Financial Report for FY 2007 (ending March 2008)

May 8, 2008

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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Expected date of ordinary general meeting of shareholders	June 25, 2008	Expected date of dividend payment start	June 26, 2008
Expected filing date of annual report	June 26, 2008		

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

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

(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 2008	111,687	(2.2)	4,772	(-13.1)	4,887	(-11.1)	2,484	(-14.1)
FY ended March 2007	109,292	(1.8)	5,489	(-29.2)	5,498	(-29.7)	2,891	(-39.5)

	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 2008	4,797 85	―――	4.1	5.8	4.3
FY ended March 2007	5,241 81	―――	4.6	6.5	5.0

(reference) Equity in net earnings of affiliated companies
FY ended March 2008: - 15 Million yen
FY ended March 2007: - 55 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 2008	84,259	58,670	68.6	115,956 89
FY ended March 2007	84,601	64,647	75.5	115,715 08

(reference) Net assets FY ended March 2008: 57,809M yen
FY ended March 2007: 63,838M 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 2008	7,674	- 3,465	- 8,412	25,550
FY ended March 2007	9,117	- 3,245	- 1,175	29,754

2. Status of dividends

	Dividend per share			Total dividend (annual)	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
(Date of record)	Interim period	End of the term	Annual total			
	yen sen	yen sen	yen sen	Million yen	%	%
FY ended March 2007	750 00	750 00	1,500 00	827	28.6	1.3
FY ended March 2008	750 00	1,250 00	2,000 00	997	41.7	1.7
FY ending 2009(forecast)	850 00	850 00	1,700 00		30.3	

(Note) Details of end of the term dividend for FY ending 2008 (forecast)
Commemorative dividend 500.00 yen

3. Forecast for the consolidated FY ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(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 2009	53,700 (10.8)	900 (- 57.0)	900 (- 58.8)	500 (- 56.5)	1,002 92
FY ending March 2009	119,500 (7.0)	5,000 (4.8)	5,000 (2.3)	2,800 (12.7)	5,616 34

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)

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

② changes other than ① yes

(Note) For details, please refer to significant items regarding basis of creation of consolidated financial statements on page 32.

(3) Outstanding stocks (Common Stocks)

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

	FY ending March 2008	551,900
	FY ending March 2007	551,900
② End of the term treasury stocks	FY ending March 2008	53,355
	FY ending March 2007	211

(Note) Please refer to "Per share information" on page 33 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, 2007 to March 31, 2008)

(1) Non-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 2008	109,873	(2.5)	3,914	(- 22.4)	4,047	(- 20.9)	2,377	(- 14.1)
FY ended March 2007	107,144	(1.6)	5,042	(- 25.4)	5,119	(- 25.3)	2,767	(- 34.5)

	Current net income per share		Current net income per share assuming full dilution
	yen	sen	yen sen
FY ended March 2008	4,591	36	―
FY ended March 2007	5,015	53	―

(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 2008	80,648	56,743	70.4	113,819	02
FY ended March 2007	81,683	62,879	77.0	113,976	95

(reference) Net assets

FY ended March 2008: 56,743 Million yen

FY ended March 2007: 62,879 Million yen

2. Forecast for the non-consolidated FY ending March 31, 2009 (April 1, 2008 to March 31, 2009)

(% for the FY or interim period are 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 se
Interim period for FY ending March 2009	53,000 (11.4)	900(− 44.0)	900(− 46.8)	500(− 46.8)	1,002 92
FY ending March 2009	118,000 (7.4)	4,500 (15.0)	4,500 (11.2)	2,600 (9.4)	5,215 18

(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 5.

1. Operating results and financial status

(1) Operating results

(Conditions of current FY)

During current FY, within corporate sector (manufacturing/non-manufacturing: EP Sector), projects scales became larger and service businesses (operation management etc. including construction) expanded. As a result, period of pre-sales tended to be longer. With the exception of construction and real estate industry, non-manufacturing industry's orders accepted and sales were relatively positive. However, as a reaction to large orders accepted from previous FY in manufacturing industry and decrease in orders accepted especially for electronic and transportation equipment industry, sales ended at a minimal increase.

Within Telecom and ISP (SP Sector), orders accepted and sales both increased for SI companies providing services to Nippon Telegraph and Telephone Corporation (NTT) Group and other telecoms and ISPs.
Although within public sector (Public Sector), price competition created difficult conditions in certain bids for independent administrative agencies, the Company was awarded businesses from central government and there was an increase in orders accepted from local administrative agencies. Concurrently, due to orders accepted being recorded in next FY, the sales decreased.

Under this environment, orders accepted were 117,345M yen indicating an increasing of 8,177M yen (7.5% increase from previous FY). With regard to orders accepted based on channels, 41,001M yen (3.2% decrease) were in EP sector, 49,405M yen (10.6% increase from previous FY) were in SP sector and 26,938M yen (21.7% 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 76,551M yen (4.4% increase from previous FY) and orders accepted for service business were 40,794M yen (13.7% increase from previous FY).

Under this environment, sales were 111,687M yen, up 2,395M yen (2.2% increase from previous FY) from previous FY. With regard to sales based on channels, 41,795M yen (1.2% increase) were in EP sector, 46,594M yen (7.0% increase from previous FY) were in SP sector and 23,297M yen (4.7% decrease from previous FY) were in public sector. With regard to sales based on network products and service business, 74,281M yen (1.4% decrease from previous FY) in sales were comprised of network products and 37,406M yen (10.1% increase from previous FY) in sales were comprised of service business.

