

# Interim Financial Report for FY2004 (ending March 2005) (Consolidated Report)



November 8, 2004

Corporate Name Net One Systems Co., Ltd.

Tokyo Stock Exchange  
Prefecture of headquarters  
Tokyo

Stock Code Number 7518  
(URL <http://www.netone.co.jp>)

Representative Title President & CEO  
Osamu Sawada

Inquiries Title Director, Manager of Operation Department  
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Date of board meeting for interim period November 8, 2004

Applicability of U.S. accounting standard Not applicable

## 1. Interim Results for FY ending March 2005 (April 1, 2004 to September 30, 2004)

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

	Sales		Operating Profit		Ordinary Profit	
	Million yen	%	Million yen	%	Million yen	%
Six months ended Sept. 2004	57,334	(12.9)	4,353	(32.6)	4,335	(30.5)
Six months ended Sept. 2003	50,804	(34.7)	3,282	(26.1)	3,323	(23.0)
Year ended Mar. 2004	121,637		10,608		10,608	

	Interim Net Income		Net Income per Share		Net Income Per Share (assuming full dilution)	
	Million yen	%	yen	sen	yen	sen
Six months ended Sept. 2004	2,339	(25.2)	4,241	08		
Six months ended Sept. 2003	1,869	(4.7)	6,794	44	6,782	09
Year ended Mar. 2004	6,093		21,929	32	21,909	28

(note) Equity in net earnings of affiliated companies

Six months ended Sept. 2004: 7 Million Yen

Six months ended Sept. 2003: 0 Million Yen

Year ended Mar. 2004: 5 Million Yen

Average number of outstanding shares (consolidated):

Six months ended Sept. 2004: 551,685 shares

Six months ended Sept. 2003: 275,116 shares

Year ended Mar. 2004: 275,479 shares

Changes in principle accounting policies: no

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	Share holders' Equity Ratio to total assets	Shareholders' Equity Per Share	
	Million yen	Million yen	%	Yen	Sen
Six months ended Sept. 2004	73,316	54,194	73.9	98,233	29
Six months ended Sept. 2003	68,925	47,910	69.5	173,689	63
Year ended Mar. 2004	74,108	52,125	70.3	188,779	31

(note) Number of shares issued as of end of the consolidated period:

Sept. 2004 551,688 shares,

Sept. 2003 275,842 shares,

Mar. 2004 275,842 shares

## (3) Consolidated 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. 2004	10,081	1,278	271	12,192
Six months ended Sept. 2003	4,939	1,963	259	2,531
Year ended Mar. 2004	2,814	2,956	257	3,661

## (4) Scope of consolidation and equity method

Consolidated subsidiaries: 4 subsidiaries

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

Affiliated companies (equity method is applied): 1 company

## (5) Changes in scope of consolidation and equity method

Consolidation: increase -, decrease -

Equity method: increase -, decrease -

## 2. Forecast for the consolidated FY ending March 31, 2005 (April 1, 2004 to March 31, 2005)

	Sales	Ordinary Profit	Current Net Income
	Million Yen		Million Yen
FY ending Mar. 31, 2004	146,000	13,000	7,200

(reference) expected net income per share for FY ending March 31, 2004: 13,050.85 yen

The above forecast is based on currently available information and the actual business performance may differ in relation to various factors. With regard 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 9.

Reference information regarding current interim period (FY) net income per share, current interim period (FY) net income per share assuming full dilution, and shareholders' equity per share

On May 20, 2004, the company provided 2 shares for 1 share stock split.  
 In order to make comparisons over period of time, following chart indicates the per share values after applying retroactive adjustments for the stock split.

	Current FY interim period April 1, 2004 to September 30, 2004	Previous FY interim Period April 1, 2003 to September 30, 2003	Previous FY April 1, 2003 to March 31, 2004
	Yen      Sen	Yen      Sen	Yen      Sen
Current quarter (FY) net income per share	4,241    08	3,397    22	10,964    66
Current quarter (FY) net income per share assuming full dilution	—————	3,391    05	10,954    64
Shareholder's equity per share	98,233    29	86,844    82	94,389    66

(Note) With regard to current FY interim period net income per share assuming full dilution, no figures are indicated because there were no diluted shares.

## Status of Net One Systems Group

Net One Systems Group is comprised of Net One Systems Co., Ltd., five subsidiaries, and one affiliated 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 selections 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 regard to the varying roles within our group companies, Net One Systems Co., Ltd. mainly manages NI and NC, Media Communication Systems K.K. mainly manages MI, and Network Service And Technologies Co., Ltd. mainly manages SI. Net One Systems Co., Ltd. and ProStorage Co., Ltd. mainly manage development of storage market which is classified under NC. 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.

### [Product Classification]

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 for a rapidly evolving Internet environment. The structure of Network Computing is based on softwares and related equipment required for maintenance of evolving application platforms including various security products and multimedia applications, as well as for solutions using most advanced technologies such as traffic management, QoS, and storage.

