



Financial Report for FY 2008 (ending March 2009)

May 11, 2009

Name of registered company: Net One Systems Co., Ltd.
 Location of stock listing: First Section of Tokyo Stock Exchange
 Stock Code Number: 7518
 (URL <http://www.netone.co.jp/index.html>)

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 Finance and Accounting
 Expected date of ordinary general meeting of shareholders June 24, 2009 Expected date of dividend payment start June 25, 2009
 Expected filing date of annual report June 25, 2009

(figures are rounded down to the nearest million yen)

1. Business Results for FY 2008 (April 1, 2008 to March 31, 2009)

(1) Consolidated Financial Results

(Percentage: increase/decrease against previous fiscal year)

	Sales		Operating Profit		Ordinary Profit		Current Net Income	
	Million Yen	%	Million Yen	%	Million Yen	%	Million Yen	%
FY ended March 2009	131,119	(17.4)	8,881	(86.1)	9,036	(84.9)	4,897	(97.1)
FY ended March 2008	111,687	(2.2)	4,772	(- 13.1)	4,887	(- 11.1)	2,484	(- 14.1)

	Current net income per Share		Current net income per share assuming full dilution		Ratio of current net income to net assets	Ratio of ordinary profit to total assets	Ratio of operating profit to total sales
	yen	sen	yen	sen	%	%	%
FY ended March 2009	10,133	09	_____	_____	8.8	10.9	6.8
FY ended March 2008	4,797	85	_____	_____	4.1	5.8	4.3

(reference) Equity in net earnings of affiliated companies
 FY ended March 2009: 0 Million yen
 FY ended March 2008: - 15 Million yen

(2) Financial position

	Total assets		Net assets		Net assets ratio	Net assets per share	
	Million yen		Million yen		%	yen	sen
FY ended March 2009	81,833		54,409		65.3	119,053	27
FY ended March 2008	84,259		58,670		68.6	115,956	89

(reference) Net assets FY ended March 2009: 53,400M yen

FY ended March 2008: 57,809M yen

(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
FY ended March 2009	10,014	- 3,055	- 9,811	22,698
FY ended March 2008	7,674	- 3,465	- 8,412	25,550

2. Status of dividends

(Date of record)	Dividend per share					Total dividend (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of the term	Annual total			
	yen sen	yen sen	yen sen	yen sen	yen sen	Million yen	%	%
FY ended March 2008	—	750 00	—	1,250 00	2,000 00	997	41.7	1.7
FY ended March 2009	—	850 00	—	2,350 00	3,200 00	1,477	31.6	2.7
FY ending 2010 (forecast)	—	1,600 00	—	1,600 00	3,200 00		30.5	

(Note) End of the term dividend for FY ending March 31, 2008 included commemorative dividend of 500.00 yen

3. Forecast for the consolidated FY ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(Percentage: increase/decrease against previous fiscal year or interim period)

	Sales		Operating profit		Ordinary profit		Current net income		Current net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen	sen
Interim period for FY ending March 2010	66,000	(5.8)	3,400	(- 5.2)	3,450	(- 8.7)	2,000	(- 11.4)	4,458	86
FY ending March 2010	139,000	(6.0)	8,100	(- 8.8)	8,200	(- 9.3)	4,700	(- 4.0)	10,478	32

4. Others

(1) Changes to significant subsidiaries during the FY (changes to wholly owned specified subsidiaries affecting the scope of consolidation) none

(2) Changes to principle, procedure, methods of presentation for accounting for the creation of consolidated financial statements (indicated in changes to significant matters related to the creation of consolidated financial statements)

① changes related to revision of accounting standard, etc. yes

② changes other than ① none

(Note) For details, please refer to “Changes in significant matters related to the basis of creation of consolidated financial documents” on page 32.

(3) Outstanding stocks (Common Stocks)

① End of the term outstanding stocks (including treasury stocks)

FY ending March 2009 551,900

FY ending March 2008 551,900

② End of the term treasury stocks

FY ending March 2009 103,355

FY ending March 2008 53,355

(Note) Please refer to “Per share information” (consolidated) on page 45 for basis of number of shares for calculation of current net income per share.

(Reference) Non-Consolidated Financial Results

1. Business Results for FY 2007 (April 1, 2008 to March 31, 2009)

(1) Non-consolidated financial results

(Percentage: increase/decrease against previous FY)

	Sales		Operating profit		Ordinary profit		Current net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY ended March 2009	129,494	(17.9)	8,105	(107.1)	8,319	(105.5)	4,653	(95.8)
FY ended March 2008	109,873	(2.5)	3,914	(- 22.4)	4,047	(- 20.9)	2,377	(- 14.1)

	Current net income per share		Current net income per share assuming full dilution	
	yen	sen	yen	sen
FY ended March 2009	9,628	67	_____	_____
FY ended March 2008	4,591	36	_____	_____

(2) Non-consolidated financial position

	Total Assets	Net Assets	Net Assets Ratio	Net Assets Per Share	
	Million yen	Million yen	%	yen	sen
FY ended March 2009	78,044	52,091	66.7	116,133	55
FY ended March 2008	80,648	56,743	70.4	113,819	02

(reference) Net assets

FY ended March 2009: 52,091 Million yen

FY ended March 2008: 56,743 Million yen

2. Forecast for the non-consolidated FY ending March 31, 2010 (April 1, 2009 to March 31, 2010)

(% for the FY or interim period is ratio of increase or decrease against previous FY or interim period)

	Sales		Operating Profit		Ordinary Profit		Current Net Income		Current Net Income per Share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	yen	sen
Interim period for FY ending March 2010	60,800	(- 1.2)	3,000	(- 5.6)	3,050	(- 8.9)	1,800	(- 12.6)	4,012	98
FY ending March 2010	126,000	(- 2.7)	7,000	(- 13.6)	7,100	(- 14.7)	4,100	(- 11.9)	9,140	67

(Note)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 1. Operating Results and Financial Status (1) Forecast for the next FY on page 6.

1. Operating results and financial status

(1) Operating results

(Conditions of current FY)

During current FY, with regard to market for general enterprises (Enterprise Sector), relative to a sudden slowdown in economy and effect of crisis in financial industry since fall of last year, reassessments of new investments, etc. and cost cutbacks took place in many companies. As results, project scales were relatively smaller and both orders accepted and sales decreased. However, on the other hand, relative to greater demands for facility investments with aims of total cost reduction and rationalization, there were businesses that led to orders accepted.

With regard to market in Telecom and Internet Service provider (SP Sector), relative to strong demands for facility investments within telecom industry, both orders accepted and sales were up.

With regard to public related (Public sector) market, relative to strong business growth from central government and local administrative agencies as well as from academic institutions, both orders accepted and sales were up.

Under this environment, orders accepted were 130,821M yen indicating an increasing of 13,475M yen (11.5% increase from previous FY). With regard to orders accepted based on channels, 36,539M yen (10.9% decrease) were in EP sector, 63,876M yen (29.3% increase from previous FY) were in SP sector and 30,405M yen (12.9% increase from previous FY) were in Public Sector. With regard to orders accepted based on network products and service business (operation management, etc. including construction), orders accepted for network products were 89,404M yen (16.8% increase from previous FY) and orders accepted for service business were 41,416M yen (1.5% increase from previous FY).

Under this environment, during current consolidated FY, sales were 131,119M yen, up 19,431M yen (17.4% increase from previous FY) from previous FY. With regard to sales based on channels, 38,093M yen (8.9% decrease) were in EP Sector, 62,177M yen (33.4% increase from previous FY) were in SP Sector and 30,849M yen (32.4% increase from previous FY) were in Public Sector. With regard to sales based on network products and service business, 89,986M yen (21.1% increase from previous FY) in sales were comprised of network products and 41,133M yen (10.0% increase from previous FY) in sales were comprised of service business.

As indicated above, during current consolidated FY, sales were 131,119M yen (up 17.4% or 19,431M yen increase from previous FY) and cost of goods sold was capped at 98,482M yen (up 13.8% or 11,913M yen increase from previous FY) as a result of negotiations with product vendors and decrease in purchase prices from overseas vendors due to stronger yen from last fall. As results, gross profit on sales was 32,637M yen (up 29.9% or 7,518M yen increase from previous FY) and gross profit margin was 24.9% (up 2.4 points from previous FY). Also, as selling and general administrative expenses were 23,756M yen (up 16.8% or 348M yen increase from previous FY), operating profit was 8,881M yen (up 86.1% or 419M yen increase from previous FY), ordinary profit was 9,036M yen (up 84.9% or 4,149M yen increase from previous FY) and current net income was 4,897M yen (up 97.1% or 2,413M yen increase from previous FY).