With regard to profit, sales were 111,687M yen (2.2% increase, 2,395M yen increase from previous FY), cost of goods sold was 86,568M yen (2.0% increase, 1,712M yen increase from previous FY) and as a result, gross profit margin 25,119M yen (2.8% increase or 683M yen from previous FY.) On the other hand, due to increase in the number of personnel, selling and general administrative expenses were 20,347M yen (7.4% increase, 1,400M yen increase from previous FY) and as a result, operating profit was 4,772M yen (13.1% decrease, 717M yen decrease from previous FY), ordinary profit was 4,887M yen (11.1% decrease or 611M yen decrease from previous FY) and current net income was 2,484M yen (14.1% decrease or 407M yen decrease from previous FY).

(Forecast for the next FY)

In corporate sector, service business such as security, unified communications, operation management monitoring, etc. which are attracting much attention from customers will be expanded to increase orders accepted and sales. Investments for exisiting IP web by telecom companies and ISP sector are expected to continue decreasing. However, active sales approach to next generation network related and SI companies is expected to cover the sluggish sales. With regard to public sector, sales approach to both central government agencies and local government will be strengthened to improve sales.

Under this environment, with regard to consolidated business performance forecast for FY ending 2009 (April 1, 2008 to March 31, 2009) expected sales, operating profit, ordinary profit and current net income are 119,500M yen (network products, etc. 78,500M yen and service business 41,000M yen), 5,000M yen, 5,000M yen and 2,800M 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）

In comparison to the previous consolidated FY, total assets at the end of this consolidated FY interim period were 84,259M yen and decreased by 0.4% (341M yen decrease). Total assets were comprised of 72,910M yen (decrease of 1.1% or 791M yen decrease from previous FY) of current assets and 11,349M yen (increase of 4.1% or 449M yen from previous FY) of fixed assets. Total liabilities were 25,589M yen (increase of 28.2% or 5,635M yen from previous FY). Total net assets were 58,670M yen (decrease of 9.2% or 5,977M yen from previous FY). Prominent cause of decrease in net assets was the market purchase of treasury shares (number of shares: 53,143 shares; purchase price: 7,607M yen) which increased the treasury shares (exception from shareholders' equity) and reduced the net assets.
With regard to current assets, it decreased by 791M yen as cash and deposits and marketable securities (negotiable deposits and commercial paper) decreased by 4,203M yen, note receivables and account receivables -trade increased by 819M yen and relative to increase in orders accepted, inventories increased by 1,986M yen. Due to increase in tangible fixed assets, fixed assets decreased by 449M yen.
With regard to liabilities, relative to 4,247M yen increase in accounts payable, there was a total of 5,635M yen increase and total net assets decreased by 5,977M yen.
Balance of cash and cash equivalents at the end of current consolidated FY was 25,550M yen. This indicated 4,203M yen decrease (14.1% decrease). This is comprised of 7,674M yen of cash flow from operating activities, 3,465M yen of cash flow from investing activities, and 8,412M yen of cash flow from financing acitivities.
During current consolidated FY, cash flow based on operating activities decreased by 1,443M yen and resulted in positive cash flow at 7,674M yen. This is mainly due to 5,782M yen decrease in income from decrease in amount collected from accounts receivable, 2,608M yen decrease in income from increase in inventories, and 7,121M yen decrease in expenditure from payment of purchase liabilities. For cash flow from investing activities, relative to 156M yen increase in expenditure from acquisition of tangible fixed assets, the expenditure increased by 220M yen and resulted in negative cash flow of 3,465M yen. For cash flow based on financing activities, due to increase in expenditure of 7,624M yen relative to purchase of treasury stocks, it resulted in negative cash flow of 8,412M yen.

(Cash Flow reference trend)

	FY2004 (ending March 2005)	FY2005 (ending March 2006)	FY2006 (ending March 2007)	FY2007 (ending March 2008)
Net assets ratio	71.8%	72.7%	75.5%	68.6%
Net assets ratio for shares based on market value	187.7%	157.1%	91.3%	69.2%
Interest bearing liabilities to cash flow ratio	1.9%	4.0%	— %	0.5%
Interest coverage ratio	3,888.8	1,969.0	1,905.0	46,439.3

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

①Analysis of Operating Results

(Sales)

With regard to sales, there was a 2,395M yen increase compared to previous consolidated FY and ended at 111,687M yen. Although the sales of the network products which are the Company's main line products were not favorable, due to 10.1% increase in sales, total sales increased by 2.2% year over year.

(Cost of goods sold and gross profit on sales)

Due to increase in ratio of sales (2.4% increase from previous FY) for service product category (operation management, etc. including construction) which provides for higher gross profit margin, during the current consolidated FY, sales cost ratio compared to previous FY decreased by 0.1 points. As a result, gross profit on sales increased by 683M yen and ended at 25,119M yen.

(Selling, general and administrative expense, operating profit)

Personnel cost increased due to the introduction of additional staff aimed at broadening the basis for sales/marketing and technology. As a result, selling, general and administrative expense increased by 1,400M yen (7.4% increase from previous FY), and operating profit decreased by 13.1% and ended at 4,772M yen.

(Non-operating income and expense, ordinary income)

Non-operating income was 178M yen and significant contributory factors included 119 M yen from interests income and 13M yen from dividend from group insurance.

On the other hand, non-operating expense ended at 63M yen relative to 18M yen of currency exchange loss, 15M yen in equity losses of affiliates, and 17M yen of expense for purchase of treasury stocks.

As a result, ordinary income decreased by 11.1% and ended at 4,887M yen.

(Extraordinary profit and loss, income before income taxes and others)

Extraordinary profit for the current consolidated FY was 4M yen. On the other hand, extraordinary loss was 137 yen and included 99M yen as loss from removal of fixed assets, 15M yen as loss on sales of affiliated company's stocks and 22M yen as loss on revaluation of investment securities.

