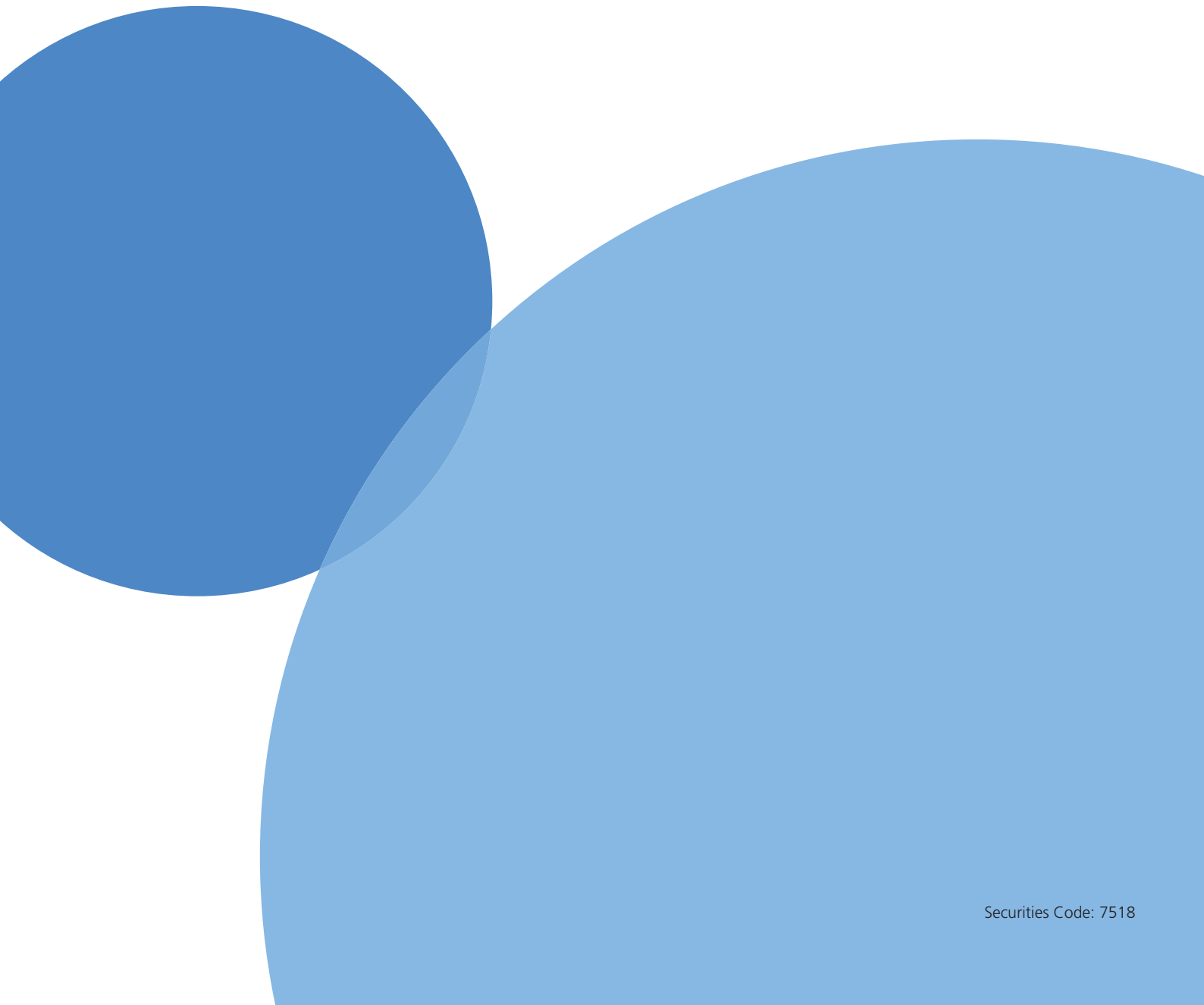


Net One Report 2010

Six months ended September 30, 2009





Takayuki Yoshino
President & CEO

Allow me to extend my sincerest gratitude to our shareholders, and my wishes for their continued success.

It is my pleasure to present the Net One Report for the six months ended September 2009. The management policy of the Net One Systems Co., Ltd. Group (“the Group”) is designed to guide us toward “continual growth” and “increased customer satisfaction.” Our strategies focus on four main ideas: (1) differentiation in our Network Business, which is the core business of the Group; (2) expansion of our proprietary XOC (Expert Operations Center) Services Business; (3) stronger positioning of our Platform Business, which is oriented mainly toward data centers; and (4) further growth in our Unified Communications Business.

