Net One Systems Business Overview

(Performance figures in this report are based on Japanese GAAP)

Net One Systems Co., Ltd.

April 2025

At a Glance

Our greatest source of added value: “world-leading network technology,” which we have continuously refined since the Company’s inception
Designing the general architectures of IT infrastructures from a network-based perspective while integrating and operating a wide range of multi-vendor products

Business domain

- Specialization in IT infrastructure (not including applications)

Employee count

- Number of employees: approx. 2,600
- About 60% of staff are engineers

Products and services

- Products from leading overseas vendors
- Engineering services (plan, build, operate, optimize)

Added value

- General architectural design
- Installation and operation of multi-vendor products (creating value that extends beyond individual vendors)

Customers

- Private companies, telecom carriers, public institutions, and corporate partners
- Principally large companies and public institutions

Business expansion

- Expanding network access points through digital transformation
- Expansion of network-related technologies (cloud, security, etc.)

GPM by type of deliverable

- Product: approximately 20%
- Service: about 30%

GPM improvement

- Service ratio expansion
- Improvement in GPM generated through services

Market recognition

- Networks = Net One Systems
- Japan’s largest body of installation experience
- Area of expertise: large-scale systems and cutting-edge technologies

Company Profile
/ A Company That Understands the Possibilities of Networks

Established during the early days of computer networking in Japan, we are the nation's first integrator specializing in networking. Focusing primarily on "world-class network technology," we contribute to the development of large-scale IT infrastructure for private enterprises, telecommunications carriers, and public institutions.

Company name	Net One Systems Co., Ltd.
Established	February 1, 1988
Representative	Takafumi Takeshita, President & CEO
Head office	Tokyo
Business description	Integrates ICT platform and provides related services

Purpose

Unleash the potential of people and networks, and create a prosperous future by carrying on / inheriting tradition and making Innovation happen.

Corporate Logo

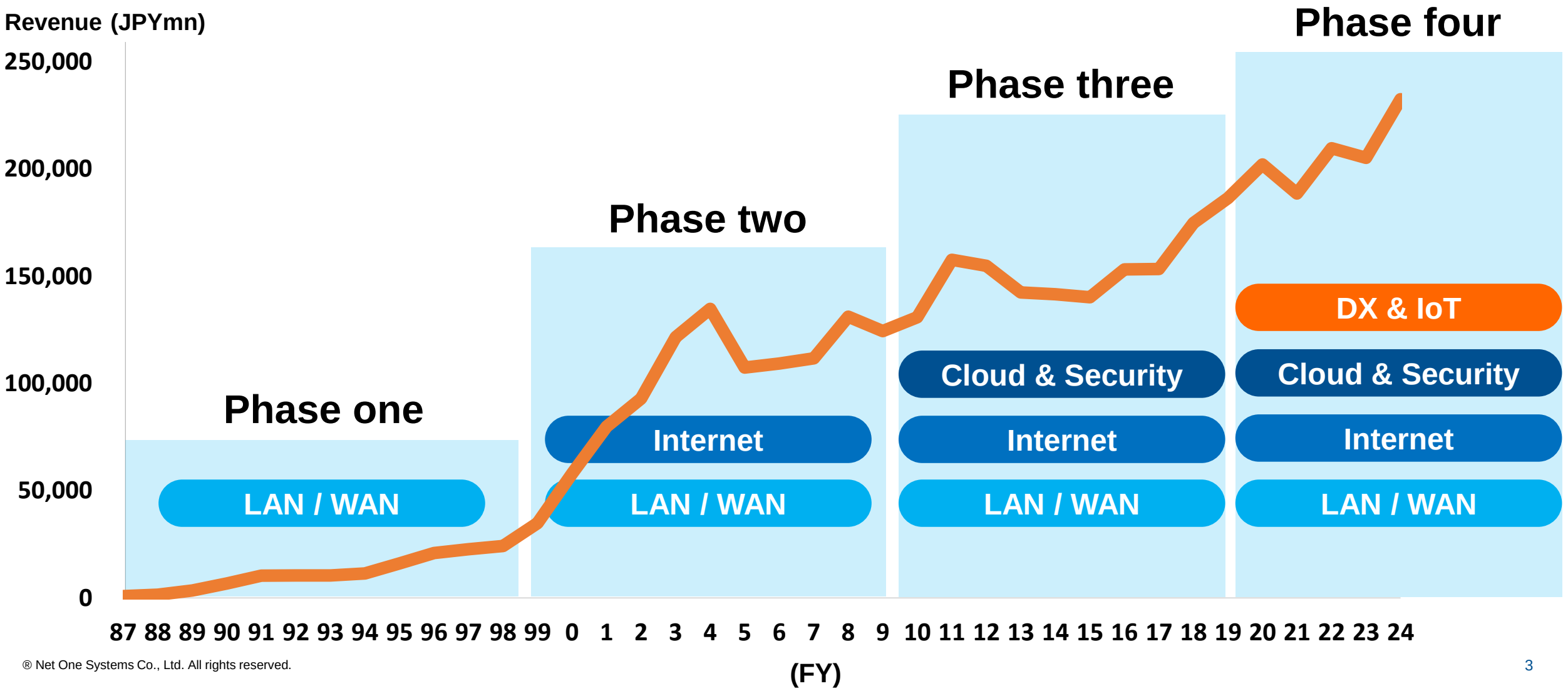
Artist's conceptualization of the Japanese character for *Takumi* (experts)

charge ∠ channel ∠ change

net one

Business Area Expansion and Revenue Growth

**Since its founding, Net One Systems' world-class network technologies have been central to its creation of value.
Given IT advancement and its expanded application, our revenue has risen as organizations establishing network connections have grown in number and the scope of technologies governed by networks has broadened.**



Supplementary Information concerning Business Area Expansion and Revenue Growth

- **Phase One**

We were founded in 1988, when network technology was in its infancy. Over a period of roughly 10 years, we expanded revenue generated through our integration of internal networks for major companies and research institutes to JPY30bn.

- **Phase Two**

During phase two, we observed rapid expansion in Internet services provided through telecom carriers. Our “carrier-grade” advanced network technology became well-received among telecom carriers, and our revenue grew to JPY130bn.

- **Phase Three**

Net One Systems provided support for 4G services rendered by mobile carriers and reached a performance peak in FY2011. At that time, the Company was highly dependent on the telecom carrier market for revenue generation, and the future prospects for capital investment within this market were difficult to project. Accordingly, the Company sought to expand into new business areas with the aim of securing sustainable growth. In line with these objectives, the Company ventured into cloud infrastructure construction and security measures utilizing advanced network technology. Meanwhile, the Company expanded its scope to target the enterprise and public markets. During this same period, the Company also launched a partner business to ensure efficient expansion of its market coverage.