(Forecast for the next FY)

Until current FY, orders accepted and sales were indicated based on three market sectors, Enterprise Sector (EP Sector), Telecom and Internet Service Provider (SP Sector) and Public sector (Public Sector). However, relative to corporate reorganization of our group, from next FY, the market sectors will be indicated based on four sectors comprised of Enterprise sector (EP Sector), Telecom/ and Internet Service Provider (SP Sector), Partner sector (Consolidated subsidiary: Net One Partners Co., Ltd.) and Regional Area and Public sector (AP Sector).

More specifically, Partner business which was formerly classified under Enterprise sector (EP Sector) was independently reclassified and enterprises under regional area were reclassified under Regional Area and Public sector (AP Sector).

With regard to forecast for the next FY, the Company aims to increase orders accepted from enterprises through improvement in unified communication, data center and service business such as operation, management and monitoring aiming with aim of total cost reduction. Facility investments for Telecom and Internet Service Provider are expected to continue strong. With regard to Regional area and Public related business, through integrating sales approaches to central government and local administrative agencies, the Company aims to realize effective sales activities. Also, by promoting new business model offering integrated partner solution between Net One Partners Co., Ltd. and our corporate group, the Company aims to increase orders accepted and sales.

Under this environment, with regard to consolidated business performance forecast for FY ending 2010 (April 1, 2009 to March 31, 2010) expected sales, operating profit, ordinary profit and current net income are 139,000M yen (network products, etc. 91,200M yen and service business 47,800M yen), 8,100M yen, 8,200M yen and 4,700M 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.

(2) Analysis regarding financial status

(Analysis regarding status of assets, liabilities, net assets and cash flow)

(Assets)

Total assets at the end of current consolidated FY were 81,833M yen indicating 2,425M yen decrease (down 2.9%) from previous FY.

With regard to breakdown of assets, 70,472M yen were current assets, indicating 2,437M yen decrease (down 3.3%). Significant contributory factor for this was 1,833M yen decrease (end of current consolidated FY 7,087M yen and end of previous consolidated FY 8,920M yen) in products. Fixed assets were 11,361M yen and showed 11M yen increase (up 0.1%) from end of previous consolidated FY.

(Liabilities)

Liabilities were 27,423M yen indicating 1,834M yen increase (up 7.2%) from end of previous consolidated FY. Significant contributory factor for this was 2,244M yen increase in accrued income taxes.

(Net assets)

Net assets were 54,409M yen, indicating 4,260M yen decrease (down 7.3%) from end of previous FY. This was due to 3,850M yen increase in retained earnings relative to recording current net income, etc. and 8,465M yen increase (a factor to decrease net assets) in treasury stocks.

(Status of cash flow)

Balance of cash and cash equivalents at the end of current consolidated FY was 22,698M yen and decreased by 2,852M yen (down 11.2%) from end of previous FY. This was comprised of 10,014M yen positive cash flow from operating activities, 3,055M yen negative cash flow in investing activities and 9,811M yen negative cash flow from financing activities.

Status of cash flows is as follows.

(Cash flow from operating activities)

Cash flow from operating activities resulted in positive cash flow of 10,014M yen, 2,339M yen increase from end of previous FY. This was mainly due to 4,101M yen increase in cash flow relative to increase in current net income before taxes and 3,663M yen increase in cash flow from decrease in inventories. This was offset by 6,688M yen decrease in cash flow from increase in amount for purchase liabilities.

(Cash flow from investing activities)

Cash flow from investing activities resulted in negative cash flow of 3,055M yen, 410M yen decrease from end of previous FY. This was mainly due to 402M yen decrease in purchase of tangible fixed assets.

(Cash flow from financing activities)

Cash flow from financing activities resulted in negative cash flow of 9,811M yen, 1,398M yen decrease from end of previous FY. This was mainly due to increase in 842M yen increase of purchase of treasury stocks.

(Cash Flow reference trend)

	FY2005 (ending March 2006)	FY2006 (ending March 2007)	FY2007 (ending March 2008)	FY2008 (ending March 2009)
Net assets ratio	72.7%	75.5%	68.6%	65.3%
Net assets ratio for shares based on market value	157.1%	91.3%	69.2%	71.1%
Interest bearing liabilities to cash flow ratio	4.0%	—	0.5%	7.0%
Interest coverage ratio	1,969.0	1,905.0	46,439.3	465.2

Note:

1. Net assets ratio: Net assets/ Total assets
Net assets ratio for shares based on market value: Total market value of shares/ Total assets
Interest bearing liabilities to cash flow ratio: 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 was calculated using closing stock price at FY period (FY) end * number of stocks issued at end of FY period (FY) (excluding treasury stocks). For stock splits, the calculations were based on ex-rights price after adjustments.
4. For operating cash flow (consolidated), operating cash flow from consolidated cash flow statement was used. Interest-bearing liabilities cover all liabilities with interest included in balance sheet. With regard to interest payment, interest payment amount in consolidated cash flow statement was used.
5. For FY with negative operating cash flow, or FY with no interest bearing-liabilities or interest payment, no calculations were made to interest bearing liabilities to cash flow ratio and interest coverage ratio.

(3) Analysis of Operating Results and Financial Status

1. Basic policy

The Company's basic policy is to aim to improve shareholders' equity through increasing corporate value, improve shareholders' equity which is the basis for solid management structure and basis for sustaining and improving growth, and concurrently, to provide long-term and stable shareholder profit that appropriately reflects the business performance. The Company aims to provide over 30% consolidated dividend payout.

2. Current FY dividend (FY ending March 2009)

The Company provided 850 yen per share interim dividend at the end of November 2008. End of the year common dividend for FY ending March 2008 is expected to be 2,350 yen. Relative to this, compared to common dividend of 1,500 yen provided for previous FY (including 500 yen commemorative dividend), there was a 1,700 yen increased and dividend totaling 3,200 yen per share on annual basis is expected to be paid out. (consolidated dividend payout ratio will be 31.3%.)

3. Next FY (FY ending March 2010)

With regard to next FY common dividend, the Company plans to provide 1,600 yen per share dividend for both interim period dividend and end of the year dividend for an annual total of 3,200 yen.

(4) Business risks

With regard to business related risks that may affect the business performance, from the perspectives of customer base and internal control, etc. base, following scenarios are identified.

1. Competition

Relative to increase in information communication technology (ICT) market, there is a possibility for increased competition among competitors. In such circumstance, price competition regarding products and services may result and depending on our Company's competitive edge and market conditions, there may be negative impact on our financial results. Also, in order to provide cutting edge and advanced network system, retaining highly capable workforce including system engineers with high technical skills and ability is critical. In order to win through competition, our Company will develop highly skilled workforce to promote the Company's technical skills and aims to differentiate itself from competitors.

2. Effect of change in currency exchange

Overseas vendors manufacture a large share of the Company's products and as most of the procurement transaction is dollar based, the Company must take on the currency exchange risks for purchase liabilities. In order to hedge the risk on fluctuation of currency exchange, through managing determinable liabilities and planned liabilities on a quarter basis, appropriate exchange contracts were signed. However, this cannot eliminate all risks related to currency exchange. For currency exchange rate, if Japanese yen became weaker against the American dollars, purchase cost in Japanese yen will rise. Considering the status of network related market, if increase in purchase cost could not be reflected onto the sales price, the profit ratio of the Company's business performance may become lower. On the other hand, if Japanese yen became stronger, for sales of the inventory products, the Company may be required to reduce the sales price relative to strong yen currency in accordance with market status and this will lead to reduce the difference between purchase price and sales price and thereby lead to reduced profit.

3. Business transactions with top customers

With regard to breakdown of sales based on customers (FY ending March 2009) sales amount to group companies of Nippon Telegraph and Telephone Corporation (NTT) totaled 30th percentile of the total sales. As transactions with these companies involve multiple transactions for various projects by the customers, the Company considers it improbable for all the business transactions to be concurrently terminated with the customers; however, if there is a decrease in orders accepted relative to economic slowdown, there may be detrimental effects on the business performance of the Company.

4. Responsibility when a product is found to be defective

As a network solution provider, the Company's main line of business is to deploy the total network system in response to the customers' requests. Network related products for use in customers' system deployment are procured from product vendors. The Company systematically performs screenings at product acceptance and tests before shipments for each product for quality verification purposes to ensure that delivered products are not defective. In spite of this system, any defects arising after the delivery of the products to the customers may cause the loss of customer trust. For system troubles, according to contracts signed between the Company, the customers and the vendor, based on the actual trouble and causes, either i) customer (inappropriate usage, etc.) ii) vendor of the applicable products, or iii) the Company as a network solution provider takes the responsibility. Most cases in the past have fallen under (ii) and the Company has never been in a position to provide indemnification for damages to the customers.

