

Interim Financial Report for FY 2002 (Ending March 2003) (Consolidated Report)

November 14, 2002

Corporate Name	Net One Systems Co., Ltd.	Registered Name	
		Prefecture of the headquarters	
		Tokyo	
Stock Code Number	7 5 1 8		
	(URL http://www.netone.co.jp)		
Representative	Title President & CEO		
	Name Kazuo Sato		
Inquiries	Title Finance Director		
	Name Tadashi Arima	TEL (0 3) 5 4 6 2 - 0 8 0 0	
Date of board meeting for interim period	November 14, 2002		
Applicability of U.S. accounting standard	Not applicable		

1 . Interim Results for FY ending March 2002 (April 1, 2002 to September 30, 2002)

(1) Consolidated Financial Results (unit: rounded down to the nearest million yen)

	Sale		Operating Profit		Ordinary Profit	
	Million Yen	%	Million Yen	%	Million Yen	%
Six months ended Sept. 2002	37,717	(8.1)	2,602	(8.2)	2,701	(11.0)
Six months ended Sept. 2001	34,881	(64.8)	2,404	(71.8)	2,434	(76.3)
Year ended Mar. 2002	79,847		7,119		6,932	

	Interim Net Income		Net Income per Share		Net Income Per Share (assuming full dilution)	
	Million Yen	%	Yen	Sen	Yen	Sen
Six months ended Sept. 2002	1,784	(33.2)	6,546	35	6,498	36
Six months ended Sept. 2001	1,339	(103.1)	11,124	04	10,975	01
Year ended Mar. 2002	3,866		31,502	14	31,131	53

- (note)
- 1 . Equity in net earnings of affiliated companies
Six months ended Sept. 2002: 10 Million Yen
Six months ended Sept. 2001: 59 Million Yen
Year ended Mar. 2002: 20 Million Yen
 - 2 . Average number of outstanding shares (consolidated):
Six months ended Sept. 2002: 272,632 shares
Six months ended Sept. 2001: 120,407 shares
Year ended Mar. 2002: 122,726 shares
 - 3 . Changes in principle accounting policies: none
 - 4 . Percentage: Increase/Decrease against corresponding period of the previous year on Sales, Operating Profit, Ordinary Profit, and Net Income

(2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio to total assets	Shareholders' Equity Per Share	
	Million Yen	Million Yen	%	Yen	Sen
Six months ended Sept. 2002	57,245	43,430	75.8	158,927	29
Six months ended Sept. 2001	41,688	19,915	47.8	165,164	80
Year ended Mar. 2002	57,393	41,835	72.8	307,144	55

(note) Number of shares issued as of end of the period: Sept. 2002 273,275 shares, Sept. 2001 120,582 shares, Mar. 2002 136,209 shares

(3) Cash Flow

	Net cash provided by Operating Activities	Net cash used in investing activities	Net cash provided by financing activities	Cash and cash equivalents at end of year
	Million Yen	Million Yen	Million Yen	Million Yen
Six months ended Sept. 2002	3,054	358	63	12,709
Six months ended Sept. 2001	8,109	56	8,241	6,542
Year ended Mar. 2002	6,844	2,764	861	9,949

(4) Scope of consolidation and equity method

Consolidated subsidiaries: 3 subsidiaries

Unconsolidated subsidiaries (equity method is applied to all subsidiaries): -

Affiliated companies (equity method is applied): 2 company

(5) Changes in scope of consolidation and equity method

Consolidation: increase 1, decrease -

Equity method: increase 1, decrease -

2 . Forecast for the consolidated FY ending March 31, 2003 (April 1, 2002 to March 31, 2003)

	Sales	Ordinary Profit	Current Net Income
	Million Yen	Million Yen	Million Yen
FY ending Mar. 31, 2003	100,000	8,500	4,950

(reference) expected net income per share for FY ending March 31, 2003: 18,113.62 yen

The above forecast is based on currently available information and the actual business performance may differ in relation to various factors. With regards to particulars related to above forecast, please refer to Operating Results and Financial Status (a) Operating Results (2) Forecast for the next term on page 8.

Reference information regarding interim (FY) current net income, net income per share after adjustments for potential shares, interim (annual) dividend and shareholders' equity

In order to make comparisons over period of time, following chart indicates the per share values after retroactive adjustments for the stock split dated May 20, 2002 (2 shares for 1 share stock split.)

	Six months ended Sept. 2002		Six months ended Sept. 2001		FY ended 2002	
	Yen	Sen	Yen	Sen	Yen	Sen
Interim (FY) current net income per share	6,546	35	5,562	02	15,751	07
Interim (FY) current net income per share after adjustments for potential shares	6,498	36	5,487	50	15,565	76
Interim (annual) Dividend per share		-		-	500	00
Shareholders' equity per share	158,927	29	82,582	40	153,572	27

Status of Net One Systems Group

Net One Systems Group is comprised of Net One Systems Co., Ltd., four subsidiaries, two affiliated companies, and one related company. The core business of Net One Systems Group is to deploy network computing system using most advanced technology and offer related operation and management services. Although our group is involved in one business field, based on product selection and service types, business domain is categorized into network equipment products group (NI), Network Computing Products (NC), Media Integration Products (MI), and Service Integration Products (SI). (refer to below chart)

Our Group's business predominantly deals with sales of integrated packages that combine various products groups. With regards to the varying roles within our group companies, Net One Systems Co., Ltd. is responsible for NI and NC, Media Communication Systems K.K. is responsible for MI, and Network Service And Technologies Co., Ltd. is responsible for SI. Net One Systems Co., Ltd. and U.S. subsidiary, (Tennoz Initiative Inc.) perform US network market research and search for most advanced technologies and products. ProStorage Co., Ltd. has been established as a subsidiary to expand into storage market.

Product Group	Description	Major Products
Network Integration Products Group (NI)	Network Design Project Management Product Installation	Router Switch
Network Computing Products Group (NC)	Policy Analysis, Planning,, Deployment	Security Device/Authentication Load Balancing Device Storage
Media Integration Products Group (MI)	Wiring Design, Layout Management Deployment process (selection, procurement, cabling)	Cable material DSL wireless
Service Integration Products Group (SI)	Operation Support, Installation Integrated Service, Remote Monitoring Integrated Education, Management Outsourcing	Service/Operation Management Installation SLM

Note: Network Integration Products Group (NI)

The realization of smooth traffic environment and stable performance are essential in creating computer networks. Network Integration provides efficient network infrastructure through high end routers and switches. Network Equipment Products Group is organized based on hardware categories as routers and switches that are required for deployment of networks.

