Shareholder Information

Fiscal Year
April 1 through March 31

Annual Shareholders Meeting
June

Dates of Record
Year-End Dividend March 31
Interim Dividend September 30

Shareholder Registry Administrator and Special Account Management Institution
Sumitomo Mitsui Trust Bank, Limited
1-4-1, Marunouchi, Chiyoda-ku, Tokyo

Office Contact
Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited

Mailing Address
Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited
1-10 Nikko-cho, Fuchu-shi, Tokyo 183-8701, Japan

Telephone
0120-176-417

Website
http://www.smtb.jp/personal/agency/index.html

Stock Listing
First Section of Tokyo Stock Exchange

Securities Code
7518

Share Unit (Trading Unit)
100 shares

Method of Public Notice
Public notices of the Company shall be made via electronic notification. In the event that this method is not available due to accidents or other circumstances, the Company will publish announcements via the Nihon Keizai Shimbun.

Announcement URL
http://www.netone.co.jp/
For the first-half period of the fiscal year ending March 31, 2013

Takayuki Yoshino  
President & CEO

We at Net One Systems Co., Ltd. have made it our most important priority to achieve “sustainable growth” under the current management policy. To accomplish this, we have laid out the key strategies of (1) improving of customer satisfaction, (2) providing new platform, and (3) improving of employee satisfaction.

As part of these three strategies, during the consolidated first-half period of FY2012 (April 1, 2012 to March 31, 2013), we established the Solution Briefing Center (SBC), where customers can experience firsthand demonstrations of next-generation data centers and virtualization. We also stepped up marketing efforts to provide our latest ICT system infrastructure-building solutions. In addition, we opened a representative office in Singapore and moved forward with the building of a support system, which will include research on infrastructure and business practices, (1) improving of customer satisfaction, (2) providing new platform, and (3) improving of employee satisfaction.

How did the Company perform during the first-half period under review?

Revenue grew, yet income declined

Bookings accepted stood at 81,490 million yen (up 4.3% year over year), revenue totaled 76,997 million yen (up 10.4%), and operating income was 4,595 million yen (down 26.4%). As a result, we saw a growth in revenue but a decline in income. Gross profit also declined, owing to a drop in revenues from service businesses, including equipment maintenance, a fall in revenue from certain higher margin products, and delays in reducing subcontract expenses. Operating income declined due to the decline in the gross profit, even though we succeeded in cutting selling, general and administrative expenses, as in FY2011 (April 1, 2011 to March 31, 2012).

What is your outlook for the Company’s annual results?

We will strive to surpass our revised earnings forecast

Despite solid bookings accepted from central and local governments, we expect both bookings accepted and revenue to fall below our initial forecast due to a drop in bookings accepted from telecom carriers. In terms of income, we anticipate that revenue from certain higher margin products will decline and that delays in reducing subcontract expenses will persist in the third quarter and beyond. Given these circumstances, we will make every effort to exceed the downward revisions to our earnings forecast for FY2012 announced on October 25, 2012, which include revenue of 160,497 million yen and operating income of 11,259 million yen. With respect to our year-end dividend, we plan to boost our consolidated payout ratio at 30% or more and the dividend of 17.00 yen per share announced at the start of FY2012 at the 26th Annual Shareholders Meeting.

Please describe the business environment.

Significant recovery seen in Public Sector (AP Sector)

In Enterprise Sector (EP Sector), we saw something of a recovery in the first-half period under review, but overall a weak undertone persisted. In Telecom and Internet Service Provider Sector (SP Sector), we experienced generally modest growth in terms of revenue from mobile communications and Internet service providers. In Regional Area and Public Sector (AP Sector), we witnessed a rapid recovery, centered on revenue from central and local governments and incorporated administrative agencies. In Partner Sector (NOP), we moved forward steadily with strengthening of our businesses, including equipment maintenance, a fall in revenue from certain higher margin products, and delays in reducing subcontract expenses. Operating income declined due to the decline in the gross profit, even though we succeeded in cutting selling, general and administrative expenses, as in FY2011 (April 1, 2011 to March 31, 2012).

Please give your message to shareholders.

ICT systems are playing an increasingly important role in business activities. They are helping to popularize mobile devices and evolve an efficient and secure communication environment from infrastructure integration using virtualization technologies. During the remaining part of FY2012, we aim to provide infrastructure-building solutions for ICT systems that leverage our experience gained from introducing and operating our own ICT systems and from verified testing under the theme “Execution & Experience.” I would like to ask for your continued support and encouragement.

