

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2022 (Based on Japanese GAAP)

November 2, 2022

Company name: Net One Systems Co., Ltd.  
 Stock exchange listing: Tokyo  
 Stock code: 7518 URL <https://www.netone.co.jp/>  
 Representative: President & CEO Takafumi Takeshita  
 Inquiries: Director, Finance & Accounting Department Tadao Katsumura TEL 03-6256-0615  
 Scheduled date to file Quarterly Securities Report: November 10, 2022  
 Scheduled date to commence dividend payments: December 1, 2022  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: Yes (for analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2022 (from April 1, 2022 to September 30, 2022)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

|                                     | Net sales       |       | Operating profit |        | Ordinary profit |        | Profit attributable to owners of parent |        |
|-------------------------------------|-----------------|-------|------------------|--------|-----------------|--------|---|--------|
|                                     | Millions of yen | %     | Millions of yen  | %      | Millions of yen | %      | Millions of yen                         | %      |
| Six months ended September 30, 2022 | 92,765          | 19.1  | 8,319            | 84.1   | 8,683           | 78.1   | 5,175                                   | 52.6   |
| Six months ended September 30, 2021 | 77,887          | (5.5) | 4,518            | (32.2) | 4,876           | (24.8) | 3,390                                   | (24.9) |

|                                     | Earnings per share |  | Diluted earnings per share |  |
|-------------------------------------|--------------------|--|----------------------------|--|
|                                     | Yen                |  | Yen                        |  |
| Six months ended September 30, 2022 | 62.99              |  | 62.92                      |  |
| Six months ended September 30, 2021 | 39.98              |  | 39.93                      |  |

(2) Consolidated financial position

|                          | Total assets    | Net assets      | Equity ratio | Net assets per share |
|--------------------------|-----------------|-----------------|--------------|----------------------|
|                          | Millions of yen | Millions of yen | %            | Yen                  |
| As of September 30, 2022 | 170,148         | 74,060          | 43.4         | 898.36               |
| As of March 31, 2022     | 161,713         | 68,547          | 42.3         | 832.48               |

2. Cash dividends

|                                       | Annual dividends per share |                 |                 |                 |       |
|---------------------------------------|----------------------------|-----------------|-----------------|-----------------|-------|
|                                       | 1st quarter-end            | 2nd quarter-end | 3rd quarter-end | Fiscal year-end | Total |
|                                       | Yen                        |                 |                 |                 |       |
| Year ended March 31, 2022             | –                          | 36.00           | –               | 36.00           | 72.00 |
| Year ending March 31, 2023            | –                          | 37.00           |                 |                 |       |
| Year ending March 31, 2023 (Forecast) |                            |                 | –               | 37.00           | 74.00 |

3. Forecast of consolidated financial results for the year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

Percentages indicate year-on-year changes

|           | Net sales       |      | Operating profit |      | Ordinary profit |      | Profit attributable to owners of parent |      | Earnings per share |
|-----------|-----------------|------|------------------|------|-----------------|------|---|------|--------------------|
|           | Millions of yen | %    | Millions of yen  | %    | Millions of yen | %    | Millions of yen                         | %    | Yen                |
| Full year | 210,000         | 11.4 | 22,000           | 31.0 | 21,000          | 24.8 | 14,000                                  | 24.7 | 170.48             |

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2022  
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: Yes
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

|                          |                   |                      |                   |
|--------------------------|-------------------|----------------------|-------------------|
| As of September 30, 2022 | 83,267,300 shares | As of March 31, 2022 | 83,267,300 shares |
|--------------------------|-------------------|----------------------|-------------------|

Number of treasury shares at the end of the period

|                          |                  |                      |                  |
|--------------------------|------------------|----------------------|------------------|
| As of September 30, 2022 | 1,077,321 shares | As of March 31, 2022 | 1,147,475 shares |
|--------------------------|------------------|----------------------|------------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

|                                     |                   |                                     |                   |
|-------------------------------------|-------------------|-------------------------------------|-------------------|
| Six months ended September 30, 2022 | 82,157,273 shares | Six months ended September 30, 2021 | 84,798,005 shares |
|-------------------------------------|-------------------|-------------------------------------|-------------------|

