



Net One Systems Co., Ltd. | net one report 2023



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Integrated Report

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Net One Systems Co., Ltd.

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Net One by the Numbers

Major achievements in fiscal 2022

Related page [P.29](#) Chapter 2: Growth Strategy

Service ratio

45.2%



Accelerate the shift to services and achieve customer success

ROE

20.1%



Maintaining a high level of capital efficiency

Operating margin

9.8%



High value-added business and improved productivity

Customer satisfaction

78.3%



Overall satisfaction improved 0.1 points year on year

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

Progress toward the fulfillment of key materiality-related KPIs

Related page [P.21](#) Chapter 1: Materiality

Solving social challenges Solution revenue

FY2022 **¥7.2 billion** → FY2024 **¥30.0 billion**



Train personnel for the next generation

Security personnel
CISSP holder
FY2022 **23** → FY2030 **80**
Registered Information Security Specialist
FY2022 **51** → FY2030 **100**
Cloud personnel
Front divisions
FY2022 **Up 93%** → FY2030 **Up 50%**
DX personnel
Corporate divisions
FY2022 **Up 23** → FY2030 **Up 150**



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

FY2022 **68.0%** → FY2030 **90%**



Ratio of female managers

April 2023 **7.8%** → FY2030 **15%**



Ratio of female new graduate hires

April 2023 **28.6%** → FY2030 **50%**



Editorial policy

The net one report is published to inform all stakeholders of the Net One Group regarding our growth strategy, value creation efforts, and the sustainability management concepts and initiatives we have adopted as we aim to realize our Purpose. Our net one report for fiscal 2023 introduces the value creation measures we are implementing as we aim to attain our Vision for 2030 in accordance with the central idea of shifting toward services and ensuring sustainability management. In addition, the separate "Sustainability Data Book 2023" covers the Net One Group's progress in implementing materiality-related initiatives, 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 Kenkoikei.

Reference guidelines

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

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



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.

Disclosure tools for financial and non-financial information

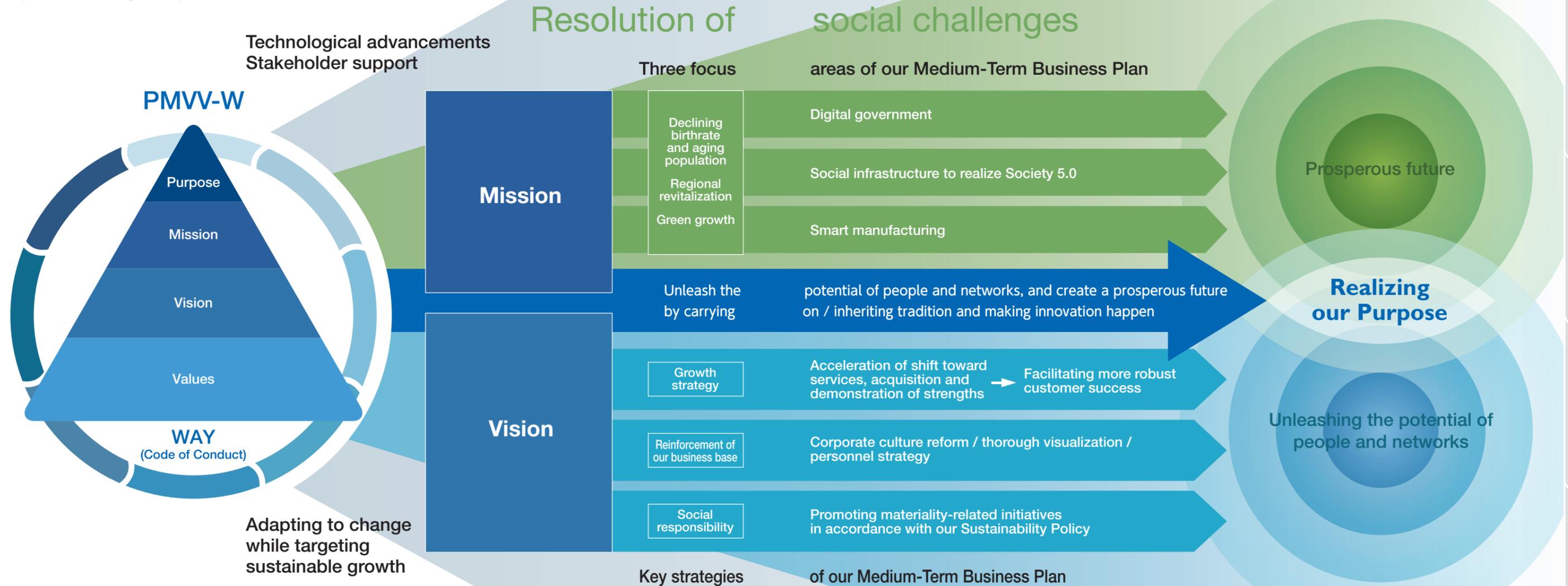
"**net one report**": An integrated report comprising content focused on the importance and story lines of our value creation and sustainability.

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



Net One's Visions for Itself and Society

As the pace of digitalization picks up in virtually every industry, we will proactively facilitate proper adaptation by designing connections that link people and networks. Moving forward, we will leverage the unique critical assessment capabilities we have developed through our effective utilization of ICT as we consistently innovate solutions for social challenges and provide society with value underpinned by our proven technological capabilities.



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 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

As a leading network company, we will create a prosperous future by maximizing human abilities through optimal ICT application.

The trend toward digitalization is accelerating amid changes in our external environment, including the emergence of geopolitical risks and a declining population in Japan. Under these circumstances, networks, which serve as the foundation for digitalization, are indispensable. Accordingly, the Net One Group remains keenly aware that expectations are high. Many are waiting to see what kind of value the Net One Group will deliver to society when the time for digitalization is now or never. Please allow me the opportunity to explain our vision for the future.

Takafumi Takeshita

President & CEO
Net One Systems Co., Ltd.

Realizing our Purpose

Now is the time to restructure the relationships between people and digital technology and demonstrate the true value that the Net One Group provides in pursuit of a better society.

In accordance with its Purpose, the Net One Group aims to “unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making innovation happen.” To understand what is meant by “prosperous future,” we must first unravel the relationships between people and digital technology. The evolution of networks has eliminated borders that previously compartmentalized different elements of information distribution, while ICT has become increasingly convenient in a wide range of contexts. However, at present, I personally feel that we still have a long way to go before we can confidently

say that people are truly using ICT effectively. True, generative AI, for example, can do in a matter of minutes what used to require one person an hour to accomplish. At first glance, this may seem like an improvement in productivity, but I believe that true improvement in productivity is not measured by the length of time spent on a job, but rather by how much of the surplus output created through the use of AI can be allocated to tasks which only humans can perform. This belief is what we have in mind when we talk about “unleashing the potential of people;” in the context of human activity, ICT should be viewed as a supplemental tool to be used by all people, regardless of race, gender, nationality, or physical ability, in order to maximize their own abilities. If utilized in this way, ICT will enable all people to influence each other, address emergent issues, and facilitate the creation of a better society. This scenario constitutes the Net One Group’s vision of a “prosperous future.”



Photo: netone valley's VALLEY** space

*1. This is the central gathering place of the “netone valley” innovation center. The VALLEY area connects people, technology, and information to accelerate collaboration and synergy.

We firmly believe that the driving force behind our efforts to facilitate a “prosperous future” is our capacity for “critical assessment,” a capability that the Net One Group has consistently maintained and refined throughout its existence. From the time of our founding, when computer networks were not commonplace, we recognized that the evolution of networks would revolutionize our perceptions of physical distance and human connections, while also impacting our personal values and culture. We accordingly improved our technologies in accordance with a core objective of incorporating network application to ensure that these changes would enrich human lives. Along the way, we experienced both successes and failures and developed realistic frames of reference through which we could evaluate our progress. Consequently, we were able to improve our critical assessment capabilities, which enabled us to identify the true issues our clients were facing and the goals they were aiming to achieve, while also enhancing our ability to facilitate the achievement of these goals. Moving forward, we must explore different ways to stay abreast of rapidly emerging technologies, ensure their safety, and provide advice regarding their optimal utilization, thereby allowing their users to master them without the need for compromising adaptations. I am confident that now is the time for the Net One Group to demonstrate its true strength.

Medium- to long-term vision

We have established a “Vision for 2030” that consists of four themes and is centrally focused on the concept of continuity.

Following discussions regarding its medium- to long-term vision, the Net One Group’s Board of Directors established a “Vision for 2030” that is based on the four themes set forth in its overall Vision. Underlying the Vision for 2030 in its entirety is the concept of continuity; the Company is charged with both the mission and responsibility of surviving and continuing to provide value as a public institution that exists for the benefit of society. In accordance with this fundamental idea, please allow me to convey the intentions and purposes behind each of the themes underlying Vision for 2030.

First, the Net One Group aims to become a “leading company” that is recognized and respected by domestic companies in all industries. While we are proud of our status as a leading network company, we also aspire to be a leading company in other fields, including sustainability management focused on non-financial capital. I believe that the power to decide if we are a leading company lies in the hands of others. Undergoing objective evaluations from all possible perspectives, including market and sustainability-related performance metrics, we will fulfill our responsibilities and earn recognition as an exemplary company. Through these efforts, we will establish a reputation as a role model corporation in Japan. I firmly believe this is the pathway forward for the Net One Group.

Second, we aim to create value that facilitates objective evaluation, while continuing to boost added value. This theme incorporates the idea that the very existence of the Net One Group, as well as its capacities for critical assessment and achievement, constitutes added value. Through sustainability

management, we will ensure that all of our employees are able to perform their professional duties with vitality and enthusiasm, while also guaranteeing that our impact on our customers and society at large will be evermore positive.

Third, to facilitate our evolution toward the company I have described, we will establish an “elite group” of professionals. The Net One Group firmly believes that a professional is distinct from an expert; an expert is someone who, due to surrounding circumstances, is the only individual who is capable of performing a task, while a true professional is someone who is able to systematize and pass on intellectual capital, thereby enhancing the overall strength of an organization. Moving forward, the Net One Group will continue to transform itself into a leading company while maintaining teamwork as its cornerstone.

Finally, with regard to the fourth and final theme, which concerns profit structure, we are targeting ongoing growth for the Net One Group. As time progresses, we will establish an appropriate profit structure and build a foundation that will enable us to steadily and independently take all necessary steps forward, thereby transitioning into a new phase of value creation.

By the end of our current Medium-Term Business Plan, we aim to establish five cultural practices that will serve as benchmarks for measuring progress toward achieving our medium- to long-term vision: creating value as a team, relishing challenges, maintaining purpose-driven attitudes, showing mutual support, and confronting risks. These cultural practices are not independent of each other, but are instead inextricably linked. Rather than avoiding risk, we will motivate ourselves to consider how we can minimize risk to support the achievement of our objectives and how we can support each other as members of the same team to facilitate this process. Through these efforts, we will collectively generate new value.

Establishing these new cultural practices will be part of our corporate culture reform efforts, and will serve as the first step toward strengthening our governance. I recognize that the fulfillment of our Vision for 2030 is a critical milestone toward the attainment of our Mission, which I shared when I assumed my position as president of the Company.

Progress achieved during the first year of our Medium-Term Business Plan

We spent the year laying the foundation for our next major leap forward, while systematically promoting personnel strategies and reinforcing our business foundations.

Overall, we are confident that we generated favorable progress during fiscal 2022. We are continuously establishing and improving the foundations for our service strategy, which is a key focus of the growth strategy outlined within our Medium-Term Business Plan. Additionally, we firmly believe that fiscal 2023, the second year of our Medium-Term Business Plan, will be a turning point on the road to our next major leap forward. When listening to casual conversations among our employees, I now commonly hear them talking about services rather than referencing product sales models focused on network equipment.

Our shift toward services is strategically critical to the continuity of our Group. By establishing a business model grounded in recurring revenue, we will ensure our ability to generate stable earnings throughout the year, while conducting personnel planning and development. We also believe in the importance of building ongoing relationships with our customers through services. With this goal in mind, we recognize the critical strategic significance of creating a service lineup that is “standardized to the point at which it can be fully customized,” thereby enabling us to respond to a diverse range of customer needs.

With regard to our personnel strategy, we plan to begin defining the necessary capabilities and drafting staffing plans for the realization of our Vision for 2030, which describes the future position in which we want to be. Afterward, we will identify discrepancies between our current circumstances and our desired future through backcasting and adopt appropriate measures for addressing these discrepancies. Furthermore, by sharing the details of these processes with employees, we will aim to establish a system through which employees can compare the Company’s assessments of their aptitudes and talents with their own ideal visions for themselves and make adjustments accordingly, thereby enhancing employee engagement. As a starting point, we established a new personnel system in fiscal 2022. Employees are the wellspring from which the Net One Group creates value. Therefore, each and every employee is encouraged to chart his or her own career path, hone his or her abilities, and further improve performance through appropriate self-evaluation. Through these efforts, the Net One Group will continue to achieve growth. To facilitate the achievement of this advantageous and self-perpetuating cycle, we will implement comprehensive strategies that cover a wide range of business elements, including compensation, training, and recruitment.

Meanwhile, we are making steady progress toward the reinforcement of our business base. As part of our corporate culture reform efforts, we have been concentrating on activities aimed at driving home our corporate philosophy system in fiscal 2022, and our employees have demonstrated a strong appreciation for this system. In fiscal 2024, the final year of our Medium-Term Business Plan, we aim to develop this appreciation into resonance, thereby leading the Group into a phase within which its employees can take decisive and independent action. In the more distant future, we would like to elevate this resonance to the level of harmonization, thus entering a stage during which employees can effectively influence and motivate those around them.

Our second founding

Pursuing true innovation through the elimination of boundaries and developing the Net One Group into an organization that generates extraordinary breakthroughs

Net One Systems, which started with just ¥200 million in capital and only ten employees, celebrated the 35th anniversary of its founding this year. Currently, we have ¥12.2 billion in capital, more than 2,500 employees, and revenue equivalent to more than six times the amount we reported for 2000, the year we went public. We have been able to continue

operating up until the present thanks to the support of customers, partners, shareholders, our employees and their families, our local communities, and many others.

As we reflect on our history and progress to date, we are now undergoing a second founding, creating a new Net One Group that will facilitate the achievement of further growth moving forward. In May 2023, we launched the “netone valley” innovation center as a new business base and a strategic location through which employees can take on the challenge of creating new value and charting pathways toward a prosperous future. Utilizing netone valley as a starting point, we will embark upon our journey toward the creation of a new future for the Net One Group. The key concept behind these efforts will be the elimination of boundaries. Boundaries can impact both how employees work and the relationships between employees and our stakeholders. We encourage our employees to freely take advantage of all available opportunities to build a new future through their work styles and daily lives. At the same time, we call upon our stakeholders to share ideas that will facilitate our transition toward this future. In this sense, netone valley could be viewed as a giant front porch; just as back in the “good old days,” when people gathered on the front porch, a space neither inside nor outside the home, to talk about all sorts of topics, we will aim to explore a wide range of possibilities together within a relaxed environment that is not constrained by normal business conventions. I firmly believe that true innovation is created at times, and in places, such as these.

The development of netone valley remains incomplete. We plan to continue updating the facility’s equipment and software. Furthermore, we will simultaneously continue to “update” ourselves, refining our capabilities without a moment’s pause. By creating innovation that is nourished by tradition, we will unleash the potential of both people and networks. Furthermore, we will generate further traditions through the innovation thereby achieved. We hope that you are excited about both the innovation we will create moving forward and the prosperous future we aim to achieve, and we humbly request your ongoing support as we pursue these objectives.





Maya Ito

Independent Outside Executive Director
Chairperson of the Board of Directors
Attorney at law

Photo: netone valley's INFORMATION HUB** space

*1. Located within the "netone valley" innovation center, this is a space for gathering information. Its design facilitates chance encounters and encourages personal exploration.

Message from the Chairperson of the Board of Directors

We will facilitate a shift toward proactive management while enhancing both internal and external communication.

Governance reform Management's strong resolve to implement sweeping reforms

In fiscal 2022, the governance structure of Net One Systems underwent major changes, as we transitioned into a company with an audit and supervisory committee and began requiring that six of the nine members of our Board of Directors be independent outside executive directors. We feel that we were able to implement drastic reforms in such a short period of time in part because all members of our management shared a strong sense of urgency regarding the need to implement reforms aimed at preventing recurrence of fraudulent acts and in part because management held a series of dialogues with employees concerning the Company's direction moving forward, which raised awareness regarding the significance of governance reform activities throughout the Company.

The Company has revamped systems and processes associated with its Board of Directors to ensure that the board

is more focused on discussing important issues. We accomplished this feat by delegating authority to the Management Committee and other decision-making bodies to cut down the volume of proposals submitted to the Board of Directors and by beginning to identify discussion items related to important management issues, which complement resolutions and reports reviewed by the board. Furthermore, we shifted the focus of the board's discussions from the promotion of recurrence prevention measures to the future prospects and growth potential of the Net One Group. While maintaining a sound governance framework, we are diligently discussing the adoption of a proactive system of corporate management that will lead us into our next stage of growth. To spur on these discussions, we will ensure proper administration and leadership that will allow each executive director to demonstrate his or her individual expertise during meetings of the Board of Directors and facilitate the exchange of a diverse range of opinions.

Challenges and response measures associated with assessments of effectiveness

Fiscal 2021 challenges	Status of response in fiscal 2022
Enhancement of wide-ranging discussions based on management strategies	We established "visualization" as a priority theme for deliberation and held objective data-based discussions regarding the status of the Group and other issues once every three months. During monthly meetings of the Board of Directors, the Governance and Corporate Culture Advisory Committee reported on the progress of corporate culture reforms and recurrence prevention measures, thereby enhancing subsequent discussions.
Review of agenda items for the Board of Directors meetings	We used our transition into a company with an audit and supervisory committee as an opportunity to delegate approximately 70% of decision-making authority formerly held by the Board of Directors to the Management Committee and other bodies.
Acquisition of time for discussion on important issues through systematic planning of agenda items	We successfully established year-long systematic administration through the formulation of annual agendas at the beginning of the fiscal year. Compared to the previous year (July through March), we lowered the number of agenda items for meetings of the Board of Directors from 165 to 102 (a year-on-year decrease of 38%) and increased the average time spent discussing each agenda item from 13 minutes to 21 minutes.

Enhancement of nomination and remuneration systems Focus on identifying next-generation management talent and revising remuneration policies

Another governance reform we have implemented is the reorganization of the Advisory Committee into the Nomination Advisory Committee and the Remuneration Advisory Committee. As a member of both committees, I am responsible for ensuring that the results of discussions held during meetings of the Board of Directors are reflected through corresponding policies and systems.

With regard to nominations, we have developed a succession plan that prioritizes adherence to the foundations of our compliance and governance systems and formulated to facilitate our transition toward a proactive system of management. Independent outside executive directors are responsible for verifying and evaluating the suitability of candidates for positions in our next generation of management. To ensure the selection of appropriate candidates, we will ensure that we thoroughly understand the skills and characters of each candidate while also providing ample opportunity for independent outside executive directors and candidates to exchange views and opinions.

In terms of compensation, we have introduced a restricted stock compensation system for chief executives with the aim of ensuring that they execute their duties while sharing the same perspectives regarding value that are held by our investors. Furthermore, we are currently establishing a system under which compensation for chief executives will reflect performance indicators unrelated to earnings, such as the degree to which we have raised the share of revenue generated through services and the results of employee awareness surveys.

Japanese society at large is currently facing a scarcity of human resources. Under these circumstances, we must ensure that we maintain a relatively compelling remuneration system if we aim to shift toward proactive system of management. We updated our remuneration system in July 2023, and as time progresses, we intend to continue adjusting this system in an effort to guarantee growth in its appeal moving forward.

Proactive management Support risk management to accelerate our shift toward services

Independent outside executive directors are responsible for balancing, and preventing abuse of, managerial authority. However, we also recognize the important role that outside perspectives fulfill with regard to supporting proactive management. Proactive approaches are always accompanied by risks, some of which are unprecedented. Nevertheless, these risks are an unavoidable reality when it comes to achieving growth.

To facilitate business execution, independent outside executive directors like myself should support uninhibited and enthusiastic idea sharing and challenge acceptance by proactively identifying possible risks and proposing solutions for addressing them. The Company's independent outside

executive directors have a diverse range of expertise and have accumulated extensive experience in the field of crisis response. Furthermore, we have a system in place that allows these executive directors to apply their abundant knowledge and expertise to risk management. As we aim to earn the full trust of our customers through the proactive delivery of services, we will provide the advice necessary to ensure that all needs are addressed and further enhance cooperation with personnel responsible for business execution.

Looking ahead to 2030 The Net One Group's commitment to ensuring appropriate evaluations through effective communication

In accordance with its recently established Vision for 2030, the Net One Group aims to be recognized throughout society as a leader in terms of all corporate activities, including, but not limited to, those in the network field. One of the key issues we must face as we aim to achieve this goal is the promotion of diversity and inclusion. To raise our ratio of female employees, which is one of our materiality-related KPIs, we need to construct an organizational foundation that will allow us to develop a fresh crop of female executive directors. We believe that having women in positions carrying ultimate decision-making responsibility will provide emotional support to our female employees, while also raising their awarenesses of the roles they fulfill with the Company. Furthermore, in a rapidly changing industry where new forces are constantly emerging both in Japan and abroad, we must also appoint foreign nationals in accordance with a global perspective and promote members of the younger generation to positions through which they can lead the ICT industry.

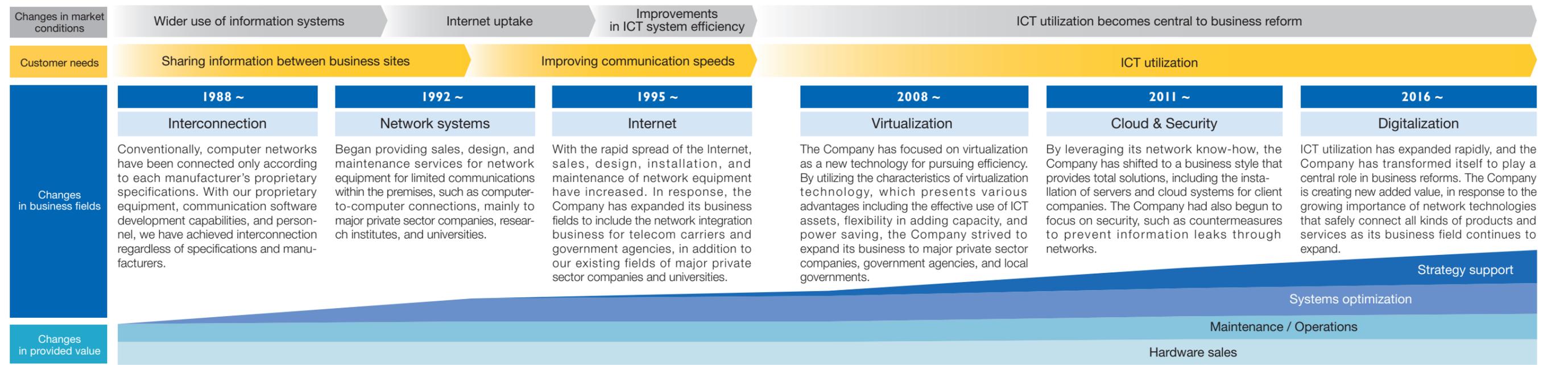
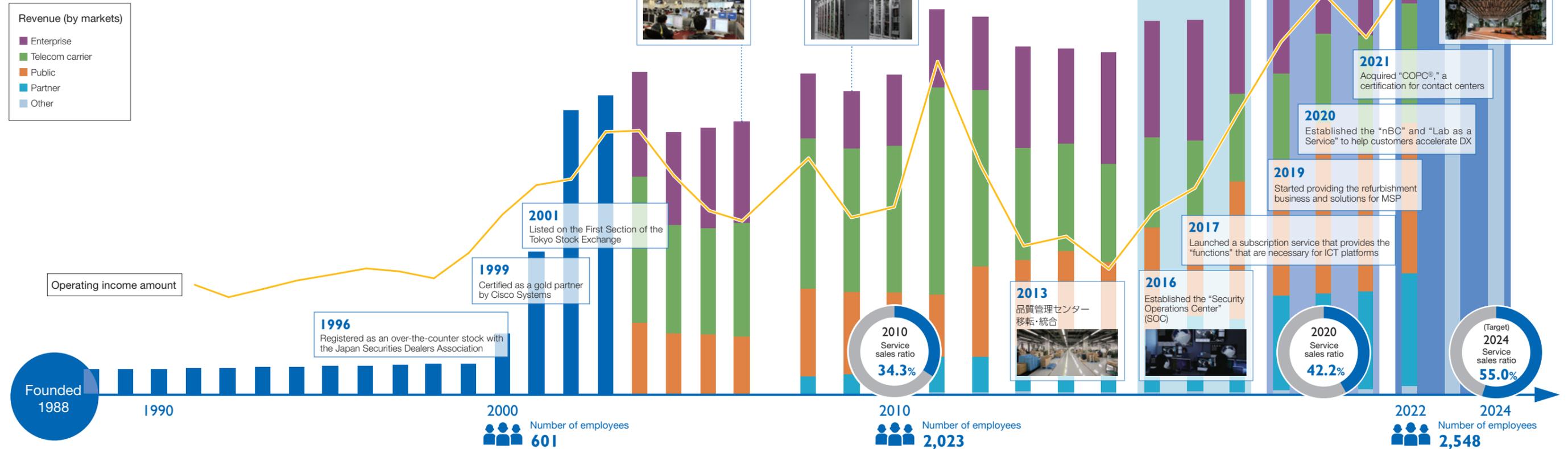
To achieve these objectives, I have personally created opportunities for interaction with employees while simultaneously promoting open dialogue. I sincerely hope that this dialogue will encourage each employee to think about his or her own career and potential and communicate his or her own thoughts and ideas more proactively. Meanwhile, I believe that as we develop more employees with this mindset, we will observe growth in the number of leaders who proactively drive the Net One Group forward, thereby generating new growth for the Company as a whole.

