Results for Q1 FY24
Ended June 30, 2024

Net One Systems Co., Ltd.
August 6, 2024 (Stock Code 7518: JP)

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1 Summary

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Q1 results overview

Bookings, revenue, and operating income all rose to record highs in Q1

	FY23 Q1	FY24 Q1	
Bookings	JPY50.0bn	JPY61.3bn	● +JPY11.3bn (+22.6%) YoY ✓ Enterprise: +JPY1.1bn (recovery in the financial sector, growth in the manufacturing sector, weakness in the non-manufacturing sector) ✓ Telecom Carrier: -JPY1.2bn (co-creation business for corporate clients lackluster, facility business in line with plan) ✓ Public: +JPY7.7bn (won multiple large DX projects) ✓ Partner: +JPY3.6bn (won a large Wi-Fi service project for an MSP, strong collaboration with partners)
Revenue	JPY42.5bn	JPY45.6bn	● +JPY3.0bn (+7.1%) YoY ✓ Enterprise: +JPY2.7bn ✓ Telecom Carrier: +JPY1.7bn ✓ Public: -JPY0.7bn ✓ Partner: -JPY0.6bn
Operating income	JPY1.6bn	JPY3.8bn	● +JPY2.1bn (+129.9%) YoY ✓ GPM: +2.3pts YoY (FY23 Q1: 24.4%, FY24 Q1: 26.7%) ✓ SG&A expenses: -JPY0.3bn YoY (FY23 Q1: 8.7bn, FY24 Q1: 8.3bn)

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2 Q1 FY24 (Apr.-Jun. 3 months) results

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Q1 FY24 (Apr.-Jun. 3 months) results

(JPYmn)	FY23 Q1		FY24 Q1		YoY Amount	YoY %	
Bookings	50,000		61,310		+11,309	+22.6%	● Increased mainly in the Public and Partner segments ● (YoY) Enterprise: +JPY1.1bn, Telecom Carrier: -JPY1.2bn, Public: +JPY7.7bn, Partner: +JPY3.6bn
Backlog	156,478		161,074		+4,595	+2.9%	
Revenue	42,588	100.0%	45,624	100.0%	+3,035	+7.1%	● Steady progress ● (YoY) Enterprise: +JPY2.7bn, Telecom Carrier: +JPY1.7bn, Public: -JPY0.7bn, Partner: -JPY0.6bn
Cost of sales	32,217	75.6%	33,427	73.3%	+1,209	+3.8%	● GPM: +2.3pts YoY ✓ Product: +3.1pts YoY (FY23 Q1: 18.8%, FY24 Q1: 21.9%) • In FY23 Q1, foreign exchange rates had a negative impact on the Partner segment; in FY24 Q1, the impact has been somewhat positive ✓ Service: +0.9pts YoY (FY23 Q1: 30.1%, FY24 Q1: 31.0%) • Optimization of service prices gradually contributed to increasing GPM of services ✓ Service ratio: +3.6pts YoY (FY23 Q1: 49.2%, FY24 Q1: 52.8%) • Increased mainly in managed and maintenance services
Gross profit	10,371	24.4%	12,197	26.7%	+1,825	+17.6%	
SG&A	8,706	20.4%	8,368	18.3%	(337)	-3.9%	● (YoY) Personnel expenses +JPY0.62bn, equipment expenses -JPY0.41bn, office expenses -JPY0.18bn, and various other cost items declined
Operating income	1,665	3.9%	3,828	8.4%	+2,163	+129.9%	● Factors contributing to YoY increase/decrease are provided on the next page.
Ordinary income	1,502	3.5%	3,693	8.1%	+2,191	+145.9%	
Profit attributable to owners of parent	1,014	2.4%	2,569	5.6%	+1,554	+153.2%	
Earnings per share (JPY)	12.34		32.40		+20.06	+162.6%	

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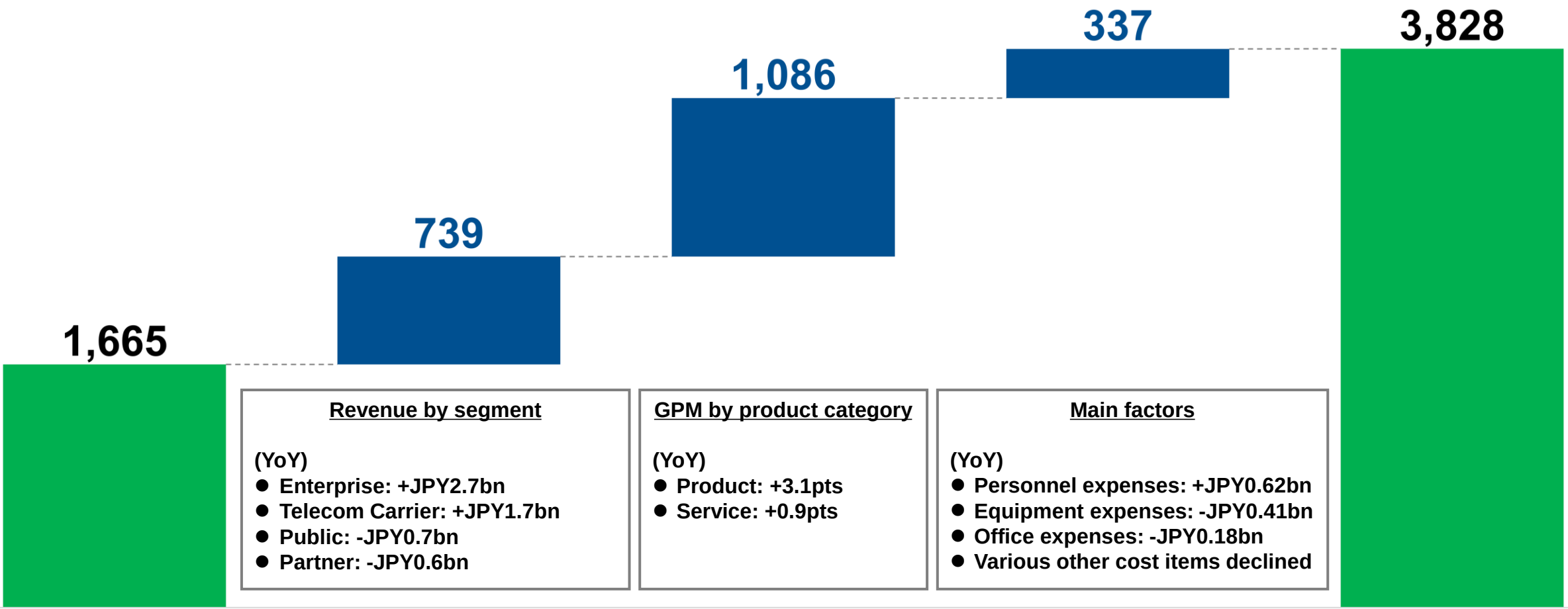
Operating income analysis (YoY)

(JPYmn)



Revenue by segment

(YoY)
- Enterprise: +JPY2.7bn
- Telecom Carrier: +JPY1.7bn
- Public: -JPY0.7bn
- Partner: -JPY0.6bn

GPM by product category

(YoY)
- Product: +3.1pts
- Service: +0.9pts

Main factors

(YoY)
- Personnel expenses: +JPY0.62bn
- Equipment expenses: -JPY0.41bn
- Office expenses: -JPY0.18bn
- Various other cost items declined

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Bookings and backlog by segment

(JPYmn)		FY23 Q1		FY24 Q1		YoY Amount	YoY %	
Enterprise	Bookings	11,522		12,656		+1,134	+9.8%	● Financial sector: We won security enhancement and cloud utilization projects ● Manufacturing sector: We won security enhancement and smart manufacturing projects, mainly from automakers and electronics manufacturers ● Non-manufacturing sector: Despite the acquisition of cloud infrastructure and security enhancement projects, progress was slightly on the weak side ● Service ratio: Increased mainly driven by managed and system integration services
	Service (%)	6,823	59.2%	7,839	61.9%	+1,016	+14.9%	
	Backlog	37,916		36,478		(1,438)	-3.8%	
Telecom Carrier	Bookings	8,825		7,584		(1,241)	-14.1%	● Co-creation business for corporate clients: Lackluster ● Facility business: In line with plan ● Service ratio: Increased driven mainly by maintenance services
	Service (%)	3,170	35.9%	3,825	50.4%	+655	+20.7%	
	Backlog	29,977		26,399		(3,578)	-11.9%	
Public	Bookings	18,920		26,631		+7,710	+40.8%	● Municipal governments: We won multiple large DX projects centered on cloud utilization (multi-cloud), security enhancement (zero trust, SASE), and work style innovation ● Service ratio: Increased driven mainly by managed and system integration services
	Service (%)	9,382	49.6%	16,796	63.1%	+7,414	+79.0%	
	Backlog	70,173		77,543		+7,370	+10.5%	
Partner	Bookings	10,756		14,438		+3,681	+34.2%	● We won a large Wi-Fi service project for an MSP ● Collaboration with partner companies was strong ● Service ratio: Declined in tandem with the acquisition of large product projects
	Service (%)	2,135	19.8%	2,220	15.4%	+84	+4.0%	
	Backlog	18,411		20,653		+2,242	+12.2%	

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Revenue, gross profit, and operating income by segment

(JPYmn)		FY23 Q1		FY24 Q1		YoY Amount	YoY %	
Enterprise	Revenue	10,601		13,322		+2,721	+25.7%	● Revenue: Increased in the financial, manufacturing, and non-manufacturing sectors ● GPM: -1.0pts YoY ✓ The decline was modest despite sharp revenue growth
	Service (%)	6,407	60.4%	8,531	64.0%	+2,123	+33.1%	
	Gross profit (%)	3,036	28.6%	3,683	27.6%	+646	+21.3%	
	Operating income (%)	509	4.8%	1,340	10.1%	+830	+162.8%	
Telecom Carrier	Revenue	8,892		10,617		+1,724	+19.4%	● Revenue: Increased for various telecom carriers ● GPM: +0.5pts YoY ✓ A large product project recorded in FY23 Q1 dropped out of the picture
	Service (%)	4,871	54.8%	5,824	54.9%	+952	+19.6%	
	Gross profit (%)	2,102	23.6%	2,563	24.1%	+461	+21.9%	
	Operating income (%)	569	6.4%	1,128	10.6%	+559	+98.2%	
Public	Revenue	11,947		11,185		(762)	-6.4%	● Revenue: Increased for municipal governments, but declined for universities following a concentration of large projects in FY23 Q1 ● GPM: +3.7pts YoY ✓ Optimization of service prices gradually contributed to increasing GPM ✓ In FY23 Q1, we remained unable to pass on a portion of the increased vendor support costs
	Service (%)	7,399	61.9%	7,581	67.8%	+181	+2.4%	
	Gross profit (%)	3,002	25.1%	3,216	28.8%	+213	+7.1%	
	Operating income (%)	248	2.1%	398	3.6%	+150	+60.3%	
Partner	Revenue	11,146		10,498		(647)	-5.8%	● Revenue: Declined at some partner companies ● GPM: +4.8pts YoY ✓ Foreign exchange rates had a negative impact in FY23 Q1, but the impact has been slightly positive in FY24 Q1
	Service (%)	2,273	20.4%	2,169	20.7%	(104)	-4.6%	
	Gross profit (%)	1,771	15.9%	2,173	20.7%	+401	+22.7%	
	Operating income (%)	769	6.9%	1,192	11.4%	+422	+54.9%	

