



April 28, 2022

To whom it may concern:

Net One Systems Co., Ltd.
(Stock Code: 7518, TSE Prime)

Notice regarding FY22–FY24 Medium-Term Business Plan

The Net One Group hereby announces that it has formulated a medium-term business plan covering FY03/23 to FY03/25 (FY22–FY24).

Digitalization has gone beyond ICT companies and manufacturing and service sectors to become the foundation for all industries. As digitalization in society proceeds at an accelerating pace, it has become essential to reinforce network infrastructure to solve problems across these areas. Our Group leverages our network technology capabilities, multivendor approach, and the expertise built up in serving a large customer base to provide optimal systems from a neutral standpoint. Furthermore, we employ the expertise gained from using systems in-house prior to installation at customer premises to provide services that take into account post-installation use.

Based on our understanding of the external environment and our Group's strengths, we aim to implement growth strategies and strengthen the management base that underpins them in line with our purpose: to unleash the potential of people and networks and create a prosperous future through a blend of tradition and innovation. We will also continue our efforts to create economic and social value, aiming at further improvement of corporate value and sustainable growth.

Please refer to attached materials for details of our FY22–FY24 Medium-Term Business Plan.



Net One Systems Co., Ltd.
Medium-Term Business Plan
(Fiscal Year 2022-2024)

Net One Systems Co., Ltd.

President & CEO Takafumi Takeshita

Long-term Vision

- 1. Our Declaration of the Net One Group**
- 2. Business Transformation**
 - Corporate History**
 - Transformation of Markets and Product Groups**
 - Major Initiatives over the Past Nine Years**
- 3. Recognition of the External Business Environment and Value Creation Goals**
- 4. Sustainability Policy**

Medium-Term Business Plan

- 1. Executive Summary**
- 2. Review of the Previous Medium-Term Business Plan**
 - Performance Highlights, Growth Strategy**
 - Recognition of Opportunities and Issues**
- 3. Recognition of the Business Environment**
- 4. Our Company's Strengths**

5. Basic Management Policy

- Reinforcement of the Business Base**
 - (1) Corporate Culture Reforms**
 - (2) Thorough Visualization**
 - (3) Personnel Strategy**
 - Growth Strategy**
 - (4) Business Strategy**
 - (5) Service Strategy**
 - (6) Financial Strategy**
 - Sustainability (Identification of Materiality)**
- ## **6. Performance Targets**

Appendix

- Initiatives for Preventing Recurrence**
- Business Model**
- Glossary**

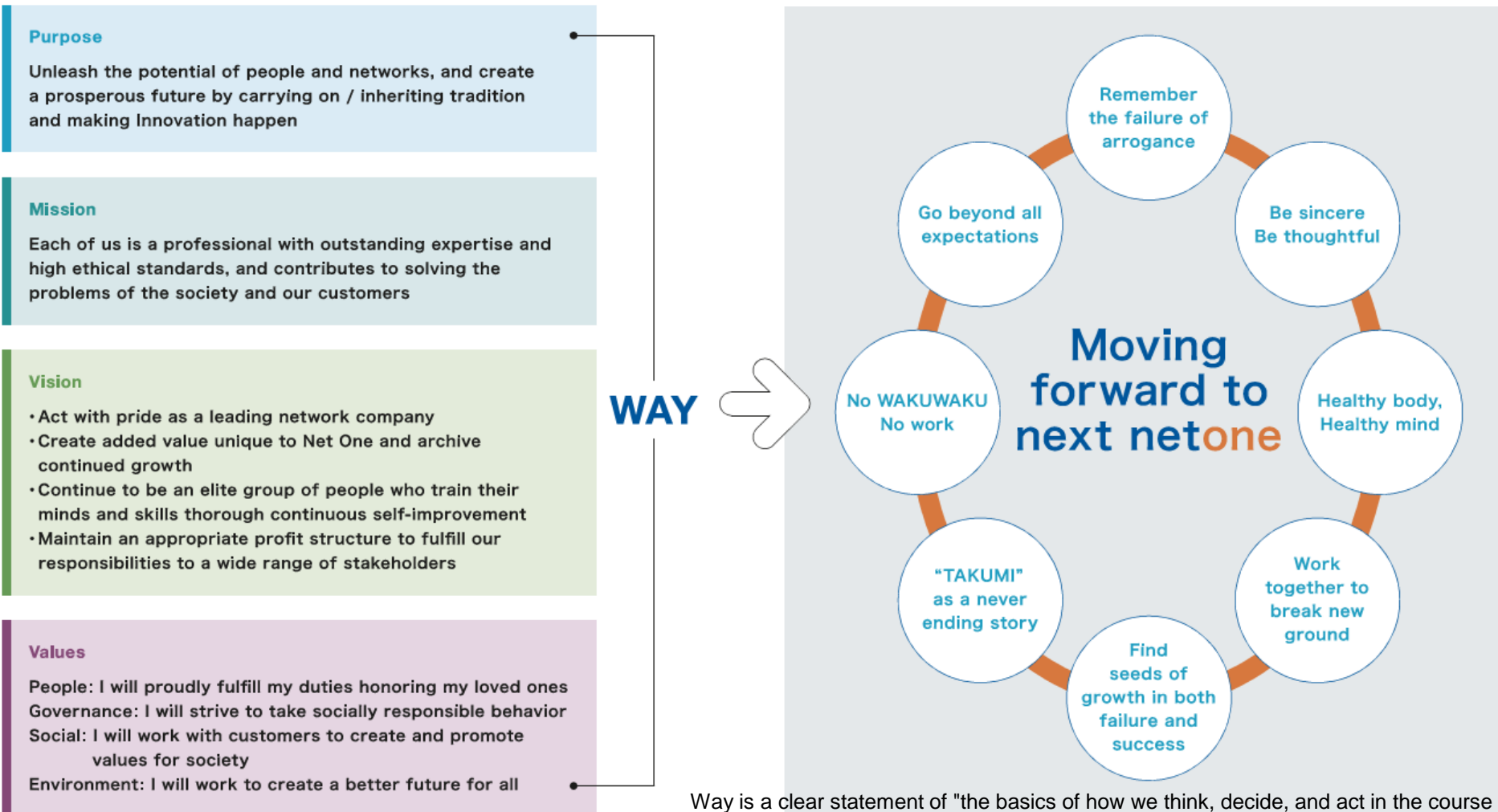
A solid blue vertical bar is positioned on the left side of the slide, extending from the top to the bottom.

