

Results for Q4 FY03/2018

Ended March 31, 2018

Net One Systems Co., Ltd.
April 26, 2018 (Stock Code 7518: JP)



■ ■ ■ Agenda ■ ■ ■

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- **FY03/19 Outlook** **P. 12-16**
- **Progress of Three-year Business Plan** **P. 17-25**

FY03/18 Results

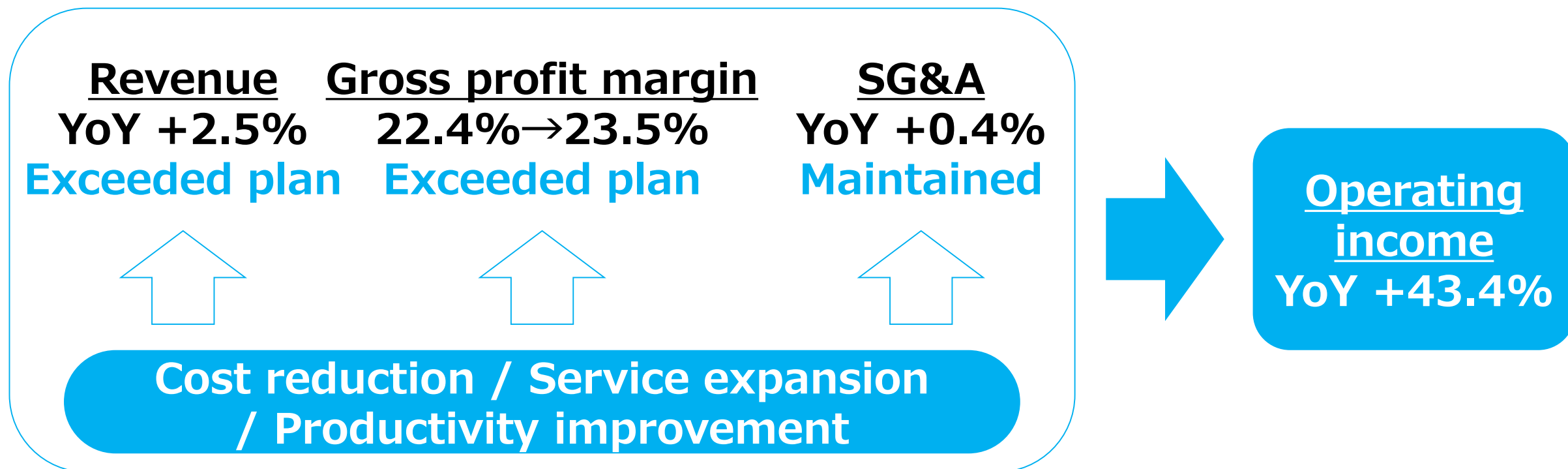
Results summary FY03/18

(JPYmn, % to revenue)	FY03/18 Q1-4 Results (A)		FY03/18 Q1-4 Outlook (B)		Compare to plan (A-B)		FY03/17 Q1-4 Results (C)		YoY (A-C)	
					Amount	%			Amount	%
Bookings	170,164		160,000		10,164	6.4%	163,935		6,228	3.8%
Revenue	161,107	100.0%	157,000	100.0%	4,107	2.6%	157,236	100.0%	3,870	2.5%
Cost of revenue	123,278	76.5%	121,275	77.2%	2,003	1.7%	122,013	77.6%	1,264	1.0%
Gross profit	37,829	23.5%	35,724	22.8%	2,105	5.9%	35,223	22.4%	2,606	7.4%
SG&A	29,587	18.4%	28,524	18.2%	1,063	3.7%	29,475	18.8%	111	0.4%
Operating Income	8,241	5.1%	7,200	4.6%	1,041	14.5%	5,747	3.7%	2,494	43.4%
Ordinary Income	8,418	5.2%	7,200	4.6%	1,218	16.9%	5,701	3.6%	2,717	47.7%
Net Income attributable to owners of the parent company	5,682	3.5%	4,600	2.9%	1,082	23.5%	3,822	2.4%	1,859	48.6%
Backlog	69,121		-		-	-	60,065		9,056	15.1%

**Achieved announced plans for bookings, revenue, gross profit margin and profit.
Enterprise sector, Public sector, and Partner sector performed strongly.**

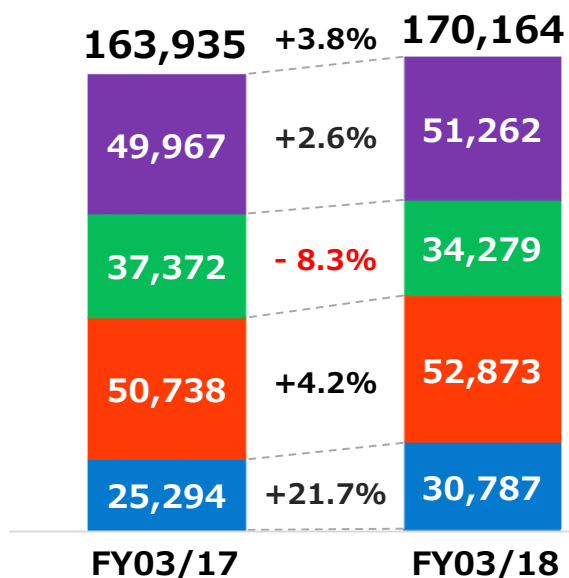
Main factor of increase in operating income

