



# **Results for FY23**

## **Ended March 31, 2024**

**Net One Systems Co., Ltd.**  
**May 8, 2024 (Stock Code 7518: JP)**

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# 1

## Summary

# FY23 results overview

\* Please refer to pages 8 and 10 for details.

Bookings were lower than the revised plan, but were up YoY to a record high in Q4 (January–March 2024). Revenue and operating income exceeded the revised plan thanks to improved profitability.

	FY22 results	FY23 revised plan	FY23 results	
Bookings	JPY 219.8bn	JPY 210.0bn	JPY 201.4bn	<p>(YoY)</p> <ul style="list-style-type: none"> <li>Bookings were down YoY due to the absence of large product projects (two projects totaling JPY13.2bn) and lackluster performance in the Telecom Carrier, Public, and Partner segments</li> <li>In Q4 (Jan.–Mar.), bookings were up 13.1% YoY (FY22 Q4: JPY64.6bn, FY23 Q4: JPY73.1bn)</li> </ul> <p>(Versus revised plan)</p> <ul style="list-style-type: none"> <li>Due to delays in some projects and other factors, bookings were lower than the revised plan in the Enterprise, Public, and Partner segments</li> </ul>
Revenue	JPY 209.6bn	JPY 201.0bn	JPY 205.1bn	<p>(YoY)</p> <ul style="list-style-type: none"> <li>Revenue declined YoY due to sluggish performance in the Telecom Carrier, Public, and Partner segments</li> </ul> <p>(Versus revised plan)</p> <ul style="list-style-type: none"> <li>Revenue exceeded the revised plan, driven by growth in the Enterprise and Telecom Carrier segments</li> </ul>
Operating income	JPY 20.6bn	JPY 16.5bn	JPY 19.5bn	<p>(YoY)</p> <ul style="list-style-type: none"> <li>GPM improved, but operating income was down YoY on lower revenue and higher SG&amp;A expenses</li> <li>GPM: +1.6pts YoY (FY22: 24.0%, FY23: 25.6%)</li> <li>SG&amp;A expenses: +JPY3.2bn YoY (FY22: JPY29.7bn, FY23: JPY33.0bn)</li> </ul> <p>(Versus revised plan)</p> <ul style="list-style-type: none"> <li>Operating income exceeded the revised plan due to revenue growth, improved GPM, and reduced SG&amp;A expenses</li> <li>GPM: +0.6pts (revised plan: 25.0%, result: 25.6%)</li> <li>SG&amp;A expenses: -JPY0.7bn (revised plan: JPY33.8bn, result: JPY33.0bn)</li> </ul>

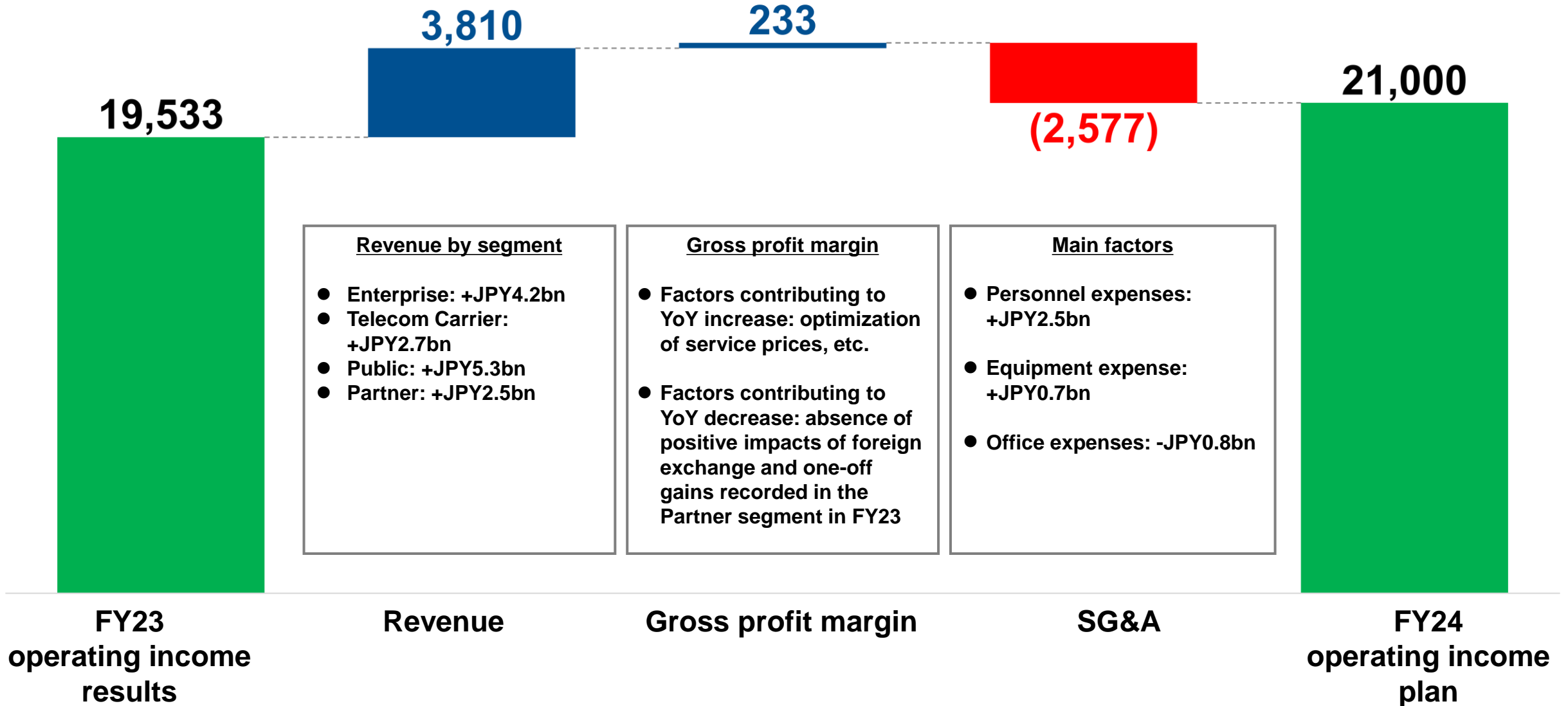
# FY24 forecast overview

\* Please refer to pages 34–36 for details.

We expect bookings and revenue to increase YoY, primarily in the Public segment.  
Operating income is also projected to grow YoY, with continued improvements in profitability offsetting higher SG&A expenses.

	FY23 results	FY24 forecast	Forecast
Bookings	JPY 201.4bn	JPY 225.0bn	<ul style="list-style-type: none"> <li>● +JPY23.5bn (+11.7%) YoY <ul style="list-style-type: none"> <li>✓ Enterprise: +JPY2.3bn (recovery in the financial sector and continued growth of the manufacturing and non-manufacturing sectors)</li> <li>✓ Telecom Carrier: +JPY2.1bn (expansion of co-creation businesses)</li> <li>✓ Public: +JPY15.3bn (projects for cloud connectivity among government systems, multiple large projects)</li> <li>✓ Partner: +JPY3.7bn (intensifying efforts for Wi-Fi service business operations targeting MSPs and value-added products)</li> </ul> </li> </ul>
Revenue	JPY 205.1bn	JPY 220.0bn	<ul style="list-style-type: none"> <li>● +JPY14.8bn (+7.3%) YoY <ul style="list-style-type: none"> <li>✓ Enterprise: +JPY4.2bn</li> <li>✓ Telecom Carrier: +JPY2.7bn</li> <li>✓ Public: +JPY5.3bn</li> <li>✓ Partner: +JPY2.5bn</li> </ul> </li> </ul>
Operating income	JPY 19.5bn	JPY 21.0bn	<ul style="list-style-type: none"> <li>● GPM: +0.1pts YoY (FY23: 25.6%, FY24: 25.7%) <ul style="list-style-type: none"> <li>✓ Factors contributing to YoY increase: optimization of service prices, etc.</li> <li>✓ Factors contributing to YoY decrease: absence of positive impacts of foreign exchange and one-off gains recorded in the Partner segment in FY23</li> </ul> </li> <li>● SG&amp;A expenses: +JPY2.5bn (FY23: JPY33.0bn, FY24: JPY35.6bn) <ul style="list-style-type: none"> <li>✓ Factors contributing to YoY increase: personnel expenses +JPY2.5bn (higher starting salary for new graduates, pay rise, bonus increase, engineer dispatch, etc.), equipment expenses +JPY0.7bn (new enterprise system, etc.)</li> <li>✓ Factors contributing to YoY decrease: office expenses -JPY0.8bn (return of the leased office building)</li> </ul> </li> </ul>

# FY24 Operating income plan analysis (YoY)



We raised our FY23 year-end dividend forecast as income exceeded the revised plan.  
We expect our FY24 dividend to increase YoY due to the introduction of a system that, in principle, facilitates progressive dividend growth.

## ■ Revision of dividend forecast for the fiscal year ending March 31, 2024

	Annual dividends (Yen)		
	Second quarter-end	Fiscal-year end	Total
Previous forecast (announced on October 26, 2023)	-	37.00	74.00
Revised forecast	-	40.00	77.00
Results for ended March 31, 2024	37.00	-	-
Results for the previous fiscal year ended March 31, 2023	37.00	37.00	74.00

For details, please refer to the release entitled “Notice regarding revision of dividend forecasts” released on May 8, 2024.

## ■ Dividend forecast for the fiscal year ending March 31, 2025

	Annual dividends (Yen)		
	Second quarter-end	Fiscal-year end	Total
Forecast	43.00	43.00	86.00

# 2

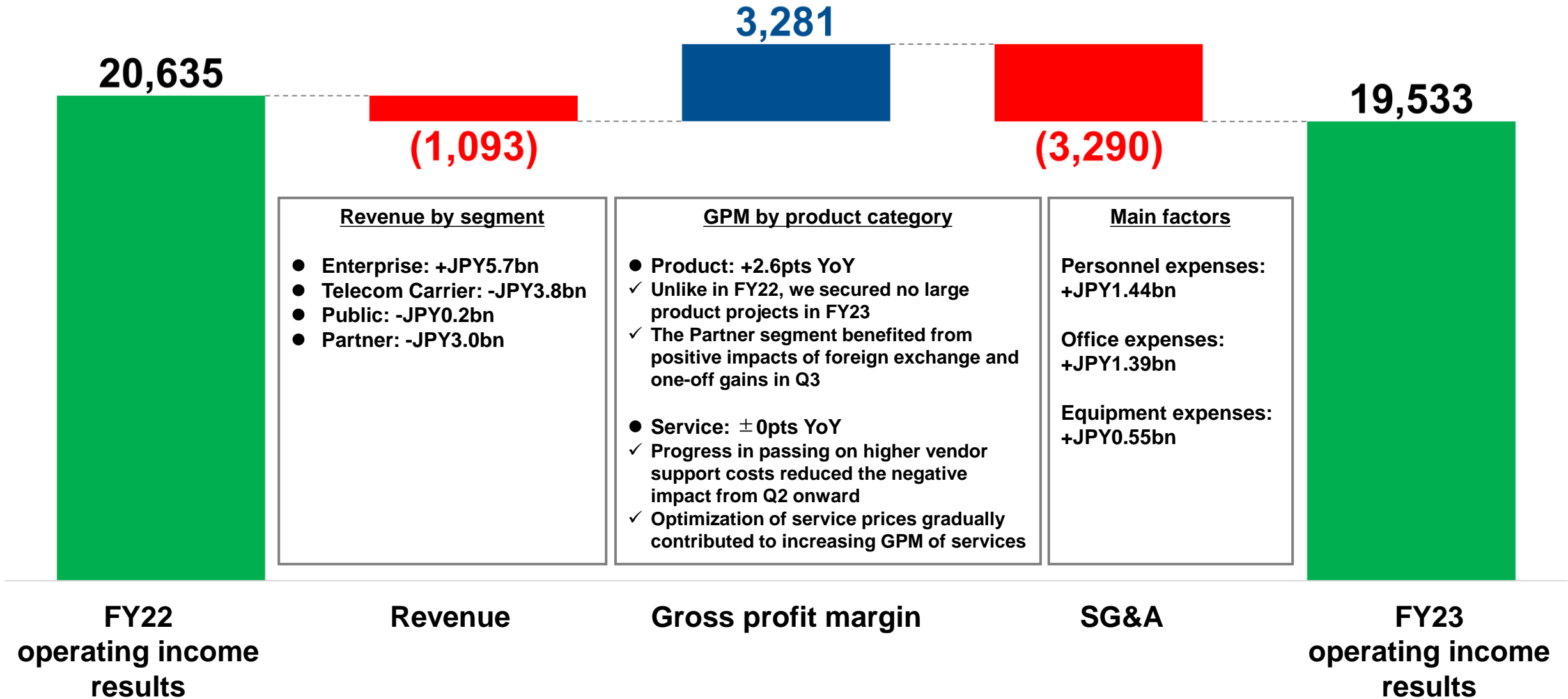
## FY23 results



# FY23 results (YoY)

(JPYmn)	FY22 results		FY23 results		YoY		
					Amount	%	
Bookings	219,807		201,448		(18,359)	-8.4%	<ul style="list-style-type: none"> <li>● Absence of large product projects secured in FY22 (two projects totaling JPY13.2bn)</li> <li>● Weak performance in the Telecom Carrier, Public, and Partner segments</li> </ul>
Backlog	149,066		145,388		(3,678)	-2.5%	<ul style="list-style-type: none"> <li>✓ (YoY) Enterprise: +JPY0.1bn, Telecom Carrier: -JPY6.9bn, Public: -JPY1.1bn, Partner: -JPY7.1bn</li> </ul>
Revenue	209,680	100.0%	205,127	100.0%	(4,552)	-2.2%	<ul style="list-style-type: none"> <li>● Revenue declined as a result of lower bookings</li> <li>✓ (YoY) Enterprise: +JPY5.7bn, Telecom Carrier: -JPY3.8bn, Public: -JPY0.2bn, Partner: -JPY3.0bn</li> </ul>
Cost of sales	159,312	76.0%	152,571	74.4%	(6,740)	-4.2%	<ul style="list-style-type: none"> <li>● GPM: +1.6pts YoY</li> <li>✓ Products: +2.6pts YoY (FY22: 20.4%, FY23: 23.0%) <ul style="list-style-type: none"> <li>• Unlike in FY22, we secured no large product projects in FY23</li> <li>• The Partner segment benefited from positive impacts of foreign exchange and one-off gains in Q3</li> </ul> </li> <li>✓ Services: ±0pts YoY (FY22: 28.4%, FY23: 28.4%) <ul style="list-style-type: none"> <li>• Progress in passing on higher vendor support costs reduced the negative impact from Q2 onward</li> <li>• Optimization of service prices gradually contributed to increasing GPM of services</li> </ul> </li> <li>✓ Service ratio: +3.9pts YoY (FY22: 45.2%, FY23: 49.1%) <ul style="list-style-type: none"> <li>• Service ratio rose, reflecting growth in services, particularly maintenance services, and the absence of large product projects</li> </ul> </li> </ul>
Gross profit	50,367	24.0%	52,555	25.6%	+2,188	+4.3%	
SG&A	29,731	14.2%	33,022	16.1%	+3,290	+11.1%	<ul style="list-style-type: none"> <li>● (YoY) Personnel expenses +JPY1.44bn, office expenses +JPY1.39bn, equipment expenses +JPY0.55bn</li> </ul>
Operating income	20,635	9.8%	19,533	9.5%	(1,102)	-5.3%	<ul style="list-style-type: none"> <li>● Factors contributing to YoY increase/decrease are provided on the next page.</li> </ul>
Ordinary income	20,660	9.9%	19,151	9.3%	(1,509)	-7.3%	
Profit attributable to owners of parent	14,458	6.9%	13,720	6.7%	(738)	-5.1%	
Earnings per share (JPY)	175.95		169.82		(6.13)	-3.5%	

