

February 25, 2005

To: Whom it may concern,

Corporate Name: Net One Systems Co., Ltd.
President & CEO: Osamu Sawada
(Code: 7518 First Section of Tokyo Stock Exchange)
Director: Isao Nakamura
Inquiries regarding this news release:
IR Tomoaki Masuda
Telephone: 03-5462-0803

Notice regarding dissolution and settlement of a subsidiary

Board of directors meeting held on February 25, 2005 resolved to dissolve ProStorage Co., Ltd., the company's consolidated subsidiary as follows.

1. Summary of the subsidiary

Corporate name	ProStorage Co., Ltd.
Location of headquarters	Sphere Tower Tennoz 2-8 Higashi Shinagawa 2-Chome, Shinagawa-ku, Tokyo
President & CEO	Kaoru Yamaguchi
Description of business	Provide solutions for network storage market
Date of establishment	September 2, 2002
Amount of capital	200,000 thousand yen (as of January 31, 2005) (100% owned by Net One Systems Co., Ltd.)
Relationship to Net One Systems	Personnel relationships 2 directors and 1 inspector assigned Business relationships Distribution of Net One Systems' certain products
Number of employee	13 (as of January 31, 2005)

Actual performance in previous 2 years

unit: thousand yen (rounded down to the nearest thousand yen)

Fiscal Year	FY ended March 2003	FY ended March 2004
Sales	206,944	1,584,680
Operating loss	144,533	259,194
Ordinary loss	148,409	260,828
FY net loss	148,699	260,599
Total capital	266,064	489,548
Shareholders' equity	51,300	(209,298)

(Note) FY ended March 2003 contains data for 7 months.

2. Events leading to dissolution and settlement of the subsidiary

Net One Systems and IBM Corporation jointly established ProStorage Co., Ltd. in September 2002. The purpose of ProStorage Co., Ltd. was to provide integrated solution comprised of Net One Systems' storage products/network related products, IBM Corporation's storage products, and both companies' solutions to open system market.

From the beginning of its establishment, ProStorage has been developing new market and customers through offering its integrated solutions. Since Net One Systems has determined that there was a need for a strategic expansion of storage server business through integration of storage solution and network solution, ProStorage became a wholly owned subsidiary of Net One Systems as of January 31, 2005. Furthermore, Net One Systems has newly established Storage Business Development Division in the Solution Business Development Operations as of February 1, 2005 in order to place the storage server business under direct control of Net One Systems for further expansion. As a consequence, Net One Systems has dissolved the subsidiary as of today. Net One Systems and IBM Corporation will continue to closely work together as business partners in storage server business and related fields.

3. Schedule for dissolution of the subsidiary

February 25, 2005 ProStorage extraordinary general meeting of shareholders
(date of dissolution)

Mid May, 2005 estimate for completion of settlement

4. Effect on Net One Systems' fiscal year forecast

Expected settlement loss related to dissolution of ProStorage is 5M yen and the amount has already been included under revised FY ending March 2005 forecast announced on February 8 2005.