Cost reduction, service expansion, and productivity improvement

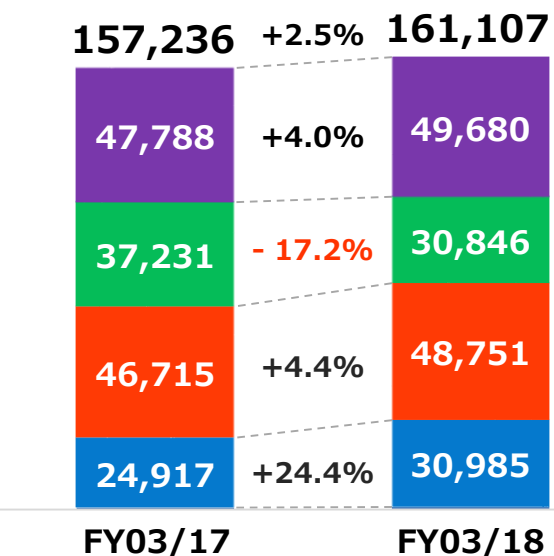


Performance by market sector

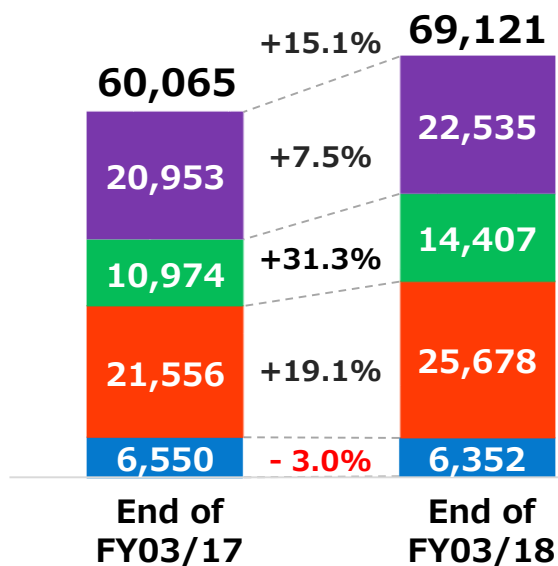
■ Bookings



■ Revenue



■ Backlog

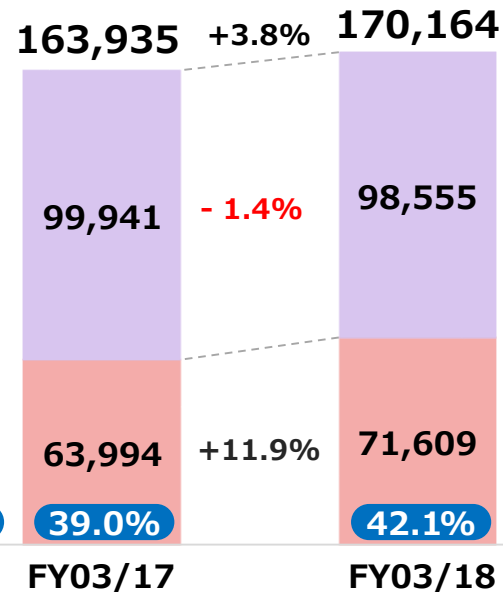


(JPYmn)

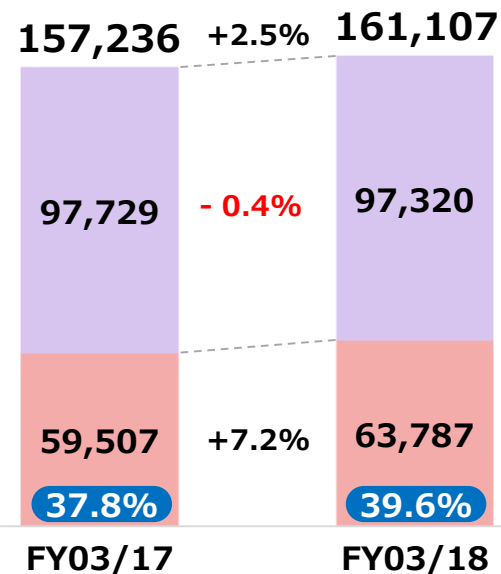
Enterprise	Demand for security, cloud and work-style innovation continued to be strong
Telecom Carrier	Cloud service infrastructure business expanded
Public	Security and cloud business in municipalities/ministries, healthcare, universities, and research institute performed strongly
Partner	Key partners business and managed service via Telecom Carrier remained robust

Performance by product category

■ Bookings

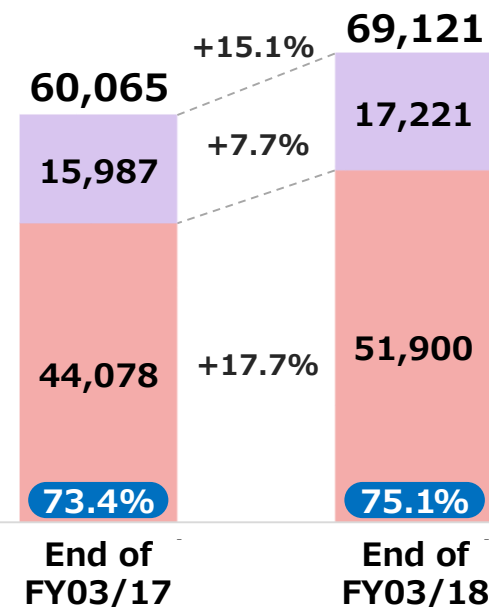


■ Revenue



■ Backlog

(JPYmn)



