

## Your strategic partner in ICT infrastructure

### Striving to be the leading company in integrated services by generating maximum value from minimum resources



**Fumihiko Shinoura**  
CMO  
In charge of Business Development Division and Customer Service Division

#### FY2020 Review

### The “bigger picture” advanced by our Integrated Service Business is raising customer and vendor expectations

In fiscal 2020, we stepped up efforts to extend our Integrated Service Business both inside and outside the Group. Inside the Group, employees in each division took the initiative in standardizing and automating business processes and aggregating intellectual property (IP) to support the development of integrated services, spurring Groupwide activities. Some employees took a more advanced approach, exploring ways of leveraging and combining Net One's proprietary IP to realize true digital transformation (DX).

These internal changes also had a positive impact outside the Group. Improvements to marketing quality helped lift expectations in our Integrated Service Business, with value interactions becoming more common, especially with local government customers. Specifically, early projects in the business focused on system platform integration, but the scope of projects has now expanded to include ways of using the platforms in a business context. Net One is becoming the hub of an ecosystem that creates opportunities for value creation through collaboration with various vendors. We can now generate significant value for customers, as seen in the comprehensive alliances we have formed with vendors to help local governments implement DX from every angle.

Our relationship with vendors is also changing as a result. In the past, system integrators typically developed proposals based on vendor portfolios. However, by demonstrating complete business models through our Integrated Service Business, that relationship has been reversed. Vendors are now increasingly asking us to incorporate their thinking, not just products, into our business model ideas. We are also receiving more proposal ideas from vendors because of our reputation for focusing on customer success. Some major overseas vendors only select Net One to trial new products in Japan. Looking back over the past year, I get the sense that vendors see Net One as a more valuable partner as they overhaul their business models, and that overseas companies understand that Net One is moving into a new stage.

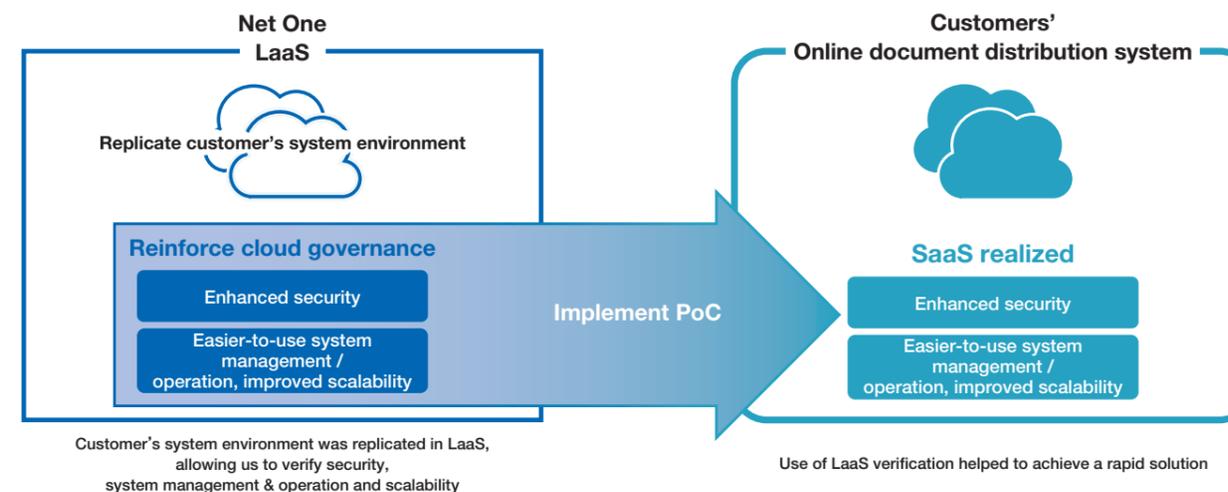
#### Utilizing Our New Engagement Engine

### Working on problem-solving and verification with customers delivers results, while also enhancing Net One's IP

Despite the COVID-19 pandemic, our Lab as a Service (LaaS) environment, launched in 2020, is being used more widely than we expected (58 times, including 11 times by customers). Backed by vendors, we also expanded our LaaS menu. One of the features of LaaS is that various ICT verification tests can be conducted in a real-world multicloud environment. Normally, tests would have to be run in actual customer environments, but LaaS removes that requirement, reducing the impact on customers.

