[Questioner A]

Q1: How is the Advisory Committee involved in decisions, including those regarding executive compensation?

A1: The Advisory Committee is composed of outside directors, outside members of the Audit & Supervisory Board, two representative directors, and a full-time member of the Audit & Supervisory Board. The representative directors consult with the rest of the Advisory Committee regarding matters such as executive candidates and development programs for next-generation management, and receive advice concerning related maneuvers.

In terms of proposals regarding the selection of director candidates, the Advisory Committee shares its opinions on relevant suggestions from the representative directors. The representative directors make necessary revisions to the proposals, and submit the proposals to the Board of Directors. With respect to executive compensation, the representative directors also seek advice from the rest of the Advisory Committee regarding drafts of compensation tables and proposals concerning compensation for individual directors using the compensation tables. Then the Advisory Committee discuss the compensation plans before any decisions are made. These systems prevent arbitrary decision-making.

[Questioner B]

Q2: Net One Systems is recognized as a 5G-related company in the stock market. Could you tell us specifically how you will be involved with the development of 5G as you pursue earnings expansion moving forward?

A2: Until about six years ago, we expanded our operating results by supplying hardware for 4G LTE (the predecessor of 5G) systems. However, price competition in the 4G LTE market has intensified because telecom carriers have held back from investment. As a company, we place a large amount of importance on profit and have shifted to a business structure centered on cloud services. Accordingly, we are not actively developing businesses in markets related to 5G systems. That said, 5G-related infrastructures are about to create a variety of new opportunities and markets. Therefore, we are researching and developing new solutions and services that use 5G technology on a daily basis. We believe that we will be able to sell more solutions as 5G development progresses moving forward.
[Questioner C]
Q3: What are your strengths compared to your competitors?.
A3: We began as a network specialist and have expanded from the network market. Our competitors, on the other hand, have grown from the computer systems market. We have entered an era in which a wide variety of things can connect to network. Net One Systems is aware that growing with the background of network specialist has given it a vastly expanding pool of opportunities to demonstrate its abilities. We believe that this gives us the ability to distinguish ourselves from our competition.

[Questioner D]
Q4: It seems as if personnel numbers in your management division have increased substantially while your overall employee numbers have not increased significantly. Could you explain the reason for this?
A4: Overall Group employee numbers have increased if you include unconsolidated companies. Our turnover rate is between five and six percent, and, although our retention rate for mid-career hires is low, we tend to have a high retention rate for newly hired graduates.
In our management division, personnel numbers have not increased substantially because we have been working to streamline our operations through efforts such as automating simple procedures. The increase in employees at all Group companies indicated on page 32 of the convocation notice for our 32nd annual shareholders’ meeting was due to rising employee numbers in departments researching and developing solutions in pursuit of future profit and departments providing service support. To achieve profit growth, we are also focusing on expanding personnel working in the sales and technical positions that compose our frontline operations.

[Questioner E]
Q5: Could you explain your shareholder return policies, including share buy-backs, share splits, and expansion of shareholder incentives?
A5: We are aiming for a dividend payout ratio of 30% or more. Decisions regarding share buy-backs and dividend increases will be made based on discussions concerning cash on hand and necessary amount of working capital. As a company, we believe that raising profits will lead to higher share prices and returns for all of our shareholders.