

To Our Shareholders:

Matters Omitted in the Documents Delivered

Main offices

Status of employees

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Consolidated statement of changes in net assets

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Non-consolidated statement of changes in net assets

Notes to Non-Consolidated Financial Statements

For the 37th Fiscal Year
April 1, 2023 to March 31, 2024

Net One Systems Co., Ltd.

Pursuant to the relevant laws and regulations and the Articles of Incorporation of the Company, the above matters are not stated in the documents to be delivered to shareholders who have made a request for issuance of documents.

Main offices (as of March 31, 2024)

Company name	Office name	Location
Net One Systems Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
	Kansai Branch	Yodogawa-ku, Osaka
	Innovation Center	Shinagawa-ku, Tokyo
	Hokkaido Branch	Chuo-ku, Sapporo
	Tohoku Branch	Aoba-ku, Sendai
	Tsukuba Office	Tsukuba-shi, Ibaraki
	Chubu Branch	Naka-ku, Nagoya
	Toyota Office	Toyota-shi, Aichi
	Hokuriku Office	Kanazawa-shi, Ishikawa
	Chugoku Branch	Naka-ku, Hiroshima
	Takamatsu Office	Takamatsu-shi, Kagawa
	Kyushu Branch	Hakata-ku, Fukuoka
	Okinawa Office	Naha-shi, Okinawa
	Technical Center	Shinagawa-ku, Tokyo
	Quality Assurance & Management Center	Ota-ku, Tokyo
	Quality Assurance & Management Center West Branch	Joto-ku, Osaka
Kariya Satellite Office	Kariya-shi, Aichi	
Matsuyama Satellite Office	Matsuyama-shi, Ehime	
Net One Partners Co., Ltd.	Head Office	Chiyoda-ku, Tokyo
Net One Next Co., Ltd.	Head Office	Chiyoda-ku, Tokyo

Status of employees (as of March 31, 2024)

I. Number of employees of the Corporate Group

Name of segment, etc.	Number of employees	Comparison to end of previous FY
Enterprise Sector	419	Increase of 29
Telecom carrier Sector	220	Decrease of 31
Public Sector	510	Decrease of 17
Enterprise/Telecom carrier/Public common business	351	Increase of 26
Partner Sector (Net One Partners Co., Ltd.)	191	Increase of 9
Support services for maintenance and operation	362	Increase of 20
Unallocable (Common)	526	Decrease of 5
Total	2,579	Increase of 31

(Note) The number of employees includes individuals dispatched to the Group from outside the Group but excludes individuals dispatched outside the Group from the Group.

II. Number of employees of the Company

Name of segment, etc.	Number of employees	Comparison to end of previous FY
Enterprise Sector	419	Increase of 29
Telecom carrier Sector	220	Decrease of 31
Public Sector	510	Decrease of 17
Enterprise /Telecom carrier/Public common business	307	Increase of 23
Partner Sector (Net One Partners Co., Ltd.)	–	–
Support services for maintenance and operation	362	Increase of 20
Unallocable (Common)	467	Unchanged
Total	2,285	Increase of 24

(Note) The number of employees includes individuals dispatched to the Company from other companies but excludes individuals dispatched from the Company to other companies.

Status of the Company's share acquisition rights, etc.

Outline of share acquisition rights under the stock compensation-type stock options plan held by Executive Directors (excluding Outside Executive Directors) of the Company as of end of FY2023

Name (Date of resolution to issue)	Number of owners	Number of share acquisition rights	Class and number of shares to be issued upon the exercise of share acquisition rights	Amount to be paid in for share acquisition rights	Value of assets contributed upon the exercise of the share acquisition rights	Effective period during which the share acquisition rights are exercisable	Conditions for the exercise of share acquisition rights	Remarks
Net One Systems Co., Ltd. FY2012 share acquisition rights (June 14, 2012)	1 Executive Director (excluding Outside Executive Directors)	22	2,200 shares of common stock of the Company	90,000 yen per share acquisition right	1 yen per share	July 3, 2012 to July 2, 2042	(Note 1)	(Note 2)
Net One Systems Co., Ltd. FY2013 share acquisition rights (June 13, 2013)	1 Executive Director (excluding Outside Executive Directors)	28	2,800 shares of common stock of the Company	62,700 yen per share acquisition right	1 yen per share	July 2, 2013 to July 1, 2043	(Note 1)	(Note 2)
Net One Systems Co., Ltd. FY2014 share acquisition rights (June 17, 2014)	2 Executive Directors (excluding Outside Executive Directors)	72	7,200 shares of common stock of the Company	56,400 yen per share acquisition right	1 yen per share	July 4, 2014 to July 3, 2044	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2015 share acquisition rights (June 16, 2015)	2 Executive Directors (excluding Outside Executive Directors)	50	5,000 shares of common stock of the Company	71,700 yen per share acquisition right	1 yen per share	July 3, 2015 to July 2, 2045	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2016 share acquisition rights (June 16, 2016)	2 Executive Directors (excluding Outside Executive Directors)	74	7,400 shares of common stock of the Company	53,100 yen per share acquisition right	1 yen per share	July 5, 2016 to July 4, 2046	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2017 share acquisition rights (June 15, 2017)	2 Executive Directors (excluding Outside Executive Directors)	42	4,200 shares of common stock of the Company	101,400 yen per share acquisition right	1 yen per share	July 4, 2017 to July 3, 2047	(Note 1)	(Note 3)
Net One Systems Co., Ltd. FY2018 share acquisition rights (June 14, 2018)	2 Executive Directors (excluding Outside Executive Directors)	30	3,000 shares of common stock of the Company	175,400 yen per share acquisition right	1 yen per share	July 3, 2018 to July 2, 2048	(Note 1)	
Net One Systems Co., Ltd. FY2019 share acquisition rights (June 13, 2019)	2 Executive Directors (excluding Outside Executive Directors)	28	2,800 shares of common stock of the Company	287,200 yen per share acquisition right	1 yen per share	July 2, 2019 to July 1, 2049	(Note 1)	