In some cases, LaaS has helped us secure new contracts. One example is a project for a customer in the publishing industry, where online subscriptions are increasingly common. The customer needed a cloud-based distribution system with better security, easier-to-use system management and operation functions and scalability. To address those issues, we used our LaaS environment to verify proof of concept (PoC; process of assessing the feasibility and effectiveness of new systems or technology in a test environment before the start of a project) to help the customer rapidly reinforce cloud governance. We put forward a Software as a Service (SaaS)-based solution and used LaaS to accelerate the decision-making process. This limited the drag on the customer's business and led to a rapid solution.

#### LaaS case study: Reinforcing cloud governance (publishing industry)



We also launched the netone Briefing Center (nBC) in 2020. The center is used to develop and propose solutions for customers' DX issues, while also facilitating communication. Net One employees sit down with customers to define project objectives, system architecture design, migration procedures and other concrete plans. Unlike conventional ICT consulting companies, Net One focuses on developing achievable system proposals based on realities faced by customers. With the support of strategic vendors, we have introduced an outcome-focused approach (process of providing effective solutions for highest-priority project areas) and enhanced our facilitation capabilities, allowing us to develop proposals that go beyond system construction to directly contribute to the success of customer businesses. Despite the pandemic, we used nBC 14 times in fiscal 2020, with some system proposals already at the project initiation stage.

LaaS and nBC both enable customers to finalize project guidelines and examine investment plans for ICT issues while also giving Net One deeper insights into market needs and access to more technology IP. We call this our Integrated Service Business “engagement engine.”

Business Environment, Risks and Opportunities

Accelerating Net One's transformation to tap into post-pandemic needs and longer-term opportunities

The COVID-19 pandemic has triggered major changes in our business environment. We are also seeing a major debate in the global ICT sector about what kind of engagement and collaboration customers, vendors and their partners need to pursue going forward. As face-to-face communication and negotiation declines, engineer work styles are also changing, raising questions about how they can provide dedicated support for customers' entire business lifecycles. To overcome that challenge, companies urgently need to digitize all aspects of their operations - from upstream through downstream areas - by building systems that gather information in real time and support follow-up responses. In the last year, we stepped up efforts to move LaaS and nBC online amid the pandemic. We are also progressively accumulating expertise to help create a seamless digital society where there are no barriers between places, environments or systems.

Ten years from now, there will be no place in our industry for system integrators that fail to adapt their business models. That is abundantly clear. As standardization and automation accelerates, companies where engineers simply design, build and maintain systems are likely to fall by the wayside. At the same time, we see growing needs for more advanced security, technology and services amid the shift to multicloud environments, opening up business opportunities for Net One. In other words, to stay competitive, we have to push ahead with our strategic switch to services and build a high-quality business model that supports customers' entire business lifecycles. This transformation also represents the best chance Net One has of delivering growth in the future. We are already taking the first steps down this road.

However, the speed of our transformation is a risk factor. Going forward, we need to automate system design and installation, which is the most time-consuming phase of system development, and engineers will need to focus on generating more value. Talented personnel are more likely to satisfy the complex requirements of customers, but combining standardized components to create systems reduces the risk of system disruption and reduces costs. To verify this approach, we will introduce a standardized menu of tariffs for system development in fiscal 2021. For projects that require more customization, we will systemize efforts to prevent any issues before they occur by continually reviewing system requirements and quality right from the project initiation phase. We also plan to transform employee thinking to fully support this approach.

Measures to Reinforce the Integrated Service Business

Standardizing, automating and autonomizing systems to deliver advanced services by an elite few

We have established GitLab to accumulate, centrally manage and reuse technology IP. Our employees use GitLab to search for and locate know-how, technology and other IP that matches their system requirements, helping to make work processes more efficient. We are also securing rights to IP developed by Net One within customer projects to allow us to reuse the IP in the future. Our goal is to further expand GitLab to support the automation of code generation and other processes. We have already completed automation testing for many processes.

We also implemented a number of structural reforms in April 2021. Under the new structure, the Business Development Division and the Customer Service Division will now lead the development of the Integrated Service Business.

