the co-creation business with customers progressed in managed services. We also implemented enhancements to the quality and efficiency of our operations, thereby enhancing productivity.

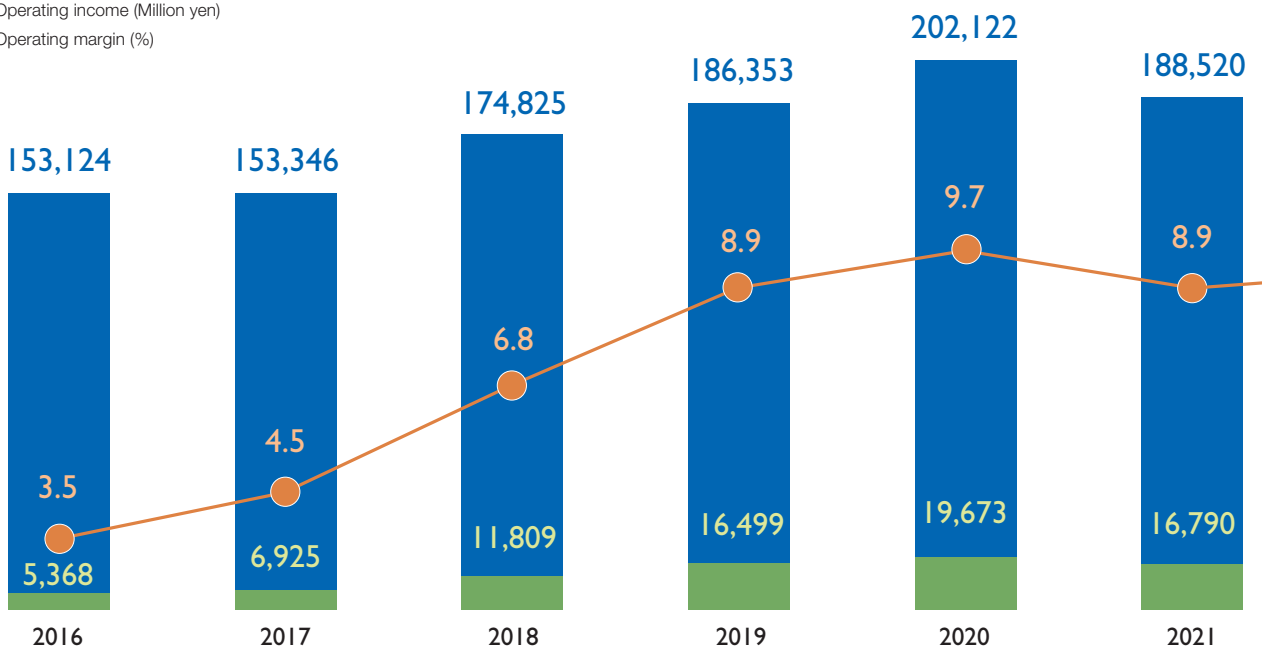
**Challenges** We strengthened our business base by preventing a recurrence of the failure of arrogance, as well as by implementing governance and corporate culture reforms. In order to achieve further growth, our challenges are to create solutions for solving social challenges, and to promote a stock-type business that achieves stable business growth as well as visualization of data.

	2016	→	2018
Service ratio (Revenue)	38.9%	→	42.6%
ROE	2.1%	→	12.8%

	2019	→	2021
Service ratio (Revenue)	42.8%	→	44.5%
ROE	15.9%	→	15.8%

Management indicators / Performance

■ Revenue (Million yen)  
■ Operating income (Million yen)  
● Operating margin (%)



We have implemented the previous Medium-Term Business Plan as a strategy for sustainable growth, in response to customer needs and an operating environment that have changed along with the progress of digitalization.

Based on a review of the results and issues of the previous Medium-Term Business Plan, which ended in fiscal 2021, we have formulated our new Medium-Term Business Plan, with the aim of expanding areas in which we provide value.

## 2022 – 2024

### For the current Medium-Term Business Plan

For a new Medium-Term Business Plan that enables us to leverage our superior technology capabilities and unique strength in assessing value, based on the results and challenges of the previous Medium-Term Business Plan, amidst a market environment where the importance of networks is growing

#### Changing demands

**Solving social challenges through digitalization**  
(decarbonization, a declining birthrate and an aging population, regional revitalization)

#### Evolution of technology

Cloud, AI / IoT, robots

#### Net One's perspective

A safe and high-quality network is the foundation for all aspects of business

#### Net One's strengths

World-leading network technology

Expertise in critical assessment

Integration capability

#### Opportunities in the previous Medium-Term Business Plan

Expanded business ICT investments and sustainability investments of customers

Expanding business opportunities through co-creation

Expanded customer contacts

#### Challenges in the previous Medium-Term Business Plan

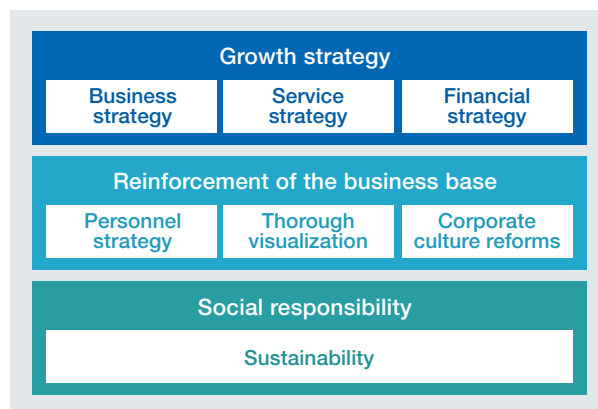
Governance and corporate culture

Promote stock-type business

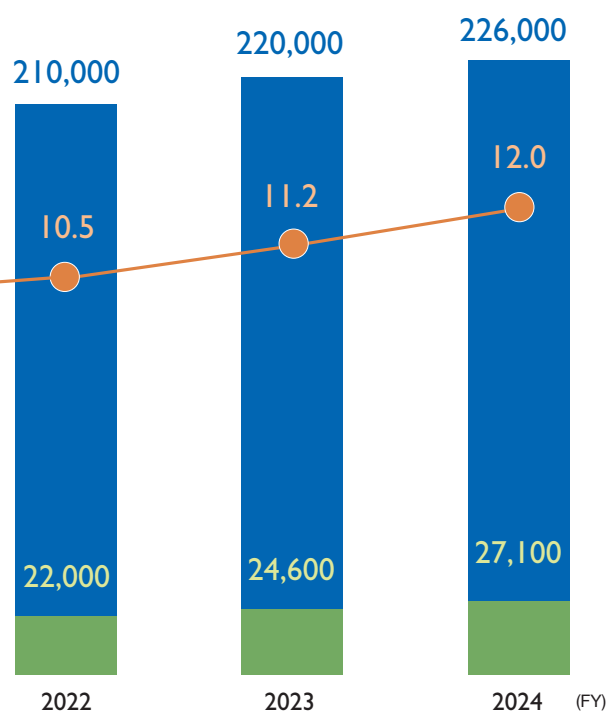
Data visualization

Executing our growth strategy and strengthening our business base, with the aim of realizing our new philosophy system (Shift to services)

Based on our new redefined philosophy system, we aim to further enhance our corporate value and achieve sustainable growth, by implementing growth strategies and reinforcing our business base to support these strategies



		2024
Performance targets	Service ratio (Revenue)	55.0%
	ROE	20.0%



2022 – 2024 Current Medium-Term Business Plan

# Overview of the 2022 to 2024 Current Medium-Term Business Plan

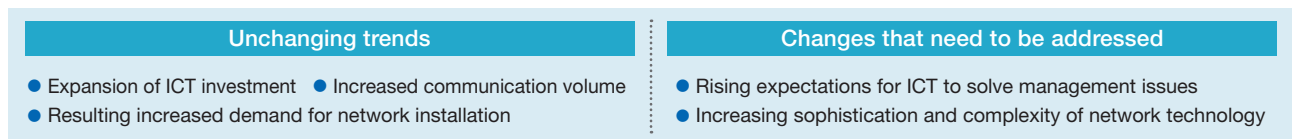
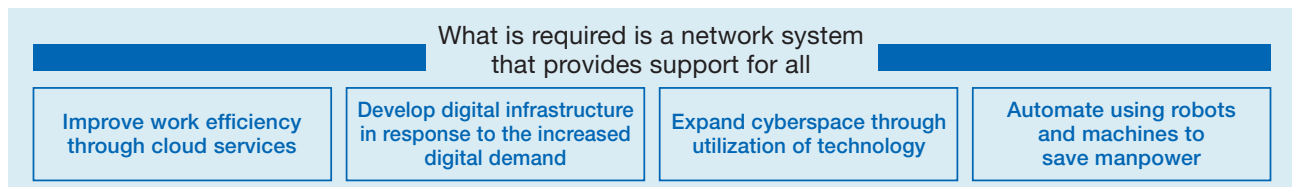
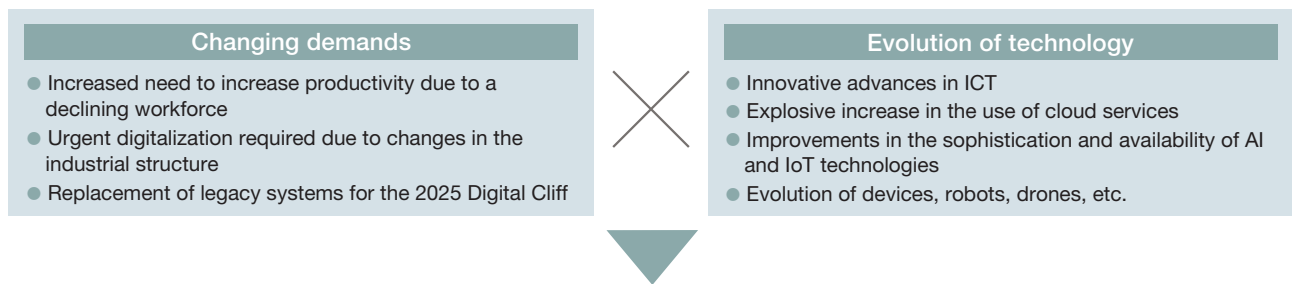
As the digitalization of society accelerates, networks and their security are growing in importance.

In light of our business environment and the challenges of our previous Medium-Term Business Plan, we formulated our current Medium-Term Business Plan with the aim of contributing to solving social challenges by applying world-leading network technology and achieving stable growth by accelerating the shift to service businesses.

## Our understanding of our external environment, opportunities, and challenges

### Awareness of current conditions

- Digitalization is progressing in all industries at an accelerating pace. Going forward, the network field, which is positioned at the core of digitalization, will become increasingly important.
- At the Company, we are making steady progress in capturing network-related demand. Although the shortage of semiconductors had a significant impact in fiscal 2021, we achieved the operating income target of the previous Medium-Term Business Plan, based on actual performance excluding the impact of the semiconductor shortage.
- Although some challenges remain regarding our internal control, business opportunities are expanding significantly.



### Opportunities

**Expanded business ICT investments and sustainability investments of customers**

Through deep relationships with customers, we have gained opportunities to participate in and support upstream DX strategies and grand designs, thereby expanding areas related to the business ICT investments and sustainability investments of our customers.

**Expanded business opportunities through co-creation**

We accelerated support for MSP through co-creation with service providers and others. Further business development is in sight, through standardization and automation.

**Expanded customer contacts**

Achieved an organization and working styles that maximize the quality and efficiency of sales representatives and engineers, thereby deepening and expanding our customer base

### Challenges

**Governance and corporate culture**

Multiple failures of arrogance occurred. The challenge is not only to prevent recurrence, but also to continuously reform the corporate culture itself, in order to build a stronger business base.

**Promote stock-type business**

Short-term revenue declined due to the spread of COVID-19 and delays in equipment delivery caused by the semiconductor shortage. The challenge is to promote stock-type businesses to enable stable management.

**Data visualization**

There were issues with the monitoring methods for revenue and business risks, in terms of speed and comprehensiveness, due to the inability of the management system to keep pace with the increasing complexity of the business structure.

## Basic policy and overall picture

Basic policy	
Reinforcement of the business base	<ul style="list-style-type: none"> <li>Install a solid management structure based on three pillars: corporate culture reforms, thorough visualization, and personnel strategy</li> </ul>
Growth strategy	<ul style="list-style-type: none"> <li>Expand our business fields by entering those that have a large potential for solving challenges faced by society through digitalization</li> <li>Link support for DX strategy formulation with the package provision of cutting-edge examples, in order to install a highly profitable service lineup</li> <li>Pursue an optimal capital structure, by balancing strategic business investment and proactive shareholder returns</li> </ul>
Performance targets	<ul style="list-style-type: none"> <li>Achieve the highest scale and profitability in our history, with revenue of 226.0 billion yen and an operating margin of 12%, while aiming for high capital efficiency with an ROE of 20% or more, by implementing our growth strategy</li> </ul>



### 2022 – 2024 Current Medium-Term Business Plan

Implement growth strategies toward our new redefined philosophy system  
(Purpose, Mission, Vision, Values),  
and reinforce our business base to support these strategies

#### Growth strategy

Business strategy	Service strategy	Financial strategy
Accelerating business growth in focus areas	Evolving the profit structure through business model reforms	Capital raising/strategic investment Shareholder returns

#### Reinforcement of the business base

Personnel strategy	Support management through the growth and success of our diverse personnel
Thorough visualization	Visualizing data to increase the speed of transformation
Corporate culture reforms	Fundamental reform of our corporate culture and organizational culture to prevent the recurrence of the failure of arrogance

#### Social responsibility

#### Sustainability

Performance targets	FY2022	FY2023	FY2024
Operating margin	10.5%	11.2%	12.0%
Revenue	210 billion yen	220 billion yen	226 billion yen
Service ratio	47.6%	50.0%	55.0%
ROE	19.2%	19.5%	20.0%

## Explanation of the Current Medium-Term Business Plan by the COO

We will steadily implement our growth strategies and reinforce our business base, to solve social challenges and achieve business growth.

Takuya Tanaka

Director,  
Executive Vice President, COO



## Summary of the previous Medium-Term Business Plan

## Successfully captured investment demand and improved customer relationships

In the past few years, DX initiatives have become a pressing management challenge in the markets we cover, without exception. With the current tailwinds in the market, the needs of our customers are firmly aligned with the values of our business propositions, and the business environment is favorable.

In this business environment, we achieved a total booking growth of 32.2 billion yen against the target of 25.0 billion yen in three focus markets and two new models, in our Medium-Term Business Plan ended in fiscal 2021 (hereinafter, the “previous Medium-Term Business Plan”). Support for the MSP business\* was the area with the greatest growth. Along with smart factories, where demand for DX in factories is expected to increase further in the future, growth is also expected in the new Medium-Term Business Plan which started in April 2022 (hereinafter, the “current Medium-Term Business Plan”). In addition, the acceleration of support for customers’ overall ICT infrastructure in the Integrated Service Business has led to opportunities to participate in and

support the formulation of DX strategies and grand designs, as a strategic partner.

Another achievement of the previous Medium-Term Business Plan that I would like to emphasize is the success of our work style innovation efforts, which further strengthened our relationships with our customers. The shortage of engineers is a major issue in the IT industry. With limits on manpower, we believe that it is important to respond efficiently in order to provide valuable services to our many customers. By implementing work style innovations for our engineers and utilizing digital tools, we have been able to respond efficiently and quickly to customer needs, and engage in better communication with our customers.

\*MSP: Abbreviation for Managed Service Provider. A solution that supports provider services with support from line connection to use. It is a business model that enables rollout of business to SMEs efficiently.

## Background of the formulation of the current Medium-Term Business Plan

## Reflecting management issues in the previous Medium-Term Business Plan

Based on the issues that were clarified in the previous Medium-Term Business Plan, the current Medium-Term

## Results of the previous Medium-term Business Plan

	Revenue	Operating income	Operating margin	Service ratio	ROE
<b>Performance highlights</b>	<b>188.5 billion yen</b> (target 220.0 billion yen)	<b>16.7 billion yen</b> (target 21.0 billion yen)	<b>8.9 %</b> (target: 9.5%)	<b>44.5 %</b> (target: 50.0%)	<b>15.8 %</b> (target: 16.8%)
<b>Growth strategy</b>	<b>Focus markets and new models</b>	<b>Target bookings:</b> +25.0 billion yen <b>Actual bookings:</b> +32.2 billion yen		<b>Healthcare:</b> Continued efforts aiming for DX, despite decreased investments due to the COVID-19 pandemic <b>School systems:</b> Progress in educational DX with the GIGA school concept <b>Smart factory:</b> Acceleration of DX in manufacturing factories <b>MSP support:</b> Progress in co-creation of services and support for group companies <b>Refurbishment:</b> Establishment of highly profitable and green businesses	
	<b>Integrated Service Business</b>	<b>Target service ratio:</b> 50 % <b>Actual service ratio:</b> 44.5 %		New initiatives to provide operational support to grand design proposals led to a growth in revenue in the service product group, which contributed significantly to the improvement in gross profit margin. On the other hand, the service ratio did not reach the target, as the product group also saw a simultaneous growth.	
	<b>Work style innovation 2.0/DX</b>	Significant progress has been made in efforts toward work style innovation, in conjunction with responses to the COVID-19 pandemic. On the other hand, DX saw a delay in progress, as priority was given to reestablishing policies and responding to failure of arrogance.			

Business Plan leverages our unique characteristics and sets forth various strategies to achieve further growth and reinforce our business base.

First is the promotion of stock-type business. Although our core business customers have been major firms, recently we have increased our business with SMEs, in line with the expansion of our support for MSP business. With the expansion of our customer base, we need a versatile service lineup to meet diversifying needs.

The service strategy of the current Medium-Term Business Plan focuses on the development of services that meet changing needs. We will leverage our past achievements to laterally expand cutting-edge case studies created through full customization, and deploy them as standardized services to a diverse range of customers. This will, of course provide added value to our customers, and it is also intended to expand our stock-type business and secure stable earnings.

Next is the visualization of data. It is essential for us to regard the data we have accumulated as a management resource for future growth, and to utilize it effectively in forecasting and analyzing business profitability and the effects of investing management resources, and managing the skill sets of our employees. Although we are currently in the phase of establishing a data sharing system, we hope to quickly move forward to the phase of utilizing data for management and business. In April 2022, we established a new specialized department called the Corporate Data and Analytic Office, which has begun their first measure of issue analysis, and this initiative is attracting a great amount of interest from our customers. If we are able to establish know-how in visualization, we can expect to generate business in the future.