To successfully execute these strategies, first of all, we entered a strategic business alliance with US based Brocade Communications Systems Inc. in the first half of fiscal 2010, ending March 31, 2010. Brocade has established itself as the overwhelming leader in open base comprehensive data center networks including everything from servers to storage. The collaboration with the Group’s network technology will facilitate responses to the requirements for performance, reliability, expandability, security and virtualization that are in particular demand for the cloud computing environment, where large-scale growth is expected in the future. By harnessing the resources of the Group, such as a nationwide network of support services or technical support

to Japanese engineers through technical training, and not stopping at direct or indirect sales of equipment through the Group, we will build systems to support the cloud computing environment.

Secondly, since it will become increasingly important to assess and verify new products for the ICT market, which will become more advanced and complex, we opened our new Technical Center in September this year. The new Technical Center was designed with an understanding of the diversity of assessment and verification using remote and carry-in devices. It is also environmentally friendly with power consumption monitors, optimized air conditioning and LED lighting. In addition, we are virtually linked to the Brocade lab facilities to carry out joint assessment and verification.

Thirdly, in order to improve our Group-wide service support system, we acquired all shares in Network Service and Technologies Co., Ltd. (NSAT), which is positioned as a central company in maintenance and operations management services, making the company a wholly owned subsidiary.

In addition, with the objective of supporting the creation of an open cloud service market, five companies including the Group founded the Cloud Business Alliance (CBA). The CBA activities have two objectives: (1) to assess, verify and package shared API through open source, enabling all service users of each hierarchical layer (SaaS, PaaS, IaaS) in cloud services to freely combine the

different cloud services and (2) to investigate, verify and disclose information about the cloud service models that are being rolled out to actual businesses.

The Group will pursue its management policy of “continual growth” and “increased customer satisfaction,” striving to be a company trusted and supported by all stakeholders (an admired company). To this end, we have defined seven missions, four of which relate to our responsibilities to customers, shareholders, partners and employees and three, which relate to our contribution to the ICT market, relating to society and the global environment, and we have created specific action guidelines. From now on all officers and employees of the Net One Systems Group will pull together, aiming to become an admired company.

I would like to ask for your continued support and encouragement.

November 2009

Takayuki Yoshino
President & CEO

Topics

To pursue continual growth and increased customer satisfaction, the Group has implemented the following four strategies:

- (1) Differentiation in the Network Business
- (2) Expansion of our proprietary XOC Services Business
- (3) Acquisition of Platform Business focused on data centers
- (4) Evolution of our Unified Communications Business.

Here, we will introduce specific measures undertaken in the first half of fiscal 2010.

Episode 1

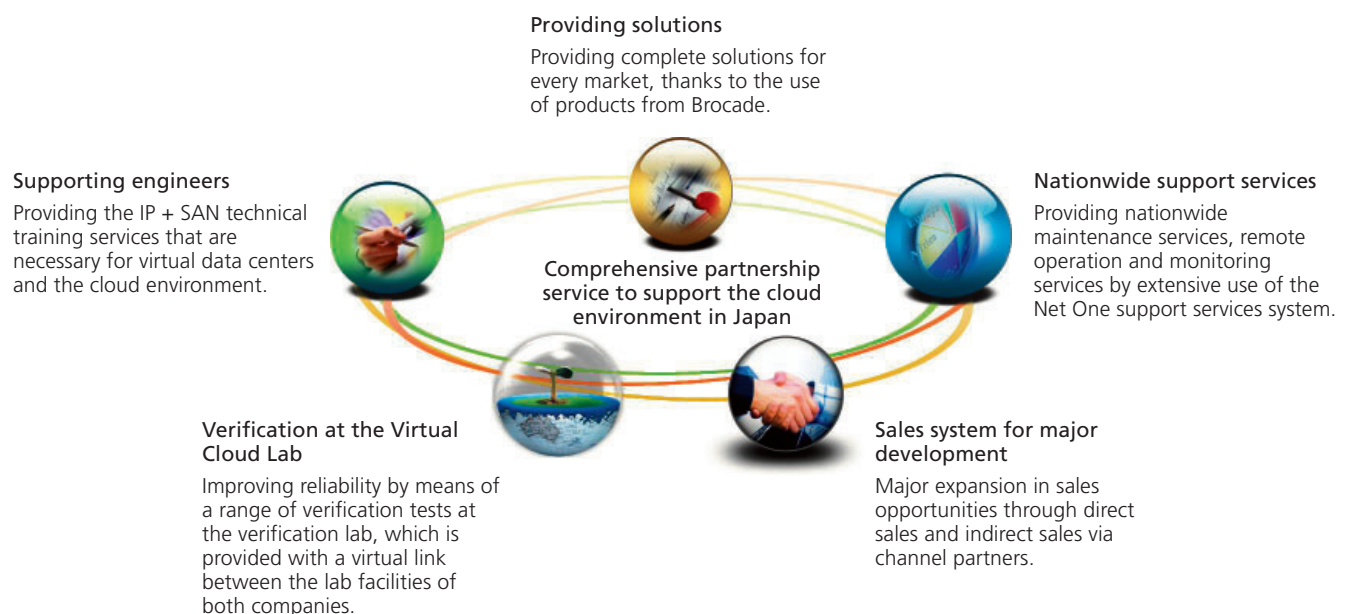
Agreement on strategic business alliance with US-based Brocade