5. Obsolete products and securing adequate inventories

The rapidly evolving technologies in the ICT market have shortened the life cycles of our products and services. As a result, the Company must take on the risks of negative impact on business performance from obsolescence of products in inventories. As a measure against these risks, the Company applies a routine quarterly write-down or a disposition based on experience and actual results. Among the network related products that the Company offers, the demand for certain products may suddenly boost up relative to market trend and in increasing instances, the purchase must be within a short delivery period. Although the Company aims to keep an adequate level of inventories for main line of products to comply with the change in demand, shortage of products due to change in market demand that go beyond the Company's capacity may lead to business opportunities loss and negatively affect the business performance of the Company.

6. Business transactions with Cisco Systems K.K.

While technology rapidly evolves in ICT industry environment is dynamically changing at an incessant pace, as a way to respond to the wide-ranging needs of the customers through emphasizing market research and technical research and development, the Company policy is to offer multi-vendor lineup rather than provide products from a single vendor. There are no contracts that place restrictions on the Company's procurement for the Company's products line up. Presently, products of Cisco Systems K.K. make up for 50th percentile of the sales ratio; in the future, the Company aims to continue offering competitive products in multi-vendor environment.

7. Information leakage

The Company provides everything from development of network system to services with high added value for ICT market. In certain cases, the performance of our business requires that we receive confidential information such as private information etc. from our customers and perform operation. The management and protection of the Company's information asset including the aforementioned information are important business challenges and are considered the Company's social duty. In case of leakage of the Company's information asset, business may be heavily affected in terms of factors as claims for damages and loss of credibility. Mainly the "Risk Management Committee" and the "Information Security Committee" under the direct supervision of the CEO promote the maintenance, strengthening and education, etc. of the information asset management structure, and strive to raise awareness for information management to the Group companies and partner companies.

8. Management of outsourcees

The Company outsources work to partnering companies to provide the Company's network solution to the customers. The Company rigorously confirms the contract to ensure compliance with the laws. However, when problems are found with outsourcees, etc., not only will the Company face legal charges, but also face severe loss of trust from customers. As a result, there may also be decrease in sales.

9. Effect of casualties, etc.

Although the Company routinely performs disaster prevention tests and equipment inspections, this ensures neither complete nor partial prevention of disasters. For example, headquarters, Quality Assurance & Management Center and Technical Center are located at Shinagawa, Tokyo and in an event of disasters such as large earthquakes, headquarter functions, technology verification functions and logistics systems are likely to be severely impaired

10. Compliance

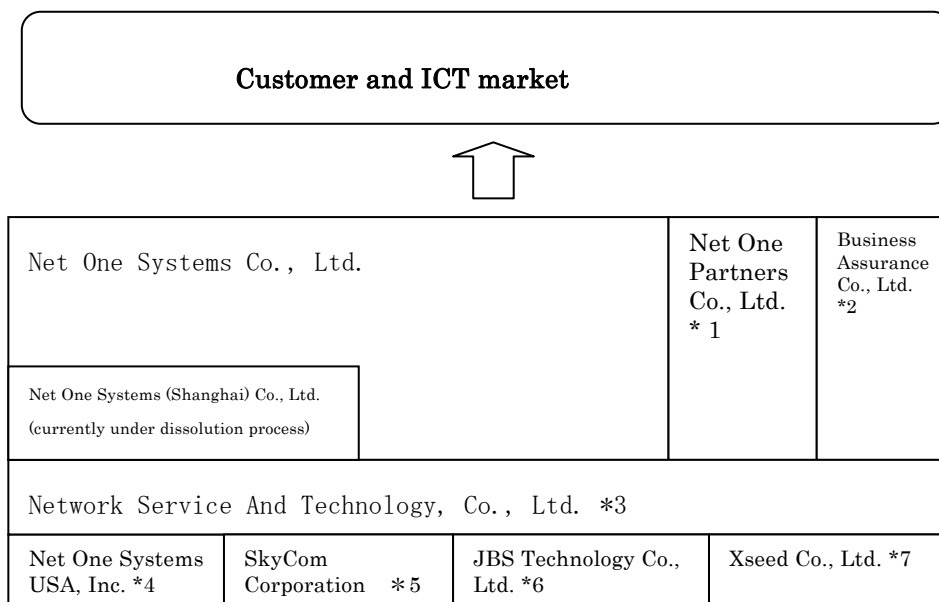
To ensure all personnel working at the Company (including dispatched employees and outsourcees) comply with laws and corporate rules, the Company undertakes to educate its personnel by way of education and seminars and for non-employees, the Company confirms compliance by way of contracts. In addition, the Company performs monitoring to track the status of compliance. However, misconduct such as non-compliance with the laws, could cause degradation of trust from customers and outside stakeholders.

2. Status of Net One Systems group

Net One Systems Group is comprised of Net One Systems Co., Ltd., five subsidiaries and three affiliated companies. The core business of Net One Systems Group is to offer everything from creation of networking system using most advanced technologies and products to providing high value added services.

Net One Partners Co., Ltd. and Network Service And Technologies Co., Ltd. are consolidated subsidiaries. JBS Technology Co., Ltd. Xseed Co., Ltd. and SkyCom Corporation are affiliate companies applying equity method. Net One Systems USA, Inc, Business Assurance Co., Ltd. and Net One Systems (Shanghai) Co., Ltd. (currently processing dissolution) are non-consolidated subsidiaries (equity method is not applied). Our group is involved in one business field and functions and business domains are indicated in following diagram.

[Business Organization Diagram]



*1 Net One Partners Co., Ltd. was established to strengthen sales force aligned with customer characteristics and region and in order to offer new business model that integrates network technologies of our group companies. By offering new service to customers that did not own its own large scale network, the Group aims to expand business scope.

*2 Business Assurance Co., Ltd. was established for security audit of customer ICT system and authentication service. We aim to create a system that is capable of providing everything from planning, design and development to operation and audit of customer's information security.

*3 Network Service And Technology Co., Ltd. plays the leading role in service business within our group and is structured to comprehensively provide everything from platform and application based on network infrastructure to operational support.

*4 Net One Systems USA, Inc. is a company that researches US network market trends and searches for advanced technologies and products. The company name has been changed from Tennoz Initiative Inc. (former corporate name.)

*5 SkyCom Corporation is a company mainly dealing with network related software development and sales.

*6 JBS Technology Co., Ltd. is a company providing resident engineer services for creation, operation and maintenance of IT environment.

*7 Xseed Co., Ltd. is a company providing consulting, creation and operational management of datacenters. It also provides commercial datacenter services.

[Product classification]

Product classification is based on product composition of network system and is comprised of Network Integration products (NI), Network Computing products (NC), Media Integration products (MI), Service Integration (SI) products.

A major part of our corporate group's business is comprised of system sales based on combination of various products.

Product Category	Description	Major products
Network Integration products (NI)	Network design Project management Product installation	Router Switch Unified communications
Network Computing products (NC)	Policy analysis, Planning, Deployment	Security device/ Authentication Load balancing device Server / Storage
Media Integration products (MI)	Wiring design, layout management Construction 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, Operation Center Consulting Installation Education Seminars

Network Integration (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 software 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 reduction of operational cost by traffic analysis/ billing management support, as well as education on management methods and newest technologies are provided.

3. Management policy

(1) Basic policy for corporate management

Our Company's management policy emphasizes customer satisfaction and shareholder satisfaction, and strives to bring happiness to employees and partners. Our Company 1) aims to gain most advanced technology and become a leading company in ICT market within Japan and 2) aims for strong growth and high profit by flexibly and quickly adjusting to rapidly changing market and aggressively expanding creation and scope of new business. In addition, the Company's basic policy is based on contributing to global environment, ICT market and community.

In accordance with this basic policy, based on the Company's most advanced technology, we aim to become a company trusted and supported by all stakeholders by striving to attain "continual growth" and "increase customer satisfaction" through creation of new business model and expansion into new market that meet the demand of the time and social needs.

In order to contribute to information communication technology (ICT) platform as a social infrastructure, in addition to network creation, our former business scope, the Company will expand the business realm to include high value added, reliable and safe ICT platform integrating video streaming, voice, data, etc based on integration of broadcast and communications. In addition, by handling virtual technology as a method for further effective usage of network system, servers and storage products which make up ICT platform, the Company will strengthen and rapidly undertake integration service business which contributes to promote efficient and effective usage of customers' ICT systems.

Under this change in market, the Company will expand the business realm to include not only the network creation which has been the Company's core business, but also everything from service to operation of high value added, reliable and safe ICT platform. In addition, by integrating aspects of virtualization technology which further promotes the efficient usage of network systems, servers and storage products, the basis of ICT platform, the Company aims to establish integration service business.

(2) Management index

Management index which our Company aims for is increasing operating profit ratio. We believe that added value conceptualized by our Company will bring forth sustained growth in profit from ICT market.

(3) Mid to long term management strategy of the Company

In order to attain continual growth in ICT market, the Company has established following policies and continues to adhere to them.