How did each product category perform?

Strong growth seen from the strategic platform products

For network products, bookings accepted amounted to 45,072 million yen (down 9.3% year over year) and revenue totaled 44,981 million yen (up 7.8%). For platform products, bookings accepted totaled

11,892 million yen (up 61.3%) and revenue stood at 9,057 million yen (up 61.6%). For service businesses, bookings accepted were 24,524 million yen (up 16.2%) and revenue was 22,957 million yen (up 2.4%).
Operating Results

Business Overview
On the basis of the engineering capabilities that we have developed over past decades as a network integrator, we offer networks, facilities, security, platforms, and unified collaboration solutions essential to advanced ICT systems in multi-vendor environments. We provide one-stop services encompassing product development, consulting, design, construction, introduction, education, and maintenance and operation management.

Revenue by product category

<table>
<thead>
<tr>
<th>Product Category</th>
<th>First half of FY2011</th>
<th>First half of FY2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Network products</td>
<td>¥69,752 million</td>
<td>¥76,997 million</td>
</tr>
<tr>
<td>Platform products</td>
<td>8.0%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Service businesses</td>
<td>32.2%</td>
<td>29.8%</td>
</tr>
<tr>
<td>Network products</td>
<td>59.8%</td>
<td>58.4%</td>
</tr>
</tbody>
</table>

Network products
To integrate ICT systems, an environment that provides high-quality, stress-free communication must be created, and it must be operated with reliability. In the category of network products, we provide an optimal combination of communication devices tailored to customers’ environments, from integration of large systems for telecommunications to intra network systems. Centering on relay devices for controlling data transfer such as routers and switches as network infrastructure components, our extensive array of communication equipment also includes optical transfer systems and wireless control systems.

Platform products
Platform products add convenience and efficiency to ICT-based information communications. Secure and reassuring systems operation with high efficiency requires a total design that integrates security technologies with servers and storage with the use of virtualization technologies. We also support unified collaboration that encourages dialogues in video conferencing and other virtual spaces to help customers improve productivity.

Service businesses
Service businesses are meant to provide consistent support for consulting for introduction of ICT systems, planning, design, construction, maintenance, operation and optimization. We provide comprehensive services that span the entire life-cycle of an ICT system built for multi-vendor environments. Through our support services for various advanced, cutting-edge ICT systems, we are helping our customers to fulfill their ICT strategy and reutilize ICT systems.

Overview by Market Sector
As customer needs diversify, the characteristics of ICT markets vary depending on the region and on corporate conditions. To closely monitor the markets and provide the solutions best suited to our customers, we broadly divide the markets into four sectors.

Enterprise: EP Sector

In Enterprise Sector (EP Sector), we operate businesses for automotive, electronics, and other manufacturing companies, transport, service, and other non-manufacturing businesses, financial institutions including foreign-capital firms. We support those customers who require large ICT systems and who wish to save time and money, and who seek to improve their effectiveness with advanced ICT solutions. Despite the challenging business environment during the first-half period under review we saw a recovery in the second quarter, but we were unable to make up for the drop-off in the first quarter, as both bookings accepted and revenue for the EP Sector declined year over year.

Revenue ¥14,031 million

In Telecom and Internet Service Provider Sector (SP Sector), we serve fixed-line and mobile carriers and Internet service providers. We are working together with customers providing network infrastructure and network-related services to develop a social infrastructure. During the first-half period under review, we experienced generally modest growth from mobile carriers and internet service providers, as revenue rose year over year. On the other hand, bookings accepted declined compared to the same period of FY2011.

Revenue ¥41,381 million

Regional Area and Public: AP Sector

In Regional Area and Public Sector (AP Sector), we operate a business for the public sector, including central and local governments, research and education institutions, cable operators, medical service providers, electric power suppliers, and regional private companies. We provide technical support for the use of telecommunication infrastructure that stretches across the country, for improvements to information infrastructure within campuses, for building systems used by boards of education that are based on Japan’s Vision for ICT in Education, and for public-private joint projects. During the first-half period under review, we recorded an increase in both bookings accepted and revenue year over year thanks mainly to demand from central and local governments for ICT system infrastructure and upgrades.