Name (Date of resolution to issue)	Number of owners	Number of share acquisition rights	Class and number of shares to be issued upon the exercise of share acquisition rights	Amount to be paid in for share acquisition rights	Value of assets contributed upon the exercise of the share acquisition rights	Effective period during which the share acquisition rights are exercisable	Conditions for the exercise of share acquisition rights	Remarks
Net One Systems Co., Ltd. FY2020 share acquisition rights (June 11, 2020)	2 Executive Directors (excluding Outside Executive Directors)	32	3,200 shares of common stock of the Company	341,400 yen per share acquisition right	1 yen per share	July 2, 2020 to July 1, 2050	(Note 1)	
Net One Systems Co., Ltd. FY2021 share acquisition rights (June 23, 2021)	2 Executive Directors (excluding Outside Executive Directors)	45	4,500 shares of common stock of the Company	344,600 yen per share acquisition right	1 yen per share	July 13, 2021 to July 12, 2051	(Note 1)	

(Notes) 1. (1) Persons who have received allotment of share acquisition rights (herein, “Share Acquisition Right Holders”) may only execute the share acquisition rights as one lump transaction that shall be limited to the period from the day following the day on which any position of Director, Audit & Supervisory Board Member, Executive Officer or employee (excluding consigned employees) of the Company or the Company’s subsidiary during the exercise period of the share acquisition rights has been forfeited until the day on which ten days expire (if the tenth day falls on a holiday, then the next business day).

(2) In the event that a Share Acquisition Right Holder dies while serving or being employed in any position of Director, Audit & Supervisory Board Member, Executive Officer or employee (excluding consigned employees) of the Company or the Company’s subsidiary, or between the period from the day following the day on which such position has been forfeited until the day on which ten days expire, the heir of that person may only execute the share acquisition rights as one lump transaction that shall be limited to the period from the day that follows the day on which that person died until the day on which six months expire.

2. The share acquisition rights owned by one (1) Executive Director were granted prior to appointment as Executive Director.
3. The share acquisition rights owned by two (2) Executive Directors were granted prior to appointment as Executive Director.

Consolidated statement of changes in net assets

(April 1, 2023 to March 31, 2024)

(unit: million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2023	12,279	19,453	47,312	(3,017)	76,029
Changes of items during the period					
Dividends from surplus			(6,041)		(6,041)
Profit attributable to owners of parent			13,720		13,720
Purchase of treasury stock				(7,499)	(7,499)
Cancellation of treasury stock		(7,700)		7,700	-
Disposal of treasury stock		20		186	206
Transfer from retained earnings to capital surplus		7,680	(7,680)		-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	(0)	386	385
Balance as of March 31, 2024	12,279	19,453	47,312	(2,630)	76,414

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance as of April 1, 2023	(408)	(408)	143	75,764
Changes of items during the period				
Dividends from surplus				(6,041)
Profit attributable to owners of parent				13,720
Purchase of treasury stock				(7,499)
Cancellation of treasury stock				–
Disposal of treasury stock				206
Transfer from retained earnings to capital surplus				–
Net changes of items other than shareholders' equity	676	676	(13)	663
Total changes of items during the period	676	676	(13)	1,049
Balance as of March 31, 2024	268	268	130	76,814

Notes to consolidated financial statements

(Significant matters related to the basis of preparation of consolidated financial statements)

1. Matters related to the scope of consolidation

- | | |
|--|--|
| (1) Number of consolidated subsidiaries | 2 companies |
| Names of consolidated subsidiaries | Net One Partners Co., Ltd.
Net One Next Co., Ltd. |
| (2) Names, etc. of non-consolidated subsidiaries | |
| Names of non-consolidated subsidiaries | Net One Business Operations G.K.
Net One Systems USA, Inc.
Net One Systems Singapore Pte. Ltd. |

(Reason for excluding from the consolidation)

Those non-consolidated subsidiaries are small in size and their total assets, net sales, profit or loss for the Company's equity interest, and retained earnings for the Company's equity interest do not have a significant effect on the consolidated financial statements.

