Results for Q3 FY03/2018
 Ended December 31, 2017

Net One Systems Co., Ltd.
February 1, 2018(Stock Code 7518: JP)
Agenda

- Q3 FY03/18 (Apr-Dec 9months) Results  P. 2-10
- FY03/18 Outlook                  P. 11-13
Q3 FY03/18 (Apr-Dec 9months) Results
### Results summary Q3 FY03/18 (Oct-Dec 3months)

<table>
<thead>
<tr>
<th>(JPYmn, % to revenue)</th>
<th>FY03/18 Q3 Results</th>
<th>YoY</th>
<th>FY03/17 Q3 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>Bookings</td>
<td>39,429</td>
<td>(1,124)</td>
<td>- 2.8%</td>
</tr>
<tr>
<td>Revenue</td>
<td>36,678</td>
<td>100.0%</td>
<td>4,685</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>28,002</td>
<td>76.3%</td>
<td>3,681</td>
</tr>
<tr>
<td>Gross profit</td>
<td>8,675</td>
<td>23.7%</td>
<td>1,003</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>7,126</td>
<td>19.5%</td>
<td>21</td>
</tr>
<tr>
<td>Operating Income</td>
<td>1,549</td>
<td>4.2%</td>
<td>982</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>1,605</td>
<td>4.4%</td>
<td>1,130</td>
</tr>
<tr>
<td>Net Income attributable to owners of the parent company</td>
<td>1,070</td>
<td>2.9%</td>
<td>757</td>
</tr>
<tr>
<td>Backlog</td>
<td>71,941</td>
<td>1,073</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

Operating income increased YoY, as revenue increased and the gross profit margin maintained at a high level. Bookings and revenue of Enterprise sector and Partner sector increased YoY. Public sector was in line with the plan.

(Note) From the current fiscal year, revenue of vendor support for period contracts has been changed to monthly.
# Results summary Q1-3 FY03/18 (Apr-Dec 9months)

<table>
<thead>
<tr>
<th>(JPYmn, % to revenue)</th>
<th>FY03/18 Q1-3 Results</th>
<th>YoY Amount</th>
<th>%</th>
<th>FY03/17 Q1-3 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bookings</td>
<td>119,251</td>
<td>3,217</td>
<td>2.8%</td>
<td>116,033</td>
</tr>
<tr>
<td>Revenue</td>
<td>107,375</td>
<td>8,842</td>
<td>9.0%</td>
<td>98,532</td>
</tr>
<tr>
<td>Cost of revenue</td>
<td>82,101</td>
<td>5,474</td>
<td>7.1%</td>
<td>76,626</td>
</tr>
<tr>
<td>Gross profit</td>
<td>25,273</td>
<td>3,367</td>
<td>15.4%</td>
<td>21,905</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>21,413</td>
<td>370</td>
<td>1.8%</td>
<td>21,043</td>
</tr>
<tr>
<td>Operating Income</td>
<td>3,860</td>
<td>2,997</td>
<td>347.4%</td>
<td>862</td>
</tr>
<tr>
<td>Ordinary Income</td>
<td>3,976</td>
<td>3,225</td>
<td>429.9%</td>
<td>750</td>
</tr>
<tr>
<td>Net Income attributable to owners of the parent company</td>
<td>2,640</td>
<td>2,199</td>
<td>498.7%</td>
<td>441</td>
</tr>
<tr>
<td>Backlog</td>
<td>71,941</td>
<td>1,073</td>
<td>1.5%</td>
<td>70,867</td>
</tr>
</tbody>
</table>

Bookings, revenue and profit increased YoY. Enterprise sector, Partner sector and Public sector performed strongly.
## Performance trend

<table>
<thead>
<tr>
<th>(JPYmn, % to revenue)</th>
<th>FY03/17</th>
<th>FY03/18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q1</td>
<td>Q2</td>
</tr>
<tr>
<td><strong>Bookings</strong></td>
<td>36,088</td>
<td>39,391</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>29,475</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Cost of revenue</strong></td>
<td>23,075</td>
<td>78.3%</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>6,400</td>
<td>21.7%</td>
</tr>
<tr>
<td><strong>SG&amp;A</strong></td>
<td>6,673</td>
<td>22.6%</td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>(273)</td>
<td>- 0.9%</td>
</tr>
<tr>
<td><strong>Ordinary Income</strong></td>
<td>(333)</td>
<td>- 1.1%</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>(256)</td>
<td>- 0.9%</td>
</tr>
<tr>
<td><strong>Backlog</strong></td>
<td>59,979</td>
<td>62,306</td>
</tr>
</tbody>
</table>