Having expressed steadfast support for our Vision for 2030, all members of our current Board of Directors are in agreement regarding the future direction of the Net One Group and firmly believe in the soundness of the Net One Group's governance structure. However, we cannot convey the importance of governance through routine disclosures of information alone and must ensure that our shareholders and investors understand that our reforms represent much more than mere formality. To convince them of the significance of our reforms, we must continue to communicate as concretely as possible the activities and discussions undertaken by our Board of Directors and all committees. As chairperson of the Board of Directors, I am responsible for proactively ensuring that the Net One Group is recognized as a company that is achieving business development through strong governance.

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)

Introduction
Value Creation
Growth Strategy
Management Capital
Governance
Business Segments

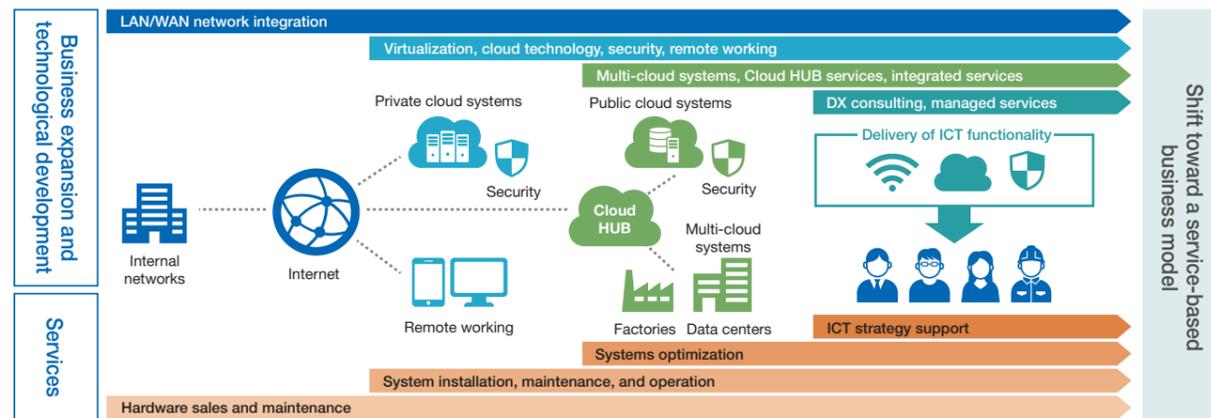
Review of Operations

Concentrating primarily on large-scale companies and government agencies, the Net One Group supports the introduction and ongoing optimization of comprehensive frameworks and systems that enable the transformation of business models and work styles through the use of ICT.

Expansion of our business fields centered on networks

The Net One Group has leveraged its strengths in networks and expanded its business fields in line with the increase in demand for ICT utilization.

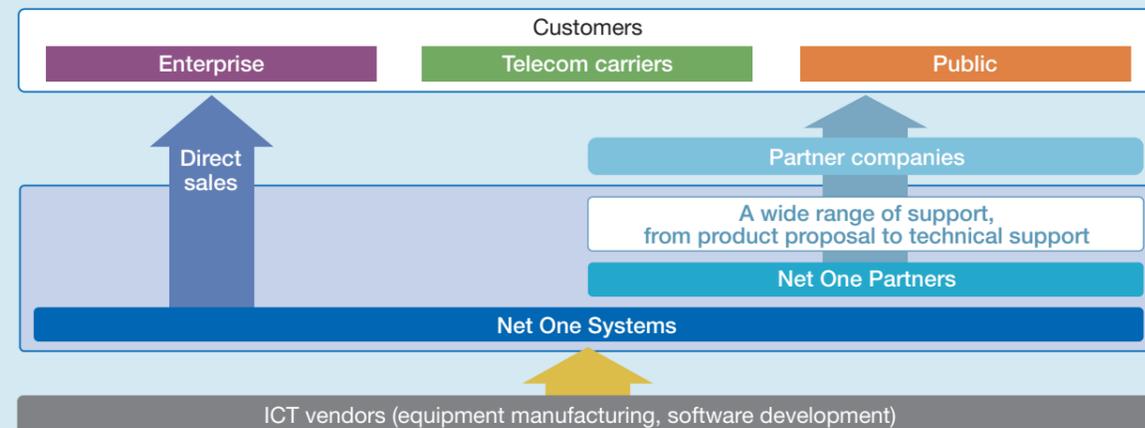
Amid the recent and ongoing shift to multi-cloud systems, networks that securely and effectively link cloud systems have become indispensable. Consequently, the Group has taken on a broader range of responsibilities, including support for cloud systems, cybersecurity initiatives, and general support for ICT platforms utilized in pursuit of digital transformation. We are gradually transitioning toward a business model focused on providing 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 lifecycles of systems. Accordingly, the scope of our business continues 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.



FY2022 Revenue **209.6** 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.).

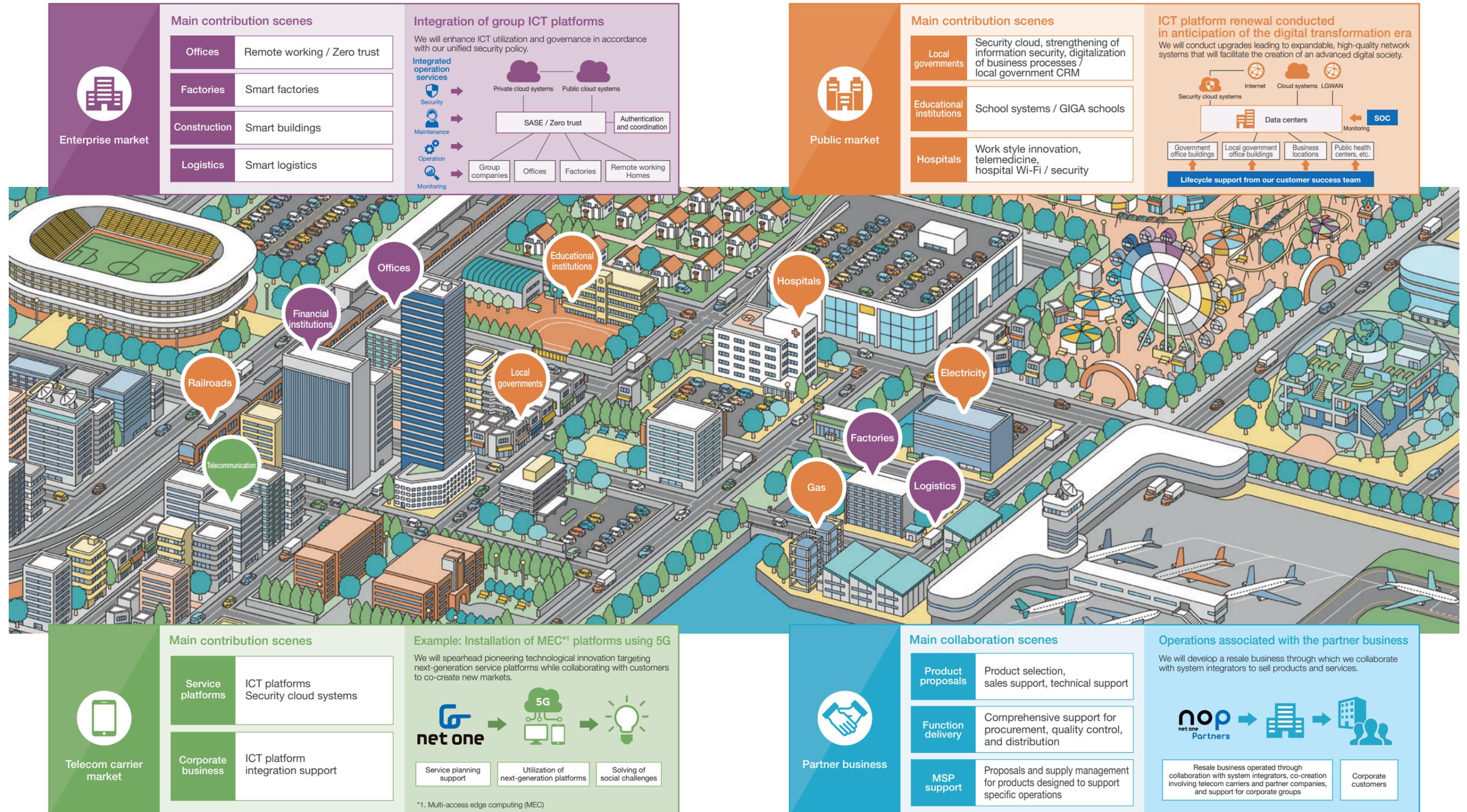
	Key markets / sectors	Strengths and characteristics
Enterprise market	Manufacturing / non-manufacturing / finance <ul style="list-style-type: none"> Cloud systems Security measures Work style innovation Focus areas Smart manufacturing, social infrastructure to realize Society 5.0	<ul style="list-style-type: none"> The enterprise business has built up a high level of trust with customers after many years of providing high-quality network systems. 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.
Telecom carrier market	Telecom carriers / ISP^{*1} <ul style="list-style-type: none"> Service platforms Corporate business <small>*1. ISP: Internet service providers</small> Focus areas Social infrastructure to realize Society 5.0, digital government, and smart manufacturing	<ul style="list-style-type: none"> Extensive track record in the design and installation of large-scale networks Strong position in multivendor product integration and automated system operation, backed by advanced network design capabilities
Public market	Local governments / education / universities, research centers / social infrastructures / healthcare <ul style="list-style-type: none"> Cloud systems Security measures Campus networks Focus areas Digital government, social infrastructure to realize Society 5.0	<ul style="list-style-type: none"> Consulting services that help customers clearly identify the challenges they face Optimization of the full ICT lifecycle, from design, installation and maintenance to operation, optimization and in-field improvement of ICT platforms
Partner business	System integrators <ul style="list-style-type: none"> Specializes in collaboration with partner companies Network Cutting-edge ICT equipment and related solutions Focus areas Social infrastructure to realize Society 5.0, digital government, and smart manufacturing	<ul style="list-style-type: none"> Handles a wide range of products from overseas Provides quality assurance, technology verification and value-added services such as proposal support and system maintenance

* Revenue for external customers is used in revenue by segment presented on this page and in Chapter 5.

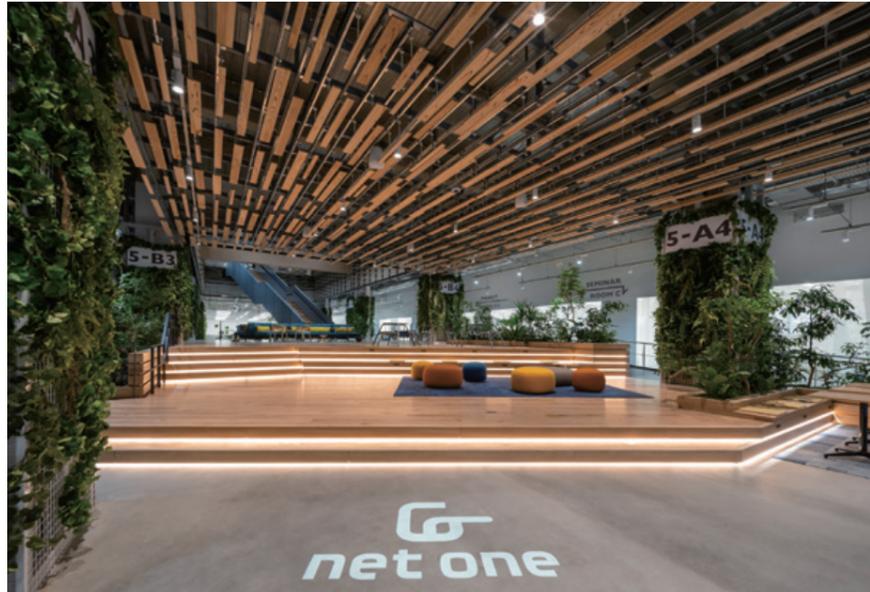
The Societal Prevalence of Net One

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

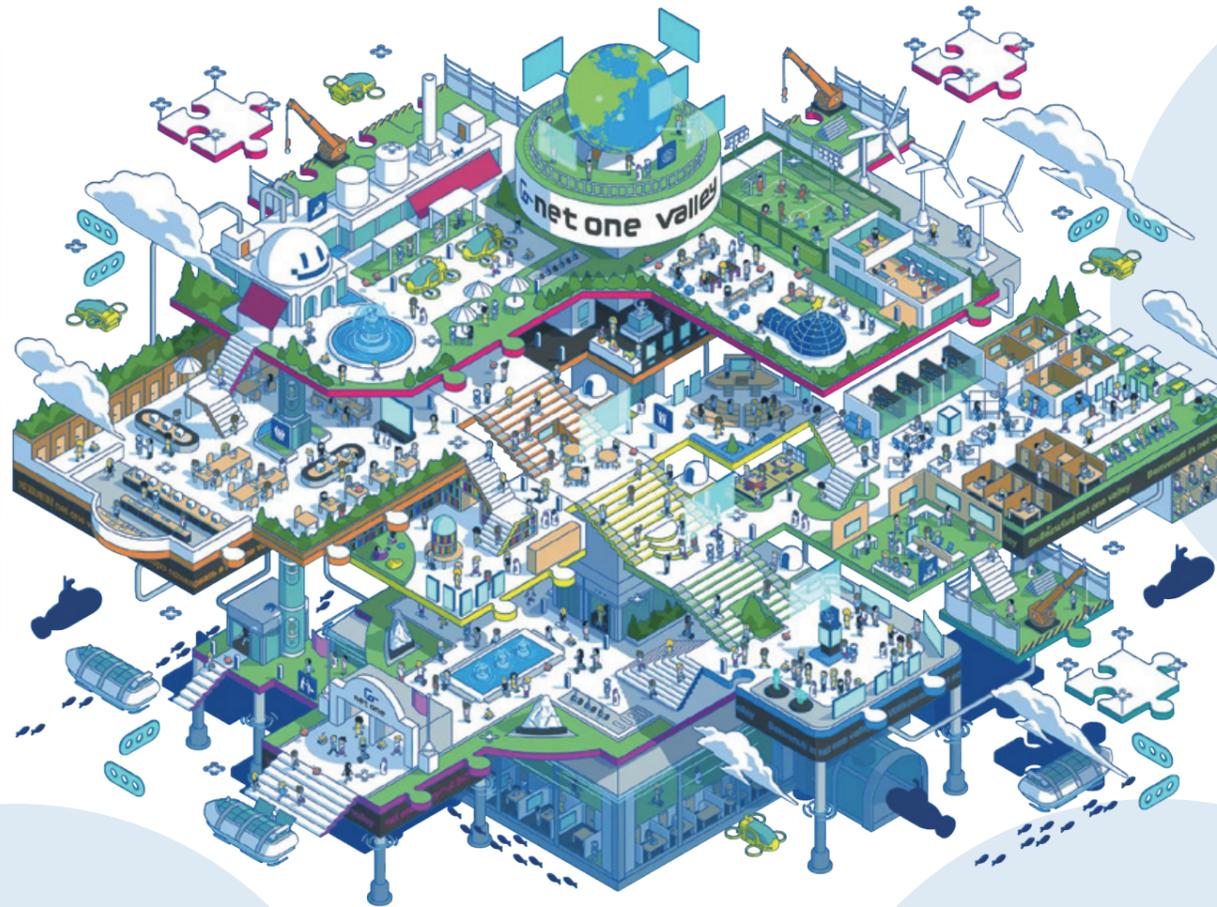
We are working to achieve our materiality of "realizing a safe and secure advanced information society," by leveraging our strengths in network technology to connect society and contribute to ICT utilization.



Establishment of **netone valley**,
 a place for taking on the challenge of creating new value
 and paving the way toward a prosperous future



Given the recent major changes in environments surrounding society, including the emergence of generative AI and operational automation, the importance of value-creating human resources capable of generating innovation has been rising. To continue delivering value to a changing society, the Net One Group must also shift toward a service-based business model and transform work styles by adopting value-creating approaches. Moving forward, we will create a prosperous future through innovation generated via various forms of interpersonal networking, including new professional encounters and diverse collaborative efforts. The “netone valley” innovation center serves as a venue through which these objectives can be accomplished using practical measures.



Solution

Proposing optimal solutions to customers using ICT platforms refined utilizing the reference models generated through our own digital transformation efforts

We adopt and evaluate technologies at netone valley before proposing their use to our clients, thereby accumulating essential expertise. Offering sophisticated security that allows for freedom, convenience, and safety, netone valley also enables us to jointly conduct proof-of-concept experiments along with our partners and clients.

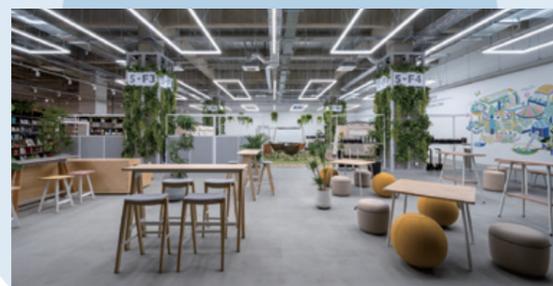


PROJECT ROOM
 A venue for creating new business and services along with our partners and customers

Communication & Collaboration

Encouraging communication and collaboration while fostering an open corporate culture

To facilitate the creation of ideas and innovation, foster a strong corporate culture, and ensure widespread understanding and acceptance of our philosophies, we must create environments in which employees can communicate closely with one another. Through our establishment of netone valley, we have provided a venue that encourages a wide range of employee activities, thereby revitalizing communication and fostering a sense of mutual understanding and organizational unity among our employees.

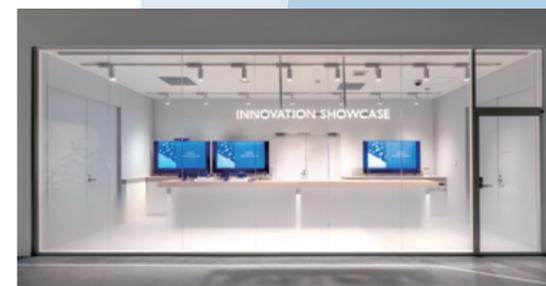


PARK
 An office space that encourages casual communication

Innovation

Working together to develop scenarios intended to facilitate the resolution of social challenges while accelerating innovation

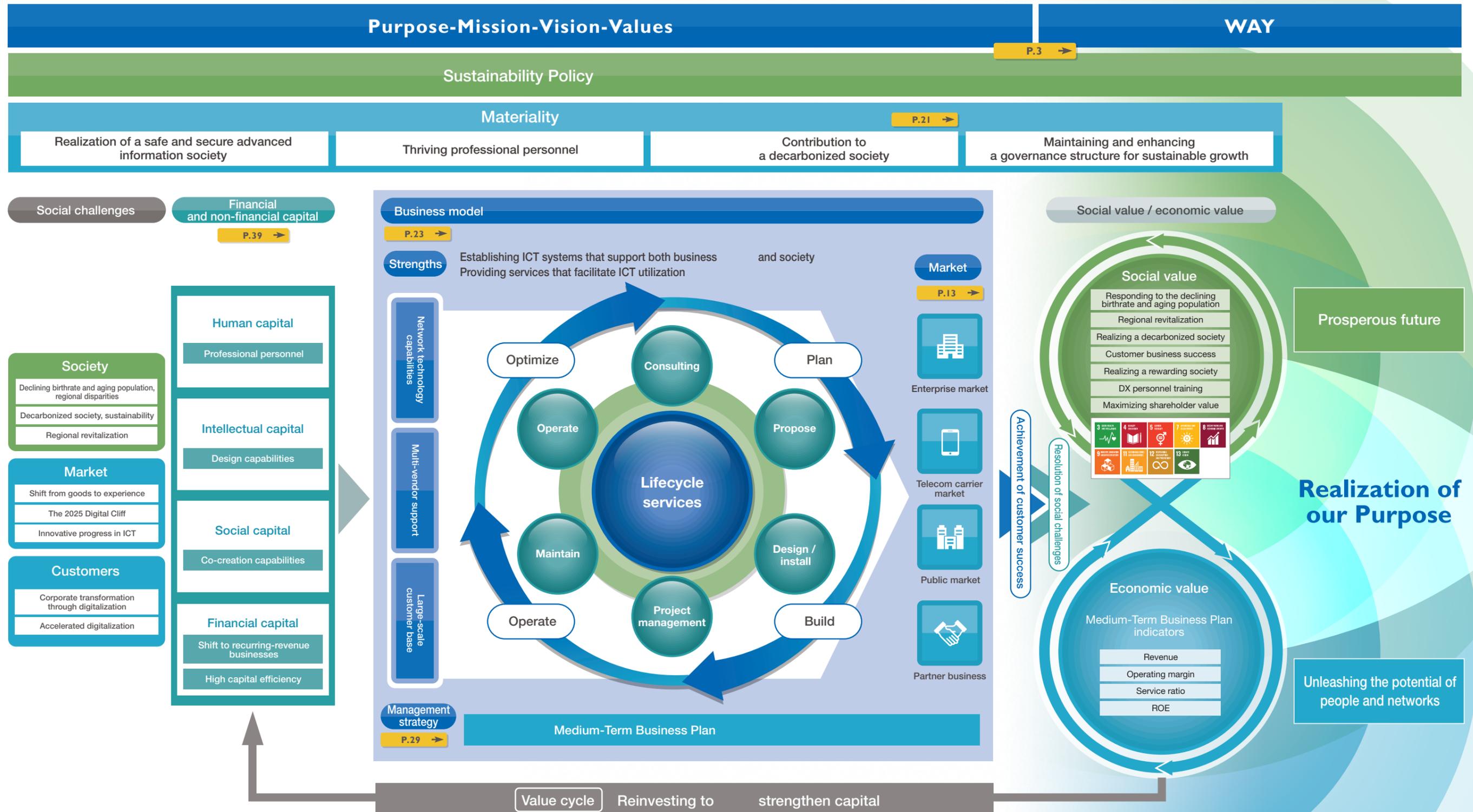
Through netone valley, visitors can experience a wide variety of cutting-edge technologies and new services. Using this innovation center, we will engage in co-creation along with our customers and partners, creating new value and generating solutions for social challenges using digital technology.



INNOVATION SHOW CASE
 A place where visitors can experience what the Net One brand has to offer through exposure to new services and the latest technological combinations

As we strive to realize our Purpose, we will leverage our network-related strengths to achieve customer success while creating both social and corporate value.

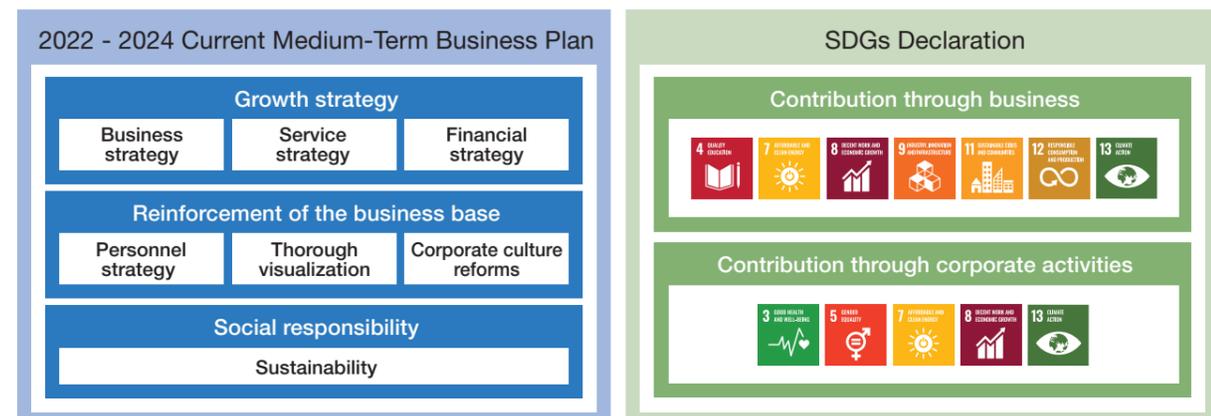
The Net One Group establishes optimal systems from an objective and neutral standpoint by leveraging its network technology capabilities, its multi-vendor support, and the critical assessment skills developed through its large client base. Additionally, by making full use of the practical usage expertise we have accumulated by applying technologies internally before introducing them at client facilities, we are able to resolve social challenges through the facilitation of customer success.