2. Matters related to application of equity method

- | | |
|---|------|
| (1) Number of associates accounted for using equity method | None |
| (2) Non-consolidated subsidiaries (Net One Business Operations G.K., Net One Systems USA, Inc., Net One Systems Singapore Pte. Ltd.) are excluded from the scope of application of the equity method, as their profit or loss for the Company's equity interest and retained earnings for the Company's equity interest do not have a significant effect on the consolidated financial statements and their impact are immaterial as a whole. | |

3. Matters related to accounting policies

(1) Basis and method of valuation for significant assets

I. Securities

Available-for-sale securities

Securities other than shares, etc. that do not have a market price Stated at market value. (Net unrealized holding gains or losses, net of the applicable income taxes, are directly included in a component of net assets. The cost of securities sold is measured by the moving average method.)

Shares, etc. that do not have a market price Stated at cost based upon the moving average method.

II. Derivatives

Stated at market value

III. Inventories

Merchandise Stated at cost based upon the moving average method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

Costs on uncompleted construction contracts

Stated at cost based upon the specific identification method (The balance sheet amount is adjusted by writing down the book value where the profitability declines.)

(2) Depreciation method for significant depreciable assets

I. Property, plant and equipment (excluding lease assets)

Declining balance method is applied for the Company and its consolidated subsidiaries in Japan.

The major useful lives of assets are:

Buildings 3 to 18 years

Tools, furniture and fixtures 2 to 20 years

II. Intangible assets (excluding lease assets)

Straight line method is applied for the Company and its consolidated subsidiaries in Japan.

The major useful lives of assets are:

Software for own use 5 years

Software for sale 3 years

III. Lease assets

Lease assets in finance leases that transfer ownership to the lessee

Lease assets are depreciated using the same manner to the accounting for the non-current assets owned by the Company.

Lease assets in finance leases that do not transfer ownership to the lessee

Lease assets are depreciated using the straight line method over the corresponding lease terms as useful lives with their residual values to be zero.

(3) Basis for significant reserves

I. Allowance for doubtful accounts

The Company and its consolidated subsidiaries recorded allowance for doubtful accounts to provide provision for possible losses on receivables, loans receivable, etc., by the historical uncollectible rate for ordinary receivables and with consideration of individual collectability of specific doubtful receivables from debtors in financial difficulties.

II. Provision for bonuses

The Company and its consolidated subsidiaries recorded provision for bonuses to accrue the amount for bonuses to employees of the Company for the fiscal year.

III. Provision for directors' bonuses

The Company and its consolidated subsidiaries recorded provision for directors' bonuses to accrue the amount for bonuses to Executive Directors of the Company for the fiscal year.

IV. Provision for executive officers' retirement benefits

In order to provide for the payment of retirement benefits to its Executive Officers, the Company recorded an estimated amount as of the end of the fiscal year ended March 31, 2024, based on the Company's internal regulations.

(4) Recognition standard for significant revenues and expenses

The major performance obligations in the major businesses of the Company and its consolidated subsidiaries and the usual time point at which revenue is recognized are described in the "Notes to revenue recognition 2. Useful information in understanding revenue."

(5) Other significant matters related to the basis of preparation of consolidated financial statements

I. Bases for translation of significant foreign currency denominated assets and liabilities into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the closing date of the accounting period, with translation difference charged to profit or loss.

II. Significant hedge accounting method

a. Hedge accounting method

Deferral hedge accounting is applied. However, monetary claims and liabilities denominated in foreign currencies subject to forward exchange contracts are translated at the foreign exchange rates stipulated in the contract if the forward exchange contract satisfies the requirements for this treatment. (“*Furiate-shori*” method)

b. Hedging instruments and hedged items

Hedging instruments: Forward exchange contract

Hedged items: Planned transactions denominated in foreign currencies

c. Hedging policy

The Company employs hedging instruments to manage risk exposure to fluctuations in foreign currency exchange rates for foreign currency denominated receivables and payables in connection with the purchase of operating assets in the future pursuant to the internal management regulations which define the transaction limit amount and the transaction authority.

d. Assessment of hedge effectiveness

Assessment of hedge effectiveness is omitted for foreign currency forward exchange contracts since their hedge relationship is deemed highly effective.

(Note) Figures are rounded down to the nearest million yen.

(Notes to accounting estimates)

(Deferred tax assets)

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

Deferred tax assets	2,809 million yen
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(2) Information regarding details of important accounting estimates for identified items

Deferred tax assets are recorded when taxable income can be sufficiently ensured based on future profit plans and deductible temporary differences are deemed collectable.

