Results for Q3 FY24
Ended December 31, 2024

Net One Systems Co., Ltd.
January 30, 2025 (Stock Code 7518: JP)

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1 Summary

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Q1-3 FY24 results overview

Bookings, revenue, and operating income all performed strongly. Both revenue and operating income reached record highs for Q1-3.
We captured demand for ICT platform enhancement services essential to digitalization, including network enhancement, security reinforcement, and cloud utilization.

	FY23 Q1-3	FY24 Q1-3	
Bookings	JPY128.3bn	JPY156.6bn	● +JPY28.3bn (+22.1%) YoY ✓ Enterprise: +JPY2.4bn (recovery in the financial sector, growth in the manufacturing sector, weakness in the non-manufacturing sector) ✓ Telecom Carrier: +JPY5.7bn (won a large co-creation business for corporate client) ✓ Public: +JPY12.8bn (won multiple large DX projects) ✓ Partner: +JPY7.2bn (won a large Wi-Fi service project for an MSP, strong collaboration with partners)
Revenue	JPY143.0bn	JPY155.3bn	● +JPY12.3bn (+8.7%) YoY ✓ Enterprise: +JPY5.9bn ✓ Telecom Carrier: +JPY2.0bn ✓ Public: +JPY2.8bn ✓ Partner: +JPY1.4bn
Operating income	JPY12.0bn	JPY14.3bn	● +JPY2.2bn (+18.3%) YoY ✓ GPM: -0.1pts (Q1-3 FY23: 25.9%, Q1-3 FY24: 25.8%) ✓ SG&A expenses: +JPY0.7bn (Q1-3 FY23: JPY24.9bn, Q1-3 FY24: JPY25.7bn)

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2 Q1-3 FY24 (Apr.-Dec. 9 months) results

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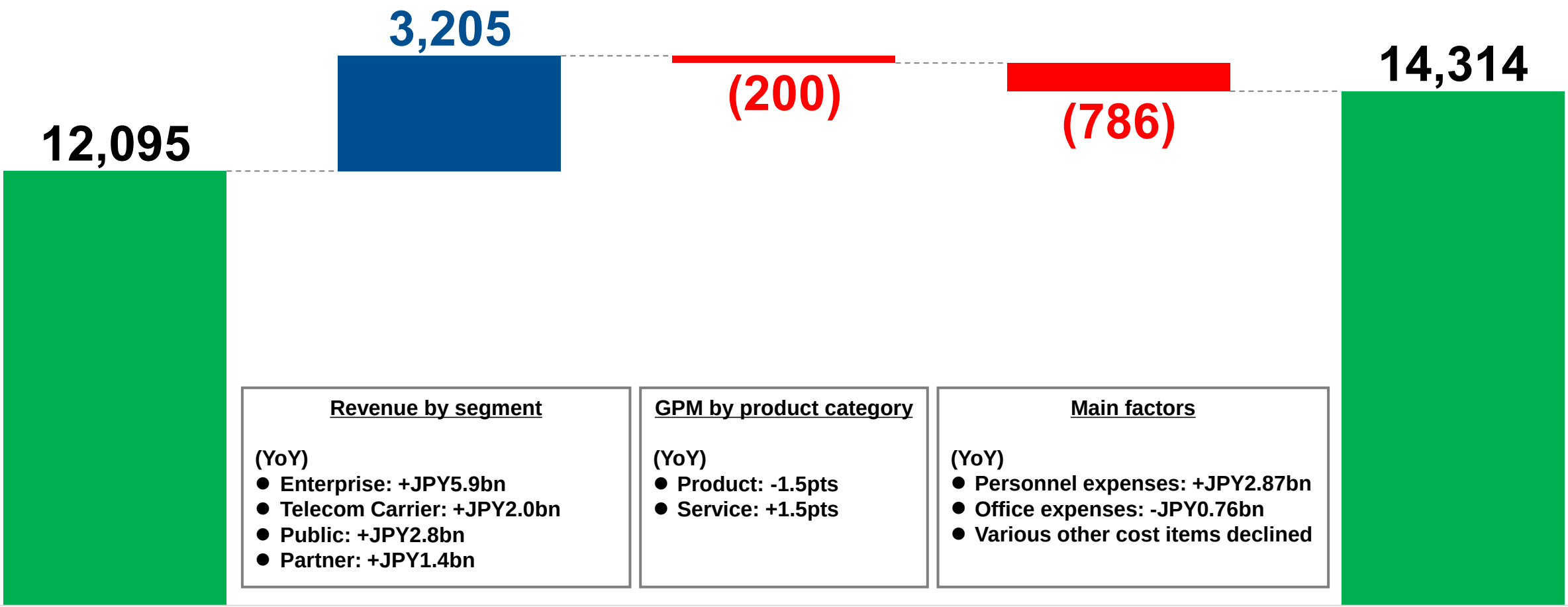
Q1-3 FY24 (Apr.-Dec. 9 months) results

(JPYmn)	FY23 Q1-3		FY24 Q1-3		YoY Amount	YoY %	
Bookings	128,331		156,671		+28,339	+22.1%	● Steady progress ● (YoY) Enterprise: +JPY2.4bn, Telecom Carrier: +JPY5.7bn, Public: +JPY12.8bn, Partner: +JPY7.2bn
Backlog	134,384		146,663		+12,279	+9.1%	
Revenue	143,013	100.0%	155,396	100.0%	+12,382	+8.7%	● Steady progress ● (YoY) Enterprise: +JPY5.9bn, Telecom Carrier: +JPY2.0bn, Public: +JPY2.8bn, Partner: +JPY1.4bn
Cost of sales	105,986	74.1%	115,362	74.2%	+9,376	+8.8%	● GPM: -0.1pts YoY ✓ Product: -1.5pts YoY (Q1-3 FY23: 22.7%, Q1-3 FY24: 21.2%) • In FY23, the Partner business benefited from one-off income in Q3 and favorable forex effects; in FY24, these impacts have been nearly absent ✓ Service: +1.5pts YoY (Q1-3 FY23: 29.2%, Q1-3 FY24: 30.7%) • Optimization of service prices gradually contributed to increasing GPM ✓ Service ratio: -0.9pts YoY (Q1-3 FY23: 48.9%, Q1-3 FY24: 48.0%) • Performance of service continues to expand; regardless, service ratio declined slightly YoY due in part to impact from large product projects
Gross profit	37,027	25.9%	40,033	25.8%	+3,005	+8.1%	
SG&A	24,932	17.4%	25,719	16.6%	+786	+3.2%	● (YoY) Personnel expenses +JPY2.87bn, office expenses -JPY0.76bn, and various other cost items declined
Operating income	12,095	8.5%	14,314	9.2%	+2,218	+18.3%	● Factors contributing to YoY increase/decrease are provided on the next page
Ordinary income	11,636	8.1%	14,246	9.2%	+2,609	+22.4%	
Profit attributable to owners of parent	7,937	5.6%	9,567	6.2%	+1,629	+20.5%	● Q2 extraordinary income: JPY0.49bn from the sale of “legacy provider-independent addresses” ● Q3 extraordinary losses: JPY0.74bn in takeover bid-related expenses
EPS (JPY)	97.65		120.60		+22.95	+23.5%	

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Operating income analysis

(JPYmn)



Revenue by segment

(YoY)
- Enterprise: +JPY5.9bn
- Telecom Carrier: +JPY2.0bn
- Public: +JPY2.8bn
- Partner: +JPY1.4bn

GPM by product category

(YoY)
- Product: -1.5pts
- Service: +1.5pts

Main factors

(YoY)
- Personnel expenses: +JPY2.87bn
- Office expenses: -JPY0.76bn
- Various other cost items declined

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Bookings and backlog by segment

(JPYmn)		FY23 Q1-3		FY24 Q1-3		YoY Amount	YoY %	
Enterprise	Bookings	36,933		39,418		+2,485	+6.7%	● 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: Performance remained level YoY
	Service (%)	21,821	59.1%	23,261	59.0%	+1,440	+6.6%	
	Backlog	34,851		31,529		(3,321)	-9.5%	
Telecom Carrier	Bookings	23,598		29,332		+5,734	+24.3%	● We won a large co-creation business for corporate client ● Service ratio: Performance remained level YoY
	Service (%)	9,810	41.6%	12,109	41.3%	+2,299	+23.4%	
	Backlog	21,999		25,044		+3,045	+13.8%	
Public	Bookings	39,519		52,356		+12,836	+32.5%	● 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 (%)	20,874	52.8%	32,528	62.1%	+11,654	+55.8%	
	Backlog	65,061		73,915		+8,854	+13.6%	
Partner	Bookings	28,304		35,563		+7,258	+25.6%	● 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 (%)	6,075	21.5%	7,134	20.1%	+1,058	+17.4%	
	Backlog	12,471		16,173		+3,701	+29.7%	

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Revenue, gross profit, and operating income by segment

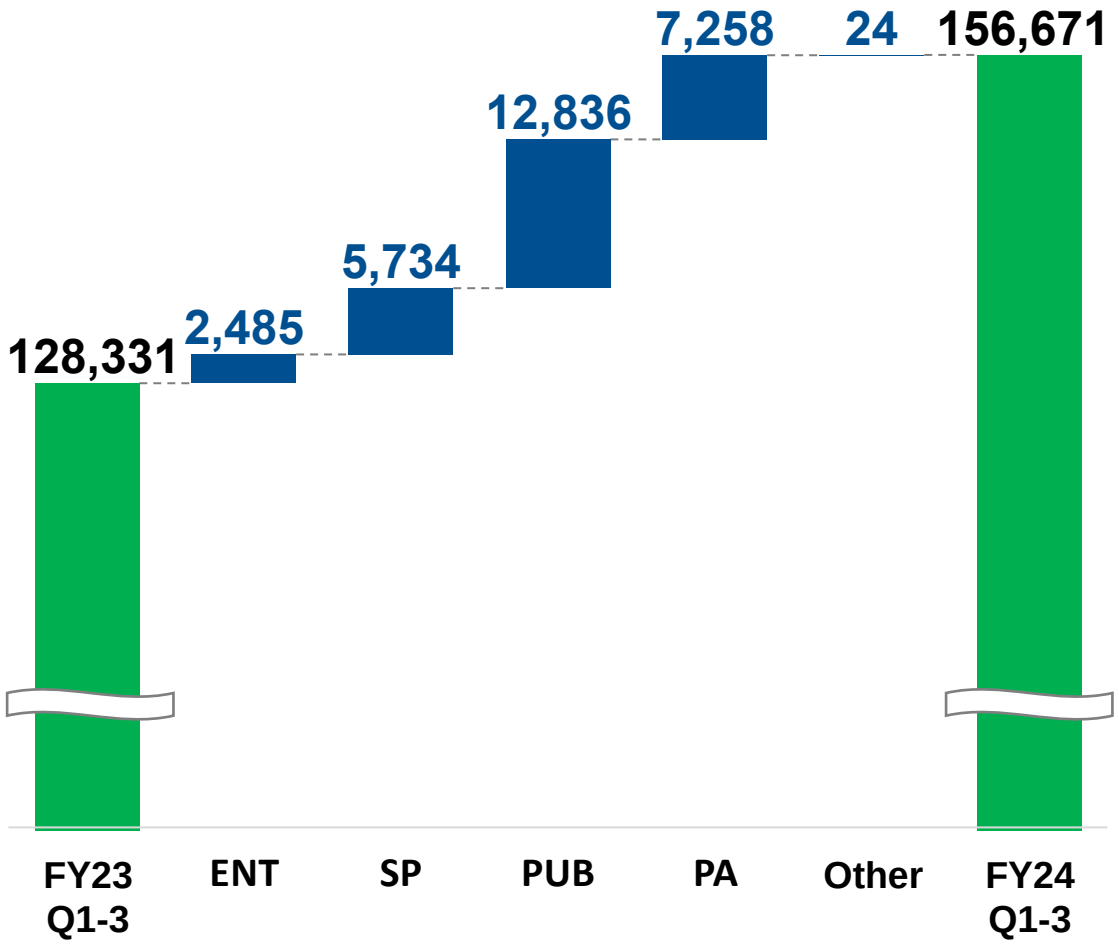
(JPYmn)		FY23 Q1-3		FY24 Q1-3		YoY Amount	YoY %	
Enterprise	Revenue	39,078		45,034		+5,955	+15.2%	● Revenue: Growth was achieved primarily through the financial and manufacturing sectors ● GPM: -0.6pts YoY ✓ GPM declined slightly due to the impact associated with some large projects in Q3
	Service (%)	23,113	59.1%	26,478	58.8%	+3,365	+14.6%	
	Gross profit (%)	10,558	27.0%	11,880	26.4%	+1,321	+12.5%	
	Operating income (%)	3,210	8.2%	4,646	10.3%	+1,436	+44.8%	
Telecom Carrier	Revenue	31,643		33,720		+2,077	+6.6%	● Revenue: Increase in revenue from nearly all telecom carriers ● GPM: -1.4pts YoY ✓ GPM declined due to large project-related impacts in Q3 incurred through the facility business and co-creation business for corporate clients
	Service (%)	16,351	51.7%	17,575	52.1%	+1,223	+7.5%	
	Gross profit (%)	7,628	24.1%	7,654	22.7%	+25	+0.3%	
	Operating income (%)	3,216	10.2%	3,145	9.3%	(71)	-2.2%	
Public	Revenue	37,659		40,538		+2,879	+7.6%	● Revenue: Earnings secured through municipal governments rose, while performance achieved through universities, a central source of large projects during Q1-3 FY23, fell off YoY ● GPM: +3.0pts YoY ✓ Optimization of service prices gradually contributed to increasing GPM ✓ In Q1 FY23, we remained unable to pass on a portion of the increased vendor support costs
	Service (%)	23,953	63.6%	24,366	60.1%	+412	+1.7%	
	Gross profit (%)	9,434	25.1%	11,409	28.1%	+1,974	+20.9%	
	Operating income (%)	1,713	4.5%	3,010	7.4%	+1,297	+75.7%	
Partner	Revenue	34,633		36,103		+1,469	+4.2%	● Revenue: Rose thanks to a Wi-Fi service project for an MSP and strong collaboration with partner companies ● GPM: -2.5pts YoY ✓ In FY23, the Partner business benefited from one-off income in Q3 and favorable forex effects; in FY24, these impacts have been nearly absent
	Service (%)	6,547	18.9%	6,169	17.1%	(378)	-5.8%	
	Gross profit (%)	7,877	22.7%	7,283	20.2%	(594)	-7.5%	
	Operating income (%)	4,865	14.0%	4,208	11.7%	(657)	-13.5%	

