

Net One Systems Co., Ltd

Analyst Briefing

Part 1

 Net One Systems

Nov. 6, 2003

Orders Accepted/Sales (Consolidated) based on Product Category

Orders Accepted

(unit: million yen)

	Current Interim Period		Variance (-)		Previous Interim Period		Previous FY ended Mar. 2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network Integration	43,522	76.4%	12,799	41.7%	30,723	70.2%	72,985	71.6%
Network Computing	442	0.8%	(121)	-21.5%	563	1.3%	1,623	1.6%
Media Products	3,878	6.8%	1,114	40.3%	2,764	6.3%	6,680	6.6%
Service Products	9,150	16.0%	(536)	-5.5%	9,686	22.2%	20,641	20.2%
Total	56,993	100.0%	13,255	30.3%	43,738	100.0%	101,931	100.0%

Sales

(unit: million yen)

	Current Interim Period		Variance (-)		Previous Interim Period		Previous FY ended Mar. 2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network Integration	37,511	73.8%	10,322	38.0%	27,189	72.1%	68,833	74.1%
Network Computing	503	1.0%	(168)	-25.0%	671	1.8%	1,355	1.5%
Media Products	3,556	7.0%	1,543	76.7%	2,013	5.3%	5,286	5.7%
Service Products	9,233	18.2%	1,390	17.7%	7,843	20.8%	17,404	18.7%
Total	50,804	100.0%	13,087	34.7%	37,717	100.0%	92,880	100.0%

Backlog of Unfilled Orders

(unit: million yen)

	Current Interim Period		Variance (-)		Previous Interim Period		Previous FY ended Mar. 2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network Integration	25,497	61.9%	6,493	34.2%	19,004	59.5%	19,621	56.1%
Network Computing	604	1.5%	316	109.7%	288	0.9%	665	1.9%
Media Products	2,383	5.8%	963	67.8%	1,420	4.4%	2,061	5.9%
Service Products	12,691	30.8%	1,456	13.0%	11,235	35.2%	12,630	36.1%
Total	41,177	100.0%	9,228	28.9%	31,949	100.0%	34,979	100.0%

Sales (Non-Consolidated) based on Product Category

(unit: million yen)

		Current Interim Period		Variance (-)		Previous Interim Period		FY ended Mar. 2003	
		Sales	Ratio	Amount	Ratio	Sales	Ratio	Sales	Ratio
NI (Network Integration) Products									
	Router	15,270	41.4%	(733)	-4.6%	16,003	58.2%	33,118	47.4%
	Switch	10,215	27.7%	909	9.8%	9,306	33.8%	21,381	30.6%
	Others	11,435	31.0%	9,250	423.3%	2,185	7.9%	15,399	22.0%
	NI Total	36,921	74.6%	9,428	34.3%	27,493	73.3%	69,898	75.2%
	Total Corporate Sales	49,521	100.0%	12,036	32.1%	37,485	100.0%	92,926	100.0%
NC (Network Computing) Products									
	Security	198	37.6%	49	32.9%	149	21.9%	439	30.4%
	CDN Related	174	33.0%	(250)	-59.0%	424	62.4%	682	47.3%
	Others	157	29.8%	52	49.5%	105	15.5%	322	22.3%
	NC Total	527	1.1%	(152)	-22.4%	679	1.8%	1,443	1.6%
	Total Corporate Sales	49,521	100.0%	12,036	32.1%	37,485	100.0%	92,926	100.0%
MI (Media) Products									
	Deployment	1,888	55.0%	920	95.0%	968	50.8%	3,082	60.8%
	Wireless	231	6.7%	148	178.3%	83	4.4%	241	4.8%
	CATV	1,159	33.8%	412	55.2%	747	39.2%	1,487	29.4%
	Others	155	4.5%	46	42.2%	109	5.7%	256	5.1%
	MI Total	3,432	6.9%	1,526	80.1%	1,906	5.1%	5,066	5.5%
	Total Corporate Sales	49,521	100.0%	12,036	32.1%	37,485	100.0%	92,926	100.0%
SI (Service) Products									
	Engineering Service	654	7.6%	91	16.2%	563	7.6%	1,768	10.7%
	Installation	1,367	15.8%	91	7.1%	1,276	17.2%	3,397	20.6%
	Operation Management	5,937	68.7%	1,093	22.6%	4,844	65.4%	10,107	61.2%
	Others	682	7.9%	(42)	-5.8%	724	9.8%	1,245	7.5%
	SI Total	8,640	17.4%	1,232	16.6%	7,408	19.8%	16,517	17.8%
	Total Corporate Sales	49,521	100.0%	12,036	32.1%	37,485	100.0%	92,926	100.0%