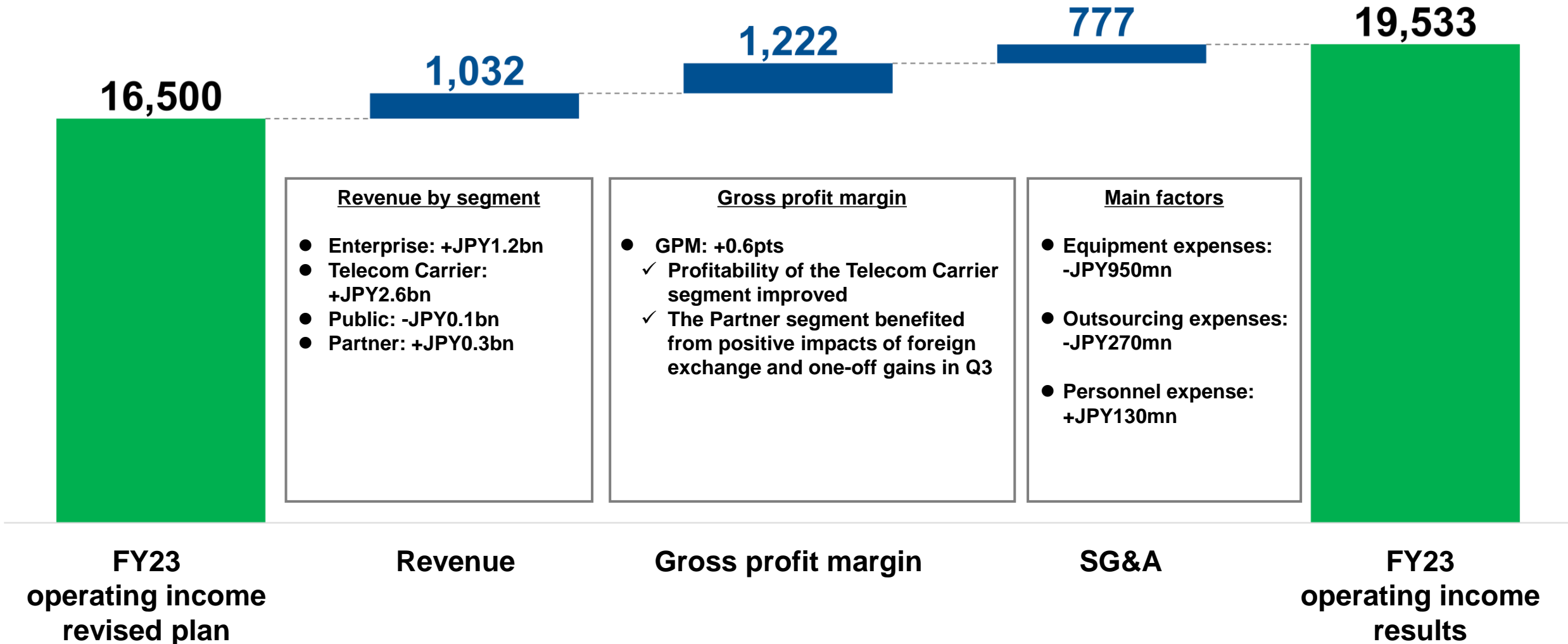
# Operating income analysis (YoY)



# FY23 results (versus revised plan)

(JPYmn)	FY23 revised plan		FY23 results		YoY		
					Amount	%	
Bookings	210,000		201,448		(8,551)	-4.1%	<ul style="list-style-type: none"> <li>Bookings grew in the Telecom Carrier segment, but fell short of the revised plan in the Enterprise, Public, and Partner segments</li> <li>✓ (Versus revised plan) Enterprise: -JPY3.1bn, Telecom Carrier: +JPY1.5bn, Public: -JPY4.7bn, Partner: -JPY2.2bn</li> </ul>
Revenue	201,000	100.0%	205,127	100.0%	+4,127	+2.1%	<ul style="list-style-type: none"> <li>Revenue increased in the Enterprise and Telecom Carrier segments</li> <li>✓ (Versus revised plan) Enterprise: +JPY1.2bn, Telecom Carrier: +JPY2.6bn, Public: -JPY0.1bn, Partner: +JPY0.3bn</li> </ul>
Cost of sales	150,700	75.0%	152,571	74.4%	+1,871	+1.2%	<ul style="list-style-type: none"> <li>GPM: +0.6pts versus revised plan</li> <li>✓ Profitability of the Telecom Carrier segment improved</li> <li>✓ The Partner segment benefited from positive impacts of foreign exchange and one-off gains in Q3</li> </ul>
Gross profit	50,300	25.0%	52,555	25.6%	+2,255	+4.5%	
SG&A	33,800	16.8%	33,022	16.1%	(777)	-2.3%	<ul style="list-style-type: none"> <li>(Versus revised plan) Equipment expenses -JPY950mn, outsourcing expenses -JPY270mn, personnel expenses +JPY130mn</li> </ul>
Operating income	16,500	8.2%	19,533	9.5%	+3,033	+18.4%	<ul style="list-style-type: none"> <li>Factors contributing to the increase/decrease from the revised plan are provided on the next page.</li> </ul>
Ordinary income	16,100	8.0%	19,151	9.3%	+3,051	+19.0%	
Profit attributable to owners of parent	10,900	5.4%	13,720	6.7%	+2,820	+25.9%	<ul style="list-style-type: none"> <li>JPY0.6bn income tax deduction due to the effect of tax incentive to promote wage increases</li> </ul>

# Operating income analysis (versus revised plan)



# Bookings and backlog by segment

(JPYmn)		FY22		FY23		YoY		
						Amount	%	
Enterprise	Bookings	55,172		55,354		+181	+0.3%	<ul style="list-style-type: none"> <li>● Manufacturing sector: We secured security and smart manufacturing projects, mainly from automakers and electronics manufacturers</li> <li>● Non-manufacturing sector: We won multiple large SASE projects</li> <li>● Financial sector: Despite weaknesses, we secured ongoing projects for cloud utilization and security enhancement; bookings gradually picked up from Q4</li> <li>● Service ratio: Increased mainly in maintenance and managed services</li> </ul>
	Service (%)	31,665	57.4%	34,098	61.6%	+2,433	+7.7%	
	Backlog	36,996		37,144		+148	+0.4%	
Telecom Carrier	Bookings	51,519		44,585		(6,934)	-13.5%	<ul style="list-style-type: none"> <li>● Impacted by the absence of large product projects secured in FY22: -JPY10.0bn</li> <li>● Although co-creation businesses expanded, associated bookings did not reach the level assumed in our initial plan</li> <li>● Service ratio: Increased due to the absence of large product projects</li> </ul>
	Service (%)	22,046	42.8%	24,469	54.9%	+2,422	+11.0%	
	Backlog	30,044		29,432		(612)	-2.0%	
Public	Bookings	61,425		60,293		(1,131)	-1.8%	<ul style="list-style-type: none"> <li>● Municipal governments: We secured multiple large projects in preparation for digital transformation initiatives, including work style innovation, cloud utilization, and security measures; on the other hand, we lost a large project in Q2</li> <li>● Social infrastructure: We won projects for upgrading IT operations, cloud infrastructure projects, etc.</li> <li>● Healthcare: We secured large cloud infrastructure projects</li> <li>● Service ratio: Decreased due to the absence of a large service-based project in FY22 Q1, despite growth in maintenance services</li> </ul>
	Service (%)	38,230	62.2%	36,049	59.8%	(2,181)	-5.7%	
	Backlog	63,200		62,097		(1,103)	-1.7%	
Partner	Bookings	48,400		41,239		(7,161)	-14.8%	<ul style="list-style-type: none"> <li>● Impacted by the absence of a large product project (Wi-Fi service business targeting MSPs) secured in FY22: -JPY3.2bn</li> <li>● Security enhancement business remained strong</li> <li>● Competition arose in low-priced products</li> <li>● Two projects (totaling JPY2.2bn) were postponed</li> <li>● Service ratio: Increased as we maintained the same level of service bookings despite a decline in total bookings</li> </ul>
	Service (%)	8,754	18.1%	9,084	22.0%	+330	+3.8%	
	Backlog	18,800		16,713		(2,087)	-11.1%	

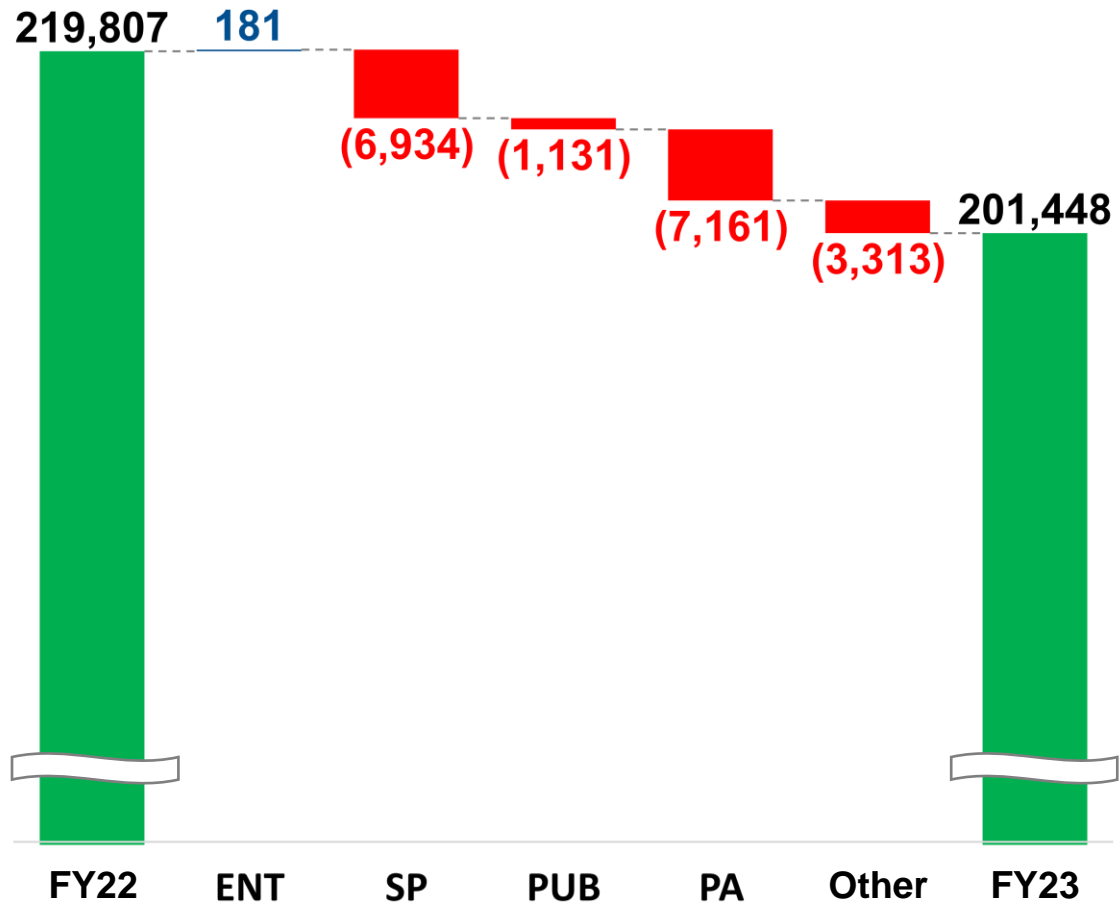
# Revenue, gross profit, and operating income by segment

(JPYmn)		FY22		FY23		YoY		
						Amount	%	
Enterprise	Revenue	49,457		55,206		+5,748	+11.6%	<ul style="list-style-type: none"> <li>Revenue: Increased in the manufacturing, non-manufacturing, and financial sectors</li> <li>GPM: +0.1pts YoY <ul style="list-style-type: none"> <li>✓ Service ratio declined due to revenue growth, but we maintained the same level of GPM</li> </ul> </li> </ul>
	Service (%)	30,339	61.3%	32,085	58.1%	+1,746	+5.8%	
	Gross profit (%)	13,190	26.7%	14,798	26.8%	+1,608	+12.2%	
	Operating income (%)	4,611	9.3%	5,025	9.1%	+414	+9.0%	
Telecom Carrier	Revenue	49,005		45,197		(3,808)	-7.8%	<ul style="list-style-type: none"> <li>Revenue: Decreased due to the absence of large product projects secured in FY22 (JPY7.6bn), despite the expansion of co-creation businesses</li> <li>GPM: +3.7pts YoY <ul style="list-style-type: none"> <li>✓ Service ratio improved due to the absence of large product projects secured in FY22</li> </ul> </li> </ul>
	Service (%)	20,291	41.4%	23,466	51.9%	+3,175	+15.6%	
	Gross profit (%)	10,186	20.8%	11,089	24.5%	+903	+8.9%	
	Operating income (%)	4,958	10.1%	5,161	11.4%	+202	+4.1%	
Public	Revenue	61,684		61,396		(287)	-0.5%	<ul style="list-style-type: none"> <li>Revenue: Increased in the social infrastructure and hospital sectors, but decreased in the municipality sector</li> <li>GPM: +0.1pts YoY <ul style="list-style-type: none"> <li>✓ GPM was negatively impacted by our inability to pass on a portion of vendor support cost increases to customers in Q1; this impact was mitigated starting in Q2</li> </ul> </li> </ul>
	Service (%)	36,071	58.5%	36,245	59.0%	+173	+0.5%	
	Gross profit (%)	15,138	24.5%	15,111	24.6%	(26)	-0.2%	
	Operating income (%)	5,492	8.9%	4,748	7.7%	(743)	-13.5%	
Partner	Revenue	46,357		43,327		(3,030)	-6.5%	<ul style="list-style-type: none"> <li>Revenue: Decreased due to the absence of a large product project (Wi-Fi service business targeting MSPs): -JPY3.0bn</li> <li>GPM: +0.2pts YoY <ul style="list-style-type: none"> <li>✓ In FY22, GPM increased due to positive impacts of foreign exchange; in FY23, the impact was negative in Q1 and positive in Q2–Q4 (positive impact in full-year FY23)</li> <li>✓ We recorded one-off gains in Q3</li> </ul> </li> </ul>
	Service (%)	7,553	16.3%	8,844	20.4%	+1,290	+17.1%	
	Gross profit (%)	10,123	21.8%	9,538	22.0%	(584)	-5.8%	
	Operating income (%)	6,225	13.4%	5,611	13.0%	(614)	-9.9%	