Among the three factors of ICT market (network, platform and contents) which is being discussed relative to establishment of broadcast and telecommunications integration law planned to be enforced from 2010, with the exception of contents, the Company aims to provide intellectually independent ICT platform system within ICT market and become a company providing comprehensive support for net generation network

More specifically, in addition to the Company's traditional business model of network business scope which targets sales of network products and provision of related services, by comprehensively providing everything from consultation to operational management focusing on network technology and virtual technologies in addition to development of IP applications, the Company aims to expand its business to Platform Business which provides new added value services and create a platform which can be effectively and conveniently used by customers.

(4) Issues for the Corporate Group to Address

In order to achieve both management benchmark and mid to long term management strategies, while the Company must strengthen sales force to meet the particular needs of customers based on customer characteristics and localities, develop new products and improve service menu, etc., it is imperative for the Company to continually review its positioning and remain flexible to make pertinent changes. Especially in expanding applicable business realm, in addition to former network technology information provisioning, new value added services that include even computer system and in accordance with a customer's ICT infrastructure's lifecycle from planning and design creation to operation and auditing must be provided.

For this purpose, the company requires further enhancement of education and promotion of employee education and recruiting of skilled workers are essential. We realize that we must search for partner companies capable of supporting our company's business activities while cooperatively performing business.

Based on these above measures, the Company aims to provide high value added network service that meet detailed needs of the customers and enable increased customer satisfaction and continual growth.

4. Consolidated Balance Sheet
(1) Consolidated balance sheet

(unit: million yen)

	End of previous FY (as of March 31, 2008)	End of current FY (as of March 31, 2009)
ASSETS		
Current Assets		
Cash and deposits	10,554	12,700
Notes and accounts receivable - trade	31,773	32,408
Short-term investments	14,996	9,998
Inventories	12,570	—
Merchandises	—	7,087
Goods in transit	—	552
Expenditures from uncompleted works	—	3,248
Stored goods	—	5
Deferred income taxes	908	1,337
Other current assets	2,113	3,178
Allowance for doubtful receivables	- 5	- 44
Total current assets	72,910	70,472
Fixed Assets		
Tangible assets		
Buildings	1,052	1,121
Accumulated depreciation	- 532	- 573
Buildings (net value)	519	547
Furniture, fixtures and equipment	20,196	21,960
Accumulated depreciation	- 15,437	- 16,957
Furniture, fixtures and equipment (net value)	4,758	5,002
Lease assets	3	3
Accumulated depreciation	- 3	- 3
Lease assets (net value)	0	0
Total tangible assets	5,278	5,550
Intangible assets		
Goodwill	6	2
Others	1,658	1,448
Total intangible assets	1,665	1,451
Investment and Other Assets		
Long-term investments	※1 942	※1 754
Long-term loans receivable	13	10
Deferred income taxes	2,215	2,199
Other assets	※1 1,477	※1 1,510

Allowance for doubtful receivables	- 243	- 115
Total investment and other assets	4,405	4,358
Total fixed assets	11,349	11,361
Total assets	84,259	81,833

(unit: million yen)

	End of previous FY (as of March 31, 2008)	End of current FY (as of March 31, 2009)
LIABILITIES		
Current Liabilities		
Accounts payable - trade	16,519	14,077
Lease liabilities	19	343
Accrued expenses	1,477	1,400
Accrued income taxes	1,183	3,427
Advance received	4,405	4,552
Allowance for bonuses	737	1,049
Allowance for bonuses for executives	27	135
Allowance for loss of liquidation of investments in subsidiaries	—	27
Other current liabilities	1,146	2,042
Total current liabilities	25,516	27,056
Long term liabilities		
Lease liabilities	16	356
Long-term accrued expenses	47	4
Other long-term liabilities	8	6
Total long term liabilities	72	367
Total liabilities	25,589	27,423
SHAREHOLDERS' EQUITY		
Shareholders' equity		
Capital stock	12,279	12,279
Additional paid-in capital	19,453	19,453
Accumulated earnings	33,870	37,720
Treasury stocks	- 7,702	- 16,167
Total shareholders' equity	57,900	53,286
Revaluation and translation adjustments		
Securities revaluation adjustment	55	- 12
Deferred charge from hedging instruments	- 146	126
Total revaluation and translation adjustments	- 90	114
Minority interests	860	1,009
Total net assets	58,670	54,409
Total liabilities and net assets	84,259	81,833

(2) Consolidated Income Statement

(unit: million yen)

	Previous Consolidated FY April 1, 2007 March 31, 2008	Current Consolidated FY April 1, 2008 March 31, 2009
Sales	111,687	131,119
Cost of goods sold	86,568	98,482
Gross profit on sales	25,119	32,637
Selling, general and administrative expense	※1.2 20,347	※1.2 23,756
Operating profit	4,772	8,881
Non-operating income		
Interest income	119	117
Dividends	—	1
Investment gain on equity method	—	0
Income from work from affiliated companies	1	0
Dividend from group insurance	13	36
Investment operation gain	—	9
Others	44	57
Total non-operating income	178	223
Non-operating expense		
Interest expense	0	21
Investment loss on equity method	15	—
Expense from purchase of treasury stocks	17	2
Exchange loss on foreign currencies	18	27
Inaugural expense	—	4
Business commencement expense	—	11
Investment operation loss	10	—
Other loss	0	0
Total non-operating expense	63	68
Ordinary profit	4,887	9,036
Extraordinary profit		
Profit from sales of investment securities	—	153
Reversal of allowance for doubtful receivables	1	8
Profit on change in equity	2	—
Total extraordinary profit	4	161
Extraordinary loss		

Loss from removal of fixed assets	※3	99	※3	61
Loss from sales of investment securities		0		11
Loss from sales of affiliated companies stocks		15		—
Loss from revaluation of investment securities		22		221
Provision for allowance for loss of liquidation of investments in subsidiaries		—		27
Others		—		20
Total extraordinary loss		137		342
Income before income taxes		4,754		8,856
Income taxes current		2,200		4,363
Income taxes deferred		— 54		— 553
Total income taxes		2,145		3,809
Minority interests		124		148
Current net income		2,484		4,897

(3) Consolidated statement of changes in shareholders' equity

	(unit: million yen)	
	Previous Consolidated FY	Current Consolidated FY
	April 1, 2007	April 1, 2008
	March 31, 2008	March 31, 2009
Shareholders' equity		
Capital stock		
Balance at the end of preceding period	12,279	12,279
Changes during the period		
Total changes during the period	—	—
Balance at the end of the period	12,279	12,279
Additional paid-in capital		
Balance at the end of preceding period	19,453	19,453
Changes during the period		
Total changes during the period	—	—
Balance at the end of the period	19,453	19,453
Accumulated earnings		
Balance at the end of preceding period	32,173	33,870
Changes during the period		
Dividends from accumulated earnings	- 787	- 1,046
Net income for the period	2,484	4,897
Total changes during the period	1,696	3,850
Balance at the end of the period	33,870	37,720
Treasury stocks		
Balance at the end of preceding period	- 94	- 7,702
Changes during the period		
Purchase of treasury stocks	- 7,607	- 8,465
Total changes during the period	- 7,607	- 8,465
Balance at the end of the period	- 7,702	- 16,167
Total shareholders' equity		
Balance at the end of preceding period	63,811	57,900
Changes during the period		
Dividends from accumulated earnings	- 787	- 1,046
Net income for the period	2,484	4,897
Purchase of treasury stocks	- 7,607	- 8,465
Total changes during the period	- 5,911	- 4,614
Balance at the end of the period	57,900	53,286

	Previous Consolidated FY April 1, 2007 March 31, 2008	Current Consolidated FY April 1, 2008 March 31, 2009
Revaluation and translation adjustments		
Difference in evaluation of other investment securities		
Balance at the end of the preceding period	- 2	55
Changes during the period		
Changes during the period excluding shareholders' equity (net)	58	- 67
Total changes during the period	58	- 67
Balance at the end of the period	55	- 12
Deferred charge from hedging instruments		
Balance at the end of the preceding period	29	- 146
Changes during the period		
Changes during the period excluding shareholders' equity (net)	- 175	272
Total changes during the period	- 175	272
Balance at the end of the period	- 146	126
Total evaluation and exchange adjustments		
Balance at the end of the preceding period	26	- 90
Changes during the period		
Changes during the period excluding shareholders' equity (net)	- 117	205
Total changes during the period	- 117	205
Balance at the end of the period	- 90	114
Minority interest		
Balance at the end of the preceding period	808	860
Changes during the period		
Changes during the period excluding shareholders' equity (net)	51	148
Total changes during the period	51	148
Balance at the end of the period	860	1,009
Total net assets		
Balance at the end of the preceding period	64,647	58,670
Changes during the period		
Dividends from surplus	- 787	- 1,046
Current net income	2,484	4,897
Purchase of treasury stocks	- 7,607	- 8,465
Changes during the period excluding shareholders' equity (net)	- 65	354
Total changes during the period	- 5,977	- 4,260
Balance at the end of the period	58,670	54,409