However, these business reforms required the Company’s engineers to acquire expertise concerning cloud computing and security, a process that took considerable time. Largely due to this transition, the Company reported lower performance from FY2012 through FY2015. In FY2016, the Company’s business reforms began to generate positive effects, driving higher revenues, raising gross profit margins, maintaining or lowering SG&A ratios, and improving operating margins.

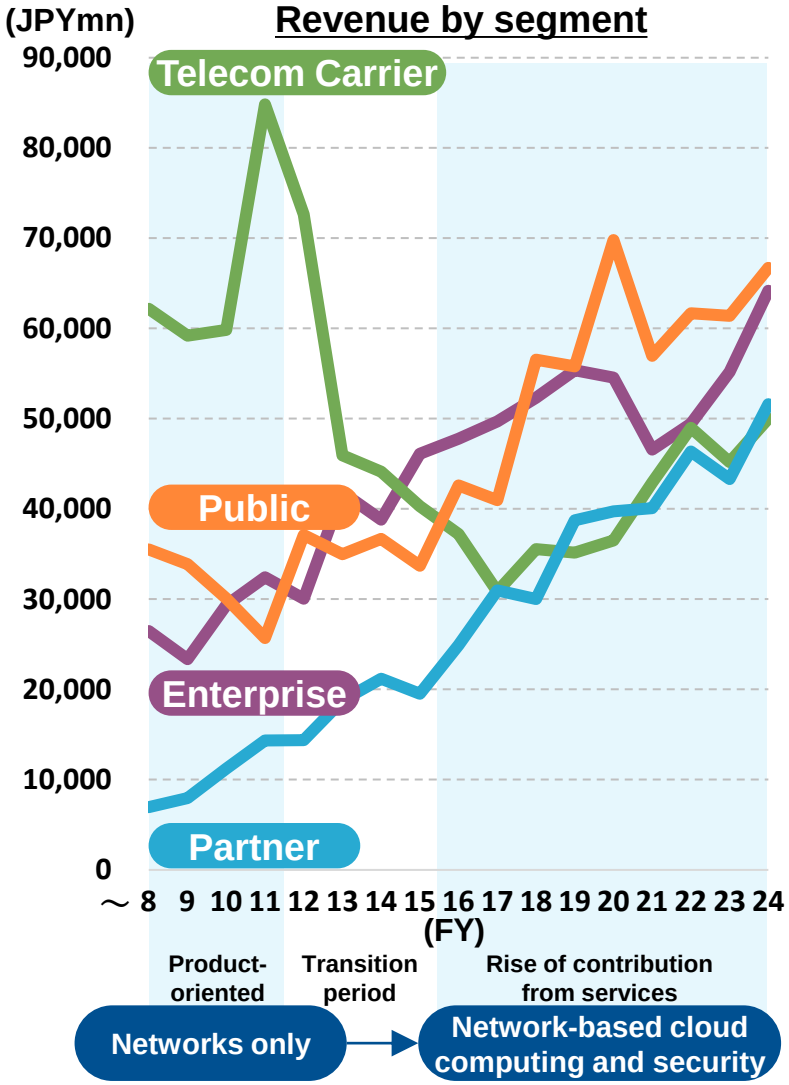
- **Phase Four**

Digitalization is underway, and we have entered an era in which seemingly everything is connected by secure networks, including companies (entire organizations), homes (remote work), factories (smart factories), schools (GIGA schools), and hospitals (medical digital transformation). Meanwhile, society is shifting toward the use of multiple cloud systems (multi-cloud).

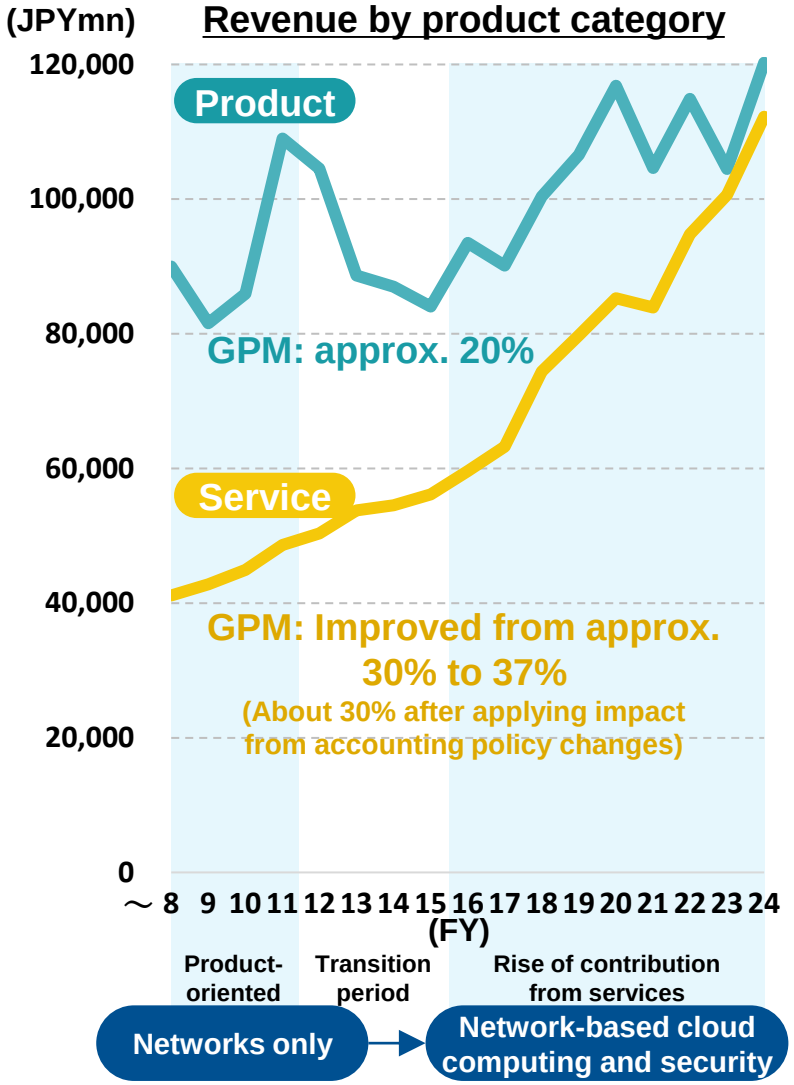
Given this trend of digitalization, locations and technologies characterized by connectivity are expected to become more numerous moving forward, and network environments are projected to grow in their complexity and sophistication. Precisely in response to these general tendencies, Net One Systems aims to fully leverage its core competencies surrounding “world-leading network technology.”

