

Financial Report for FY 2000 (Ending March 2001) (Consolidated Report)

May 17, 2001

Registered Corporate Name: **Net One Systems Co., Ltd**
 Registered Stock Code Number: 7518
 Location of Headquarters: 2-8, Higashi Shinagawa 2-Chome, Shinagawa-Ku, Tokyo
 Inquiries: Title Managing Director
 Name Shojiro Takagaki Telephone: (03)5462-0800
 Date of Board Meeting for FY ending March 2001: May 17, 2001

1. Results of FY ended March 31, 2001 (from April 1, 2000 to March 31, 2001)

(1) Consolidated Financial Results

(For figures indicated in million yen, unit rounded down to nearest million yen)

	Sales		Operating Profit		Ordinary Profit	
	Million Yen	%	Million Yen	%	Million Yen	%
Year ended March 2001	58,006	(66.7)	5,199	(94.1)	5,026	(86.3)
Year ended March 2000	34,804	(-)	2,678	(-)	2,698	(-)

	Net Income	Net Income Per Share	Net Income Per Share (assuming Full Dilution)	Return on Stockholder's Equity	Ordinary Profit Ratio of Total Capital	Ordinary Profit Ratio of Sales
Year ended March 2001	3,188 (141.12)	26,588.751	26,276.50	18.7	12.8	8.7
Year ended March 2000	1,322 (-)	6,693.75	16,363.43	9.1	10.9	7.8

(note)

- Equity in net earnings of affiliated companies
 Year ended Mar. 2001: - million yen
 Year ended Mar. 2000: - million yen
- Average number of securities during the FY
 Year ended Mar. 2001: 119,917 shares
 Year ended Mar. 2000: 79,212 shares
- Changes in Principal Accounting Policies: None
- Percentage: Increase/Decrease against previous FY on Sales, Operating Profit, Ordinary Profit, and Net Income
 As we commenced providing consolidated financial report from previous FY, the rate of change compared to the previous year is not indicated.

(2) Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity Ratio to Total Assets	Shareholders' Equity per Share
	Million Yen	Million Yen	%	Yen
Year ended March 2001	51,494	18,787	36.5	156,155.40
Year ended March 2000	27,117	15,297	56.4	192,144.77

(note) Number of outstanding stocks at the end of the FY (Consolidated)

Year ended Mar. 2001: 120,310 shares
 Year ended Mar. 2000: 79,612 shares

(3) Cash Flows

	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 year
	Million Yen	Million Yen	Million Yen	Million Yen
Year ended March 2001	△ 13,925	△ 1,953	17,524	6,731
Year ended March 2000	3,757	△ 1,253	△ 1,165	4,985

(4) Scope of Consolidation and Equity Method

Consolidated Subsidiaries: 2 subsidiaries

Unconsolidated Subsidiaries (equity method is applied to all subsidiaries): 0

Affiliated companies (Equity method is applied): 0

(5) Changes in scope of Consolidation and Equity Method

Consolidation: Increase 1, Decrease 0

Equity Method: Increase 0, Decrease 0

2. Forecast for the Fiscal Year ending March 31, 2002

(from April 1, 2001 to March 31, 2002)

	Sales	Ordinary Profit	Current Net Income
	Million Yen	Million Yen	Million Yen
For Interim period ending Sept. 30, 2001	32,300	2,100	1,200
For FY ending Mar. 31, 2002	76,600	7,300	4,000

Reference: Expected Net Income per Share for FY ending March 31, 2002: 33,247.44 Yen

[Reference Information regarding Net Income Per Share and Shareholders' Equity per Share]

In order to make comparisons over period of time, following chart indicates Net Income Per Share (assuming full dilution) and Shareholders' Equity per Share after retroactive adjustments for the stock split of May 22, 2000 (stock split ratio of 1.5 for 1)

	Net Income Per Share	Net Income Per Share (assuming full dilution)	Shareholders' Equity per Share	Average Number of Securities during the FY	Number of Outstanding Securities as of the end of FY
For Year ending Mar. 2001	Yen 26,588.75	Yen 26,276.50	Yen 156,155.40	119,917 Shares	120,310 Shares
For Year ending Mar. 2000	11,129.17	10,909.00	128,096.52	118,818 Shares	119,418 Shares

Status of Net One Systems Group

Net One Systems Group (Net One Systems and Net One Systems related companies) is comprised of Net One Systems Co., Ltd., three subsidiaries, one affiliated company, and one related company. The core business of the Net One Systems Group is to deploy network computing system using most advanced technology and offer related operation and management services. Although we are involved in one business field, business domain is categorized into network equipment products group (NI), network computing products group (NC), Media products group (MI), and service products group (SI) (please refer to following table) based on product selection and type of service. Our business predominantly deals with sales of systems that combine various products groups.

With regards to the varying roles within our group companies, Net One Systems Co., Ltd. is responsible for NI and NC, Media Communication Systems K.K. is responsible for MI, and Network Service And Technologies Co., Ltd. is responsible for SI. Net One Systems Co., Ltd. and U.S. subsidiary, (Tennoz Initiative Inc.) perform US network market research and searches for most advanced technology and products.

Product Group	Description	Major Products
Network Equipment Products Group (NI)	Network Design Project Management Product Deployment/Installation	Router Switch
Network Computing Products Group (NC)	Policy Analysis, Planning, Deployment	Security Device Load Balancing Device
Media Products Group (MI)	Wiring Design, Layout Management Deployment process (selection, procurement, cabling)	Cable material DSL
Service Products Group (SI)	Operation Support Integrated Service, Remote Monitoring Integrated Education, Management Outsourcing	Service/Operation Management Installation

Note: Network Equipment Products Group (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 types of hardwares such as routers and switches that are required for deployment of networks.

Network Computing Products Group (NC)

Network Computing enables safe and prompt deployment of applications used in a rapidly evolving Internet environment. Network Computing is organized based on softwares and related equipment necessary for maintenance of evolving application platform including various security products and multimedia applications, as well as solutions using most advanced technologies including traffic management and QoS.

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 necessary. In order to answer to this need, Media Integration provides integration through design/deployment process of physical transmission mode for diversified high speed network including CATV and

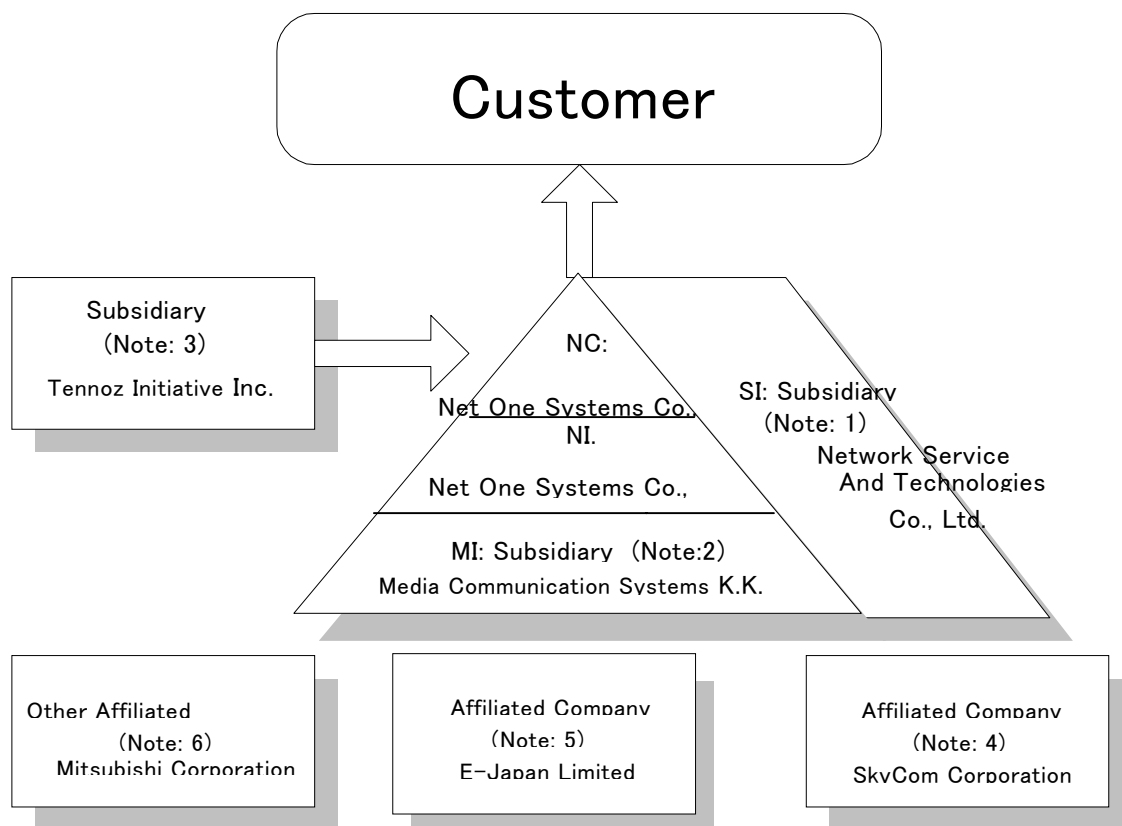
mobile networks. Media Products Group is organized based on products related to physical transmission mode and wiring service.

