

# Results for Q2 FY18

## Ended September 30, 2018

**Net One Systems Co., Ltd.**  
**October 25, 2018 (Stock Code 7518: JP)**



# ■ ■ ■ Agenda ■ ■ ■

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- **FY18 Outlook** **P. 10-12**
- **Progress and Review  
of Three-year Business Plan** **P. 13-22**

# Q1-2 FY18 (Apr-Sep 6months) Results

# Results summary Q1-2 FY18 (Apr-Sep 6months)

(JPYmn)	FY18 Q1-2 Results (A)		FY18 Q1-2 Original outlook (B)		Compare to original outlook (A-B)		FY17 Q1-2 Results (C)		YoY (A-C)	
					Amount	%			Amount	%
Bookings	100,496		80,730		19,766	24.5%	79,821		20,675	25.9%
Revenue	80,598	100.0%	73,800	100.0%	6,798	9.2%	70,696	100.0%	9,902	14.0%
Cost of revenue	60,416	75.0%	56,400	76.4%	4,016	7.1%	54,098	76.5%	6,318	11.7%
Gross profit	20,181	25.0%	17,400	23.6%	2,781	16.0%	16,598	23.5%	3,583	21.6%
SG&A	15,246	18.9%	14,700	19.9%	546	3.7%	14,287	20.2%	959	6.7%
Operating Income	4,935	6.1%	2,700	3.7%	2,235	82.8%	2,311	3.3%	2,624	113.6%
Ordinary Income	5,043	6.2%	2,700	3.7%	2,343	86.8%	2,370	3.4%	2,673	112.8%
Net Income attributable to owners of the parent company	3,309	4.1%	1,800	2.4%	1,509	83.9%	1,569	2.2%	1,739	110.8%
Backlog	89,019		-		-	-	69,189		19,830	28.7%

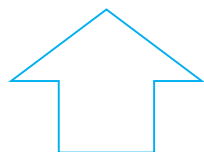
Profits increased as a result of continuous efforts to reduce costs, expand services, and increase productivity.  
Bookings increased mainly in Public sector.

# Key factor in profit growth

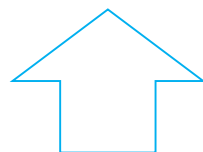
Continuous efforts to  
reduce costs, expand service business, and improve productivity

YoY

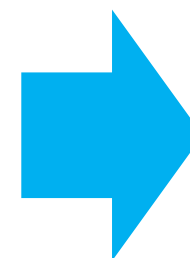
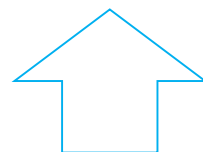
Revenue  
**+14.0%**



Gross profit margin  
**23.5%→25.0%**



SGA ratio  
**20.2%→18.9%**



Operating  
income  
**+113.6%**

Reduce costs / Expand service business / Improve productivity

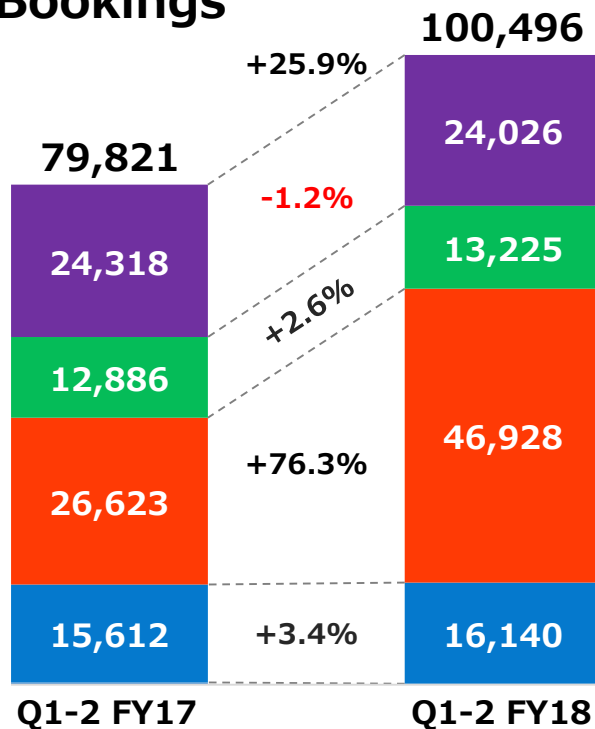
Difference from the revised forecast announced on September 28