#### Media Products Group (MI)

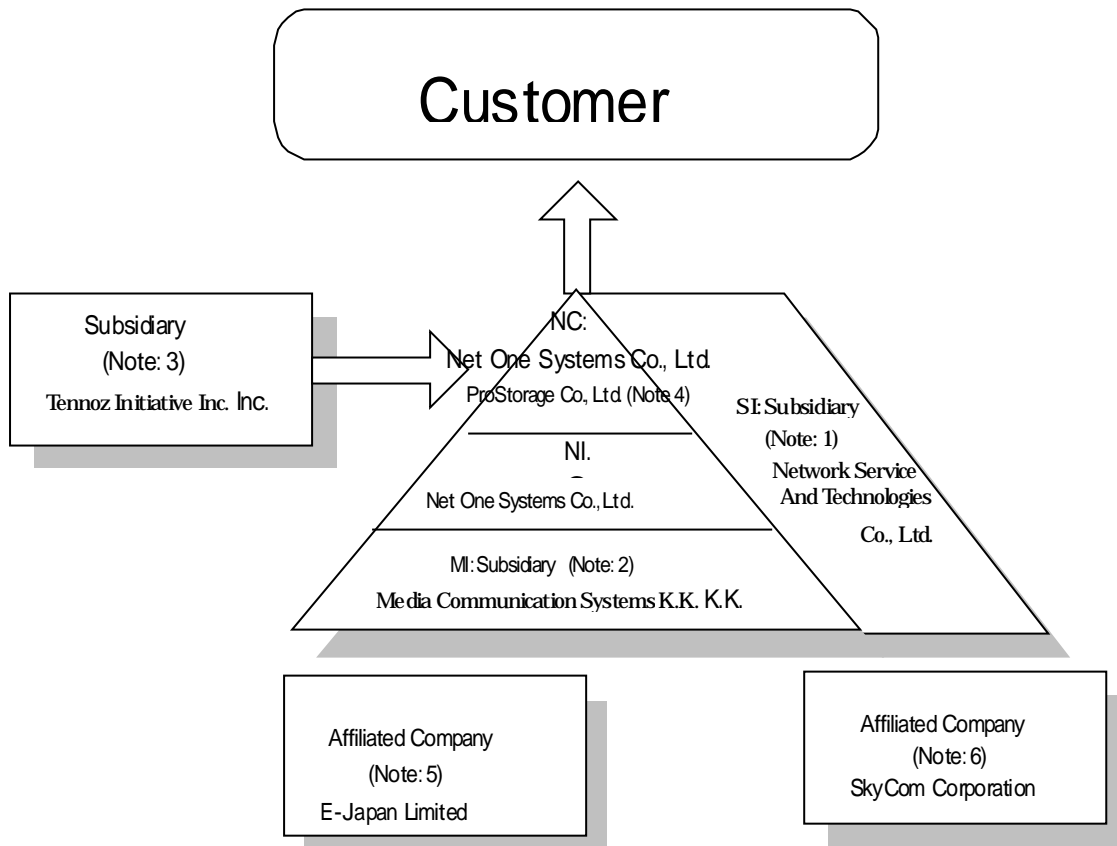
With the rapid increase of business environment using multimedia contents, in computer network deployment, selecting the transmission mode, the basis of networks that matches the usage objective becomes imperative. In order to answer to this need, Media Integration provides integration through design/ 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: 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 a consolidated subsidiary.

Note 6: SkyCom Corporation's core business is to develop and offer computer network related software and equity method is applied.

# Basic Management Policies

## (a) Basic Policies for Management

Since establishment, our management ideology was based on emphasis on customer satisfaction, shareholder satisfaction, 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, highly profitable 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 and 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 considering the 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 2005, common dividend of 1,000 yen per share will be provided.

In the future, profit payout will place greater emphasis on dividend payout. While aiming for a 20% profit payout by FY ending March 2010, the Company will gradually increase the dividend payout to be decided through considering the business performance for each year.

In expectation of further development of network market, the Company plans to increase internal reserve and to appropriate facility investment, etc. to gain further competitive advantage and return profit to shareholders through future business expansion.

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

## (c) Ideology and Policy for Reduction of Investment Unit

As ways to return profit to shareholders, two for one share stock split (in effect) took place on May 20, 2002, and May 20, 2004.

In regard to the decreasing the size of investment per share, the company will continue to consider amongst other things, business performance and stock trends, to implement reduction of investment unit in the future.

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

The company developed a 5 year (April 2002 to March 2007) medium-term business strategy and this FY was the start of the second stage aiming for growth through newly established corporate basis.

Based on corporate basis established during the first stage (sharing a common management policy by all personnel, revising systems and rules including the compliance program, strengthening human resources by providing a coherent education system starting from the onset of hiring, and attaining ISO14001 Certification.) the Company aims to enhance service menu and offer advanced quality service through Service Quality Center established in July of current FY by Network Service And Technologies Co., Ltd., a consolidated subsidiary.

#### 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 five years medium term business plan is the preliminary stage during which the Company will develop the corporate basis, and the next three years is the implementation stage during which the Company will expand the business. Our goal is not just to increase sales relative to network market expansion, but also to expand the business scale in relation to profit structure. More specifically, our goal is to have consolidated sales of 300,000M yen and operating profit of 30,000M as of FY ending March 2007.

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

In order to fulfill the goals of medium-term business plan, establishment of corporate basis that fosters market understanding, market creation, and profit making is imperative and to realize this, understanding high end technology and creating new advanced products and new services are essential.

In order to implement our plan, following facility investments are allocated in accordance with the mid-term business plan and a portion of which has already been utilized

(unit: figures are rounded down to nearest 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	2,649
	Expand quality control facility, etc. and evaluation facility	2,000	333
	Expansion and relocation of headquarters and branch offices	2,000	317
Network Service And Technologies, Co., Ltd.	Maintenance products and expansion of branch office	9,000	6,310
Total		20,000	9,610

#### (e) Basic principles regarding corporate governance and implementation status

##### Basic principles of corporate governance

Our company's goal is to gain high evaluation (high level of satisfaction) and trust from stakeholders by establishing favorable relationships with customers, shareholders, partner companies, employees, and local community through our various corporate activities and being a socially responsible corporate citizen.