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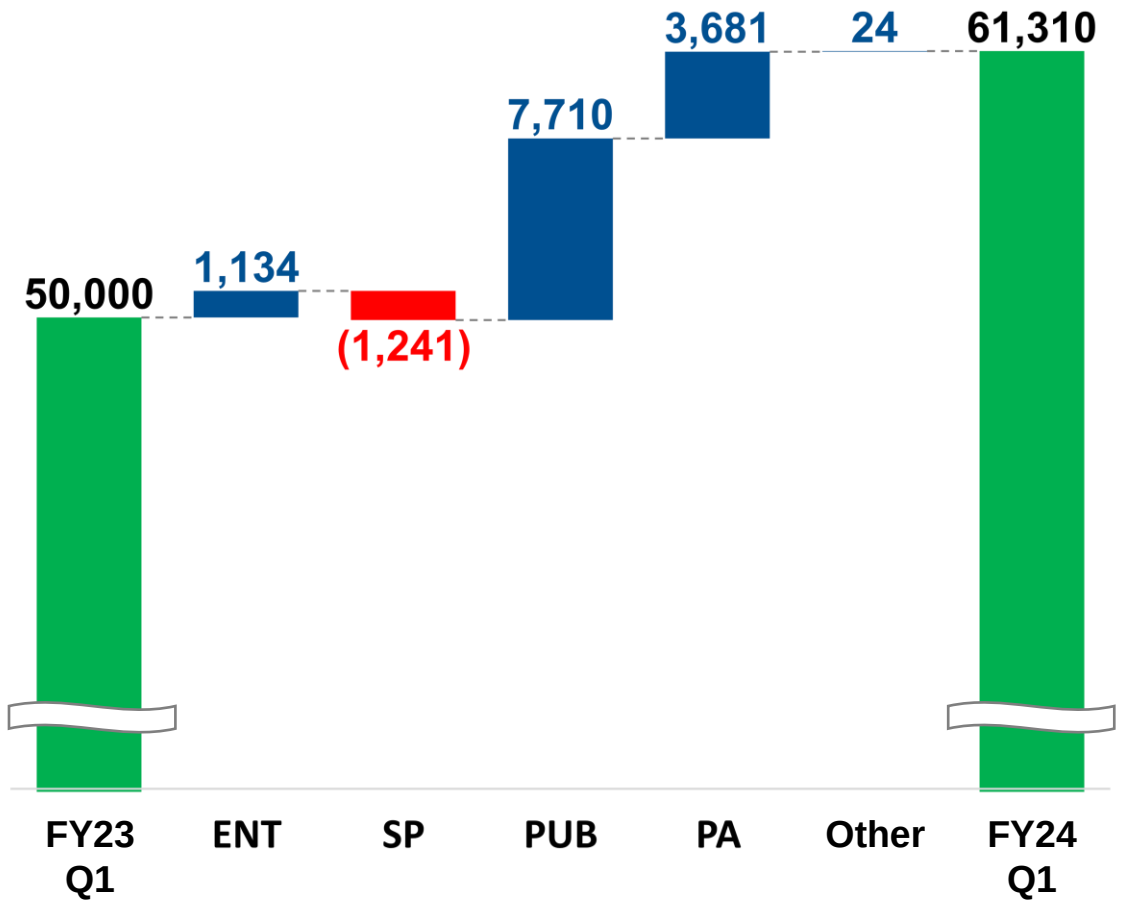
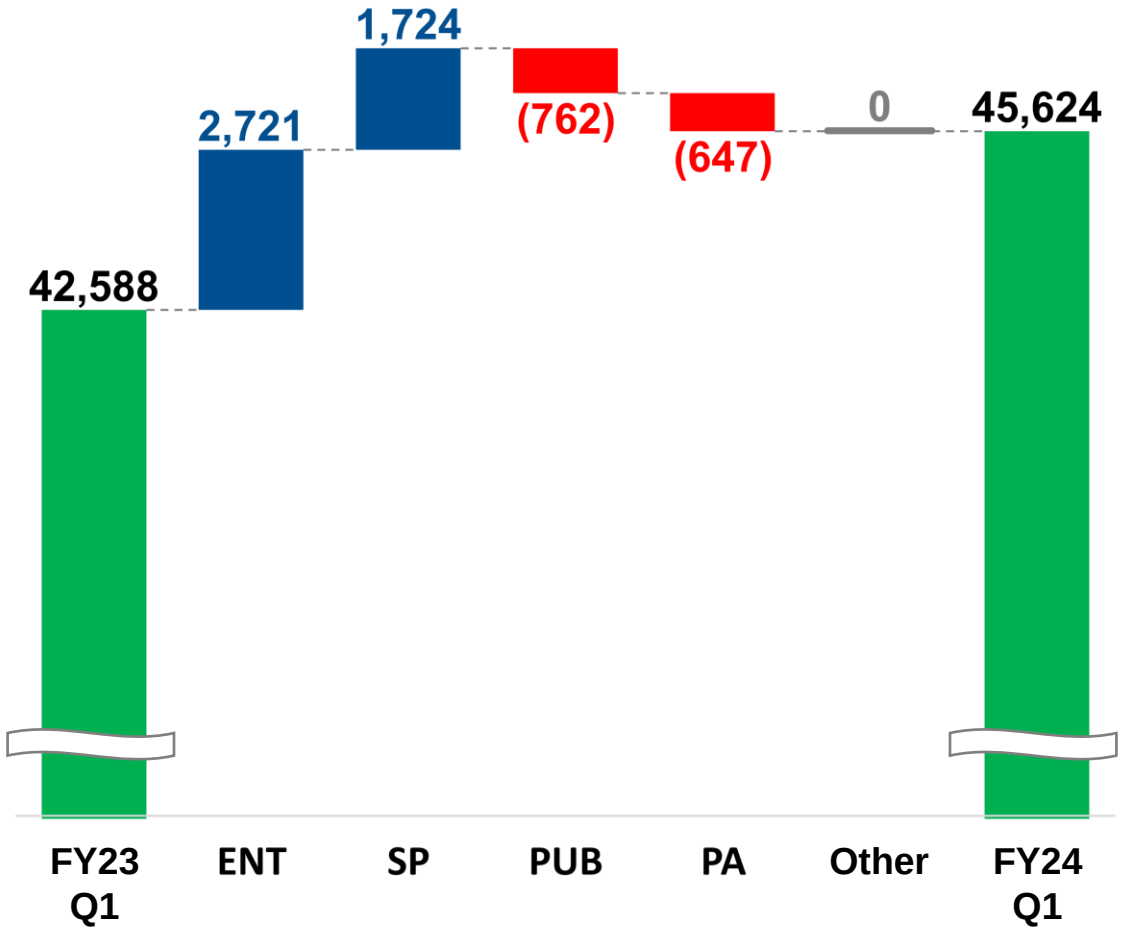
Bookings and revenue: YoY changes by segment

(JPYmn)

Bookings



Revenue



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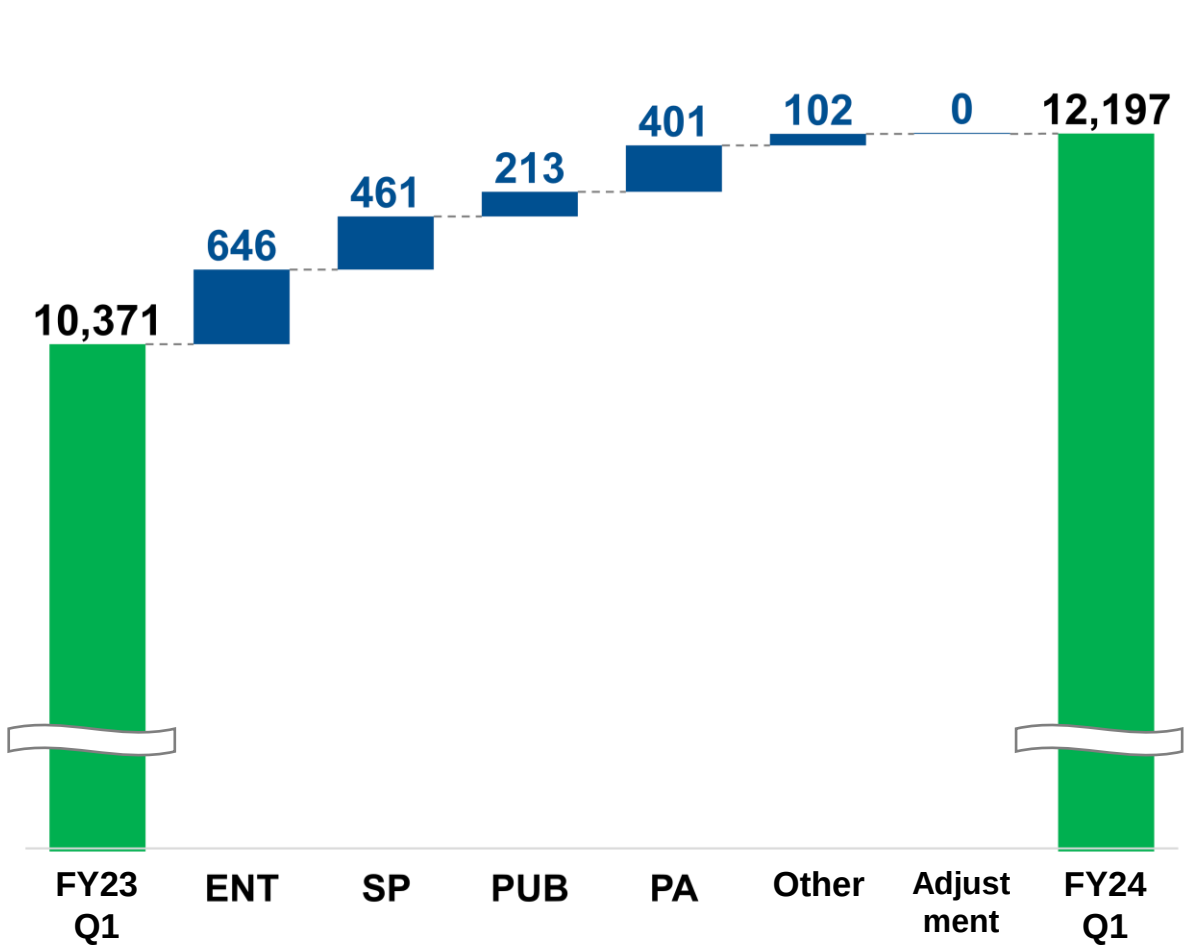
(Note) ENT: Enterprise, SP: Telecom Carrier, PUB: Public, PA: Partner

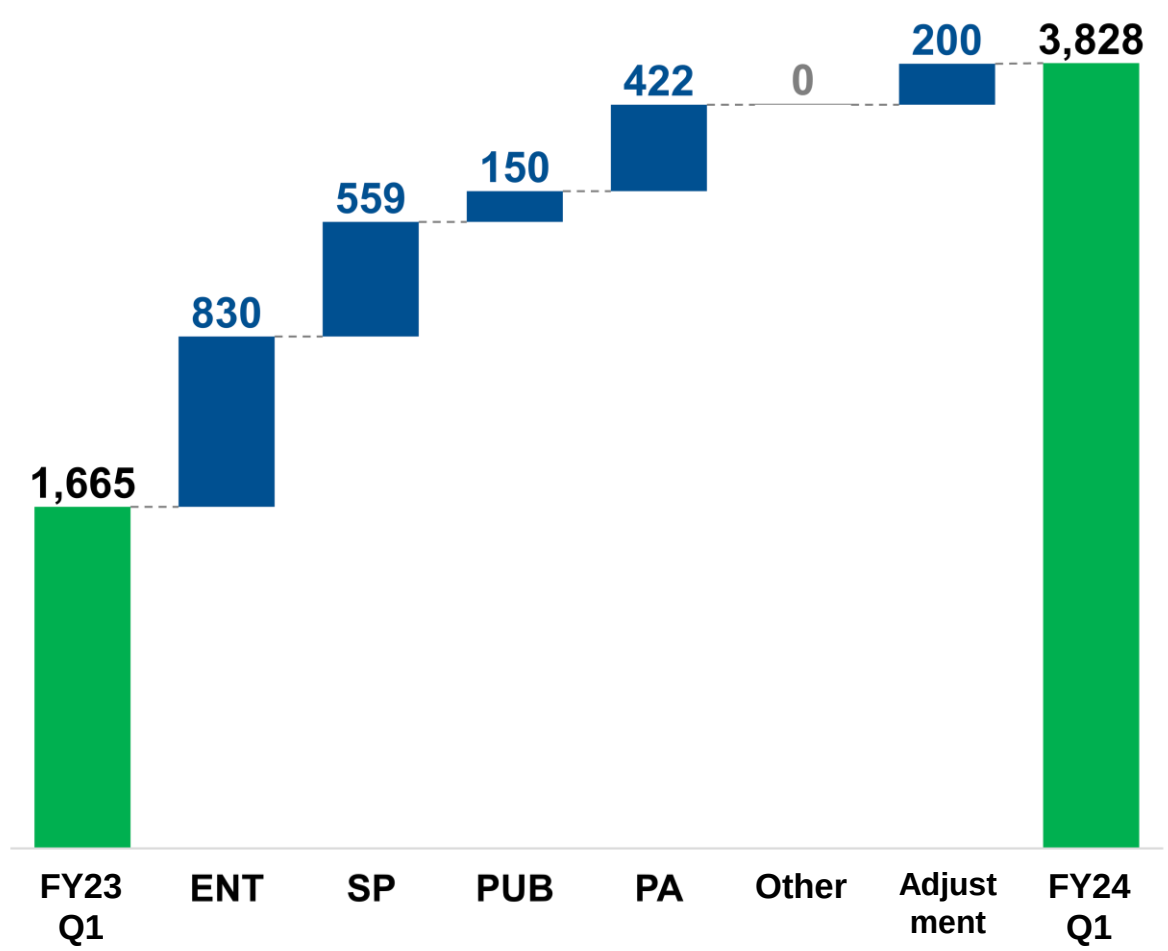
Gross profit and operating income: YoY changes by segment