✓ Revenue: +JPY598mn

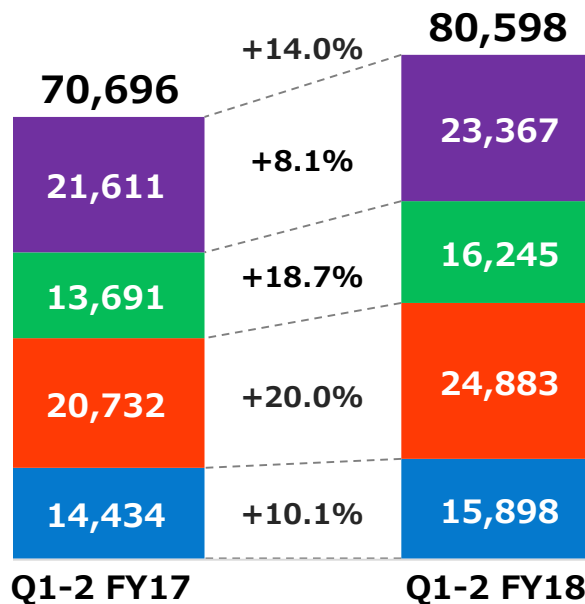
✓ Operating income: +JPY335mn

# Performance by market sector

## Bookings

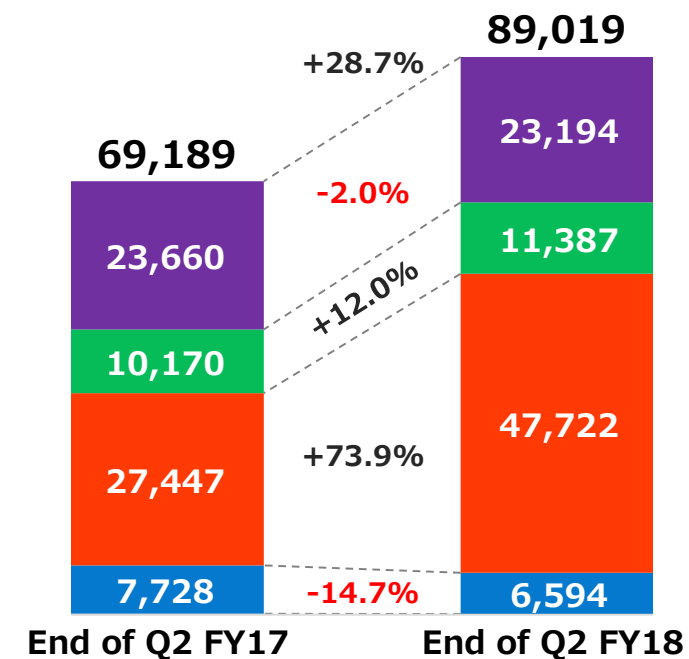


## Revenue



## Backlog

(JPYmn)



### Enterprise

Business of security, cloud infrastructure, work style innovation, and IIoT performed well. Bookings exceeded the company plan.

### Telecom Carrier

Cloud service infrastructure business expanded.

### Public

In the first quarter, we received orders of large-scale projects from central governments. In addition, security and cloud infrastructure business were strong in local governments.

### Partner

Business with key partners, and managed services via telecom carrier remained robust.

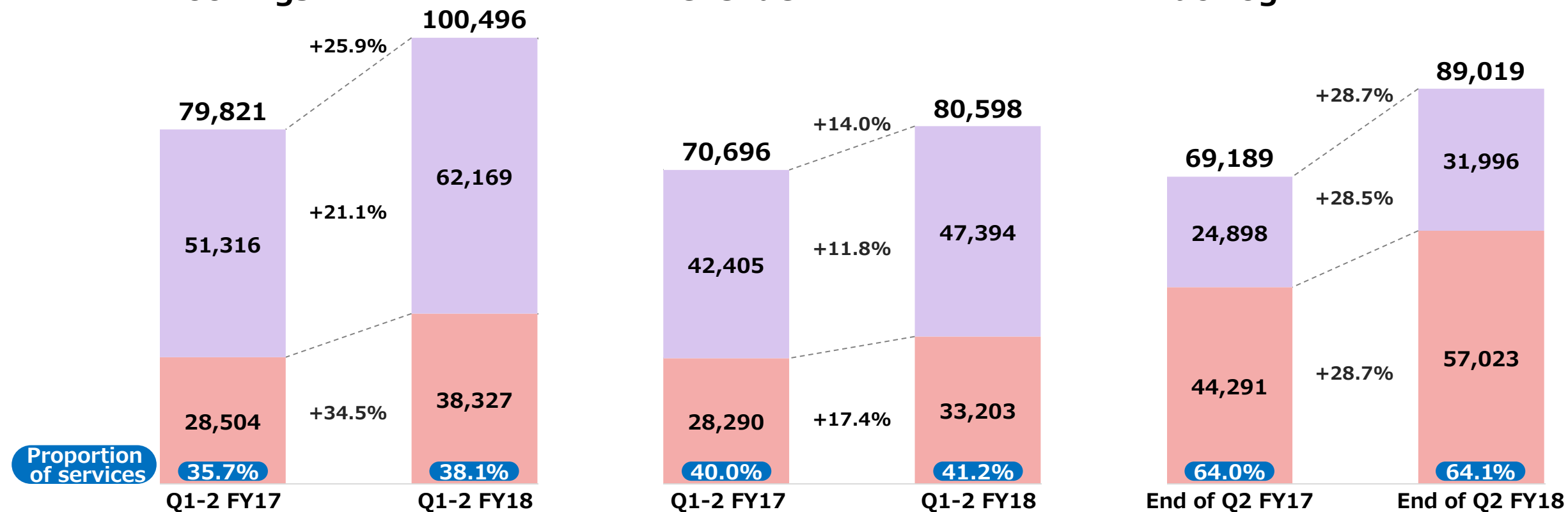
# Performance by product category

## ■ Bookings

## ■ Revenue

## ■ Backlog

(JPYmn)



### Products

In the first quarter, we received orders of large-scale projects from central governments. Security and cloud infrastructure business also performed well.

### Service business

The "Integrated service business" increased steadily.