Service Products Group (SI)

Service Integration provides total support ranging from product selection, design and network deployment, to operation service/management. 24 hours, 365 days network security is the basis for ensuring secure environment provided through transaction monitoring and management of traffic and trouble products. Furthermore, services including reduction of operational cost by traffic analysis/ billing management support, as well as education on management methods and newest technologies is provided.

[Business Organization Diagram]

The following diagram outlines the business organization explained above.



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

Note 2: Media Communication Systems K.K. is a company providing Media Integration and is a consolidated subsidiary.

Note 3: Tennoz Initiative Inc. is a company researching on U.S. computer network market, and advanced

technologies and searching for new products, and is not accounted by the equity method.

Note 4: SkyCom Corporation's core business is to develop and offer computer network related software, and it is not accounted for by the equity method.

Note 5: E-Japan Limited is a company that provides electronic authentication using telecommunication method such as the Internet, and, planning, development, sales, and service of software using electronic transaction technology such as data exchange. E-Japan Limited is not accounted for by the equity method.

Note 6: Mitsubishi Corporation is other affiliated company holding Net One Systems' corporate shares.

Management Policies

1. Basic Policies for Management

Since establishment, our management ideology was based on contribution to the society, emphasis on shareholders, and employee satisfaction and our basic management policies are, 1) acquiring most advanced technology and aim to become the leading network integration company, 2) flexibly adjust in a timely manner to the rapidly changing market and actively promote establishment of new businesses and expansion of business scope, and 3) focus on nurturing challenging spirit and providing exciting working environment to the employees to create rapidly expanding, high profit company.

Through above basic management policies, our goal is to maximize the corporate value by improving the profit structure and capital efficiency; this will be achieved through highly advanced technical skills and through offering business model that answer to the needs of the society and demand of the time, and through efforts to expand into new market.

With the rapid diversification and sophistication of Internet usage in both governmental and non-governmental sectors, there is an increasing demand for advanced technical skill and knowledge of network configuration/usage including 1) consulting and proposal skills that meet to the customer needs, 2) technical support capability, comprehensive after-service system, and timely and precise technical trouble shooting, 3) availability of most advanced and reliable products/services, 4) technology leadership, 5) provision of one-stop end-to-end solution.

In order to answer to the demand of the expanding market in a comprehensive and pertinent manner, Net One Systems Group's basic management policy established four business segments and each company in Net One Systems Group was assigned different core business to increase specialization of technical skill while enabling mutual collaboration to provide comprehensive solution to customer's network deployment/usage.

Network Integration (NI) business	core business: Net One Systems Co., Ltd.
Network Computing (NC) business	core business: Net One Systems Co., Ltd.
Media Integration (MI) business	core business: Media Communication Systems K.K.
Service Integration (SI) business	core business: Network Service And Technologies Co., Ltd.

Also, as each of the group company aims to further develop technical skill and know-how, Net One Systems will take the leading part to make capital investments and establishing partnerships with companies or business sector with close ties with Net One Systems Group and thereby aim to strengthen and expand our group.

As our Group focuses on highly public Internet related businesses, management policy of each group companies is based on the principle of neutrality in business transactions, autonomy and transparency of management system, and business structure that conforms to the global standard.

2. Basic Policies for profit sharing

While we strive to establish management basis with competitive advantage and increase profit, we intend to

determine the dividend on profit through consideration of balance between return of profit to shareholders and internal reservation for business expansion.

With regards to current dividend, we intend to set common dividend of 1,000 yen per share. As results, ratio of earnings to dividends is 3.9% and ratio of dividends to shareholders' equity is 0.6%. Return on Stockholders' equity (non-consolidated) is 18.2%.

With regards to internal reservation fund, while keeping view of expansion and development for the 21st century, we intend to return profit to shareholders through future business expansion by appropriating investments such in facilities to further strengthen competitive advantage.

With regards to dividends for next FY, we intend to continue with common dividend of 1,000 yen per share.

Operating Results

1. Overview of the Current FY

While our country's economic condition for this fiscal year showed strength in facility investment due to improvement in corporate earnings resulting from restructuring, consumer spending continues to remain flat, and there was an overall abiding sense of lack of recovery. Also, due to changes such as sudden slowdown of US economy and indications of slowdown in IT demand which has been the driving force of global economy, the uncertainty of our country's future economy has enhanced.

On the other hand, with regards to our country's networking market, additional telecommunications lines investments by telecommunications companies and major providers continued to increase. IT investment and iDC (Internet Data Center) related investment of corporate sectors, most notably investments by financial institutions, have further increased. Also, in addition to the start of E-governance deployment on national level as well as investments of supplementary budget, with the increasing sophisticated usage of Internet in both governmental and non-governmental sectors, sales was strong for key products such as advanced network products and related services.

Under this environment, current interim consolidated business performance for Orders Accepted was 66,818M yen (72.7% increase from previous FY) and Sales was 58,006M yen (66.7% increase from previous FY). For Sales based on Product Category, Network Equipment products and Networking Computing Products accounted for 46,241M yen (71.9% increase from previous FY), Service Products accounted for 7,813M yen (37.6% increase from previous FY), and Media Products accounted for 3,951M yen (77.7% increase from previous FY). Operating Profit was 5,199M yen (94.1% increase from previous FY) and Ordinary Profit was 5,026M yen (86.3% increase from previous FY). With regards to extraordinary gain or loss, with the accrual of gain including gain of 3038M yen from exchange of investment securities, extraordinary gain was 3,086M yen. Due to accrual of 2,104M yen as loss from sale of securities, 101M yen as loss from revaluation of securities, accrual of 154M yen as one time balance due for Retirement Benefits liability in relation to deficiency caused by change in accounting policy, extraordinary loss was 2,555M yen. As a result, current income was 3,188M yen (increase of 141.1% in comparison to previous year.) End of the term backlog of unfilled orders increased by 10,811M and was 20,863M.

2. Problems to be addressed and forecast for the next term

Although our country's future economy remains uncertain, with establishment of regulatory laws and deregulation in accordance with basic laws for creating advanced information and telecommunications network society (Basic IT Law,) Internet usage in both government and non-government sectors has accelerate, and IT investment in anticipation for safe and efficient internet usage is expected to become even more active.

