

Analyst Briefing

Financial

The logo for Net One Systems, featuring the company name in a bold, blue, sans-serif font. The 'O' in 'One' is stylized with a circular graphic element. The background of the logo area is a blue and white grid pattern with various hexadecimal characters (0-9, A-F) scattered across it.

Net One Systems

A blue-tinted background image of a data center with server racks and glowing light trails. The text 'May 9th, 2007' is overlaid on the right side of this image.

May 9th, 2007

Orders Accepted/Sales (Consolidated) base on Product Category

Orders Accepted

Yen in millions

	FY ending Mar.2007 ^①		Variance (①-②)		FY ending Mar.2006 ^②	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network Integration Products	66,964	61.3%	(7,080)	-9.6%	74,044	65.9%
Network Computing Products	2,519	2.3%	418	19.9%	2,101	1.9%
Media Integration Products	9,618	8.8%	2,378	32.9%	7,239	6.4%
Service Integration Products	30,066	27.6%	1,124	3.9%	28,941	25.8%
Total	109,168	100.0%	(3,158)	-2.8%	112,327	100.0%

Sales

Yen in millions

	FY ending Mar.2007 ^①		Variance (①-②)		FY ending Mar.2006 ^②	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network Integration Products	69,574	63.7%	(2,700)	-3.7%	72,275	67.3%
Network Computing Products	2,451	2.2%	215	9.6%	2,236	2.1%
Media Integration Products	8,750	8.0%	1,285	17.2%	7,464	6.9%
Service Integration Products	28,516	26.1%	3,109	12.2%	25,406	23.7%
Total	109,292	100.0%	1,909	1.8%	107,383	100.0%

Backlog of Unfilled Orders

Yen in millions

	FY ending Mar.2007 ^①		Variance (①-②)		FY ending Mar.2006 ^②	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network Integration Products	10,651	31.5%	(2,610)	-19.7%	13,261	39.0%
Network Computing Products	358	1.0%	68	23.7%	289	0.9%
Media Integration Products	2,667	7.9%	868	48.2%	1,799	5.3%
Service Integration Products	20,159	59.6%	1,550	8.3%	18,608	54.8%
Total	33,836	100.0%	(123)	-0.4%	33,960	100.0%

Sales (Non-Consolidated) base on Product Category

Yen in millions

		FY ending Mar.2007①		Variance (①-②)		FY ending Mar.2006 ②	
		Sales	Ratio	Amount	Ratio	Sales	Ratio
NI (Network Integration) Products							
	Router	30,595	43.8%	1,019	3.4%	29,576	40.8%
	Switch	25,364	36.3%	1,066	4.4%	24,298	33.5%
	Others	13,889	19.9%	(4,694)	-25.3%	18,583	25.6%
	NI Total	69,848	65.2%	(2,609)	-3.6%	72,457	68.7%
	Total Corporate Sales	107,144	100.0%	1,636	1.6%	105,508	100.0%
NC (Network Computing) Products							
	Security	963	39.3%	427	79.7%	536	23.9%
	CDN Related	785	32.0%	24	3.2%	761	33.9%
	Others	704	28.7%	(244)	-25.7%	948	42.2%
	NC Total	2,452	2.3%	207	9.2%	2,245	2.1%
	Total Corporate Sales	107,144	100.0%	1,636	1.6%	105,508	100.0%
MI (Media Integration) Products							
	Deployment	5,474	62.5%	748	15.8%	4,726	62.4%
	Wireless	766	8.7%	274	55.7%	492	6.5%
	CATV	1,984	22.7%	464	30.5%	1,520	20.1%
	Others	535	6.1%	(296)	-35.6%	831	11.0%
	MI Total	8,759	8.2%	1,190	15.7%	7,569	7.2%
	Total Corporate Sales	107,144	100.0%	1,636	1.6%	105,508	100.0%
SI (Service Integration) Products							
	Engineering Service	3,271	12.5%	874	36.5%	2,397	10.3%
	Installation	4,695	18.0%	338	7.8%	4,357	18.7%
	Operation Management	17,672	67.7%	1,717	10.8%	15,955	68.7%
	Others	448	1.7%	(81)	-15.3%	529	2.3%
	SI Total	26,086	24.3%	2,848	12.3%	23,238	22.0%
	Total Corporate Sales	107,144	100.0%	1,636	1.6%	105,508	100.0%