Revenue ¥13,677 million

Net One Partners: NOP Sector

Net One Partners Co., Ltd. (Partners Sector) offers new value-added solutions on the basis of the distributer business model instead of through direct sales, in joint projects with partner firms in a bid to open new markets. To acquire new customers, we integrate our resources with the system solutions at which our partner firms excel, to enter a broader array of markets. During the first-half period under review, we moved forward steadily with strengthening of our business through tie-ups with partner firms, resulting in a year-over-year increase in both bookings accepted and revenue.

Revenue ¥7,593 million
Helping customers to achieve solutions to the urgent business challenges they face

Established the Solution Briefing Center to showcase next-generation ICT platforms

Using real machines, we demonstrate private clouds, business continuity planning/disaster recovery, and work-style innovations, which are expected to serve as important aspects of future ICT strategy.

Showcasing the Company’s validated, latest multi-vendor equipment

Net One Systems opened its new Solution Briefing Center (SBC) at its TFT Office in Shinagawa, Tokyo on July 2, 2012. The SBC helps our customers to experience demonstrations of next-generation ICT platforms that comprise validated cutting-edge equipment in large-scale multi-vendor environments. Currently, the SBC showcases three solutions focused on the themes of business continuity and productivity improvements, providing demonstrations to CIOs, managers and engineers from our customers. Demonstrations provide a first-hand glimpse into actual system operations.

Established the Solution Briefing Center to showcase demonstrations of next-generation ICT platforms

The SBC focuses on urgent business challenges that customers face today, including productivity improvements, reducing the total cost of ownership (TCO), and business continuity. Currently, the SBC is providing demonstrations of cutting-edge solutions on the themes of private clouds, business continuity planning/disaster recovery and work-style innovations. Following the major earthquake and tsunami that struck Japan in 2011, companies are more interested than ever in virtual desktop environments that enable telecommuting as well as remote data centers that help ensure business continuity. Our demonstrations of solutions in these areas using real machines have earned a strong reputation among our customers for ease of understanding and impressive presentations.

Special Topics

*BYOD: Bring Your Own Device
*RPO: Recovery Point Objective
*RTO: Recovery Time Objective

Already winning strong acclaim and new bookings accepted from specific customers

The latest unified communication capable of bringing about innovations in work styles can be much better understood through a demonstration using real machines, rather than showing its component elements and features of functions. Since opening on July 2, 2012, the SBC has been almost fully booked with two demonstrations a day and customers have shared highly positive feedback about their experiences thus far. The SBC represents a perfect platform to demonstrate our advanced technical capabilities, and as such it has already generated new bookings accepted and business leads.

Private Cloud Solutions

The future integration and optimization of ICT infrastructure will be made possible by connections with remote data centers. As a result, we will provide a groundbreaking environment that offers not only server virtualization but also long-distance connections with storage equipment, management of integration, and that makes it possible to diversify risk across a wider area.

Disaster Preparedness/Recovery Solutions

Remote data centers represent an important shared resource for business continuity planning. The SBC offers customers the chance to experience cutting-edge technologies, using real machines as a measure that can reduce RTO* and RPO* to near zero in emergencies, such as the operation of virtual machines between data centers.

Work-Style Innovation Solutions

To significantly boost productivity through changes in work styles, an environment that includes BYOD* elements will be needed in addition to conventional computers. Video conferencing on tablet devices and whiteboard capture solutions will serve to greatly evolve the concept of working at home.

Solution Briefing Center Features

Innovative
Building innovative environment featuring the latest, most cutting-edge technologies

Diverse
Large-scale multi-vendor environment consisting of various equipment from a range of companies

Flexible
Business units of the Company can also present the same demonstrations

Demonstration Framework

Customer Office

Toyota Data Center

SBC

Tokyo Data Center

Net One Systems Nationwide Network

*BYOD: Bring Your Own Device
*RPO: Recovery Point Objective
*RTO: Recovery Time Objective

Opened the Singapore Representative Office

New office established in Singapore to develop an ICT support system for customers doing business in the Asia-Pacific region

Researching local business environments and developing a support system

In recent years, more and more Japanese companies are setting up operations in the Asia-Pacific region. As a result, demand has been growing for the implementation of ICT infrastructure needed at their local offices and factories, central management of maintenance and operations at the Japan head office, a maximum return on investment, and optimization of risk management.

We established the Singapore Representative Office on August 1, 2012 to research local business environments and lay the groundwork for establishing an optimal support system, based on the recognition that our customers in the Asia-Pacific region need high-quality services that improve ICT governance.