As the collectability of deferred tax assets depends on estimates of future taxable income, if the precondition or assumption of such estimates changes, it may have a significant impact on the amount of deferred tax assets and income taxes-deferred, etc. for the consolidated financial statements of the following fiscal year.

(Additional information)

(Matters related to fraudulent transactions)

In the fiscal year ended March 31, 2020, the Company has recognized that transactions without actual deliveries had been repeated since December 2014. Payables of 5,553 million yen arising from the cancellation of transactions, etc. related to the fraud are included in and presented as “Other” of “Current liabilities.”

Since the settlements between the companies involved in the fraudulent transactions and the Company’s request for correction of income taxes, etc. have not been completed and lawsuits seeking compensation for damages, etc. from each company are still ongoing, the financial position and business performance of the Group may be affected depending on future circumstances. In the event that the Company is found liable in said lawsuits, the above current liabilities may be used to pay for

damages and other liabilities.

In addition, the Company received a notice of suit on October 28, 2020 by NS Solutions Corporation (hereinafter, the “defendant”) in the case where Mizuho-Toshiba Leasing Company, Limited (hereinafter, the “plaintiff”) made a penalty claim against the defendant. As stated in the notice of suit, the plaintiff claims penalties for cancellation of sales contracts of 10,926 million yen and damages for delay against the defendant, and if the defendant loses the penalty claim case, which resulted from involvement in transactions related to fraud by a former employee of the Company, the plaintiff shall exercise claims for compensation for loss or damage against the Company based on vicarious liability of the Company. With regard to this penalty claim case, the Company filed an application for assisting intervention on September 17, 2021.

(Establishment of retirement benefit plan for Executive Officers)

In the fiscal year ended March 31, 2024, the Company started providing for the payment of retirement benefits to Executive Officers in an amount as set forth in the Company’s internal regulations. This is because the Company established a retirement benefit plan following the change in its relationship with Executive Officers from employment-based to delegation-based effective April 2023.

(Note to consolidated balance sheet)

1. Of notes and accounts receivable-trade, and contract assets, the amount of receivables arising from contracts with customers is as follows:

Notes receivable-trade	1,190 million yen
Accounts receivable-trade	44,199 million yen

2. Inventories and provision for loss on order received pertaining to order contracts that are expected to incur losses are offset. The amount of the provision for loss on order received offset against the inventories is as follows:

Costs for uncompleted construction contracts	38 million yen
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3. Total accumulated depreciation of property, plant and equipment 20,120 million yen

(Note to consolidated statement of income)

Revenue from contracts with customers

Of net sales, the amounts of revenue from contracts with customers and revenue from other sources are as follows.

Revenue from contracts with customers	202,420 million yen
Revenue from other sources	2,707 million yen

(Notes to consolidated statement of changes in net assets)

1. Class and number of issued shares as of March 31, 2024

Class of shares	Number of shares as of March 31, 2024
Common stock	80,308,700 shares

2. Items regarding dividends from surplus during FY2023

Date of resolution	Class of shares	Total cash dividends (million yen)	Cash dividend per share (yen)	Record Date	Effective date
June 23, 2023 Annual Shareholders Meeting	Common stock	3,041	37.00	March 31, 2023	June 26, 2023
November 1, 2023 Board of Directors Meeting	Common stock	3,000	37.00	September 30, 2023	December 4, 2023

3. Among the dividends whose record date is within FY2023, those having effective date in FY2024

To be placed on the agenda of the Annual Shareholders Meeting scheduled for June 26, 2024.

Date of declaration	Class of shares	Total cash dividends (million yen)	Dividend resource	Cash dividend per share (yen)	Record Date	Effective date
June 26, 2024 Annual Shareholders Meeting	Common stock	3,171	Retained earnings	40.00	March 31, 2024	June 27, 2024

4. Class and number of shares to be issued upon the exercise of share acquisition rights (excluding those whose exercise period has not yet commenced) as of March 31, 2024

Class of shares	Number of shares as of March 31, 2024
Common stock	84,600 shares

(Notes to financial instruments)

1. Status of financial instruments

(1) Policy on treating financial instruments

With regard to the fund management, the Net One Systems Group (the Group) utilizes highly secure financial assets for temporary surplus funds. Also, it is the Group's policy to utilize derivatives to avoid foreign exchange fluctuation risks pertaining to operating receivables and payables denominated in foreign currencies and not to use derivatives for speculation.

(2) Details of financial instruments, and risks and risk management system thereof

Notes and accounts receivable-trade, which are operating receivables, and investments in leases are exposed to customer credit risks. To manage these risks, the status of collection of these receivables from counterparties is periodically monitored and the due dates and balances are managed for each counterparty pursuant to the internal management regulations; and efforts trying to identify at an early stage and reduce losses from doubtful accounts caused by their worsened financial positions are made.

