Results for Q4 FY20
Ended March 31, 2021

Net One Systems Co., Ltd.

April 27, 2021 (Stock Code 7518: JP)

CONTENTS

Initiatives as a new president

> **Balance "Governance and corporate culture reform" and "Continued growth"**
> **through leadership and deep dialogue with employees**

Governance and corporate culture reform

- **Reform governance**
 - Board of Directors:
   Shift from a management style to a monitoring style
 - Internal control system:
   Build an effective "three-line" system
 - Three-way audit:
   Strengthen items, systems, and cooperation

- **Reform of corporate culture**
Integrity and ethics, top message, human resource development, promotion of talented young people, and new codes of conduct and values

Continued growth

- **Achieve the current medium-term business plan**
Accelerate the "Integrated Service Business"

- **Formulate and achieve the next medium-term business plan**
Continued growth by seizing market opportunities
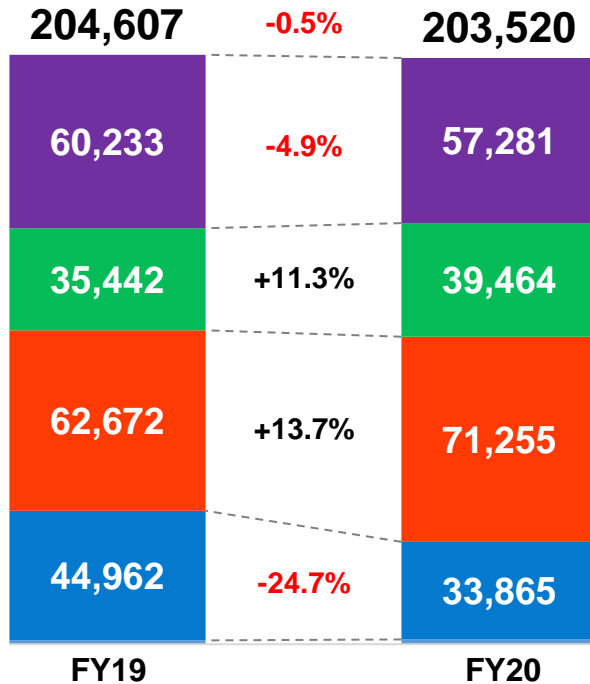
Interaction

Enhance corporate value

1 | FY20 Results

Results summary for FY20

net one

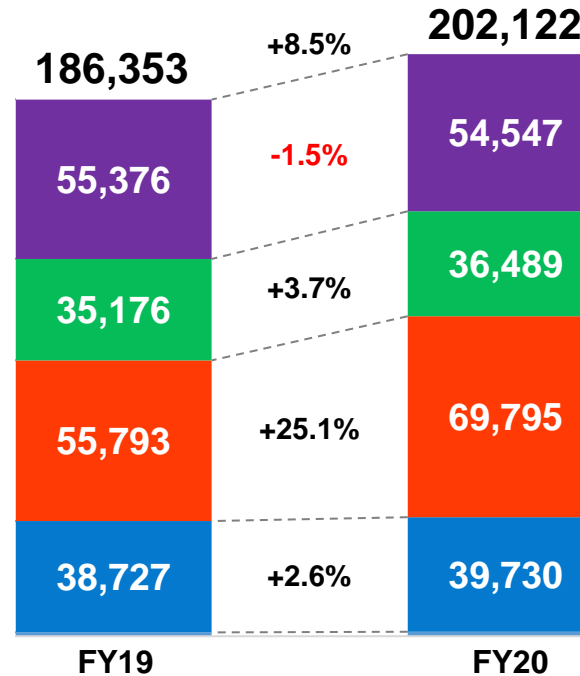| (JPYmn, % to revenue)	FY19 Results		FY20 Results		YoY	
					Amount	%
Bookings	204,607		203,520		(1,087)	-0.5%
Revenue	186,353	100.0%	202,122	100.0%	+15,768	+8.5%
Cost of revenue	137,399	73.7%	146,209	72.3%	+8,809	+6.4%
Gross profit	48,953	26.3%	55,913	27.7%	+6,959	+14.2%
SG&A	32,453	17.4%	36,239	17.9%	+3,785	+11.7%
Operating Income	16,499	8.9%	19,673	9.7%	+3,173	+19.2%
Ordinary Income	16,387	8.8%	18,208	9.0%	+1,820	+11.1%
Net Income attributable to owners of the parent company	9,817	5.3%	12,321	6.1%	+2,504	+25.5%
Backlog	93,517		94,915		+1,397	+1.5%

Despite the impact of the COVID-19, revenue and each profit increased year on year.
In terms of business content, school systems (including the GIGA School Concept), telework, security, cloud infrastructure were strong.
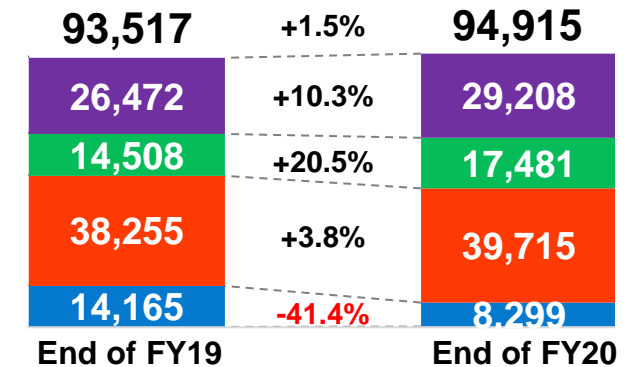
Performance by market sector

net one

■ Bookings

	FY19		FY20
Total	**204,607**	**-0.5%**	**203,520**
Enterprise	60,233	-4.9%	57,281
Telecom Carrier	35,442	+11.3%	39,464
Public	62,672	+13.7%	71,255
Partner	44,962	-24.7%	33,865

■ Revenue

	FY19		FY20
Total	**186,353**	**+8.5%**	**202,122**
Enterprise	55,376	-1.5%	54,547
Telecom Carrier	35,176	+3.7%	36,489
Public	55,793	+25.1%	69,795
Partner	38,727	+2.6%	39,730

■ Backlog

	End of FY19		End of FY20
Total	**93,517**	**+1.5%**	**94,915**
Enterprise	26,472	+10.3%	29,208
Telecom Carrier	14,508	+20.5%	17,481
Public	38,255	+3.8%	39,715
Partner	14,165	-41.4%	8,299