# 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				
Q1-2 FY18 (Results)	Revenue	23,367	16,245	24,883	15,898	80,394	316	80,711	(112)	80,598
	Segment income	972	1,865	982	1,293	5,114	132	5,246	(310)	4,935
	Segment income margin	4.2%	11.5%	3.9%	8.1%					6.1%
Q1-2 FY17 (Previous)	Revenue	21,615	13,691	20,732	14,434	70,473	781	71,255	(558)	70,696
	Segment income	581	715	512	695	2,505	22	2,527	(216)	2,311
	Segment income margin	2.7%	5.2%	2.5%	4.8%					3.3%

- (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.



# Consolidated balance sheets

(JPYmn)	Sep 30, 2018 Results	Change Amount	%	Mar 31, 2018 Results
<b>Total assets</b>	<b>109,828</b>	<b>3,000</b>	<b>+ 2.8%</b>	<b>106,827</b>
Current assets	98,344	3,180	+ 3.3%	95,164
Cash and deposits + CD・CP	18,054	(5,898)	- 24.6%	23,953
Notes and accounts receivable-trade	35,759	(5,995)	- 14.4%	41,755
Inventory assets	24,438	11,301	+ 86.0%	13,136
Other	20,092	3,773	+ 23.1%	16,319
Noncurrent assets	11,483	(179)	- 1.5%	11,662
Property, plant and equipment	4,954	(171)	- 3.3%	5,125
Intangible assets	1,620	(180)	- 10.0%	1,801
Investment etc.	4,908	172	+ 3.6%	4,735
<b>Total liabilities</b>	<b>47,074</b>	<b>610</b>	<b>+ 1.3%</b>	<b>46,464</b>
Current liabilities	42,234	690	+ 1.7%	41,544
Non-current liabilities	4,840	(79)	- 1.6%	4,919
<b>Total net assets</b>	<b>62,753</b>	<b>2,390</b>	<b>+ 4.0%</b>	<b>60,363</b>
Shareholders' equity	62,467	2,097	+ 3.5%	60,369
Accumulated other comprehensive income	122	289	-	(167)
Subscription rights to shares	163	3	+ 2.0%	160
<b>Total liabilities and net assets</b>	<b>109,828</b>	<b>3,000</b>	<b>+ 2.8%</b>	<b>106,827</b>

# Exchange rate, EPS, Employees

	FY18 Q1-2	YoY		FY17 Q1-2
		Amount	%	
Exchange rate (\$JPY)	109.10	(2.04)	- 1.8%	111.14
Earnings per share (JPY)	39.10	20.54	110.7%	18.56
Dividends per share (JPY)	17.00	2.00	13.3%	15.00

(Notes) The dividends include 2.0 yen as commemorative dividends for the Company's 30th anniversary.

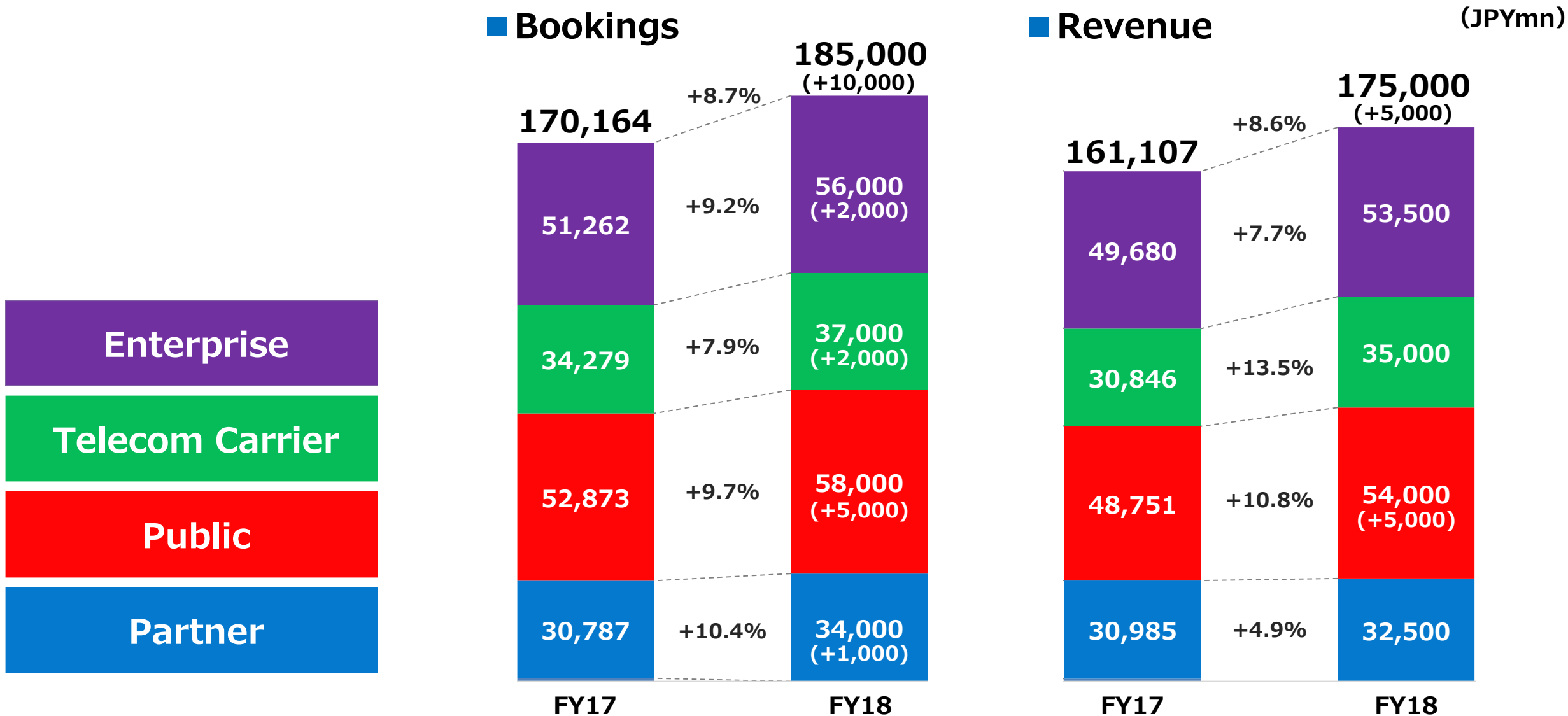
	End of FY18 Q2	YoY		End of FY17 Q2
		Amount	%	
Employees	2,336	48	2.1%	2,288

