

Business Performance for 1st Quarter FY2003 (ending March 2004) (Consolidated Report)

August 5, 2003

Company Name **Net One Systems Co., Ltd.**
Stock Code Number: 7518 First Section of Tokyo Stock Exchange

(URL <http://www.netone.co.jp>)

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Representative

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1. Matters related to preparation of Business Performance for 1st Quarter of FY2003

Principles applied for preparation of financial report: : (principles of consolidated interim financial report)

Disparity between accounting procedures of consolidated : For accounting standard of corporation tax, in some instances, simplified method is applied.
FY ended Mar. 2003 and current fiscal quarter

Changes in scope of consolidation and equity method : no

Participation of certified accountant or auditing corporation : no

(note) In previous FY, our company disclosed 1st quarter Sales, Orders Accepted, and Backlog Orders.

For items not disclosed in 1st quarter of previous FY, figures are indicated as reference.

2. Results of FY2003 1st Quarter (April 1, 2003 to June 30, 2003)

(1) Status of Consolidated Operating Results (unit: rounded down to the nearest million yen)

	Orders Accepted		Backlog Orders		Sales	
	Million yen	%	Million yen	%	Million yen	%
Quarter ended June 30, 2003	24,484	(12.0)	36,723	(23.0)	22,749	(26.8)
Quarter ended June 30, 2002	21,862	(12.4)	29,846	(31.8)	17,943	(1.6)
(reference) Year ended Mar. 2003	101,931		34,979		92,880	

	Operating Profit		Ordinary Profit		Current (1 st Quarter) net income	
	Million yen	%	Million yen	%	Million yen	%
Quarter ended June 30, 2003	1,001	(385.6)	1,006	(297.9)	532	(107.1)
Quarter ended June 30, 2002	206	(-)	252	(-)	256	(-)
(reference) Year ended Mar. 2003	7,516		7,606		4,294	

(note) Percentage: increase/decrease against previous FY 1st quarter on sales, operating profit, etc. For the reference item, percentage of increase/decrease has been omitted.

(2) Changes in financial position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio to total assets
	Million yen	Million yen	%
Quarter ended June 30, 2003	63,797	46,537	72.9
Quarter ended June 30, 2002	53,634	41,789	77.9
(reference) Year ended Mar. 2003	75,090	46,032	61.3

3 . Forecast for the consolidated FY 2003 (April 1, 2003 to March 31, 2004)

	Forecast Sales	Forecast Ordinary Profit	Forecast Current Net Income
	Million yen	Million yen	Million yen
Interim Period	43,000	3,000	1,700
Fiscal Year	107,000	9,300	5,150

(note) The above forecast was made at beginning of the FY. There are no changes in forecast figures at this time.

< Reference Information >**Quarterly based consolidated financial position for the FY2002 (Apr. 1, 2002 to Mar. 31, 2003)**

	1 st Quarter (Apr. 2002 to Jun. 2002)	2 nd Quarter (Jul. 2002 to Sept. 2002)	3 rd Quarter (Oct. 2002 to Dec. 2002)	4 th Quarter (Jan. 2003 to Mar. 2003)
	Million yen	Million yen	Million yen	Million yen
Orders Accepted	21,862	21,876	26,409	31,783
Backlog Orders	29,846	31,949	41,522	34,979
Sales	17,943	19,773	16,836	38,326
Gross Profit on Sales	3,734	6,006	4,182	8,382
Operating Profit	206	2,396	503	4,410
Ordinary Profit	252	2,448	516	4,389
Quarterly Net Income	256	1,527	256	2,253

4. Orders accepted and sales based on product category for 1st quarter of consolidated FY2003

(1) Status

Sales by product category

(unit : rounded down to the nearest million yen)

	Previous consolidated FY 1 st Quarter April 1, 2002 to June 30, 2002		Current consolidated FY 1 st Quarter April 1, 2003 to June 30, 2003		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network Integration Products	13,274	74.0	16,692	73.4	3,417	25.7
Network Computing Products	278	1.5	300	1.3	21	7.9
Media Integration Products	781	4.4	1,416	6.2	635	81.3
Service Integration Products	3,609	20.1	4,340	19.1	731	20.3
Total	17,943	100.0	22,749	100.0	4,805	26.8

Orders accepted by product category

(unit : rounded down to the nearest million yen)

	Previous consolidated FY 1 st Quarter April 1, 2002 to June 30, 2002		Current consolidated FY 1 st Quarter April 1, 2003 to June 30, 2003		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network Integration Products	16,056	73.4	17,749	72.5	1,692	10.5
Network Computing Products	77	0.4	222	0.9	145	186.9
Media Integration Products	1,095	5.0	1,576	6.4	481	44.0
Service Integration Products	4,632	21.2	4,936	20.2	303	6.5
Total	21,862	100.0	24,484	100.0	2,622	12.0

Backlog orders by product category

(unit : rounded down to the nearest million yen)

	As of the end of 1 st quarter of previous consolidated FY (as of June 30, 2002)		As of the end of 1 st quarter of current consolidated FY (as of June 30, 2003)		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network Integration Products	18,251	61.1	20,543	55.9	2,291	12.6
Network Computing Products	196	0.7	588	1.6	391	199.0
Media Integration Products	981	3.3	2,221	6.1	1,239	126.3
Service Integration Products	10,416	34.9	13,370	36.4	2,953	28.4
Total	29,846	100.0	36,723	100.0	6,877	23.0

(2) Qualitative information regarding status of orders accepted and sales

Computer network market in the 1st quarter of current FY showed strong demand for both public and private sectors as evidenced by the continued need for establishment of regional communications network represented by broadbandization and investment on facility that realizes total cost reduction by way of using VOIP, VPN, etc.