Sales based on Distribution Channel

Direct Sales/Subdistributor (unconsolidated) (unit: million yen)

Channel	Current Interim Period		Variance (-)		Previous Interim Period		Previous FY ended Mar. 2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Direct Sales	42,216	85.2%	10,893	34.8%	31,323	83.6%	76,488	82.3%
Subdistributor	7,304	14.8%	1,142	18.5%	6,162	16.4%	16,437	17.7%
Total Corporate Sales	49,521	100.0%	12,036	32.1%	37,485	100.0%	92,926	100.0%

Breakdown of sales based on Channel Type (unit: million yen)

Channel	Current Interim Period		Variance (-)		Previous Interim Period		Previous FY ended Mar. 2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	19,483	39.4%	3,652	23.1%	15,831	42.2%	40,371	43.4%
Service Providers	17,837	36.0%	1,878	11.8%	15,959	42.6%	33,137	35.7%
Public Sector	12,200	24.6%	6,505	114.2%	5,695	15.2%	19,417	20.9%
Total Corporate Sales	49,521	100.0%	12,036	32.1%	37,485	100.0%	92,926	100.0%

Breakdown of Orders Accepted based on Channel Type (unit: million yen)

Channel	Current Interim Period		Variance (-)		Previous Interim Period		Previous FY ended Mar. 2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	24,095	43.7%	6,598	37.7%	17,497	39.7%	42,752	41.8%
Service Providers	19,115	34.7%	4,475	30.6%	14,640	33.3%	32,664	32.0%
Public Sector	11,896	21.6%	31	0.3%	11,865	27.0%	26,819	26.2%
Total Corporate Orders Accepted	55,107	100.0%	11,105	25.2%	44,002	100.0%	102,236	100.0%

Sales (Un-Consolidated) based on private industry sector

(unit: million yen)

	Current Interim Period		Variance (-)		Previous Interim Period		Previous FY ended Mar. 2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Manufacturing								
Material Industry	231	0.6%	(58)	-20.1%	289	0.9%	953	1.2%
Processing and Assembly	8,268	19.8%	3,034	58.0%	5,234	15.6%	16,456	20.0%
Other Manufacturing Industry	179	0.4%	19	11.9%	160	0.5%	540	0.7%
Manufacturing Industry Total	8,680	20.8%	2,995	52.7%	5,685	17.0%	17,951	21.8%
Non-Manufacturing								
Construction and Real Estate	1,560	3.7%	174	12.6%	1,386	4.1%	2,731	3.3%
Trade	9,793	23.4%	2,923	42.5%	6,870	20.5%	21,740	26.5%
Logistics	19,369	46.3%	2,109	12.2%	17,260	51.6%	34,996	42.6%
Finance	2,405	5.8%	136	6.0%	2,269	6.8%	4,769	5.8%
Non-Manufacturing Industry Total	33,129	79.2%	5,343	19.2%	27,786	83.0%	64,238	78.2%
Private Sector Sales Total	41,809	100.0%	8,338	24.9%	33,471	100.0%	82,189	100.0%

Top 10 Users (Un-Consolidated)