Products

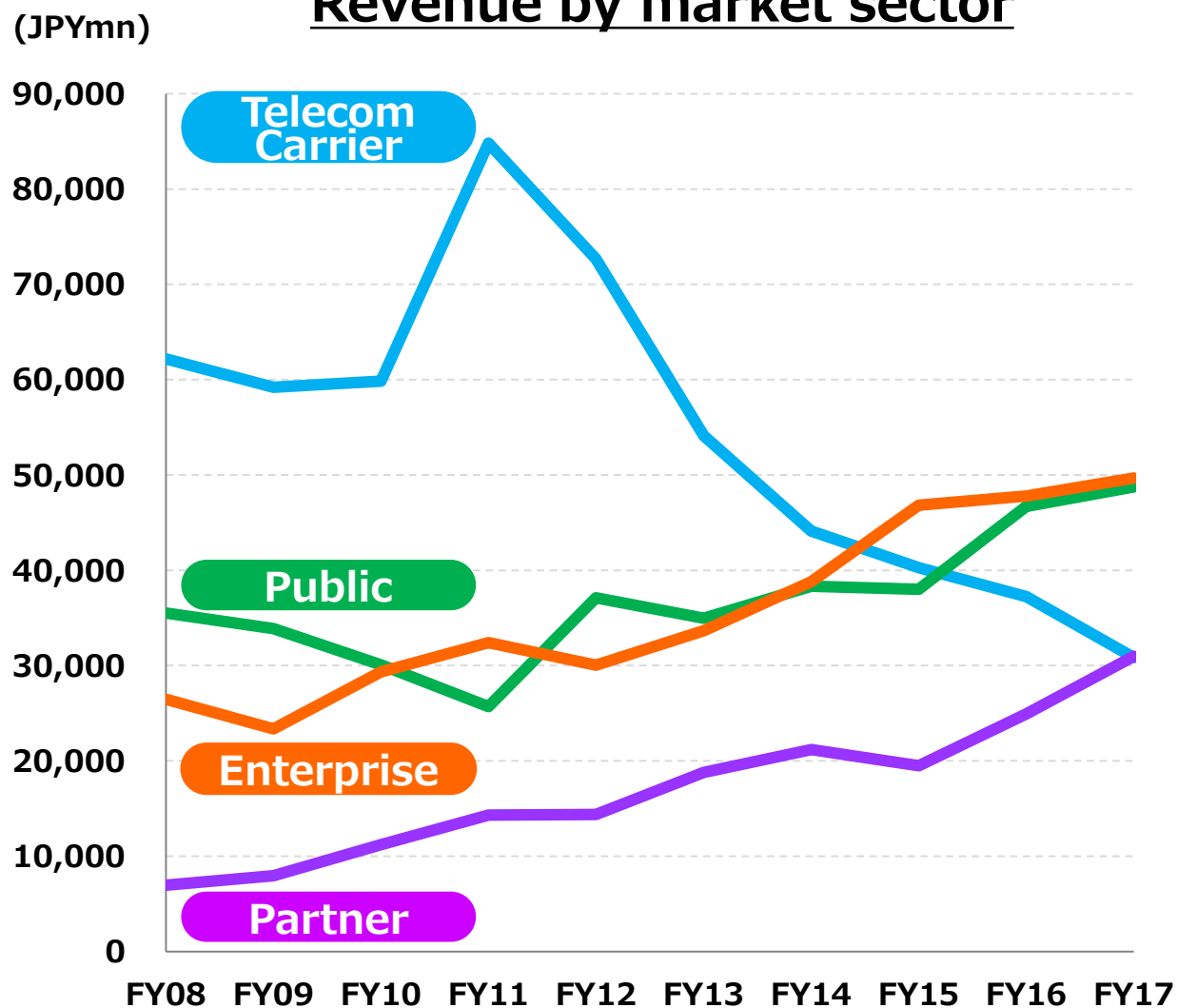
Security and cloud business remained robust

Service business

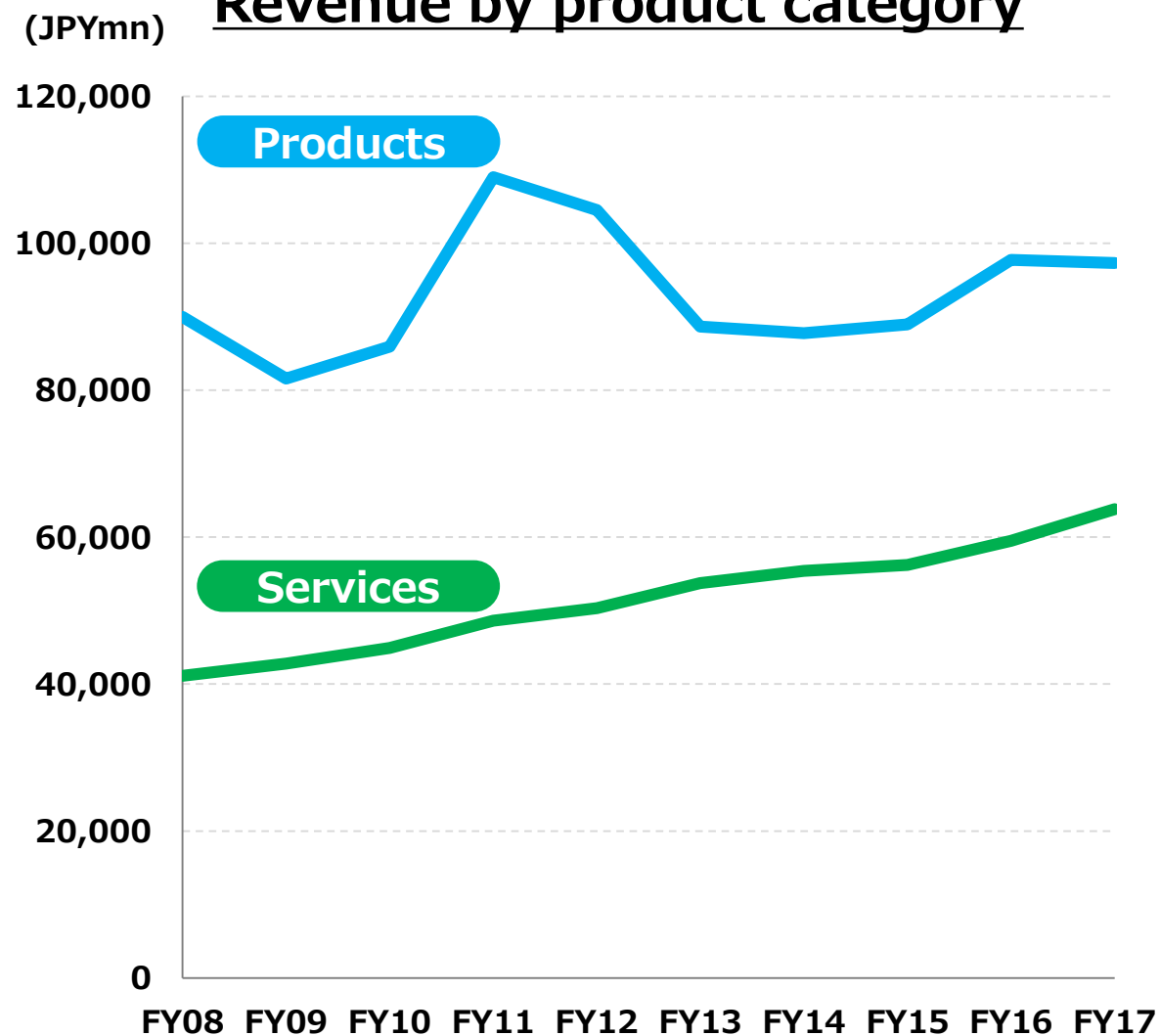
Advances in solution proposals, projects including design, construction, maintenance and operation services increased