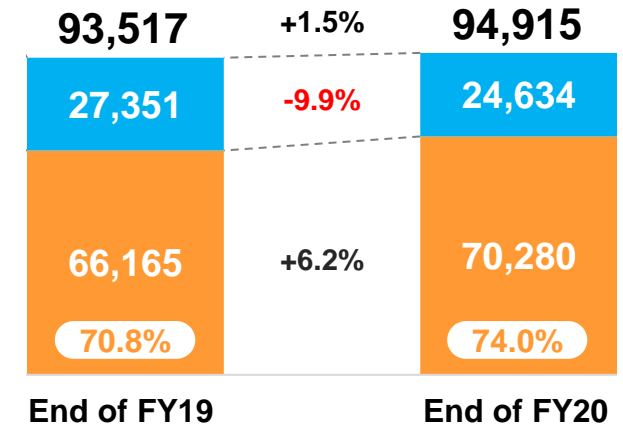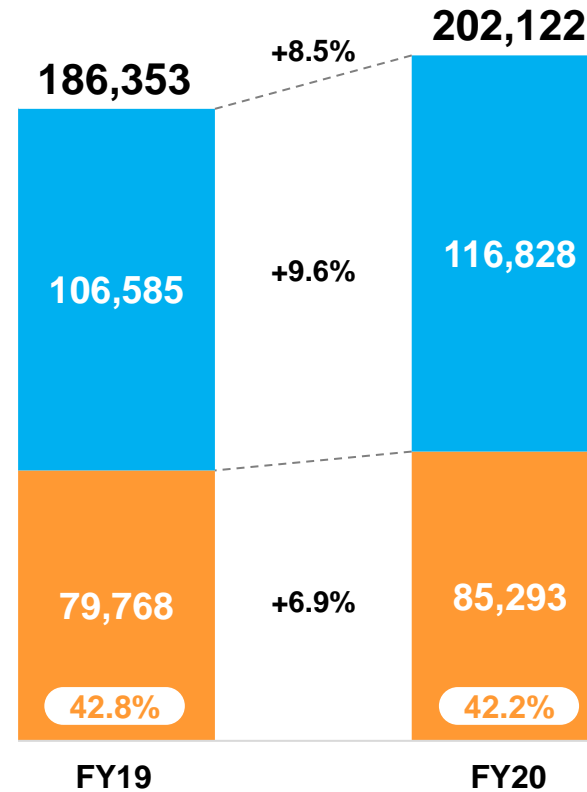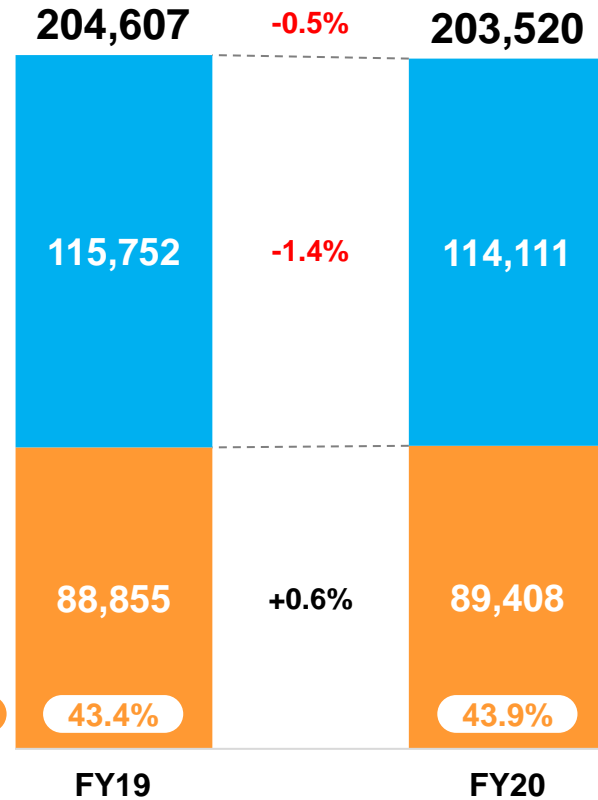| Sector	Description
Enterprise	Due to the strong demand for a response to the COVID-19, telework, security, and cloud infrastructure business remained strong. On the other hand, the impact of the COVID-19 caused a decrease in willingness to invest and postponement of some projects.
Telecom Carrier	Although the overall appetite for capital investment was weak, support for service infrastructures and corporate businesses, as well as network enhancements due to the increase in telework, performed well.
Public	School systems (including the GIGA School Concept) performed well. On the other hand, business in healthcare (hospitals) was weak.
Partner	As a result of our partners being affected by the COVID-19, some projects were postponed, and bookings remained weak. Revenue increased due to a large-scale project that was received in FY19.