**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

|  | As of March 31, 2022 | As of September 30, 2022 |
|--|----------------------|--------------------------|
| <b>Assets</b>  |                      |                          |
| Current assets   |                      |                          |
| Cash and deposits  | 20,281               | 26,824                   |
| Notes and accounts receivable - trade, and contract assets | 51,362               | 45,120                   |
| Investments in leases                                      | 16,051               | 14,869                   |
| Merchandise  | 11,172               | 8,057                    |
| Goods in transit   | 310                  | 505                      |
| Costs on construction contracts in progress                | 32,419               | 38,069                   |
| Supplies   | 26                   | 25                       |
| Prepaid expenses   | 13,701               | 17,885                   |
| Other  | 4,009                | 5,056                    |
| Allowance for doubtful accounts                            | (1)                  | (0)                      |
| Total current assets                                       | 149,334              | 156,414                  |
| Non-current assets   |                      |                          |
| Property, plant and equipment                              |                      |                          |
| Tools, furniture and fixtures, net                         | 3,308                | 3,323                    |
| Other, net   | 1,420                | 2,350                    |
| Total property, plant and equipment                        | 4,728                | 5,674                    |
| Intangible assets  |                      |                          |
| Other  | 1,070                | 1,205                    |
| Total intangible assets                                    | 1,070                | 1,205                    |
| Investments and other assets                               |                      |                          |
| Investment securities                                      | 147                  | 147                      |
| Deferred tax assets  | 2,955                | 3,248                    |
| Other  | 3,477                | 3,458                    |
| Total investments and other assets                         | 6,579                | 6,853                    |
| Total non-current assets                                   | 12,378               | 13,733                   |
| Total assets   | 161,713              | 170,148                  |

(Millions of yen)

|  | As of March 31, 2022 | As of September 30, 2022 |
|--|----------------------|--------------------------|
| <b>Liabilities</b>                                       |                      |                          |
| <b>Current liabilities</b>                               |                      |                          |
| Accounts payable - trade                                 | 18,988               | 15,880                   |
| Short-term borrowings                                    | 18,002               | 15,002                   |
| Lease liabilities  | 8,642                | 8,083                    |
| Accounts payable - other                                 | 2,036                | 2,006                    |
| Income taxes payable                                     | 1,461                | 4,222                    |
| Advances received  | 18,858               | 24,231                   |
| Provision for bonuses                                    | 2,474                | 2,465                    |
| Provision for bonuses for directors (and other officers) | 59                   | 22                       |
| Other  | 7,394                | 9,013                    |
| <b>Total current liabilities</b>                         | <b>77,918</b>        | <b>80,929</b>            |
| <b>Non-current liabilities</b>                           |                      |                          |
| Lease liabilities  | 14,392               | 13,608                   |
| Asset retirement obligations                             | 814                  | 816                      |
| Other  | 41                   | 732                      |
| <b>Total non-current liabilities</b>                     | <b>15,247</b>        | <b>15,157</b>            |
| <b>Total liabilities</b>                                 | <b>93,165</b>        | <b>96,087</b>            |
| <b>Net assets</b>  |                      |                          |
| <b>Shareholders' equity</b>                              |                      |                          |
| Share capital  | 12,279               | 12,279                   |
| Capital surplus  | 19,453               | 19,453                   |
| Retained earnings  | 38,888               | 41,070                   |
| Treasury shares  | (3,214)              | (3,017)                  |
| <b>Total shareholders' equity</b>                        | <b>67,406</b>        | <b>69,786</b>            |
| <b>Accumulated other comprehensive income</b>            |                      |                          |
| Deferred gains or losses on hedges                       | 978                  | 4,063                    |
| Foreign currency translation adjustment                  | (22)                 | (13)                     |
| <b>Total accumulated other comprehensive income</b>      | <b>956</b>           | <b>4,049</b>             |
| Share acquisition rights                                 | 168                  | 143                      |
| Non-controlling interests                                | 15                   | 80                       |
| <b>Total net assets</b>                                  | <b>68,547</b>        | <b>74,060</b>            |
| <b>Total liabilities and net assets</b>                  | <b>161,713</b>       | <b>170,148</b>           |

**Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)**

**Consolidated statements of income (cumulative)**

(Millions of yen)

|  | Six months ended<br>September 30, 2021 | Six months ended<br>September 30, 2022 |
|--|--|--|
| Net sales  | 77,887                                 | 92,765                                 |
| Cost of sales  | 55,815                                 | 69,802                                 |
| Gross profit   | 22,071                                 | 22,963                                 |
| Selling, general and administrative expenses               | 17,552                                 | 14,644                                 |
| Operating profit   | 4,518                                  | 8,319                                  |
| Non-operating income                                       |  |  |
| Interest income  | 0                                      | 0                                      |
| Foreign exchange gains                                     | 42                                     | 330                                    |
| Contract research revenue from subsidiaries and associates | 119                                    | 3                                      |
| Sales Incentive  | 13                                     | 11                                     |
| Dividends income of group insurance                        | 56                                     | 64                                     |
| Other  | 152                                    | 96                                     |
| Total non-operating income                                 | 384                                    | 507                                    |
| Non-operating expenses                                     |  |  |
| Interest expenses  | 20                                     | 131                                    |
| Other  | 6                                      | 11                                     |
| Total non-operating expenses                               | 26                                     | 143                                    |
| Ordinary profit  | 4,876                                  | 8,683                                  |
| Extraordinary income                                       |  |  |
| Gain on sale of investment securities                      | –                                      | 4                                      |
| Total extraordinary income                                 | –                                      | 4                                      |
| Extraordinary losses                                       |  |  |
| Loss on retirement of non-current assets                   | 2                                      | 3                                      |
| Total extraordinary losses                                 | 2                                      | 3                                      |
| Profit before income taxes                                 | 4,873                                  | 8,685                                  |
| Income taxes - current                                     | 486                                    | 3,750                                  |
| Income taxes - deferred                                    | 1,010                                  | (292)                                  |
| Total income taxes   | 1,497                                  | 3,458                                  |
| Profit   | 3,376                                  | 5,227                                  |
| Profit (loss) attributable to non-controlling interests    | (14)                                   | 51                                     |
| Profit attributable to owners of parent                    | 3,390                                  | 5,175                                  |

