



Results for Q2 FY20

Ended September 30, 2020

Net One Systems Co., Ltd.

December 16, 2020 (Stock Code 7518: JP)

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1 Improper Conduct and Corrections to Previous Consolidated Financial Statements

- **Reasons for Corrections and Relevant Details**
- **Overview of Corrections Made to Previous Consolidated Financial Statements**
- **Establishment of a “Reform Committee of Governance and Corporate Culture”**
- **Measures to prevent recurrence and progress status of transactions where delivery of goods could not be confirmed**

Reasons for Corrections and Relevant Details

In accordance with the notification received from the Tokyo Regional Taxation Bureau in November 2019, Net One Systems conducted an investigation led by a special investigative committee from December 13, 2019 to March 11, 2020, and disclosed the “final report of investigation into suspicious transactions (transactions where delivery of goods could not be confirmed)” on March 12, 2020.

In response to information received from an external organization, we conducted the following investigation and consequently recognized the need to make proper adjustments to previously conducted accounting. Accordingly, we made appropriate corrections to previous consolidated financial statements and non-consolidated financials statements.

■ Details of investigation

1. Suspicions regarding diversion of funds and improper substitution of costs
2. Suspicions that a portion of the funds diverted from the Company through fraudulent transaction with no actual deliveries of goods were allocated to the provision of services and goods associated with transactions booked as sales by the Company

■ Matters recognized to be in need of proper accounting

1. Former employee diversion of funds conducted using suppliers
2. Employee diversion of funds conducted using clients (improper substitution of costs)
3. Change in accounting method used to record about 5.1 billion yen in loss of advances paid
4. Recording of additional cost of revenue
5. Other

1. Former Employee Diversion of Funds Conducted Using Suppliers (External Investigation)

■ Overview

We became aware that some of our funds had been externally diverted through deceptive behavior carried out by an former employee utilizing suppliers.

■ Impact on consolidated financial statements

Funds totaling 206 million yen that were diverted during the fiscal year ended March 31, 2019 through the fiscal year ended March 31, 2020 have been reclassified as non-operating expenses, instead of as cost of revenue.

Corresponding revenue of 184 million yen recognized during the fiscal year ended March 31, 2020 will not be recategorized because we verified the validity of associated transactions.

(JPYmn)	FY15	FY16	FY17	FY18	FY19	Total
Revenue	-	-	-	-	184	184
Operating Income	-	-	-	21	184	206
Ordinary Income	-	-	-	-1	-14	-16
Net income	-	-	-	-1	-14	-16

2. Employee Diversion of Funds Conducted Using Clients (External Investigation)

■ Overview

We became aware that an employee diverted pooled funds in the custody of clients and conducted deceptive and improper cost substitutions. Investigations have uncovered no evidence to suggest that the employee personally benefited from this fraudulent behavior.

■ Impact on consolidated financial statements

We have nullified the portion of revenue (15 million yen) that was overbooked during the fiscal year ended March 31, 2018 through the fiscal year ended March 31, 2019.

The funds diverted improperly through clients in service of improper cost substitutions were allocated as expenses at the Company, instead of as cost of revenue, so 16 million yen in cost of revenue has been reclassified as general and administrative expenses.

(JPYmn)	FY15	FY16	FY17	FY18	FY19	Total
Revenue	-	-	-2	-12	-	-15
Operating Income	-	-	-2	-12	-	-15
Ordinary Income	-	-	-	-	-	-
Net income	-	-	-	-	-	-

3. Change in Accounting Method Used to Record about 5.1 Billion Yen in Loss of Advances Paid (Internal Investigation)

■ Overview

When correcting past financial statements in March 2020, we determined that the possibility of recovering advance payments of approximately 5.1 billion yen related to the fraudulent transactions without actual delivery of goods is considerably low. Accordingly, we have recorded extraordinary loss in association with all fabricated projects occurring during the fiscal year ended March 31, 2018 through the fiscal year ended March 31, 2020 and involving these advance payments.

However, based on the results of this investigation and subsequent analyses, we reached the conclusion that loss corresponding to the advance payments mentioned above (approximately 5.1 billion yen) should not be associated only with the commercial transactions that led to the advance payments but also with a series of fabricated circular transactions that began during the fiscal year ended March 31, 2016. Accordingly, we have determined that this loss should be recognized for period extending from the fiscal year ended March 31, 2016 through the fiscal year ended March 31, 2020.

■ Impact on consolidated financial statements

We nullified extraordinary loss that we recorded for the period from the fiscal year ended March 31, 2018 through the fiscal year ended March 31, 2020 when we made corrections to past financial statements in March 2020 and rebooked across the period from the fiscal year ended March 31, 2016 through the fiscal year ended March 31, 2020.

This accounting revision has no impact on cumulative net assets.

(JPYmn)	FY15	FY16	FY17	FY18	FY19	Total
Revenue	-	-	-	-	-	-
Operating Income	-	-	-	-	-	-
Ordinary Income	-	-	-	-	-	-
Net income	-836	-2,355	328	3,182	-318	-

4. Recording of Additional Cost of Revenue (Internal Investigation)

■ Overview

We recognize that, in accordance with instructions given by a former Net One Systems employee, Company A used funds diverted from Net One Systems through fraudulent transactions involving no actual deliveries of goods to pay Company B and other entities and that Company B and these other entities may have provided us with goods and services as compensation for these payments. Furthermore, we became aware of suspicions concerning the potential underbooking of costs related to the indirect payments made to Company B and other entities through Company A and the need to conduct corrective accounting.