On September 1, 2009, we agreed to form a business alliance with US-based Brocade. This is a strategic business partnership to provide comprehensive network solutions focusing on data centers and the service provider market, in addition to maintenance and support services, as well as training support in Japan.

Brocade is the overwhelming leader in open base data center networks, and through this partnership we will be able to build systems that strongly promote everything from network design including SAN (Storage, Area, Network) to construction, maintenance, operation, support and training for

engineers.

In addition, during the year 2010 we plan to build the Virtual Cloud Lab (VCL) (temporary name), a verification lab that is connected virtually between both our lab facilities and those of Brocade. This is in order to establish the best practices to fulfill the requirements for performance and reliability, expandability, security, availability and virtualization in the cloud environment, and to carry out performance verification in a multi-vendor environment as well as to provide solution verification services for corporate customers prior to introduction.



Episode 2 Relocating Technical Center equipped with green IT

The renovation of our Technical Center was completed on September 30, 2009.

With the ICT market in the midst of a transition to an innovative stage such as cloud computing, there are demands for more advanced ICT platforms on a greater scale.

Against this backdrop, we have renovated our Technical Data Center because of the increasing importance of its role in verifying, assessing and testing all system platforms including servers, storage, and networks.

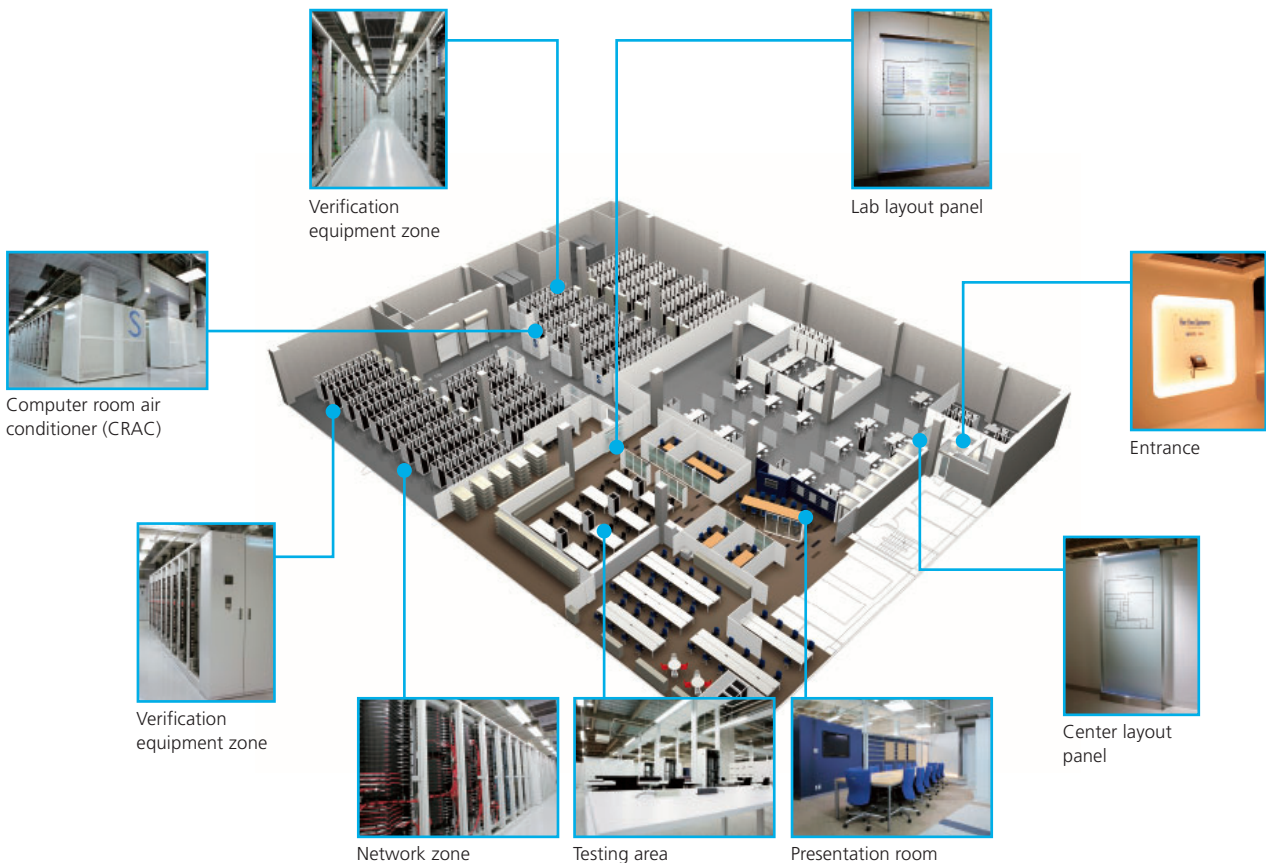
At the new Technical Center, we have introduced the latest green IT technology in addition to a design