As a result, current net income before taxes decreased by 6.5% from previous FY and ended at 4,754M yen.

(Tax expense, current net profit)

Tax expense including income tax current and income taxes deferred was 2,145M yen and contribution percentage of income taxes after applying tax effect accounting went from 40.69% to 45.13%. Significant contributory factor for this included reversal of deferred income tax assets accured in previous year for future diductible temporary difference which cannot be scheduled. In addition, due to reporting 124M yen as minority shareholder income, current net income was 2,484M yen indicating 14.1% decrease from previous FY.

②Analysis of financial status

(Current assets)
Current assets at the end of current consolidated FY decreased by 791M yen compared to the end of previous FY.
Significant factors for the increase are an 2,998M yen increase in securities relative to surplus funds management (negotiable deposits and commercial paper), an 1,998M yen increase in inventories relative to increase in amount of orders accepted, and an 819M yen increase in note receivables and account receivables. On the other hand, significant factor for decrease is a 7,201M yen decrease in cash and depoits.

(Fixed assets)
Fixed assets during current consolidated FY increased by 449M yen compared to previous FY. Significant factors for this included a 160M yen increase (acquisition value increased by 2,277M yen and total net depreciation increased by 2,116M yen) in book value of fixture, furniture and equipment relative to enhancement of maintenance network products and evaluation equipment and a 196M yen increase in investment securities.

(Liabilities)
Total liabilities at the end of current consolidated FY increased by 5,635M yen compared to the end of previous consolidated FY.
Significant contributory factor was a 4,247M yen increase in accounts payable.

(Net assets)
Relative to recording current net income before taxes, accumulated earnings increased by 1,696M yen and treasury stocks increased by 767M yen (decrease in net assets), total net assets was 58,670M yen. Net assets ratio decreased by 6.9 points decrease and ended at 68.6%.

(4) Basic policy for profit sharing and dividends for current and next FYs

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 2008)
The Company provided 750 yen per share interim dividend at the end of November 2007. End of the year common dividend for FY ending March 2008 is expected to be 750 yen and commemorative dividend for 20th anniversary of the Company is expected to be 500 yen. If common dividend and commemorative dividend totaling 2,000 yen per share on annual basis were provided, consolidated dividend payment ratio is expected to be 41.7%. (consolidated dividend payout ratio excluding commemorative dividend for 20th anniversary will be 31.3%.)

③ Next FY (FY ending March 2009)

With regard to next FY common dividend, the Company plans to provide 850 yen per share dividend for both interim period dividend and end of the year dividend for an annual total of 1,700 yen.

(5) 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 Information leakage

The Company provides everything from development of network system to services with high added value. 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.

② Business transactions with Cisco Systems K.K.

While technology rapidly evolves in IT industry and market 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.

③ Business transactions with top 10 customers

With regard to breakdown of sales based on customers (FY ending March 2008) sales amount to group companies of Nippon Telegraph and Telephone Corporation (NTT) totaled 30^{th} 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 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 invenotory 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 purchas price and sales price and thereby lead to reduced profit.

⑤ Obsolete products and securing adequate inventories

The rapidly evolving technologies in the network related 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 Competition

Relative to rapid expansion of network related market, competition may intensify with competing companies. As a result, price competition in network related market and services may start and relative to the company's competitiveness and market status, there may be negative impacts on the business performance of the Company. In addition, in order to offer most advanced and high-level network systems, securing professional human resources, including competent system engineers with high technical skills, is imperative. To survive the price competition, the Company will recruit and foster highly professional human resources and enhance the Company's technical skills and thereby differentiate the Company from other competitors.

⑦ 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 including routers, etc. 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.

⑧ 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.

⑨ 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.

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., three subsidiaries and two affiliated companies. The core business of Net One Systems Group is to deploy everything from network computing system using most advanced technologies and offer related operation and management services. Although our group is involved in one business field, based on product selection and service types, business domain is categorized into network equipment products group (NI), Network Computing Products (NC), Media Integration Products (MI), and Service Integration Products (SI) (refer to below table).
Our Group's business predominantly deals with sales of integrated packages that combine various products groups.
With regards to the varying roles within our group companies, Net One Systems Co., Ltd. is responsible for NI, NC and MI, and Network Service And Technologies Co., Ltd. is responsible for SI. Net One Systems Co., Ltd. and U.S. subsidiary, (Tennoz Initiative Inc.) perform US network market research and search for most advanced technologies and products.

〔Product classification〕

Product Category	Description	Major products
Network Integration products (NI)	Network design Project management Product installation	Router Switch 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

Note:

<u>Network Integration Products (NI)</u>
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.