Accordingly, we obtained a list of all transactions through which Company B and other entities provided goods and services to Net One Systems through Company A and which occurred over the last five years. In cases of transactions that were included on this list and involved further orders placed with other partners by Company B and the aforementioned other entities, we obtained documented evidence concerning these transactions from the other partners mentioned previously. We subsequently confirmed that all of this information was consistent with our internal records.

As a result of these efforts, we verified that Company B and the aforementioned other entities provided us with a total of 1,569 million yen in services and goods over the period from the fiscal year ended March 31, 2015 through the fiscal year ended March 31, 2020.

■ Impact on consolidated financial statements

We have recorded an additional 1,188 million yen in cost of revenue for the period from the fiscal year ended March 31, 2015 through the fiscal year ended March 31, 2020 and reclassified 381 million yen in extraordinary loss associated with compensation in the form of goods and services that were provided to us through Company A over the course of the fabricated circular transactions mentioned above as cost of revenue.

(JPYmn)	FY14	FY15	FY16	FY17	FY18	FY19	Total
Revenue	-	-	-	-	-	-	-
Operating Income	-362	-303	-148	-328	-279	-147	-1,569
Ordinary Income	-362	-303	-148	-328	-279	-147	-1,569
Net income	-362	-303	-103	-178	-279	38	-1,188

Note: With regard to financial results for the fiscal year ended March 31, 2015, we have made no corrections to corresponding securities reports, financial results summaries, or other documents as only comparative information that was also related to the fiscal year ended March 31, 2016 was affected.

5. Other (Internal Investigation)

■ Overview and impact on consolidated financial statements

Through internal investigations unrelated to matters one through four covered within this presentation, we verified the authenticity of some purchasing transactions that we previously recognized as fraudulent transactions accompanying no actual deliveries of goods when correcting previous financial statements in March 2020. Accordingly, we have rerecorded 66 million yen in cost of revenue associated with these transactions.

Also in association with the purchasing transactions, we recorded 17 million yen as extraordinary loss occurring in the fiscal year ended March 31, 2019 when correcting previous financial statements. However, in the fiscal year ended March 31, 2020, we were able to confirm the authenticity of these purchasing transactions and reclassified this extraordinary loss as cost of revenue.

(JPYmn)	FY15	FY16	FY17	FY18	FY19	Total
Revenue	-	-	-	-	-	-
Operating Income	-	-49	-	-	-17	-66
Ordinary Income	-	-49	-	-	-17	-66
Net income	-	-49	-	17	-17	-49

Impact on accumulated net income / net assets

Impact on accumulated net assets: approximately 1.3 billion yen

	FY14	FY15	FY16	FY17	FY18	FY19	FY20 Q1	Total
1. Former Employee diversion of funds conducted using suppliers	-	-	-	-	-1	-14	-	-16
2. Employee diversion of funds conducted using clients (improper substitution of costs)	-	-	-	-	-	-	-	-
3. Change in accounting method used to record about 5.1 billion yen in loss of advances paid	-	-836	-2,355	328	3,182	-318	-	-
4. Recording of additional cost of revenue	-362	-303	-103	-178	-279	38	-	-1,188
5. Other: Transactions Recognized as Fabricated Purchases That Turned Out to be Real (Internal Investigation)	-	-	-49	-	17	-17	-	-49
6. In addition to the above	-	-	-	-	-86	4	6	-75
Total	-362	-1,140	-2,508	150	2,831	-307	6	-1,329

Note: With regard to financial results for the fiscal year ended March 31, 2015, we have made no corrections to corresponding securities reports, financial results summaries, or other documents as only comparative information that was also related to the fiscal year ended March 31, 2016 was affected.

Summary of corrections for each consolidated fiscal year

Summary of corrections for each consolidated fiscal year are as follows.

(JPYmn)	FY14		FY15		FY16		FY17		FY18		FY19		FY20 Q1		Cumulative correction amount
	Before revision	After revision	Before revision	After revision	Before revision	After revision	Before revision	After revision	Before revision	After revision	Before revision	After revision	Before revision	After revision	
Revenue	141,529	141,529	140,170	140,170	153,124	153,124	153,349	153,346	174,838	174,825	186,169	186,353	36,505	36,505	168
Operating Income	4,121	3,759	1,927	1,623	5,565	5,368	7,256	6,925	12,166	11,809	16,476	16,499	2,611	2,618	1,520
Ordinary Income	4,115	3,753	2,068	1,765	5,519	5,321	7,433	7,104	12,412	12,043	16,563	16,387	2,691	2,699	1,728
Net income	1,816	1,453	1,015	124	3,584	1,075	4,401	4,551	4,323	7,155	10,124	9,817	1,900	1,907	1,329
Net assets	56,472	56,109	54,398	52,896	55,954	51,943	57,708	53,847	59,614	58,584	66,674	65,337	66,350	65,020	1,329
Total assets	103,013	103,013	99,417	99,266	102,038	102,038	102,146	102,502	118,313	121,494	136,111	135,764	130,998	130,916	81

Note: With regard to financial results for the fiscal year ended March 31, 2015, we have made no corrections to corresponding securities reports, financial results summaries, or other documents as only comparative information that was also related to the fiscal year ended March 31, 2016 was affected.