Performance by product category

net one

■ Bookings   **■ Revenue**   **■ Backlog**

	Bookings			Revenue			Backlog	

Bookings

204,607　　-0.5%　　203,520

115,752　　-1.4%　　114,111

88,855　　+0.6%　　89,408

Service ratio　43.4%　　43.9%

FY19　　FY20

Revenue

186,353　　+8.5%　　202,122

106,585　　+9.6%　　116,828

79,768　　+6.9%　　85,293

42.8%　　42.2%

FY19　　FY20

Backlog

93,517　　+1.5%　　94,915

27,351　　-9.9%　　24,634

66,165　　+6.2%　　70,280

70.8%　　74.0%

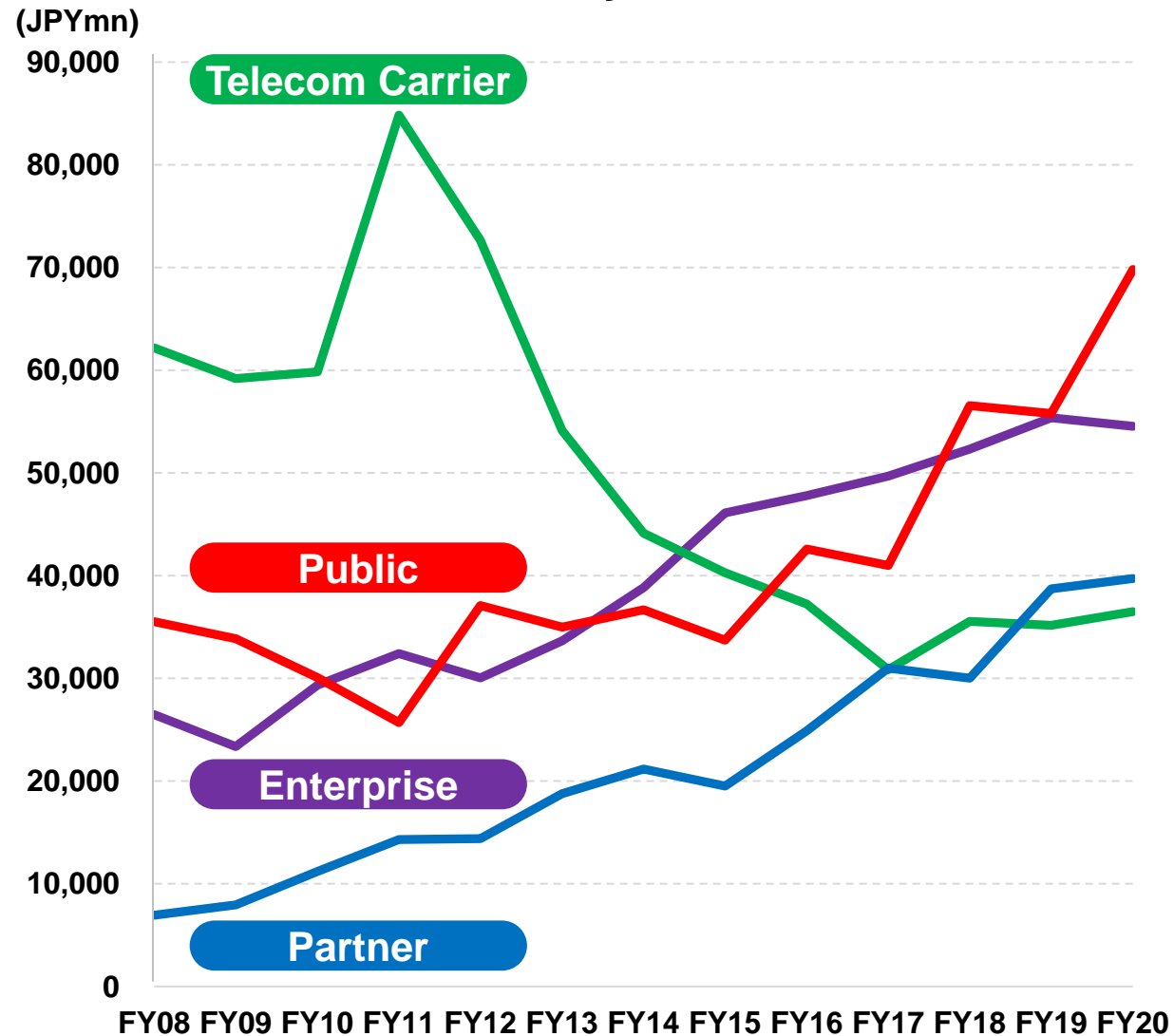End of FY19　　End of FY20

Products	Bookings remained flat despite the absence of a large-scale project received in FY19. Revenue increased due to the concentration of GIGA school projects in 4Q.
Service business	Bookings, revenue, and backlog increased due to progress in the "Integrated Services Business".

6

Revenue trend by market sector and product category

Revenue by market sector

(JPYmn)

Telecom Carrier
Public
Enterprise
Partner

FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20

Revenue by product category

(JPYmn)

Products
Services

FY08 FY09 FY10 FY11 FY12 FY13 FY14 FY15 FY16 FY17 FY18 FY19 FY20

7
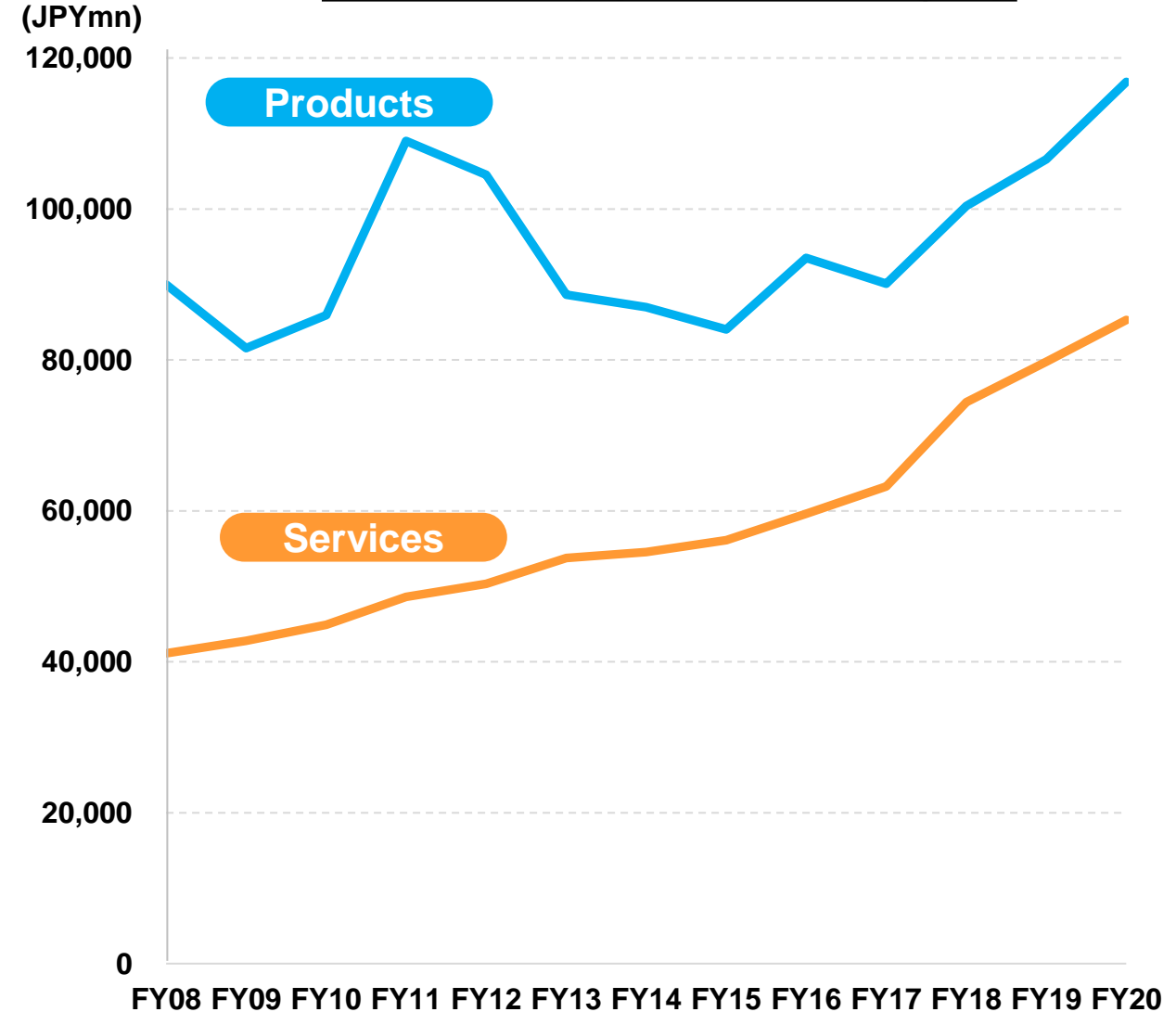
Revenue and P/L by reportable segment

(JPYmn)	Reportable segment					Other	Total	Adjustment	Amount recorded in consolidated income statements
	Enterprise	Telecom Carrier	Public	Partner	Sub-total				
FY20 【Result】 Revenue	54,557	36,493	69,803	39,746	200,601	1,610	202,212	(89)	202,122
Segment income	5,089	3,688	8,260	3,507	20,546	(102)	20,444	(770)	19,673
Segment income margin	9.3%	10.1%	11.8%	8.8%					9.7%
FY19 【Previous】 Revenue	55,384	35,180	55,800	38,735	185,100	1,290	186,391	(37)	186,353
Segment income	6,294	3,708	4,327	3,093	17,424	(39)	17,385	(885)	16,499
Segment income margin	11.4%	10.5%	7.8%	8.0%					8.9%

(Notes)
1. The "Other" segment is not included as a reportable segment. It contains the global business.
2. The adjustment in segment income included corporate expenses not attributable to any reportable segment.
   Corporate expenses are mainly related to general administrative expenses not attributable to reportable segment.