# FY18 Outlook

# FY18 outlook (Revised on September 28)

(JPYmn)	FY18 Revised outlook [Announced on September 28] (A)		FY18 Original outlook (B)		Compare to original outlook (A-B)		FY18 Results (C)		YoY (A-C)	
					Amount	%			Amount	%
Bookings	185,000		175,000		10,000	5.7%	170,164		14,836	8.7%
Revenue	175,000	100.0%	170,000	100.0%	5,000	2.9%	161,107	100.0%	13,893	8.6%
Cost of sales	132,300	75.6%	129,500	76.2%	2,800	2.2%	123,278	76.5%	9,022	7.3%
Gross profit	42,700	24.4%	40,500	23.8%	2,200	5.4%	37,829	23.5%	4,871	12.9%
SG&A	30,700	17.5%	29,500	17.4%	1,200	4.1%	29,587	18.4%	1,113	3.8%
Operating income	12,000	6.9%	11,000	6.5%	1,000	9.1%	8,241	5.1%	3,759	45.6%
Ordinary income	12,000	6.9%	11,000	6.5%	1,000	9.1%	8,418	5.2%	3,582	42.6%
Net income attributable to owners of the parent	8,000	4.6%	7,400	4.4%	600	8.1%	5,682	3.5%	2,318	40.8%

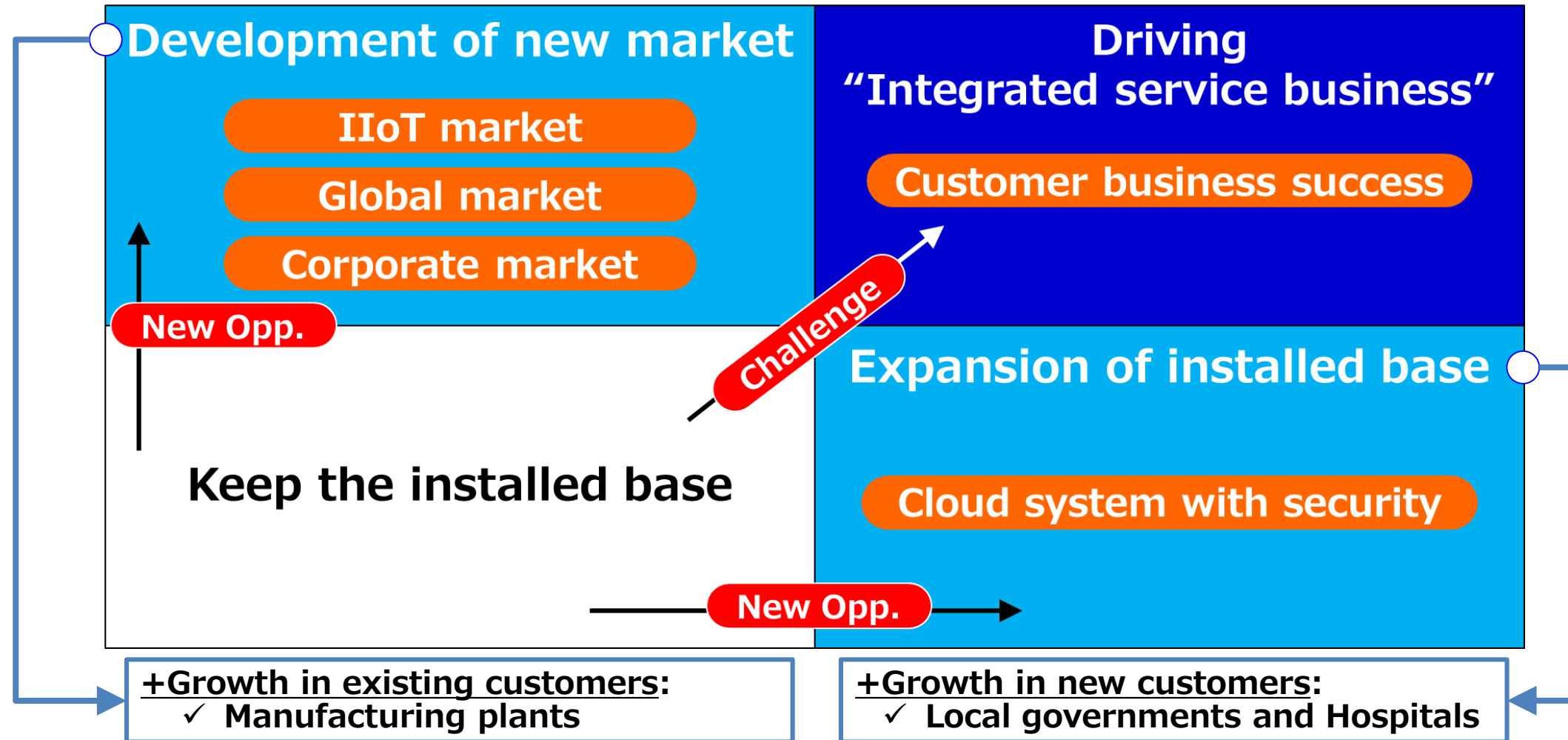
# FY18 outlook by market sector (Revised outlook)