Net One Systems is currently striving to prevent further instances involving fraudulent transactions with no actual deliveries of goods. Due to the repeated occurrence of these improprieties, we have on this day established a “Reform Committee of Governance and Corporate Culture” composed of external experts with the goal of further reshaping our governance and corporate culture.

This committee will provide us with investigative results concerning our governance, internal control environments, and internal auditing, as well as additional recommendations related to recurrence prevention measures. We plan to announce these results and recommendations by March 19, 2021.

■ Matters entrusted to the committee

1. Inspection of issues related to governance
2. Inspection of issues related to internal control environments (including the establishment of environments aimed at curbing behavior that leads to fraudulent or inappropriate accounting)
3. Inspection of issues related to internal auditing
4. Inspection of issues related to corporate culture and climate
5. In addition to the above, thorough investigation into root causes of these issues, including any inspections that the committee deems necessary
6. Delivery to Net One Systems of any necessary additional recommendations related to recurrence prevention measures

Furthermore, carrying out the responsibilities above will include analyzing the causes of internal issues related to governance and other matters that invited funds to be diverted and providing recommendations concerning recurrence prevention measures.

Measures to prevent recurrence and progress status - 1

			Started/ Completed	In progress	Monitoring
Basic policy on business transactions	Eliminate risk of fictitious transactions	Deal only with projects where our Group's added value (our unique services and solutions) is recognized	○		○
		Prohibit projects with no specifications (strengthen ability to verify the authenticity of transactions)	○		○
		Deal only with projects that involve direct transactions (confirm the authenticity of goods, services, and suppliers)	○		○
		Close the Kasumigaseki office whose clients are central government ministries and agencies	○		
		Strengthen project screening by process management system (PMS)	○		○
Strengthen risk management systems	Fundamental review of risk management activities	Clarify role of Chief Risk Officer (CRO) as “oversight of risk identification and response, efficacy assessment and sustained improvement of risk management activities, and other risk management processes”	○		
		Reorganize former Risk & Compliance Committee into two organizations—the Risk Management Committee, which evaluates and controls risk management activities, and the Compliance Committee, which evaluates and controls compliance activities. The CRO is in charge of both committees whose members include outside executive directors to ensure they provide objective feedback and assessment.	○		
		Clarify division responsible for risk management	○		
	Identify and evaluate significant major risks in each division	Formulate risk management action plans	○		
		Strengthen risk management using risk survey sheets	○		○
	Strengthen internal auditing	Add auditing methods (conduct interviews and checks on those involved in projects under suspicion)	○		○
		Expand auditing scope (to include internal auditing that does not depend on accounting audit, purchasing operations, and implementation status of recurrence prevention measures)	○		○

Measures to prevent recurrence and progress status - 2

Yellow: updated from Q1

			Started/ Completed	In progress	Monitoring
Enhance business controls	Review authority of sales divisions	Separate authority to place orders and manage acceptances from sales divisions	○		
		Revise operational rules and processes	○		○
		Modify systems in accordance with operating rule revisions		○	
	Strengthen purchasing functions	Make purchasing function independent by establishing Group Purchasing Department (previously performed by the Group Procurement and Logistics Department)	○		
		Redefine and strengthen procurement process and functions related to purchasing and acceptances	○		○
	Improve effectiveness of measures to prevent recurrence	Establish Sales Management Office under direct control of the president to promote revision of operational rules to prevent recurrence while monitoring progress on a Companywide basis	○		○
Review compliance activities	Prevent overreliance on certain individuals	Implement personnel rotation within divisions (prevent managerial inadequacies and loss of transparency of business processes)	○		
	Revise operation of whistleblower system	Restructure whistleblower system (establish separate points of contact for reporting harassment and fraud, with separate responsible divisions handling reported incidents)	○		
	Strengthen compliance awareness	Formulate compliance action plans (perform quarterly and year-end reviews and formulate plans for following fiscal year)	○		
		Declare compliance implementation targets (perform quarterly reviews by the Board of Directors or Management Committee)	○		○
		Conduct compliance training (review divisional workshops and e-learning programs, and formulate compliance action plans for following fiscal year)	○		○
	Create new corporate culture	Reinstate Vision Inculcation Committee (continuously conduct dialogue-focused activities aimed at securing participation from all employees, including outside executive directors)	○		
		Revise the vision book (compose new corporate action declaration that connects the Group's seven missions, businesses, and SDGs, and reformulate the code of conduct)	○		
		Promote activities focused on propagating the Company's vision (hold one-on-one feedback sessions with officers and employees, quarterly reviews by the Board of Directors or Management Committee, and workshops run by the Vision Inculcation Committee for management team and employees)	○		○
		Examine and take steps to improve remuneration system (assess operation and need for improvement of incentive system for salespeople)	○		

2

Q1-2 FY20 (Apr-Sep 6months) Results

Results summary Q1-2 FY20 (Apr-Sep 6months)



