



Financial Report for FY 2006 (ending March 2007) (Consolidated Report)

November 7, 2006

Name of registered company Net One Systems Co., Ltd.
 Location of stock listing: Tokyo Stock Exchange
 Stock Code Number: 7518
 Location of headquarters Tokyo
 (U R L <http://www.netone.co.jp/index.html>)
 Representative President & CEO Osamu SAWADA
 Inquiries General Manager, Tadashi ARIMA Telephone: (03)5462-0800
 Administrative Headquarters
 Date of board meeting for the FY November 7, 2006
 Applicability of U.S. accounting standard No

1 . Business Results for FY 2006 (April 1, 2006 to March 31, 2007)

(1) Consolidated Financial Results

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

	Sales		Operating Profit		Ordinary Profit	
	M yen	%	M yen	%	M yen	%
Six months ended September 2006	50,015	1.8	1,902	(57.5)	1,896	(58.4)
Six months ended September 2005	49,137	(14.3)	4,476	2.8	4,557	5.1
FY ended March 2006	107,383		7,752		7,824	

	Current Net Income		Current Net Income per Share		Current Net income per share assuming full dilution	
		%	yen	sen	yen	sen
Six months ended September 2006	1,091	(59.2)	1,977	93	_____	_____
Six months ended September 2005	2,674	14.3	4,848	56	_____	_____
FY ended March 2006	4,783		8,613	84	_____	_____

Footnote: Equity in net earnings of affiliated companies
 Six months ended September 2006: (30) Million Yen
 Six months ended September 2005: 17 Million Yen
 FY ended March 2006: (1) Million Yen
 Average number of issued shares
 Six months ended September 2006: 551,688 shares
 Six months ended September 2005: 551,688 shares
 FY ended March 2006: 551,688 shares
 Changes in principle accounting policies: No
 Percentage: Increase/Decrease against previous year on sales, operating profit, ordinary profit, and current net income

(2) Financial position

	Total Assets	Net Assets	Net Assets Ratio to total assets	Net Assets Per Share	
	Million Yen	Million Yen	%	Yen	Sen
Six months ended September 2006	81,279	63,233	76.9	114,618	09
Six months ended September 2005	80,294	60,078	74.8	108,899	75
FY ended March 2006	85,009	61,772	72.7	111,914	28

Footnote: Number of issued shares at the end of the period

Six months ended September 2006 551,688 shares

Six months ended September 2005 551,688 shares

FY ended March 2006 551,688 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 the year
	Million Yen	Million Yen	Million Yen	Million Yen
Six months ended September 2006	4,752	(1,710)	(414)	27,684
Six months ended September 2005	6,876	(1,373)	(548)	25,383
FY ended March 2006	8,748	(3,162)	(959)	25,056

(4) Scope of consolidation and equity method

Consolidated subsidiaries: 2 subsidiaries

Unconsolidated subsidiaries (equity method is applied): -

Affiliated companies (equity method is applied): 2

(5) Change in scope of consolidation and equity method

Consolidation: increase -, decrease -

Equity method: increase 1, decrease -

2. Forecast for the consolidated FY ending March 31, 2007 (April 1, 2006 to March 31, 2007)

	Sales	Ordinary Profit	Current Net Income
	Million yen	Million yen	Million yen
FY ending March 2007	120,000	7,500	4,300

(Reference) forecast current net income per share for FY ending March 31, 2007: 7,794.26 yen

Footnote:

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 (d) Forecast for the next term Operating Results on page 8.

Status of Net One Systems Group

Net One Systems Group is comprised of Net One Systems Co., Ltd, four subsidiaries and three affiliated companies. The core business of Net One Systems Group is to create network computing system using most advanced technologies and offer related operation and management services. Although Net One Systems 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).

Net One Systems Group's business predominantly deals with sales of integrated packages that combine various product groups.

With regard to the varying roles within our group companies, Net One Systems Co., Ltd is responsible for NI, NC and 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.

[Product classification]

Product Category	Description	Major products
Network Integration products (NI)	Network design Project management Product installation	Router Switch
Network Computing products (NC)	Policy analysis, Planning, Deployment	Security device/ Authentication Load balancing device Server / Storage
Media Integration products (MI)	Wiring design, layout management Deployment process (selection, procurement, cabling)	Cable material / Wiring Work Optical communications Wireless
Service Integration products (SI)	Operation support, Installation Integrated service, Remote monitoring Integrated education, Management outsourcing	Service / Operation management Consulting Installation Education Seminars

Footnote:

Network Integration Products (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 technically most advanced traffic management, QoS, server, and storage.