(4) Consolidated Cash Flow Statement

(unit: million yen)

	Previous Consolidated FY April 1, 2007 March 31, 2008	Current Consolidated FY April 1, 2008 March 31, 2009
Cash flow from operating activities		
Current net income before taxes	4,754	8,856
Depreciation and amortization	2,899	3,192
Amortization of goodwill	3	3
Increase or decrease in allowance for bonus (- indicates decrease)	100	311
Increase or decrease in allowance for executives' bonus (- indicates decrease)	4	107
Increase or decrease in allowance for doubtful accounts (- indicates decrease)	22	- 89
Increase or decrease in allowance for loss of liquidation of investments in subsidiaries (- indicates decrease)	-	27
Interests and dividends income	- 119	- 118
Equity in losses of affiliates (- indicates gain)	15	- 0
Interest payment	0	21
Loss from removal of fixed assets	99	61
Gain or loss from sales of investment securities (- indicates gain)	0	- 141
Gain or loss from sales of affiliated company stocks (- indicates gain)	15	-
Gain or loss on revaluation of investment securities (- indicates loss)	22	221
Increase or decrease in accounts receivable (- indicates increase)	- 343	- 359
Increase or decrease in inventories (- indicates increase)	- 1,986	1,676
Increase or decrease of accrued consumption tax receivable (- indicates increase)	-	- 6
Increase or decrease of other current assets (- indicates increase)	- 321	- 630
Increase or decrease of purchase liabilities (- indicates decrease)	4,247	- 2,441
Increase or decrease of accrued consumption tax payable (- indicates decrease)	- 125	641
Increase or decrease of other current liabilities (- indicates decrease)	276	771
Others	- 157	- 96
Sub-total	9,408	12,009
Interests and dividends received	114	117
Interest paid	- 0	- 21
Income taxes paid	- 1,905	- 2,143
Others	56	52
Net cash provided by operating activities	7,674	10,014
Cash flow from investing activities		
Expenditure from purchase of tangible fixed assets	- 2,716	- 2,314
Expenditure from purchase of intangible fixed assets	- 429	- 584
Expenditure from purchase of investment securities	- 200	-
Proceeds from sell-off of investment securities	28	168
Payment for establishment of subsidiary	-	- 50
Expenditure from purchase of affiliated company stocks	- 70	- 86
Expenditure from loan	- 12	- 11

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Proceeds from collection of loan	9	11
Expenditure from payment of initial investment	- 3	- 0
Proceeds from collection of initial investment	26	2
Others	- 96	- 190
Net cash used in investing activities	- 3,465	- 3,055
Cash flow from financing activities		
Expenditure from payment of lease liabilities	- 2	- 299
Expense for purchase of treasury stocks	- 7,624	- 8,467
Dividends paid	- 785	- 1,044
Net cash provided by (used in) financing activities	- 8,412	- 9,811
Net increase or decrease in cash and cash equivalents (- indicates decrease)	- 4,203	- 2,852
Beginning balance of cash and cash equivalents	29,754	25,550
Ending balance of cash and cash equivalents	※ 25,550	※ 22,698

4. Matters related to accounting policies

(1) Valuation standard and valuation method for significant assets

1. Securities

Other securities

Securities with market value Market value method based on market value on closing date
(Accounting for differences in valuation is total direct casting equity method and for selling cost of securities, moving average method is applied.)

Securities without market value Cost accounting method using moving average method or amortized cost method (fixed amount method)

2. Derivatives

Market value

3. Inventories

Merchandises Cost accounting method using moving average method (amount on balance sheet has been calculated based on write-down method relative to decrease in profitability)

Uncompleted works Cost accounting method using individual method (amount on balance sheet has been calculated based on write-down method relative to decrease in profitability)

(2) Accounting method for significant depreciation of depreciable assets

1. Fixed assets (excluding lease assets)

Declining balance method is applied, with an exception of lease assets which employs straight line method. Significant assets lives are:

Buildings	3-26 years
Furniture, fixtures and equipment	2-20 years
Lease assets	6 years

2. Intangible assets (excluding lease 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. Lease assets

Lease assets relating to finance lease where assets are expected to transfer to the debtor

The method applied for depreciation of corporate owned fixed assets is applied.

Lease assets relating to finance lease where assets are not expected to transfer to the debtor

Straight line method with lease terms as asset lives and residual value as zero is applied.

Among the finance lease products where ownership is not expected to transfer to the debtor, for those with lease transaction start dates which were prior to March 31, 2008, accounting policy for general lease transactions continues to be applied.

(3) Accounting method for accrual of significant allowance

1. 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.

2. Allowance for bonuses

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

3. Allowance for bonuses for executives

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

4. Allowance for loss from liquidation of affiliated company

Allowance for expected loss is recorded through consideration of our company's financial conditions. This allowance prepares for loss relative to liquidation of affiliated company.

(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 closing date and exchange difference is processed as gain or loss.

(5) Significant hedge accounting method

1. Hedge accounting method

Carry over hedge accounting is applied. For Exchange Contract when requirements for allocation procedure are met, allocation procedure is applied.

2. Hedge procedure and subject

Hedge Procedure : Exchange Contract

Subject to hedge : Planned foreign currency transactions

3. 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.

4. Hedge efficiency valuation policy

For Exchange Contract, which is considered to have high hedge efficiency, efficiency valuation has been omitted.

(6) Other important items that serve as a basis for creation of consolidated financial statements

Accounting policy for consumption tax. etc.

Pre-tax method is applied for consumption tax and local consumption tax

5. Items relating to evaluation of assets and liabilities of consolidated subsidiaries

Market value method is applied to all evaluation of assets and liabilities for consolidated subsidiaries.

6. Items relating to amortization of goodwill and negative goodwill.

Goodwill and negative goodwill are amortized over five (5) years using a straight line method.

7. Scope of assets in consolidated cash flow statements

Cash on hand, deposit that can be withdrawn as needed and short term investment with redemption term of no more than three months that can be easily cashed with minimal price fluctuation risk

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

(Accounting policy for inventories assets)

From current consolidated FY, the company adopted “Accounting Standard for Measurement of Inventories” (Corporate Accounting Standard No. 9, July 5, 2006). There are no effects on profit and loss relative to this change.

(Accounting policy for lease transactions)

In the past, with regard to finance lease products where ownership is not expected to transfer to the debtor, accounting policy in compliance with lease transactions was applied. However, from current consolidated FY, “Accounting Standard for Lease Transactions” (Corporate Accounting Standard No. 13, June 17, 1993 (Accounting Standards Board of Japan), Revised on March 30, 2007) and “Guidance on Accounting Standard for Lease Transactions” (Corporate Accounting Standard No. 16 (The Japanese Institute of Certified Public Accountants Accounting Practice Committee) January 18, 1994, revised on March 30, 2007) were applied and accounting process for general sales transactions were applied for lease transactions.

Among the finance lease products where ownership was not expected to transfer to the debtor, for those with lease transaction start dates which are prior to the first year of applicability of revised accounting policy, accounting policy for general lease transactions continues to be applied. As a result, in comparison to the former method, the effects on assets and liabilities as well as income are minimal.

(Change in presentation)

Relative to application of Cabinet Office Ordinance for partial revision of Regulation for Terminology, Forms and Preparation of Financial Statements (Cabinet Office Ordinance No. 50, August 7, 2008), inventory assets in previous consolidated FY were reclassified under merchandises, goods in transit, expenditures from uncompleted works, and stored goods.

The inventory assets comprised of merchandises, goods in transit, expenditures from uncompleted works and stored goods were 8,920M yen, 394M yen, 3,248M yen and 6M yen respectively.