Consolidated balance sheets

(JPYmn)	Mar 31, 2020 Results	Mar 31, 2021 Results	Change Amount	%
Total assets	**135,764**	**155,782**	**20,018**	**+ 14.7%**
Current assets	124,795	142,482	17,686	+ 14.2%
Cash and deposits + CD・CP	31,473	32,429	956	+ 3.0%
Notes and accounts receivable-trade	52,845	63,027	10,181	+ 19.3%
Inventory assets	15,562	17,592	2,029	+ 13.0%
Other	24,914	29,432	4,518	+ 18.1%
Noncurrent assets	10,968	13,300	2,331	+ 21.3%
Property, plant and equipment	4,709	4,504	(205)	- 4.4%
Intangible assets	1,501	1,467	(33)	- 2.2%
Investment etc.	4,757	7,328	2,570	+ 54.0%
Total liabilities	**70,427**	**81,987**	**11,560**	**+ 16.4%**
Current liabilities	58,694	66,637	7,943	+ 13.5%
Non-current liabilities	11,732	15,350	3,617	+ 30.8%
Total net assets	**65,337**	**73,795**	**8,457**	**+ 12.9%**
Shareholders' equity	64,767	73,075	8,307	+ 12.8%
Accumulated other comprehensive income	286	438	151	+ 52.9%
Subscription rights to shares	180	222	41	+ 23.2%
Non-controlling interests	103	60	(42)	- 41.7%
Total liabilities and net assets	**135,764**	**155,782**	**20,018**	**+ 14.7%**

Exchange rate, EPS, Employees

net one

	FY19	FY20	YoY	
			Amount	%
Exchange rate ($JPY)	**108.78**	**106.04**	**(2.74)**	**-2.5%**
Earnings per share (JPY)	**115.90**	**145.42**	**+29.52**	**+25.5%**

	End of FY19	End of FY20	YoY	
			Amount	%
Number of employees	**2,431**	**2,560**	**+129**	**+5.3%**

(Notes)
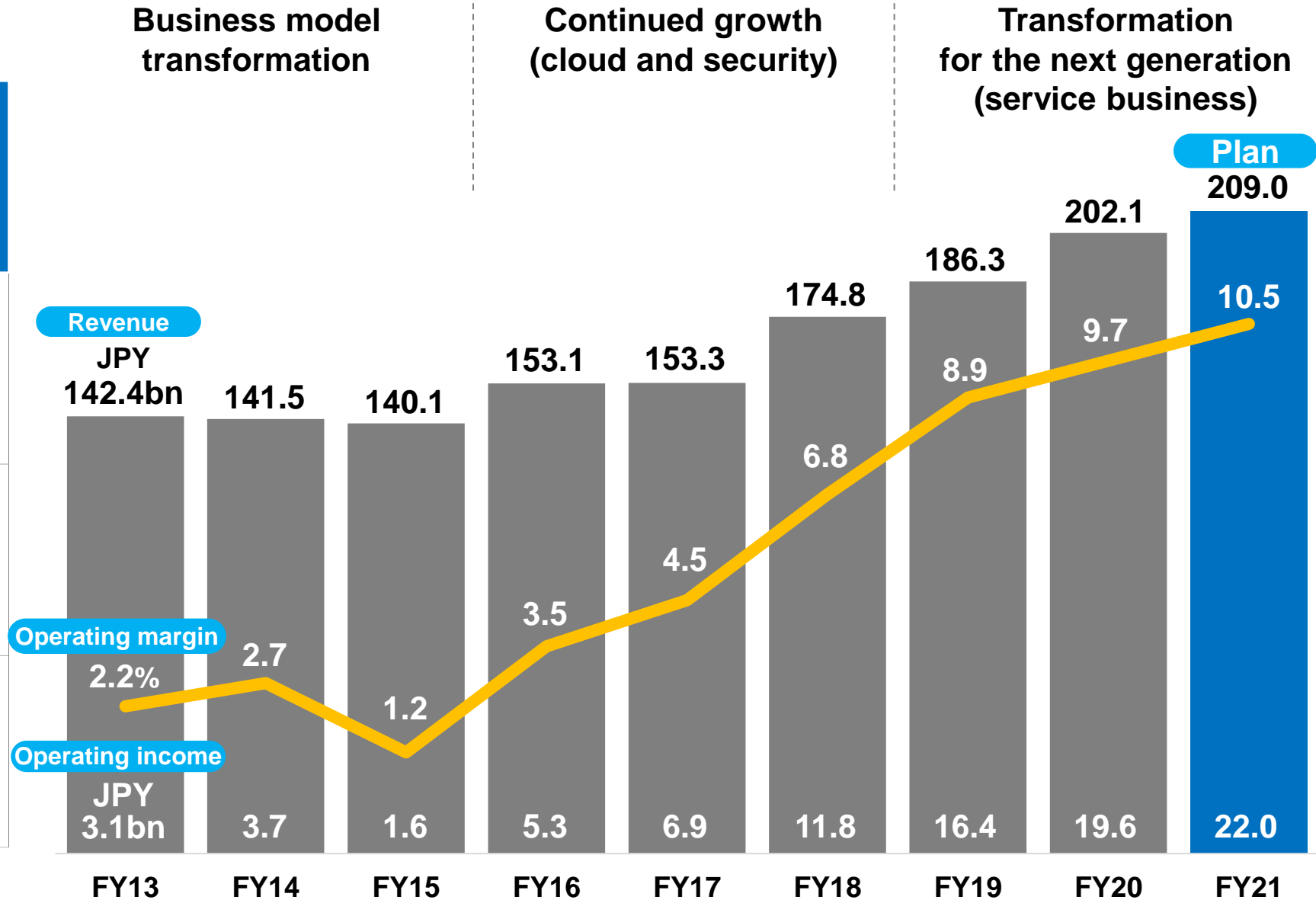1. The Company paid an interim dividend of JPY24.00 per share to shareholders as of September 30, 2020, on November 20, 2020.
2. The Company plans to submit a proposal for a year-end dividend of JPY40.00 per share, an increase of JPY16.00 per share from JPY24.00 per share, to the ordinary general meeting of shareholders to be held on June 23, 2021 (announced on April 27, 2021).

2 Progress of Medium-Term Business Plan

Medium-Term Business Plan Targets

	FY18 results	FY21 plan
Operating margin	6.8%	10.5% (original plan: 9.5%)
Service ratio	42.6%	45.0% (original plan: 50%)
ROE	12.8%	19.2% (original plan: 16.8%)

Business model transformation

Continued growth (cloud and security)

Transformation for the next generation (service business)

Revenue
JPY 142.4bn

Operating margin

Operating income
JPY 3.1bn

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21
Revenue	142.4	141.5	140.1	153.1	153.3	174.8	186.3	202.1	209.0 (Plan)
Operating margin	2.2%	2.7	1.2	3.5	4.5	6.8	8.9	9.7	10.5
Operating income	3.1	3.7	1.6	5.3	6.9	11.8	16.4	19.6	22.0

**Promote proposals for the entire customer group,
focusing on digitalization, new normal, and security enhancement**

**Accelerate business to the private companies and public institutions,
including co-creation of services with telecom carriers and partner companies**

net one

**Direct sales
&
Collaboration**

Telecom carriers and Partner companies

**MSP
Co-creation of services**

**Direct sales
&
Collaboration**

Public institutions

Private companies

Local governments
Update of security cloud and
security enhancement system

**Private companies and
social infrastructure companies**
Zero-trust networks for telework
Security clouds for the entire group

Smart factories
Improve production efficiency
and business continuity
Supply chain security

Focus markets

Delay

Healthcare

Target: Large hospitals

Bookings in each fiscal year

FY18	FY19	FY20	FY21
JPY4.0bn	JPY6.0bn	JPY3.8bn	

Target: +JPY5.0bn

FY20 results

Due to the impact of the COVID-19, hospital investment in ICT decreased.

FY21 assumptions and initiatives

Investment is expected to recover gradually. Propose digitalization of work style reform, telemedicine, cloud, and security.