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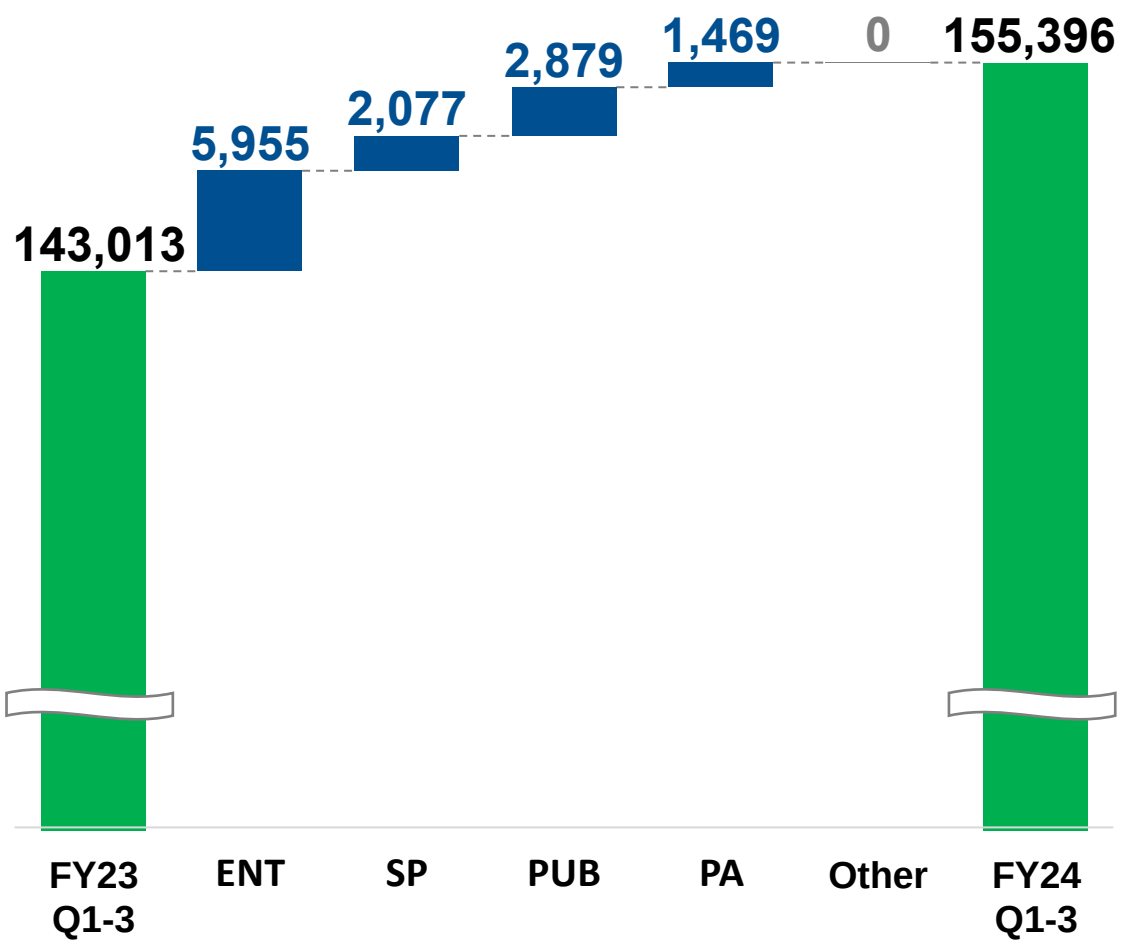
Bookings and revenue: YoY changes by segment

(JPYmn)

Bookings



Revenue



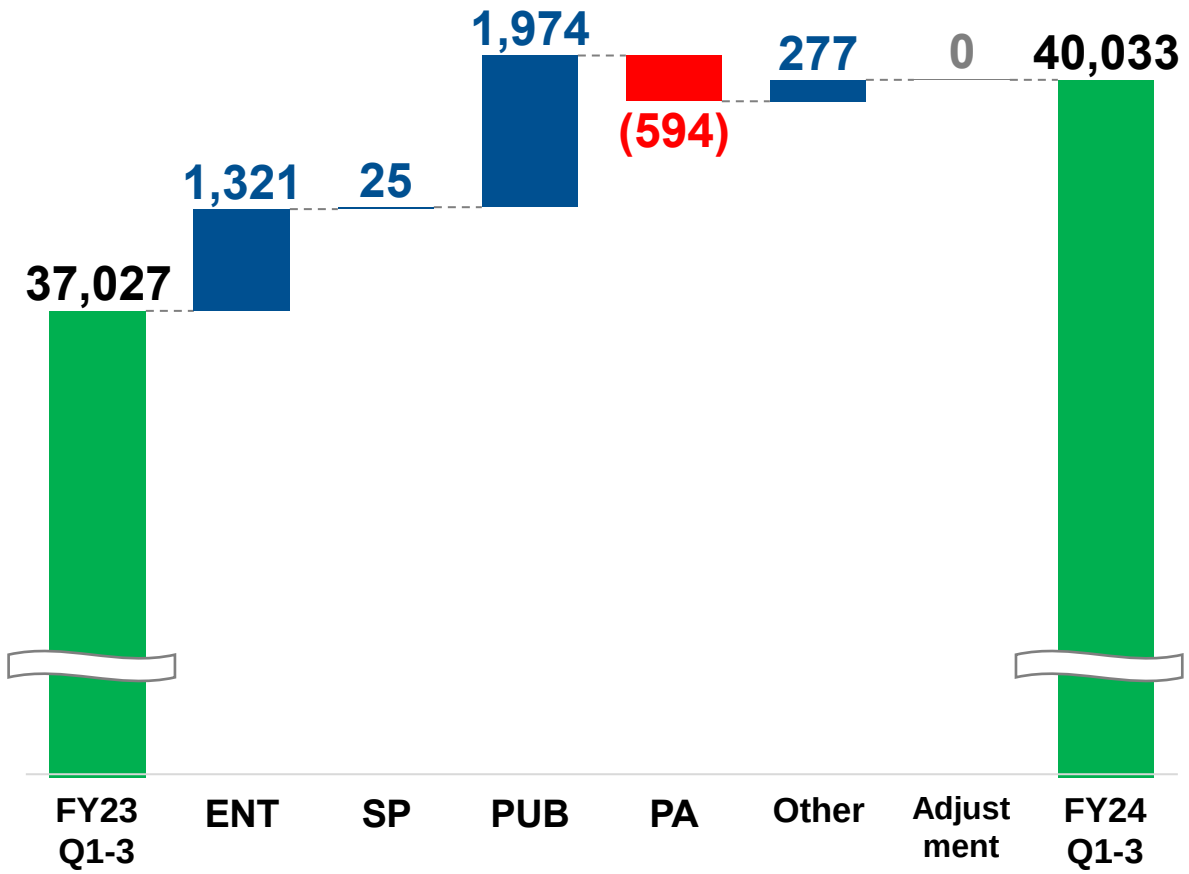
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(Note) ENT: Enterprise, SP: Telecom Carrier, PUB: Public, PA: Partner

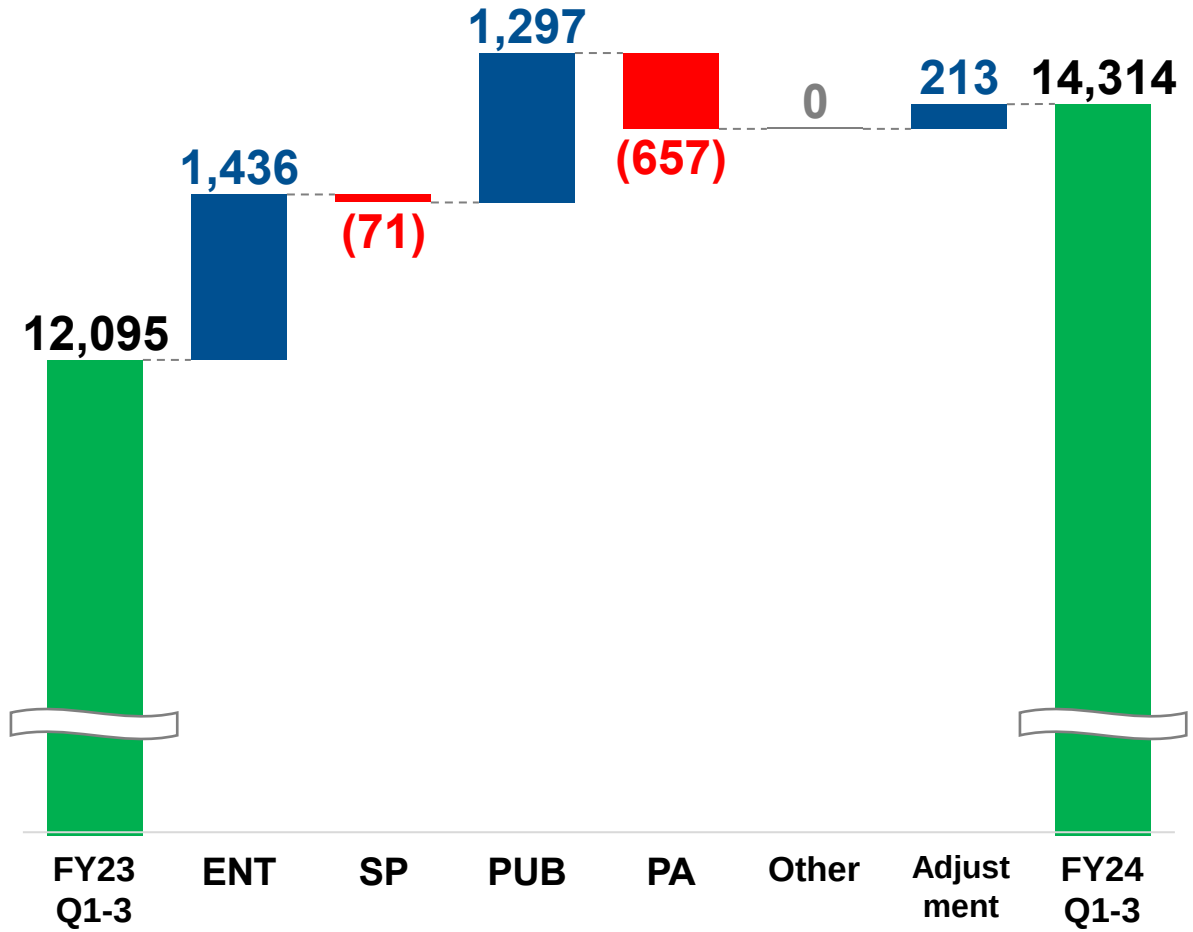
Gross profit and operating income: YoY changes by segment

(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) 47.9% in bookings (+2.3pts YoY), 48.0% in revenue (-0.9pts YoY), 68.9% in backlog (+4.8pts YoY)

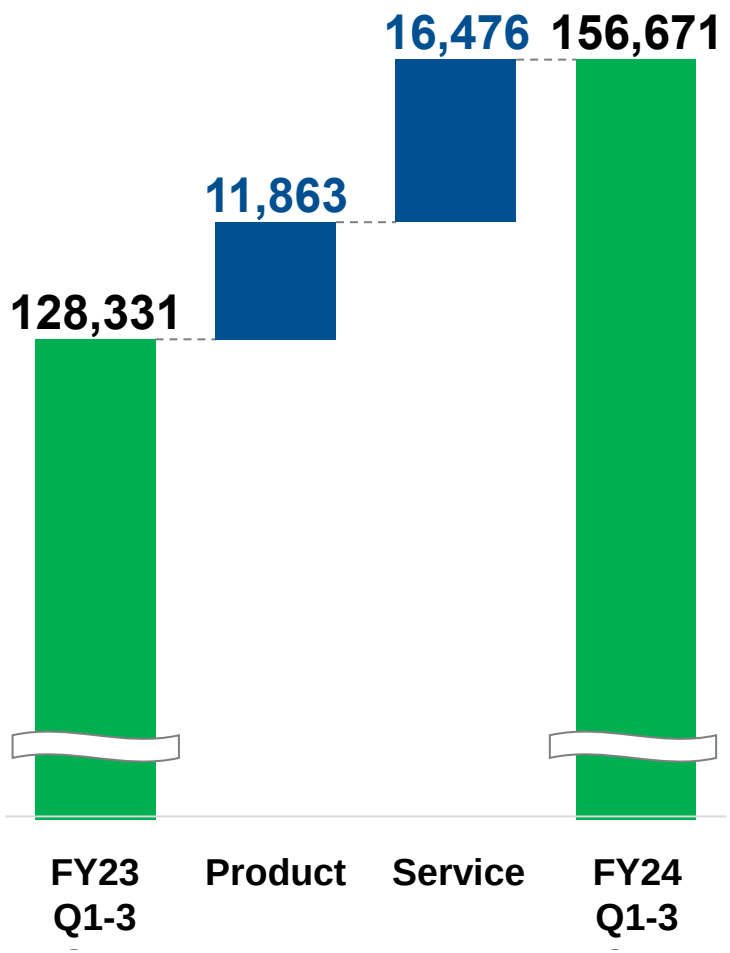
(JPYmn)		FY23 Q1-3		FY24 Q1-3		YoY Amount	YoY %	
Product	Bookings	69,773		81,636		+11,863	+17.0%	● Bookings: Increased due to acquisition of orders for large product projects within the Partner business and general growth in bookings secured through all segments
	Backlog	48,186		45,576		(2,609)	-5.4%	
	Revenue	73,047		80,805		+7,758	+10.6%	● Revenue: Increased due to acquisition of orders for large product projects within the Partner business and general growth in revenue secured through all segments
	Gross profit (%)	16,603	22.7%	17,106	21.2%	+502	+3.0%	● GPM: -1.5pts YoY ✓ In FY23, the Partner business benefited from one-off income in Q3 and favorable forex effects; in FY24, these impacts have been nearly absent
Service	Bookings	58,558		75,034		+16,476	+28.1%	● Bookings: Increased particularly in the Public segment, with growth driven mainly by managed, system integration, and maintenance services
	Backlog	86,197		101,086		+14,888	+17.3%	
	Revenue	69,966		74,590		+4,623	+6.6%	● Revenue: Grew thanks mainly to performance achieved through managed and maintenance services
	Gross profit (%)	20,424	29.2%	22,926	30.7%	+2,502	+12.3%	● GPM: +1.5pts YoY ✓ Optimization of service prices gradually contributed to increasing GPM

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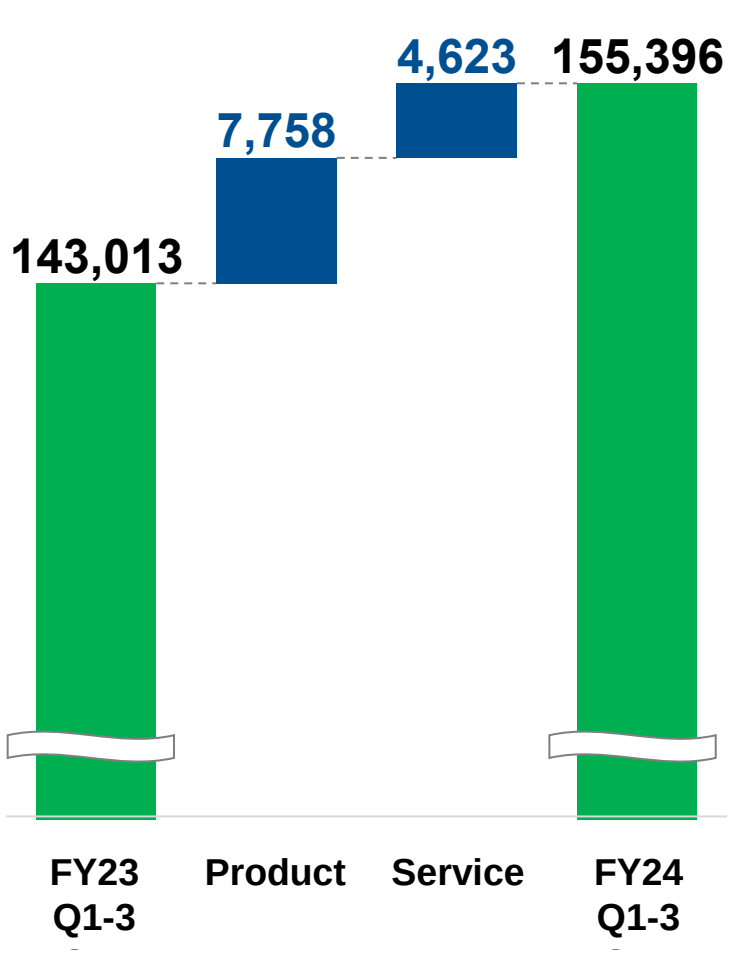
Bookings, revenue, and gross profit: YoY changes by product category

(JPYmn)