Media Products Group (MI)

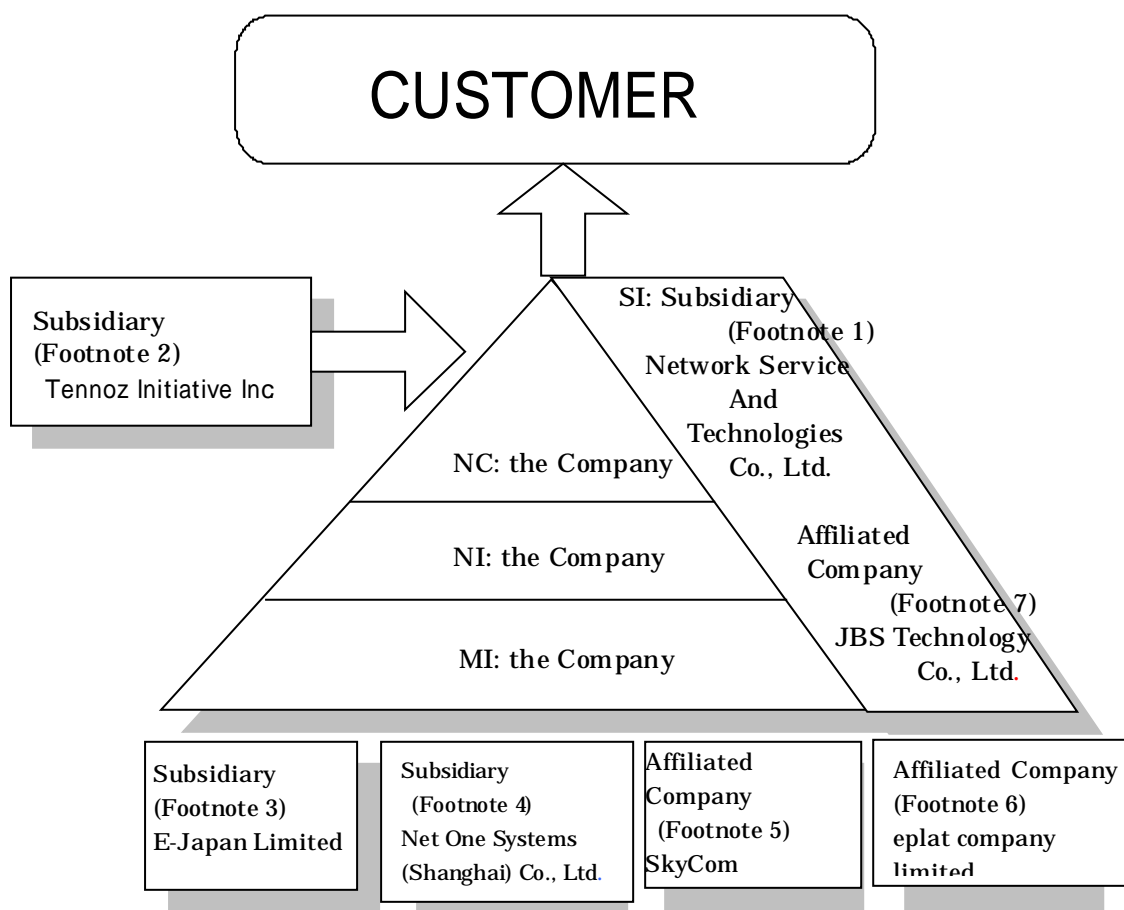
With the rapid increase of business environment using multimedia contents, in computer network deployment, selecting the transmission mode, the basis of networks that matches the usage objective becomes imperative. In order to answer to this need, Media Integration provides integration through design/ deployment process of physical transmission mode for diversifying high-speed networks including CATVs, mobile networks and wireless 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 operation management such as traffic monitoring and appropriate troubleshooting. Furthermore, services including those that reduce operational cost by traffic analysis/ billing management support, and education on management methods and newest technologies are provided.

[Business Organization Diagram]

The following diagram outlines the business organization explained above.



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

Footnote 2: 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.

Footnote 3: 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.

Footnote 4: Net One Systems (Shanghai) Co., Ltd. is a company that provides everything from network system development to services to China based subsidiaries of Japanese companies.

It is an unconsolidated subsidiary that does not apply equity method.

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

Footnote 6: e-plat company Ltd. is a company that develops and provides energy conservation system using network technologies. It does not apply equity method.

Footnote 7: JBS Technology Co., Ltd. is a company providing resident engineer services for creation, operation and maintenance of IT environment, 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, 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 increasing profitability and improving 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 today, 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, the basic management policy common to all group companies is to improve highly specialized technical skills and 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.
Media Integration (MI) business core business:	Net One Systems Co., Ltd.
Service Integration (SI) business core business:	Network Service And Technologies Co., Ltd. JBS Technology Co., Ltd.

(b) Basic Policies for Profit Sharing

An interim dividend of 750 yen per share was issued during the interim period. At the end of FY ending March 2007, the company plan to provide a common dividend of 750 yen per share in order to reach an annual dividend of 1,500 yen.

In the future, profit payout will place greater emphasis on dividend payout. We aim for a 20% (consolidated) dividend payout by FY ending March 2008.

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

Mid and long-term business strategy

In the information communication business, the usage of IP and broadband have advanced and within the network business, the boundaries separating former LAN and WAN is disappearing. In addition, information communication system is evolving from distributed type to centralized type. Due to further increase in business speed, the rate of network expansion and complication will continue to increase and more diverse technical skills are being required. Under current changing market environment, the Company will continue to promptly and appropriately address the market needs. More specifically, we will set up business segments that promptly answer the needs of changing market, provide new solutions to fit customer needs and broaden and specialize product line up.