Very strong

School system

Target: K-12(Large municipalities)

Bookings in each fiscal year

FY18	FY19	FY20	FY21
JPY5.1bn	JPY7.6bn	JPY23.9bn	

Target: +JPY5.0bn

FY20 results

The GIGA school concept led to a significant increase in school network development.

FY21 assumptions and initiatives

GIGA school projects are expected to decrease. On the other hand, accelerate home learning support for students, workstyle reform for teachers and staff, and system operation services.

Slight delay

Smart factory

Target: Large manufacturers

Bookings in each fiscal year

FY18	FY19	FY20	FY21
JPY4.0bn	JPY6.7bn	JPY7.1bn	

Target: +JPY5.0bn

FY20 results

Despite the impact of the COVID-19, customers accelerated their digitalization.

FY21 assumptions and initiatives

Projects are expected to increase steadily. Continue to promote edge cloud, security, operation services, and local 5G.

New models

Strong

MSP (Managed service provider)

Provide solutions to support MSP services

Bookings in each fiscal year

FY18	FY19	FY20	FY21
JPY3.7bn	JPY4.7bn	JPY8.6bn	

Target: +JPY5.0bn

FY20 results

Accelerated co-creation of new services for new normal
- ✓ Telecom carriers: web conferencing, SD-WAN, security, etc.
- ✓ Private companies: zero-trust network for the entire group

FY21 initiatives

Accelerate service co-creation with telecom carriers and partner companies, focusing on digitalization and group-wide security, and promote joint proposals to private companies and public institutions

As planned

Refurbishment

Provide refurbishment products and third-party maintenance

Bookings in each fiscal year

FY18	FY19	FY20	FY21
JPY0bn	JPY1.6bn	JPY2.0bn	

Target: +JPY5.0bn

FY20 results

**New proposals were delayed due to the impact of the COVID-19, resulting in a slight increase in bookings.
On the other hand, profit progressed as planned.**

FY21 initiatives

**Expansion of third-party maintenance services for telecom carriers
Handle servers in addition to network equipment**

Integrated Service Business

Strong

Integrated Service Business

Creating high value by customer success, supporting the entire lifecycle, and supporting the transition to the usage model

Service bookings

	FY18	FY19	FY20	FY21 plan
Amount	JPY79.6bn	JPY88.8bn	JPY89.4bn	JPY98.0bn
Ratio	44.0%	43.4%	43.9%	45.2%

Service revenue

	FY18	FY19	FY20	FY21 plan
Amount	JPY74.4bn	JPY79.7bn	JPY85.2bn	JPY94.0bn
Ratio	42.6%	42.8%	42.2%	45.0%

FY20 results

Steady progress in various initiatives to provide high value-added services
Expansion of operation/optimization services, support from the grand-design stage, and development of facilities for dialogue with customers on value creation

FY21 initiatives

In addition to the implementation of high-quality ICT infrastructure, we will provide consistent support for "acceleration of utilization"
to maximize the ICT benefits, and establish our position as a partner in digitalization.
Improve quality and productivity by unifying the solutions provided for projects with common specifications, such as municipal security clouds.

Implementation of DX(digital transformation)

**Workstyle reform:
As planned**

**DX:
Add measures**

Implementation of DX

Improve operational speed, quality, and governance through business process reform and digitalization
Providing success and failure knowledge to customers [netone on netone]

FY20 results

Workstyle reform: Realized a new way of working based on telework as a response to the COVID-19
netoneDX: Detailed design for data visualization and automation of operations, and prepared for compliance with the new revenue recognition standard

FY21 initiatives

Workstyle reform: Examining the merging of virtual and real offices to accelerate collaboration in new ways of working
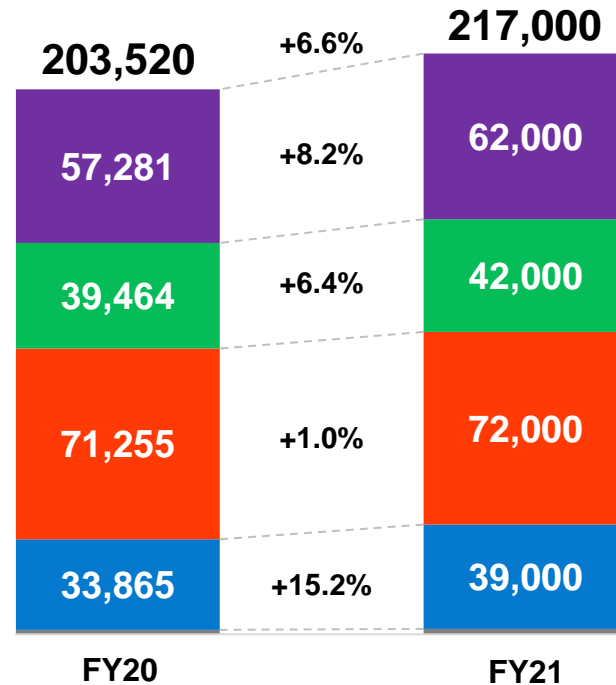netoneDX: Prioritizing the addition of enhanced governance functions to prevent a recurrence

17

3 **FY21 Outlook**

FY21 outlook

(JPYmn, % to revenue)	H1		H2		Annual	
Bookings	103,000		114,000		217,000	
Revenue	87,000	100.0%	122,000	100.0%	209,000	100.0%
Cost of sales	62,800	72.2%	88,400	72.5%	151,200	72.3%
Gross profit	24,200	27.8%	33,600	27.5%	57,800	27.7%
SG&A	17,500	20.1%	18,300	15.0%	35,800	17.1%
Operating income	6,700	7.7%	15,300	12.5%	22,000	10.5%
Ordinary income	6,700	7.7%	15,300	12.5%	22,000	10.5%
Net income attributable to owners of the parent	4,700	5.4%	10,300	8.4%	15,000	7.2%
Dividends per share	JPY36.00		JPY36.00		JPY72.00	

**Expect to achieve the medium-term business plan (operating income and OPM)
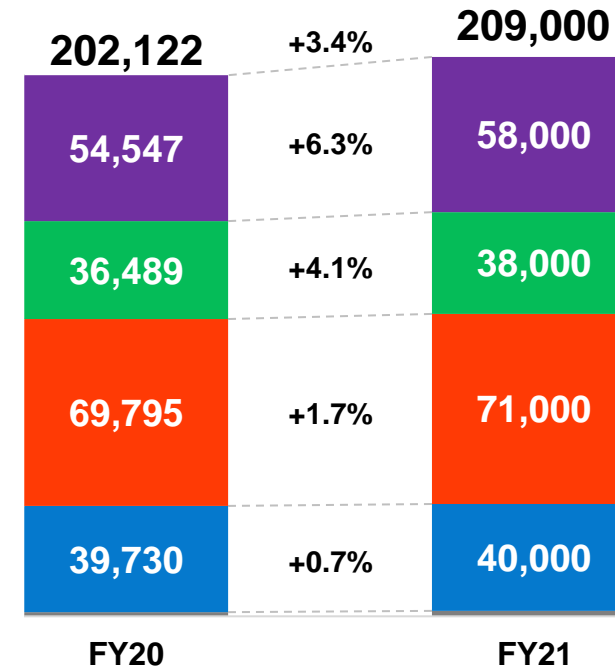through a continued acceleration of high value-added businesses and productivity improvements**

(Note) This outlook is based on currently information and estimates based on reasonable assumptions.