Initially, the Singapore Representative Office will select and coordinate with local partners, and verify potential business models including research of local laws and business practices, to provide customers with one-stop access to services that enhance ICT governance. We are also examining whether to make the Singapore Representative Office into a locally incorporated subsidiary in the future, so that we can set up sales infrastructure in the Asia-Pacific region.
### Consolidated Financial Statements

#### Net One Systems Co., Ltd. and Consolidated Subsidiaries

**Consolidated Balance Sheets (Summary)**

<table>
<thead>
<tr>
<th>Assets</th>
<th>As of September 30, 2012</th>
<th>As of March 31, 2012</th>
<th>Liabilities</th>
<th>As of September 30, 2012</th>
<th>As of March 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets</td>
<td>84,755</td>
<td>90,567</td>
<td>Accounts payable</td>
<td>15,891</td>
<td>14,972</td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>21,895</td>
<td>19,233</td>
<td>Lease obligations</td>
<td>845</td>
<td>821</td>
</tr>
<tr>
<td>Notes and accounts receivable—trade</td>
<td>30,608</td>
<td>35,762</td>
<td>Accounts payable—other</td>
<td>1,021</td>
<td>1,353</td>
</tr>
<tr>
<td>Short-term investment securities</td>
<td>13,999</td>
<td>16,998</td>
<td>Income taxes payable</td>
<td>1,022</td>
<td>5,681</td>
</tr>
<tr>
<td>Merchandise</td>
<td>6,650</td>
<td>6,303</td>
<td>Advances received</td>
<td>9,364</td>
<td>7,512</td>
</tr>
<tr>
<td>Goods in transit</td>
<td>377</td>
<td>537</td>
<td>Asset retirement obligations</td>
<td>267</td>
<td>—</td>
</tr>
<tr>
<td>Costs on uncompleted construction contracts</td>
<td>4,364</td>
<td>4,742</td>
<td>Provision for bonuses</td>
<td>1,735</td>
<td>2,155</td>
</tr>
<tr>
<td>Supplies</td>
<td>12</td>
<td>98</td>
<td>Provision for directors’ bonuses</td>
<td>1,226</td>
<td>—</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>1,000</td>
<td>1,782</td>
<td>Other</td>
<td>2,591</td>
<td>197</td>
</tr>
<tr>
<td>Other</td>
<td>5,854</td>
<td>5,128</td>
<td>Noncurrent liabilities</td>
<td>1,051</td>
<td>1,226</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(9)</td>
<td>(19)</td>
<td>Lease obligations</td>
<td>944</td>
<td>996</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>9,178</td>
<td>9,435</td>
<td>Asset retirement obligations</td>
<td>76</td>
<td>221</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>4,656</td>
<td>4,599</td>
<td>Other</td>
<td>30</td>
<td>8</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,354</td>
<td>1,417</td>
<td>Total liabilities</td>
<td>32,614</td>
<td>36,494</td>
</tr>
<tr>
<td>Investments and other assets</td>
<td>3,167</td>
<td>3,419</td>
<td>Shareholders’ equity</td>
<td>61,185</td>
<td>63,366</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>93,934</strong></td>
<td><strong>100,002</strong></td>
<td><strong>Capital stock</strong></td>
<td><strong>12,279</strong></td>
<td><strong>12,279</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>93,934</strong></td>
<td><strong>100,002</strong></td>
<td><strong>Capital stock</strong></td>
<td><strong>12,279</strong></td>
<td><strong>12,279</strong></td>
</tr>
</tbody>
</table>

#### Consolidated Income Statements (Summary)

<table>
<thead>
<tr>
<th></th>
<th>First half of FY2012</th>
<th>First half of FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>76,997</td>
<td>69,752</td>
</tr>
<tr>
<td><strong>Cost of revenue</strong></td>
<td>58,687</td>
<td>50,251</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>18,309</td>
<td>19,501</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>13,714</td>
<td>13,256</td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td>4,595</td>
<td>6,245</td>
</tr>
<tr>
<td><strong>Income from operations</strong></td>
<td>18,309</td>
<td>19,501</td>
</tr>
<tr>
<td><strong>Income before tax expenses</strong></td>
<td>152</td>
<td>217</td>
</tr>
<tr>
<td><strong>Income before minority interests</strong></td>
<td>4,703</td>
<td>6,422</td>
</tr>
<tr>
<td><strong>Minority interests</strong></td>
<td>105</td>
<td>—</td>
</tr>
<tr>
<td><strong>Extraordinary income</strong></td>
<td>27</td>
<td>84</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>2,591</td>
<td>1,226</td>
</tr>
<tr>
<td><strong>Extraordinary loss</strong></td>
<td>358</td>
<td>179</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>2,233</td>
<td>2,047</td>
</tr>
</tbody>
</table>