Investment securities, mainly consisted of stocks issued by companies with business relations, are exposed to fluctuation risks of the stock issuers' financial positions. The Group periodically examines the issuers' financial positions and continuously reviews the stock holdings in consideration of relationships with the issuers. In addition to the aforementioned risks, foreign stocks are also exposed to foreign exchange fluctuation risks.

Due dates of accounts payable-trade, which are operating debt, are within one year. Short-term borrowings are used for short-term business funds. Accounts payable-trade and short-term borrowings are exposed to liquidity risk, which is managed through the timely formulation of cash management plans and other methods. Some of accounts payable-trade are denominated in foreign currencies and exposed to foreign exchange fluctuation risks, but these risks are hedged by forward exchange contracts.

Derivatives adopted are forward exchange contracts used for the purpose of hedging foreign exchange fluctuation risks arising from operating receivables and payables denominated in foreign currencies. The basic policy on derivatives is determined by the Board of Directors, and the Company executes and manages derivative transactions pursuant to the internal management regulations which define the transaction limit amount and the transaction authority. Regarding hedging instruments and hedged items, hedging policy and method of assessing hedge effectiveness in hedge accounting, please refer to the aforementioned "(5) Other significant matters related to the basis of preparation of consolidated financial statements, II. Significant hedge accounting method" in "Significant matters related to the basis of preparation of consolidated financial statements, 3. Matters related to accounting policies."

(3) Supplementary explanation to matters regarding fair values of financial instruments

The contracted amounts related to derivatives, mentioned in "2. Matters regarding fair values of financial instruments," in themselves, should not be considered indicative of the market risks associated with the derivatives.

2. Matters regarding fair values of financial instruments

Consolidated balance sheet amounts and fair values as of March 31, 2024, and their variances, of financial instruments, are as follows. Shares, etc. that do not have a market price (the consolidated balance sheet amount of 50 million yen) are not included. Cash is not included in the notes, and deposits, notes and accounts receivable-trade, accounts payable-trade, and short-term borrowings are also not included in the notes because they are settled in a short period of time and their market value approximates their book value.

(unit: million yen)

	Consolidated balance sheet amount (*)	Fair value (*)	Variance
(1) Lease receivables and investments in leases	18,206	17,819	(386)
(2) Lease obligations	(28,531)	(28,221)	309
(3) Derivatives	499	499	—

(*1) The figures in parentheses indicate those posted in liabilities.

(*2) Net receivables and payables arising from derivatives are presented on a net basis.

(Note) 1. A description of the valuation technique(s) and inputs used in the fair value measurements

The fair value of financial instruments is classified into the following three levels according to the observability and materiality of inputs used to measure fair value.

Level 1 fair value: Fair value measured using observable inputs, i.e. quoted prices in active markets for assets or liabilities that are the subject of the measurement.

Level 2 fair value: Fair value measured using observable inputs other than Level 1 inputs.

Level 3 fair value: Fair value measured using unobservable inputs.

If multiple inputs are used that are significant to the fair value measurement, the fair value measurement is categorized in its entirety in the level of the lowest level input that is significant to the entire measurement.

(1) Lease receivables and investments in leases

The fair value is the discounted present value of total principal and interest using an assumed interest rate on equivalent new lease transactions, and is classified as Level 2.

(2) Lease obligations

The total amount of lease obligations (current liabilities) and lease obligations (non-current liabilities) is presented.

The fair value is the discounted present value of total principal and interest using an assumed interest rate on equivalent new lease transactions, and is classified as Level 2.

(3) Derivatives

I. Derivatives to which hedge accounting is not applied: None.

II. Derivatives to which hedge accounting is applied: Contracted amounts or notional amounts defined in contracts as of consolidated balance sheet date for each hedge accounting method are as follows:

(unit: million yen)

Hedge accounting method	Type of derivatives	Major hedged items	As of March 31, 2024			
			Contracted amounts	Of the contracted amounts, those over 1 year	Fair value	Fair value measurement method
Deferral hedge accounting method	Sold forward exchange contracts					Based on prices provided by counterparty financial institutions and classified as Level 2
	-U.S. dollar	Accounts receivable-trade	146	-	(0)	
	Purchased forward exchange contracts					
	-U.S. dollar	Accounts payable-trade	9,195	-	500	
“ <i>Furiate-shori</i> ” method	Sold forward exchange contracts					
	-U.S. dollar	Accounts receivable-trade	46	-	(*)	
	Purchased forward exchange contracts					
	-U.S. dollar	Accounts payable-trade	8,827	-	(*)	
Total			18,216	-	499	

(*) Forward exchange contracts under designated hedge accounting (“*Furiate-shori*”) method are accounted for together with accounts receivable-trade and accounts payable-trade designated as a hedged item, their fair values are included in the corresponding amount of accounts receivable-trade and accounts payable-trade.

