Net One Systems Co., Ltd.
Management Briefing Q&A (summary)
Thursday, June 13, 2019

Participants: 72
Duration: 45 minutes (briefing: 25 minutes; Q&A: 20 minutes)
Questions: eight questions from five people

[Questioner A]
Q1: Moving forward, how much will data volume increase and how fast will it become due to 5G technology?
A1: I think data volume will increase by anywhere from 1,000 to 10,000 times what it is now. I also believe that storage and server systems will become more prevalent as the volume of data continues to increase.
As for speed, I think it will rise by tens of times, but current 4G LTE technology will be enough in many cases. I believe that telecom carriers will use 5G, despite its high cost, because of its speed while using 4G LTE to provide inexpensive connectivity.

[Questioner B]
Q2: The struggle for digital supremacy between the US and China is growing more intense. What kind of impact does this have?
A2: There has been no direct impact yet. However, an increasingly large number of partner companies have been affected. Many US manufacturers maintain production bases in Asia, and there is concern that these manufacturers may stop shipping parts to China. This may cause problems in Japan as well, in terms of delivery times, so I think that this issue needs to receive attention moving forward.

[Questioner C]
Q3: Please explain the difference between ICT and IoT.
A3: ICT stands for “Information and Communication Technology.” I think it is appropriate to consider ICT as representing industries related to computers and communications, which would include Net One Systems. IoT, on the other hand, stands for “Internet of Things.” This term was coined to represent technology that connects virtually everything to the Internet. One could interpret this term as “a state in which a variety of objects are connected through the Internet.”

Q4: Many workers are employed in the enterprise and telecom carrier markets. Will you maintain these numbers in the future?
A4: The number of employees in the telecom carrier market is not so high, considering the amount of revenue. On the other hand, in the public and enterprise markets, an ample supply of workers is necessary, regardless of project scale. This is because they are needed to determine customer demand, make problem-solving proposals, receive orders, design and integrate systems, and carry out follow-up
procedures. In order to minimize necessary manpower, we are promoting the standardization of these services through packaging and patternization. Through this standardization, follow-up services will take on more similar forms and increase in efficiency. We will continue with our improvement efforts, as we believe that raising employee production will be necessary moving forward.

[Questioner D]
Q5: Once lease periods for hardware expire, these hardware still belong to their leasing companies, don’t they? Are you able to reuse hardware that you have already used for five years as recycled products by leasing them again?
A5: You are correct. These hardware still belong to their respective leasing companies after their leases expire. These companies dispose of these hardware afterward, so we can procure them at low cost if we purchase hardware that can be reused.
At Net One Systems, we maintain equipment we can use to conduct pre-shipment inspections and repair these hardware, so we are able to guarantee their operativity when offering them to customers. I do not think we will see the effects of these recycled products for several years, but I am certain that they will create profit in the future.

Q6: Which educational committees are you targeting in the education market, and how do you plan to roll out the business?
A6: Educational committees are established by prefectural and municipal governments. Prefectural educational committees manage high school facilities while municipal committees manage those of elementary and junior high schools. For a certain prefectural educational committee, Net One Systems has created an environment in which users can access their personal computer desktops remotely through a virtual system called “VDI.” We extended Internet connection lines to this committee’s schools after applying security measures. We want to spread this VDI system to all schools, enabling its use even in cases in which teachers familiar with IT are not present. This system’s reputation is good and its implementation is spreading, so I believe there will be a large market for it in the future.

[Questioner E]
Q7: Please explain the current ratio between hardware and software and how it will change in the future.
A7: Hardware products also contain software, so it is difficult to think about them separately. That said, when breaking the hardware products down into hardware, software, and service categories, I believe that hardware has a low ratio that will steadily grow and that the ratio for software will grow rapidly. Accordingly, I think that the ratio of services will also grow in the future.

Q8: Are you thinking of using robotic automation or other methods to reduce overtime work?
A8: We have promoted work-style innovation as a way to cut back on overtime and have succeeded in
cutting overtime by more than 50% over the last five years or so. We may encounter higher instances of overtime depending on the time of year and customer requirements, but we have established a new rule that prohibits any additional overtime for three months when an employee has worked 80 overtime hours during a single month. So far, not a single employee has worked 80 overtime hours during one month since this rule was established.

We have reduced the average amount of legally designated overtime work per employee to eight hours per month. Moving forward, we will continue to strengthen support that enables our employees to utilize their time efficiently.