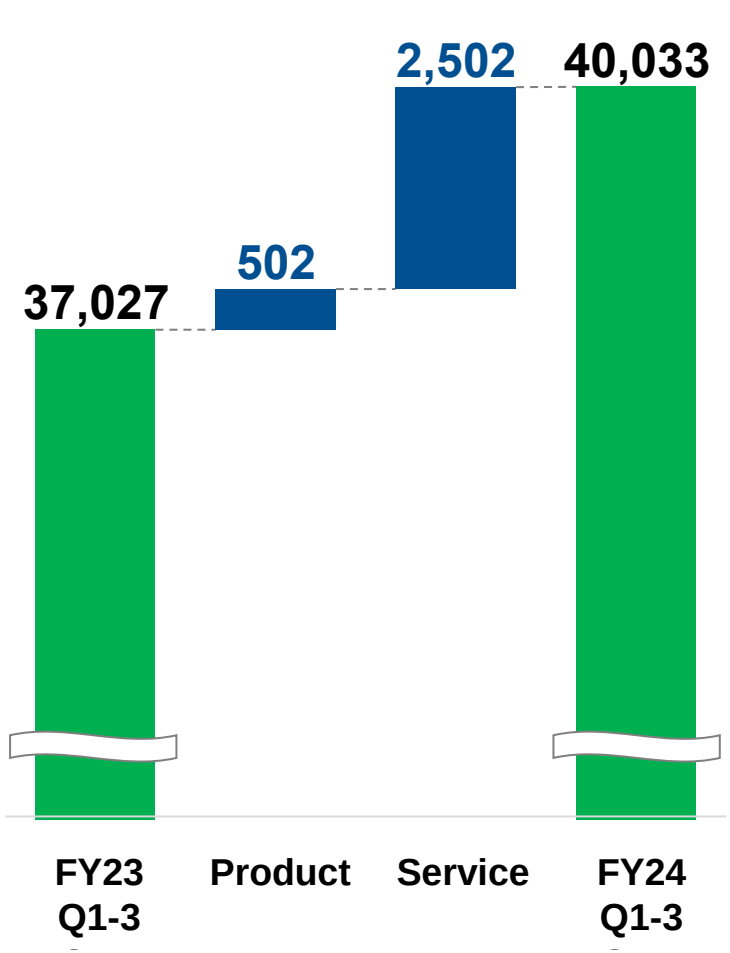
Bookings



Revenue



Gross profit



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Consolidated balance sheets

(JPYmn)	Mar. 31, 2024	Dec. 31, 2024	Change		
			Amount	%	
Total assets	164,909	163,166	(1,742)	-1.1%	
Current assets	147,488	146,002	(1,486)	-1.0%	
Cash and deposits	32,035	26,531	(5,503)	-17.2%	
Notes and accounts receivable-trade	46,180	39,873	(6,307)	-13.7%	
Inventory assets	33,695	43,592	+9,897	+29.4%	Costs on uncompleted construction contracts: +11,899
Other	35,577	36,004	+427	+1.2%	
Noncurrent assets	17,420	17,164	(255)	-1.5%	
Property, plant and equipment	8,895	8,487	(407)	-4.6%	
Intangible assets	2,644	3,696	+1,052	+39.8%	Software (new enterprise system, etc.): +1,052
Investment etc.	5,881	4,980	(900)	-15.3%	
Total liabilities	88,094	82,900	(5,193)	-5.9%	
Current liabilities	66,703	64,988	(1,715)	-2.6%	
Non-current liabilities	21,391	17,912	(3,478)	-16.3%	
Total net assets	76,814	80,265	+3,451	+4.5%	
Shareholders' equity	76,414	79,570	+3,155	+4.1%	
Accumulated other comprehensive income	268	564	+296	+110.1%	
Subscription rights to shares	130	130	0	0.0%	
Total liabilities and net assets	164,909	163,166	(1,742)	-1.1%	

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Bookings and revenue by focus areas

		FY23 Q1-3	FY24 Q1-3	Booking trends
Smart manufacturing	Bookings	JPY 3.9bn	JPY 10.5bn	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 5.0bn	JPY 6.2bn	
Digitalization of social infrastructure to realize Society 5.0	Bookings	JPY 5.9bn	JPY 7.6bn	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 ✓ Railroad: Cloud systems for corporate groups
	Revenue	JPY 3.7bn	JPY 7.4bn	
Digital government	Bookings	JPY 9.7bn	JPY 21.6bn	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 2.3bn	JPY 5.1bn	

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Employees

	End of FY23 Q3	End of FY24 Q3	YoY Amount	YoY %	
Number of consolidated employees	2,588	2,674	+86	+3.3%	● 75 new graduates joined the Company in FY24 ● Transfer of employees from a non-consolidated subsidiary added 47 individuals to consolidated employee count (see note)
Turnover rate	3.3%	2.8%	-	-	

(Note)
Employees formerly assigned to Net One Business Operations G.K. (non-consolidated subsidiary: provided administrative services for the Net One Group) were transferred to Net One Systems after Net One Business Operations was dissolved on September 30, 2024 with the aim of improving operational efficiency and ensuring effective utilization of management resources.

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3 Progress of measures to prevent recurrence

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Progress of measures to prevent recurrence (October 2024)

net one

Progress

1. Governance reform and promotion	• All divisions, offices, and teams held quarterly case study workshops. In Q3 FY24, all employees continued exchanging opinions regarding the theme of “non-current assets.” (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 launched the FY24 risk assessment while continuing to implement risk management plans for key risks. Through a joint meeting held between the secretariats of our Governance and Corporate Culture Advisory Committee, Risk Management Committee, and Compliance Committee, we disclosed the progress of our recurrence prevention measures for 1H and discussed future agendas for these committees. (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) • Control documents have been fully updated, and we continued evaluations regarding their operational effectiveness (maintenance status). (4.(3)-a) • We continued developing a training plan to enhance 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 broke down whistleblowing categories into more specific segments and are currently pushing forward with activities aimed at simplifying feedback for statistical analysis and recurrence prevention. (5.(1)-a) • We have analyzed views submitted through our feedback system, which operates using third-party points of contact during FY24 to identify trends or common themes. Based on our findings, we are currently examining additional improvement measures. (5.(2)-a)
6. Reform and creation of organizational culture	• To facilitate deeper understanding of our Philosophy System, we updated the corresponding website on our internal web portal. (6.(2)-c) • The members tasked with planning companywide measures are currently coordinating our Vision Day while developing measures aimed at fostering an ideal corporate culture and promoting awareness of our WAY. (6.(2)-d) • 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 conducting activities in accordance with FY24 education plan for improving accounting literacy. (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 accordance with survey methods and plans established for FY24, we submitted the survey reports to the Governance and Corporate Culture Advisory Committee. Based on the survey results, we continued formulating plans for the continuous enhancement of internal control systems. (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 (November 2024)

Progress

1. Governance reform and promotion	• All divisions, offices, and teams held quarterly case study workshops. In Q3 FY24, all employees continued exchanging opinions regarding the theme of “non-current assets.” (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 continued to conduct risk management targeting key risks. We also conducted risk assessments for FY24 and reported the results to the Risk Management Committee and the Board of Directors. The secretariats of our Governance and Corporate Culture Advisory Committee, Risk Management Committee, and Compliance Committee continued holding joint meetings. (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) • Control documents have been fully updated, and we continued evaluations regarding their operational effectiveness (maintenance status). (4.(3)-a) • We developed a training plan to enhance understanding of J-SOX and continued preparing training content. Implementation is slated to begin in December. (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 broke down whistleblowing categories into more specific segments and are currently pushing forward with activities aimed at simplifying feedback for statistical analysis and recurrence prevention. (5.(1)-a) • Utilizing our feedback system, which operates using third-party points of contact, we began identifying important issues by reviewing submissions and delivering constructive suggestions to relevant organizations. (5.(2)-a)
6. Reform and creation of organizational culture	• We held a Vision Day event coordinated by members tasked with planning companywide measures. (6.(2)-d) • Through Vision Day, we facilitated a better understanding of our corporate philosophy and re-emphasized our five corporate culture practices. (6.(2)-d) • 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 conducting activities in accordance with FY24 education plan for improving accounting literacy. (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 accordance with survey methods and plans established for FY24, we submitted the survey reports to the Governance and Corporate Culture Advisory Committee. Based on the survey results, we continued formulating plans for the continuous enhancement of internal control systems. (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 (December 2024)

Progress

1. Governance reform and promotion	• All divisions, offices, and teams held quarterly case study workshops. In Q3 FY24, all employees continued exchanging opinions regarding the theme of “non-current assets.” (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 continued to conduct risk management targeting key risks. In addition, we began considering risk management training for executives in FY25. The secretariats of our Governance and Corporate Culture Advisory Committee, Risk Management Committee, and Compliance Committee continued holding joint meetings. (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) • Control documents have been fully updated, and we continued evaluations regarding their operational effectiveness (maintenance status). (4.(3)-a) • We developed a training plan to enhance understanding of J-SOX, completed the preparation of training content, and continued conducting the training. (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 broke down whistleblowing categories into more specific segments and are currently pushing forward with activities aimed at simplifying feedback for statistical analysis and recurrence prevention. (5.(1)-a) • Utilizing our feedback system, which operates using third-party points of contact, we began identifying important issues by reviewing submissions and delivering constructive suggestions to relevant organizations. (5.(2)-a)
6. Reform and creation of organizational culture	• Members tasked with formulating companywide measures continued preparing plans for our Vision Day event scheduled for February. (6.(2)-d) • 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 conducting activities in accordance with FY24 education plan for improving accounting literacy. (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 accordance with survey methods and plans established for FY24, we submitted the survey reports to the Governance and Corporate Culture Advisory Committee. Based on the survey results, we continued formulating plans for the continuous enhancement of internal control systems. (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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4 Appendix

- **Q3 FY24 (Oct.-Dec. 3 months) results**
- **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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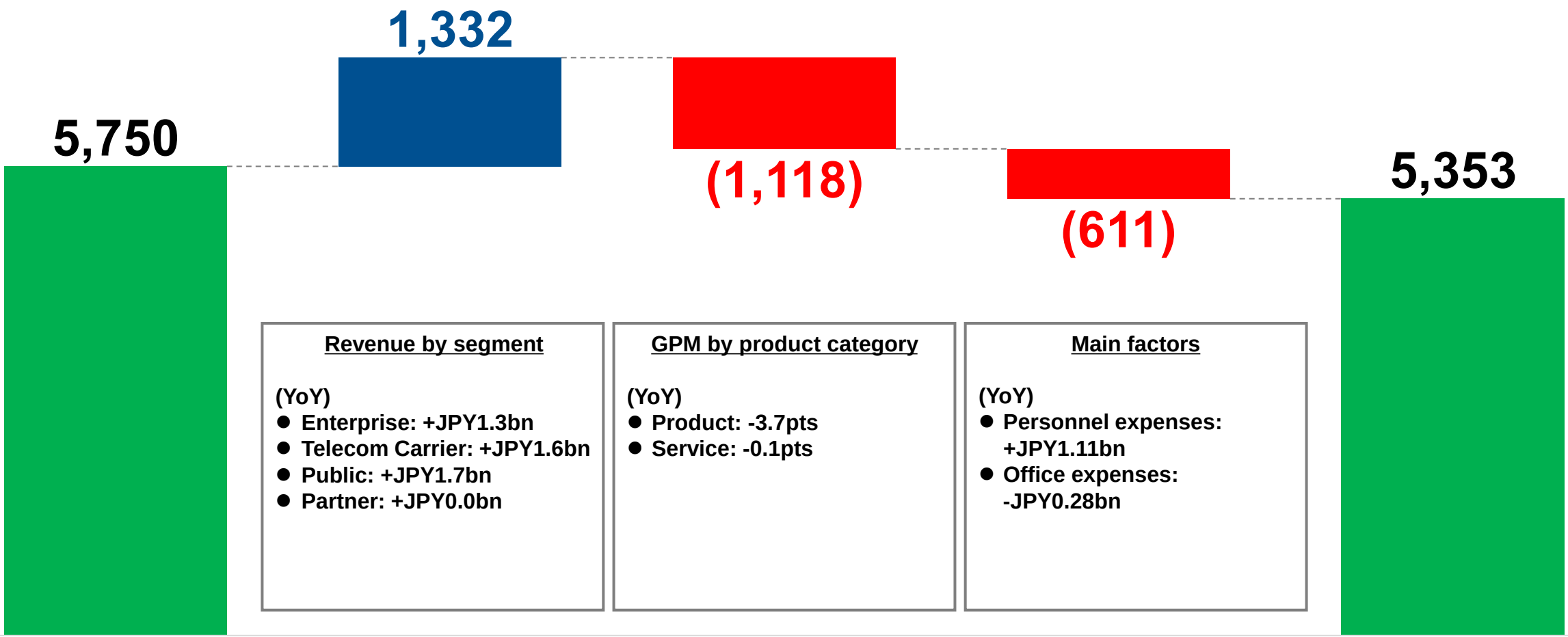
Q3 FY24 (Oct.-Dec. 3 months) results

(JPYmn)	FY23 Q3 (Oct.-Dec.)		FY24 Q3 (Oct.-Dec.)		YoY Amount	YoY %	
Bookings	36,431		47,940		+11,509	+31.6%	● Steady progress ● (YoY) Enterprise: -JPY0.7bn, Telecom Carrier: +JPY4.7bn, Public: +JPY4.4bn, Partner: +JPY2.9bn
Revenue	49,899	100.0%	54,738	100.0%	+4,838	+9.7%	● Steady progress ● (YoY) Enterprise: +JPY1.3bn, Telecom Carrier: +JPY1.6bn, Public: +JPY1.7bn, Partner: +JPY0.0bn
Cost of sales	36,154	72.5%	40,779	74.5%	+4,624	+12.8%	● GPM: -2.0pts YoY ✓ Product: -3.7pts YoY (Q3 FY23: 25.9%, Q3 FY24: 22.2%) • In FY23, the Partner business benefited from one-off income in Q3 and favorable forex effects; in FY24, these impacts have been nearly absent ✓ Service: -0.1pts YoY (Q3 FY23: 29.2%, Q3 FY24: 29.1%) • Performance remained level YoY ✓ Service ratio: -1.9pts YoY (Q3 FY23: 49.7%, Q3 FY24: 47.8%) • Service held steady YoY. On the other hand, service ratio declined due to large product projects
Gross profit	13,744	27.5%	13,958	25.5%	+214	+1.6%	
SG&A	7,993	16.0%	8,605	15.7%	+611	+7.7%	● (YoY) Personnel expenses +JPY1.11bn, office expenses -JPY0.28bn
Operating income	5,750	11.5%	5,353	9.8%	(397)	-6.9%	● Factors contributing to YoY increase/decrease are provided on the next page
Ordinary income	5,436	10.9%	5,434	9.9%	(1)	-0.0%	
Profit attributable to owners of parent	3,727	7.5%	3,164	5.8%	(562)	-15.1%	● Extraordinary losses: JPY0.74bn in takeover bid-related expenses

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Q3 FY24 (Oct.-Dec. 3 months)
Operating income analysis

(JPYmn)



Revenue by segment

(YoY)
- Enterprise: +JPY1.3bn
- Telecom Carrier: +JPY1.6bn
- Public: +JPY1.7bn
- Partner: +JPY0.0bn

GPM by product category

(YoY)
- Product: -3.7pts
- Service: -0.1pts

Main factors

(YoY)
- Personnel expenses: +JPY1.11bn
- Office expenses: -JPY0.28bn

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Q3 FY24 (Oct.-Dec. 3 months)
Bookings, revenue, gross profit, and operating income by segment