#### Consolidated Cash Flow Statements (Summary)

<table>
<thead>
<tr>
<th></th>
<th>First half of FY2012</th>
<th>First half of FY2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash provided by operating activities</strong></td>
<td>5,488</td>
<td>10,064</td>
</tr>
<tr>
<td><strong>Net cash used in investing activities</strong></td>
<td>(468)</td>
<td>(316)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(5,356)</td>
<td>(765)</td>
</tr>
<tr>
<td><strong>Net increase (decrease) in cash and cash equivalents</strong></td>
<td>(336)</td>
<td>8,483</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of period</strong></td>
<td>36,231</td>
<td>20,256</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td>35,895</td>
<td>28,739</td>
</tr>
</tbody>
</table>
Stock Information / Corporate Data

Stock Information (As of September 30, 2012)

- Number of Shares Issued: 89,000,000
- Number of Shareholders: 16,316
- Major Shareholders:
  - Japan Trustee Services Bank, Ltd. (Trust Account): 13,194,600
  - Master Trust Bank of Japan, Ltd. (Trust Account): 10,193,600
  - John Trustee Services Bank Ltd: 2,101,500
  - The Bank of Tokyo-Mitsubishi UFJ, Ltd. (Trust Account 9): 1,656,000
  - DEUTSCHE BANK AG LONDON-PB NON-TREATY CLIENTS 613: 1,547,114
  - Meiji Yasuda Life Insurance Company: 1,440,000
  - MORGAN STANLEY & CO. LLC: 1,187,500
  - STATE STREET BANK AND TRUST COMPANY 505225: 1,127,337
  - Association of Net One Systems Employees participating the Employee Stock Ownership Program: 1,093,200
  - MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION: 890,100

Stock Distribution by Type of Shareholder (persons / %)
- Net One Systems Co., Ltd. (13,194,600 / 14.81)
- Overseas corporations and others (239 / 1.46)
- Financial institutions (44 / 0.26)
- Financial instruments firms (42 / 0.26)
- Individuals and other (15,848 / 97.14)

Stock Distribution by Number of Shares Held (shares / %)
- Net One Systems Co., Ltd. (18,587,640 / 20.88)
- Individuals and other (15,848 / 97.14)
- Overseas corporations and others (2,101,500 / 2.36)
- Financial instruments firms (2,316,732 / 2.60)
- Financial institutions (39,896,940 / 44.83)

Corporate Data (As of September 30, 2012)
- Corporate Name: Net One Systems Co., Ltd.
- Established: February 1, 1988
- Capital Stock: 12,279 million yen
- Business Activities:
  - Networking business
  - Network platform business
  - Service business
- Number of Employees: 2,214 (consolidated) / 1,964 (non-consolidated)
- Major Banks:
  - The Bank of Tokyo-Mitsubishi UFJ, Ltd.
  - Mizuho Corporate Bank, Ltd.
  - Mitsubishi UFJ Trust and Banking Corporation
  - Sumitomo Mitsui Trust Bank, Limited
  - Sumitomo Mitsui Banking Corporation
- Consolidated Subsidiaries:
  - Net One Partners Co., Ltd.
  - Xseed Co., Ltd.
  - Business Assurance Co., Ltd.
  - System Solution Engineering K.K.
  - Net One Partners USA Inc. (subsidiary based in the United States)

Directors and Corporate Auditors
- President & CEO: Takayuki Yoshino
- Directors: Shingo Saito, Toru Arai, Nonhisa Katayama, Yoshitomo Horibe, Kunio Kawakami, Masakazu Naito, Mitsuo Imai
- Outside Directors: Hisao Inomata, Yoshihiro Okuda, Hidetoshi Matsumura, Tadashi Arima
- Full-time Corporate Auditor: Tadashi Arima
- Outside Auditors: Masamichi Kikuchi, Minoru Uchida, Tadashi Nakaoka

Dividend Information
The Board of Directors meeting held on October 25, 2012 decided to pay the following interim dividend with a record date of September 30, 2012 in accordance with the Company’s Articles of Incorporation.

1. Interim Dividend: 17.00 yen per share
2. Effective Date and Start Date of Payment: November 26, 2012