Finally, we are reforming governance and our corporate culture. Up to now, we have positioned the strengthening of governance as an important management challenge, and we have been working to improve the effectiveness of the Board of Directors and accelerate decision-making. We have actively implemented reforms, including the transition to a company with an Audit & Supervisory Committee in June 2022. Going forward, we will continue to promote the ongoing reform of our corporate culture through the penetration of our newly formulated corporate philosophy system.

### Overall picture of the current Medium-Term Business Plan

#### Moving forward to the next stage by leveraging our strengths and steadily implementing the plan

The basic policy of the current Medium-Term Business Plan is to engage in efforts to execute our growth strategies and strengthen the business base that supports them. In a business environment where digitalization is becoming the

core of all industries, we will leverage our strengths in network technology capabilities, multi-vendor support, and expertise in critical assessment cultivated from our large-scale customer base.

As for our growth strategy, we will focus on areas where we can leverage our strengths, and where there is a large potential for solving challenges through digitalization, in order to both solve social challenges and accelerate business growth.

In our service strategy, we will continue to accelerate our shift to services. We will continue to evolve our service lineup by laterally expanding our experience in DX strategy consulting service and other full-customization services, to managed services and in-house cloud services.

With regard to our financial strategy, our three pillars are strengthening profitability, optimizing capital structure, and proactively returning profits to shareholders. We will pursue optimal shareholder returns through stock market valuations and dialogue with shareholders and investors.

As for measures to reinforce our business base, we have identified materialities and clarified the challenges that we must prioritize. In addition to reforming our governance and corporate culture and their thorough visualization, we will work to develop and utilize the professional personnel who are the source of our growth potential, and to create an environment in which employees who have a desire to grow can take on challenges without hesitation. To increase our presence in the market going forward, we intend to actively communicate the outstanding skills and advanced knowledge of engineers externally.

Although the market environment is favorable, future prospects still remain uncertain. However, this period can be seen as an opportunity for us to engage in thorough dialogue with our customers and have a series of substantive discussions regarding the ideal form of network.

We believe that our next stage will reveal itself if we steadily implement the strategies and measures set forth in the current Medium-Term Business Plan, without becoming complacent in the current market environment.



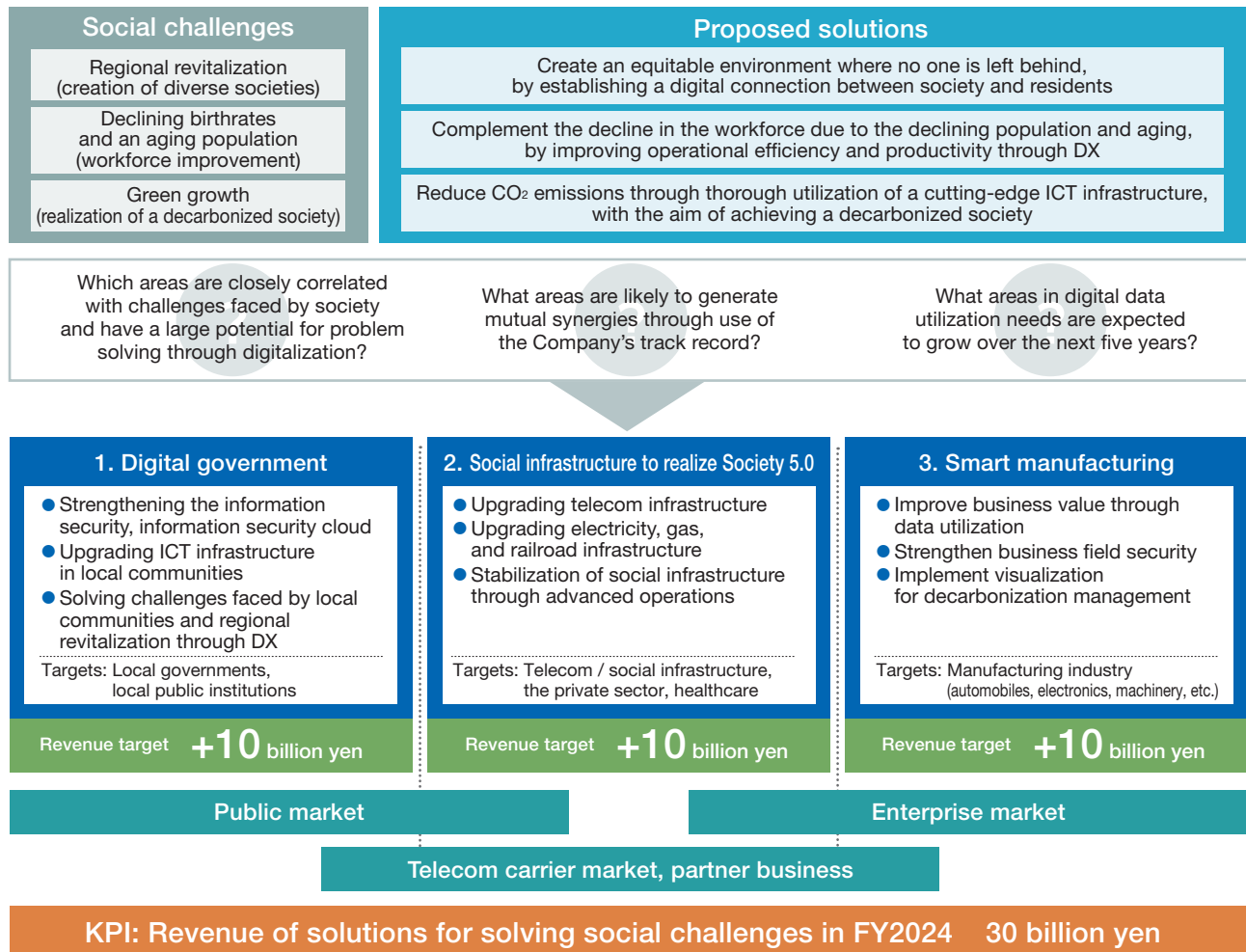
2022 – 2024 Current Medium-Term Business Plan

# Growth Strategy

Growth strategy policies and initiatives		
Accelerating the shift to services by turning social challenges into new business opportunities		
Business strategy	Service strategy	Financial strategy
Generate +30 billion yen of revenue in our focus areas	Expand our focused services and increase the service ratio to 55%	Formulation and execution of our financial strategies in line with a business shift to services
Focus on areas with a high demand for DX	Create cutting-edge examples and enhance efficiency through standardization and automation	
<ol style="list-style-type: none"> <li>Smart manufacturing: + 10 billion yen</li> <li>Social infrastructure to realize Society 5.0: +10 billion yen</li> <li>Digital government: +10 billion yen</li> </ol>	<ol style="list-style-type: none"> <li>DX strategy consulting service: Creating cutting-edge examples starting with consulting</li> <li>Managed services: Lateral expansion of the above cutting-edge examples</li> <li>In-house cloud services: Provide the full package of the above cutting-edge examples</li> </ol>	<ol style="list-style-type: none"> <li>Strategic investment: 30 billion yen level, to strengthen profitability</li> <li>Pursuit of an optimal capital structure</li> <li>Proactive shareholder returns</li> </ol>

## Business strategy

Accelerate business growth in three focus areas that are adjacent to existing businesses, to contribute to solving challenges faced by society





We will implement effective growth strategies under a co-creation system with our customers, in order to realize both social value and economic value.

Koji Tsuji

Executive Director  
CSO (Chief Strategy Officer)



### Summary of the business strategy in the previous Medium-Term Business Plan

#### Gaining a higher perspective on social challenges through co-creation with our customers

In the previous Medium-Term Business Plan that ended in fiscal 2021, we defined the markets and customers on which we will focus our efforts, and strengthened our relationships. As a result, we were able to foster relationships of trust, to the point that we were asked to play a role as a strategic partner, such as by formulating a grand design for a complete ICT platform and providing lifecycle support. One of our great achievements was that we learned to have a broad perspective, from facing social challenges and challenges at the forefront of our industry through our customers. We also took the opportunity to take steps toward contributing to solving social challenges, as set forth in the current Medium-Term Business Plan that started in April 2022.

As delayed digitalization is a major challenge in Japanese society as a whole, we were able to reaffirm the importance of networks, which support all aspects of digitalization.

### Business strategy in the current Medium-Term Business Plan

#### Accelerating co-creation with our customers beyond market barriers, using our networks as our strength

Amidst changes in society and markets, as well as various social challenges, there has not only been an evolution of technology, but also a shift of needs from things to services, in other words, from integration centered on network equipment to the provision of services. In light of this business environment, identifying the optimal method of expanding our business fields and improving our services became a challenge in our previous Medium-Term Business Plan.

The business strategy in the current Medium-Term Business Plan focuses on three social challenges: “Regional revitalization,” “Declining birthrates and an aging population,” and “Green growth,” which are common challenges in adjacent areas of our existing businesses. Because these are common challenges, we believe that we can make a high level of contribution with a high degree of feasibility, as we accelerate solutions. We have organized these three social

challenges in order to achieve both “social value” and “economic value,” and have defined three focus areas.

The first focus area is Digital government, the area of society which has the greatest room for growth in terms of digitalization. The second area is Social infrastructure to realize Society 5.0, and it is necessary for us to strengthen this area as the base for information infrastructure that supports society as a whole. The third area is Smart manufacturing. As digitalization progresses from the factory to the entire supply chain, there is a growing demand for the visualization of information, with the aim of strengthening security and decarbonization. Each of these areas requires both upgrading and strengthening of networks and security, which are two absolute strengths of the Company.

These social challenges are closely interrelated and cannot be solved by a single business. We will provide a co-creation service model that brings customers together, and also search for shortcuts to solving social challenges by engaging in deeper cooperation within the Company, beyond the framework of the market.

### Outlook

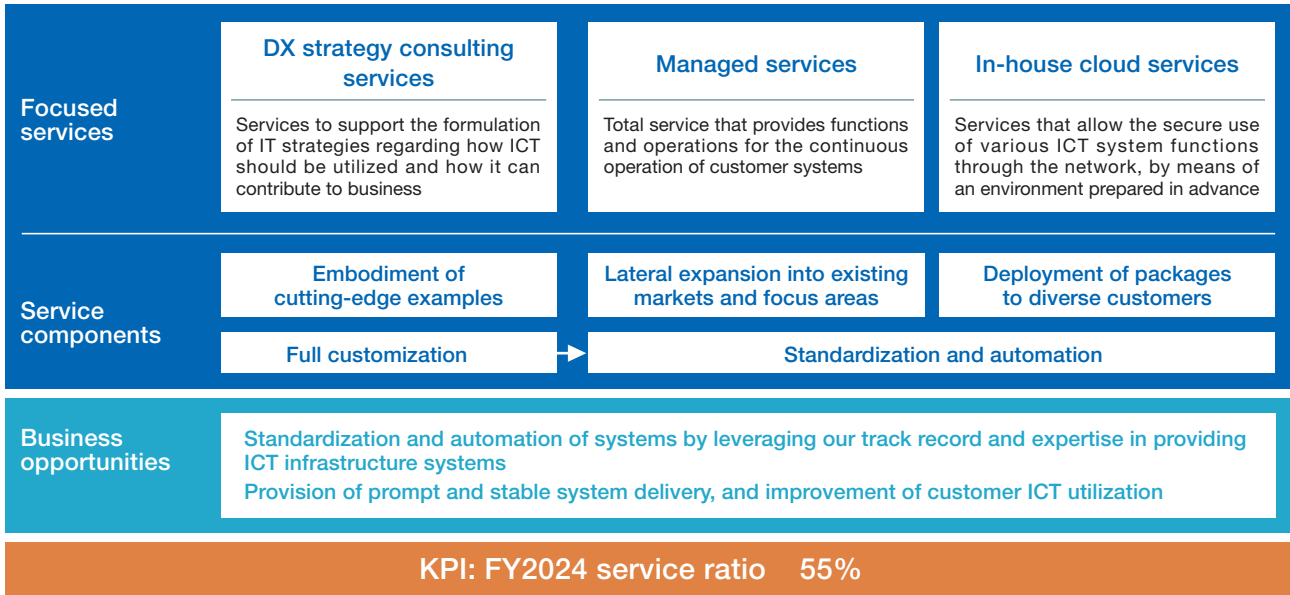
#### Creating inter-organizational synergy for the steady implementation of the current Medium-Term Business Plan

The role of the CSO is management of the effective implementation of business strategies, and building up the driving force necessary to achieve goals, while promoting the creation of synergies between organizations. Going forward, in order to face management and social challenges together with our customers, we will develop our organization and personnel to further strengthen our relationships.

In Japanese society today, the most important key challenge is how much we can strengthen the economy, so that we can recover from the so-called “lost three decades” of economic stagnation caused by the collapse of the asset price bubble in the early 1990s. We intend to help bolster the national strength of Japan by providing value to the market and customers through our services, and by putting the Japanese economy on a growth trajectory.

## Service strategy

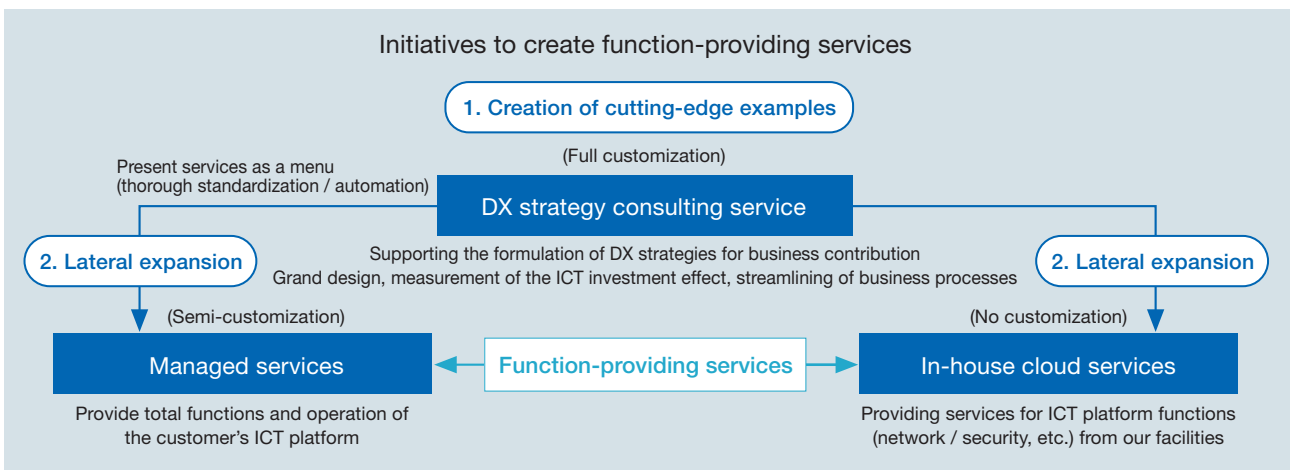
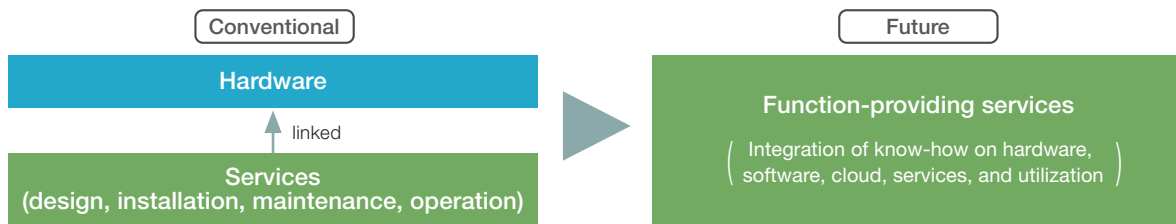
Develop highly profitable services to meet changing needs; achieve system standardization and automation by leveraging past track records, and realize improvements in the utilization of ICT by customers, by linking business strategies to cutting-edge technological knowledge



Related page P.19 Chapter 1: Value Creation through Customer Success

## Changes in our service business

In order to achieve stable growth and enhanced profitability, create and expand new function-providing service businesses that are not linked to hardware



## Capitalizing on network technology to accelerate the shift to services and achieve customer success

Fumihiko Shinoura  
Executive Director  
CTO (Chief Technology Officer)



### Summary of the service strategy in the previous Medium-Term Business Plan

#### Becoming a strategic partner for our customers by instilling the perspective of customer success

In our previous Medium-Term Business Plan, which ended in fiscal 2021, we focused on the Integrated Service Business, which supports the entire customer lifecycle from the perspective of customer success, with the aim of transforming to a service-oriented business model. One of our great achievements was that employees are now able to put into practice a way of thinking that is centered on the perspective of customer success, such as asking, “What are the customer’s expectations, and how should we provide value?” As a result of the evolution of the Company’s business model to support the overall optimization of ICT platforms based on our customers’ management strategies, the positioning of the Company in the eyes of our customers has changed, and we have become a strategic partner in more projects.

In terms of initiatives for standardization and automation, the Company has accumulated its proprietary intellectual property, and made progress in the development of ICT platforms for company-wide utilization. However, this is still not sufficient. In the previous Medium-Term Business Plan, we promoted the optimization of our business at the business unit level, toward a shift to services. Our current Medium-Term Business Plan, which started in April 2022 is now in the phase of promoting standardization and automation for overall optimization. We will revise our organization and functions, and change the way we work, in order to allocate the resources we have created through standardization and automation to operations that increase added value for our customers.

### Service strategy in the current Medium-Term Business Plan

#### Starting from networks to achieve true customer success through standardization and visualization

The service strategy in the current Medium-Term Business Plan is based on the promotion of stock-type business and

a further shift to services. We will laterally expand cutting-edge case studies created by integrating seeds, needs, and originality at a high level, and present them as a menu of standardized services. This will not only enable us to provide services that meet a wider range of customer needs, but also help to secure stable earnings through the growth of our stock-type business.

In addition, the “thorough visualization” set forth in the basic policy is extremely important for achieving customer success. For example, in terms of maintenance, “visualization” is the key to monitoring the stable operation of the systems that are used by our customers. The true needs of our customers lie in how we can propose efficient mechanisms and operations that do not cause failures, while constantly analyzing system operation. We are uniquely capable of realizing such a service, thanks to its understanding of network systems. By continuing to visualize systems and provide advanced services, new needs will arise, leading to the further improvement of our relationships with customers.

