Shareholder Information

Basic Information

Stock Listing: First Section of Tokyo Stock Exchange
Securities Code: 7518
Share Unit (Trading Unit): 100 shares
Fiscal Year: April 1 through March 31
Annual Shareholders Meeting: June

Date of Record:
- Annual Shareholders Meeting: March 31
- Year-End Dividend: March 31
- Interim Dividend: September 30

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.

Procedures Relating to Share Transactions

Shareholders who have an account with a securities firm

<table>
<thead>
<tr>
<th>Procedures, inquiries, etc.</th>
<th>Contact address</th>
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</thead>
<tbody>
<tr>
<td>Designating/changing the dividend receipt method</td>
<td>Securities firm or equivalent</td>
</tr>
<tr>
<td>Requests to purchase fractional share</td>
<td>where you hold your account</td>
</tr>
<tr>
<td>Sending and return of mailed material</td>
<td>(Shareholder Registry Administrator: Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, 100-8233, Japan)</td>
</tr>
<tr>
<td>Dividends after the payment period</td>
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</table>

Shares registered in special accounts

(shareholders who do not have an account with a securities firm)

<table>
<thead>
<tr>
<th>Procedures, inquiries, etc.</th>
<th>Contact address</th>
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<tbody>
<tr>
<td></td>
<td>(Special Account Management Institution: Sumitomo Mitsui Trust Bank, Limited 1-4-1, Marunouchi, Chiyoda-ku, Tokyo, 100-8233, Japan)</td>
</tr>
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<td></td>
<td></td>
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</tbody>
</table>

Postal address and telephone contact number

JP TOWER, 2-7-2 Marunouchi, Chiyoda-ku, Tokyo 100-7024
Email: ir@netone.co.jp
http://www.netone.co.jp/english.html

Net One Report Vol. 33
The First Six Months of Fiscal Year
March 2016
April 1, 2015 to September 30, 2015

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P03 To Our Shareholders
P07 Operating Results
P09 Feature
P10 Corporate Data and Stock Information
We aim “to be a company trusted and supported by all our stakeholders” “an admired company”. We believe it is possible to be an admired company only by fulfilling responsibilities to customers, partners, shareholders, and employees, and by not neglecting contributions to the ICT market, and exhibit greater devotion to civil society and the global environment. We also believe a truly admired company is recognized as such by a third party not by its own judgment, and we will continue our endless effort and devotion to receive the highest evaluation as an admired company from all our stakeholders.

With our seasoned expertise and insight for utilizing and leveraging ICT, we will contribute to social innovation.

Revenue ¥143,100 million
Operating income ¥4,200 million
Operating margin 2.9%
Payout ratio 103.2%
Testing space 2,100m²
Testing equipment 7,100 units

We value our seasoned expertise and insight.

Our corporate logo is inspired by “TAKUMI”, which expresses our pride that a Japanese company has “seasoned expertise and insight”, involved in international ICT sales, services and maintenance.
Promoting development of the market for utilizing and leveraging next-generation systems

Takayuki Yoshino, President and CEO, Net One Systems Co., Ltd.

Increasingly focusing on building cloud systems

Net One Systems Group advocates “sustainable growth” as its foremost priority and has been promoting the improvement of productivity since fiscal year 2014 in order to generate higher profits. In fiscal year 2015, in addition to expanding work style innovation and upgrades to cloud-ready networks, which help solve customers’ issues concerning Information and Communications Technology (ICT), we are developing new solutions that require advanced IT skills and expertise through safe and reliable multi-cloud coordination. With regard to our operations, we are in a stage of transition from the sale of equipment mainly used for telecommunication networks to a business to assist customers who are aiming for management innovation with cutting-edge ICT technologies. This shift has led us to have a more-balanced business portfolio and show a more stable operating performance. Going forward, in regard to building cloud-based systems architecture, it will become increasingly important for us to develop closer relationships with our existing customers and thoroughly understand their businesses and needs.

Big picture in the age of ICT systems

We believe that there will be some changes emerging in ICT heading toward FY2016. So far, technological keywords such as virtualization, cloud computing, big data, and Internet of Things (IoT) have been individually highlighted, but now we are entering a stage where all of these keywords are being incorporated into one big picture, where they can be “fully utilized by users.”

Being a pioneer of such changes, we began to strengthen the business to build unified platform infrastructure several years ago. In FY2014, we introduced building cloud systems that is “cloud builder business”, which is the core of our big picture. Since FY2015, we have been stepping up the expansion of cloud builder business. In FY2016, we are moving into the next phase of development and aim to build cloud systems that can meet the needs of our customers, allowing us to offer more sophisticated and personalized services.