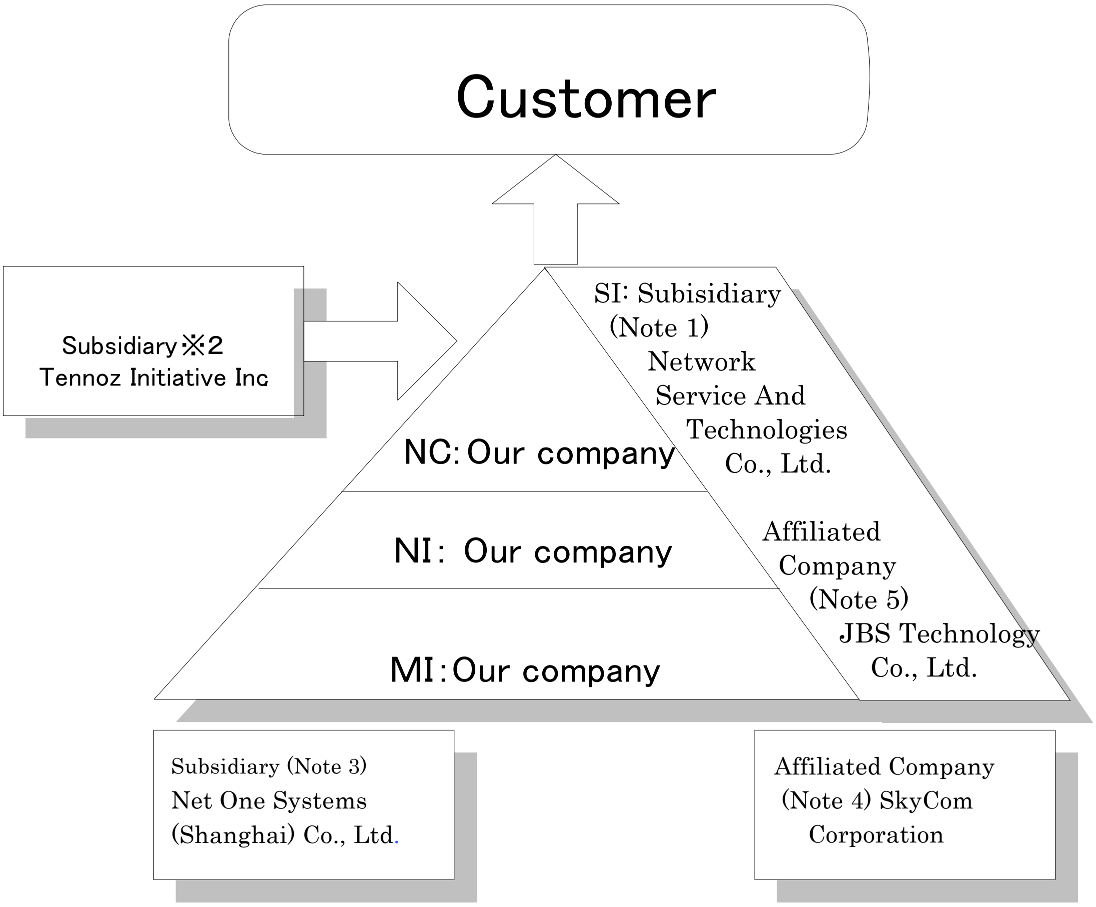
<u>Network Computing Products Group (NC)</u>
Network Computing enables safe and prompt deployment of application infrastructure used in a rapidly evolving Internet environment. Network Computing is organized based on software and related equipment necessary for maintenance of evolving application platform including various security products and multimedia applications, as well as solutions using technically most advanced traffic management, QoS, server, and storage.

<u>Media Products Group (MI)</u>
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.

[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: Tennoz Initiative Inc. is a company that researches on U.S. computer network market, and advanced technologies and searches for new products. It is an unconsolidated subsidiary that does not apply equity method.
Note 3 Net One Systems (Shanghai) Co., Ltd. is a company that provides everything from network system development to services to China based subsidiaries of Japanese companies. It is an unconsolidated subsidiary that does not apply equity method.
Note 4 SkyCom Corporation's core business is to develop and offer computer network related software and equity method is applied.
Note 5 JBS Technology Co., Ltd. is a company providing resident engineer services for creation,

operation and maintenance of IT environment, and equity method is applied.

Note 6: E-Japan which was formally a consolidated subsidiary is no longer a consolidated subisidiary due to completion of liquidation as of February 4, 2008.

3. Basic Management Policies

(1) Basic Policies for Management

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

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

Computer networks are permeating at an immense speed and its usage as a social infrastructure is advancing. Demands such as video delivery through integration of broadcasting and telecommunications, and creation of IT systems integrating network, voice data, etc. indicate diversifying and increasingly more sophisticated needs of the customers. Networking environment is expected to increase in reliability and operational simplicity.

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 benchmark goal

The Company's management benchmark indicates that "factors including facility investment trend for next generation network which have great impact on change in performance have many elements of uncertanties and the Company will shift the existing numerical target established within the Company from orders accepted and sales, to recurring profit margin. The purpose of this shift is to quantify customer satisfaction (profit equals value added) and more specifically, improve the recurring profit margin by one (1) percent on an annual basis." However, from considering the current market environment and future investment, etc. in network technologies, the emphasis on profit will continue, and the goal will be to "improve the recurring profit margin."

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

The Company has established following polices for undertaking integration service business:

i. The Company will shift its business model focusing on sales of network products to one including service for networked system features.

ii. Clarify the corporate domain, and strengthen network integration, network platform, security and network application to expand and become a company capable of providing comprehensive network infrastructure.

Under above policy, the corporate domain will expand from information industry to ICT industry.

Furthermore, the Company's business model will shift to encompass provision of services to a customer's comprehensive network infrastructure and address system features embedded in the customer network. More specifically, in addition to the Company's traditional business model of selling network products and providing related services, by offering consultation focusing on network technology and providing value added services encompassing everything from creation to operational management, the Company aims to develop the business of ongoing service unit. By installing security and storage servers, etc. and creating a system (network platform) that uses new network technologies, and developing IP application on top of the system framework, the Company aims to create for various customers, environment for efficient and pragmatic usage of network services.

To realize this vision, short term, mid-term and long-term business goals have been established as follows.

① Short-term

In addition to continued strengthening of network integration business, the Group's biggest advantage, the Company will systemize and reorganize the added services. Relative to expansion of network business realm, the Company undertakes to establish network platform, security and network application businesses, which will be required for the future network framework, and expand product line up through searching for new products.