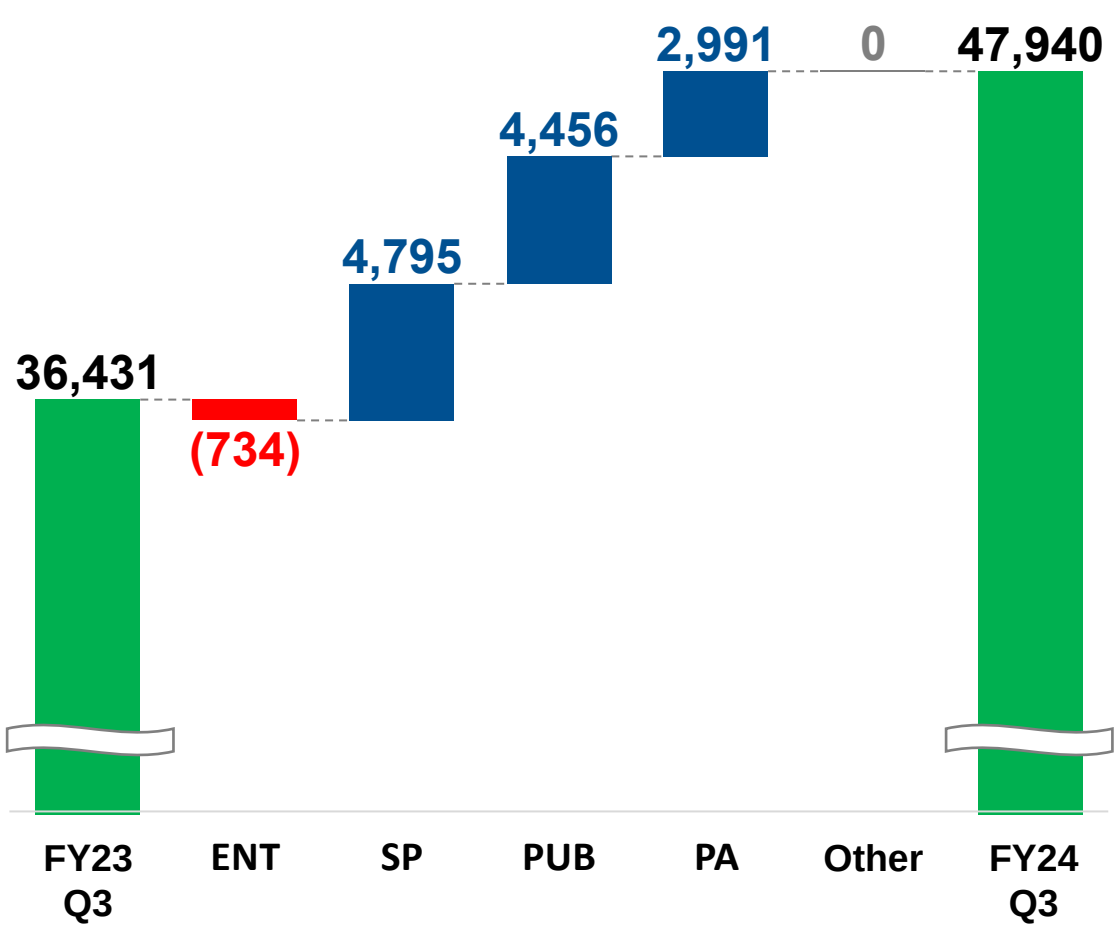
	(JPYmn)	FY23 Q3 (Oct.-Dec.)		FY24 Q3 (Oct.-Dec.)		YoY Amount	YoY %	
Enterprise	Bookings	12,382		11,648		(734)	-5.9%	● Bookings: Orders for some projects were booked in advance during Q2; in Q3, we secured bookings for cloud utilization and security reinforcement projects from the financial sector, as well as smart manufacturing and security reinforcement projects from the manufacturing sector; we also secured bookings for security reinforcement projects from the non-manufacturing sector, though performance in this sector was somewhat weak ● Revenue: Growth driven primarily by the manufacturing sector ● GPM: -1.9pts YoY ✓ GPM declined due to the impact associated with some large projects in Q3
	Service (%)	7,163	57.8%	7,520	64.6%	+357	+5.0%	
	Revenue	14,965		16,311		+1,346	+9.0%	
	Service (%)	8,763	58.6%	9,559	58.6%	+796	+9.1%	
	Gross profit (%)	3,967	26.5%	4,013	24.6%	+45	+1.2%	
	Operating income (%)	1,582	10.6%	1,605	9.8%	+23	+1.5%	
Telecom Carrier	Bookings	8,648		13,444		+4,795	+55.4%	● Bookings: We won a large co-creation business for corporate clients ● Revenue: Contribution from some of the large projects mentioned above ● GPM: -4.3pts YoY ✓ GPM declined due to large project-related impacts in Q3 incurred through the facility business and co-creation business for corporate clients
	Service (%)	3,811	44.1%	4,798	35.7%	+987	+25.9%	
	Revenue	10,896		12,541		+1,645	+15.1%	
	Service (%)	5,777	53.0%	6,206	49.5%	+428	+7.4%	
	Gross profit (%)	2,737	25.1%	2,613	20.8%	(124)	-4.5%	
	Operating income (%)	1,326	12.2%	1,121	8.9%	(205)	-15.5%	
Public	Bookings	7,527		11,984		+4,456	+59.2%	● Bookings: Secured in connection with large projects primarily focused on security measures for local governments and independent administrative agencies ● Revenue: Expanded thanks primarily to performance achieved through municipal projects ● GPM: +2.2pts YoY ✓ Optimization of service prices gradually contributed to increasing GPM
	Service (%)	4,236	56.3%	7,648	63.8%	+3,412	+80.5%	
	Revenue	13,367		15,142		+1,774	+13.3%	
	Service (%)	8,147	60.9%	8,693	57.4%	+545	+6.7%	
	Gross profit (%)	3,424	25.6%	4,212	27.8%	+787	+23.0%	
	Operating income (%)	997	7.5%	1,506	9.9%	+508	+51.0%	
Partner	Bookings	7,871		10,863		+2,991	+38.0%	● Bookings: Increased thanks to a Wi-Fi service project for an MSP and strong collaboration with partner companies ● Revenue: Performance remained level YoY ● GPM: -6.4pts YoY ✓ In FY23, the Partner business benefited from one-off income in Q3 and favorable forex effects; in FY24, these impacts have been nearly absent
	Service (%)	1,944	24.7%	2,549	23.5%	+604	+31.1%	
	Revenue	10,669		10,742		+72	+0.7%	
	Service (%)	2,121	19.9%	1,686	15.7%	(435)	-20.5%	
	Gross profit (%)	3,067	28.7%	2,391	22.3%	(675)	-22.0%	
	Operating income (%)	2,031	19.0%	1,339	12.5%	(691)	-34.0%	

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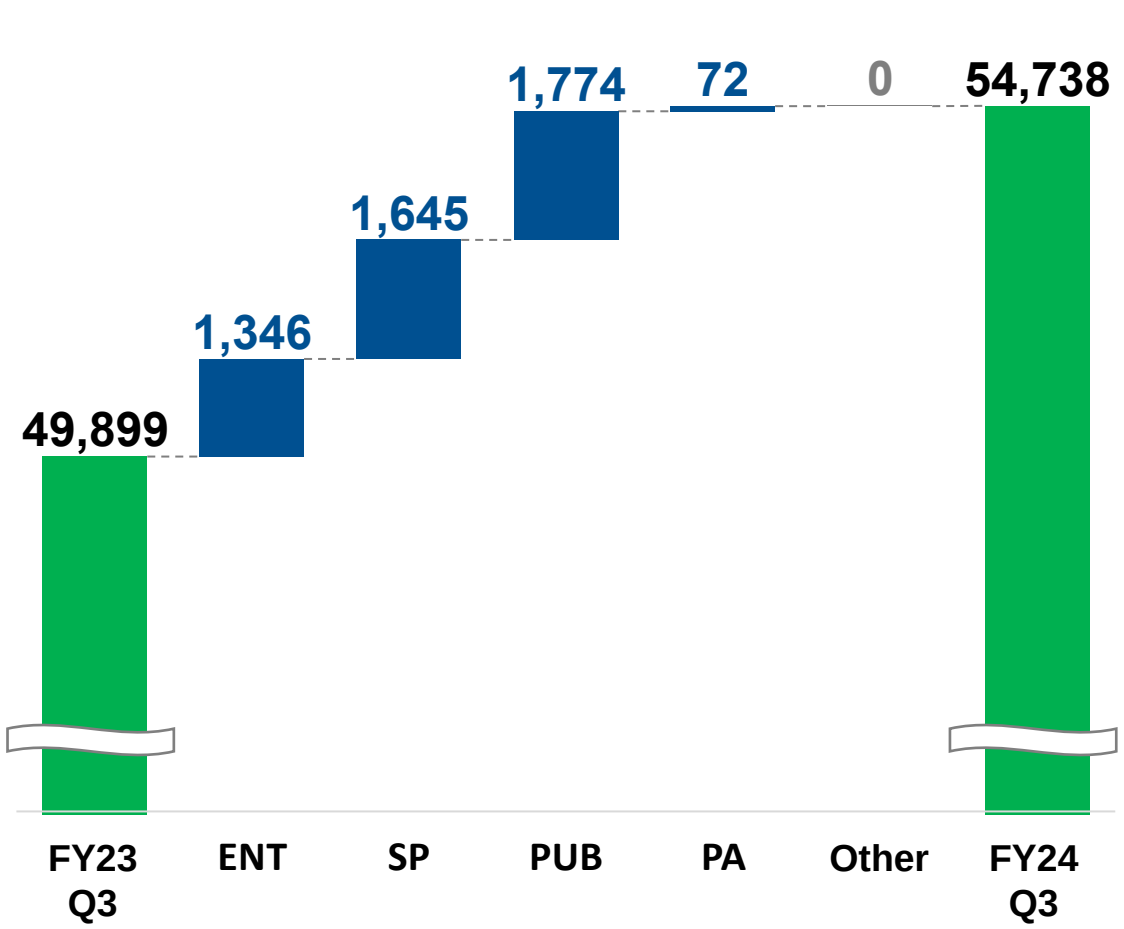
Q3 FY24 (Oct.-Dec. 3 months)
Bookings and revenue: YoY changes by segment

(JPYmn)

Bookings



Revenue



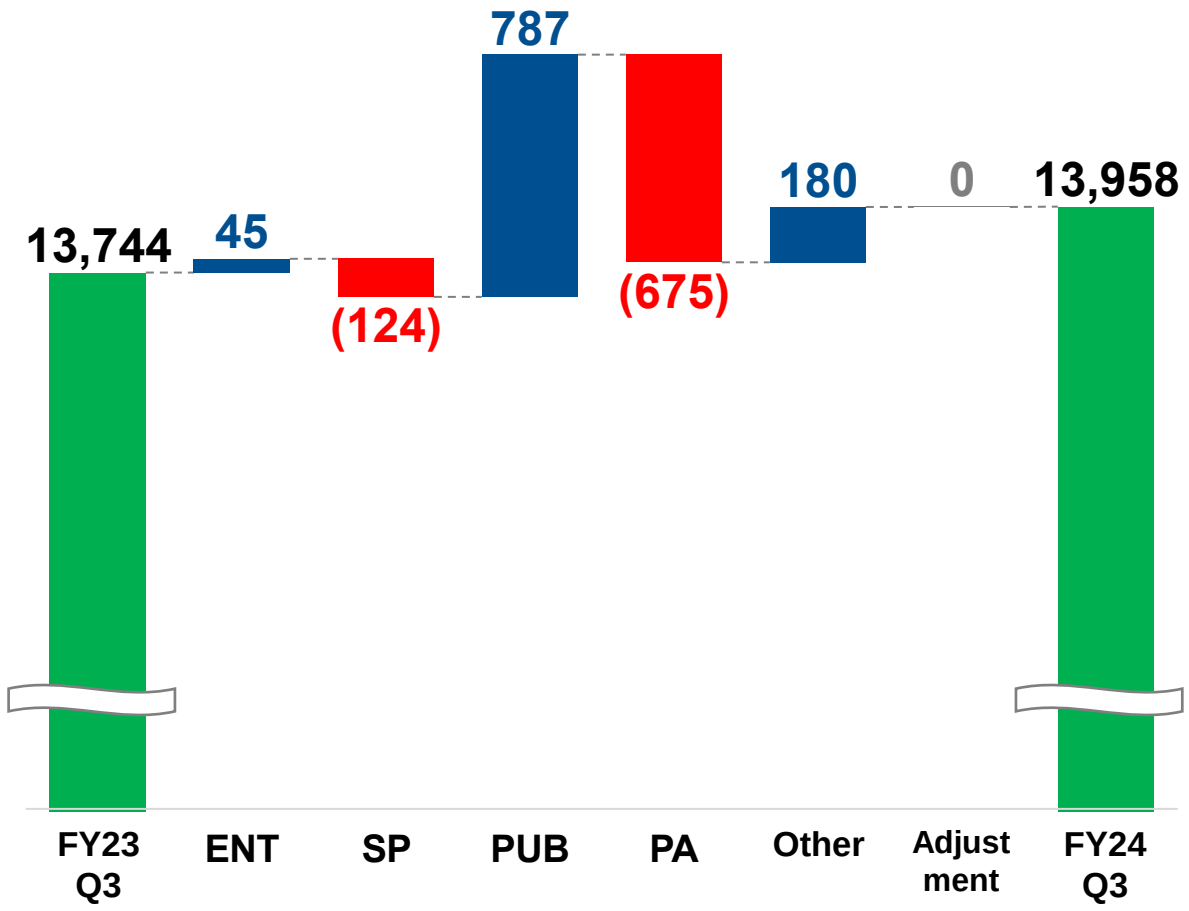
(Note) ENT: Enterprise, SP: Telecom Carrier, PUB: Public, PA: Partner

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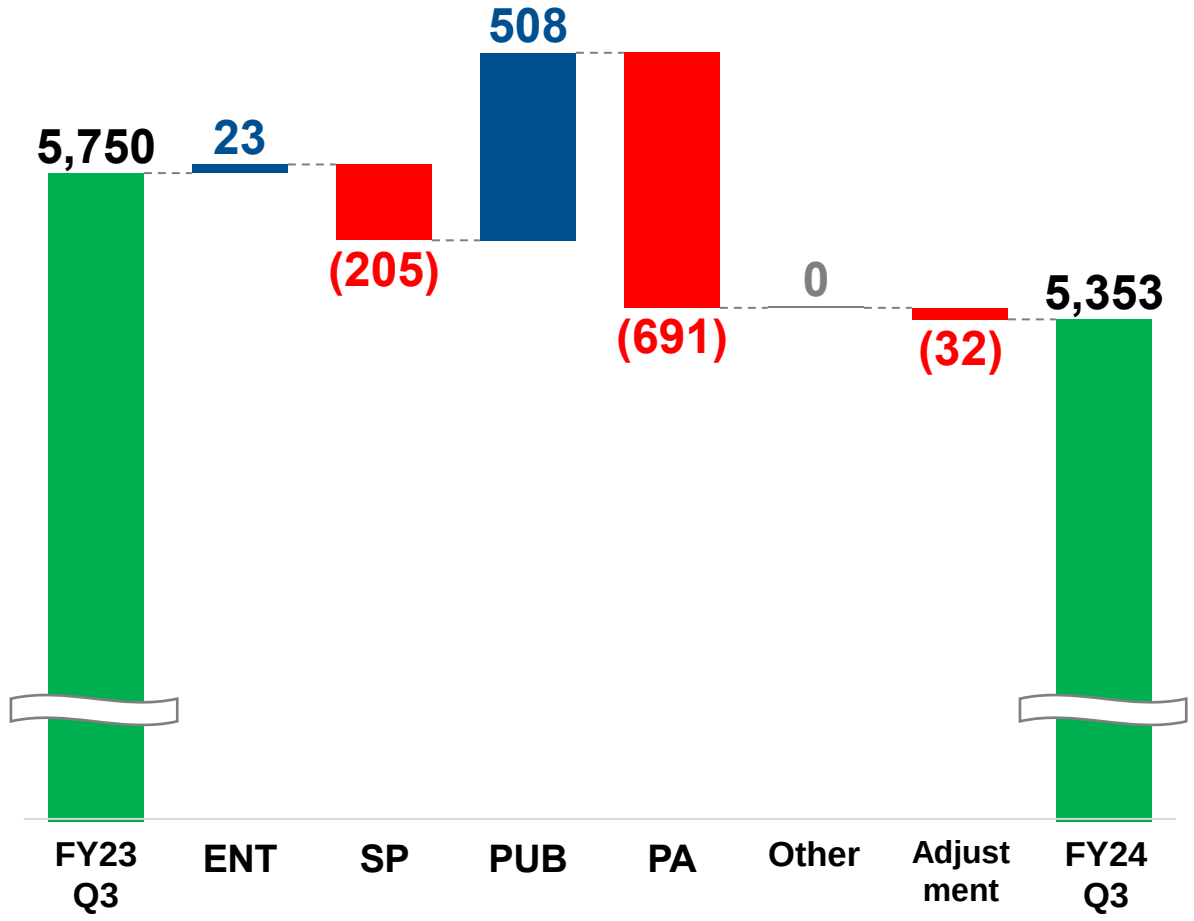
Q3 FY24 (Oct.-Dec. 3 months)
Gross profit and operating income: YoY changes by segment