Revenue trend by market sector and product category

Revenue by market sector



Revenue by product category



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 Mar 31, 2018 (Results)	Revenue	49,685	30,846	48,751	30,985	160,268	1,883	162,151	(1,044)	161,107
	Segment income	3,145	2,101	2,152	1,426	8,825	5	8,831	(590)	8,241
	Segment income margin	6.3%	6.8%	4.4%	4.6%					5.1%
Ended Mar 31, 2017 (Previous)	Revenue	47,790	37,231	46,715	24,917	156,655	1,602	158,258	(1,021)	157,236
	Segment income	1,719	2,259	1,864	494	6,338	33	6,371	(624)	5,747
	Segment income margin	3.6%	6.1%	4.0%	2.0%					3.7%

- (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.

Topics

Strong bookings and revenue

Mainly driven by the "Cloud system with security"
IoT for manufacturing industry(Industrial IoT) remained robust

- **Enterprise:** Steady growth (Bookings: YoY +2.6% | Revenue: YoY +4.0%)
 - ✓ Cloud infrastructure and security measures in all industries
 - ✓ Industrial IoT in manufacturing industry
- **Public:** Exceeded the high-level performance of the previous term (Bookings: YoY +4.2% | Revenue: YoY +4.4%)
 - ✓ Continuing security measure in municipalities
 - ✓ Cloud infrastructure in healthcare
- **Partner:** Significant increase (Bookings: YoY +21.7% | Revenue: YoY +24.0%)
 - ✓ Continuing and expanding key partner business
 - ✓ Expansion of specific product for telecom carrier

■ **Telecom Carrier:**

Although the cloud service infrastructure expanded, it was decreased compared to the previous term

Consolidated balance sheets

(JPYmn)	Mar 31, 2018	Change		Mar 31, 2017
	Results	Amount	%	Results
Total assets	106,827	3,461	+ 3.3%	103,365
Current assets	96,559	4,134	+ 4.5%	92,425
Cash and deposits + CD・CP	23,953	6,716	+ 39.0%	17,236
Notes and accounts receivable-trade	41,755	(2,775)	- 6.2%	44,530
Inventory assets	13,136	(3,505)	- 21.1%	16,642
Other	17,714	3,698	+ 26.4%	14,015
Noncurrent assets	10,267	(672)	- 6.1%	10,940
Property, plant and equipment	5,125	(380)	- 6.9%	5,505
Intangible assets	1,801	(341)	- 15.9%	2,142
Investment etc.	3,341	49	+ 1.5%	3,291
Total liabilities	46,464	427	+ 0.9%	46,037
Current liabilities	41,544	534	+ 1.3%	41,009
Non-current liabilities	4,919	(107)	- 2.1%	5,027
Total net assets	60,363	3,034	+ 5.3%	57,328
Shareholders' equity	60,369	3,183	+ 5.6%	57,186
Accumulated other comprehensive income	(167)	(181)	-	13
Subscription rights to shares	160	32	+ 25.5%	128
Total liabilities and net assets	106,827	3,461	+ 3.3%	103,365

Exchange rate, EPS, Employees

	FY03/18 Q1-4	YoY		FY03/17 Q1-4
		Change	Ratio	
Exchange rate (\$JPY)	111.04	0.69	0.1%	110.35
Earnings per share (JPY)	67.16	21.96	48.6%	45.20

	End of FY03/18 Q4	YoY		End of FY03/17 Q4
		Change	Ratio	
Employees	2,295	29	1.3%	2,266

(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.

FY03/19 Outlook

FY03/19 Outlook

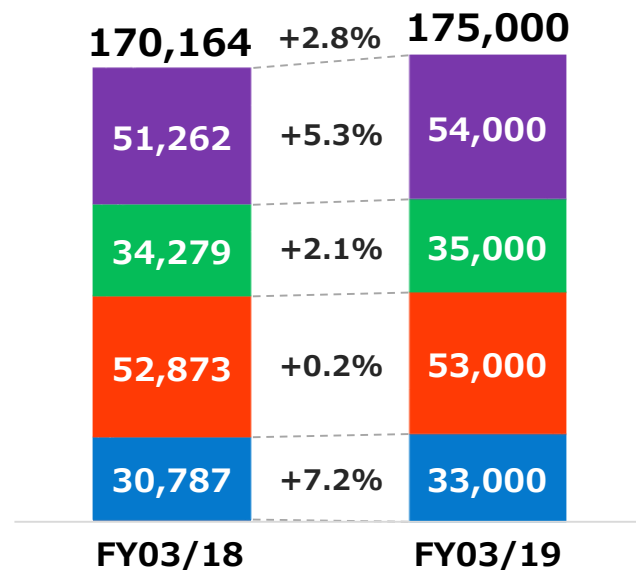
(JPYmn, % to revenue)	H1		H2		Annual	
Bookings	80,730		94,270		175,000	
Revenue	73,800	100.0%	96,200	100.0%	170,000	100.0%
Cost of sales	56,400	76.4%	73,100	76.0%	129,500	76.2%
Gross profit	17,400	23.6%	23,100	24.0%	40,500	23.8%
SG&A	14,700	19.9%	14,800	15.4%	29,500	17.4%
Operating income	2,700	3.7%	8,300	8.6%	11,000	6.5%
Ordinary income	2,700	3.7%	8,300	8.6%	11,000	6.5%
Net income attributable to owners of the parent	1,800	2.4%	5,600	5.8%	7,400	4.4%
Dividends per share	17.00 Yen		17.00 Yen		34.00 Yen	
	Annual		(Notes) The breakdown of the interim and year-end dividends is an ordinary dividend of 15.00 yen, a commemorative dividend of 2.00 yen commemorating the 30th anniversary of foundation.			
Exchange rate	110.26 USD/JPY					

(Notes)

The breakdown of the interim and year-end dividends is an ordinary dividend of 15.00 yen, a commemorative dividend of 2.00 yen commemorating the 30th anniversary of foundation.