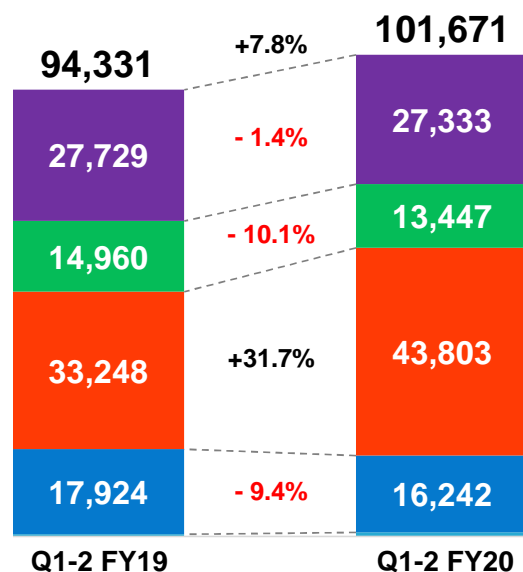
(JPYmn, % to revenue)	FY19 Q1-2 Results (A)		FY20 Q1-2 Results (B)		YoY (B-A)		FY20 Q1-2 Outlook (C)		Compare to Outlook (B-C)	
					Amount	%			Amount	%
Bookings	94,331		101,671		+7,339	+7.8%	90,000		+11,671	+13.0%
Revenue	82,348	100.0%	82,422	100.0%	+74	+0.1%	80,000	100.0%	+2,422	+3.0%
Cost of revenue	60,521	73.5%	59,355	72.0%	(1,165)	-1.9%	59,000	73.8%	+355	+0.6%
Gross profit	21,827	26.5%	23,067	28.0%	+1,240	+5.7%	21,000	26.3%	+2,067	+9.8%
SG&A	15,662	19.0%	16,402	19.9%	+739	+4.7%	16,000	20.0%	+402	+2.5%
Operating Income	6,164	7.5%	6,665	8.1%	+500	+8.1%	5,000	6.3%	+1,665	+33.3%
Ordinary Income	6,182	7.5%	6,486	7.9%	+304	+4.9%	5,000	6.3%	+1,486	+29.7%
Net Income attributable to owners of the parent company	2,656	3.2%	4,512	5.5%	+1,855	+69.8%	3,300	4.1%	+1,212	+36.7%
Backlog	87,246		112,766		+25,519	+29.3%	-		-	-

Bookings, revenue, and profits exceeded 1H outlook by capturing changes in customer investment, despite some impact from COVID-19. Business of the GIGA School Concept, telework expansion, security measures, and cloud infrastructure were solid.

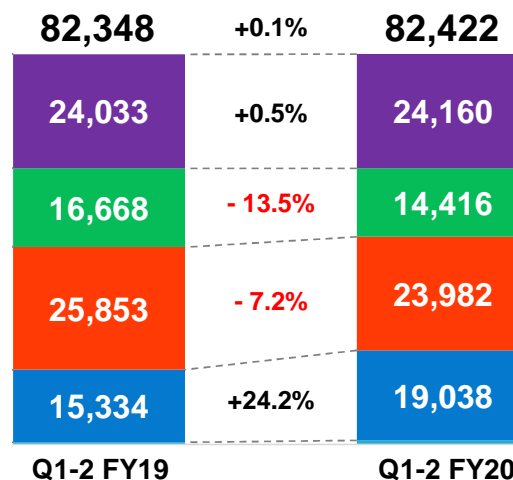
(Notes) The financial figures reflect the revisions.

Performance by market sector

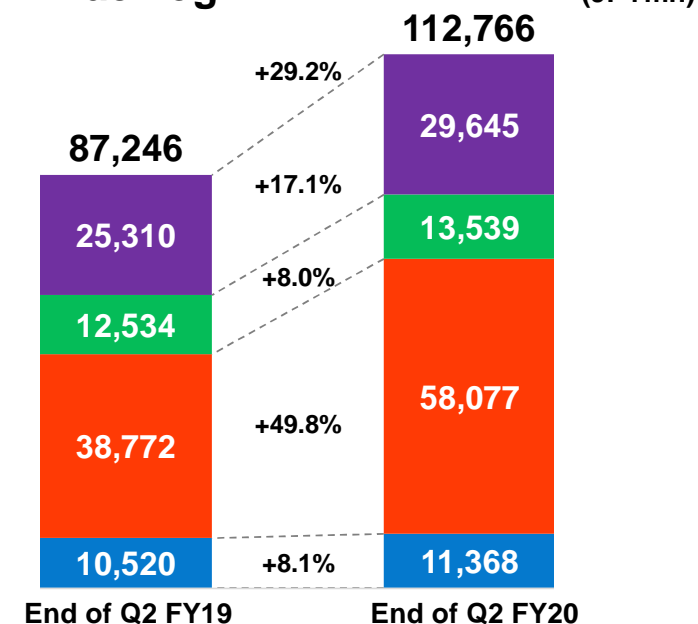
Bookings



Revenue



Backlog



(JPYmn)

Enterprise

Due to COVID-19, the demand for new ways of working was strong. Telework, security, and cloud infrastructure business performed well.

Telecom Carrier

We focused on supporting service infrastructure, corporate business, and network enhancement due to increased telework. Some projects have been postponed to the second half of the year.

Public

GIGA School Concept, security, and cloud infrastructure business were strong. On the other hand, healthcare remained weak.

Partner

Revenue was strong by 5G project that we gained in the last fiscal year. Bookings were weak due to the impact of COVID-19.

(Notes) The financial figures reflect the revisions at the Public sector.