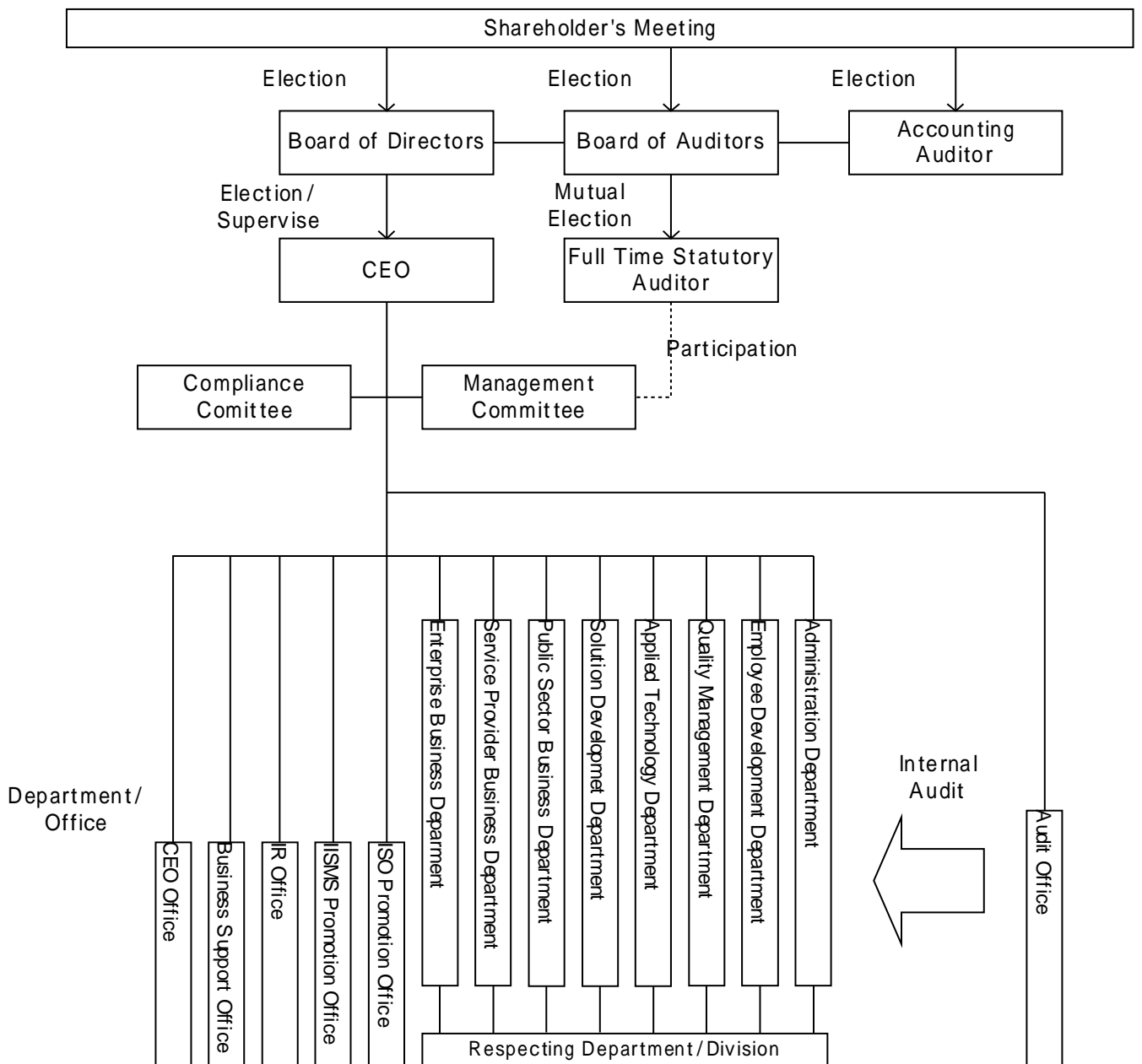
##### Implementation status regarding corporate governance

Our company employs auditing system comprised of seven directors (of whom one is an outside director), and four auditors (of whom two are outside auditors.) There are no special interests between the Company and an outside director or auditors.

From this year April, the Company has implemented a new merit-based personnel system to all employees. In addition to clarifying scopes of responsibilities, in order to promote the merit system, compensation packages for directors and auditors have been revised by terminating the benefits for retiring directors and auditors and by integrating all benefits into one standard directors and auditors remunerations.

A management committee consisting of board of directors, directors and full time statutory auditors has traditionally managed our company. 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. With regard to the internal control, through collaboration of audit room and board of auditors, the Company continually audits to confirm the legality, adequacy and efficiency of corporate operation from various perspectives. In order to ensure strict enforcement of statute/rules, compliance committee headed by compliance officer (director) was established. A compliance manual, which establishes integrity and trust as corporate values, and promotes the policies for establishing positive relationships with the stakeholders and proper communications, was distributed and enforced on all employees.

A diagram is provided to support the aforementioned information.



# Operating Results and Financial Status

## (a) Operating Results

### Conditions of current interim period

During the first half of current FY, although there was a high interest in the private sector for computer networks that aim to deploy corporate LAN capable of integrative communication of voice and data as well as to utilize VPN for enabling more efficient usage of information, many companies were apparently quite cautious in handling computer network related investments. On the other hand, relative to increase in traffic (amount of information,) backbone facility investments by telecom companies and in spite of some delay from the Company's forecast, facility investments for high speed large scale telecom web, focusing on local IP web continued strong. With regard to public sector, although most LG-WAN related investments have been completed during the previous FY interim period, there remain various ongoing projects at various local governments; the desire for network investments is strong and overall network demand is increasing.

Under this environment, current interim period business performance for orders accepted was 68,901M yen (20.9% increase from previous FY interim period,) sales was 57,334M yen (12.9% increase from previous FY interim period) and end of the term backlog of unfilled orders was 48,950M yen (18.9% increase from previous FY interim period.) For sales based on Product Category, Network Integration Products and Network Computing Products (NI and NC) accounted for 42,984M yen (13.1% increase from previous FY, interim period,) Media Integration (MI) accounted for 3,758M yen (5.7% increase from previous FY interim period) and Service Integration (SI) accounted for 10,591M yen (14.7% increase from previous FY interim period.) With regard to profit, as a result of slightly improved gross profit margin and ratio of selling, general and administrative expense, operating profit was 4,353M yen (32.6% increase from previous FY interim period) and ordinary profit was 4,335M yen (30.5% increase from previous FY interim period.) With regard to accrual of extraordinary gain or loss, as 137M yen was accrued as gain from termination of retirement benefits system for executives and 233M yen was accrued as loss from securities revaluation, current interim period net income was 2,339M yen (25.2% increase from previous FY, interim period.)

### Forecast for the FY

The demand for computer networks that are efficient and cost effective is high in private sector and the desire for facility investments is likely to increase. Likewise, telecom companies' facility investments to realize high speed, wide bandwidth, and large scale network communications web is likely to continue strong. In addition, demand for network deployment from public sector including orders from local governments is likely to increase and overall demand for network market is likely to expand.

