

Translation

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## Summary of Consolidated Financial Results for the Six Months Ended September 30, 2023 (Based on Japanese GAAP)

November 1, 2023

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 Hiroyuki Tazaki TEL 03-6256-0615  
 Scheduled date to file Quarterly Securities Report: November 9, 2023  
 Scheduled date to commence dividend payments: December 4, 2023  
 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, 2023 (from April 1, 2023 to September 30, 2023)

#### (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, 2023	93,114	0.4	6,344	(23.7)	6,200	(28.6)	4,210	(18.6)
Six months ended September 30, 2022	92,765	19.1	8,319	84.1	8,683	78.1	5,175	52.6

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended September 30, 2023	51.34		51.28	
Six months ended September 30, 2022	62.99		62.92	

#### (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, 2023	175,460	74,698	42.5	919.61
As of March 31, 2023	178,651	75,764	42.3	920.08

### 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, 2023	–	37.00	–	37.00	74.00
Year ending March 31, 2024	–	37.00			
Year ending March 31, 2024 (Forecast)			–	37.00	74.00

### 3. Forecast of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

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	201,000	(4.1)	16,500	(20.0)	16,100	(22.1)	10,900	(24.6)	136.25

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2023  
(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: No
- 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, 2023	83,267,300 shares	As of March 31, 2023	83,267,300 shares
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Number of treasury shares at the end of the period

As of September 30, 2023	2,181,261 shares	As of March 31, 2023	1,077,321 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	82,011,329 shares	Six months ended September 30, 2022	82,157,273 shares
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**Quarterly consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	35,509	29,960
Notes and accounts receivable - trade, and contract assets	51,383	38,342
Lease receivables and investments in leases	21,394	19,628
Merchandise	7,373	7,235
Goods in transit	230	275
Costs on construction contracts in progress	30,274	39,939
Supplies	25	27
Prepaid expenses	14,242	19,489
Other	674	3,292
Allowance for doubtful accounts	(0)	(1)
Total current assets	161,106	158,189
Non-current assets		
Property, plant and equipment		
Buildings, net	721	5,635
Tools, furniture and fixtures, net	3,760	3,919
Construction in progress	5,015	–
Total property, plant and equipment	9,497	9,554
Intangible assets		
Other	1,523	1,949
Total intangible assets	1,523	1,949
Investments and other assets		
Investment securities	146	72
Deferred tax assets	3,216	2,578
Other	3,160	3,115
Total investments and other assets	6,523	5,766
Total non-current assets	17,545	17,270
Total assets	178,651	175,460

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	17,581	14,368
Short-term borrowings	8,000	14,000
Lease liabilities	9,977	10,307
Accounts payable - other	4,971	3,683
Income taxes payable	4,200	1,660
Advances received	20,805	23,942
Asset retirement obligations	191	348
Provision for bonuses	2,859	2,645
Provision for bonuses for directors (and other officers)	32	68
Other	11,462	7,855
<b>Total current liabilities</b>	<b>80,084</b>	<b>78,881</b>
<b>Non-current liabilities</b>		
Provision for executive officers' retirement benefits	–	240
Lease liabilities	18,574	18,810
Asset retirement obligations	2,172	1,797
Long-term accounts payable - other	2,054	1,032
<b>Total non-current liabilities</b>	<b>22,802</b>	<b>21,880</b>
<b>Total liabilities</b>	<b>102,887</b>	<b>100,761</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	12,279	12,279
Capital surplus	19,453	19,479
Retained earnings	47,312	48,482
Treasury shares	(3,017)	(6,032)
<b>Total shareholders' equity</b>	<b>76,029</b>	<b>74,208</b>
<b>Accumulated other comprehensive income</b>		
Deferred gains or losses on hedges	(408)	358
<b>Total accumulated other comprehensive income</b>	<b>(408)</b>	<b>358</b>
Share acquisition rights	143	130
<b>Total net assets</b>	<b>75,764</b>	<b>74,698</b>
<b>Total liabilities and net assets</b>	<b>178,651</b>	<b>175,460</b>