(JPYmn)

Gross profit



Operating income



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

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

(Service ratio) 50.0% in bookings (+7.0pts YoY), 52.8% in revenue (+3.6pts YoY), 66.6% in backlog (+3.9pts YoY)

(JPYmn)		FY23 Q1		FY24 Q1		YoY Amount	YoY %	
Product	Bookings	28,514		30,628		+2,114	+7.4%	● Bookings: Increased in the Partner segment in large part due to the acquisition of a large product project (Wi-Fi service project for an MSP)
	Backlog	58,338		53,856		(4,482)	-7.7%	
	Revenue	21,635		21,517		(117)	-0.5%	● Revenue: Held steady YoY ● GPM: +3.1pts YoY ✓ In FY23 Q1, foreign exchange rates had a negative impact on the Partner segment; in FY24 Q1, the impact has been somewhat positive
	Gross profit (%)	4,057	18.8%	4,717	21.9%	+660	+16.3%	
Service	Bookings	21,486		30,682		+9,195	+42.8%	● Bookings: Increased particularly in the Public segment, with growth driven mainly by managed and system integration services
	Backlog	98,140		107,218		+9,077	+9.2%	
	Revenue	20,953		24,106		+3,153	+15.0%	● Revenue: The Enterprise and Telecom Carrier segments recorded growth driven mainly by managed and maintenance services ● GPM: +0.9pts YoY ✓ Optimization of service prices gradually contributed to increasing GPM of services
	Gross profit (%)	6,314	30.1%	7,479	31.0%	+1,164	+18.4%	

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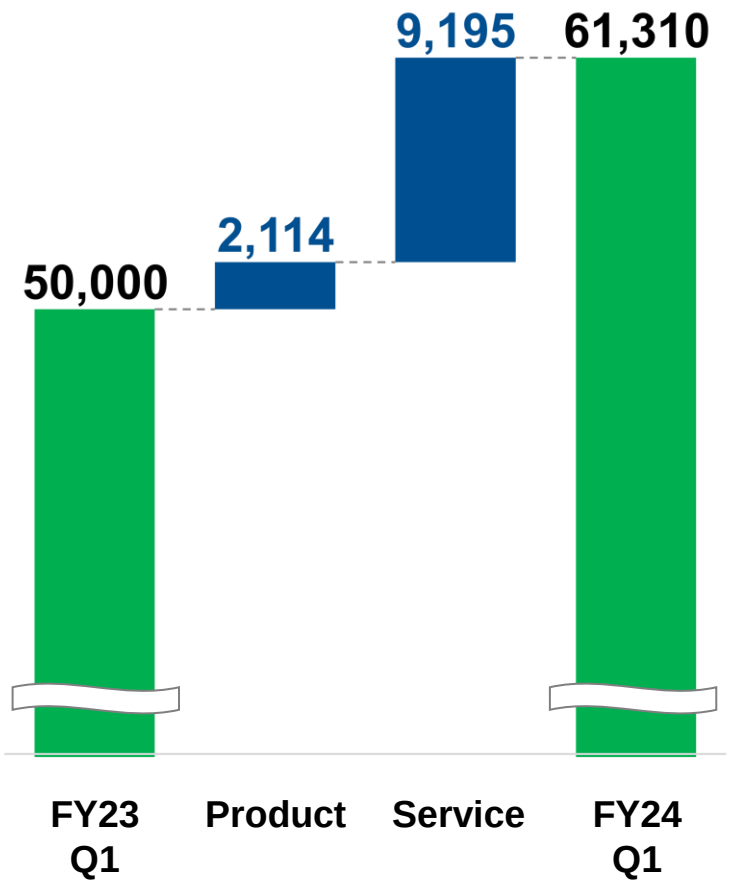
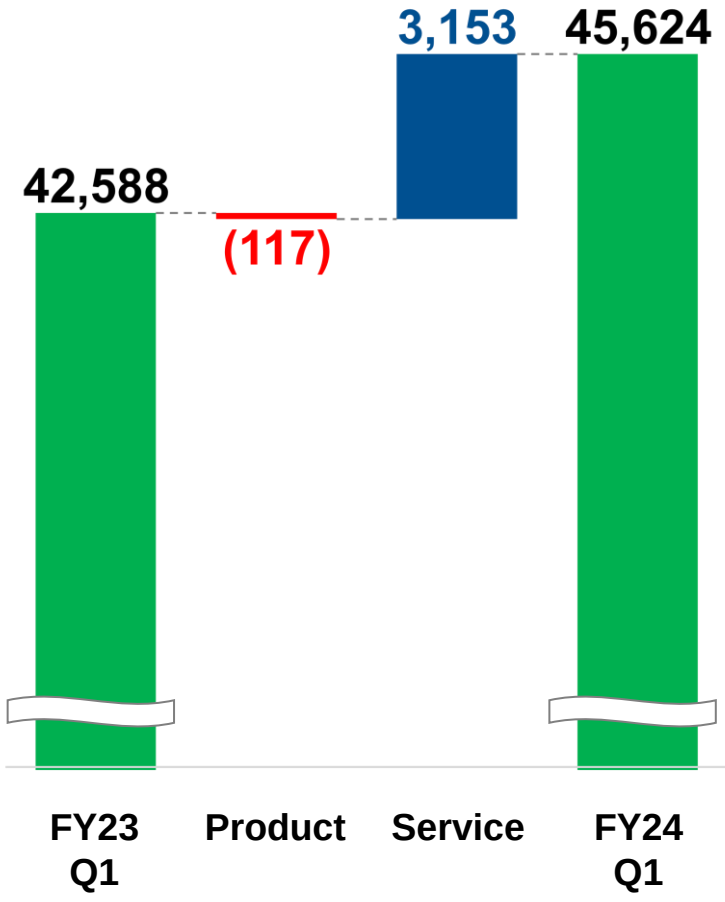
Bookings, revenue, and gross profit: YoY changes by product category

(JPYmn)

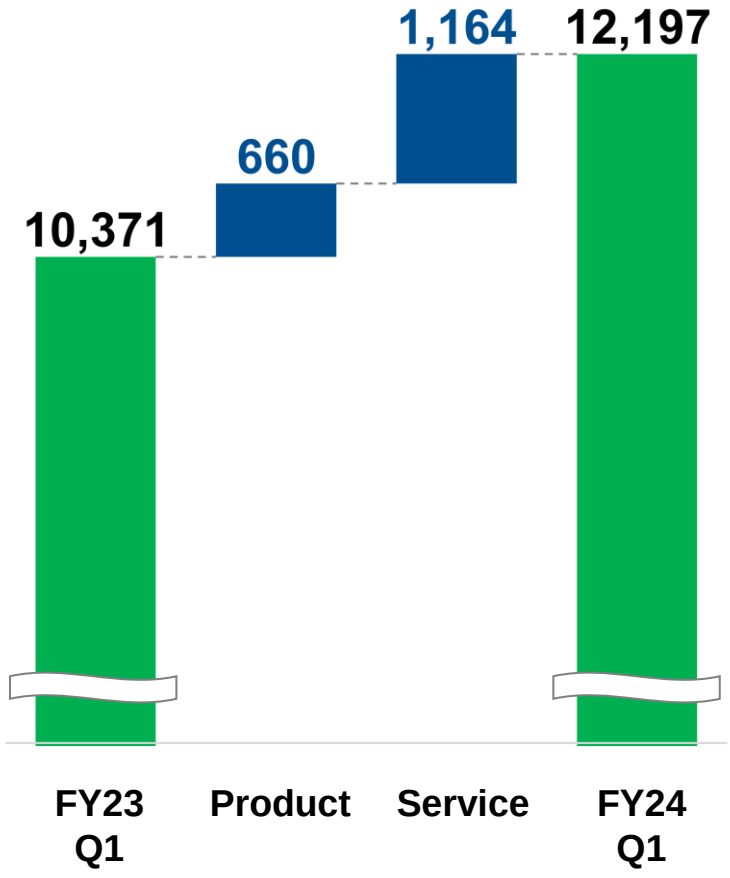
Bookings



Revenue



Gross profit



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Consolidated balance sheets

(JPYmn)	Mar. 31, 2024	Jun. 30, 2024	Change		
			Amount	%	
Total assets	164,909	164,093	(816)	-0.5%	
Current assets	147,488	147,800	+311	+0.2%	
Cash and deposits	32,035	30,671	(1,364)	-4.3%	
Notes and accounts receivable-trade	46,180	33,537	(12,642)	-27.4%	
Inventory assets	33,695	40,546	+6,850	+20.3%	Costs on uncompleted construction contracts: +7,076
Other	35,577	43,045	+7,468	+21.0%	Prepaid expenses: +7,356
Noncurrent assets	17,420	16,292	(1,127)	-6.5%	
Property, plant and equipment	8,895	8,807	(87)	-1.0%	
Intangible assets	2,644	2,902	+258	+9.8%	
Investment etc.	5,881	4,583	(1,298)	-22.1%	
Total liabilities	88,094	87,352	(742)	-0.8%	
Current liabilities	66,703	68,228	+1,525	+2.3%	
Non-current liabilities	21,391	19,124	(2,267)	-10.6%	
Total net assets	76,814	76,740	(73)	-0.1%	
Shareholders' equity	76,414	75,812	(602)	-0.8%	
Accumulated other comprehensive income	268	797	+528	+196.7%	
Subscription rights to shares	130	130	0	0.0%	
Total liabilities and net assets	164,909	164,093	(816)	-0.5%	

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Employees

	End of FY23 Q1	End of FY24 Q1	YoY		
			Amount	%	
Number of consolidated employees	2,640	2,657	+17	+0.6%	● 75 new graduates joined the Company in FY24
Turnover rate	1.2%	0.9%	-	-	

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Bookings and revenue by focus areas

		FY23 Q1	FY24 Q1	Booking trends
Smart manufacturing	Bookings	JPY 1.1bn	JPY 2.3bn	Requests increased for the development of wired and wireless networks, along with the establishment of new production bases and upgrades to existing ones. Additionally, there was a rise in requests for security enhancements, including IT/OT network separation and global SASE, integration of various production data, and AI utilization. In addition to expanding business in the manufacturing sector, we have been promoting business creation with R&D departments and strategic partners. ● Project examples ✓ Factory security (network isolation, assessment services, etc.) ✓ Factory wireless networks
	Revenue	JPY 1.8bn	JPY 1.3bn	
Digitalization of social infrastructure to realize Society 5.0	Bookings	JPY 4.7bn	JPY 1.9bn	We promoted DX projects that are gaining momentum across society, in the electricity and gas, railroad, healthcare, construction, financial, and ICT sectors. ● Project examples ✓ Financial: Cloud utilization ✓ Electric power: Consulting for multi-cloud utilization
	Revenue	JPY 1.0bn	JPY 1.9bn	
Digital government	Bookings	JPY 6.0bn	JPY 14.0bn	Municipal governments: We won multiple large DX projects in areas such as cloud utilization (multi-cloud), security enhancement (zero trust and SASE), and work style innovation. In addition, there was an acceleration in activities related to GIGA school upgrades, school administration DX, and next-generation security cloud and security enhancement. ● Project examples ✓ Large-scale infrastructure that integrates work style innovation, cloud utilization, and security ✓ Managed services
	Revenue	JPY 0.6bn	JPY 1.9bn	