Under this environment, with regard to consolidated business performance forecast for FY ending 2005 (April 1, 2004 to March 31, 2005) expected sales, ordinary profit and current net income are 146,000M yen, 13,000M yen and 7,200 M yen respectively.

(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 currency exchange rate.

## (b) Financial Status

### Financial Status as of the end of Current FY Interim Period

Current FY interim period total assets was 73,316M yen and there was a 6.4% increase compared to previous FY interim period (as of the end of September 30, 2003.)

Owing to 9,660M yen increase in cash and deposits, 4,579M yen decrease in notes and accounts receivables and 453M yen decrease in inventories, there was a 4,102M yen increase in current assets. With regard to fixed assets, it increased by 288M yen due to factors as increase in intangible fixed assets.

With regard to liabilities, 18,762M yen was accrued relative to decrease in accounts payable, and with regard to shareholders' equity, 54,194M yen was accrued relative to factors including increase in earned surplus.

In comparison to the end of the previous FY (as of end of March 2004,) total assets decreased by 791M yen relative to 949M yen decrease in current assets due to factors as 8,531M yen increase in cash and deposits, 670M yen increase in inventories, and 10,289M yen decrease in notes and accounts receivables. With regard to liabilities, it decreased by 2,959M yen due to factors as 1,469M yen decrease in accounts payable and 1,444M yen decrease in accrued income tax. With regard to shareholders' equity, it

increased by 2,068M yen.

Current quarter's cash flow from operation increased by 15,020M yen compared to previous FY interim period and there was an 10,081M yen in income; significant attributable factors for this included 6,254M yen increase in income from recovery of account receivables, 6,021M yen increase in income from decrease in payment of purchase liabilities, and 3,026M yen increase in income from decrease in increase of inventories. For cash flow based on investing activities, expenditure decreased by 685M yen, and there was 1,278M yen in expenditure; significant attributable factors for this included 628 yen decrease in expenditure from acquisition of intangible fixed assets. For cash flow based on financing activities, there was 531M yen decrease in income and recorded 271M yen in expenditure.

As a result, end of the interim period balance for cash and cash equivalents was 12,192M yen.

As the Company's business is to procure networking products, create a networking web, and sell the products, for cash receipts and payments purposes, after capital is applied for paying purchase liabilities, account receivables are collected. Relative to expansion of the business, there is an increased tendency for the need for operating fund.

#### Forecast for the FY

For necessary cash, our company plans to apply cash on hand, but to prepare for any financial needs, as our company has a financial institution's commitment line contract for up to 8,000M yen and an overdraft contract for up to 21,200M yen.

#### Cash Flow Reference Trend

	Interim period ending Sept. 2002	Interim period ending Sept. 2003	Interim period ending Sept. 2004	FY ending March 2004
Shareholder's equity ratio	75.8%	69.5%	73.9%	70.3%
Shares based on market value Significant capital ratio	238.2%	278.5%	306.3%	316.4%
Number of years for liability depreciation	year	year	0.0 year	year
Interest coverage ratio			4,126.3	

#### Note:

- Shareholder's equity ratio: Shareholder's equity/ Total assets  
Shareholder's equity ratio for shares based on market value: Total market value of shares/ Total assets  
Number of years for depreciation: interest bearing liabilities/ Operating Cash Flow  
Interest coverage ratio: Operating cash flow/ interest payment.
- Each calculation is based on financial value from consolidated statement.
- Total value of stocks at market value has been calculated using Interim period (FY) end value × interim period (FY) end balance of number of stocks issued (excluding repurchased shares.) When there was a stock split, calculation is based on ex-rights price after adjustments.
- For operating cash flow, Operating Cash Flow from interim period consolidated cash flow (FY consolidated cash flow) statement was used. Interest bearing liabilities cover all liabilities with interest included in interim period balance sheet (FY balance sheet). With regard to interest payment, Interest Payment Amount in interim period consolidated cash flow (FY consolidated cash flow) statement is used.
- For calculation of number of years for liability depreciation for interim periods, to calculate operating cash flow based on annual conversion, they have been doubled.
- For FY with negative operating cash flow, or FY with no interest bearing liabilities or interest payment, no calculations were made to number of years for liability depreciation and Interest coverage ratio.

# Consolidated Financial Statements

( 1 ) Consolidated Balance Sheet

(unit: figures are rounded down to the nearest million yen)

	End of previous FY interim period (as of Sept. 30, 2003)		End of previous FY interim period (as of Sept. 30, 2004)		Previous FY Edited balance sheet (as of Mar. 31, 2004)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>ASSETS</b>		%		%		%
<b>Current Assets</b>	<b>58,610</b>	<b>85.0</b>	<b>62,713</b>	<b>85.5</b>	<b>63,662</b>	<b>85.9</b>
Cash and Deposits	2,531		12,192		3,661	
Note Receivables and Account Receivables	37,458		32,879		43,168	
Inventories	16,838		16,384		15,714	
Deferred Income Taxes	496		392		632	
Others	1,402		952		625	
Allowance for Doubtful Receivables	(117)		(88)		(138)	
<b>Fixed Assets</b>	<b>10,315</b>	<b>15.0</b>	<b>10,603</b>	<b>14.5</b>	<b>10,445</b>	<b>14.1</b>
<b>1. Tangible Fixed Assets</b>	<b>4,894</b>	<b>7.1</b>	<b>4,942</b>	<b>6.7</b>	<b>4,943</b>	<b>6.7</b>
Tools, Fixtures and Equipment	4,312		4,487		4,473	
Others	582		455		470	
<b>2. Intangible Fixed Assets</b>	<b>1,407</b>	<b>2.1</b>	<b>1,720</b>	<b>2.4</b>	<b>1,683</b>	<b>2.3</b>
<b>3. Investment and Other Assets</b>	<b>4,013</b>	<b>5.8</b>	<b>3,941</b>	<b>5.4</b>	<b>3,818</b>	<b>5.1</b>
Investment Securities	1,581		844		980	
Deferred Income Taxes	1,640		2,057		2,063	
Others	1,037		1,273		1,020	
Allowance for Doubtful Receivables	(246)		(233)		(246)	
<b>Total Assets</b>	<b>68,925</b>	<b>100.0</b>	<b>73,316</b>	<b>100.0</b>	<b>74,108</b>	<b>100.0</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>	<b>20,237</b>	<b>29.4</b>	<b>18,454</b>	<b>25.2</b>	<b>21,003</b>	<b>28.3</b>
Account Payable	13,611		12,296		13,766	
Short Term Debt	350		350		350	
Miscellaneous Account	789		832		830	
Accrued Corporation Tax	1,592		1,622		3,066	
Allowance for Bonuses	634		428		538	
Others	3,259		2,925		2,451	
<b>Fixed Liabilities</b>	<b>568</b>	<b>0.8</b>	<b>307</b>	<b>0.4</b>	<b>718</b>	<b>1.0</b>
Allowance for Retirement Benefits	380		103		513	
Allowance for Bonus for Retiring Executives	187		25		201	
Consolidation Adjustments Account	0		2		2	
Long Term Miscellaneous Account	-		170		-	
Others	1		5		0	
<b>Total Liabilities</b>	<b>20,805</b>	<b>30.2</b>	<b>18,762</b>	<b>25.6</b>	<b>21,721</b>	<b>29.3</b>
<b>MINORITY SHAREHOLDERS' EQUITY</b>						
<b>Minority Shareholders' Equity</b>	<b>208</b>	<b>0.3</b>	<b>360</b>	<b>0.5</b>	<b>261</b>	<b>0.4</b>
<b>SHAREHOLDERS' EQUITY</b>						