Notable Matters

(Matters Related to Consolidated Balance Sheet)

(unit: million yen)

End of previous FY (March 31, 2008)	End of current FY (March 31, 2009)
<p>* (1) Matters regarding non-consolidated subsidiaries and affiliated companies</p> <p>Investment securities (stocks) 252 (Other investment assets) Others(Capital) 104</p> <p>(2) Overdraft contract</p> <p>In order to efficiently procure operating fund, overdraft contract has been signed with 4 company banks. End of term balance for unused credit is as follows.</p> <p>Maximum amount of the overdraft and loan commitment 21,200 Amount loaned —</p> <hr/> <p>End balance 21,200</p>	<p>* (1) Matters regarding non-consolidated subsidiaries and affiliated companies</p> <p>Investment securities (stocks) 389 (Other investment assets) Others (Capital) 104</p> <p>(2) Overdraft contract</p> <p>In order to efficiently procure operating fund, overdraft contract has been signed with 4 company banks. End of term balance for unused credit is as follows.</p> <p>Maximum amount of the overdraft and loan commitment 21,200 Amount loaned —</p> <hr/> <p>End balance 21,200</p>

(Matters related to consolidated income statements)

(unit: million yen)

Previous FY interim period (April 1, 2007 to March 31, 2008)	Current FY interim period (April 1, 2008 to March 31, 2009)
<p>* (1) Expenses and amounts for major items under selling, general and administrative expenses</p> <p>Allowance for Compensation 8,062 Allocation of allowance for bonuses 571 Allocation of allowance for bonuses for executives 27 Allocation of allowance for do receivables 24 Rental expense 1,853 Expense for depreciation 1,305 Amortization of goodwill 3</p> <p>* (2) Total Research and development expense included in general administrative expense</p> <p>Research and 2,251</p>	<p>* (1) Expenses and amounts for major items under selling, general and administrative expenses</p> <p>Allowance for Compensation 8,732 Allocation of allowance for bonuses 815 Allocation of allowance for bonuses for executives 135 Allocation of allowance for do receivables 151 Rental expense 2,076 Expense for depreciation 1,415 Amortization of goodwill 3</p> <p>* (2) Total Research and development expense included in general administrative expense</p> <p>Research and 2,515</p>

* (3) Items under loss from removal of fixed assets		* (3) Items under loss from removal of fixed assets	
Buildings	55	Buildings	13
Tools, fixtures, and Equipment	17	Tools, fixtures, and Equipment	48
Tangible fixed assets (Others)	26	<u>Total</u>	<u>61</u>
<u>Total</u>	<u>99</u>		

(Matters related to consolidated statement of change in shareholders' equity)
Previous FY (April 1, 2007 to March 31, 2008)

1. Items regarding types and number of issued shares and types and number of treasury stocks as of the end of consolidated FY

	Number of shares at the end of previous FY	Number of shares increased during the current FY interim period	Number of shares decreased during the current FY interim period	Number of shares at the end of the current FY interim period
Issued stocks				
Common stocks	551,900	—	—	551,900
Total	551,900	—	—	551,900
Treasury stocks				
Common stocks	211	—	—	53,355
Total	211	—	—	53,355

(Note) The increase in common stocks of treasury stocks is due to purchase of 11,819 shares and 41,324 shares and 0.8 fractional share relative to resolutions of board of directors dated June 27, 2007 and July 30, 2007 respectively.

2. Items regarding stock options and warrants

There are no applicable shares.

3. Items regarding dividends

(1) Cash dividends paid

Date of declaration	Types of shares	Total cash dividends (M yen)	Cash dividend per share (yen)	Date of record	Effective date
June 22, 2007 Ordinary general meeting of shareholders	Common stocks	413	750	March 31, 2007	June 25, 2007
October 29, 2007 Board of directors meeting	Common stocks	413	750	September 30, 2007	November 30, 2007

(2) Among the dividends within current consolidated FY, those having effective date in next consolidated FY interim period.

Date of declaration	Types of shares	Total cash dividends (M yen)	Dividend resource	Cash dividend per share (yen)	Date of record	Effective date
June 25, 2008 Ordinary general meeting of shareholders	Common stocks	623	Earned surplus reserve	1,250	March 31, 2008	June 26, 2008

(Note) Dividends per share includes 20th anniversary commemorative dividends of 500 yen.

Current FY (April 1, 2008 to March 31, 2009)

1. Items regarding types and number of issued shares and types and number of treasury stocks as of the end of consolidated FY

	Number of shares at the end of	Number of shares increased	Number of shares decreased	Number of shares at the end of the
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	previous FY	during the current FY interim period	during the current FY interim period	current FY interim period
Issued stocks				
Common stocks	551,900	—	—	551,900
Total	551,900	—	—	551,900
Treasury stocks				
Common stocks	53,355	50,000	—	103,355
Total	53,355	50,000	—	103,355

(Note) The increase in number of common stocks of treasury stocks is due to purchase of 50,000 shares relative to resolution of board of directors dated December 10, 2008.

2. Items regarding stock options and warrants

There are no applicable shares.

3. Items regarding dividends

(1) Cash dividends paid

Date of declaration	Types of shares	Total cash dividends (M yen)	Cash dividend per share (yen)	Date of record	Effective date
June 25, 2008 Ordinary general meeting of shareholders	Common stocks	623	1,250	March 31, 2008	June 26, 2008
October 29, 2008 Board of directors meeting	Common stocks	423	850	September 30, 2008	November 28, 2008

(2) Among the dividends within current consolidated FY, those having effective date in next consolidated FY interim period. This will be resolved in June 24, 2009

Date of declaration	Types of shares	Total cash dividends (M yen)	Cash dividend per share (yen)	Date of record	Effective date	Date of declaration
June 24, 2008 Board of directors' meeting	Common stocks	1,054	Accumulated earnings	2,350	March 31, 2009	June 25, 2009

(Matters related to Consolidated Cash Flow)

(unit: million yen)

Previous Consolidated FY Period April 1, 2007 to March 31, 2008	Previous Consolidated FY Period April 1, 2008 to March 31, 2009
The relationship between cash and cash equivalents in balance at the end of FY and amounts indicated in items in Consolidated Balance Sheet. (as of March 31, 2008)	The relationship between cash and cash equivalents in balance at the end of FY and amounts indicated in items in Consolidated Balance Sheet. (as of March 31, 2009)
Cash and Deposit Account 10,554	Cash and Deposit Account 12,700
Short-term investments expected to be redeemed within 3 months of acquisition (securities) 14,996	Short-term investments expected to be redeemed within 3 months of acquisition (securities) 9,998
Cash and Cash Equivalents 25,550	Cash and Cash Equivalents 22,698

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(Segment Information)

1. Segment information by business category

Previous consolidated FY (April 1, 2007 to March 31, 2008) and current consolidated FY (April 1, 2008 to March 31, 2009)

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.

2. Segment information by location

Previous consolidated FY (April 1, 2007 to March 31, 2008) and current consolidated FY (April 1, 2008 to March 31, 2009)

As there are no significant subsidiaries or foreign office outside Japan, there are no comments that fall in this category.

3. Oversea sales

Previous consolidated FY (April 1, 2007 to March 31, 2008) and current consolidated FY (April 1, 2008 to March 31, 2009)

Oversea sales have been omitted as oversea sales account for less than 10% of the consolidated sales.

(Matters related to tax effect accounting)

1. Breakdown based on basis for accrual for deferred income tax assets and deferred income tax liabilities

	Previous Consolidated FY (as of March 31, 2008)	(unit: Million yen) Current Consolidated FY (as of March 31, 2009)
Deferred income tax assets (current)		
Business tax payable	108	266
Allowance for bonuses	300	426
Loss on devaluation of inventories	—	164
Loss on disposal of and devaluation of inventories	166	—
Gain or loss on deferred hedge	100	—
Others	232	567
Total deferred income tax assets (current)	908	1,424
Deferred income tax liabilities (current)		
Gain or loss on deferred hedge	—	- 86
Others	- 0	- 0
Total deferred income tax liabilities (current)	- 0	- 86
Total net deferred income tax assets (current)	908	1,337
Deferred income tax assets (non-current)		
Allowance for depreciation of tools, fixtures and equipment	1,762	1,743
Software fee	293	382
Allowance for doubtful receivables	18	6
Outstanding retirement benefit for executives	19	—
Loss from revaluation of investment securities	132	113
Unrealized gain or loss on other securities	7	8
Others	88	70
Sub-total net deferred income tax assets (non-current)	2,321	2,324
Valuation reserve	- 105	- 125
Total net deferred income tax assets (non-current)	2,215	2,199

2. Breakdown of significant items that lead to difference between statutory effective tax rate and contribution percentage of corporation tax etc. after applying tax effect accounting, when difference was significant.

Previous Consolidated FY (as of March 31, 2008)			Current Consolidated FY (as of March 31, 2009)		
Statutory effective tax rate (adjustment)	40.69	(%)	Statutory effective tax rate (adjustment)	40.69	(%)
Entertainment expenses etc. not qualifying for deduction	1.51		Entertainment expenses etc. not qualifying for deduction	1.67	
Local tax on per capita basis etc.	0.64		Local tax on per capita basis etc.	0.34	
Increase in amount of allowance	2.22		Increase in amount of allowance	0.22	
Others	0.07		Others	0.10	
Contribution percentage of income taxes (corporation tax etc.) after applying tax effect accounting	45.13		Contribution percentage of income taxes (corporation tax etc.) after applying tax effect accounting	43.02	

(Matters related to Marketable Securities)

(Previous Consolidated FY) (as of March 31, 2007)

1. Marketable securities intended for sales

There are no applicable shares.

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

There are no applicable shares.

3. Other securities with market value

(unit: million yen)

	Type	Acquisition value	Amount accrued in consolidated balance sheet	Variance
Items with acquisition value that exceeds the amount accrued in consolidated balance sheet	Stocks	9	119	110
Total		9	119	110

4. Bonds intended to be held until maturity date and sold during current FY

There are no applicable shares.