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Activity highlights

Won contract for cloud infrastructure design and integration from Tokyo Metropolitan Government

Consolidated infrastructure built and operated separately by various departments of the Tokyo Metropolitan Government, and designed and integrated a new cloud system tailored to needs of the customer

By establishing a cloud system, aim to improve the quality of administrative services and reduce system operating costs, thereby supporting the promotion of "SHIN-TOSEI 4*"

Support DX promotion across Tokyo Metropolitan Government

- ✓ **Aim to reduce staff workload, and improve work efficiency through integrated management operations**
- ✓ **Maintain security levels by addressing related threats in a unified manner and visualizing operational conditions**
- ✓ **Promote data utilization and enhance the quality of administrative services by standardizing data integration specifications**

Launched proprietary netone large language model (LLM) NELMO

Utilized generative AI technology in traditional workflows to promote innovation in engineering work

Aim to further enhance productivity in core engineering tasks and maximize the value delivered to customers by utilizing expertise in generative AI technology

Enhance engineer productivity through generative AI

- ✓ **Provide "Internal Technical QA Response Support Function," which uses our proprietary technical knowledge as a data source to support engineers**
- ✓ **Reduce man-hours by utilizing generative AI to provide initial responses to internal technical queries from engineers**
- ✓ **Apply generative AI technology to actual business tasks to improve operational efficiency and free up work time**

* SHIN-TOSEI 4: Structural reforms to improve the quality of service (QOS) at the Tokyo Metropolitan Government

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3 FY24 forecast

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FY24 forecast (*no change from the previous 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%
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%
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%
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%
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%
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%	+789	+8.3%	14,400	6.5%	+679	+5.0%

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FY24 forecast by segment (*no change from the previous forecast)

(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%
	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%
	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%
	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%
	Revenue	20,800	(3,163)	-13.2%	25,100	+5,736	+29.6%	45,900	+2,572	+5.9%

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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	105.3			-
	Revenue (B)	-	45.6			220.0 (plan)
	Total (A+B)	107.8	150.9			220.0 (plan)
	Progress ((A+B)/220.0)	49.0%	68.6%			

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4 Progress of measures to prevent recurrence

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Progress of measures to prevent recurrence (April 2024)

net one

Progress

1. Governance reform and promotion	• We continued to conduct case study workshops on J-SOX for all employees to facilitate an 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	• Our basic policy for risk management and our annual activity plan for FY24 were approved by the Risk Management Committee on April 23 (scheduled to be reported to the Management Committee on April 25). For FY24, CROs for each business unit were appointed by the CRO with an emphasis on continuity. We also plan to promote various measures while coordinating with divisions responsible for risk management (1.5th and second lines of defense) and the Governance and Corporate Culture Advisory 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 the checking and follow-up structure. (3.(2)-a)
4. Radical revisions to our auditing system	• We assessed the quality of internal audits held in FY23 and reported our findings to the Audit & Supervisory Committee, the Management Committee, and the Board of Directors. (4.(1)-b) • We completed training to facilitate an understanding of J-SOX. (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 operated 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 developed a plan for corporate philosophy dissemination activities in 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 continued to develop educational content for FY24 based on results for education provided through—and questionnaire responses received for—Step 3 of our FY23 education plan for improving accounting literacy and accounting knowledge. (7.(1)-a) • We continued to host business rule briefings and workshops aimed at learning from and sharing examples of past mistakes or failures, while making some improvements to the content. (7.(3)-a)
8. Ongoing monitoring	• In preparation for conducting our FY24 survey, we mapped out themes and courses of action and continued to formulate the survey method and schedule. (8.(2)-a)

(Notes) 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.

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Progress of measures to prevent recurrence (May 2024)

net one

Progress

1. Governance reform and promotion	• All divisions, offices, and teams held quarterly case study workshops. In Q1 FY24, all employees continued to exchange opinions on the theme of “communication”. (1.(1)-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	• We reported our basic policy for risk management and our annual activity plan for FY24 to the Management Committee in April. Coordination meetings were held between the secretariats of the Governance and Corporate Culture Advisory Committee, the Risk Management Committee, and the Compliance 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 the checking and follow-up structure. (3.(2)-a)
4. Radical revisions to our auditing system	• As part of efforts to strengthen the Internal Audit Office and develop career paths, we conducted a personnel transfer on April 1, 2024, appointing a new Internal Audit Office head with extensive business division experience, and assigned personnel with engineering division experience. (4.(1)-a, 4.(2)-a) • 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 operated 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 developed a plan for corporate philosophy dissemination activities in FY24. (6.(2)-a) • Based on the FY24 plan for corporate philosophy dissemination activities, we determined members to plan companywide measures and members to promote reforms in each business unit (6.(2)-a)
7. Accounting literacy education, and training and instruction based on prior examples of misconduct	• We continued to develop educational content for FY24 based on results for education provided through—and questionnaire responses received for—Step 3 of our FY23 education plan for improving accounting literacy and accounting knowledge. (7.(1)-a) • We continued to host business rule briefings and workshops aimed at learning from and sharing examples of past mistakes or failures, while making some improvements to the content. (7.(3)-a)
8. Ongoing monitoring	• In preparation for conducting our FY24 survey, we mapped out themes and courses of action and continued to formulate the survey method and schedule. (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.
2. Parts in blue text are major changes from the previous month.

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Progress of measures to prevent recurrence (June 2024)

Progress

1. Governance reform and promotion	• All divisions, offices, and teams held quarterly case study workshops. In Q1 FY24, all employees continued to exchange opinions on the theme of “communication”. (1.(1)-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 FY24, we discussed risk management plans for key risks with divisions responsible for risk management. We also discussed agenda items and other topics for coordination meetings held between the secretariats of the Governance and Corporate Culture Advisory Committee, the Risk Management Committee, and the Compliance 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 the checking and follow-up structure. (3.(2)-a)
4. Radical revisions to our auditing system	• As part of efforts to strengthen the Internal Audit Office and develop career paths, we conducted a personnel transfer on April 1, 2024, appointing a new Internal Audit Office head with extensive business division experience, and assigned personnel with engineering division experience. (4.(1)-a, 4.(2)-a) • We continued to brief process owners in preparation of updates to J-SOX control documents. (4.(3)-a) • 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 operated 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 conducted the first corporate culture monitoring surveys for FY24. (6.(2)-a) • Based on the FY24 corporate culture reform efforts policy, we launched activities with members tasked with planning companywide measures and those in charge of promoting reforms in each business unit. (6.(2)-a)
7. Accounting literacy education, and training and instruction based on prior examples of misconduct	• We continued to develop educational content for FY24 based on results for education provided through—and questionnaire responses received for—Step 3 of our FY23 education plan for improving accounting literacy and accounting knowledge. (7.(1)-a) • We continued to host business rule briefings and workshops aimed at learning from and sharing examples of past mistakes or failures, while making some improvements to the content. (7.(3)-a)
8. Ongoing monitoring	• We continued to conduct the survey based on the formulated survey method and plan for FY24. (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.
2. Parts in blue text are major changes from the previous month.

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5 Appendix: Quarterly results

Detailed results data (Excel files): Posted at the following link
https://www.netone.co.jp/english/investor-relations/ir-library/presentations/

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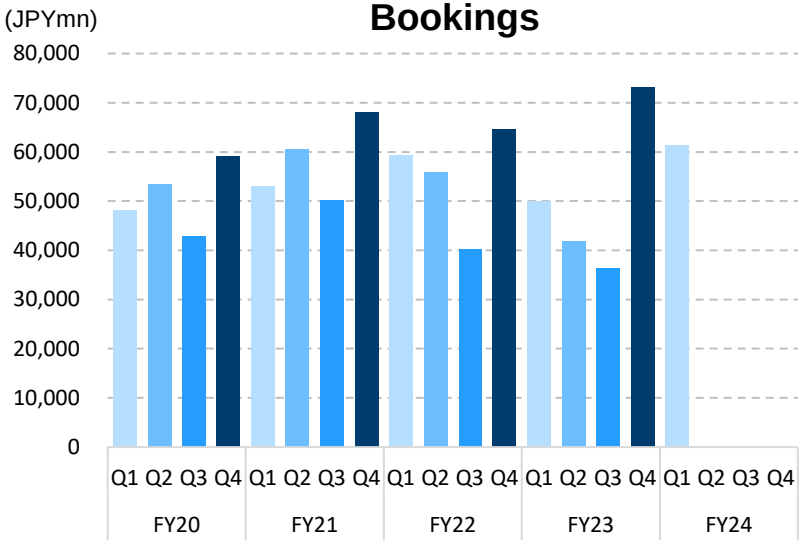
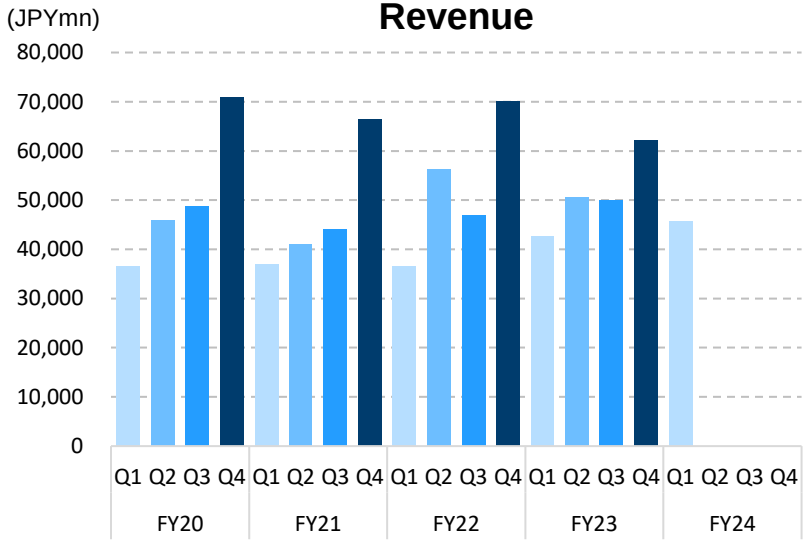
Company-wide