# Progress and Review of Three-year Business Plan

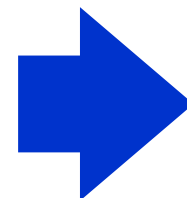
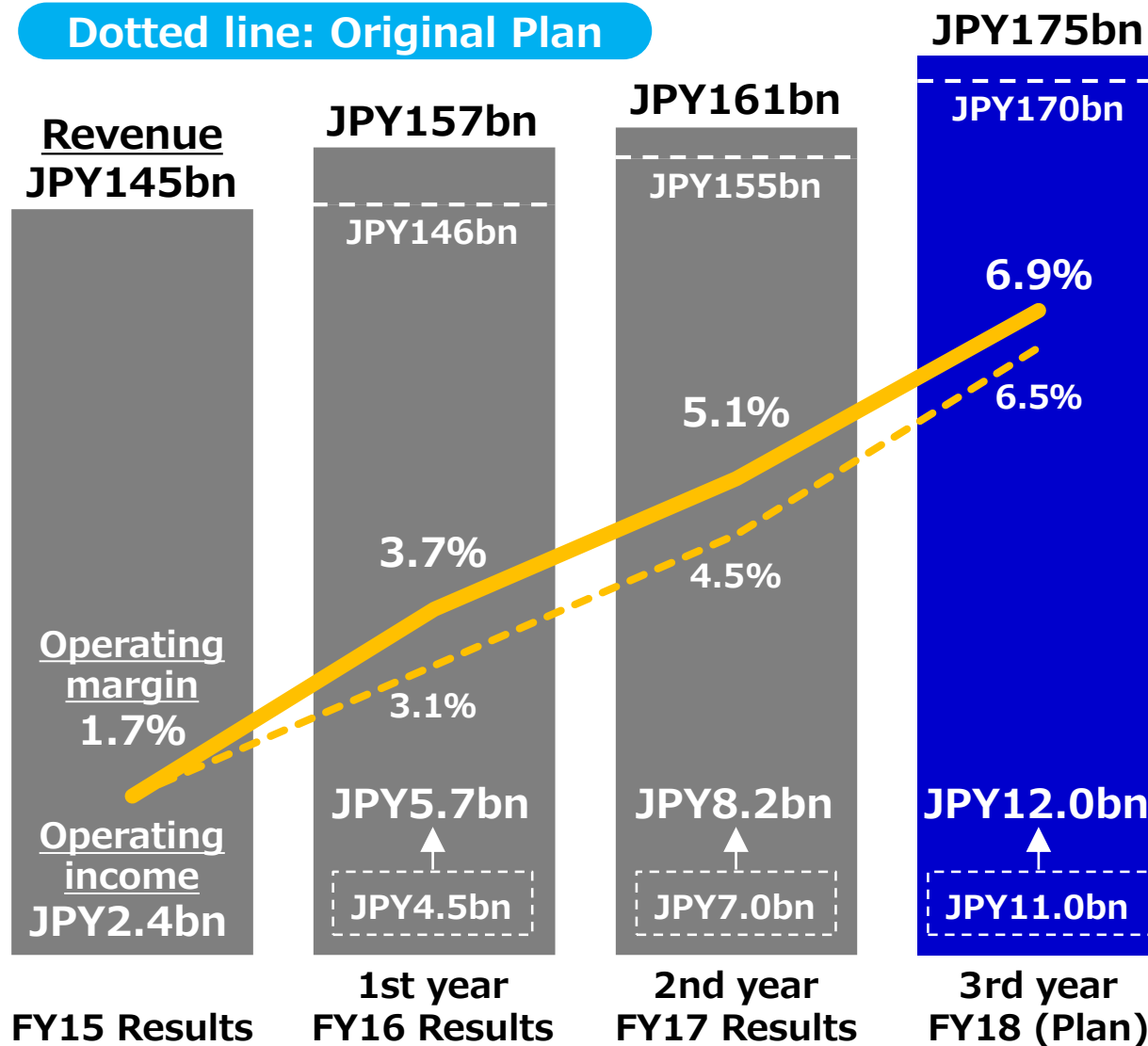
# Review: Growth strategy

Achieve growth through selection and concentration while overall ICT market remains flat