Under this environment, additional investment in telecommunications lines continues to be strong and demand for new technologies as SAN (Storage Area Network) and highly advanced security, authentication, billing technologies is expected to increase. Also, as the scale and complexity of networks continue to aggregate, needs for operation management, and 24 hours maintenance service, are expected to increase, and give rise to new demand for services such as SLM (Service Level Management.) Also, with the commencement of national scale network deployment for E-Governance and E-local government, further expansion is forecasted for network market.

Simultaneously, although competition is expected to intensify, we will continue to reorganize the business organization to focus on customer satisfaction, efficiency, and speed, while strengthening technical and sales

forces, and enhancing technical center and quality control center related facilities to increase sales and earning capacity.

With regards to business organization, in order to respond to needs of public related sector including E-Governance and strengthen transactions among partners, business organization presently under Enterprise (EP) and Service Provider (SP) will be reorganized in next FY under three business groups identified as EP Group, SP Group, and newly established public partner (GP.)

Our Group Company's core business realm consists of Network Integration (NI), Network Computing (NC), Media Integration (MI), and Service Integration (SI..) Within the group companies, Net One Systems undertakes NI Business and NC Business, Media Communication Systems K.K. undertakes MI Business, Network Service and Technologies Co., Ltd. undertakes SI Business. While promoting specialization of group companies as well as define scope of responsibilities, Net One Systems will play the central role in furthering cooperation among companies with view of enhancing the ability to provide total solution for network technologies.

Forecast for the consolidated FY ending March 2002 is Sales of 76,600M yen, Ordinary Profit of 7,300M yen, and Net Income of 4,000M yen.

Consolidated Balance Sheet

(unit: rounded down to the nearest 1,000 yen)

	Previous FY (as of March 31, 2000)		Current FY (as of March 31, 2001)		Variance
	Amount	Ratio	Amount	Ratio	
ASSETS					
Current Assets	22,726,692	83.8	46,432,938	90.2	23,706,245
Cash and Deposits	4,985,998		6,731,378		1,745,380
Account Receivable and Note Receivable	11,087,055		19,802,817		8,715,761
Securities	90,311		-		△ 90,311
Inventories	5,713,366		17,386,243		11,672,877
Deferred Income Tax	302,580		329,462		26,881
Others	634,025		2,217,764		1,583,739
Allowance for Doubtful Receivables	△ 86,645		△ 34,728		51,916
Fixed Assets	4,390,390	16.2	5,061,641	9.8	671,250
Tangible Fixed Assets	1,887,230		2,545,175	4.9	657,945
Buildings and Structures	325,515		409,377		83,862
Accumulated Depreciation	△ 205,074	120,441	△ 142,195	267,182	146,741
Machinery and Vehicles	900		-		△ 900
Accumulated Depreciation	△ 855	45	-	-	△ 45
Tools, Fixtures, and Equipment	3,359,796		4,421,022		1,061,226
Accumulated Depreciation	△ 2,057,724	1,302,071	△ 2,549,091	1,871,931	569,859
Land	215,080		215,080		-
Lease Asset	394,274		400,902		6,628
Accumulated Depreciation	△ 144,682	249,592	△ 209,920	190,982	△ 58,610
Intangible Fixed Assets	172,852	0.6	152,305	0.3	△ 20,546
Consolidation Adjustments Account	21,189		15,891		△ 5,297
Others	151,663		136,413		△ 15,249
Investment and other Assets	2,330,307	8.6	2,364,159	4.6	33,851
Investment Securities	1,073,869		1,338,120		264,250
Long-term Loan Receivable	17,859		10,946		△ 6,913
Deferred Income Tax	197,208		291,574		94,366
Others	1,041,469		723,518		317,951
Allowance for Doubtful Receivables	△ 100		-		100
Total Assets	27,177,082	100	51,494,579	100.0	24,377,496
LIABILITIES					
Current Liabilities	11,682,816	43.1	32,361,409	62.8	20,678,592
Account Payable and Note Payable	4,545,344		7,015,223		2,469,879
Short Term Debt	2,600,000		20,000,000		17,400,000
Corporate Bond Redeemable within 1 year	10,000		-		△ 10,000
Payment Due	1,401,785		1,078,455		△ 323,330
Accrued Corporation Tax, Etc.	1,298,697		1,847,795		549,097
Allowance for Bonus	303,800		383,336		79,536
Others	1,523,189		2,036,598		513,409
Fixed Liabilities	137,236	0.5	286,997		149,760
Allowance for Employee Severance Benefits	14,321		-	0.6	△ 14,321
Allowance for Retirement Benefits	-		149,908		149,908
Allowance for Bonus for Retiring Directors	122,780		136,938		14,158
Others	135		150		15
Total Liabilities	11,820,053	43.6	32,648,406	63.4	20,828,353
MINORITY SHAREHOLDERS' EQUITY					
Minority Shareholder's Equity	-	-	59,117	0.1	59,117
SHAREHOLDER'S EQUITY					
Capital Stock	2,244,333	8.3	2,374,443	4.6	130,109
Additional Paid-in Capital	9,203,630	33.9	9,333,859	18.1	130,229
Consolidated Surplus	3,849,066	14.2	6,918,897	13.5	3,069,831
Difference from Securities Revaluation	-	-	169,029	0.3	169,029
Repurchased Stock	15,297,029	56.4	18,796,230	36.5	3,499,200
	-	-	△ 9,175	0.0	△ 9,175
Total Shareholders' Equity	15,297,029	56.4	18,787,055	36.5	3,490,025
Total Liabilities, Minority Shareholders' Equity, Shareholders' Equity	27,117,082	100.0	51,494,579	100.0	24,377,496

Consolidated Income Statement

(unit: rounded down to the nearest 1,000 yen)

	Previous FY		Current FY		Variance
	(Apr. 1, 1999 to Mar. 31, 2000)		(Apr. 1, 2000 to Mar. 31, 2001)		
	Amount	Ratio	Amount	Ratio	
Sales	34,804,071	100.0	58,006,554	100.0	23,202,483
Cost of Goods Sold	24,136,933	69.4	42,907,174	74.0	18,770,241
Gross Profit on Sales	10,667,137	30.6	15,099,379	26.0	4,432,242
Sales Expense and Administrative Expense	7,988,772	22.9	9,899,763	17.0	1,910,990
Operating Profit	2,678,364	7.7	5,199,616	9.0	2,521,251
Non-operating Income	56,463	0.2	41,611	0.1	△ 14,852
Interest Earned	21,131		9,199		△ 11,932
Dividend Earned	910		831		△ 79
Profit on Sales of Securities	257		-		△ 257
Sales Promotion Premium	10,000		5,000		△ 5,000
Dividend on Group Insurance	6,438		6,362		△ 75
Commision Deposit for Acquisition of Fractional Shares	-		8,574		8,574
Others	17,726		11,644		△ 6,082
Non-operating Expense	36,373	0.1	214,827	0.4	178,453
Interst Expense	25,744		78,524		52,779
Write off of Inaugural Expense	-		1,687		1,687
Write off of Business Commencement Expense	-		12,407		12,407
Stock Issuing Expense	-		9,818		9,818
Loss from Sales of Repurchased Stocks	-		32,112		32,112
Exchange Loss	-		76,367		76,367
Others	10,628		3,908		△ 6,720
Ordinary Profit	2,698,454	7.8	5,026,400	8.7	2,327,946
Extraordinary Gain	6,800	0.0	3,086,503	5.3	3,079,703
Reversal From Allowance for Doubtful Account	6,800		43,300		36,500
Gain from Exchange of Investment Securities	-		3,038,403		3,038,403
Others	-		4,799		4,799
Extraordinary Loss	346,824	1.0	2,555,453	4.4	2,208,629
Loss from Removal of Fixed Assets	13,012		52,810		39,797
Loss from Sales of Marketable Securities	-		2,104,885		2,104,885
Loss from Revaluation of Investment Securities	99,999		101,898		1,898
Loss from Exchange of Investment Securities	152,766		-		△ 152,766
Deferred Allowance for Retirement Benefit (Adjusted for the change in Accounting Method)	-		154,120		154,120
Deferrred Allowance for Bonus for Retiring Directors	-		2,158		2,158
Loss from Revaluation of Telephone Subscription Right	15,510		-		△ 15,510
Loss from Revaluation fo Golf Membership	11,273		-		△ 11,273
Restoration after Partial Relocation of the Headquarters Expense	54,260		-		△ 54,260
Partial Relocation of Headquarters Expense	-		90,232		90,232
Demolition expense for Corporate Housing	-		49,348		49,348
Current Income Before Tax, etc.	2,358,430	6.8	5,557,450	9.6	3,199,019
Corporate Tax, Residence Tax, & Business Tax	1,526,193	4.4	2,591,990	4.5	1,065,796
Adjustment to Corporate Tax, Etc.	△ 490,107	△ 1.4	△ 243,899	△ 0.4	246,208
Loss from Minority Shareholders	-		20,916		20,916
Current Net Profit	1,322,345	3.8	3,188,443	5.5	1,866,098