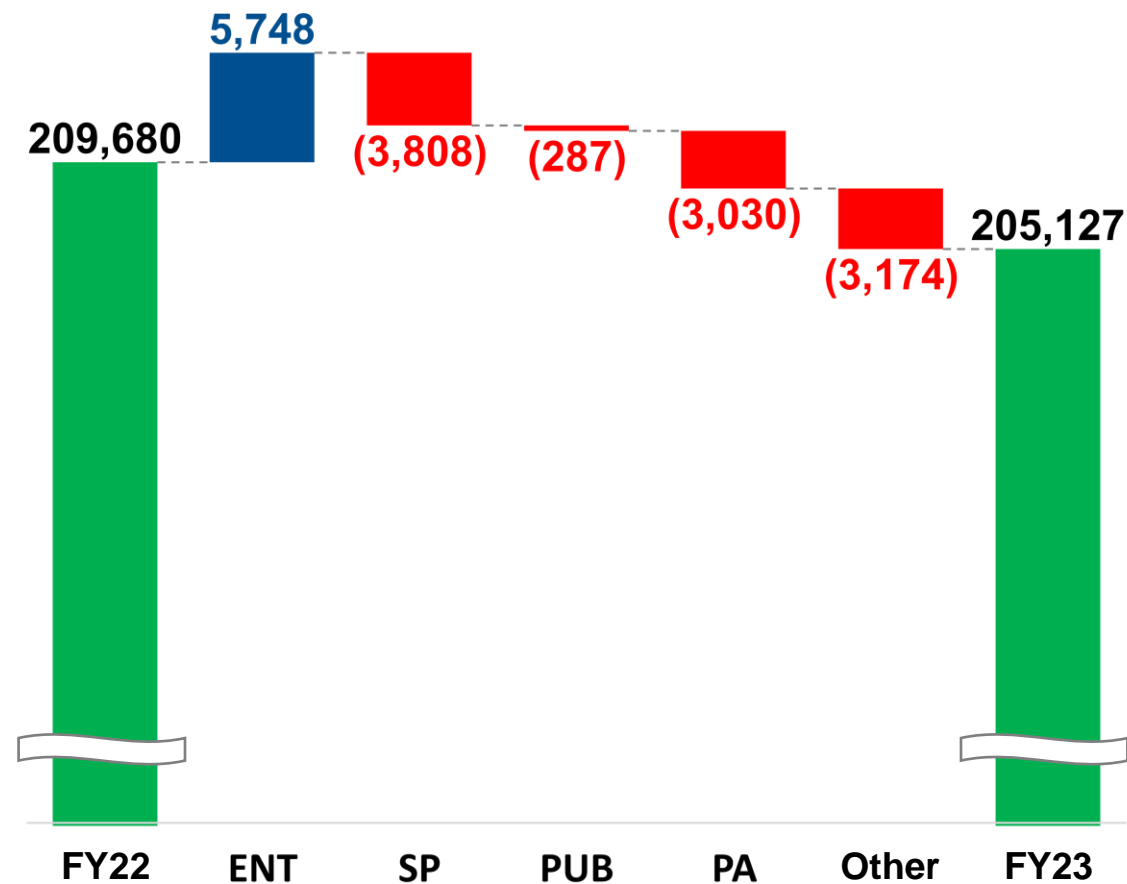
# Bookings and revenue: YoY changes by segment

(JPYmn)

## Bookings



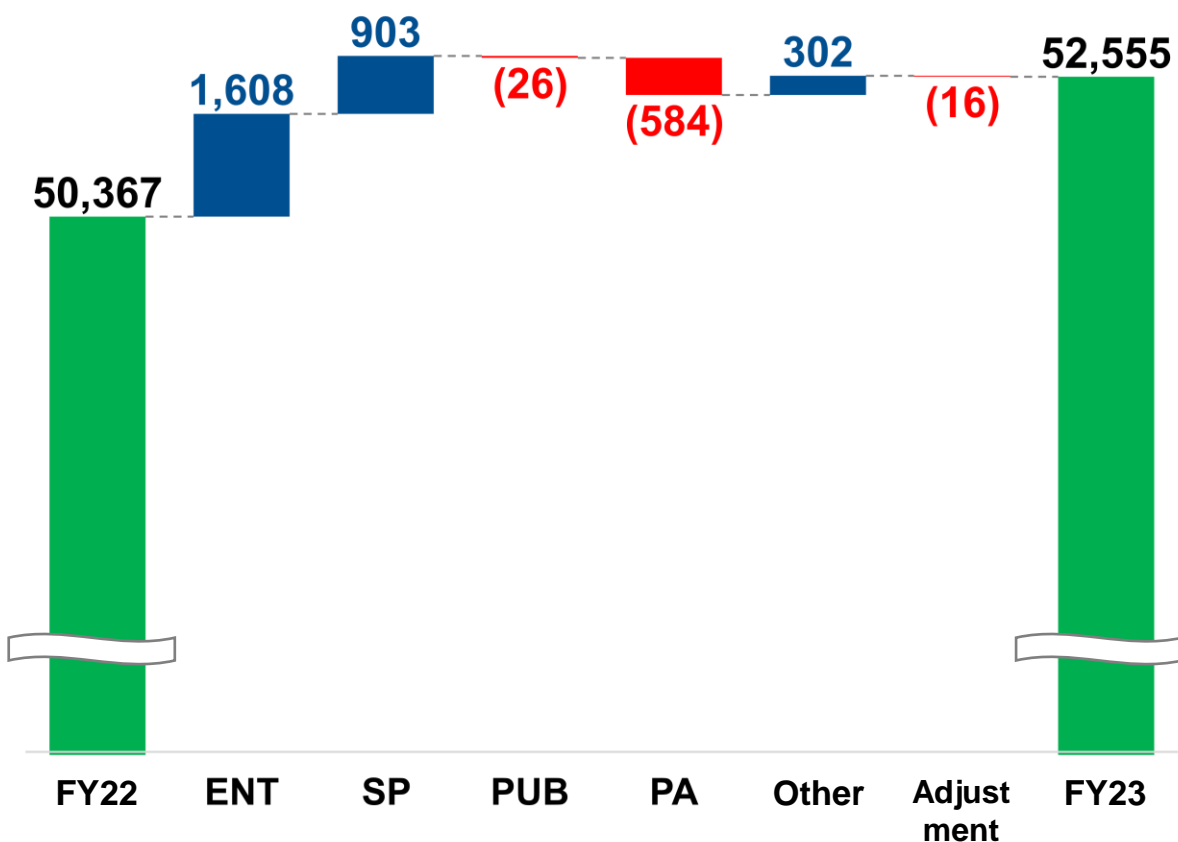
## Revenue



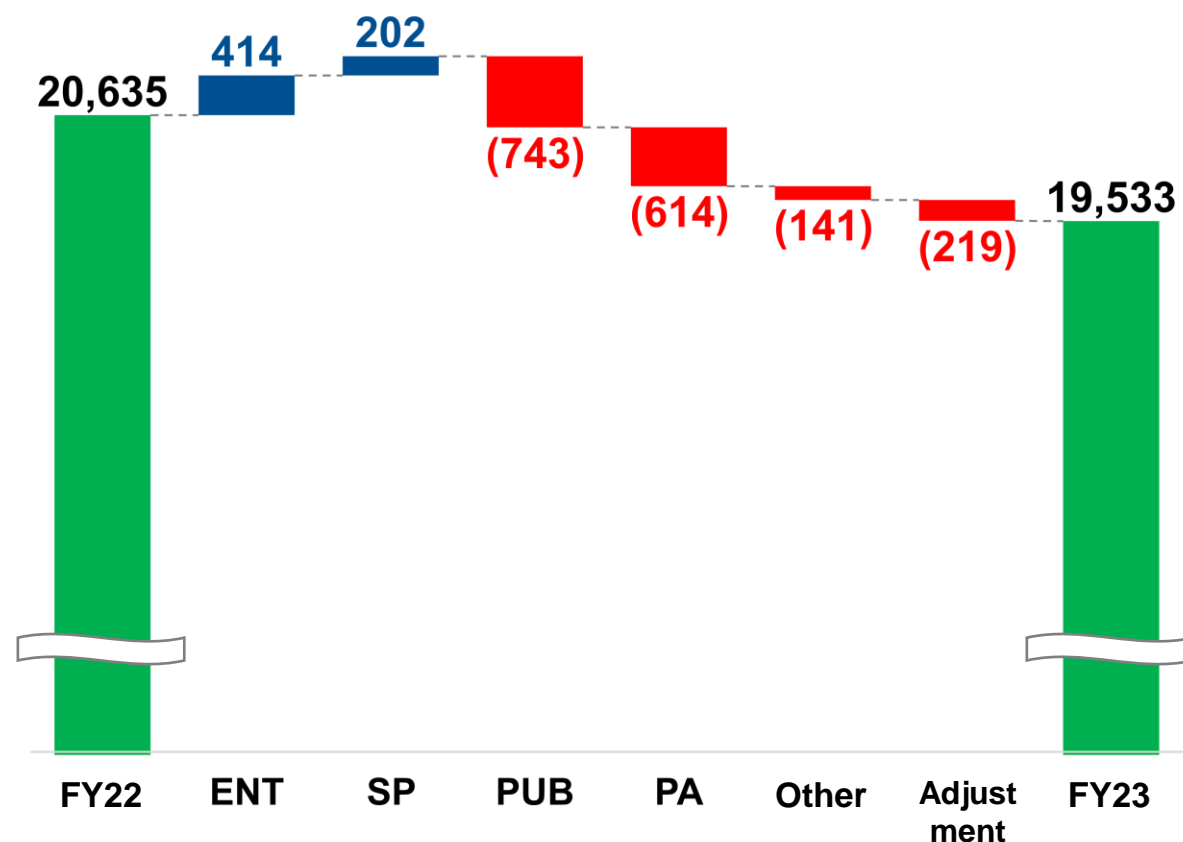
# Gross profit and operating income: YoY changes by segment

(JPYmn)

## Gross profit



## Operating income





# Bookings, backlog, revenue, and gross profit by product category

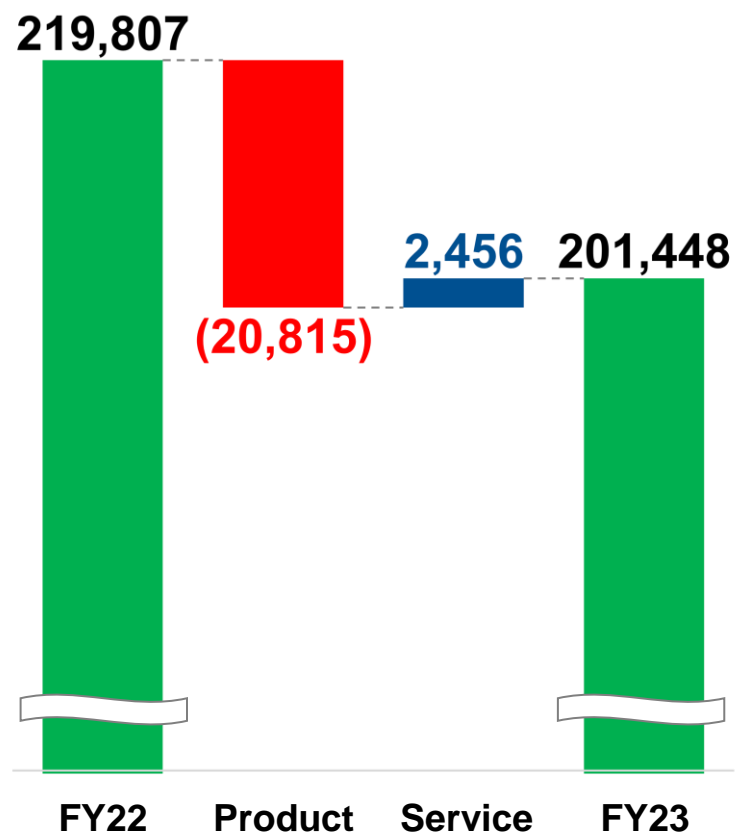
(Service ratio) 51.5% in bookings (+5.5pts), 49.1% in revenue (+3.9pts), 69.2% in backlog (+3.7pts)

(JPYmn)		FY22		FY23		YoY		
						Amount	%	
Product	Bookings	118,586		97,771		(20,815)	-17.6%	<ul style="list-style-type: none"> <li>● Bookings: Impacted by the absence of large product projects (two projects totaling JPY13.2bn) secured in FY22 and lackluster performance in the Telecom Carrier, Public, and Partner segments</li> </ul>
	Backlog	51,460		44,745		(6,714)	-13.0%	
	Revenue	114,903		104,485		(10,418)	-9.1%	<ul style="list-style-type: none"> <li>● Revenue: Decreased due to the absence of large product projects secured in FY22 and lower bookings</li> <li>● GPM: +2.6pts YoY                             <ul style="list-style-type: none"> <li>✓ Unlike in FY22, we secured no large product projects in FY23</li> <li>✓ The Partner segment benefited from positive impacts of foreign exchange and one-off gains in Q3</li> </ul> </li> </ul>
	Gross profit (%)	23,476	20.4%	24,018	23.0%	+542	+2.3%	
Service	Bookings	101,220		103,677		+2,456	+2.4%	<ul style="list-style-type: none"> <li>● Bookings: Increased mainly for maintenance services, despite weakness in overall bookings</li> </ul>
	Backlog	97,606		100,642		+3,035	+3.1%	
	Revenue	94,776		100,642		+5,865	+6.2%	<ul style="list-style-type: none"> <li>● Revenue: Increased mainly in maintenance services</li> <li>● GPM: ±0pts YoY                             <ul style="list-style-type: none"> <li>✓ Progress in passing on vendor support cost increases to customers reduced the negative impact starting in Q2</li> <li>✓ Optimization of service prices gradually contributed to increasing GPM of services</li> </ul> </li> </ul>
	Gross profit (%)	26,890	28.4%	28,536	28.4%	+1,646	+6.1%	