Network Computing Products Group (NC)

Network Computing enables safe and prompt deployment of application infrastructure used in a rapidly evolving Internet environment. Network Computing is organized based on softwares and related equipment necessary for maintenance of evolving application platform including various security products and multimedia applications, as well as solutions using most advanced technologies including traffic management and QoS.

Media Products Group (MI)

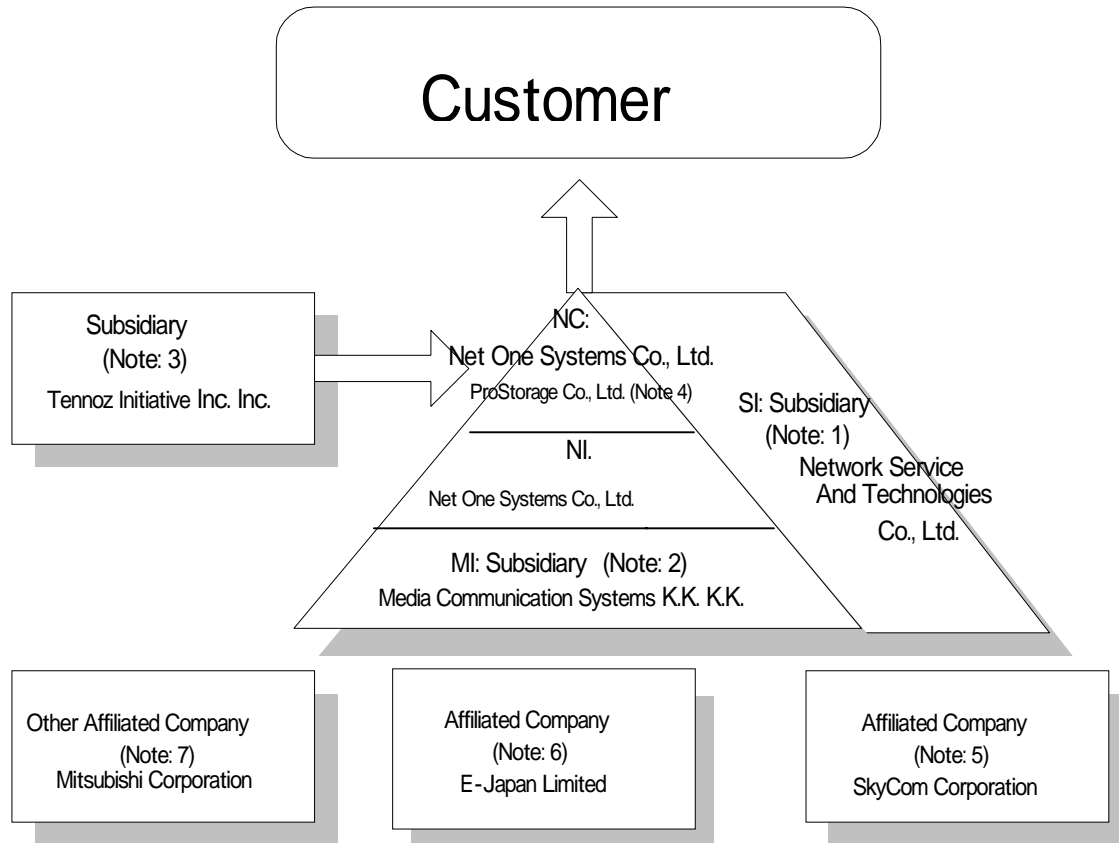
With the rapid increase of business environment using multimedia contents, in computer network deployment, selecting the transmission mode, the basis of networks that matches the usage objective becomes imperative. In order to answer to this need, Media Integration provides integration through design/ deployment process of physical transmission mode for diversifying high-speed network including CATVs and mobile networks. Media Products Group is organized based on products related to physical transmission mode and wiring service.

Service Products Group (SI)

Service Integration provides total support ranging from network planning and deployment, to operation service/management. 24 hours, 365 days network security is the basis for ensuring secure environment provided through transaction monitoring and management of traffic and trouble products. Furthermore, services including reduction of operational cost by traffic analysis/ billing management support, as well as education on management methods and newest technologies are provided.

[Business Organization Diagram]

The following diagram outlines the business organization explained above.



Note 1: Network Service And Technologies Co., Ltd. is a company providing Service Integration and is a consolidated subsidiary.

Note 2: Media Communication Systems K.K. is a company providing Media Integration and is a consolidated subsidiary.

Note 3: Tennoz Initiative Inc. is a company that researches on U.S. computer network market, and advanced technologies and searches for new products. It is an unconsolidated subsidiary that does not apply equity method.

Note 4: ProStorage Co., Ltd. is a company that expands into network storage market and is a consolidated subsidiary.

Note 5: SkyCom Corporation's core business is to develop and offer computer network related software and equity method is applied.

Note 6: E-Japan is a company that provides planning, development, sales, and maintenance for softwares that use electric transaction technology including electric authentication and data exchange that use Internet, etc. as the mode of transmission. E-Japan is accounted for by the equity method.

Note 7: Mitsubishi Corporation is other affiliated company holding Net One Systems' corporate shares.

Management Policies

(a) Basic Policies for Management

Since establishment, our management ideology was based on emphasis on customer satisfaction, emphasis on shareholders, contribution to the society, and employee satisfaction. Our basic management policies are, 1) acquiring most advanced technology and aim to become the leading computer networking company in Japan, 2) flexibly adjust in a timely manner to the rapidly changing market and actively promote establishment of new businesses and expansion of business scope, and 3) focus on nurturing challenging spirit and providing exciting working environment to the employees to create rapidly expanding, high profit company.

Through above basic management policies, our goal is to maximize the corporate value by improving the profit structure and capital efficiency; this will be achieved through highly advanced technical skills, offering business model that answers to the needs of the society and demand of the time, and expanding into new market.

With the rapid diversification and sophistication of Internet usage in both governmental and non-governmental sectors, there is an increasing demand for advanced technical skill and knowledge of network configuration/usage including 1) consulting and proposal skills that meet to the customer needs, 2) technical support capability, comprehensive after-service system, and timely and precise technical trouble shooting, 3) availability of most advanced and reliable products/services, 4) technology leadership, 5) provision of one-stop end-to-end solution.

In order to answer to the demand of the expanding market in a comprehensive and pertinent manner, four business segments are allocated to group companies. The basic management policy common to all group companies is to increase expertise in each of the allocated business segment and to collaborate to provide comprehensive and customized value added network services.

Network Integration (NI) business	core business:	Net One Systems Co., Ltd.
Network Computing (NC) business	core business:	Net One Systems Co., Ltd. ProStorage Co., Ltd.
Media Integration (MI) business	core business:	Media Communication Systems K.K.
Service Integration (SI) business	core business:	Network Service And Technologies Co., Ltd.