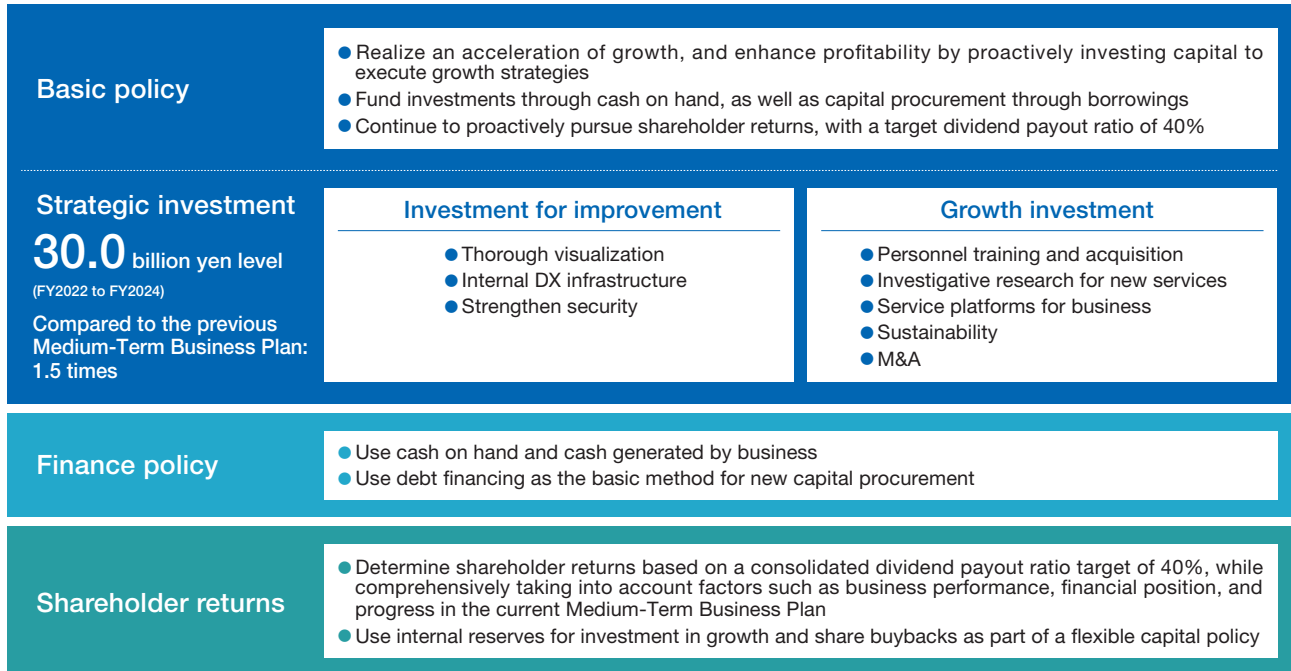
### Outlook

#### Providing an opportunity to put cutting-edge knowledge into practice and train DX personnel

In the future, based on visualized data, we will analyze the contribution to business made by the ICT platform we provide to the customer, and aim to make proposals that lead to the reform of the core parts of their business. This will also require new methods such as process mining to analyze the relationships between systems and business processes. Furthermore, it is also necessary for us to master cutting-edge technology. Putting technology into practice is crucial for training engineers. In order to create new added value, we will provide opportunities for learning and practice, and strive to train personnel who have the ability and expertise to realize DX, as well as the perspective of customer success.

## Financial strategy

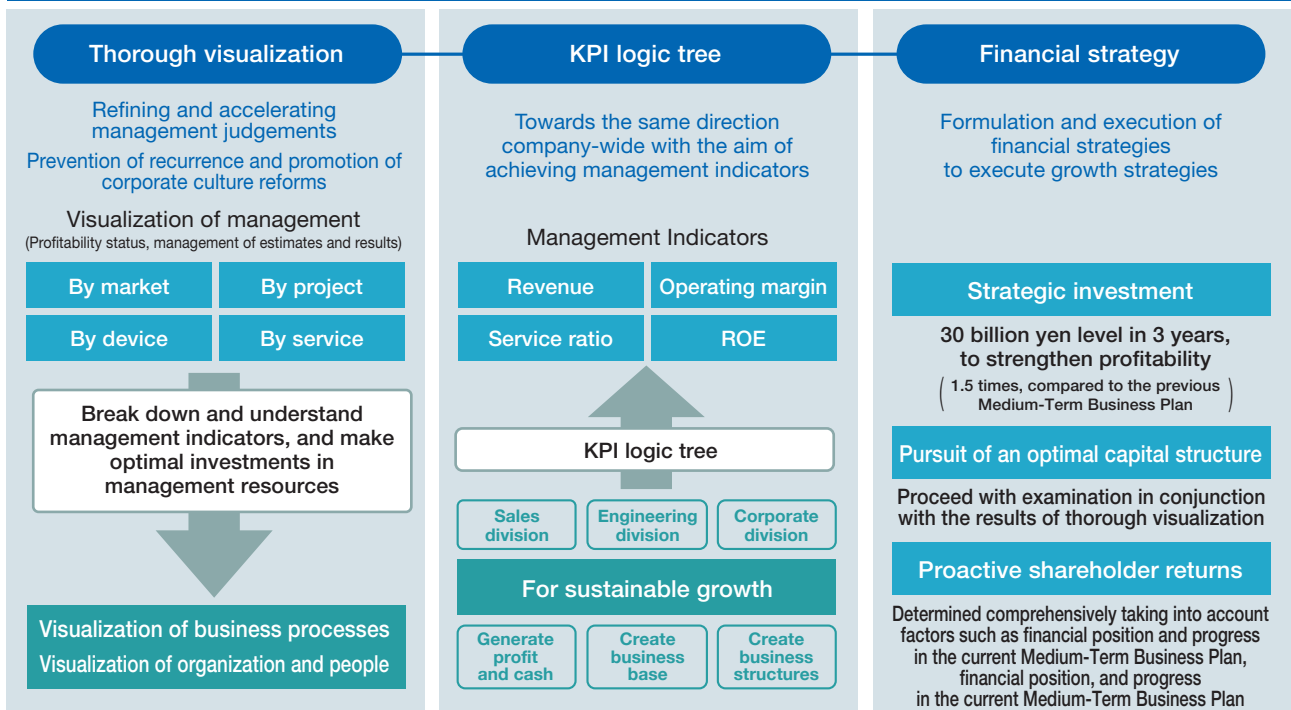
Enhance our corporate value through three pillars: strengthening profitability through strategic investments, pursuit of an optimal capital structure, and proactive shareholder returns

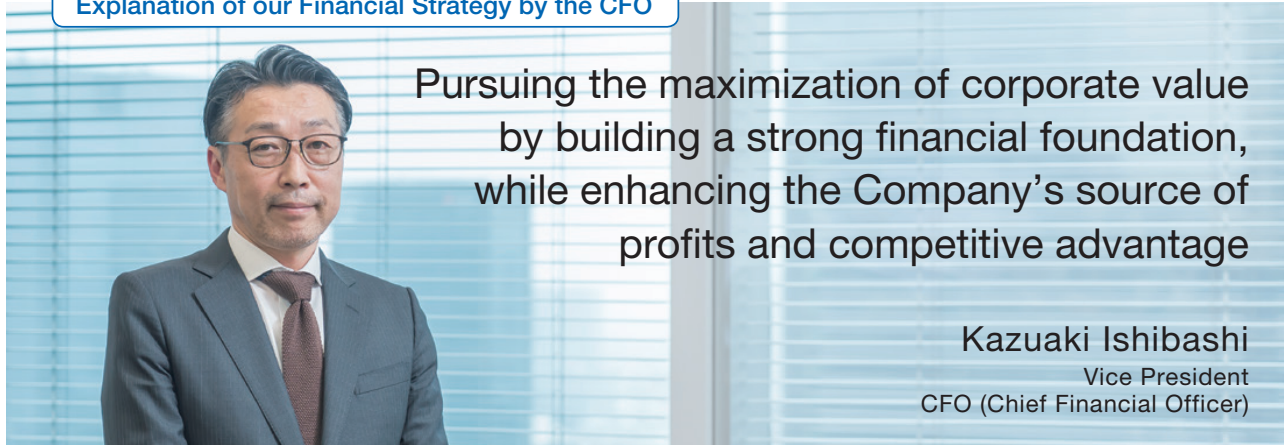


Related page [P.61](#) Financial Highlights

## Strengthen systems to achieve management indicators

Achieve management indicators through a company-wide effort with thorough visualization, KPI logic trees, and financial strategies





### Summary of the financial strategy in the previous Medium-Term Business Plan

#### Reform and establishment of the Company's services are progressing, against the backdrop of needs for digitalization

In the previous Medium-Term Business Plan from fiscal 2019 to fiscal 2021, the Group accelerated the Integrated Service Business against a backdrop of needs for digitalization in all areas of society, with the theme of reforms to adapt to new era. Bookings in the final fiscal year of the plan reached a record high of 231.8 billion yen. However, revenue was 188.5 billion yen, operating income was 16.7 billion yen, operating margin was 8.9%, and the service ratio was 44.5%, none of which reached the planned goals. This was mainly because the delivery time for product purchases has been extended due to global semiconductor shortages. Meanwhile, progress has been made in the reform and establishment of services to adapt to the new era, such as establishing deeper relationships with our customers in association with the DX strategy, and expanding business opportunities through co-creation, including support for MSP (Managed Service Provider) business. Since such progress can help to shift to a financial structure that is less susceptible to delays in product delivery, we recognize this as an important financial achievement.

### Financial strategy in the current Medium-Term Business Plan

#### Planning to make new investments worth a total of 30.0 billion yen over three years

In the current Medium-Term Business Plan from fiscal 2022 to fiscal 2024, the total amount of new investment over the next three years is 30.0 billion yen. In the three years of the previous Medium-Term Business Plan, we invested approximately 20.0 billion yen. In our current plan, we have decided to add 10.0 billion yen, in order to look ahead to the future from the perspective of backcasting from our grand design, which envisions the next ten years for the Group.

We have formulated three growth strategies in the current Medium-Term Business Plan. These strategies are: 1) "Business strategy" to accelerate business growth in our focus areas, 2) "Service strategy" to develop our profit structure through business model reforms, and 3) "Financial strategy" that supports our business and service strategies in terms of finances and funding. We will allocate a total of 30.0 billion yen in new investments to these growth strategies.

#### Strengthening profitability through strategic investment, optimizing capital structure, proactively returning profits to shareholders, and achieving management indicators

In our financial strategy, our policy is to aim for a further improvement of our corporate value by "strengthening profitability through strategic investment," "pursuing the optimal capital structure (finance)," and "proactively returning profits to shareholders."

- First is "strengthening profitability through strategic investment," which can be broadly divided into improvement investment and growth investment. In terms of improvement investment, we will quickly be able to understand and utilize data related to our management conditions and management challenges, by investing in the "thorough visualization" of our management organization structure and business processes, thereby improving performance. In terms of growth investment, we will make investments in human capital in order to produce a large number of personnel who will be responsible for the technology capabilities that form the strengths of the Group. We will also focus on recruiting and training personnel by investing management resources in a wide range of fields, such as revitalizing recruitment activities and upgrading our education and training systems.

- Second is “pursuit of an optimal capital structure (finance).” We consider the financial resources for investment to be based on cash on hand and the operating balance generated by our business activities. Since our founding, we have procured ICT products from Japan and overseas, and have developed a business that integrates these products into optimal systems for our customers. This business model does not require large upfront investments and has a relatively low financial burden, when compared to ICT companies with in-house manufacturing functions and companies engaged in large-scale application development. Currently, we are applying short-term borrowings to working capital, in order to respond to extended delivery times for product purchases. If we need to raise a large amount of funds for investment activities such as M&A, we may use debt financing as a means of raising funds. However, we believe that we will be able to maintain financial soundness.
- Third is “proactive shareholders returns.” We aim to increase total shareholder return by realizing growth through strategic investment and increasing corporate value, continue to pay stable dividends with a consolidated dividend payout ratio target of 40%, and maximize shareholder value by implementing a flexible capital policy.

The ROE target for the final fiscal year of the current Medium-Term Business Plan has been set at 20%. In order to set the achievement of management indicators as a company-wide goal, we have introduced a “KPI logic tree” that connects “thorough visualization” and “financial strategy” within the Company. By developing mechanisms that enable individual employees to understand the connection between their efforts and the financial statements, I hope that they will find their work more rewarding, while aiming for the maximum improvement of corporate value.

## Outlook

### Focusing on creation of economic value and social value, and improvement of corporate value

Currently, the trend “from ownership to use” is accelerating in the installation and strengthening of ICT platforms. In the current Medium-Term Business Plan, our future focus areas are “Managed services,” in which we provide a combination of functions and operations that are required for our customers’ systems, and “In-house cloud services” that enable the safe and secure use of various functions of ICT platforms via networks.

“Use” by customers is “ownership” for the Company, so it may become a business that utilizes balance sheets. Before I became the CFO, I had worked since 2017 on the launch of the Net One “all in” Platform, a subscription-based service that enables customers to use the functions they need in an all-in-one package. A function-providing service is a stock-type business model designed to earn continuous profits instead of selling out. At present, it has grown into one of the Company’s unique services. I believe that this corporate culture, which allows us to make decisions and implement management measures from a medium- to long-term perspective is one of the Group’s strengths.

The Group has stated its management concept in our Purpose: “Unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen.” Our financial strategy is also based on this concept. We will implement management strategy and financial strategy that is ahead of the times, and focus on the creation of economic and social value, as well as the improvement of our corporate value, by increasing the source of profits and the true competitive advantage of the Group, and continuing to engage in dialogue with all stakeholders, including shareholders and investors. This is the Group’s mission as an ICT company, to continuously contribute to society to create a prosperous future, with the aim of growing as a company through social contributions.

# Reinforcement of the business base

**Policies and initiatives for strengthening our business base**

Promote governance and corporate culture reforms / Establish a system to accelerate the shift to services through a company-wide effort

<p><b>Governance and corporate culture reforms</b> Toward a business base that realizes medium to long-term growth</p> <ul style="list-style-type: none"> <li>Continuously promote recurrence prevention measures</li> <li>Reform and strengthen the Board of Directors into a monitoring-type Board</li> <li>Personnel evaluation / compensation system to accelerate the shift to services</li> </ul>	<p><b>Personnel / Organization</b> Engage in deep dialogue with customers and provide high value-added services</p> <ul style="list-style-type: none"> <li>Train consulting personnel and DX / CX personnel</li> <li>Consolidate sales office administrative work and increase dialogue time with customers</li> <li>Consolidate our technical departments and consistently provide high-quality services</li> </ul>
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## Corporate culture reforms

In order to prevent a recurrence of the failure of arrogance, we have positioned corporate culture reforms as a key measure. We have established a specialized organization as an advisory committee to the Board of Directors for such reforms, in order to further promote the reform of our corporate culture, and the implementation and instilling of measures to prevent the recurrence of such failures of arrogance.

**Governance and Corporate Culture Advisory Committee**

**Governance and corporate culture reforms**

<p><b>Enhancing governance</b></p> <ul style="list-style-type: none"> <li>Shift focus from business management to monitoring</li> <li>Strengthen the management oversight system, including further coordination of three-way audits, etc.</li> </ul>	<p><b>Corporate culture reforms</b></p> <ul style="list-style-type: none"> <li>Foster an environment in which employees feel comfortable voicing their opinions</li> <li>Instill a new code of conduct and values</li> <li>Train and actively recruit personnel</li> <li>Create a system to remember our failure of arrogance</li> </ul>	<p><b>Continuous implementation of measures to prevent recurrence</b></p> <ul style="list-style-type: none"> <li>Continued implementation, including the improvement of recurrence prevention measures developed under eight themes</li> </ul>	<p><b>Enhance internal control systems</b></p> <ul style="list-style-type: none"> <li>Strengthen the effectiveness of the three (Defense-) lines model</li> <li>Continuous, effective PDCA implementation</li> </ul>
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Related page [P.51](#) Chapter 3: Feature Article: Corporate Culture Reform

## Thorough visualization

Support a business base that is conducive to decision-making, via active communication based on information common to all employees through thorough visualization.

<p><b>Current “unsatisfactory visualization”</b></p> <p>The management system has not been able to keep pace with the increasing complexity of the business structure</p> <p style="text-align: center;"><b>Specific issues</b></p> <p><b>Delay in development of a data integration platform, decentralized data management</b></p> <ul style="list-style-type: none"> <li>Internal data is scattered among different departments and individuals</li> </ul> <p><b>Inconsistent profitability management on a project-by-project basis</b></p> <ul style="list-style-type: none"> <li>Management still undertaken on an individual product or service basis</li> <li>Cost and quality evaluation of outsourcing is also insufficient</li> </ul> <p><b>Organization is divided on a top-to-bottom basis, and coordination is insufficient</b></p> <ul style="list-style-type: none"> <li>Duplications of internal projects</li> <li>Internal terminology is inconsistent, and departments are not always on the same page during discussions</li> </ul>	➔	<p><b>Thorough visualization to be realized</b></p> <p>Improve business performance through a timely understanding of the data and facts related to business conditions and issues</p> <ul style="list-style-type: none"> <li>Fact-based management judgments and faster decision-making</li> <li>Prevention of recurrence and promotion of corporate culture reforms</li> </ul> <table border="1"> <tr> <td style="text-align: center;"><b>Visualization of management</b></td> <td style="text-align: center;"><b>Visualization of business processes</b></td> <td style="text-align: center;"><b>Visualization of organization and people</b></td> </tr> <tr> <td style="text-align: center;">Management of estimates and results based on a unified data platform</td> <td style="text-align: center;">Installation of a project management system that realizes overall optimization</td> <td style="text-align: center;">Development of comprehensive project management and process development</td> </tr> </table>	<b>Visualization of management</b>	<b>Visualization of business processes</b>	<b>Visualization of organization and people</b>	Management of estimates and results based on a unified data platform	Installation of a project management system that realizes overall optimization	Development of comprehensive project management and process development
<b>Visualization of management</b>	<b>Visualization of business processes</b>	<b>Visualization of organization and people</b>						
Management of estimates and results based on a unified data platform	Installation of a project management system that realizes overall optimization	Development of comprehensive project management and process development						

## Personnel strategy

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

**Professional personnel training**

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

- Train personnel with strong expertise in both corporate and business divisions
- Expansion of consulting personnel
- Expansion of DX/CX personnel for the service business

**Providing an environment where personnel can thrive**

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

- Create an environment where the entire company engages in efforts to expand customer contact points
  - Reorganization of the technical organization
  - Consolidation of sales administration
- Transition to a personnel system that supports diverse growth
  - Schemes for evaluating team activities
- Providing learning through industry-academia collaboration

**KPI: Train personnel in security, cloud, and DX / Receive certification as an outstanding Organization of Health & Productivity Management**

Related page [P.42](#) Chapter 3: Personnel Strategy

### 2022 – 2024 Current Medium-Term Business Plan

## Social responsibility

### Sustainability

Solving social challenges and enhancing our corporate value by promoting initiatives that are identified as materialities based on our Sustainability Policy

**Sustainability Policy**

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

Our value is “to create a prosperous future through tradition and innovation by unlocking the potential of people and networks,” and we believe that contributing to “customer success,” “employee happiness,” “building co-creation relationships with partners,” “increasing shareholder value,” and “preserving the natural environment” through our business will enhance corporate value. We will hone our ICT expertise in critical assessment and knowledge born of “superior network technology,” “multi-vendor support,” and “co-creation with customers” to provide services that create both social and economic values, thereby contributing to a sustainable society and achieving sustainable growth for our company.

