

— すべてのステークホルダーから信頼され支持される企業へ —

ADMIRE COMPANY

Results for Q3 FY18

Ended December 31, 2018

Net One Systems Co., Ltd.
January 31, 2019 (Stock Code 7518: JP)



■ ■ ■ Agenda ■ ■ ■

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Q1-3 FY18 (Apr-Dec 9months) Results

Results summary Q1-3 FY18 (Apr-Dec 9months)

(JPYmn, % to revenue)	FY17 Q1-3 Results		FY18 Q1-3 Results		YoY	
					Amount	%
Bookings	119,251		138,036		18,784	15.8%
Revenue	107,375	100.0%	122,432	100.0%	15,057	14.0%
Cost of revenue	82,101	76.5%	91,977	75.1%	9,875	12.0%
Gross profit	25,273	23.5%	30,455	24.9%	5,181	20.5%
SG&A	21,413	19.9%	22,695	18.5%	1,282	6.0%
Operating Income	3,860	3.6%	7,759	6.4%	3,899	101.0%
Ordinary Income	3,976	3.7%	7,956	6.5%	3,980	100.1%
Net Income attributable to owners of the parent company	2,640	2.5%	5,303	4.3%	2,663	100.9%
Backlog	71,941		84,725		12,784	17.8%

Profits increased as a result of revenue growth and continuous efforts to reduce costs, expand services, and increase productivity.
Bookings increased mainly in Public sector and Enterprise sector.

Results summary Q3 FY18 (Oct-Dec 3months)

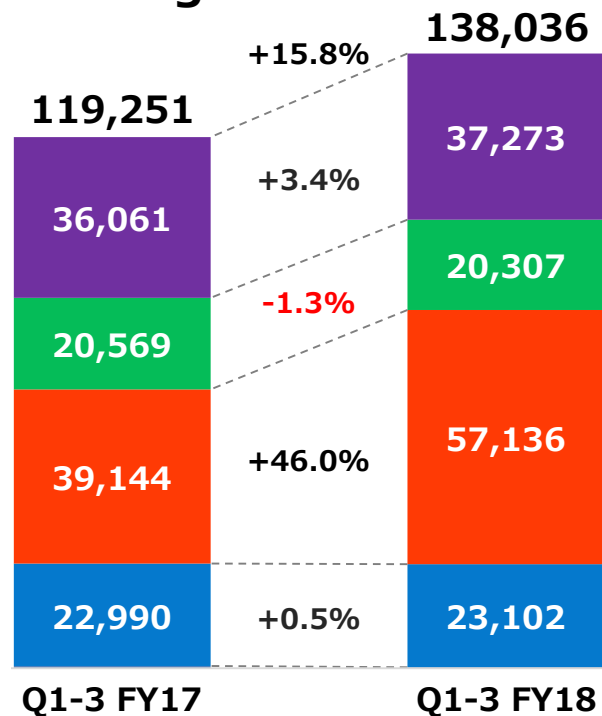
(JPYmn, % to revenue)	FY17 Q3 Results		FY18 Q3 Results		YoY	
					Amount	%
Bookings	39,429		37,539		(1,890)	- 4.8%
Revenue	36,678	100.0%	41,833	100.0%	5,155	14.1%
Cost of revenue	28,002	76.3%	31,560	75.4%	3,557	12.7%
Gross profit	8,675	23.7%	10,273	24.6%	1,597	18.4%
SG&A	7,126	19.5%	7,449	17.8%	323	4.5%
Operating Income	1,549	4.2%	2,823	6.8%	1,274	82.3%
Ordinary Income	1,605	4.4%	2,913	7.0%	1,307	81.4%
Net Income attributable to owners of the parent company	1,070	2.9%	1,993	4.8%	923	86.3%