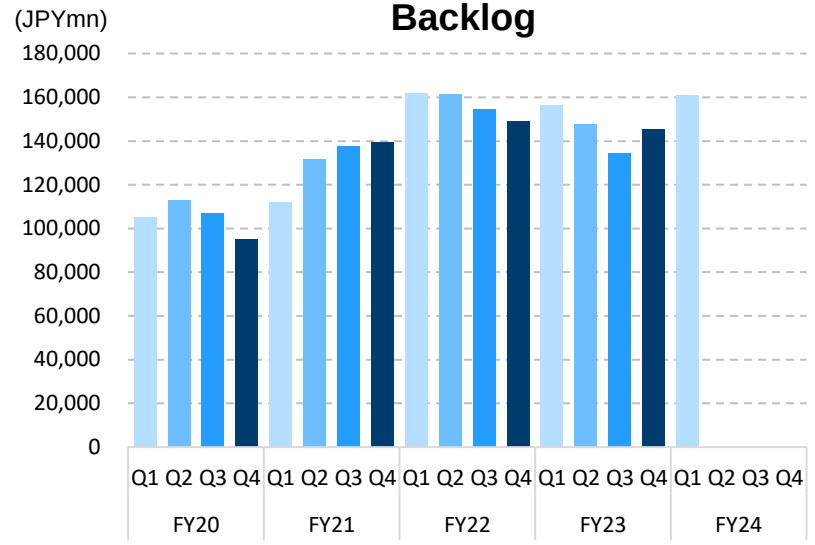
Bookings



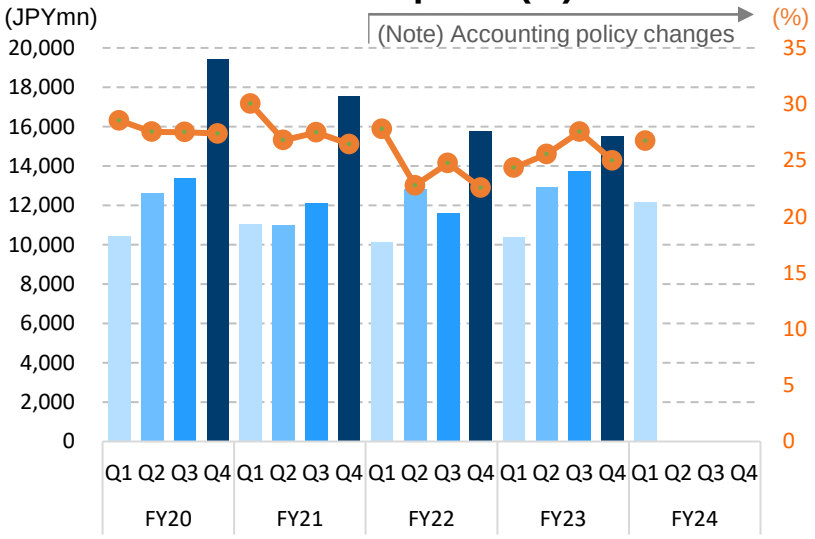
Revenue



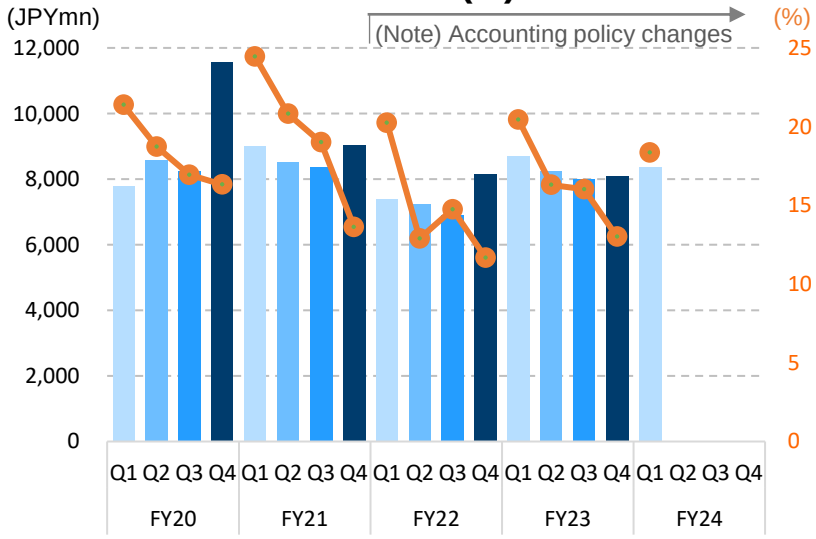
Backlog



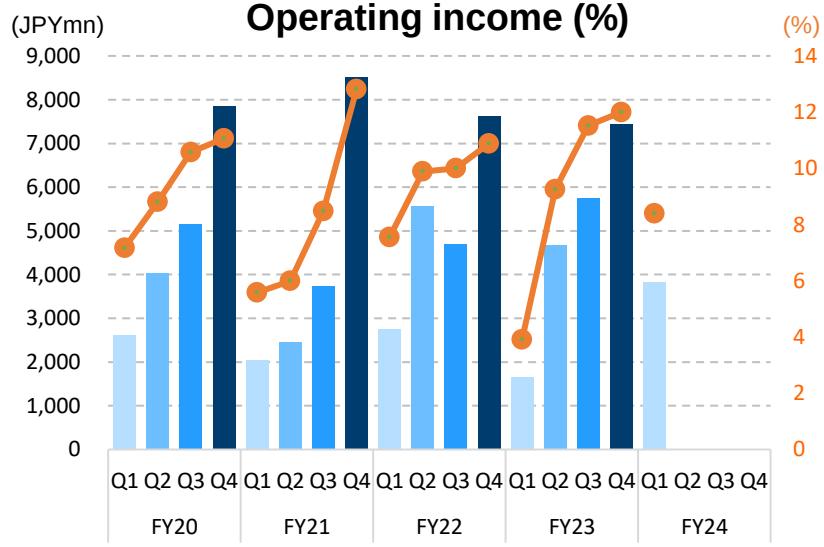
Gross profit (%)



SG&A (%)



Operating income (%)



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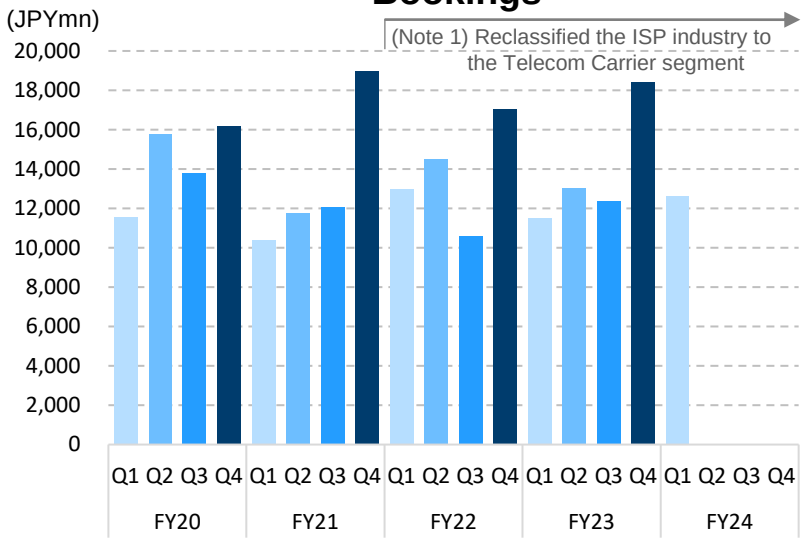
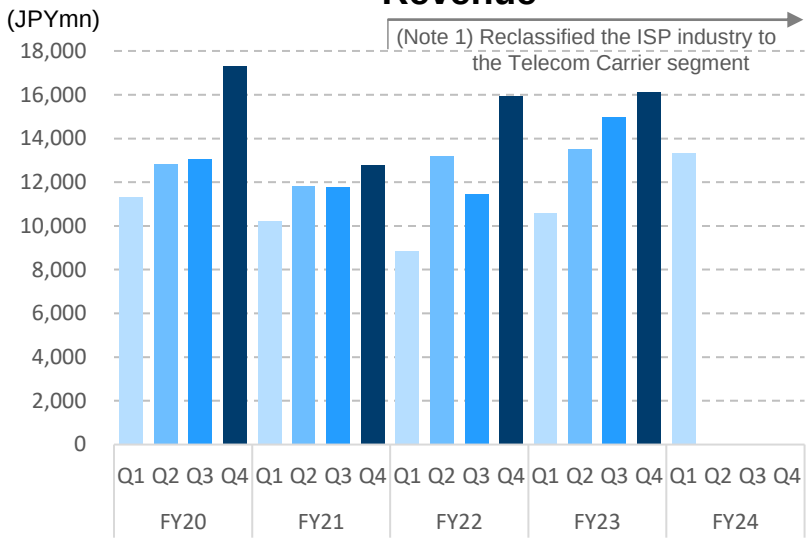
(Note) Effective from FY22, we adjusted our accounting policies and began recording a portion of the labor costs and other expenses incurred through our engineering division, which were previously recorded under SG&A expenses, as costs of revenue.

Enterprise segment

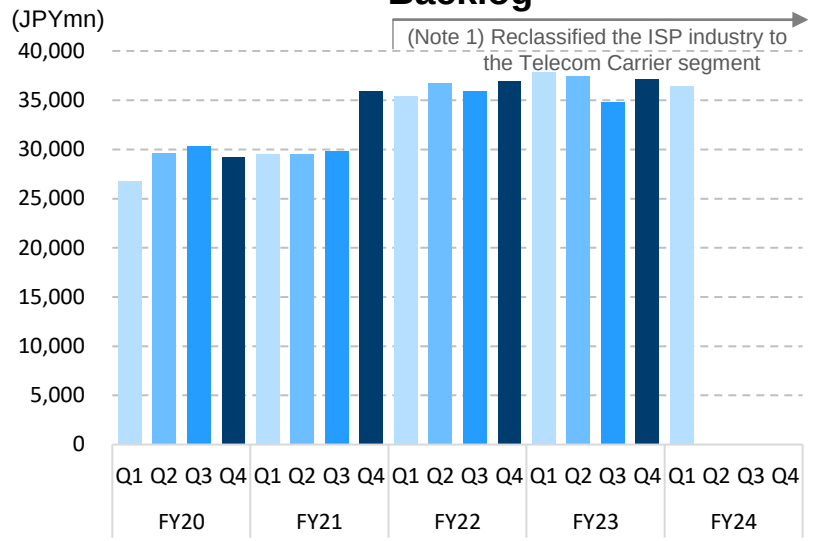
Bookings



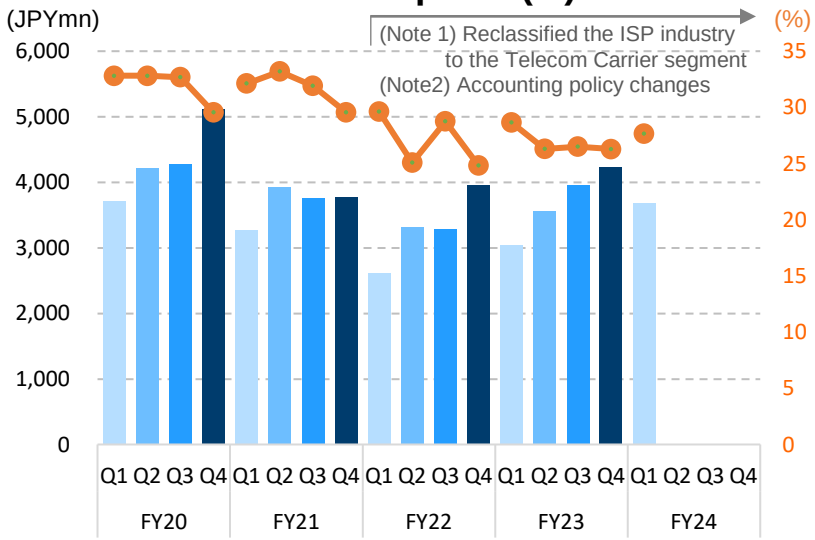
Revenue



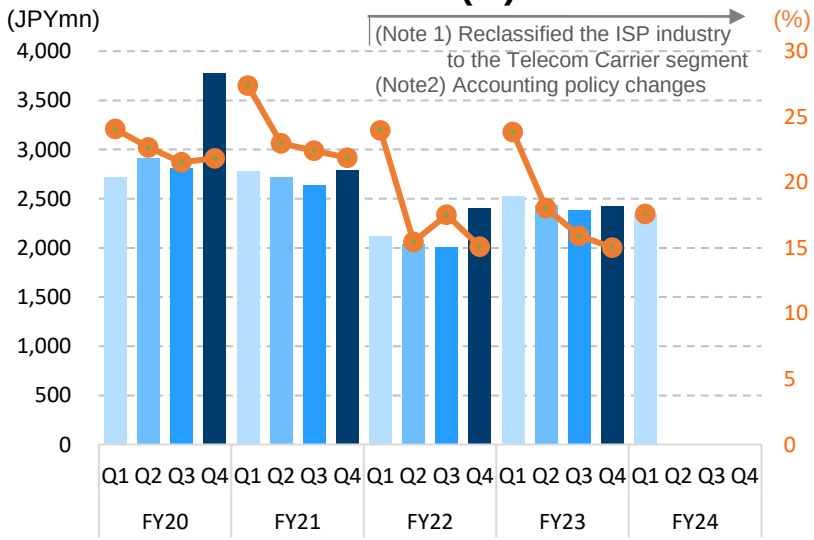
Backlog



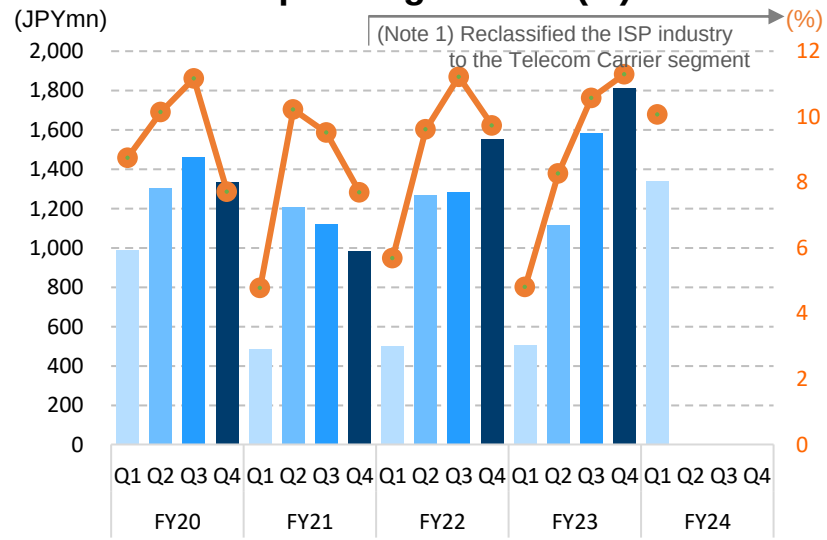
Gross profit (%)