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Performance by market sector

- **Bookings**
  - **Enterprise**
    - Q1-3 FY03/17: 116,033
    - Q1-3 FY03/18: 119,251
    - Change: +8.2%
  - **Telecom Carrier**
    - Q1-3 FY03/17: 33,321
    - Q1-3 FY03/18: 36,061
    - Change: +8.2%
  - **Public**
    - Q1-3 FY03/17: 23,849
    - Q1-3 FY03/18: 22,990
    - Change: -13.8%
  - **Partner**
    - Q1-3 FY03/17: 39,858
    - Q1-3 FY03/18: 39,144
    - Change: -1.8%
  - **Bookings**
    - Q1-3 FY03/17: 18,539
    - Q1-3 FY03/18: 22,990
    - Change: +24.0%

- **Revenue**
  - **Enterprise**
    - Q1-3 FY03/17: 98,532
    - Q1-3 FY03/18: 107,375
    - Change: +24.0%
  - **Telecom Carrier**
    - Q1-3 FY03/17: 31,641
    - Q1-3 FY03/18: 33,899
    - Change: +7.1%
  - **Public**
    - Q1-3 FY03/17: 22,275
    - Q1-3 FY03/18: 19,990
    - Change: -13.8%
  - **Partner**
    - Q1-3 FY03/17: 27,778
    - Q1-3 FY03/18: 30,775
    - Change: +10.8%
  - **Revenue**
    - Q1-3 FY03/17: 16,370
    - Q1-3 FY03/18: 22,354
    - Change: +36.6%

- **Backlog**
  - **Enterprise**
    - End of Q3 FY03/17: 70,867
    - End of Q3 FY03/18: 71,941
    - Change: +13.0%
  - **Telecom Carrier**
    - End of Q3 FY03/17: 20,454
    - End of Q3 FY03/18: 23,115
    - Change: +13.0%
  - **Public**
    - End of Q3 FY03/17: 12,407
    - End of Q3 FY03/18: 11,552
    - Change: -6.9%
  - **Partner**
    - End of Q3 FY03/17: 29,612
    - End of Q3 FY03/18: 29,925
    - Change: +1.1%

- **Demand for security, cloud and workstyle innovation continued to be strong**
- **Cloud service infrastructure business expanded**
- **Security and cloud business in municipalities, healthcare, universities, and education committee performed strongly**
- **Key partners business and managed service via Telecom Carrier remained robust**
# Performance by product category

<table>
<thead>
<tr>
<th>Products</th>
<th>Security and cloud business remained robust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service business</td>
<td>Advances in solution proposals, projects including design, construction, maintenance and operation services increased</td>
</tr>
</tbody>
</table>

## Bookings

<table>
<thead>
<tr>
<th>Period</th>
<th>JPYmn</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-3 FY03/17</td>
<td>116,033</td>
<td>-0.4%</td>
</tr>
<tr>
<td>Q1-3 FY03/18</td>
<td>119,251</td>
<td></td>
</tr>
</tbody>
</table>

## Revenue

<table>
<thead>
<tr>
<th>Period</th>
<th>JPYmn</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1-3 FY03/17</td>
<td>98,532</td>
<td>+8.9%</td>
</tr>
<tr>
<td>Q1-3 FY03/18</td>
<td>107,375</td>
<td></td>
</tr>
</tbody>
</table>

## Backlog (JPYmn)

<table>
<thead>
<tr>
<th>Period</th>
<th>JPYmn</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>End of Q3 FY03/17</td>
<td>70,867</td>
<td>-10.5%</td>
</tr>
<tr>
<td>End of Q3 FY03/18</td>
<td>71,941</td>
<td></td>
</tr>
</tbody>
</table>