With regard to the business focus, network facility, platform, security, IP communication and service will be the key words in our commitment to development of solutions for market acquisition and creation, and we will undertake to expand our business by strengthening new business development through new products and vendors.

Specific aims for FY ending March 2009 (consolidated base) are 150,000M in sales and 11,000M yen

in ordinary profit.

Issues for the Company

The achievement of the Company's business expansion requires strengthened sales network in line with the customer type (general private businesses, telecom companies, or central government agencies) and geographical locations, service menu line-up expansion through coordination with group companies, technology alliance and new product development with partner companies, and improvement of corporate basis. To this end, the Group will actively invest in personnel and new technologies to create a system capable of answering the particular needs of each customer and promote ongoing growth and increase corporate value.

In order to fulfill these goals, following facility investment will continue to take place as planned (to be completed by March 2007).

(unit: rounded down to the 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 Expand quality control facility, etc. and evaluation facility	7,000	5,883
	Expansion and relocation of headquarters and branch offices	2,000	987
Network Service And Technologies Co., Ltd. And others	Maintenance products and expansion of branch offices	11,000	9,825
Total	—	20,000	16,696

(f) Items relating to parent companies

The Company does not have parent companies.

Operating results and financial status

(a) Operating results

Conditions of current FY period

During current interim period, SP sector (Telecom companies and ISPs) underwent a transition to the next generation network web, and relative to the decrease in existing facility investments, sales decreased. In spite of this, with acquisition of new users, orders accepted increased. In EP sector (private enterprises) network creation business increased in financial industry and auto industry and both orders accepted and sales increased. In Public sector, in addition to increase in business to local governments, due to increase in investments for existing facilities, both orders accepted and sales increased.

Under this environment, consolidated interim period current business performance for orders accepted was 54,405M yen (5.8% increase from previous FY interim period), sales was 50,015M yen (1.8% increase from previous FY interim period,) and end of the term backlog of unfilled orders was 38,350M yen (22.6% increase from previous FY interim period.) For sales based on Product Category, Network Integration Products and Network Computing Products (NI and NC) accounted for 32,845M yen (2.6% decrease from previous FY interim period), Media Integration (MI) accounted for 3,944M yen (25.1% increase from previous FY interim period), and Service Integration (SI) accounted for 13,225M yen (8.0% increase from previous FY interim period). With regard to profit, gross profit margin decreased (current consolidated interim period was 22.9%, previous consolidated interim period was 25.7%, indicating 2.8% decrease) and due to increase in selling and general administrative expenses relative to increase in number of personnel, operating profit was 1,902M yen (57.5% decrease from previous FY), and ordinary profit was 1,896M yen (58.4% decrease from previous FY). As a result, current net income was 1,091M yen (59.2% decrease from previous FY).

Forecast for the FY

Investment by EP sector is expected to continue strong and with regard to public sector and central and local governments, reinvestment in existing facility is expected. With regard to SP sector, although investment in existing facility is expected to decrease, facility investment related to new services are expected and overall market is expanding. While competition within networking industry is expected to continue, the company will endeavor to increase gross profit margin through searching and developing most advanced products, strengthening solutions offered, expanding service business and cost reductions, etc.

Under this environment, with regard to consolidated business performance forecast for FY ending 2007 (April 1, 2006 to March 31, 2007) expected sales, ordinary profit and current net income are 120,000M yen, 7,500M yen and 4,300M yen respectively.

Footnote:

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 interim period

In comparison to the previous consolidated interim period (September 30, 2005), total assets at the end of this consolidated interim period increased by 1.2% and ended at 81,279M yen.

Current assets increased by 354M yen, as cash and deposits and securities (negotiable deposits and commercial paper) increased by 2,300M yen, inventories increased by 671M yen and notes receivable and accounts receivable decreased by 3,314M yen. Due to increase in tools, fixtures and equipment, fixed assets increased by 630M yen.

Due to decrease in accounts payable, etc., liabilities were 18,045M yen and net assets was 63,233M yen.

In comparison to the previous consolidated FY (FY ended March 2006), current assets decreased by 3,839M yen as cash and deposits and securities (negotiable deposits and commercial paper) increased by 2,628M yen, inventories increased by 1,712M yen, notes receivable and accounts receivable decreased by 8,379M yen. In addition, as fixed assets increased by 109M yen, net assets decreased by 3,730M yen. Due to decrease in accounts payable, liabilities decreased by 4,420M yen.

Current consolidated FY's cash flow from operating activities decreased by 2,123M yen, and there was

an 4,752M yen income. Significant attributable factors for this included 2,622M yen increase from increase in recovery of accounts receivable, 2,535M yen decrease in net income before tax, and 2,417M yen increase in purchase liabilities. For cash flow based on investing activities, expense increased by 336M yen, and 1,710M yen was accrued as expense. For cash flow based on financing activities, there was a 134M yen decrease in expense, and 414M yen was accrued as expense. As a result, at the end of this consolidated FY, balance of cash and cash equivalents was 27,684M yen.

Forecast for the FY

Although the Company plans to use cash on hand for necessary cash, to prepare for cash needs, loan commitment contract totaling 8,000M yen and overdraft contract totaling 21,200M yen have been signed with the financial institutions.