(Note) 2. Scheduled redemption amounts of monetary claims after the consolidated balance sheet date
(unit: million yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Cash and deposits	32,035	-	-
Notes and accounts receivable-trade	46,180	-	-
Lease receivables and investments in leases	6,560	11,551	94
Total	84,776	11,551	94

(Note) 3. Scheduled repayment amounts of lease obligations after the consolidated balance sheet date
(unit: million yen)

	Within 1 year	Over 1 year within 5 years	Over 5 years within 10 years
Lease obligations	9,842	18,062	625
Total	9,842	18,062	625

(Note regarding per share information)

Net assets per share 967.03 yen
Profit per share 169.82 yen

(Note regarding significant subsequent events)

Not applicable

(Notes to revenue recognition)

1. Disaggregation of revenue from contracts with customers

(unit: million yen)

	Reportable segment					Total
	ENT Sector	SP Sector	PUB Sector	Partner Sector	Subtotal	
Net sales						
Equipment	23,120	21,730	25,151	34,482	104,485	104,485
Service	32,085	23,466	36,245	8,844	100,642	100,642
Revenue from contracts with customers	54,564	45,180	59,376	43,298	202,420	202,420
Revenue from other sources (Note)	641	16	2,020	28	2,707	2,707
Net sales to outside customers	55,206	45,197	61,396	43,327	205,127	205,127

(Note) Revenue from other sources mainly includes lease revenues based on the “Accounting Standard for Lease Transactions.”

2. Useful information in understanding revenue

The Group provides services in two product groups, the equipment product group and the service product group, in four reportable segments: ENT Sector, SP Sector, PUB Sector, and Partner Sector.

For the equipment product group, the Company sells to customers purchased products such as networks and platforms that comprise ICT systems. Since delivery of products to customers is a performance obligation, the Company judges that the performance obligation is satisfied at the time of customer acceptance and recognizes revenue at that point.

For the service product group, the Company mainly provides support services and design/construction services for systems that combine equipment handled in the equipment product group. For system design/construction, the Company judges that the performance obligation is satisfied when provision of the design, performance verification, and/or configuration services is completed and acceptance has been received from the customer, and recognizes revenue at that point. For system maintenance/operation, cloud services, and capital services, the Company recognizes revenue as performance obligations that are satisfied over a certain period of time because their services are routine or recurring.

The Company also provides services that combine the above two product groups. In the case of combined services of equipment products and system design/construction included in one contract, the Company identifies them as a single performance obligation and recognizes revenue accordingly. In the case of combined services that include system maintenance/operation, cloud services, and capital services, the Company identifies the performance obligation to be satisfied at a point in time and the performance obligation to be satisfied over a certain period of time separately and recognizes revenue accordingly.

The Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to the customer. In the case of a combined service that involves both performance obligation satisfied at a point in time and performance obligation satisfied over a certain period of time, to allocate the transaction price to each performance obligation in proportion to the stand-alone selling prices, the Group calculates the stand-alone selling prices of the separate goods or services underlying each performance obligation in the contract and allocates the transaction price in proportion to such stand-alone selling prices. If a stand-alone selling price is not directly observable, it is estimated. For the equipment and service product groups, the stand-alone selling price is the price calculated by the approach of adding an amount equal to profit to the expected cost. For combined services, the transaction price is calculated by subtracting discounts, etc. from the amount determined through negotiations with the customers, and is allocated based on the stand-alone selling price calculated for each performance obligation.

Payments are received at the normal due date after satisfying the performance obligation, according to the payment terms stipulated in each contract. In cases where consideration is received in the form of advance payment prior to the satisfaction of a performance obligation in accordance with the terms of the contract depending on the customer and other conditions, advances received is recorded.

There are no variable considerations, non-cash considerations, or significant financial elements in the calculation of transaction prices.

3. Useful information in understanding revenue for the current and subsequent fiscal years

(1) Balance of contract assets and contract liabilities, etc.

The balances of receivables and contract liabilities arising from contracts with customers are as follows.

	Fiscal year under review
Receivables from contracts with customers (beginning balance)	50,504 million yen
Receivables from contracts with customers (ending balance)	45,389 million yen
Contract liabilities (beginning balance)	20,805 million yen
Contract liabilities (ending balance)	20,701 million yen

In the consolidated balance sheet, receivables arising from contracts with customers are included in notes and accounts receivable-trade, and contract assets, while contract liabilities are included in advances received. Description on contract assets is omitted because of the lack of materiality in terms of their balance and since no major fluctuation has occurred.

The amount of revenue recognized in the fiscal year under review that was included in contract liabilities as of the beginning of the period was 11,794 million yen. The amount of revenue recognized in the fiscal year under review from performance obligations that were satisfied (or partially satisfied) in prior periods is not material.

(2) Transaction price allocated to the remaining performance obligations

The total transaction price allocated to the remaining performance obligations and the time frame the Company expects to recognize the amount as revenue are as follows.