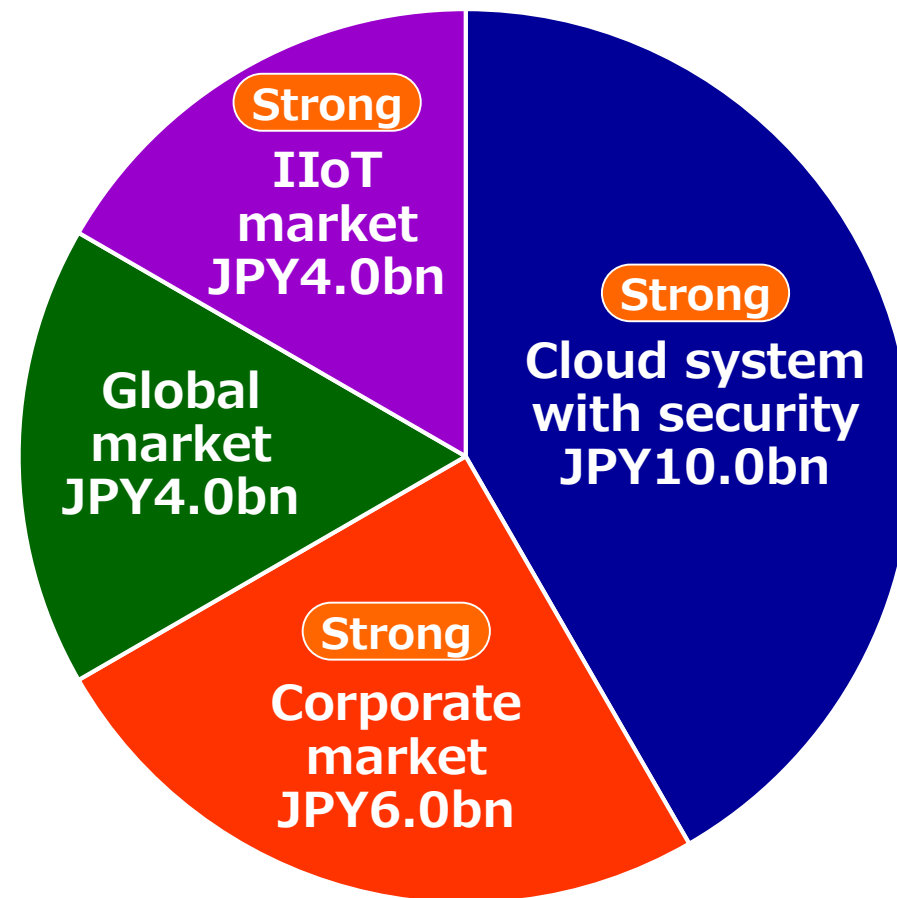


# Review: Progress of three-year business plan

Dotted line: Original Plan



New market / New solution

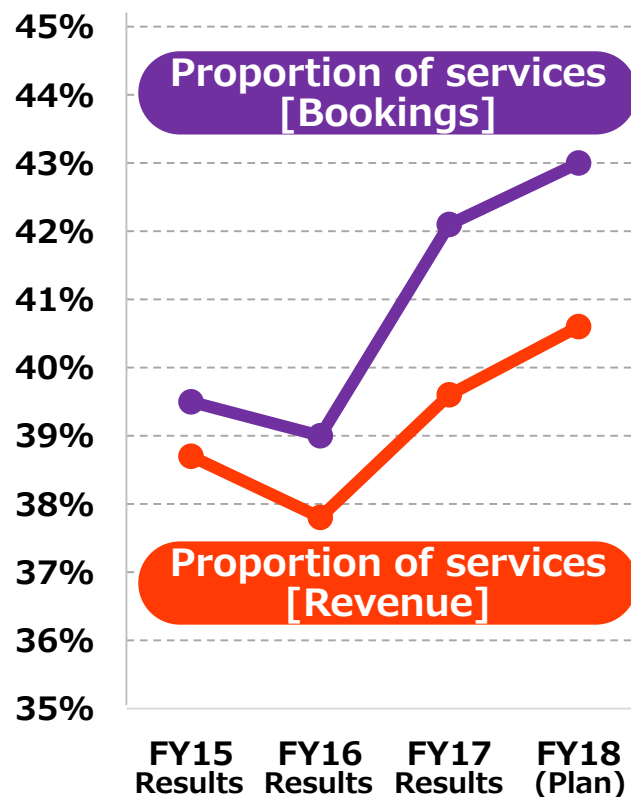
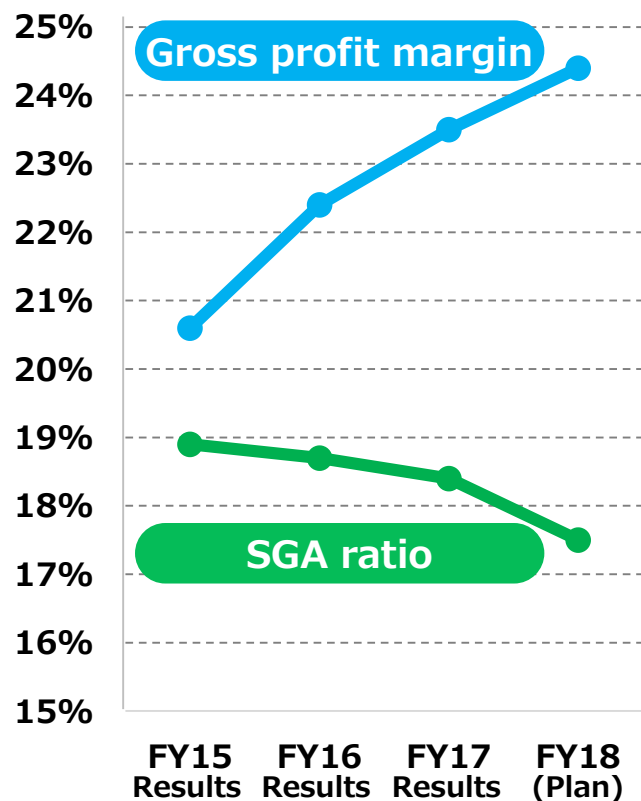