Aiming to become a “cloud broker” for optimal cloud connection

Taking into account the expected market transition from the next year onward, we are anticipating an increase in needs for hybrid cloud systems, which enable customers’ private clouds to be connected with the public clouds offered by major data centers, in the cloud system area. Moreover, handling of consolidated data in the cloud system will become increasingly important. At Net One Systems, we are implementing significant initiatives in cloud broker business, which entail providing our customers solutions so that next-generation complex cloud systems can be safely, effectively, and fully utilized.

Three challenges to profit from market changes in the next growth stage

Based on this view of the market, we believe that this transition will accelerate over the next three years, starting in FY2016. We have thus established the following three challenges to support our profit growth during this period.

The first challenge: IoT system

What kind of data go in and out of cloud systems? Originally, our main target was our customers’ IT system divisions’ handling of their operational data in the office automation (OA) domain. However, in the age of the Internet of Things, where everything is connected online, in the case of customers in the manufacturing sector, for example, their production engineering divisions’ massive data concerning development and production as well as big data related to factory automation (FA) will also be included in our target. We will therefore handle data which used to be outside our coverage when we were serving only IT system divisions.

In the case of IoT systems, configuration can vary depending on the customer’s industry or applications. Thus, the conventional approach of having one vendor is no longer applicable. Going forward, we will need to consider a system which enables flexible customer-focused collaboration among experts, vendors, system integrators, and other parties. We have therefore been making concerted efforts with many specialized firms called “eco partners” to prepare experiments and evaluation for several sector-focused IoT systems.

The second challenge: Hybrid cloud system

The use of hybrid cloud systems requires not only the system provider’s perspective but also the user’s perspective. The user will face various issues, such as how to ensure security, how to handle data, how to manage communication lines, and purchasing of applications. We will start a proof of concept this year so that we can provide services to solve these issues our customers may face in managing hybrid cloud systems.

We therefore plan to enhance the development of services from the user’s perspective.
While Net One’s main business model is the provision of services such as building ICT systems, our wholly-owned subsidiary Net One Partners Co., Ltd. (NOP) is engaged in supplying products and solutions via partner companies to our customers, who are end-users. Our Group has about 700-800 major customers as of the end of September 2015. Given the fact there are approximately 3,000 companies with 1,000 or more employees in Japan, our market reach is still limited. Accordingly, with the aim of accessing a wider market, NOP opened a contact center which utilizes ICT effectively in July 2014, and has launched efficient sales activities in alliance with partner companies.

Customer’s perspective makes us foresee a new area of demand

As a new area of demand from the customer’s perspective, we are focusing on factory automation (FA) in industrial manufacturing, and specifically the area of computer-aided machine tools and robots. While we have customers in the manufacturing industry, we have conducted business only with their OA domain and not with their R&D or production divisions. We now believe that, given our deep knowledge of networks, we can offer unique solutions to customers, such as the integration of conventional ICT systems with FA systems, or the integration of “Internet of Things” systems.

In Japan, the government is introducing a new social security and tax number system nicknamed “My Number.” This is anticipated to generate needs for virtualization technology and needs for efficient management of the vertically-separated systems for taxation, social security, and the basic resident register. We feel strongly that these are areas we can tap into leveraging our strengths and track record in strategic business development related to ICT systems.

Message to our shareholders

At Net One Systems, we have identified the current FY2015 as the year to fortify our base to promote business development from the next year onward. We will take up new challenges, utilize next-generation ICT systems, and materialize value-added solutions to satisfy the potential needs of our customers. I believe this will be the driving force of our growth. I am also determined to keep promoting the improvement of profitability, which is one of our important management issues.

Despite revenue gain, a certain project led to a decrease in operating income

During the first half of FY2015, revenue increased by 6.7% year-on-year to ¥62.9 billion. However, as a certain low-margin project was moved forward to the first half, an operating loss of ¥75 million was recorded (compared to an operating loss of ¥40 million a year ago), which resulted in earnings falling short of the forecast for the first half. Nevertheless, as we expect a recovery in profitability from the third quarter onward, our full-year forecasts remain unchanged.

Results are mixed by sector

The Enterprise Sector (ENT Sector) was strong, supported by favorable demand for upgrades to cloud-ready networks, and the Telecom Carrier Sector (SP Sector) was also steady partly due to some forward-booking of investments by carriers despite of a certain low-margin project. The Public Sector (PUB Sector) was sluggish due to an off-demand season for contract renewals. In the Net One Partners Sector (NOP Sector), we made efforts to enhance IoT-related arrangements.

Second-half results are expected to be in line with forecasts

Our performance in the second half is expected to be generally in line with our plan. The Enterprise Sector will maintain its favorable trend; the Telecom Carrier Sector is likely to see some additional investment and thus end up in line with the forecast; the Public Sector plans to receive many projects including some relatively large-scale projects; and the Net One Partners Sector is anticipating a boost in IoT-related projects.
Net One Systems provides optimum solutions to meet our customers’ needs by conducting assessment/accreditation of vendors’ new products in and outside Japan with our technologies. By combining state-of-the-art equipment and technology, we ourselves employ next-generation ICT infrastructure, and the resulting accumulated experience and expertise forms a base that will enable us to raise our added value and better support our customers.