	Fiscal year under review
Within one year	106,872 million yen
Over one year and within two years	18,468 million yen
Over two years and within three years	10,609 million yen
Over three years	9,437 million yen
Total	145,388 million yen

Non-consolidated statement of changes in net assets

(April 1, 2023 to March 31, 2024)

(unit: million yen)

	Shareholders' equity									Valuation and translation adjustments (Note 2)	Share acquisition rights	Total net assets
	Capital stock	Capital surplus			Retained earnings			Treasury stock	Total shareholders' equity			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings (Note 1)	Total retained earnings					
Balance as of April 1, 2023	12,279	19,453	–	19,453	86	30,449	30,536	(3,017)	59,252	(134)	143	59,261
Changes of items during the period												
Provision of general reserve						–	–		–			–
Dividends from surplus						(6,041)	(6,041)		(6,041)			(6,041)
Profit						11,259	11,259		11,259			11,259
Purchase of treasury stock								(7,499)	(7,499)			(7,499)
Cancellation of treasury stock			(7,700)	(7,700)				7,700	–			–
Disposal of treasury stock			20	20				186	206			206
Transfer from retained earnings to capital surplus			7,680	7,680		(7,680)	(7,680)		–			–
Net changes of items other than shareholders' equity										142	(13)	129
Total changes of items during the period	–	–	–	–	–	(2,461)	(2,461)	386	(2,074)	142	(13)	(1,945)
Balance as of March 31, 2024	12,279	19,453	–	19,453	86	27,988	28,075	(2,630)	57,178	7	130	57,316

(Note) 1. Details of other retained earnings

(unit: million yen)

	General reserve	Retained earnings brought forward	Total
Balance as of April 1, 2023	17,560	12,889	30,449
Changes of items during the period			
Provision of general reserve	(4,380)	4,380	–
Dividends from surplus		(6,041)	(6,041)
Profit		11,259	11,259
Transfer from retained earnings to capital surplus		(7,680)	(7,680)
Total changes of items during the period	(4,380)	1,918	(2,461)
Balance as of March 31, 2024	13,180	14,808	27,988

(Note) 2. Details of Valuation and translation adjustments

(unit: million yen)

	Deferred gains or losses on hedges	Total
Balance as of April 1, 2023	(134)	(134)
Changes of items during the period		
Net changes of items other than shareholders' equity	142	142
Total changes of items during the period	142	142
Balance as of March 31, 2024	7	7

(3) Lease assets

I. Lease assets in finance leases that transfer ownership to the lessee

Lease assets are depreciated using the same manner to the accounting for the non-current assets owned by the Company.

II. Lease assets in finance leases that do not transfer ownership to the lessee

Lease assets are depreciated using the straight line method over the corresponding lease terms as useful lives with their residual values to be zero.

3. Basis for reserves

(1) Allowance for doubtful accounts

Allowance for doubtful accounts is recorded to provide provisions for possible losses on receivables based on the historical uncollectible rate for ordinary receivables and on an estimate of individual collectability of specific doubtful receivables from debtors in financial difficulties.

(2) Provision for bonuses

Provision for bonuses is recorded to accrue the amount for bonuses to employees of the Company for the fiscal year.

(3) Provision for directors' bonuses

Provision for directors' bonuses is recorded to accrue the amount for bonuses to Executive Directors of the Company for the fiscal year.

(4) Provision for executive officers' retirement benefits

In order to provide for the payment of retirement benefits to Executive Officers, the Company recorded an estimated amount as of the end of the fiscal year ended March 31, 2024, based on the Company's internal regulations.

4. Recognition standard for revenues and expenses

The major performance obligations in the major businesses of the Company and the usual time point at which revenue is recognized are described in the "Notes to consolidated financial statements, (Notes to revenue recognition)."

5. Other significant matters related to the basis of preparation of non-consolidated financial statements

(1) Bases for translation of foreign currency denominated assets and liabilities into Japanese yen

Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the spot exchange rate on the closing date of the accounting period, with translation difference charged to profit or loss.

(2) Significant hedge accounting method

I. Hedge accounting method

Deferral hedge accounting is applied. However, monetary claims and liabilities denominated in foreign currencies subject to forward exchange contracts are translated at the foreign exchange rates stipulated in the contract if the forward exchange contract satisfies the requirements for this treatment. (*"Furiate-shori"*)

II. Hedging instruments and hedged items

Hedging instruments: Forward exchange contract

Hedged items: Planned transactions denominated in foreign currencies

III. Hedging policy

The Company employs hedging instruments to manage risk exposure to fluctuations in foreign currency exchange rates for foreign currency denominated receivables and payables in connection with the purchase of operating assets in the future pursuant to the internal management regulations which define the transaction limit amount and the transaction authority.

IV. Assessment of hedge effectiveness

Assessment of hedge effectiveness is omitted for foreign currency forward exchange contracts since their hedge relationship is deemed highly effective.

