

# Results for Q3 FY03/2018

## Ended December 31, 2017

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



# ■ ■ ■ Agenda ■ ■ ■

- **Q3 FY03/18 (Apr-Dec 9months) Results** **P. 2-10**
- **FY03/18 Outlook** **P. 11-13**

# Q3 FY03/18 (Apr-Dec 9months) Results

# Results summary Q3 FY03/18 (Oct-Dec 3months)

(JPYmn, % to revenue)	FY03/18 Q3 Results		YoY		FY03/17 Q3 Results	
			Amount	%		
Bookings	39,429		(1,124)	- 2.8%	40,554	
Revenue	36,678	100.0%	4,685	14.6%	31,993	100.0%
Cost of revenue	28,002	76.3%	3,681	15.1%	24,321	76.0%
Gross profit	8,675	23.7%	1,003	13.1%	7,671	24.0%
SG&A	7,126	19.5%	21	0.3%	7,105	22.2%
Operating Income	1,549	4.2%	982	173.4%	566	1.8%
Ordinary Income	1,605	4.4%	1,130	237.5%	475	1.5%
Net Income attributable to owners of the parent company	1,070	2.9%	757	241.9%	313	1.0%
Backlog	71,941		1,073	1.5%	70,867	

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

(Note) From the current fiscal year, revenue of vendor support for period contracts has been changed to monthly.

# Results summary Q1-3 FY03/18 (Apr-Dec 9months)

(JPYmn, % to revenue)	FY03/18 Q1-3 Results		YoY		FY03/17 Q1-3 Results	
			Amount	%		
Bookings	119,251		3,217	2.8%	116,033	
Revenue	107,375	100.0%	8,842	9.0%	98,532	100.0%
Cost of revenue	82,101	76.5%	5,474	7.1%	76,626	77.8%
Gross profit	25,273	23.5%	3,367	15.4%	21,905	22.2%
SG&A	21,413	19.9%	370	1.8%	21,043	21.3%
Operating Income	3,860	3.6%	2,997	347.4%	862	0.9%
Ordinary Income	3,976	3.7%	3,225	429.9%	750	0.8%
Net Income attributable to owners of the parent company	2,640	2.5%	2,199	498.7%	441	0.4%
Backlog	71,941		1,073	1.5%	70,867	

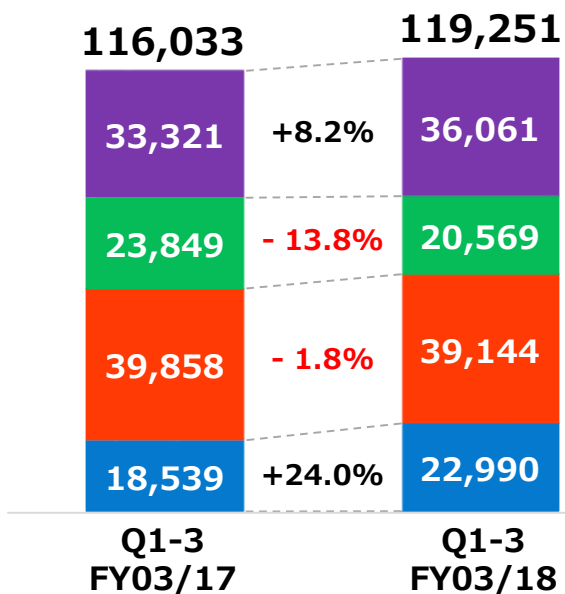
**Bookings, revenue and profit increased YoY.  
Enterprise sector, Partner sector and Public sector performed strongly.**