(b) Basic Policies for Profit Sharing

While we strive to establish management basis with competitive advantage and increase profit, we intend to determine the dividend on profit through consideration of balance between return of profit to shareholders and internal reservation for business expansion.

No dividend will be issued during current interim period and at the end of FY ending 2003, common dividend of 1,000 yen per share will be provided.

With regards to internal reservation fund, as we forecast expansion and development of networking market, we plan to appropriate the fund for facility investment, etc. (see Note) to gain further competitive advantage and plan to return profit to shareholders through future business expansion.

(Note) For details of the facility investment, please refer to (d) Company's Mid to Long-term Business Strategy and challenges.

(c) Ideology and Policy for Reduction of Investment Unit

As one way to return profit to shareholders, two for one share stock split took place as of May 20, 2002.

The company will continue to take into consideration, status of stock circulation, and business performance trend, etc. to implement reduction of investment unit in the future.

(d) Company's Mid to Long-term Business Strategy and Challenges

The company has developed a 5 year (April 2002 to March 2007) medium-term business strategy from this FY and has been implemented from April 1, 2002.

Overview of the medium term business plan

In relation to the change in Internet usage and technology innovation cycle (new era in social infrastructure) Net One Systems aims to shift the business scope from business structure focusing on network integration to become a network solution provider capable of providing a highly value added comprehensive network services.

The first two years of medium term business plan is the preliminary stage during which we will develop the corporate basis, and the next three years is the implementation stage during which we will expand the business . By the fifth year, the consolidated sales is expected to be 300,000M yen.

Issues to consider for successful implementation of mid-term business plan

Networking market characterized by rapid technical innovation and intense competition will likely expand from current service provider approach to contents delivery market (media/broadcasting.) In order to respond to the change in market trend, expertise in high-end technologies, and research and study of new advanced products, as well as pioneering new services are critical. We aim to expand our business through shifting from network-based technologies/products to application-based technologies/products. To this end, our company will focus on i) pioneering technologies for advanced feature network infrastructure/ application infrastructure, ii) increasing product line-up to minimize dependence on a single vendor, and iii) development of utility service menu.

With regards to business organization, i) clarify the scope of responsibility based on customers and products, ii) further business expansion through new products and new technologies, iii) improve education business and human resources development, iv) improve quality control system, and v) improve system verification technology. We aim to create an organization that is sensitive to the market, able to expand the market, and capable of ensuring profit.

During current interim period, ProStorage Co., Ltd. was established as a subsidiary on September 2002 to promptly enter into the network storage market.

In order to implement this, following facility investment is planned in accordance with mid-term business plan. and a portion of the investment has already been made.

(million yen)

Company name	Details of facility	Amount	Paid Amount
Net One Systems Co., Ltd.	Research and Development and investment on development of new business	7,000	648
	Expand quality control facility, etc. and evaluation facility	5,400	297
	Expansion and relocation of headquarters and branch offices	4,000	75
Network Service And Technologies, Co., Ltd.	Maintenance products and expansion of branch office	3,600	2,293
Total		20,000	3,313

(e) Corporate Management Organization Structure, etc.

In order to increase the operational efficiency, 1) the scope of responsibility was clarified, 2) the level of authority was clarified, 3) corporate rules and regulations were enforced, and 4) the chain of command was clarified and a flat organizational operation under headquarters system was implemented.

Also management committee consisting of full time board members and full time corporate auditors are working to timely respond to operational needs. Also, outside board members from Mitsubishi Corporation, a large shareholder (20.2% of all voting shares) were accepted and insights of outside board members and auditors were taken into consideration in making important decisions by board of directors.

To increase corporate strength, for human resources development and personnel placement, performance-based system is employed. Additionally, stock options are also provided to employees.

Operating Results and Financial Status

(a) Operating Results

(1) Conditions of current interim period

During this interim period, due to our country's uncertain economic future, private sector facility investments and individual investments continue to be weak, economic condition continues to slump, and stagnating economy affected network equipment market by way of deflationary pressure and price competition.

On the other hand, since increased sophistication of broadband, VPN and VoIP over computer networks has made building a high-speed, broadband communications network that serve as a social infrastructure essential, demand for network products and service remained strong. This was especially true for E-Government related demand, since during current interim period, the main responsibility of investment for E-Government has been delegated to local governments a year later than initial plan.

Under this environment, current business performance for Orders Accepted was 43,738M yen (10.6% increase from previous interim period), Sales was 37,717M yen (8.1% increase from previous interim period) and end of the term backlog of unfilled orders was 31,949M yen (25.1% increase from previous interim period). For Sales based on Product Category, Network Integration Products and Networking Computing Products (NI and NC) accounted for 27,861M yen (4.7% increase from previous interim period), Media Integration Products (MI) accounted for 2,013M yen (25.2% decrease from previous interim period), and Service Integration Products (SI) accounted for 7,843M yen (40.5% increase from previous interim period.) With regard to profit, since less profitable sales deals that took place in previous interim period did not take place and ratio of Service Integration Category which yielded greater profit increased, gross profit margin increased (current interim period 25.8%, previous interim period 23.4%, indicating a 2.4% increase.) Operating Profit was 2,602M yen (8.2% increase from previous interim period.) owing to increased Sales Expense and Administrative Expense from increased personnel. Ordinary Profit was 2,701M yen (11.0% increase from previous interim period) owing to increase in Non-operating profit on currency exchange. As 1,264M yen was accrued as gain from sales of securities and 408M yen was accrued as loss from revaluation of securities, extraordinary gain or loss was positive 591M yen and as a result, current net profit was 1,784M yen (33.2% increase from previous FY.)

(2) Forecast for the next term

The future of our country's economy remains uncertain and computer networking products market will likely be affected in some ways, but demand for facility investment is expected to increase. This is because telecommunications carriers including the new carriers undertake to expand, rebuild, and upgrade the large scale high speed broadband communications network web to establish communications network as a social infrastructure, create local government network in accordance with E-Government framework, and to accommodate to drastic increase in traffic (amount of information) and private companies undertake to likewise expand, rebuild and upgrade the communications networks.

Under this environment, with regards to consolidated business performance forecast for FY 2003 (April 1, 2002 to March 31, 2003) sales is 100,000M yen, ordinary profit is 8,500M yen, and current net income is 4,950M yen.

(Note) The above business forecast is based on conditions our company determines to be reasonable and may vary significantly from the actual business result. Factors that may significantly affect the actual business result include but are not limited to 1) changes in economic conditions and market demand surrounding our company, and 2) sharp fluctuation in exchange rate.