Under this environment, current consolidated quarter business performance for Orders Accepted was 24,484M yen (12.0% increase from 1st quarter of previous FY), Sales was 22,749M yen (26.8% increase from 1st quarter of previous FY), and Backlog Orders was 36,723M yen (23.0% increase from 1st quarter of previous FY.) For Sales based on Product Category, Network Integration Products and Network Computing Products (NI and NC) accounted for 16,992M yen (25.4% increase from 1st quarter of previous FY), Media Integration Products (MI) accounted for 1,416M yen (81.3% increase from 1st quarter of previous FY), and Service Integration Products (SI) accounted for 4,340M yen (20.3% increase from 1st quarter of previous FY.)

With regards to profit, Operating Profit was 1,001M yen (385.6% increase from 1st quarter of previous FY), Ordinary Profit was 1,006M yen (297.9% increase from 1st quarter of previous FY), and 1st quarter net income was 532M yen (107.1% increase from 1st quarter of previous FY.)

(note:) From current quarter, depreciation of service parts formerly classified under Sales Expense and Administrative Expense are reclassified under Cost of Goods Sold.

5. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(unit: rounded down to the nearest million yen)

	As of the end of the 1 st quarter of current consolidated FY (as of June 30, 2002)		As of the end of the 1 st quarter of current consolidated FY (as of June 30, 2003)		Variance
	Amount	Ratio	Amount	Ratio	Amount
ASSETS					
Current Assets	44,541	83.0	54,000	84.6	9,458
Cash and Deposits	9,235		3,497		5,737
Account Receivable and Note Receivable	17,487		34,101		16,614
Inventories	13,636		14,974		1,337
Short Term Loans	3,501		-		3,501
Deferred Income Tax	279		515		236
Others	453		1,017		564
Allowance for Doubtful Receivables	52		106		53
Fixed Assets	9,092	17.0	9,796	15.4	703
1 . Tangible Fixed Assets	5,203	9.7	4,563	7.2	640
Tools, Fixtures, and Equipment	4,248		3,985		262
Others	955		577		377
2 . Intangible Fixed Assets	427	0.8	1,368	2.1	941
Consolidation adjustments account	9		1		8
Others	418		1,367		949
3 . Investments and Other Assets	3,461	6.5	3,864	6.1	403
Investment Securities	2,062		1,646		416
Deferred Income Tax	635		1,412		776
Others	763		1,074		311
Allowance for Doubtful Receivables	-		268		268
Total Assets	53,634	100.0	63,797	100.0	10,162
LIABILITIES					
Current Liabilities	11,389	21.2	16,566	26.0	5,176
Account Payable	5,961		11,115		5,154
Short Term Debt	-		350		350
Payment Due	1,324		905		418
Accrued Corporation Tax, etc.	250		493		243
Allowance for Bonus	243		356		112
Others	3,609		3,344		264
Fixed Liabilities	357	0.7	503	0.8	146
Allowance for Retirement Benefits	188		322		133
Allowance for Bonus for Retiring Directors	168		179		11
Others	0		1		1
Total Liabilities	11,747	21.9	17,069	26.8	5,322
MINORITY SHAREHOLDERS' EQUITY					
Minority Shareholders' Equity	98	0.2	190	0.3	91
SHAREHOLDERS' EQUITY					
Capital Stock	12,014	22.4	12,233	19.2	218
Additional Paid-in Capital	19,189	35.8	19,408	30.4	218
Consolidated Surplus	10,679	19.9	14,921	23.4	4,241
Difference from Securities Revaluation	-	-	68	0.1	68
Repurchased Stocks	94	0.2	94	0.2	-
Total Shareholders' Equity	41,789	77.9	46,537	72.9	4,748
Total Liabilities, Minority Shareholders' Equity, shareholders' Equity	53,634	100.0	63,797	100.0	10,162

(2) Consolidated Quarterly Income Statement

(unit: rounded down to the nearest million yen)

	Previous consolidated FY		Current consolidated FY		Variance
	1 st Quarter		1 st Quarter		
	Apr. 1, 2002 to Jun. 30, 2002		Apr. 1, 2003 to Jun. 30, 2003		
	Amount	Ratio	Amount	Ratio	Amount
		%		%	
Sales	17,943	100.0	22,749	100.0	4,805
Cost of Goods Sold	14,209	79.2	18,123	79.7	3,914
Gross Profit on Sales	3,734	20.8	4,625	20.3	891
III Sales Expense and Administrative Expense	3,528	19.7	3,624	15.9	96
Operating Profit	206	1.1	1,001	4.4	795
Non-operating Income	62	0.4	19	0.1	42
Interest Earned	1		0		1
Dividend Earned	1		1		-
Investment Profit on Equity Method	14		-		14
Exchange Gain	35		14		20
Others	9		3		6
Non-Operating Expense	16	0.1	15	0.1	0
Interest Expense	-		0		0
Investment Loss on Equity Method	-		6		6
Stock Issuing Expense	9		-		9
Commitment Fee	2		2		-
Employment Advancement Fee	3		-		3
Investment Loss	-		5		5
Others	1		0		0
Ordinary Profit	252	1.4	1,006	4.4	753
Extraordinary Gain	250	1.4	1	0.0	249
Reversal from Allowance for Doubtful Account	24		1		22
Gain from Sales of Investment Securities	226		-		226
Extraordinary Loss	7	0.0	5	0.0	1
Loss from Removal of Fixed Assets	4		5		1
Loss from Change in Equity	3		-		3
Current Quarter Net Income Before Tax	496	2.8	1,002	4.4	506
Corporate Tax, etc.	232	1.3	479	2.1	247
Gain (Loss) from Minority Shareholders	7	0.0	9	0.0	16
Current Quarter Net Profit	256	1.5	532	2.3	275