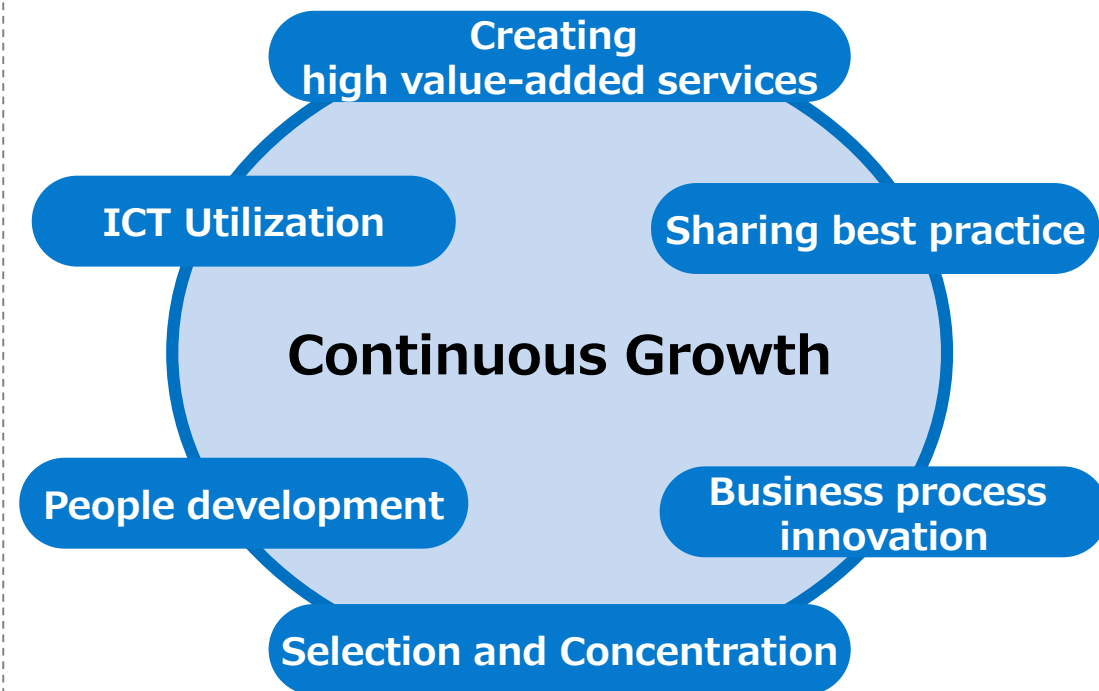
# Key factor in profit growth

Continuous efforts to  
reduce costs, expand service business, and improve productivity

## Trends



## Initiatives



# Toward continuous growth

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## Meeting the market environment and customer needs

Utilization of hybrid cloud system

Full deployment of IoT at manufacturing plants

Enhancement of system based protection for cyber attack

Subscription / Recurring Business Model

# Utilization of hybrid cloud system

**SD-HCI (Software Defined - Hyper Converged Infrastructure)**  
**Secure ICT utilizing across on-premise and multi-cloud environments**

**SD-HCI architecture: Making complex systems simple and secure**



Integrate customer group ICT infrastructure

**On-Premise**

**Multi-Cloud**

**Automation and orchestration by software centralized management  
/ Making different clouds same security level**

# Full deployment of IoT at manufacturing plants

## Industrial IoT

Secure connecting **IT**(information technology) and **OT**(operational technology)  
/ Data gathering and handling



Information systems  
Department  
(IT)



Production engineering  
Department  
(OT)