FY21 outlook by market sector

■ Bookings　　　　　　　　**■ Revenue**

(JPYmn)

Bookings

	FY20		FY21
Total	**203,520**	+6.6%	**217,000**
Enterprise	57,281	+8.2%	62,000
Telecom Carrier	39,464	+6.4%	42,000
Public	71,255	+1.0%	72,000
Partner	33,865	+15.2%	39,000

Revenue

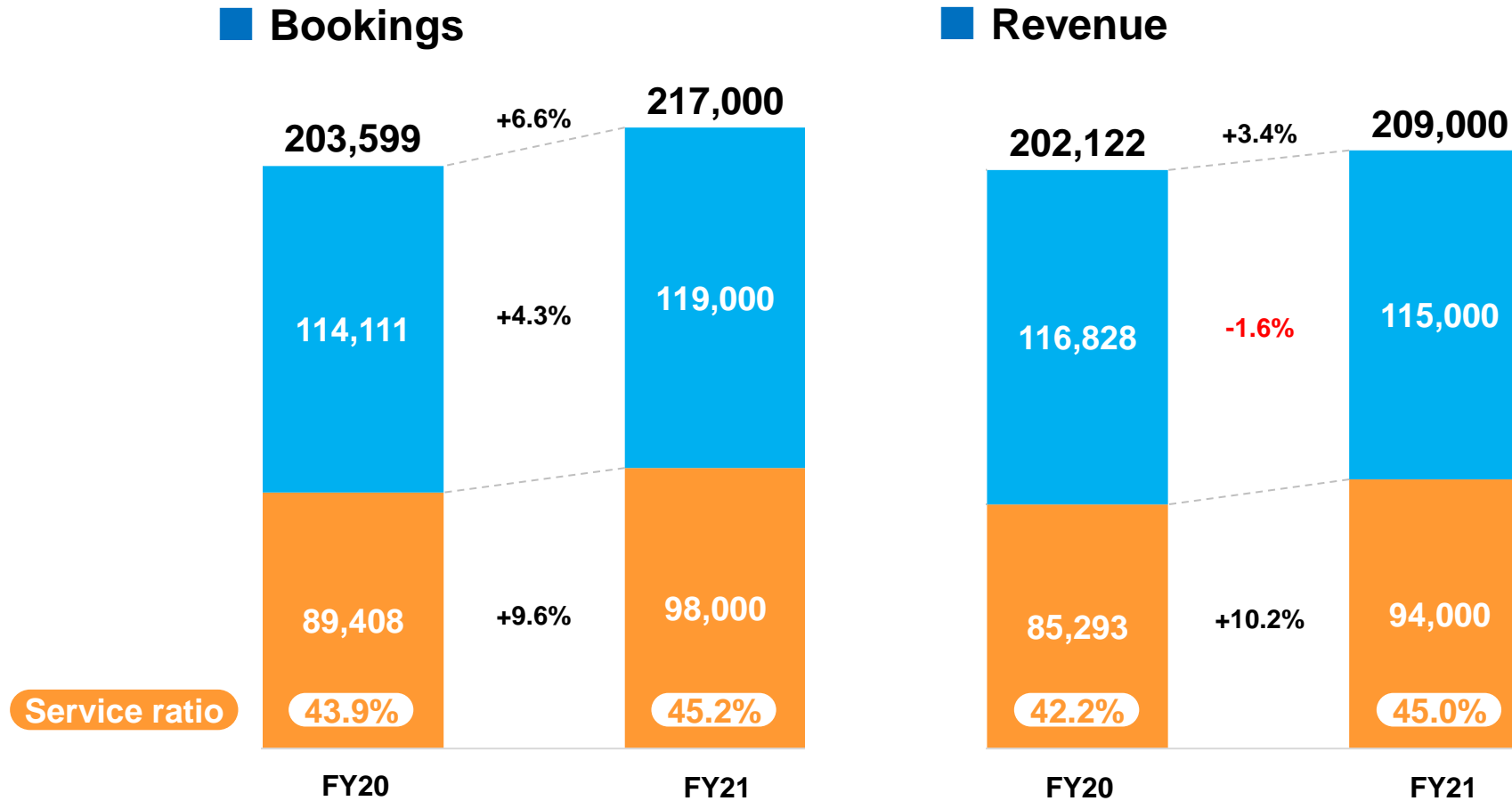|	FY20		FY21
Total	**202,122**	+3.4%	**209,000**
Enterprise	54,547	+6.3%	58,000
Telecom Carrier	36,489	+4.1%	38,000
Public	69,795	+1.7%	71,000
Partner	39,730	+0.7%	40,000

Enterprise	Expand the business of digitalization (including smart factory), security, cloud, and workstyle reform for the entire customer group.
Telecom Carrier	Focus on supporting digitalization and security business for private companies and public institutions through corporate business and MSP business.
Public	GIGA school projects are expected to decrease. On the other hand, focus on acquiring security cloud and security enhancement projects for local governments, for which demand for renewal is increasing nationwide.
Partner	The impact of the COVID-19 on partner companies is expected to diminish. Expand collaborative business and MSP business.

FY21 outlook by product category

■ **Bookings**　　　　■ **Revenue**

(JPYmn)

Bookings

	FY20		FY21
Total	**203,599**	+6.6%	**217,000**
Products (blue)	114,111	+4.3%	119,000
Service (orange)	89,408	+9.6%	98,000
Service ratio	43.9%		45.2%

Revenue

	FY20		FY21
Total	**202,122**	+3.4%	**209,000**
Products (blue)	116,828	-1.6%	115,000
Service (orange)	85,293	+10.2%	94,000
Service ratio	42.2%		45.0%

Products	Bookings are expected to increase, but revenue is expected to decrease due to a decrease in GIGA school projects.
Service business	Bookings and revenue are expected to increase by continuing to make progress in the "Integrated Services Business".

4 **Return to shareholders**

Return to shareholders

Basic policy

Aiming to increase shareholder profits by improving corporate value, we will strive to expand our management base and enhance shareholders' equity, which is a source of growth potential, and return profits stably and appropriately reflecting business performance over the long term.

Dividends

**Current dividend payout ratio target
"Consolidated dividend payout ratio of 30% or more"**

FY20 Consolidated net income: JPY12.3bn

Due to higher-than-expected financial results, we have revised up year-end dividend forecast by JPY16.00 to JPY40.00.

