



October 26, 2023

To whom it may concern:

Net One Systems Co., Ltd.
(Stock Code: 7518, TSE Prime)

Notice regarding revision of financial and dividend forecasts

Net One Systems Co., Ltd. (the “Company”) hereby announces that it has decided to revise its consolidated financial and dividend forecasts for the first half of the fiscal year ending March 31, 2024 (April 1, 2023–September 30, 2023) and the fiscal year ending March 31, 2024 (April 1, 2023–March 31, 2024), which were announced on May 9, 2023, taking into account factors, including recent earnings performance, as outlined below.

1. Revision of financial forecasts

(1) Revision of consolidated financial forecast for the first half of the fiscal year ending March 31, 2024 (April 1, 2023–September 30, 2023)

| | Revenue | Operating income | Ordinary income | Net income attributable to owners of the parent | Earnings per share |
|---|-----------------|------------------|-----------------|---|--------------------|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Yen |
| Previous forecast (A) | 93,000 | 8,500 | 8,400 | 5,800 | 71.61 |
| Revised forecast (B) | 93,000 | 6,300 | 6,200 | 4,200 | 51.21 |
| Difference (B-A) | - | (2,200) | (2,200) | (1,600) | |
| Change (%) | - | (25.9%) | (26.2%) | (27.6%) | |
| (Reference) Results for the first half of the previous fiscal year ended March 31, 2023 | 92,765 | 8,319 | 8,683 | 5,175 | 62.99 |

(2) Revision of consolidated financial forecast for the fiscal year ending March 31, 2024 (April 1, 2023–March 31, 2024)

| | Revenue | Operating income | Ordinary income | Net income attributable to owners of the parent | Earnings per share |
|---|-----------------|------------------|-----------------|---|--------------------|
| | Millions of yen | Millions of yen | Millions of yen | Millions of yen | Yen |
| Previous forecast (A) | 220,000 | 24,600 | 24,400 | 17,000 | 213.03 |
| Revised forecast (B) | 201,000 | 16,500 | 16,100 | 10,900 | 136.25 |
| Difference (B-A) | (19,000) | (8,100) | (8,300) | (6,100) | |
| Change (%) | (8.6%) | (32.9%) | (34.0%) | (35.9%) | |
| (Reference) Results for the previous fiscal year ended March 31, 2023 | 209,680 | 20,635 | 20,660 | 14,458 | 175.95 |

(3) Reasons for revisions

- Forecast for the first half of the fiscal year ending March 31, 2024

Bookings are projected to be ¥91.9 billion, falling below the initial forecast of ¥106.0 billion, due to sluggish orders in the Telecom Carrier and Public markets as well as in the Partner business. Revenue is expected to be in line with the previous forecast. Operating income is anticipated to be lower than initially projected due to delays in initiatives aimed at improving the gross profit margin. SG&A expenses are likely to exceed the forecast, primarily due to expenses associated with new office openings. Consequently, the Company expects profits at each level to be lower than the previous forecast.

- Forecast for the fiscal year ending March 31, 2024

Bookings are expected to reach ¥210.0 billion, falling short of the initial forecast of ¥225.0 billion. While order bookings in the second half of the year are expected to proceed in line with projections, this will not suffice to compensate for the shortfall experienced in the first half. Revenue is anticipated to fall below the previously forecast figure due to the shortfall in order bookings in the first half and the anticipated concentration of second-half orders in the fourth quarter. Despite ongoing efforts to further optimize overall sales prices, which affect the gross profit margin, operating income is anticipated to undershoot the forecast. SG&A expenses are projected to come in below the forecast owing to cost-cutting efforts. As a result of these factors, the Company expects profits at each line to fall short of the previous forecast.

Note: The above projections are based on information available as of the date this document was released. Actual results may differ due to a variety of factors.

2. Revision of dividend forecast for the fiscal year ending March 31, 2024

| | Annual dividends (Yen) | | |
|---|------------------------|-----------------|-------|
| | Second quarter-end | Fiscal-year end | Total |
| Previous forecast | 43.00 | 43.00 | 86.00 |
| Revised forecast | 37.00 | 37.00 | 74.00 |
| (Reference) Results for the previous fiscal year ended March 31, 2023 | 37.00 | 37.00 | 74.00 |

The Company's capital management policy aims to increase shareholder returns by enhancing corporate value, while expanding its management base, strengthening shareholders' equity, which is a source of growth potential, and returning profits in a stable and appropriate manner that reflects business performance over the long term.

In alignment with this policy, the Company has set a target consolidated dividend payout ratio of 40%, and announced a dividend forecast for the current fiscal year, taking into account the target payout ratio and the capital allocation policy announced on May 9, 2023. However, in line with the revision to its financial forecast, the Company has revised its dividend forecast to an interim dividend of ¥37 per share and a year-end dividend of ¥37 per share, for a projected annual dividend of ¥74 per share.