Long-term Vision

Medium-Term Business Plan

1. Our Declaration of the Net One Group

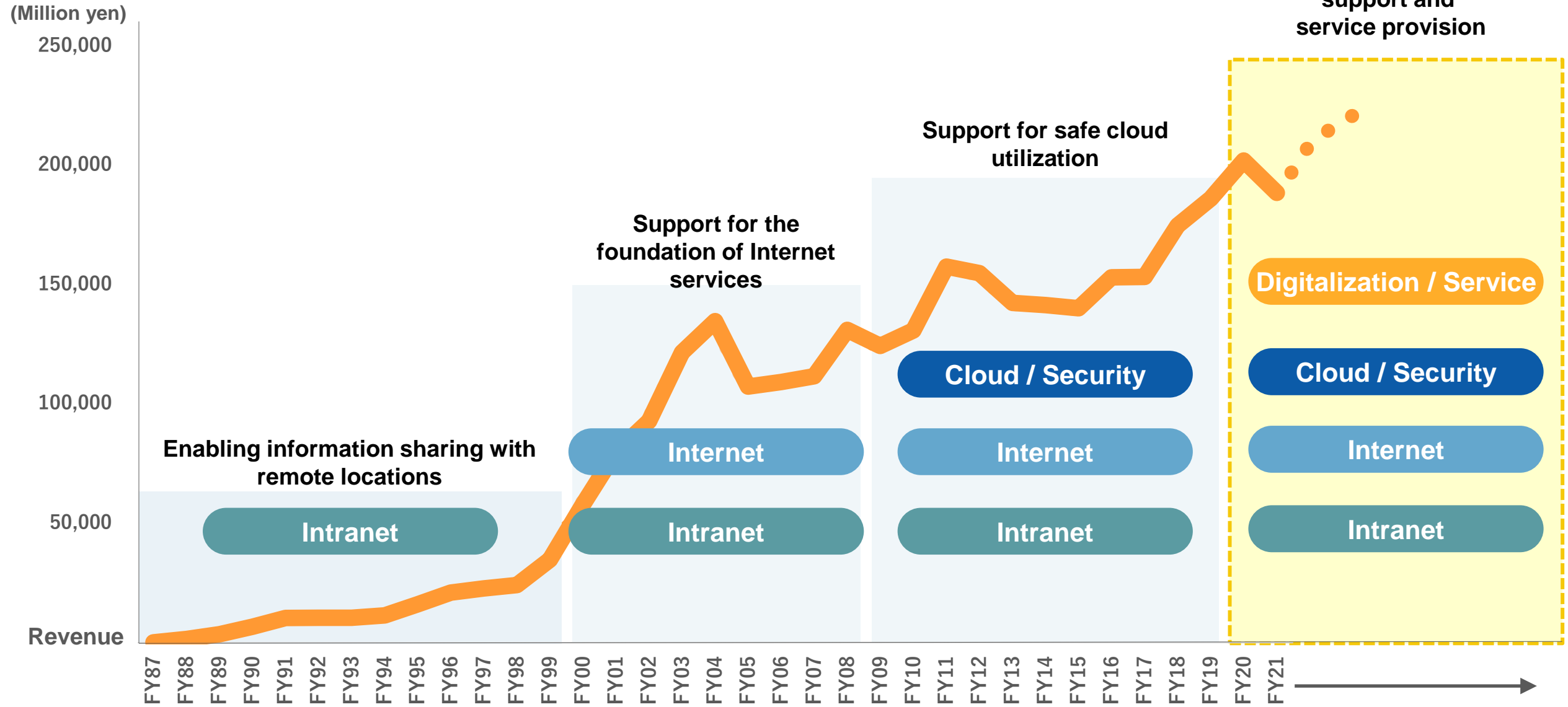
We have formulated its our Purpose, Mission, Vision, Values, and WAY (Principles of Conduct) to solve social issues through ICT utilization.



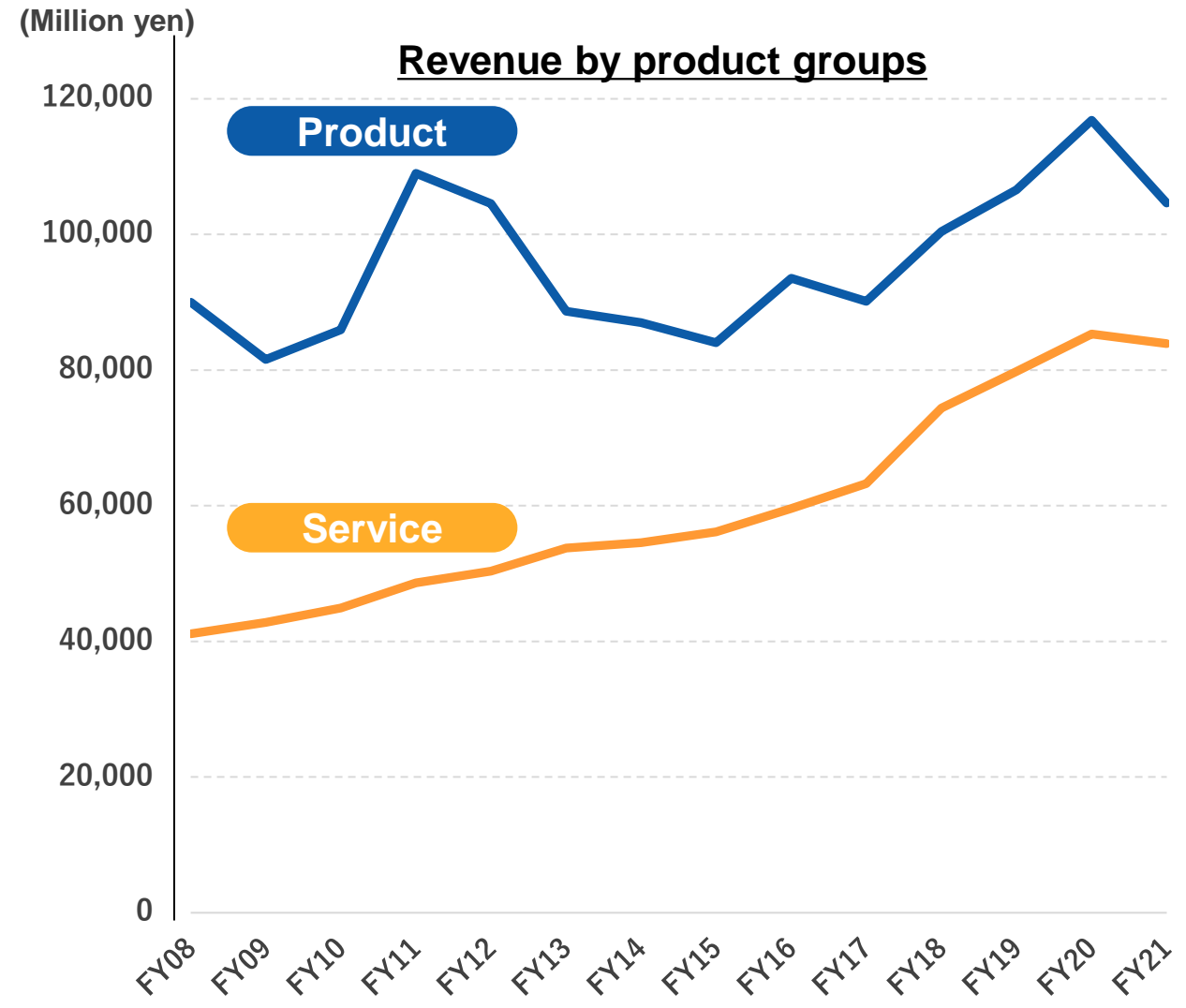
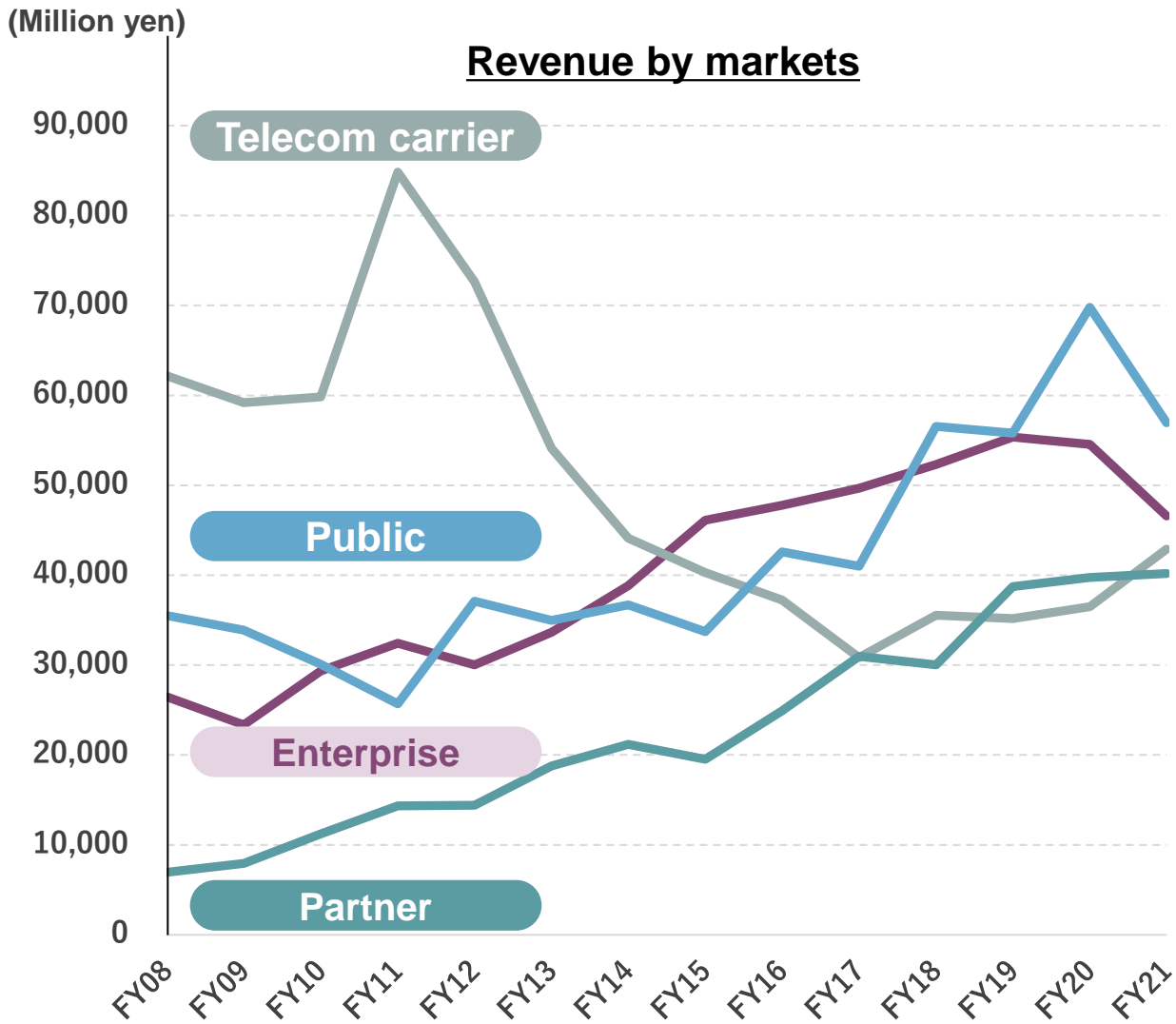
Way is a clear statement of "the basics of how we think, decide, and act in the course of our business ". It expresses the actions we actually take to realize what is important to us by linking Purpose, which is our will and cause, and Values, which are our values.