5. Other securities sold during current consolidated FY (April 1, 2007 to March 31, 2008)

(unit: million yen)

Sales amount	Total gain on sales	Total loss on sales
28	-	0

6. Breakdown of significant securities without market value

(unit: million yen)

	Amount accrued in consolidated balance sheet
(1) Bonds intended to be held until maturity date	-
(2) Other marketable securities	570
Unlisted stocks	5,996
Commercial paper	9,000
Negotiable deposit	

(Note) As deduction process (22M yen) was applied to unlisted stocks under marketable securities, the indicated amount is the amount subsequent to applying deduction process.

With regard to applicable share's deduction, when net income per share drops by 30% or more relative to per share acquisition cost, deduction process was applied after considering the possibility of market value recovery.

7. Expected redemption value for other marketable securities having maturity date and bonds intended to be held until maturity date

(unit: million yen)

	Within 1 year	Over 1 year and less than 5 years	Over 5 years and less than 10 years	Over 10 years

1. Bonds				
(1) Government/local government bonds, etc.	—	—	—	—
(2) Corporate bond	—	—	—	—
(3) Others	—	—	—	—
2. Others	14,996	—	—	—
Total	14,996	—	—	—

(Current Consolidated FY) (as of March 31, 2009)

1. Marketable securities intended for sales
There are no applicable shares.
2. Bonds with marketable value intended to be held until maturity date
There are no applicable shares.
3. Other securities with market value
There are no applicable shares.
4. Bonds intended to be held until maturity date and sold during current FY
There are no applicable shares.

5. Other securities sold during current consolidated FY (April 1, 2008 to March 31, 2009)
(unit: million yen)

Sales amount	Total gain on sales	Total loss on sales
168	153	11

6. Breakdown of significant securities without market value
(unit: million yen)

	Amount accrued in consolidated balance sheet
(1) Bonds intended to be held for full term	—
(1) Other marketable securities	
Unlisted stocks	364
Commercial paper	2,998
Negotiable deposit	7,000

(Note) As detraction process (221M yen) was applied to unlisted stocks under marketable securities, the indicated amount is the amount subsequent to applying detraction process.

With regard to applicable share's detraction, when net income per share drops by 30% or more relative to per share acquisition cost, detraction process was applied after considering the possibility of market value recovery.

7. Expected redemption value for other marketable securities having maturity date and bonds intended to be held until maturity date
(unit: million yen)

	Within 1 year	Over 1 year and less than 5 years	Over 5 years and less than 10 years	Over 10 years
1. Bonds				
(1) Government/ Local government bonds, etc.	—	—	—	—
(2) Corporate Bond	—	—	—	—
(3) Others	—	—	—	—
2. Others	9,998	—	—	—
Total	9,998	—	—	—

(Significant events relating subsequent to the end of the FY)

Previous consolidated FY (April 1, 2007 to March 31, 2008)

No significant changes.

Previous consolidated FY (April 1, 2008 to March 31, 2009)

(Corporate split)

1. Name of the business that was the subject of corporate split

Our Company's Partner Business

2. Legal method of corporate combination

Simplified absorption-type company split with Net One Partners Co., Ltd. being the succeeding company

3. Name of the company after the combination

Net One Partners Co., Ltd.

4. Overview of the transaction including purpose of the transaction

Our Company's Partner Business was succeeded to our Company's wholly owning subsidiary, Net One Partners Co., Ltd. by way of corporate split (simplified absorption type split), effective as of January 1, 2009. Through cooperation with partner companies, this transaction aims to ensure continual growth of our Company group and to develop new market and customers which could not be targeted before.

5. Overview of the accounting process applied

Transaction was processed as a jointly-controlled transaction based on "Accounting Standard for Business Combinations" (Business Accounting Council on October 31, 2003) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (Accounting Standards Board of Japan Guidance No. 10, final amendment publicized on November 15, 2007). Relative to this transaction, there were no effects on this on consolidated financial statements.

(Per share information)

Previous consolidated FY April 1, 2007 to March 31, 2008	Current consolidated FY April 1, 2008 to March 31, 2009
Net assets amount per share 115,956.89 yen Current net income per share 4,797.85 yen	Net assets amount per share 119,053.27 yen Current net income per share 10,133.09 yen
Net income per share assuming full dilution is not indicated as there were no dilutive shares.	Net income per share assuming full dilution is not indicated as there were no dilutive shares.

(Note) 1 Basis for calculation of net assets amount per share is as follows.

	End of the previous consolidated FY (March 31, 2008)	End of the current consolidated FY (March 31, 2009)
Total net assets (Million yen)	58,670	54,409
Amount of deduction from total net assets (Million yen)	860	1,009
(Minority interests)	(860)	(1,009)
Total assets (Million yen) related to common stocks at the end of the term	57,809	53,400
Number of common stocks used for the calculation of net assets per share	498,545	448,545

(Note) 2 Basis for calculation of current net assets amount per share is as follows.

	Previous consolidated FY (April 1, 2007 to March 31, 2008)	Current consolidated FY (April 1, 2008 to March 31, 2009)
Current net assets (Million yen)	2,484	4,897
Amount not included in common stocks (Million yen)	—	—
Current net income related to common stocks (Million yen)	2,484	4,897
Average number of stocks during the term	517,802	483,339

(Significant events subsequent to the end of the FY)

Previous consolidated FY (April 1, 2007 to March 31, 2008)

(Establishment of a subsidiary)

The Company has resolved to establish the following subsidiary at Board of Director's meeting on April 25, 2008.

1. Overview of the subsidiary to be established

- | | |
|------------------------------|---|
| (1) Corporate Name | Business Assurance Co., LTD. |
| (2) Location of headquarters | Shiagawa-Ku, Tokyo |
| (3) Date of establishment | May 2008 (scheduled date) |
| (4) Business contents | Monitoring of security systems, provision of third party audits and authentications for ISMS/ITSMS screening registration |
| (5) Capital | 50M yen |
| (6) Ratio of capital | 100% owned by the Company |

2. Purpose of establishment

The purpose of establishing a new company is to create a system to comprehensively offer customers everything from planning, designing and creating to operation and management of information security on a one-stop basis.

Current consolidated FY (April 1, 2008 to March 31, 2009)

No significant changes.

(Omitting disclosure)

Notable matters regarding lease transactions, transactions with related companies, derivative transactions, and allowance for retirement benefits, have been omitted as their disclosure within financial statements is not considered significant

As our consolidated Group segment information is unitary, sales, amount of orders accepted, and backlog of unfilled orders are indicated by their product category.

Orders accepted by product category

(unit: million yen)

	Previous Consolidated FY April 1, 2007 to March 31, 2008		Current Consolidated FY April 1, 2008 to March 31, 2009		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network Integration Products	70,725	60.3	82,767	63.3	12,041	17.0
Network Computing Products	2,388	2.0	2,729	2.1	341	14.3
Media Integration Products	9,459	8.1	10,377	7.9	917	9.7
Service Integration Products	34,772	29.6	34,946	26.7	174	0.5
Total	117,345	100.0	130,821	100.0	13,475	11.5

Sales by product category

(unit: million yen)

	Previous Consolidated FY April 1, 2007 to March 31, 2008		Current Consolidated FY April 1, 2008 to March 31, 2009		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network Integration Products	68,395	61.2	83,618	63.8	15,223	22.3
Network Computing Products	2,233	2.0	2,496	1.9	262	11.8
Media Integration Products	10,302	9.2	9,154	7.0	- 1,148	- 11.1
Service Integration Products	30,757	27.6	35,850	27.3	5,093	16.6
Total	111,687	100.0	131,119	100.0	19,431	17.4

Backlog of unfilled orders by product category

(unit: million yen)

	End of previous Consolidated FY (as of March 31, 2008)		End of previous Consolidated FY (as of March 31, 2009)		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network Integration Products	12,982	32.9	12,131	30.9	- 851	- 6.6
Network Computing Products	513	1.3	746	1.9	232	45.4
Media Integration Products	1,824	4.6	3,048	7.8	1,223	67.0
Service Integration Products	24,174	61.2	23,271	59.4	- 903	- 3.7
Total	39,494	100.0	39,196	100.0	- 298	- 0.8

5. (Reference) Non-consolidated financial statements

(1) Comparative balance sheet

(unit: million yen)

	End of previous FY (as of March 31, 2008)	End of current FY (as of March 31, 2009)
ASSETS		
Current Assets		
Cash and deposits	8,768	9,711
Note receivables	720	766
Account receivables	30,764	31,337
Securities	14,996	9,998
Commercial goods	8,920	7,087
Goods in transit	394	552
Uncompleted works	3,252	3,254
Inventory goods	6	5
Advanced payment	4	3
Prepaid expense	1,945	2,690
Deferred income taxes	763	1,077
Short term loans	2	4
Others	136	590
Allowance for doubtful receivables	- 6	- 45
Total current assets	70,671	67,035