Recent Transformation of Business and Profit Structures

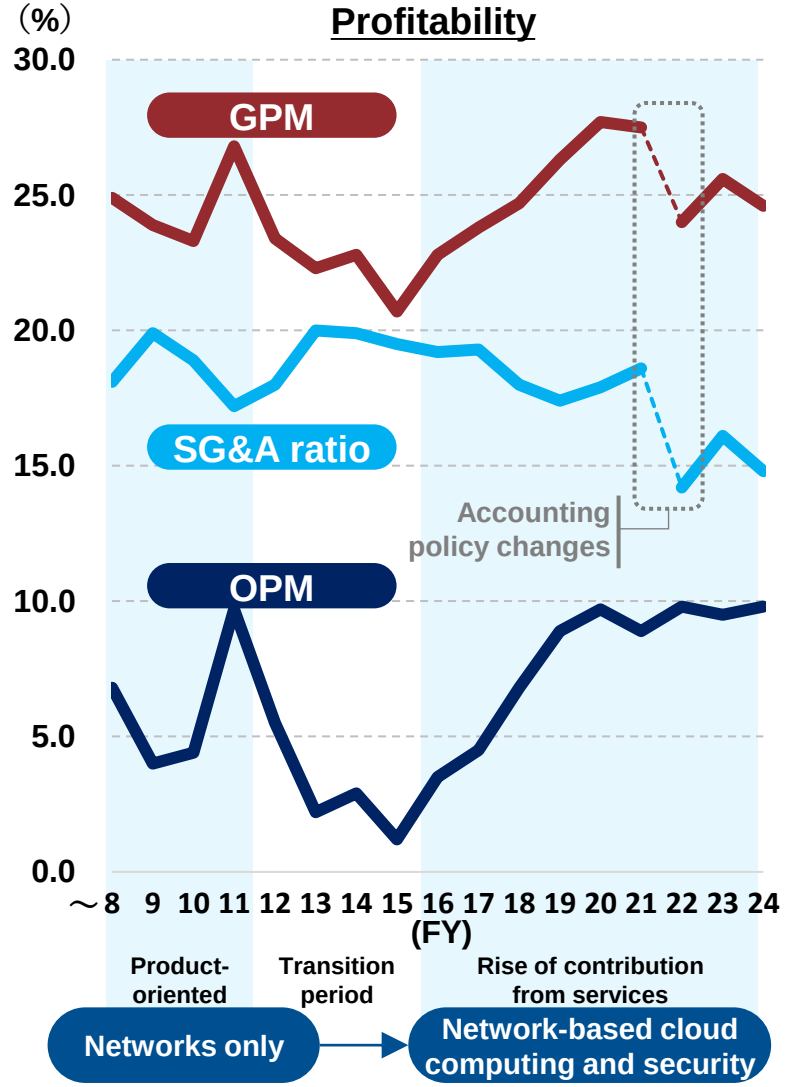
Shift from dependence on telecom carriers to a more balanced approach



Service business expansion



Raising added value and improving productivity



Supplementary Information concerning Recent Transformation of Business and Profit Structures

- **Shift from dependence on telecom carriers to a more balanced approach (left)**

Through FY2011, our performance fluctuated greatly depending on capital investment among telecom carriers. Subsequently, we achieved growth through business activities related to cloud infrastructure construction and security measures, particularly within the enterprise and public markets, while also launching our partner business. Thanks to these changes, we successfully established a well-balanced segment structure.

- **Service business expansion (center)**

Net One Systems expanded the ratio of earnings that it generates through services, which yield comparatively high gross profit margins, by shifting from a focus on hardware sales (average gross profit margin of approximately 20%) to concentration on the delivery of various ancillary services, including design, integration, maintenance, and operation (average gross profit margin of approximately 30%). Moreover, we also generated growth in the gross profit margins contributed by these services themselves.

- **Raising added value and improving productivity (right)**

Net One Systems has improved its gross profit margin by creating added value through business activities related to cloud infrastructure construction and security measures and the delivery of various ancillary services. The Company's specialization in IT infrastructure enables it to provide similar solutions regardless of segment, and this advantage allows the Company to maintain or lower its SG&A ratio. Leveraging these favorable circumstances, the Company has generated improvement in its operating margin.

(Note) changes in accounting standards
Starting from FY2022, portions of labor costs and other expenses that are incurred through the delivery of services by our engineering division, and were formerly recorded as SG&A expenses, have instead been booked as costs of revenue. As a result, gross profit margins and SG&A ratios have decreased in comparison with those under our previous accounting standards. We have also observed slight change in operating margins. (Due to the impracticality of a principle-based retroactive application of our new accounting standards, these new standards will only be applied to relevant expenses incurred during or after FY2022.)

IT Structure and Net One Systems' Business Domains

The broader IT field comprises two domains: business application and infrastructure.
Due in large part to its specialization in IT infrastructure, Net One Systems is uniquely positioned as an integrator.

IT

Business application
(tangible)

Examples:
- ERP systems
- CRM systems
- Personnel systems
- Accounting systems

boundaries

Infrastructure
(usually not consciously noticed)

Examples:
- Networks
- Servers/storage
- Security
- Cloud
- Data management
- Workflow

Vendors

General IT vendors

System integrators

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Business Model

We assess the world's most advanced infrastructure products (hardware, software, cloud services, and AI) and deliver the planet's most sophisticated infrastructure systems by combining these products with our "world-leading network technology"

Major vendors

- Cisco
- Palo Alto
- VMware
- Juniper
- Dell
- NetApp
- AWS/Azure

- Networks
- Security
- Servers
- Storage
- Cloud

Assessment of the world's most advanced infrastructure products

Product procurement

- Hardware
- Software
- Cloud services
- AI

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Value added

Integration utilizing the world's premier network technologies

- Consultation and general design
- Integration
- Maintenance, operation, and optimization

Delivery of the planet's most sophisticated infrastructure systems

Creation of functionality

- High-speed networks
- Robust security
- Convenient multi-cloud solutions
- High efficiency achieved through AI

Major customers

- Private companies
- Telecom carriers
- Public institutions
- Partner companies

Delivering Added Value That Extends beyond Individual Vendors

**Net One Systems provides added value that is difficult to achieve through individual vendors or products.
We largely generate this added value through design and implementation of general architecture; knowledge acquired through internal utilization; and troubleshooting that extends to multiple vendors.**

Major vendors

- Cisco
- Palo Alto
- VMware
- Juniper
- Dell
- NetApp
- AWS/Azure

- Networks
- Security
- Servers
- Storage
- Cloud

World-leading expertise regarding specific vendors and products

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Value added

Integration utilizing the world's premier network technologies

- Consultation and general design
- Integration
- Maintenance, operation, and optimization

Design and implementation of general architecture

Providing knowledge acquired through internal utilization (both successes and failures)

Robust troubleshooting that covers multiple vendors and products

Major customers

- Private companies
- Telecom carriers
- Public institutions
- Partner companies

Customer Industries and Profit Structures Associated with Individual Segments

Our business segments are categorized by customer industry.
Gross profit margins and SG&A ratios differ among these segments, but their operating margins all maintain similar levels.

