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May 8, 2024

To whom it may concern:

Net One Systems Co., Ltd.
(Stock Code: 7518, TSE Prime)

Notice regarding measures aimed at realizing management conscious of cost of capital and stock prices

Net One Systems Co., Ltd. (the “Company”) hereby announces that during a meeting held on May 8, 2024, its Board of Directors analyzed current circumstances surrounding measures aimed at realizing management conscious of cost of capital and stock prices and adopted the following policies and initiatives to improve these circumstances.

1. Current state analysis

(1) Return on capital (equity spread = ROE minus cost of equity)

Thanks primarily to improvement in profit margins, the Company has maintained an ROE of 15–20% since FY2019. The Company’s ROE is also well above its perceived cost of equity (6–7%), and its 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, the Company recognizes a gap between its perceived cost of equity and what its investors expect as returns on their investment. To generate sustainable growth for its corporate group, Net One Systems will continue implementing measures to strengthen profitability and improve capital efficiency as it aims to achieve industry-leading earning power (return on capital).

(2) Market valuation

The Company’s 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 4.08 in FY2020, the Company’s PBR has been gradually declining in recent years due to sluggish stock price growth. The Company recognizes challenges related to the rates at which its actual results deviate from projections and remains aware of uncertainties regarding future prospects and the expansion of service businesses. Accordingly, it will implement improvement measures while closely monitoring its PBR and stock price-related indicators including PER and EPS.

		FY2019	FY2020	FY2021	FY2022	FY2023
Bookings	(JPYmn)	204,607	203,520	231,844	219,807	201,448
Revenue	(JPYmn)	186,353	202,122	188,520	209,680	205,127
Operating income	(JPYmn)	16,499	19,673	16,790	20,635	19,533
Operating margin	(%)	8.9	9.7	8.9	9.8	9.5
ROE	(%)	15.9	17.8	15.8	20.1	18.0
PBR		2.93	4.08	3.43	3.44	2.79
PER		19.40	24.31	21.33	17.99	15.90
Year-end stock price	(JPY)	2,248	3,535	2,861	3,165	2,700

2. Policies and initiatives targeting improvement

The Net One Group established its medium- to long-term vision, “Vision for 2030,” around four themes: “leading network company,” “added value,” “elite group of professional,” and “appropriate profit structure.”

Based on analyses of its current circumstances, the Group will steadily implement all measures associated with the basic management policies set forth in its Medium-Term Business Plan covering FY2022–FY2024 (“growth strategy,” “reinforcement of business base,” and “social responsibility”) to fulfill its “Vision for 2030” and continuously maintain return on capital in excess of cost of capital. Through these efforts, the Company will endeavor to generate industry-leading earning power and sustainable corporate value growth.

(1) Return on capital

Expand equity spread (ROE minus cost of equity) through improvement in ROE

1) Improvement in profitability

- Appropriate allocation of management resources in line with the growth strategies of each business segment
- Strengthening the profitability of existing businesses through strategic investment and acquiring new sources of earnings for the future

2) Improvement in capital efficiency

- Effective allocation of funds in accordance with the Company’s capital allocation policy
- Investment decisions and performance monitoring based on cost of capital
- Targeting a consolidated dividend payout ratio of at least 40% while introducing a system that, in principle, facilitates progressive dividend growth effective from FY2024

(2) Market valuation

Secure an appropriate market valuation (PER) by reducing cost of capital and further enhancing dialogue with investors

1) Reduction in cost of capital

- Improving performance volatility
- Implementing sustainability initiatives
- Appropriate disclosure of information

2) Dialogue with investors

- Expanding opportunities for dialogue with shareholders
- Information sessions held to promote understanding of the Company
- Providing regular feedback to the Board of Directors

For details, please refer to the attached document.