(JPYmn)

Gross profit



Operating income



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

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Q3 FY24 (Oct.-Dec. 3 months)
Bookings, revenue, and gross profit by product category

net one

(Service ratio) 47.0% in bookings (-1.0pts YoY), 47.8% in revenue (-1.9pts YoY)

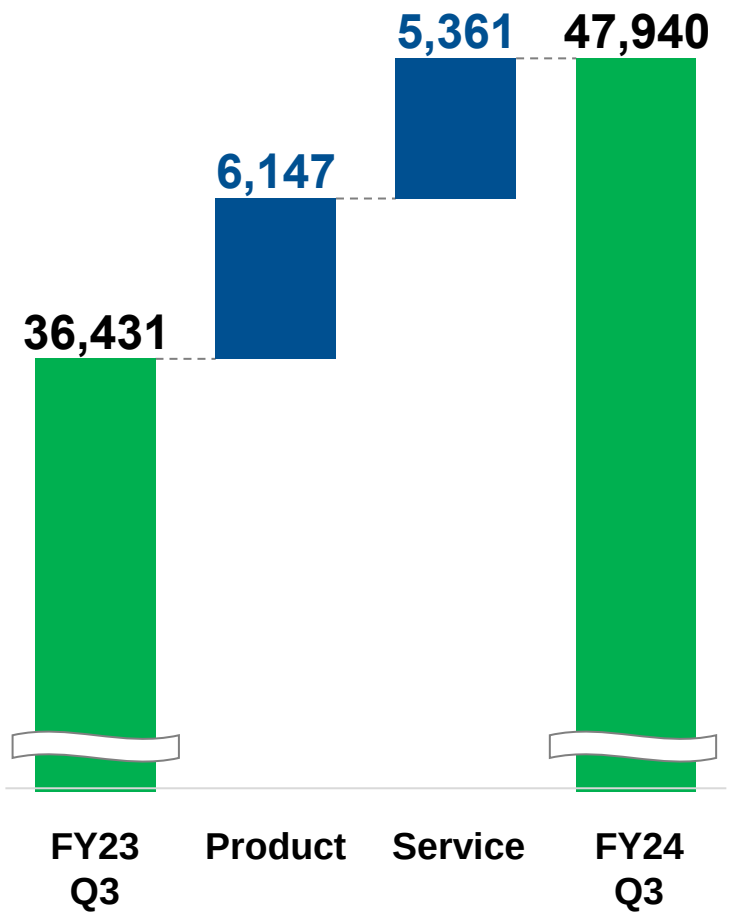
	(JPYmn)	FY23 Q3 (Oct.-Dec.)		FY24 Q3 (Oct.-Dec.)		YoY Amount	YoY %	
Product	Bookings	19,274		25,422		+6,147	+31.9%	● Bookings: Rose due primarily to growth in the Telecom Carrier and Partner businesses
	Revenue	25,088		28,592		+3,503	+14.0%	● Revenue: Grew thanks to companywide revenue expansion ● GPM: -3.7pts YoY ✓ In FY23, the Partner business benefited from one-off income in Q3 and favorable forex effects; in FY24, these impacts have been nearly absent
	Gross profit (%)	6,497	25.9%	6,356	22.2%	(141)	-2.2%	
Service	Bookings	17,156		22,518		+5,361	+31.3%	● Bookings: Expanded primarily thanks to growth in orders for managed, maintenance, and system integration services
	Revenue	24,810		26,145		+1,335	+5.4%	● Revenue: Increased driven mainly by maintenance services ● GPM: -0.1pts YoY ✓ Performance remained level YoY
	Gross profit (%)	7,247	29.2%	7,602	29.1%	+355	+4.9%	

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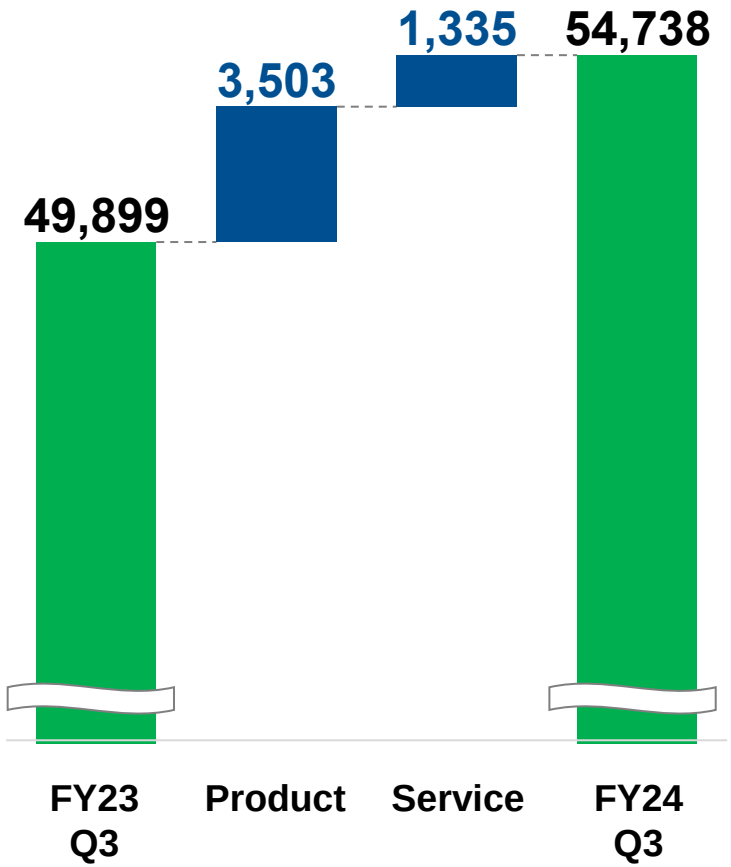
Q3 FY24 (Oct.-Dec. 3 months)
Bookings, revenue, and gross profit: YoY changes by product category

(JPYmn)

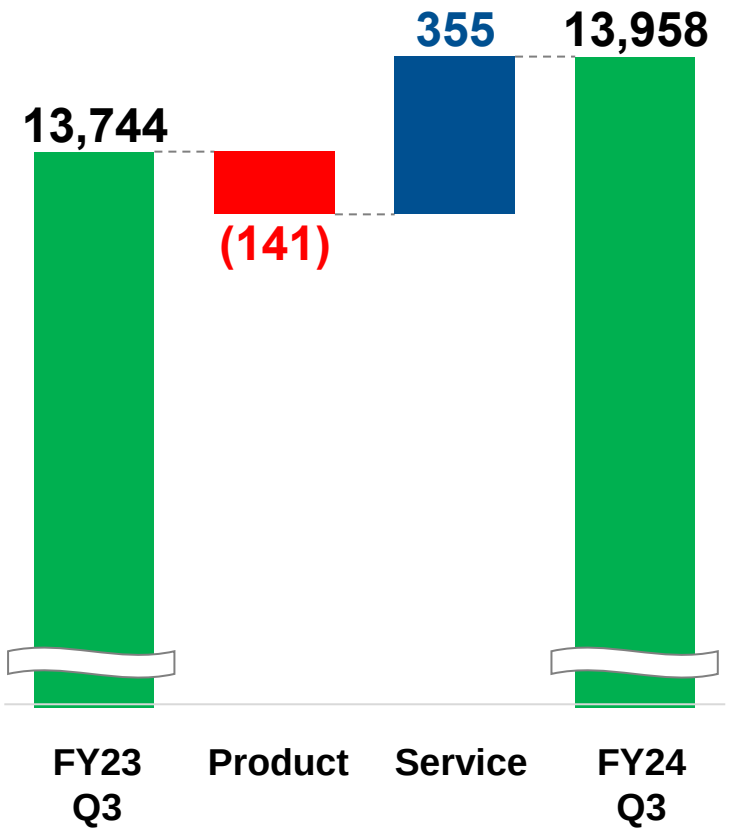
Bookings



Revenue



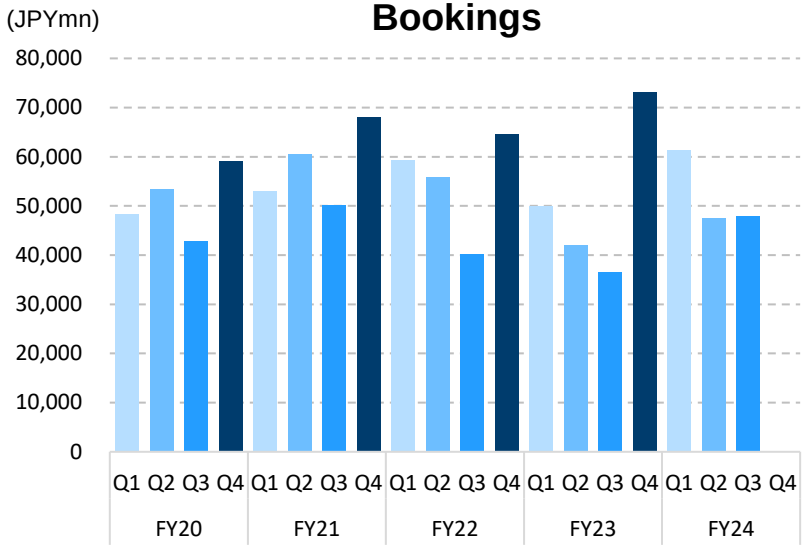
Gross profit



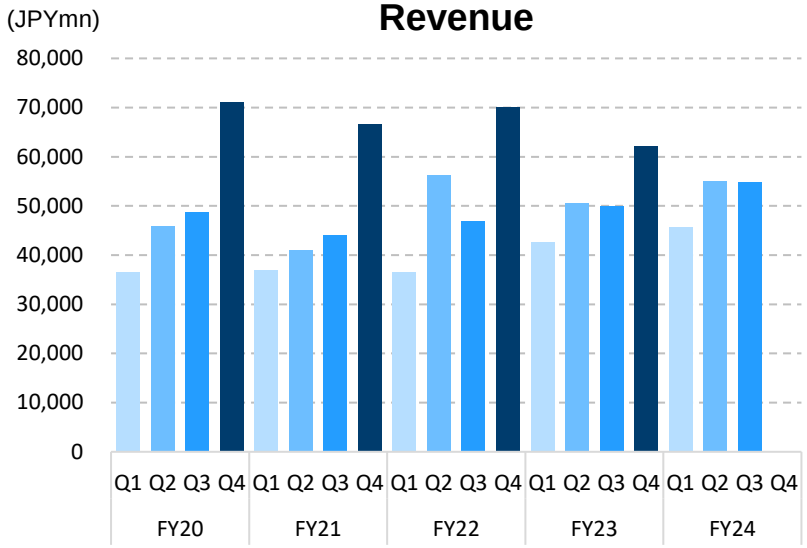
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Quarterly results: Company-wide