Segment	Customer industries (mainly large companies and public institutions)	Direct sale/ resale	Service ratio	Gross profit margin	SG&A ratio	Operating margin
Enterprise	Private companies (financial / manufacturing / non-manufacturing)	Direct sale	High			Similar levels
Telecom carrier	Telecom carriers (mega-carriers / ISPs)		Medium			
Public	Public institutions (municipalities / social infrastructure / education & science / hospitals)		High			
Partner	Partner companies (general IT vendors / system integrators)	Resale (wholesale)	Low			

Supplementary Information concerning Customer Industries and Profit Structures Associated with Individual Segments

Customer industries associated with each segment

Enterprise market (private companies)

- ✓ Financial industry: banking, securities, life and non-life insurance
- ✓ Manufacturing: automobiles, electronics, semiconductors, machine tools
- ✓ Non-manufacturing: transportation, services, broadcasting, trading, construction, retail

Telecom carrier market (telecom carriers)

- ✓ Mega-carriers
- ✓ Internet service providers (ISPs)

Public market (public institutions)

- ✓ Municipalities: prefectural governments, government-designated cities, central cities
- ✓ Social infrastructure: electricity, railroads, gas, cable television
- ✓ Education & science: universities, research institutes, independent administrative agencies
- ✓ Hospitals: core hospitals

Partner business (partner companies)

- ✓ General IT vendors
- ✓ System integrators

Individual segment profit structures

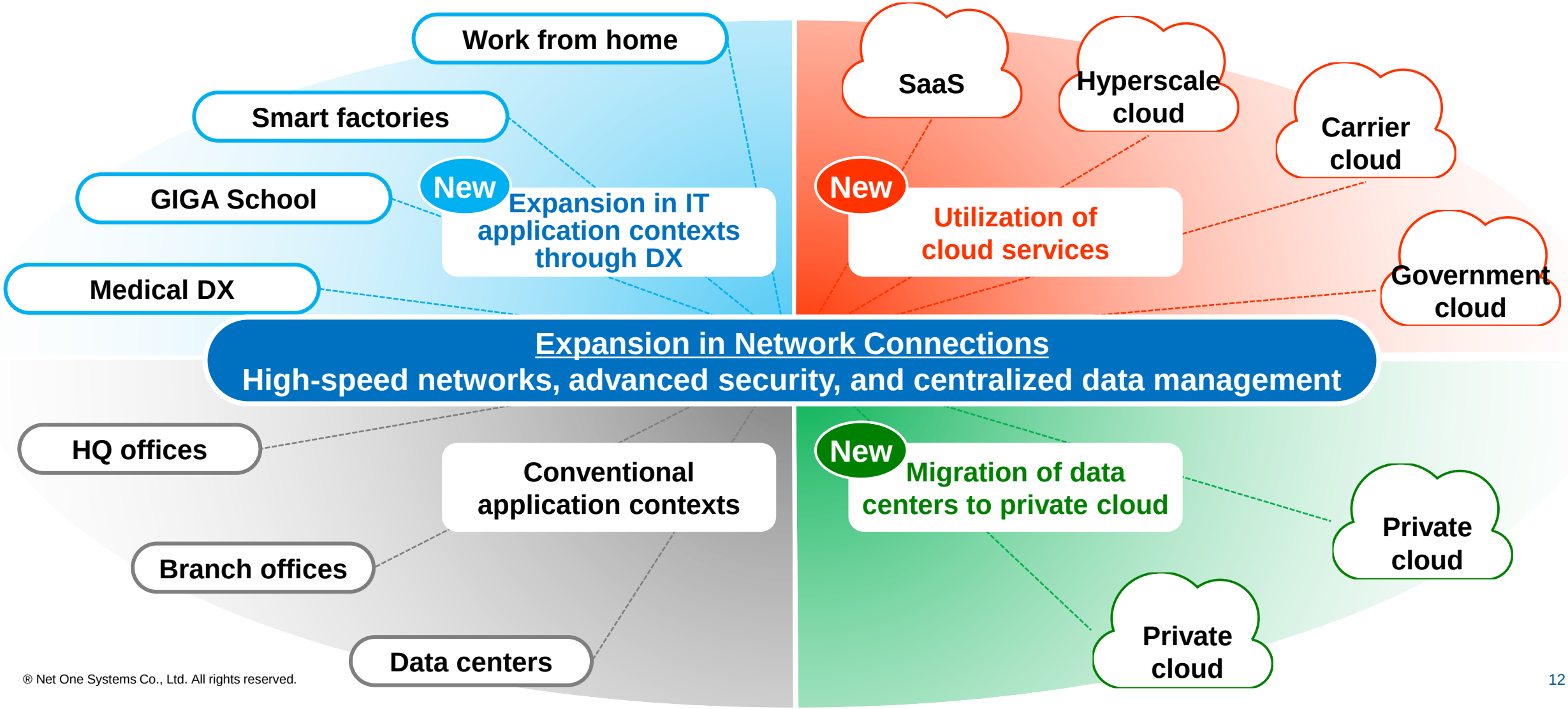
Full-year operating margins have typically been generated at similar levels across all segments.

Direct sale businesses: enterprise, telecom carrier, and public markets
The gross profit margins of these segments are high because substantial shares of their earnings are generated through services. On the other hand, their SG&A ratios are also elevated due to large staffing requirements. Gross profit margins and SG&A ratios associated with the telecom carrier market are relatively moderate because activities performed within this market include the sale of hardware for large telecom facilities, which involves no ancillary services. Operations performed through the public market include many projects assigned through bidding procedures conducted by local municipalities or other governmental agencies. Regardless, Net One Systems generates high gross profit margins through this market by selecting potential projects based on both price and the suitability of its technological capabilities.

Resale (product wholesale) businesses: partner business
Gross profit margins achieved through the partner business are low because only a comparatively small share of its earnings is generated through services. On the other hand, SG&A ratios are also low due to relatively small staffing requirements. These circumstances allow Net One Systems to secure through its partner businesses operating margins that are on par with those realized through its direct sale businesses.