Measures Aimed at Realizing Management Conscious of Cost of Capital and Stock Prices

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

Achieving industry-leading earning power and sustainable corporate value growth

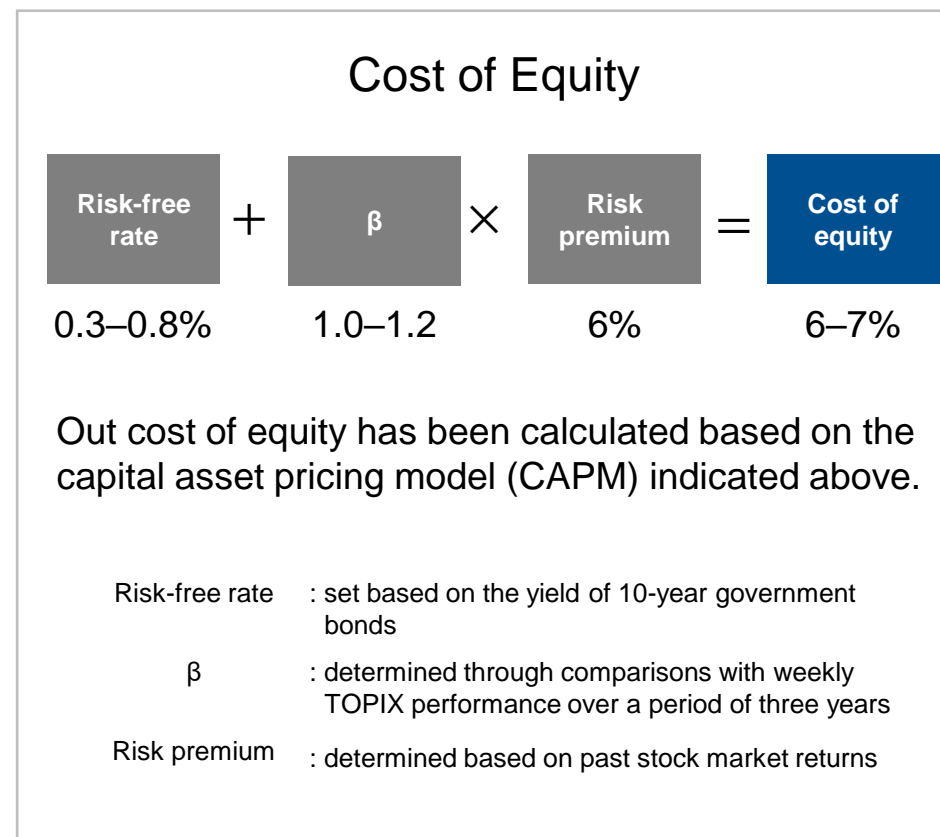
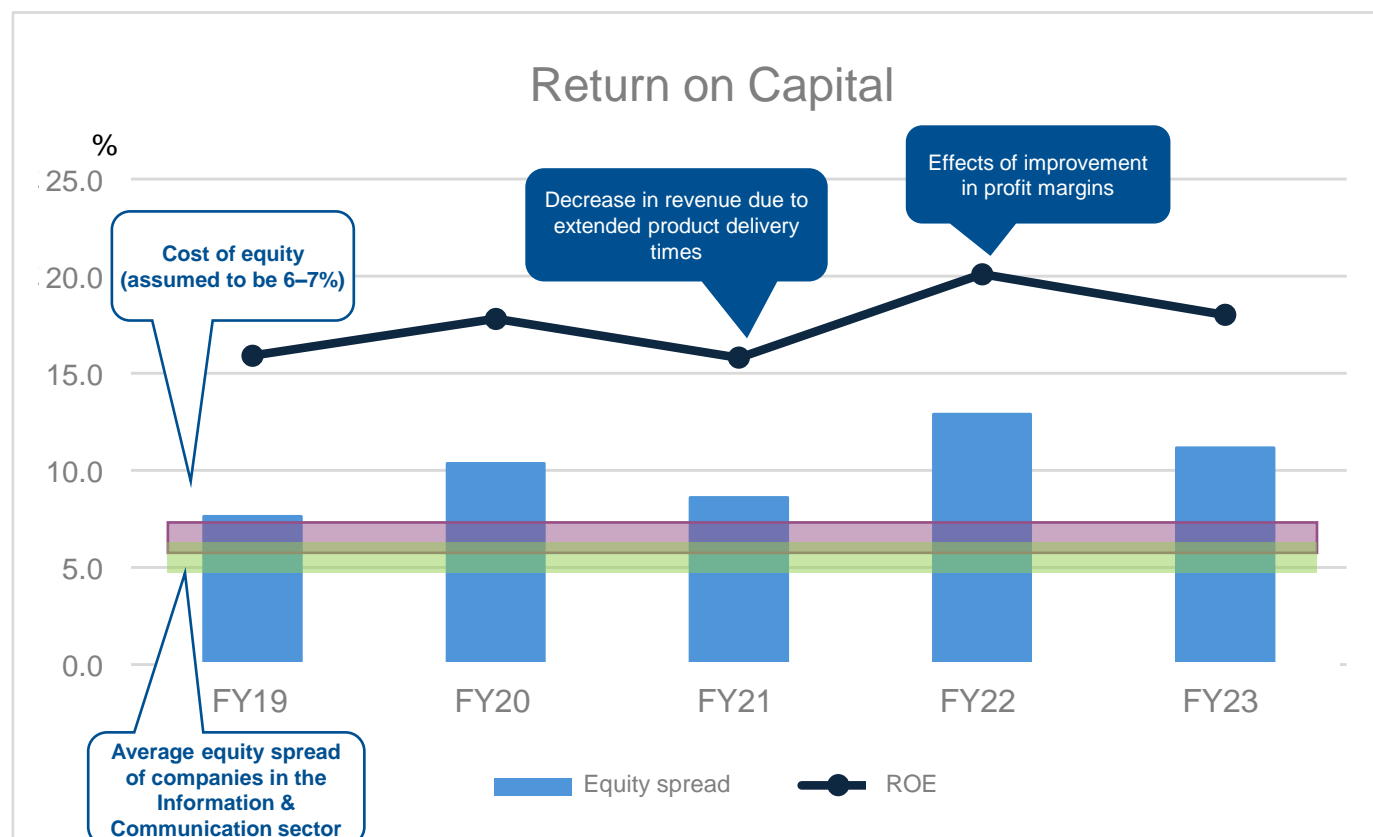
PBR
(Price-to-book ratio)