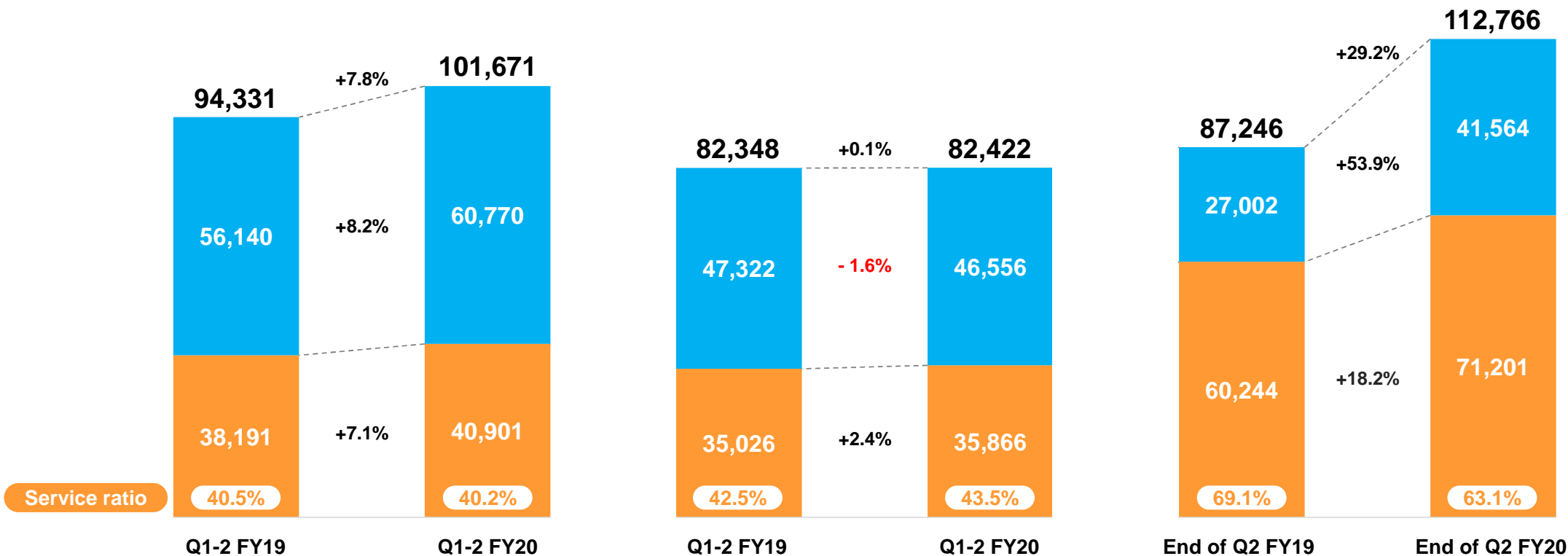
Performance by product category

Bookings

Revenue

Backlog

(JPYmn)



Products

Bookings increased. On the other hand, work delays caused by COVID-19 led to a slight decline in revenue.

Service business

Due to the expansion of “Integrated Services Business”, service business increased for bookings, revenue, and backlog.

(Notes) The financial figures reflect the revisions.

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				
FY20 Q1-2 【 Result 】	Revenue	24,165	14,418	23,986	19,047	81,617	851	82,469	(46)	82,422
	Segment income	2,293	1,320	1,941	1,601	7,157	(41)	7,115	(450)	6,665
	Segment income margin	9.5%	9.2%	8.1%	8.4%					8.1%
FY19 Q1-2 【 Previous 】	Revenue	24,037	16,669	25,856	15,336	81,900	464	82,365	(16)	82,348
	Segment income	2,353	1,413	1,315	1,558	6,640	(29)	6,610	(445)	6,164
	Segment income margin	9.8%	8.5%	5.1%	10.2%					7.5%

(Notes)

1. The financial figures reflect the revisions at the Public sector.
2. The “Other” segment is not included as a reportable segment. It contains the global business.
3. The adjustment in segment income included corporate expenses not attributable to any reportable segment.
Corporate expenses are mainly related to general administrative expenses not attributable to reportable segment.

Consolidated balance sheets

(JPYmn)	Mar 31, 2020	Sep 30, 2020	Change	
	Results	Results	Amount	%
Total assets	135,764	138,779	3,014	+ 2.2%
Current assets	124,795	128,508	3,712	+ 3.0%
Cash and deposits + CD• CP	31,473	35,523	4,050	+ 12.9%
Notes and accounts receivable-trade	52,845	36,422	(16,423)	- 31.1%
Inventory assets	15,562	26,576	11,013	+ 70.8%
Other	24,914	29,986	5,071	+ 20.4%
Noncurrent assets	10,968	10,270	(698)	- 6.4%
Property, plant and equipment	4,709	4,527	(181)	- 3.9%
Intangible assets	1,501	1,288	(212)	- 14.1%
Investment etc.	4,757	4,453	(304)	- 6.4%
Total liabilities	70,427	71,271	844	+ 1.2%
Current liabilities	58,694	57,782	(911)	- 1.6%
Non-current liabilities	11,732	13,488	1,755	+ 15.0%
Total net assets	65,337	67,507	2,170	+ 3.3%
Shareholders' equity	64,767	67,258	2,490	+ 3.8%
Accumulated other comprehensive income	286	(39)	(326)	-
Subscription rights to shares	180	222	41	+ 23.2%
Non-controlling interests	103	66	(36)	- 35.9%
Total liabilities and net assets	135,764	138,779	3,014	+ 2.2%

(Notes) The financial figures reflect the revisions.