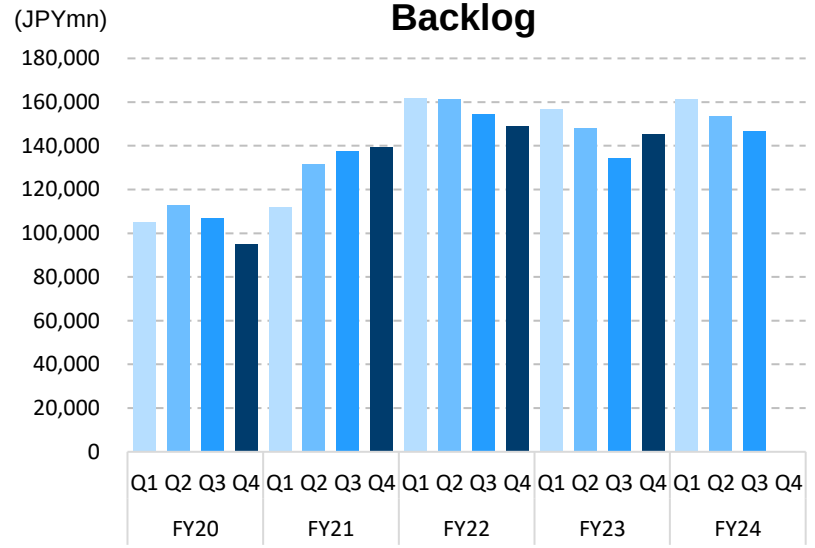
Bookings



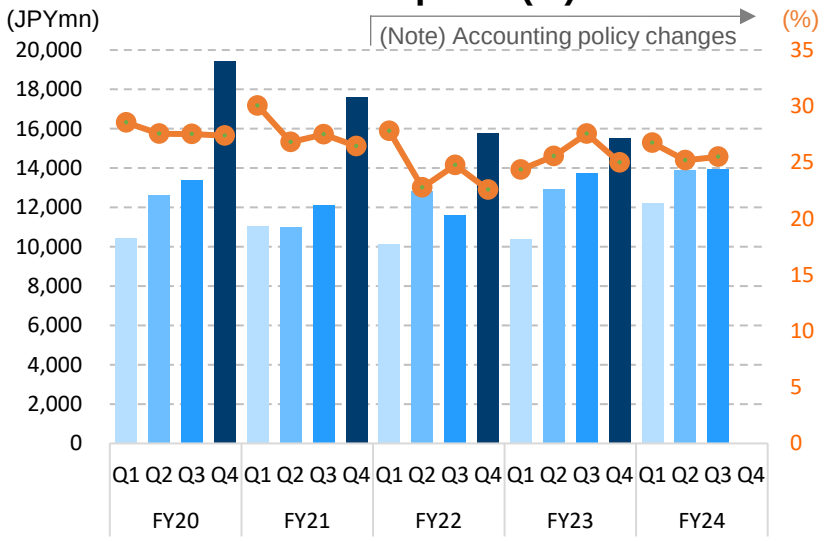
Revenue



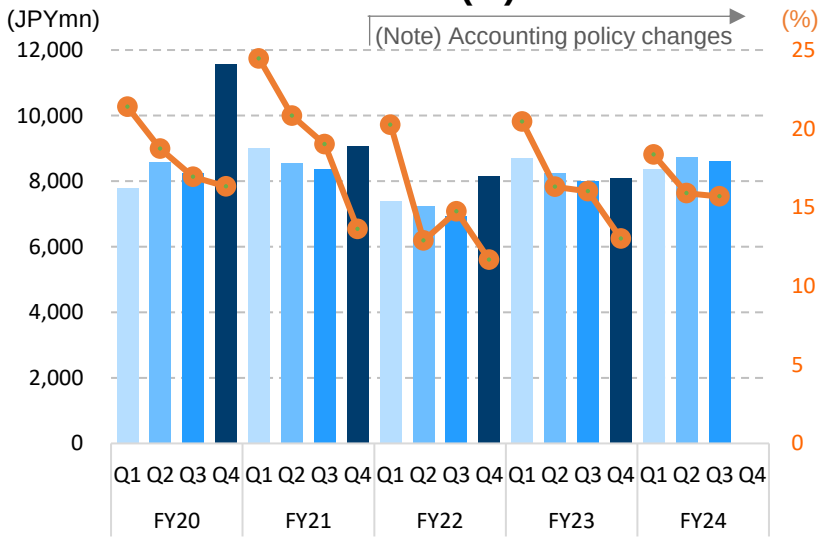
Backlog



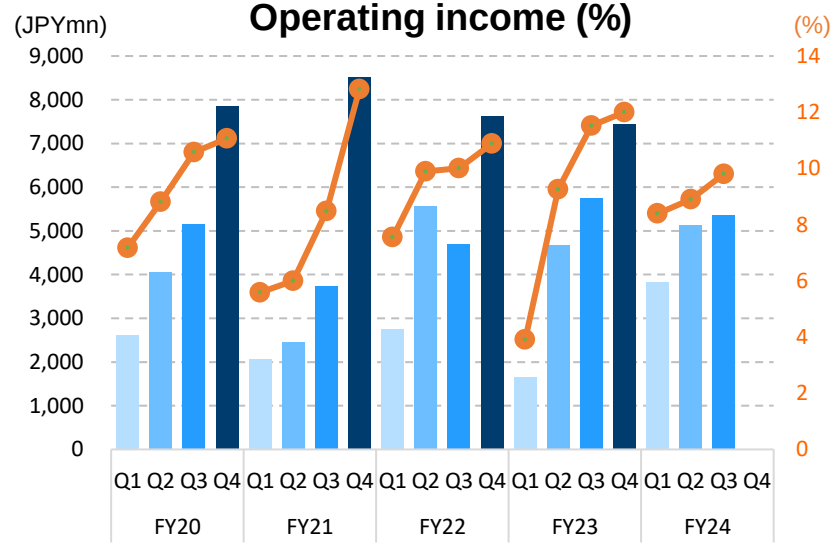
Gross profit (%)



SG&A (%)



Operating income (%)

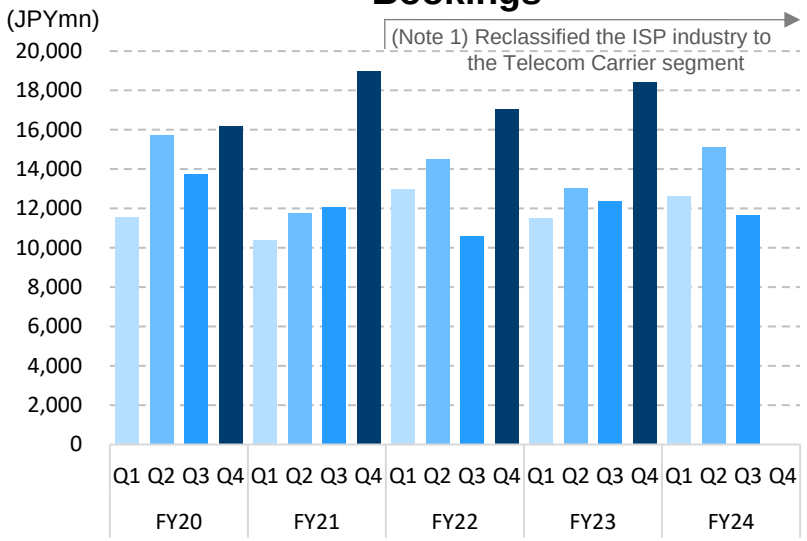


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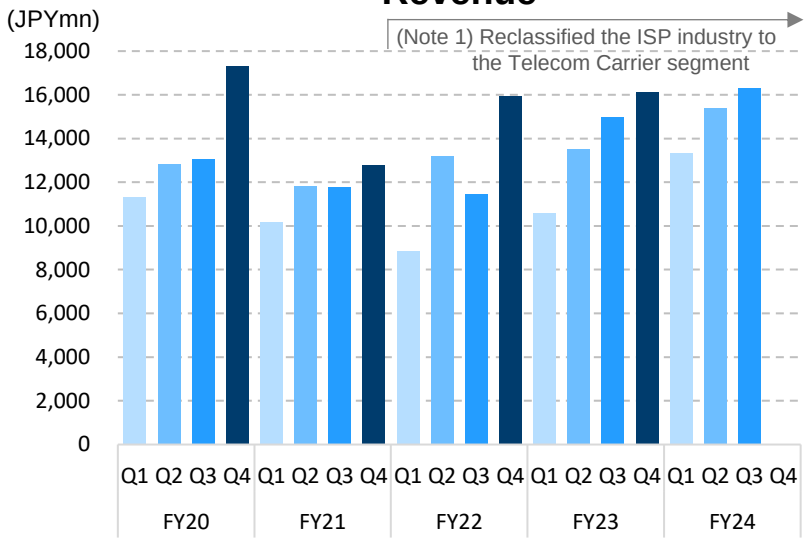
(Note) Effective from FY22, we adjusted our accounting policies and began recording a portion of the labor costs and other expenses incurred through our engineering division, which were previously recorded under SG&A expenses, as costs of revenue.

Quarterly results: Enterprise segment

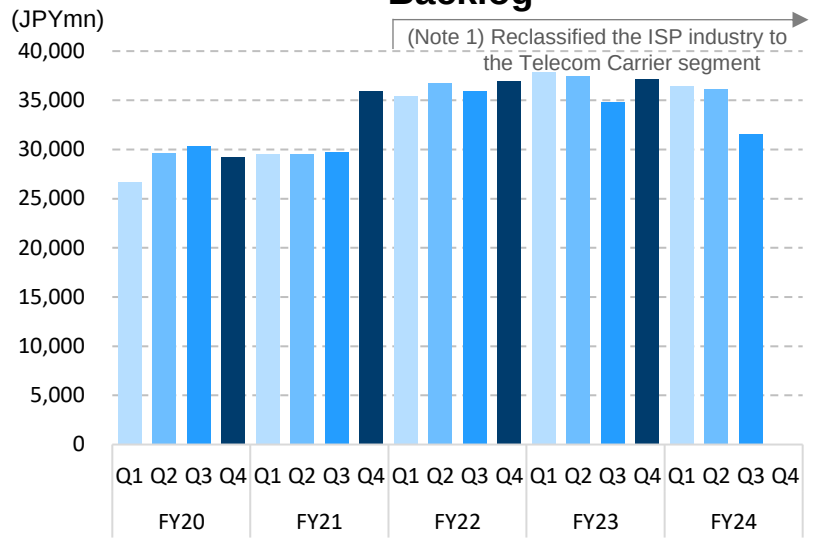
Bookings



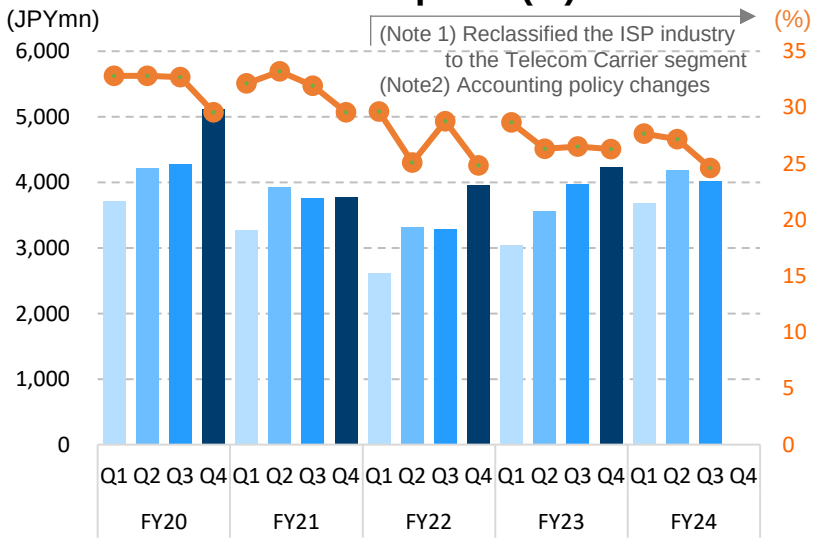
Revenue



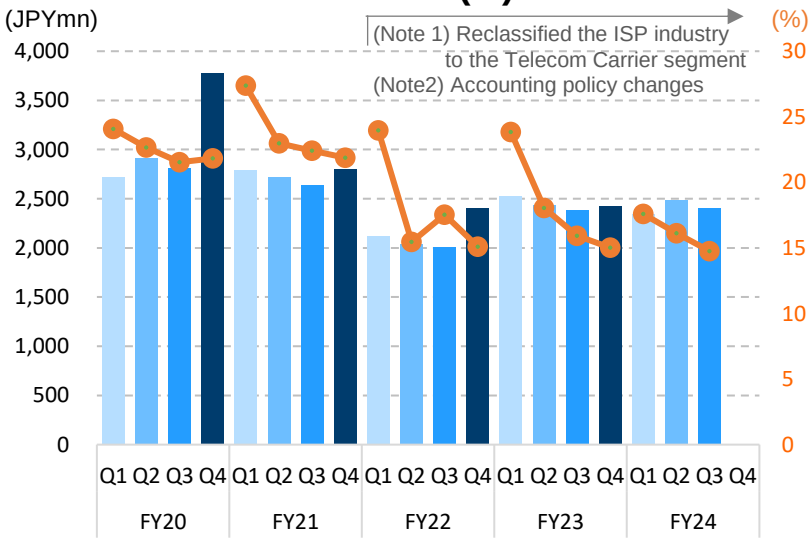
Backlog



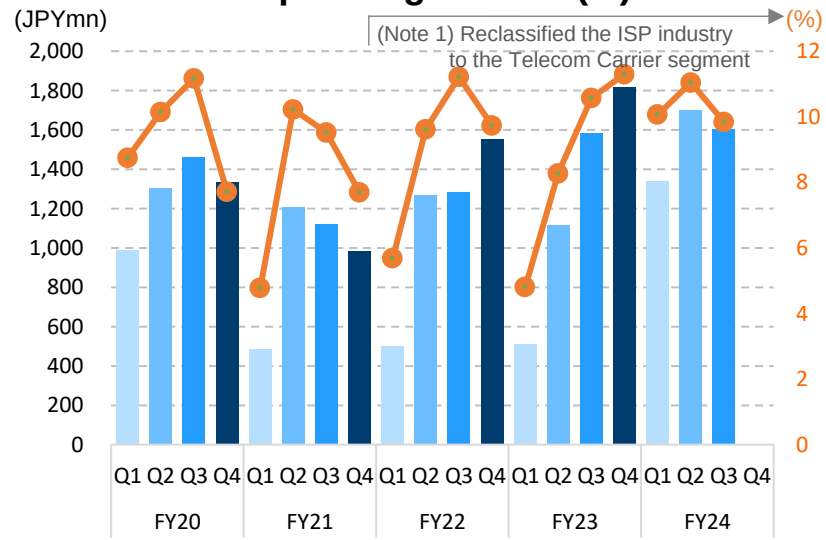
Gross profit (%)



SG&A (%)



Operating income (%)

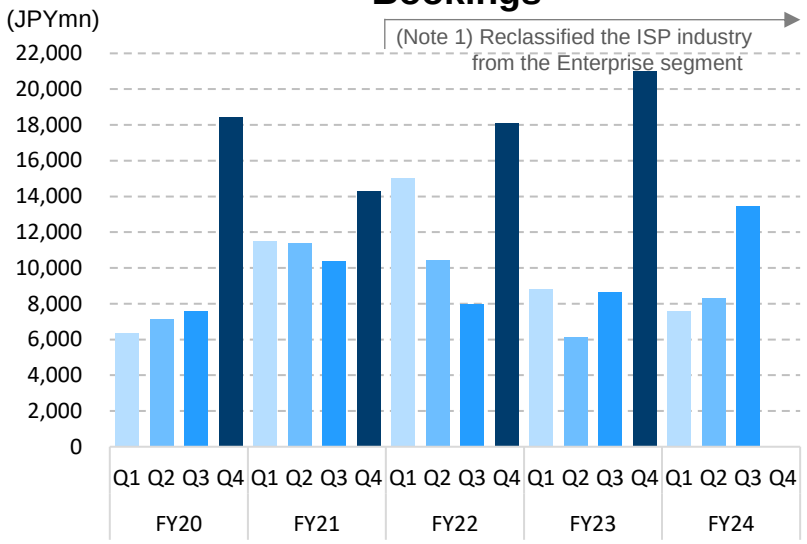


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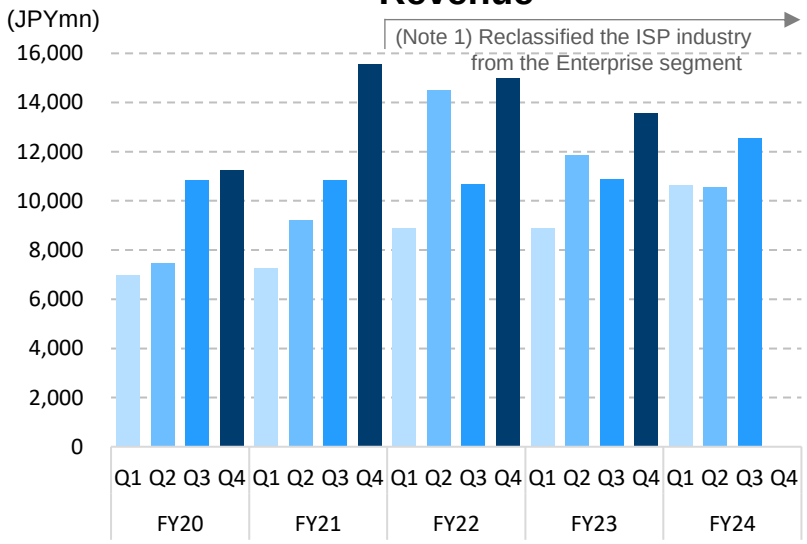
(Note 1) Effective from FY22, we have reclassified the ISP industry (formerly included under the Enterprise segment) under the Telecom Carrier segment.
(Note 2) Effective from FY22, we adjusted our accounting policies and began recording a portion of the labor costs and other expenses incurred through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