**Four materialities (key challenges) to be addressed by the Net One Group**

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

Related page [P.17](#) Chapter 1: Materiality



We will create a company where all employees can demonstrate their abilities as professionals, in order to exceed customers' expectations.

Mitsuru Kiuchi

Director, Senior Vice President  
CHRO (Chief Human Resources Officer)



### Summary of the personnel strategy in the previous Medium-Term Business Plan

#### Progress in personnel training and work style innovation to accelerate our shift to services

In our previous Medium-Term Business Plan that ended in fiscal 2021, we aimed to shift to a service-oriented business model for the Integrated Service Business as a growth strategy, and worked to train the personnel that were necessary to realize this shift. We have bolstered our ability to make proposals and carry out project management for solution provision and consulting approaches, which has helped us to acquire projects that are involved in the formulation of our customers' DX strategies.

In addition, we have made great progress in work style innovation, and were able to establish a highly productive work style, even online.

Meanwhile, in response to problems in our personnel system and its operation that were pointed out by an external investigative committee in cases of misconduct, we are holding discussions on revising the personnel system. In order for the Company to grow soundly and continuously, we must train personnel who have strong expertise in both our business divisions and corporate divisions. It is also essential for us to train the next generation of leaders. As one of our medium- to long-term initiatives, we intend to lay the foundations for the three years of the current Medium-Term Business Plan.

### Personnel strategy in the current Medium-Term Business Plan

#### Each individual becomes a professional to exceed customers' expectations

In our personnel strategy, we will focus on "Professional personnel training" and "Providing an environment where personnel can thrive."

In order to accelerate the shift to a service-oriented business model, we must expand consulting personnel and DX/CX personnel. Under the previous Medium-Term Business Plan, we are now able to provide optimal solutions for our customers' challenges. The next step is to discover challenges and make far-sighted proposals that "exceed

customers' expectations." It is certainly true that technology evolves rapidly, has value in and of itself, and is a source of competitiveness. However, to maintain that competitive edge, we need the strength of our personnel. Competitive advantages that rely on specific technologies are not sustainable, and we have risks and concerns that they will eventually become obsolete. Therefore, we have redefined the source of our competitive advantage as our personnel, and each of our business divisions and corporate divisions pursues a high degree of expertise as professionals. Having done so, we must mutually improve our ability to communicate and work as a team, at a high level.

The keys in our new personnel system are "Team," "TAKUMI," and "Fairness," which we have stated in the Personnel Management Policy. Our ideal is for craftsmen with expertise in each area to mutually demonstrate their individual abilities, creating synergies that will lead to the collective strength of the team. We are now examining ways to create a system to fairly and impartially evaluate the contributions of individual employees.

### Outlook

#### Training next-generation leaders and creating an environment in which diverse personnel can demonstrate their abilities

In future personnel strategies, it will be important to train next-generation leaders for sustainable growth and the medium- to long-term improvement of our corporate value. In order to close the gap between management and general employees, the next-generation leaders, who are mainly middle managers, must be able to specifically explain management's message to members in their own words. Moreover, it is also necessary to train members while showing the direction of business at the forefront. Strengthening the awareness of next-generation leaders regarding personnel training will also help in the training of future next-generation managers. Furthermore, it is essential that we create an environment in which diverse personnel can gather in the Company and demonstrate their abilities. In particular, we will work on promoting women's empowerment and health management as materialities of the Company, by setting medium- to long-term goals.

## Environment

## Contributing to a decarbonized society

## Basic approach

The Group considers environmental issues, including climate change to be important management challenges, and has set “contribution to a decarbonized society” as one of its materialities. Based on this materiality, we will work to both reduce greenhouse gas emissions through our business and reduce our environmental burden in our own business processes.

## KPIs

- Expansion of green solutions
- Expanding sales of low power consumption products and services

## TOPICS

## Disclosures based on the TCFD

As our 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).

Items	Response status
<b>Governance</b>	<ul style="list-style-type: none"> <li>● We have set “contribution to a decarbonized society” as one of our materialities and progress is monitored by the Sustainability Committee, which is overseen by the President &amp; CEO and chaired by a Senior Vice President.</li> <li>● The Sustainability Committee meets once per month, and regularly reports on its activities to the Management Committee.</li> <li>● 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.</li> </ul>
<b>Strategy</b>	<ul style="list-style-type: none"> <li>● Consider a wide range of potential impacts of climate change over the medium to long term, and identify particularly important risks and opportunities. Going forward, we will make trial calculations of these financial impacts and promptly disclose countermeasures.</li> </ul> <p><b>Representative risks and opportunities</b></p> <ul style="list-style-type: none"> <li>● <b>Risks:</b> Carbon taxes and regulations on existing products and services, rising purchase prices due to higher production costs at vendors, etc.</li> <li>● <b>Opportunities:</b> We anticipate growth in new products and services, such as making more efficient use of resources and an expansion of low-emission products and services, through the utilization of more efficient transportation methods and production / distribution processes.</li> </ul>
<b>Risk management</b>	<ul style="list-style-type: none"> <li>● We have established the Risk Management Committee as an advisory body to the Management Committee and appointed a Chief Risk Officer (CRO), and 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.</li> <li>● We prepare 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</li> <li>● In fiscal 2022, we plan to conduct scenario analyses in order to identify, assess, and manage the risks that climate change poses to our business activities in more detail.</li> </ul>
<b>Metrics and targets</b>	<ul style="list-style-type: none"> <li>● 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.</li> </ul> <p><b>Fiscal 2021 Results</b></p> <p>Scope 1: N/A / Scope 2: 5,356 t-CO<sub>2</sub> / Scope 3: 569,460 t-CO<sub>2</sub> (calculated for categories 1-7, 9, and 11-12)</p> <ul style="list-style-type: none"> <li>● 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.</li> </ul>

1. Disclosure of information related to our climate change response, in line with TCFD recommendations <https://www.netone.co.jp/sustainability/esg/environment/tcfd/> (Japanese only)



# Personnel Strategy

## Basic approach

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

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

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

## KPIs

- Security personnel
- Cloud personnel
- DX personnel
- Training personnel for next-generation ICT

## Promotion system for personnel training and diversity

<p><b>Commitment of the top management</b></p> <p>Promotes personnel measures to execute growth strategies and strengthen our business base, under the strong commitment of the management team</p>	<p><b>Chief Human Resources Officer (CHRO)</b></p> <p>Establishes human capital management and leads at the forefront of the management team, to increase the value of the Group's personnel</p>	<p><b>Personnel Department</b></p> <p>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</p>
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## TOPICS

### Establishing a Personnel Management Policy for personnel system reform

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

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

### Personnel Management Policy

<p><b>Team</b></p> <p>Encourage co-creation among diverse members to create value as a team</p>	<p><b>TAKUMI</b></p> <p>Support the enhancement of expertise in each area, so that each person can contribute to their team as a “TAKUMI”</p>	<p><b>Fairness</b></p> <p>Reward contributions to the organization in a fair and impartial manner</p>
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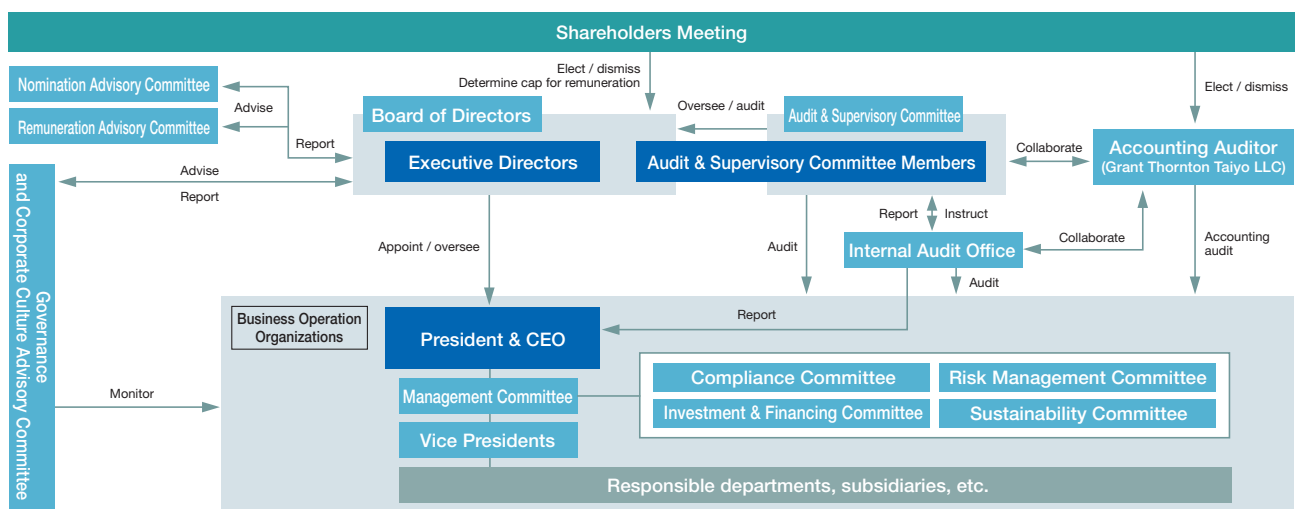
## Governance

## Corporate Governance

The Group will achieve continuous growth based on its corporate philosophy system. 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.

## Corporate governance structure

The Company is working to establish a highly effective corporate governance structure through several measures. We conduct supervision and audits of management and the execution of duties by the Board of Directors (the majority of whom are independent outside executive directors) and the Audit & Supervisory Committee. We have also strengthened the business management and supervisory functions of the Board of Directors by introducing a vice president system, and improved the efficiency and speed of business execution. Furthermore, we work to ensure fairness and objectivity through the nomination and remuneration of directors and vice presidents by the Nomination Advisory Committee and the Remuneration Advisory Committee.



## Strengthening corporate governance: Activity highlights

## Independent outside executive director appointed as Chairperson of the Board of Directors

Message from the Chairperson of the Board of Directors

**I will do my utmost to enhance deliberations at the Board of Directors, while holding discussions with the person in charge of each department.**

## Maya Ito

Chairperson of the Board of Directors  
Independent Outside Executive Director



I was appointed as the Chairperson of the Board of Directors in June 2022. As a lawyer and an external advisor, I will make use of my experience in providing objective views regarding companies, perceive business from a perspective that is different from business execution, and will do my utmost to provide support for execution in order to conduct better business operations.

A year has passed since I was appointed as an independent outside executive director of the Company. At the beginning of my appointment, I spent a substantial amount of time





investigating the causes of fraudulent incidents, examining countermeasures, and discussing measures to strengthen governance and compliance. While facing many challenges, I realized the collaborative power of Net One, which works on each countermeasure as an organization that is centered on the leaders of each department. Related proposals such as the transition to a company with an Audit & Supervisory Committee, and the reorganization of the Advisory Committee were approved at the 2022 Shareholders Meeting. I believe that we are building an organization in which mutual checks and balances are effective based on responses to incidents.

Since the beginning of this year, the Board of Directors has gradually increased the amount of time that is spent discussing our main business, and there are more forward-looking agenda items, such as the current Medium-Term Business Plan. I believe that the mission of the Chairperson of the Board of Directors is to encourage fruitful discussions among the officers during debates of important agenda items that have been put up for discussion. I will make every effort to prepare for fulfilling discussions, and will endeavor to hold proceedings in a manner that contributes to the efficient operation of business, while including the content of discussions with staff in the departments on the agenda.

<p><b>Organizational structure</b></p> <p>Transition to a company with an Audit &amp; Supervisory Committee</p>	<p>In 2019 and 2020, several cases of fraudulent acts committed by former employees of the Company were discovered, and an external investigative committee analyzed the causes of these fraudulent incidents, and provided advice on measures to prevent recurrence. Since that time, we have formulated specific measures to prevent recurrence, and have engaged in Group-wide efforts to strengthen internal control, and fundamentally reform our corporate governance and corporate culture.</p> <p>In order to sustainably develop these initiatives and achieve our current Medium-Term Business Plan, we determined that it is necessary to increase the independence and objectivity of the Board of Directors and further strengthen the supervision of business execution, and to establish a business execution system that is capable of responding quickly and flexibly to rapid changes in the operating environment of our Group. Accordingly, on June 22, 2022, following approval at the Annual Shareholders Meeting, we transitioned to a company with an Audit &amp; Supervisory Committee.</p>	<p><b>Strengthen the nomination and remuneration functions</b></p> <p>Advisory Committee ↓ Reorganized into the Nomination Advisory Committee and the Remuneration Advisory Committee</p>
<p><b>Composition of the Board of Directors</b></p> <p>Improving the ratio of independent outside executive directors</p>	<p>Following our transition to a company with an Audit &amp; Supervisory Committee, six of nine members of the Board of Directors are independent outside executive directors. The ratio of independent outside executive directors, which was 42.9% as of the end of June 2021, now stands at 66.7% as of the end of June 2022, and the ratio of independent outside executive directors well exceeds the majority.</p>	<p>66.7%</p>  <p>Ratio of independent outside executive directors</p>
<p><b>Assessment of effectiveness of Board of Directors</b></p> <p>Expansion of evaluation items</p>	<p>In the evaluation of the effectiveness of the Board of Directors for fiscal 2021, which was conducted in 2022, we introduced evaluations based on the advice of an external organization, and expanded the evaluation items. Due to the fraudulent transactions made by our former employees, in the previous fiscal year's effectiveness evaluation, we recognized challenges such as the roles and responsibilities of inside executive directors and the strengthening of internal controls, and we recognize that results are being produced, as well. On the other hand, we also recognized the need to enhance various discussions based on our management strategies, review the agenda items of the Board of Directors, and secure time for discussions of important agenda items through planned agenda submissions. Accordingly, we are taking measures such as regular reporting to the Board of Directors regarding the status of the activities of internal meetings and the introduction of discussion items at the Board of Directors.</p>	<p><b>Number of evaluation items</b></p> <p>Questionnaire with a total of 52 items Expanded major items from 6 to 12</p>
<p><b>Executive remuneration system</b></p> <p>Revisions including the introduction of a restricted stock system, etc.</p>	<p>On June 22, 2022, we revised our executive remuneration system after approval at the Annual Shareholders Meeting. The purpose of this revision is to motivate executive directors and vice presidents more strongly than ever to enhance our corporate value over the medium to long term, and to promote further value sharing between the Company's management team and shareholders. In place of the stock option remuneration system in our conventional remuneration system, we have introduced restricted stock, and expanded the stock-based compensation ratio in the remuneration composition ratio.</p> <p>Overall performance indicators for bonuses are the service ratio, consolidated revenue, and consolidated operating income, which are also emphasized in the current Medium-Term Business Plan. As for individual performance indicators, while reflecting on fraudulent incidents, we have selected corporate culture reform, materiality KPIs, and other personal goals, in order to further enhance our corporate value. At the same time, we have also introduced the malus/clawback system.</p>	<p><b>Enhancing our medium to long term corporate value and further value sharing with shareholders</b></p> <p>Expanding the stock-based compensation ratio Adoption of the current Medium-Term Business Plan indicators and non-financial target indicators</p>

## Executives

## Executive Directors

	<b>Takafumi Takeshita</b> President & CEO	Joined the Company in 1989. He served as Vice President of the Technical Service Headquarters of Network Services and Technologies Co., Ltd. (current Net One Systems Co., Ltd.) from 2006, Executive Director of the said company, and Executive Director of the Company from 2018. He assumed the position of President & CEO in 2021, and his current position in April 2022. In addition to his wealth of experience and a proven track record in technology through many years of practical experience in technology operations, he has made an effort to strengthen the business management system of the entire Group as Executive Director in charge of divisions such as the Corporate Planning & Management Division. Since assuming the position of President & CEO, he has been making every effort to build a sound governance system for the entire Group, reform the corporate culture and organization, and formulate a medium- to long-term growth strategy for the Group.
	<b>Takuya Tanaka</b> Executive Vice President Chief Operating Officer (COO)	Joined the Company in 2009, and assumed the position of Vice President in charge of Western Japan Sales Headquarters of Net One Partners Co., Ltd., after serving as Vice President in charge of Western Japan Sales Headquarters at Nihon Cisco Systems K.K. (current Cisco Systems G.K.). He served as Executive Director and Vice President of Net One Partners Co., Ltd., and since 2018, has been President & CEO of the said company. He also assumed Senior Vice President of the Company in 2018. After serving as Executive Vice President of the Company, he assumed his current position in April 2022. He has an extensive track record based on experience through many years of practical experience in sales operations and experience in management of a subsidiary of the Company. Since his appointment as Executive Director of the Company, he has been making every effort to strengthen the business base, business management system, and sales operations as Executive Director in charge of sales divisions, etc., and is also working to establish a sound governance system for the entire Group and to reform the corporate culture and organization.
	<b>Mitsuru Kiuchi</b> Executive Vice President Chief Human Resources Officer (CHRO)	He has served as Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd., Full-time Auditor of Health Insurance Claims Review & Reimbursement Services in 2015, and Full-time Audit & Supervisory Board Member of Tokio Marine & Nichido Facilities, Inc. in 2019. At the Company, he served as Adviser in 2021, then as Executive Vice President and Chief Human Resources Officer (CHRO) from April 2022, and assumed his current position in June. He has an extensive track record based on his experience in the human resources and internal audit operations, as well as in senior management positions of other companies. Since assuming office as Adviser to the Company, he has supported various measures to strengthen internal audits, which are also being undertaken as part of measures to prevent recurrence. After assuming the position of Executive Vice President of the Company, he has been making every effort to restructure the Company's personnel system and reform the corporate culture and organization as the CHRO.
	<b>Maya Ito</b> Independent Outside Executive Director Chairperson of the Board of Directors Independent Executive Officer	Registered as a lawyer in 2002. She serves as Partner at Nishimura & Asahi, Outside Executive Director (Audit & Supervisory Committee) of OPTIMUS Group Co., Ltd., and Outside Audit & Supervisory Board Member of Human Life CORD Japan Inc. At the Company, she serves as Independent Outside Executive Director since 2021, and assumed the position of Chairperson of the Board of Directors in June 2022. She supervises the Company's management as a specialist in corporate governance, and law and compliance, based on her extensive knowledge and experience as a lawyer and as an Outside Executive Director who is an Audit & Supervisory Committee Member and Audit & Supervisory Board Member at other companies.
	<b>Hideki Suda</b> Independent Outside Executive Director Chairperson of the Nomination Advisory Committee Independent Executive Officer	He has served as Deputy General Manager of the Human Resources Department of Fujikura Electric Wire Corporation (current Fujikura Ltd.), Managing Director and General Manager of General Affairs Department of Fujikura Electric Wire Corporation, President of Fujikura Development Co., Ltd., and Corporate Auditor of Fujikura Ltd. At the Company, he has served as Outside Audit & Supervisory Board Member since 2016, and assumed his current position in June 2022. He supervises the Company's management, especially from the perspective of corporate management, human resources, corporate culture, and organizational reform, by drawing on his proven track record in human resources and organizational reform based on his experience in the human resources operations of other companies, in addition to his extensive knowledge and experience as a President and Corporate Auditor at other companies.
	<b>Masayoshi Wada</b> Independent Outside Executive Director Chairperson of the Remuneration Advisory Committee Independent Executive Officer	He has served as VP of IBM Japan, Ltd., General Manager of the Corporate Planning Division of Canon Marketing Japan Inc., Director, Senior Executive Officer, General Manager of Infrastructure Business Division of Canon IT Solutions Inc., and Full-time Audit & Supervisory Board Member of Canon IT Solutions Inc. He serves as Director of SOFTMAX CO., LTD. (in charge of Development Department) from 2020, and assumed his current position at the Company from June 2022. He supervises the Company's management, especially from the perspective of corporate management, technology, risk management, and other areas, based on his experience as a Director and Audit & Supervisory Board Member at other companies and a wealth of knowledge and experience in the information and telecommunications business field.