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

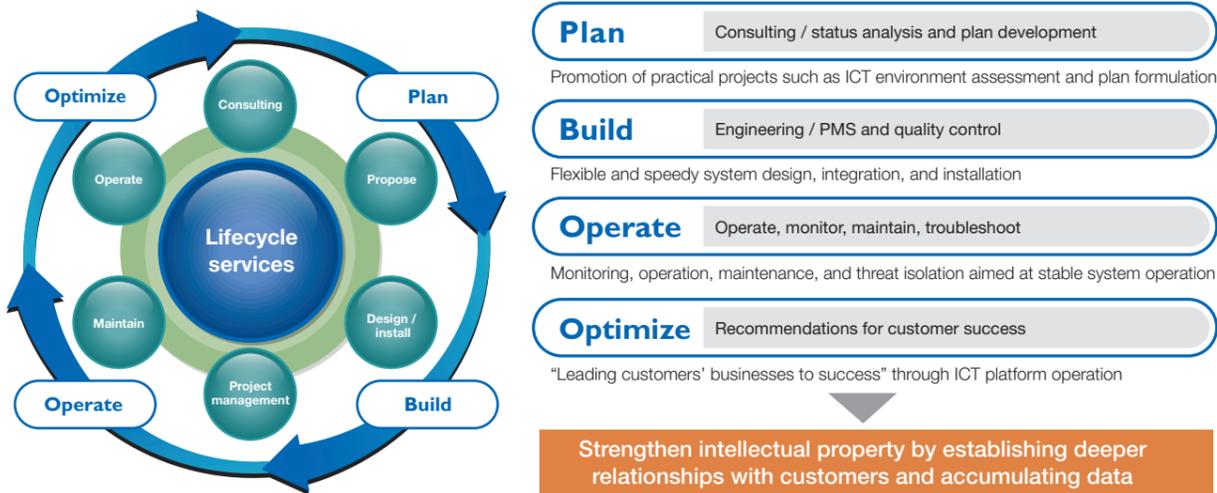
Realization of a safe and secure advanced information society			
Theme 1	KPI	Fiscal 2022 results	
Provide solutions and services by challenge and domain 	We aim to grow our business and realize a sustainable society, by providing social challenge-solving solutions and services, centered on the three focus areas of the current Medium-Term Business Plan: Digital government, Society 5.0, and Smart manufacturing.	<ul style="list-style-type: none"> Revenue of social challenge-solving solutions (three focus areas of the current Medium-Term Business Plan) Fiscal 2024 target: 30.0 billion yen 	¥7.2 billion
Theme 2	KPI	Fiscal 2022 results	
Expand and promote the service business	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"> Service ratio Fiscal 2024 target: 55% 	45.2%
Thriving professional personnel			
Theme 1	KPI	Fiscal 2022 results	
Train IT personnel for the next generation 	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. 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.	<ul style="list-style-type: none"> Security personnel (parentheses show the number of personnel as of March 2021) CISSP holders Fiscal 2030 target: 80 (22) Registered information security specialists (RISSs) Fiscal 2030 target: 100 (41) Cloud personnel (parentheses show the number of personnel as of March 2021) Front department Fiscal 2030 target: 50% increase in cloud personnel (232) 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) Train ICT personnel for the next generation Expanding next-generation IT personnel training programs through industry-academia collaboration 	23 / 24 (fiscal 2022 target) 51 / 46 (fiscal 2022 target) 448 / 239 (fiscal 2022 target) 23 / 25 (fiscal 2022 target) 7 proposals Underway
Theme 2	KPI	Fiscal 2022 results	
Promotion of diversity and inclusion 	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"> Ratio of female managers (parentheses show the number of personnel as of March 2021) Fiscal 2030 target: 15% (6.5%) Ratio of newly hired female graduates (parentheses show the number of personnel as of March 2021) Fiscal 2030 target: 50% (35.5%) Male employees taking paternity leave and special leave for childbirth Fiscal 2030 target: 90% 	7.8% 28.6% / 35.5% (fiscal 2022 target) 68.0%
Contribution to a decarbonized society			
Theme 1	KPI	Fiscal 2022 results	
Reduce greenhouse gas emissions through business 	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"> Expansion of green solutions Develop and expand solutions and services that contribute to reducing greenhouse gas emissions in our customers and society. 	Three solutions created: 1. Remote support 2. Data erasure certification services 3. Visualization of data center electricity usage
Theme 2	KPI	Fiscal 2022 results	
Reduce emissions in the business processes of our Company 	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"> Expansion of sales of low power consumption products and services Reduce CO₂ emissions per purchase / selling price, focusing reduction efforts on the purchase and sale of products and services, which account for the majority of CO₂ emissions. 	Scope 2 and 3 25.6% reduction of carbon intensity per unit of revenue / 3.5% reduction* (fiscal 2022 target) *Preliminary value before confirmation of some emissions data
Maintaining and enhancing a governance structure for sustainable growth			
Theme 1	KPI	Fiscal 2022 results	
Foster the corporate culture and enhance internal controls	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"> Conduct an annual employee awareness survey as part of our efforts to foster the corporate culture (Future disclosure of survey results planned) Progress report on recurrence prevention measures The operational status of recurrence prevention measures is reported on our website once every six months. 	Survey distributed to all employees at end-September Operational status details for 2H FY2022 disclosed through the Company's website
Theme 2	KPI	Fiscal 2022 results	
Realization of Health and Productivity Management® 	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"> Certification as an Outstanding Organization of Health and Productivity Management Fiscal 2024 target: Be a Certified Health and Productivity Management Organization (METI system) 	Underway

We will accelerate our shift toward services as we aim to resolve social challenges and improve profitability by facilitating customer success.

In accordance with its Medium-Term Business Plan, the Net One Group is committed to a shift toward services. Accordingly, we are creating services that provide new value to our customers by widely sharing innovative examples of full customization while standardizing and automating associated processes.

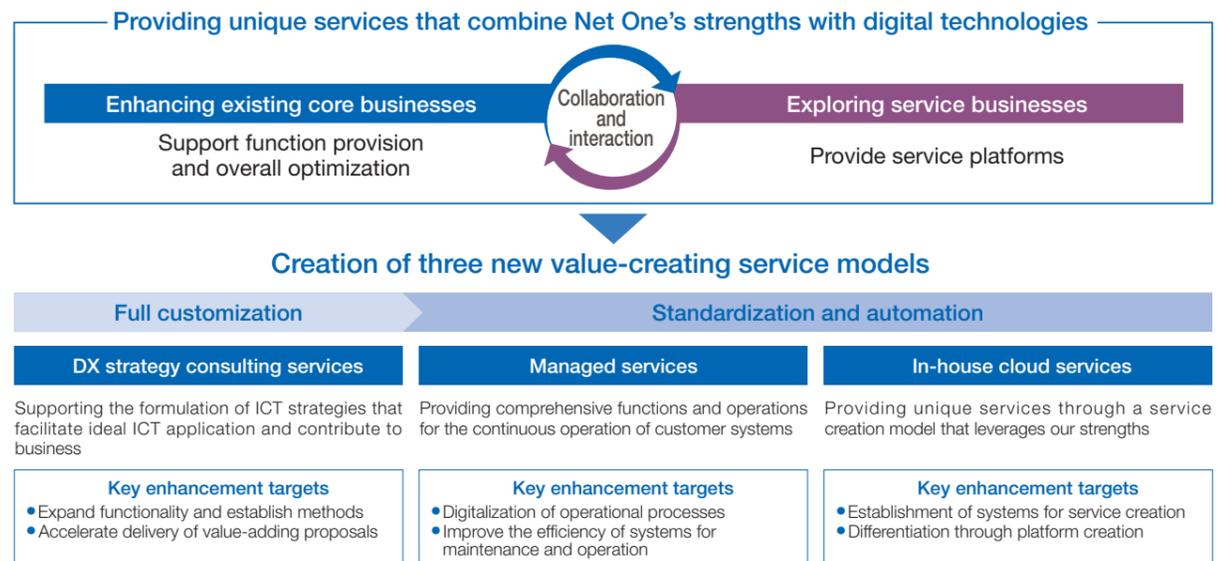
Full details of our business model (P-B-O-O)

The Net One Group supports its clients throughout their ICT lifecycles, providing optimal solutions and services by leveraging its strong ability to combine cutting-edge technologies related to networks and other essential elements of modern business. At the same time, we establish increasingly extensive relationships with our customers through a wide range of proposals aimed at optimizing a broad spectrum of processes spanning from operational improvements to the formulation of medium- to long-term grand designs.



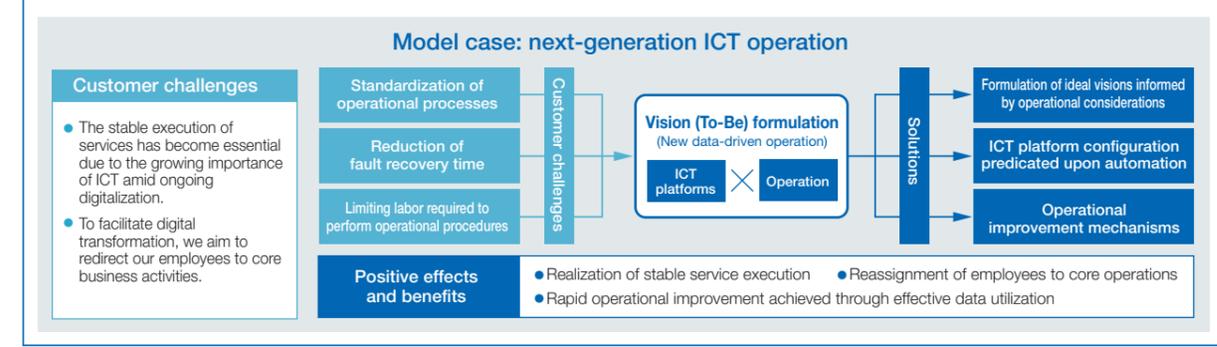
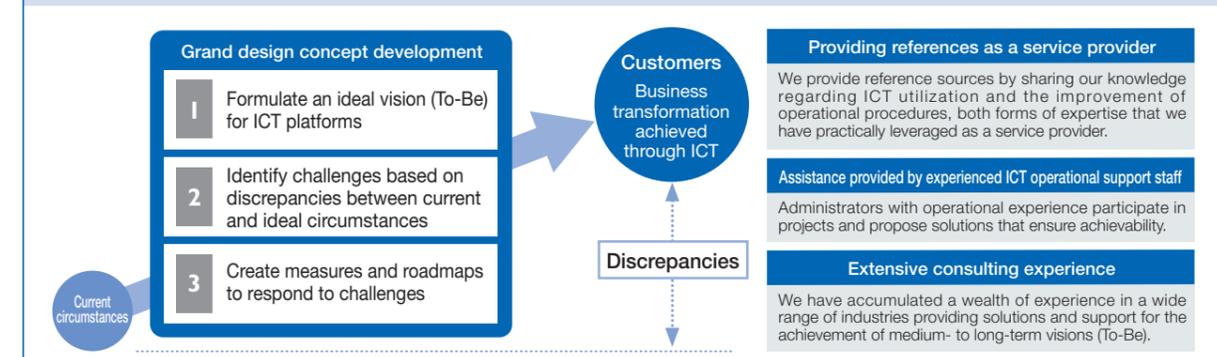
Creation of new value through our shift toward services

By exploring service business opportunities made possible through efforts aimed at strengthening our core businesses, we will establish three new value-creating services. At the same time, we will establish function-providing services and platforms and strengthen our recurring-revenue businesses.



Example Full customization ICT management transformation support services

We support the formulation of highly achievable designs and plans by applying the expertise we have generated through our delivery of services covering a comprehensive range of procedures extending from strategy development to operation and improvement. Accordingly, we will establish a cohesive vision (To-Be), provide support facilitating the achievement of this vision (guidance), and collaborate with our clients as they aim to achieve their objectives.



Example Standardization and automation Managed services

As various cloud technologies emerge and associated systems become more complex, we will provide a comprehensive range of functions and services spanning from system implementation and operation to security measures, thereby enabling our customers to maintain stable system operations.



Model case: netone Managed SASE

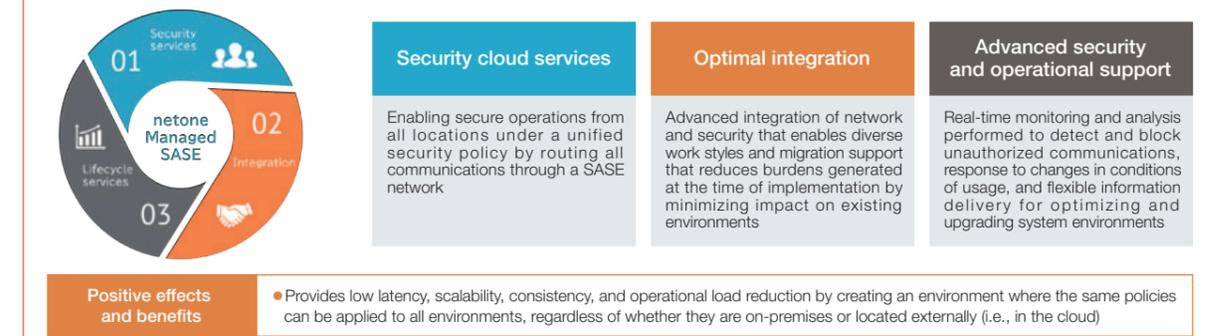
Providing comprehensive services for next-generation network systems utilizing the SASE^{*1} cloud architecture model

Customer challenges

- A shortage of security engineers has complicated procedures associated with ensuring stable operations and responding to increasingly sophisticated and complex threats.
- Support for operational and maintenance procedures related specifically to cloud computing is currently challenging.

Solutions

- Providing industry-leading security features through cloud technology
- Integration performed by experienced and qualified engineers
- Advanced security operations and lifecycle-spanning operational support



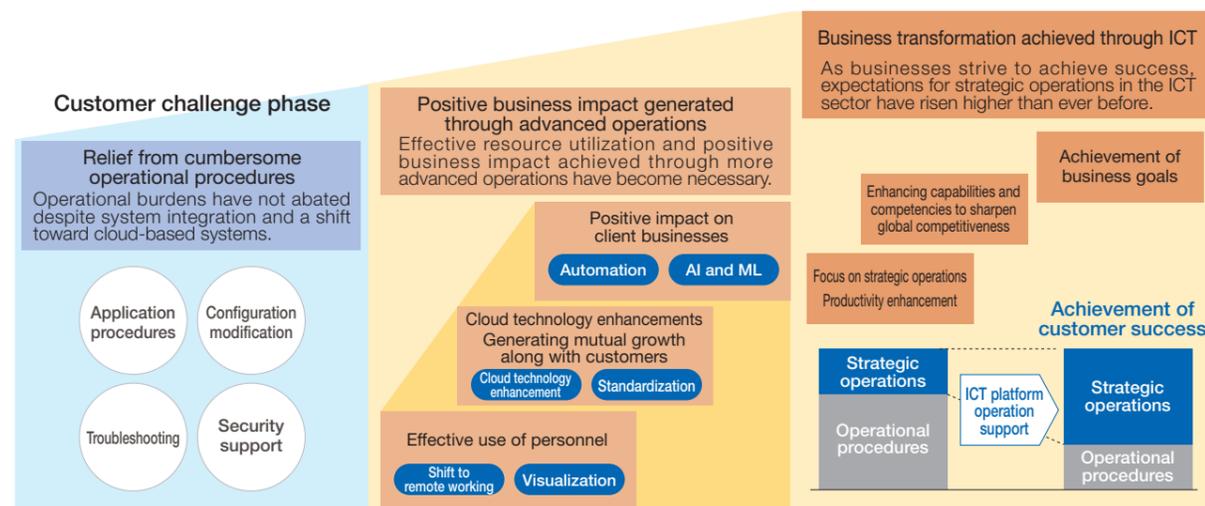
*1 Secure access service edge (SASE): a mechanism that delivers a combination of network and network security functions through the cloud

We are transforming our service model to facilitate enhanced customer success.

We are transforming our service model, shifting toward a more service-oriented approach as we aim to enhance customer success. By expanding our service platform and redesigning our service portfolio, we will be able to provide more comprehensive support and ensure optimal delivery of services to our customers.

Customer success facilitated by the Net One Group

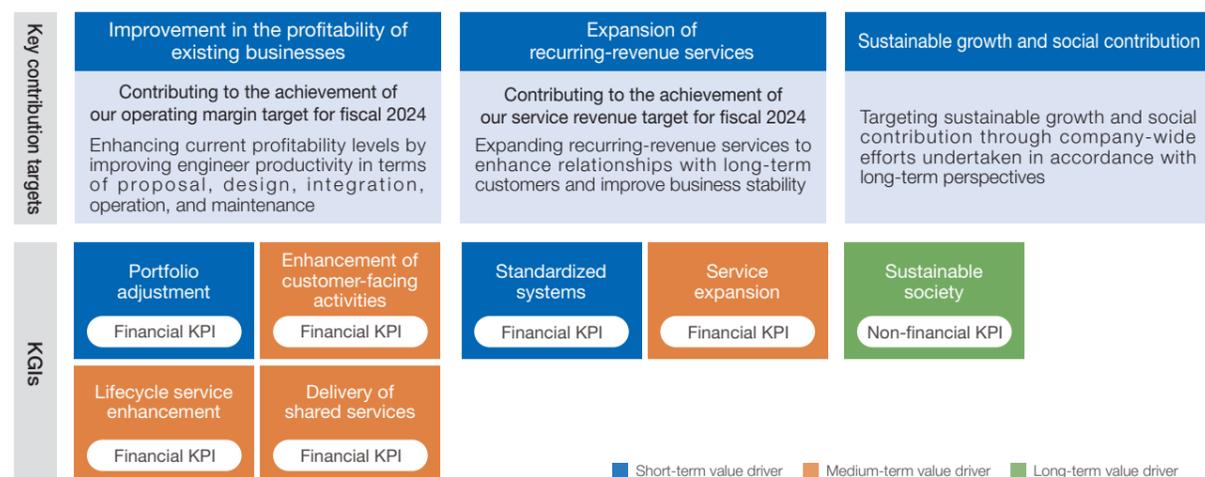
Our Group defines facilitating customer success as “providing value in excess of expectations and enabling the success of client business operations through ICT platform operation.” By providing lifecycle-spanning support, we free our clients from cumbersome operational procedures and enable them to invest in more high-priority strategic activities.



Generating synergy between engineering divisions through common KPIs and KGIs

To achieve customer success, we have established common KPIs and KGIs among our three engineering divisions and are ensuring cooperation among these divisions as we aim to achieve these indicators. To enhance engagement, we have included customer-facing metrics among our KGIs. Through the application of these standards, we are generating synergy between our engineering divisions, thereby fostering the delivery and expansion of services that address the challenges of our customers.

Common KPIs and KGIs for engineering divisions



Service model transformation: redesigning our service portfolio (Managed ONE)

Up until the present, the Net One Group’s model for operational support has focused on deploying personnel to operate ICT platforms on behalf of clients, thereby freeing up time for these clients to concentrate on core business activities. However, the nature of system operations continues to change dramatically as technology becomes increasingly sophisticated. Accordingly, the Net One Group believes that clients require both visions of ideal operation and services that leverage cutting-edge technologies. Commensurate with this viewpoint, we have revamped our portfolio of operational services and assigned it the title of “Managed ONE.”

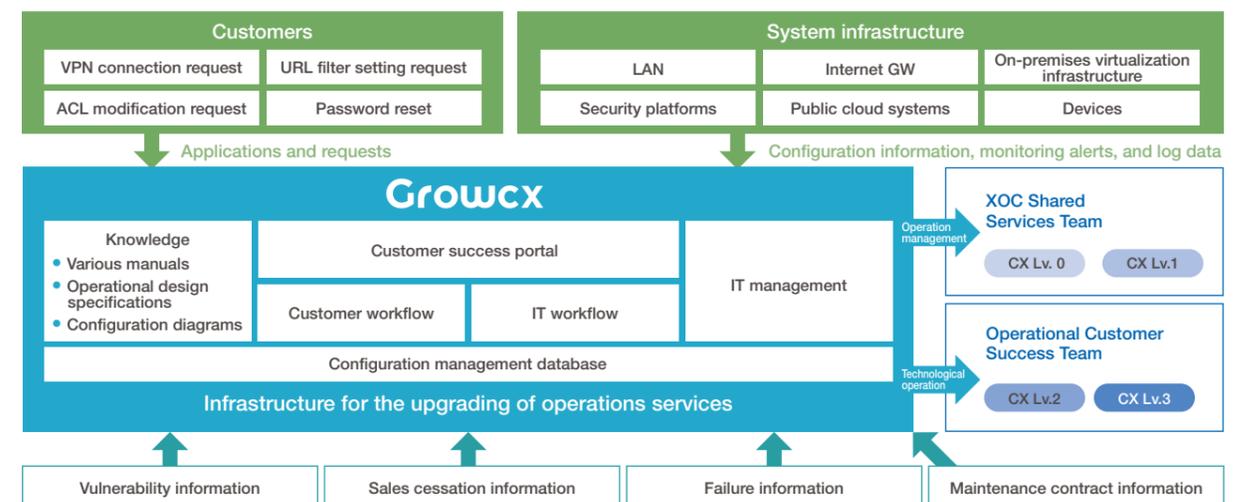
Through Managed ONE, we aim to improve the speed and quality of services rendered to customers, as well as raise the levels of satisfaction thereby generated, by focusing intensively on providing standardized services. Additionally, through linkage with our service models and the development of a digital platform that can be shared among the Net One Group, its customers, its partners, and its vendors, we will provide optimal services tailored to the needs of our clients.

Managed ONE service portfolio

	CX Lv.0	CX Lv.1 System maintenance and management services			CX Lv.2 Professional operations services			CX Lv.3 Co-creation strategy support services			
	Product maintenance	Monitoring	Service desk	Operations services	Operational management	Lifecycle support	Operational design	Assessment	Security strategy development support	IT strategy formulation support	IT business administration support
Business apps											
Security	Hardware maintenance	Security monitoring	Inquiry	Bug and vulnerability information	Incident management	Upgrade assistance	Definition of operational requirements	Security assessment	Security assessment and analysis	Business assessment	Customer IT business / IT services operational support
Cloud technology	Software maintenance	System monitoring	Application	Inquiry response	Problem management	Project support	Operational design	Operational assessment	To-Be model development	To-Be model development	
ICT platforms	Vendor services		Reception desk	Configuration modification	Change management	Facilitation of ICT use and application	Creation of operational flows		Action plan development	Action plan development	
ICT platforms			Troubleshooting	Configuration management		Creation of ledgers					
Digital platforms	cUstnet		Growcx								
Service delivery system	Shared								Named		

Enhancement of operations services: expansion of service model platform (Growcx)

We provide various services through our Growcx service platform to facilitate more advanced operation. Growcx is a system designed to resolve security and cost-related challenges and help eliminate burdensome procedures. It accomplishes these objectives by appropriately storing collected information in a configuration management database, which is then provided to support efficient service management and steady operations, regardless of the vendor who installed the existing systems. By centrally managing a range of operational information spanning from contract data to usage status-related details, Growcx is able to analyze current conditions and propose improvements, thereby assisting customers as they formulate future plans.



We will strengthen our management capital to support value creation as we strive to build a more robust business base.

Management capital, including personnel, technology and expertise, and trust-based relationships maintained with customers and partners, is essential to the value creation efforts of the Net One Group. By strengthening this capital, we will further enhance our business model and competitive advantages, thereby generating expansion in the value we create. Moving forward, we will incorporate efforts to strengthen critical capital into our management strategy as a materiality-related endeavor while building a solid business base to drive further gains in corporate value and sustainable growth.