# Performance trend

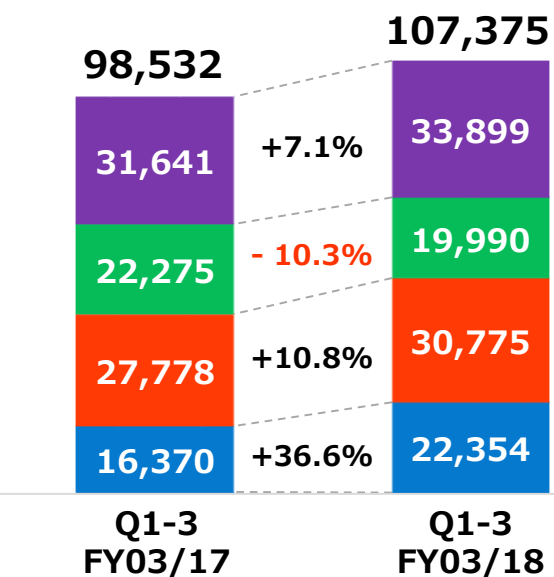
(JPYmn, % to revenue)	FY03/17								FY03/18					
	Q1		Q2		Q3		Q4		Q1		Q2		Q3	
Bookings	36,088		39,391		40,554		47,902		37,963		41,857		39,429	
Revenue	29,475	100.0%	37,063	100.0%	31,993	100.0%	58,704	100.0%	29,794	100.0%	40,902	100.0%	36,678	100.0%
Cost of revenue	23,075	78.3%	29,230	78.9%	24,321	76.0%	45,387	77.3%	22,495	75.5%	31,603	77.3%	28,002	76.3%
Gross profit	6,400	21.7%	7,833	21.1%	7,671	24.0%	13,317	22.7%	7,298	24.5%	9,299	22.7%	8,675	23.7%
SG&A	6,673	22.6%	7,264	19.6%	7,105	22.2%	8,432	14.4%	6,884	23.1%	7,402	18.1%	7,126	19.5%
Operating Income	(273)	- 0.9%	569	1.5%	566	1.8%	4,884	8.3%	414	1.4%	1,896	4.6%	1,549	4.2%
Ordinary Income	(333)	- 1.1%	608	1.6%	475	1.5%	4,950	8.4%	400	1.3%	1,969	4.8%	1,605	4.4%
Net Income attributable to owners of the parent company	(256)	- 0.9%	384	1.0%	313	1.0%	3,381	5.8%	248	0.8%	1,321	3.2%	1,070	2.9%
Backlog	59,979		62,306		70,867		60,065		68,234		69,189		71,941	

# Performance by market sector

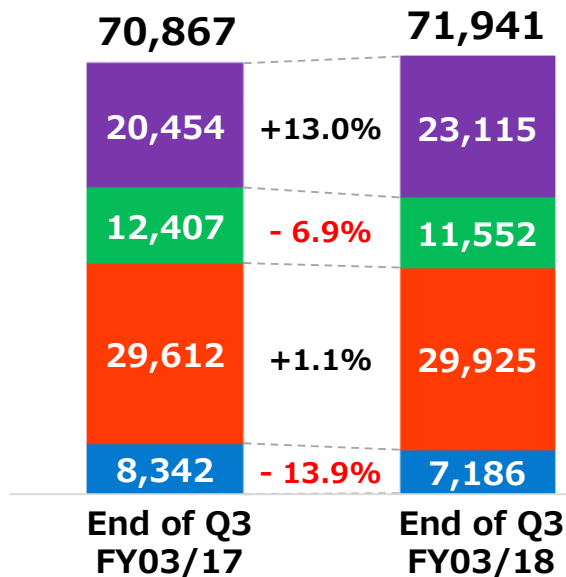
## ■ Bookings



## ■ Revenue



## ■ Backlog



(JPYmn)

### Enterprise

Demand for security, cloud and workstyle innovation continued to be strong

### Telecom Carrier

Cloud service infrastructure business expanded

### Public

Security and cloud business in municipalities, healthcare, universities, and education committee performed strongly