Cash Flow reference trend

	Interim period ended September 2004	Interim period ended September 2005	Interim period ended September 2006	FY ended March 2006
Net assets ratio	73.9%	74.8%	76.9%	72.7%
Shareholder's equity ratio for shares based on market value	306.3%	153.2%	111.3%	157.1%
Debt repayment period	0.0 year	0.0 year	0.0 year	0.0 year
Interest coverage ratio	4,126.3	3,408.7	2,013.8	1,969.0

Footnote:

1. Net assets ratio: Net assets/ Total assets
Net assets ratio for shares based on market value: Total market value of shares/ Total assets
Debt Repayment Period: interest-bearing liabilities/ operating cash flow
Interest coverage ratio: Operating cash flow/ interest payment.
2. Each calculation is based on financial value from consolidated statement.
3. Total value of stocks at market value has been calculated using closing stock price at interim period end * number of stocks issued at end of FY (excluding treasury stocks). For stock splits, the calculations were based on ex-rights prices after adjustments.
4. For operating cash flow, operating cash flow from interim consolidated cash flow statement was used. Interest-bearing liabilities cover all liabilities with interest included in interim balance sheet. With regard to interest payment, interest payment amount in interim consolidated cash flow statement is used.
5. For calculation of debt repayment period for interim periods, to calculate operating cash flow based on annual conversion, it has been doubled.
6. For FY with negative operating cash flow, or FY with no interest bearing-liabilities or interest payment, no calculations were made to debt repayment period 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, 2005)		End of previous FY interim period (as of Sept. 30, 2006)		Previous FY Edited Balance Sheet (as of Mar. 31, 2006)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
ASSETS		%		%		%
Current assets	69,803	86.9	70,158	86.3	73,998	87.0
Cash and deposits	16,883		18,186		16,056	
Notes and accounts receivable -trade	30,320		27,005		35,384	
Short-term investments	8,499		9,498		8,999	
Inventories	12,247		12,918		11,206	
Deferred income taxes	527		589		668	
Other current assets	1,426		1,960		1,683	
Allowance for doubtful accounts	(101)		(0)		(0)	
Fixed assets	10,490	13.1	11,120	13.7	11,011	13.0
1. Tangible assets	4,960	6.2	5,479	6.7	5,128	6.1
Furniture, fixtures and equipments	4,567		5,002		4,734	
Others	393		477		394	
2. Intangible assets	1,817	2.3	1,612	2.0	1,726	2.0
Consolidation adjustment	18		-		16	
Goodwill	-		14		-	
Other intangible assets	1,798		1,598		1,710	
3. Investment and other assets	3,712	4.6	4,027	5.0	4,156	4.9
Long-term investments	375		561		429	
Deferred income taxes	2,198		2,277		2,332	
Other assets	1,371		1,414		1,620	
Allowance for doubtful accounts	(233)		(226)		(226)	
Total assets	80,294	100.0	81,279	100.0	85,009	100.0

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

	End of previous FY interim period (as of Sept. 30, 2005)		End of previous FY interim period (as of Sept. 30, 2006)		Previous FY Edited Balance Sheet (as of Mar. 31, 2006)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
LIABILITIES						
Current liabilities	19,276	24.0	17,941	22.1	22,252	26.1
Accounts payable-trade	11,910		9,830		15,142	
Short-term loans	350		350		350	
Accrued expenses	852		873		1,362	
Accrued income taxes	1,890		885		1,206	
Advance received	-		4,649		-	
Allowance for bonuses	505		593		545	
Other current liabilities	3,766		757		3,645	
Long term liabilities	214	0.3	104	0.1	213	0.3
Long-term accrued expenses	202		93		202	
Other long term liabilities	12		10		11	
TOTAL LIABILITIES	19,490	24.3	18,045	22.2	22,466	26.4
MINORITY INTERESTS						
Minority Interests	724	0.9	-	-	770	0.9
SHAREHOLDERS' EQUITY						
Capital stock	12,279	15.3	-	-	12,279	14.4
Additional paid-in capital	19,453	24.2	-	-	19,453	22.9
Accumulated earnings	28,445	35.4	-	-	30,140	35.5
Securities revaluation adjustments	(5)	(0.0)	-	-	(5)	(0.0)
Treasury stocks	(94)	(0.1)	-	-	(94)	(0.1)
Total shareholders' equity	60,078	74.8	-	-	61,772	72.7
Total Liabilities, Minority Interests, Shareholders' Equity	80,294	100.0	-	-	85,009	100.0
Net assets						
Shareholders' equity	-	-	62,424	76.8	-	-
1. Capital stock	-	-	12,279	15.1	-	-
2. Additional paid-in capital	-	-	19,453	23.9	-	-
3. Accumulated earnings	-	-	30,786	37.9	-	-
4. Treasury stocks	-	-	(94)	(0.1)	-	-
Revaluation and translation adjustments	-	-	76	0.1	-	-
1. Securities revaluation Adjustment	-	-	(3)	(0.0)	-	-
2. Deferred charge from hedging instruments	-	-	80	0.1	-	-
Minority interests	-	-	731	0.9	-	-
Total net assets	-	-	63,233	77.8	-	-
Total liabilities and net assets	-	-	81,279	100.0	-	-