	 Management capital	 Professional personnel	 Design capabilities	 Green ICT	 Co-creation capabilities
Definition of capital	<p>The Net One Group has accumulated experience through its own business successes and failures while leveraging this expertise to provide value to its customers and grow its operations. All of our employees' knowledge and experience enable us to create added value, so our personnel are the source of our competitiveness. To advance our shift toward a service-based business model, each of our personnel will help provide value to society by pursuing high levels of expertise, enhancing each other's communication skills, and fully demonstrating their individual abilities to carry out flawless operations as members of a larger team.</p>	<p>To ensure we retain our status as a strategic partner that provides support throughout entire ICT lifecycles, covering all aspects from grand design planning for ICT strategies to system integration and operation with a holistic perspective of optimization, we must accomplish the critical objective of establishing systems through which we can effectively utilize the experience, expertise, and intellectual property accumulated by the Net One Group throughout its existence. Utilizing an approach focused on taking on and resolving challenges, we will design ICT platforms indispensable for the application of digital technologies; unleash their full potential; adjust technologies, thereby allowing them to be utilized as standardized services; and efficiently roll out these services on a wide scale.</p>	<p>The network technology that we have developed over the years since our founding as a company specializing in the integration of network systems constitutes the core competence of the Net One Group. Among other abilities, this technology enables us to utilize data in support of business operations through network connectivity, integrate ICT platforms allowing for data application that is secure and in keeping with proper governance, and leverage advanced technologies to facilitate effective data usage. Unleashing the full potential of these technologies, we will create innovation and form partnerships as we aim to create new solutions.</p>	<p>Adopting the approach of a multi-vendor group independent from the influence of manufacturers and capital affiliations, the Net One Group is able to maintain a neutral standpoint and utilize its extensive range of collaborative relationships and idea exchange channels to identify ideal ICT product combinations that fully leverage the characteristics of these products while establishing optimal systems for its clients. Aiming to become an effective advisor for the digital age, we have created ecosystems and co-creation-based relationships through which we can accelerate ICT implementation along with clients and vendors. Moving forward, we will encourage engagement that facilitates digital transformation across society while ensuring that this transformation incorporates advanced technologies and reflects the overall concept of digital transformation.</p>	
Specific examples, and current status, of capital	<ul style="list-style-type: none"> ● Security personnel : 23 CISSP holders 51 registered information security specialists (RISSs) ● Cloud personnel : 448 front division staff members ● Ratio of female managers: 7.8% 	<ul style="list-style-type: none"> ● About 1,500 technical staff members ● XOC (COPC® certification), SOC ● Service portfolio revamp ● Sales and technical news 	<ul style="list-style-type: none"> ● Expansion of green solutions ● Remote support ● Data erasure certification services ● Visualization of data center electricity usage 	<ul style="list-style-type: none"> ● INNOVATION SHOWCASE (advanced technology demonstration) ● Lab as a Service (LaaS) ● Net One Blog ● Customer satisfaction improvement activities 	
Relevant materiality	<ul style="list-style-type: none"> ● Train IT personnel for the next generation ● Promotion of diversity and inclusion ● Realization of Health and Productivity Management® 	<ul style="list-style-type: none"> ● Provide solutions and services by challenge and domain ● Expand and promote the service business 	<ul style="list-style-type: none"> ● Provide solutions and services by challenge and domain ● Reduce greenhouse gas emissions through business 	<ul style="list-style-type: none"> ● Provide solutions and services by challenge and domain ● Expand and promote the service business 	
Initiatives targeting greater strength	<ul style="list-style-type: none"> ● Reform our personnel system to facilitate achievement of our management strategy ● Training of security, cloud, and DX personnel ● Industry-academia collaboration 	<ul style="list-style-type: none"> ● Expand and ensure wider implementation of priority services and standardized systems ● Re-create technological infrastructure to create new value ● Achieve synergy through consolidation of engineering divisions 	<ul style="list-style-type: none"> ● Develop green solutions ● Decarbonization market research and GX personnel development ● Identification of co-creation partners 	<ul style="list-style-type: none"> ● Proof of concept and joint verification carried out along with customers and vendors ● Enhancement of customer-facing activities ● Ecosystem building 	
<p>Using our innovation center to “create innovation that resolves social challenges within a free, collaborative space”</p>					

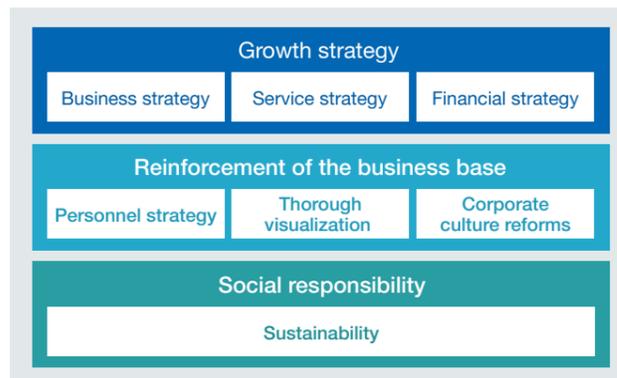
2022–2024 Medium-Term Business Plan

Status of Medium-Term Business Plan and Progress toward Associated Targets

Fiscal 2022–2024

Executing our growth strategy and strengthening our business base with the aim of realizing our new philosophy system (shift toward services)

In accordance with our redefined corporate 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

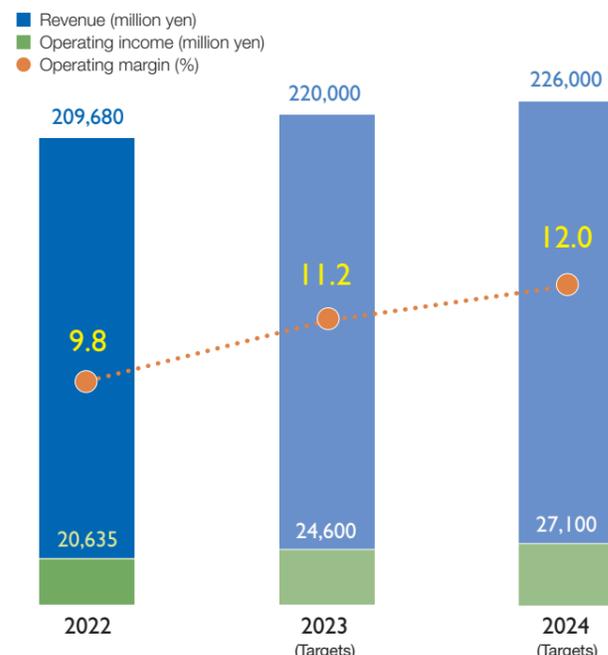


Fiscal 2022 performance on management indicators

(figures in parentheses indicate fiscal 2024 targets)

Service ratio **45.2%** (55.0%)
+0.7 points YoY

ROE **20.1%** (20.0%)
+4.3 points YoY



Fiscal 2022 progress summaries for each strategy

Growth strategy	Business strategy P.33 →	<p>Achieved steady growth in all three of the focus areas we established with the objective of solving social challenges</p> <p>Revenue from social issue-solving solutions</p> <p>Fiscal 2024 target: ¥30.0 billion Fiscal 2022 result: ¥7.2 billion</p> <table border="1"> <thead> <tr> <th colspan="2">Smart manufacturing</th> <th colspan="2">Digitalization of social infrastructure to realize Society 5.0</th> <th colspan="2">Digital government</th> </tr> <tr> <th colspan="2">Fiscal 2022</th> <th colspan="2">Fiscal 2022</th> <th colspan="2">Fiscal 2022</th> </tr> <tr> <th>Bookings</th> <th>Revenue</th> <th>Bookings</th> <th>Revenue</th> <th>Bookings</th> <th>Revenue</th> </tr> </thead> <tbody> <tr> <td>¥4.3 billion</td> <td>¥2.0 billion</td> <td>¥3.5 billion</td> <td>¥1.7 billion</td> <td>¥10.5 billion</td> <td>¥3.5 billion</td> </tr> </tbody> </table>	Smart manufacturing		Digitalization of social infrastructure to realize Society 5.0		Digital government		Fiscal 2022		Fiscal 2022		Fiscal 2022		Bookings	Revenue	Bookings	Revenue	Bookings	Revenue	¥4.3 billion	¥2.0 billion	¥3.5 billion	¥1.7 billion	¥10.5 billion	¥3.5 billion
	Smart manufacturing		Digitalization of social infrastructure to realize Society 5.0		Digital government																					
	Fiscal 2022		Fiscal 2022		Fiscal 2022																					
Bookings	Revenue	Bookings	Revenue	Bookings	Revenue																					
¥4.3 billion	¥2.0 billion	¥3.5 billion	¥1.7 billion	¥10.5 billion	¥3.5 billion																					
Service strategy P.34 →	<p>Expanded business scope by providing new value and standardization</p> <p>Facilitated our shift toward services in accordance with a network-based approach (share of revenue generated through services: 44.5% in fiscal 2021 → 45.2% in fiscal 2022)</p> <ul style="list-style-type: none"> Established systems to support the comprehensive delivery of services Promoted standardization to clear a path for the generation of new value 																									
Financial strategy P.35 →	<p>Formulated a capital allocation policy to expedite the achievement of an ongoing cycle of corporate value growth</p> <p>Conducted share buybacks as we aimed to raise both corporate value and shareholder returns</p>																									
Reinforcement of the business base	Personnel strategy P.37 →	<p>Revamped our personnel system to facilitate the implementation of management strategies and corporate value growth</p> <ul style="list-style-type: none"> Promoted the development of professional personnel 																								
	Thorough visualization P.33 →	<p>Conducted visualization-related initiatives in pursuit of business base reinforcement while implementing a company-wide strategy of digital reforms to enable prompt and appropriate decision-making</p> <ul style="list-style-type: none"> Established data infrastructure consistent with our KPI logic tree to achieve our ROE target Continued focusing on reforms targeting improvements in data resolution and literacy 																								
	Corporate culture reforms P.38 →	<p>Fostered our corporate culture by disseminating our corporate philosophy system</p> <ul style="list-style-type: none"> Transitioned into the “appreciation” phase by ensuring understanding and widespread acceptance Raised awareness regarding compliance and observed more active use of our whistleblower system 																								
Social responsibility	Sustainability P.37 →	<p>Undertook initiatives targeting the achievement of materiality-related KPIs</p> <ul style="list-style-type: none"> Promoted empowerment of women and work style diversification while expanding both diversity and inclusion Developed and secured personnel with multifaceted perspectives 																								

In 2022, the Net One Group launched a Medium-Term Business Plan that focuses on fully implementing its corporate philosophy system and its shift toward services. As we carry out this plan, we will reinforce our business base to facilitate the transition into our next phase of growth while steadily undertaking measures in association with all plan strategies and tracking progress using management indicators and KPIs.

Message from the COO

We will create new business models and evolve into an unrivaled industry leader

Takuya Tanaka

Executive Director, Executive Vice President
Chief Operating Officer (COO)



Overview of the first year of our Medium-Term Business Plan

Generating further development through a focus on both the quality of use cases and the creation of unique added value

Last year, the Net One Group launched a three-year Medium-Term Business Plan that serves as the first step of the Company's grand design for the nine-year period leading up to and ending with 2030. The plan started off with a good first year during which we were able to determine courses of action for further development.

Business progress

We have accurately identified the customer and market needs associated with each of the three focus areas in our Medium-Term Business Plan and have thereby achieved steady progress within all of these areas. In terms of digital government, we plan to accelerate the digital transformation of municipal operations through the application of cloud technologies and security measures while also speeding up our delivery of proposals for the future expansion of cloud connectivity among government systems. With regard to social infrastructure to realize Society 5.0, we have begun to generate true progress through our efforts to facilitate digital transformation on a society-wide scale via ICT application. On the subject of smart manufacturing, we are observing growth in demand for network and data infrastructure capable of producing visible and understandable measurements of power consumption in factories. Given this favorable business environment, we believe in the importance of focusing on the quality of the outcomes we generate through each project while also establishing a launchpad for the operations we will conduct over the next three years. We should only regard an objective as accomplished when we have generated contributions that have an impact on society as a whole; for example, when end-users not counted among the customers served by the Net One Group enjoy improvements in convenience resulting from digital transformation. Regarding our current Medium-Term Business Plan as a period during which we can boldly continue to take on new challenges, we will aim to create exceptional and unprecedented new solutions and transform these solutions into services that will evolve the Net One Group's business model.

Progress on our shift toward services

Due in large part to our proactive ICT investment, we feel we have generated substantial progress through efforts aimed at facilitating our shift toward services. Recently, our clients have exhibited strong demand for spontaneous and unconstrained proposals from the Net One Group. We view this trend as an indication of the increasing difficulty our customers encounter when attempting to identify issues impacting their own digital transformation initiatives. Since issues differ from customer to customer and change over time, we cannot appropriately keep up with these developments unless we remain in close contact with our customers and confront these issues on a consistent basis. COVID-19 forced us to conduct operations remotely, but now that the pandemic has subsided, we are taking a fresh look at how we interact with our customers. One major objective of Net One Systems is the enhancement of its customer-facing activities, which require the sales and engineering divisions to cooperate side by side while establishing optimal systems and frameworks for each phase of the problem-solving process. While addressing this objective, we will also strive to improve the accuracy and visibility of the metrics we utilize to ensure timely and precise verification of operating income as we aim to raise our service ratio and improve profitability.

Implementation of our management policies

Moving forward, we strive to execute our growth strategy and strengthen our business base through clearer identification of pertinent issues. With regard to financial performance, we will continue undertaking efforts aimed at improving our cash conversion cycle and maintaining our ROE. In terms of personnel, we recognize the need to take especially targeted and immediate steps toward upgrading and optimizing our workforce. By promoting organic reallocation and reskilling among our personnel in accordance with our objectives, we will transition toward a highly profitable organizational structure. In terms of corporate culture reform, during the previous fiscal year, we achieved significant progress through efforts undertaken to inculcate our philosophy and raise employee awareness thereof. We are not content with this achievement alone and will continue to closely monitor the progress of our reforms to ensure that they maintain their current momentum while keeping up with our efforts to engage in dialogue with our employees.

Medium- to long-term issues

Pursuing the interests of both customers and the Net One Group while identifying changes in the needs of the market

In fiscal 2023, the second year of our Medium-Term Business Plan, we will examine the strategies we currently have in place, prepare for changes in the needs of the market, and step up our response to issues we expect to face as we aim to achieve our Vision for 2030.

Collaboration and critical assessment of market conditions

Both the ICT industry and vendor services are transforming on a daily basis. Moving forward, we expect to encounter services that will enable easy integration of ICT platforms without the need for integration. Accordingly, our success will be largely dependent upon the extent to which we can collaborate with vendors and incorporate these services into our own solutions. We are confident that we will be able to provide clients with forward-looking proposals if we remain sensitive to changes occurring throughout the world. However, we also recognize the need to pursue efficiency from a broader perspective, and we plan to undertake this pursuit using a variety of methods, such as leveraging tools provided by vendors and partners when launching new services. At the same time, we must maintain intense scrutiny to ensure appropriate pricing and sustain and improve our profits. Furthermore, circumstances require us to assess our competitiveness from the standpoint of profitability to determine whether the services we offer are appropriate for the market. Accordingly, we will further accelerate our shift toward services by dividing the market into specific areas of focus and enhancing our critical assessment of market conditions.

Enhancing consulting-related proposals and improving service literacy

As professionals providing solutions related to cloud technology and other building blocks associated with ICT platforms, we will strengthen our consulting capabilities to ensure comprehensive optimization of a wide range of operations spanning from system implementation to utilization. At the same time, we will develop personnel capable of identifying the lifecycles of ICT systems and delivering optimal proposals, while also formulating proposals that support the digital transformation strategies of our clients. System operation plays an important role in the ICT field, and data obtained through the performance of system operation can contribute greatly to the promotion of digital transformation. We are confident that we will be able to further accelerate our shift toward services by establishing a proposal methodology that allows us to render services for an all-encompassing scope of processes ranging from digital transformation strategy formulation to system operation.

We will also work to improve the expertise we bring to the table when providing consulting-related proposals. As we shift toward services, we must ensure "service literacy," which refers to our ability to identify both what our contributions to a client's operations will be and how the Net One Group's interests will be served through these contributions. Our clients will inevitably need to conduct a variety of ICT investments, but many of these clients encounter difficulties when attempting to

accurately assess the cost of these investments. We believe that our role and responsibilities require us to maintain service literacy while providing solutions that only we are capable of developing and delivering truly necessary services to our customers at fair prices.

Future outlook

Securing market dominance by continually generating change

Rapid advances are being made in the ICT industry, and the pace of change within the industry is accelerating as emerging forces revolutionize conventional commercial flows and business practices. The Net One Group concentrates primarily on ICT platforms, but we will not remain satisfied with our current business scale moving forward. Partnerships with industry peers specializing in unique fields of expertise constitute one avenue through which we could expand our business scale. At the same time, we could secure the additional personnel this expansion would necessitate through M&A involving companies employing the engineers we would require. By collaborating with emerging forces providing services that raise questions regarding the future significance or relevance of integration, we are confident that we can achieve mutually beneficial progress as we head into the future. Net One Systems is blessed with a large staff of talented engineers. We also have a range of unmatched strengths including our ability to effectively apply the core network systems-related technologies we have developed throughout our existence while adapting them to new and advanced technologies. Thanks to these advantages, we are able to collaborate with a wide range of vendors and partners, including emerging forces with the potential for substantial market impact. Aside from these attributes, we also possess the flexibility that comes with being an independent company, allowing us to make our own decisions and generate favorable strategic changes. Our ideal approach is to proactively generate change rather than react once it occurs.

As society undergoes rapid changes due to digitalization and the exchange of massive and wide-ranging volumes of information continues unabated, our clients will expect us to provide proposals formulated based on a true understanding of their needs. Customers themselves may not be aware of issues with their current services and accordingly may not recognize problems associated with obsolescence, blackboxing, or the emergence of new risks. Net One Systems recognizes the critical importance of generating a greater number of opportunities to meet directly with customers and hold discussions with them, thereby improving our understanding of their ideas and priorities. Accordingly, we will accelerate our development of personnel capable of mapping out master plans of ICT systems together with our clients while also adjusting the services we provide according to external environmental changes.

Applying its unique strengths, the Net One Group will maintain a mutually beneficial coexistence with emerging forces while exploring the potential advantages of M&A and alliances with partners equipped with new technologies. At the same time, we will steadily perform conventional integration through collaboration with existing vendors. Through this two-sided approach, we will continue to secure our unique identity and superior position in the market.

Message from the CSDO

Accomplishment of growth strategies and implementation of company-wide business reforms using digital technology

Koji Tsuji

Senior Vice President
Chief Strategy & Digital Officer (CSDO)



Role of the CSDO

Improve the speed and efficiency of management strategies through the promotion of digital tactics

I assumed the office of chief strategy and digital officer (CSDO) effective from the beginning of fiscal 2023. As CSDO, I will be expected to devise digital plans aimed at further accelerating our strategies while also fulfilling the conventional role of chief strategy officer (CSO) by ensuring the implementation of business strategies driven by synergy generation performed on an organization-wide scale. As the Net One Group pursues further development moving forward, I will help ensure that we prioritize initiatives aimed at raising the sophistication of visualization technologies while facilitating business reforms and internal control enhancements through both improvements in data resolution and the development of data literacy. Furthermore, to improve the value provided by our human capital, we will strive to effectively utilize personnel data while cooperating closely with chief executives to successfully implement a data-based management cycle.

Promoting “visualization”

Defining data-related parameters that will form the basis for managerial decision-making

As we aim to maximize our corporate value, we recognize the critical importance of both establishing organic links between our sales, engineering, and corporate divisions through digital technologies and uniting the Net One Group into a single integrated team. “Visualization” is one of the strategies we are employing to strengthen our business base as we pursue these objectives; this term refers to the real-time sharing of data on which all employees rely to make prompt and appropriate decisions. Furthermore, fostering a culture under which decisions and actions are based on data can also contribute to corporate culture reform. Currently, we are in the process of verifying what data to share and how it can best be dispensed in support of our decision-making. Our Corporate Data and Analytic Office is fulfilling a central role as we carry out these processes.

During fiscal 2022, in accordance with the KPI logic tree we have adopted in pursuit of ROE achievement, we prepared necessary data for all divisions and established environments that allow this data to be viewed by all division heads. As a subsequent step, we are ensuring consistency between our data and our KPI logic tree, which breaks down the missions of individual divisions while illustrating the paramount importance of ROE, which is set at the top of the tree, as a management indicator. Through these efforts, we will ensure that our business operations remain effective and cohesive

while striving to advance digital transformation as a company-wide strategy.

Business strategy

Increasing the versatility and productivity of management and operations to respond promptly to changing customer needs

In fiscal 2022, both revenue and bookings were commensurate with our projections, confirming that our strategy of focusing on social challenges was appropriate. Within our three focus areas, we are ensuring that we accurately perceive changes in customer needs that arise from the development of ICT. In terms of digital government, performance was primarily driven by projects related to security reinforcement, the promotion of digital transformation, and work style innovation. As an additional business opportunity, we are exploring possibilities associated with the redesign of network systems compatible with the government cloud environment. With regard to smart manufacturing, we are observing demand for security reinforcement amid the establishment of networks linking factory production lines. We are confident that this demand will persist moving forward due to increasingly intense efforts aimed at relocating production bases to Japan. In the case of social infrastructure to realize Society 5.0, we are witnessing a trend toward activities targeting enhanced group security governance among companies responsible for social infrastructure. We plan to leverage the expertise we have accumulated through our establishment of security cloud and service platforms to transform these business opportunities into new projects.

In the future, emerging demand will require more rapid problem solving and changes in certain elements of technology. Net One Systems will continue to provide consistent value, but this value will take the form of services that customers can utilize toward favorable ends. We are currently striving to standardize our service development models and are confident that these efforts will accelerate our business by heightening the sophistication of our services and raising the value we deliver while simultaneously improving our profitability.

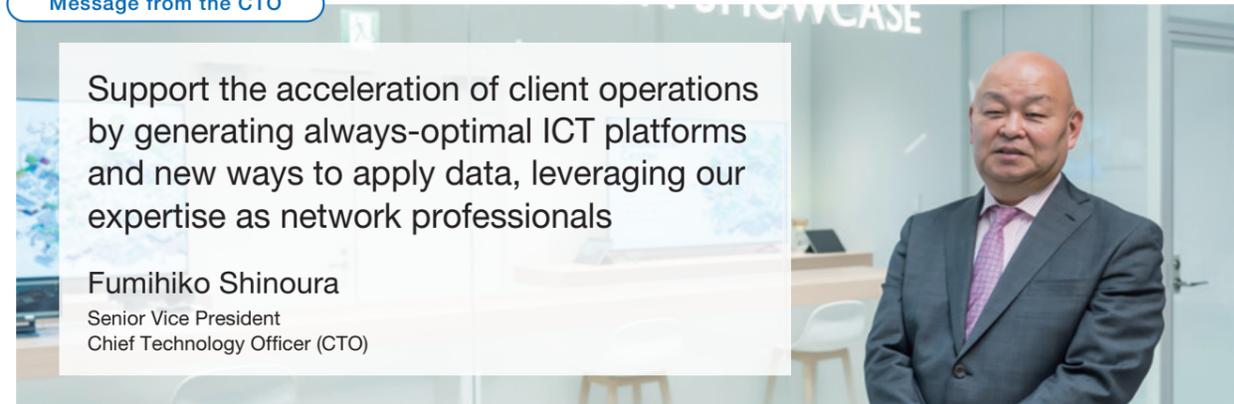
Personnel capable of generating new ideas are indispensable for both the transformation of business models and workflows using digital technology and the cohesive enhancement of visualization. As essential technologies and mechanisms change, we are viewing efforts targeting the resolution of social challenges as an avenue through which personnel can hone their abilities and broaden their perspectives. Accordingly, we will share our own efforts and activities associated with these challenges to serve as a reference for both our customers and industry peers who face similar issues, thereby helping to address the challenges confronting society at large.

Message from the CTO

Support the acceleration of client operations by generating always-optimal ICT platforms and new ways to apply data, leveraging our expertise as network professionals

Fumihiko Shinoura

Senior Vice President
Chief Technology Officer (CTO)



Overview of the first year of our Medium-Term Business Plan

Revising our service delivery system and providing comprehensive and highly competitive services

During the first year of our Medium-Term Business Plan, we successfully established a three-year service strategy execution system while expanding our service portfolio. As a stepping stone toward achieving our long-term strategy, we have set common goals for our three engineering divisions (Sales Engineering Unit, Customer Service Division, and Business Development Division) and established KPIs and KGIs for achieving these goals.

With the full-scale arrival of the cloud computing era, we are beginning to witness changes in the systems utilized by vendors and transitions in the way ICT assets are being held due to the shift toward multi-cloud systems. Previously, support from vendors consisted primarily of faulty equipment replacement and software updates. However, moving forward, vendors will attempt to transition toward programs predicated upon stable operation (e.g., monitoring of operational statuses and version upgrades that do not interrupt system performance). Net One Systems has long established the system environments required by its customers using various combinations of products from vendors while delivering services that maximize product performance. As multi-cloud environments become increasingly complex in the coming years, we believe the key to growth rests upon the extent to which we can raise the value of our comprehensive services while demonstrating the unique strengths of the Net One Group and assisting customers as they aim to ensure stable operating conditions and establish the system environments that fulfill their needs.

When making system-related proposals moving forward, we will not fully standardize these proposals, which requires too much time, nor will we fully customize them, which causes difficulties associated with operation. When dealing with particularly challenging systems, we will work toward standardization by organizing necessary elements into system components. We will work to increase system integration speed, which is a high priority for our clients, and at the same time fundamentally revise our proposal methods while concentrating on preventing system failures through operational automation. Additionally, we will aim to radically improve productivity by optimizing and increasing the visibility of workflows through process mining while effectively applying generative AI, which will be a crucial element of innovation moving forward. By undertaking these new initiatives, we will

accelerate the Net One Group’s forward-leaning service strategy.

Service strategy outlook

Targeting improvements in system stability and facilitating the success sought by customers through new collaborative relationships involving our customers, Net One and vendors

With the accelerated adoption of multi-cloud systems, networks are becoming more sophisticated, giving rise to demand for both the system integration we have performed to date and solutions that improve system stability and contribute to our clients’ business through the ongoing delivery of added value. Moving forward, we plan to concentrate on developing more advanced networks, ensuring security, adopting data visualization that will facilitate data usage within business divisions, and managing data. Networks are ideal for monitoring the flow of data and extracting necessary data points. At the Net One Group, we believe that extracted data can be processed flexibly through the cloud by using advanced technologies such as AI and data lakehouses (data management and processing platforms). Furthermore, we recognize that the integration of data lakehouses and networks will enable independent extraction, processing, and linkage of data, thereby allowing for data management that does not require the use of applications. In the future, we will generate advanced cases that support the creation of new architectures that eliminate the need for updates to mission-critical systems.

As we pursue these objectives, we must recognize the critical importance of establishing more points of customer contact throughout various phases of client ICT lifecycles and developing deeper relationships with these clients (improving customer intimacy). Accordingly, the Net One Group is examining wide-ranging plans that extend to system linkage. Connecting with customers and vendors through secure system linkage will speed up support while enabling the virtual coordination of a comprehensive range of operations, including AI-based failure prevention, version upgrades, and security updates. To date, we have taken on challenges associated with next-generation networks and optimized ICT platforms. However, the possibilities surrounding networks remain unlimited. Accordingly, we will continue to pursue customer success by collaborating with our clients to develop ICT platforms that support their business activities and by serving as a strategic partner indispensable from the standpoint of business growth.