Quarterly results: Telecom Carrier segment

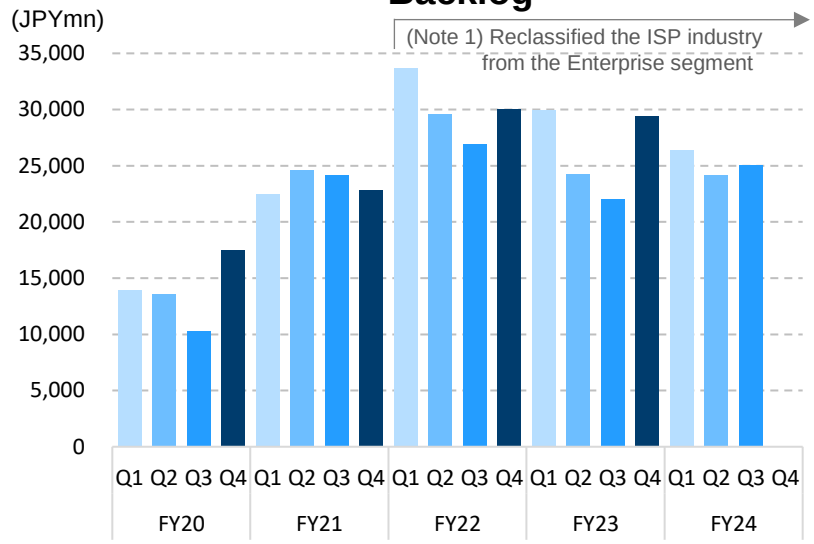
Bookings



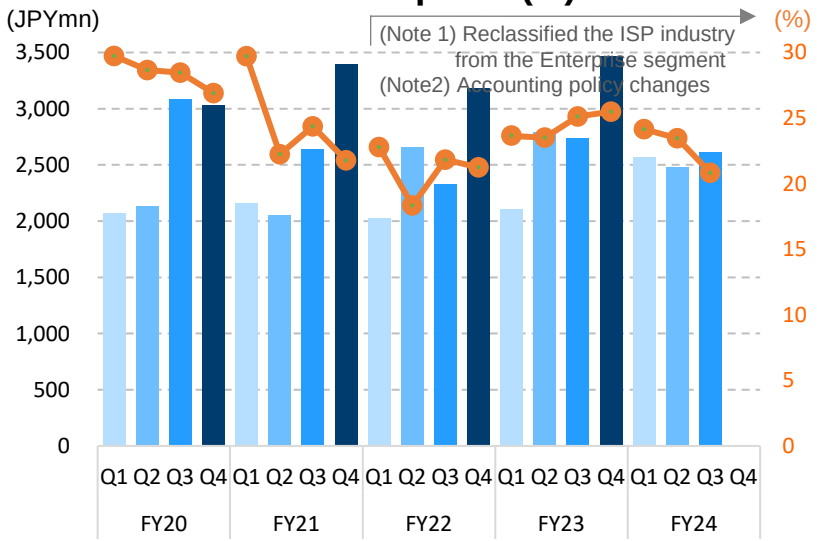
Revenue



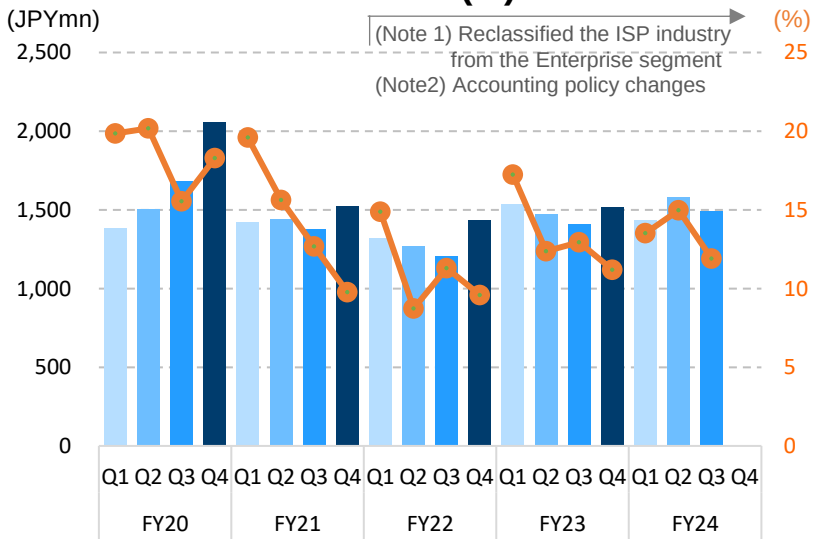
Backlog



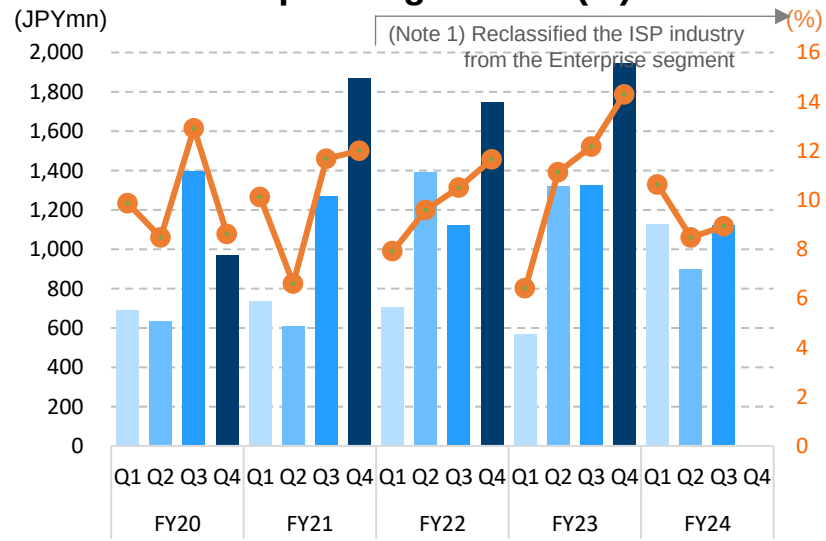
Gross profit (%)



SG&A (%)



Operating income (%)

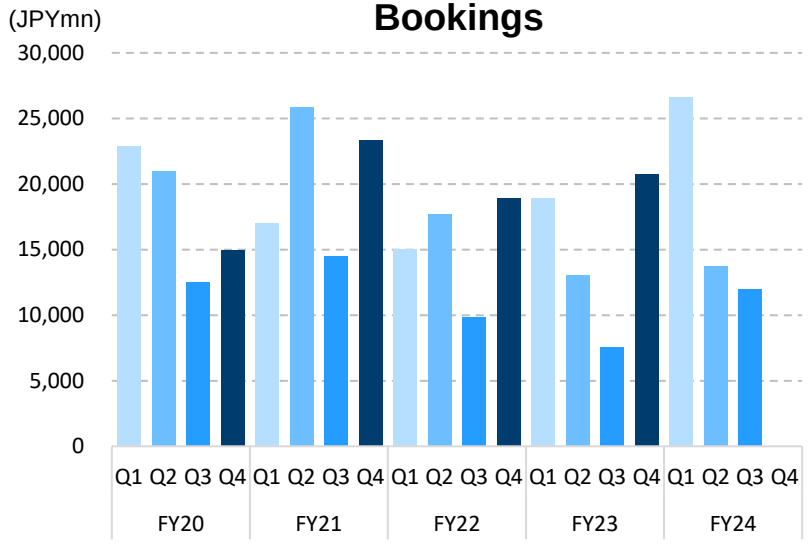


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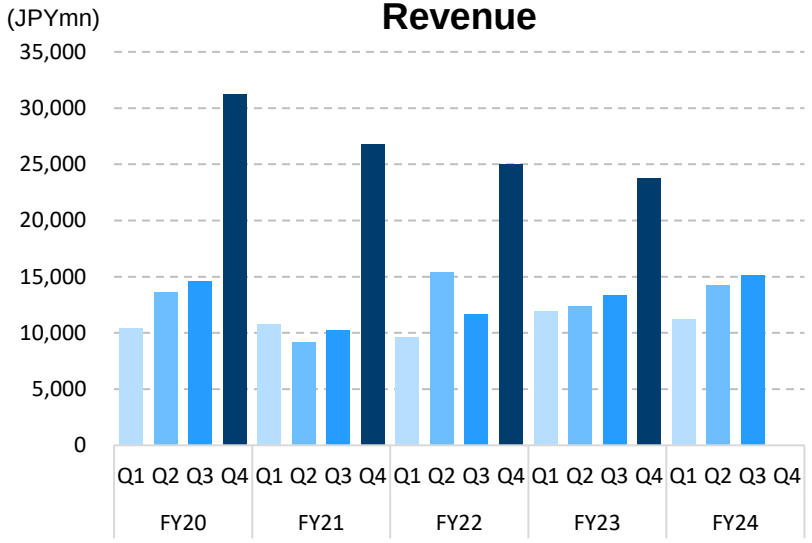
(Note 1) Effective from FY22, we have reclassified the ISP industry (formerly included under the Enterprise segment) under the Telecom Carrier segment.
(Note 2) Effective from FY22, we adjusted our accounting policies and began recording a portion of the labor costs and other expenses incurred through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

Quarterly results: Public segment

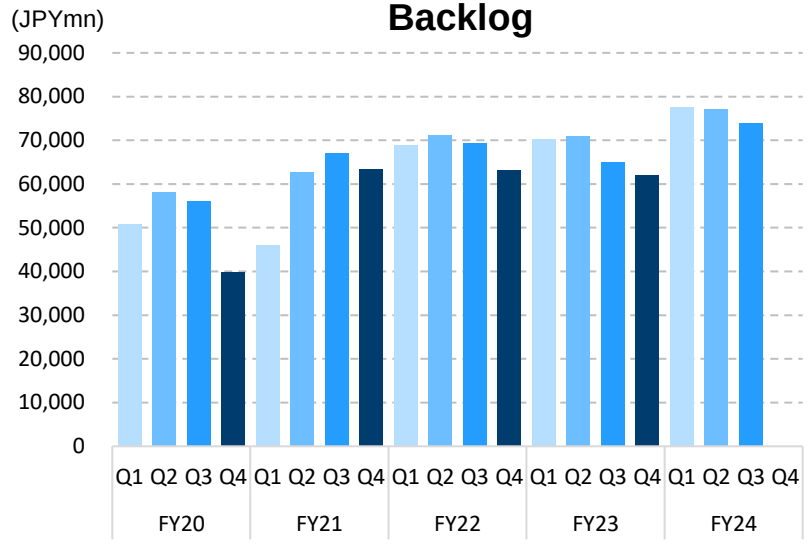
Bookings



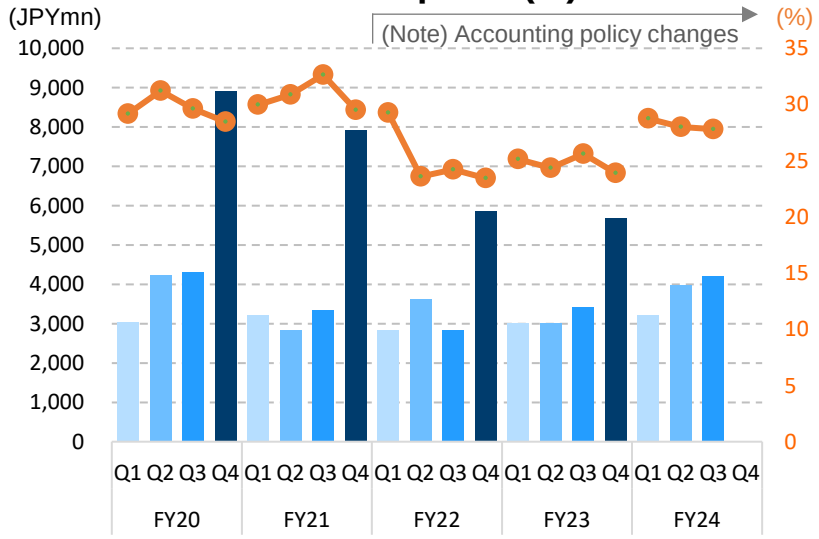
Revenue



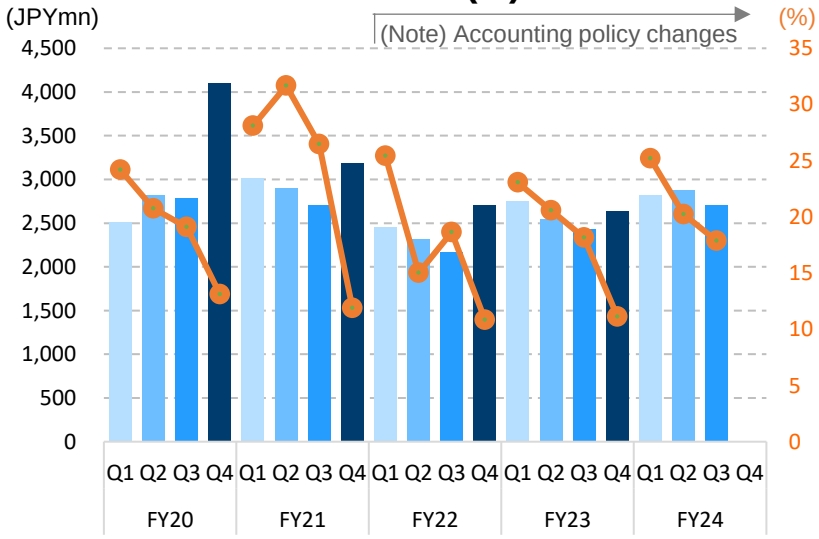
Backlog



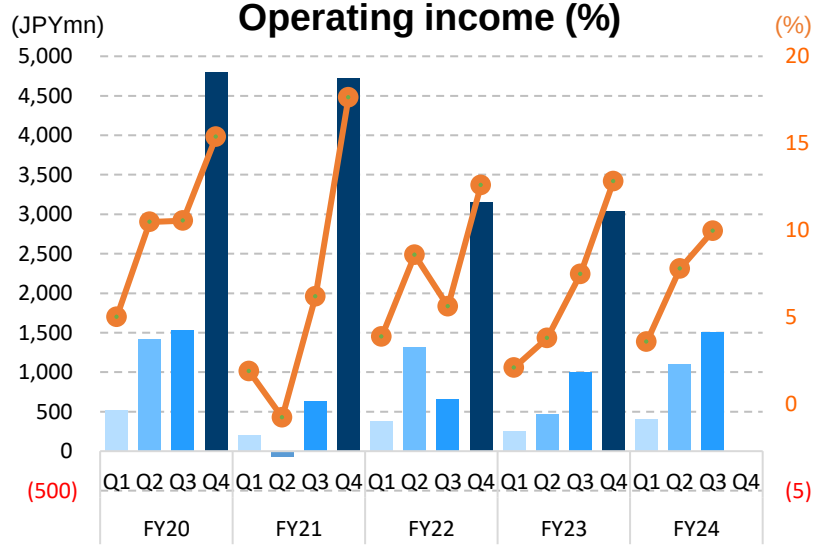
Gross profit (%)



SG&A (%)



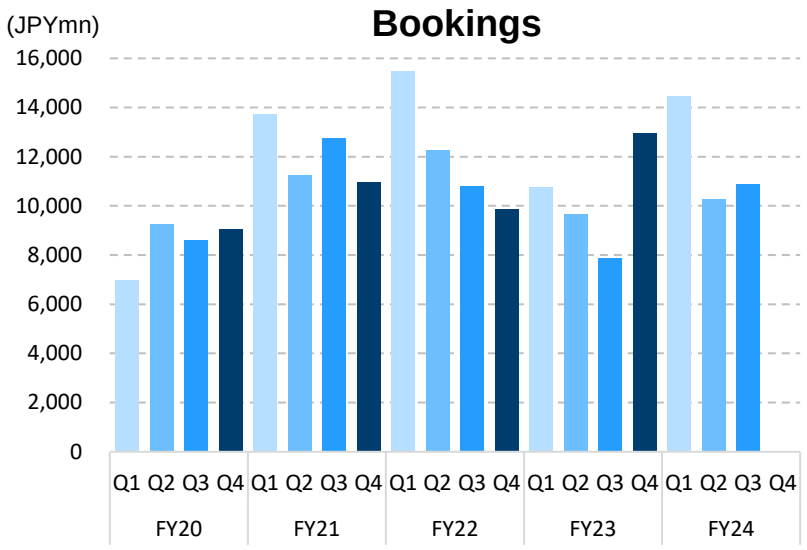
Operating income (%)