(2) Comparative consolidated income statement

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

	Previous FY Interim Period Apr. 1, 2005 to Sept. 30, 2005		Current FY Interim Period Apr. 1, 2006 to Sept. 30, 2006		Previous FY Edited Income Statement Apr. 1, 2005 to Mar. 31, 2006	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Sales	49,137	100.0	50,015	100.0	107,383	100.0
Cost of goods sold	36,513	74.3	38,577	77.1	82,592	76.9
Gross profit on sales	12,623	25.7	11,437	22.9	24,790	23.1
Selling, general and administrative expense	8,147	16.6	9,534	19.1	17,038	15.9
Operating Profit	4,476	9.1	1,902	3.8	7,752	7.2
Non-Operating Income	99	0.2	52	0.1	99	0.1
Interest Income	2		11		4	
Dividends	1		1		1	
Investment gain on equity method	17		-		-	
Exchange gain on foreign currencies	20		-		22	
Dividend on group insurance	19		28		21	
Other income	38		11		50	
V Non-Operating Expense	17	0.0	58	0.1	27	0.0
Interest expense	2		2		4	
Investment loss on equity method	-		30		1	
Issuing new shares expense	-		-		0	
Exchange loss on foreign currencies	-		16		-	
Commitment fee	4		4		9	
Operational spending loss	1		4		2	
Other loss	9		0		9	
Ordinary profit	4,557	9.3	1,896	3.8	7,824	7.3
Extraordinary Profit	0	0.0	0	0.0	115	0.1
Reversal of allowance for doubtful receivables	0		0		106	
Gain on sales of fixed assets	-		-		8	
Gain on sales of investment securities	0		-		0	
Extraordinary Loss	148	0.3	22	0.0	161	0.2
Loss from removal of fixed assets	2		3		14	
Impairment loss	132		-		132	
Loss on sales of stocks of affiliated companies	14		-		14	
Loss from revaluation of investment securities	-		-		1	
Loss from relocation	-		19		-	

expenses of affiliated company						
Income before income taxes	4,410	9.0	1,875	3.8	7,778	7.2
Income taxes current	1,752	3.6	742	1.5	3,241	3.0
Income taxes deferred	(108)	(0.2)	77	0.2	(382)	(0.4)
Minority interests	91	0.2	(36)	(0.1)	136	0.1
Current Net income	2,674	5.4	1,091	2.2	4,783	4.5

(3) Comparative Consolidated Surplus Statement and Consolidated Statements of Changes in Shareholders' Equity

Comparative Consolidated Surplus Statement

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

	Six months ended Sept. 30, 2005	FY ended March 2006
	Amount	Amount
ADDITIONAL PAID-IN CAPITAL		
Beginning balance of additional paid-in capital	19,453	19,453
Ending balance of additional paid-in capital	19,453	19,453
ACCUMULATED EARNINGS		
Beginning balance of Accumulated earnings	26,368	26,368
Accumulated earnings increase	2,674	4,783
Current Net Income	2,674	4,783
Accumulated earnings decrease	598	1,011
Dividends	551	965
Executives' bonuses	46	46
Ending balance of accumulated earnings	28,445	30,140

Consolidated Statements of Changes in Shareholders' Equity

Consolidated period (April 1, 2006 to September 30, 2006)

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

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Accumulated earnings	Treasury stocks	Total Shareholders' equity
Balance at March 31, 2006	12,279	19,453	30,140	(94)	61,778
Changes during the period					
Dividends from accumulated earnings (footnote)			(413)		(413)
Executives bonuses (footnote)			(30)		(30)
Net income for the period			1,091		1,091
Changes (net) in items other than shareholders' equity					
Total changes during the period	-	-	646	-	646
Balance as of Sept. 30, 2006	12,279	19,453	30,786	(94)	62,424

	Revaluation and translation adjustments			Minority Interests	Total Shareholders' Equity
	Securities Revaluation Adjustment	Deferred charge from hedging instruments	Total Revaluation and translation adjustments		
Balance at March 31, 2006	(5)	-	(5)	770	62,542
Changes during the period					
Dividends from accumulated earnings (footnote)					(413)
Executives bonuses					(30)
Net income for the period					1,091
Changes (net) in items other than shareholders' equity	1	80	82	(38)	44
Total changes during the period	1	80	82	(38)	690
Balance as of Sept. 30, 2006	(3)	80	76	731	63,233

Footnote:

These are items under plan for appropriation of earnings in ordinary general meeting of shareholders held in June 2006.