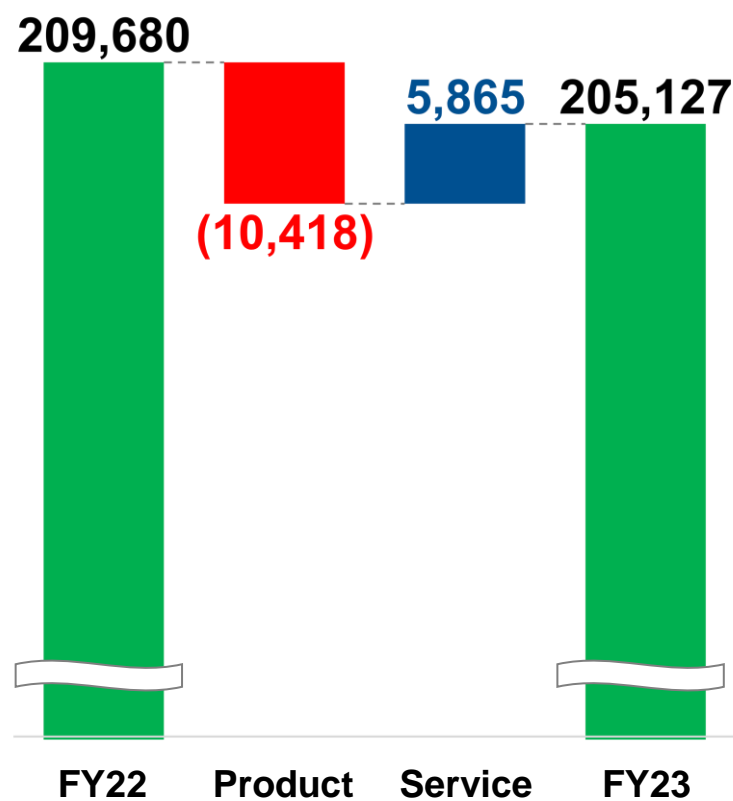
# Bookings, revenue, and gross profit: YoY changes by product category

(JPYmn)

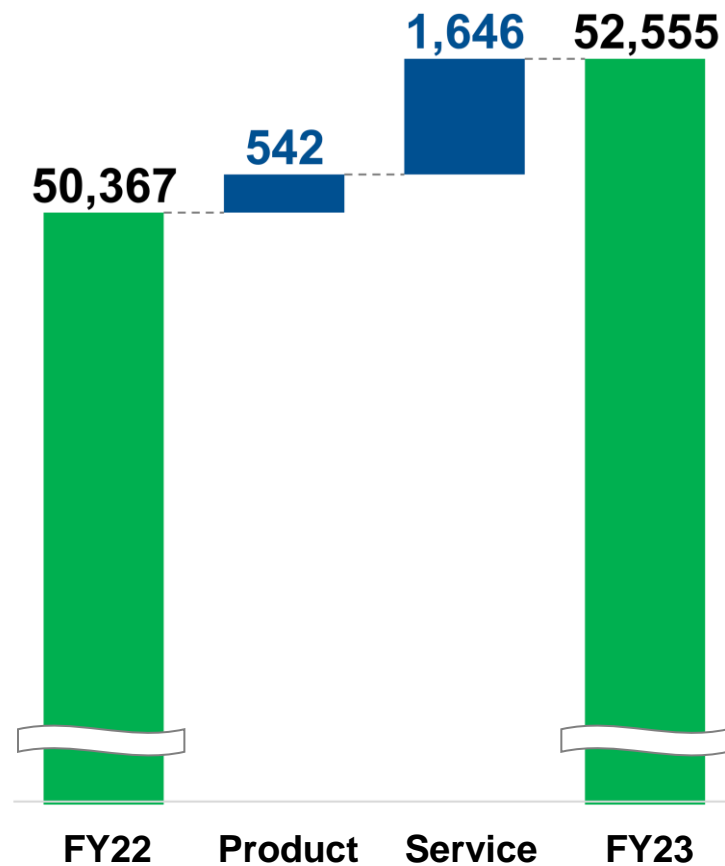
## Bookings



## Revenue



## Gross profit



# Consolidated balance sheets

(JPYmn)	Mar. 31, 2023 Results	Mar. 31, 2024 Results	YoY		
			Amount	%	
Total assets	178,651	164,909	(13,742)	-7.7%	
Current assets	161,106	147,488	(13,618)	-8.5%	
Cash and deposits	35,509	32,035	(3,473)	-9.8%	
Notes and accounts receivable-trade	51,383	46,180	(5,203)	-10.1%	
Inventory assets	37,903	33,695	(4,207)	-11.1%	Merchandise: -JPY4,188mn
Other	36,310	35,577	(733)	-2.0%	
Noncurrent assets	17,545	17,420	(124)	-0.7%	
Property, plant and equipment	9,497	8,895	(602)	-6.3%	
Intangible assets	1,523	2,644	+1,120	+73.6%	
Investment etc.	6,523	5,881	(642)	-9.9%	
Total liabilities	102,887	88,094	(14,792)	-14.4%	
Current liabilities	80,084	66,703	(13,381)	-16.7%	Short-term loans payable: -JPY8,000mn
Non-current liabilities	22,802	21,391	(1,410)	-6.2%	
Total net assets	75,764	76,814	+1,049	+1.4%	
Shareholders' equity	76,029	76,414	+385	+0.5%	
Accumulated other comprehensive income	(408)	268	+676	-	
Subscription rights to shares	143	130	(13)	-9.1%	
Total liabilities and net assets	178,651	164,909	(13,742)	-7.7%	

# Consolidated cash flow

	FY22	FY23	YoY		
			Amount	%	
Cash and cash equivalents at beginning of FY23	20,281	35,509	+15,228	+75.1%	
Cash flows from operating activities	34,183	23,872	(10,311)	-30.2%	<ul style="list-style-type: none"> <li>● Decrease in accrued consumption taxes: -JPY6,671mn</li> <li>● Income taxes paid: -JPY3,846mn</li> <li>● Decrease in other current liabilities: -JPY2,597mn</li> <li>● Decrease in accounts receivable– trade, contract assets, etc.: +JPY3,836mn</li> </ul>
Cash flows from investing activities	-1,654	-4,542	(2,887)	+174.5%	<ul style="list-style-type: none"> <li>● Purchase of property, plant and equipment: -JPY2,308mn</li> </ul>
Cash flows from financing activities	-17,332	-22,803	(5,471)	+31.6%	<ul style="list-style-type: none"> <li>● Purchase of treasury shares: -JPY7,664mn</li> <li>● Net decrease in short-term borrowings: +JPY2,000mn</li> </ul>
Cash and cash equivalents at end of FY23	35,509	32,035	(3,473)	-9.8%	

# Exchange rate, Employees

	FY22	FY23	YoY	
			Amount	%
Exchange rate (\$JPY)	124.52	138.14	+13.62	+10.9%

	End of FY22	End of FY23	YoY		
			Amount	%	
Number of consolidated employees	2,548	2,579	+31	+1.2%	<ul style="list-style-type: none"> <li>● 77 new graduates joined the Company in FY23</li> <li>● (Reference: 75 new graduates in April 2024)</li> </ul>
Turnover rate	5.9%	5.1%	-	-	

## Began providing next-generation NaaS for the Japanese market that leverages AI and machine learning

Revolutionize customers' network operation and capital expenditure through Net One's unique services that utilize the technology of Nile

Drive NaaS in the Japanese market as a managed service provider

Provide the industry's first autonomous network platform, whose use is growing in North America, as a service adapted to the Japanese market

Liberate users from operational workload and asset management with autonomous networks

Introduced Nile Access Service at netone valley  
Linked with services handled by Net One to provide operational services that liberate customers from time-consuming network operations and cost increases

## Began providing a new service that matches market needs by establishing service portfolio "Managed ONE"

Contribute to stable system operation and business value creation by offering a service structure corresponding to the changing role of customers' information systems divisions

Liberate users from labor-intensive ICT infrastructure operation and accelerate the shift to businesses' IT strategies and core businesses

Consolidate operational services that were previously handled individually, and standardize and optimize the content of services offered, allowing customers to select the services they need to operate their ICT infrastructure

Make ICT infrastructure operation of customers' entire organization more sophisticated

Integrate infrastructure that makes system operation more sophisticated by utilizing data  
Consolidate customers' IT resource information and communication information to make data utilization and operation more efficient

# 3

## Progress of medium-term business plan

# Progress in reinforcement of our business base and growth strategy outlined in our basic management policy

Following solid progress in strengthening governance and facilitating corporate culture reforms, we will allocate more management resources to achieve our targets for bookings and service profitability.

## Reinforcement of our business base

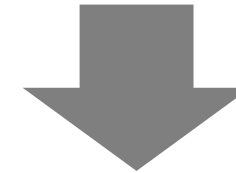
In our efforts to strengthen governance and advance corporate culture reforms, we have achieved a certain level of progress and acceptance.



We will continue to work on improvement measures to build a foundation for growth.

## Growth strategy

We achieved steady growth in our focus areas; however, we are facing challenges in meeting our targets for bookings and service profitability.



Improvement measures are underway; we are pursuing further improvements, including investment in a new enterprise system.



To meet growing demand,  
we aim to improve our booking capacity and customer-facing activities through the following initiatives.

## Reiteration of Q3 FY23 results presentation materials

### Effective execution of strategy

- Approach the market/service by clarifying the following
  - ✓ Utilization of cutting-edge technologies
  - ✓ Expansion of focus areas & focus services
  - ✓ Strengthen existing areas & existing services

Began in April 2024

### Expand resources and efficiency of business divisions based on a certain level of retention of recurrence prevention measures

- Transfer/integrate the following to the business division
  - ✓ Sales engineers
  - ✓ Market strategy function
  - ✓ Part of the internal check function
  - ✓ Part of the service development function

Structural reforms implemented in  
April 2024

## New investments

### Streamline operations of business divisions with a new enterprise system

- Streamline operations of business divisions through the following initiatives
  - ✓ Integrate business processes and automate them (digital workflow)
  - ✓ Also systematize internal check functions and automate approvals and decisions

Scheduled to roll out in April 2025

We will continue to ensure appropriate profitability and reduce the cost ratio through the following measures.

## Optimize service prices

- Propose prices that reflect various cost increases and higher value added

Began in August 2023

New enterprise system shown on page 24 also helps improve service profitability

## Standardization and automation

- Improve our engineers' productivity through the following measures
  - ✓ Reduce man-hours by standardizing core solutions and operation services
  - ✓ Pilot stage: Harnessing AI to automate engineers' work

Ongoing

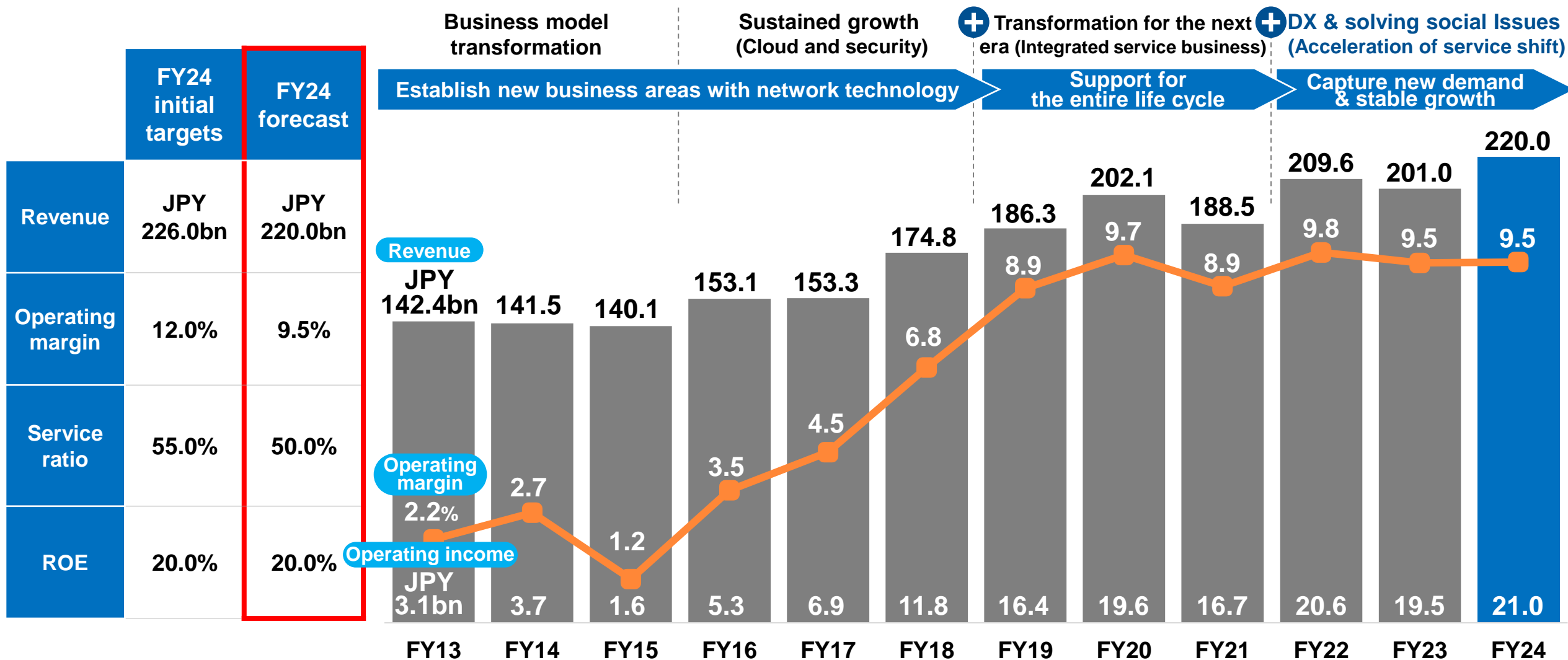
## Profitability monitoring

- Respond quickly to challenges by managing status of the profitability of each service and following factors
  - ✓ Service price optimization
  - ✓ Vendor support and other costs
  - ✓ Additional costs (for projects with low profitability)

Began in July 2023

# Medium-Term Business Plan targets




We expect results of the final year of our Medium-Term Business Plan (FY24) will fall short of our initial projections. However, our next Medium-Term Business Plan will target stable growth as bookings and service profitability are improving following earlier challenges.