Equity spread
(ROE minus cost of equity)

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.

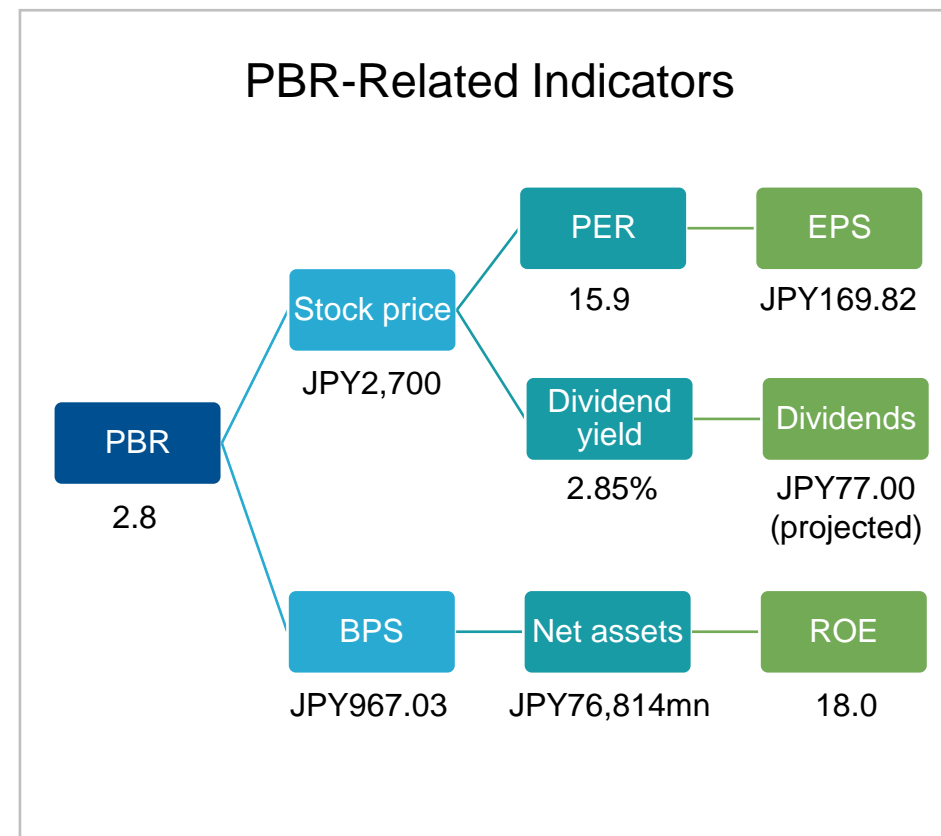
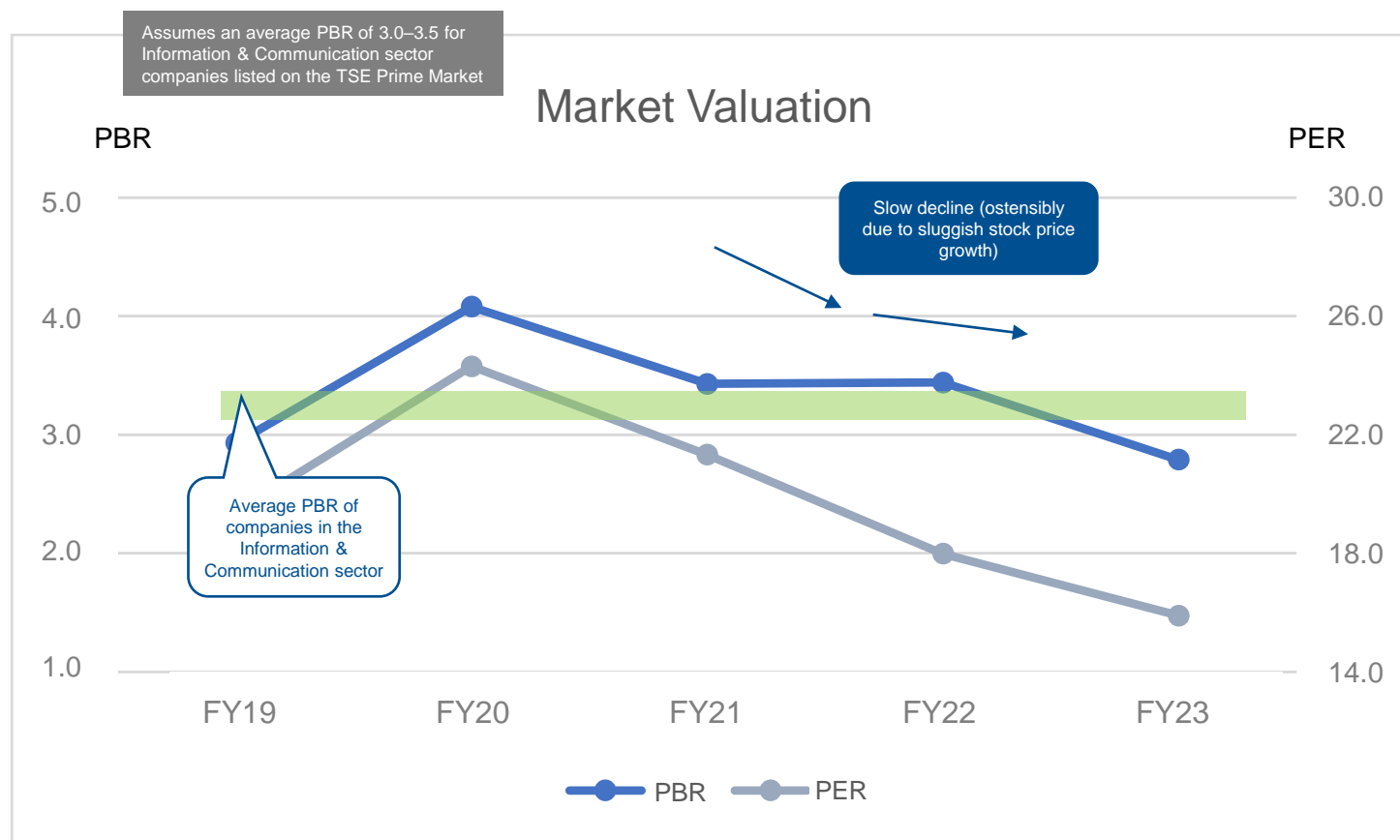
1. Current State Analysis: Return on Capital (Equity Spread)

- We have maintained an ROE of 15–20% since 2019, primarily thanks to improvement in profit margins. Our ROE is also well above 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 implementing measures to strengthen profitability and improve capital efficiency as we aim to achieve industry-leading earning power (return on capital).