Consolidated Surplus Statement

(unit: rounded down to the nearest 1,000 yen)

	Previous FY		Current FY		Variance
	Apr. 1, 1999 to Mar. 31, 2000		Apr. 1, 2000 to Mar. 31, 2001		
	Amount		Amount		
Beginning Balance of Consolidated Surplus	2,218,850		3,849,066		
Tax Effect Adjustment for Previous FY	9,681	2,228,532	-	3,849,066	1,620,534
Consolidated Surplus Increase					
Reversal of Additional Paid-in Capital	389,800	389,800	-	-	△ 389,800
Consolidated Surplus Decrease					
Dividends	78,611		79,612		
Directors' Bonus	13,000	91,611	39,900	118,612	27,001
Current Net Income		1,322,345		3,188,443	1,866,098
Consolidated Outstanding Surplus at End of Interim Period		3,849,066		6,918,897	3,069,831

(4) Consolidated Cash Flow Statement

(unit: rounded down to the nearest 1,000 yen)

	Previous FY	Current FY	Difference to
	(Apr. 1 1999 to Mar. 31, 2000)	(Apr. 1, 2000 to Mar. 3, 2001)	Previous FY
	Amount	Amount	Amount
I Operating Activities			
Current Net Income Before Tax	2,358,430	5,557,450	3,199,019
Depreciation Expense	913,068	975,931	62,863
Depreciation Amount for Consolidation Adjustment Account	5,297	5,297	-
Change in Allowance for Employee Severance Benefits	1,957	△ 14,321	△ 16,278
Increase in Allowance for Employee Retirement Benefits	-	149,908	149,908
Increase in Allowance Bonus for Retiring Directors	29,500	14,158	△ 15,341
Increase in Allowance for Bonus	139,255	79,536	△ 59,718
Change in Allowance for Doubtful Receivables	2,033	△ 52,016	△ 54,049
Interest Received and Dividends Received	△ 22,041	△ 10,030	12,011
Profit from Investment Securities Exchange	-	△ 3,038,403	△ 3,038,403
Interest Payment	25,744	78,524	52,779
Loss from Sales of Repurchased Stocks	-	32,112	32,112
Loss from Sales of Investment Securities	-	2,104,885	2,104,885
Loss from Valuation of Investment Securities	99,999	101,898	1,898
Loss from Exchange of Securities	152,766	-	△ 152,766
Increase in Sales Credit	△ 1,509,519	△ 8,260,229	△ 6,750,710
Increase in Inventories	△ 672,887	△ 11,663,873	△ 10,990,985
Increase in accrued consumption tax	-	△ 379,438	△ 379,438
Change in other Current Assets	△ 422,232	411,966	834,198
Increase in liability for Purchases	1,219,393	2,407,995	1,188,601
Change in Consumption Tax Payable	164,382	△ 224,839	△ 389,222
Change in Other Current Liabilities	1,800,846	△ 120,008	△ 1,920,854
Payment Amount of Directors' Bonus	△ 13,000	△ 39,000	△ 26,000
Others	△ 353,561	204,774	558,335
Sub-total	3,919,432	△ 11,677,722	△ 15,597,155
Amount Received for Interest and Dividends	26,778	10,023	△ 16,755
Amount Paid for Interest	△ 25,764	△ 86,828	△ 61,064
Amount Paid for Corporation Tax	△ 193,728	△ 2,042,892	△ 1,849,163
Other Amount Paid	-	△ 128,046	△ 128,046
Other Amount Received	30,462	-	△ 30,462
Operating Activities	3,757,180	△ 13,925,467	△ 17,682,647
II Investing Activities:			
Income from Sell-off of Securities	6,774	-	△ 6,774
Expenditure from Loan on Short Term Loan	△ 800	△ 166,340	△ 165,540
Income from Recovery of Short term Loan	103,089	12,908	△ 90,181
Expenditure from Acquisition of Tangible Fixed Assets	△ 856,814	△ 1,620,118	△ 763,304
Expenditure from Acquisition of Intangible Fixed Assets	△ 6,668	△ 31,299	△ 24,631
Expenditure from Acquisition of Investment Securities	△ 512,658	△ 223,800	288,858
Income from Sell-off of Investment Securities	-	33,005	33,005
Income from Sell-off of Securities of Subsidiaries	-	10,000	10,000
Expenditure from Payment for Initial Investment	△ 10,988	△ 41,195	△ 30,206
Income from Acquisition of Newly Consolidated Subsidiaries	135,419	-	△ 135,419
Expenditure from Loan on Long Term Loan	△ 13,000	△ 21,100	△ 8,100
Income from Recovery of Long Term Loan	16,706	12,835	△ 3,871
Others	△ 114,833	81,207	196,040
Investing Activities	△ 1,253,773	△ 1,953,895	△ 700,121
III Financing Activities:			
Income from Short Term Debts Payable	1,450,000	17,480,000	16,030,000
Expenditure from Redemption of Short Term Debts Payable	△ 2,704,000	△ 80,000	2,624,000
Expenditure from Redemption of Corporate Bond	-	△ 10,000	△ 10,000
Income from Issuing Corporate Shares	166,833	260,159	93,326
Expenditure from Issuance of New Corporate Shares in relation to Stock Split	-	△ 9,818	△ 9,818
Expenditure from Reacquisition of Corporate Shares	-	△ 36,049	△ 36,049
Payment for Dividends	△ 78,321	△ 79,560	△ 1,238
Financing Activities	△ 1,165,488	17,524,732	18,690,220
IV Conversion Difference in Cash and Cash Equivalents	-	11	11
V Increase in Cash and Cash Equivalents	1,337,918	1,645,380	307,462
VI Beginning Balance of Cash and Cash Equivalents	3,648,079	4,985,998	1,337,919
VII Increase in Cash and Cash Equivalents related to New Consolidation	-	100,000	100,000
VIII Ending Balance of Cash and Cash Equivalents	4,985,998	6,731,378	1,745,380

Significant Matters related to Consolidated Financial Report

1. Matters related to Consolidation
- (1) Number of Consolidated Subsidiaries 2
- Name of Major Consolidated Subsidiaries Media Communication Systems K.K.
Network Service And Technologies Co., Ltd.
- With its establishment in April 2000, Network Service And Technologies Co., Ltd. is included as a consolidated subsidiary from the current consolidated period.
- (2) Name, etc. of major non-consolidated subsidiary
Name of major non-consolidated subsidiary Tennoz Initiative Inc.
(reason for not including in the consolidation)
Non-consolidated subsidiary is a small scale company and does not significantly affect Total Assets, Sales, Net Profit/Loss and Surplus of Consolidated Financial Statements
2. Matters related to application of Equity Method
- Non-consolidated subsidiary and affiliated company not applying Equity Method:
Non-consolidated Subsidiary Tennoz Initiative Inc.
Subsidiary SkyCom Corporation
E-Japan Limited
(reason for not applying Equity Method)
- Non-consolidated subsidiary and affiliated company that do not apply equity method have been excluded from the scope of equity method because they impose minimal influence on Consolidated Net Income and Consolidated Surplus and have little impact on the whole.
3. Matters related to Accounting Period for Consolidated
- Account closing date for all consolidated subsidiaries is in accordance with the date of consolidated account closing date.