# Bookings and revenue by focus areas

		FY22	FY23	Booking trends
Smart manufacturing	Bookings	JPY 4.3bn	JPY 6.0bn	Investments related to EVs and semiconductors continued. In addition to expanding business in the manufacturing sector, we facilitated business creation with R&D departments and strategic partners. In addition, requests for network and data infrastructure to visualize power consumption per production line (GX) increased.
	Revenue	JPY 2.0bn	JPY 7.4bn	<ul style="list-style-type: none"> <li>● Project examples <ul style="list-style-type: none"> <li>✓ Factory security (network isolation, assessment services, etc.)</li> <li>✓ Factory wireless networks</li> <li>✓ Local 5G verification (for smart glasses [digital twin] and AGVs)</li> </ul> </li> </ul>
Digitalization of social infrastructure to realize Society 5.0	Bookings	JPY 3.5bn	JPY 11.7bn	<p>We promoted DX projects that are gaining momentum across society, in the electricity and gas, railroad, healthcare, construction, financial, and ICT sectors.</p> <ul style="list-style-type: none"> <li>● Project examples <ul style="list-style-type: none"> <li>✓ Electric power group: upgrade of IT operations</li> <li>✓ Real estate: SASE</li> <li>✓ Healthcare: cloud infrastructure</li> <li>✓ Financial: generative AI infrastructure (for verification purposes)</li> </ul> </li> </ul>
	Revenue	JPY 1.7bn	JPY 7.1bn	
Digital government	Bookings	JPY 10.5bn	JPY 11.3bn	We secured multiple large projects in preparation for digital transformation initiatives, including work style innovation (remote working), cloud utilization, and security measures. We also accelerated our efforts to propose solutions for large projects, cloud connectivity among government systems, and Next-GIGA initiatives in FY24 and beyond.
	Revenue	JPY 3.5bn	JPY 7.1bn	<ul style="list-style-type: none"> <li>● Project examples <ul style="list-style-type: none"> <li>✓ Large-scale infrastructure that integrates measures for work style innovation, cloud utilization, and security</li> <li>✓ Security enhancement projects</li> </ul> </li> </ul>

Material sustainability issues		KPIs		Progress in FY23
<b>Achievement of a safe and secure advanced information society</b> 	Providing solutions and services for specific issues and fields	Revenue from solutions for social issues	2024 target: JPY30.0bn	JPY21.6bn
	Expanding and promoting service-based businesses	Service ratio	2024 target: 50% (revised from previous target of 55%)	49.1%
<b>Success of professional personnel</b> 	Developing human resources for the next generation	Security personnel	CISSP certification holders 2030 target: 80	30 (FY23 target) 28
			Registered information security specialists 2030 target: 100	60 (FY23 target) 56
		Cloud personnel	Front office departments 2030 target: 50% increase in cloud personnel (232 at end-FY21)	428 (FY23 target) 410
		DX personnel (with certifications in data analysis)	Corporate divisions 2030 target: Increase of 150 employees	42 (FY23 target) 39
			100 operational improvement proposals (target cumulative total over 2022–2030)	28 (FY23 target) 13
	Promoting diversity and inclusion	Development of next-generation ICT personnel	Expansion of next-generation IT personnel development programs through academic–industrial collaboration	Number of lectures: 49 Attended by 2,889 individuals (cumulative)
		Ratio of female executives	2030 target: 15%	7.8% (FY23 target) 7.5%
		Percentage of freshly recruited new graduates who are women	2030 target: 50%	(Employees who joined the Company in April 2024) 42.7% (FY23 target) 35.5%
		Growth in the rate of male employees taking childcare leave and special leave at the time of childbirth	2030 target: 90%	(FY23 result) 74.0% (FY23 target) 65.0%

Material sustainability issues		KPIs		Progress in FY23
<b>Contributing to the achievement of a decarbonized society</b>  	Reducing greenhouse gas emissions generated through our business activities	Expansion of green solutions	Development and expansion of solutions and services that assist both customers and society with greenhouse gas emission reduction	Developed three new products/services (FY23 target) Create three new products/services
	Reducing emissions stemming from internal operational processes	Growth in sales of products and services that require less energy consumption	Reduction of the ratio of CO <sub>2</sub> emissions generated through the procurement and sale of products and services (which account for the majority of CO <sub>2</sub> emissions) to the total monetary values paid or received for the same products and services	Scope 3: 13.6% reduction of carbon intensity per unit of revenue (preliminary value) (FY23 target) 5.7% reduction
<b>Maintaining and strengthening a governance system that facilitates sustainable growth</b> 	Fostering an appropriate corporate culture and bolstering internal controls	Distribution of annual employee awareness surveys in an effort to foster an appropriate corporate culture	(*Survey results to be disclosed in the future)	Survey distributed to all employees in October 2023
		Progress reports on recurrence prevention measures	Semiannual reports on the Company's website regarding the operational status of recurrence prevention measures	Operational status details for FY23 disclosed through the Company's website
	Achieving Health Management®	Accreditation as a Certified Health & Productivity Management Outstanding Organization	2024 target: Accreditation as a Certified Health & Productivity Management Outstanding Organization	Certification as an Outstanding Organization of Health and Productivity Management (achieved FY24 target one year early)

# 4

## **Measures aimed at realizing management conscious of cost of capital and stock prices**

**For details, please refer to the release entitled “Measures aimed at realizing management conscious of cost of capital and stock prices” released on May 8, 2024.**

## Vision: Achieve industry-leading earning power and sustainable corporate value growth

We will raise our corporate value to achieve “Vision for 2030,” our medium- to long-term vision, and continuously maintain return on capital that exceeds cost of equity.

### Target 1

Equity spread (ROE minus cost of equity)

### Target 2

PBR

#### Current state analysis

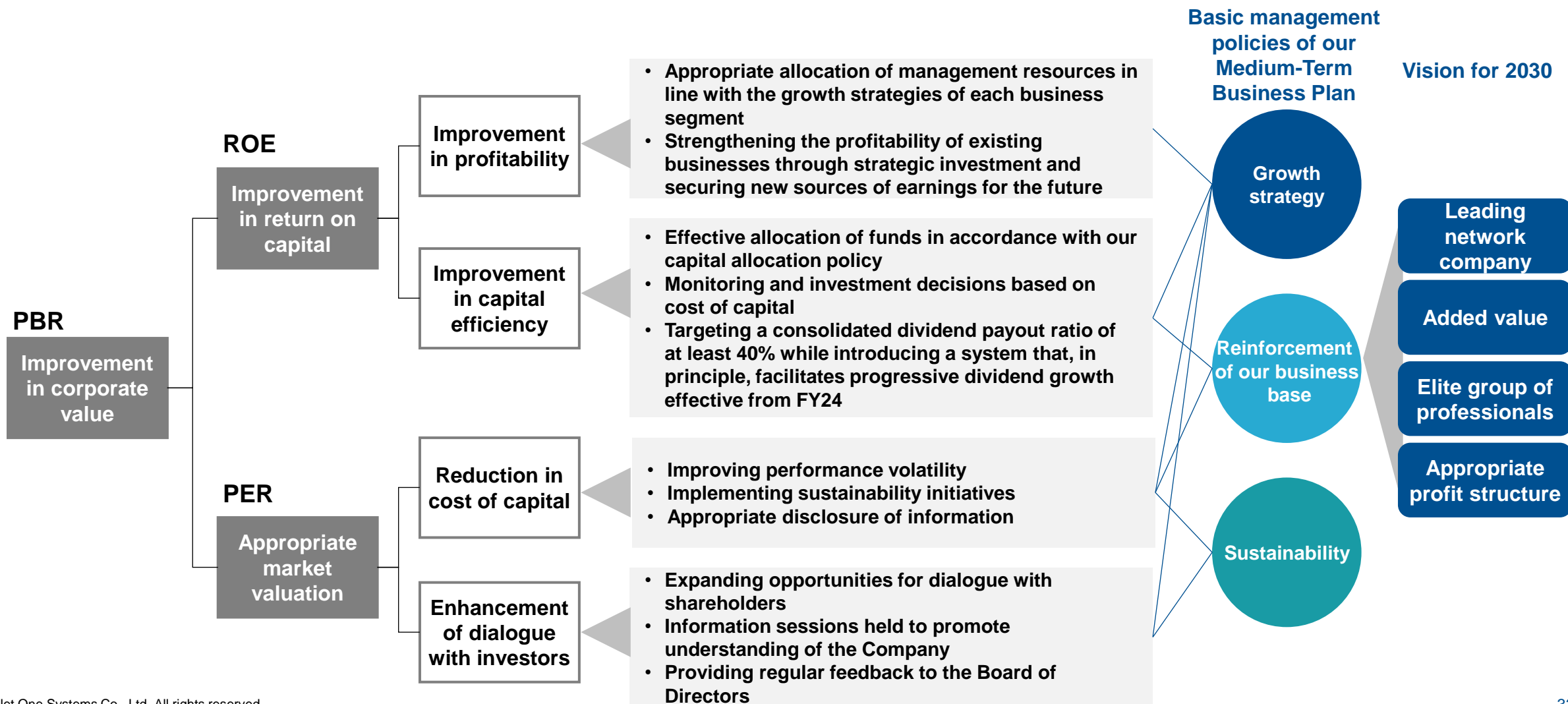
- Our ROE has been maintained at 15–20% since 2019, mainly thanks to improvement in profit margins. This metric also significantly exceeds our perceived cost of equity (6–7%). Accordingly, our recent equity spread compares favorably to the average of Information & Communication sector companies listed on the Tokyo Stock Exchange Prime Market.
- On the other hand, we recognize a gap between our perceived cost of equity and what our investors expect as returns on their investment. To generate sustainable growth for the Net One Group, we will continue to implement measures to strengthen profitability and improve capital efficiency as we aim to achieve industry-leading earning power (return on capital).

- Our PBR exceeds the market average (about 1.0) while falling short of the average of Information & Communication sector companies listed on the Tokyo Stock Exchange Prime Market. After peaking at 4.0 in FY2020, our PBR has been gradually declining in recent years due to sluggish stock price growth.
- We recognize challenges related to the rates at which our actual results deviate from projections and are aware of uncertainties regarding future prospects and the expansion of service businesses. Accordingly, we will implement improvement measures while closely monitoring our PBR and stock price-related indicators including PER and EPS.



# Policies targeting improvement

As we aim to attain our medium- to long-term vision, “Vision for 2030,” we will steadily implement each of the basic management policies set forth in our Medium-Term Business Plan. At the same time, we will continuously maintain return on capital that exceeds our cost of capital, thereby generating industry-leading earning power and sustainable corporate value growth.



# 5

## FY24 forecast

# FY24 forecast

(JPYmn)	H1		YoY		H2		YoY		FY		YoY		
			Amount	%			Amount	%			Amount	%	
Bookings	105,000		+13,099	+14.3%	120,000		+10,451	+9.5%	225,000		+23,551	+11.7%	<ul style="list-style-type: none"> <li>● Enterprise: +JPY2.3bn</li> <li>● Telecom Carrier: +JPY2.1bn</li> <li>● Public: +JPY15.3bn</li> <li>● Partner: +JPY3.7bn</li> </ul>
Revenue	91,200	100.0%	(1,914)	-2.1%	128,800	100.0%	+16,787	+15.0%	220,000	100.0%	+14,872	+7.3%	<ul style="list-style-type: none"> <li>● Enterprise: +JPY4.2bn</li> <li>● Telecom Carrier: +JPY2.7bn</li> <li>● Public: +JPY5.3bn</li> <li>● Partner: +JPY2.5bn</li> </ul>
Cost of sales	68,200	74.8%	(1,631)	-2.3%	95,200	73.9%	+12,460	+15.1%	163,400	74.3%	+10,828	+7.1%	<ul style="list-style-type: none"> <li>● Factors contributing to YoY increase: optimization of service prices, etc.</li> <li>● Factors contributing to YoY decrease: absence of positive impacts of foreign exchange and one-off gains recorded in the Partner segment in FY23</li> </ul>
Gross profit	23,000	25.2%	(283)	-1.2%	33,600	26.1%	+4,327	+14.8%	56,600	25.7%	+4,044	+7.7%	
SG&A	17,200	18.9%	+261	+1.5%	18,400	14.3%	+2,316	+14.4%	35,600	16.2%	+2,577	+7.8%	<ul style="list-style-type: none"> <li>● Factors contributing to YoY increase: personnel expenses +JPY2.5bn (higher starting salary for new graduates, pay rise, bonus increase, engineer dispatch, etc.), equipment expenses +JPY0.7bn (new enterprise system, etc.)</li> <li>● Factors contributing to YoY decrease: office expenses - JPY0.8bn (return of the leased office building)</li> </ul>
Operating income	5,800	6.4%	(544)	-8.6%	15,200	11.8%	+2,010	+15.2%	21,000	9.5%	+1,466	+7.5%	<ul style="list-style-type: none"> <li>● Factors contributing to the increase/decrease from the revised plan are provided on the page 5.</li> </ul>
Ordinary income	5,800	6.4%	(400)	-6.5%	15,000	11.6%	+2,049	+15.8%	20,800	9.5%	+1,648	+8.6%	
Profit attributable to owners of parent	4,100	4.5%	(110)	-2.6%	10,300	8.0%	+451	+4.6%	14,400	6.5%	+679	+5.0%	

# FY24 forecast by segment

(JPYmn)		H1	YoY		H2	YoY		FY	YoY		
			Amount	%		Amount	%		Amount	%	
Enterprise	Bookings	25,400	+849	+3.5%	32,300	+1,495	+4.9%	57,700	+2,345	+4.2%	<ul style="list-style-type: none"><li>● Assume a recovery in the financial sector and continued growth in the manufacturing and non-manufacturing sectors</li><li>● Assume strengthening of existing network business domains plus projects in security, cloud utilization, and smart manufacturing that start with consulting and system operation</li></ul>
	Revenue	25,200	+1,086	+4.5%	34,300	+3,206	+10.3%	59,500	+4,293	+7.8%	
Telecom Carrier	Bookings	20,000	+5,050	+33.8%	26,700	(2,935)	-9.9%	46,700	+2,114	+4.7%	<ul style="list-style-type: none"><li>● Assume expansion of co-creation businesses, including security services and managed services</li><li>● Strengthen existing network business domains</li></ul>
	Revenue	21,300	+552	+2.7%	26,600	+2,149	+8.8%	47,900	+2,702	+6.0%	
Public	Bookings	39,000	+7,008	+21.9%	36,600	+8,298	+29.3%	75,600	+15,306	+25.4%	<ul style="list-style-type: none"><li>● Assume projects for cloud connectivity among government systems and multiple large projects</li><li>● Assume strengthening of existing network business domains plus security and cloud utilization projects that start with consulting and system operation</li></ul>
	Revenue	23,900	(391)	-1.6%	42,800	+5,694	+15.3%	66,700	+5,303	+8.6%	
Partner	Bookings	20,600	+166	+0.8%	24,400	+3,593	+17.3%	45,000	+3,760	+9.1%	<ul style="list-style-type: none"><li>● Assume projects for Wi-Fi service business targeting MSPs</li><li>● Enhance security, cloud services, and other value-added offerings</li><li>● Strengthen collaboration with partner companies</li></ul>
	Revenue	20,800	(3,163)	-13.2%	25,100	+5,736	+29.6%	45,900	+2,572	+5.9%	

# FY24 forecast by product category

(JPYmn)		H1	YoY		H2	YoY		FY	YoY		
			Amount	%		Amount	%		Amount	%	
Product	Bookings	57,300	+6,801	+13.5%	55,200	+7,927	+16.8%	112,500	+14,728	+15.1%	● Assume increases alongside growth of overall bookings and revenue
	Revenue	44,500	(3,458)	-7.2%	65,500	+8,973	+15.9%	110,000	+5,514	+5.3%	
Service	Bookings	47,700	+6,298	+15.2%	64,800	+2,524	+4.1%	112,500	+8,822	+8.5%	● Assume growth in both priority services and existing services
	Revenue	46,700	+1,543	+3.4%	63,300	+7,814	+14.1%	110,000	+9,357	+9.3%	

# Reference: Trends in progress versus full-year revenue forecast

(JPYbn)		Initial	End-Q1	End-Q2	End-Q3	End-Q4
FY22	Backlog for which revenue is scheduled to be recorded by fiscal year-end (A)	104.0	115.3	90.8	61.7	-
	Revenue (B)	-	36.5	92.7	139.6	209.6
	Total (A+B)	104.0	151.8	183.6	201.4	209.6
	Progress ((A+B)/209.6)	49.6%	72.4%	87.6%	96.1%	100.0%
FY23	Backlog for which revenue is scheduled to be recorded by fiscal year-end (A)	107.7	105.3	83.3	52.9	-
	Revenue (B)	-	42.5	91.9	143.0	205.1
	Total (A+B)	107.7	147.9	175.2	195.9	205.1
	Progress ((A+B)/205.1)	52.5%	72.1%	85.4%	95.5%	100.0%
FY24	Backlog for which revenue is scheduled to be recorded by fiscal year-end (A)	107.8				-
	Revenue (B)	-				
	Total (A+B)	107.8				220.0 (plan)
	Progress ((A+B)/220.0)	49.0%				

## 6 Progress of measures to prevent recurrence

# Summary of recurrence prevention measures in FY23

We have focused on fostering a corporate culture to prevent the recurrence of fraud, and have been committed to promoting effective measures to prevent recurrence. We will continue to further strengthen governance and internal controls while promoting corporate culture reforms to achieve sound and sustained business growth, thereby enhancing corporate value.