2. Business Transformation: Corporate History

Digitalization support and service provision

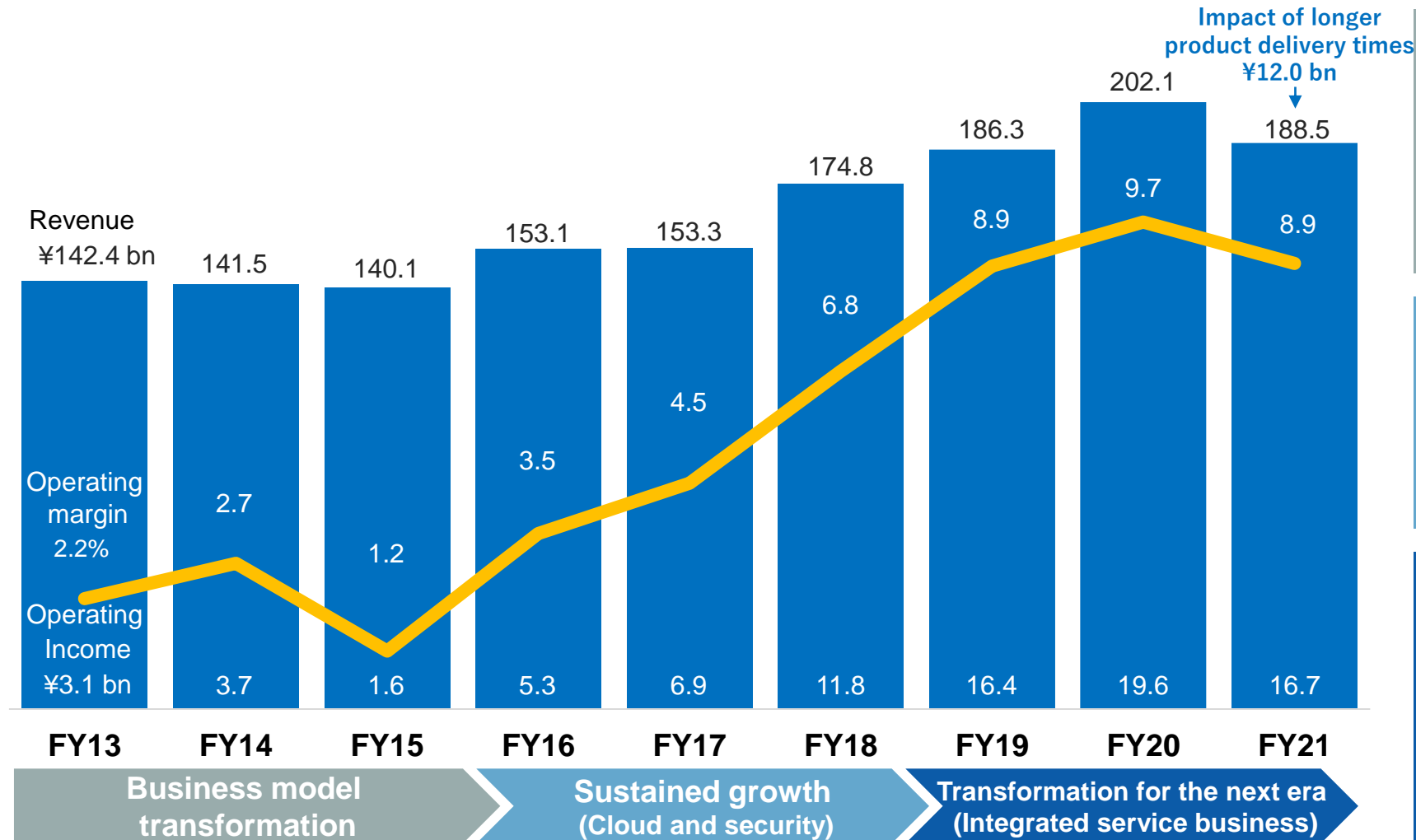


Each market expands well-balanced, value-added services



2. Business Transformation: Major Initiatives over the Past Nine Years

Focused on the expansion of cloud & security, an emphasis on profitability, and cultivation of customer needs