SG&A (%)



Operating income (%)



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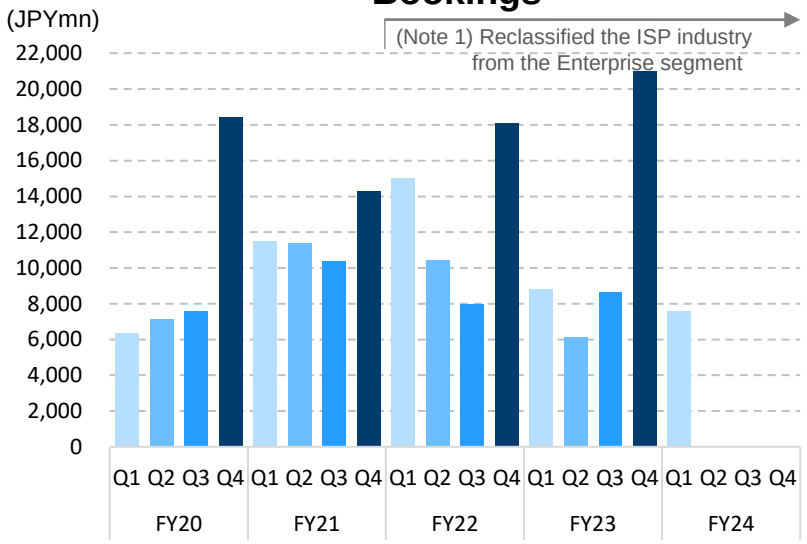
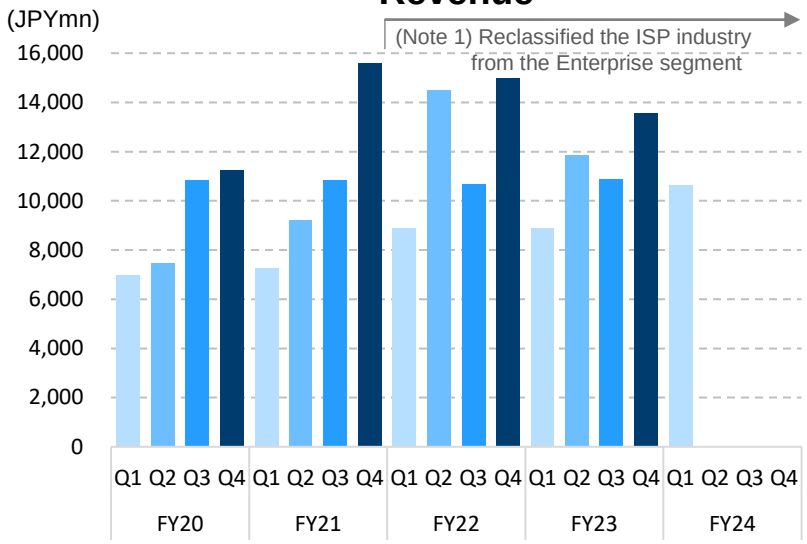
(Note 1) Effective from FY22, we have reclassified the ISP industry (formerly included under the Enterprise segment) under the Telecom Carrier segment.
(Note 2) Effective from FY22, we adjusted our accounting policies and began recording a portion of the labor costs and other expenses incurred through our engineering division, which were previously recorded under SG&A expenses, as costs of revenue.

Telecom Carrier segment

Bookings



Revenue



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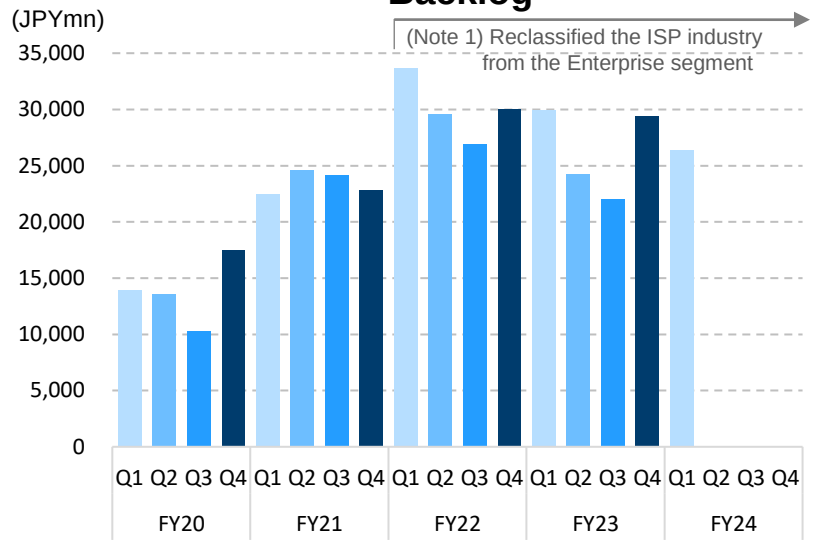
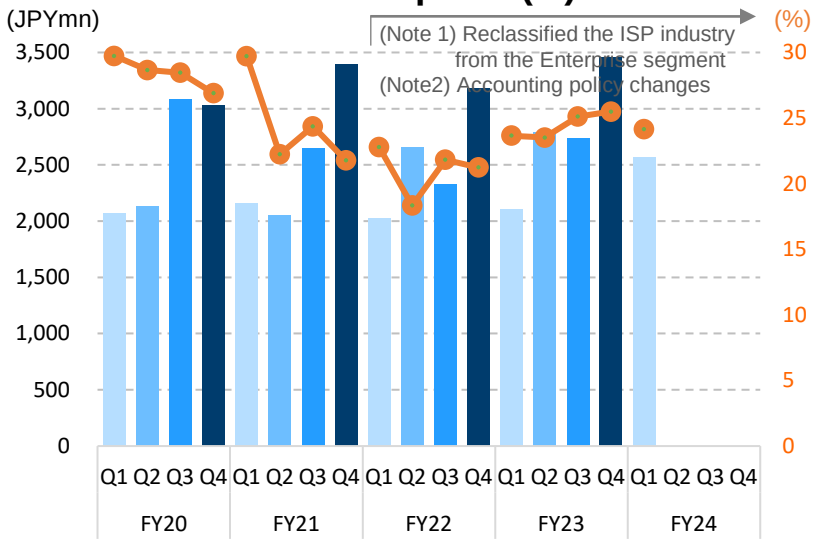
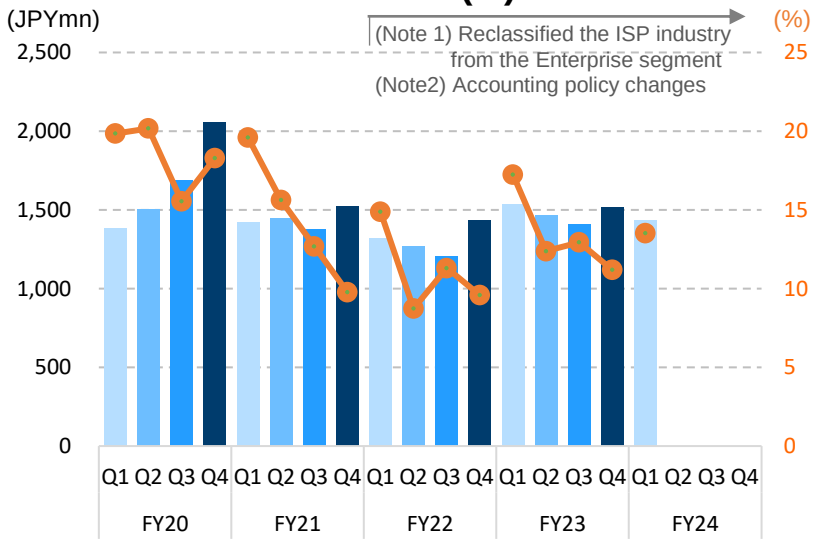


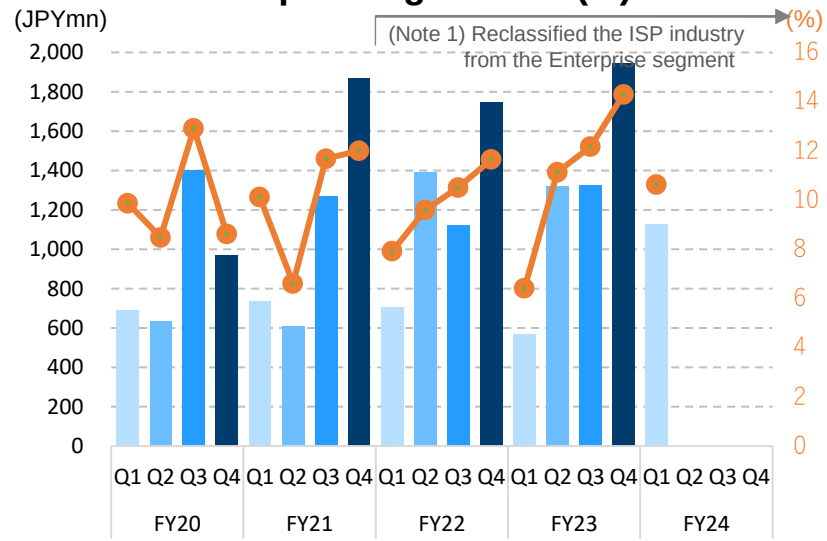
Gross profit (%)



SG&A (%)



Operating income (%)



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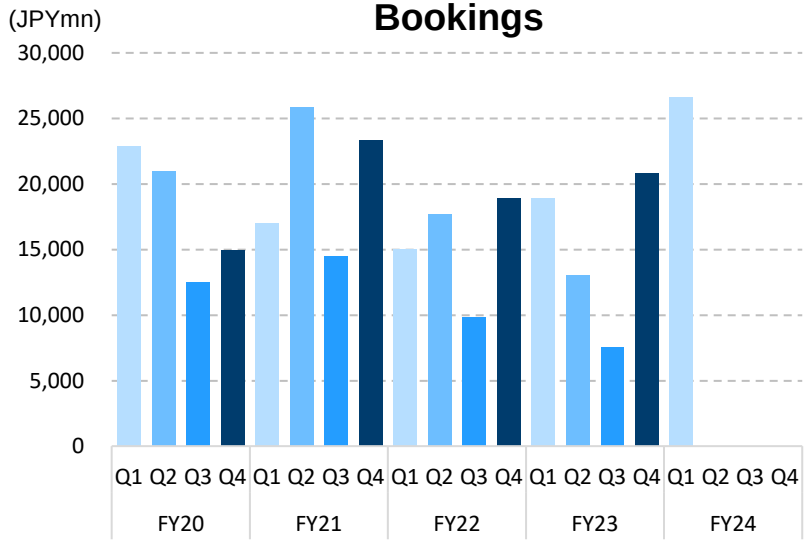
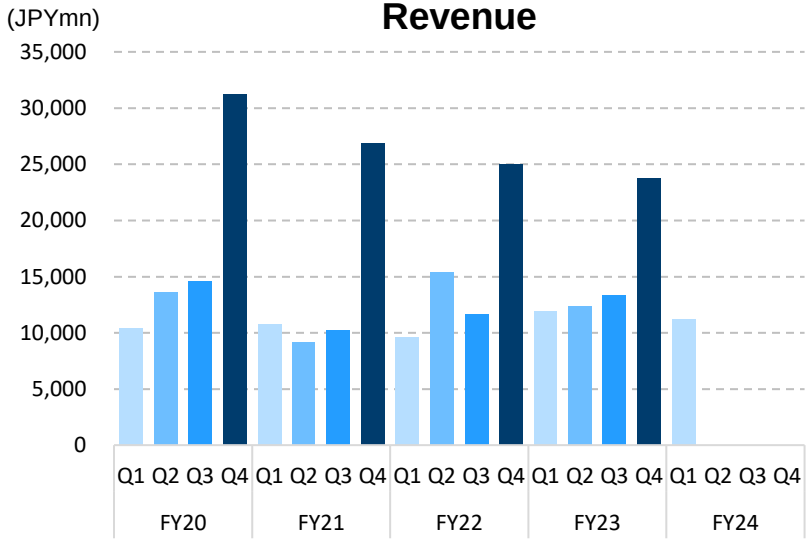
(Note 2) Effective from FY22, we adjusted our accounting policies and began recording a portion of the labor costs and other expenses incurred through our engineering division, which were previously recorded under SG&A expenses, as costs of revenue.

