

## 4 Review of Operations | Message from the Director in Charge of Business Units

### Steadily implementing the Medium-Term Business Plan by working closely with partners to develop value-added proposals while carefully monitoring developments in the business environment



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## Business Environment

In fiscal 2020, ended March 31, 2021, we made steady progress towards the targets in our Medium-Term Business Plan, despite dramatic changes in the business environment caused by the COVID-19 pandemic, which had only a modest impact on the Group's operations overall. However, we faced calls from some of our customers and partners to overhaul our business relationships with them after the discovery of cases of misconduct. In fiscal 2021, ending March 31, 2022, restoring trust in Net One Systems and rebuilding relationships with all stakeholders will be our priority issue.

### Conditions in the Business Environment and Performance in Each Market

#### Accurately identifying risks and opportunities in each market to develop high-value-added proposals

##### · Enterprise market

After the declaration of the state of emergency in April 2020, growth in remote working supported firm demand for related security measures and cloud platforms. In the manufacturing sector, demand was slightly weak due to reduced appetite for investment and delays to some projects amid the pandemic. After a temporary lull, the shift to digital systems and technology continues to accelerate in the manufacturing sector, so we will continue to focus on the smart factory market in fiscal 2021. We will also offer business life cycle solutions services that encompass solutions, services, finance and other fields to support all areas of customers' corporate groups, which should also open the door to comprehensive "grand design" proposals in the future.

Guided by these strategies, we plan to accelerate the Integrated Service Business by extending our customer base beyond the ICT divisions of major companies that are our key customers to target all their divisions, as well as companies in different sectors and with different business models.

##### · Telecom carrier market

Our business was strong in this market, spurred by upgrades to communication networks related to growth in remote working. In addition to service platform integration, we will continue to work closely with telecom carrier customers, including providing support for enterprise businesses and MSPs, to facilitate the shift to digital systems and technologies and enhanced security at private sector companies and public institutions. For communication facility-related business, we will need to keep a close eye on the characteristics and profitability of each project but also carefully address customer needs. We plan to actively participate in projects with good prospects for shared value creation while also monitoring market conditions.

##### · Public market

The school systems market expanded in fiscal 2020, driven by the government's GIGA School Program. Targeting business opportunities from the program, we leveraged our ability to formulate high-quality proposals and the frontline capabilities of our engineers and sales personnel to improve order success. Those efforts, along with growth in direct business with local governments, led to higher sales and profits in the public market. However, in the healthcare market, ICT investment by hospitals stalled due to the impact of the COVID-19 pandemic. We plan to step up our efforts in the healthcare market, which will be part of our strategy in the next Medium-Term Business Plan.

We expect system upgrade demand to gain momentum in the public market, including increased investment by local governments to create next cloud-based information security platforms and resilient systems. We aim to expand earnings in the public market by providing value-added proposals. That will mean redeploying personnel, working closely with consolidated subsidiary Net One Partners Co., Ltd. and building stronger relationships with partners that have close links to public institutions and local customers.

##### · Partner business

Sales in the partner business were weak, reflecting the impact of COVID-19 on partner companies and a review of business relationships with some partners after the discovery of cases of misconduct. However, our business relationships are gradually recovering and we expect the impact of the pandemic to ease somewhat in fiscal 2021. Going forward, we plan to rebuild our joint business model with partners and reinforce our position as a "high-value distributor." We will also extend our reach into new business fields, such as operation technology (control and operation of facilities) in the manufacturing sector.

## Developing New Models

### Aiming to provide remote working solutions to SMEs through our MSP model

Under the current Medium-Term Business Plan, we are establishing new models, such as providing support for MSPs and developing the refurbishment business.

In fiscal 2020, we booked a large rise in orders for MSP support, backed by the joint development of new services for the remote working market. Businesses are being encouraged to switch to remote working that is independent of specific locations, but only around 10% of Japanese companies, primarily large enterprises, have adopted that approach. Remote working is expected to become more common at SMEs. Through the MSP model, which allows us to approach more customers, we expect to capture a greater share of the SME market and generate solid growth. The use of remote working varies widely between regions and companies, so our solutions provided via MSPs will help companies close that gap. In addition, our solutions should encourage companies to migrate to 5G technology, which will be a tailwind for Net One, and using the highly efficient MSP model to develop new proposals will also boost profit margins.

The refurbishment business is still seeing demand from customers who want to optimize their ICT investment and system operation costs. However, orders fell short of our target due to delays in new projects amid the pandemic. Despite that, we achieved our profit target, thanks to high profit margins in the business.

In the MSP model, semiconductor shortages are leading to equipment delivery delays, which could restrict growth. We think the refurbishment business is well-placed to solve this issue. Our service business, which is also struggling to procure semiconductors, could also source and supply alternatives from the refurbishment business. One of the features of the business is that it can add new capabilities to meet customer needs in various ways. We plan to explore this potential going forward.

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### Outlook

### Backed by a new management structure, the Net One Group will develop a new strategy tailored to the latest market trends

Our main priority in fiscal 2021 is to achieve the final-year targets of the Medium-Term Business Plan. Also, we will step up efforts in strong-performing markets to create shared value with customers who understand and recognize the value that Net One provides.