Message from the CFO



My appointment as CFO
Applying prior experience while focusing on strengthening Net One's organizational infrastructure and fulfilling my role as CFO

For many years, I previously held finance and accounting positions at a major general trading company, where I also served as CFO of the business group for which I was responsible. While fulfilling my duties, I gained a wide range of experience in areas including financial settlement, investment project review, and tax affairs. I also contributed to the success of business integration projects involving affiliated companies and the management of overseas subsidiaries while gaining on-site experience with investee companies.

Net One initially struck me as a highly profitable company backed by high-level expertise and technological capabilities. However, I also experienced the Company's implementation of recurrence prevention measures it announced in 2021 and the efforts it undertook to strengthen its governance structure and internal controls. As a result of this experience, I realized that I wanted to contribute to the enhancement of Net One's organizational infrastructure. Accordingly, I joined Net One's management team with the objective of focusing on protective initiatives grounded in my own professional experience. After having served as chief risk management officer (CRO) and chief compliance officer (CCO) in fiscal 2022, I began performing duties as CFO in April 2023. The entire Net One

team is working diligently to strengthen governance and internal controls, and I am confident that we are generating steady progress through these efforts.

Fund allocation in support of growth strategies
Effectively allocating funds in accordance with our capital allocation policy

The Net One Group's financial strategy aims to enhance corporate value through three pillars: the strengthening of profitability through strategic investment, the pursuit of an optimal capital structure, and the proactive delivery of shareholder returns.

In May 2023, the Net One Group moved to facilitate its implementation of management with an emphasis on capital efficiency by announcing its capital allocation policy. Under this policy, the Group will primarily draw funds from cash generated through operating activities in accordance with growth strategies included within its Medium-Term Business Plan. Furthermore, we will target further improvement in corporate value by allocating funds to three objectives: strategic investments, financial base enhancement conducted in pursuit of an optimal capital structure, and steady and flexible delivery of shareholder returns.

First, with regard to strategic investments, we have launched an Innovation Center and aim to facilitate visualization and establish digital transformation infrastructure while

improving our service platforms for business and investing in human capital. As we aim to facilitate visualization, we will concentrate on increasing the precision of our cost management and utilizing information gained through visualization to arrive at more sound business decisions. In terms of service development, we are witnessing a trend among vendors to shift toward subscription-based models predicated upon assumptions of ongoing usage. Under these circumstances, we are confident that we can improve profitability by pushing forward with our shift toward services and enhancing our efficiency. We are also prioritizing investment in personnel. The Net One Group's technological and critical assessment capabilities are the driving forces behind its business activities and are major sources of its overall strength. As we invest in the personnel who provide these capabilities, we will proactively target recruitment, the development of employees able to facilitate digital transformation and deliver high added value, and employee reskilling efforts. In addition, we will enthusiastically undertake measures aimed at nurturing new opportunities for inorganic growth, including strategic investments, business investments, and M&A. Next, with respect to financial base enhancement, we will steadily strengthen our equity capital and repay borrowings while ensuring that we maintain working capital and the capacity to provide shareholder returns. Our target dividend payout ratio is 40%, and we achieved a consolidated dividend payout ratio of 42.1% in fiscal 2022. In May 2023, we announced a resolution authorizing the acquisition of up to ¥7.5 billion in treasury shares by the end of December 2023. If our cash position is more favorable than anticipated, we will consider delivering additional returns in accordance with our capital allocation policy. At the same time, we will aim to achieve targets in our Medium-Term Business Plan while remaining mindful of external environmental risks, such as supply chain disruptions caused by geopolitical risks and soaring costs.

Achieving an ROE target
Adopting a multifaceted approach targeting steady achievement of 20% ROE

My mission as CFO is to steadily achieve our ROE target of 20% throughout the duration of our Medium-Term Business Plan. Accordingly, I am ensuring that we adopt initiatives in accordance with the three perspectives: profitability, asset efficiency, and financial leverage.

With regard to profitability, we will strategically invest in growth, infrastructure, and overall improvement. We also regard visualization as critical toward improving profitability. As we aim to fine-tune our cost management, our three chief executives (the CFO, CTO, and CSDO) are working together from a top-down point of view. Furthermore, we will also target growth in profitability by adopting measures aiming to eliminate personnel shortages and improve operational efficiency through the use of generative AI.

In terms of asset efficiency, we are prioritizing our cash conversion cycle (CCC). As a consequence of longer product procurement times stemming from semiconductor shortages,

inventories have grown and projects have become increasingly prolonged, temporarily raising the number of days in our CCC. However, we are committed to improving this situation and are aiming to eventually return our CCC to lengths reported before product delivery times began to lengthen.

Concerning financial leverage, we are chiefly focusing on the need to further strengthen our equity capital. Companies in the network integration industry, a category that includes Net One Systems, do not require large amounts of capital investment and tend to have high equity ratios. While remaining aware of the equity ratio of industry peers, we must also adopt a leverage-based perspective as we explore effective uses of debt financing for business expansion and avenues through which we can diversify our debt financing methods. Our interest-bearing liabilities are partly characterized by growth in lease obligations, which is largely the result of expansion in recurring-revenue businesses that we achieved in accordance with our growth strategy. Through the establishment of strategic procedures and mechanisms, we successfully provide services without having to retain assets. However, depending on future cash positions and profitability, we also view the retention of assets as an additional option.

Maintaining dialogue with shareholders and investors
Focusing on enhancing dialogue as CFO and a member of the chief executive team

For CFOs, commitment to achieving financial and numerical targets is critical. To foster this commitment, we distribute video messages internally while providing employees with opportunities to engage in direct discussions regarding both financial strategies and aspects of our KPI logic tree in accordance with our RCT doctrine*1. Having received questions directly from employees, we are beginning to sense high levels of interest within the Company while witnessing positive effects from the growing awareness of our KPI logic tree. Net One Systems conducts a wide range of IR activities, including conferences with investors both in Japan and overseas, smaller investor meetings, and IR operations carried out abroad. Our entire chief executive team, including both the CEO and CFO, commonly take part in these activities. Furthermore, the chairperson of our Board of Directors and our outside executive directors actively maintain dialogue with our shareholders, and we have received high praise for this approach. While further expanding its two-way communication efforts, Net One Systems is focusing on activities aimed at ensuring that feedback received is reported to the Board of Directors for immediate action targeting swift improvement. We will continue to proactively create opportunities for dialogue regarding both cost of capital and ROE.

Moving forward, we will continue to ensure the implementation of our financial strategies while further improving our dialogue with shareholders and investors to drive sustained growth in our corporate value.

*1 Respect, Communication, and Teamwork (RCT): 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

Capital allocation policy



Notes: R&D expenses have been deducted from cash provided by operating activities.
 Allocation percentages indicate shares of total capital allocation projected throughout the three-year duration of our Medium-Term Business Plan.

Message from the CHRO, CRO, and CCO

Aiming to be a company that functions as a cohesive team, delivering value through its personnel strategy

Mitsuru Kiuchi

Executive Director, Executive Vice President
Chief Human Resources Officer (CHRO)
Chief Risk Management Officer (CRO)
Chief Compliance Officer (CCO)



Overview of the first year of our Medium-Term Business Plan

New personnel system emphasizing team-based operations that maximize individual strengths

Since the launch of our Medium-Term Business Plan, we have been revamping our personnel system to ensure effective adherence to the key themes of our personnel strategy: professional personnel training and providing an environment where personnel can thrive. Over the past year, we have held discussions targeting the creation of a new personnel system that brings our management and personnel strategies into alignment, and in April 2023, we overhauled our evaluation system before updating our grading and compensation systems in July. Moving forward, we will concentrate on administering this system in the most effective manner possible while pursuing further reforms.

At the core of our personnel system reform efforts is our Personnel Management Policy, which is based on the principles of “Team,” “*TAKUMI* (experts),” and “Fairness.”

To date, the Net One Group has achieved business expansion primarily through individual strengths. However, if we aim to broaden the scale of our operations, increase our profits, and achieve further growth moving forward, we believe that we must establish organizational management that leverages these individual strengths to the fullest extent possible. Many of our clients are now demanding digital transformation that supports the resolution of fundamental business issues while contributing to business growth. To fulfill these needs, the Net One Group must also change. In addition to fully understanding the value chains of our clients in their entirety, we must be able to determine the objectives we need to achieve in order to facilitate client success. As we aim to achieve these capabilities, we must bring together individuals with different specialties, thereby establishing a highly knowledgeable team capable of addressing the issues confronting our clients.

Through its Personnel Management Policy, the Net One Group aims to achieve growth by molding itself into a large and cohesive team that maximizes individual strengths and skills of *TAKUMI* and fosters a culture that encourages individual members to contribute to the overall success of the team. We believe that these objectives reflect our policy’s principles of “Team” and “*TAKUMI*.” With regard to “Fairness,”

we will ensure impartial and unbiased assessments of performance. Our new personnel system allows employees to be confident that their individual achievements, as well as those of the team and the Company, are all integral parts of a unified whole.



Medium- to long-term strategy

Adopting holistic perspectives as we develop personnel strategies to drive further growth for the Net One Group

Bringing our management strategy and personnel strategy into alignment

Moving forward, we will adopt even broader perspectives as we develop personnel strategies designed to facilitate the achievement of our management strategies. By looking forward to 2030 and establishing an ideal vision for the state of the Net One Group at that time, we will ensure our ability to visualize discrepancies between our present state and this vision by determining the types and quantity of personnel necessary for its achievement. Identifying the expertise, qualities, and manpower we need will benefit our training strategies while supporting optimal personnel allocation. With these ideas in mind, during fiscal 2023, we will establish a personnel strategy framework that reflects our approaches to recruitment, placement, training, evaluation, and benefit systems, thereby enabling us to respond flexibly to possible medium- to long-term changes in our business environment.

Through our KPIs, we will also track the extent to which personnel measures are contributing to the improvement of our corporate value. Despite difficulties stemming from a complex web of intertwining factors, we intend to explore KPIs on the basis of quality, quantity, and productivity while determining through visualization which personnel-related figures are linked to business growth. Based on the results of these efforts, we will logically identify the best ways to conduct personnel investment in accordance with our capital allocation policy.

Meanwhile, to enhance employee engagement, we prioritize the continuous administration of engagement surveys. In addition to providing insight into the effectiveness of various measures through fixed-point measurement, we are confident that these surveys facilitate understanding of the trajectory the Net One Group aims to follow going forward by providing employees with an annual opportunity to view survey items.

Creating a foundation for the support of employee growth

Currently, we are tackling the challenge of developing personnel capable of managing organizations and building teams. When aiming to raise their management skills, personnel need to gradually increase the sizes of the organizations for which they are responsible. Accordingly, we will establish environments that enable our personnel to take on the challenge of managing large organizations. In fiscal 2023, we will continue to hold discussions aimed at developing an ideal vision for our organization that can be applied to our next Medium-Term Business Plan. At the same time, while ensuring that middle-level managers remain accountable to their team members, we will build a personnel framework that avoids multi-level structures, thereby enabling management to speedily apply feedback from employees.

When conducting personnel evaluations, we will emphasize team building and assess both behavior and performance. Instead of handling tasks and generating results alone, we will encourage employees to delegate work to younger employees while providing support, thereby providing them with opportunities to develop and grow. Additionally, we will evaluate more than just the results of our work; we will also examine and assess the processes that generate these results and the individuals who develop and support our personnel. Furthermore, we will strive to achieve impressive results by ensuring that the job skills and expertise that were formerly held only by individuals are shared with all team members. Through these efforts, we will generate ongoing growth for the Net One Group.

Facilitating more diverse knowledge and experience

The Net One Group recognizes the essential importance of recruiting diverse personnel with knowledge of various industries and enhancing its overall strength as it aims to conduct business based on a deeper understanding of client operations. Our materiality-related KPIs include our ratio of female managers. However, we believe that we need to dig even deeper than empowerment of women and work style diversification as we target further diversity and inclusion and more through knowledge and experience. With this idea in mind, we will maintain a multi-dimensional approach as we intensify our efforts to develop personnel with unprecedented experience and expertise, while also concentrating on securing new personnel.

Corporate culture reforms

Reforms are progressing steadily and are now moving into the “harmonization/resonance” phase

We are confident that the increasingly widespread awareness of our newly formulated corporate philosophy system is generating positive effects. Furthermore, we believe that our periodic engagement surveys are also helping to foster employee awareness.

There is no final goal line when it comes to corporate culture reforms. Through growth in understanding and awareness, the development of our corporate philosophy has at last entered the “appreciation” phase. Next comes the “harmonization/resonance” phase. Moving forward, we will take concrete steps to resolve the issues we identified through our organizational culture surveys. At the same time, we will encourage our employees to remain aware of, and act in accordance with, our corporate philosophy, which forms the basis of all our business activities, as well as our daily operations, personnel systems, and organizational structures.

Risk management and compliance

With regard to risk management, in fiscal 2021, we defined various types of risk, including extreme risk, critical risk, and general risk, and as of April 2023, we had identified 101 specific risks. Currently, we are striving to improve the precision of our response to existing risks while reexamining the prevalence of risks associated with our Group as a whole. Additionally, we must verify ex post facto the frequency at which we encountered incidences of these risks and determine whether losses incurred were within our expectations. On the topic of risk awareness, we believe that we must also share and compare data with external stakeholders as supply chain risks become increasingly significant. Furthermore, when encountering unanticipated risks, we believe in the importance of sharing information with partners regarding our initial crisis management response measures and our general approach to risk management.

Compliance awareness is also on the rise, and increasingly active utilization of our whistleblower system is a sign of this trend. However, in some cases, reports have been filed for issues that could also be resolved through workplace-level discussions. These cases are an indication of the growing awareness regarding internal reporting, and we believe that the sharing of even seemingly minor concerns is a positive outcome. We are confident that employee feedback of this type will lead to productive proposals for the Net One Group moving forward.

The Net One Group is enhancing its internal control, and I personally feel that the Group is becoming more thorough with the response efforts it conducts in accordance with clearly defined rules and regulations. At the same time, we are still facing challenges in areas for which rules have not yet been established. We will intensify efforts aimed at encouraging employees to share information promptly and maintain a heightened awareness of our principles and Code of Conduct while using these guidelines as a basis for decision-making. Under our next Medium-Term Business Plan, we are also considering the possibility of exploring integrated risk management, which involves quantifying risks and assessing them based on both the resulting statistics and their financial impact.

Professional personnel

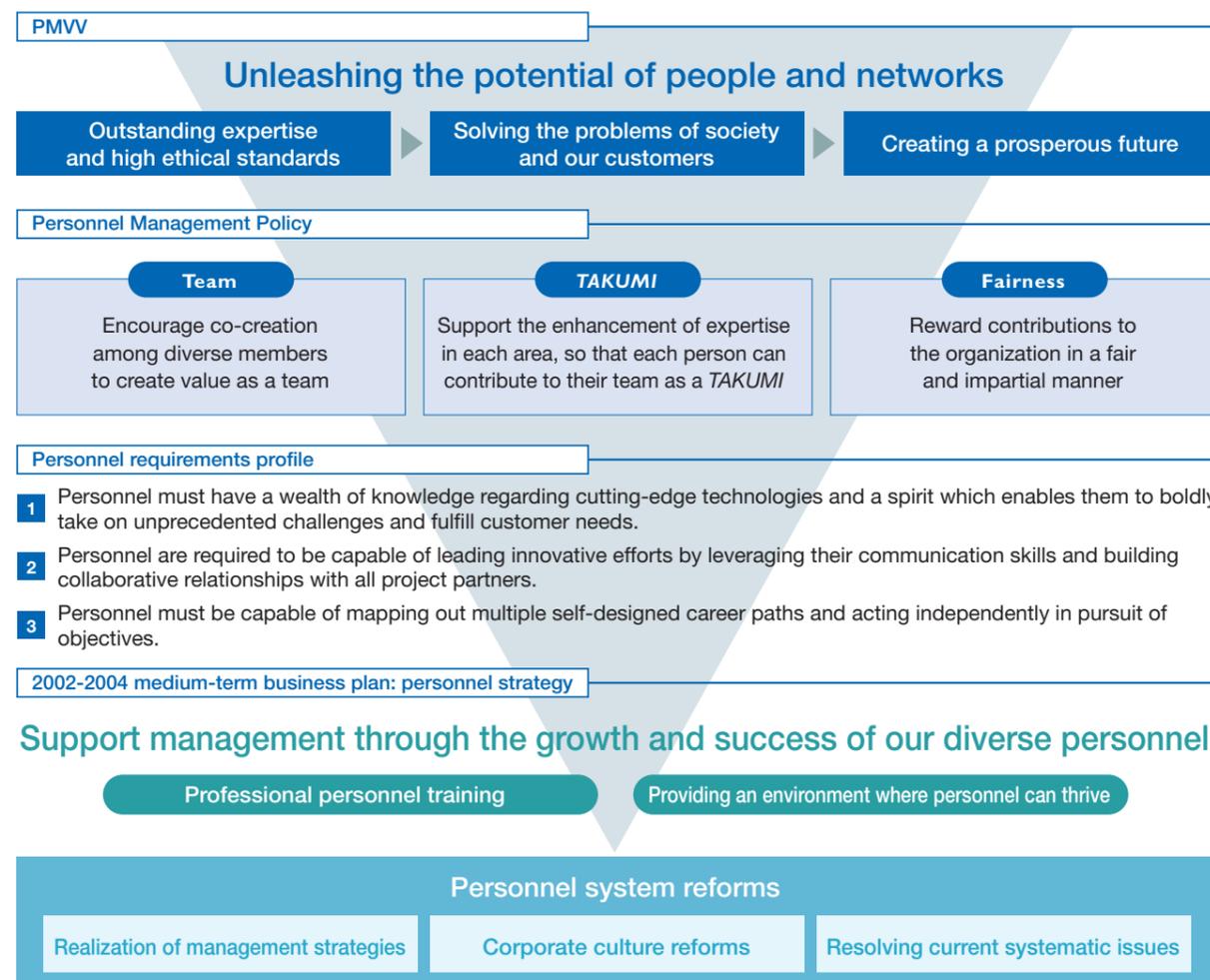
Promoting the development and active participation of personnel

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

Human capital management overview and personnel system reforms

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

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



Overview of personnel system reforms

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

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

Goals and key points behind our personnel system reforms

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

- #### 1 Evaluation system that contributes to long-term growth and human resource development

We have adjusted our approach to evaluations, introducing an evaluation system based on two axes: achievements and actions. With this change, we aim to ensure that our evaluations place greater emphasis on the behaviors leading up to actions and achievements and the activities in which personnel will need to engage when attempting to assume higher positions within the Company. Additionally, we extended evaluation cycles from their previous length of six months to one year, bringing them in line with our business cycles. From a long-term perspective, we are confident that this change will facilitate growth for both the Net One Group and its employees. Furthermore, to reinforce systems that support employee growth throughout our organization, we will convert our existing semi-annual personnel development meetings into forums for discussion focusing on the specific growth issues and future development paths of our individual employees.
- #### 2 Grading system suited to changes in business and work styles

We have adjusted our classification of professional positions to facilitate personnel management in response to changing nature of our business operations and work styles. To complement our previously existing sales and engineer positions, we have created two new classifications: for ICT business staff, who are equipped with technological, market-related, and industrial expertise and provide solutions for issues facing both customers and society at large, and for corporate staff, who are endowed with corporate knowledge and support the Company’s operations while ensuring strategically sound and stable administration. By enhancing the expertise of employees in all of these categories, we aim to provide added value to our customers and establish a steady business base.

We characterize management and specialist billets as positions required on an organizational level and do not view them in terms of individual abilities. In accordance with this approach, we only appoint to these roles individuals equipped with the necessary skills and abilities. By adopting these strategies, we aim to develop personnel that will strengthen the Company’s competitiveness while both retaining and acquiring superior human resources.
- #### 3 Compensation system that ensures market competitiveness

We will realize competitive compensation levels commensurate with market benchmarks to ensure that benefits and remuneration are appropriate to grading levels and the scales of the roles we have defined through our position classification schemes while strengthening our ability to compete for the acquisition of personnel within target markets. Effective from July 2023, we raised monthly salaries by an average of 8% across the Company while also eliminating our system of gradually reducing base salaries for employees over a certain age, which was previously implemented, to ensure that priority was given to each employee’s individual abilities.

In addition, we will establish our own internal certification system, which will enable us to recognize personnel who have acquired or generated the knowledge, experience, and results necessary to achieve our management strategies while empowering us to motivate these personnel in their pursuit of further skill development. We plan to launch this internal certification system beginning with technical certifications commencing in 2H FY2023.

Furthermore, we are prepared to raise starting salaries beginning with new employees who join the Company in April 2024. To achieve a fair balance between existing base salaries and those of these freshly recruited new graduates, we will also raise the base salaries of previously recruited young employees effective from the same month.

Design capabilities

A service model that epitomizes competitive advantage

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

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

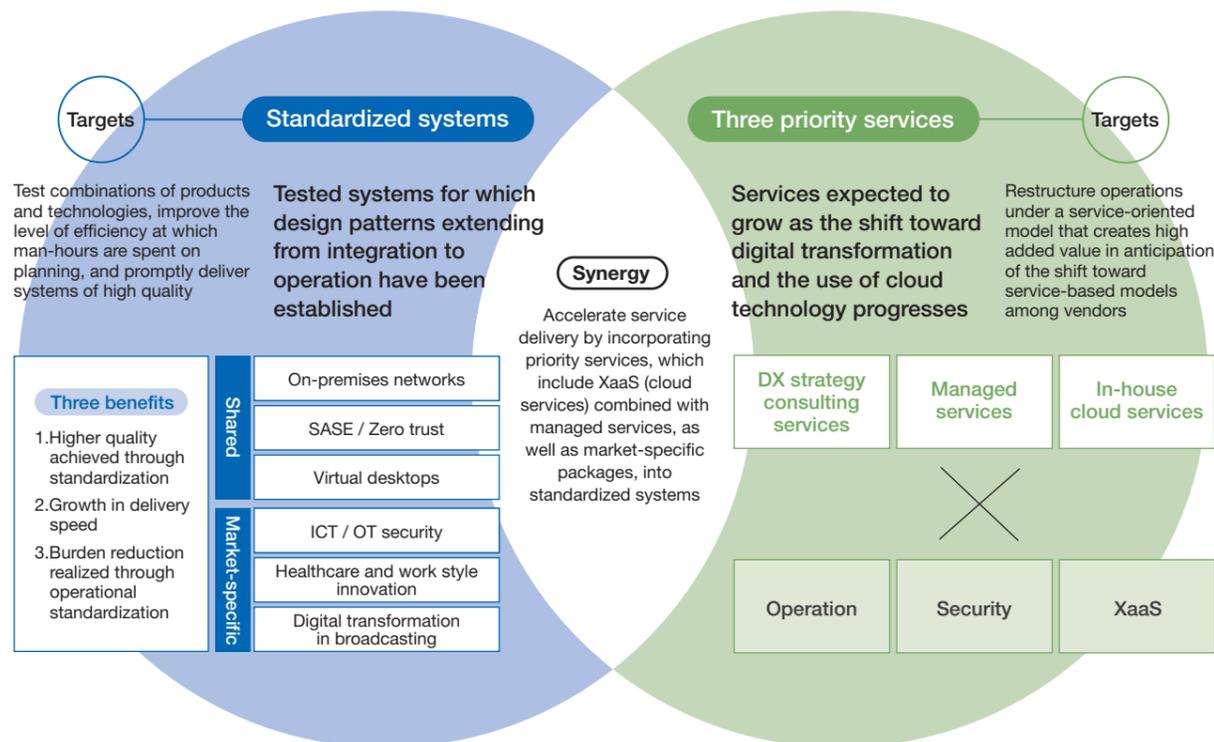
In accordance with the service strategy of our Medium-Term Business Plan, we aim to widely leverage precedent-setting applications of our fully customized "priority services" while establishing recurring-revenue businesses (managed services, in-house cloud services, etc.) through which we can build ongoing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

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

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

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

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



Green ICT

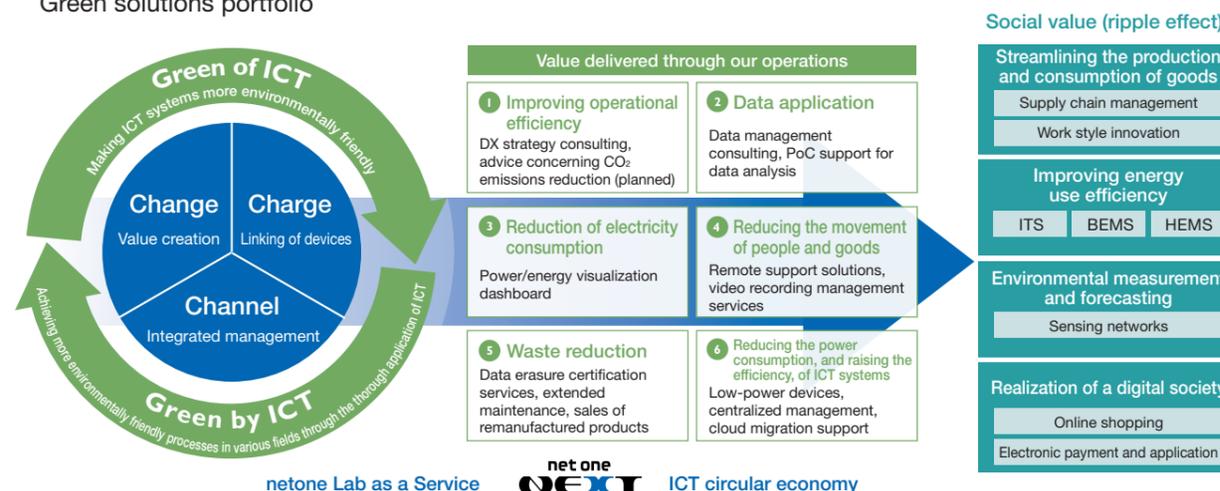
Development and expansion of green solutions