Performance trend

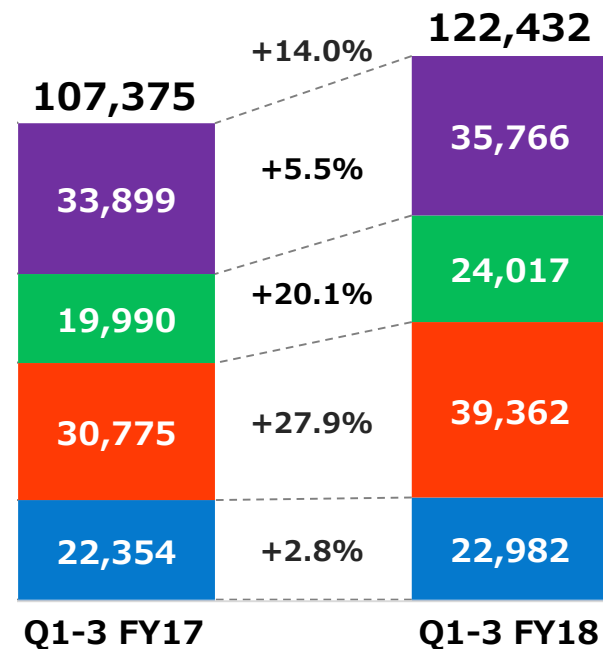
(JPYmn, % to revenue)	FY17								FY18					
	Q1		Q2		Q3		Q4		Q1		Q2		Q3	
Bookings	37,963		41,857		39,429		50,913		56,786		43,710		37,539	
Revenue	29,794	100.0%	40,902	100.0%	36,678	100.0%	53,732	100.0%	33,418	100.0%	47,180	100.0%	41,833	100.0%
Cost of revenue	22,495	75.5%	31,603	77.3%	28,002	76.3%	41,176	76.6%	24,627	73.7%	35,789	75.9%	31,560	75.4%
Gross profit	7,298	24.5%	9,299	22.7%	8,675	23.7%	12,555	23.4%	8,791	26.3%	11,390	24.1%	10,273	24.6%
SG&A	6,884	23.1%	7,402	18.1%	7,126	19.5%	8,173	15.2%	7,279	21.8%	7,966	16.9%	7,449	17.8%
Operating Income	414	1.4%	1,896	4.6%	1,549	4.2%	4,381	8.2%	1,511	4.5%	3,423	7.2%	2,823	6.8%
Ordinary Income	400	1.3%	1,969	4.8%	1,605	4.4%	4,442	8.3%	1,533	4.6%	3,509	7.4%	2,913	7.0%
Net Income attributable to owners of the parent company	248	0.8%	1,321	3.2%	1,070	2.9%	3,042	5.7%	1,035	3.1%	2,273	4.8%	1,993	4.8%
Backlog	68,234		69,189		71,941		69,121		92,489		89,019		84,725	

Performance by market sector (Apr-Dec 9months)

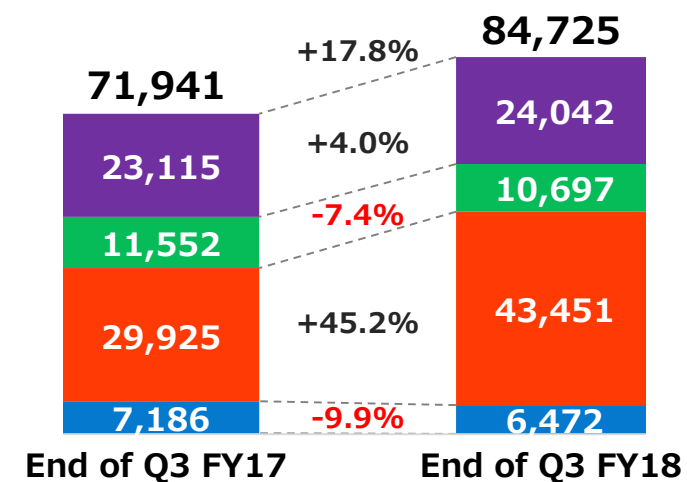
Bookings



Revenue



Backlog



(JPYmn)

Enterprise

Business of security, cloud infrastructure, work style innovation, and IIoT performed well.

Telecom Carrier

Cloud service infrastructure business performed well.

Public

Security and cloud infrastructure business were strong in overall social infrastructure.

Partner

The Partner business progressed in line with the company plan.

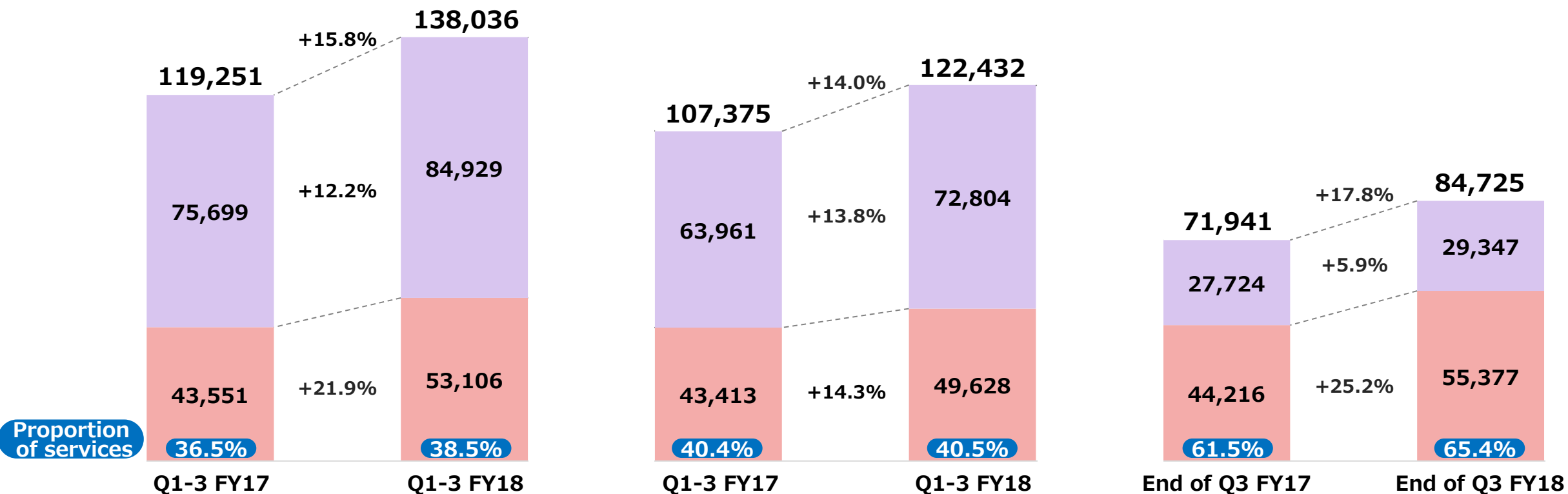
Performance by product category (Apr-Dec 9months)