Sales based on Distribution Channel (Consolidated)



Breakdown of Orders Accepted based on Channel Type Yen in millions

CNL	FY ending Mar.2007 ^①		Variance ^(①-②)		FY ending Mar.2006 ^②	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	42,355	38.8%	2,805	7.1%	39,550	35.2%
Service Provider	44,680	40.9%	246	0.6%	44,434	39.6%
Public Works	22,132	20.3%	(6,210)	-21.9%	28,342	25.2%
Total	109,168	100.0%	(3,158)	-2.8%	112,327	100.0%

Breakdown of Sales based on Channel Type Yen in millions

CNL	FY ending Mar.2007 ^①		Variance ^(①-②)		FY ending Mar.2006 ^②	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	41,311	37.8%	2,983	7.8%	38,328	35.7%
Service Provider	43,534	39.8%	(877)	-2.0%	44,411	41.4%
Public Works	24,445	22.4%	(198)	-0.8%	24,643	22.9%
Total	109,292	100.0%	1,909	1.8%	107,383	100.0%

Breakdown of Backlog of Unfilled Orders based on Channel Type Yen in millions

CNL	FY ending Mar.2007 ^①		Variance ^(①-②)		FY ending Mar.2006 ^②	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	14,779	43.7%	1,070	7.8%	13,709	40.4%
Service Provider	9,227	27.3%	1,299	16.4%	7,928	23.3%
Public Works	9,830	29.0%	(2,491)	-20.2%	12,321	36.3%
Total	33,836	100.0%	(123)	-0.4%	33,960	100.0%

Sales (Consolidated) based on Private Industry sector

Yen in millions

	FY ending Mar.2007 ^①		Variance ^(①-②)		FY ending Mar.2006 ^②	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Manufacturing						
Material Industry	869	0.9%	(28)	-3.1%	897	1.0%
Electrical Equipment	6754	7.2%	(1,652)	-19.7%	8406	9.2%
Transport Equipment	3527	3.8%	167	5.0%	3360	3.7%
Crecision Machinery etc.	1,560	1.7%	(312)	-16.7%	1,872	2.0%
Other Manufacturing Industry	425	0.5%	(142)	-25.0%	567	0.6%
Manufacturing Industry Total	13,136	14.1%	(1,968)	-13.0%	15,104	16.5%
Non-Manufacturing						
Construction and Real Estate	3,163	3.4%	(188)	-5.6%	3,351	3.7%
Trade	4,846	5.2%	151	3.2%	4,695	5.1%
Service	12,690	13.6%	2,057	19.3%	10,633	11.7%
Software Development	6,473	6.9%	(1,852)	-22.2%	8,325	9.1%
Communication /Mass Media	41,901	45.0%	(515)	-1.2%	42,416	46.3%
Public Transportation etc.	1,820	2.0%	431	31.0%	1,389	1.5%
Financial Institutions	9,148	9.8%	3,542	63.2%	5,606	6.1%
Non-Manufacturing Industry Total	80,045	85.9%	3,596	4.7%	76,449	83.5%
Private Sector Sales	93,181	100.0%	1,628	1.8%	91,553	100.0%

Income Statement (Consolidated)

Yen in millions

	FY ending Mar.2007①		Variance(①-②)		FY ending Mar.2006②	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Sales	109,292	100.0%	1,909	1.8%	107,383	100.0%
Cost of Goods Sold	84,856	77.6%	2,263	2.7%	82,592	76.9%
Gross Profit on Sales	24,436	22.4%	(354)	-1.4%	24,790	23.1%
SGA	18,946	17.4%	1,908	11.2%	17,038	15.9%
Operating Profit	5,489	5.0%	(2,263)	-29.2%	7,752	7.2%
Non-Operating Profit/Loss	9	0.0%	(62)	-86.7%	71	0.1%
Ordinary Profit	5,498	5.0%	(2,325)	-29.7%	7,824	7.3%
Extraordinary Profit/Loss	(414)	-0.4%	(369)	—	(45)	0.0%
Earning before tax	5,084	4.7%	(2,694)	-34.6%	7,778	7.2%
Current Net Earnings	2,891	2.7%	(1,891)	-39.5%	4,783	4.5%