Public segment

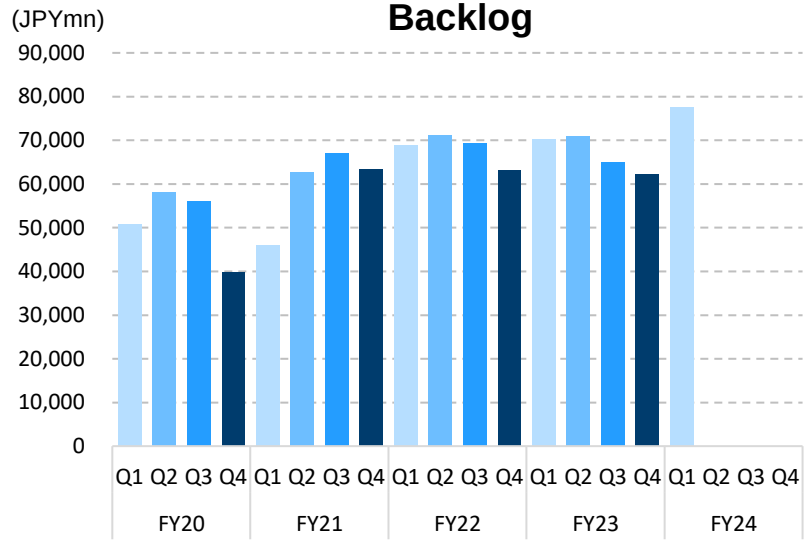
Bookings



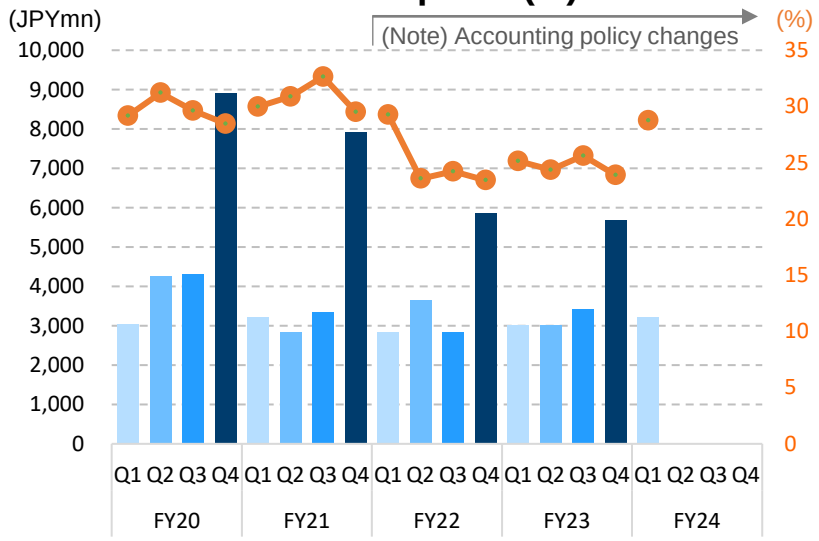
Revenue



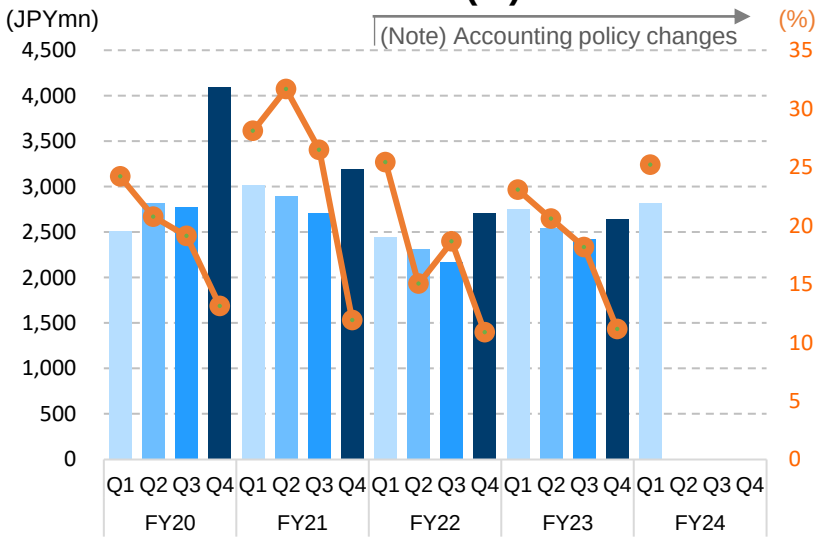
Backlog



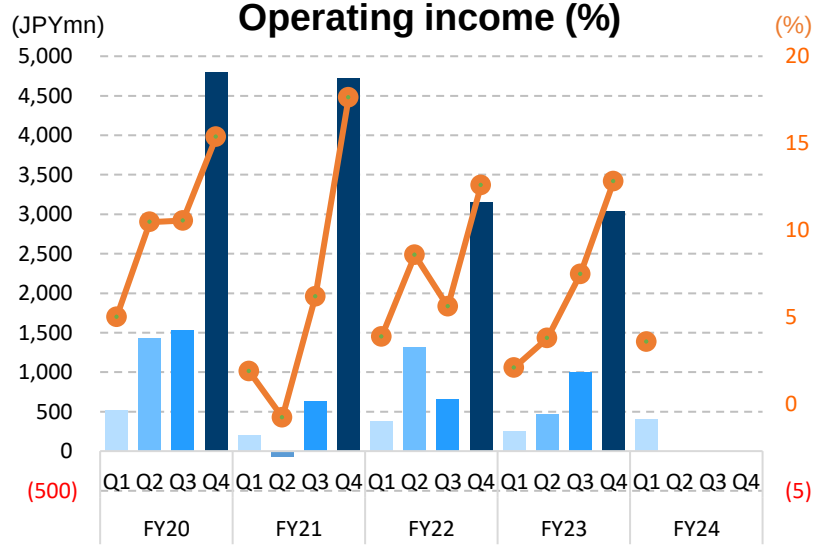
Gross profit (%)



SG&A (%)



Operating income (%)



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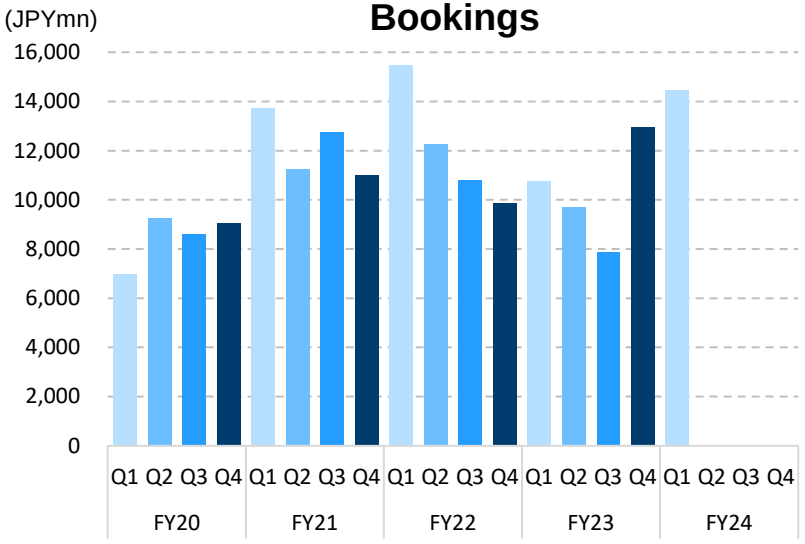
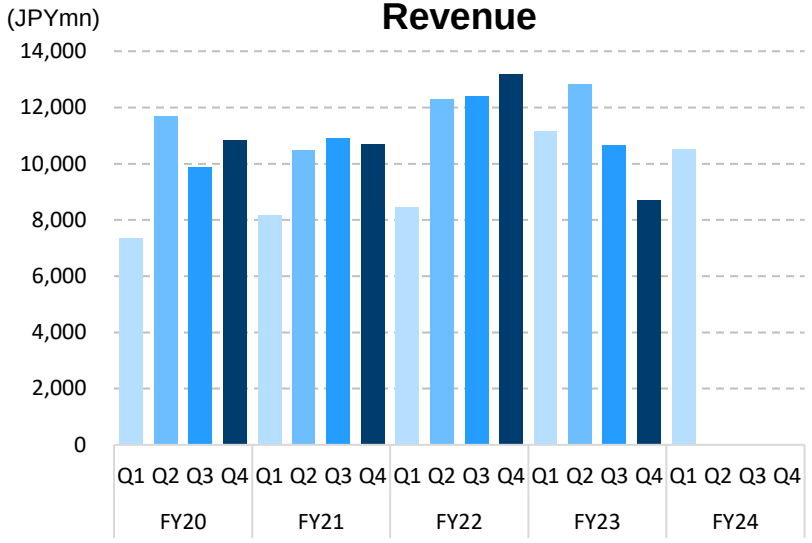
Partner segment