**Consolidated statements of comprehensive income (cumulative)**

(Millions of yen)

|  | Six months ended<br>September 30, 2021 | Six months ended<br>September 30, 2022 |
|--|--|--|
| Profit   | 3,376                                  | 5,227                                  |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | 0                                      | –                                      |
| Deferred gains or losses on hedges                             | (103)                                  | 3,084                                  |
| Foreign currency translation adjustment                        | 7                                      | 16                                     |
| Total other comprehensive income                               | (96)                                   | 3,101                                  |
| Comprehensive income   | 3,279                                  | 8,328                                  |
| Comprehensive income attributable to                           |  |  |
| Comprehensive income attributable to owners of parent          | 3,290                                  | 8,268                                  |
| Comprehensive income attributable to non-controlling interests | (10)                                   | 60                                     |

## Consolidated statements of cash flows

(Millions of yen)

|  | Six months ended<br>September 30, 2021 | Six months ended<br>September 30, 2022 |
|--|--|--|
| Cash flows from operating activities   |  |  |
| Profit before income taxes   | 4,873                                  | 8,685                                  |
| Depreciation   | 1,201                                  | 1,052                                  |
| Share-based payment expenses   | 51                                     | 136                                    |
| Increase (decrease) in provision for bonuses                                       | (2,613)                                | (9)                                    |
| Increase (decrease) in provision for bonuses for directors (and other officers)    | (5)                                    | (36)                                   |
| Increase (decrease) in allowance for doubtful accounts                             | (0)                                    | (0)                                    |
| Interest and dividend income   | (0)                                    | (20)                                   |
| Interest expenses  | 20                                     | 131                                    |
| Loss (gain) on sale of investment securities                                       | –                                      | (4)                                    |
| Loss on retirement of non-current assets   | 2                                      | 3                                      |
| Decrease (increase) in trade receivables and contract assets                       | 35,341                                 | 11,674                                 |
| Decrease (increase) in inventories   | (19,660)                               | (2,719)                                |
| Decrease (increase) in other current assets  | (3,168)                                | (4,016)                                |
| Increase (decrease) in trade payables  | (2,521)                                | (3,177)                                |
| Increase/decrease in consumption taxes payable/consumption taxes refund receivable | (3,334)                                | 3,720                                  |
| Increase (decrease) in other current liabilities                                   | (830)                                  | (10)                                   |
| Other, net   | (441)                                  | (205)                                  |
| Subtotal   | 8,915                                  | 15,203                                 |
| Interest and dividends received  | 0                                      | 20                                     |
| Interest paid  | (20)                                   | (113)                                  |
| Income taxes refund (paid)   | (4,426)                                | (974)                                  |
| Other, net   | 302                                    | 140                                    |
| Net cash provided by (used in) operating activities                                | 4,771                                  | 14,276                                 |
| Cash flows from investing activities   |  |  |
| Purchase of property, plant and equipment  | (738)                                  | (819)                                  |
| Purchase of intangible assets  | (286)                                  | (330)                                  |
| Payments for asset retirement obligations  | (172)                                  | –                                      |
| Loan advances  | (2)                                    | (1)                                    |
| Proceeds from collection of loans receivable                                       | 2                                      | 2                                      |
| Payments of leasehold deposits   | (42)                                   | (9)                                    |
| Proceeds from refund of leasehold deposits   | 272                                    | 25                                     |
| Other, net   | 69                                     | 0                                      |
| Net cash provided by (used in) investing activities                                | (898)                                  | (1,133)                                |
| Cash flows from financing activities   |  |  |
| Proceeds from short-term borrowings  | –                                      | 25,000                                 |
| Repayments of short-term borrowings  | –                                      | (28,000)                               |
| Repayments of lease liabilities  | (671)                                  | (659)                                  |
| Purchase of treasury shares  | (1,719)                                | (0)                                    |
| Decrease (increase) in deposits for purchase of treasury shares                    | (1,277)                                | –                                      |
| Dividends paid   | (3,382)                                | (2,951)                                |
| Other, net   | (0)                                    | (0)                                    |
| Net cash provided by (used in) financing activities                                | (7,051)                                | (6,612)                                |
| Effect of exchange rate change on cash and cash equivalents                        | (0)                                    | 12                                     |
| Net increase (decrease) in cash and cash equivalents                               | (3,179)                                | 6,543                                  |
| Cash and cash equivalents at beginning of period                                   | 32,429                                 | 20,281                                 |
| Cash and cash equivalents at end of period   | 29,250                                 | 26,824                                 |