Ranking	Current Interim Period			Variance (-)		Ranking	Previous Interim Period			Ranking	Previous FY ended Mar. 2003		
	Entity Name	Sales	Ratio	Amount	Ratio		Entity Name	Sales	Ratio		Entity Name	Sales	Ratio
1	NTT East	10,438	21.1%	44	0.4%	1	NTT East	10,394	27.7%	1	NTT East	17,452	18.8%
2	NTT Communications	3,065	6.2%	946	44.6%	2	NTT Communications	2,119	5.7%	2	NTT Communications	5,879	6.3%
3	NEC	2,011	4.1%	1,194	146.1%	3	IBM Japan	1,146	3.1%	3	NEC	4,552	4.9%
4	Fujitsu	1,889	3.8%	1,229	186.2%	4	KDDI	857	2.3%	4	KDDI	2,764	3.0%
5	KDDI	1,467	3.0%	610	71.2%	5	NEC	817	2.2%	5	Fujitsu	2,687	2.9%
6	IBM Japan	1,126	2.3%	(20)	-1.7%	6	Fujitsu	660	1.8%	6	IBM Japan	2,627	2.8%
7	K-Opticom	764	1.5%	525	219.7%	7	NTT Neomeit Kansai	623	1.7%	7	NTT Neomeit Kansai	2,156	2.3%
8	NTT Neomeit Kansai	661	1.3%	38	6.1%	8	National Institute of Informatics	521	1.4%	8	Mitsubishi Motors	1,597	1.7%
9	Mitsubishi Motors	630	1.3%	244	63.2%	9	Merrill Lynch	516	1.4%	9	Local Authorities Systems Development Center	1,378	1.5%
10	Lehman Brothers, Japan	559	1.1%	-	-	10	Local Authorities Systems Development Center	465	1.2%	10	NEC System Integration & Construction	1,008	1.1%
	Sub-Total	22,610	45.7%	4,492	24.8%		Sub-Total	18,118	48.3%		Sub-Total	42,100	45.3%
	Sales Total	49,521	100.0%	12,036	32.1%		Sales Total	37,485	100.0%		Sales Total	92,926	100.0%

Top 5 Venders (Un-Consolidated)

Ranking	Current Interim Period			Variance (-)		Ranking	Previous Interim Period			Ranking	FY ended Mar. 2003		
	Corporate Name	Sales	Ratio	Amont	Ratio		Corporate Name	Sales	Ratio		Corporate Name	Sales	Ratio
1	Cisco Systems	25,545	51.5%	48	0.2%	1	Cisco Systems	25,497	68.0%	1	CISCO	53,941	58.0%
2	Juniper	729	1.5%	248	51.6%	2	Juniper	481	1.3%	2	Juniper	1,338	1.4%
3	Foundry	657	1.3%	559	570.4%	3	Alteon	307	0.8%	3	Foundry	839	0.9%
4	Seiko Instruments	382	0.8%	-	-	4	Unisphere	226	0.6%	4	Unisphere	526	0.6%
5	Unisphere	203	0.4%	(23)	-10.2%	5	Packeteer Inc.	221	0.6%	5	Alteon	518	0.6%
	Subtotal	27,516	55.6%	784	2.9%		Subtotal	26,732	71.3%		Subtotal	57,162	61.5%
	Total Corporate Sale	49,521	100.0%	12036	32.1%		Total Corporate Sale	37,485	100.0%		Total Corporate Sale	92,926	100.0%

Income Statement (Consolidated)

(unit: million yen)

	Current Interim Period		Variance (-)		Previous Interim Period		FY ended Mar. 2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Sales	50,804	100.0%	13,087	34.7%	37,717	100.0%	92,880	100.0%
Cost of Goods Sold	40,835	80.4%	12,859	46.0%	27,976	74.2%	70,574	76.0%
Gross Profit on Sales	9,969	19.6%	228	2.3%	9,741	25.8%	22,305	24.0%
Sales Expense	6,686	13.1%	(452)	-6.3%	7,138	18.9%	14,789	15.9%
Operating Profit	3,282	6.5%	680	26.1%	2,602	6.9%	7,516	8.1%
Non-Operating Income/Expense	41	0.1%	(57)	-58.2%	98	0.3%	89	0.1%
Ordinary Profit	3,323	6.6%	622	23.0%	2,701	7.1%	7,606	8.2%
Extraordinary Gain/Loss	(40)	-0.1%	(631)	-106.8%	591	1.6%	160	0.2%
Current Income before Tax	3,283	6.5%	(10)	-0.3%	3,293	8.7%	7,766	8.4%
Current Net Profit	1,869	3.7%	85	4.8%	1,784	4.7%	4,294	4.6%

Income Statement (Un-Consolidated)