based on understanding the diversity of assessment and verification using remote and carry-in devices. In addition to “visualizing” power consumption, we have installed an air conditioning system based on efficiency, cut back on energy-wasting information systems through the remote environment, and adopted automated controls for brightness and LED lighting.

The racks where the information systems are stored have also been arranged with ample space around them in consideration of air conditioning performance for a highly energy efficient facility design and operating environment.

● Summary of the new Technical Center

Floor space:	Approx. 2,100 m ²
Number of racks:	Approx. 300
Number of devices:	Approx. 5,000



Episode 3

Accelerating expansion of the services business by making NSAT a wholly owned subsidiary

On September 30, 2009 we acquired all shares in Network Service and Technologies Co., Ltd. (NSAT), a consolidated subsidiary of the Group, turning it into a wholly owned subsidiary. NSAT is positioned as the central company in maintenance and operations management services for the Group. With the present

conversion to a wholly owned subsidiary, we will be able to build support systems that are even faster and more seamless than in the past, and it will be possible for the Net One Group, as a whole, to provide better quality solutions to customers in the ICT market.

Episode 4

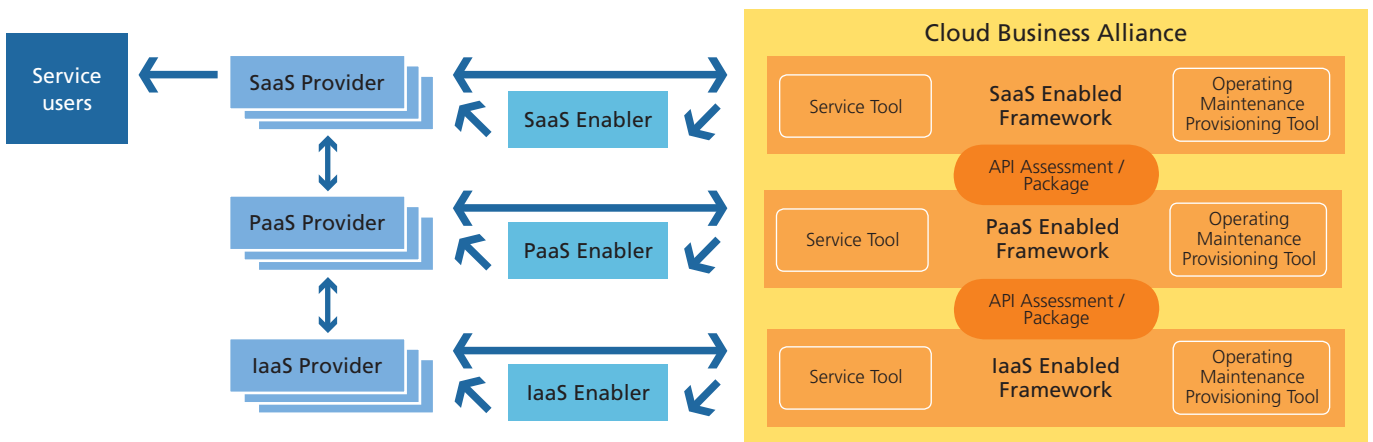
Launching the Cloud Business Alliance

With the objective of supporting the creation of an open cloud services market in Japan, five companies, including the Group, founded the Cloud Business Alliance (CBA) on October 29, 2009.