4. Matters related to Accounting Policies

- (1) Significant asset valuation standard and valuation method
 - ① Securities
 - Other Securities
 - Securities with market value Market value method based on market value on interim closing date
(Accounting for difference in valuation is total direct casting equity method and for cost of products sold, moving average method is applied.)
 - Securities without market value Cost accounting method using moving average method
 - ② Inventory assets
 - Merchandises Cost accounting method using moving average
 - Uncompleted works Cost accounting method using individual method
 - ③ Derivative Market value method
- (2) Significant method for depreciation of depreciation asset
 - ① Tangible fixed assets
 - Fixed percentage method in corporate tax law, with an exception of lease assets which employs straight line method
 - ② Intangible fixed assets
 - Software for internal use Straight line method based on corporate usability period (5 years)
 - Software for sales Straight line method based on useful life (3 years)
- (3) Significant accounting standard for allowance
 - ① Allowance for doubtful receivables
 - To prepare for loss from uncollectable receivables, for general uncollectable credits, calculation based on actual uncollectable rate is budgeted and for special receivables with higher uncertainty, probability of collectivity is considered on individual cases and prospective uncollectable amount is budgeted accordingly

- ② Allowance for bonus
Expenditure from payment of bonus to employees is recorded based on payment prospect.
 - ③ Allowance for retirement benefits
To prepare for employee retirement benefits, the accrual amount is based on end of consolidated FY prospective amount of liabilities from employee retirement benefits and pension asset.

Difference due to the change in Accounting Policy (154, 120 thousand yen) was handled as lump expense and accrued as extraordinary loss.
The difference arising from computation will be adjusted as expense in the subsequent consolidated FY using straight line depreciation based on fixed number of years (5 years) within average number of years of employment.
 - ④ Allowance for bonus for retiring directors
To prepare for bonus for retiring directors, end of FY payment amount is budgeted based on director retiring bonus policy. With the establishment of director retirement bonus policy, Media Communication Systems K.K. has commenced from current consolidated accounting term, budgeting for allowance in accordance with the policy. In accordance with this change, 4,900 thousand yen accrued in current consolidated FY will be budgeted to sales expense and general administrative expense and previous FY allowance amount of 2,158 thousand yen is budgeted as extraordinary loss. As a result, in comparison to the previous accounting method, ordinary profit and net income before tax adjustments have decreased by 4,900 thousand yen and 7058 thousand yen respectively.
- (4) Policy on conversion of significant assets and liabilities in foreign currency to local currency
Account receivable and account payable in foreign currencies are converted to yen at spot exchange rate on consolidated closing date and exchange difference is processed as gain or loss
- (5) Significant lease transaction accounting method
Except for lease products where ownership is expected to transfer to the debtor, the accounting method for lease transactions in conformance with accounting policy of general lease transactions is applied.
- (6) Significant hedge accounting method
- ① Hedge accounting method
Carry over hedge accounting is applied, except 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 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.

- (7) Other significant items for creating consolidated financial statements
Accounting Policy for consumption tax, etc.
pre-tax method is applied.

5. Matters relating to
Valuation of Assets and
Liabilities for
Consolidated

For valuation of Assets and Liabilities for Consolidated Subsidiaries, current price method is employed at all times.

6. Matters related to
amortization of
consolidation
adjustment account

With regards to amortization of consolidation adjustment, 5 year straight line method is employed.

7. Matters related to
handling of items for
appropriation of

Consolidated Surplus Statement is prepared in accordance with decisions regarding appropriation of surplus in Consolidated Report.

8. Scope of funds in
interim consolidated
cash flow statement

Funds (cash and cash equivalents) in current consolidated cash flow statement are cash on hand, deposits that may be withdrawn on a temporary basis, and short term investment which may be swiftly converted to cash and imposes minimal price fluctuation risk

Additional Information

1. Accounting for Retirement Benefits

From current consolidated FY, accounting policy indicated in "Opinion on establishment of accounting policy for retirement benefits" (Business Accounting Council, June 16, 1998) is applied for retirement benefits. As results, in comparison to the prior accounting method, expense related to retirement benefits increased by 133,974 thousand yen, ordinary income increased by 20,145 thousand yen and interim net income before tax, etc. decreased by 133,974 thousand yen.

2. Accounting for Financial Products

From current consolidated FY, accounting policy indicated in "Opinion on establishment of accounting policy for financial products" (Business Accounting Council, Jan. 22, 1999) is applied. As a result of this, in comparison to the prior accounting method, net income before tax, etc. decreased by 2,104,885 thousand yen. Also, after considering the purpose of security holding at beginning of the term, all financial products have been classified as investment securities. As results, current assets for securities decreased by 90,311 thousand yen and investment securities increased by same amount.

3. Accounting for Transactions in Foreign Currencies

From current consolidated FY, the revised accounting procedure standard for transactions in foreign currencies as indicated in "Opinion on revision of standard of accounting procedure for transactions in foreign currencies" (Business Accounting Council, Oct. 22, 1999) is applied. There are no effects on profit/loss resulting from this change.

Notable Matters

(Matters related to Consolidated Balance Sheet)

Items on Non-consolidated subsidiary and affiliated company (unit: 1,000 yen)

	End of Previous Consolidated FY	Current Consolidated FY
Investment Securities (Stocks)	74,375	144,375

(Matters related to Consolidated Income Statement)

(1) Major Items in Sales Expense and Administrative Expense

(unit: 1,000 yen)

	Previous Consolidated FY	Current Consolidated FY
Allowance for Compensation	2,647,192	3,441,249
Allocation of Allowance for Bonus	271,892	347,562
Allocation of Allowance for Employee Retirement Benefits	–	99,171
Allocation of Allowance for Employee Severance Benefits	2,030	–
Allocation of Allowance for Bonus for Retiring Directors	29,500	33,800
Rental Expense	761,294	1,007,184
Expense for Depreciation	745,299	894,093
Outsourcing Expense	779,517	591,318
Allocation of Allowance for Doubtful Receivables	8,833	–
Amount for Consolidation Adjustment Depreciation	5,297	5,297

(2) Research and Development included in
Administrative Expense

(unit: 1,000 yen)

	Previous Consolidated FY	Current Consolidated FY
Research and Development Expense	578,149	699,998

(3) Following indicates the items in Loss from
Removal of Fixed Assets

(unit: 1,000 yen)

	Previous Consolidated FY	Current Consolidated FY
Buildings and Structures	–	29,042
Machinery and Vehicles	–	45
Tools, Fixtures, and Equipment	13,012	23,723

(Matters related to Consolidated Interim Cash Flow)

The relationship between amount in items of
cash and cash equivalents in balance at end of
FY and Consolidated Balance Sheet

(unit: 1,000 yen)

	Previous Consolidated FY	Current Consolidated FY
Cash and Deposit Account	4,985,998	6,731,378
Cash and Cash Equivalents	4,985,998	6,731,378

Segment Information

1. Segment Information by Business Category

Previous FY (Apr. 1, 1999 to Mar. 31, 2000) and Current FY (Apr. 1, 2000 to Mar. 31, 2001)

Net One Systems Group's business focuses on network computing system deployment and related operation/ management service and as they all fall in the same segment category, segment information by business category is not provided.