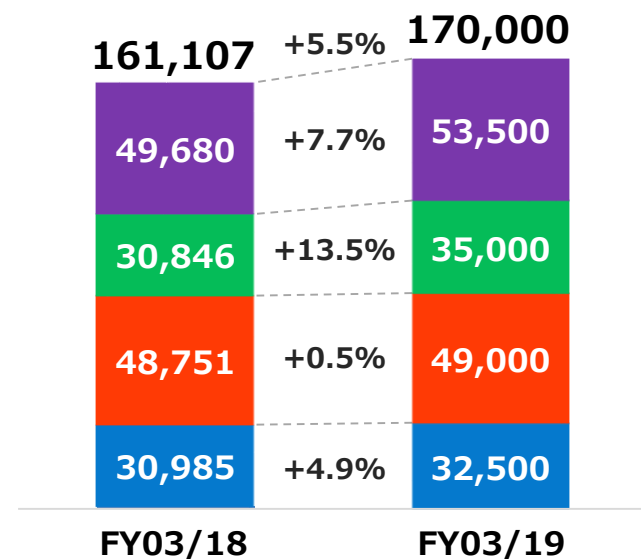
FY03/19 Outlook by market sector

■ Bookings



■ Revenue

(JPYmn)



Enterprise

Security, cloud, work-style innovation, and IIoT business will continue to grow.

Telecom Carrier

Cloud service infrastructure business will expand.

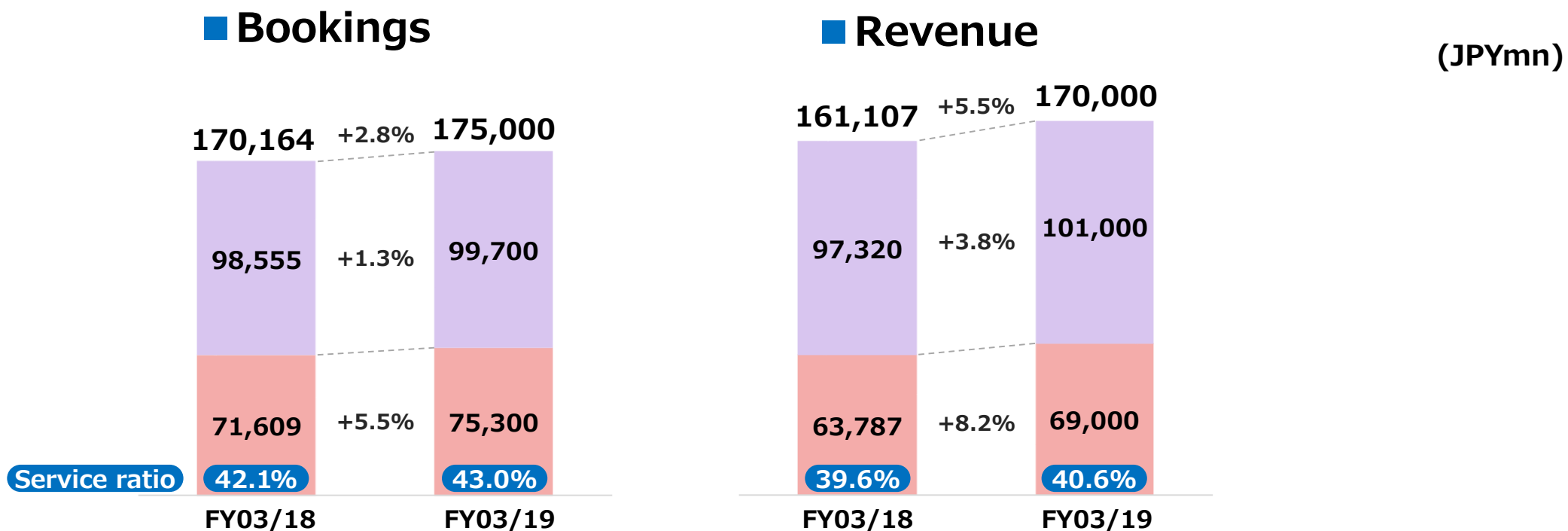
Public

Security and cloud business in municipalities/ministries, healthcare, universities, research institute, and education committee will perform strongly.

Partner

Key partners business and managed service via Telecom Carrier will continue to grow.

FY03/19 Outlook by product category

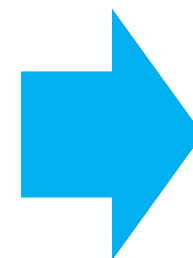
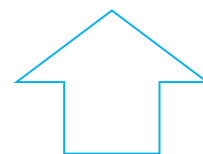
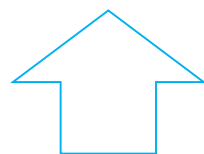
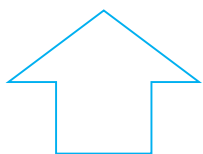


Products	Security, cloud, and IIoT business will continue to grow.
Service business	Service will increase in each life cycle of plan, build, operation, and optimization, by providing integrated service that coordinates the entire ICT infrastructure

Main factor of increase in operating income

Continue to focus on
cost reduction, service expansion, and productivity improvement

<u>Revenue</u>	<u>Gross profit margin</u>	<u>SG&A</u>
YoY +5.5%	23.5%→23.8%	YoY -0.3%
Increase	Improve	Maintain