The cloud service environment consists of three layers: SaaS, which provides software, PaaS; which provides the application environment for software development and its implementation platform; and IaaS, which provides the infrastructure that is necessary for operating information systems.

At CBA, we assess, verify, package and publicize

common API (Application Program Interface) based on open source with a view to building an interconnected environment that enables users to freely combine the different cloud services provided by these three layers. In addition, CBA also aims to establish a cloud service model that will be rolled out to actual businesses. There were a total of 15 participating companies at the time of the launch and we have also started to recruit new member corporations.



Cloud Business Alliance (CBA): <http://www.cloud-business.jp>

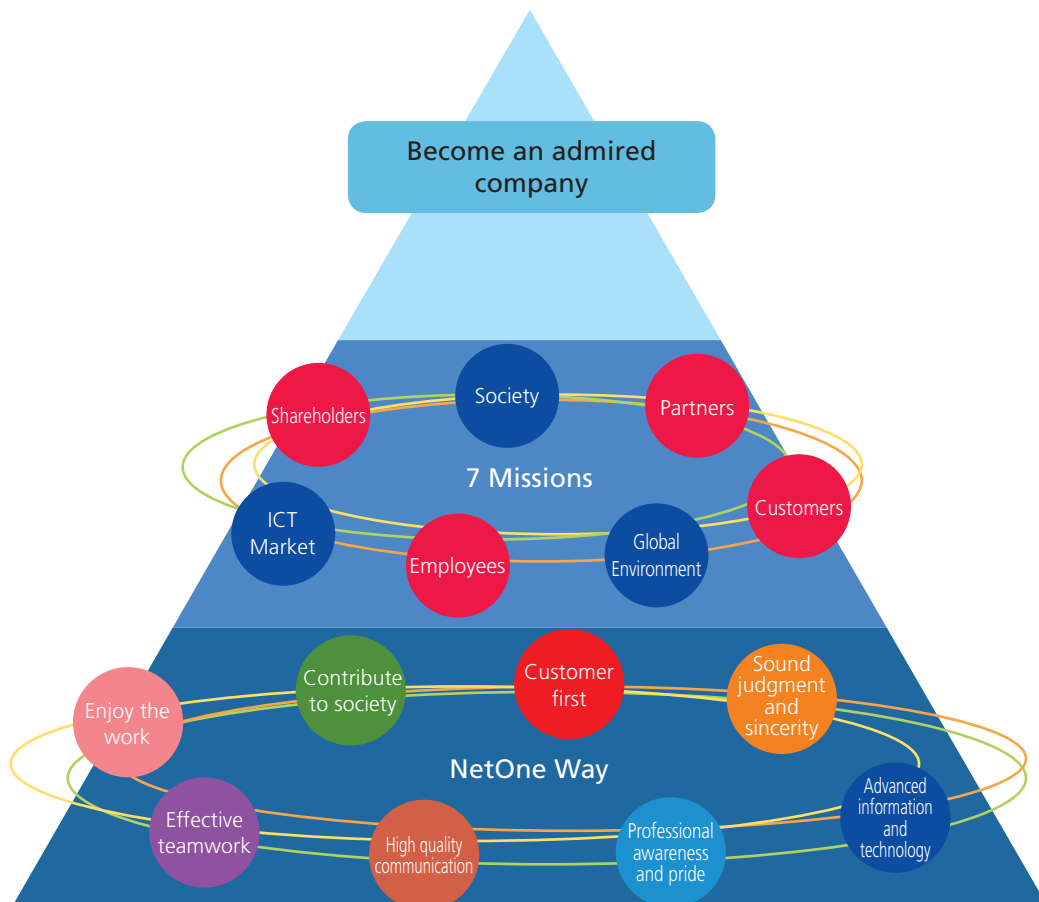
Episode 5

Establishing the Net One Group action guidelines: aiming to be an admired company

The Group will pursue its management policy of “continual growth” and “increased customer satisfaction,” striving to be “a company trusted and supported by all stakeholders (an admired company).” To do so, we have defined seven missions, four of which relate to our responsibilities to customers, shareholders, partners and employees and three, which relate to our contribution to the ICT market, society and the global environment. To achieve the mission, we have now created the eight action themes on the right as our specific action guidelines (NetOne Way).