② Mid-term

The Company will continue next generation network research and development. In addition to expansion of network integration business, the Company undertakes to develop network platform, security, and network application businesses. Through sales of new products, the Company undertakes to develop an organization capable of providing a network as a system. In addition, by developing a corporate organization also capable of providing above-mentioned services to network framework not provided by the Company, the Company undertakes to enter into service business that includes a customer's outsourcing needs.

③ Long-term

By further strengthening the corporate organization for providing planning, creation and maintenance management of a customer's network framework, the Company aims to create autonomous and self-sustaining network framework for the customer. In addition to aiming to increase the value of value added networks of the customers, the Company aims to promote integrated service business to ensure efficiency in asset usage and further reduction in cost.

(4) Issues for the Company

In order to fulfill management index and mid to long term management strategies, it is essential for the Company to strengthen sales force to match customer type (general non-governmental companies, Telecom companies, or public sector) and geographical needs, search for new products, improve service menu and reorganize corporate framework.

In order to create strengthened sales force based on customer characteristics, line of responsibilities for sales to general non-governmental companies will be clarified, sales target will be expanded from not only telecom companies but also to companies providing network services, and sales force for central government, local administrative bodies and public sector including education will be strengthened. Also relative to many customers relocating to rural areas, the Company will strengthen coordination between the Company's headquarters and local offices.

Next, unified communication and network platform, security, network application businesses will be integrated into sales group and the previously adopted system of individually promoting the business will be changed to create an organization in accordance with next generation technology trend.

Furthermore, by increasing collaborative effort with one of the Company's group company, Network Service And Technologies Co., Ltd. (subsidiary of the Company) which provides operation service business, the Company aims to promote service business and create a system for comprehensively providing network creation, platforms and applications on top of network infrastructure and operation support.

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) Comparative consolidated balance sheet

(unit: rounded down to the nearest million yen)

	End of previous FY (as of March 31, 2007)			End of current FY (as of March 31, 2008)			Variance
	Amount		Ratio	Amount		Ratio	
			%			%	
ASSETS							
I. Current Assets		73,701	87.1		72,910	86.5	− 791
1. Cash and deposits		17,756			10,554		− 7,201
2. Notes and accounts receivable - trade		30,954			31,773		819
3. Short-term investments		11,997			14,996		2,998
4. Inventories		10,584			12,570		1,986
5. Deferred income taxes		636			908		271
6. Others current assets		1,773			2,113		339
7. Allowance for doubtful receivables		− 0			− 5		− 4
II Fixed Assets		10,899	12.9		11,349	13.5	449
1. Tangible assets		5,061	6.0		5,278	6.3	216
(1) Buildings	917			1,052			
Allowance for doubtful receivables	− 454	462		− 532	519		56
(2) Furniture, fixtures and equipment	17,918			20,196			
Allowance for doubtful receivables	− 13,321	4,597		− 15,437	4,758		160
(3) Lease assets	3			3			
Allowance for doubtful receivables	− 2	1		− 3	0		− 0
2. Intangible Assets		1,598	1.9		1,665	2.0	66
(1) Goodwill		12			6		− 5
(2) Others		1,586			1,658		72
3. Investment and Other Assets		4,238	5.0		4,405	5.2	167
(1) Long-term investments		746			942		196
(2) Long-term loans receivable		11			13		2
(3) Deferred income		2,351			2,215		− 135

taxes (4) Other assets Allowance for doubtful receivables		1,355 － 225			1,477 － 243		121 － 17
Total assets		84,601	100.0		84,259	100.0	－ 341

（unit: rounded down to the nearest million yen）

	End of previous FY (as of March 31, 2007)		End of current FY (as of March 31, 2008)		Variance
	Amount	Ratio	Amount	Ratio	
		%		%	
LIABILITIES					
Ⅰ Current Liabilities	19,850	23.5	25,516	30.3	5,666
1. Accounts payable - trade	12,272		16,519		4,247
2. Lease liabilities	―		19		19
3. Accrued expenses	1,117		1,477		359
4. Accrued income taxes	895		1,183		288
5. Advance received	―		4,405		4,405
6. Allowance for bonuses	637		737		100
7. Allowance for bonuses for executives	22		27		4
8. Other current liabilities	4,904		1,146		− 3,758
Ⅱ Long term liabilities	103	0.1	72	0.1	− 31
1. Lease liabilities	―		16		16
2. Long-term accrued expenses	93		47		− 46
3. Other long-term liabilities	9		8		− 1
TOTAL LIABILITIES	19,953	23.6	25,589	30.4	5,635
SHAREHOLDERS' EQUITY					
Ⅰ Shareholders' equity	63,811	75.4	57,900	68.7	− 5,911
1. Capital stock	12,279	14.5	12,279	14.6	―
2. Additional paid-in capital	19,453	23.0	19,453	23.1	―
3. Accumulated earnings	32,173	38.0	33,870	40.2	1,696
4. Treasury stocks	− 94	− 0.1	− 7,702	− 9.2	− 7,607
Ⅱ Revaluation and translation adjustments	26	0.0	− 90	− 0.1	− 117
1. Securities revaluation adjustment	− 2	− 0.0	55	0.1	58

2. Deferred charge from hedging instruments	29	0.0	－ 146	－ 0.2	－ 175
Ⅲ Minority interests	808	1.0	860	1.0	51
Total net assets	64,647	76.4	58,670	69.6	－ 5,977
Total liabilities and net assets	84,601	100.0	84,259	100.0	－ 341