## Skill matrix of the Executive Directors

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



### Kazuhiro Noguchi

Independent Outside Executive Director  
Full-time Audit & Supervisory Committee Member  
Chairperson of the Audit & Supervisory Committee  
Independent Executive Director

Registered as Certified Public Accountant in 1989. He established the Noguchi Kazuhiro Certified Public Accountant Office and serves as Audit & Supervisory Board Member of Nichiryoku Co., Ltd. At the Company, he has served as Full-time Outside Audit & Supervisory Board Member since 2021, and assumed his current position in June 2022. He supervises and audits the Company's management using his extensive knowledge and experience in finance and accounting accumulated as a certified public accountant.



### Sachiko Iizuka

Independent Outside Executive Director  
Audit & Supervisory Committee Member  
Independent Executive Director

Registered as a Certified Public Accountant in 1998. She serves as Representative Director of LAUREA CORPORATION, Auditor (Outside) of KORAKUEN HOLDINGS CORPORATION, Auditor (Outside) of BeeX Co., Ltd., and Representative Partner of Cenxus Audit Corporation. At the Company, she has served as Outside Audit & Supervisory Board Member since 2020, and assumed her current position in June 2022. She supervises and audits the Company's management using her extensive knowledge and experience in finance and accounting accumulated as a certified public accountant and as a Representative Director of other companies.



### Shigeki Kusaka

Independent Outside Executive Director  
Audit & Supervisory Committee Member  
Independent Executive Director

He has served as Executive Officer of Mitsubishi Corporation, Representative Director, Executive Officer, President and COO of IT Frontier Corporation (current Tata Consultancy Services Japan, Ltd.), President and Representative Director of INTEC Inc., and Director of TIS Inc. At the Company, he has served as Independent Outside Executive Director since 2020, and assumed his current position in June 2022. He supervises and audits the Company's management using his wealth of knowledge and experience in the information and telecommunications business field and his experience as a Representative Director or Director at other companies.

## Composition of organizations and committees of Executive Directors

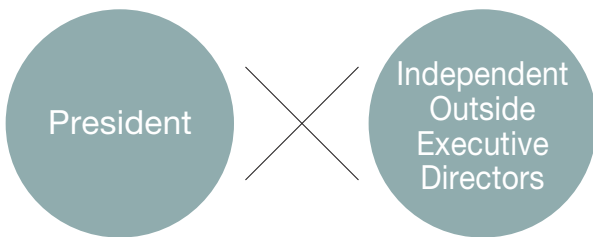
Name	Board of Directors	Audit & Supervisory Committee	Nomination Advisory Committee	Remuneration Advisory Committee	Governance and Corporate Culture Advisory Committee	Management Committee
Takafumi Takeshita	○		○		Chairperson	Chairperson
Takuya Tanaka	○				○	○
Mitsuru Kiuchi	○			○	○	○
Maya Ito	Chairperson		○	○		
Hideki Suda	○		Chairperson			
Masayoshi Wada	○			Chairperson		
Kazuhiro Noguchi	○	Chairperson				
Sachiko Iizuka	○	○				
Shigeki Kusaka	○	○				

## Vice Presidents (excluding those who are Executive Directors)

Title	Name	Committees Chaired
Senior Vice President Chief Technology Officer (CTO)	Fumihiko Shinoura	
Senior Vice President Chief Strategy Officer (CSO) Executive Director of Net One Partners Co., Ltd.	Koji Tsuji	Chairperson of the Sustainability Committee
Senior Vice President Chief Risk Management Officer (CRO) Chief Compliance Officer (CCO) President & CEO of Net One Business Operations G.K. Executive Director of Net One Partners Co., Ltd. Executive Director of Net One Next Co., Ltd.	Masayuki Kitajima	Chairperson of the Risk Management Committee Chairperson of the Compliance Committee
Vice President Chief Financial Officer (CFO) General Manager of Corporate Planning Division Executive Director of Net One Partners Co., Ltd.	Kazuaki Ishibashi	Chairperson of the Investment & Financing Committee
Vice President Chief Information Officer (CIO) General Manager of Corporate Management & Administration Division	Tomohiro Iwamoto	
Vice President General Manager of Business Control Division	Katsuya Hayashi	
Vice President General Manager of East Japan Business Unit 1	Junji Ueno	
Vice President General Manager of East Japan Business Unit 2 Executive Director of Net One Partners Co., Ltd.	Akiko Kanai	
Vice President General Manager of East Japan Business Unit 3	Yoshimitsu Narita	
Vice President General Manager of Central Japan Business Unit	Yoichi Matsumoto	
Vice President General Manager of West Japan Business Unit	Daisuke Hatakeyama	
Vice President General Manager of Sales Engineering Unit	Kenta Minagawa	

# We will hold discussions with an eye toward the future, with the aim of being a company that leads ICT in Japan

## Discussion



Based on our new corporate philosophy system and the current Medium-Term Business Plan, we held discussions on how we should contribute to solving social challenges as a leading network company, and the path to growth over the long term.



**Shigeki Kusaka**  
Independent Outside Executive Director

**Takafumi Takeshita**  
President & CEO

**Kazuhiro Noguchi**  
Independent Outside Executive Director

**Maya Ito**  
Independent Outside Executive Director



## Aiming at growth based on our corporate philosophy system

**Noguchi:** The WAY is particularly well-crafted among corporate philosophy systems. I think that our accumulated actions based on the WAY will help us realize our Purpose and Mission. So, I feel that it will be important to spend some time working to instill the WAY.

**Ito:** I think that “Remember the failure of arrogance,” which is the first line stated in the WAY, is a unique perspective of Net One. As I chair the Board of Directors, I am determined to keep these words in mind when proceeding with the discussions of the board.

**Kusaka:** I think that the Company’s requirements have been stated clearly, compared to the previous philosophy. However, I also feel that there are still some parts that are difficult to communicate to employees. I think management should go one step further and present specific directions, so that all employees can unite their intentions and understand what they should do.

**Takeshita:** That’s exactly right. When formulating our corporate philosophy system, management considered the Purpose, Mission, and Vision, while employees participated in formulating Values and the WAY. Along the same lines of thinking, I believe that management should take the lead in drawing a map for the Company’s direction and goals for the next few years.



**Ito:** I feel that members of the younger generation, in particular, have a mindset of first grasping the outline, and then moving on to details. For that reason, I think it will be easy to disseminate our message by presenting a big picture that has been conceived by the management based on shared values, in order to create Net One together. As I chair the Board of Directors, I hope to fulfill my role so that the Board of Directors is able to draw a big picture and engage in deeper discussions.

**Takeshita:** As the President, I would like to discuss the future. However, since the future is currently difficult to envision clearly, it is not possible to work through long-

term strategies using a top-down approach. So, how should we respond to this era of rapid change? I think our frontline capabilities are of the utmost importance. Management discusses the future, while frontline teams drive our organization. Conversely, by catching up with the voices of frontline employees, management formulates new strategies for the future. The current reforms of the Board of Directors and the business execution system will also help to create this form.

## A year in which employees became more autonomous through corporate culture reforms

**Noguchi:** Looking back on fiscal 2021, I feel that the enhancement of the Internal Audit Office has produced considerable results. In my experience, no other company has such finely detailed documentation. In addition, I believe that the decision to build the 1.5th line of defense handled by the Business Control Division, in addition to the three lines model, is also very effective in terms of supervising and supporting the first line of defense from a position closer to the frontline. Meanwhile, there are concerns that the thorough implementation of such a wide range of procedures has created multiple layers. I think it will be necessary to review and revise it again, in the future.

**Ito:** The rules have grown much stronger as a result of strengthening our internal controls and management, as well as reforming our corporate culture. Our challenge going forward is how to make use of this and continue to implement it.

**Kusaka:** I think there is a limit to what you can accomplish with just rules. If making double and triple rules to prevent mistakes is our “compulsory routine,” then I think that fiscal 2022 will be the year of “free performance,” where we think about what we should do under the rules. In order to do so, we must align our vectors; however, we are still unable to see the goals that will serve as our centripetal force.



**Ito:** I believe it is the right time for the Board of Directors to shift its focus to forward-looking discussions, such as considering growth investments and new businesses, after having fully considered the future of Net One.

**Takeshita:** In fiscal 2021, we established clear rules with no room for interpretation, in order to prevent recurrence, and we have achieved a certain degree of results. Through this process, I feel that we have been able to discover challenges that had not previously been visualized, and also that we have gained strength as an organization that is self-cleansing. Although we must devise further measures in order to carry out appropriate operations, we are not at that stage yet. Protecting our employees is the primary purpose of improving the effectiveness of our internal control system. I believe that fiscal 2022 will be an important year for “making rules our strength.”

**Noguchi:** I often had interactions with young employees in a certain department, and as their roles became clearer, they grew rapidly. As long as we show our employees the general direction and they understand their roles, they have the ability to adopt to their roles and carry out detailed work by themselves.

**Kusaka:** Until now, our management style was for employees to follow orders from their superiors. However, I think that Mr. Takeshita’s message to think and act more freely has changed the mindset of our employees. It was a big step for us to move forward with a sense of urgency that we must nurture our employees and increase our depth as an organization. I am sure that this will be the strength of Net One in the future. From that beginning, the next generation of management will grow.

**Ito:** At in-house events, I was able to hear various stories from employees, including what they were having trouble with in their work and what they find rewarding about their work. I felt that the fact that executive directors are now able to tune in to such voices is one result of thorough visualization. Going forward, I would like to continue to actively create opportunities for dialogue, in order to have more chances to listen to the voices of our frontline employees.

## Concrete measures and monitoring of KPIs are essential to achieving our current Medium-Term Business Plan

**Kusaka:** There are surely many things that the Company can contribute to Japan, which is considered to be a digitally underdeveloped country. In our current Medium-Term Business Plan, Net One is a leader in Japan’s network, and I feel there is a strong will to continue to lead in the future. Going forward, I expect that a concrete path will be presented regarding how we can adequately be a leading company, without forgetting our original intentions.

**Ito:** In many companies, medium-term business plans and medium- to long-term visions are only discussed by the management team, and the content of decisions is communicated to employees. Nonetheless, we have been commended for having employees in various positions participate in the formulation process of the Company’s current Medium-Term Business Plan. I also attended the discussions as an observer, and I believe that as a result of this process, the content has become easier to instill in our employees. For example, it is very easy to understand that by focusing on services, we will be able to recover revenue that fell due to delays in the delivery of products in fiscal 2021.

**Noguchi:** Formulating a medium-term business plan leads to thinking about management, so I think this was very good training for our employees. Another aspect I appreciate is that we organized our thoughts on sustainability in our current Medium-Term Business Plan. We carefully considered the point that Net One must address challenges such as enhancing governance and contributing to an advanced information society, and that by doing so, the Company will carry on and fulfill its social responsibility. I hope that we monitor the actual progress closely, so that these do not become mere slogans.



**Takeshita:** For both business strategy and sustainability, in the current Medium-Term Business Plan, we formulate a KPI logic tree for all departments, and are working to make it more concrete. One reason for this is that I want employees to know more about what they are working for, and what their work contributes to. I think that paying close attention to whether the logic tree is being operated properly will be a theme for achieving our goals.

**Ito:** I sincerely hope that the Company achieves its sustainability KPI to “Raise the ratio of female managers to 15% by fiscal 2030.” Therefore, I think it is important for managers to show that they enjoy their work, regardless of gender. Some people may hesitate with regard to management positions. Nonetheless, I think that more and more people will want to aim for such positions if they understand that managers do their work with a sense of fulfillment, while maintaining a good work-life balance.

**Takeshita:** It is strongly related to “No WAKUWAKU No work” in the WAY. Assuming the basic premise of rules that should be followed, the Company is working on reforms to become an organization in which each frontline team can make decisions regarding detailed matters. While that does carry with it responsibility, I hope that managers will be excited about running Net One as a company.

## Producing new output as a leading network company

**Noguchi:** Earning trust is extremely important for the Company today. I hope that we do not forget that the stability of an organization is achieved through compliance, and that trust that has been steadily accumulated can be lost in just a single day. Also, I hope that we thoroughly carry out our work with a focus on compliance.

**Kusaka:** While questioning myself about my role as an independent outside executive director, I try to see things from a broader perspective, and believe in my own common sense, so I always speak up when I feel that something is wrong. I hope to maintain this stance and continue to discuss with everyone about what we should do in order to obtain the position the Company aims to achieve. One of our goals is to be in a position where our customers’ management teams can come to us directly to discuss about their ICT, more than ever before.

**Ito:** ICT is now indispensable for both individuals and companies. Furthermore, the Company is able to get more involved in situations where advanced ICT is needed, including local public institutions and public organizations, and major private companies. This is one of our greatest strengths. I hope that we do not pass up this opportunity, and that we move forward with a shared awareness as we continue to be a leading company in the ICT field.



**Takeshita:** First of all, we declare that compliance, which is a prerequisite for all other things, will be thoroughly enforced no matter what may happen in the future. Now, Net One is about to change. However, new input is indispensable for output that is different from the past. Input includes the voices of all stakeholders, such as shareholders, investors, customers, business partners, and employees. I would like to hear more of the opinions of the independent outside executive directors, from their objective perspectives as spokespersons for stakeholders. This fiscal year, I hope that we have more independent outside executive directors participate in meetings with shareholders and investors than last year, and hope to reflect the opinions that have been input through their filters in our discussions.

Finally, network is not only the starting point of us, but is in fact the starting point of my own career as a first-year new graduate. It has now become commonplace to be connected to the network. However, we do not consider our current location to be “mature.” Rather, we finally have a “foundation” for connecting with each other. I believe that what we connect to, and how we connect from here, as well as what kind of change we bring about, will be a chance to demonstrate our skills as a company with its origins in networks.



## Corporate Culture Reform

# Fostering our corporate culture by disseminating our corporate philosophy system

Since 2020, the Group has been working to prevent a recurrence of the failure of arrogance and to reform our corporate culture, by disseminating its philosophy and management vision.

We are steadily fostering our corporate culture through a variety of activities, with an emphasis on dialogue to disseminate our philosophy.

## Message from the President

**We will expand the range of participation in our dissemination activities, as we aim to establish a corporate culture that can realize our philosophy through our actions.**

**Takafumi Takeshita**  
President & CEO



Since 2020, we have been working on “corporate culture reform” centered on the implementation of measures to prevent recurrence and activities to disseminate our management vision including our corporate philosophy, in order to ensure that we never repeat our past failure of arrogance, and to foster a corporate culture in which the entire Company is united toward further growth. Starting with revising our management philosophy to our corporate philosophy and renewing our code of conduct, we are enacting initiatives with different approaches, and measuring their effectiveness through internal awareness surveys and other means.

We aim to achieve a state in which all employees understand the philosophy system and are able to embody it in their daily actions. I myself have seen employees voluntarily engaged in discussions regarding the philosophy, and I feel that we are making progress in

our dissemination activities. It is extremely important for each individual to share their own thoughts through dialogue, and the repetition of this work will disseminate our philosophy. Going forward, I would like to continue to actively create opportunities for dialogue and sharing.

We are now in the third year of our vision dissemination activities. Although the total number of participants in these activities has increased, I would like for even more employees to participate. Employees who participate in these activities gain a deeper understanding of the Company’s structure and philosophy, and become our “philosophy evangelists,” so to speak. As their number grows, the impact on the Company should also grow. Since we have also enhanced our measures to some extent, I would like to improve both the quality and quantity of our activities, while conducting follow-ups so that their impact lasts in the long term.

## Vision dissemination initiatives and results

Medium- to long-term vision		A state in which all employees understand the corporate philosophy and are able to embody it in their daily actions	
Main measures		Achievements thus far	
RCT for all employees*	A place for dialogue with management using the WAY as our common language. Fostering communication as “Net One,” which transcends divisions by “sharing the background and intentions of our corporate philosophy”	All employees participate in RCT with Executive Directors Participant satisfaction rate: Approximately 80%	
Vision Week & Awards	Plans and events are held for the purpose of fostering a sense of unity through understanding and dissemination of the vision and code of conduct. Our theme for fiscal 2021 is “Considering the future of Net One”	Vision Week & Award Event Participants: 885 Award Entries: 24 groups, 139 persons	
Workshops	Providing a place for employees to see the WAY as a personal concern, speak to each other, and come into contact with diverse opinions, with the aim of changing to a mindset of “creating, maintaining, and improving our own culture”	All employees participate Held a total of 12 times, with 2,286 participants	
Training Model: 1-on-1	Dissemination of the code of conduct through dialogue with superiors	Quarterly 1-on-1 review	
E-learning	Questionnaire data analysis, competitions, and analysis to gain a deeper understanding of the SDGs	All employees receive e-learning on the SDGs	
Utilization of the Vision Book and visualization	<ul style="list-style-type: none"> <li>Effective use of the Vision Book and consideration of tools to help the philosophy and vision take root</li> <li>Promotion of dissemination through visualization, so that employees become more aware of the vision</li> </ul>	Production and publication of the Vision Book, virtual background images for web conferences, and videos for events	
Dissemination of the philosophy and vision (Internal awareness survey results)	Agrees with the philosophy and vision 74.9%	Acts with an awareness of the philosophy and vision 69.7%	Discusses the philosophy and code of conduct with those around them 29.3%

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

## Key initiatives for dissemination of the vision

### Holding Vision Week

February 2022

We carry out various projects and events during “Vision Week,” which we have established as a period to gain a deeper understanding and disseminate our corporate philosophy, management vision, and code of conduct, and to strengthen our sense of unity as a company.