1. Customer first
2. Sound judgment and sincerity
3. Advanced information and technology
4. Professional awareness and pride
5. High quality communication
6. Effective teamwork
7. Enjoy the work
8. Contribute to society

From now on, all officers and employees of the Net One Systems Group will act in accordance with these action guidelines, aiming to become an admired company.



Operating results for six months ended September 30, 2009

During the six month period, in the Enterprise Sector (“EP Sector”) market, signs of recovery are starting to show for some companies. In general, however, there continued to be a cautious attitude towards active capital investment, and as a result, both orders accepted and sales declined.

In the Telecom and Internet Service Provider Sector (“SP Sector”) market, capital investment in the next-generation communication network has been slightly behind initial forecasts since the beginning of the second quarter.

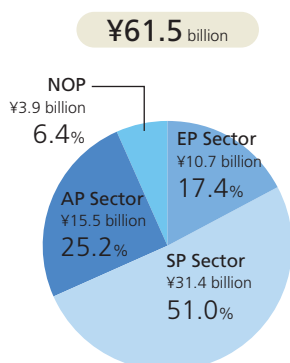
In the Regional Area and Public Sector (“AP Sector”)

market, we unavoidably lost orders here and there as a result of intense price wars, which led to a slight decrease in both orders accepted and net sales.

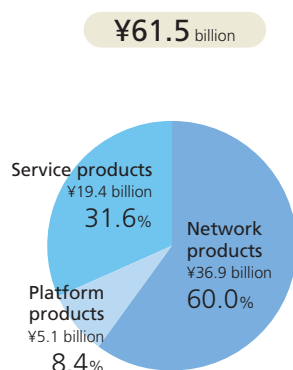
In the Partner Sector (the core business of 100% subsidiary Net One Partners Co., Ltd. (“NOP”)), there was a delay in new partnership development, and orders accepted increased slightly and sales declined.

Under this environment, orders accepted during the six month period were resulted as shown in the following diagrams.

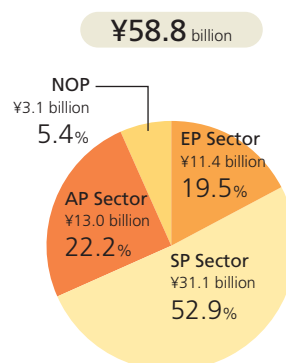
● Orders accepted by market



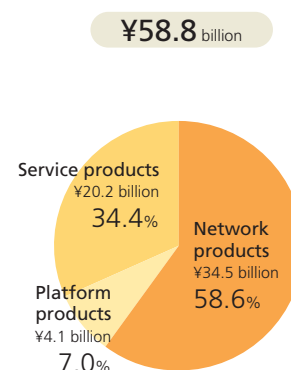
● Orders accepted by product category



● Sales by market



● Sales by product category



With regard to profit and loss during the six month period, net sales, as already mentioned, accounted for 58,872 million yen and cost of sales accounted for 43,873 million yen, resulting in the recording of gross profit of 14,998 million yen. As selling, general and administrative expenses were 12,271 million yen, operating income was 2,727 million yen, ordinary income was 2,780 million yen and net income was 1,453 million yen.

■ Status of cash flow

In the six month period, cash and cash equivalents at the end of the six month period was 25,015 million yen.

Each cash flow is as follows:

(Net cash provided by operating activities)

Net cash provided by operating activities was 7,137 million yen, a year-on-year increase of 6,401 million yen. Significant factors for this included an increase of 5,713 million yen in the proceeds provided by collection of notes and accounts receivable–trade.

(Net cash used in investing activities)

Net cash used in investing activities was 3,510 million yen, a year-on-year increase of 1,864 million yen in cash used. Significant factors for this included 1,935 million yen being used in the purchase of stocks of subsidiaries and affiliates.

(Net cash used in financing activities)

Net cash used in financing activities was 1,309 million yen, a year-on-year increase of 598 million yen in cash used. Significant factors for this included an increase of 429 million yen in cash dividends paid.