Exchange rate, EPS, Employees

	FY19 Q1-2	FY20 Q1-2	YoY	
			Amount	%
Exchange rate (\$JPY)	109.65	107.13	(2.52)	- 2.3%
Earnings per share (JPY)	31.37	53.26	+21.89	+69.8%
Dividends per share (JPY)	21.00	24.00	+3.00	+14.3%

	End of FY19 Q2	End of FY20 Q2	YoY	
			Amount	%
Number of employees	2,448	2,518	+70	+2.9%

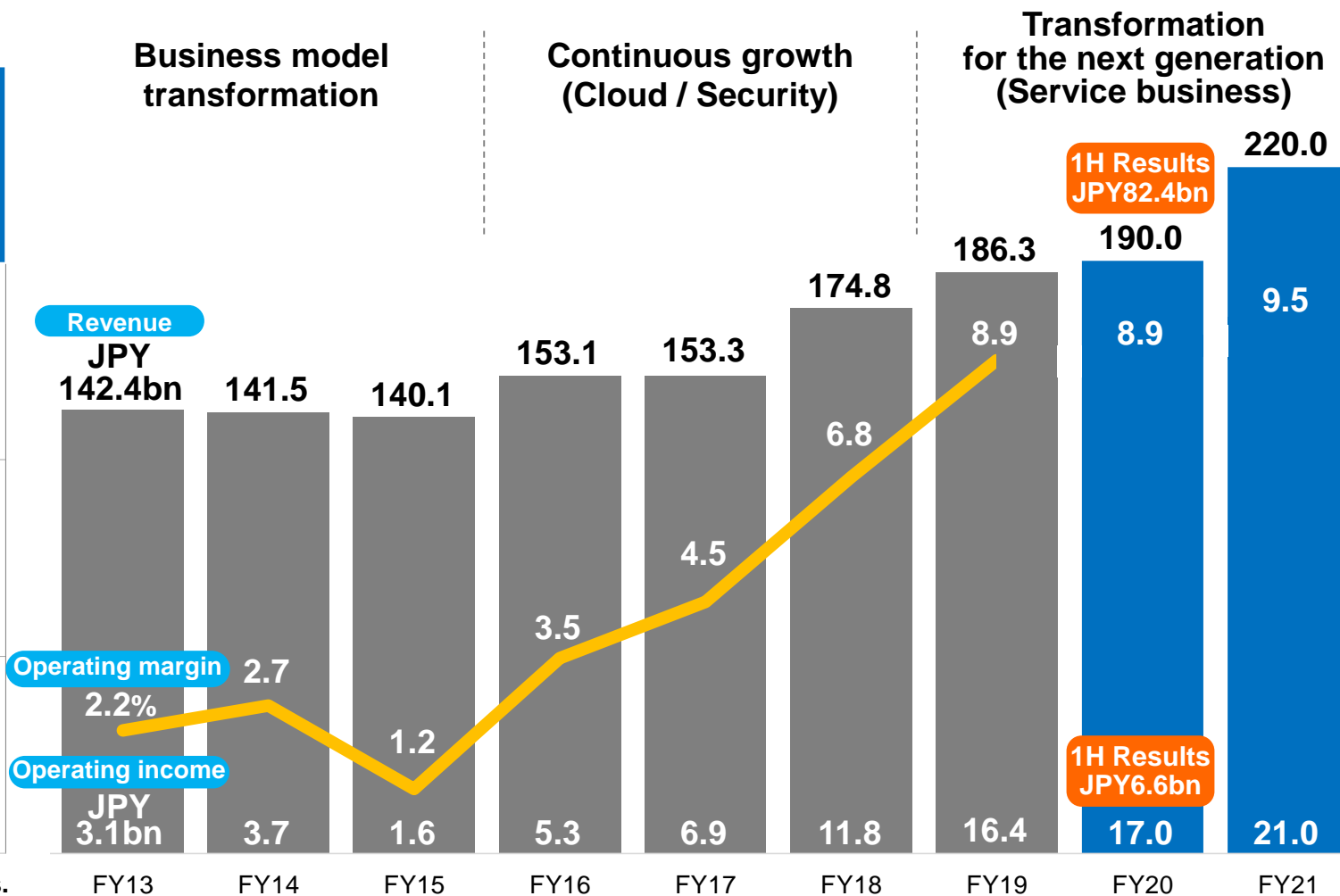
(Notes) The financial figures reflect the revisions.

3

Progress of Medium-Term Business Plan

Medium-Term Business Plan Targets

	FY18 results	FY21 target
Operating margin	6.8%	9.5%
Service ratio	42.6%	50%
ROE	12.8%	16.8%



(Notes) The financial figures reflect the revisions.