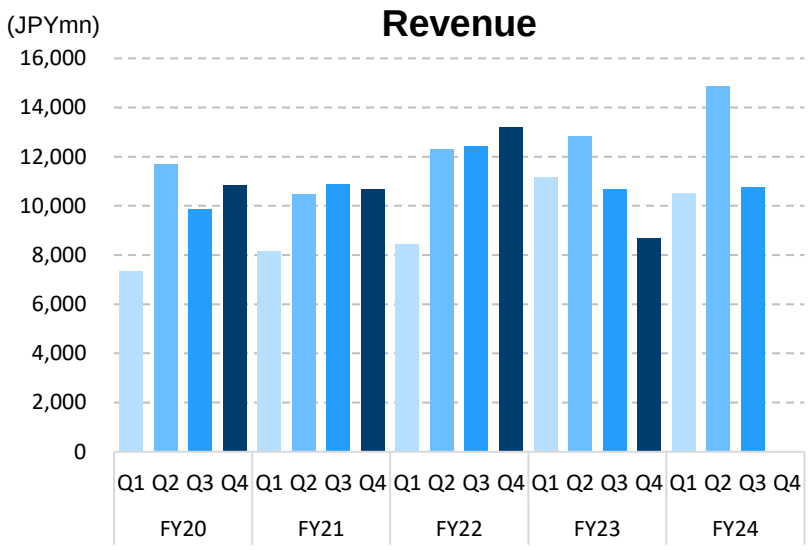


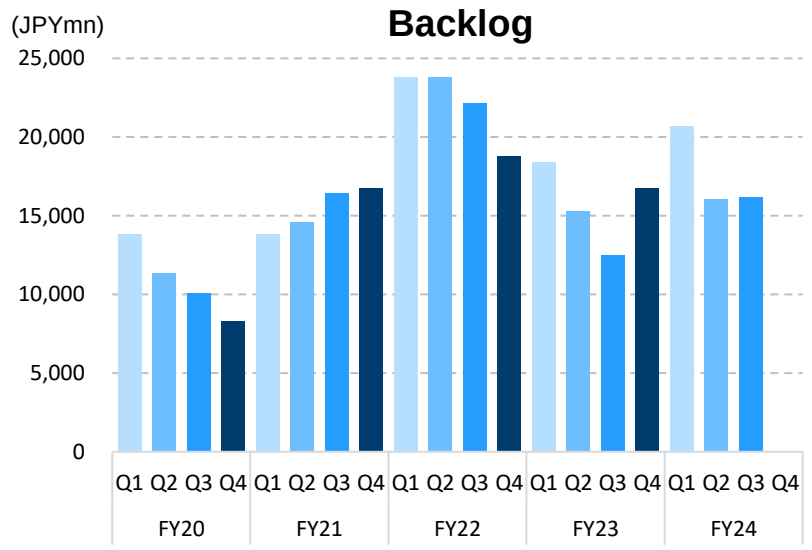
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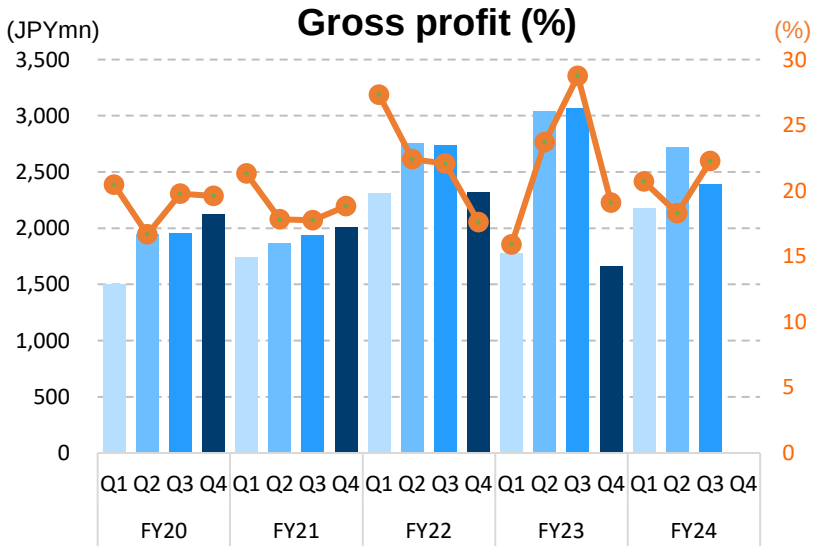
(Note) Effective from FY22, we adjusted our accounting policies and began recording a portion of the labor costs and other expenses incurred through our engineering division, which were previously recorded under SG&A expenses, as costs of revenue.

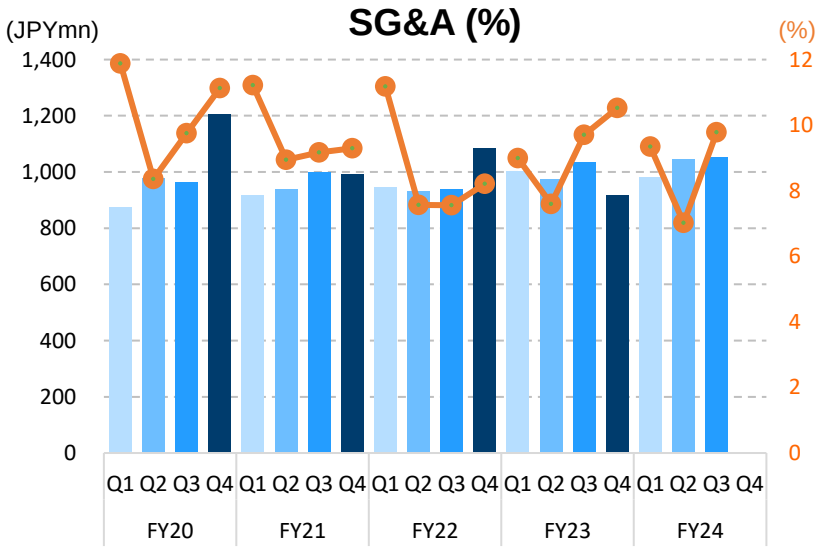
Quarterly results: Partner segment

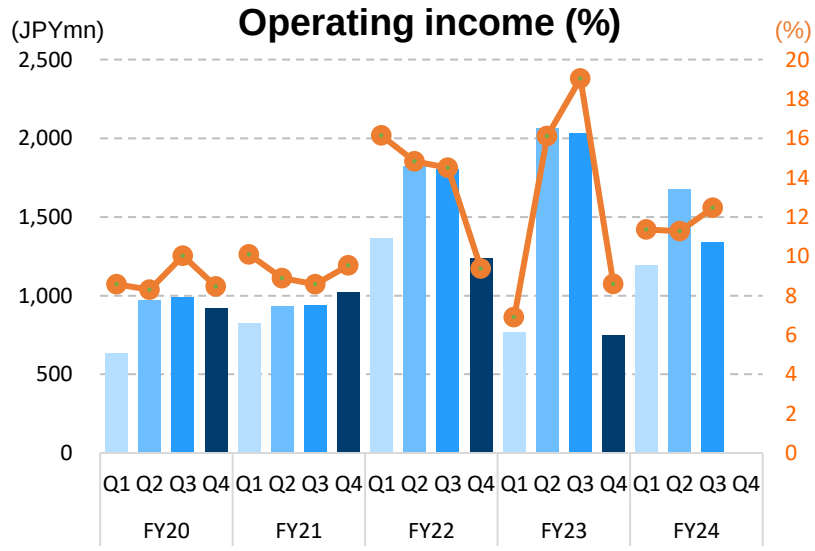








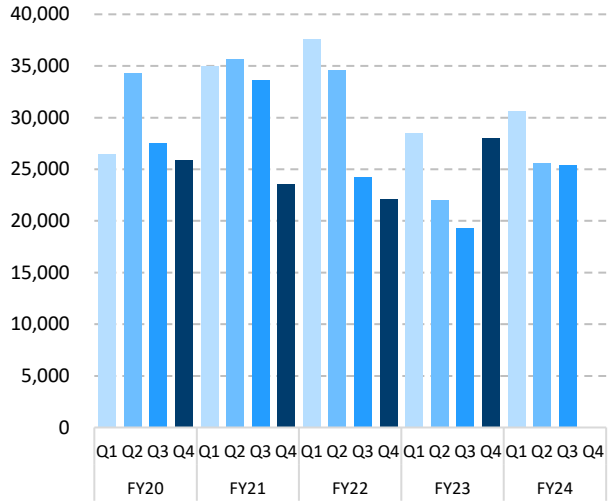




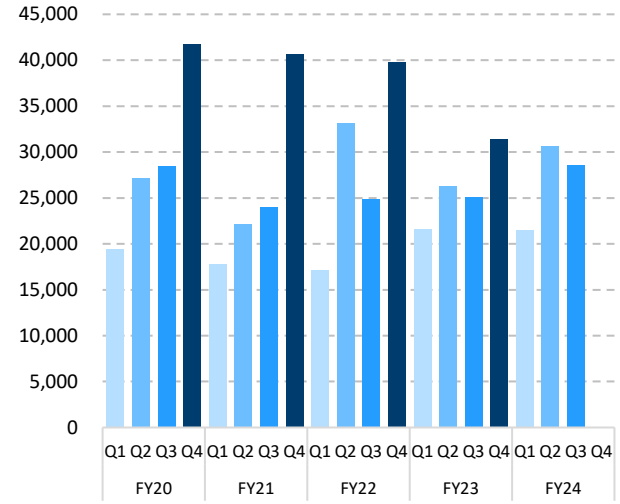
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Quarterly results: Product and Service

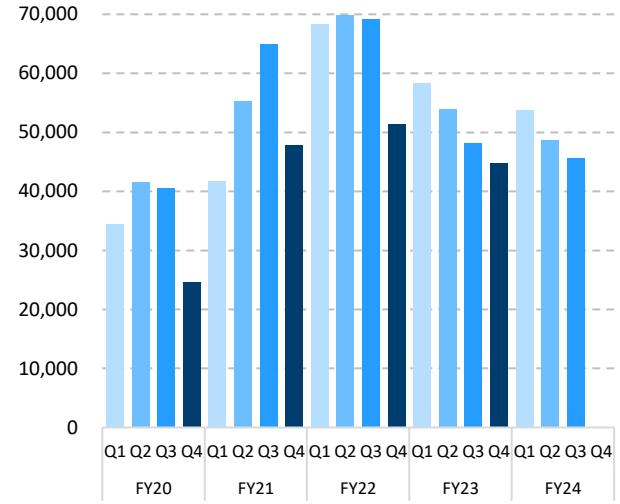
Product Bookings



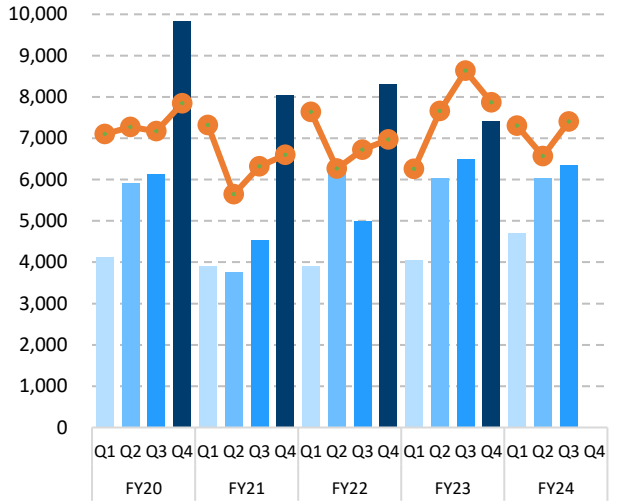
Product Revenue



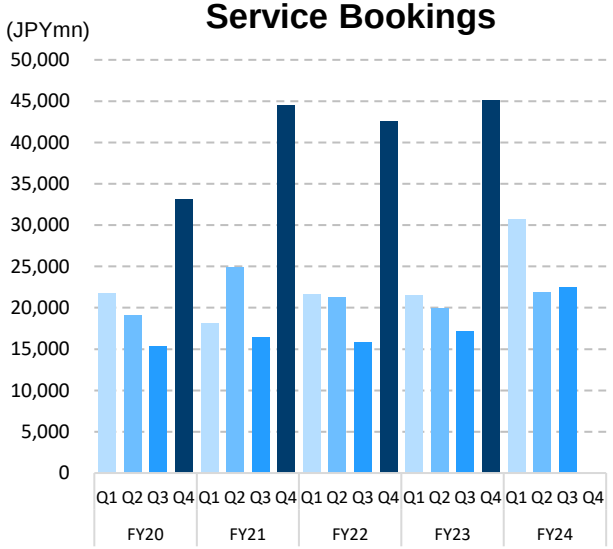
Product Backlog



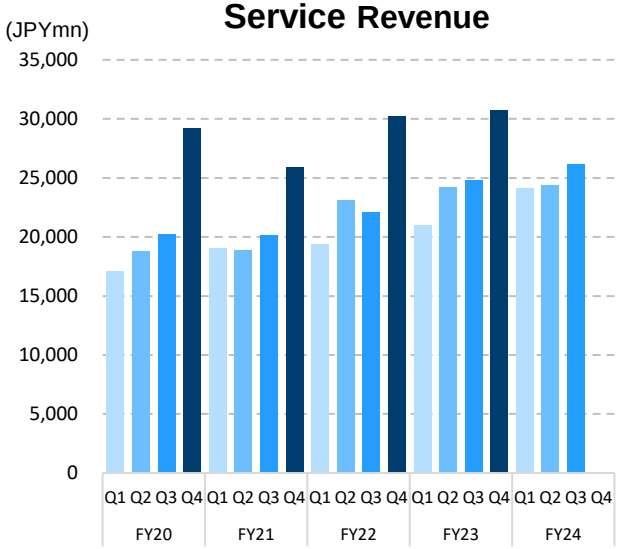
Product Gross profit (%)



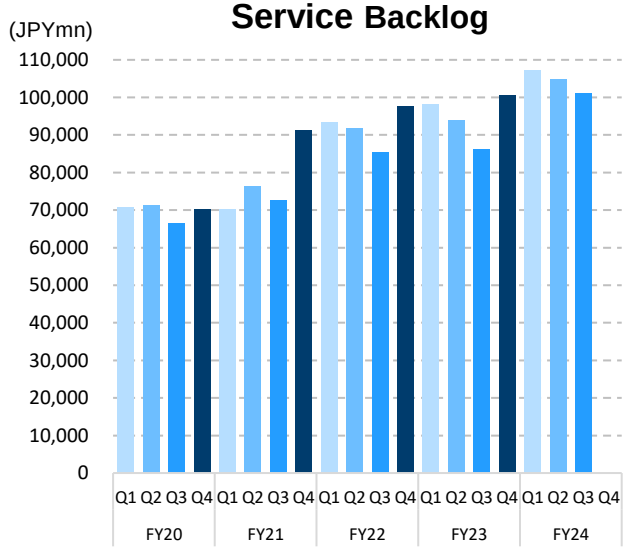
Service Bookings



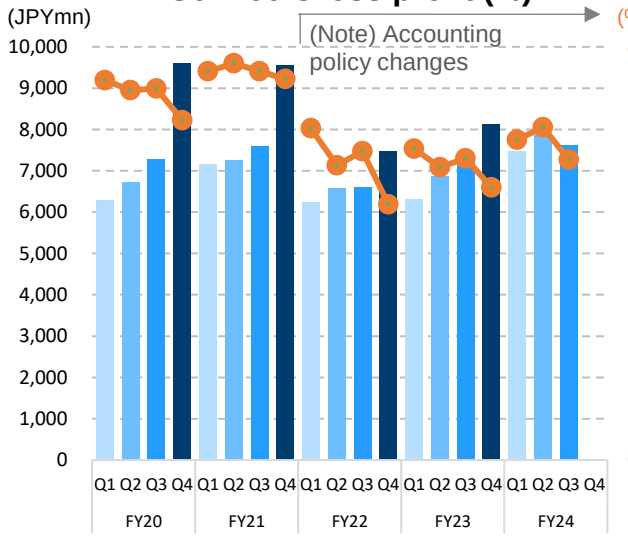
Service Revenue



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/