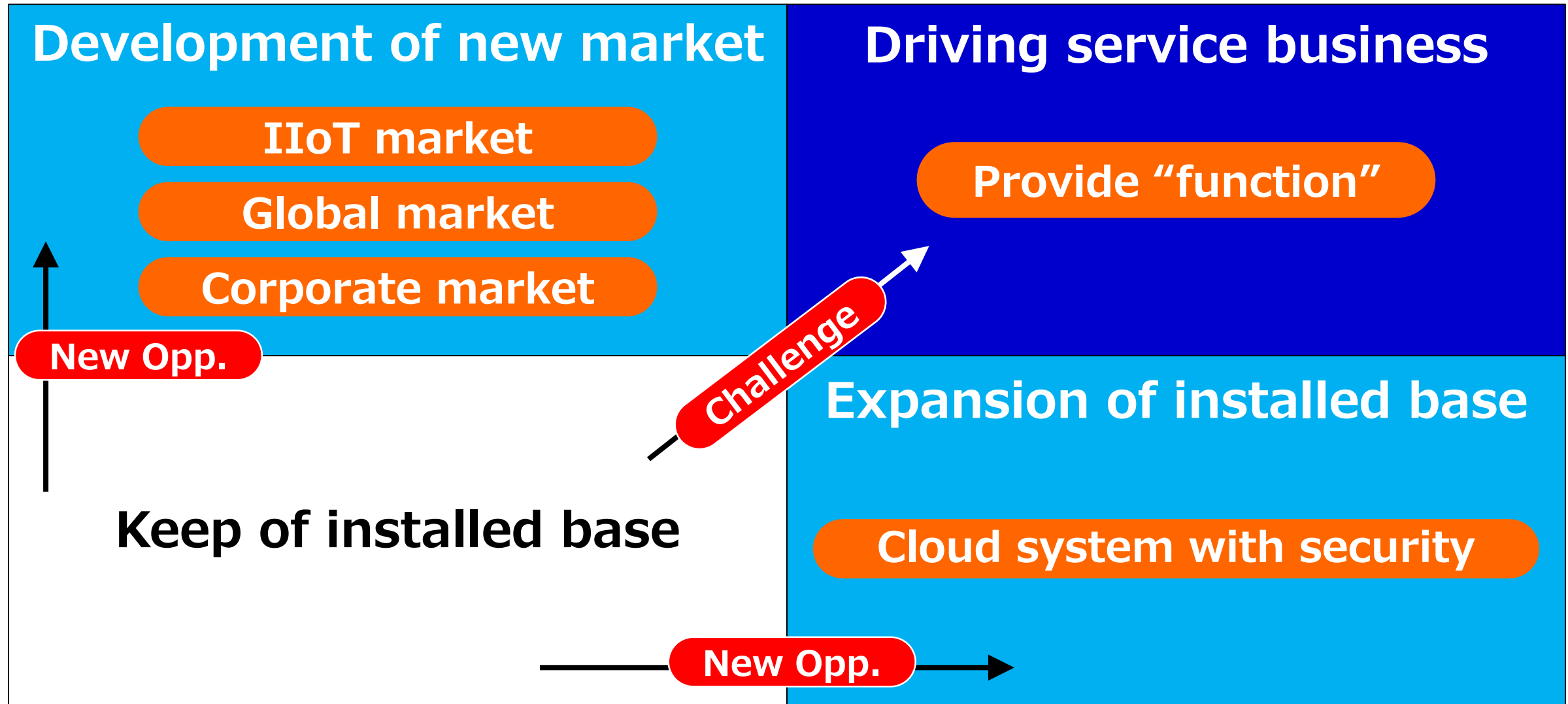


Operating
income
YoY + 33.5%

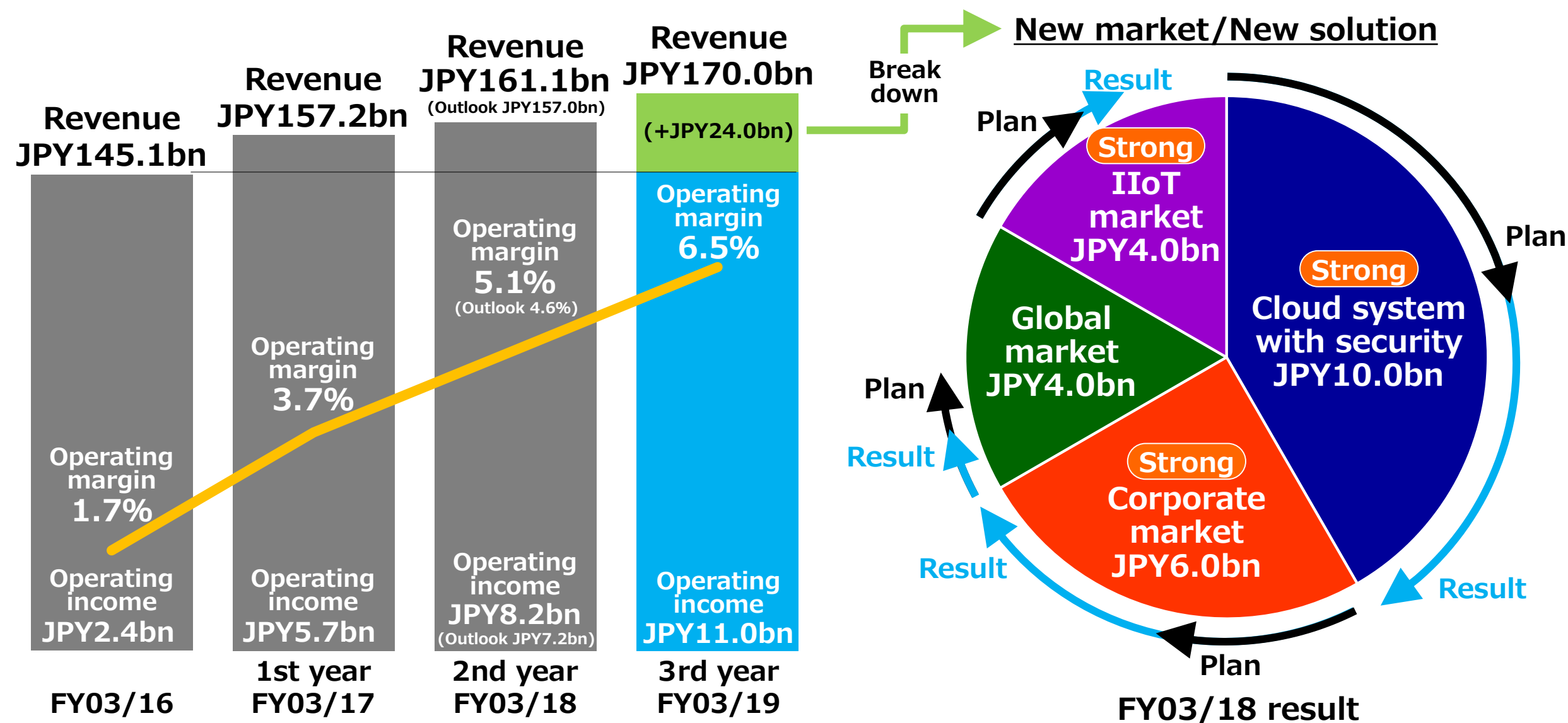
Cost reduction / Service expansion
/ Productivity improvement

