FY2013-1H Business Results and Strategies
(April-Sept. 2013)
Agenda

- FY2013 1st Half Result (Financial Highlights)
- FY2013 2nd Half Action Plan (Business & Strategies)

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Agenda

- FY2013 1st Half Result (Financial Highlights)
- FY2013 2nd Half Action Plan (Business & Strategies)
1st Half Bookings, Revenue, Operating Income (Loss)

Results in solid lines

Outlooks (As of April 1, 2013) in dashed lines

(Million Yen)

Bookings

Revenue

Operating Income (Loss)

(Million Yen)
1st Half Bookings and Revenue by Market Sector

(Million Yen)

Outlooks (As of April 1, 2013) in dashed lines

Results in solid lines

Bookings and Revenue by Market Sector

- EP
- SP
- AP
- NOP
1st Half Bookings and Revenue by Product Segment

(Million Yen)

Outlooks (As of April 1, 2013) in dashed lines

Results in solid lines

Bookings and Revenue by Product Segment

Network Products

Platform Products

Services Businesses

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Contributing Factors to 1st Half Results

“Lower infrastructure investment by telecommunication carriers than NetOne anticipated”

“Rise in subcontracting cost for delay in internalization”
Outlook for Bookings, Revenue and Operating Income (Loss) for Full-year FY2013

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<tr>
<td>Bookings</td>
<td>166,000</td>
<td>145,000</td>
<td>△ 21,000</td>
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<td>Revenue</td>
<td>162,000</td>
<td>137,000</td>
<td>△ 25,000</td>
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<td>Operating Income (Loss)</td>
<td>11,000</td>
<td>2,800</td>
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Main Contributing Factor: Deep cuts in capital expenditure and infrastructure investment by telecommunication carriers
1H Results of “Focus Solutions”
(1) Virtual Desktop (VDI)

“NetOne’s installed base of VDI topped 100 thousand units”

VDI addresses Customer’s needs for:
- Renovation of Work Style
- Strong Information Security
- Lower Operational burden and OPEX
- BCP/Disaster Planning
- Alternative to EOSed Windows XP
1H Results of “Focus Solutions”
(2) Virtual Data Center

“NetOne delivered many Virtual Data Center to the Market”

Customer stands to earn benefits of:
- Monetizing Cloud Services
- Reduced Operational burden and cost
- BCP/Disaster Planning
- Agile business decisions
1H Results of “Focus Solutions”

(3) Strong relationship with customers for “One-To-One” Solution

Solution Briefing Center

Demonstrations given to total number of 140 companies in 1H

Innovative Office Visitor Area

Visitors amounted to total number of 886 companies in 1H
1H Results of “Focus Solutions”

(4) Improving performance among workforce for lower subcontracting cost

NetOne started to use global standard method for quantifying IT skill:

- To identify current skill level of employee
- To expedite internalization
- To align HR strategy with organizational strategy
1H Results of “Focus Solutions”
(5) Preventive Measures against Wrongdoing

- Centralized Procurement for all products and services from vendors and subcontractors
  - Formed NetOne Group Procurement Department on April 1, 2013

- Stronger Credit Management of Subcontractors
  - Implemented New Credit Extension Rules from June 19, 2013

- Accurate Profit Management by Business Group
  - Visualize Management of Profit and Cost by business sector
Agenda

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- FY2013 2nd Half Action Plan (Business & Strategies)
Market Demand (1)

Trend of Virtual Data Center Associated Market

**Forecast for Domestic Private Cloud Market**

- **Source:** “Domestic Private Cloud Market Forecast” IDC Japan August 12 2013

**Forecast for Server for Domestic Cloud Market**

- **Source:** “Forecast for Server for Domestic Cloud Market” IDC Japan October 17 2013
Market Demand (2)
Trend of Virtual Desktop Associated Market

ICT Market Size associated with Domestic Telework

Penetration rate of Client Virtualization for Corporate Users

Source: “Forecast for ICT Market associated with Domestic Telework September” IDC Japan September 3 2013
Source: “Forecast for Domestic Client Virtualization Market” IDC Japan April 30 2013
Strategies to increase Revenue and Profit in 2nd Half

“Reallocate Resources to Growing Markets”

“Focus on burgeoning Cloud/VDI Market”

“Maximize employees’ intellectual capital by retraining and reallocating resources to higher-priority areas”

“Expedite internalization to slash 30% of total number of workers from subcontractors”
Initiative - Revenue uplift (1)  
Expanding the role of Solution Briefing Center

Act as “Enabler” to identify and respond to customer’s crucial issues for strong solution

Add
Share ICT Issues and Visions

New
Verify our Solution with our Lab to realize “Visions”
Initiative - Revenue uplift (2)
Impart NetOne’s Values and Share Meaningful Experiences

Create demand for Virtual Desktop, Virtual Data Center and Collaboration Projects by:

- Publicizing NetOne’s practical ways to renovate Work Style through ICT
- Holding exclusive seminars for Management
- Differentiating our solution with practical and practicable experience. Not idealist theory
Initiative - Revenue uplift (3)

Align Human Capital and Organization transformation with Target Market

Nimbly and Agilely
Allocate Resources to meet the Needs of Growing Market

- “Pounce on” the Market’s Investment Trend
- Reassign Sales and Technical Staffs to Reorganized Functions
Initiative - Increased Profit (1)
Up-skill Employee and Reduce subcontracting cost

“Train and Broaden our Technical Base whose High Expertise are well-versed in both Networking and Platform Technologies”
Initiative - Increased Profit (2)

Improve Employee Productivity

Turning “Change of Work Style” in action

- Repurpose our Workforce to Customer-linked Operation
- Focus on Core Operation
- Visualize & Quantify Work Style
Initiative - Increased Profit (3)
Cost Reduction and Improvement in Accuracy of Profit Forecasting

"Implementation of ERP Software underway"

- To timely identify Critical Numbers for Management
- To improve Profit Management
- To reduce OPEX
NetOne best-mixes its use of group-wide management resources to thrust into action NetOne Management Policies of “Sustainable Growth strategy and Improvement of Customer Satisfaction”

Growth
(Top Line & Bottom Line)

- Improve Customer Satisfaction
- Launch New Platform (Multiply NetOne Value)
- Create Employee Satisfaction
- Forge Alliance
- Retool Business Model
- Optimize Resource
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