（2）Consolidated Income Statement

（unit: rounded down to the nearest million yen）

	Previous Consolidated FY April 1, 2006 March 31, 2007		Current Consolidated FY April 1, 2007 March 31, 2008		Variance
	Amount	Ratio	Amount	Ratio	
		%		%	
Ⅰ Sales	109,292	100.0	111,687	100.0	2,395
Ⅱ Cost of Goods Sold	84,856	77.6	86,568	77.5	1,712
Gross Profit on Sales	24,436	22.4	25,119	22.5	683
Ⅲ Selling, General and Administrative Expense	18,946	17.4	20,347	18.2	1,400
Operating Profit	5,489	5.0	4,772	4.3	－ 717
Ⅳ Non-Operating Income	99	0.1	178	0.2	78
1. Interest Income	44		119		74
2. Dividends	1		—		－ 1
3. Income from work from affiliated companies	3		1		－ 2
4. Dividend from group insurance	31		13		－ 18
5. Others	18		44		25
Ⅴ Non-operating expense	90	0.1	63	0.1	－ 27
1. Interest expense	4		0		－ 3
2. Investment loss on equity method	55		15		－ 39
3. Expense for purchase of treasury stocks	—		17		17
4. Exchange loss on foreign currencies	6		18		12
5.Committment Fee	9		—		－ 9
6. Investment operation loss	10		10		0
7. Other loss	5		0		－ 4
Ordinary profit	5,498	5.0	4,887	4.4	－ 611
Ⅵ Extraordinary profit	0	0.0	4	0.0	3
1. Reversal of allowance for doubtful receivables	0		1		0
2. Profit on change in equity	—		2		2
Ⅶ Extraordinary loss	414	0.3	137	0.1	－ 277
1. Loss from removal of fixed assets	134		99		－ 35

2. Loss from sales of investment securities	2		0		－1
3. Loss from sales of affiliated companies	―		15		15
4. Loss from revaluation of investment securities	24		22		－2
5. Loss on revaluation of affiliated company's stocks	34		―		－34
6. Loss from relocation of affiliated company	19		―		－19
7. Loss from termination of business relocation	199		―		－199
Income before income taxes	5,084	4.7	4,754	4.3	－330
Income taxes current	2,162	2.1	2,200	2.0	37
Income taxes deferred	－9	－0.0	－54	－0.0	－44
Minority interests	40	0.0	124	0.1	84
Current net income	2,891	2.6	2,484	2.2	－407

（3）Consolidated　statement of changes in shareholders' equity

Previous consolidated FY interim period (April 1, 2006 to March 31, 2007)

(unit: rounded down to the nearest million yen)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Accumulated earnings	Treasury stocks	Total shareholders' equity
Balance as of March 31, 2006	12,279	19,453	30,140	－94	61,778
Changes during the period					
Dividends from accumulated earnings (Note)			－413		－413
Dividends from accumulated earnings (Mid-term)			－413		－413
Executive bonuses (Note)			－30		－30
Net income for the period			2,891		2,891
Changes (net) in items other than shareholders' equity					
Total changes during the period	―	―	2,033	―	2,033
Balance as of March 31, 2007	12,279	19,453	32,173	－94	63,811

	Revaluation and translation adjustments			Minority interests securities revaluation adjustment	Total net assets deferred charges from hedging instruments
	Securities revaluation adjustment	Deferred charges from hedging instruments	Total revaluation and translation adjustments		
Balance as of March 31, 2006	－5	―	－5	770	62,542
Changes during the period					
Dividends from accumulated earnings (Note)					－413
Dividends from accumulated earnings (Mid-term)					－413
Executive bonuses (Note)					－30
Net income for the period					2,891
Changes (net) in items other than shareholders' equity	2	29	32	38	70
Total changes during the period	2	29	32	38	2,104
Balance as of March 31, 2007	－2	29	26	808	64,647

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

Current Consolidated FY Interim Period (April 1, 2007 to March 31, 2008)

(unit: rounded down to the nearest million yen)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Accumulated earnings	Treasury stocks	Total shareholders' equity
Balance as of March 31, 2007	12,279	19,453	32,173	－ 94	63,811
Changes during the period					
Dividends from accumulated earnings			－ 787		－ 787
Net income for the period			2,484		2,484
Purchase of treasury stocks				－ 7,607	－ 7,607
Changes (net) in items other than shareholders' equity					
Total changes during the period	―	―	1,696	－ 7,607	－ 5,911
Balance as of March 31, 2008	12,279	19,453	33,870	－ 7,702	57,900

	Revaluation and translation adjustments			Minority interests	Total net assets
	Securities revaluation adjustment	Deferred charges from hedging instruments	Total revaluation and translation adjustments		
Balance as of March 31, 2007	－ 2	29	26	808	64,647
Changes during the period					
Dividends from accumulated earnings					－ 787
Net income for the period					2,484
Purchase of treasury stocks					－ 7,607
Changes (net) in items other than shareholders' equity	58	－ 175	－ 117	51	－ 65
Total changes during the period	58	－ 175	－ 117	51	－ 5,977
Balance as of March 31, 2008	55	－ 146	－ 90	860	58,670

(4) Consolidated Cash Flow Statement

(unit: rounded down to the nearest million yen)