Focus markets

Delay



Healthcare

Target: Large hospitals

**Bookings: +JPY2.1bn
(YoY)**

Business condition

**ICT investment decreased
due to the impact of COVID-19**

**This trend is expected to continue in 2H,
and we are advancing proposals for the
next fiscal year.**

Very strong



School system

Target: K-12(Large municipalities)

**Bookings: +JPY12.4bn
(YoY)**

Business condition

**Network systems based on the GIGA
School Concept was very strong**

**The GIGA School Concept projects are
expected to be mainly bookings in 1H
and revenues in 2H**

Slight delay



Smart factory

Target: Large manufacturers

**Bookings: +JPY0.7bn
(YoY)**

Business condition

**The impact of COVID-19 has been
gradually recovering since 2Q**

**In 2H, we are addressing the following
requests**

- ✓ improvement of production operating rate
- ✓ remote control and automation to prevent COVID-19
- ✓ security measures for connecting machines ²³

Case study: school system

Received an order for a network system for 105 Sagamihara City Schools based on the GIGA School Concept (announced on July 10, 2020)



Centrally manage the network settings, status and security of all schools from the cloud

105 Sagamihara City Schools

(69 elementary schools / 35 junior high schools / 1 compulsory education school)



**Wi-Fi access points (Wi-Fi 6 compatible)
approx. 2,000 units**



**Network switches (10GbE compatible)
approx. 500 units**

- ✓ **Students can view videos smoothly, even when connected to Wi-Fi at the same time**
- ✓ **All network devices can be managed remotely for optimal maintenance of the classroom ICT environment**

New models

Strong



MSP(Managed service provider)

Provide solutions to support MSP services

**Bookings: +JPY3.4bn
(YoY)**

Business condition

Supporting for new services to meet telework demand

- ✓ Telecom carriers: web conference and SD-WAN
- ✓ Private companies: group-wide secure network

In 2H, We continue to deepen dialogue with MSPs to co-create services required in the post-pandemic era

As planned



Refurbishment

Provide refurbishment products and third-party maintenance

**Bookings: ± JPY0bn
(YoY)**

Business condition

New proposals were delayed due to covid-19, so bookings were at the same level as the previous year.

On the other hand, profits were in line with our plans.

In 2H, we expect to optimize investment in the COVID-19

- ✓ overall cost optimization (subscription services, refurbished product offerings, third-party maintenance services)
- ✓ extension of the replacement period (life-prolonging maintenance service for equipment)

Case study: MSP

Supported NTT DOCOMO, INC.'s 5G-enabled face recognition access control solution (announced on May 29, 2020)

NTT DOCOMO's solution

[EasyPass™ powered by SAFR™]
Smooth gate access control using fast and accurate face recognition technology by 5G and AI

Customer Issues

Risk of losing or using the same entrance card

Additional production cameras = Labor-intensive building work

Analog management of access control information

What can be solved

No card required = Zero risk of loss
Impersonation prevention by high-precision face recognition

Easy installation via smartphone

Real-time monitoring with easy-to-read GUI

What Net One Systems supported

Creating usage scenarios where the combination of 5G and face recognition can be utilized to the maximum extent, and turning them into solutions

Providing and integration of each software

AI facial recognition software

+

Access control software

Source: DOCOMO for corporate customers EasyPass powered by SAFR
<https://www.nttdocomo.co.jp/biz/service/easypass/>

"EasyPass" is a trademark of the NTT DOCOMO, INC. "SAFR" is a trademark of the RealNetworks, Inc.

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Strong



Integrated Service Business

Creating high value by customer success, supporting the entire lifecycle, and providing financial service

**Service bookings: +JPY2.7bn
(YoY)**

Business condition

**Gained the trust of customers by offering high value-added services
while capturing the changing investment priority trends in COVID-19**

**In the second half of the year,
we will continue to co-create and propose new value for customers, focusing on digitalization and utilization**

As planned



Implementation of DX

**Improve operational speed, quality, and governance through business process reform and digitalization
Providing success and failure knowledge to customers [netone on netone]**

Implementing a new way of working and digitalization with a focus on telework

Overview of Initiatives

We will also support our customers' secure work style reform through the following initiatives through trial and error

- ✓ **optimizing human resource development and HR systems for telework**
- ✓ **examining virtual and real offices to accelerate collaboration in telework**
- ✓ **examining the digital infrastructure to accelerate collaboration with customers**

2 FY20 Outlook

FY20 outlook (no change from the previous outlook)

(JPYmn, % to revenue)	FY19 Results		FY20 Outlook		YoY	
					Amount	%
Bookings	204,607		205,000		+392	+0.2%
Revenue	186,353	100.0%	190,000	100.0%	+3,646	+2.0%
Cost of sales	137,399	73.7%	140,000	73.7%	+2,600	+1.9%
Gross profit	48,953	26.3%	50,000	26.3%	+1,046	+2.1%
SG&A	32,453	17.4%	33,000	17.4%	+546	+1.7%
Operating income	16,499	8.9%	17,000	8.9%	+500	+3.0%
Ordinary income	16,387	8.8%	17,000	8.9%	+612	+3.7%
Net income attributable to owners of the parent	9,817	5.3%	11,500	6.1%	+1,682	+17.1%

(Notes) The financial figures reflect the revisions.