(b) Financial status

1) Condition for this FY

In comparison with the previous FY interim period, (interim period ended Sept. 2001) total assets increased by 15,556M yen and ended at 57,245M yen (37.3% increase.) The significant contributory factor to this increase was the capital increase in February 2002 intended for facility investment (amount of fund raised 19,357M yen.)

With regards to current assets, cash and deposits increased by 6,167M yen, account receivable and note receivable increased by 5,522M yen and total current assets was 48,016M yen (increase of 11,816M yen.) Due to increase in tools, fixtures and equipment by 3,740M yen, total fixed assets was 9,228M yen.

With regards to liabilities, in order to make efficient use of capital gained through capital increase, until the

payment becomes due, the capital has been applied for settlement of the loans and this contributed to 11,800M yen decrease in end of interim period debt balance and 1,973M yen increase in account payable and note payable and total liabilities ended at 13,603M yen (decrease in 8,111M yen.) With regards to shareholders' equity, capital increase and consolidated surplus increased by 23,514M yen and ended at 43,430M yen.

In comparison to the previous FY ended March 2002, current assets decreased by 399M yen, fixed assets increased by 251M yen, and total assets decreased by 147M yen. Liabilities decreased by 1,861M yen and shareholders' equity increased by 1,595M yen.

Current term's cash flow from operating activities decreased by 5,054M yen and ended at 3,054M yen; this is due partly to increase in inventories accounting for 4,934M yen decrease. For cash flow based on investing activities, expense increased by 302M yen and 358M yen was accrued as expense. This was mainly due to increase of 252M yen as expense for procurement of tangible fixed assets. Cash flow for financing activities increased by 8,305M yen and 63M yen was accrued as income. This was mainly due to complete redemption of 8,200M yen short term debt which was financed during previous interim period. End of the term balance of cash and cash equivalents was 12,709M yen.

2) Forecast for the next FY

From current interim period, facility investment that conforms to mid term business plan will be made (immediate payment is 3,313M yen.) For necessary cash, cash on hand will be applied.

Consolidated Financial Statements

(1) Consolidated Balance Sheet

(unit: rounded down to the nearest 1,000 yen)

	End of previous FY interim period (as of Sept. 30, 2001)		End of current FY interim period (as of Sept. 30, 2002)		Previous FY (as of Mar. 31, 2002)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
ASSETS		%		%		%
Current Assets	36,199,587	86.8	48,016,450	83.9	48,416,162	84.4
Cash and Deposits	6,542,184		12,709,373		9,949,787	
Account Receivable and Note Receivable	14,444,280		19,967,220		25,258,217	
Inventories	14,458,827		14,152,294		12,145,542	
Deferred Income Tax	284,673		395,891		286,702	
Others	500,117		822,357		853,149	
Allowance for Doubtful Receivables	30,496		30,687		77,237	
Fixed Assets	5,488,710	13.2	9,228,838	16.1	8,977,033	15.6
1 . Tangible Fixed Assets	2,764,210	6.7	5,025,193	8.8	5,344,427	9.3
Tools, Fixtures, and Equipment	1,822,925		4,110,941		4,439,458	
Others	941,284		914,252		904,969	
2 . Intangible Fixed Assets	174,730	0.4	758,431	1.3	281,553	0.5
Consolidation adjustments account	13,243		7,945		10,594	
Others	161,486		750,485		270,958	
3 . Investment and other asset	2,549,770	6.1	3,445,213	6.0	3,351,052	5.8
Investment Securities	1,439,005		1,591,088		2,029,012	
Deferred Income Tax	426,862		1,070,675		552,479	
Others	683,902		783,448		769,559	
Total Assets	41,688,297	100.0	57,245,288	100.0	57,393,196	100.0
LIABILITIES						
Current Liabilities	21,406,438	51.4	13,216,963	23.1	15,140,009	26.4
Account Payable and Note Payable	4,762,816		6,736,711		8,103,957	
Short Term Debt	11,800,000		-		-	
Payment Due	925,119		1,400,139		1,513,495	
Accrued Corporation Tax, etc.	989,949		2,033,735		1,805,879	
Allowance for Bonus	584,846		552,625		357,864	
Others	2,343,706		2,493,752		3,358,812	
Fixed Liabilities	307,681	0.7	386,138	0.7	324,701	0.6
Allowance for Retirement Benefits	154,692		210,658		156,813	
Allowance for Bonus for Retiring Directors	152,838		175,330		167,738	
Others	150		150		150	
Total Liabilities	21,714,119	52.1	13,603,101	23.8	15,464,711	27.0
MINORITY SHAREHOLDERS' EQUITY						
Minority Shareholders' Equity	58,276	0.1	211,332	0.4	92,633	0.2
SHAREHOLDERS' EQUITY						
Capital Stock	2,417,125	5.8	12,076,461	21.1	12,008,972	20.9
Additional Paid-in Capital	9,376,542	22.5	19,250,848	33.6	19,183,359	33.4
Consolidated Surplus	8,085,160	19.4	12,196,742	21.3	10,611,879	18.5
Difference from securities revaluation	40,993	0.1	1,661	0.0	125,649	0.2
	19,919,821	47.8	43,525,713	76.0	41,929,861	73.0
Repurchased Stocks	3,919	0.0	94,858	0.2	94,009	0.2
Total Shareholders' Equity	19,915,901	47.8	43,430,855	75.8	41,835,851	72.8
Total Liabilities, Minority Shareholders' Equity, Shareholders' Equity	41,688,297	100.0	57,245,288	100.0	57,393,196	100.0

(2) Consolidated Income Statement

(unit: rounded down to the nearest 1,000 yen)