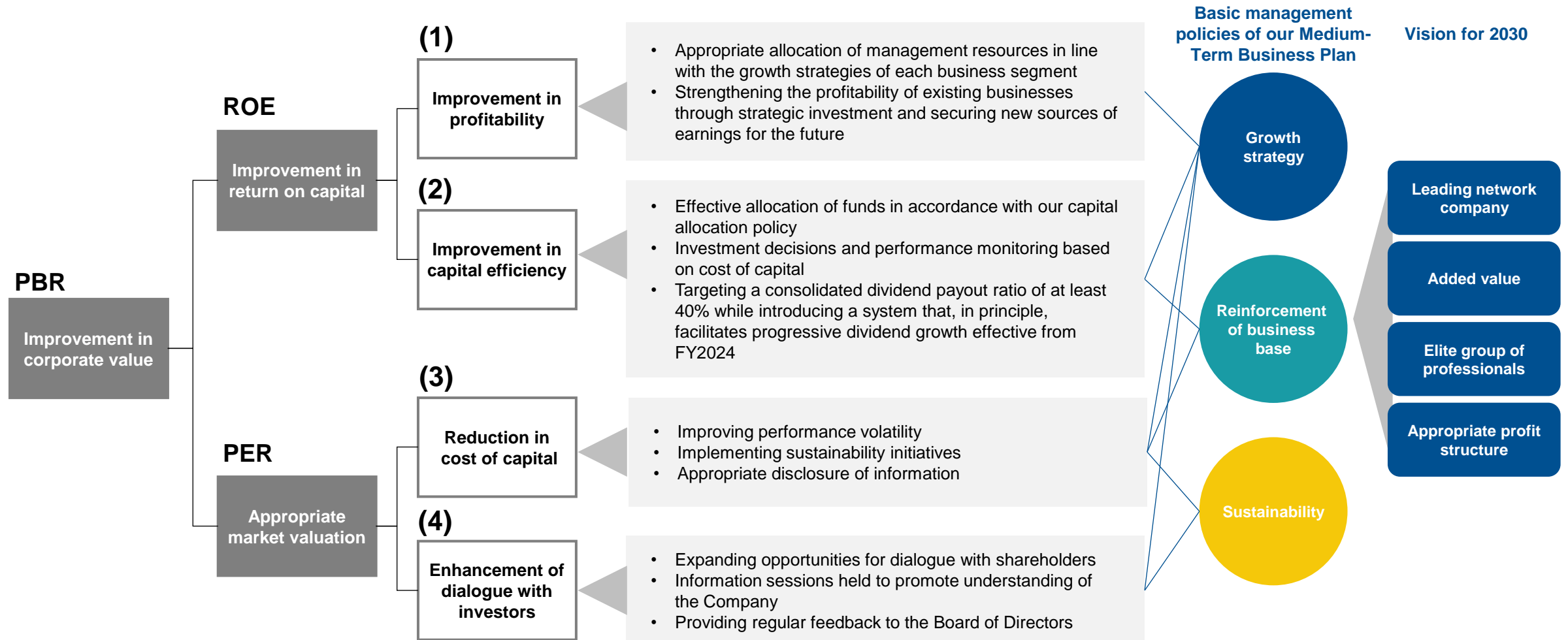
1. Current State Analysis: Market Valuation (PBR)

- 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.