(Note) Figures are rounded down to the nearest million yen.

(Notes to accounting estimates)

(Deferred tax assets)

(1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

Deferred tax assets	2,390 million yen
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(2) Information regarding details of important accounting estimates for identified items

Deferred tax assets are recorded when taxable income can be sufficiently ensured based on future profit plans and deductible temporary differences are deemed collectable.

As the collectability of deferred tax assets depends on estimates of future taxable income, if the precondition or assumption of such estimates changes, it may have a significant impact on the amount of deferred tax assets and income taxes-deferred, etc. for the non-consolidated financial statements of the following fiscal year.

(Additional information)

(Matters related to fraudulent transactions)

This note has been omitted as it is the same as described under “Notes to consolidated financial statements, Additional information, (Matters related to fraudulent transactions)” above.

(Establishment of retirement benefit plan for Executive Officers)

This note has been omitted as it is the same as described under “Notes to consolidated financial statements, Additional information, (Establishment of retirement benefit plan for Executive Officers)” above.

(Notes to non-consolidated balance sheet)

1. Total accumulated depreciation of property, plant and equipment	18,793 million yen
2. Monetary claims and liabilities to subsidiaries and associates	
Short-term monetary claims	2,274 million yen
Short-term monetary liabilities	2,559 million yen
3. Guarantee of obligations of subsidiaries and associates	
A guarantee is offered for the following subsidiary’s obligation to its specified supplier.	
Net One Partners Co., Ltd.	1,922 million yen

(Note to non-consolidated statement of income)

Transactions with subsidiaries and associates

Transactions relating to the Company's operation

Net sales 1,101 million yen

Purchase 15,140 million yen

Selling, general and administrative expenses 4,773 million yen

Transactions not relating to the Company's operation 1,726 million yen

(Note to non-consolidated statement of changes in net assets)

Class and number of treasury shares as of March 31, 2024

Class of shares	Number of shares as of March 31, 2024
Common stock	1,010,607

(Notes regarding tax effect accounting)

1. Breakdown of major reason for deferred tax assets and deferred tax liabilities (as of March 31, 2024)

(unit: million yen)

Deferred tax assets	
Provision for bonuses	627
Provision for executive officers' retirement benefits	67
Depreciation for tools, furniture and fixtures	716
Accounts receivable-other	154
Accrued enterprise tax	159
Asset retirement obligations	543
Software	30
Loss on valuation of investment securities	10
Loss on valuation of inventories	11
Loss on fraudulent transactions	1,520
Other	674
Sub-total deferred tax assets	4,515
Valuation allowance	(1,820)
Total deferred tax assets	2,695
Deferred tax liabilities	
Asset retirement cost	(302)
Deferred gains or losses on hedges	(3)
Total deferred tax liabilities	(305)
Net deferred tax assets	2,390

Extraordinary losses of 1,520 million yen that occurred due to the cancellation of transactions related to the fraud are included in the valuation allowance of negative 1,820 million yen.

2. Breakdown of significant items that lead to a significant difference between statutory tax rate and effective tax rate after adoption of tax effect accounting

Statutory tax rate	30.62 %
(Adjustments)	
Items permanently excluded from deductible expenses such as entertainment expenses	0.54
Items permanently excluded from taxable income such as dividend income	(3.59)
Inhabitant tax on a per capita basis	0.21
Special credit for corporate tax	(3.46)
Changes in valuation allowance	0.37
Other	(0.42)
Effective tax rate after adoption of tax effect accounting	24.28

(Notes regarding transactions with related parties)

Subsidiaries

(unit: million yen)

Classification	Company name	Percentage of voting rights holding (held)	Relationship	Transaction	Amount of transaction	Account	As of March 31, 2024
Subsidiary	Net One Partners Co., Ltd.	Holding directly 100.0%	<ul style="list-style-type: none"> • Purchase of products • Guarantee of obligations • 1 dispatched officer 	Purchase of products (Note 1)	12,540	Accounts payable-trade	1,784
				Guarantee of obligations (Note 2)	1,922	—	—
Subsidiary	Net One Next Co., Ltd.	Holding directly 100.0%	<ul style="list-style-type: none"> • Purchase of products 	Receipt of dividends (Note 3)	1,650	—	—

Terms and conditions of transactions and the policy of determining the terms and conditions of the transactions:

- (Notes) 1. Prices are determined by reference to market prices
2. Guarantee of obligations is provided for the obligations of specific suppliers. The guarantee fees are not collected.
3. The financial position of the subsidiary is considered.

(Note regarding per share information)

Net assets per share	721.15 yen
Profit per share	139.37 yen

(Note regarding significant subsequent events)

Not applicable

(Notes to revenue recognition)**Useful information in understanding revenue**

This note has been omitted as it is the same as described under “Notes to consolidated financial statements, Notes to revenue recognition” above.