(4) Comparative Consolidated Cash Flow Statement

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

	Previous FY Interim Period Apr. 1, 2005 to Sept. 30, 2005	Current FY Interim Period Apr. 1, 2006 to Sept. 30, 2006	Previous FY Edited Cash Flow Statement Apr. 1, 2005 to Mar. 31, 2006
	Amount	Amount	Amount
Cash flows from operating activities:			
Current net income before taxes	4,410	1,875	7,778
Depreciation and amortization	1,234	1,380	2,833
Impairment loss	132	-	132
Amortization of consolidation adjustment	2	-	3
Amortization of goodwill	-	1	-
Increase in allowance for bonus	10	48	50
Decrease in allowance for doubtful accounts	(0)	(0)	(107)
Interest and dividends income	(3)	(12)	(5)
Equity in earnings of affiliates	(17)	30	1
Interest Payment	2	2	4
Gain from sale of investments	(0)	-	(0)
Loss from sale of affiliated company's stocks	14	-	14
Loss on revaluation of investment securities	-	-	1
Decrease of accounts receivable	7,503	10,125	2,227
Increase or decrease of inventories	(943)	(1,712)	97
Increase or decrease of accrued consumption tax receivable	-	158	(158)
Increase of other current assets	(287)	(350)	(424)
Increase or decrease of purchase liabilities	(2,896)	(5,313)	349
Increase or decrease of accrued consumption tax payable	(370)	(28)	(361)
Increase or decrease of other current liabilities	(41)	(285)	329
Payment for executives' bonuses	(48)	(32)	(48)
Other	(113)	(123)	(100)
Sub-total	8,586	5,763	12,619
Interests and dividends received	3	11	5
Interest paid	(2)	(2)	(4)
Income taxes paid	(1,759)	(1,059)	(3,933)
Others	48	39	62
Net cash provided by operating activities	6,876	4,752	8,748
Cash flows from investing activities:			
Expenditure for short term loan	-	(0)	(1)
Proceeds from collection of short term loan	0	-	0
Purchase of tangible fixed assets	(1,128)	(1,491)	(2,546)
Purchase of intangible fixed assets	(190)	(200)	(267)
Purchase of investment securities	(74)	(40)	(143)
Proceeds from Sell-off of investment securities	39	-	50
Proceeds from sales of affiliated company's stocks	110	-	110

Expenditure for long term loan	(3)	(3)	(5)
Proceeds from collection of long term loan	0	13	0
Expenditure from payment of initial investment	(2)	(2)	(5)
Proceeds from collection of initial investment	0	1	0
Others	(124)	12	(352)
Net cash used in investing activities	(1,373)	(1,710)	(3,162)
Cash flows from financing activities:			
Dividends paid	(548)	(414)	(959)
Net cash provided by (used in) financing activities	(548)	(414)	(959)
Net increase (decrease) in cash and cash equivalents	4,954	2,628	4,627
Beginning balance of cash and cash equivalents	20,429	25,056	20,429
Ending balance of cash and cash equivalents	25,383	27,684	25,056

lease assets which employs straight line method. Significant assets lives are:

Buildings	3-26 years
Tools, Fixtures and Equipment	2-20 years
Lease Assets	6 years

Intangible fixed assets

Software for own use	Straight line method based on corporate usability period (5 years)
Software for sale	Straight line method based on useful life (3 years)

(3) Accounting method for accrual of significant allowance

Allowance for doubtful receivables

To prepare for loss from uncollectible credits, allowance is made against ordinary assets using calculations based on historical uncollectible rate, and for special receivables with higher uncertainty, probability of collectivity is considered on individual cases and prospective uncollectible amount is accrued.

Allowance for bonus

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

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

Foreign currency receivables and payables are converted to yen at spot exchange rate on consolidated 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. 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.

During current consolidated interim period, net of suspense account payment for consumption tax and suspense receipt for consumption tax have been included under others in current liabilities.

5. Scope of funds in consolidated cash flow statement

Funds in current consolidated cash flow statement are cash on hand, deposits that may be withdrawn on a temporary as-needed 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.

Changes in significant matters related to the basis of creation of consolidated financial statements

(Accounting policy for net assets in balance sheet)

From current interim period, the company adopted the “Accounting Standard for Presentation of Net Assets in Balance Sheet” (Corporate Accounting Standard No. 5, December 9, 2005) and the “Guidelines for Application of Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Corporate Accounting Standard Guidelines No. 8, December 9, 2005).

Total assets as presented previously would amount to 62,420 M yen.

As of the current interim period, net assets in consolidated financial statements for interim periods have been presented according to the revised rules pertaining to consolidated financial statements for interim periods.

Changes in presentation methods

(Balance sheet)

1. Although advance received has been included under others in current liabilities, as the total amount of advance received at the end of current interim period exceeded 5/100 of total liabilities and shareholders equity, it has been separately itemized. Advance received at end of previous consolidated interim period was 3,120M yen.

2. Items recorded as consolidation adjustment in intangible fixed assets in the interim period of the previous FY have been presented as goodwill as of the current interim period.

(Cash flow)

Items recorded as amortization of consolidation adjustment in intangible fixed assets in the interim period of the previous FY have been presented as amortization of goodwill as of the current interim period.