## Accomplishments in FY23

- **Facilitated widespread acceptance of our corporate philosophy and Code of Conduct**
  - Expanded structures and initiatives to ensure our corporate philosophy and Code of Conduct are firmly established
  - Implemented ongoing corporate culture monitoring surveys and corporate culture reforms
- **Strengthened mechanism for learning from past instances of fraud and collecting employee feedback**
  - Established and operated the Corporate Culture Future Center as a forum of learning for all employees
  - Began operation of feedback system utilizing third-party points of contact with the purpose of collecting constructive and specific employee feedback
- **Transitioned to a new personnel system and ensured its sound operation**
  - With the implementation of management strategy in mind, adopted an appraisal system that leads to the fostering of professional personnel and began initiatives for its fair and equitable implementation
- **Implemented operational reforms for company-wide optimization**
  - Promoted the establishment of new business platforms and strengthened system controls
- **Strengthened risk management structure**
  - Realized autonomous risk management activities by divisions responsible for risk management
  - Provided information and training to further improve risk management awareness across all levels of officers and employees
- **Strengthened governance of Group companies**
  - Continued to operate the common whistleblower contact desk for all Group companies

## Action plans for further progress in FY24 and beyond

- **Facilitate widespread acceptance of our corporate philosophy and Code of Conduct (ongoing)**
  - Continue to implement improvement initiatives based on corporate culture monitoring surveys
- **Further strengthen governance and internal control systems**
  - Evolve Net One's three lines of defense model to strengthen operation of an organization that accelerates business growth
  - Enhance the effectiveness by agile operation of relevant committees
- **Ensure sound operation of our new personnel system and fostering of human resources**
  - Build a group of highly specialized personnel who understand customer perspectives and interactions and are valuable to our customers
  - Further strengthen our human resources base to prevent recurrence of fraud
- **Implement operational reforms for company-wide optimization (ongoing)**
  - Promote the establishment of new business platforms and strengthen system controls
- **Strengthen structure for integrated risk management**
  - Make risk management activities more sophisticated by having divisions responsible for risk management drive improvement cycle
  - Provide information and training to further improve risk management awareness and skills of divisions responsible for risk management
- **Strengthen governance of Group companies (ongoing)**
  - Facilitate widespread acceptance of our corporate philosophy and Code of Conduct across the Group to foster a common understanding of objectives and promote improvement activities in accordance with the business practices of each company
  - Continue to operate the common whistleblower contact desk for all Group companies



# Progress of measures to prevent recurrence (January 2024)

## Progress

### 1. Governance reform and promotion

- We continued to conduct case study workshops on J-SOX for all employees to facilitate understanding of risk control in their own work and their role from the perspective of strengthening internal control. (1.(1)-b, 1.(4)-b)
- Our chief executives continuously provided opportunities for communication with employees and delivered messages directly to them. (1.(3)-a)

### 2. Enhancement of risk management system

- In accordance with our basic policy for risk management and our annual activity plan for FY23, we executed various measures while coordinating with CROs for each business unit, divisions responsible for risk management (1.5th and second lines of defense), and the Governance and Corporate Culture Advisory Committee. We communicated risk reassessment methods to divisions responsible for risk management in preparation for formulating a risk management plan for FY24. (2.(2)-c, 2.(2)-e)

### 3. Strengthening of business execution systems and other internal systems

- We continued to hold meetings established to strengthen our system for conducting business operations across organizations (such as between sales and engineering divisions and the Procurement Department) (3.(1)-a)
- We continued to hold meetings between administrative divisions to bolster internal controls and strengthen its checking and follow-up structure. (3.(2)-a)

### 4. Radical revisions to our auditing system

- We continued to conduct internal audits by theme based on our internal audit policy and plan for FY23. (4.(1)-b)
- We have developed a training plan to facilitate understanding of J-SOX and have completed preparation of training content; training has been underway since December 2023. (4.(3)-d)
- We continued periodic exchanges of opinions with executive directors and the Internal Audit Office, as well as participation in training regarding instances of fraud. (4.(4)-a/b/c)

### 5. System for collecting employee feedback

- We began full-scale operation of our whistleblower platform, which enables anonymous two-way communication, and continued to respond to reports and consultations from employees. (5.(1)-a)
- We continued to implement our feedback system, which operates using third-party points of contact, under new rules aimed at facilitating the collection of constructive and specific feedback. (5.(2)-a)

### 6. Reform and creation of organizational culture

- To increase opportunities for disseminating our corporate philosophy, we began planning our third Vision Day. (6.(2)-d)
- We continued to hold one-on-one meetings between supervisors and individual subordinates in accordance with the Declaration of Conduct, which is pursuant to our philosophy system. (6.(2)-e)

### 7. Accounting literacy education, and training and instruction based on prior examples of misconduct

- We launched Step 3 of our FY23 education plan for improving accounting literacy and accounting knowledge. We continued to provide education for those who have not yet completed Step 2. (7.(1)-a)
- We continued to host business rule briefings and workshops aimed at learning from and sharing examples of past mistakes and failures while making some improvements to the content. (7.(3)-a)

### 8. Ongoing monitoring

- We developed a concrete action plan in accordance with the course of action we previously organized to strengthen our internal control system on an ongoing basis. Details regarding this plan have been disclosed internally. (8.(2)-a)

(Notes) 1. Please refer to our release entitled “Additional Measures to Prevent Recurrence” dated May 13, 2021 (available in Japanese only) for an itemized list of details regarding specific recurrence prevention measures (in blue).

2. Internal audit by theme: A theme will be set and an internal audit conducted when it is determined that a cross-organization internal audit is required based on the results of risk assessment and organization-specific internal audit.

# Progress of measures to prevent recurrence (February 2024)

## Progress

### 1. Governance reform and promotion

- We continued to conduct case study workshops on J-SOX for all employees to facilitate understanding of risk control in their own work and their role from the perspective of strengthening internal control. (1.(1)-b, 1.(4)-b)
- Our chief executives continuously provided opportunities for communication with employees and delivered messages directly to them. (1.(3)-a)

### 2. Enhancement of risk management system

- In accordance with our basic policy for risk management and our annual activity plan for FY23, we executed various measures while coordinating with CROs for each business unit, divisions responsible for risk management (1.5th and second lines of defense), and the Governance and Corporate Culture Advisory Committee. Divisions responsible for risk management continued to conduct risk reassessments in preparation for formulating a risk management plan for FY24. (2.(2)-c, 2.(2)-e)

### 3. Strengthening of business execution systems and other internal systems

- We continued to hold meetings established to strengthen our system for conducting business operations across organizations (such as between sales and engineering divisions and the Procurement Department) (3.(1)-a)
- We continued to hold meetings between administrative divisions to bolster internal controls and strengthen its checking and follow-up structure. (3.(2)-a)

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### 7. Accounting literacy education, and training and instruction based on prior examples of misconduct

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- We continued to host business rule briefings and workshops aimed at learning from and sharing examples of past mistakes and failures while making some improvements to the content. (7.(3)-a)

### 8. Ongoing monitoring

- We continued to implement improvement measures based on a concrete action plan organized to strengthen our internal control system on an ongoing basis. (8.(2)-a)

(Notes) 1. Please refer to our release entitled “Additional Measures to Prevent Recurrence” dated May 13, 2021 (available in Japanese only) for an itemized list of details regarding specific recurrence prevention measures (in blue).

2. Internal audit by theme: A theme will be set and an internal audit conducted when it is determined that a cross-organization internal audit is required based on the results of risk assessment and organization-specific internal audit.

# Progress of measures to prevent recurrence (March 2024)

## Progress

### 1. Governance reform and promotion

- We continued to conduct case study workshops on J-SOX for all employees to facilitate understanding of risk control in their own work and their role from the perspective of strengthening internal control. (1.(1)-b,1.(4)-b)
- Our chief executives continuously provided opportunities for communication with employees and delivered messages directly to them. (1.(3)-a)

### 2. Enhancement of risk management system

- In accordance with our basic policy for risk management and our annual activity plan for FY23, we executed various measures while coordinating with CROs for each business unit, divisions responsible for risk management (1.5th and second lines of defense), and the Governance and Corporate Culture Advisory Committee. We reported the results of risk reassessments for FY24 to the Risk Management Committee. (2.(2)-c, 2.(2)-e)

### 3. Strengthening of business execution systems and other internal systems

- We continued to hold meetings established to strengthen our system for conducting business operations across organizations (such as between sales and engineering divisions and the Procurement Department) (3.(1)-a)
- We continued to hold meetings between administrative divisions to bolster internal controls and strengthen its checking and follow-up structure. (3.(2)-a)

### 4. Radical revisions to our auditing system

- We conducted internal audits by theme and for each organization based on our internal audit policy and plan for FY23. We also formulated our internal audit policy and plan for FY24, which were approved by our Audit & Supervisory Committee. (4.(1)-b)
- We have developed a training plan to facilitate understanding of J-SOX and have completed preparation of training content; training has been underway since December 2023. (4.(3)-d)
- We continued periodic exchanges of opinions with executive directors and the Internal Audit Office, as well as participation in training regarding instances of fraud. (4.(4)-a/b/c)

### 5. System for collecting employee feedback

- We began full-scale operation of our whistleblower platform, which enables anonymous two-way communication, and continued to respond to reports and consultations from employees. (5.(1)-a)
- We continued to implement our feedback system, which operates using third-party points of contact, under new rules aimed at facilitating the collection of constructive and specific feedback. (5.(2)-a)

### 6. Reform and creation of organizational culture

- We reviewed our corporate philosophy dissemination activities in FY23 and began discussion of our activity plan for FY24. (6.(2)-a)
- We continued to hold one-on-one meetings between supervisors and individual subordinates in accordance with the Declaration of Conduct, which is pursuant to our philosophy system. (6.(2)-e)

### 7. Accounting literacy education, and training and instruction based on prior examples of misconduct

- We completed Step 3 of our FY23 education plan for improving accounting literacy and accounting knowledge. We began developing content of our FY24 education plan based on results of education so far and questionnaire responses. 7.(1)-a)
- We continued to host business rule briefings and workshops aimed at learning from and sharing examples of past mistakes and failures while making some improvements to the content. (7.(3)-a)

### 8. Ongoing monitoring

- While reviewing improvement measures implemented in FY23, we continued to discuss themes and courses of action in preparation for conducting our FY24 survey. (8.(2)-a)

(Notes) 1. Please refer to our release entitled “Additional Measures to Prevent Recurrence” dated May 13, 2021 (available in Japanese only) for an itemized list of details regarding specific recurrence prevention measures (in blue).

2. Internal audit by theme: A theme will be set and an internal audit conducted when it is determined that a cross-organization internal audit is required based on the results of risk assessment and organization-specific internal audit.

# 7

## Appendix

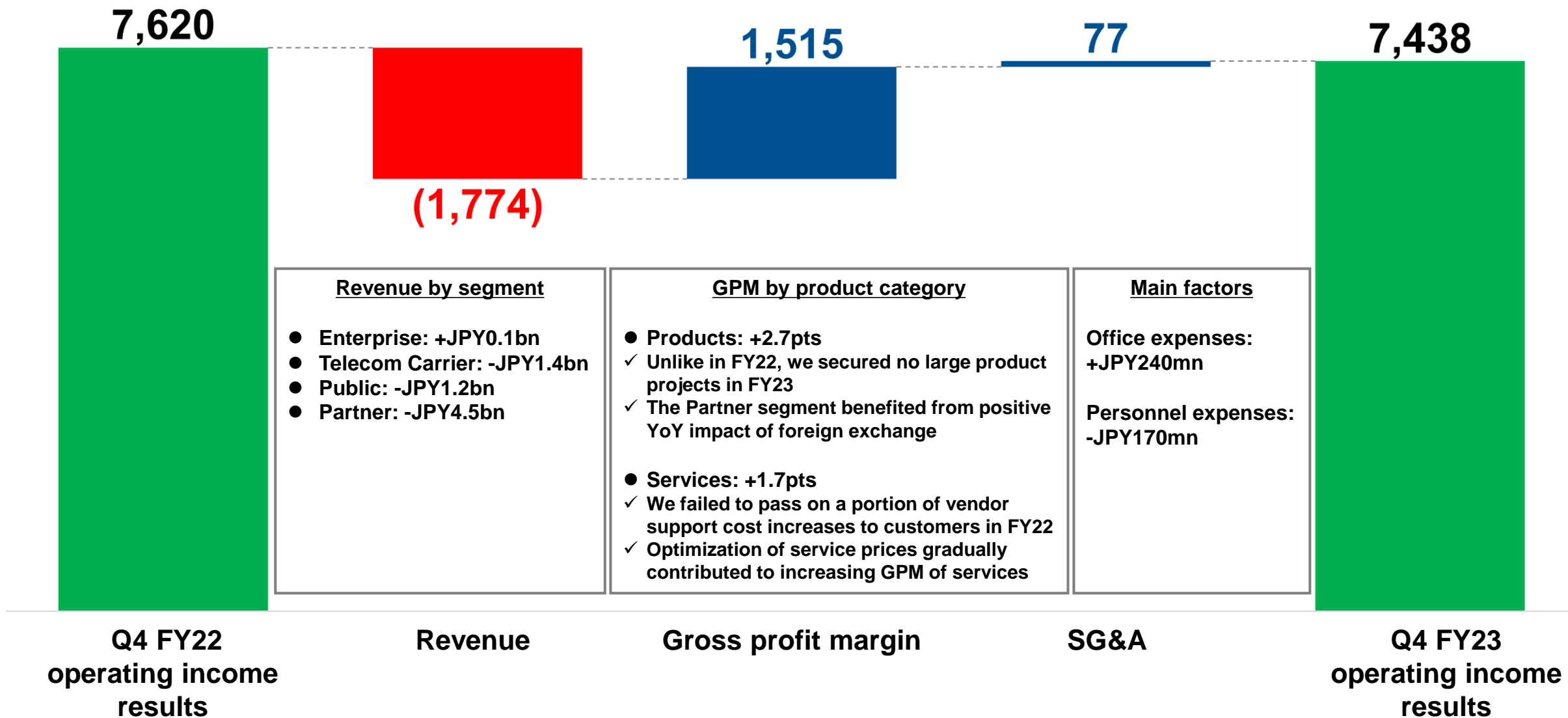
- **Q4 FY23 (Jan.-Mar. 3 months) results**