	Annual dividend	Dividend payout ratio
FY19	JPY45.00	37.7%
FY20	JPY64.00	44.0%
FY21	JPY72.00 (forecast)	40.7% (forecast)

Share buybacks

**Current policy
"Consider measures to return profits, including share buybacks, when cash on hand regularly exceeds a certain level"**
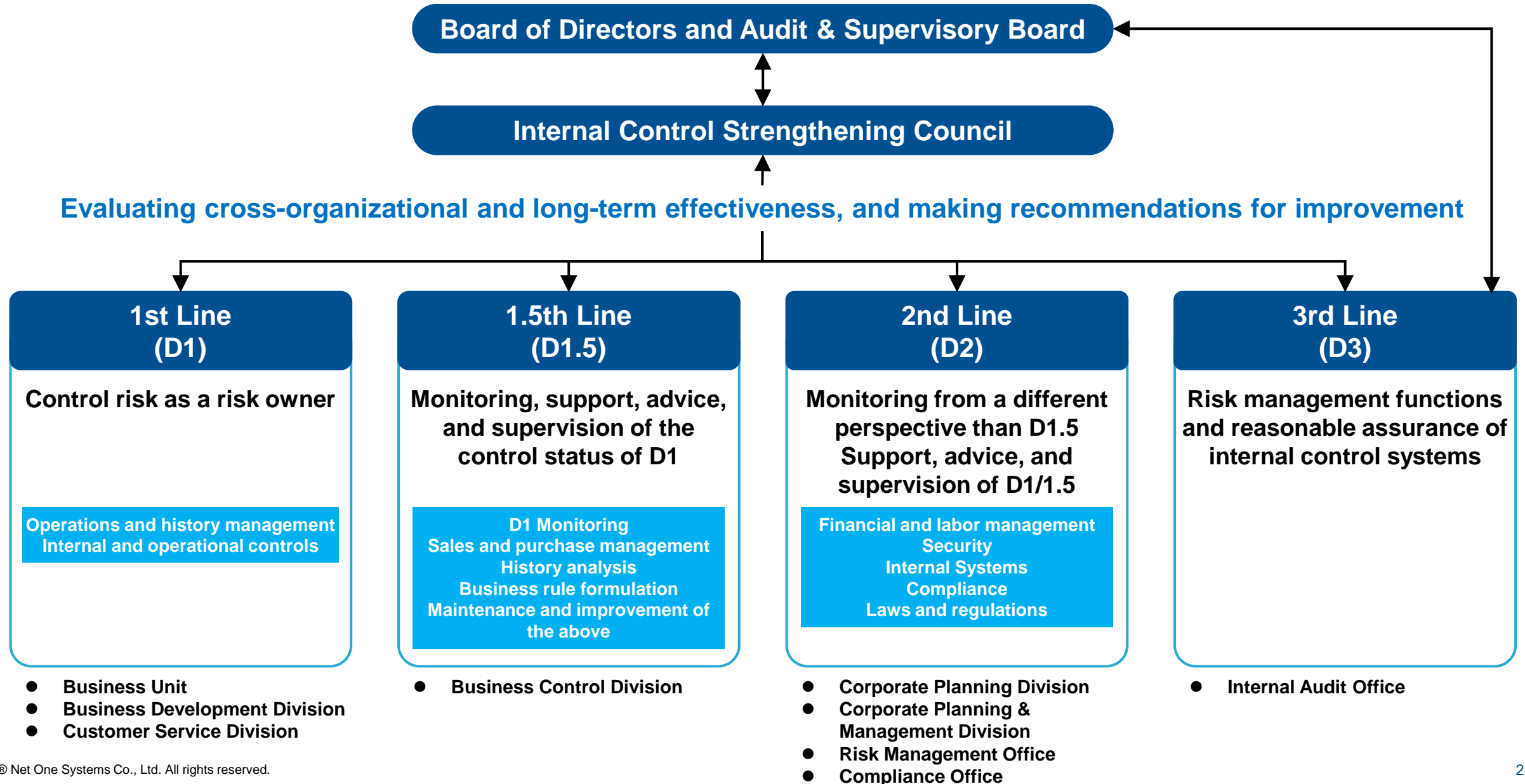
The new management team will strengthen governance and make flexible decisions on share buybacks, considering the market price of the Company's shares and its financial condition.

5 Measures to prevent recurrence

System for strengthening internal control

Board of Directors and Audit & Supervisory Board

Internal Control Strengthening Council

Evaluating cross-organizational and long-term effectiveness, and making recommendations for improvement

1st Line (D1)	1.5th Line (D1.5)	2nd Line (D2)	3rd Line (D3)
Control risk as a risk owner	**Monitoring, support, advice, and supervision of the control status of D1**	**Monitoring from a different perspective than D1.5 Support, advice, and supervision of D1/1.5**	**Risk management functions and reasonable assurance of internal control systems**
Operations and history management Internal and operational controls	D1 Monitoring Sales and purchase management History analysis Business rule formulation Maintenance and improvement of the above	Financial and labor management Security Internal Systems Compliance Laws and regulations	

- **Business Unit**
- **Business Development Division**
- **Customer Service Division**

- **Business Control Division**

- **Corporate Planning Division**
- **Corporate Planning & Management Division**
- **Risk Management Office**
- **Compliance Office**

- **Internal Audit Office**

Promotion structure of "Internal Control Strengthening Council"

Assign a responsible department for each item of the recurrence prevention measures and improve effectiveness through the PDCA cycle

**Internal Control Strengthening Council
(Person in charge: President)**

Corporate Planning Division	Risk Management Office	Business Control Division	Internal Audit Office
1. Governance reform and promotion	2. Enhancement of risk management system	3. Strengthening of business execution systems (D1/D2) and other internal systems	4. Radical revisions to our auditing system

Compliance Office	Corporate Planning & Management Division	Corporate Planning & Management Division	Business Control Division
5. System for collecting employee feedback	6. Reform and creation of organizational culture	7. Accounting literacy education and training and instruction based on prior examples of misconduct	8. Ongoing monitoring

Measures to prevent recurrence - 1

**Based on recommendations from the external investigative committee,
we are currently formulating the following recurrence prevention measures:**

1. Governance reform and promotion	Self-reform of managerial mindsets and promotion of organizational culture reform	Compliance activity declaration and the implementation of these activities
		Conducting of compliance training
		Establishment of a Compliance Office
		Training for executives related primarily to the roles and responsibilities assigned to directors of listed companies
		Remapping of the existing body of committees responsible for governance
		Establishment of a system for reporting internal audit results
	Fundamental revisions to organizational structures	Review of organizational structures related to our three-lines
		Clarification of operations and checking functions assigned to sales and business divisions (a)
		Clarification of operations and checking functions assigned to purchasing and administrative divisions and other departments (b)
		Establishment of written documents detailing operational guidelines and other protocols associated with (a) and (b)
		Promotion of understanding among employees concerning the duties assigned to individual divisions
		Review of divisions managed by officers and executive officers
		Reassessment of personnel distribution

Measures to prevent recurrence - 2

1. Governance reform and promotion	**Enhancement of supervision performed by the Board of Directors**	Reporting of results from internal audits conducted by the Internal Audit Office concerning implementation of recurrence prevention measures at meetings of the Management Committee and the Board of Directors
		Implementation of daily departmental monitoring conducted by executive officers
		Promotion of communication between executive directors and executive directors and employees
		Monitoring of important committee activities
		Establishment of a system for providing executive directors with access to materials, such as documents concerning important meetings
		Review of management methods used to manage meetings of the Board of Directors
		Disclosure of executive director skills, etc.
		Restructuring of internal systems associated with the management of meetings held by the Board of Directors
	Enhancement of supervision and audits performed by outside officers (including those serving on the Advisory Committee)	Establishment of a system for providing outside officers with access to materials, such as documents concerning important meetings
		Strengthening of cooperation between outside officers and the Internal Audit Office
		Enhancement of information sharing between officers
		Review of management methods employed when managing meetings of the Board of Directors targeting the enhancement of supervising and auditing functions performed by outside officers
		Dialogue with shareholders
		Indirect controls implemented through adjustments to remuneration, compensation, and other allowances or benefits
	Improvement of the frequency and quality of messages to employees	Distribution of messages to employees
		Intensified distribution of messages to employees and implementation of follow-up activities
	Strengthening of communication aimed at bridging the gap between on-the-ground staff and management	Communication enhancement through compliance training, etc.
		Creation of work environments that promote communication
		Role awareness training for middle management
		Bottom-up problem solving
	Establishment of management selection criteria regarding compliance-related attributes such as credentials and capabilities	Review of criteria for selecting executive directors and executive officers