Business model transformation

Transformed the business model from a network specialist to an expert in all areas of ICT platforms, including cloud systems, security, and IoT
Broke away from a dependence on the telecom carrier market and expanded value-added business in all segments

Sustained growth

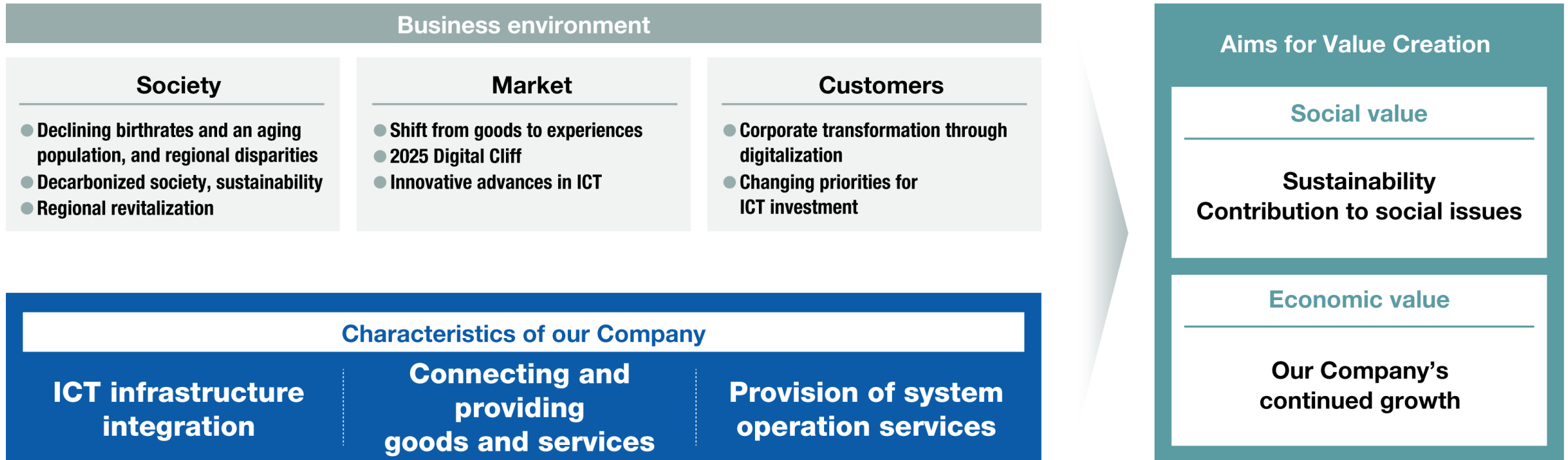
Improved our track record with cloud and security as our core business. Shifted from a hardware sales-oriented business to a business that includes highly profitable, value-added services

Transformation for the next era

Defined all our activities for customers as an Integrated service business to create high added value and supported the entire life cycle (the entire flow of planning, building, operation and optimization) for the future vision of ICT. Expanded the scale of our projects and improved profitability

3. Recognition of the External Business Environment and Value Creation Goals

Amidst the growing demand for digitalization, we regard businesses that can contribute to solving issues faced by society especially good business opportunities and are aiming for further growth and development by leveraging our unique characteristics.



Sustainability Policy

As a leading network company, we have grown by providing high value-added services that support the transformation of our customers and society.

Our value is "to create a prosperous future through tradition and innovation by unlocking the potential of people and networks," and we believe that contributing to "customer success," "employee happiness," "building co-creation relationships with partners," "increasing shareholder value," and "preserving the natural environment" through our business will enhance corporate value.

We will hone our ICT expertise in critical assessment and knowledge born of "superior network technology," "multi-vendor support," and "co-creation with customers" to provide services that create both social and economic values, thereby contributing to a sustainable society and achieving sustainable growth for our company.

Four materialities (key issues) to be addressed by the Net One Group

Realization of a safe and secure advanced information society

Thriving professional personnel

Contribution to a decarbonized society

Maintaining and enhancing a governance structure for sustainable growth



Long-term Vision

Medium-Term Business Plan

Awareness of current conditions

- Revenue and respective profits fell short of the plan due to delays in the timing of sales for several projects as a result of the continued lengthening of product delivery times caused by the semiconductor shortage. On the other hand, our Company made steady progress in capturing network-related demand, including record-high bookings.
- Digitalization is progressing in all industries at an accelerating pace. Going forward, the network field, which is positioned at the core of digitalization, will become increasingly important.
- Although some challenges remain regarding our internal structure, business opportunities are expanding significantly.

Basic policy

Reinforcement of the business base

- Install a solid management structure based on three pillars: corporate culture reforms, thorough visualization, and the maximization of the value of personnel

Growth strategy

- Expand our business fields by entering those that have a large potential for solving issues faced by society through digitalization
- Link support for DX strategy formulation with the package provision of cutting-edge examples, in order to install a highly profitable service lineup
- Pursue an optimal capital structure, by balancing strategic business investment and proactive shareholder returns

Performance targets

- Achieve the highest scale and profitability in our history, with revenue of 226.0 billion yen and an operating margin of 12.0%, while aiming for high capital efficiency with an ROE of 20% or more, by implementing our growth strategy

Customers began to view ICT as the core of their business transformation, and demand for digitalization has increased significantly.

This has led to an increase in business opportunities for our value-added, networks & security & cloud integrated ICT platform. On the other hand, the operating income target for fiscal year 2021 failed to be achieved due to the significant impact of the semiconductor shortage.

	Revenue	Operating income	Operating margin	Service ratio	ROE
Performance highlights	¥188.5 bn (target ¥220.0 bn)	¥16.7 bn (target ¥21.0 bn)	8.9% (target 9.5%)	44.5% (target 50.0%)	15.8% (target 16.8%)
Growth strategy	Focus markets and new models	Target bookings +¥25.0 bn Actual bookings +¥32.2 bn		Healthcare: Failed to achieve targets due to the impact of COVID-19 School systems: Peaked in fiscal year 2020 due to GIGA Smart factory: Continued growth MSP support: Co-creation has been successful leading to significant progress Refurbishment: Failed to achieve targets, but was established as a business	
	Integrated service business	Target service ratio 50.0% Actual service ratio 44.5%		New initiatives to provide operational support to grand design proposals led to a CAGR of 7.8% for growth in revenue in the service product group, which contributed significantly to the improvement in gross profit margin. On the other hand, the service ratio did not reach the target, as the product group also saw a simultaneous growth.	
	Work style innovation 2.0 / DX	Significant progress has been made in efforts toward work style innovation, in conjunction with responses to the COVID-19 pandemic. On the other hand, DX saw a delay in progress, as priority was given to reestablishing policies and responding to scandals.			