<b>Capital Stock</b>	<b>12,278</b>	<b>17.8</b>	<b>12,279</b>	<b>16.7</b>	<b>12,278</b>	<b>16.6</b>
<b>Additional Paid-in Capital</b>	<b>19,452</b>	<b>28.2</b>	<b>19,453</b>	<b>26.5</b>	<b>19,452</b>	<b>26.2</b>
<b>Earned Surplus</b>	<b>16,258</b>	<b>23.6</b>	<b>22,494</b>	<b>30.7</b>	<b>20,482</b>	<b>27.6</b>
<b>Difference from Securities Revaluation</b>	<b>15</b>	<b>0.0</b>	<b>61</b>	<b>0.1</b>	<b>5</b>	<b>0.0</b>
<b>Repurchased Stock</b>	<b>(94)</b>	<b>(0.1)</b>	<b>(94)</b>	<b>(0.1)</b>	<b>(94)</b>	<b>(0.1)</b>
<b>Total Shareholders' Equity</b>	<b>47,910</b>	<b>69.5</b>	<b>54,194</b>	<b>73.9</b>	<b>52,125</b>	<b>70.3</b>
<b>Total Liabilities, Minority Shareholders' Equity, Shareholders' Equity</b>	<b>68,925</b>	<b>100.0</b>	<b>73,316</b>	<b>100.0</b>	<b>74,108</b>	<b>100.0</b>

## ( 2 ) Consolidated Income Statement

(unit: figures are rounded down to the nearest million yen)

	Previous FY Interim Period Apr. 1, 2003 to Sept. 30, 2003		Current FY Interim Period Apr. 1, 2004 to Sept. 30, 2004		Previous FY Edited Income Statement Apr. 1, 2003 to Mar. 31, 2004	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
<b>Sales</b>	<b>50,804</b>	<b>100.0</b>	<b>57,334</b>	<b>100.0</b>	<b>121,637</b>	<b>100.0</b>
<b>Cost of Goods Sold</b>	<b>40,835</b>	<b>80.4</b>	<b>45,613</b>	<b>79.6</b>	<b>97,709</b>	<b>80.3</b>
<b>Gross Profit on Sales</b>	<b>9,969</b>	<b>19.6</b>	<b>11,721</b>	<b>20.4</b>	<b>23,928</b>	<b>19.7</b>
<b>Selling, General and Administrative Expenses</b>	<b>6,686</b>	<b>13.1</b>	<b>7,367</b>	<b>12.8</b>	<b>13,319</b>	<b>11.0</b>
<b>Operating Profit</b>	<b>3,282</b>	<b>6.5</b>	<b>4,353</b>	<b>7.6</b>	<b>10,608</b>	<b>8.7</b>
<b>Non-Operating Income</b>	<b>59</b>	<b>0.1</b>	<b>19</b>	<b>0.0</b>	<b>44</b>	<b>0.0</b>
Interest Income	0		1		1	
Dividends	1		-		1	
Write-off of Consolidation Adjustment Account	-		0		-	
Investment Gain on Equity Method	-		7		-	
Exchange Gains on Foreign Currencies	35		-		8	
Dividend on Group Insurance	14		1		15	
Sales Incentives	-		-		8	
Others	7		7		8	
<b>Non-Operating Expense</b>	<b>18</b>	<b>0.0</b>	<b>36</b>	<b>0.0</b>	<b>44</b>	<b>0.0</b>
Dividends	2		2		8	
Investment Loss on Equity Method	0		-		5	
Issuing New Shares Expense	-		13		2	
Exchange Loss on Foreign Currencies	-		6		-	
Commitment Fee	4		5		9	
Operational Spending Loss	6		5		11	
Consumption Tax, etc. from Previous FY	2		-		-	
Others	1		2		7	
<b>Ordinary Profit</b>	<b>3,323</b>	<b>6.6</b>	<b>4,335</b>	<b>7.6</b>	<b>10,608</b>	<b>8.7</b>
<b>Extraordinary Profit</b>	<b>3</b>	<b>0.0</b>	<b>190</b>	<b>0.3</b>	<b>821</b>	<b>0.7</b>
Reversal of Allowance for Doubtful Receivables	1		50		1	
Gain on Sales of Investment Securities	2		-		673	
Gain on Exchange of Investment Securities	-		-		146	
Gain on Termination of Approved Retirement Annuity System	-		137		-	
Others	-		2		-	
<b>Extraordinary Loss</b>	<b>43</b>	<b>0.1</b>	<b>391</b>	<b>0.7</b>	<b>699</b>	<b>0.6</b>
Loss from Removal of Fixed	43		5		177	