2. Segment Information by geographic area

Previous FY (Apr. 1, 1999 to Mar. 31, 2000) and Current FY (Apr. 1, 2000 to Mar. 31, 2001)

As there are no consolidated subsidiary or major offices outside of Japan, there is no pertaining information.

3. Overseas Sales

Previous FY (Apr. 1, 1999 to Mar. 31, 2000) and Current FY (Apr. 1, 2000 to Mar. 31, 2001)

As overseas sales account for less than 10% of the consolidated sales, they have been abbreviated.

(Matters related to Lease Transactions)

(unit: 1,000 yen)

	Previous Consolidated FY (Apr. 1, 1999 to Mar. 31, 2000)	Current Consolidated FY (Apr. 1, 2000 to Mar. 31, 2001)																																
All finance lease transactions excluding leased products where title is expected to transfer to the debtor.	1. Debtor (1) Acquisition Amount Value, Net Total Depreciation Value, and Balance at End of Term Value for Lease Products (unit: rounded down to the nearest 1,000 yen)	1. Debtor (1) Acquisition Amount Value, Net Total Depreciation Value, and Balance at End of Term Value for Lease Products (unit: rounded down to the nearest 1,000 yen)																																
	<table border="1"> <thead> <tr> <th></th> <th>Acquisition Amount Value</th> <th>Net Total Depreciation Value</th> <th>Balance at End of Term Value</th> </tr> </thead> <tbody> <tr> <td>Tools/Fixtures & Equipment</td> <td>334,313</td> <td>161,721</td> <td>172,592</td> </tr> <tr> <td>Machine ry and Vehicles</td> <td>2,317</td> <td>321</td> <td>1,995</td> </tr> <tr> <td>Total</td> <td>336,630</td> <td>162,042</td> <td>174,587</td> </tr> </tbody> </table>		Acquisition Amount Value	Net Total Depreciation Value	Balance at End of Term Value	Tools/Fixtures & Equipment	334,313	161,721	172,592	Machine ry and Vehicles	2,317	321	1,995	Total	336,630	162,042	174,587	<table border="1"> <thead> <tr> <th></th> <th>Acquisition Amount Value</th> <th>Net Total Depreciation Value</th> <th>Balance at End of Term Value</th> </tr> </thead> <tbody> <tr> <td>Tools/Fixtures & Equipment</td> <td>286,936</td> <td>141,929</td> <td>145,007</td> </tr> <tr> <td>Machine ry and Vehicles</td> <td>6,113</td> <td>1,551</td> <td>4,562</td> </tr> <tr> <td>Total</td> <td>293,050</td> <td>143,480</td> <td>149,569</td> </tr> </tbody> </table>		Acquisition Amount Value	Net Total Depreciation Value	Balance at End of Term Value	Tools/Fixtures & Equipment	286,936	141,929	145,007	Machine ry and Vehicles	6,113	1,551	4,562	Total	293,050	143,480	149,569
		Acquisition Amount Value	Net Total Depreciation Value	Balance at End of Term Value																														
	Tools/Fixtures & Equipment	334,313	161,721	172,592																														
	Machine ry and Vehicles	2,317	321	1,995																														
	Total	336,630	162,042	174,587																														
		Acquisition Amount Value	Net Total Depreciation Value	Balance at End of Term Value																														
	Tools/Fixtures & Equipment	286,936	141,929	145,007																														
	Machine ry and Vehicles	6,113	1,551	4,562																														
	Total	293,050	143,480	149,569																														
(2) Balance at end of Term for Prepaid Lease Fee Value	(2) Balance at End of Term for Prepaid Lease Fee Value																																	
<table> <tbody> <tr> <td>Within 1 year</td> <td>61,473</td> </tr> <tr> <td><u>Over 1 year</u></td> <td><u>117,394</u></td> </tr> <tr> <td>Total</td> <td>178,832</td> </tr> </tbody> </table>	Within 1 year	61,473	<u>Over 1 year</u>	<u>117,394</u>	Total	178,832	<table> <tbody> <tr> <td>Within 1 year</td> <td>64,121</td> </tr> <tr> <td><u>Over 1 year</u></td> <td><u>90,076</u></td> </tr> <tr> <td>Total</td> <td>154,197</td> </tr> </tbody> </table>	Within 1 year	64,121	<u>Over 1 year</u>	<u>90,076</u>	Total	154,197																					
Within 1 year	61,473																																	
<u>Over 1 year</u>	<u>117,394</u>																																	
Total	178,832																																	
Within 1 year	64,121																																	
<u>Over 1 year</u>	<u>90,076</u>																																	
Total	154,197																																	
(3) FY's Payable Lease Fee, Depreciation Value, and Interest Payable Value	(3) FY's Payable Lease Fee, Depreciation Value, and Interest Payable Value																																	
<table> <tbody> <tr> <td>Payable Lease Fee</td> <td>69,122</td> </tr> <tr> <td>Depreciation Value</td> <td>64,303</td> </tr> <tr> <td>Interest Payable Value</td> <td>5,572</td> </tr> </tbody> </table>	Payable Lease Fee	69,122	Depreciation Value	64,303	Interest Payable Value	5,572	<table> <tbody> <tr> <td>Payable Lease Fee</td> <td>71,211</td> </tr> <tr> <td>Depreciation Value</td> <td>67,252</td> </tr> <tr> <td>Interest Payable Value</td> <td>4,939</td> </tr> </tbody> </table>	Payable Lease Fee	71,211	Depreciation Value	67,252	Interest Payable Value	4,939																					
Payable Lease Fee	69,122																																	
Depreciation Value	64,303																																	
Interest Payable Value	5,572																																	
Payable Lease Fee	71,211																																	
Depreciation Value	67,252																																	
Interest Payable Value	4,939																																	
(4) Calculation Method of Depreciation Value, and Interest Value	(4) Calculation Method of Depreciation Value, and Interest Value																																	
<table> <tbody> <tr> <td>Calculation Method of Depreciation Value</td> <td>Straight-line Method</td> </tr> <tr> <td>Calculation Method of Interest Value</td> <td>Interest Method</td> </tr> </tbody> </table>	Calculation Method of Depreciation Value	Straight-line Method	Calculation Method of Interest Value	Interest Method	<table> <tbody> <tr> <td>Calculation Method of Depreciation Value</td> <td>Straight-line Method</td> </tr> <tr> <td>Calculation Method of Interest Value</td> <td>Interest Method</td> </tr> </tbody> </table>	Calculation Method of Depreciation Value	Straight-line Method	Calculation Method of Interest Value	Interest Method																									
Calculation Method of Depreciation Value	Straight-line Method																																	
Calculation Method of Interest Value	Interest Method																																	
Calculation Method of Depreciation Value	Straight-line Method																																	
Calculation Method of Interest Value	Interest Method																																	

(unit: 1,000 yen)