	(unit: million yen)	
	End of previous FY (as of March 31, 2008)	End of current FY (as of March 31, 2009)
Fixed Assets		
Tangible Fixed Assets		
Buildings	919	959
Accumulated depreciation	- 531	- 544
Buildings (net value)	388	415
Furniture, fixtures, and Equipment	13,718	15,306
Accumulated depreciation	- 9,726	- 10,918
Furniture, fixtures, and Equipment (net value)	3,991	4,388
Lease assets	3	3
Accumulated depreciation	- 3	- 3
Lease assets (net value)	0	0
Total tangible fixed assets	4,380	4,804
Intangible assets		
Software	1,254	1,013
Others	0	0
Total intangible fixed assets	1,255	1,013
Investment and Other Assets		
Investment securities	690	364
Stocks of affiliated companies	1,343	2,279
Investment in capital	64	34
Investment in affiliated company	104	104
Long term loans to employees	13	10
Receivables from insolvent companies	243	115
Long term prepaid expense	9	7
Deferred income tax assets	1,303	1,368

Security deposits	795	925
Others	17	95
Allowance for doubtful receivables	- 243	- 115
Total investment and other assets	4,342	5,191
Total fixed assets	9,977	11,008
Total Assets	80,648	78,044

(unit: million yen)

	Previous FY (as of March 31, 2008)	Current FY (as of March 31, 2009)
LIABILITIES		
Current liabilities		
Accounts payable	16,510	14,252
Lease liabilities	19	343
Miscellaneous accounts payable	1,039	1,175
Accrued expenses	612	1,103
Accrued corporation tax etc.	973	3,176
Consumption tax etc. Payable	40	634
Advance received	3,756	3,935
Deposit received	74	80
Allowance for bonuses	491	720
Allowance for bonuses for executives	18	124
Allowance for loss from dissolution of subsidiary	—	27
Others	310	22
Total current assets	23,845	25,596
Fixed liabilities		
Lease liabilities	16	356
Long term miscellaneous account	42	—
Total fixed liabilities	59	356
Total liabilities	23,905	25,953
Shareholders' equity		
Shareholders' equity		
Capital stock	12,279	12,279
Additional paid-in Capital		
Capital reserve	19,453	19,453
Total capital reserve	19,453	19,453
Earned surplus		
Earned surplus reserve	86	86
Other earned surplus		
Other reserve	29,600	31,240
Earned surplus carried forward	3,117	5,084
Total earned surplus	32,804	36,411
Accumulated earnings		

Treasury stocks	- 7,702	- 16,167
Total shareholders' equity	56,834	51,976
Revaluation and translation adjustments		
Unrealized gain or loss on securities	55	- 12
Gain or loss on deferred hedge	- 146	126
Total revaluation and translation adjustments	- 90	114
Total shareholders' equity	56,743	52,091
Total Liabilities, Shareholders' Equity	80,648	78,044

(2) Income statement

(unit: million yen)

	Previous FY April 1, 2007 to March 31, 2008	Previous FY April 1, 2008 to March 31, 2009
Sales	109,873	129,494
Cost of goods sold	87,547	100,082
Gross profit on sales	22,326	29,411
Selling, general and administrative expenses	18,411	21,306
Operating profit	3,914	8,105
Non-operating profit		
Interest Income	28	23
Dividends from marketable securities	93	93
Dividends	—	1
Income from work from affiliated companies	5	48
Dividend from group insurance	13	32
Investment operation gain	—	9
Others	40	56
Total non-operating profit	181	265
Non-operating expense		
Interest expense	0	21
Expense for purchase of treasury stocks	17	2
Exchange loss on foreign currencies	18	27
Investment operation loss	10	—
Others	1	0
Total non-operating expenses	47	51
Ordinary profit	4,047	8,319
Extraordinary profit		
Profit on sales of investment securities	—	153
Reversal of allowance for doubtful receivables	1	8
Profit on liquidation of affiliated company	191	—
Total extraordinary profits	192	161
Extraordinary loss		
Loss from removal of fixed assets	10	60
Loss from sales of investment securities	0	11

Loss from sales of affiliated companies stocks	15	—
Loss from revaluation of investment securities	22	221
Provision for allowance for loss from dissolution of subsidiary	—	27
Others	—	20
Total extraordinary losses	47	340
Income before income taxes	4,192	8,141
Income taxes current	1,956	4,006
Income taxes deferred	- 140	- 519
Total income taxes	1,815	3,487
Current net income	2,377	4,653

(3) Statements of changes in shareholders' equity

	(unit: million yen)	
	Previous Consolidated FY	Current Consolidated FY
	April 1, 2007 March 31, 2008	April 1, 2008 March 31, 2009
Shareholders' equity		
Capital stocks		
Balance at the end of preceding period	12,279	12,279
Changes during the period		
Total changes during the period	—	—
Balance at the end of the period	12,279	12,279
Additional paid-in capital		
Earned surplus reserve		
Balance at the end of the preceding period	19,453	19,453
Changes during the period		
Total changes during the period	—	—
Balance at the end of the period	19,453	19,453
Total additional paid-in capital		
Balance at the end of preceding period	19,453	19,453
Changes during the period		
Total changes during the period	—	—
Balance at the end of the period	19,453	19,453
Earned surplus		
Earned surplus reserve		
Balance at the end of the preceding period	86	86
Changes during the period		
Total changes during the period	—	—
Balance at the end of the period	86	86
Other earned surplus		
Reserve for special depreciation		
Balance at the end of the preceding period	2	—
Changes during the period		
Reversal of reserve for special depreciation	- 2	—
Total changes during the period	- 2	—
Balance at the end of the period	—	—
Other reserve		
Balance at the end of the preceding period	27,920	29,600

Changes during the period		
Accumulated other reserve	1,680	1,640
Total changes during the period	1,680	1,640
Balance at the end of the period	29,600	31,240
Earned surplus carried forward		
Balance at the end of the preceding period	3,205	3,117
Changes during the period		
Reversal of reserve for special depreciation	2	—
Accumulated other reserve	- 1,680	- 1,640
Dividends from surplus	- 787	- 1,046
Current net income	2,377	4,653
Total changes during the period	- 87	1,966
Balance at the end of the period	3,117	5,084

(unit: million yen)		
	Previous Consolidated FY April 1, 2007 March 31, 2008	Current Consolidated FY April 1, 2008 March 31, 2009
Total earned surplus		
Balance at the end of the preceding period	31,214	32,804
Changes during the period		
Reversal of reserve for special depreciation	—	—
Accumulated other reserve	—	—
Dividends from surplus	- 787	- 1,046
Current net income	2,377	4,653
Total changes during the period	1,589	3,606
Balance at the end of the period	32,804	36,411
Treasury stocks		
Balance at the end of the preceding period	- 94	- 7,702
Changes during the period		
Purchase of treasury stocks	- 7,607	- 8,465
Total changes during the period	- 7,607	- 8,465
Balance at the end of the period	- 7,702	- 16,167
Total shareholders' equity		
Balance at the end of the preceding period	62,852	56,834
Changes during the period		
Dividends from surplus	- 787	- 1,046
Current net income	2,377	4,653
Purchase of treasury stocks	- 7,607	- 8,465
Total changes during the period	- 6,018	- 4,858
Balance at the end of the period	56,834	51,976
Revaluation and translation adjustments		
Unrealized gain or loss on securities		
Balance at the end of the preceding period	- 2	55
Changes during the period		
Changes during the period excluding shareholders' equity (net)	58	- 67
Total changes during the period	58	- 67
Balance at the end of the period	55	- 12
Deferred charge from hedging instruments		
Balance at the end of the preceding period	29	- 146
Changes during the period		
Changes during the period	- 175	272
Total changes during the period	- 175	272

Balance at the end of the period	- 146	126
Total revaluation and translation adjustments		
Balance at the end of the preceding period	26	- 90
Changes during the period		
Changes during the period excluding shareholders' equity (net)	- 117	205
Total changes during the period	- 117	205
Balance at the end of the period	- 90	114
Total net assets		
Balance at the end of the preceding period	62,879	56,743
Changes during the period		
Dividends from surplus	- 787	- 1,046
Current net income	2,377	4,653
Purchase of treasury stocks	- 7,607	- 8,465
Changes during the period excluding shareholders' equity (net)	- 117	205
Total changes during the period	- 6,135	- 4,652
Balance at the end of the period	56,743	52,091

(4) Events or status leading to significant doubt on the premise of a going concern

No applicable matters.

6. Others

Changes in executives

(1) Change in representative

No applicable matters.

(2) Changes in other executives

1. New candidate for director

Director Kunio Kawakami (currently advisor to Kandenko Co., Ltd, special advisor, Director of Tepco Systems Corporation.

(Note) New candidate for director, Kunio Kawakami is an outside director set out by Article 2, Item 15 of Corporation Law.

2. Director expected to retire

Director Masao Ikeya

(3) Expected date of assumption of office

June 24, 2009