### Partner

Key partners business and managed service via Telecom Carrier remained robust

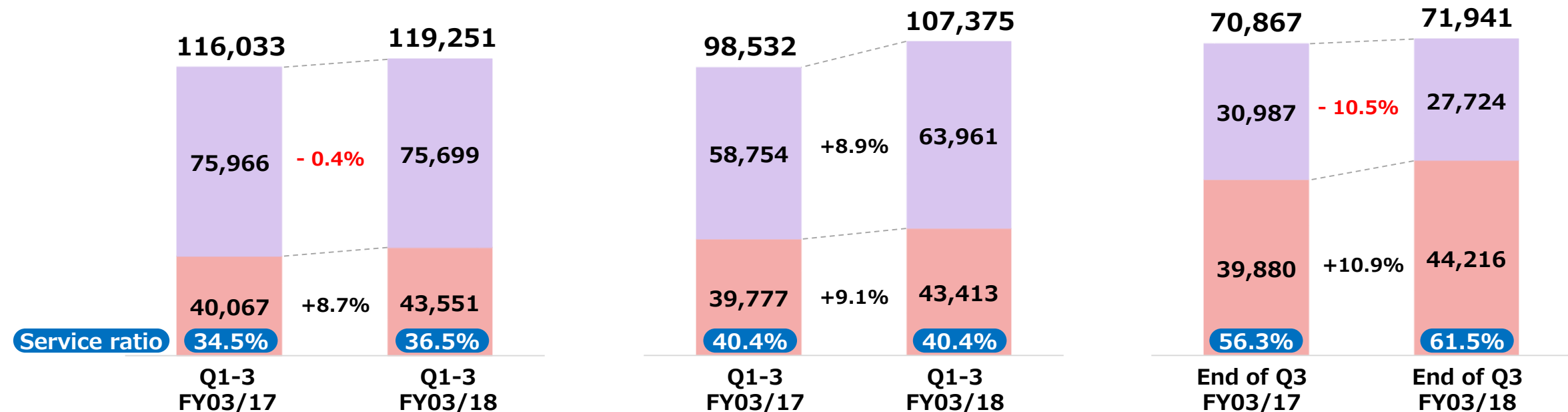
# Performance by product category

## ■ Bookings

## ■ Revenue

## ■ Backlog

(JPYmn)



### Products

Security and cloud business remained robust

### Service business

Advances in solution proposals, projects including design, construction, maintenance and operation services increased



# Consolidated balance sheets

(million yen)	Dec 31, 2017 Results	Change Amount	%	Mar 31, 2017 Results
<b>Total assets</b>	<b>96,618</b>	<b>(6,747)</b>	<b>- 6.5%</b>	<b>103,365</b>
Current assets	86,210	(6,215)	- 6.7%	92,425
Cash and deposits + CD・CP	18,697	1,461	+ 8.5%	17,236
Notes and accounts receivable-trade	29,263	(15,267)	- 34.3%	44,530
Inventory assets	21,110	4,468	+ 26.8%	16,642
Other	17,138	3,123	+ 22.3%	14,015
Noncurrent assets	10,407	(532)	- 4.9%	10,940
Property, plant and equipment	5,225	(280)	- 5.1%	5,505
Intangible assets	1,850	(291)	- 13.6%	2,142
Investment etc.	3,331	40	+ 1.2%	3,291
<b>Total liabilities</b>	<b>39,088</b>	<b>(6,949)</b>	<b>- 15.1%</b>	<b>46,037</b>
Current liabilities	34,286	(6,723)	- 16.4%	41,009
Non-current liabilities	4,801	(225)	- 4.5%	5,027
<b>Total net assets</b>	<b>57,529</b>	<b>201</b>	<b>+ 0.4%</b>	<b>57,328</b>
Shareholders' equity	57,327	141	+ 0.2%	57,186
Accumulated other comprehensive income	41	27	+ 197.0%	13
Subscription rights to shares	160	32	+ 25.5%	128
<b>Total liabilities and net assets</b>	<b>96,618</b>	<b>(6,747)</b>	<b>- 6.5%</b>	<b>103,365</b>

# 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				
Ended Dec 31, 2017 (Results)	Revenue	33,903	19,990	30,775	22,354	107,023	1,167	108,191	(815)	107,375
	Segment income	1,516	794	917	1,035	4,263	(14)	4,249	(389)	3,860
	Segment income margin	4.5%	4.0%	3.0%	4.6%					3.6%
Ended Dec 31, 2016 (Previous)	Revenue	31,643	22,275	27,778	16,370	98,067	1,207	99,274	(742)	98,532
	Segment income	577	723	(79)	48	1,270	18	1,289	(426)	862
	Segment income margin	1.8%	3.2%	△ 0.3%	0.3%					0.9%

- (Notes)
1. The adjustment in segment income included corporate expenses not attributable to any reportable segment.
  2. The "Other" segment is not included as a reportable segment. It contains the server service business and other businesses. Corporate expenses are mainly related to general administrative expenses not attributable to reportable segment.