**Service ratio**

- Q1-3 FY03/17: 34.5% (Security) 36.5% (Service)
- Q1-3 FY03/18: 34.5% (Security) 36.5% (Service)
- End of Q3 FY03/17: 56.3% (Security) 61.5% (Service)
- End of Q3 FY03/18: 56.3% (Security) 61.5% (Service)
## Consolidated balance sheets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Results</td>
<td>Amount</td>
<td>%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>96,618</td>
<td>(6,747)</td>
<td>- 6.5%</td>
</tr>
<tr>
<td>Current assets</td>
<td>86,210</td>
<td>(6,215)</td>
<td>- 6.7%</td>
</tr>
<tr>
<td>Cash and deposits + CD·CP</td>
<td>18,697</td>
<td>1,461</td>
<td>+ 8.5%</td>
</tr>
<tr>
<td>Notes and accounts receivable-trade</td>
<td>29,263</td>
<td>(15,267)</td>
<td>- 34.3%</td>
</tr>
<tr>
<td>Inventory assets</td>
<td>21,110</td>
<td>4,468</td>
<td>+ 26.8%</td>
</tr>
<tr>
<td>Other</td>
<td>17,138</td>
<td>3,123</td>
<td>+ 22.3%</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>10,407</td>
<td>(532)</td>
<td>- 4.9%</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>5,225</td>
<td>(280)</td>
<td>- 5.1%</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>1,850</td>
<td>(291)</td>
<td>- 13.6%</td>
</tr>
<tr>
<td>Investment etc.</td>
<td>3,331</td>
<td>40</td>
<td>+ 1.2%</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>39,088</td>
<td>(6,949)</td>
<td>- 15.1%</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>34,286</td>
<td>(6,723)</td>
<td>- 16.4%</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>4,801</td>
<td>(225)</td>
<td>- 4.5%</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>57,529</td>
<td>201</td>
<td>+ 0.4%</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>57,327</td>
<td>141</td>
<td>+ 0.2%</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>41</td>
<td>27</td>
<td>+ 197.0%</td>
</tr>
<tr>
<td>Subscription rights to shares</td>
<td>160</td>
<td>32</td>
<td>+ 25.5%</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>96,618</td>
<td>(6,747)</td>
<td>- 6.5%</td>
</tr>
</tbody>
</table>
Revenue and P/L by reportable segment

<table>
<thead>
<tr>
<th>(JPYmn)</th>
<th>Enterprise</th>
<th>Telecom Carrier</th>
<th>Public</th>
<th>Partner</th>
<th>Sub-total</th>
<th>Other</th>
<th>Total</th>
<th>Adjustment</th>
<th>Amount recorded in consolidated income statements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ended Dec 31, 2017 (Results)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>33,903</td>
<td>19,990</td>
<td>30,775</td>
<td>22,354</td>
<td>107,023</td>
<td>1,167</td>
<td>108,191</td>
<td>(815)</td>
<td>107,375</td>
</tr>
<tr>
<td>Segment income</td>
<td>1,516</td>
<td>794</td>
<td>917</td>
<td>1,035</td>
<td>4,263</td>
<td>(14)</td>
<td>4,249</td>
<td>(389)</td>
<td>3,860</td>
</tr>
<tr>
<td>Segment income margin</td>
<td>4.5%</td>
<td>4.0%</td>
<td>3.0%</td>
<td>4.6%</td>
<td></td>
<td></td>
<td></td>
<td>3.6%</td>
<td></td>
</tr>
<tr>
<td><strong>Ended Dec 31, 2016 (Previous)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>31,643</td>
<td>22,275</td>
<td>27,778</td>
<td>16,370</td>
<td>98,067</td>
<td>1,207</td>
<td>99,274</td>
<td>(742)</td>
<td>98,532</td>
</tr>
<tr>
<td>Segment income</td>
<td>577</td>
<td>723</td>
<td>(79)</td>
<td>48</td>
<td>1,270</td>
<td>18</td>
<td>1,289</td>
<td>(426)</td>
<td>862</td>
</tr>
<tr>
<td>Segment income margin</td>
<td>1.8%</td>
<td>3.2%</td>
<td>△ 0.3%</td>
<td>0.3%</td>
<td></td>
<td></td>
<td></td>
<td>0.9%</td>
<td></td>
</tr>
</tbody>
</table>

(Notes) 1. The adjustment in segment income included corporate expenses not attributable to any reportable segment.
2. The “Other” segment is not included as a reportable segment. It contains the server service business and other businesses. Corporate expenses are mainly related to general administrative expenses not attributable to reportable segment.
# Exchange rate, EPS, Employees