Consolidated Income Statements (Summary)

(unit: million yen)

	Six months ended September 30, 2009	Six months ended September 30, 2008
Net sales	58,872	62,358
Cost of sales	43,873	47,267
Gross profit	14,998	15,091
Selling, general and administrative expenses	12,271	11,505
Operating income	2,727	3,585
Non-operating income	95	201
Non-operating expenses	42	6
Ordinary income	2,780	3,780
Extraordinary income	106	150
Extraordinary loss	179	10
Income before income taxes and minority interests	2,707	3,920
Income taxes—current	830	1,453
Income taxes—deferred	327	146
Minority interests in income	96	64
Net income	1,453	2,256

Consolidated Cash Flow Statement (Summary)

(unit: million yen)

	Six months ended September 30, 2009	Six months ended September 30, 2008
Net cash provided by operating activities	7,137	735
Net cash used in investing activities	(3,510)	(1,645)
Net cash used in financing activities	(1,309)	(711)
Net increase (decrease) in cash and cash equivalents	2,316	(1,621)
Cash and cash equivalents at beginning of period	22,698	25,550
Cash and cash equivalents at end of period	25,015	23,929

Consolidated Balance Sheets (Summary)

(unit: million yen)

	As of September 30, 2009	As of March 31, 2009
ASSETS		
(1) Current assets	67,184	70,472
Cash and deposits	8,015	12,700
Notes and accounts receivable—trade	27,501	32,408
Short-term investment securities	16,999	9,998
Merchandise	6,451	7,087
Goods in transit	327	552
Costs on uncompleted construction contracts	2,207	3,248
Supplies	4	5
Deferred tax assets	1,226	1,337
Other	4,467	3,178
Allowance for doubtful accounts	(17)	(44)
(2) Noncurrent assets	12,776	11,361
Property, plant and equipment	5,949	5,550
Intangible assets	2,257	1,451
Investments and other assets	4,569	4,358
(3) Total assets	79,960	81,833
LIABILITIES		
Current liabilities	25,969	27,056
Accounts payable—trade	13,809	14,077
Lease obligations	458	343
Accounts payable—other	1,637	1,400
Income taxes payable	938	3,427
Advances received	7,007	4,552
Provision for bonuses	1,102	1,049
Provision for directors' bonuses	—	135
Provision for loss on liquidation of subsidiaries and affiliates	27	27
Other	988	2,042
Noncurrent liabilities	498	367
Lease obligations	488	356
Long-term accounts payable—other	4	4
Other	5	6
(4) Total liabilities	26,467	27,423
NET ASSETS		
Shareholders' equity	53,686	53,286
Capital stock	12,279	12,279
Capital surplus	19,453	19,453
Retained earnings	38,120	37,720
Treasury stock	(16,167)	(16,167)
Valuation and translation adjustments	(192)	114
Valuation difference on available-for-sale securities	(30)	(12)
Deferred gains or losses on hedges	(162)	126
Minority interests	—	1,009
(5) Total net assets	53,493	54,409
Total liabilities and net assets	79,960	81,833

Status of assets, liability and net assets

- (1) Current assets were ¥67,184 million, down ¥3,287 million or 4.7% from the end of the previous fiscal year. Significant factors contributing to the decrease in current assets included a decrease of ¥4,907 million in trade notes and accounts receivable and increases of ¥2,316 million in cash and deposits and short-term investment securities in total.
- (2) Noncurrent assets were ¥12,776 million, up 1,414 million yen or 12.5% from the end of the previous fiscal year. Significant factors for this included an increase of ¥915 million in goodwill.
- (3) Total assets were ¥79,960 million, down 1,872 million yen or 2.3% from the end of the previous fiscal year.
- (4) Total liabilities were ¥26,467 million, down ¥956 million or 3.5% from the end of the previous fiscal year. Significant factors for this included a decrease of ¥268 million in trade accounts payable.
- (5) Net assets were ¥53,493 million, down ¥916 million or 1.7% from the end of the previous fiscal year. Significant factors for this included a decrease of ¥1,009 million in minority interests.