Opportunities

Expanded business ICT investments and sustainability investments of customers

Through deep relationships with customers, we have gained opportunities to participate in and support upstream DX strategies and grand designs, thereby expanding areas related to the business ICT investments and sustainability investments of our customers.

Expanded business opportunities through co-creation

We accelerated support for MSP through co-creation with service providers and others. Further business development is in sight, through standardization and automation.

Expanded customer contacts

Achieved an organization and working styles that maximize the quality and efficiency of sales representatives and engineers, thereby deepening and expanding our customer base

Issues

Governance and corporate culture

Multiple scandals occurred. The challenge is not only to prevent recurrence, but also to continuously reform the corporate culture itself, to build a stronger business base.

Promote stock-type business

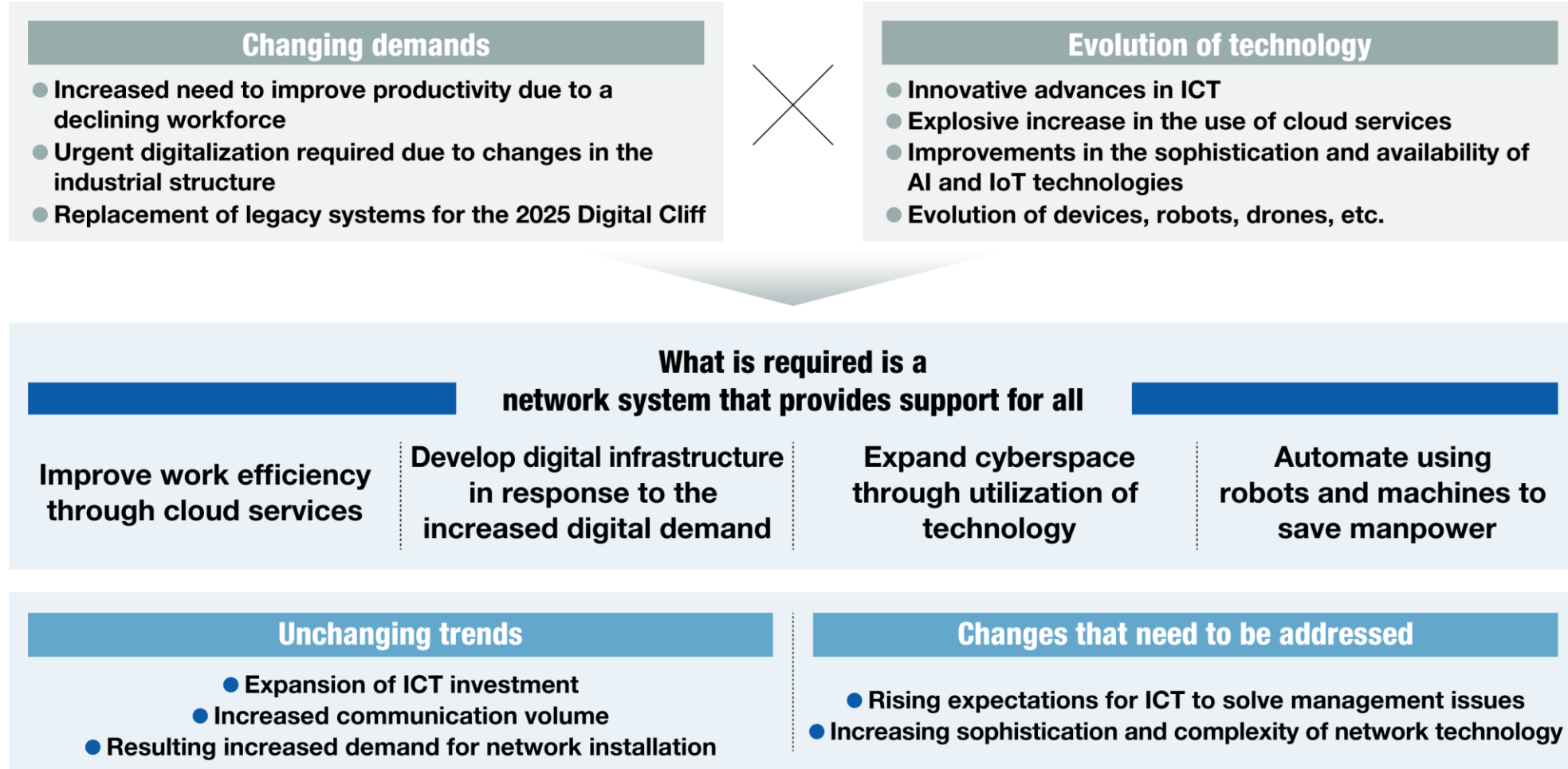
Short-term revenue declined due to the spread of COVID-19 and delays in product delivery caused by the semiconductor shortage. The challenge is to promote stock-type businesses to enable stable management.

Data visualization

There were issues with the monitoring methods for revenue and business risks, in terms of speed and comprehensiveness, due to the inability of the management system to keep pace with the increasing complexity of the business structure.

3. Recognition of the Business Environment

Digitalization is no longer limited to IT companies, manufacturing businesses, and services businesses, but has become the foundation of all industries. As social digitalization is continuing at an accelerating pace, strengthening the network infrastructure is essential to solving these issues.



4. Our Company's Strengths

We realize optimal systems from a neutral standpoint through our network technology capabilities, multi-vendor support, and expertise in critical assessment cultivated from our large-scale customer base. We provide services that incorporate ideas regarding potential applications after introduction of the system, by making full use of utilization know-how accumulated based on in-house implementation, prior to deployment to customers.

Our strength is our expertise in critical assessment

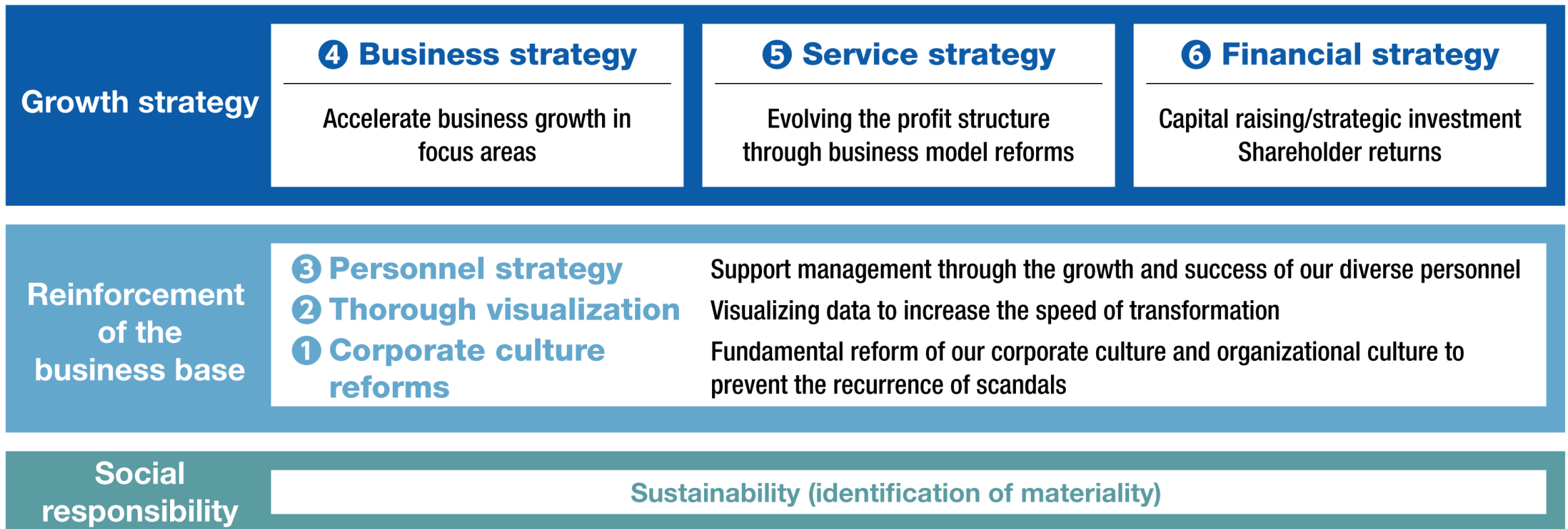
Network technology capabilities	<ul style="list-style-type: none">● As a pioneer of Nler in Japan, we have unparalleled technology and knowledge in the networking field● Specializing in the ICT infrastructure required by all companies, enabling the lateral deployment of technology
Multi-vendor support	<ul style="list-style-type: none">● Offers optimal solutions for customers, with no affiliations to a single vendor or corporate group● Capable of providing optimized, cutting-edge solutions due to our extensive knowledge of the latest network equipment from overseas
Large-scale customer base	<ul style="list-style-type: none">● Strong relationships with large-scale customers and accumulated know-how in diverse range of industries