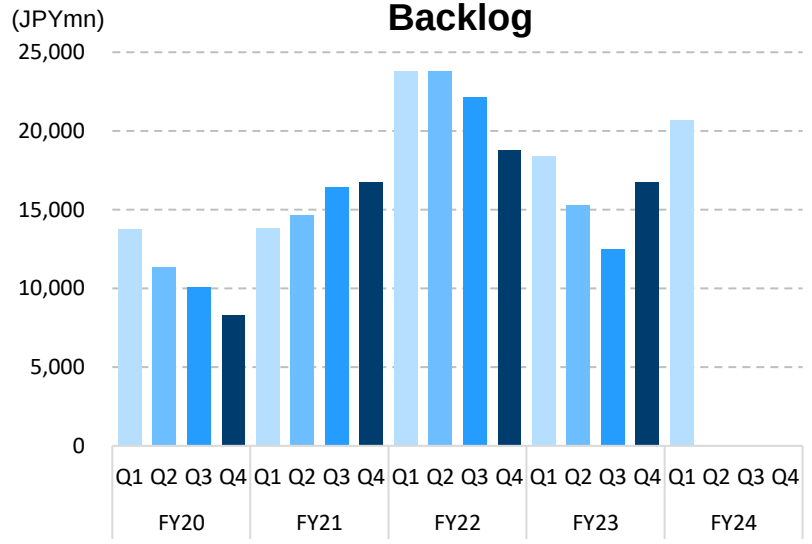
Bookings



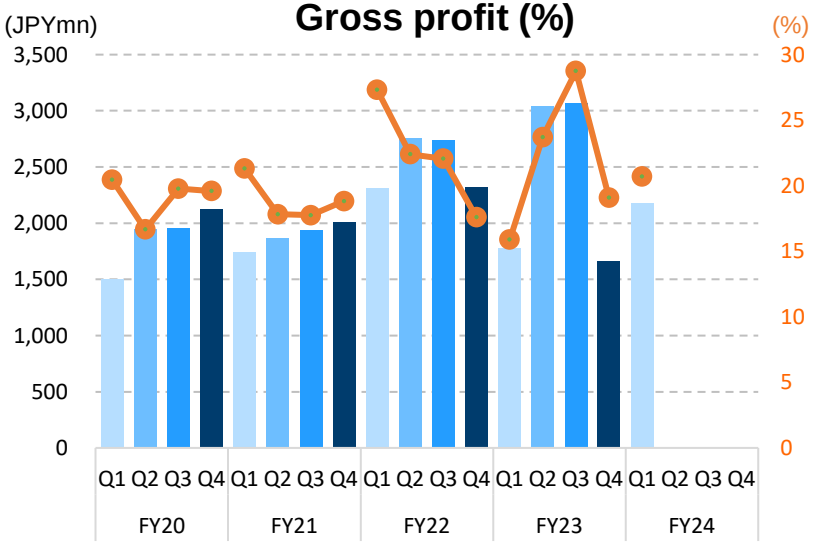
Revenue



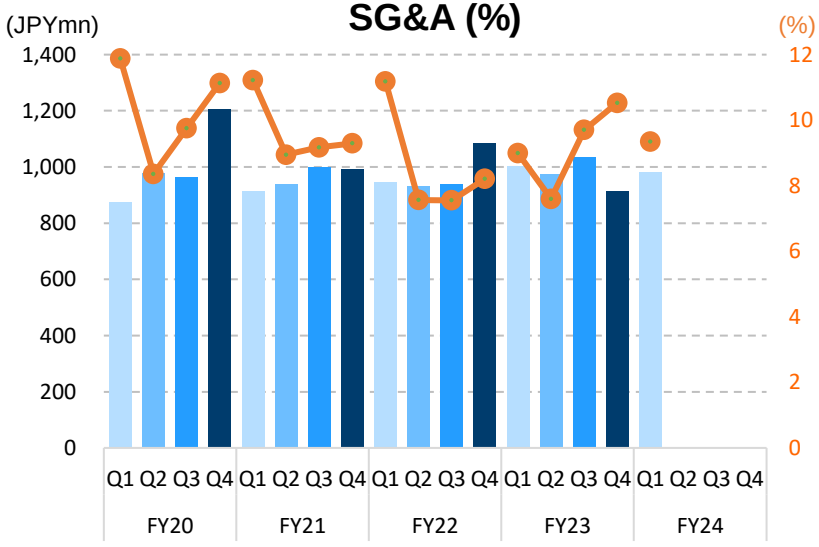
Backlog



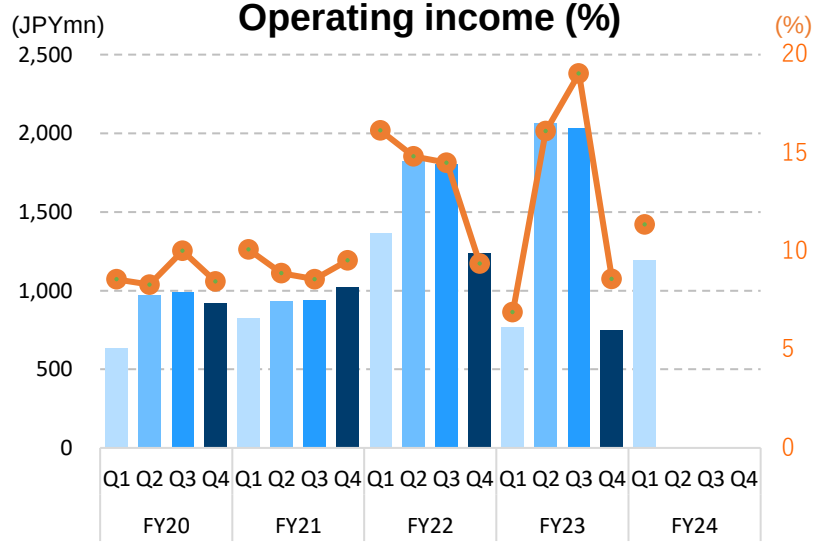
Gross profit (%)



SG&A (%)



Operating income (%)



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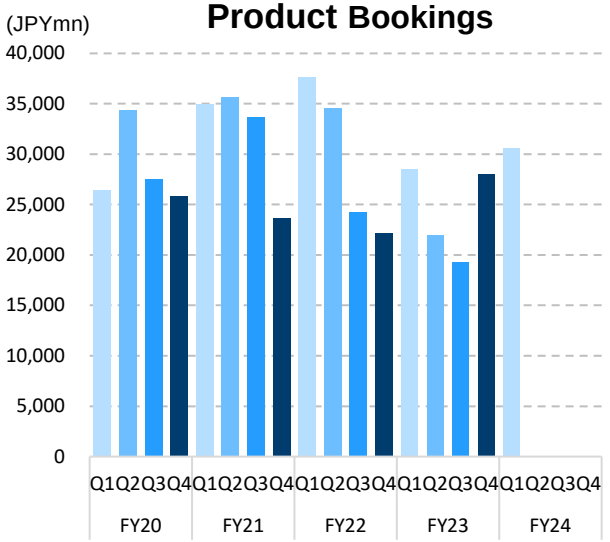
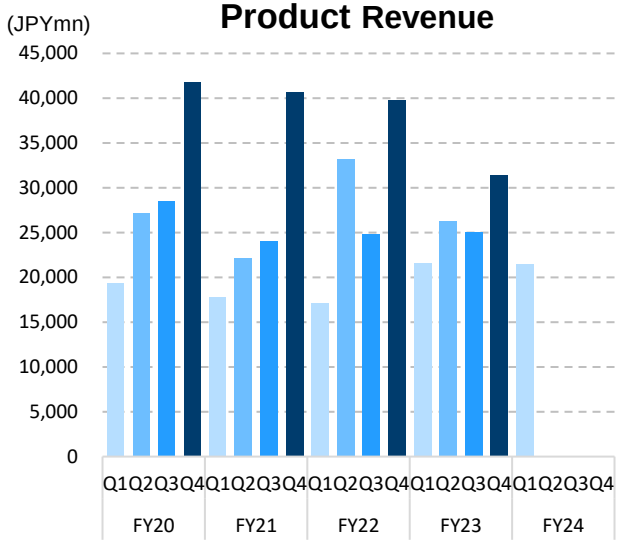
Product category: Product and Service

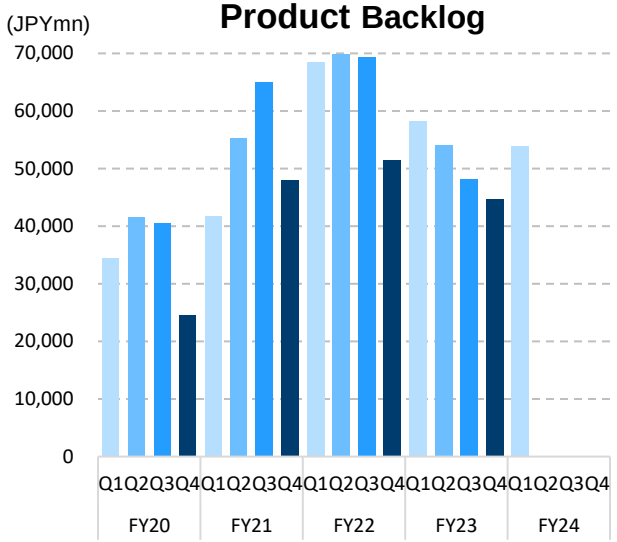
Product Bookings



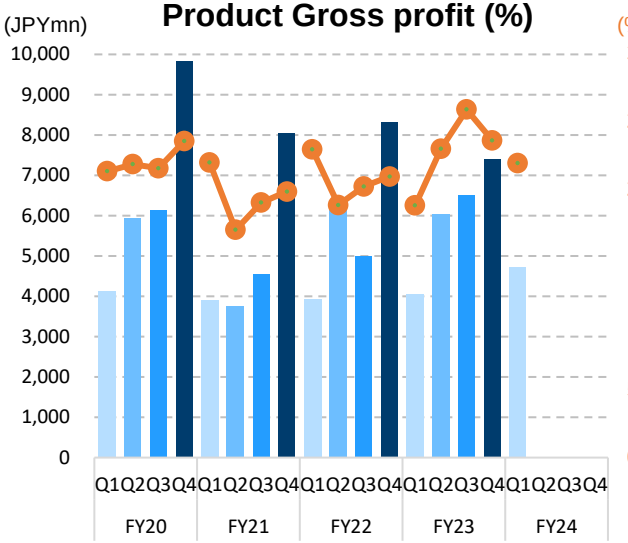
Product Revenue



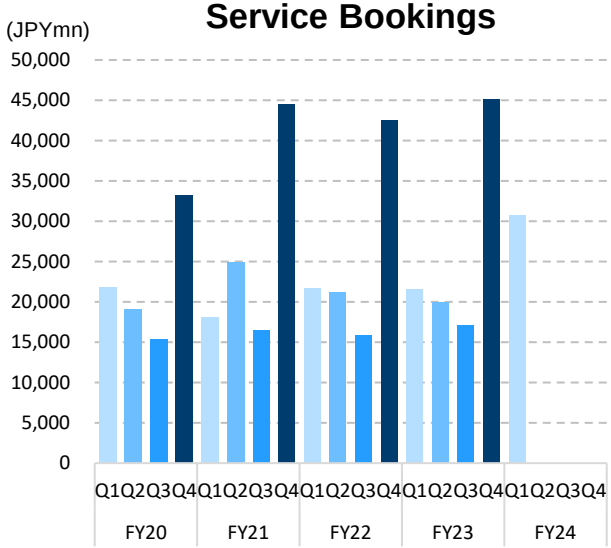
Product Backlog



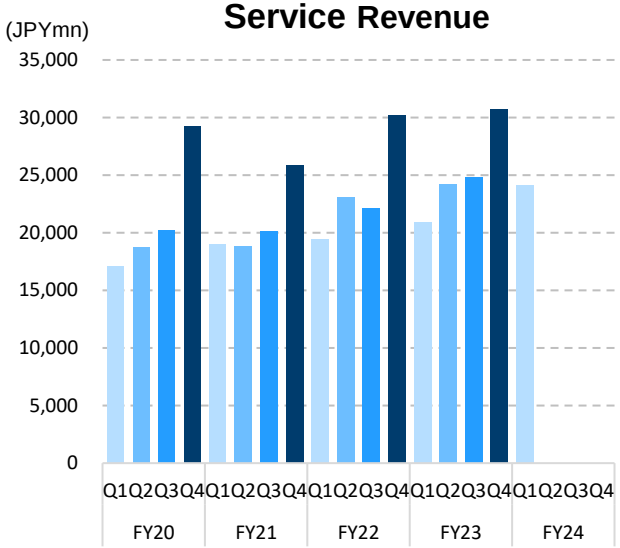
Product Gross profit (%)



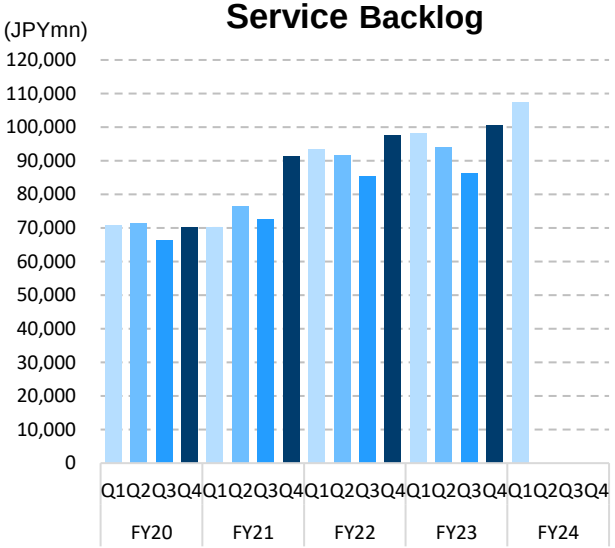
Service Bookings



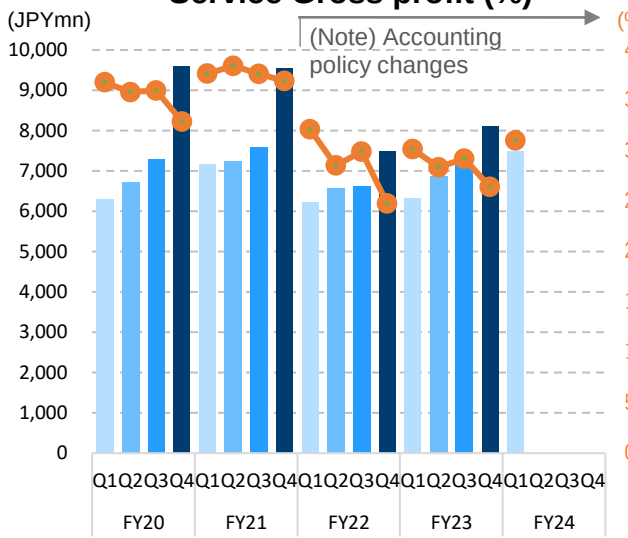
Service Revenue



Service Backlog



Service Gross profit (%)



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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/