Income Statement (Non-Consolidated)



Yen in millions

	FY ending Mar.2007 ^①		Variance ^(①-②)		FY ending Mar.2006 ^②	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Sales	107,144	100.0%	1,635	1.5%	105,508	100.0%
Cost of Goods Sold	85,018	79.3%	1,978	2.4%	83,040	78.7%
Gross Profit on Sales	22,125	20.6%	(342)	-1.5%	22,468	21.3%
SGA	17,083	16.0%	1,375	8.8%	15,708	14.9%
Operating Profit	5,042	4.7%	(1,717)	-25.4%	6,759	6.4%
Non-Operating Profit/Loss	77	0.1%	(19)	-19.8%	96	0.1%
Ordinary Profit	5,119	4.8%	(1,736)	-25.3%	6,855	6.6%
Extraordinary Profit/Loss	(368)	-0.4%	(388)	-1940.0%	20	0.0%
Earning before tax	4,752	4.4%	(2,123)	-30.9%	6,875	6.5%
Current Net Earnings	2,767	2.6%	(1,459)	-34.5%	4,226	4.1%

Balance Sheet (Consolidated)

Yen in millions

	FY ending Mar.2007①		Variance(①-②)		FY ending Mar.2006②	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Current Assets	73,701	87.0%	(296)	-0.4%	73,998	87.0%
Cash and Deposits	17,756	21.0%	1,699	10.6%	16,056	18.9%
Account Receivable etc.	30,954	36.6%	(4,430)	-12.5%	35,384	41.6%
Inventory assets	10,584	12.5%	(622)	-5.6%	11,206	13.2%
Others	14,407	17.0%	3,057	26.9%	11,350	13.4%
Allowance for Doubtful Receivables	0	0.0%	0	—	0	0.0%
Fixed Assets	10,899	12.9%	(111)	-1.0%	11,011	13.0%
Tangible Fixed Assets	5,061	6.0%	(66)	-1.3%	5,128	6.0%
Intangible Fixed Assets	1,598	1.9%	(127)	-7.4%	1,726	2.0%
Investment etc.	4,238	5.0%	82	2.0%	4,156	4.9%
Total Assets	84,601	100.0%	(408)	-0.5%	85,009	100.0%
Current Liabilities	19,850	23.5%	(2,402)	-10.8%	22,252	26.1%
Account Payable	12,272	14.5%	(2,870)	-19.0%	15,142	17.8%
Short Term Debt	0	0.0%	(350)	-100.0%	350	0.4%
Payment Due	2,012	2.4%	(556)	-21.7%	2,568	3.0%
Others	5,566	6.6%	1,376	32.8%	4,190	4.9%
Fixed Liabilities	103	0.1%	(110)	-51.6%	213	0.3%
Total Liabilities	19,953	23.6%	(2,513)	-11.2%	22,466	26.4%
Shareholder's equity	63,811	75.4%	Minority Shareholder's Equity		770	0.9%
Capital Stock	12,279	14.5%	Capital Stock		12,279	14.4%
Additional Paid-in Capital	19,453	23.0%	Additional Paid-in Capital		19,453	22.9%
Consolidated Surplus	32,173	38.0%	Consolidated Surplus		30,140	35.5%
Repurchased Stock	(94)	-0.1%	Difference from Securities Revaluation		(5)	0.0%
Gains on valuation of other securities	26	0.0%	Repurchased Stock		(94)	-0.1%
Difference from Securities Revaluation	(2)	0.0%				
Deferral hedge gain and losses	29	0.0%	Total Shareholder's Equity		61,772	72.7%
Minority Shareholder's Equity	808	1.0%	Total Liabilities and Shareholder's Equity		85,009	100.0%
Total Net Assets	64,647	76.4%				
Total Liabilities and Net Assets	84,601	100.0%				