	Previous FY Interim Period		Current FY Interim Period		Previous FY	
	Apr. 1, 2001 to Sept. 30, 2001		Apr. 1, 2002 to Sept. 30, 2002		Apr. 1, 2001 to Mar. 31, 2001	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Sales	34,881,899	100.0	37,717,412	100.0	79,847,904	100.0
Cost of Goods Sold	26,735,550	76.6	27,976,393	74.2	61,106,763	76.5
Gross Profit on Sales	8,146,349	23.4	9,741,018	25.8	18,741,140	23.5
Sales Expense and Administrative Expense	5,741,744	16.5	7,138,208	18.9	11,621,601	14.6
Operating Profit	2,404,604	6.9	2,602,809	6.9	7,119,539	8.9
Non-operating Income	101,057	0.3	120,686	0.3	74,097	0.1
Interest Earned	12,859		2,757		14,702	
Dividend Earned	1,050		1,050		1,356	
Investment profit on equity method	59,463		10,511		20,000	
Dividend on Group Insurance	10,580		-		10,580	
Exchange Gain	1,983		87,974		-	
Others	15,121		18,392		27,458	
Non-operating Expense	71,650	0.2	22,384	0.0	260,951	0.3
Interest Expense	60,617		-		83,300	
Write off of Inaugural Expense	-		2,235		-	
Write off of Business Commencement Expense	-		1,440		-	
Stock Issuing Expense	-		9,392		92,443	
Stock Listing Expense	-		-		35,474	
Loss from Sales of Repurchased Stocks	7,127		-		7,127	
Commitment Fee	-		5,013		-	
Employment Advancement Fee	-		3,100		-	
Exchange Loss	-		-		30,965	
Others	3,905		1,202		11,639	
Ordinary Profit	2,434,011	7.0	2,701,111	7.2	6,932,685	8.7
Extraordinary Gain	4,309	0.0	1,288,727	3.4	77	0.0
Reversal from Allowance for Doubtful Account	4,231		24,691		-	
Gain from exchange of investment securities	-		1,264,021		-	
Others	77		15		77	
Extraordinary Loss	119,945	0.4	696,830	1.9	111,427	0.2
Loss from removal of fixed assets	7,464		28,798		23,288	
Loss from sale of marketable securities	2,001		195,103		4,262	
Loss from revaluation of marketable securities	100,478		408,287		73,202	
Bonus for advance payment	-		62,000		-	
Loss from Change in Equity	10,000		2,641		10,673	
Current income before tax	2,318,375	6.6	3,293,008	8.7	6,821,334	8.5
Corporate tax, residence tax, and business tax	976,236	2.8	2,001,772	5.3	3,107,194	3.9
Adjustment to corporate tax, etc.	2,407	0.0	537,416	1.4	186,667	0.2
Gain from minority shareholders	319	0.0	43,908	0.1	34,676	0.0
Current net profit	1,339,411	3.8	1,784,743	4.7	3,866,131	4.8

(3) Consolidated Surplus Statement

(unit: rounded down to the nearest 1,000 yen)

	Previous FY Interim Period	Current FY Interim Period	Previous FY
	Apr. 1, 2001 to Sept. 30, 2001	Apr. 1, 2002 to Sept. 30, 2002	Apr. 1, 2001 to Mar. 31, 2002
	Amount	Amount	Amount
(Capital Surplus)			
Beginning Balance of Capital Surplus	9,333,859	19,183,359	9,333,859
Capital Surplus Increase	42,682	67,488	9,849,500
Increase due to issuance of new shares to increase capital	-	-	9,786,027
Increase due to exercise of stock issuance rights	42,682	67,488	63,472
Capital Surplus Decrease	-	-	-
Ending balance of capital surplus at end of interim period (end of FY)	9,376,542	19,250,848	19,183,359
(Earned Surplus)			
I Beginning Balance of Earned Surplus	6,918,897	10,611,879	6,918,897
Earned Surplus Increase	1,339,411	1,784,743	3,866,131
Interim (FY) net income	1,339,411	1,784,743	3,866,131
Earned Surplus Decrease	173,149	199,880	173,149
Dividend	120,310	136,209	120,310
Directors' Bonus	52,839	52,839	52,839
Decrease due to increase in the number of companies applying equity method	-	10,831	-
Ending balance of earned surplus at end of interim period (end of FY)	8,085,160	12,196,742	10,611,879

(4) Consolidated Cash Flow Statement

(unit: rounded down to the nearest 1,000 yen)

	Previous FY Interim Period	Current FY Interim Period	Previous FY
	Apr. 1, 2001 to Sept. 30, 2001	Apr. 1, 2002 to Sept. 30, 2002	Apr. 1, 2001 to Mar. 31, 2002
	Amount	Amount	Amount
Operating Activities :			
Current net income before tax	2,318,375	3,293,008	6,821,334
Depreciation expense	558,438	1,291,553	1,359,184
Depreciation amount for consolidation adjustment account	2,648	2,648	5,297
Increase in allowance for employee retirement benefits	4,784	53,845	6,904
Increase in allowance bonus for retiring directors	15,899	7,591	30,800
Change in allowance for bonus	201,509	194,760	25,472
Change in allowance for doubtful receivables	4,231	46,549	42,509
Interest received and dividends received	13,909	3,807	16,058
Investment profit on equity method	59,463	10,511	20,000
Interest payment	60,617	-	83,300
Loss from sale of repurchased stocks	7,127	-	7,127
Loss from valuation of investment securities	100,478	408,287	73,202
Loss from sales of investment securities	2,001	195,103	4,262
Gain from sales of investment securities	-	1,264,021	-
Loss from change in equity	10,000	2,641	10,673
Change in sales credit	5,711,879	5,306,740	4,769,945
Change in inventories	2,927,601	2,006,752	3,671,493
Change in accrued consumption tax	379,438	-	311,211
Change in other current assets	182,570	15,715	297,894
Change in liability for purchases	2,286,986	1,341,615	1,019,898
Change in consumption tax payable	416,915	746,257	853,846
Change in other current liabilities	531,695	481,310	162,977
Payment amount of directors' bonus	54,000	54,000	54,000
Others	5,453	16,650	146,138
Subtotal	9,944,546	4,800,420	10,022,582
Amount received for interest and dividends	13,922	4,307	15,485
Amount paid for interest	38,623	-	74,832
Amount paid for corporation tax	1,834,082	1,764,493	3,149,110
Others	23,428	14,498	30,116
Operating activities	8,109,191	3,054,733	6,844,241
Investing activities :			
Expenditure from loan on short term loan	120	254,300	300,480
Income from recovery of short term loan	150,000	301,704	150,000
Expenditure from acquisition of tangible fixed assets	817,268	1,069,365	2,509,299
Expenditure from acquisition of intangible fixed assets	41,901	259,680	199,989
Expenditure from acquisition of investment securities	495,749	415,242	962,650
Income from sell-off of investment securities	1,182,875	1,375,104	1,182,875
Income from recovery of initial investment	-	9,917	-
Expenditure from payment for initial investment	-	17,840	6,944
Expenditure from loan on long term loan	40,530	8,307	46,530
Income from recovery of long term loan	183	1,583	1,916
Others	6,038	22,394	73,228
Investing activities	56,473	358,822	2,764,330
Financing activities :			
Expenditure from redemption of short term debts payable	8,200,000	-	20,000,000
Income from issuing corporate shares	85,365	125,584	19,356,110
Income from issuing new shares in relation to stock split	-	74,536	-
Expenditure from reacquisition of corporate shares	7,110	849	97,200
Payment of dividends	120,146	135,597	120,391
Financing Activities	8,241,891	63,674	861,481
Conversion difference in cash and cash equivalents	21	-	20
Change in cash and cash equivalents	189,194	2,759,585	3,218,408
Beginning balance of cash and cash equivalents	6,731,378	9,949,787	6,731,378
Ending balance of cash and cash equivalents	6,542,184	12,709,373	9,949,787

Significant matters related to consolidated financial report

1 . Matters related to scope of consolidated statement

(1) Number of consolidated subsidiaries: 3

Name of major consolidated subsidiaries: Media Communication Systems K.K.