	Previous Interim Period April 1, 2006 to March 31, 2007	Current Interim Period April 1, 2007 to March 31, 2008	Variance
	Amount	Amount	Amount
I Cash flow from operating activities			
Current net income before taxes	5,084	4,754	− 330
Depreciation and amortization	3,021	2,899	− 122
Amortization of goodwill	3	3	− 0
Increase in allowance for bonus	92	100	8
Increase in allowance for executives' bonus	22	4	− 18
Increase or decrease in allowance for doubtful accounts	− 0	22	23
Interests and dividends income	− 45	− 119	− 73
Equity in losses of affiliates	55	15	− 39
Interest payment	4	0	− 3
Loss from removal of fixed assets	134	99	− 35
Loss from sales of investment securities	2	0	− 1
Loss from sale of affiliated company's stocks	—	15	15
Loss on revaluation of investment securities	24	22	− 2
Loss on revaluation of affiliated company's stocks	34	—	− 34
Increase or decrease in accounts receivable	5,439	− 343	− 5,782
Increase or decrease in inventories	622	− 1,986	− 2,608
Decrease of accrued consumption tax receivable	158	—	− 158
Increase of other current assets	− 208	− 321	− 112
Increase or decrease of purchase liabilities	− 2,873	4,247	7,121
Increase or decrease of accrued consumption tax payable	131	− 125	− 256
Increase or decrease of other current liabilities	− 49	276	326
Payment for executives' bonuses	− 32	—	32
Others	− 117	− 157	− 40
Sub-total	11,504	9,408	− 2,095
Interests and dividends received	44	114	69
Interest paid	− 4	− 0	4
Income taxes paid	− 2,472	− 1,905	567
Others	45	56	11
Net cash provided by operating activities	9,117	7,674	− 1,443
II Cash flow from investing activities			
Expenditure from purchase of tangible fixed assets	− 2,559	− 2,716	− 156
Expenditure from purchase of intangible fixed assets	− 392	− 429	− 37
Expenditure from purchase of investment securities	− 313	− 200	112
Proceeds from Sell-off of investment securities	0	28	27
Expenditure from purchase of affiliated company stocks	—	− 70	− 70
Expenditure from loan	− 11	− 12	− 0
Proceeds from collection of loan	23	9	− 14

Expenditure from payment of initial investment	－3	－3	0
Proceeds from collection of initial investment	1	26	24
Others	10	－96	－106
Net cash used in investing activities	－3,245	－3,465	－220
Ⅲ Cash flow from financing activities			
Net decrease in short-term loans	－350	―	350
Expenditure from payment of lease liabilities	―	－2	－2
Expense for purchase of treasury stocks	―	－7,624	－7,624
Dividends paid	－825	－785	39
Net cash provided by (used in) financing activities	－1,175	－8,412	－7,237
Ⅳ Net increase (decrease) in cash and cash equivalents	4,697	－4,203	－8,900
Ⅴ Beginning balance of cash and cash equivalents	25,056	29,754	4,697
Ⅵ Ending balance of cash and cash equivalents	29,754	25,550	－4,203

Notes to consolidated financial statements

I. Significant matters related to the basis of creation of consolidated financial documents
1. Matters related to the scope of consolidation
(1) Number of consolidated subsidiaries 1 companies
Names of major consolidated subsidiaries Network Service And Technologies, Co., Ltd.
e-Japan which was previously a significant subsidiary is no longer a significant subsidiary since completion of its liquidation as of February 4, 2008 and as a result, it has been excluded from the scope of consolidation.

(2) Names, etc. of major non-consolidated subsidiaries
Name of major consolidated subsidiaries Tennoz Initiative Inc.
Net One Systems (Shanghai) Co., Ltd.

(reason for not including in the consolidation)
Non-consolidated subsidiary is a small scale company and does not significantly affect total assets, sales, the current FY net profit/loss (amount comparable to equity), and surplus (amount comparable to equity) of consolidated financial documents.

2. Matters related to application of equity method
(1) Number of affiliated company applying equity method 2 companies
Name of company
SkyCom Corporation
JBS Technology Co., Ltd.

(2)Equity method is not applied for non-consolidated subsidiaries (Tennoz Initiative Inc., Net One Systems (Shanghai) Co., Ltd.) because even if they are excluded, in terms of consolidated financial documents, they do not affect significantly the current FY net profit/loss (amount comparable to equity) and surplus (amount comparable to equity), and they have little overall impact.

3. Matters related to accounting period of consolidated subsidiaries
Accounting period of all consolidated subsidiaries coincide with consolidated accounting period.

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)
②Derivatives	Market value
③Inventories	
Merchandises	Cost accounting method using moving average method
Uncompleted works	Cost accounting method using individual method

(2) Accounting method for significant depreciation of depreciable assets

① Fixed 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

Software for own use — Straight line method based on corporate usability period (5 years)

Software for sale — Straight line method based on useful life (3 years)

(3) Accounting method for accrual of significant allowance

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) Other significant matters related to the basis of creation of consolidated financial documents

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 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. For Exchange Contract when requirements for allocation procedure are met, allocation procedure is applied.

②Hedge procedure and subject

Hedge Procedure : Exchange Contract

Subject to hedge : Planned foreign currency transactions

③Hedge 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.

④Hedge efficiency valuation policy

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

(7) 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 consolidation adjustment account
   Goodwill and consolidation adjustment account is amortized over five (5) years using the straight line method.

7. Scope of funds in consolidated cash flow statement
   Funds in current consolidated cash flow statement are cash on hand, deposits that may be withdrawn on a temporary as-needed basis, and short term investment expected to be redeemed within 3 months of acquisition and which may be swiftly converted to cash and imposes minimal price fluctuation.

Significant matters related to the basis of creation of consolidated financial documents

(Change in depreciation method of fixed assets)

Relative to the amendment of corporation tax, from current FY interim period, The Company and consolidated subsidiaries have implemented the depreciation method of tangible fixed assets purchased subsequent to April 1, 2007 in accordance with amended corporation tax. Gain or loss relative to this change was nominal.

(Change in presentation)

Although advance received had been included under others in current liabilities, as the total amount of advance received at the end of current period exceeded 5/100 of total liabilities and shareholders' equity, it has been separately itemized. Advance received at the end of previous consolidated interim period was 3,911M yen.