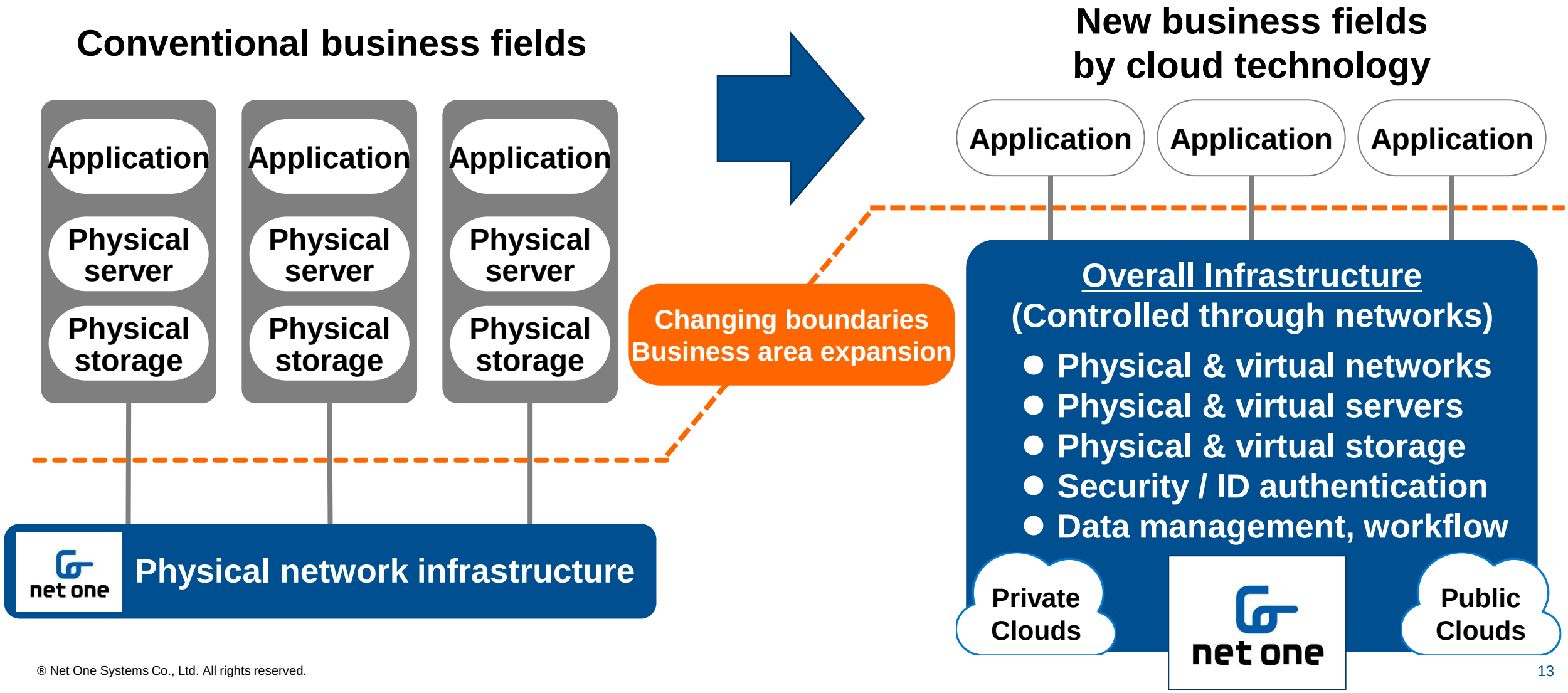
Business Area Expansion: Growth in Network Connections

Digital transformation has caused IT to be applied in an increasingly wide range of contexts.
Network connections are being established in more places, requiring new and advanced security measures.



Business Area Expansion: Growth in Technologies Governed by Networks

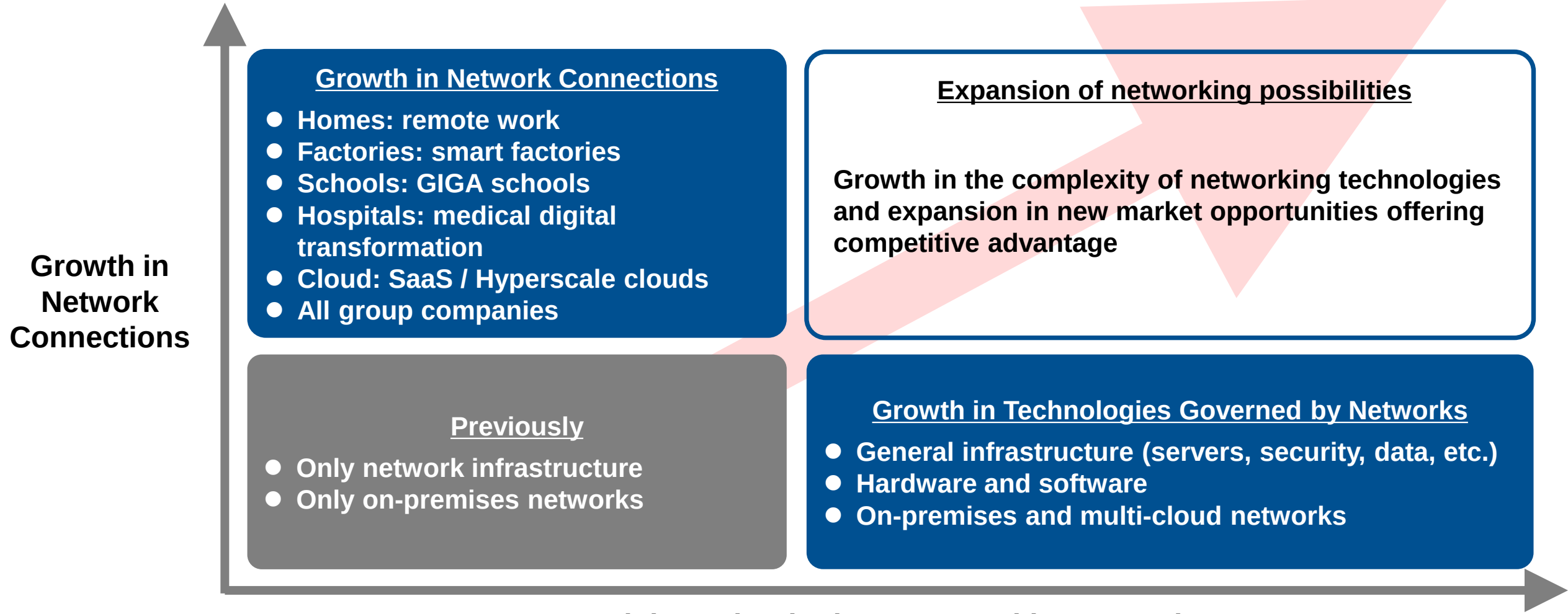
Cloud technology is changing the boundaries of IT, and networks are evolving to govern an increasingly wide range of infrastructure elements (servers, storage, security, etc.).