(unit: million yen)

	Current Interim Period		Variance (-)		Previous Interim Period		FY ended Mar. 2003	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Sales	49,521	100.0%	12,036	32.1%	37,485	100.0%	92,926	100.0%
Cost of Goods Sold	40,371	81.5%	11,184	38.3%	29,187	77.9%	73,785	79.4%
Gross Profit on Sales	9,149	18.5%	851	10.3%	8,298	22.1%	19,140	20.6%
Sales Expense	5,944	12.0%	127	2.2%	5,817	15.5%	11,706	12.6%
Operating Profit	3,205	6.5%	724	29.2%	2,481	6.6%	7,434	8.0%
Non-Operating Income/Expenses	64	0.1%	(29)	-31.2%	93	0.2%	101	0.1%
Ordinary Profit	3,268	6.6%	694	27.0%	2,574	6.9%	7,535	8.1%
Extraordinary Gain/Loss	(40)	-0.1%	(633)	-106.7%	593	1.6%	179	0.2%
Current Income before Tax	3,228	6.5%	61	1.9%	3,167	8.5%	7,715	8.3%
Current Net Profit	1,930	3.9%	121	6.7%	1,809	4.8%	4,383	4.7%

Balance Sheet (Consolidated)

(unit: million yen)

	Current Interim Period		Variance (-)		Previous Interim Period		FY ended Mar. 2003		Variance (-)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Current Assets	58,610	85.0%	10,594	22.1%	48,016	83.9%	65,354	87.0%	(6,744)	-10.3%
Cash and Deposits	2,531	3.7%	(10,178)	-80.1%	12,709	22.2%	9,174	12.2%	(6,643)	-72.4%
Account Receivable, etc.	37,458	54.3%	17,491	87.6%	19,967	34.9%	41,793	55.7%	(4,335)	-10.4%
Inventories	16,838	24.4%	2,686	19.0%	14,152	24.7%	13,243	17.6%	3,595	27.1%
Others	1,898	2.8%	680	55.8%	1,218	2.1%	1,227	1.6%	671	54.7%
Allowance for Doubtful Receivables	(117)	-0.2%	(87)	290.0%	(30)	-0.1%	(83)	-0.1%	(34)	41.0%
Fixed Assets	10,315	15.0%	1,087	11.8%	9,228	16.1%	9,735	13.0%	580	6.0%
Tangible Fixed Assets	4,894	7.1%	(131)	-2.6%	5,025	8.8%	4,630	6.2%	264	5.7%
Intangible Fixed Assets	1,407	2.1%	649	85.6%	758	1.3%	1,321	1.8%	86	6.5%
Investments, etc.	4,013	5.8%	568	16.5%	3,445	6.0%	3,783	5.0%	230	6.1%
Total Assets	68,925	100.0%	11,680	20.4%	57,245	100.0%	75,090	100.0%	(6,165)	-8.2%
Current Liabilities	20,237	29.4%	7,021	53.1%	13,216	23.1%	28,402	37.8%	(8,165)	-28.7%
Account Payable	13,611	19.7%	6,875	102.1%	6,736	11.8%	21,131	28.1%	(7,520)	-35.6%
Short Term Debt	350	0.5%	350	-	0	0.0%	110	0.1%	240	218.2%
Payment Due	2,381	3.5%	(1,052)	-30.6%	3,433	6.0%	4,391	5.8%	(2,010)	-45.8%
Others	3,893	5.6%	847	27.8%	3,046	5.3%	2,770	3.7%	1,123	40.5%
Fixed Liabilities	568	0.8%	182	47.2%	386	0.7%	453	0.6%	115	25.4%
Total Liabilities	20,805	30.2%	7,202	52.9%	13,603	23.8%	28,856	38.4%	(8,051)	-27.9%
Minority Shareholders' Equity	208	0.3%	(3)	-1.4%	211	0.4%	201	0.3%	7	3.5%
Capital Stock	12,278	17.8%	202	1.7%	12,076	21.1%	12,132	16.1%	146	1.2%
Additional Paid-in Capital	19,452	28.2%	202	1.0%	19,250	33.6%	19,306	25.7%	146	0.8%
Consolidated Surplus	16,258	23.6%	4,062	33.3%	12,196	21.3%	14,706	19.6%	1,552	10.6%
Difference from Securities Revaluation	15	0.0%	14	1400.0%	1	0.0%	(18)	0.0%	33	-183.3%
Repurchased Stocks	(94)	-0.1%	0	0.0%	(94)	-0.2%	(94)	-0.1%	0	0.0%
Total Shareholders' Equity	47,910	69.5%	4,480	10.3%	43,430	75.8%	46,032	61.3%	1,878	4.1%
Total Liabilities and Shareholders' Equity	68,925	100.0%	11,680	20.4%	57,245	100.0%	75,090	100.0%	(6,165)	-8.2%