Stock Information (As of September 30, 2009)

● Number of shares issued _____ 551,900

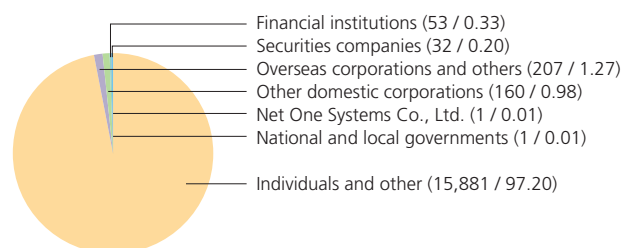
● Number of shareholders _____ 16,335

● Major shareholders

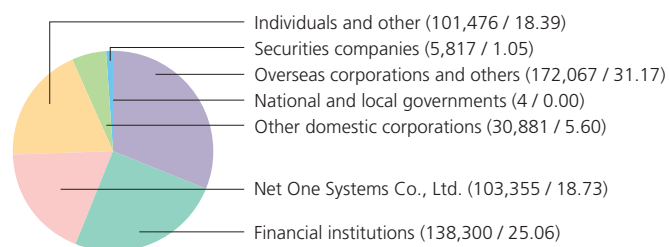
Name	Number of shares held	Ownership ratio (%)
CBNY-ORBIS SICAV	52,903	9.59
Japan Trustee Services Bank, Ltd. (Trust Account)	36,319	6.58
Mitsubishi Corporation	27,636	5.01
CBNY-ORBIS FUNDS	21,963	3.98
Master Trust Bank of Japan, Ltd. (Trust Account)	20,428	3.70
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,560	3.00
State Street Bank and Trust Company 505012	14,939	2.71
Meiji Yasuda Life Insurance Company	7,200	1.30
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	5,733	1.04
State Street Bank and Trust Company 505019	5,468	0.99

(Note) The Company retains 103,355 shares in treasury stock; this amount is not included in the major shareholder figures above.

● Stock distribution by type of shareholder (persons / %)



● Stock distribution by number of shares held (shares / %)



Corporate Data (As of September 30, 2009)

Corporate Name Net One Systems Co., Ltd.

Established February 1, 1988

Capital Stock 12,279 million yen

Business Activities

Network solutions provider business

1. Network consulting
2. Network design and management
3. Network facilities installation and construction
4. Network equipment sales
5. Network computing services
6. Operation support services
7. Training services

Number of Employees

1,890 (consolidated)

1,412 (non-consolidated)

Major Banks

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

Mizuho Corporate Bank, Ltd.

Mitsubishi UFJ Trust and Banking Corporation

The Sumitomo Trust & Banking Co., Ltd.

Sumitomo Mitsui Banking Corporation

Directors and Corporate Auditors

Chairman	Osamu Sawada
President & CEO	Takayuki Yoshino
Managing Director	Shingo Saito
Directors	Toru Arai
	Norihisa Katayama
	Tsuyoshi Suzuki
	Shunichi Suemitsu
	Hiroshi Otsuka
	Katsutoshi Ichikawa
	Kunio Kawakami
Full-time Corporate Auditor	Hiromu Yoshida
Corporate Auditors	Masasuke Naito
	Masamichi Kikuchi
	Minoru Uchida

Shareholder Information

Fiscal Year	April 1 through March 31
General Meeting of Shareholders	June
Dates of Record	General Meeting of Shareholders March 31 Year-End Dividend March 31 Interim Dividend September 30
Method of Public Notice	Public notices of the Company shall be made via electronic notification. In the event that this method is not available due to accidents or other circumstances, the Company will publish announcements via the Nihon Keizai Shimbun. Announcement URL http://www.netone.co.jp/

[Requests for forms for changing registered address, and others related to share transactions]

We ask that shareholders who have accounts with securities firms notify their respective firms directly regarding address changes or other inquiries. Other shareholders may make inquiries, etc. via the following contact information:

Shareholder Registry Administrator and Special Accounts Account Management Institution	The Sumitomo Trust & Banking Co., Ltd. 4-5-33 Kitahama, Chuo-ku, Osaka
Shareholder Registry Administrator	2-3-1 Yaesu, Chuo-ku, Tokyo
Office Contact	Stock Transfer Agency Dept., The Sumitomo Trust & Banking Co., Ltd.
Mailing Address	Stock Transfer Agency Dept., The Sumitomo Trust & Banking Co., Ltd. 1-10 Nikko-cho, Fuchu-shi, Tokyo 183-8701 Japan
Telephone	0120-176-417 (toll free)
Internet Website	http://www.sumitomotrust.co.jp/STA/retail/service/daiko/index.html

[Special Accounts]

The Company has opened an account ("Special Account") with shareholder registry administrator Sumitomo Trust & Banking Co., Ltd. for those shareholders who had not utilized JASDEC (Japan Securities Depository Center, Inc.) prior to the transition to electronic stock certificates. We ask that such shareholders direct their changes of registered address or other inquiries to the telephone number above.

Net One Systems Co., Ltd.

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Tel: +81-3-5462-0800
<http://www.netone.co.jp/english/>