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

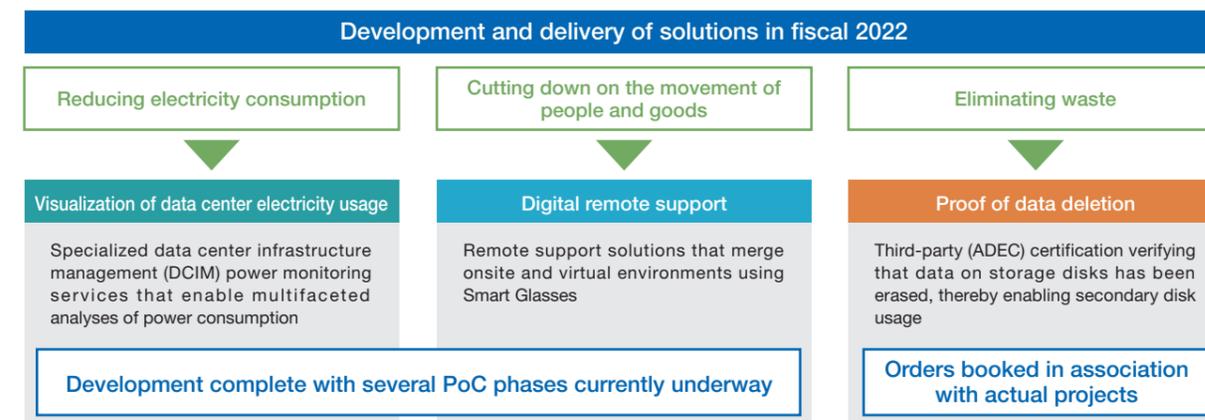
Overview of green solutions and associated initiatives

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

Green solutions portfolio



Progress on the creation of green solutions



Co-creation capabilities

Enhancement of customer-facing activities

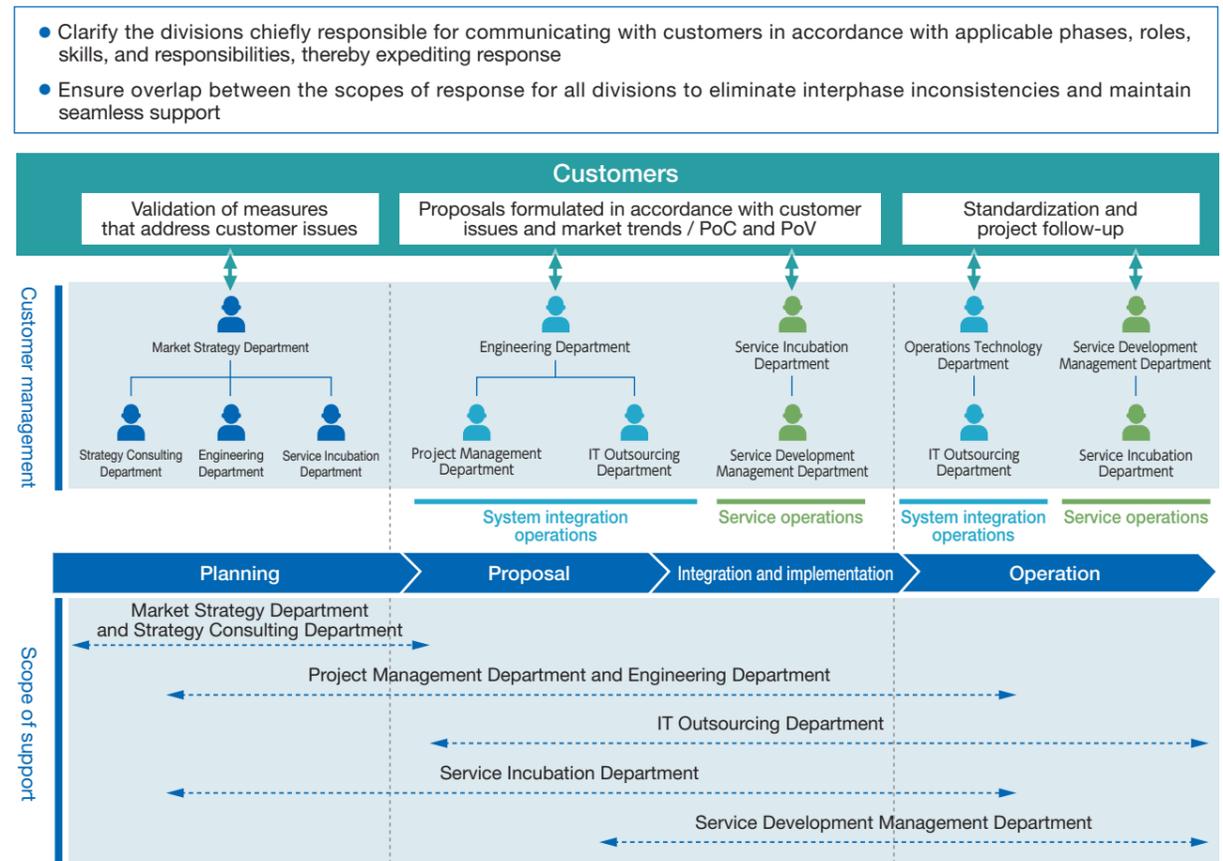
To further improve customer success, we are enhancing our customer-facing activities, which enable us to adopt a more in-depth approach to addressing customer issues. Moving forward, we will establish support systems for all procedural phases extending from planning to operation while firmly establishing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

Policies and initiatives associated with customer-facing activity enhancement

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

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

Forming teams to enhance customer-facing activities



Co-creation with stakeholders

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

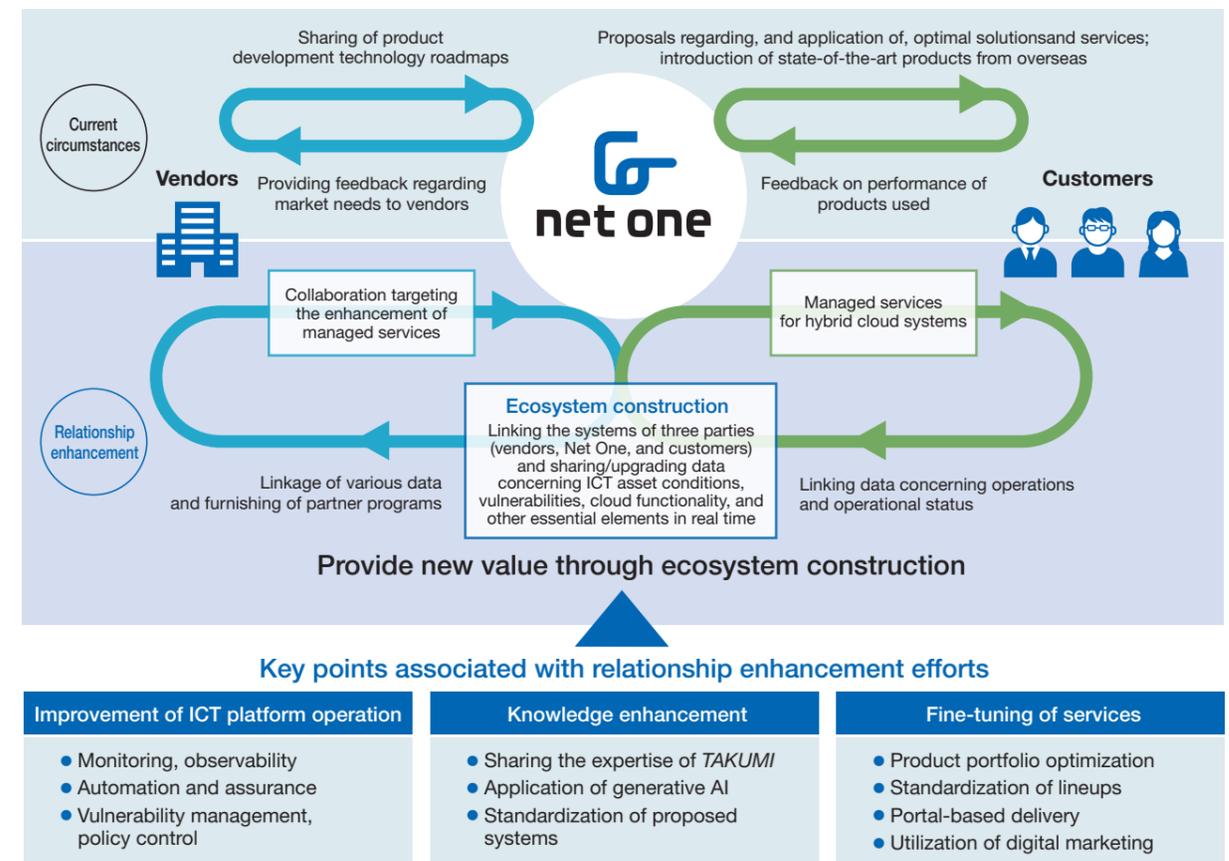
Creating new value through enhancement of co-creation relationships

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

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

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

Examples of ecosystem construction targeting new value co-creation

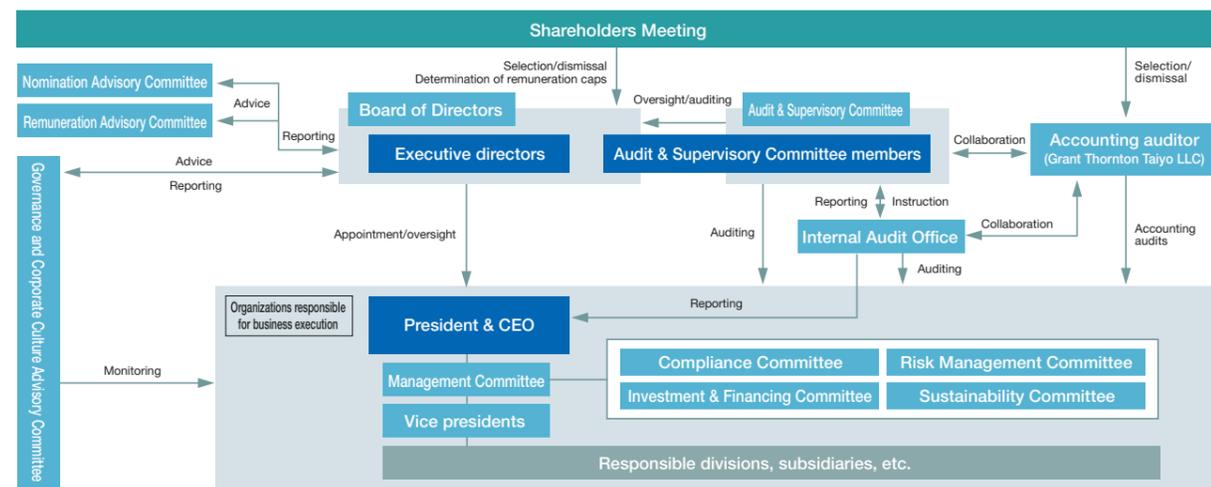


Corporate governance

In accordance with its corporate philosophy system, the Net One Group is continuously striving to enhance and strengthen its corporate governance to ensure transparent, impartial, and swift decision-making while generating sustainable growth and raising its corporate value over the medium to long term.

Corporate governance structure

Net One Systems 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 performed by the Board of Directors (the majority of whom are independent outside executive directors) and the Audit and Supervisory Committee. We have also strengthened the business management and supervisory functions of the Board of Directors by introducing a vice president system while improving the efficiency and speed of business execution. Furthermore, we work to ensure fairness and objectivity through the nomination and remuneration of executive directors and vice presidents conducted by the Nomination Advisory Committee and the Remuneration Advisory Committee.



Key governance characteristics

Oversight and execution	Risk management and internal control	Corporate culture reforms
Pursuit of monitoring board-based governance	Net One's unique three lines model	Fostering a corporate culture rooted in our Purpose
Major examples	Major examples	Major examples
<ul style="list-style-type: none"> Transformation into a company with an audit and supervisory committee Six out of nine executive directors are independent outside executive directors Chairperson of the Board of Directors is an independent outside executive director Execution functions enhanced through our chief executive system 	<ul style="list-style-type: none"> Risk management process oversight from the CRO and the Risk Management Committee Establishment of a Governance and Corporate Culture Advisory Committee Establishment of a unique 1.5th line between the first and second internal control lines of defense 	<ul style="list-style-type: none"> Corporate culture monitoring surveys Dialogue held between management and employees (RCT) Corporate philosophy dissemination activities

Continuous implementation of measures to prevent recurrence of fraudulent acts

Activity highlights observed since fiscal 2022

Reinforcement of executive functions

Development and enhancement of our chief executive system

We have introduced chief executive positions into various sectors with the aim of building a highly effective corporate governance structure. By clarifying the roles and domains associated with these positions, we are strengthening their practical functionality. In addition, we have created profiles for a total of 19 positions, including both CEO and vice president, to facilitate a sustainable system of succession.

Chief executives formulate and implement company-wide strategies pertaining to their areas of responsibility to facilitate the achievement of targets associated with our Purpose and the rest of our corporate philosophy system. In addition, they carry out their own professional responsibilities while providing direction to others in positions of authority.

Primary objectives behind efforts targeting the development and enhancement of our chief executive system

Separating oversight and executive functions and clarifying the responsibilities of both	Generating synergy between business divisions, optimizing resource allocation, and streamlining the implementation of policies and initiatives	Improving our ability to gather information regarding key issues	Appropriate delegation of authority
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Responsibilities of chief executives

- Assist the CEO and participate in decision-making processes associated with business challenges and company-wide strategies
- Provide direction, orders, guidance, advice, and support to divisions throughout the Company regarding matters relevant to designated areas of responsibility
- Support operational execution performed by vice presidents responsible for functional and business strategies
- Develop personnel capable of implementing company-wide strategies to ensure healthy and perpetual growth for the Net One Group moving forward

Chief executive officer (CEO)	<ol style="list-style-type: none"> Facilitate the realization of the Group's Purpose by developing short-, medium-, and long-term visions and formulating management policies and strategies Lead the formulation of management strategy action plans and oversee execution of the Group's business operations Share the Group's future vision with all its stakeholders and strengthen relationships with these stakeholders through appropriate and proactive information disclosure Promote sustainable growth by leading the development of future managerial personnel
Chief operating officer (COO)	<ol style="list-style-type: none"> Support the achievement of business goals by overseeing operational execution within the Group's areas of business and optimizing management resource allocation Cooperate with the CEO while coordinating with, and providing support to, all chief executives Provide all stakeholders with explanations regarding the Group's operations Maintain organizational control and lead business continuity efforts during both normal and emergency situations
Chief financial officer (CFO)	<ol style="list-style-type: none"> Formulate financial strategies (targeting optimal financing and capital allocation) and policies to facilitate the realization of management strategies Conduct appropriate financial reporting in accordance with laws and regulations and spearhead appropriate responses to audit results; in addition, promote the establishment of management and tax accounting practices that contribute to corporate value enhancement Oversee risk management (assessments, evaluations of effectiveness, and decisions regarding the need for impairment accounting) related to investments Lead timely and appropriate disclosure of financial information, take heed of feedback provided by shareholders and investors, and formulate disclosure measures that enhance corporate value
Chief human resources officer (CHRO)	<ol style="list-style-type: none"> Conduct flexible and swift decision-making to facilitate the execution of management strategies while investigating organizational structures and formulating policies to ensure efficient operations; in addition, develop policies and measures to help organizations function reliably in pursuit of their objectives Secure personnel capable of facilitating the achievement of management objectives, identify the expertise required for the Group to ensure their success, and formulate basic policies for recruitment, training, evaluation, and compensation Assist the CEO while promoting the development and advancement of future managerial personnel Establish basic policies to ensure that both our Purpose and the rest of our corporate philosophy system receive acceptance throughout the Group and establish a better corporate climate and culture
Chief strategy and digital officer (CSDO)	<ol style="list-style-type: none"> Formulate strategies to facilitate growth, promote flexible and expeditious decision-making within the Group, generate synergy between organizations, and strengthen the momentum behind efforts targeting strategy achievement Formulate company-wide operational reforms and information strategies to strengthen the Group's business base and increase both productivity and managerial adaptability through the application of digital technologies
Chief technology officer (CTO)	<ol style="list-style-type: none"> Stay abreast of technological trends and environmental changes and spearhead efforts targeting competitive advantage while monitoring the execution of growth strategies from a diverse range of perspectives Maintain a strong awareness of our Purpose and Mission and ensure widespread acceptance of our corporate philosophy system while formulating technology and service strategies aimed at resolving challenges through the application of more advanced technologies Facilitate the attainment of our growth strategy by formulating company-wide policies for the development of personnel with expertise in technology and service-related fields, thereby supporting the development of professional personnel
Chief risk management officer (CRO)	<ol style="list-style-type: none"> Analyze and assess company-wide risks, formulate basic policies to ensure appropriate mitigation, and direct the implementation of these policies Establish systems for addressing major disasters and other contingencies and provide leadership for the entire Company while assisting the CEO during emergency situations Formulate policies related to the establishment of internal control systems, monitor the regulation of these systems, and ensure efficient improvement cycles
Chief compliance officer (CCO)	<ol style="list-style-type: none"> Establish a basic policy for compliance with laws and regulations and promote investigations into measures targeting its enduring acceptance and implementation Establish a culture of respect for human rights within the Company and spearhead business operations rooted in mutual respect between employees Formulate policies targeting broad contributions to society, including regional development and the resolution of various social challenges

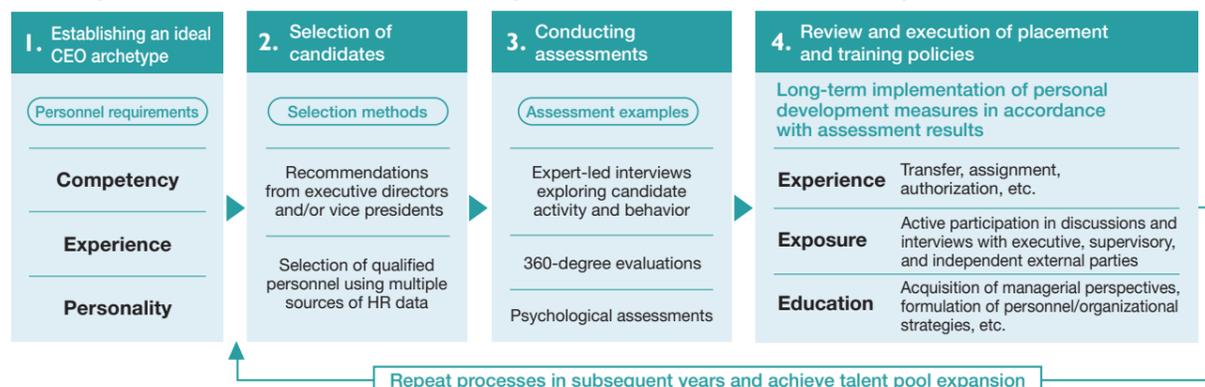
Nomination Advisory Committee

Formulation and administration of succession plans

During fiscal 2022, the first year following the inauguration of our Nomination Advisory Committee, the committee primarily reviewed succession plans applicable under our current structure. Having obtained approval from our Board of Directors, the committee is proceeding with the formulation and implementation of a final succession plan. The committee is also in the process of clearly defining requirements for inclusion in our skill matrix.

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Review procedures for the formulation and implementation of a CEO succession plan



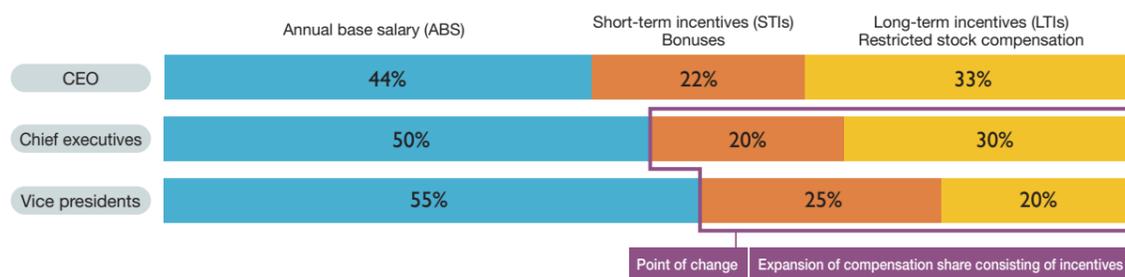
Remuneration Advisory Committee

Fine-tuning our remuneration system while strengthening our chief executive system

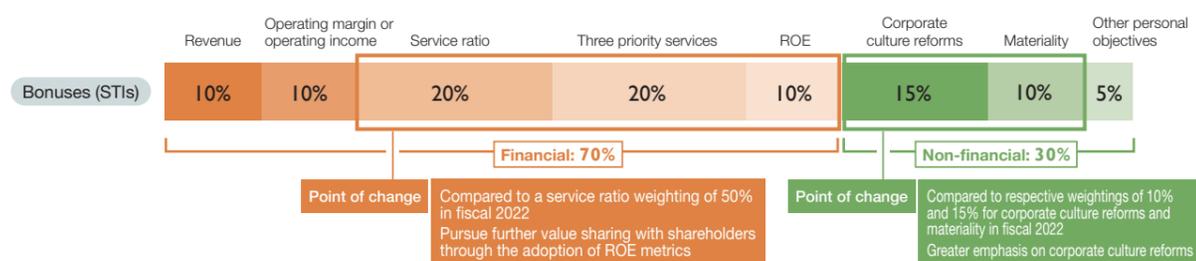
During the first year following the inauguration of our Remuneration Advisory Committee, the committee reviewed possible remuneration systems for the subsequent fiscal year based on our current executive remuneration system, which was significantly revised during fiscal 2022 (introduction of a restricted stock compensation plan, adoption of non-financial targets and indicators, etc.), and our Board of Directors has approved and adopted the committee's proposed system.



Breakdown of executive remuneration*1



Description of short-term incentives and key points for review heading into fiscal 2023



*1 Figures have been rounded to the nearest percentage point and therefore may not add up to 100%.

Message from the Chairperson of the Audit and Supervisory Committee



Transition into a company with an audit and supervisory committee Focusing on improving the capabilities of the Audit and Supervisory Committee under a three-member structure

The Net One Group's governance reforms have reached new milestones since Net One Systems transitioned into a company with an audit and supervisory committee in fiscal 2022. We have changed the composition of our Board of Directors and shifted to a system under which the board will place more focus on its supervisory role (a monitoring board system). Thanks to these modifications, the atmosphere of board meetings has changed, with the exchange of ideas and opinions becoming more dynamic. Through two-way consultations involving our Board of Directors, our Audit and Supervisory Committee makes decisions regarding the details and specifics of proposals and basic policies and plans related to internal audits. Additionally, as a full-time Audit and Supervisory Committee member, I consistently attend important internal conferences and committee meetings while working to enhance the committee's collaborative relationship with the Internal Audit Office. Through these efforts, I gain a better understanding of the Company's internal circumstances and formulate my recommendations to the Board of Directors and the Audit and Supervisory Committee in accordance with this understanding.

Our Audit and Supervisory Committee has three members. Like myself, Outside Executive Director Iizuka is a certified public accountant, but she is also a business manager and has accumulated a wealth of knowledge and experience concerning accounting systems while working as a consultant. Outside Executive Director Kusaka has previously held positions with large companies and due to his managerial experience, is uniquely equipped with highly sound and principled perspectives. We are confident that the current composition of the Audit and Supervisory Committee allows us to effectively combine our expertise and supplement each other's capabilities as we fulfill the committee's responsibilities.

Priority measures for fiscal 2022 Enhancing our audit system to facilitate a more thorough exploration of the true nature of challenges confronting the Group

During fiscal 2022, instead of simply identifying incidents, we focused on conducting more thorough explorations of the reasons behind them. During screening panels held through the Internal Audit Office (meetings conducted for the purpose of discussing and evaluating the content of reviews conducted in accordance with internal audits), we begin this exploration process by establishing an understanding of the specific circumstances behind each detected incident. Through multifaceted discussions, we produce internal audit results that lead to the discovery of the root causes or issues behind these incidents. We then report these discoveries to the divisions that

were subject to internal auditing and additionally share them with all other relevant divisions and departments, thereby facilitating improvements that help prevent recurrence.

Meanwhile, we have endeavored to conduct theme-specific internal audits regarding risks affecting the entire Company, and these efforts have led to meaningful suggestions and recommendations. Additionally, thanks to improvement in the quality of information supplied by the Internal Audit Office, our Audit and Supervisory Committee has been able to recognize issues facing the Company more precisely and conduct more thorough and in-depth audits.

With regard to personnel development, during fiscal 2022, we held study sessions for staff attached to the Audit and Supervisory Committee. Career paths associated with the Internal Audit Office are progressively taking shape, and we are confident that expansion in opportunities for personnel equipped with perspectives related to auditing will help strengthen foundations supporting the Net One Group.

Pursuing future development Focusing on the construction of systems designed to anticipate change while carefully monitoring the implementation of recurrence prevention measures

As environments within our industry undergo rapid change, we must proactively adjust our regulations and controls to keep pace with fluctuations in the nature of business dealings. I expect that future discussions conducted within our corporate division will have a positive impact on our internal control system's capacity for identifying and responding to change. As time progresses, we will also encounter a greater need for operational risk analyses based on the status of our budgetary plans. Accordingly, we focus intently on monitoring the speed at which efforts aimed at improving our corporate division, which checks and supports our sales division, are being undertaken.