Thus far, we have held events to resolve questions from employees regarding our corporate philosophy, such as open round-table discussions between the President and employees, and the President answering questions from employees in real time.

In fiscal 2021, we set the theme of “Considering the future of Net One,” and held new projects such as the “Vision Awards,” with a total of 885 participants.



### Vision Awards

This is a project to reward dissemination activities for the philosophy and vision, based on the concept of “Putting into practice and reaching out,” “Having successful experiences,” and “Understanding the importance of shared values.” A total of 139 people from 24 groups made entries and presented their daily actions and the ideas they established.

#### Comments from the participants

Overall, I felt that there was a positive atmosphere, and I was motivated to undertake challenges myself.

Young employees made presentations very skillfully, and the content had a high standard. I thought it was a really great initiative.

I was excited, as so many of us were thinking seriously about the company.

I was surprised to learn that various activities I didn't know about were being conducted by each department.

### Formulation of a new philosophy system

Formulated in April 2022

We have formulated a new corporate philosophy system (Purpose, Mission, Vision, Values, and WAY) in order to promote measures to prevent recurrence as planned, and establish a corporate culture that will prevent fraudulent acts from recurring. The discussions regarding our Purpose, Mission, and Vision, which indicate the major direction the Company is aiming for, were centered on our management team. Employees volunteered to formulate our Values and WAY, which represent our set of values and code of conduct.

## Key initiatives for monitoring and follow-up

### Employee awareness survey

Implemented from fiscal 2019

We have conducted this survey since fiscal 2019, with the aim of collecting opinions and proposals for future initiatives, as well as to clarify employees' job satisfaction and awareness of the workplace environment, and identify challenges related to work style measures based on survey results.

In fiscal 2021, the number of questions in the survey was expanded from 75 in fiscal 2020 to 97, and the effective response rate was 94.7%, which is an improvement of 1.1 points over the previous survey.

### Organizational culture survey / Corporate culture monitoring survey

Implemented from fiscal 2021

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

# Enterprise Market

## Our Vision

Expanding security measures, cloud systems, and work style innovation through ICT utilization

## Overview of Business

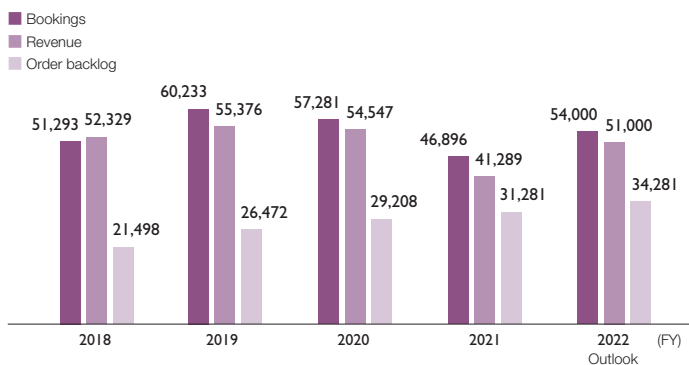
### Content of business

We conduct business for major private companies in the manufacturing and non-manufacturing industries, as well as domestic financial institutions and foreign companies. We support information utilization to enhance competitiveness, work style innovation, cost reductions, etc., through the utilization of ICT platforms.

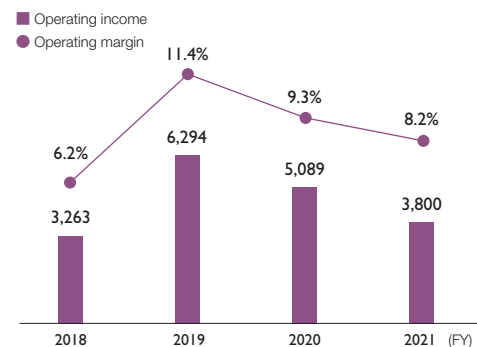
#### Operating environment

Demand for security measures, cloud systems, and work style innovation continues to remain high.

### Bookings / Revenue / Order backlog (Million yen)



### Operating income (Million yen) / Operating margin (%)



CAGR (3-year compound annual growth rate up to FY2021): Revenue **-7.6%** Operating income **5.2%**

\*From fiscal 2022, the ISP industry has been reclassified from the enterprise market to the telecom carrier market. Bookings, revenue, and the order backlog for fiscal 2021 are figures after this change has been applied. Operating income and operating margin are figures before this change is applied.

### Performance and outlook

#### Fiscal 2021 results

In the manufacturing industry, bookings and revenue decreased, as customer investments were restrained due to the impact of semiconductor shortage on performance. In the financial industry, the second quarter was a trough for investment, and we were unable to make up for the shortcomings of this period in the full year. However, in the fourth quarter, bookings recovered in both the manufacturing and financial industries.

As a result, bookings were 46,896 million yen (down 18.1% year-on-year), revenue was 41,289 million yen (down 24.3% year-on-year), and the order backlog was 31,281 million yen (up 7.1% year-on-year). Operating income was 3,800 million yen (down 25.3% year-on-year) due to the decrease in revenue, while the operating margin was 8.2% (down 1.1 points year-on-year).

#### Outlook for fiscal 2022

In the enterprise market, we plan to increase bookings and revenue. In the manufacturing industry, we expect a recovery based on smart manufacturing. In the non-manufacturing industry as well, we will focus on areas where business digitalization is expanding. The financial industry is expected to remain flat due to both investments in digitalization and cost reductions.

We estimate bookings of 54,000 million yen (up 15.1% year-on-year), revenue of 51,000 million yen (up 23.5% year-on-year), and an order backlog of 34,281 million yen (up 9.6% year-on-year).

# Growth Strategy

## Strategy

- Provide issue-solving lifecycle services and propose grand designs for the future
- Business expansion into business ICT areas such as production technology departments

## Focus themes for growth

- Implement work style innovation 2.0 / DX
- Smart manufacturing
- Solutions for MSPs
- Refurbishment business
- Detection of signs of cyber-attacks and system failures

### Medium- to Long-term Outlook / Growth Strategy / Current Medium-Term Business Plan

#### Medium-term outlook

Demand for telework is increasing rapidly in anticipation of the spread and prolongation of the COVID-19 pandemic. As such, continuous efforts are being made to improve business efficiency through work style innovations and collaboration based on the cloud and Internet. In addition, with regard to security measures, reviews of the boundary defense model, in which communications with the outside world are consolidated in data centers and other locations, are also being encouraged in response to the situation.

While next generation network environment (SD-WAN) is attracting attention in anticipation of the utilization of the zero-trust model, which confirms the safety of all access from inside and outside the company, we are proposing a

highly productive ICT platform that utilizes the Internet safely, by combining our expertise in networking and security measures. In addition, our comprehensive proposals are gaining popularity as the importance of security measures in the supply chain increases.

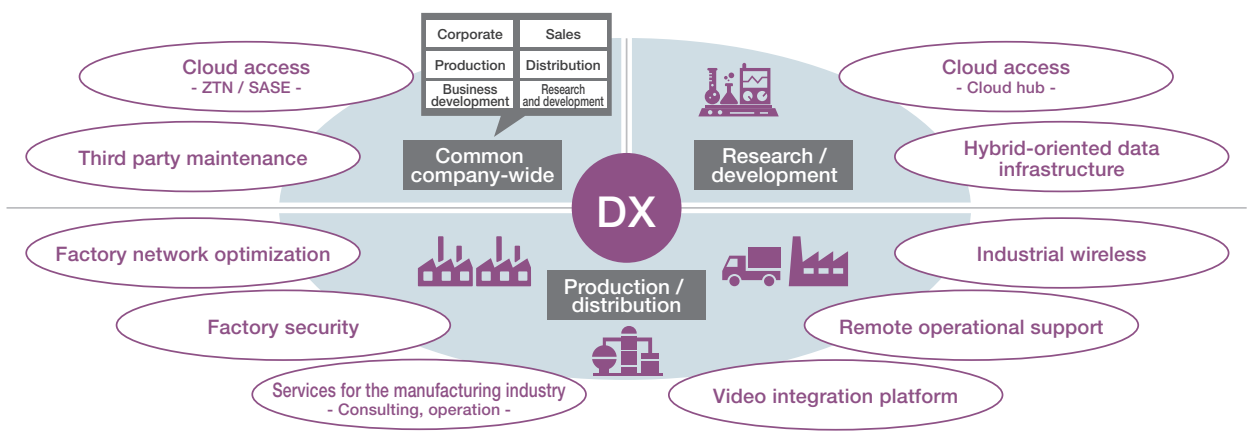
Operations that are free from external connections are becoming increasingly limited, and it is essential to take measures to achieve a balance between digitalization and a safe and secure work environment. With the increasing use of multi-cloud system, we will strive to continue supporting the entire ICT platform through drastic security measures and network reviews.

### Example

In the manufacturing industry, progress is being made with smart factories, which are equipped with internal networks. Accordingly, initiatives are being considered for smart manufacturing, in order to continuously reform business processes, and improve productivity and quality throughout the supply chain. This system will become more complex as digital utilization spreads throughout the supply chain, and ICT platform maintenance and security measures will become increasingly important.

Amidst the demand for business transformation through digitalization technology, we support DX promotion, security measures, and decarbonization in the manufacturing industry through various solutions that address ICT issues associated with digitalization. Specifically, we propose the overall optimization of ICT platforms at production sites, such as support for formulating a grand design, security measures for cloud utilization and business continuity, work style innovation, and enhancement of production efficiency.

#### Solutions for DX issues in the manufacturing industry



# Telecom Carrier Market

Our Vision

Exploring new business possibilities through collaboration with telecom carriers

## Overview of Business

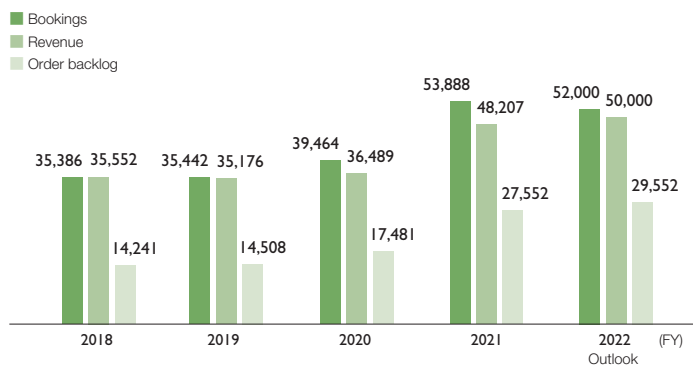
### Content of business

We conduct business for fixed and mobile telecom carriers. Working together with our customers, we establish safe and secure Internet platforms and cloud computing platforms as social infrastructure.

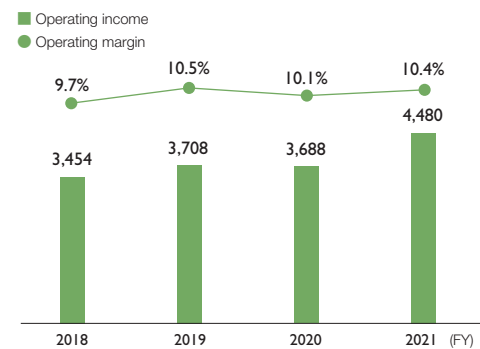
#### Operating environment

Customer appetite for investment in corporate business expansion continues to be strong. Shifting our focus area to installation of service platforms such as the cloud

#### Bookings / Revenue / Order backlog (Million yen)



#### Operating income (Million yen) / Operating margin (%)



CAGR (3-year compound annual growth rate up to FY2021): Revenue **10.7%** Operating income **9.1%**

\*From fiscal 2022, the ISP industry has been reclassified from the enterprise market to the telecom carrier market. Bookings, revenue, and the order backlog for fiscal 2021 are figures after this change has been applied. Operating income and operating margin are figures before this change is applied.

### Performance and outlook

#### Fiscal 2021 results

Advance bookings continued, in anticipation of line reinforcement in response to the increased communication volume due to teleworking, as well as longer delivery times for product due to the semiconductor shortage. Support for MSP and corporate businesses continued to progress steadily.

As a result, bookings were 53,888 million yen (up 36.5% year-on-year), revenue was 48,207 million yen (up 32.1% year-on-year), and the order backlog was 27,552 million yen (up 57.6% year-on-year). Operating income was 4,480 million yen (up 21.5% year-on-year) due to the increase in revenue, while the operating margin was 10.4% (up 0.3 points year-on-year).

#### Outlook for fiscal 2022

In the telecom carrier market, it is expected that part of the line reinforcement projects that were scheduled in advance during fiscal 2021 will be reduced, and bookings are expected to decrease compared to fiscal 2021. We will continue to focus on supporting digitalization and security enhancement businesses for private companies and public institutions, through corporate business and MSP business.

We estimate bookings of 52,000 million yen (down 3.5% year-on-year), revenue of 50,000 million yen (up 3.7% year-on-year), and an order backlog of 29,552 million yen (up 7.3% year-on-year).



# Growth Strategy

## Strategy

- Proposing solutions and co-creation businesses that contribute to telecom carrier sales, such as service platform installation and corporate business support

## Focus themes for growth

- Strengthen corporate business through collaboration with telecom carriers
- Collaborative business in other markets and expansion of solutions for MSPs

### Medium- to Long-term Outlook / Growth Strategy / Current Medium-Term Business Plan

#### Medium-term outlook

In the telecom carrier market, we are working with our customers to achieve value co-creation through ICT utilization, toward the realization of a safe and secure society.

In the corporate business, where customers are focusing their efforts, the risk of hidden cyber-attacks in the use of cloud services via the Internet is increasing in line with the increasing use of cloud services. In response to this risk, our customers are providing advanced security services combined with highly functional cloud-based firewalls.

In line with the launch of a new security service that utilizes the customer's cloud system, we have installed an operational system for this service, and provide

comprehensive operation services. This new operation service effectively unifies the monitoring of security operation systems and cloud systems, thereby improving quality and reducing operational costs, in order to achieve stable system operations and reduce the operational load for the customer.

Based on the new relationships that are being created through this project, we support the early launch of new services and a reduction of planning and development costs. We will continue to expand our services for value co-creation, and continue to make proposals that earn our customers' continued trust.

#### Example

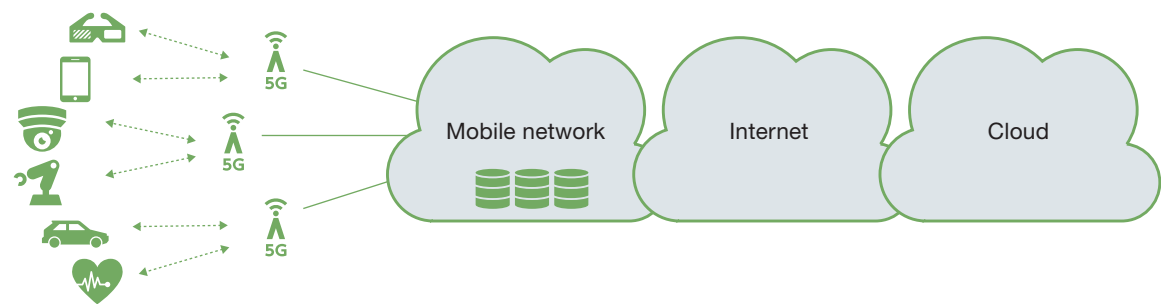
The use of the cloud is spreading, and an increasing number of services are provided via the Internet. Furthermore, communications are increasing with the emergence of edge computing, which utilizes DX and IoT to process large amounts of data close to the users. Meanwhile, issues such as increased network load, communication delays, and security measures have arisen.

Accordingly, attention has turned to a standard known as MEC (Multiaccess Edge Computing), which utilizes the performance of 5G to its full extent. By utilizing 5G and MEC to position computers closer to users, high-speed, low-latency, and high-security network usage is expected to be achieved. We support

the definition of requirements and performance evaluation of ICT systems that utilize this advanced technology for telecom carriers. Specifically, we provided our customers with an environment for testing the MEC platform, and by working together to consider plans for next-generation service platforms, the configurations that we proposed were adopted as their next service platform.

In order to realize service platforms with higher added value, we will lead technological innovation, build safe and secure digital platforms together with our customers, and support the digital industry through the co-creation of new markets.

MEC (Multiaccess Edge Computing)



## Public Market

### Our Vision

Provide a safe and secure ICT platform for social infrastructure, realize a sustainable society, and realize the growth of the Company

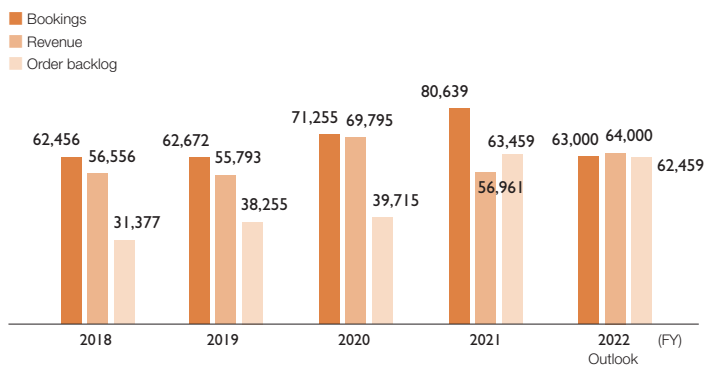
### Overview of Business

#### Content of business

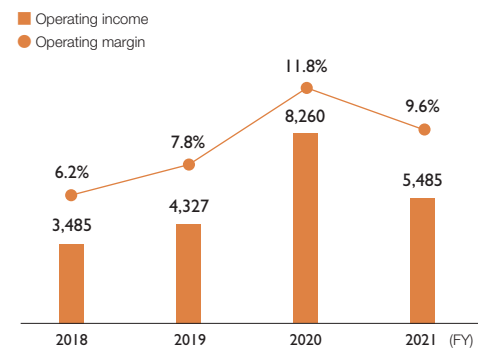
We conduct business for public institutions such as central and local governments, education, civil engineering, companies that provide social infrastructure (power companies, railways, etc.), and healthcare (hospitals). We strengthen the security of public information, and develop a common infrastructure for optimizing investment costs.