Balance Sheet (Non-Consolidated)

Yen in millions

	FY ending Mar.2007 ^①		Variance ^{①-②}		FY ending Mar.2006 ^②		
	Amount	Ratio	Amount	Ratio	Amount	Ratio	
Current Assets	71,948	88.1%	(505)	-0.7%	72,453	88.6%	
Cash and Deposits	15,845	19.4%	1,670	11.8%	14,175	17.3%	
Account Receivable	30,671	37.5%	(4,509)	-12.8%	35,180	43.0%	
Inventory assets	10,590	13.0%	(602)	-5.4%	11,192	13.7%	
Others	14,843	18.2%	2,942	24.7%	11,901	14.6%	
Allowance for Doubtful Accounts	(1)	0.0%	0	0.0%	(1)	0.0%	
Fixed Assets	9,735	11.9%	433	4.7%	9,301	11.4%	
Tangible Fixed Assets	4,161	5.1%	309	8.0%	3,852	4.7%	
Intangible Fixed Assets	1,372	1.7%	(70)	-4.9%	1,443	1.8%	
Investment etc.	4,200	5.1%	194	4.8%	4,005	4.9%	
Total Assets	81,683	100.0%	(71)	-0.1%	81,754	100.0%	
Current Liabilities	18,730	22.9%	(1,924)	-9.3%	20,654	25.3%	
Account Payable	12,425	15.2%	(2,735)	-18.0%	15,160	18.5%	
Payment Due	2,227	2.7%	(394)	-15.0%	2,621	3.2%	
Others	4,078	5.0%	1,208	42.1%	2,870	3.5%	
Fixed Liabilities	73	0.1%	(92)	-55.8%	165	0.2%	
Total Liabilities	18,803	23.0%	(2,017)	-9.7%	20,820	25.5%	
Shareholder's equity	62,947	77.1%			Capital Stock	12,279	15.0%
Capital Stock	12,279	15.0%			Additional Paid-in Capital	19,453	23.8%
Additional Paid-in Capital	19,453	23.8%			Consolidated Surplus	29,302	35.8%
Consolidated Surplus	31,214	38.3%			Difference from Securities Revaluation	(5)	0.0%
Repurchased Stock	(94)	-0.1%			Repurchased Stock	(94)	-0.1%
Gains on valuation of other securities	26	0.0%			Repurchased Stock	60,934	74.5%
Difference from Securities Revaluation	(2)	0.0%			Total Shareholder's Equity	81,754	100.0%
Deferral hedge gain and losses	29	0.0%					
Total Net Assets	62,879	77.0%					
Total Liabilities and Net Assets	81,683	100.0%					

Quarterly Orders Accepted/Sales based on Distribution Channel

Breakdown of Orders Accepted/Sales in 2005 based on Distribution Channel(consolidated)

Yen in millions

CNL	1Q 2005		2Q 2005		1H 2005		3Q 2005		4Q 2005		2H 2005		Full FY 2005	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	8,424	35.1%	10,171	25.7%	18,595	36.2%	9,713	35.7%	11,242	33.4%	20,955	34.4%	39,550	35.2%
Service Provider	11,556	48.1%	10,329	48.1%	21,885	42.6%	8,677	31.9%	13,872	41.2%	22,549	37.0%	44,434	39.6%
Public Works	4,042	16.8%	6,884	26.2%	10,926	21.3%	8,831	32.4%	8,585	25.5%	17,416	28.6%	28,342	25.2%
Total	24,024	100.0%	27,383	100.0%	51,407	100.0%	27,221	100.0%	33,699	100.0%	60,920	100.0%	112,327	100.0%

Breakdown of Orders Accepted/Sales in 2006 based on Distribution Channel(consolidated)