We have implemented a variety of recurrence prevention measures, and while our understanding of associated mechanisms has progressed quickly, we are also facing workload-related issues and have begun planning adjustments for these measures. Maintaining a cohesive vision for ideal future controls, we will continue to monitor corresponding plans to ensure that all essential measures are appropriately maintained.

The success of the Net One Group's future development hinges upon the extent to which it can effectively shift toward a service-based business model. Essential to this shift are efforts associated with visualization, which are currently underway across the entire Company. If we more accurately determine the earning power of our services and further improve our governance and risk management, we will be able to hedge against risks and reach investment decisions that will facilitate the transition toward our next phase of growth. Moving forward, through sound auditing and purposeful proposals, we will push forward with efforts targeting the prosperous future envisioned by the Net One Group.

Executives

Executive directors

○ Chairperson ● Member

Name and position		Takafumi Takeshita	Takuya Tanaka	Mitsuru Kiuchi	Maya Ito	Masayoshi Wada	Shinobu Umino	Kazuhiro Noguchi	Sachiko Iizuka	Shigeki Kusaka
					Independent executive director	Independent executive director	Newly appointed Independent executive director	Independent executive director	Independent executive director	Independent executive director
President & CEO		Executive director Executive vice president Chief operating officer (COO)	Executive director Executive vice president Chief operating officer (COO)	Executive director Executive vice president Chief human resources officer (CHRO) Chief risk management officer (CRO) Chief compliance officer (CCO)	Independent outside executive director Chairperson of the Board of Directors	Independent outside executive director Chairperson of the Remuneration Advisory Committee	Independent outside executive director Chairperson of the Nomination Advisory Committee	Independent outside executive director Full-time Audit & Supervisory Committee member Chairperson of the Audit & Supervisory Committee	Independent outside executive director Audit & Supervisory Committee member	Independent outside executive director Audit & Supervisory Committee member
Shares held		66,604	14,726	11,121	413	441	194	248	692	2,309
Attendance at meetings of the Board of Directors		15/15 (100%)	15/15 (100%)	13/13 (100%)	15/15 (100%)	13/13 (100%)	—	15/15 (100%)	15/15 (100%)	15/15 (100%)
Committee	Nomination Advisory Committee	● 10/10 (100%)			● 10/10 (100%)		○ —			
	Remuneration Advisory Committee			● 10/10 (100%)	● 10/10 (100%)	○ 10/10 (100%)				
	Audit & Supervisory Committee						○ 3/3 ¹ (100%) ○ 10/10 (100%)	● 3/3 ¹ (100%) ● 10/10 (100%)	● 3/3 ¹ (100%) ● 10/10 (100%)	● 3/3 ¹ (100%) ● 10/10 (100%)
Skill matrix	Corporate management / management strategy	●	●			●	●		●	●
	Technology	●	●			●	●			●
	Human resources / corporate culture and organizational reform	●	●	●			●			
	Finance / accounting		●	●				●	●	
	Governance / law / risk management			●	●	●	●	●		●
	Sustainability	●		●	●	●	●			

¹ Refers to attendance at meetings of the Audit & Supervisory Board (prior to Net One Systems' transition into a company with an audit and supervisory committee)

* The skill matrix above identifies the primary specialties and experience of each executive director and does not reflect the full ranges of their expertise.

Vice presidents

Senior vice president, chief technology officer (CTO)	Fumihiko Shinoura (Shares held: 8,584)	Vice president, general manager of East Japan Business Unit 3	Yoshimitsu Narita (Shares held: 4,910)
Senior vice president, chief strategy & digital officer (CSDO)	Koji Tsuji (Shares held: 8,365)	Vice president, general manager of Central Japan Business Unit	Yoichi Matsumoto (Shares held: 9,900)
Senior vice president, chief financial officer (CFO), executive director of Net One Partners Co., Ltd.	Masayuki Kitajima (Shares held: 6,783)	Vice president, general manager of West Japan Business Unit	Daisuke Hatakeyama (Shares held: 3,540)
Senior vice president, general manager of Corporate Planning Division, general manager of Corporate Management & Administration Division, general manager of Business Control Division	Kazuaki Ishibashi (Shares held: 3,600)	Vice president, general manager of Sales Engineering Unit	Kenta Minagawa (Shares held: 2,800)
Vice president, general manager of East Japan Business Unit 1	Junji Ueno (Shares held: 3,400)	Vice president, general manager of Customer Service Division	Takatoshi Tsuchiya (Shares held: 2,100)
Vice president, general manager of East Japan Business Unit 2, executive director of Net One Next Co., Ltd.	Akiko Kanai (Shares held: 4,113)	Vice president, general manager of Business Development Division, executive director of Net One Next Co., Ltd.	Yusuke Fujita (Shares held: 1,900)

* Shareholdings indicated above reflect the number of shares held by each individual according to the Company's shareholder register as of March 31, 2023 plus restricted stock compensation granted by resolution of the Company's Board of Directors on June 23, 2023 and the number of shares held by each individual through the Company's employee shareholding association as of August 31, 2023.

Skill descriptions and significance

Corporate management / management strategy	As we aim to fulfill our Purpose and all other elements of the Declaration of the Net One Group while simultaneously enhancing our corporate value, we must ensure appropriate oversight and support for the decision-making processes of our executive management team by securing experience in the fields of corporate management or managerial oversight.
Technology	To establish a solid position as a leading network company, we must demonstrate thorough understanding and experience in technological areas (e.g., knowledge of networks and ICT, insight into market environments, and perception of future trends).
Human resources / corporate culture and organizational reform	To maximize the activity of our personnel, who represent the source of our competitive strength, and improve employee engagement while promoting corporate culture reforms using our restructured corporate philosophy system as a driving force, we must exhibit knowledge and experience concerning basic HR principles, human capital management methods, and corporate culture and organizational reforms.
Finance / accounting	As we aim to increase our medium- to long-term corporate value, we must demonstrate knowledge and experience in finance, accounting, and shareholder relations, thereby ensuring a proper balance between strategic business investment and the proactive delivery of shareholder returns while facilitating our pursuit of an optimal capital structure and our establishment of a stable business base.
Governance / law / risk management	To develop strong trust-based relationships with stakeholders, further strengthen our business base, and become a shining example of effective corporate governance, we must exhibit comprehensive knowledge and experience concerning governance, law, and risk management.
Sustainability	To cement sustainability as the foundation of our management and accelerate efforts addressing our four key materiality-related issues, we must demonstrate knowledge and experience related to the co-creation of social and economic value (e.g., understanding of social challenges and their incorporation into management strategies).



Enterprise Market



Vision
Contribute to the resolution of social challenges by sharing visions for the future of ICT utilization



Strategy

- Deliver issue-solving lifecycle services and propose grand designs for the future
- Expand operations into business ICT areas (production technology sectors, etc.)

Focus themes for growth

- Implementation of digital and green transformation
- Smart manufacturing
- Enhancement of security and ICT governance
- Predictive detection of cyber-attacks and system failures

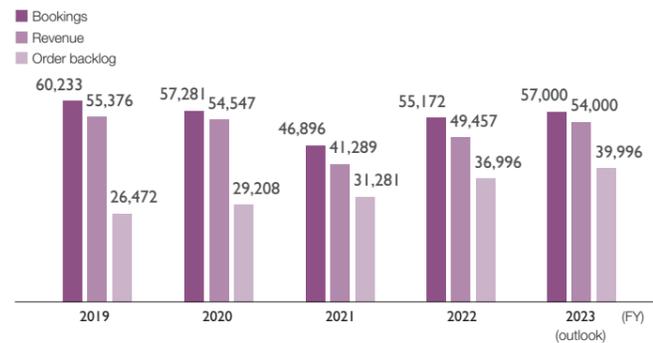
Business overview

Business details

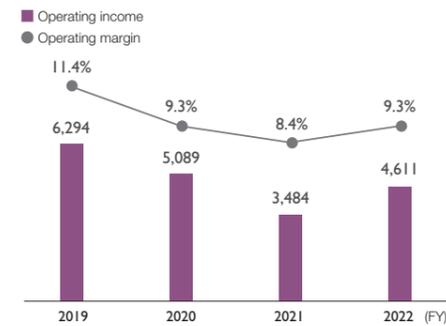
We conduct business for major private companies in the manufacturing and non-manufacturing industries, as well as for domestic financial institutions and foreign companies. Additionally, we support information utilization to enhance competitiveness, work style innovation, and cost reductions through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

Operating environment Demand for security enhancement, cloud systems, and work style innovation remains high.

Bookings / revenue / order backlog (million yen)



Operating income (million yen) / Operating margin (%)



CAGR (for the three-year period ending with fiscal 2022)
 Bookings **-2.9%** Revenue **-3.7%** Operating income **-9.9%**

* Effective from fiscal 2022, we have reclassified the internet service provider (ISP) industry (formerly included under the enterprise market) under the telecom carrier market. Also effective from fiscal 2022, we adjusted our accounting policies and began recording a portion of the labor costs and other expenses incurred through our engineering division as costs of revenue. These changes have been reflected through bookings, revenue, and the order backlog for fiscal 2021 and all subsequent accounting periods, as well as through operating income for fiscal 2022.

Distinguishing features of the business

Growth potential

As digital technology rapidly evolves, we are observing an ongoing need for the application and stable operation of integrated ICT platforms that facilitate the use of advanced digital technologies. At the same time, we are encountering growth in demand for security enhancement supporting the safe application of data dispersed throughout cloud and remote working systems and the well-balanced handling of both data utilization and ICT governance within corporate groups and new sectors (factories, manufacturing sites, etc.). With regard to the financial industry, we have observed relatively constant progress in terms of both technological improvements and infrastructure renewal. In the context of manufacturing and non-manufacturing industries, which are associated with a diverse range of digitalization-related needs, we anticipate ongoing demand for the operational application of ICT.

Profitability

With the largest service ratio among the four markets defined by the Net One Group, the enterprise market is highly profitable, accounting for approximately 60% of total revenue. While providing conventional system maintenance, we have continued to generate high amounts of revenue through service-based operations, including those aimed at generating solutions adopting ICT lifecycle-oriented perspectives. In contrast, the enterprise market's operating margin declined in fiscal 2020 due to COVID-19-related impact before falling again in fiscal 2021 as investment within the manufacturing industry was curtailed in response to semiconductor shortages. Later, in fiscal 2022, both revenue and the operating margin generated through the enterprise market improved thanks to our successful capture of expanding demand in the manufacturing and non-manufacturing industries. Moving forward, we will push forward with efforts aimed at standardizing and automating our operations, target the expansion of remote operations, and endeavor to maintain ongoing profitability.

Medium- to long-term outlook and strategy

Future prospects

Operating environment

Conventionally, investment in offices and data centers has been driven primarily by renewal-related demand. However, with the growing application of ICT outside of corporate environments (for work style innovation, cloud computing, etc.), we expect to observe a growing need for access management and integration related to decentralized data that was formerly collectively managed within closed corporate networks. Moving forward, we will continue to conduct network design predicated upon the combined use of internal ICT platforms and cloud technologies while strengthening zero trust-focused security measures applied to ensure safe access to information assets.

Business opportunities

In terms of new business domains, we plan to facilitate preventative maintenance, traceability, and decarbonization-supporting electricity usage visualization by continuing to apply wireless networks and data generated through production lines and manufacturing equipment, thereby encouraging large-scale networking within factories. At the same time, we aim to push forward with our implementation of cyber security measures. As time progresses, we expect to observe improvements in efficiency and productivity achieved through data sharing conducted throughout and in between supply chains. This sharing will apply to data usage within and between factories, as well as data applied among companies belonging to both the same and different corporate groups.

Focus areas

Smart manufacturing

We are observing growth in PoC activities associated primarily with the on-site application of data and digital twin technologies within manufacturing sectors, as well as decarbonization achieved through the visualization of power consumption. Beginning with the formulation of grand designs aimed at generating new projects, we are undertaking proposal activities associated with a variety of objectives including the implementation of industrial wireless technology and the enhancement of security at business sites.

Social infrastructure to realize Society 5.0

We are undertaking efforts facilitating PoC testing associated with smart buildings. This testing focuses on a range of elements, including the integration of networks supporting the numerous sensors and devices installed within office buildings, the efficiency of data application and administration achieved through the integration of ICT platforms, and the creation of new value accomplished via system linkage utilizing indoor sensors.

Performance and outlook

Fiscal 2022 results

With regard to the manufacturing industry, investment from automakers was robust, particularly in expenditures related to EVs. Meanwhile, in terms of non-manufacturing industries, we observed growth in bookings associated with next-generation ICT platforms and security enhancement business operations (zero trust and secure access service edge [SASE]). As for the financial industry, integration of next-generation infrastructure continued unabated. Revenue increased year on year, driven by sales targeting automakers, among whom investment has been resurgent.

Fiscal 2023 outlook

We project growth in both bookings and revenue. In terms of bookings, we expect expansion in the category of smart manufacturing within the manufacturing industry, particularly among automakers. Meanwhile, within non-manufacturing industries, we anticipate growth in association with security enhancement businesses and service platforms as operational digitalization progresses. We expect bookings generated through the financial industry to remain level year on year, consisting primarily of bookings connected to ongoing projects. Meanwhile, we plan to convert our substantial order backlog into revenue and accordingly project growth in overall enterprise market revenue.



Telecom Carrier Market



Vision Expand new business prospects through co-creation involving telecom carriers



Strategy

- Propose co-creation businesses, including service platform installation and corporate business support, to telecom carriers

Focus themes for growth

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

Business overview

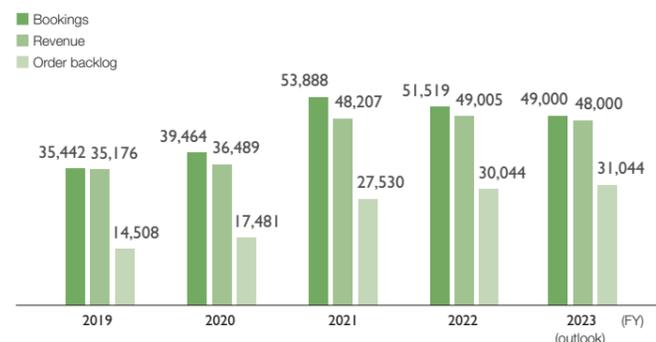
Business details

We develop businesses for telecom carriers. Collaborating with clients, we also establish safe and secure ICT platforms that function as social infrastructure.

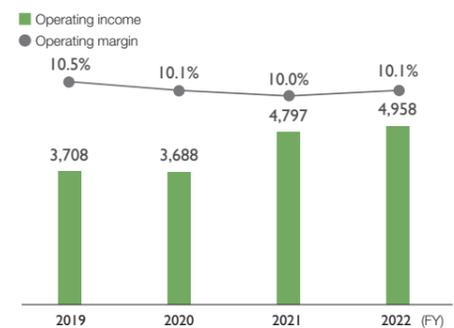
Operating environment

Enthusiasm for investment targeting business expansion among corporate entities is strong. We are focusing on building service platforms associated with cloud computing and other technologies while also concentrating on providing corporate clients with technological support.

Bookings / revenue / order backlog (million yen)



Operating income (million yen) / Operating margin (%)



CAGR (for the three-year period ending with fiscal 2022)
 Bookings | **13.3%** | Revenue | **11.7%** | Operating income | **10.2%**

* Effective from fiscal 2022, we have reclassified the ISP industry (formerly included under the enterprise market) under the telecom carrier market. Also effective from fiscal 2022, we adjusted our accounting policies and began recording a portion of the labor costs and other expenses incurred through our engineering division as costs of revenue. These changes have been reflected through bookings, revenue, and the order backlog for fiscal 2021 and all subsequent accounting periods, as well as through operating income for fiscal 2022.

Distinguishing features of the business

Growth potential

Until the early 2010s, growth was primarily driven by the delivery of large hardware for network facilities, but new hardware installations have since subsided, and we have also observed a trend of commoditization with regard to hardware. In response, we have been shifting the focus of our operations toward operational support and the integration of service delivery platforms. Recently, amid this shift, revenue has been growing due to investment conducted in pursuit of line reinforcement in response to expansion in remote working and video communication volume. At the same time, operations targeting network facilities focus mainly on product delivery, so the Net One Group is shifting toward domains through which it can provide services on an ongoing basis. We aim to create high added value by supporting the development of services that telecom carriers can provide and through our co-creation business, which focuses on developing businesses for corporate clients in partnership with telecom carriers.

Profitability

Services (delivery of large hardware to telecom carriers, etc.) generate about 40% of revenue achieved through the telecom carrier market, a service ratio that is somewhat lower than those observed within the enterprise and public markets. However, due to a limited client count, we are able to minimize SG&A expenses incurred through this market, which successfully generates operating margins on par with those reported through the other markets. By targeting a shift away from business structures focused on product sales and engaging in platform integration beginning with PoC activities conducted during the service planning stage, we are able to provide advanced operation services in addition to platform maintenance. Currently, we are striving to improve profitability by proposing high-value-added systems capable of contributing to growth in client businesses and providing services that reduce operational burdens following service launches.

Medium- to long-term outlook and strategy

Future prospects

Operating environment

We will continue to make decisions regarding our delivery of large hardware for network facilities based on a comprehensive range of factors, including profitability. Moving forward, our priority operations will focus on areas unrelated to telecommunications, which have become a central target for telecom carriers. Under these circumstances, we aim to develop services that facilitate digital transformation for corporate customers (application of data centers, furnishing of cloud services, etc.) and expand our digitalization-supporting co-creation business. Moving forward, we will contribute to the development of society by expanding our delivery of added value and utilizing growth in client businesses as a conduit for generating transformation in industrial structures.

Business opportunities

In addition to developing security services that support external access to office networks (through remote working, etc.) and the use of multiple cloud systems, we will spearhead technological innovation targeting the realization of Society 5.0, a visionary concept that centrally involves surmounting social challenges through new value created by IoT-based connections between people and things. Moving forward, we will combine the network-related expertise we have cultivated over our many years of existence with 5G and digital technologies to add new value, thereby facilitating co-creation business operations that support expansion in client businesses and creating business within heretofore unexplored domains.

Focus areas

Social infrastructure to realize Society 5.0

We are participating in PoC activities aimed at establishing 5G-based multi-access edge computing (MEC) services, which, through IT service environments located in close proximity to the user, enable the processing of large amounts of data generated by terminals and devices. We are confident that this state-of-the-art solution will achieve low-latency and high-security network usage without the need for Internet connectivity. At the same time, green transformation (GX) is

increasingly drawing attention from telecom carriers as a way to achieve carbon neutrality. While expanding circular economy-conscious measures formulated to extend hardware life, we will also support the businesses of corporate clients by providing both expertise facilitating transitions toward smart factory facilities and joint verification environments, thereby supporting the resolution of technological issues.

Performance and outlook

Fiscal 2022 results

Although investment targeting line reinforcement in response to growth in telecommunications traffic stemming from remote working and other factors has subsided, we also observed strong bookings in connection with co-creation business operations leveraging our expertise concerning large-scale projects and digitalization support. Revenue rose year on year as we recognized proceeds generated through line reinforcement investment conducted since fiscal 2021.

Fiscal 2023 outlook

We project slight decreases in both bookings and revenue. Line reinforcement investment conducted in response to growth in remote working demand had previously boosted bookings generated through the telecom carrier market, but we expect this positive impact will dissipate in fiscal 2023. Regardless, we will continue to focus on supporting the activities of client companies and facilitating digitalization and security enhancement through our co-creation business. Although we expect to book revenue generated through investment targeting line reinforcement, we anticipate a slight decrease in overall telecom carrier market revenue.



Public Market



Vision
Provide a safe and secure ICT platform for social infrastructure and realize a sustainable society



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

Business overview

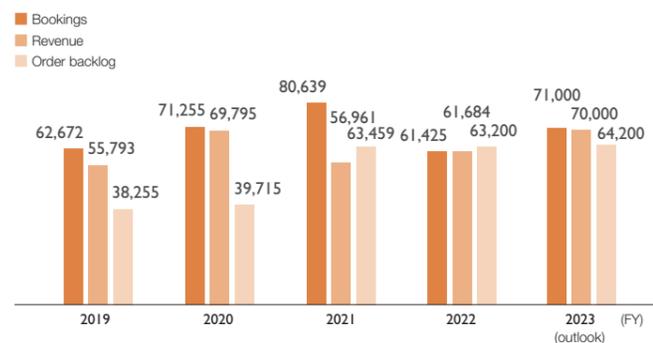
Business details

We conduct business for public institutions such as central and local governments, education (universities and research institutes), companies that provide social infrastructure (power companies, railways, etc.), and healthcare (hospitals). We also establish ICT platforms and enhance security to support the application of public information and other data.

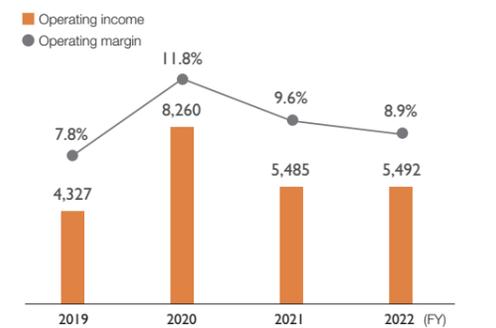
Operating environment

We are observing robust demand surrounding security measures supporting data utilization, cloud systems, and work style innovation.

Bookings / revenue / order backlog (million yen)



Operating income (million yen) / Operating margin (%)



CAGR

(for the three-year period ending with fiscal 2022)

Bookings **-0.7%** Revenue **3.4%** Operating income **8.3%**

* Effective from fiscal 2022, we adjusted our accounting policies and began recording a portion of the labor costs and other expenses incurred through our engineering division as costs of revenue.

Distinguishing features of the business

Growth potential

Capitalizing on drastic municipal security measure overhauls implemented in response to unauthorized access incidents that occurred in 2016, we have steadily captured renewal demand associated with Japan's GIGA school concept initiative and efforts targeting strengthened security cloud systems and enhanced information security. Meanwhile, we continue to observe demand for digital technology application approaches conceived to address changing social conditions and resolve social challenges. With regard to businesses supporting non-municipal daily life infrastructure (associated with electric power, gas, railroads, medical care, etc.), we have witnessed a trend toward revamping information platforms to facilitate structural changes in business operations as a response to liberalization and population decline. As time progresses, we will expand our delivery of comprehensive support services, which cover a wide scope extending from the renewal of ICT platforms enabling digitalization and ICT utilization to the administration of these same platforms.

Profitability

In recent years, we have generated improvements in profitability primarily by conducting a greater volume of direct business transactions, thereby expanding our delivery of maintenance and operations services. By refining our proposal and technological capabilities, we have become able to integrate and maintain entire ICT platforms, which are becoming increasingly sophisticated as a result of security enhancement and applications related to shared infrastructure. Furthermore, with regard to public bidding decisions made based on comprehensive assessments, we are endeavoring to distinguish ourselves through function-oriented proposals that combine designs aimed at fully leveraging our technological capabilities with original financial services. Services generate about 50% of our public market revenue; this service ratio is second only to the service ratio achieved through our enterprise marketing activities, and as a result, the public market is a key profit driver for the Net One Group as a whole. By expanding operational and managed services, we will aim to establish a stable and expanded earnings base moving forward.

Medium- to long-term outlook and strategy

Future prospects

Operating environment

We have hitherto facilitated digitalization by migrating systems originally integrated separately according to their respective applications to a common platform, thereby improving efficiency and reducing operating costs. As time progresses, we will continue to focus on sectors in which ICT application is anticipated, including those associated with municipal governments, school systems, and social infrastructure. Meanwhile, in accordance with a fundamental rationale focused on security enhancement as a system core, we will promote data governance-based security measures while capturing demand surrounding the reorganization of corporate group activities and the fortification of foundational corporate group structures.

Business opportunities

In due course, we plan to improve the convenience of our services using platforms we have developed to date, enhance quality of life in general, and provide support facilitating effective system operation and the delivery of functionality that paves the way for operational streamlining. Moving forward, we must implement security measures and update our network design to accommodate connections with external environments, including those associated with remote working systems and cloud computing setups administered by government agencies. Meanwhile, we project that the use of data will continue to drive business efficiency and revitalization in fields supporting the achievement of a sustainable society, including electric power, gas, rail transport, and medical care.

Focus areas

Digital government

We will expand our business while maintaining a particular focus on sound cloud computing and information security enhancement for municipal government agencies. Additionally, by establishing, and improving the convenience of, platforms that enable the safe and secure use of connections linked to external systems associated primarily with remote working and cloud services, we will facilitate upgrades for regional ICT platforms, the resolution of local challenges through resident service digitalization, and regional revitalization achieved through the digitalization of educational systems.

Social infrastructure to realize Society 5.0

Moving forward, we will support electric power, gas, and railroad infrastructure upgrades that utilize digital technology to ensure efficient facility maintenance and management. At the same time, we will propose platform integration that contributes to the stabilization of social infrastructure by facilitating effective implementation of cyber security measures, stable operation of increasingly complex systems, and operational upgrades enabling the application of data and digital technologies within medical contexts (medical digital transformation).