<table>
<thead>
<tr>
<th></th>
<th>FY03/18 Q1-3</th>
<th>YoY</th>
<th>FY03/17 Q1-3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Change</td>
<td>Ratio</td>
</tr>
<tr>
<td>Exchange rate ($JPY)</td>
<td>111.03</td>
<td>(0.02)</td>
<td>- 0.0%</td>
</tr>
<tr>
<td>Earnings per share (JPY)</td>
<td>31.21</td>
<td>25.99</td>
<td>497.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>End of FY03/18 Q3</th>
<th>YoY</th>
<th>End of FY03/17 Q3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Change</td>
<td>Ratio</td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>2,299</td>
<td>39</td>
<td>1.7%</td>
</tr>
</tbody>
</table>

(Notes)
1. On November 22, 2017, an interim dividend of 15.00 yen per share was paid to shareholders of record as of September 30, 2017.
2. The Company is planning to the year-end dividend payment of 15.00 yen per share that was announced at the beginning of fiscal year.
FY03/18 Outlook
## FY03/18 Outlook (※no change from the previous outlook)

<table>
<thead>
<tr>
<th>(JPYmn, % to revenue)</th>
<th>FY03/18 Outlook</th>
<th>YoY</th>
<th></th>
<th>FY03/17 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Change</td>
<td>Ratio</td>
</tr>
<tr>
<td>Bookings</td>
<td>160,000</td>
<td>(3,935)</td>
<td>- 2.4%</td>
<td>163,935</td>
</tr>
<tr>
<td>Revenue</td>
<td>157,000 100.0%</td>
<td>(236)</td>
<td>- 0.2%</td>
<td>157,236 100.0%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>121,275 77.2%</td>
<td>(738)</td>
<td>- 0.6%</td>
<td>122,013 77.6%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>35,724 22.8%</td>
<td>500</td>
<td>1.4%</td>
<td>35,223 22.4%</td>
</tr>
<tr>
<td>SG&amp;A</td>
<td>28,524 18.2%</td>
<td>(951)</td>
<td>- 3.2%</td>
<td>29,475 18.8%</td>
</tr>
<tr>
<td>Operating income</td>
<td>7,200 4.6%</td>
<td>1,452</td>
<td>25.3%</td>
<td>5,747 3.7%</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>7,200 4.6%</td>
<td>1,498</td>
<td>26.3%</td>
<td>5,701 3.6%</td>
</tr>
<tr>
<td>Net income attributable to owners of the parent</td>
<td>4,600 2.9%</td>
<td>777</td>
<td>20.3%</td>
<td>3,822 2.4%</td>
</tr>
</tbody>
</table>
### FY03/18 Outlook by market sector

(※no change from the previous outlook)

<table>
<thead>
<tr>
<th>Market Sector</th>
<th>Bookings FY03/17 (JPYmn)</th>
<th>Bookings FY03/18 (JPYmn)</th>
<th>Bookings Progress Ratio FY03/18</th>
<th>Revenue FY03/17 (JPYmn)</th>
<th>Revenue FY03/18 (JPYmn)</th>
<th>Revenue Progress Ratio FY03/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise</td>
<td>49,967 (4.1%)</td>
<td>52,000 (69.3%)</td>
<td></td>
<td>47,788 (4.6%)</td>
<td>50,000 (67.6%)</td>
<td></td>
</tr>
<tr>
<td>Telecom</td>
<td>37,372 (-6.3%)</td>
<td>35,000 (58.8%)</td>
<td></td>
<td>37,231 (-6.0%)</td>
<td>35,000 (57.3%)</td>
<td></td>
</tr>
<tr>
<td>Carrier</td>
<td>50,738 (-10.3%)</td>
<td>45,500 (86.0%)</td>
<td></td>
<td>46,715 (-2.6%)</td>
<td>45,500 (67.7%)</td>
<td></td>
</tr>
<tr>
<td>Public</td>
<td>25,294 (6.7%)</td>
<td>27,000 (85.1%)</td>
<td></td>
<td>24,917 (4.3%)</td>
<td>26,000 (86.0%)</td>
<td></td>
</tr>
<tr>
<td>Partner</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FY03/18 Outlook:

- Enterprise: +4.1% Progress Ratio
- Telecom: -6.3% Progress Ratio
- Carrier: -10.3% Progress Ratio
- Public: +6.7% Progress Ratio
- Partner: +4.3% Progress Ratio

Revenue Progress Ratio:

- Enterprise: +4.6%
- Telecom: -6.0%
- Carrier: -2.6%
- Public: +4.1%
- Partner: +4.3%