IT



Data Center



Cloud



Business Domain

Secure network infrastructure  
& Data gathering/handling



OT

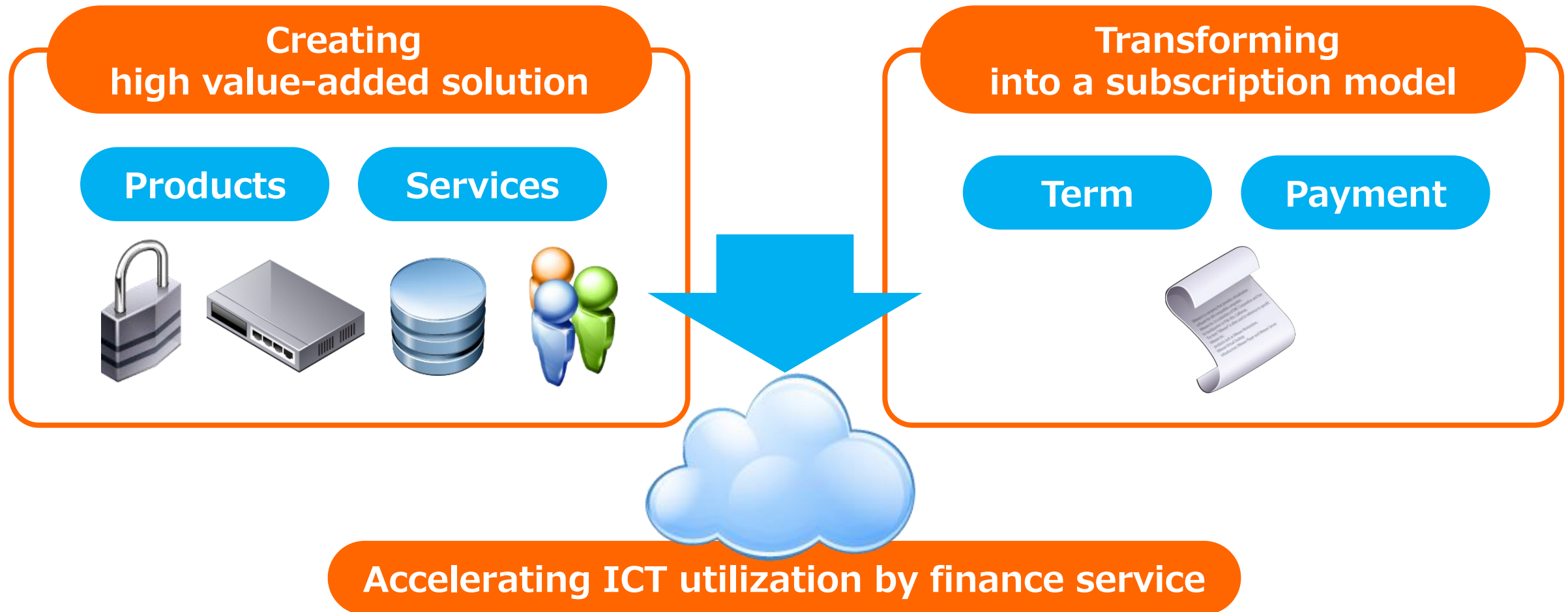
Production line

Production line

Production line

# Subscription / Recurring Business Model

## Expansion of finance service



# Increased engineering capacity



**Acquired eXtreak, Inc.,  
which has advanced expertise in ICT facility services  
(Announced on September 28)**

- **Purpose of the acquisition**
  - ✓ **meeting the growing demand of ICT facility**
  - ✓ **strengthening relationships with customers**

**Markets of growing demand for ICT facility services**

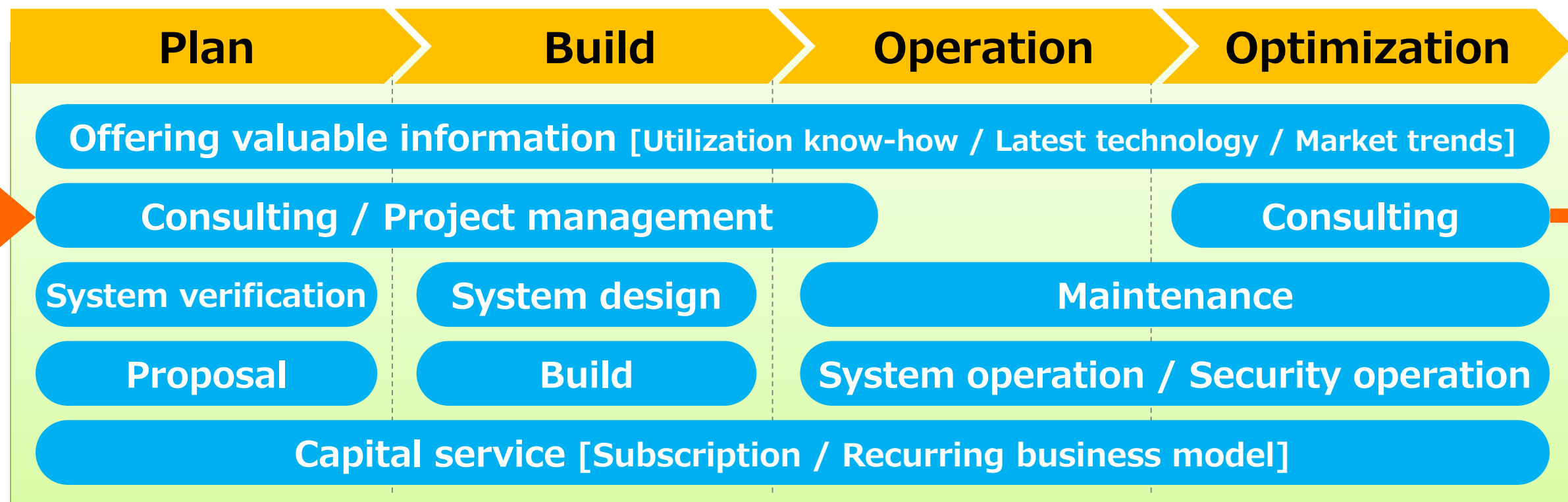
**IIoT   Hospital   Local governments   School   Physical security**

# Accelerating “Integrated service business” for further growth

## Supporting all phases of the customer ICT infrastructure

Meeting the market environment and customer needs

Reduce costs / Expand service business / Improve productivity



charge ∠ channel ∠ change



net one