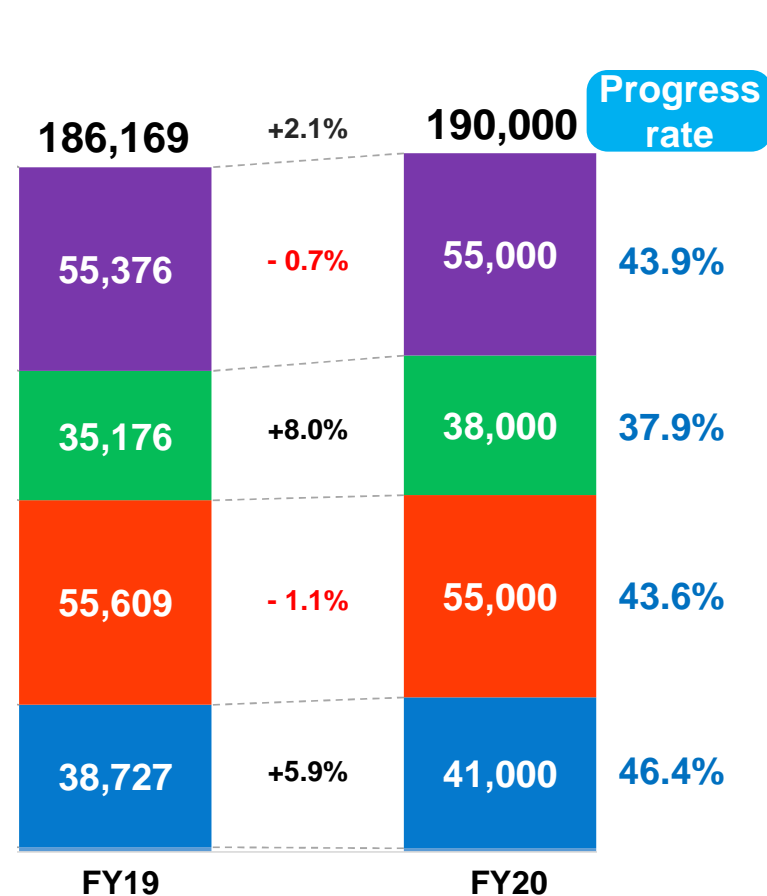
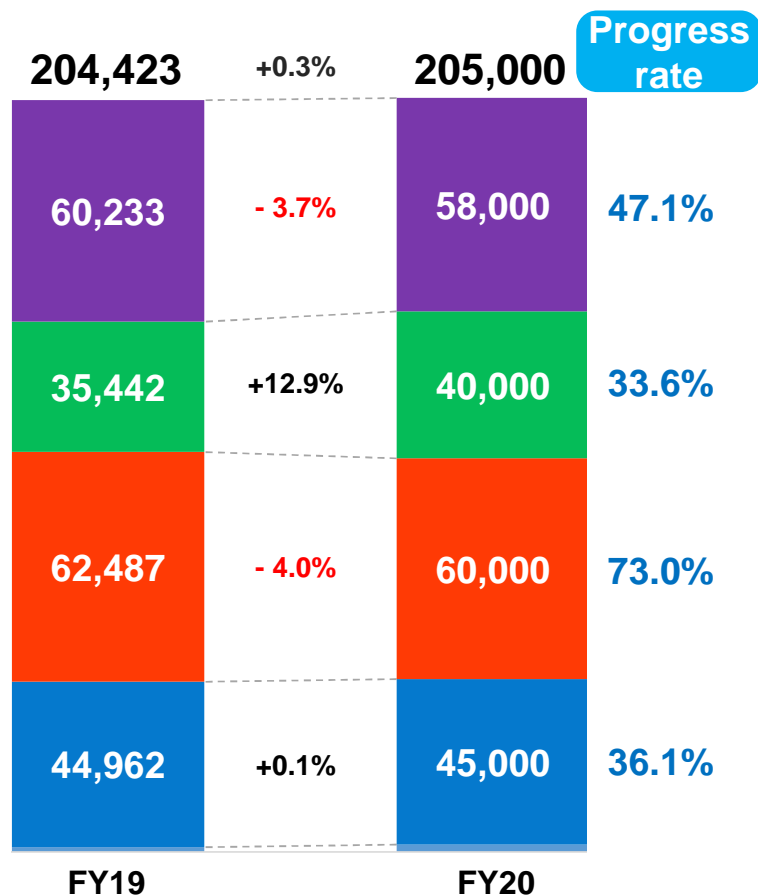
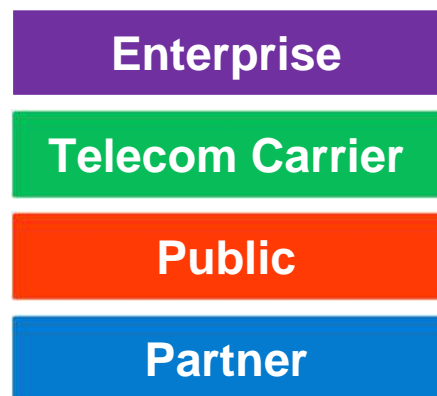
FY20 outlook by market sector (no change from the previous outlook)



Bookings

Revenue

(JPYmn)



Donations to medical institutions

Donated a total of JPY500mn to medical institutions to support measures against COVID-19

■ Q2(Jul-Sep) Impact on financial results

- SG&A: - JPY98mn
- Non-operating expenses: - JPY302.5mn

■ Q3(Oct-Dec) Estimated impact on financial results

- SG&A: approximately - JPY100mn

The following criteria have been established for the selection of recipients of medical institutions with a view to providing effective support for countermeasures against COVID-19, and we plan to donate to about 20 medical institutions in total.

- ✓ Medical institutions in the prefectures with many infected people per population
- ✓ Medical institutions accredited by the Japanese Association for Infectious Diseases as an accredited training facility
- ✓ Private medical institutions (except for prefectures where there are many public medical institutions)
- ✓ Medical institutions with many beds

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