# Exchange rate, EPS, Employees

	FY03/18 Q1-3	YoY		FY03/17 Q1-3
		Change	Ratio	
Exchange rate (\$JPY)	111.03	(0.02)	- 0.0%	111.05
Earnings per share (JPY)	31.21	25.99	497.9%	5.22

	End of FY03/18 Q3	YoY		End of FY03/17 Q3
		Change	Ratio	
Employees	2,299	39	1.7%	2,260

(Notes)

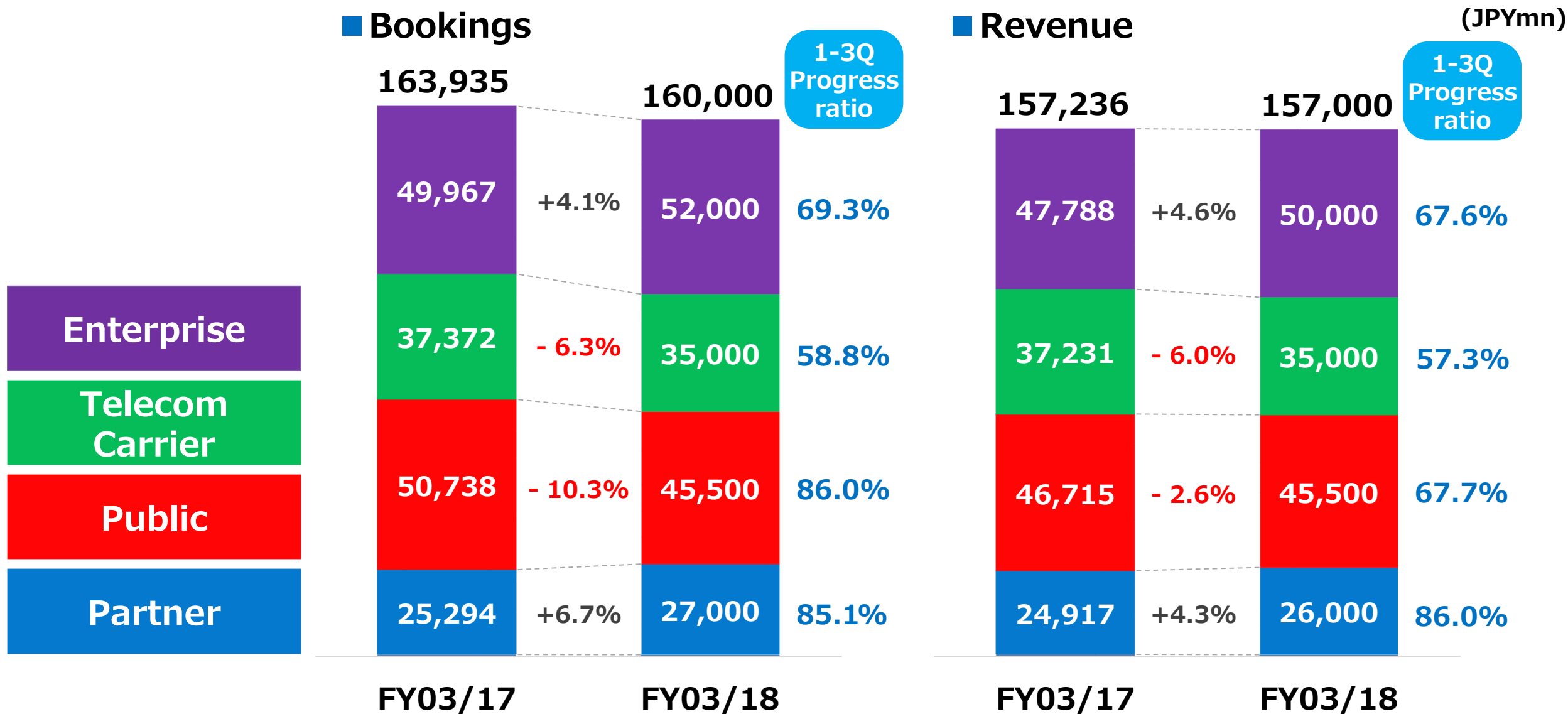
1. On November 22, 2017, an interim dividend of 15.00 yen per share was paid to shareholders of record as of September 30, 2017.
2. The Company is planning to the year-end dividend payment of 15.00 yen per share that was announced at the beginning of fiscal year.

# FY03/18 Outlook

# FY03/18 Outlook (※no change from the previous outlook)

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

# FY03/18 Outlook by market sector (※no change from the previous outlook)



charge ∠ channel ∠ change



net one