Yen in millions

CNL	1Q 2006		2Q 2006		1H 2006		3Q 2006		4Q 2006		2H 2006		Full FY 2006	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	9,106	35.0%	10,824	38.1%	19,930	36.6%	11,877	42.5%	10,548	39.3%	22,425	40.9%	42,355	38.8%
Service Provider	11,817	45.4%	10,522	37.1%	22,339	41.1%	10,271	36.8%	12,070	45.0%	22,341	40.8%	44,680	40.9%
Public Works	5,088	19.6%	7,047	24.8%	12,135	22.3%	5,768	20.7%	4,229	15.8%	9,997	18.3%	22,132	20.3%
Total	26,013	100.0%	28,392	100.0%	54,405	100.0%	27,915	100.0%	26,848	100.0%	54,763	100.0%	109,168	100.0%

2005(consolidated) versus 2006(consolidated)

Yen in millions

CNL	1Q 2006		2Q 2006		1H 2006		3Q 2006		4Q 2006		2H 2006		Full FY 2006	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	682	8.1%	653	6.4%	1,335	7.2%	2,164	22.3%	(694)	-6.2%	1,470	7.0%	2,805	7.1%
Service Provider	261	2.3%	193	1.9%	454	2.1%	1,594	18.4%	(1,802)	-13.0%	(208)	-0.9%	246	0.6%
Public Works	1,046	25.9%	163	2.4%	1,209	11.1%	(3,063)	-34.7%	(4,356)	-50.7%	(7,419)	-42.6%	(6,210)	-21.9%
Total	1,989	8.3%	1,009	3.7%	2,998	5.8%	694	2.5%	(6,851)	-20.3%	(6,157)	-10.1%	(3,159)	-2.8%

Quarterly Sales based on Distribution Channel

Breakdown of Sales in 2005 based on Distribution Channel(consolidated)

Yen in millions

CNL	1Q 2005		2Q 2005		1H 2005		3Q 2005		4Q 2005		2H 2005		Full FY 2005	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	7,581	34.7%	10,470	38.3%	18,051	36.7%	8,583	35.7%	11,694	32.5%	20,277	34.8%	38,328	35.7%
Service Provider	11,337	51.9%	11,401	41.7%	22,738	46.3%	7,295	31.9%	14,378	40.0%	21,673	37.2%	44,411	41.4%
Public Works	2,909	13.3%	5,438	19.9%	8,347	17.0%	6,433	32.4%	9,863	27.4%	16,296	28.0%	24,643	22.9%
Total	21,829	100.0%	27,308	100.0%	49,137	100.0%	22,310	100.0%	35,936	100.0%	58,246	100.0%	107,383	100.0%

Breakdown of Sales in 2006 based on Distribution Channel(consolidated)

Yen in millions

CNL	1Q 2006		2Q 2006		1H 2006		3Q 2006		4Q 2006		2H 2006		Full FY 2006	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	8,766	40.1%	11,066	39.3%	19,832	39.7%	9,833	37.7%	11,646	35.1%	21,479	36.2%	41,311	37.8%
Service Provider	9,855	45.0%	11,874	42.2%	21,729	43.4%	11,057	42.4%	10,748	32.4%	21,805	36.8%	43,534	39.8%
Public Works	3,261	14.9%	5,191	18.5%	8,452	16.9%	5,174	19.9%	10,819	32.6%	15,993	27.0%	24,445	22.4%
Total	21,883	100.0%	28,132	100.0%	50,015	100.0%	26,063	100.0%	33,214	100.0%	59,277	100.0%	109,292	100.0%

2005(consolidated) versus 2006(consolidated)

Yen in millions

CNL	1Q 2006		2Q 2006		1H 2006		3Q 2006		4Q 2006		2H 2006		Full FY 2006	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
Enterprise	1,185	15.6%	596	5.7%	1,781	9.9%	1,250	14.6%	(48)	-0.4%	1,202	5.9%	2,983	7.8%
Service Provider	(1,482)	-13.1%	473	4.1%	(1,009)	-4.4%	3,762	51.6%	(3,630)	-25.2%	132	0.6%	(877)	-2.0%
Public Works	352	12.1%	(247)	-4.5%	105	1.3%	(1,259)	-19.6%	956	9.7%	(303)	-1.9%	(198)	-0.8%
Total	54	0.2%	824	3.0%	878	1.8%	3,753	16.8%	(2,722)	-7.6%	1,031	1.8%	1,909	1.8%



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