**Operating environment** Strong demand for security measures and cloud systems

#### Bookings / Revenue / Order backlog (Million yen)



#### Operating income (Million yen) / Operating margin (%)



**CAGR (3-year compound annual growth rate up to FY2021): Revenue 0.2% Operating income 16.3%**

#### Performance and outlook

##### Fiscal 2021 results

Orders were strong for the local government information security cloud and strengthening for information security, which made up for the lack of orders for the GIGA school project in fiscal 2020. In terms of revenue, the timing of sales was delayed due to the prolonged delivery time of product.

As a result, bookings were 80,639 million yen (up 13.2% year-on-year), revenue was 56,961 million yen (down 18.4% year-on-year), and the order backlog was 63,459 million yen (up 59.8% year-on-year). Operating income was 5,485 million yen (down 33.6% year-on-year) due to the decrease in revenue, while the operating margin was 9.6% (down 2.2 points year-on-year).

##### Outlook for fiscal 2022

In the public market, we plan to increase revenue, although bookings are expected to decline due to the loss of large-scale orders received in advance during the previous fiscal year. We will continue to focus on acquiring projects that are related to the local government information security cloud and strengthening for information security.

We estimate bookings of 63,000 million yen (down 21.9% year-on-year), revenue of 64,000 million yen (up 12.4% year-on-year), and an order backlog of 62,459 million yen (down 1.6% year-on-year).

# Growth Strategy

## Strategy

- Propose optimization of ICT platforms, including operations, for markets where digitalization is progressing
- Participate in bidding focused on value-added proposals such as ICT utilization and provision of functions

## Focus themes for growth

- Shift to cloud computing for ICT platforms, strengthen security
- Social infrastructure to realize Society 5.0

### Medium- to Long-term Outlook / Growth Strategy / Current Medium-Term Business Plan

#### Medium-term outlook

The Public market is the field where the most progress has been made in the strengthening of ICT platforms, in recent years. The needs for digitalization are continuing to become stronger and increasingly specific, including the joint use of cloud-based systems, comprehensive security measures, and work style innovations.

In the market of local governments, while drastic security enhancements were made in a short period of time in 2016, there has been an increase in requests for ICT utilization, such as cloud computing proposed by the government, online administrative procedures, and work style innovations centered on telework. In terms of new information security measures, ICT platforms using the Internet are being reviewed in order to improve administrative services and clerical efficiency. It is expected that the demand for the

unique value that combine the most suitable products and services, and advanced operation services will continue, especially in key system designs, where a series of proof-of-concept (PoC) experiments are being conducted to verify performance and operability.

We expect local governments to accelerate ICT utilization in resident services, such as through the digitalization of administrative services, in response to the shift towards digital government. We will continue the expansion of our business fields by contributing to the realization of a digital society and solving challenges in local communities. In addition, we will further transform the Company by leveraging the knowledge and experience we have cultivated through participation in projects with high social significance, such as the digitalization of education and medical care.

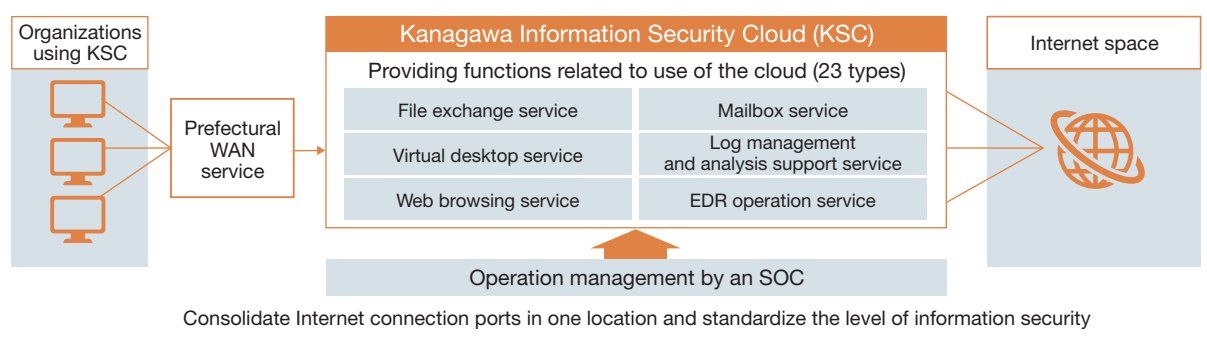
### Example

Going forward, in the local government market, the standardization of core information systems will progress for 17 major work areas, including resident records, local taxes, and welfare, and shift to a government-led “government cloud” that can be shared as cloud services.

In the “Kanagawa Information Security Cloud (hereinafter “KSC”),” which is jointly utilized by a total of 34 organizations including Kanagawa Prefecture and its municipalities, we are involved in the installation and operation of the network and the implementation of related network security, and offer function-providing services with an emphasis on scalability and flexibility. In addition to

standardizing information security response levels in Kanagawa Prefecture, we are working to strengthen various functions such as security monitoring and log analysis, by consolidating the Internet connection ports that have been established by prefectures and municipalities in one location and unifying network monitoring and security measures. In addition, this will also allow us to provide unified network and security functions using the security cloud throughout the prefecture, by creating a service menu that can flexibly respond to an increased number of users, added security functions, speeding up lines, etc., for user groups such as prefectures and municipalities.

Offering function-providing services that emphasize scalability and flexibility



# Partner Business

Our Vision

Readily adopt cutting-edge technology, enabling us to respond to diverse business models

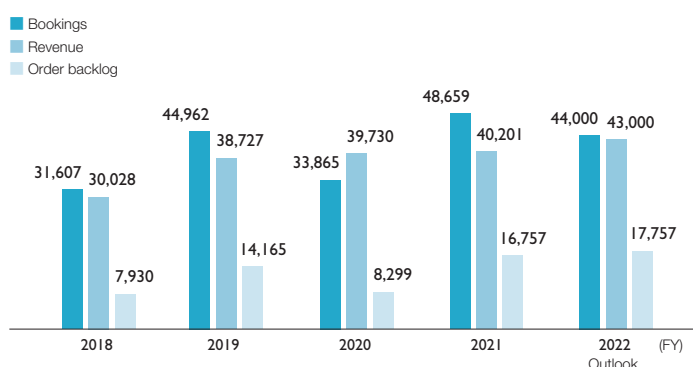
## Overview of Business

### Content of business

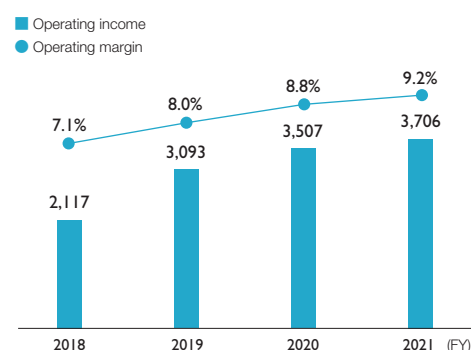
A business that specializes in collaboration with partner companies through Net One Partners. We conduct businesses for a wide range of markets, and create optimal added value for each market by integrating the Net One Group's ICT platform solutions with the system solutions of our partner companies.

**Operating environment** Strong business for system integrators

### Bookings / Revenue / Order backlog (Million yen)



### Operating income (Million yen) / Operating margin (%)



**CAGR (3-year compound annual growth rate up to FY2021): Revenue 10.2% Operating income 20.5%**

### Performance and outlook

#### Fiscal 2021 results

The businesses of our major business partners, which have been affected by COVID-19, were on a trend toward recovery, overall. In the first quarter, we received orders for 5G projects worth approximately 3,000 million yen, and the MSP business also saw strong performance.

As a result, bookings were 48,659 million yen (up 43.7% year-on-year), revenue was 40,201 million yen (up 1.2% year-on-year), and the order backlog was 16,757 million yen (up 101.9% year-on-year). Operating income was 3,706 million yen (up 5.7% year-on-year) due to the increase in revenue, while the operating margin was 9.2% (up 0.4 points year-on-year).

#### Outlook for fiscal 2022

In our partner business, we plan to increase revenue despite a decrease in bookings. We will continue to strengthen collaborative businesses with our major business partners. On the other hand, in terms of bookings, we expect that 5G projects and part of the MSP business that were scheduled in advance during fiscal 2021 will decrease.

We estimate bookings of 44,000 million yen (down 9.6% year-on-year), revenue of 43,000 million yen (up 7.0% year-on-year), and an order backlog of 17,757 million yen (up 6.0% year-on-year).

# Growth Strategy

## Strategy

- Establish a collaborative model with partner companies
- Provide timely proposals, assistance, and technical support, as well as strategic products and solutions

## Focus themes for growth

- Expand solution businesses for partner companies
- Develop solutions for MSPs
- Demonstrate group synergies with Net One Systems

### Medium- to Long-term Outlook / Growth Strategy / Current Medium-Term Business Plan

#### Medium-term outlook

Net One Partners aims to establish its position as an advanced technology distributor, by leveraging its strong and innovative business base and its expertise in critical assessment utilizing the knowledge of the Net One Group. We will readily provide new technologies with our technology capabilities as TAKUMI (“masters” or “experts” in English), and contribute to business success, corporate growth, and social development together with our partner companies, based on strong vendor relationships.

As partner companies are focusing more on services and solutions, and shifting to subscription-type service businesses, we will provide the elements and values that are

necessary for the realization of DX and a shift to services, and co-create new businesses with partner companies. Specifically, we will find new products in anticipation of the shift to services, and support the transition to services by providing the Net One Group’s know-how. We will also provide the “DX Core,” which consists of five categories, as the elements and values necessary for realizing DX, in order to support the promotion of DX throughout the market. These categories are: (1) digital workplaces, (2) mobile and wireless, (3) new-generation and next-generation networks, (4) cloud infrastructure and management, and (5) digital security.

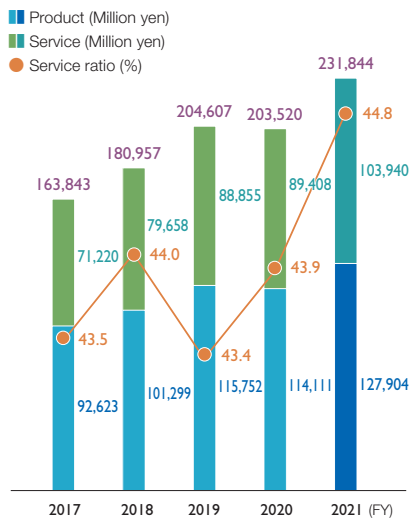
#### Strengths of Net One Partners



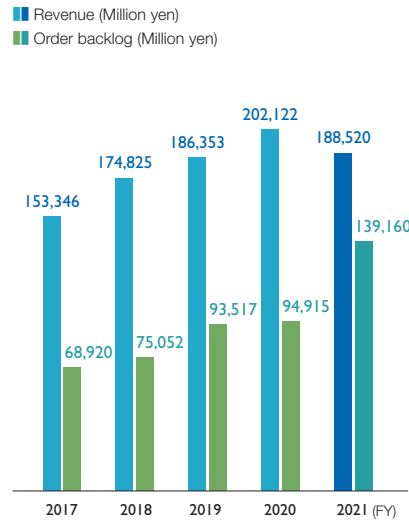
# Financial Highlights / Non-financial Highlights

## Financial Highlights

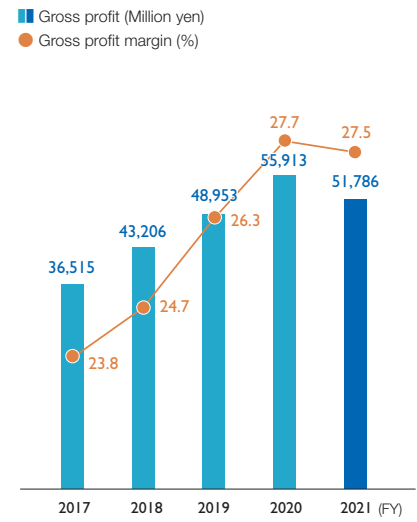
### Bookings



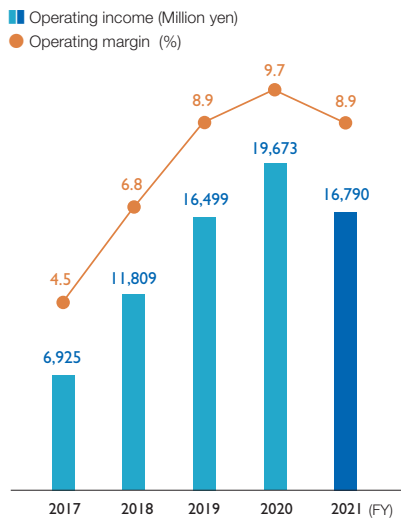
### Revenue / Order backlog



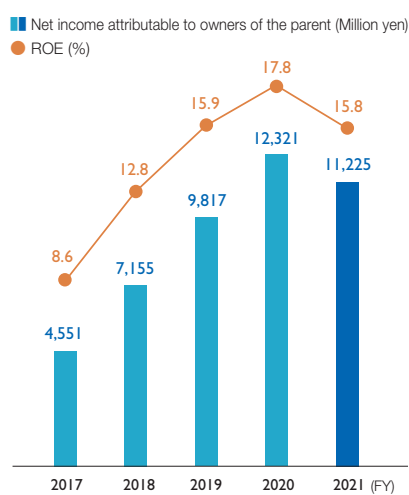
### Gross profit / Gross profit margin



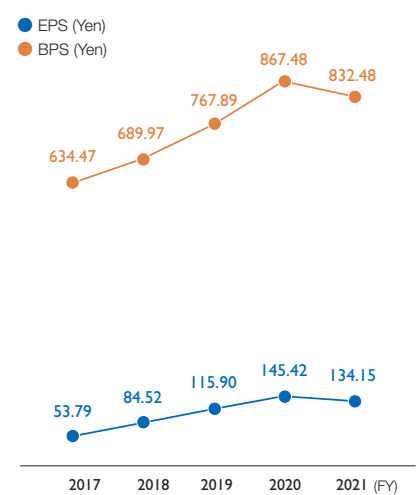
### Operating income / Operating margin



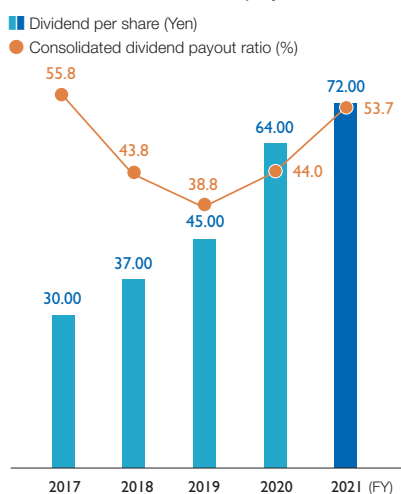
### Net income attributable to owners of the parent Return on Equity (ROE)



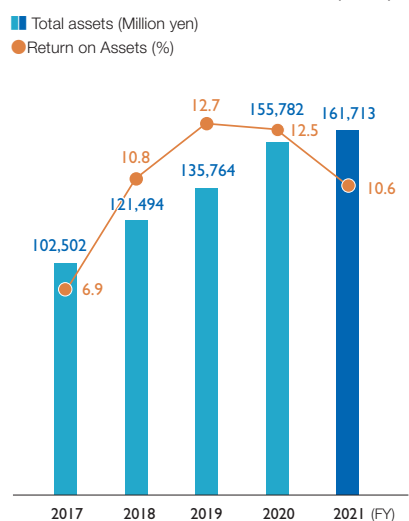
### Earnings per share (EPS) Book-value per share (BPS)



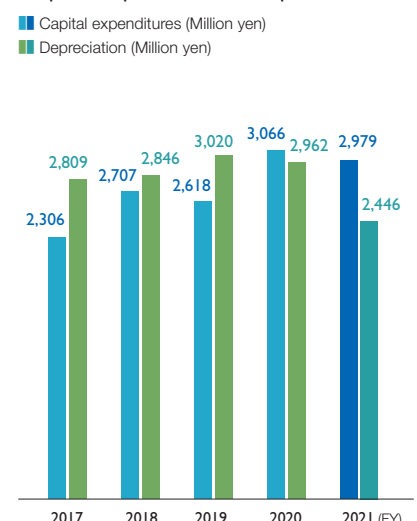
### Dividend per share Consolidated dividend payout ratio



### Total assets / Return on Assets (ROA)



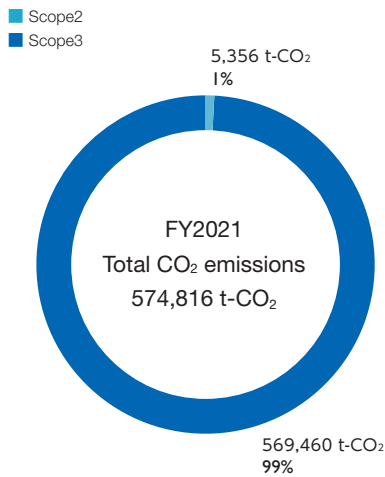
### Capital expenditures / Depreciation



\*ROA: Ordinary income / average total assets during the period × 100

# Non-financial Highlights

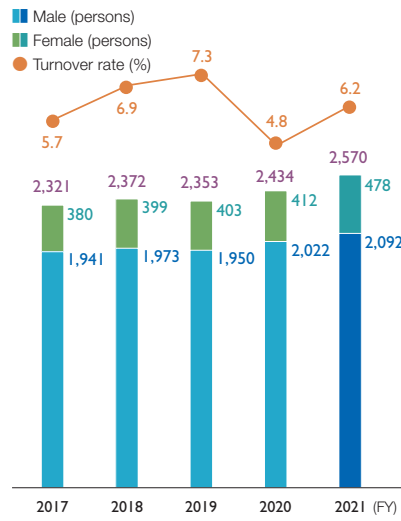
## CO<sub>2</sub> emissions



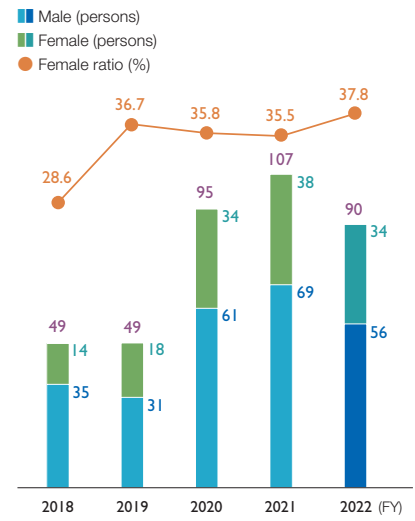
\*\*Scope 1: N/A

\*1 Employees (registered at Net One Systems) includes staff seconded from external partners, excludes employees seconded to outside the Net One Group and employees on short- to long-term leave  
 \*2 Figures exclude certain overseas subsidiaries and certain domestic subsidiaries of the Net One Group