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

### Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	92,765	93,114
Cost of sales	69,802	69,831
Gross profit	22,963	23,283
Selling, general and administrative expenses	14,644	16,938
Operating profit	8,319	6,344
Non-operating income		
Interest income	0	0
Foreign exchange gains	330	9
Contract research revenue from subsidiaries and associates	3	–
Sales Incentive	11	6
Dividends income of group insurance	64	47
Other	96	52
Total non-operating income	507	116
Non-operating expenses		
Interest expenses	131	115
Compensation expenses	–	115
Other	11	29
Total non-operating expenses	143	260
Ordinary profit	8,683	6,200
Extraordinary income		
Gain on sale of investment securities	4	–
Total extraordinary income	4	–
Extraordinary losses		
Loss on retirement of non-current assets	3	4
Loss on sale of membership	–	0
Total extraordinary losses	3	5
Profit before income taxes	8,685	6,195
Income taxes - current	3,750	1,685
Income taxes - deferred	(292)	299
Total income taxes	3,458	1,985
Profit	5,227	4,210
Profit attributable to non-controlling interests	51	–
Profit attributable to owners of parent	5,175	4,210

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	5,227	4,210
Other comprehensive income		
Deferred gains or losses on hedges	3,084	766
Foreign currency translation adjustment	16	–
Total other comprehensive income	3,101	766
Comprehensive income	8,328	4,976
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,268	4,976
Comprehensive income attributable to non-controlling interests	60	–

## Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	8,685	6,195
Depreciation	1,052	1,591
Share-based payment expenses	136	166
Increase (decrease) in provision for bonuses	(9)	(214)
Increase (decrease) in provision for bonuses for directors (and other officers)	(36)	35
Increase (decrease) in allowance for doubtful accounts	(0)	0
Increase (decrease) in provision for executive officer's retirement benefits	–	240
Interest and dividend income	(20)	(0)
Interest expenses	131	115
Compensation expenses	–	115
Loss (gain) on sale of investment securities	(4)	–
Loss on retirement of non-current assets	3	4
Decrease (increase) in trade receivables and contract assets	11,674	16,178
Decrease (increase) in inventories	(2,719)	(9,574)
Decrease (increase) in other current assets	(4,016)	(2,942)
Increase (decrease) in trade payables	(3,177)	(3,212)
Increase/decrease in consumption taxes payable/consumption taxes refund receivable	3,720	(3,354)
Increase (decrease) in other current liabilities	(10)	(745)
Other, net	(205)	(394)
Subtotal	15,203	4,204
Interest and dividends received	20	0
Interest paid	(113)	(99)
Income taxes refund (paid)	(974)	(4,114)
Other, net	140	66
Net cash provided by (used in) operating activities	14,276	56
Cash flows from investing activities		
Purchase of property, plant and equipment	(819)	(2,426)
Purchase of intangible assets	(330)	(475)
Payments for asset retirement obligations	–	(227)
Loan advances	(1)	–
Proceeds from collection of loans receivable	2	1
Payments of leasehold deposits	(9)	(5)
Proceeds from refund of leasehold deposits	25	57
Proceeds from liquidation of subsidiaries	–	0
Proceeds from capital reduction of shares of subsidiaries	–	74
Other, net	0	(7)
Net cash provided by (used in) investing activities	(1,133)	(3,008)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(3,000)	6,000
Repayments of lease liabilities	(659)	(561)
Purchase of treasury shares	(0)	(3,175)
Decrease (increase) in deposits for purchase of treasury shares	–	(1,824)
Dividends paid	(2,951)	(3,037)
Other, net	(0)	0
Net cash provided by (used in) financing activities	(6,612)	(2,597)
Effect of exchange rate change on cash and cash equivalents	12	–
Net increase (decrease) in cash and cash equivalents	6,543	(5,549)
Cash and cash equivalents at beginning of period	20,281	35,509
Cash and cash equivalents at end of period	26,824	29,960