Business Area Expansion:

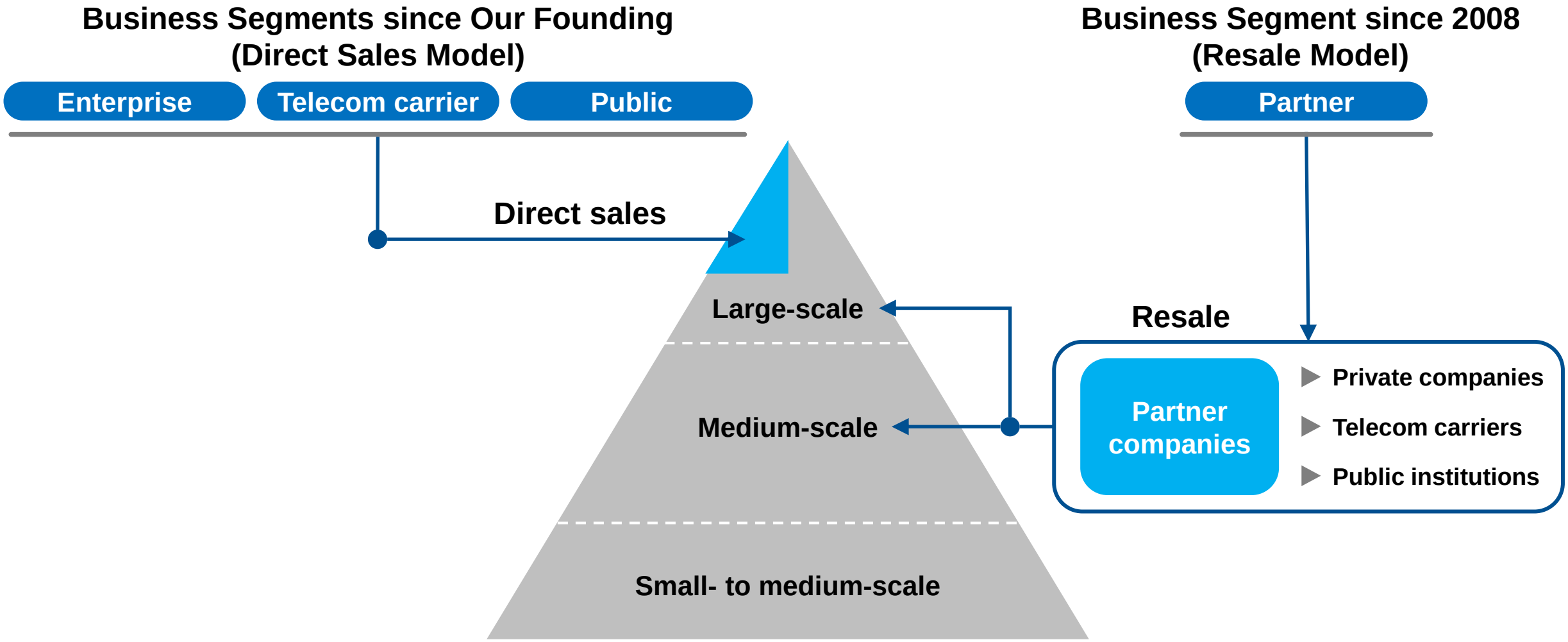
Growth in Network Connections and Growth in Technologies Governed by Networks

Network connections and technologies governed by networks are expanding due to technological advancements and digital transformation. Consequently, Net One Systems, which has concentrated on networking as its core technology since its founding, is observing expansion in new market opportunities offering competitive advantage.



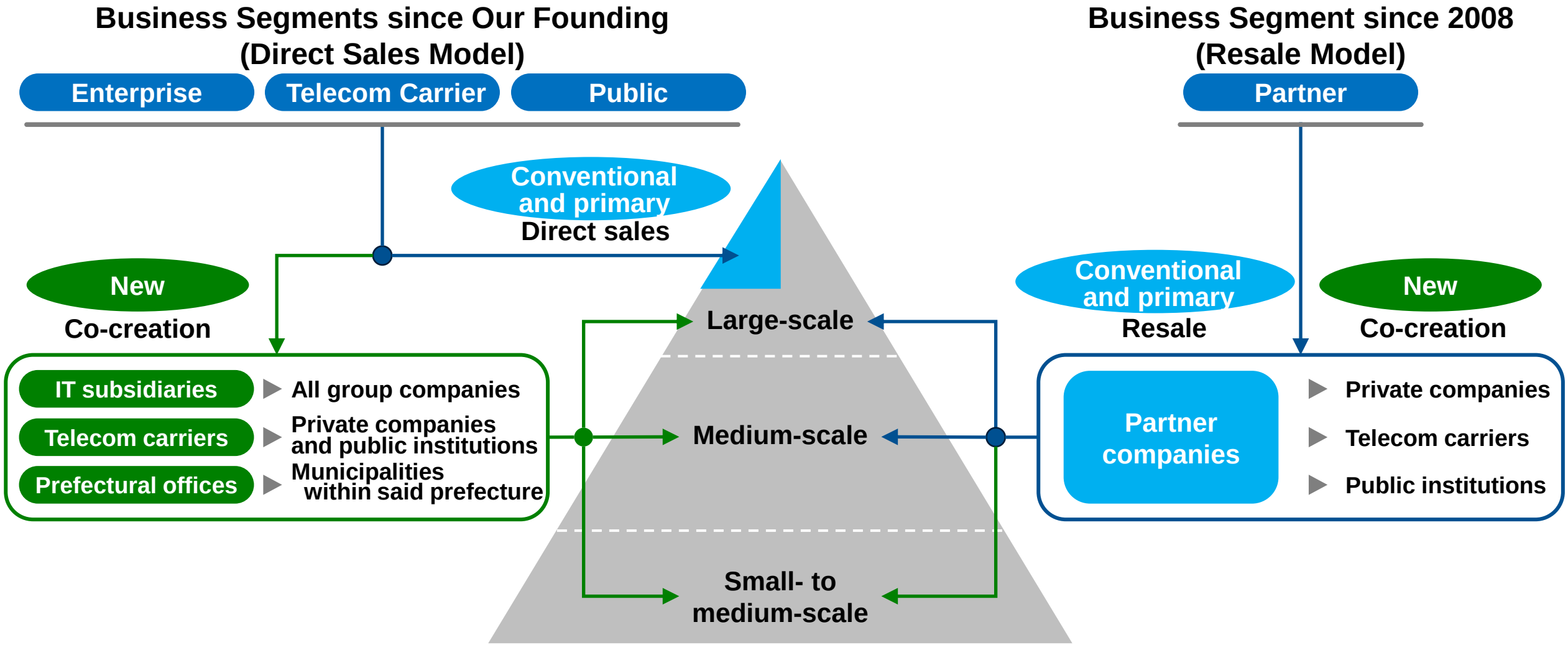
Main Customer Demographics (Categorized by Scale)

The Company's core customers are large companies and public institutions. (The top 100 companies account for 80% of the Company's revenue.) Through our partner business, which was launched in FY2008, we now also serve mid-size companies and public institutions.