Assets						
Loss on Exchange of Investment Securities	-		233		505	
Loss from Termination of Welfare Facility Contract	-		-		8	
Amount Relative to Termination of Retirement Benefits System for Executives	-		69		-	
Transfer to Allowance for Retirement Benefits	-		54		-	
Others	-		28		6	
<b>Income before Taxes</b>	<b>3,283</b>	<b>6.5</b>	<b>4,135</b>	<b>7.2</b>	<b>10,731</b>	<b>8.8</b>
<b>Income Taxes Current</b>	<b>1,564</b>	<b>3.1</b>	<b>1,486</b>	<b>2.6</b>	<b>5,287</b>	<b>4.3</b>
<b>Income Taxes Deferred</b>	<b>(159)</b>	<b>(0.3)</b>	<b>208</b>	<b>0.3</b>	<b>(711)</b>	<b>(0.6)</b>
<b>Gain from Minority Shareholders</b>	<b>8</b>	<b>0.0</b>	<b>100</b>	<b>0.2</b>	<b>61</b>	<b>0.1</b>
<b>Net Income</b>	<b>1,869</b>	<b>3.7</b>	<b>2,339</b>	<b>4.1</b>	<b>6,093</b>	<b>5.0</b>

## (3) Comparative Consolidated Surplus Statement

(unit: figures are rounded down to the nearest million yen)

	Previous FY Interim Period Apr. 1, 2003 to Sept. 30, 2003	Current FY Interim Period Apr. 1, 2004 to Sept. 30, 2004	Previous FY Apr. 1, 2003 to Mar. 31, 2004
	Amount	Amount	Amount
<b>CAPITAL SURPLUS</b>			
<b>Beginning Balance of Capital Surplus</b>	<b>19,306</b>	<b>19,452</b>	<b>19,306</b>
<b>Capital Surplus Increase</b>	<b>146</b>	<b>0</b>	<b>146</b>
Increase due to Exercise of Stock Options	146	0	146
<b>End Balance of Capital Surplus at the End of Interim Period (FY)</b>	<b>19,452</b>	<b>19,453</b>	<b>19,452</b>
<b>EARNED SURPLUS</b>			
<b>Beginning Balance of Earned Surplus</b>	<b>14,706</b>	<b>20,482</b>	<b>14,706</b>
<b>Earned Surplus Increase</b>	<b>1,869</b>	<b>2,339</b>	<b>6,093</b>
Net Income	1,869	2,339	6,093
<b>Earned Surplus Decrease</b>	<b>317</b>	<b>327</b>	<b>317</b>
Dividend	273	275	273
Executives' Bonuses	43	51	43
<b>End Balance of Earned Surplus at the end of Interim Period (FY)</b>	<b>16,258</b>	<b>22,494</b>	<b>20,482</b>

## ( 4 ) Comparative Consolidated Cash Flow Statement

(unit: figures are rounded down to the nearest million yen)

	Previous FY Interim Period Apr. 1, 2003 to Sept. 20, 2003	Current FY Interim Period Apr. 1, 2004 to Sept. 30, 2004	Previous FY Apr. 1, 2003 to Mar. 31, 2004
	Amount	Amount	Amount
<b>Operating Activities:</b>			
Current Net Income before Tax	3,283	4,135	10,731
Depreciation Expense	1,136	1,172	2,556
Depreciation Amount for Consolidation Adjustment Account	2	(0)	4
Change in Allowance Bonus for Employee Retirement Benefits	117	(409)	250
Change in Allowance Bonus for Retiring Executives	(1)	(175)	12
Change in Allowance for Bonus	172	(110)	77
Change in Allowance for Doubtful Receivables	10	(62)	31
Interest Received and Dividends Received	(1)	(1)	(3)
Investment Profit and Loss on Equity Method	0	(7)	5
Interest Payment	2	2	8
Gain from Sales of Investment Securities	(2)	-	(673)
Gain from Exchange of Investment Securities	-	-	(146)
Loss from Revaluation of Investment Securities	-	233	505
Change in Account Receivables	4,946	11,201	(1,363)
Increase in Inventories	(3,594)	(568)	(2,467)
Change in Accrued Consumption Tax	(2)	(5)	48
Increase in Other Current Assets	(279)	(319)	(179)
Decrease in Purchase Liabilities	(7,527)	(1,505)	(7,357)
Change in Unpaid Consumption Tax	(63)	(302)	239
Decrease in Other Current Liabilities	(217)	(118)	(112)
Payment for Executives' Bonuses	(45)	(53)	(45)
Others	62	(6)	245
<b>Sub-total</b>	<b>(2,001)</b>	<b>13,095</b>	<b>2,369</b>
Amount Received for Interests and Dividends	2	1	3
Amount Paid for Interest	(2)	(2)	(8)
Amount Paid for Corporation Tax	(2,958)	3,005	(5,208)
Others	21	(7)	29
<b>Operating Activities</b>	<b>(4,939)</b>	<b>10,081</b>	<b>(2,814)</b>
<b>Investing Activities:</b>			
Expenditure from Loan on Short Term Loan	-	(0)	-
Income from Recovery of Short Term Loan	-	-	0
Expenditure from Acquisition of	(1,368)	(1,109)	(2,897)

Tangible Fixed Assets			
Expenditure from Acquisition of Intangible Fixed Assets	(554)	(184)	(885)
Expenditure from Acquisition of Investment Securities	(24)	-	(213)
Income from Sell-Off of Investment Securities	5	-	1,069
Expenditure from Loan on Long Term Loan	(23)	(5)	(34)
Income from Recovery of Loan Term Loan	1	2	5
Expenditure from Payment of Initial Investment	(11)	(15)	(19)
Income from Recovery of Initial Investment	1	4	2
Others	9	29	17
<b>Investing Activities</b>	<b>(1,963)</b>	<b>(1,278)</b>	<b>(2,956)</b>
<b>Financing Activities:</b>			
Income from Short Term Debt	350	-	350
Expenditure from Redemption of Short Term Debts Payable	(110)	-	(110)
Income from Issuing Corporate Shares	292	1	290
Payment of Dividends	(272)	(273)	(272)
<b>Financing Activities</b>	<b>259</b>	<b>(271)</b>	<b>257</b>
<b>Amount of Change in Cash and Cash Equivalents</b>	<b>(6,643)</b>	<b>8,531</b>	<b>(5,513)</b>
<b>Beginning Balance of Cash and Cash Equivalents</b>	<b>9,174</b>	<b>3,661</b>	<b>9,174</b>
<b>Ending Balance of Cash and Cash Equivalents</b>	<b>2,531</b>	<b>12,192</b>	<b>3,661</b>