	Previous Consolidated FY (Apr. 1, 1999 to Mar. 31, 2000)	Current Consolidated FY (Apr. 1, 2000 to Mar. 31, 2001)																								
All finance lease transactions excluding leased products where title is expected to transfer to the debtor.	2. Creditor	2. Creditor																								
	(1) Acquisition Amount, Depreciation Net Total, and Balance at End of Term for Lease Products	(1) Acquisition Amount, Depreciation Net Total, and Balance at End of Term for Lease Products																								
	(unit: rounded down to the nearest 1,000 yen)	(unit: rounded down to the nearest 1,000 yen)																								
	<table border="1"> <thead> <tr> <th></th> <th>Acquisition Amount</th> <th>Net Total Depreciation</th> <th>Balance at End of Term</th> </tr> </thead> <tbody> <tr> <td>Lease Assets (Tools, Fixtures & Equipment)</td> <td>394,274</td> <td>144,682</td> <td>249,592</td> </tr> <tr> <td>Total</td> <td>394,274</td> <td>144,682</td> <td>249,592</td> </tr> </tbody> </table>		Acquisition Amount	Net Total Depreciation	Balance at End of Term	Lease Assets (Tools, Fixtures & Equipment)	394,274	144,682	249,592	Total	394,274	144,682	249,592	<table border="1"> <thead> <tr> <th></th> <th>Acquisition Amount</th> <th>Net Total Depreciation</th> <th>Balance at End of Term</th> </tr> </thead> <tbody> <tr> <td>Lease Assets (Tools, Fixtures & Equipment)</td> <td>400,902</td> <td>209,920</td> <td>190,982</td> </tr> <tr> <td>Total</td> <td>400,902</td> <td>209,920</td> <td>190,982</td> </tr> </tbody> </table>		Acquisition Amount	Net Total Depreciation	Balance at End of Term	Lease Assets (Tools, Fixtures & Equipment)	400,902	209,920	190,982	Total	400,902	209,920	190,982
		Acquisition Amount	Net Total Depreciation	Balance at End of Term																						
	Lease Assets (Tools, Fixtures & Equipment)	394,274	144,682	249,592																						
	Total	394,274	144,682	249,592																						
		Acquisition Amount	Net Total Depreciation	Balance at End of Term																						
	Lease Assets (Tools, Fixtures & Equipment)	400,902	209,920	190,982																						
	Total	400,902	209,920	190,982																						
(2) Balance at end of Period for Prepaid Lease Fee Value	(2) Balance at End of Period for Prepaid Lease Fee Value																									
<table> <tbody> <tr> <td>Within 1 year</td> <td>78,236</td> </tr> <tr> <td>Over 1 year</td> <td>231,787</td> </tr> <tr> <td>Total</td> <td>310,024</td> </tr> </tbody> </table>	Within 1 year	78,236	Over 1 year	231,787	Total	310,024	<table> <tbody> <tr> <td>Within 1 year</td> <td>82,083</td> </tr> <tr> <td>Over 1 year</td> <td>159,948</td> </tr> <tr> <td>Total</td> <td>242,032</td> </tr> </tbody> </table>	Within 1 year	82,083	Over 1 year	159,948	Total	242,032													
Within 1 year	78,236																									
Over 1 year	231,787																									
Total	310,024																									
Within 1 year	82,083																									
Over 1 year	159,948																									
Total	242,032																									
(3) Lease Fee Received, Depreciation Expense and Interest Received Value for FY	(3) Lease Fee Received, Depreciation Expense and Interest Received Value for FY																									
<table> <tbody> <tr> <td>Lease Fee Received</td> <td>82,006</td> </tr> <tr> <td>Depreciation Expense</td> <td>63,898</td> </tr> <tr> <td>Interest Received Value</td> <td>8,299</td> </tr> </tbody> </table>	Lease Fee Received	82,006	Depreciation Expense	63,898	Interest Received Value	8,299	<table> <tbody> <tr> <td>Lease Fee Received</td> <td>85,652</td> </tr> <tr> <td>Depreciation Expense</td> <td>65,238</td> </tr> <tr> <td>Interest Received Value</td> <td>6,676</td> </tr> </tbody> </table>	Lease Fee Received	85,652	Depreciation Expense	65,238	Interest Received Value	6,676													
Lease Fee Received	82,006																									
Depreciation Expense	63,898																									
Interest Received Value	8,299																									
Lease Fee Received	85,652																									
Depreciation Expense	65,238																									
Interest Received Value	6,676																									
(4) Calculation Method of Interest Value	(4) Calculation Method of Interest Value																									
Interest Value Appropriation for each term is based on Interest Method	Interest Value Appropriation for each term is based on Interest Method																									

Transactions with Related Companies

Current Consolidated FY (April 1, 2000 to March 31, 2001)

(1) Parent company and Primary corporate shareholder

(unit: rounded down to the nearest 1,000 yen)

Attribution	Name of company, etc.	Address	Capital Stock or Amount Invested	Description of Business	Percentage of Ownership including voting right, etc (%)	Description of Relationship Concurrent post of directors	Business Relations	Description of Transaction	Transaction Amount	Items	End of the year balance
Primary corporate shareholder	Mitsubishi Corporation	Chiyoda-ku, Tokyo	(million yen) 126,608	General Trading Company	directly 20.2	-	Sales and procurement, etc. of networking equipment	Product Sales Product Procurement Others	156,288 87,456 294	account receivable account payable -	29,906 3,426 -

(2) Fellow subsidiary

(unit: rounded down to the nearest 1,000 yen)

Attribution	Name of company, etc.	Address	Capital Stock or Amount Invested	Description of Business	Percentage of Ownership including voting right, etc (%)	Description of Relationship Concurrent post of directors	Business Relations	Description of Transaction	Transaction Amount	Items	End of the year balance
Subsidiary of Primary corporate shareholder	Sphere Corporation	Shinagawa, Tokyo	300,000	Real Estate Business	-	-	Rental of buildings including headquarter	Amount paid as rental fee Provision of Deposit Reinbursement of Deposit	260,378 49,114 82,736	Prepaid Expense Deposit Key Money	24,425 220,114

Note: For above (1) and (2), transaction amount is exclusive of consumption tax and end of year balance for (1) is inclusive of consumption tax.

Conditions for transactins and Policy for decision, etc. of conditions for transactions

1. With regards to the headquarters building, decision is made based on transactions in neighboring areas.
2. With reagrads to business transactions, decisions are made on the same basis as other general transaction policy.
3. Sphere Corporation is a 100% owned by Mitsubishi Corporation, the primary corporate shareholder.

(Matters related to Tax Effect Accounting)

(unit: 1,000 yen)

Breakdown based on basis for accrual for deferred income tax asset and deferred income tax liability

	Current consolidated FY
Deferred Income Tax Asset (Current)	
Business Tax Payable	169,283
Amount in excess of the Allowance for Bonus	69,903
Year End Bonus Payable	61,739
Tax Loss Carryovers of Subsidiaries	1,569
Others	27,073
Total Deferred Income Tax Assets (Current)	<u>329,569</u>
Deferred Income Tax Liabilities (Current)	
Others	107
Total Deferred Income Tax Liabilities (Current)	<u>107</u>
Net Deferred Income Tax Assets (Current)	<u>329,462</u>
Deferred Income Tax Assets (Fixed)	
Amount in excess of the allowance for Tools, Fixtures, and Equipment	185,928
Allowance for Retirement Benefits	61,026
Allowance for Bonus for Retiring Directors	57,582
Valuation Loss for Marketable Securities	84,898
Others	57,048
Sub-total of Deferred Income Tax Assets (Fixed)	<u>446,485</u>
Valuation Reserve	<u>△ 9,701</u>
Total Deferred Income Tax Assets (Fixed)	<u>436,783</u>
Deferred Income Tax Liabilities (Fixed)	
Valuation Difference for other Marketable Securities	122,652
Reserve for Extraordinary Depreciation	22,556
Total Deferred Income Tax Liabilities (Fixed)	<u>145,208</u>
Net Deferred Income Tax Assets (fixed)	<u>291,574</u>

Market Value, Etc. of Securities

(Previous Consolidated FY) (as of March 31, 200)

(unit: rounded down to the nearest 1,000 yen)

Type of Securities	Previous Consolidated FY (as of March 31, 2000)		
	Amount accrued in Balance Sheet	Market Value	Valuation Gain/Loss
Included in current assets	90,311	177,705	87,393
stocks	—	—	—
bonds	—	—	—
others	90,311	177,705	87,393
Sub-total			
Included in fixed assets			
stocks	143,633	4,110,758	3,967,125
bonds	—	—	—
others	—	—	—
Sub-total	143,633	4,110,758	3,967,125
Total	233,945	4,288,464	4,054,518

(note) 1. Calculation method of market value

- (1) Over the counter stocks ... Sale price quoted by Japan Securities Dealers' Association
- (2) Over the counter stocks traded in foreign countries ... end price quoted by NASDAQ

2. Amount accrued in balance sheet for marketable securities excluded from disclosure

Included in Fixed Assets

Unlisted stocks (excluding over the counter stocks) 930,236 thousand yen

(Current Consolidated Term) (as of Mar. 31, 2001)

1. Securities intent to be sold

There are no applicable shares.