2.Enhancement of risk management system	Stimulation of risk owner awareness regarding the first line; reformation of mindsets concerning the second line, which is responsible for checking and support of the first line	Fostering of awareness regarding our first line and reformation of mindsets concerning our second line
	Strengthening of comprehensive and independent management capabilities through the Risk Management Committee	Design and formulation of organizational structures and operational procedures in response to fraud risk (regulation of roles and responsibilities associated with each line, etc.)
		Enhancement of risk management through risk survey sheets
		Consolidation of risk information within the Risk Management Committee
		Internal sharing of incurred risk
		Collaboration with the Internal Control Strengthening Council
	Strengthening the authority, personnel, and awareness of the Risk Management Office	Structural strengthening of the Risk Management Office
	Emergency response preparation (crisis management)	Preparation of an emergency response manual
	Participation of outside experts in committees such as the Risk Management Committee and Compliance Committee	Participation of outside experts in committees such as the Risk Management Committee and Compliance Committee
3.Strengthening of business execution systems (first and second lines) and other internal systems	Revision of organizational structures based on the three-line model	Creation of systems that facilitate team-based cooperation between sales, technical, and purchasing divisions
		Team-based communication and information sharing
	Establishment of a sound system of mutual checks and balances between sales, technical, and purchasing divisions achieved through the clarification of authorization processes and rules associated with the first line (elimination of motives, opportunities, and justifications for fraud)	Reevaluation of regulations concerning sales and purchasing processes
		Controls implemented by the Sales Supervisory Office, Business Management Department (former Sales Management Office), and the Procurement Department
	Construction of a sound check and support system achieved through the strengthening of coordination between administrative divisions of the second line, as well as through the establishment and enhancement of checking and follow-up systems as parts of the second line	Implementation of effective controls
		Establishment of forums for opinion exchange between administrative divisions
		Development of a system of checks performed by the Finance & Accounting Department
	Strengthening of cost control systems (reexamination of budget control rules) and renewal or creation of other effective rules and internal systems	Case-by-case inspections conducted by the Finance & Accounting Department
		Implementation of viable cost control measures
		Review of rules concerning applications for approval of additional costs
		Introduction of mechanisms for monitoring the validity of transactions

4. Radical revisions to our auditing system	**Strengthening the Internal Audit Office system, adjustment of staff composition, and enhancement of relevant authorities**	Adjustment of staff composition within the Internal Audit Office
		Strengthening of internal auditing functions
		Advocacy and support for the acquisition of qualifications
		Implementation of training related to internal audits
		Borderless implementation of campaigns aimed at eliminating all deficiencies within sales divisions, as well as corresponding follow-up activities and inspections
		Establishment of internal rules that specify all obligations related to cooperation with internal audits
		Review of personnel evaluations associated with the Internal Audit Office
	Establishment of a career path for the Internal Audit Office (improving the position and role of the department)	Establishment of a career path for the Internal Audit Office
	Radical revision of J-SOX-related operations	Review of documents concerning regulations related to J-SOX compliance
		Overhaul of evaluations associated with J-SOX compliance
		Clarification of management departments responsible for J-SOX compliance
		Implementation of J-SOX-related training, etc.
	Strengthening the organization of Audit & Supervisory Board members	Regular exchange of opinions and views with management
		Regular exchange of opinions and views with the Internal Audit Office
		Participation in training related to cases of fraud and other pertinent matters
		Appointment of individuals with high levels of accounting literacy to the Audit & Supervisory Board
	Strengthening of collaboration between the Internal Audit Office and accounting auditors	Strengthening of collaboration between the Internal Audit Office and accounting auditors
5. System for collecting employee feedback	**Fostering trust in internal reporting (whistleblowing)**	Informative activities and training related to our whistleblower system and our whistleblower consultation service
		Development and dissemination of whistleblowing regulations
	Maintenance of a feedback system that utilizes third-party points of contact	Maintenance of a feedback system that utilizes third-party points of contact

net one

6. Reform and creation of organizational culture	Compliance-related corporate culture reform	Formulation, implementation, and verification of measures aimed at adjusting rules covering incentives for individual sales personnel
		Consideration of a personnel evaluation system and targets that account for compliance-related conditions
	Corporate culture reforms related to the establishment of a sense of companywide unity	Launch of the Reform Committee of Corporate Culture
		Review of our Management Philosophy and Principles of Conduct
		Creation of a Vision Book, design of relevant special websites, and formulation of associated action plans
		Planning of a Vision Week and formulation of a corresponding action plan
		Formulation and dissemination of a Code of Conduct Declaration based on our Principles of Conduct
	Creation of a sense of ownership, breaking down the culture of indifference	Establishment of personnel rotations (to prevent individual monopolization of knowledge concerning methods and procedures)
7. Accounting literacy education and training and instruction based on prior examples of misconduct	Improvement of accounting literacy and education regarding accounting-related knowledge	Improvement of accounting literacy and education concerning general accounting knowledge
		Workshops concerning cases of fraud within Net One Systems and at other companies
	Ongoing compliance education and confirmation of the pervasiveness of corresponding knowledge	Confirmation of the extent to which compliance awareness has spread internally
	Enhancement of training and education based on prior examples of misconduct	Activities aimed at informing individuals in managerial positions regarding past instances of misconduct
		Analysis and comprehension of past instances of fraud
	Learning from daily mistakes (near-miss accidents)	Learning from previous mistakes or failures
8. Ongoing monitoring	Establishment of an Internal Control Strengthening Council with the goals of generally enhancing the Company's internal control structure in accordance with approaches based on the three-line model; evaluating cross-organizational and long-term effectiveness; and making recommendations for improvement	Launch of Internal Control Strengthening Council
	Implementation of regular patrols targeting all fraud (not limited to accounting fraud), which are to be performed separately from internal audits conducted by the Internal Audit Office	Regular patrols performed separately from internal audits

6 Contribution to SDGs through our business

SDGs

Contribution to the digital society
- Initiatives for the SDGs through our business -

Broadcast
Remote production

Stadium
Signage

Railroad
Utilization of operation data

Data Center
DC network

Telecom
Telecom system

School
GIGA school

Residence
Smart home

Hospital
Electronic medical record platform

Automobile
Automatic driving
Valet parking

Retail & Store
Wi-Fi
Digital marketing

Theme park
Regional revitalization
Network Infrastructure

Eco-system
Reuse of recycled products

Digital society
Develop human resource for cyber security

Office
Workstyle reform
Business infra

University
Campus network

Library
User service system

Local government
Resident service
Security cloud

Bank
Security
Workstyle reform

Gas
Physical security

Factory
Smart factory
Physical security

Logistics
Logistics systems

Electric power
Smart meter
Smart grid

Airport
Wi-Fi service

netone valley
Workstyle reform
Digitalization

charge ∠ channel ∠ change

net one