Balance Sheet (Un-Consolidated)

(unit: million yen)

	Current Interim Period		Variance (-)		Previous Interim Period		FY ended Mar. 2003		Variance (-)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Current Assets	58,974	87.8%	10,055	20.6%	48,919	86.4%	66,138	89.5%	(7,164)	-10.8%
Cash and Deposits	1,568	2.3%	(9,915)	-86.3%	11,483	20.3%	7,654	10.4%	(6,086)	-79.5%
Account Receivable, etc.	36,725	54.6%	16,587	82.4%	20,138	35.6%	41,971	56.8%	(5,246)	-12.5%
Inventories	16,689	24.8%	2,605	18.5%	14,084	24.9%	13,194	17.9%	3,495	26.5%
Others	4,115	6.1%	872	26.9%	3,243	5.7%	3,404	4.6%	711	20.9%
Allowance for Doubtful Receivable	(124)	-0.2%	(93)	300.0%	(31)	-0.1%	(87)	-0.1%	(37)	42.5%
Fixed Assets	8,231	12.2%	545	7.1%	7,686	13.6%	7,745	10.5%	486	6.3%
Tangible Fixed Assets	3,044	4.5%	(408)	-11.8%	3,452	6.1%	2,769	3.8%	275	9.9%
Intangible Fixed Assets	1,288	1.9%	597	86.4%	691	1.2%	1,198	1.6%	90	7.5%
Investments, etc.	3,898	5.8%	356	10.1%	3,542	6.3%	3,777	5.1%	121	3.2%
Total Assets	67,205	100.0%	10,600	18.7%	56,605	100.0%	73,884	100.0%	(6,679)	-9.0%
Current Liabilities	18,677	27.8%	5,817	45.2%	12,860	22.7%	27,411	37.1%	(8,734)	-31.9%
Account Payable	12,936	19.2%	6,078	88.6%	6,858	12.1%	20,973	28.4%	(8,037)	-38.3%
Short Term Debt	0	0.0%	0	-	0	0.0%	0	0.0%	0	-
Payment Due	1,415	2.1%	(338)	-19.3%	1,753	3.1%	4,364	5.9%	(2,949)	-67.6%
Others	4,326	6.4%	78	1.8%	4,248	7.5%	2,072	2.8%	2,254	108.8%
Fixed Liabilities	518	0.8%	175	51.0%	343	0.6%	405	0.5%	113	27.9%
Total Liabilities	19,195	28.6%	5,991	45.4%	13,204	23.3%	27,816	37.6%	(8,621)	-31.0%
Minority Shareholders' Equity	12,278	18.3%	202	1.7%	12,076	21.3%	12,132	16.4%	146	1.2%
Capital Stock	19,452	28.9%	202	1.0%	19,250	34.0%	19,306	26.1%	146	0.8%
Additional Paid-in Capital	16,357	24.3%	4,190	34.4%	12,167	21.5%	14,741	20.0%	1,616	11.0%
Consolidated Surplus	15	0.0%	14	1400.0%	1	0.0%	(18)	0.0%	33	-183.3%
Difference from Securities Revaluation	(94)	-0.1%	0	0.0%	(94)	-0.1%	(94)	-0.1%	0	0.0%
Repurchased Stocks	48,009	71.4%	4,608	10.6%	43,401	76.7%	46,067	62.4%	1,942	4.2%
Total Shareholders' Equity	67,205	100.0%	10,600	18.7%	56,605	100.0%	73,884	100.0%	(6,679)	-9.0%