2. Securities having market value and intended to be held for full term

There are no applicable shares.

3. Other securities having market value

(unit: rounded down to the nearest 1,000 yen)

	Type of Securities	Acquisition Cost	Amount accrued in Balance Sheet	Variance
Securities with market value in excess of the amount accrued in consolidated balance sheet	(1) Stocks	32,000	342,000	310,000
	(2) Bonds			
	① Government/Local Government Bonds	—	—	—
	② Corporate Bonds	—	—	—
	③ Others	—	—	—
	(3) Others			
	Sub-total	32,000	342,000	310,000
Securities having market value not in excess of the amount accrued in consolidated balance sheet	(1) Stocks	206,525	145,396	△61,128
	(2) Bonds			
	① Government/Local Government Bonds	—	—	—
	② Corporate Bonds	—	—	—
	③ Others	—	—	—
	(3) Others			
	Sub-total	206,525	145,396	△61,128
Total		238,525	487,396	248,871

note: Within securities with acquisition value for securities having market value not in excess of the amount accrued in consolidated balance sheet (206,525 thousand yen), deduction process has been applied (101,898 thousand yen) and acquisition cost after deduction process is used for calculation.

4. Bonds intended to be held for full term sold during the current FY

There are no applicable shares.

5. Other securities disposed during current consolidated FY

(unit: rounded down to the nearest 1,000 yen)

Disposition Value	Total disposition profit	Total disposition loss
1,055,794	—	2,104,885

6. Securities without market value

(unit: rounded down to the nearest 1,000 yen)

	Amount accrued in consolidated balance sheet	Remarks
(1) Bonds intended to be held for full term		
Unlisted foreign bonds	—	
(2) Other marketable securities		
Unlisted stocks (excluding over-the-counter stocks)	706,348	

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

There are no applicable shares.

Matters related to derivative transactions

Matters related to market value of transactions

(previous consolidated FY) (as of Mar. 31, 2001)

Contract value, market value, and valuation gain/loss for derivative transactions
(unit: rounded down to the nearest 1,000 yen)

	Type of Securities	Current Consolidated FY (as of Mar. 31, 2000)			
		Contract Value		Market Value	Valuation Gain/Loss
			Over 1 year		
Transactions outside of Market Trade	Foreign Exchange Contract Transaction Bought US Dollar	1,971,963	—	1,976,094	4,131
	Total	1,971,963	—	1,976,094	4,131

Note:

1. Calculation method of market value
End of the term market value uses future quotation.
2. Foreign currency debts and credits with exchange contract are excluded from disclosure, as the value of Japanese yen at close date is predetermined.

(current consolidated FY) (as of Mar. 31, 2001)

There are no applicable items as hedge accounting is applied for all derivative transactions.

Matters related to Allowance for Retirement Benefits

1. Summary of the Allowance for Retirement Benefits employed

Our company and consolidated subsidiaries offers defined benefit plan by approved retirement annuity system and termination allowance plans. Also, our company and consolidated subsidiaries are members of comprehensively established pension fund comprised of multiple companies.

2. Items under retirement benefits (as of Mar. 31, 2001)

(unit: 1,000 yen)

1 Retirement Benefit Liability	△804,349
2 Pension Asset	523,072
3 Deficit on reserve for Retirement Benefit Liability (①+②)	△281,276
Unaccounted amount from difference due to change in	—
4 accounting policy	
5 Unrecognized net assets at transition	131,368
6 Unrecognized prior service cost (decrease in liabilities)	—
Accrued retirement benefit cost recognized in the current	△149,908
7 balance sheet (③+④+⑤+⑥)	
8 Prepaid Pension Expense	—
9 Allowance for Retirement Benefit (⑦-⑧)	△149,908

3. Items for Retirement Benefit Expense (April 1, 2000 to March 31, 2001)

(unit: 1,000 yen)

1 Service Expense	107,990
2 Interest Expense	21,154
3 Expected return on plan assets	△20,262
4 Amortization of net transition assets	154,120
5 Amortization of net actuarial loss	—
6 Amortization of prior service expense	—
7 Net retirement benefits expense (①+②+③+④+⑤+⑥)	263,001

4. Items regarding prospective basis for calculation of retirement benefits liabilities

1 benefits	Flat rate basis per term
2 Rate of discount	3.0%
3 Rate of expected return on plan assets	4.5%
4 Number of years for amortization of prior service expense	—
5 Number of years for amortization of net actuarial loss	5 years
	(From the proceeding Consolidated FY, fixed amount method determined by the average number of employment years will be applied for expense process. Lump sum expense process is applied during the consolidated FY in which the incident occurred
6 Number of years for amortization of net transition assets	

5.Of the pension asset required for joint established pension fund, the amount of pension asset balance at the end of the current FY calculated based on contributory amount of premium by our company and consolidated subsidiaries.

1,235,398 thousand yen

As Net One Systems Group segment information is limited, sales, amount of orders accepted and backlog of unfilled orders are indicated by their former product category.

Sales by Product Category

(unit: rounded down to the nearest 1,000 yen)

	Previous Consolidated FY (Apr. 1, 1999 to Mar. 31 2000)		Current Consolidated FY (Apr. 1, 2000 to Mar. 31, 2001)		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network Equipment	26,572,039	76.4	45,363,104	78.2	18,791,065	70.7
Network Computing	329,764	0.9	877,991	1.5	548,227	166.2
Media Products	2,224,326	6.4	3,951,796	6.8	1,727,469	77.7
Service Products	5,677,940	16.3	7,813,661	13.5	2,135,720	37.6
Total	34,804,071	100.0	58,006,554	100.0	23,202,483	66.7

Orders Accepted by Product Category

(unit: rounded down to the nearest 1,000 yen)

	Previous Consolidated FY (Apr. 1, 1999 to Mar. 31 2000)		Current Consolidated FY (Apr. 1, 2000 to Mar. 31, 2001)		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network Equipment	30,909,399	77.6	53,406,932	77.6	22,497,533	72.8
Network Computing	337,948	0.8	1,166,779	1.7	828,830	245.3
Media Products	2,342,530	5.9	4,727,981	6.9	2,385,450	101.8
Service Products	6,263,869	15.7	9,516,841	13.8	3,252,972	51.9
Total	39,853,747	100.0	68,818,534	100.0	28,964,787	72.7

Backlog of Unfilled Orders by Product Category

(unit: rounded down to the nearest 1,000 yen)

	Previous Consolidated FY (as of Mar. 31 2000)		Current Consolidated FY (as of Mar. 31, 2001)		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Network Equipment	6,798,647	67.6	14,842,474	71.1	8,043,827	118.3
Network Computing	59,343	0.6	348,131	1.7	288,787	486.6
Media Products	509,788	5.1	1,285,973	6.2	776,184	152.3
Service Products	2,683,422	26.7	4,386,602	21.0	1,703,179	63.5
Total	10,051,201	100.0	20,863,181	100.0	10,811,979	107.6