Strengths to be utilized and acquired in the future

DX enablement capabilities	<ul style="list-style-type: none">● Ability to make proposals and respond to the business challenges of our customers, leading to the achievement of solutions together● Requirement definitions with a comprehensive view of business support that goes beyond ICT specifications
Expertise	<ul style="list-style-type: none">● Develop and provide the latest and best solutions in the networking field, in response to increasingly complex technologies and customer needs
Standpoint of customer success	<ul style="list-style-type: none">● Expansion of post-implementation lifecycle services (planning, building, operation and optimization)● Realization of customer success by linking DX enablement capabilities, expertise, and lifecycle services

5. Basic Management Policy

Implement growth strategies toward our new redefined philosophy system (Purpose, Mission, Vision, Values), and reinforce our business base to support these strategies



5. Reinforcement of the Business Base (1) Corporate Culture Reforms

In order to prevent the recurrence of past scandals, we have positioned corporate culture reforms as a key measure. We have established a specialized organization as an advisory committee to the Board of Directors for such reforms, to further promote the reform of our corporate culture, and the implementation and instilling of measures to prevent the recurrence of such scandals.

Governance and Corporate Culture Advisory Committee

Governance and corporate culture reforms

Enhancing governance

- Shift focus from business management to monitoring
- Strengthen the management oversight system, including further coordination of three-way audits, etc.

Corporate culture reforms

- Foster an environment in which employees feel comfortable voicing their opinions
- Instill a new code of conduct and values
- Train and actively recruit personnel
- Create a system to prevent scandals from being forgotten

Continuous implementation of measures to prevent recurrence

- Continued implementation, including the improvement of recurrence prevention measures developed under eight themes

Enhance internal control systems

- Strengthen the effectiveness of the three (Defense-) lines model
- Continuous, effective PDCA implementation

Support a business base that is conducive to decision-making, via active communication based on information common to all employees through thorough visualization

Current unsatisfactory visualization

The management system has not been able to keep pace with the increasing complexity of the business structure

Specific issues

Delay in development of a data integration platform, decentralized data management

- Internal data is scattered among different departments and individuals

Inconsistent profitability management on a project-by-project basis

- Management still undertaken on an individual product or service basis
- Cost and quality evaluation of outsourcing is also insufficient

Organization is divided on a top-to-bottom basis, and coordination is insufficient

- Duplications of internal projects
- Internal terminology is inconsistent, and departments are not always on the same page during discussions

Thorough visualization to be realized

Improve business performance through a timely understanding of the data and facts related to business conditions and issues

- Fact-based management judgments and faster decision-making
- Prevention of recurrence and promotion of corporate culture reforms

Visualization of management

Management of estimates and results based on a unified data platform

Visualization of business processes

Installation of a project management system that realizes overall optimization

Visualization of organization and people

Development of comprehensive project management and process development

5. Reinforcement of the Business Base (3) Personnel Strategy

Create an environment in which personnel who have a desire to grow can take on challenges without hesitation and demonstrate their abilities to the fullest

Professional personnel training

Provide support for the development of individual expertise, so that everyone can demonstrate critical assessment skills in their responsible industries, technical fields, and corporate functions, and provide value with a high level of quality

Train personnel with strong expertise in both corporate and business divisions

Expansion of consulting personnel

Expansion of DX/CX personnel for the service business

Providing an environment where personnel can thrive

Install an environment and structure that enables personnel with different areas of expertise and values to respect each other and create value in optimal teams that are tailored to the needs of customers

Create an environment where the entire company engages in efforts to expand customer contact points

- Reorganization of the technical organization
- Consolidation of sales administration

Transition to a personnel system that supports diverse growth

- Schemes for evaluating team activities

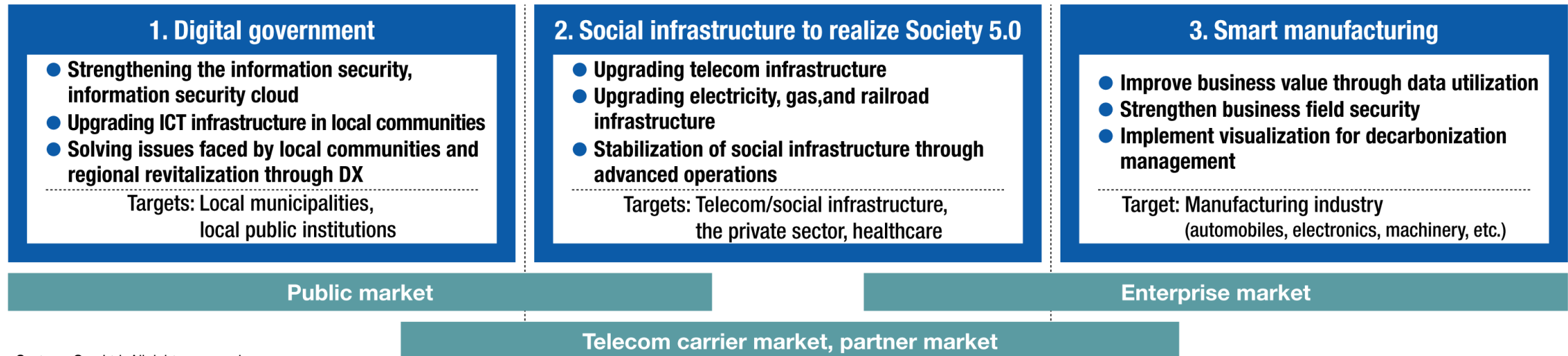
Providing learning through industry-academia collaboration

5. Growth Strategy (4) Business Strategy

Accelerate business growth in three focus areas that are adjacent to existing businesses, to contribute to solving issues faced by society