Net One Systems is expanding its areas of business from the enhancement of network equipment for telecom carriers to the building of “unified platform infrastructure” and next-generation data centers. We are also promoting the use of ICT that accelerates business innovation of our customers. Specific services include the use of collaboration tools and Virtual Desktop Infrastructure (VDI) for work style innovation, and the building and practical support of safe and reliable cloud systems.

### Financial Highlights

<table>
<thead>
<tr>
<th>Year</th>
<th>FY2011</th>
<th>FY2012</th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
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<tbody>
<tr>
<td>1st half</td>
<td>39,100</td>
<td>18,693</td>
<td>14,682</td>
<td>(estimated)</td>
<td>57,000</td>
</tr>
<tr>
<td>2nd half</td>
<td>33,227</td>
<td>19,484</td>
<td>18,686</td>
<td>(estimated)</td>
<td>26,875</td>
</tr>
</tbody>
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### Overview by Market Sector

#### ENT Market
- **For the private sector**
  - **Targets**
    - Large-scale ICT systems
    - Work style innovation
  
- **Highlights**
  - Strong demand for cloud-ready networks for financial firms and internet service providers and for work style innovation.

#### SP Market
- **For telecom carriers**
  - **Targets**
    - Network infrastructure
    - Service delivery platform
  
- **Highlights**
  - Increase in demand for upgrades to some equipment. Continued sluggish investment in networks, generally.

#### PUB Market
- **For the public sector**
  - **Targets**
    - Unified platform infrastructure
    - Work style innovation
  
- **Highlights**
  - Booking of overall orders brought forward. Steady investment demand for the unified platform infrastructure.

#### NOP
- **For partners**
  - **Targets**
    - Collaborative business with partners
    - Provision of platform solutions
  
- **Highlights**
  - Booking of some sales and orders brought forward. Steady progress in IoT-related collaborative arrangements.
I want to talk to many women about the potential of work style innovation

Net One’s Chubu Office introduced a “free-address office” (non-territorial) in 2014. At the time, Ms. Kubota was assigned to do demonstrations and directly talk about her own experience and the good and bad points of such an office to participants of the office tours.

“I shared my honest views on the good and bad points of the free-address office, based on my experience, with customers who visited our office. It may sound easy but I am impressed that my company has allowed me to do this. I think I learned a great deal about what kind of relationship Net One wanted to establish with its customers. I believe that work style innovations will have significant impacts on women’s work styles. I personally want to do demonstrations and directly talk about her own experience in Singapore.”

Using solution power and human power to become more trusted by my clients

Mr. Terada has been in charge of sales representative since his second year with Net One Systems. He is currently in charge of one of the major telecom carriers. As there are many counterparts and is involved in business worth more than several billion yen in total, “An urgent request can be completed with just one telephone call. Such a sense of speed is part of my working attitude. Since I joined Net One, I have strived hard to refine this ability. When my customer told me “That’s the information I wanted,” I feel happy.”

Net One System’s potential

Company Name: Net One Systems Co., Ltd.
Established: February 1, 1988
Capital Stock: 12,279 million yen

Business
Networking business
Network platform business
Service business

Number of Employees
2,285 (consolidated)/144 decline from the same term last year (79 decline were accepted employees on Jpn.)
2,053 (non-consolidated)/154 decline from the same term last year (116 decline were accepted employees on Jpn.)

Major Banks
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Mizuho Bank, Ltd.
Sumitomo Mitsui Banking Corporation

Subsidiaries
Net One Partners Co., Ltd.
Xseed Co., Ltd.
System Solution Engineering K.K.
Net One Systems USA, Inc.
Net One Singapore Pte. Ltd.

Executives (As of October 30, 2015)

President: Takayuki Yoshino

Director: Toru Araki, Tatsuyuki Sudo, Shunshi Suemitsu, Tatsuhisa Kawaguchi, Norihisa Katayama, Nozomi Horie

Director (Outside): Kunio Kawakami, Miwako Imagawa, Naoko Nishimura

Audit & Supervisory Board Members
Chairman: Toru Matsui, Masamichi Kikutani, Minoru Uchida, Tadashi Nakazaki

Number of Employees (As of October 30, 2015)

Number of Shares Issued: 86,000,000
Number of Shareholders: 23,422

Major Shareholders

IR Calendar

Distribution of shares by type of shareholder

Indicators

Earnings per share (yen) 59.0 59.0 59.0
Stock price (yen) 809.63 809.63 809.63
Dividends per share (yen) 33 33 33
Dividend payout ratio (%) 62.5 62.5 62.5
Return on equity (%) 11.0 11.0 11.0
Inflarim dividend (3) (15,02,052 yen per share) (2) Effective date and payment start date: November 24, 2015