2. Policies Targeting Improvement

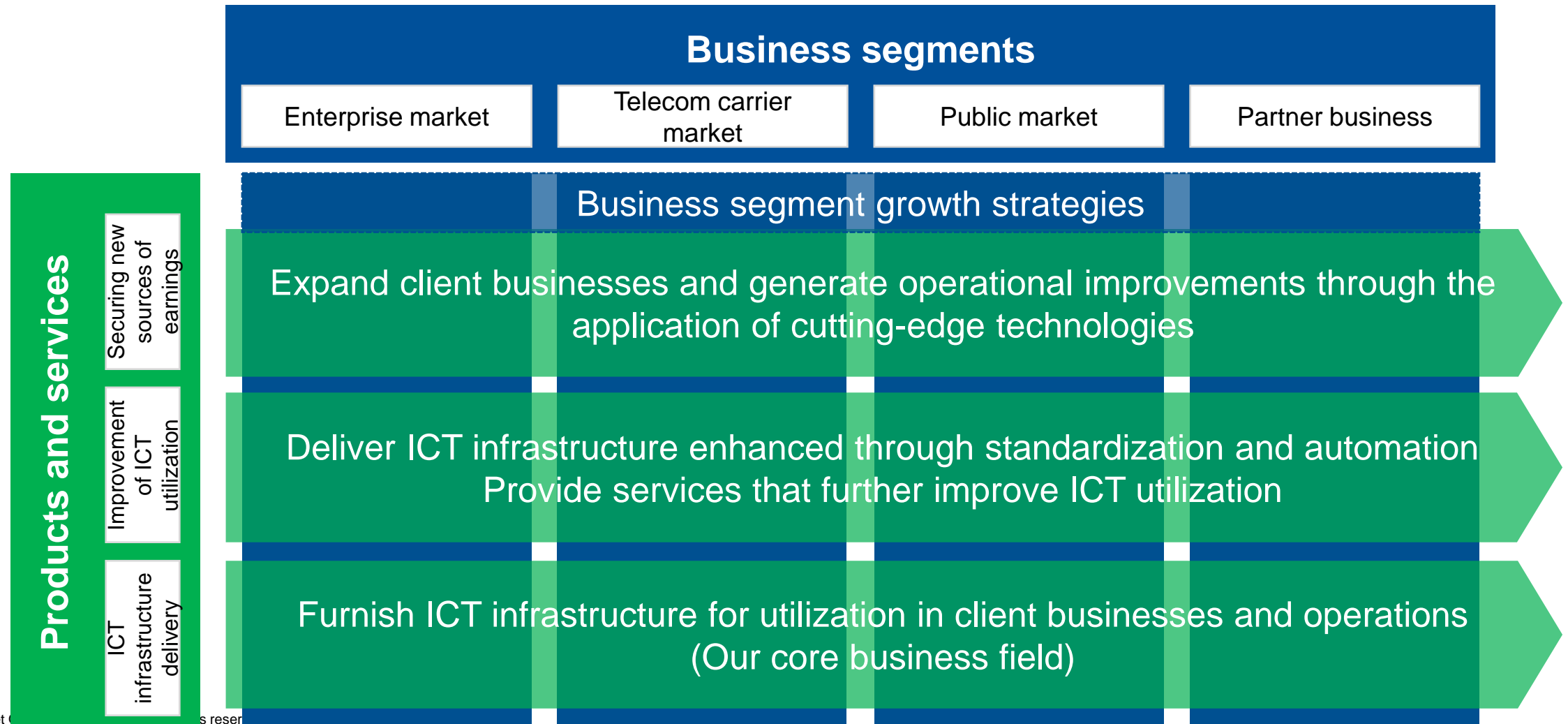
As we aim to attain our medium- to long-term vision, “Vision for 2030,” we will steadily implement each of the basic management policies set forth in our Medium-Term Business Plan. At the same time, we will continuously maintain return on capital that exceeds our cost of capital, thereby generating industry-leading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