Network Service And Technologies Co., Ltd.

ProStorage Co., Ltd.

As ProStorage Co., Ltd. was established in September 2002, starting current interim period, it has been included in consolidated subsidiary

(2) Names, etc. of major non-consolidated subsidiary Tennoz Initiative Inc. (reason for not including in the consolidation)

Non-consolidated subsidiary is a small scale company and does not significantly affect total assets, sales, net profit/loss, and surplus of interim period financial statements.

2 . Matters related to application of equity method

(1) Number of affiliated company applying equity method: 2

Name of company: E-Japan Limited

SkyCom Corporation

SkyCom Corporation has been included as a company applying equity method from current interim period due to increase in its significance.

(2) Equity method is not applied for non-consolidated subsidiary (Tennoz Initiative Inc.) because the company has little impact on interim period consolidated net income and interim period consolidated surplus and has little overall impact.

(3) Among companies using equity method, for those companies with closing date of interim period that differ from the consolidated interim period, applicable interim closing date is used.

3 . Matters related to the (interim) accounting period of consolidated subsidiaries.

Interim accounting period for all consolidated subsidiaries coincide with consolidated interim accounting period.

4 . Matters related to accounting policies

(1) Significant asset valuation standard and valuation method

Securities

Other Securities

Securities with market value

Market value method based on market value on interim closing date (Accounting for difference in valuation is total direct casting equity method and for cost of products sold, moving average method is applied.)

Securities without market value

Cost accounting method using moving average method

Derivative

Market value method

Inventory assets

Merchandise

Cost accounting method using moving average

Uncompleted works

Cost accounting method using individual method

(2) Significant method for depreciation of depreciation assets

Tangible fixed assets

Fixed percentage method, with an exception of lese assets employing straight line method.

Significant useful life:

Buildings and structures 3 ~ 26 years

Tools, fixtures, equipment 3 ~ 15 years

Assets leased 6 years

Intangible fixed assets

Software for internal use

Straight line method based on corporate usability period (5 years)

Software for sale

Straight line method based on useful life (3 years)

(3) Significant accounting standard for allowance

allowance for doubtful receivables

To prepare for loss from uncollectable receivables, for general uncollectable credits, calculation based on actual uncollectable rate is budgeted and for special receivables with higher uncertainty, probability of collectivity is considered on individual basis and prospective uncollectable amount is budgeted accordingly.

allowance for bonus

Expenditure from payment of bonus to employee is recorded based on payment prospect.

allowance for retirement benefits

To prepare for employee retirement benefits, the accrual amount is based on the amount that will be accrued in the interim period of the consolidated FY prospective amount of liabilities from employee retirement benefits and pension assets.

Computational difference will be adjusted as expense in the subsequent consolidated FY using straight line depreciation based on fixed number of years (5 years) within average number of years of employment.

Allowance for bonus for retiring directors

To prepare for bonus for retiring directors, interim FY payment amount is budgeted according to director retirement bonus policy.

(4) Policy on conversion of significant assets and liabilities in foreign currency to local currency

Account receivable and account payable in foreign currencies are converted to yen at spot exchange rate on interim closing date and exchange difference is processed as gain or loss.

(5) Significant lease transaction accounting method

Except for lease products where ownership is expected to transfer to the debtor, the accounting method for lease transactions in conformance with accounting policy of general lease transactions is applied.

(6) Significant hedge accounting method

Hedge accounting method

Carry over hedge accounting is applied, except for Exchange Contract when requirements for allocation procedure are met, allocation procedure is applied.

Hedge procedure and subject

Hedge procedure : Exchange Contract

Subject to Hedge : Planned foreign currency transactions

Hedge policy

In accordance with limitation on transactions amount and transaction authority in corporate administrative provisions, risk hedge for currency fluctuation of foreign liabilities relating to business assets is applied.

Hedge efficiency valuation policy

For Exchange Contract which is considered to have high hedge efficiency, efficiency valuation has been omitted.

(7) Other significant items for creating consolidated financial statements

Accounting policy for consumption tax, etc.

Pre-tax method is applied for consumption tax and local consumption tax.

In this consolidated interim period, pre-paid consumption tax and pre-received consumption tax have been off-set and have been included as Others in current liabilities.

5 . Scope of funds in interim consolidated cash flow statement

Funds (cash and cash equivalents) in current consolidated cash flow statement are cash on hand, deposits that may be withdrawn on a temporary basis, and short term investment expected to be redeemed within 3 months of acquisition and which may be swiftly converted to cash and imposes minimal price fluctuation.

Additional Information

(Accounting method for repurchased stocks and reversal of legal reserve)

From current consolidated interim accounting period, accounting method for repurchased stocks and reversal of legal reserve (accounting principles for business enterprises part 1) has been applied. This does not affect the profit and loss of current consolidated interim accounting period.

In relation to the revision of regulations for consolidated interim period financial statements, during current consolidated interim period, the revised regulations for consolidated interim financial statements are applied for the shareholders' equity of consolidated interim balance sheet.

Also, for previous consolidated interim accounting term and previous consolidated FY, items have been regrouped under revised policy.

Changes in categorization

(Consolidated interim period income statement)

Gain from Sales of Investment Securities was included under Others in previous interim period, but as the monetary significance increased, it has been individually categorized.

Sales of Investment Securities, which was included under Others in previous interim period, accounted for 77 thousand yen.

(Consolidated interim period cash flow statement)

Gain from Sales of Investment Securities under cash flow from Operating Activities was included under Others in previous interim period, but as the monetary significance increased, it has been individually categorized.

Sales of Investment Securities, which was included under Others in previous interim period, accounted for 77 thousand yen.