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, 2005)	End of current consolidated interim period (as of Sept. 30, 2006)	End of previous consolidated FY (as of Mar. 31, 2006)
Net depreciation of tangible fixed assets 10,605	Net depreciation of tangible fixed assets 12,893	Net depreciation of tangible fixed assets 11,811
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 - 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 5 company banks. End of term balance for unused credit is as follows. Maximum amount of the overdraft and loan commitment 29,200 Amount loaned - 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 5 company banks. End of term balance for unused credit is as follows. Maximum amount of the overdraft and loan commitment 29,200 Amount loaned - End balance 29,200

(Matters related to consolidated income statement)

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

Previous FY interim period (Apr. 1 2005 to Sept. 30, 2005)	Current FY interim period (Apr. 1, 2006 to Sept. 30, 2006)	Previous FY (Apr. 1, 2005 to Mar. 31, 2006)
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 3,393	Allowance for Compensation 3,819	Allowance for Compensation 6,846
Allocation of allowance for bonus 418	Allocation of allowance for bonus 469	Allocation of allowance for bonus 369
Rental expense 729	Rental expense 905	Rental expense 1,539
Expense for amortization 384	Expense for amortization 570	Expense for amortization 962
Consolidation adjustment 2	Amortization of goodwill (footnote) 1 (footnote) Items recorded as consolidation adjustment has been presented as goodwill as of the current interim period.	Consolidation adjustment 3

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

Previous FY interim period (Apr. 1 2005 to Sept. 30, 2005)	Current FY interim period (Apr. 1, 2006 to Sept. 30, 2006)	Previous FY (Apr. 1, 2005 to Mar. 31, 2006)																
<p>Items under loss from removal of fixed assets</p> <p>Tools, fixtures, and equipment 2 (Intangible fixed assets) 0 others</p>	<p>Items under loss from removal of fixed assets</p> <p>Tools, fixtures, and equipment 3</p>	<p>Items under loss from removal of fixed assets</p> <p>Tangible fixed assets 2 Tools, fixtures, and equipment 11 (Intangible fixed assets) 0 others</p>																
<p>Impairment loss</p> <p>During current interim period, Net One Systems Group has applied impairment loss to the following assets</p> <table border="1" data-bbox="153 958 576 1099"> <thead> <tr> <th>Location</th> <th>Purpose</th> <th>Type</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Suginami-Ku, Tokyo</td> <td>Rental parking lot</td> <td>Land</td> <td>132M yen</td> </tr> </tbody> </table> <p>As our group created cash flow through bundling all assets used for the purpose of network related business, asset is indicated as one group. However, for assets not used for the purpose of aforementioned business, they have been grouped based on individual items. Due to the material decrease in</p>	Location	Purpose	Type	Amount	Suginami-Ku, Tokyo	Rental parking lot	Land	132M yen	<p style="text-align: center;">_____</p>	<p>Impairment loss</p> <p>During current interim period, Net One Systems Group has applied impairment loss to the following assets</p> <table border="1" data-bbox="1024 958 1441 1099"> <thead> <tr> <th>Location</th> <th>Purpose</th> <th>Type</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Suginami-Ku, Tokyo</td> <td>Rental parking lot</td> <td>Land</td> <td>132M yen</td> </tr> </tbody> </table> <p>As our group created cash flow through bundling all assets used for the purpose of network related business, asset is indicated as one group. However, for assets not used for the purpose of aforementioned business, they have been grouped based on individual items. Due to the material decrease in</p>	Location	Purpose	Type	Amount	Suginami-Ku, Tokyo	Rental parking lot	Land	132M yen
Location	Purpose	Type	Amount															
Suginami-Ku, Tokyo	Rental parking lot	Land	132M yen															
Location	Purpose	Type	Amount															
Suginami-Ku, Tokyo	Rental parking lot	Land	132M yen															

<p>market price of the applicable asset, its book value was reduced to the recoverable amount and 132M yen decrease was recorded as impairment loss under extraordinary expense. The recoverable amount for the applicable asset was determined through net sales price derived through subtracting estimated disposal expense from appraisal value based on market transactions in surrounding areas.</p>		<p>market price of the applicable asset, its book value was reduced to the recoverable amount and 132M yen decrease was recorded as impairment loss under extraordinary expense. The recoverable amount for the applicable asset was determined through net sales price derived through subtracting estimated disposal expense from appraisal value based on market transactions in surrounding areas.</p> <p>The applicable asset was sold after Impairment Loss had been recorded. Thus an amount of 8M yen, the difference between its book value after impairment loss had been recorded and sale value, was recorded as gain on sales of fixed assets under extraordinary profit.</p>
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Statement of Change in Shareholders' Equity during interim period

Consolidated interim period (April 1, 2006 to September 30, 2006)

1. Items regarding types and number of issued shares types and number and treasury stocks

	Number of shares at the end of previous FY	Number of shares increased during the interim period	Number of shares decreased during the interim period	Number of shares at the end of the interim period
Issued stocks				
Common stocks	551,900	-	-	551,900
Total	551,900	-	-	551,900
Treasury stocks				
Common stocks	211	-	-	211
Total	211	-	-	211

2. Items regarding stocks options and warrants

There are no applicable shares.