Progress of Three-year Business Plan

Growth strategy: Driving/Initiative incremental business



Progress of three-year business plan



Cloud system with security

Provide cloud system securely supporting good operation of customer's business application



Customer's request

Utilizing cloud

Cyber attack defense

Work-style innovation

FY2017

Expand service menu/software

Development of capital services

Expand results at ENT/SP/PUB

FY2018

Driving service business

IIoT (Industrial IoT) market

Networking at manufacturing plants
Collection, analysis and utilization of generated data

Information Technology
(IT)

Production control
/ Visualization



Target area

Network infrastructure
& Data collection/handling
[Connect IT and OT]

Operational Technology
(OT)

Production line

Production line

Production line

Customer's request

Preventive maintenance

Traceability

Security

FY2017

Expand network business

Trial business of the
data collection/handling

FY2018

Expand network business

Gain business of the
data collection/handling

Challenge in social infra

Global market

Support for overseas expansion of domestic customers
Expansion of outbound business and entering local business

NetOne
proposal, design, verification

Partners overseas
build, maintenance, operation

Customer's request

Global ICT governance

**Overseas support
with Japan quality**

FY2017

**Establish of
ASEAN business**

**Making partnership
in North America and Europe**

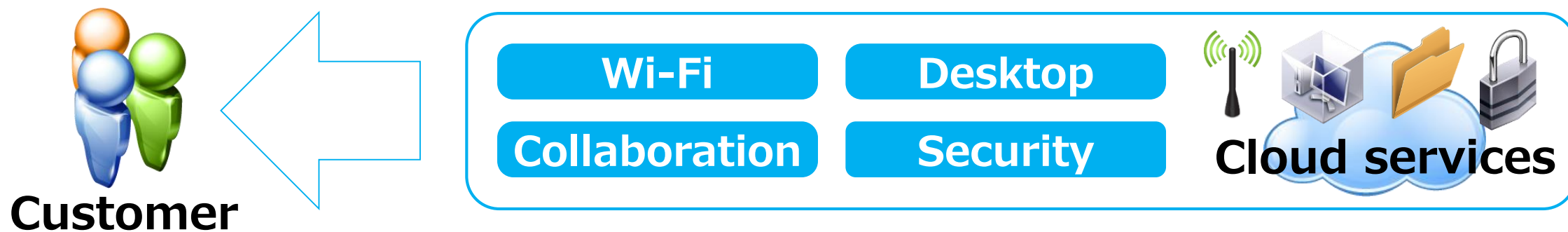
FY2018

**Expansion of
ASEAN business**

**Review of business
in North America and Europe**

Corporate market

**New customer development
with efficient new approach by combination of cloud services**



Customer's request

**Cloud utilization
and security measures**

**Utilization of ICT
for work-style innovation**

FY2017

**Creating market
with managed services**

**Increase total business volume
with new customers**

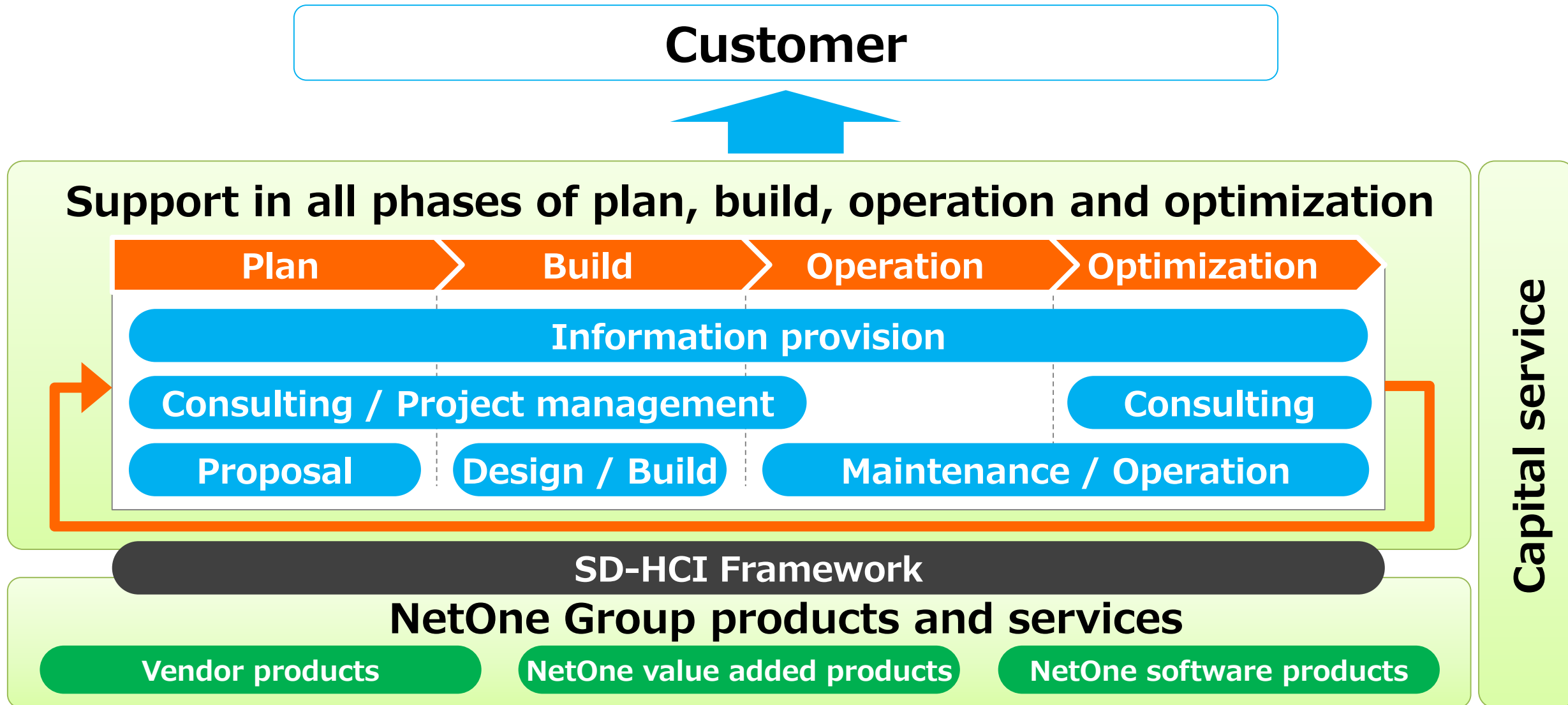
FY2018

Expansion of handling service

**Utilization of service
implementation model**