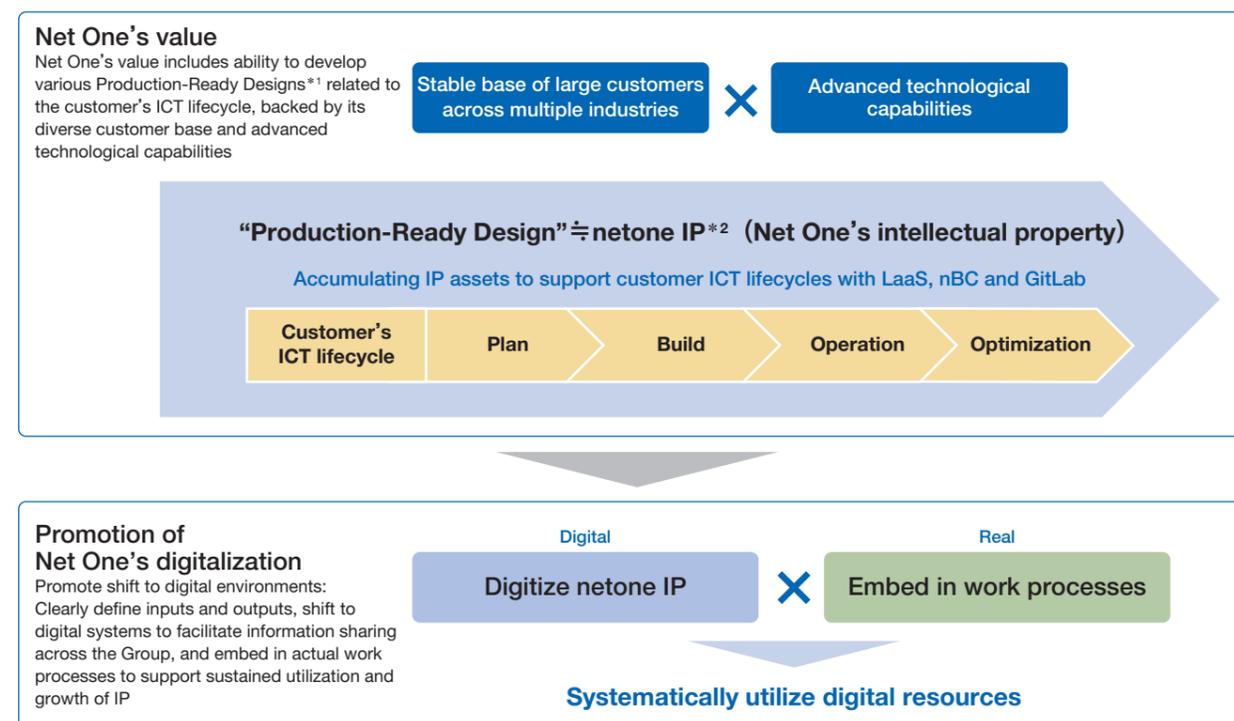
To prepare for future trends, such as the growing shift to multicloud environments, we are currently focusing on testing architecture to support the elastic infrastructure, which offers higher levels of automation and autonomy. The Business Development Division is responsible for vendor relationships and for planning, developing and managing all the products and service platforms that underpin data control and security in multicloud environments, as well as verification testing using LaaS and other tools. The division was restructured in April to ensure the latest technologies are more rapidly introduced into projects.

Also, the Customer Service Division has introduced cutting-edge infrastructure from vendors worldwide, in addition to the latest technologies, to drive the standardization and automation of system operation. With this infrastructure, we have created a platform that automatically responds to low-level security alerts and escalates only high-level alerts to human handlers. We are also promoting internal skill transfers to increase expertise in teams responsible for system security. Together, these measures are designed to reinforce our service provision framework, allowing us to respond to advanced system operation needs without increasing headcount.

In another step, we combined the Strategic Information Office and the Information Systems Department to create

the Digital Transformation and IT Department to accelerate the transformation of our business, including the integrated management of IP. We also appointed a new Chief Information Officer (CIO) to oversee and lead Net One's technology strategy.

Shifting to digital environments to generate more value



Medium- to Long-term Outlook

Building stable, long-term relationships with customers to reinforce our stock business

Our goal is to build a long-term, recurring revenue business model that handles all aspects of customer systems, from optimization, maintenance and operation in multicloud environments to financial modeling. Human resources will be crucial to that approach. The skills they need are likely to change on an almost daily basis. Net One will require engineers who understand all areas of system architecture but who can also participate in sales activities. And we will need sales personnel who can think strategically from the perspective of customer success. We plan to redefine our criteria for human resources in 2021.

In the new Medium-Term Business Plan, which starts from fiscal 2022, we will step up efforts to implement netone DX across all areas of our operations and reinforce our service-focused stock business to drive forward the Integrated Service Business.