2. Policies Targeting Improvement

Improvement in Return on Capital: (1) Improvement in Profitability

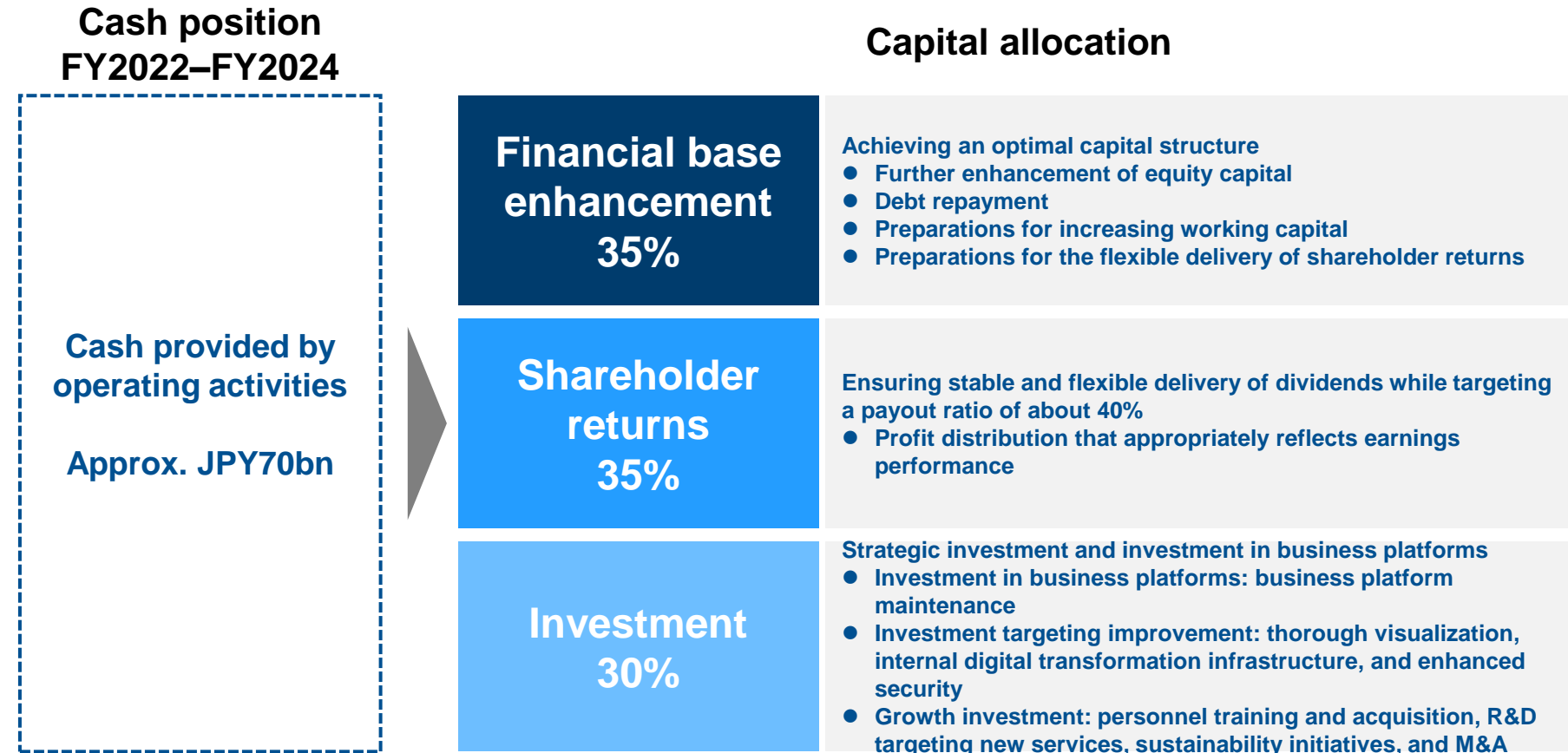
Developing business segment-specific measures to improve customer-facing activities, expand bookings, and enhance profitability



2. Policies Targeting Improvement

Improvement in Return on Capital: (2) Improvement in Capital Efficiency

Effective allocation of funds in accordance with our capital allocation policy



Notes: 1. R&D expenses have been deducted from cash provided by operating activities.

2. Allocation percentages indicate shares of total capital allocation projected throughout the three-year duration of our Medium-Term Business Plan.

Appropriate Market Valuation: (3) Reduction in Cost of Capital and (4) Enhancement of Dialogue with Investors

Reducing cost of capital and further enhancing dialogue with investors to ensure appropriate market valuation (PER)

Reduction in cost of capital

● Improving performance volatility

- Reduce the rates at which actual results deviate from forecasts by facilitating “thorough visualization” and strengthening business risk management
- Achieve stable earnings growth through the execution of our growth strategy

● Implementing sustainability initiatives

- Enhance corporate value by maximizing both social and economic value
- Adopt materiality-related KPIs

● Appropriate disclosure of information

- Expand expectations for growth by fostering understanding of our business activities and growth strategies
- Limit share price volatility with appropriate information disclosure achieved through enhanced business risk management

Enhancement of dialogue with investors

● Expanding opportunities for dialogue with shareholders

- Hold individual meetings between outside executive directors and proxy voting agents for institutional investors
- Conduct small meetings attended by outside executive directors

● Information sessions held to promote understanding of the Company

- To promote understanding of our business strategies, provide financial results briefings while holding business strategy briefings and technical workshops (netone tech excellence) for analysts and institutional investors

● Providing regular feedback to the Board of Directors

- To ensure that they are reflected through our management activities, report quarterly to the Board of Directors regarding institutional investor questions and opinions encountered through our IR operations

charge ∠ channel ∠ change



net one