Notable Matters

(Consolidated Interim Balance Sheet)

(unit: rounded down to the nearest 1,000 yen)

	Previous FY Interim Period	Current FY Interim Period	Previous FY
Net Depreciation of Tangible Fixed Assets	3,342,890	5,033,656	4,071,511

End of previous interim period	End of current interim period	End of previous FY
<p>Overdraft contract</p> <p>In order to efficiently procure operating fund, overdraft contract has been signed with 5 company banks. End of term balance for unused credit is as follows.</p> <p>Maximum amount of the overdraft 25,500,000 thousand yen</p> <p>Amount loaned <u>11,800,000 thousand yen</u></p> <p>End balance 13,700,000 thousand yen</p>	<p>Overdraft contract and loan commitment</p> <p>In order to efficiently procure operating fund, overdraft contract and loan commitment has been signed with 6 company banks. End of term balance for unused credit is as follows.</p> <p>Maximum amount of the overdraft and loan commitment 29,200,000 thousand yen</p> <p>Amount loaned <u>- thousand yen</u></p> <p>End balance 29,200,000 thousand yen</p>	<p>Overdraft contract and loan commitment</p> <p>In order to efficiently procure operating fund, overdraft contract and loan commitment has been signed with 6 company banks. End of term balance for unused credit is as follows.</p> <p>Maximum amount of the overdraft and loan commitment 29,200,000 thousand yen</p> <p>Amount loaned <u>- thousand yen</u></p> <p>End balance 29,200,000 thousand yen</p>

(Matters related to consolidated income statement)

Major items in sales expense and administrative expense

(unit: rounded down to the nearest 1,000 yen)

	end of previous FY interim period	end of current FY interim period	end of previous FY
Allowance for Compensation	2,053,646	2,498,860	4,334,741
Allocation of allowance for bonus	536,658	515,875	327,386
Allocation of allowance for employee retirement benefits	79,145	140,328	157,161
Allocation of allowance for employee severance benefits	15,899	14,050	30,800
Rental expense	552,361	663,121	1,164,840
Expense for depreciation	505,097	1,227,960	1,242,980
Outsourcing expense	261,572	233,938	498,767
Allocation of allowance for doubtful receivables			42,509
Amount for consolidation adjustment depreciation	2,648	2,648	5,297

(Matters related to consolidated interim cash flow)

The relationship between cash and cash equivalents in balance at the end of interim period and amounts indicated in items in consolidated balance sheet.

(unit: rounded down to the nearest 1,000 yen)

	Previous FY interim period	Current FY interim period	Previous FY
Cash and deposit account	6,542,184	12,709,373	9,949,787
Cash and cash equivalents	6,542,184	12,709,373	9,949,787

(Matters related to lease transactions)

	Previous FY interim period Apr. 1, 2001 to Sept. 30, 2001	Current FY interim period Apr. 1, 2002 to Sept. 30, 2002	Previous FY Apr. 1, 2001 to Mar. 31, 2002																																																												
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	(2) Balance at the end of interim period for lease fee for prepaid lease Amount (unit: 1,000 yen)	(2) Balance at the end of interim period for lease fee for prepaid lease Amount (unit: 1,000 yen)	(2) Balance at the end of FY for lease fee for prepaid lease Amount (unit: 1,000 yen)																																																
	<table> <tbody> <tr> <td>within 1 year</td> <td>152,330</td> </tr> <tr> <td>over 1 year</td> <td>458,626</td> </tr> <tr> <td>Total</td> <td>610,957</td> </tr> </tbody> </table>	within 1 year	152,330	over 1 year	458,626	Total	610,957	<table> <tbody> <tr> <td>within 1 year</td> <td>148,388</td> </tr> <tr> <td>over 1 year</td> <td>357,864</td> </tr> <tr> <td>Total</td> <td>506,253</td> </tr> </tbody> </table>	within 1 year	148,388	over 1 year	357,864	Total	506,253	<table> <tbody> <tr> <td>within 1 year</td> <td>157,466</td> </tr> <tr> <td>over 1 year</td> <td>411,554</td> </tr> <tr> <td>Total</td> <td>569,020</td> </tr> </tbody> </table>	within 1 year	157,466	over 1 year	411,554	Total	569,020																														
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	(3) Lease fee received, depreciation expense and interest received value for interim period (unit:1,000 yen)	(3) Lease fee received, depreciation expense and interest received value for interim period (unit:1,000 yen)	(3) Lease fee received, depreciation expense and interest received value for interim period (unit:1,000 yen)																																																
	<table> <tbody> <tr> <td>Lease fee received</td> <td>68,690</td> </tr> <tr> <td>Depreciation expense</td> <td>50,960</td> </tr> <tr> <td>Interest received</td> <td>5,243</td> </tr> </tbody> </table>	Lease fee received	68,690	Depreciation expense	50,960	Interest received	5,243	<table> <tbody> <tr> <td>Lease fee received</td> <td>86,150</td> </tr> <tr> <td>Depreciation expense</td> <td>62,540</td> </tr> <tr> <td>Interest received</td> <td>5,366</td> </tr> </tbody> </table>	Lease fee received	86,150	Depreciation expense	62,540	Interest received	5,366	<table> <tbody> <tr> <td>Lease fee received</td> <td>151,900</td> </tr> <tr> <td>Depreciation expense</td> <td>111,618</td> </tr> <tr> <td>Interest received</td> <td>11,189</td> </tr> </tbody> </table>	Lease fee received	151,900	Depreciation expense	111,618	Interest received	11,189																														
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	(4) Calculation method for interest value Interest value appropriation for each term is based on interest method	(4) Calculation method for interest value Interest value appropriation for each term is based on interest method	(4) Calculation method for interest value Interest value appropriation for each term is based on interest method																																																
Operating lease (debtor)	Prepaid lease fee (unit 1,000) yen	Prepaid lease fee (unit:1,000 yen)	Prepaid lease fee (unit 1,000 yen)																																																
	<table> <tbody> <tr> <td>within 1 year</td> <td>1,952</td> </tr> <tr> <td>over 1 year</td> <td>3,575</td> </tr> <tr> <td>Total</td> <td>5,527</td> </tr> </tbody> </table>	within 1 year	1,952	over 1 year	3,575	Total	5,527	<table> <tbody> <tr> <td>within 1 year</td> <td>201,121</td> </tr> <tr> <td>over 1 year</td> <td>198,141</td> </tr> <tr> <td>Total</td> <td>399,262</td> </tr> </tbody> </table>	within 1 year	201,121	over 1 year	198,141	Total	399,262	<table> <tbody> <tr> <td>within 1 year</td> <td>1,952</td> </tr> <tr> <td>over 1 year</td> <td>2,599</td> </tr> <tr> <td>Total</td> <td>4,551</td> </tr> </tbody> </table>	within 1 year	1,952	over 1 year	2,599	Total	4,551																														
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(Segment information)

1 . Segment information by business category

Previous FY interim period (Apr. 1, 2001 to Sept. 30, 2001)
Net One Systems Group's business focuses on network computing system deployment and related operation/management service and as they fall on the same segment category, segment information by business category is not provided.

Current FY interim period (Apr. 1, 2002 to Sept. 30, 2002)
same as above

Previous FY (Apr. 1, 2001 to Mar. 31, 2002)
same as above

2 . Segment information by location

Previous FY interim period (Apr. 1, 2001 to Sept. 30, 2001)
As there are no significant subsidiaries or foreign office outside Japan, there are no comments that fall in this category.