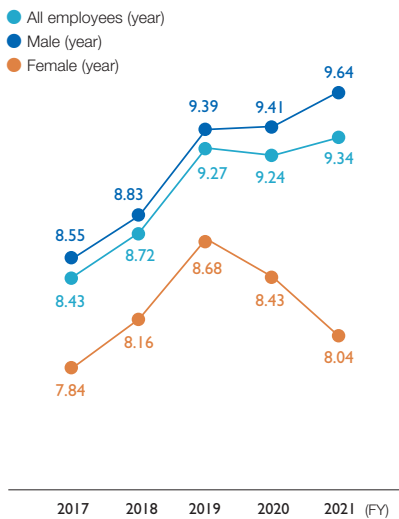
## Number of employees\*<sup>1</sup> and turnover rate\*<sup>1</sup>



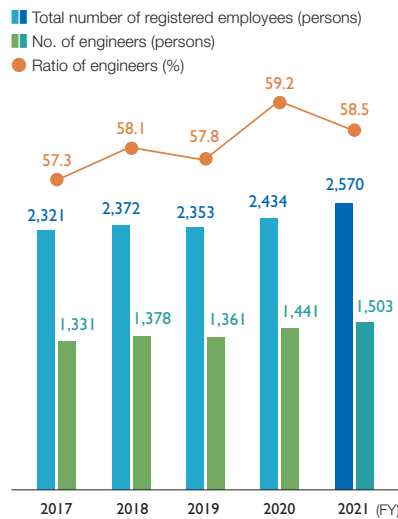
## New graduate recruits by gender\*<sup>1</sup>



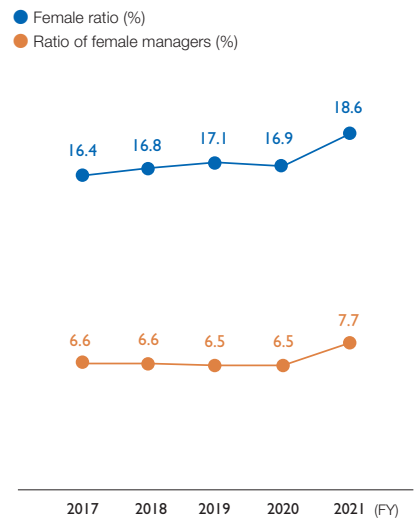
## Average years worked at Net One Systems\*<sup>1</sup>



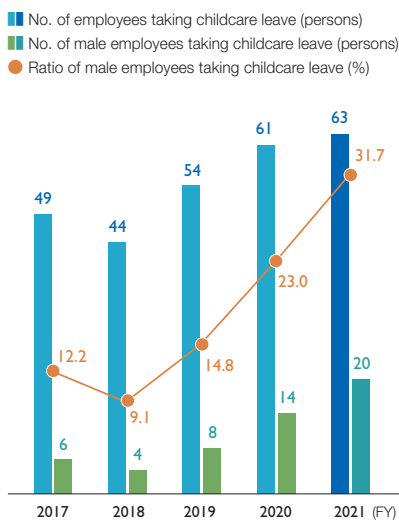
## Ratio of engineers of all employees\*<sup>1</sup>



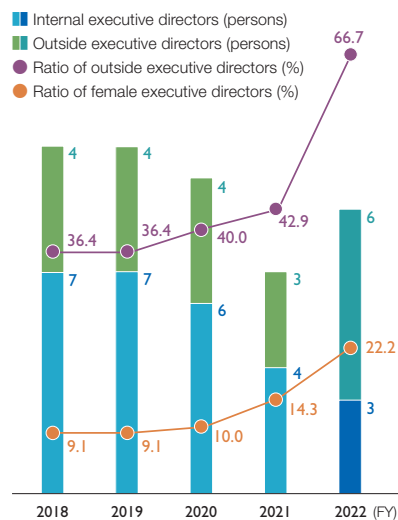
## Female ratio\*<sup>1</sup> / ratio of female managers\*<sup>2</sup>



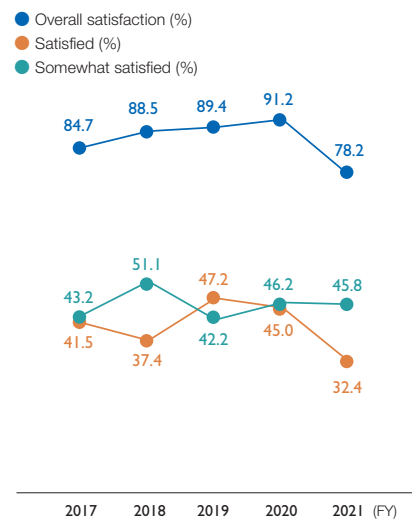
## Employees taking childcare leave\*<sup>2</sup>



## Composition of the Board of Directors



## Customer satisfaction



\*Transition to a company with an Audit & Supervisory Committee from a company with an Audit & Supervisory Board in FY2022

\*Overall satisfaction: Satisfied + Somewhat satisfied  
 \*Survey methodology changed from FY2021

## Consolidated Financial Data

	unit	FY2010	FY2011	FY2012	FY2013	FY2014
Bookings	million yen	136,404	160,667	154,582	146,216	144,684
Service business	million yen	48,322	50,706	53,147	57,490	57,935
Year over year	%	9.1	4.9	4.8	8.2	0.8
Composition ratio	%	35.4	31.6	34.4	39.3	40.0
Order backlog	million yen	48,569	51,602	51,316	55,104	58,259
Revenue	million yen	130,857	157,633	154,869	142,427	141,529
Year over year	%	5.2	20.5	(1.8)	(8.0)	(0.6)
CAGR (three years)	%	5.4	6.3	7.6	2.9	(3.5)
Gross profit	million yen	30,491	42,302	36,266	31,699	31,916
Gross profit margin	%	23.3	26.8	23.4	22.3	22.6
Selling, general and administrative expenses	million yen	24,793	27,073	27,814	28,556	28,157
SGA ratio	%	18.9	17.2	18.0	20.0	19.9
Operating income	million yen	5,697	15,229	8,451	3,142	3,759
Year over year	%	13.9	167.3	(44.5)	(62.8)	19.6
CAGR (three years)	%	6.1	19.7	19.1	(18.0)	(37.3)
Operating margin	%	4.4	9.7	5.5	2.2	2.7
Net income attributable to owners of the parent	million yen	2,891	8,520	4,324	983	1,453
Total assets	million yen	82,627	100,002	92,924	90,624	103,013
Cash and deposits	million yen	12,256	19,233	18,580	18,184	19,374
Interest bearing liabilities (mainly lease obligations)	million yen	1,133	1,843	1,882	2,173	4,700
Net assets	million yen	56,294	63,508	61,387	57,263	56,109
Equity	million yen	56,180	63,368	61,190	57,196	56,014
Equity ratio	%	68.0	63.4	65.8	63.1	54.4
D/E ratio	times	0.02	0.03	0.03	0.04	0.08
Net D/E ratio	times	(0.20)	(0.27)	(0.27)	(0.28)	(0.26)
Return on Equity	%	5.2	14.3	6.9	1.7	2.6
Return on Assets	%	7.1	16.9	9.0	3.9	3.9
Book-value per share	yen	623.47	703.25	699.63	676.65	662.62
Dividend per share	yen	2,200	6,200	34.00	34.00	30.00
Earnings per share	yen	32.20	94.56	48.89	11.40	17.20
Diluted earnings per share	yen	—	—	48.89	11.39	17.17
Cash flows from operating activities	million yen	8,129	19,313	3,932	1,016	5,291
Cash flows from investing activities	million yen	(1,887)	(1,572)	(3,416)	(3,823)	(1,610)
Cash flows from financing activities	million yen	(1,407)	(1,765)	(7,167)	(5,589)	(3,490)
Cash and cash equivalents at end of period	million yen	20,256	36,231	29,580	21,183	21,374
Total employees	person	2,010	2,023	2,210	2,422	2,374
Bookings per employee	million yen	68	79	70	60	61
Revenue per employee	million yen	65	78	70	59	60
Gross profit per employee	million yen	15	21	16	13	13
Operating income per employee	million yen	3	8	4	1	2

CAGR : compound annual growth rate

Equity = Total net assets - Share acquisition rights - Non-controlling interests

\* Diluted earnings per share for fiscal 2015 is not shown because there is a net loss per share although there are residual shares.

\*\* Diluted earnings per share for fiscal 2011 and before is not shown because there are no residual shares.

\*\*\* Although the Company conducted a 200-for-1 stock split on April 1, 2012, book-value per share and earnings per share have been calculated on the assumption that the stock split was conducted at the beginning of fiscal 2010.



FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
138,103	158,181	163,843	180,957	204,607	203,520	231,844
56,291	63,736	71,220	79,658	88,855	89,408	103,940
(2.8)	13.2	11.7	11.8	11.5	0.6	16.3
40.8	40.3	43.5	44.0	43.4	43.9	44.8
56,192	58,423	68,920	75,052	93,517	94,915	139,160
140,170	153,124	153,346	174,825	186,353	202,122	188,520
(1.0)	9.2	0.1	14.0	6.6	8.5	(6.7)
(3.3)	2.4	2.7	7.6	6.8	9.6	2.5
29,015	34,843	36,515	43,206	48,953	55,913	51,786
20.7	22.8	23.8	24.7	26.3	27.7	27.5
27,391	29,475	29,590	31,397	32,453	36,239	34,995
19.5	19.2	19.3	18.0	17.4	17.9	18.6
1,623	5,368	6,925	11,809	16,499	19,673	16,790
(56.8)	230.6	29.0	70.5	39.7	19.2	(14.7)
(42.3)	19.5	22.6	93.8	45.4	41.6	12.4
1.2	3.5	4.5	6.8	8.9	9.7	8.9
(124)	1,075	4,551	7,155	9,817	12,321	11,225
99,266	102,038	102,502	121,494	135,764	155,782	161,713
20,668	16,236	21,953	23,305	31,473	32,429	20,281
5,832	6,994	7,306	12,442	16,109	21,498	41,069
52,896	51,943	53,847	58,584	65,337	73,795	68,547
52,777	51,815	53,686	58,420	65,053	73,513	68,363
53.2	50.8	52.4	48.1	47.9	47.2	42.3
0.11	0.13	0.14	0.21	0.25	0.29	0.60
(0.28)	(0.18)	(0.27)	(0.19)	(0.24)	(0.15)	0.30
(0.2)	2.1	8.6	12.8	15.9	17.8	15.8
1.7	5.3	6.9	10.8	12.7	12.5	10.6
624.24	612.64	634.47	689.97	767.89	867.48	832.48
30.00	30.00	30.00	37.00	45.00	64.00	72.00
(1.47)	12.72	53.79	84.52	115.90	145.42	134.15
—	12.69	53.65	84.30	115.63	145.09	133.98
5,877	259	11,569	6,682	12,281	9,800	(10,874)
(2,235)	(1,127)	(1,264)	(1,424)	(1,194)	(3,336)	(1,515)
(3,329)	(3,564)	(3,588)	(3,905)	(5,131)	(5,505)	233
21,668	17,236	23,953	25,305	31,473	32,429	20,281
2,252	2,284	2,317	2,294	2,431	2,560	2,703
61	69	71	79	84	80	86
62	67	66	76	77	79	70
13	15	16	19	20	22	19
1	2	3	5	7	8	6

# Glossary

Terminology	Meanings
Edge cloud	The edge cloud provides the convenience and connectivity of the cloud to the locations where data is created and implemented. Specifically, in IoT networks at production sites such as factories, the edge cloud enables the utilization of data as information that is necessary for decision-making in management and at production sites, by collecting, storing, and processing data in a public cloud within the production site, rather than in of the broader public cloud. This technology realizes digital transformation to connect production sites and management.
Customer success	A technical support process that involves working with customers to help them achieve optimum system utilization. Through ongoing monitoring of ICT system usage post-installation, gaps in expected system performance can be identified and rectified. Proposals can also be made to update existing systems in line with advances in technology
Capital services	A financial service that reduces initial costs and enables continuous use when introducing an ICT system.
Smart factories	Smart factories enable the creation of new added value, by acquiring and collecting data regarding all equipment, facilities, and the work of the personnel in the factory using IoT networks, and analyzing and utilizing such data.
Smart manufacturing	Smart manufacturing aims to decarbonize and enhance manufacturing performance, by enhancing efficiency through the use of IoT, big data, AI, etc. This refers to the digitalization of manufacturing, which uses data to connect all corporate activities, including not only factories, but also product design, supply chains, production, distribution, and sales.
Three lines model	A model of an organization's risk management and control activities. Generally, the first line consists of the business department, the second line the management department, and the third line the internal audit department. In the case of the Company, we have established our own 1.5 line to monitor the first line, in order to ensure discipline as well as the establishment of effective business rules.
Zero trust / Zero trust network	A new security measure which replaces the conventional perimeter defense type of security that works to protect the internal network from the outside. This is a mechanism that protects information assets and ICT assets by verifying the reliability of access through appropriate authorization, in an ICT environment where various users and devices are connected, such as cloud use and remote work.
Digital government	A revision by national and local governments of the administrative services they provide through the utilization of digital technology and data, with the aim of transforming the very nature of government itself. Digital government aims to create new value from the perspective of users such as citizens and companies.
Integrated Service Business	This is our unique business model, which builds an engagement model that maximizes value for our customers, along with an expansion of lifecycle services that utilize the intellectual property we have accumulated thus far. We provide new value through co-creation with our customers and business partners by linking a variety of intellectual properties.
2025 Digital Cliff	A term coined in METI's "DX Report" (2018), which refers to the prediction that "there is a possibility that Japan's international digital competitiveness will stagnate after 2025, due to the retirement of IT system personnel who support corporate legacy systems, and the resulting continuation of system black-boxization, as well as a lack of progress in digitalization."
Managed Service Provider (MSP)	A business provider that provides support from line connection to usage. In addition to conducting various analyses that are necessary when introducing ICT systems / equipment, MSPs provide simple usage of equipment similar to home appliances, at a fixed monthly fee.
Lifecycle service	Services that support the development of the ICT infrastructure strategies of customers, by expanding the scope of proposals from traditional services such as design, installation and maintenance to operations, as well as overall system optimization.
Recurring	A business model that generates revenue through recurring billing. At the Company, this is a system that responds to customer's problem-solving needs in ICT utilization, ranging from system maintenance and operations, to the provision of ICT platform functions, overall system optimization, and payment methods for operation and maintenance costs, thereby continuously providing value to our customers.
Refurbishment	A business model that addresses the growing demand for equipment referred to as remanufactured products, with guaranteed functions and operations. Technological innovation by manufacturers is progressing rapidly, which makes the continued usage of equipment difficult. Accordingly, the procurement of functions for ICT utilization has become a new customer trend, and guaranteeing functions is key.
Reference	Customers referring to examples from other companies before introducing a new system. In principle, we provide our customers with examples of our internal use and application of systems, as part of our basic proposal activities at the Company.
COPC (Customer Operations® Performance Center) certification	An international standard established to contribute to customers, through high-quality contact center operations. Organizations that consistently produce high-level results in terms of service speed, response quality, operational efficiency, and customer satisfaction are certified.
DX (Digital Transformation)	The utilization of ICT technology to create new revenue models and significantly enhance operational efficiency. At the Company, we are focused on the digitalization of business processes (netone DX) in providing lifecycle services. In order to improve productivity, we are promoting behavioral reforms, including revisions of organizations and personnel systems.
netone on netone	To support customers by eliminating anxiety when introducing a new system and in deploying effective ICT utilization at an early stage, by actively disseminating our ICT utilization case studies to our customers.
OT security services	Services we provide for comprehensive support to accurately identify ICT assets, visualize vulnerabilities, reduce potential risks, and monitor communications, in an OT (Operational Technology: technology to control and operate production equipment and systems) environment where various devices and mechanisms that are unique to manufacturers are used.
XOC (Expert Operation Center)	Our operation center, which supports high network availability 24 hours a day, 365 days a year. It is one of the largest integrated operation management services in Japan.
SOC (Security Operation Center)	Our security monitoring system, which consists of our high-quality security analysis infrastructure and a team of dedicated security analysts.

### Adoption in ESG indices

JPX-Nikkei Index 400	FTSE Blossom Japan Sector Relative Index
MSCI Japan ESG Select Leaders Index	MSCI Japan Empowering Women Index (WIN)

### Work style (work-life balance, empowerment of women)

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



### Partners Companies' Awards

The Group has built strong cooperative relationships with a variety of domestic and overseas partner companies. We have received numerous awards in recognition of our achievements in customer success using our partner companies' products and services, and our contributions to the promotion of our partner companies' businesses.



Examples of Awards from Partner Companies during Fiscal 2021 P.23

### IR Activities

- Selected for the first time as a Highly Improved Integrated Report selected by GPIF's domestic equity management institutions
- Selected as the “AAA Website” for substantial content in the Overall Ranking of the Ranking Survey of All Japanese Listed Companies' Website for fiscal 2021
- Selected for the “Most Liked!” IR Award” at the 2021 IR Award

### Website information

<b>IR</b>	<a href="https://www.netone.co.jp/english/investor-relations/">https://www.netone.co.jp/english/investor-relations/</a> We also post IR news as well as IR materials such as financial results briefing materials and Annual Securities Reports.	
<b>Sustainability</b>	<a href="https://www.netone.co.jp/sustainability/">https://www.netone.co.jp/sustainability/</a> (Japanese only) We provide an overview of our basic approach and initiatives regarding aspects of society and the environment.	
<b>Corporate governance</b>	<a href="https://www.netone.co.jp/sustainability/esg/governance/corporate/">https://www.netone.co.jp/sustainability/esg/governance/corporate/</a> (Japanese only) In addition to our Corporate Governance Report, we also publish our Corporate Governance Guidelines.	



## **Net One Systems Co., Ltd.**

JP TOWER, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo 100-7024  
ir@netone.co.jp  
Investor Relations Office  
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