# Q4 FY23 (Jan.-Mar. 3 months) results

(JPYmn)	FY22 Q3 (Jan.-Mar.)		FY23 Q3 (Jan.-Mar.)		YoY		
					Amount	%	
Bookings	64,652		73,116		+8,464	+13.1%	<ul style="list-style-type: none"> <li>● Bookings increased YoY in all segments to reach a quarterly record high ✓(YoY) Enterprise: +JPY1.3bn, Telecom Carrier: +JPY2.8bn, Public: +JPY1.8bn, Partner: +JPY3.0bn</li> </ul>
Revenue	69,980	100.0%	62,113	100.0%	(7,867)	-11.2%	<ul style="list-style-type: none"> <li>● Revenue fell YoY due to a drop in bookings in Q2 ✓(YoY) Enterprise: +JPY0.1bn, Telecom Carrier: -JPY1.4bn, Public: -JPY1.2bn, Partner: -JPY4.5bn</li> </ul>
Cost of sales	54,193	77.4%	46,585	75.0%	(7,607)	-14.0%	<ul style="list-style-type: none"> <li>● GPM: +2.4pts YoY ✓ Products: +2.7pts YoY (FY22 Q4: 20.9%, FY23 Q4: 23.6%) <ul style="list-style-type: none"> <li>• Unlike in FY22, we secured no large product projects in FY23</li> <li>• The Partner segment benefited from positive YoY impact of foreign exchange</li> </ul> </li> <li>✓ Services: +1.7pts YoY (FY22 Q4: 24.7%, FY23 Q4: 26.4%) <ul style="list-style-type: none"> <li>• We failed to pass on a portion of vendor support cost increases to customers in FY22</li> <li>• Optimization of service prices gradually contributed to increasing GPM of services</li> </ul> </li> <li>✓ Service ratio: +6.2pts YoY (FY22 Q4: 43.2%, FY23 Q4: 49.4%) <ul style="list-style-type: none"> <li>• Services grew (mainly maintenance and system integration services), while we secured no large product projects in FY23</li> </ul> </li> </ul>
Gross profit	15,787	22.6%	15,528	25.0%	(259)	-1.6%	
SG&A	8,166	11.7%	8,089	13.0%	(77)	-0.9%	<ul style="list-style-type: none"> <li>● Office expenses +JPY240mn, personnel expenses -JPY170mn</li> </ul>
Operating income	7,620	10.9%	7,438	12.0%	(182)	-2.4%	<ul style="list-style-type: none"> <li>● Factors contributing to YoY increase/decrease are provided on the next page.</li> </ul>
Ordinary income	7,859	11.2%	7,514	12.1%	(345)	-4.4%	
Profit attributable to owners of parent	4,749	6.8%	5,782	9.3%	+1,032	+21.7%	<ul style="list-style-type: none"> <li>● JPY0.6bn income tax deduction due to the effect of tax incentive to promote wage increases</li> </ul>

# Q4 FY23 (Jan.-Mar. 3 months)

## Operating income analysis





# Q4 FY23 (Jan.-Mar. 3 months)

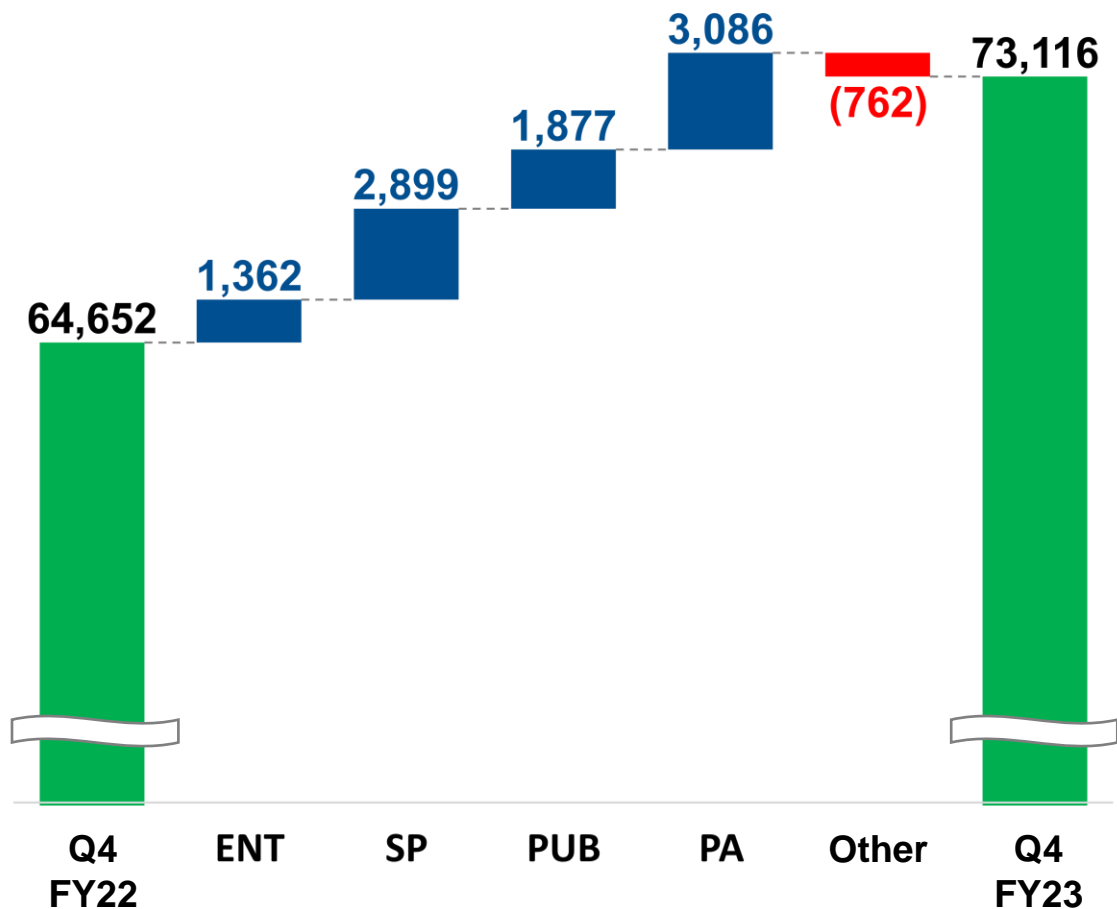
## Bookings, revenue, gross profit, and operating income by segment

(JPYmn)		FY22		FY23		YoY		
		Q4 (Jan.-Mar.)		Q4 (Jan.-Mar.)		Amount	%	
Enterprise	Bookings	17,058		18,421		+1,362	+8.0%	<ul style="list-style-type: none"> <li>● Bookings: In the manufacturing sector, we secured large smart manufacturing projects using SDN, as we did in Q3. In the non-manufacturing sector, we won a large SASE project. The financial sector is on a gradual recovery trend.</li> <li>● Revenue: Increased in the manufacturing and non-manufacturing sectors, but declined in the financial sector</li> <li>● GPM: +1.5pts YoY</li> <li>✓ GPM grew thanks to improved profitability of individual projects</li> </ul>
	Service (%)	11,483	67.3%	12,277	66.6%	+794	+6.9%	
	Revenue	15,947		16,127		+180	+1.1%	
	Service (%)	9,294	58.3%	8,971	55.6%	(322)	-3.5%	
	Gross profit (%)	3,961	24.8%	4,239	26.3%	+278	+7.0%	
Telecom Carrier	Operating income (%)	1,553	9.7%	1,815	11.3%	+261	+16.9%	<ul style="list-style-type: none"> <li>● Bookings: Co-creation businesses expanded</li> <li>● Revenue: Unlike in FY22, we secured no large product projects in FY23</li> <li>● GPM: +4.3pts YoY</li> <li>✓ Service ratio increased in FY23 due to the absence of large product projects secured in FY22</li> </ul>
	Bookings	18,086		20,986		+2,899	+16.0%	
	Service (%)	13,631	75.4%	14,658	69.8%	+1,026	+7.5%	
	Revenue	14,978		13,554		(1,424)	-9.5%	
	Service (%)	6,071	40.5%	7,114	52.5%	+1,043	+17.2%	
Public	Gross profit (%)	3,181	21.2%	3,461	25.5%	+280	+8.8%	<ul style="list-style-type: none"> <li>● Bookings: We secured SASE, cloud utilization, and system operation projects in the municipality sector and large cloud infrastructure projects in the social infrastructure sector. In the healthcare sector, we won a large hospital network project.</li> <li>● Revenue: Increased in the social infrastructure and hospital sectors</li> <li>● GPM: +0.5pts YoY</li> <li>✓ GPM followed a gradual recovery path</li> </ul>
	Operating income (%)	1,745	11.7%	1,944	14.3%	+199	+11.4%	
	Bookings	18,896		20,774		+1,877	+9.9%	
	Service (%)	14,339	75.9%	15,174	73.0%	+835	+5.8%	
	Revenue	24,983		23,737		(1,245)	-5.0%	
Partner	Service (%)	12,754	51.1%	12,292	51.8%	(462)	-3.6%	<ul style="list-style-type: none"> <li>● Bookings: We steadily received orders that were postponed from Q3 to Q4, but two projects (totaling JPY2.2bn) were postponed from Q4 to subsequent quarters</li> <li>● Revenue: Decreased as revenue for some projects was recognized ahead of schedule in Q3 and bookings declined in Q1-Q2</li> <li>● GPM: +1.5pts YoY</li> <li>✓ Positive YoY impact of foreign exchange</li> <li>✓ Service ratio rose YoY due to lower revenue</li> </ul>
	Gross profit (%)	5,856	23.4%	5,677	23.9%	(179)	-3.1%	
	Operating income (%)	3,145	12.6%	3,035	12.8%	(110)	-3.5%	
	Bookings	9,848		12,934		+3,086	+31.3%	
	Service (%)	2,966	30.1%	3,008	23.3%	+41	+1.4%	
Partner	Revenue	13,195		8,693		(4,502)	-34.1%	<ul style="list-style-type: none"> <li>● Bookings: We steadily received orders that were postponed from Q3 to Q4, but two projects (totaling JPY2.2bn) were postponed from Q4 to subsequent quarters</li> <li>● Revenue: Decreased as revenue for some projects was recognized ahead of schedule in Q3 and bookings declined in Q1-Q2</li> <li>● GPM: +1.5pts YoY</li> <li>✓ Positive YoY impact of foreign exchange</li> <li>✓ Service ratio rose YoY due to lower revenue</li> </ul>
	Service (%)	1,938	14.7%	2,296	26.4%	+358	+18.5%	
	Gross profit (%)	2,321	17.6%	1,661	19.1%	(659)	-28.4%	
	Operating income (%)	1,237	9.4%	745	8.6%	(492)	-39.8%	

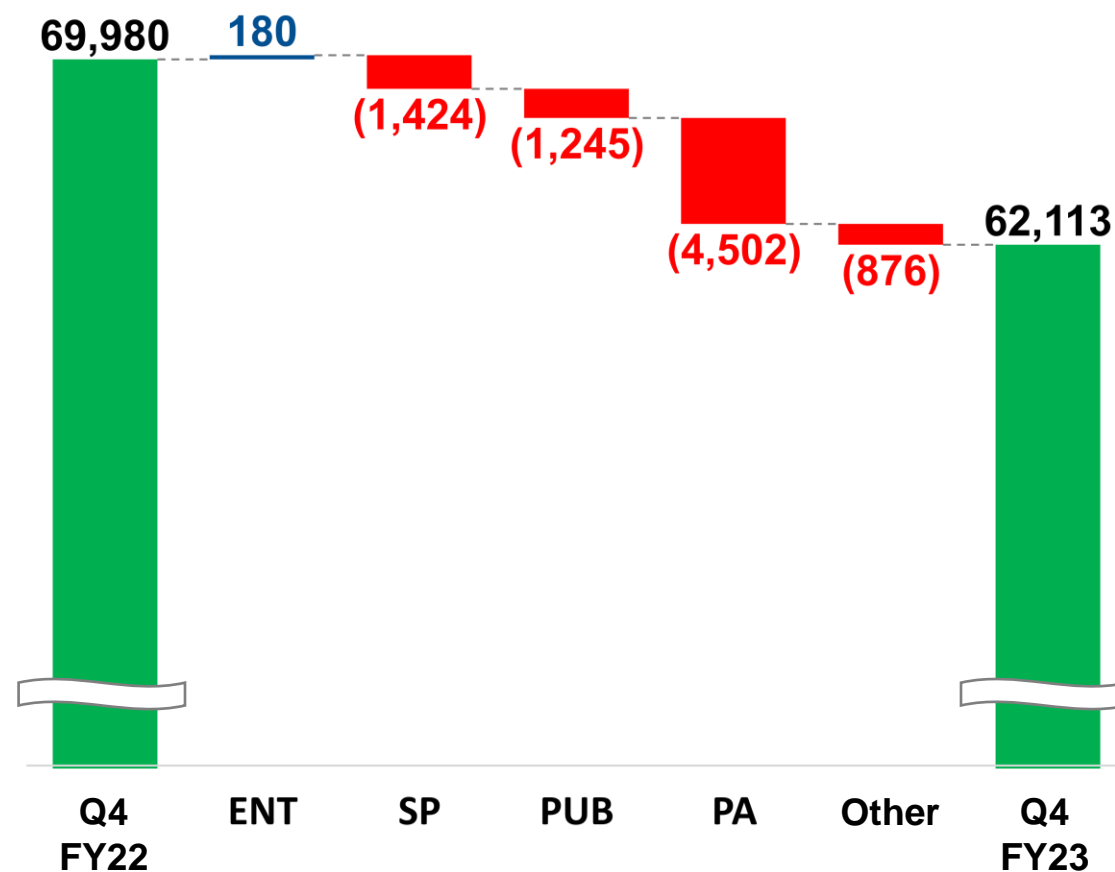
# Q4 FY23 (Jan.-Mar. 3 months)