Current FY interim period (Apr. 1, 2002 to Sept. 30, 2002)
same as above

Previous FY (Apr. 1, 2001 to Mar. 31, 2002)
same as above

3 . Oversea sales

Previous FY interim period (Apr. 1, 2001 to Sept. 30, 2001)
Oversea sales have been abbreviated as oversea sales account for less than 10% of the consolidated sales.

Current FY interim period (Apr. 1, 2002 to Sept. 30, 2002)
same as above

Previous FY (Apr. 1, 2001 to Mar. 31, 2002)
same as above

(Matters related to marketable securities)

(End of previous interim consolidated FY) (as of Sept. 30, 2001)

1 . Bonds with marketable value intended to be held until maturity date

There are no applicable shares.

2 . Other securities with marketable value

(unit: rounded down to the nearest 1,000 yen)

	Acquisition cost	Amount accrued in interim period consolidated balance sheet	Difference
(1)Stocks	134,193	195,368	61,175
(2)Bonds			
Government/local government bonds, etc.			
Corporate bonds			
Others			
(3)Others			
Total	134,193	195,368	61,175

As detraction process (100,478 thousand yen) was applied to stock acquisition during current interim period, stock acquisition cost (134,193 thousand yen) reflects the revised calculation.

3 . Breakdown of significant securities without market value

(unit: rounded down to the nearest 1,000 yen)

	Amount accrued in interim consolidated balance sheet	Remarks
(1)Bonds intended to be held until maturity date		
(2)Other securities		
Unlisted stocks (excluding over the counter shares)	1,049,798	

(End of current consolidated interim FY) (as of Sept. 30, 2002)

1 . Bonds with marketable value intended to be held until maturity date

There are no applicable shares.

2 . Other securities with marketable value

(unit: rounded down to the nearest 1,000 yen)

	Acquisition cost	Amount accrued in interim period consolidated balance sheet	Difference
(1) Stocks	178,981	211,331	32,350
(2) Bonds			
Government/local government bonds, etc.			
Corporate bonds			
Others			
(3) Others			
Total	178,981	211,331	32,350

(note) As detraction process (134,751 thousand yen) was applied to acquisition cost during current consolidated interim period, acquisition cost after detraction process is used for calculation.

For shares where market value dropped 50% or more during current consolidated interim period, detraction process was applied and for shares where market value dropped approximately 30% to 50%, detraction process was applied through considering the probability of market value recovery.

3 . Breakdown of significant securities without market value

(unit: rounded down to the nearest 1,000 yen)

	Amount accrued in interim consolidated balance sheet	Remarks
(1) Bonds expected to be held until maturity		
(2) Other securities		
Unlisted securities (excluding over the counter shares)	1,220,906	

(note) During current consolidated interim period, for other securities, unlisted securities (excluding over the counter shares,) detraction process (273,536 thousand yen) was applied for calculation of balance sheet.

For shares where net assets per share according to the latest financial reports, dropped 30% or more in comparison with acquisition costs per share, detraction process was applied through considering factors as the number of years after equity financing and the probability of recovery of financial status of applicable companies.

(End of previous consolidated FY) (as of Mar. 31, 2002)

1 . Bonds with marketable value intended to be held until maturity date
There are no applicable shares.

2 . Other securities with marketable value

(unit: rounded down to the nearest 1,000 yen)

	Acquisition cost	Amount accrued in interim period consolidated balance sheet	Difference
(1) Stocks	155,587	268,537	112,950
(2) Bonds			
Government/local government bonds, etc.			
Corporate bonds			
Others			
(3) Others			
Total	155,587	268,537	112,950

(note) As deduction process (73,202 thousand yen) was applied during current consolidated interim period, acquisition cost after deduction process is used for calculation.

3 . Breakdown of significant securities without market value

(unit: rounded down to nearest 1,000 yen)

	Amount accrued in interim consolidated balance sheet	Remarks
(1) Bonds intended to be held until maturity date		
(2) Other securities		
Unlisted stocks (excluding over the counter shares)	1,606,773	

(Matters related to derivative transaction)

Previous interim (Apr. 1, 2001 to Sept. 30, 2001)
consolidated FY

There are no applicable items as hedge accounting is applied for all derivative transactions.

Current interim (Apr. 1, 2002 to Sept. 30, 2002)
consolidated FY

same as above

Previous consolidated FY (Apr. 1, 2001 to Mar. 31, 2002)
same as above

As Net One Systems Group segment information is unitary, sales, amount of orders accepted, and backlog of unfilled orders are indicated by their product category.

Sales by product category

(unit: rounded down to nearest 1,000 yen)

	Previous interim consolidated FY Apr. 1, 2001 to Sept. 30, 2001		Current interim consolidated FY Apr. 1, 2002 to Sept. 30, 2002		Previous consolidated FY Apr. 1, 2001 to Mar. 31, 2002	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network equipment	26,020,922	74.6	27,189,474	72.1	59,214,512	74.2
Network computing	585,767	1.7	671,526	1.8	1,614,505	2.0
Media products	2,692,078	7.7	2,013,020	5.3	6,063,231	7.6
Service products	5,583,131	16.0	7,843,391	20.8	12,955,654	16.2
Total	34,881,899	100.0	37,717,412	100.0	79,847,904	100.0

Orders accepted by product category

(unit: rounded down to the nearest 1,000 yen)

	Previous interim consolidated FY Apr. 1, 2001 to Sept. 30, 2001		Current interim consolidated FY Apr. 1, 2002 to Sept. 30 2002		Previous consolidated FY Apr. 1, 2001 to Mar. 31, 2002	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network equipment	26,425,659	66.8	30,723,980	70.2	59,841,941	70.5
Network computing	810,877	2.0	563,056	1.3	1,663,637	2.0
Media products	2,874,036	7.3	2,764,993	6.3	5,445,419	6.4
Service products	9,438,133	23.9	9,686,655	22.2	17,961,549	21.1
Total	39,548,708	100.0	43,738,684	100.0	84,912,549	100.0

Backlog of unfilled orders by product category

(unit: rounded down to the nearest 1,000 yen)

	End of previous interim consolidated FY (as of Sept. 30, 2001)		End of current interim consolidated FY (as of Sept. 30, 2002)		End of previous consolidated FY (as of Mar. 31, 2002)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network equipment	15,247,212	59.7	19,004,409	59.5	15,469,903	59.7
Network computing	573,241	2.2	288,793	0.9	397,263	1.5
Media products	1,467,931	5.8	1,420,133	4.4	668,160	2.6
Service products	8,241,604	32.3	11,235,762	35.2	9,392,497	36.2
Total	25,529,989	100.0	31,949,098	100.0	25,927,826	100.0