Expansion of Customer Base Coverage

We are expanding coverage for our customer base through a new approach of “co-creating the services our customers provide.”



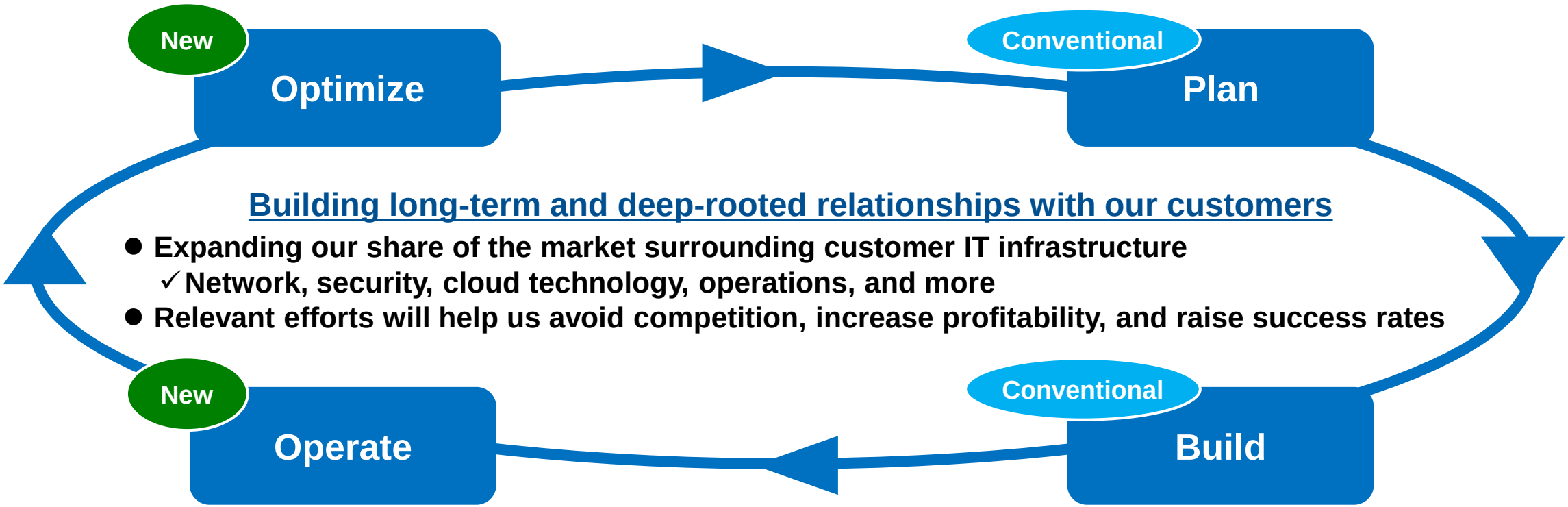
Shift toward Support for Entire Infrastructures and Lifecycles

We are shifting from a conventional concentration on “planning and building” to support for entire lifecycles including “operation and optimization.” Based on issues identified during operations, we work with clients to develop and implement multi-year improvement roadmaps.

Post-installation operations and issue discovery (recent focus area)

Linkage

Overall architecture design and implementation (our conventional strength)



Building long-term and deep-rooted relationships with our customers

- Expanding our share of the market surrounding customer IT infrastructure
  - ✓Network, security, cloud technology, operations, and more
- Relevant efforts will help us avoid competition, increase profitability, and raise success rates

Shift toward Support for Entire Infrastructures and Lifecycles: Human Resources and Intellectual Property

We have expanded our business domains, shifting from a focus on networks and hardware and intensifying our concentration on security, cloud technology, software, and operation and optimization (latter halves of lifecycles).

Companies from Which We Have Acquired Certifications

Retaining a network-based perspective,
Net One Systems maintains a comprehensive knowledge of security, cloud technology, and system operation.

We have obtained advanced certifications from leading global vendors. Additionally, we maintain strong relationships with these vendors' main offices, thereby facilitating productive discussions regarding future technologies.

- Cisco Systems
- Palo Alto Networks
- VMware
- Juniper Networks
- Dell Technologies
- NetApp

Employee Acquisition of Qualifications

Category		Number of personnel (approximate)
Vendor	Cisco Systems	400
	Palo Alto Networks	200
	VMware	600
	Nutanix	70
	Juniper Networks	50
	Dell Technologies	80
	NetApp	40
	ServiceNow	100
Cloud service	Microsoft Azure	270
	Amazon Web Services	280
	Google Cloud Platform	80
Other	CISSP	40
	Linux	200
	ITIL	430
	Project management	130

Shift toward Support for Entire Infrastructures and Lifecycles: Specially Designed Facilities

We have expanded our business domains, shifting from a focus on networks and hardware and intensifying our concentration on security, cloud technology, software, and operation and optimization (latter halves of lifecycles).

Facility	Function	Distinguishing characteristic(s)	Phase	Year established
Technical Center	Inspection of multi-vendor systems (mitigation of performance issues)	Approximately 9,000 products specially designed for purposes of investigation	Plan / Build	2000
Quality Control Center	Physical inspection of products and maintenance parts slated for shipment (reduction of initial defect rates)	Initial defect rate: approx. 0.05%	Build	2000
Network Academy	Technical education services (training of engineers employed by clients)	Comprehensive coverage of networks and infrastructures	Plan / Build / Operate	2001
Expert Operation Center	Detection, handling, and prevention of system failures (maintenance of stable operations)	Open 24 hours per day, 365 days per year Maintenance parts shipment conducted within 2–4 hours	Operate	2007
NetOne-SOC	Detecting, responding to, and preventing cyber-attacks (threat reduction)	Open 24 hours per day, 365 days per year Qualified analysts and specially designed facilities	Operate	2016
Lab as a Service	Joint verification of multi-cloud systems involving both Net One Systems and its customers (comparative examinations of functionality and operational procedures)	Generation of improvements in the visibility of ICT utilization-related effects	Optimize / Plan	2020
INNOVATION SHOWCASE	Demonstration of the world's most advanced technologies (data utilization, digital twins, green technologies)	Support for ideas and concepts surrounding ICT utilization	Optimize / Plan	2023
Innovation Center	Creating innovation together with customers (technical demonstrations, co-creation of businesses)	Expansion in the possibilities of ICT utilization	Optimize / Plan	2023

Shift toward Support for Entire Infrastructures and Lifecycles:
Synergy between Human Resources, Intellectual Property, and Specially Designed Facilities

By generating synergies between human resources, intellectual property, and specially designed facilities, we provide comprehensive support for infrastructures and lifecycles with networks at the core. These assets bolster large-scale, cutting-edge systems and function as sources of added value.