Bookings

Revenue

Backlog

(JPYmn)



Products

Security and cloud infrastructure business performed well.

Service business

The acceleration of the "Integrated services business" contributed the expansion of services and products.

Revenue and P/L by reportable segment

(JPYmn)		Reportable segment					Other	Total	Adjustment	Amount recorded in consolidated income statements
		Enterprise	Telecom Carrier	Public	Partner	Sub-total				
Q1-3 FY18 (Results)	Revenue	35,766	24,017	39,362	22,982	122,127	304	122,432	-	122,432
	Segment income	1,781	2,509	2,084	1,724	8,099	132	8,232	(473)	7,759
	Segment income margin	5.0%	10.4%	5.3%	7.5%					6.3%
Q1-3 FY17 (Previous)	Revenue	33,899	19,990	30,775	22,354	107,019	355	107,375	-	107,375
	Segment income	1,516	794	917	1,035	4,263	(14)	4,249	(389)	3,860
	Segment income margin	4.5%	4.0%	3.0%	4.6%					3.6%

- (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.

Consolidated balance sheets

(JPYmn)	Mar 31, 2018	Dec 31, 2018	Change	
	Results	Results	Amount	%
Total assets	106,827	107,085	258	+ 0.2%
Current assets	95,164	95,841	676	+ 0.7%
Cash and deposits + CD·CP	23,953	17,466	(6,487)	- 27.1%
Notes and accounts receivable-trade	41,755	31,787	(9,967)	- 23.9%
Inventory assets	13,136	22,721	9,584	+ 73.0%
Other	16,319	23,865	7,546	+ 46.2%
Noncurrent assets	11,662	11,244	(418)	- 3.6%
Property, plant and equipment	5,125	5,228	102	+ 2.0%
Intangible assets	1,801	1,525	(275)	- 15.3%
Investment etc.	4,735	4,489	(246)	- 5.2%
Total liabilities	46,464	43,957	(2,506)	- 5.4%
Current liabilities	41,544	38,669	(2,875)	- 6.9%
Non-current liabilities	4,919	5,288	368	+ 7.5%
Total net assets	60,363	63,128	2,765	+ 4.6%
Shareholders' equity	60,369	63,021	2,651	+ 4.4%
Accumulated other comprehensive income	(167)	(57)	110	-
Subscription rights to shares	160	163	3	+ 2.0%
Total liabilities and net assets	106,827	107,085	258	+ 0.2%

Exchange rate, EPS, Employees

	FY17 Q1-3	FY18 Q1-3	YoY	
			Amount	%
Exchange rate (\$JPY)	111.03	109.70	(1.33)	- 1.2%
Earnings per share (JPY)	31.21	62.65	31.44	100.7%

	End of FY17 Q3	End of FY18 Q3	YoY	
			Amount	%
Employees	2,299	2,296	(3)	- 0.1%

FY18 Outlook

FY18 outlook (No Change from revised outlook announced on September 28, 2018)

(JPYmn)	FY17 Results		FY18 Revised outlook [Announced September 28, 2018]		YoY	
					Amount	%
Bookings	170,164		185,000		14,836	8.7%
Revenue	161,107	100.0%	175,000	100.0%	13,893	8.6%
Cost of sales	123,278	76.5%	132,300	75.6%	9,022	7.3%
Gross profit	37,829	23.5%	42,700	24.4%	4,871	12.9%
SG&A	29,587	18.4%	30,700	17.5%	1,113	3.8%
Operating income	8,241	5.1%	12,000	6.9%	3,759	45.6%
Ordinary income	8,418	5.2%	12,000	6.9%	3,582	42.6%
Net income attributable to owners of the parent	5,682	3.5%	8,000	4.6%	2,318	40.8%

charge ∠ channel ∠ change



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