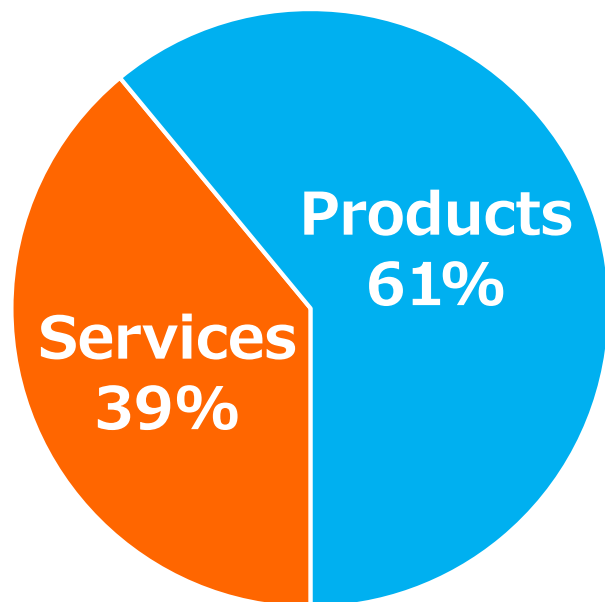
Utilization of Capital Service

Define all activities of the NetOne Group as "Integrated Service Business"

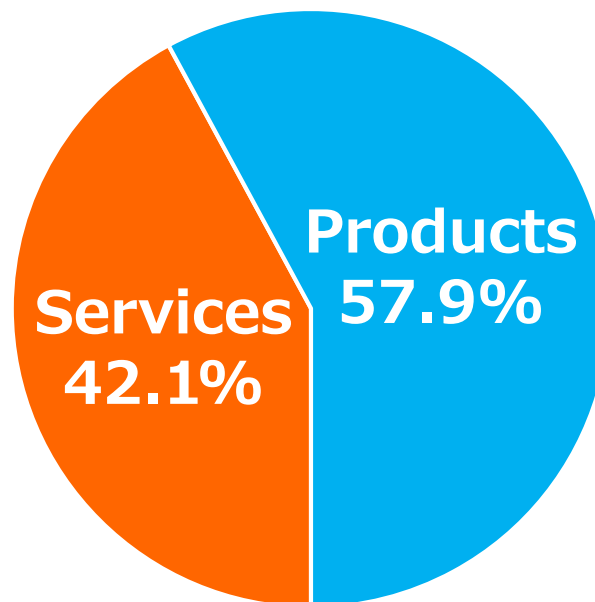


To expand service business ratio

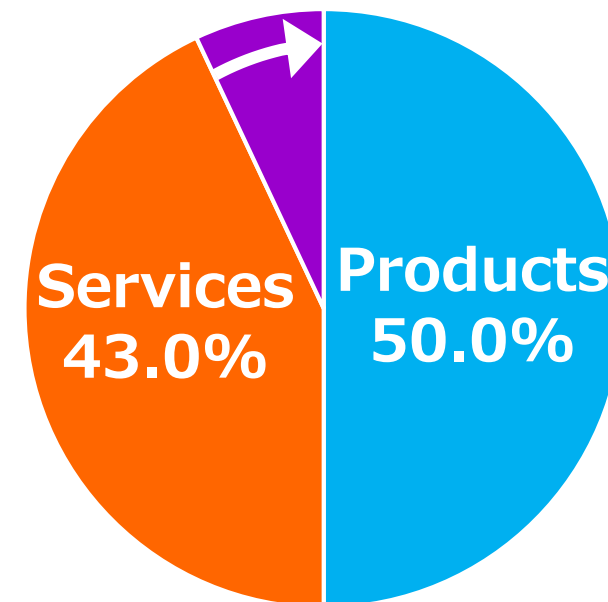
Bring the ratio of Products and Services close to 1 : 1



Component ratio of bookings in FY16



Component ratio of bookings in FY17



Component ratio scenario of bookings in FY18

Appendix

[Reference] News release list in April 2017 - April 2018

■ Case study		Customer name	Contents	Cloud system with security	IIoT	Global	Corporate
2018	Apr.	Yamazaki Mazak Corporation	Technical support for IoT solution		●		
	Jan.	Tokorozawa city office	Virtual desktop for security	●			
2017	Sept.	Tokyo Metropolitan Hospitals	Unified platform infrastructure	●			
	Sept.	Hiroshima prefectural office	Virtual desktop for security	●			
	Aug.	Saga University	Software defined network	●			
	July	Kyushu Railway Company	Group ICT infrastructure	●			
	June	SAPPORO DRUG STORE CO.,LTD.	Cloud collaboration system	●			
	Apr.	National Institute of Informatics	Cyber attack monitoring/detection system	●			
■ New service		Contents		Cloud system with security	IIoT	Global	Corporate
2018	Apr.	Prevention of information leakage from the cloud services		●		●	●
	Feb.	Acquired international standard certification specialized for cloud security		●	●	●	●
2017	Oct.	Prevention of information leakage from malware infected terminals		●	●	●	
	Oct.	Offer Tokyu Railway's share office service		●			
	Oct.	Capital service to realize subscription model		●	●	●	●
	Sept.	Monitor all cloud services in use by employees		●		●	●
	June	Monitor connection path and performance to the cloud services		●	●	●	●
	Apr.	Net One Connect established		●	●	●	
■ others		Contents		Cloud system with security	IIoT	Global	Corporate
2017	Nov.	Acquired Telework Award of Minister for Internal Affairs and Communications		●			
	Aug.	Partnership agreement with Shizuoka City for regional revitalization		●			

charge ∠ channel ∠ change



net one