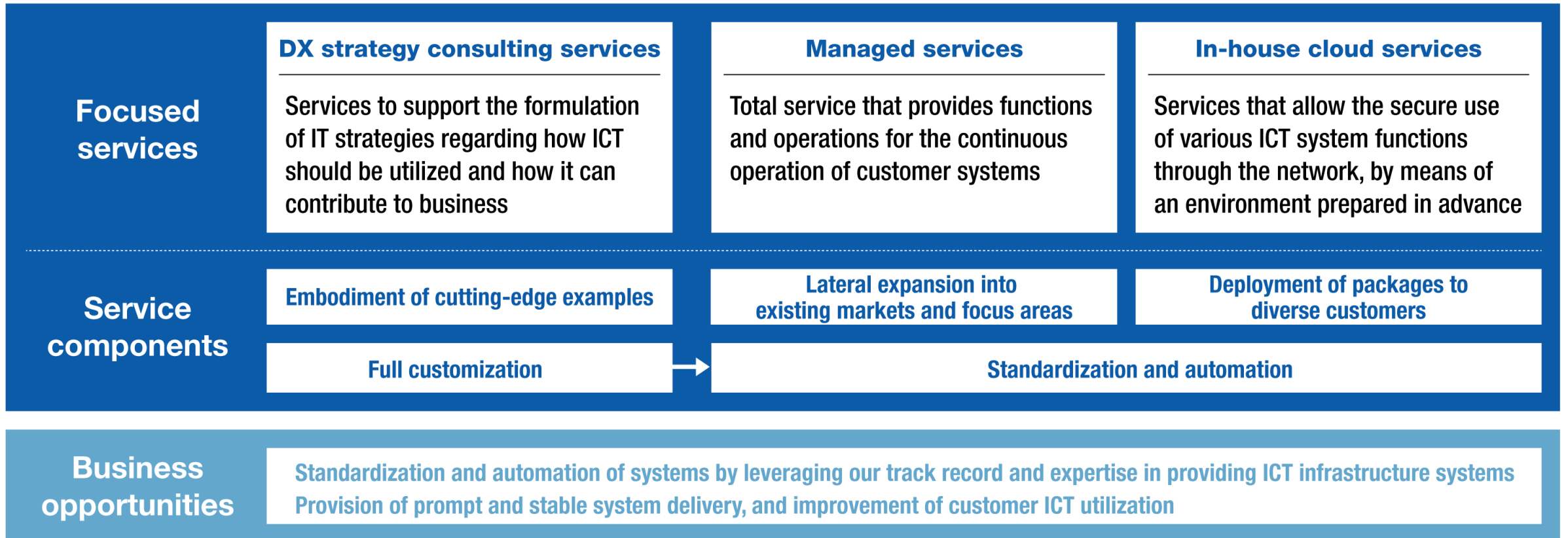


- Which areas are closely correlated with issues faced by society and have a large potential for problem solving through digitalization?
- What areas are likely to generate mutual synergies through use of our Company's track record?
- What areas in digital data utilization needs are expected to grow over the next five years?



5. Growth Strategy (5) Service Strategy

Develop highly profitable services to meet changing needs; achieve system standardization and automation by leveraging past track records, and realize improvements in “the utilization of ICT by customers”, by linking business strategies to cutting-edge technological knowledge



5. Growth Strategy (6) Financial Strategy

Enhance our corporate value through three pillars: strengthening profitability through strategic investments, pursuit of an optimal capital structure, and proactive shareholder returns

Basic policy

- Realize an acceleration of growth, and enhance profitability by proactively investing capital to execute growth strategies
- Fund investments through cash on hand, as well as capital procurement through borrowings
- Continue to proactively pursue shareholder returns, with a target dividend payout ratio of 40%

Strategic investment

30.0 billion yen level
(2022 to 2024)

Compared to the previous
Medium-Term Business
Plan: 1.5 times

Investment for improvement

- Thorough visualization
- Internal DX infrastructure
- Strengthen security

Growth investment

- Personnel training and acquisition
- Sustainability
- Investigative research for new services
- M&A
- Service platforms for business

Finance policy

- Use cash on hand and cash generated by business
- Use debt financing as the basic method for new capital procurement

Shareholder returns

- Determine shareholder returns based on a consolidated dividend payout ratio target of 40%, while comprehensively taking into account factors such as business performance, financial position, and progress in the Medium-Term Business Plan
- Use internal reserves for investment in growth and share buybacks as part of a flexible capital policy

5. Sustainability (Identification of Materiality)

Four materialities and KPI

Realization of a safe and secure advanced information society



1 Provide solutions and services by issue and domain

- Revenue of social issue-solving solutions*1.....2024 target: **30.0** billion yen

2 Expand and promote the service business

- Service ratio2024 target: **55** %

*1: Social issue-solving solutions: three focus areas of the Medium-Term Business Plan: digital government, Society 5.0, and smart manufacturing

Thriving professional personnel



1 Train IT personnel for the next generation

- Security personnel
CISSP certification 2030 target: **80** people
Security specialists 2030 target: **100** people

- Cloud personnel
Front department 2030 target: **50**% more (compared to 2021)

- DX personnel
Corporate division 2030 target: **150** people increase
Business improvement proposals **100** (cumulative total from 2022 to 2030)

● Train ICT personnel for the next generation

2 Promotion of diversity and inclusion

- Ratio of female executives 2030 target: **15**%
- Ratio of newly hired female graduates 2030 target: **50**%
- Male employees taking paternity leave and special leave for childbirth 2030 target: **90**%

Contribution to a decarbonized society



1 Reduce greenhouse gas emissions through our business

- Expansion of green solutions

2 Reduce emissions in the business processes of our Company

- Establishment of medium- and long-term targets

Maintaining and enhancing the governance structure for sustainable growth



1 Foster the corporate culture and enhance internal controls

- 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

2 Realization of Health and Productivity Management®

- Certification as an Outstanding Organization of Health and Productivity Management

Health and Productivity Management® is a registered trademark of Nonprofit Organization KenkoKeiei.

6. Performance Targets

Expand the areas in which we provide value, while shifting our approach to solving social issues, and increase corporate value by further improving profitability and efficiency

	FY2021 results	FY2022 targets	FY2023 targets	FY2024 targets
Operating margin	8.9%	10.5%	11.2%	12.0%
Revenue	¥188.5 bn	¥210.0 bn	¥220.0 bn	¥226.0 bn
Service ratio	44.5%	47.6%	50.0%	55.0%
ROE	15.8%	19.2%	19.5%	20.0%

charge ∠ channel ∠ change



net one

We steadily implemented recurrence prevention measures as planned and built a foundation for fostering a corporate culture that will prevent fraud from ever occurring again. We will firmly restore trust by continuing to strengthen the effectiveness of our preventive measures, promote corporate culture reform, and monitor progress while incorporating the opinions of our employees in FY2022 and beyond.