## Significant matters related to consolidated financial report

### 1 . **Matters related to scope of consolidated statement**

( 1 ) Number of consolidated subsidiaries: 4

Name of major consolidated subsidiaries:

Media Communication Systems K.K.  
Network Service And Technologies Co., Ltd.  
ProStorage Co., Ltd.  
E-Japan Limited

( 2 ) Names, etc. of major non-consolidated subsidiaries

major non-consolidated subsidiaries 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: 1

Name of company: 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 even if it is excluded, in terms of interim period consolidated financial statements, the company has little impact on interim period consolidated net income (amount comparable to equity) and interim period consolidated surplus (amount comparable to equity) and the company has little overall impact.

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

Interim accounting period of 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 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 lease assets employing straight line method.

Significant useful life:

Buildings and structures	3 ~ 26 years
Tools, fixtures, equipment	2 ~ 20 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

For some consolidated subsidiaries, to prepare for employee retirement benefits, based on prospective amount of liabilities from employee retirement benefits, amount recognized as accrued at the end of the consolidated FY interim period is accrued. For calculation of retirement allowance payment, a simplified method is applied.

(Additional Information)

In accordance with law of defined contribution pension plan, the Company has terminated the retirement benefits system for executives as of September 30, 2004 and from October 1, 2004 onward, defined contribution pension plan and prepaid retirement benefit plan have been in effect. To shift to the new plans, accounting policy on changes within retirement benefit plans (No. 1 of Application Guidelines in Accounting Standards for Business Enterprises) has been applied.

The effect of this shift to new plans will create 137M yen gain on termination of retirement benefits system under extraordinary gain.

Allowance for bonus for retiring directors

For some consolidated subsidiaries, to prepare for bonus for retiring directors, FY payment amount is budgeted according to director retirement bonus policy.

( Additional Information )

Although the company as well as some consolidated subsidiaries have been accruing interim period payment amount based on retirement benefit system for executives, June 25, 2004 general meeting of shareholders for the Company, and June 24, 2004 general meeting of shareholders for some of the consolidated subsidiaries resolved to terminate the retirement benefit system for executives (including the regulations) and to provide the executives with their entitled retirement benefits based on the term of service until the termination of retirement benefit system.

Relative to this, in addition to retirement benefit for executives amounting to 123M yen, 69M yen for service fee was accrued; out of this total amount, 170M yen was accrued as a long-term miscellaneous account.

( 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 FY 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	:	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 assets or 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.

## Notable matters

### ( Consolidated Interim Balance Sheet )

(unit: figures are rounded down to the nearest million yen)

End of previous consolidated interim period (as of Sept. 30, 2003)	End of current consolidated interim period (as of Sept. 30, 2004)	End of previous consolidated FY (as of Mar. 31, 2004)
Net Depreciation of Tangible Fixed Assets  6,967	Net Depreciation of Tangible Fixed Assets  8,704	Net Depreciation of Tangible Fixed Assets  7,729
Overdraft contract and loan commitment  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. Maximum amount of the overdraft and loan commitment      29,200 Amount loaned      -yen End balance      29,200	Overdraft contract and loan commitment  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. Maximum amount of the overdraft and loan commitment      29,200 Amount loaned      -yen End balance      29,200	Overdraft contract and loan commitment  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. Maximum amount of the overdraft and loan commitment      29,200 Amount loaned      -yen End balance      29,200

**(Matters related to consolidated income statement)**

(unit: figures are rounded down to the nearest million yen)

end of previous FY interim period (Apr. 1, 2003 to Sept. 30, 2003)	end of current FY interim period (Apr. 1, 2004 to Sept. 30, 2004)	end of previous FY (Apr. 1, 2003 to Mar. 31, 2004)
Major items and amount in sales and administrative expense	Major items and amount in sales and administrative expense	Major items and amount in sales and administrative expense
Allowance for Compensation 2,769	Allowance for Compensation 3,106	Allowance for Compensation 5,602
Allocation of allowance for bonus 529	Allocation of allowance for bonus 344	Allocation of allowance for bonus 464
Allocation of allowance for employee retirement benefits 209	Allocation of allowance for employee retirement benefits 222	Allocation of allowance for employee retirement benefits 424
Allocation of allowance for retirement benefits for executives 10	Allocation of allowance for retirement benefits for executives 8	Allocation of allowance for retirement benefits for executives 21
Allocation of allowance for doubtful receivables 34	Rental expense 691	Allocation of allowance for doubtful receivables 55
Rental expense 654	Expense for depreciation 346	Rental expense 1,280
Expense for depreciation 320		Expense for depreciation 706
Amount for consolidation adjustment depreciation 2		Amount for consolidation adjustment depreciation 4
Items under Loss from Removal of Fixed Assets Tools, Fixtures, and Equipment 43	Items under Loss from Removal of Fixed Assets Buildings and Structures 2 Tools, Fixtures, and Equipment 3	Items under Loss from Removal of Fixed Assets Tools, Fixtures, and Equipment 177

**(Matters related to consolidated interim cash flow)**

(unit: figures are rounded down to the nearest million yen)