Performance and outlook

Fiscal 2022 results

With regard to bookings, performance previously observed in association with large social infrastructure projects dissipated, and bookings recorded in connection with information security cloud and security enhancement projects for municipal government agencies compared unfavorably with the relatively high results reported in fiscal 2021. Regardless, we experienced growth in demand surrounding network system renewal projects for research institutes and universities. Revenue rose year on year as we booked proceeds generated primarily through information security cloud and security enhancement projects for municipal governments.

Fiscal 2023 outlook

We project increases in both bookings and revenue. With regard to the former, we anticipate that bookings associated with information security cloud and security enhancement projects for municipal governments will dissipate, but we also expect expansion in bookings recorded in connection with Society 5.0-related digitalization of social infrastructure (electric power, rail transport, etc.). In terms of the latter, we expect revenue to grow as we convert our abundant order backlog, which consists primarily of outstanding orders related to information security cloud and security enhancement projects for municipal governments.



Partner Business

Vision

Readily adopt cutting-edge technology, enabling accommodation of diverse business models

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

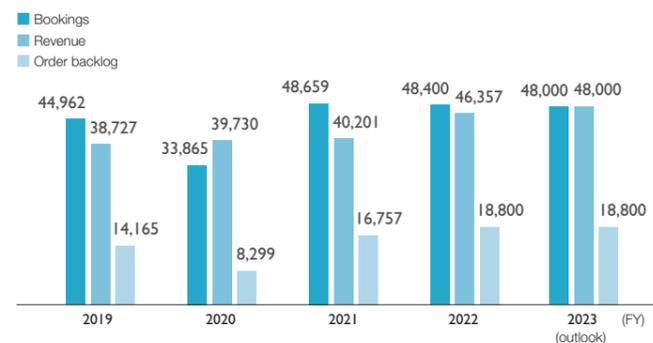
Business overview

Business details

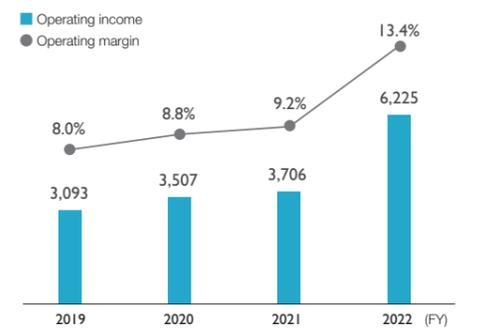
Our partner business focuses on collaboration with partner companies through consolidated subsidiary Net One Partners. By means of this business, we leverage the business foundation of the Net One Group to provide comprehensive support systems that enable our partner companies to concentrate on system integration.

Operating environment Performance from business operations targeting system integrators and MSPs has been strong.

Bookings / revenue / order backlog (million yen)



Operating income (million yen) / Operating margin (%)



CAGR

(for the three-year period ending with fiscal 2022)

Bookings **2.5%**

Revenue **6.2%**

Operating income **26.3%**

Distinguishing features of the business

Growth potential

We are observing steady expansion in sales of ICT platform products, with particular growth in performance coming from network equipment provided by Cisco Systems, which targets system integrators responsible for developing information systems. Growth has been largely driven by sales of products specifically designed for Wi-Fi services provided by partner companies acting as managed service providers (MSPs). Also responsible for growth is relationship enhancement achieved by leveraging the overseas product procurement capabilities and quality control processes that the Net One Group has developed over the years since its founding. Furthermore, growth has been additionally boosted by demand stemming from digital transformation progress and expansion in business opportunities achieved through product resale and our delivery of technical support and products with high added value.

Profitability

The profit structure of the partner business differs significantly from those associated with our other three markets, which concentrate on direct transactions with customers. Indirect wholesale transactions involving products and equipment form the central core of our partner business, so this business generates a lower share of its revenue through services (about 20%) than our other three markets. The activities of this business include evaluation and procurement of proposed equipment and value-added services such as quality assurance, technology verification, and proposal support. Accordingly, the gross profit margin generated through this business approximates our company-wide gross profit margin on products. In contrast, the operating margin of the partner business is similar to those of our other markets because this business operates using a small staff, keeping its SG&A expenses low primarily by entrusting a portion of its processes to Net One Systems.

Medium- to long-term outlook and strategy

Future prospects

Operating environment

As digital transformation demand increases, we aim to establish a strong domestic presence by leveraging our product selection capabilities, technical support, and logistics functions to support system integrators. In addition to providing ICT platform products associated with networks and security, we will facilitate the development of partner businesses by providing high-value-added solutions (information indicating future changes in trends, technical proposal support, etc.) that leverage our strong relationships with vendors.

Business opportunities

In addition to our mainstay network equipment, we will expand our delivery of security products and cloud-based solutions, thereby joining our partners in pursuit of structural societal transformation addressing ever-changing ICT market and business environments and the eventual realization of a prosperous future. With regard to new products, we will support market-wide digital transformation by quickly providing solutions that facilitate ICT application, including both general and PoC testing for equipment targeting local 5G systems, network visualization, and software utilization.

Delivering new value

Customer success

For the first time in Japan, we are providing programs that enable the smooth sale of subscription-based products from Cisco Systems to our partner companies. With initiatives such as these, comprehensive software contract management adapted to accommodate technology use in the digital transformation era, and support covering existing-agreement-related operations ranging from system installation to utilization and usage expansion, we are assisting our partner companies as they aim to maximize their earnings.

Providing business platforms

We have supported, and continue to support, the timely launch of ICT products through initiatives such as our establishment of solution verification labs that test and verify properties including radio wave characteristics, performance, and connectivity for partner companies exploring opportunities for providing local 5G products. Additionally, we provide this same support by furnishing the kitting environments, workforces, and logistic functions necessary for the sale of ICT equipment.

Performance and outlook

Fiscal 2022 results

Despite ongoing strong performance from network enhancement and security reinforcement business operations targeting major partners, bookings fell slightly year on year primarily because bookings associated with Wi-Fi service business operations aimed at MSPs compared unfavorably with those reported for fiscal 2021. Revenue increased year on year, driven by strong proceeds from business operations targeting major partners.

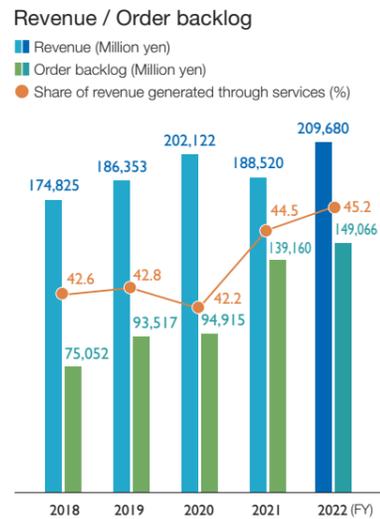
Fiscal 2023 outlook

We project a decline in bookings and growth in revenue. With regard to bookings, we will continue to strengthen our collaborative business activities with major partners, but we do not anticipate any significant year-on-year change in performance from Wi-Fi service business operations targeting MSPs. Regardless, we forecast growth in revenue stemming from our efforts targeting stronger collaborative business activities involving our major partners.

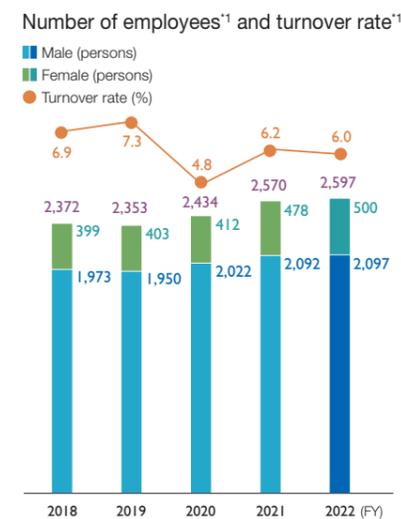
Financial Highlights



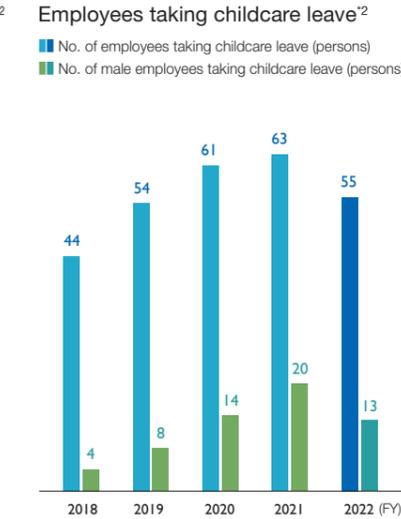
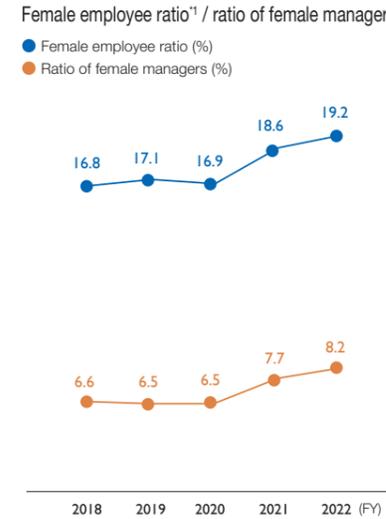
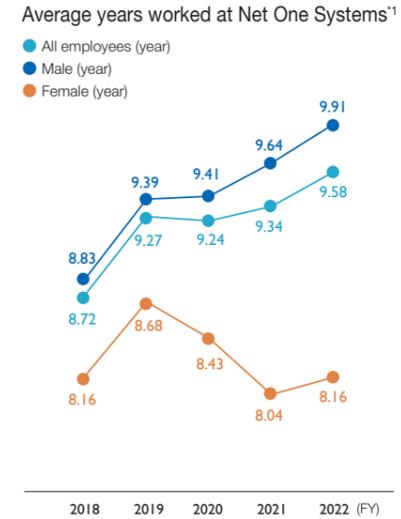
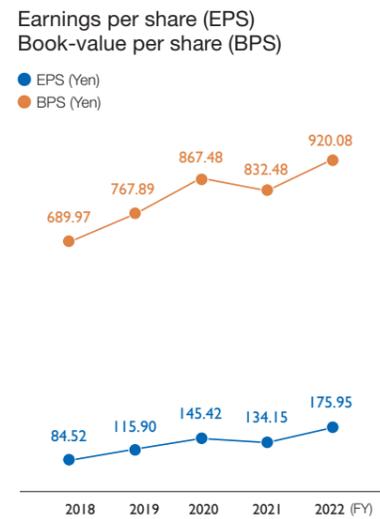
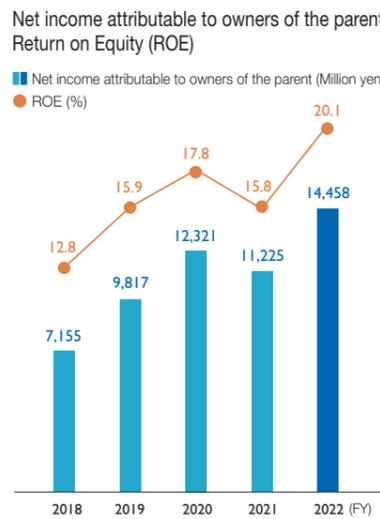
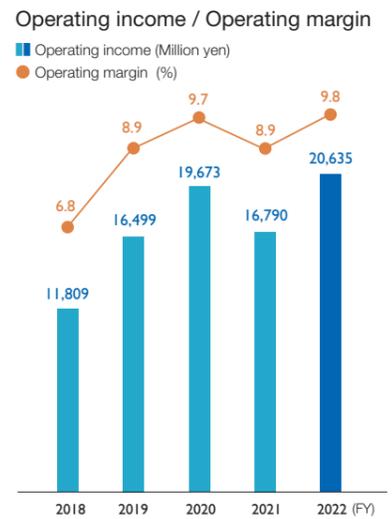
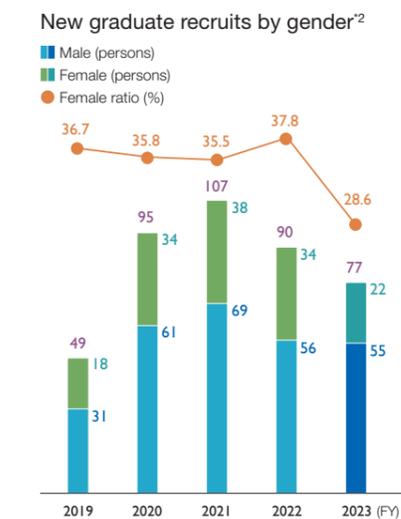
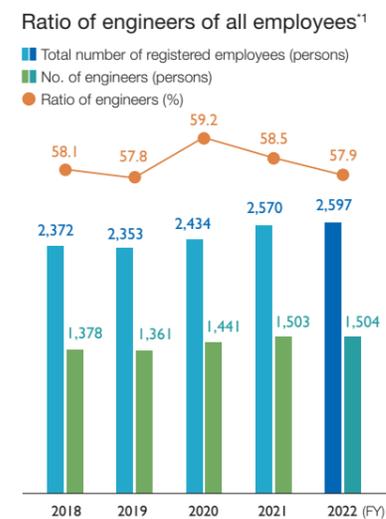
* Effective from fiscal 2022, we have begun recording a portion of labor costs and other expenses incurred through our engineering division (responsible for the rendering of services) as costs of revenue. These same labor costs and other expenses were previously booked as SG&A expenses.



Non-financial Highlights

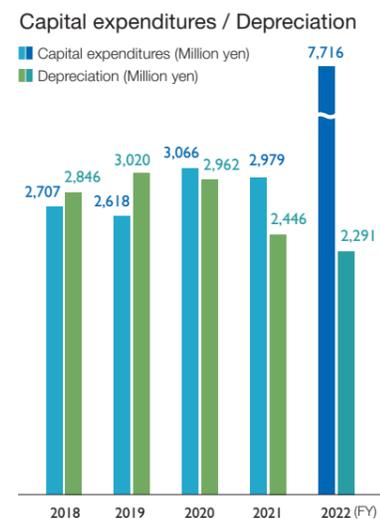
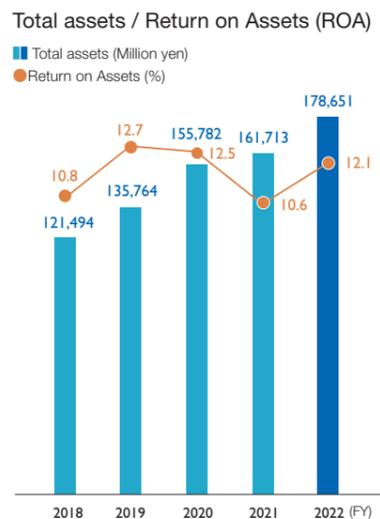
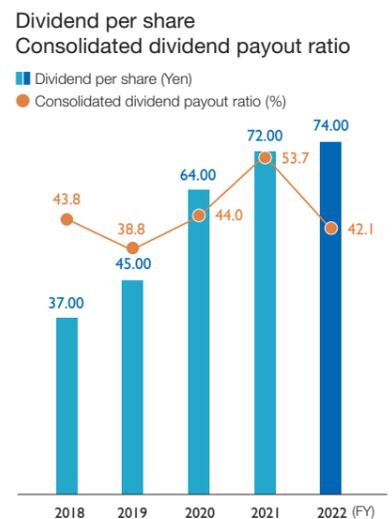


¹ Employees (registered at Net One Systems) includes staff seconded from external partners, excludes employees seconded to outside the Net One Group and employees on short- to long-term leave
² Figures exclude certain overseas subsidiaries and certain domestic subsidiaries of the Net One Group

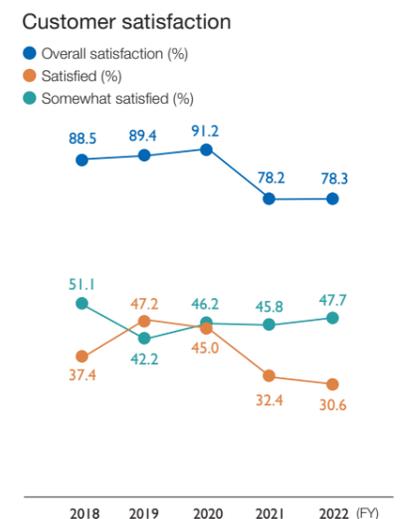


*ROE: Net income attributable to owners of the parent / average equity during the period × 100

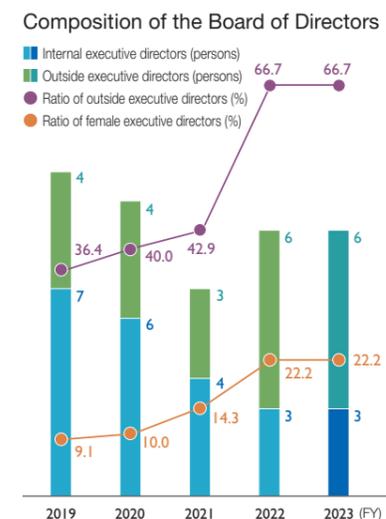
* Female employee ratio current as of March 31 of each year
 * Ratio of female managers current as of April 1 of each year



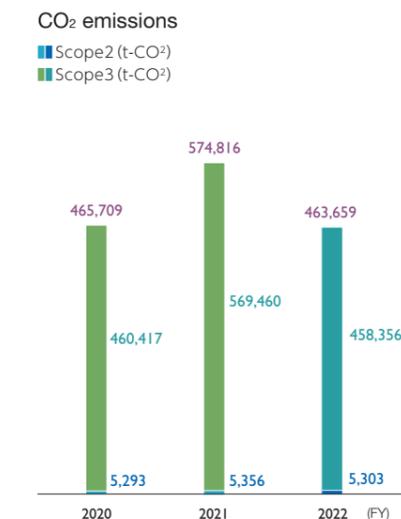
*ROA: Ordinary income / average total assets during the period × 100



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



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



*Scope 1: N/A

	unit	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Bookings	million yen	160,667	154,582	146,216	144,684	138,103	158,181	163,843	180,957	204,607	203,520	231,844	219,807
Service business	million yen	50,706	53,147	57,490	57,935	56,291	63,736	71,220	79,658	88,855	89,408	103,940	101,220
Year over year	%	4.9	4.8	8.2	0.8	(2.8)	13.2	11.7	11.8	11.5	0.6	16.3	(2.6)
Composition ratio	%	31.6	34.4	39.3	40.0	40.8	40.3	43.5	44.0	43.4	43.9	44.8	46.0
Order backlog	million yen	51,602	51,316	55,104	58,259	56,192	58,423	68,920	75,052	93,517	94,915	139,160	149,066
Revenue	million yen	157,633	154,869	142,427	141,529	140,170	153,124	153,346	174,825	186,353	202,122	188,520	209,680
Year over year	%	20.5	(1.8)	(8.0)	(0.6)	(1.0)	9.2	0.1	14.0	6.6	8.5	(6.7)	11.2
CAGR (three years)	%	6.3	7.6	2.9	(3.5)	(3.3)	2.4	2.7	7.6	6.8	9.6	2.5	4.0
Service business	million yen	48,616	50,350	53,763	54,545	56,139	59,611	63,237	74,416	79,768	85,293	83,908	94,776
Year-on-year change	%	8.2	3.6	6.8	1.5	2.9	6.2	6.1	17.7	7.2	6.9	(1.6)	13.0
Share of total	%	30.8	32.5	37.7	38.5	40.1	38.9	41.2	42.6	42.8	42.2	44.5	45.2
Gross profit	million yen	42,302	36,266	31,699	31,916	29,015	34,843	36,515	43,206	48,953	55,913	51,786	50,367
Gross profit margin	%	26.8	23.4	22.3	22.6	20.7	22.8	23.8	24.7	26.3	27.7	27.5	24.0
Selling, general and administrative expenses	million yen	27,073	27,814	28,556	28,157	27,391	29,475	29,590	31,397	32,453	36,239	34,995	29,731
SGA ratio	%	17.2	18.0	20.0	19.9	19.5	19.2	19.3	18.0	17.4	17.9	18.6	14.2
Operating income	million yen	15,229	8,451	3,142	3,759	1,623	5,368	6,925	11,809	16,499	19,673	16,790	20,635
Year over year	%	167.3	(44.5)	(62.8)	19.6	(56.8)	230.6	29.0	70.5	39.7	19.2	(14.7)	22.9
CAGR (three years)	%	19.7	19.1	(18.0)	(37.3)	(42.3)	19.5	22.6	93.8	45.4	41.6	12.4	7.7
Operating margin	%	9.7	5.5	2.2	2.7	1.2	3.5	4.5	6.8	8.9	9.7	8.9	9.8
Net income attributable to owners of the parent	million yen	8,520	4,324	983	1,453	(124)	1,075	4,551	7,155	9,817	12,321	11,225	14,458
Total assets	million yen	100,002	92,924	90,624	103,013	99,266	102,038	102,502	121,494	135,764	155,782	161,713	178,651
Cash and deposits	million yen	19,233	18,580	18,184	19,374	20,668	16,236	21,953	23,305	31,473	32,429	20,281	35,509
Interest bearing liabilities (mainly lease obligations)	million yen	1,843	1,882	2,173	4,700	5,832	6,994	7,306	12,442	16,109	21,498	41,069	36,552
Net assets	million yen	63,508	61,387	57,263	56,109	52,896	51,943	53,847	58,584	65,337	73,795	68,547	75,764
Equity	million yen	63,368	61,190	57,196	56,014	52,777	51,815	53,686	58,420	65,053	73,513	68,363	75,620
Equity ratio	%	63.4	65.8	63.1	54.4	53.2	50.8	52.4	48.1	47.9	47.2	42.3	42.3
D/E ratio	times	0.03	0.03	0.04	0.08	0.11	0.13	0.14	0.21	0.25	0.29	0.60	0.48
Net D/E ratio	times	(0.27)	(0.27)	(0.28)	(0.26)	(0.28)	(0.18)	(0.27)	(0.19)	(0.24)	(0.15)	0.30	0.01
Return on Equity	%	14.3	6.9	1.7	2.6	(0.2)	2.1	8.6	12.8	15.9	17.8	15.8	20.1
Return on Assets	%	16.9	9.0	3.9	3.9	1.7	5.3	6.9	10.8	12.7	12.5	10.6	12.1
Book-value per share	yen	703.25	699.63	676.65	662.62	624.24	612.64	634.47	689.97	767.89	867.48	832.48	920.08
Dividend per share	yen	6,200	34.00	34.00	30.00	30.00	30.00	30.00	37.00	45.00	64.00	72.00	74.00
Earnings per share	yen	94.56	48.89	11.40	17.20	(1.47)	12.72	53.79	84.52	115.90	145.42	134.15	175.95
Diluted earnings per share	yen	—	48.89	11.39	17.17	—	12.69	53.65	84.30	115.63	145.09	133.98	175.76
Cash flows from operating activities	million yen	19,313	3,932	1,016	5,291	5,877	259	11,569	6,682	12,281	9,800	(10,874)	34,183
Cash flows from investing activities	million yen	(1,572)	(3,416)	(3,823)	(1,610)	(2,235)	(1,127)	(1,264)	(1,424)	(1,194)	(3,336)	(1,515)	(1,654)
Cash flows from financing activities	million yen	(1,765)	(7,167)	(5,589)	(3,490)	(3,329)	(3,564)	(3,588)	(3,905)	(5,131)	(5,505)	233	(17,332)
Cash and cash equivalents at end of period	million yen	36,231	29,580	21,183	21,374	21,668	17,236	23,953	25,305	31,473	32,429	20,281	35,509
Total employees	person	2,023	2,210	2,422	2,374	2,252	2,284	2,317	2,294	2,431	2,560	2,703	2,548
Bookings per employee	million yen	79	70	60	61	61	69	71	79	84	80	86	86
Revenue per employee	million yen	78	70	59	60	62	67	66	76	77	79	70	82
Gross profit per employee	million yen	21	16	13	13	13	15	16	19	20	22	19	20
Operating income per employee	million yen	8	4	1	2	1	2	3	5	7	8	6	8

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.

* Effective from fiscal 2022, we have begun recording a portion of labor costs and other expenses incurred through our engineering division (responsible for the rendering of services) as costs of revenue. These same labor costs and other expenses were previously booked as SG&A expenses.

Terminology	Meanings
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
Customer facing	This term describes roles or duties that involve direct interaction with customers. To enrich our relationships with clients and expand our customer base, we must ensure organizational circumstances and work styles that maximize the skills and efficiency of sales and engineering staff.
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.
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.
Green transformation (GX)	This term refers to viewing efforts to achieve a decarbonized society as opportunities for economic growth and social change. The Net One Group aims to simultaneously contribute to the achievement of a sustainable society and facilitate sustainable growth through cutting-edge ICT.
Multi-access edge computing (MEC)	This network architecture concept shortens communication delays and reduces network load by placing servers in decentralized locations near IoT devices and mobile devices, thereby achieving high-speed processing.
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.
Secure access service edge (SASE)	SASE is a technological concept according to which security and networking functions are integrated and managed using cloud-based technology. SASE technology allows security to be maintained even when accessing cloud-based networks externally.
SOC (Security Operation Center)	Our security monitoring system, which consists of our high-quality security analysis infrastructure and a team of dedicated security analysts.
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.

Adoption in ESG indices

JPX-Nikkei Index 400	New JPX Prime 150 Index
FTSE Blossom Japan Sector Relative Index	MSCI Japan Empowering Women Index (WIN)
New iSTOXX MUTB Japan Platinum Career 150 Index	New Morningstar Japan ex-REIT Gender Diversity Tilt Index (GenDi J)

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.

IR Activities

- Selected as a "AAA website" for listing under the All Markets Ranking of Nikko Investor Relations' All Japanese Listed Companies' Website Ranking for fiscal 2022

Website information

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