3. Items regarding dividends

(1) Cash dividends paid

Date of declaration	Type of shares	Total cash dividends (M yen)	Cash dividend per share	Date of record	Effective date
June 23, 2006 Ordinary general meeting of shareholders	Common stocks	413	750	March 31, 2006	June 23, 2006

(2) List of dividends with date of declaration within current consolidated interim period while effective date of the dividends is subsequent to the end of the current consolidated interim period

Date of declaration	Type of shares	Total cash dividends (M yen)	Source of dividends	Cash dividend per share	Date of record	Effective date
November 7, 2006 Ordinary general meeting of shareholders	Common stocks	413	Accumulated earnings	750	September 30, 2006	November 30, 2006

(Matters related to cash flow statement)

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

Current FY interim period (Apr. 1, 2005 to Sept. 30, 2005)	Current FY interim period (Apr. 1, 2006 to Sept. 30, 2006)	Previous FY (Apr. 1, 2005 to Mar. 31, 2006)
<p>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, 2005)</p> <p>Cash and deposit account 16,883</p> <p>Short term investments expected to be redeemed within 3 months of acquisition (securities) 8,499</p> <p>Cash and cash equivalents 25,383</p>	<p>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, 2006)</p> <p>Cash and deposit account 18,186</p> <p>Short term investments expected to be redeemed within 3 months of acquisition (securities) 9,498</p> <p>Cash and cash equivalents 27,684</p>	<p>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, 2006)</p> <p>Cash and deposit account 16,056</p> <p>Short term investments expected to be redeemed within 3 months of acquisition (securities) 8,999</p> <p>Cash and cash equivalents 25,056</p>

(Segment information)

1 . Segment information by business category

Previous FY interim period (Apr. 1, 2005 to Sept. 30, 2005)
Net One Systems Group's business focuses on network computing system creation 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, 2006 to Sept. 30, 2006)
same as above

Previous FY (Apr. 1, 2005 to Mar. 31, 2006)
same as above

2. Segment information by location

Previous FY interim period (Apr. 1, 2005 to Sept. 30, 2005)
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, 2006 to Sept. 30, 2006)
same as above

Previous FY (Apr. 1, 2005 to Mar. 31, 2006)
same as above

3. Oversea sales

Previous FY interim period (Apr. 1, 2005 to Sept. 30, 2005)
Oversea sales have been abbreviated as oversea sales account for less than 10% of the consolidated sales.

Current FY interim period (Apr. 1, 2006 to Sept. 30, 2006)
same as above

Previous FY (Apr. 1, 2005 to Mar. 31, 2006)
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, 2005)

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

- 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	1	1	0
(2) Bonds			
Government/local government bonds, etc.	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
(3) Others	—	—	—
Total	1	1	0

- 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
(1) Bonds intended to be held until maturity date	—
(2) Other securities	
Unlisted stocks	192
Commercial paper	5,999
Negotiable deposits	2,500

(End of current consolidated interim FY) (as of Sept. 30, 2006)

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

- 2 . Other securities with marketable value
There are no applicable securities.

- 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
(1) Bonds intended to be held until maturity date	-
(2) Other securities	
Unlisted stocks	252
Commercial paper	6,498
Negotiable deposits	3,000

(End of previous FY) (as of March 31, 2006)

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

There are no applicable securities.

2. Other securities with marketable value

There are no applicable securities.

3. Other securities with marketable value

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

	Amount accrued in interim period consolidated balance sheet
(1) Bonds intended to be held until maturity date	-
(2) Other securities	
Unlisted stocks	212
Commercial paper	5,999
Negotiable deposits	3,000

(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.

(Matters related to stock options)

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, amount of orders accepted, sales, and backlog of unfilled orders are indicated by their product category.

Orders accepted by product category

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

	Previous interim consolidated FY		Previous interim consolidated FY		Previous consolidated FY	
	Apr. 1, 2005 to Sept. 30 2005		Apr. 1, 2006 to Sept. 30 2006		Apr. 1, 2005 to Mar. 31, 2006	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network equipment products	34,963	68.0	34,802	64.0	74,044	65.9
Network computing products	956	1.9	1,428	2.6	2,101	1.9
Media products	4,142	8.0	5,070	9.3	7,239	6.4
Service products	11,343	22.1	13,104	24.1	28,941	25.8
Total	51,407	100.0	54,405	100.0	112,327	100.0

Sales by Product Category

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

	Previous interim consolidated FY		Previous interim consolidated FY		Previous consolidated FY	
	Apr. 1, 2005 to Sept. 30 2005		Apr. 1, 2006 to Sept. 30 2006		Apr. 1, 2005 to Mar. 31, 2006	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network equipment products	32,853	66.9	31,509	63.0	72,275	67.3
Network computing products	884	1.8	1,335	2.7	2,236	2.1
Media products	3,153	6.4	3,944	7.9	7,464	6.9
Service products	12,245	24.9	13,225	26.4	25,406	23.7
Total	49,137	100.0	50,015	100.0	107,383	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 2005)		(as of Sept. 30 2006)		(as of Mar. 31, 2006)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network equipment products	13,602	43.5	16,554	43.2	13,261	39.0
Network computing products	496	1.6	382	1.0	289	0.9
Media products	3,014	9.6	2,925	7.6	1,799	5.3
Service products	14,171	45.3	18,488	48.2	18,608	54.8
Total	31,285	100.0	38,350	100.0	33,960	100.0