Previous FY interim period (Apr. 1, 2003 to Sept. 30, 2003)	Current FY interim period (Apr. 1, 2004 to Sept. 30, 2004)	Previous FY (Apr. 1, 2003 to Mar. 31, 2004)
The relationship between cash and cash equivalents in balance at the end of interim period and amounts indicated in items in consolidated balance sheet.  (as of Sept. 30, 2003)	The relationship between cash and cash equivalents in balance at the end of interim period and amounts indicated in items in consolidated balance sheet.  (as of Sept. 30, 2004)	The relationship between cash and cash equivalents in balance at the end of interim period and amounts indicated in items in consolidated balance sheet.  (as of Mar. 31, 2004)
Cash and deposit account    2,531 Cash and cash equivalents    2,531	Cash and deposit account    12,192 Cash and cash equivalents    12,192	Cash and deposit account    3,661 Cash and cash equivalents    3,661

## **(Segment information)**

### 1 . Segment information by business category

Previous FY interim period (Apr. 1, 2003 to Sept. 30, 2003)  
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, 2004 to Sept. 30, 2004)  
same as above

Previous FY (Apr. 1, 2003 to Mar. 31, 2004)  
same as above

### 2 . Segment information by location

Previous FY interim period (Apr. 1, 2003 to Sept. 30, 2003)  
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, 2004 to Sept. 30, 2004)  
same as above

Previous FY (Apr. 1, 2003 to Mar. 31, 2004)  
same as above

### 3 . Oversea sales

Previous FY interim period (Apr. 1, 2003 to Sept. 30, 2003)  
Oversea sales have been abbreviated as oversea sales account for less than 10% of the consolidated sales.

Current FY interim period (Apr. 1, 2004 to Sept. 30, 2004)  
same as above

Previous FY (Apr. 1, 2003 to Mar. 31, 2004)  
same as above

## **(Matters related to lease transactions)**

As our company employs electronic disclosure system based on Securities Exchange Law Section 27, 30-6, description has been abbreviated.

## ( Matters related to marketable securities )

( End of previous interim consolidated FY ) ( as of Sept. 30, 2003 )

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

There are no applicable shares.

2 . Other securities with marketable value

(unit: figures are rounded down to the nearest million yen)

	Acquisition cost	Amount accrued in interim period consolidated balance sheet	Difference
(1) Stocks	150	284	133
(2) Bonds			
Government/local government bonds, etc.			
Corporate bonds			
Others			
(3) Others			
Total	150	284	133

3 . Breakdown of significant securities without market value

(unit: figures are rounded down to the nearest million 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)	1,188	

( End of current consolidated interim FY ) ( as of Sept. 30, 2004 )

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

There are no applicable shares.

2 . Other securities with marketable value

(unit: figures are rounded down to the nearest million yen)

	Acquisition cost	Amount accrued in interim period consolidated balance sheet	Difference
( 1 ) Stocks	129	242	112
( 2 ) Bonds			
Government/local government bonds, etc.			
Corporate bonds			
Others			
( 3 ) Others			
Total	129	242	112

As detraction process (233 million yen) was applied to stock acquisition cost during current interim period, stock acquisition cost reflects the revised calculation.

With regard to detraction process for applicable shares, for all shares that dropped 50% or more in market value at the end of the interim period in comparison to acquisition cost, detraction was applied and for shares that dropped between approximately 30% to 50% at the end of the interim period in comparison to the acquisition cost, detraction was applied through considering factors as probabilities for recovery of market values.

3 . Breakdown of significant securities without market value

(unit: figures are rounded down to the nearest million 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)	489	

( End of previous FY ) ( as of March 31, 2004 )

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

There are no applicable shares.

2 . Other securities with marketable value

(unit: figures are rounded down to the nearest million yen)

	Acquisition cost	Amount accrued in interim period consolidated balance sheet	Difference
( 1 )Stocks	363	389	25
( 2 )Bonds			
Government/local government bonds, etc.			
Corporate bonds			
Others			
( 3 )Others			
Total	363	389	25

3 . Breakdown of significant securities without market value

(unit: figures are rounded down to the nearest million 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)	486	

(Note) During current consolidated interim period, for other securities, unlisted securities (excluding over the counter shares,) detraction process (505 million 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 to 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.

(Matters related to derivative transactions)

As our company employs electronic disclosure system based on Securities Exchange Law Section 27, 30-6, description has been abbreviated.

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: figures are rounded down to the nearest million yen)

	Previous interim consolidated FY		Current interim consolidated FY		Previous consolidated FY	
	Apr. 1, 2003 to Sept. 30, 2003		Apr. 1, 2004 to Sept. 30, 2004		Apr. 1, 2003 to Mar. 31, 2004	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network equipment	37,511	73.8	42,056	73.3	90,767	74.6
Network computing	503	1.0	928	1.6	2,157	1.8
Media products	3,556	7.0	3,758	6.6	7,216	5.9
Service products	9,233	18.2	10,591	18.5	21,496	17.7
Total	50,804	100.0	57,334	100.0	121,637	100.0

## Orders accepted by product category

(unit: figures are rounded down to the nearest million yen)

	Previous interim consolidated FY		Current interim consolidated FY		Previous consolidated FY	
	Apr. 1, 2003 to Sept. 30, 2003		Apr. 1, 2004 to Sept. 30, 2004		Apr. 1, 2003 to Mar. 31, 2004	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network equipment	43,522	76.4	44,174	64.1	89,905	72.5
Network computing	442	0.8	1,171	1.7	2,350	1.9
Media products	3,878	6.8	14,415	20.9	7,471	6.0
Service products	9,150	16.0	9,140	13.3	24,313	19.6
Total	56,993	100.0	68,901	100.0	124,041	100.0

## Backlog of unfilled orders by product category

(unit: figures are rounded down to the nearest million yen)

	End of previous interim consolidated FY		End of current interim consolidated FY		End of previous consolidated FY	
	( as of Sept. 30, 2003 )		( as of Sept. 30, 2004 )		( as of Mar. 31, 2004 )	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network equipment	25,497	61.9	20,878	42.6	18,759	50.2
Network computing	604	1.5	1,102	2.3	858	2.3
Media products	2,383	5.8	12,974	26.5	2,317	6.2
Service products	12,691	30.8	13,995	28.6	15,447	41.3
Total	41,177	100.0	48,950	100.0	37,382	100.0