## Bookings and revenue: YoY changes by segment

### Bookings



### Revenue



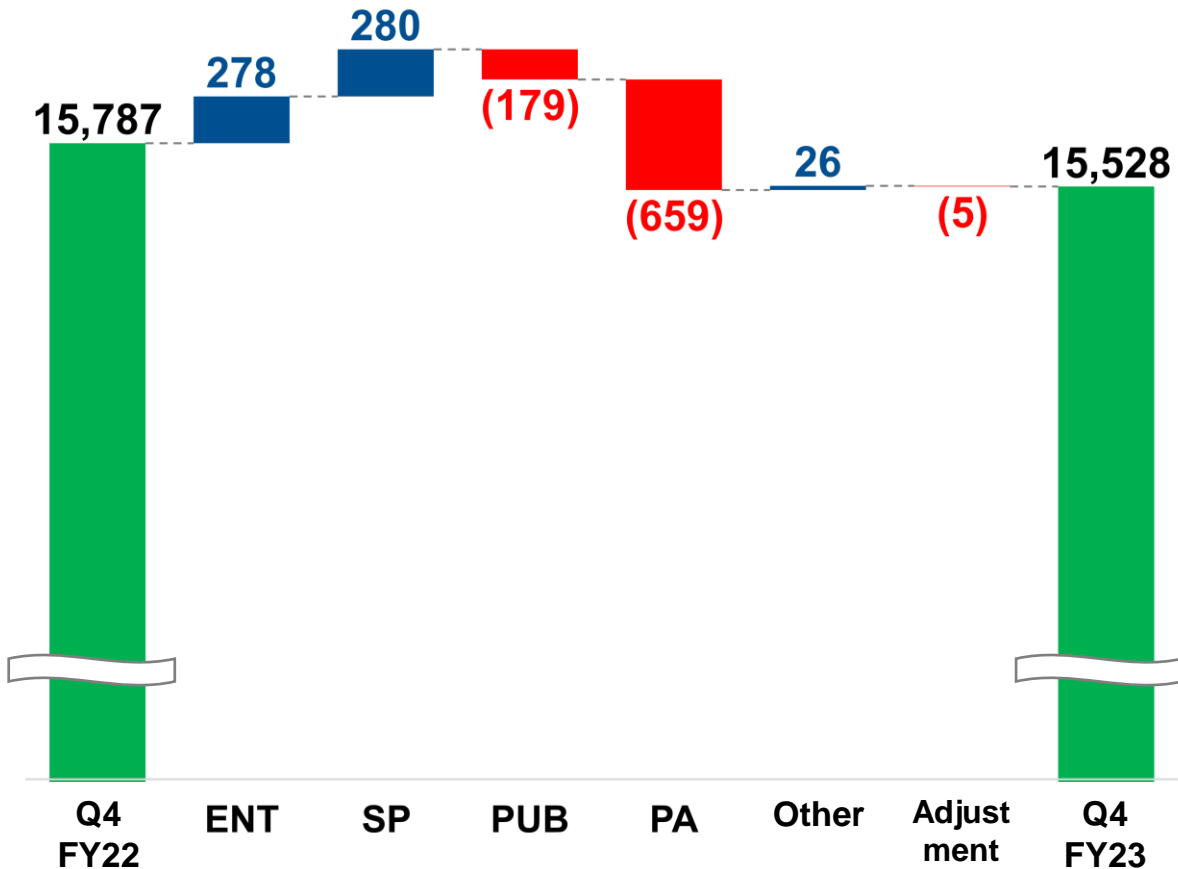
(Note) ENT: Enterprise, SP: Telecom Carrier, PUB: Public, PA: Partner



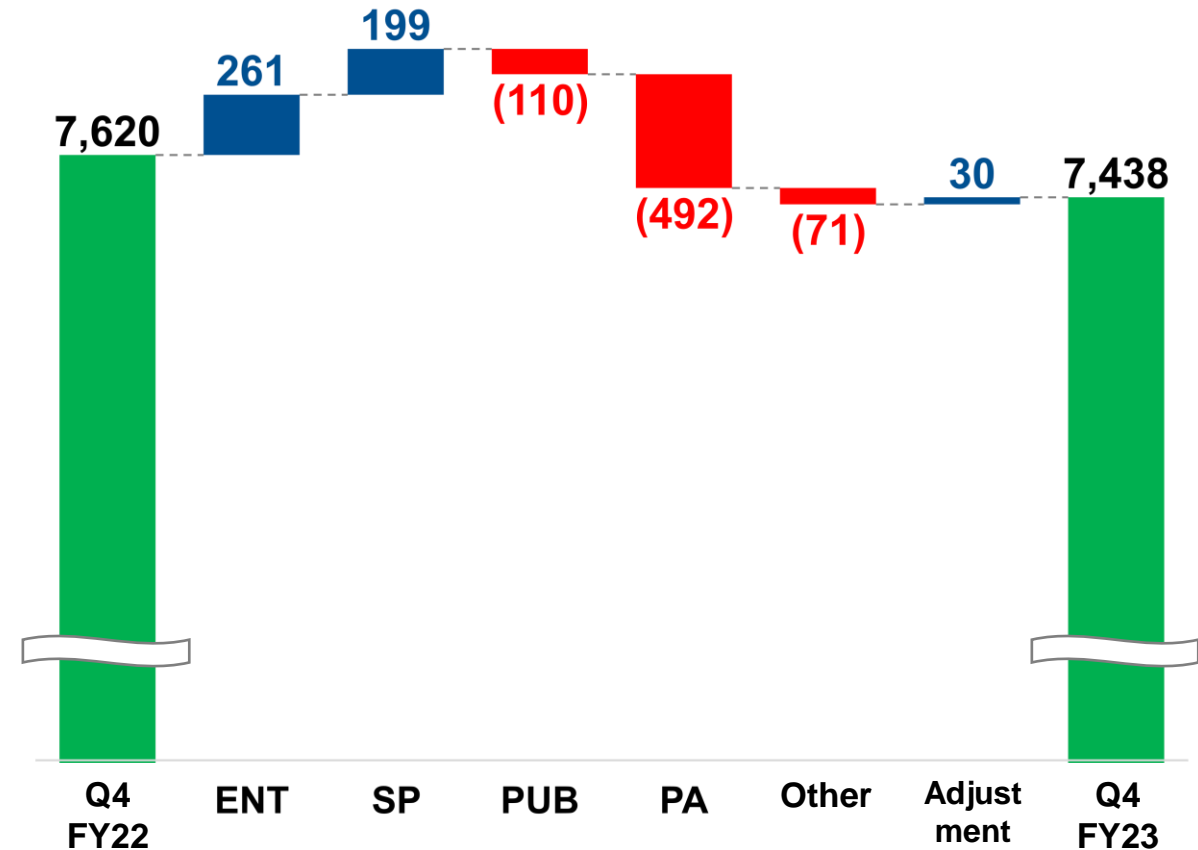
# Q4 FY23 (Jan.-Mar. 3 months)

## Gross profit and operating income: YoY changes by segment

### Gross profit



### Operating income



# Q4 FY23 (Jan.-Mar. 3 months)

## Bookings, revenue, and gross profit by product category

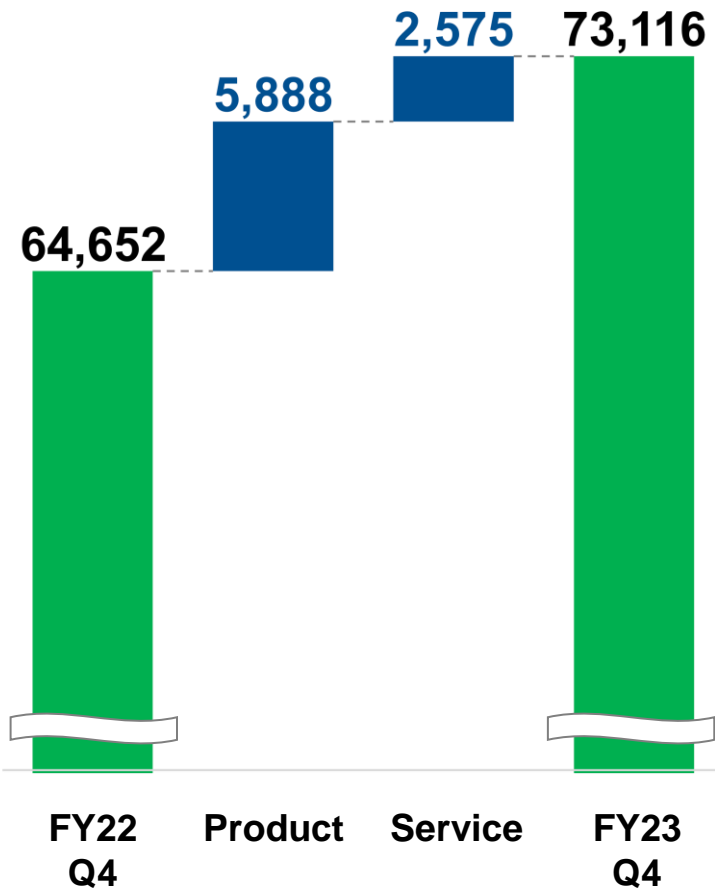
(Service ratio) 61.7% in bookings (-4.1pts), 49.4% in revenue (+6.2pts)

(JPYmn)		FY22 Q4 (Jan.-Mar.)		FY23 Q4 (Jan.-Mar.)		YoY		
						Amount	%	
Product	Bookings	22,108		27,997		+5,888	+26.6%	● Bookings: Increased due to growth in bookings in all segments
	Revenue	39,764		31,437		(8,326)	-20.9%	● Revenue: Decreased as a result of a drop in bookings in Q2 ● Remained at the same level ● GPM: +2.7pts YoY
	Gross profit (%)	8,311	20.9%	7,415	23.6%	(896)	-10.8%	✓ Unlike in FY22, we secured no large product projects in FY23 ✓ The Partner segment benefited from positive YoY impact of foreign exchange
Service	Bookings	42,544		45,119		+2,575	+6.1%	● Bookings: Increased mainly in maintenance and system integration services
	Revenue	30,216		30,675		+459	+1.5%	● Revenue: Increased mainly in maintenance services ● GPM: +1.7pts YoY
	Gross profit (%)	7,476	24.7%	8,112	26.4%	+636	+8.5%	✓ We failed to pass on a portion of vendor support cost increases to customers in FY22 Q4 ✓ Optimization of service prices gradually contributed to increasing GPM of services

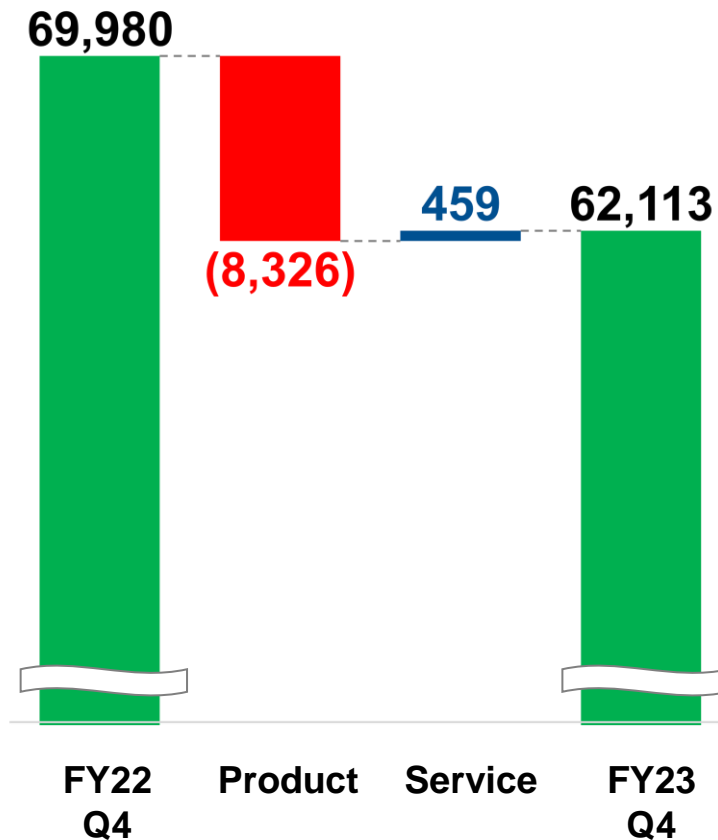
# Q4 FY23 (Jan.-Mar. 3 months)

## Bookings, revenue, and gross profit: YoY changes by product category net one (JPYmn)

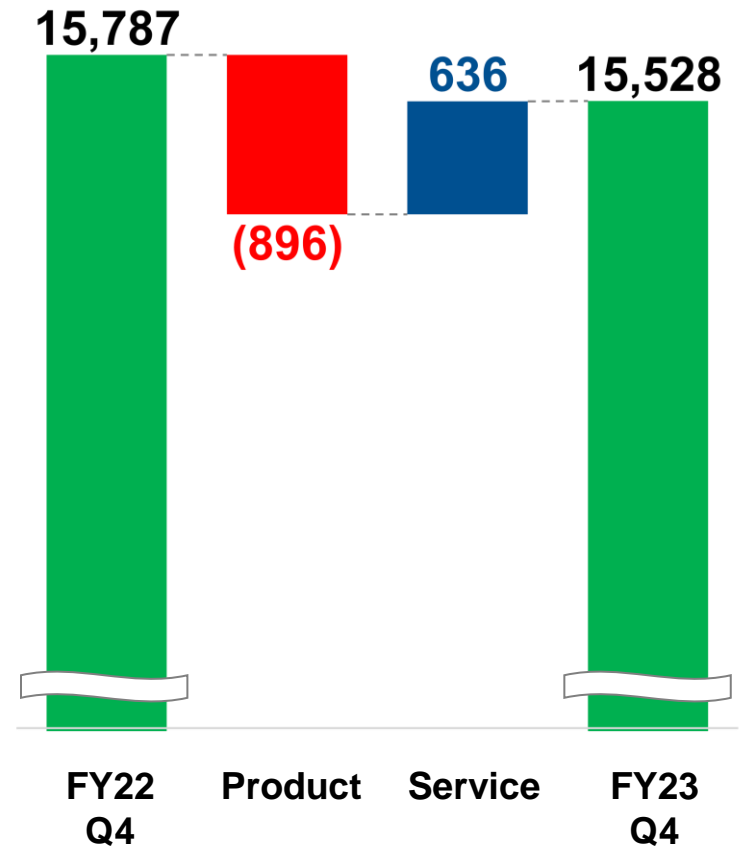
### Bookings



### Revenue



### Gross profit



change ∠ channel ∠ change



## Reference materials

- Business overview documents (PDF files): Posted in the “Business Overview” section at the following link  
<https://www.netone.co.jp/english/investor-relations/ir-library/sector-information/>
- Earnings data (Excel files)  
<https://www.netone.co.jp/english/investor-relations/ir-library/presentations/>