Human resources and intellectual property (soft assets)	Synergy	Specially designed facilities (hard assets)
General architectural design (multi-vendor and multi-cloud systems)	High-quality installation (plan / build)	Ensuring the operation, and confirming the performance, of multi-vendor and multi-cloud systems
Robust troubleshooting covering multiple vendors and products	Stable operation following installation (operate / optimize)	Detecting, responding to, and preventing system failures and cyber-attacks
Providing expertise acquired through internal utilization (examples of both success and failure)	Acceleration of utilization (optimize / plan)	Establishing concrete policies regarding IT utilization together with customers through state-of-the-art demonstrations and proof-of-concept testing

Role of Networks in the Realm of Security

Security and networks are inextricably linked.
(Network-oriented approaches are effective.)

Cyber-attacks = attacks conducted through networks

Effective, network-based response

<u>Major recent security trend</u>

Secure access service edge (SASE): solutions combining network- and security-related technologies

Primary SASE components (all include network-related elements)

ZTN
(Zero-Trust Network)

SD-WAN
(Software Defined-Wide Area Network)

CASB
(Cloud Access Security Broker)

SWG
(Secure Web Gateway)

FWaaS
(Firewall as a Service)

Role of Networks in the Realm of Cloud Infrastructure

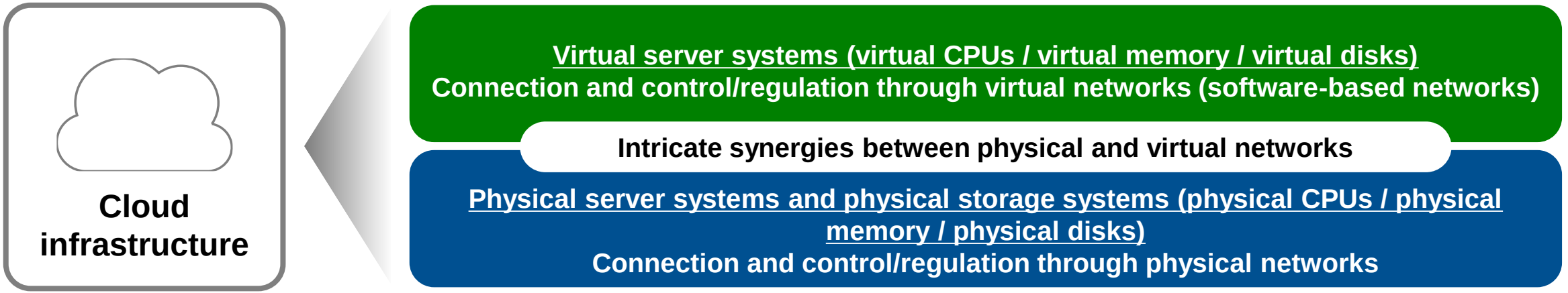
Cloud infrastructure and networks are inextricably linked.
(Network-oriented approaches are effective.)

Cloud infrastructure = network-linked computing resources (CPUs / memory / disks)

Effective, network-based control and regulation of systems

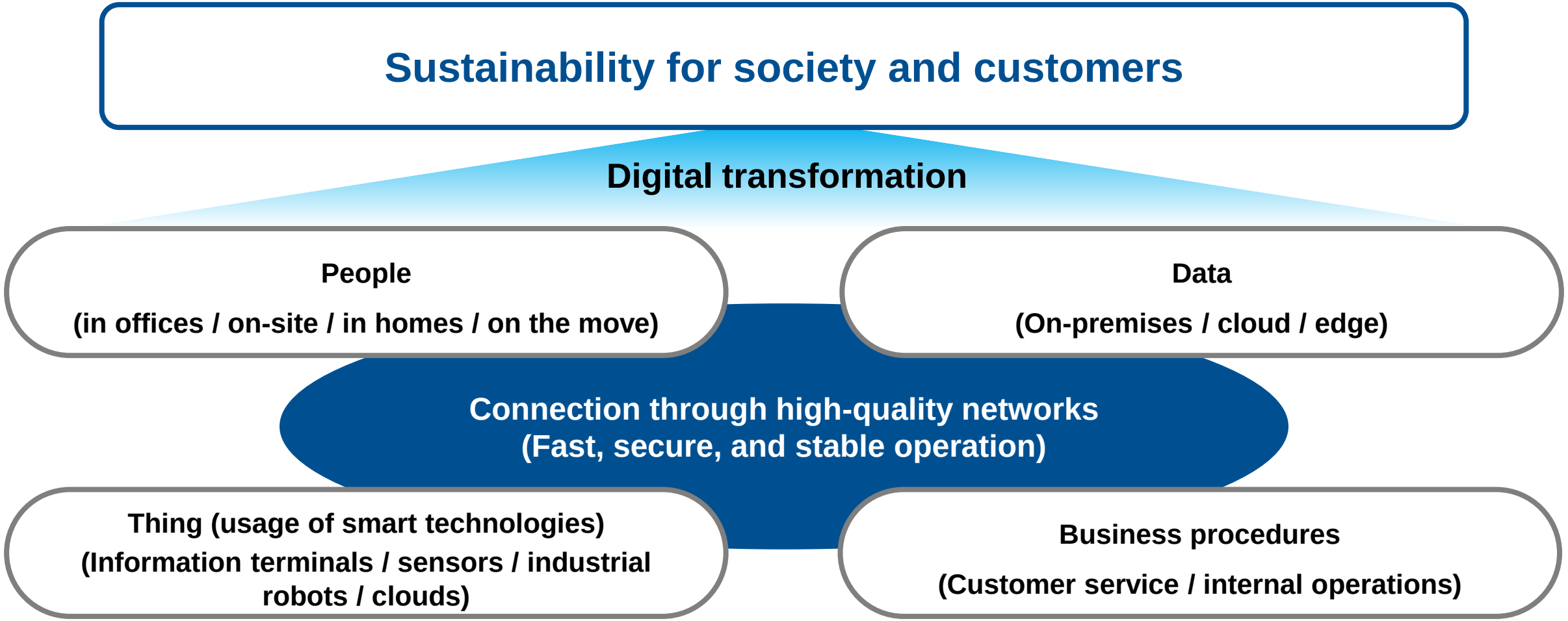
Configuring and controlling/regulating cloud infrastructure by generating intricate synergies between physical and virtual networks

Primary components of cloud infrastructure



“Sustainability for Society and Customers” and Networks

Digital transformation has become the primary conduit for generating innovation (sustainability) and resolving challenges facing both society and our customers. Digital transformation requires the connection of people, things, data, and business procedures through high-quality networks.



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