Objectives

Prevent fraud from recurring and restore stakeholder trust

Accomplishments in FY2021

Reviewed management vision and Code of Conduct

- Management and employees worked together to develop a new corporate philosophy system (the Company's purpose, mission, goals, values, and action guidelines) as the basis for corporate culture reform

Developed and strengthened internal control systems

- The Internal Control Enhancement Council, headed by the President and CEO and including outside experts, promoted company-wide and continuous measures to prevent recurrence
- Established a 1.5th line of defense (Business Control Division) to check and support the first line of defense from a standpoint closer to on-the-ground staff
- Strengthened the structure and functions of the third line of defense (Internal Audit Office)

Promoted various improvement initiatives that incorporate opinions from on-the-ground staff

- Promoted each initiative while gathering employee opinions and providing feedback

Disclosed information regarding recurrence prevention measures to stakeholders

- Submitted an improvement status report to the Tokyo Stock Exchange
- Disclosed monthly progress status and detailed semi-annual operational status on our website

Action plans for further progress in FY2022 and beyond

Strengthen corporate governance by reviewing organizational structure

- Strengthen supervision of business execution and establish a prompt and flexible business execution system by transitioning to a company with an audit and supervisory committee (planned)

Spread new management vision and Code of Conduct

- Promote activities to disseminate the new corporate philosophy system by bringing together all members of management and employees

Establish a mechanism to ensure our corporate values stay

- Establish a forum for management and employees to reflect on the past, including instances of fraud, and to realize the future development of the Company

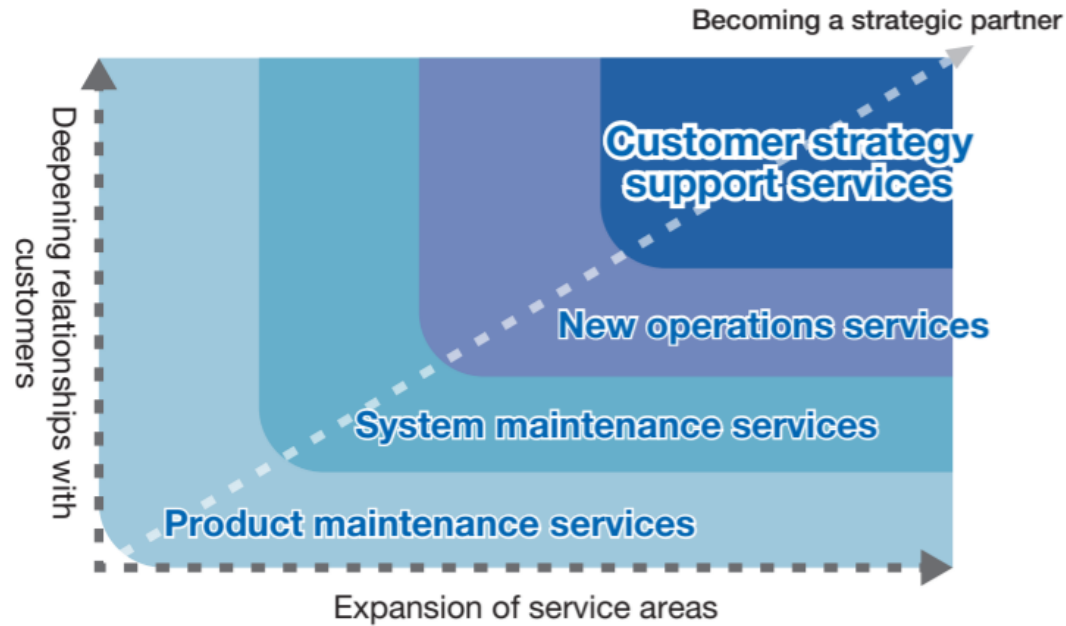
Further strengthen operation of internal control system

- Continue efforts to further enhance the effectiveness of improvement initiatives
- Regularly monitor the implementation of recurrence prevention measures (in addition to internal audits)

Strengthen governance of Group companies

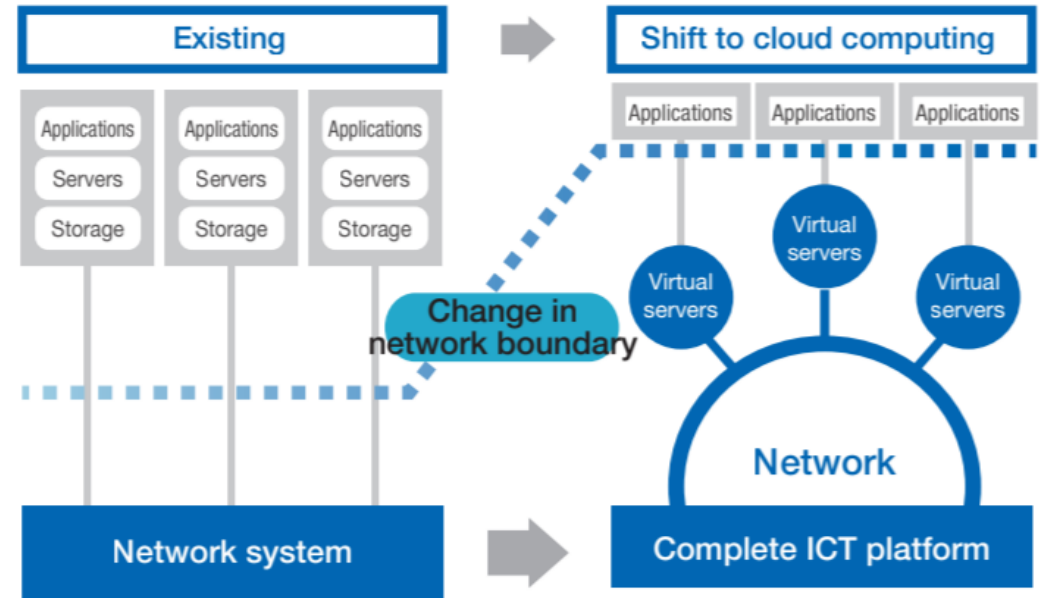
- Promote improvement activities in accordance with the business practices of each company by fostering a common understanding of the objectives shared by all Group companies
- Establish and operate a common whistleblower contact desk for all Group companies

Evolution of relationships with our customers and provided value



Supporting the formulation of ICT infrastructure strategies and becoming a strategic partner for our customers

Expansion of our business fields



Transforming from a network specialist to an expert in all areas of ICT platforms, including cloud systems, security, and IoT

Customers

WAY

“WAY” is a clear statement of “the basics of how we think, decide, and act” during our business. It expresses the actions we take to realize what is important to us by linking Purpose, which is our will and cause, and Values, which are our values.

MSP (Managed Service Provider) support

A solution that supports provider services with support from line connection to use. It is a business model that enables rollout of business to SMEs efficiently.

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.

Stock-based business

A business model that generates ongoing revenue by creating mechanisms and infrastructure, and providing services for a fixed fee (where customers use products and services continually). It includes maintenance, operations, and managed services.

Smart manufacturing

One of the focus areas in our 2022-2024 Medium-Term Business strategy. It supports DX in manufacturers, supply-chain resilience, and decarbonization management.

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.

Society 5.0

“Society 5.0” is defined in the Japanese government's [“5th Science and Technology Basic Plan”](#) as “a human-centered society that balances economic advancement with the resolution of social problems by a system that highly integrates cyberspace and physical space.”

Digital government

One of the focus areas in our 2022-2024 Medium-Term Business strategy. It refers to the revision of administrative services across the boundaries of the top-to-bottom structure of government offices, national versus local, and public versus private, which hinder overall optimization, based on the thorough utilization of digital technology and public-private collaboration. In doing so, it supports the transformation of the very nature of government itself.

DX (Digital Transformation)

The utilization of ICT to create new earnings models or deliver substantial improvements in business efficiency.

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.