Based on the assumption that the major changes in the market in 2020 are now here to stay, we will identify new opportunities and formulate a new strategy for the next Medium-Term Business Plan, backed by the Group's new management structure. We are also looking at updating the way we develop medium-term plans. Specifically, we want to link top-down management thinking with bottom-up employee ideas to develop a well-defined strategy that represents the whole Net One Group. Along with rapid messaging and promotion of the plan, we think this approach will increase awareness of the strategy and encourage every employee to act more independently.

### Human Resources

We have launched a radical overhaul of human resources systems to prevent further cases of misconduct — a priority issue for the Group. We have also formulated a new Human Resources Development Policy and revised the Code of Conduct to encourage employees to grow and develop independently. We will build a corporate culture with bottom-up input in business management and focus on strategic human resources who can grow with the company.

### New Human Resources Development Policy

### Creating an organization of independent-minded employees who always do the right thing

To prevent further cases of misconduct, we are revising regulations and guidelines, refreshing Net One's corporate culture and overhauling personnel systems. One of the issues with our previous human resources strategy was a lack of clarity about which division was responsible for devising and executing strategy. The mission of the Human Resources Department has been redefined to cover this role. Going forward, the Human Resources Department will lead the development and provision of training programs for employees, monitor implementation and uptake, and make improvements as needed. The goal is to reinforce and embed compliance in our organization and strategically train personnel.

From fiscal 2021, our new Human Resources Development Policy is to “help every employee grow and develop independently.” In line with the four core elements of our Personnel Training Strategy, which is underpinned by the netone Group Code of Conduct and the new Human Resources Development Policy, we will implement a range of training programs to reinforce skill levels and expertise in areas such as accounting literacy, compliance and J-SOX regulations.

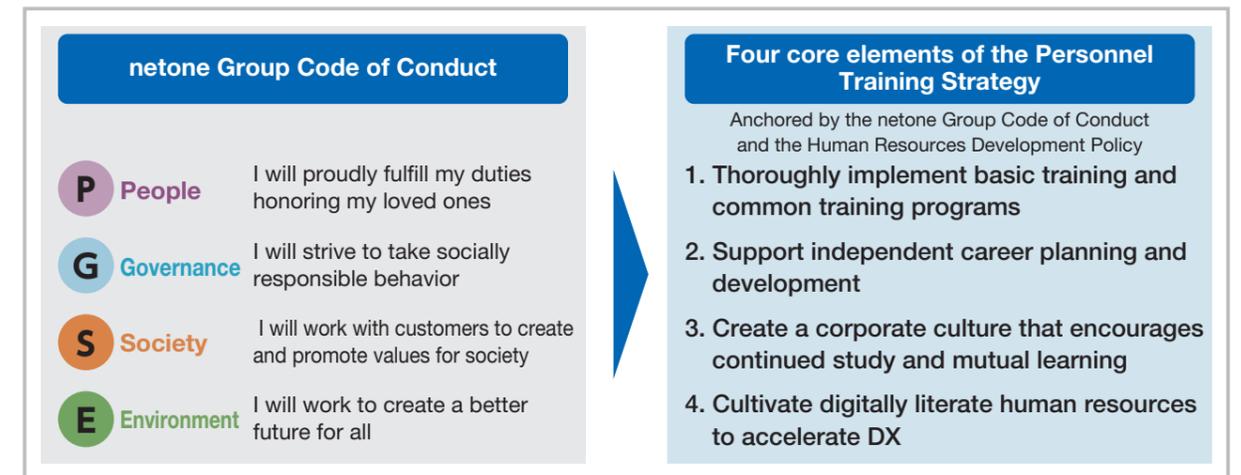
From my perspective as the executive director in charge of the Corporate Planning & Strategy Division (until June 22, 2021), I want every employee to have the skills to make the right choice by themselves, without relying on others to guide them. Our aim is to create an organization that continuously improves — where our employees, regardless of seniority or position, can advocate and push through their best ideas, and where every person asks themselves whether current approaches really are the best way of doing things. I am confident that our new Human Resources Development Policy and Personnel Training Strategy will help us create that kind of organization. Becoming rich in human nature and personality, a more humane person can only come from within, but as an organization, we need to gain a clearer picture of the individual differences and traits of each employee and think about how we can extend a hand of support to them to complement our personnel systems.

### Human Resources Development Policy and Personnel Training Strategy

#### Human Resources Development Policy

Help every employee grow and develop independently

#### Personnel Training Strategy



### Creating a Diverse Organization

### Pursuing true diversity by focusing on promoting employees at the business execution level

Net One Systems has one female independent outside executive director and one female independent outside auditor & supervisory board member, but we need to promote more women to senior positions. Some of our employees are currently taking part in the Japan Women's Innovative Network (J-WIN), an organization committed to cultivating female business leaders, to independently map their career paths.

To create a truly diverse organization, we have to promote women to senior executive positions, while also increasing the proportion of women and foreigners on the Board of Directors. To achieve that, we have to help employees build up a wide range of experiences and provide our full backing to promising managerial candidates as part of a supportive and motivating corporate culture. We will also explore other ways of ensuring greater diversity.

To put the recent cases of misconduct firmly behind us and reform Net One, employees will need to speak their minds. Management will also have to create a framework that addresses their insights and opinions. We will build better systems and relentlessly reform Net One's culture to create an organization brimming with positive ideas that can take us to the next stage.