Notable Matters

（Matters Related to Consolidated Balance Sheet）

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

End of previous FY (March 31, 2007)	End of current FY (March 31, 2008)
(1) Matters regarding non-consolidated subsidiaries and affiliated companies Investment securities (stocks) 279 (Other investment assets) Others(Capital) 104 (2) Overdraft contract 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. Maximum amount of the overdraft and loan commitment 21,200 Amount loaned ― End balance 21,200	(1) Matters regarding non-consolidated subsidiaries and affiliated companies Investment securities (stocks) 252 (Other investment assets) Others (Capital) 104 (2) Overdraft contract 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. Maximum amount of the overdraft and loan commitment 21,200 Amount loaned ― End balance 21,200

(Matters related to consolidated income statements)

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

Previous FY interim period (April 1, 2006 to March 31, 2007)		Current FY interim period (April 1, 2007 to March 31, 2008)	
(1) Expenses and amounts for major items under selling, general and administrative expenses		(1) Expenses and amounts for major items under selling, general and administrative expenses	
Allowance for Compensation	7,542	Allowance for Compensation	8,062
Allocation of allowance for bonuses	440	Allocation of allowance for bonuses	453
Allocation of allowance for bonuses for executives	22	Allocation of allowance for bonuses for executives	27
Rental expense	1,797	Rental expense	1,853
Expense for depreciation	1,236	Expense for depreciation	1,305
Amortization of goodwill	3	Amortization of goodwill	3
(2) Total research and development expenses included in general administrative expense		(2) Total Research and development expense included in general administrative expense	
Research and Development Expense	1,956	Research and Development Expense	2,251
(3) Items under loss from Removal of fixed assets		(3) Items under loss from Removal of fixed assets	
		Buildings	55
Tools, fixtures, and Equipment	114	Tools, fixtures, and Equipment	17
Tangible fixed assets (Others)	19	Tangible fixed assets (Others)	26
Total	134	Total	99

(Matters related to consolidated statement of change in shareholders' equity)

Previous FY（April 1, 2006 to March 31, 2007)

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	–	–	211
Total	211	–	–	211

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 23, 2006 Ordinary general meeting of shareholders	Common stocks	413	750	March 31, 2006	June 23, 2006
November 7, 2006 Board of directors meeting	Common stocks	413	750	September 31, 2006	November 30, 2006

(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 22, 2007 Ordinary general meeting of shareholders	Common stocks	413	Earned surplus reserve	750	March 31, 2007	June 25, 2007

Current 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	53,143	−	53,355
Total	211	53,143	−	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	373	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. This will be resolved in June 25, 2008

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 25, 2008 Board of directors' meeting	Common stocks	623	Accumulated earnings	1,250	March 31, 2008	June 26, 2008

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

(Matters related to Consolidated Cash Flow)

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

Previous Consolidated FY Period April 1, 2006 to March 31, 2007	Previous Consolidated FY Period April 1, 2007 to 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, 2007) Cash and Deposit Account 17,756	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) Cash and Deposit Account 10,554

Short-term investments expected to be redeemed within 3 months of acquisition (securities)	11,997	Short-term investments expected to be redeemed within 3 months of acquisition (securities)	14,996
Cash and Cash Equivalents	29,754	Cash and Cash Equivalents	25,550

(Segment Information)

1. Segment information by business category
   Previous consolidated FY (April 1, 2006 to March 31, 2007) and current consolidated FY (April 1, 2007 to March 31, 2008)

   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, 2006 to March 31, 2007) and current consolidated FY (April 1, 2007 to March 31, 2008)

   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, 2006 to March 31, 2007) and current consolidated FY (April 1, 2007 to March 31, 2008)

   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

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

	Previous Consolidated FY (as of March 31, 2007)	Current Consolidated FY (as of March 31, 2008)
Deferred income tax assets (current)		
Business tax payable	82	108
Allowance for bonuses	259	300
Loss on disposal of and devaluation loss on inventories	103	166
Gain or loss on deferred hedge	—	100
Others	211	232
Total deferred income tax assets (current)	656	908
Deferred income tax liabilities (current)		
Gain or loss on deferred hedge	− 20	—
Others	− 0	− 0
Total deferred income tax liabilities (current)	− 20	− 0
Total net deferred income tax assets (current)	636	908
Deferred income tax assets (non-current)		
Allowance for depreciation of tools, fixtures and equipment	1,701	1,762
Software fee	273	293
Allowance for doubtful receivables	13	18
Outstanding retirement benefit for executives	38	19
Loss from revaluation of investment securities	203	132
Net unrealized gain or loss on other securities	1	7
Others	120	88
Total net deferred income tax assets (non-current)	2,353	2,321
Valuation reserve	—	− 105
Total net deferred income tax assets (non-current)	2,353	2,215
Deferred income tax liabilities (non-current)		
Reserve for special depreciation	− 1	
Total deferred income tax liabilities (non-current)	− 1	
Total net deferred income tax liabilities (non-current)	2,351	

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.

<table>
<tr><th>Previous Consolidated FY
(as of March 31, 2007)</th><th>Current Consolidated FY
(as of March 31, 2008)</th></tr>
<tr><td>Explanatory note has been omitted since the difference between statutory effective tax rate and contribution percentage of corporation tax etc. after applying tax effect accounting was less than 5/100.</td><td>
Statutory effective tax rate 40.69 (%)
(adjustment)
Entertainment expenses etc. not qualifying for deduction 1.51
Local tax on per capita basis etc. 0.64
Increase in amount of allowance 2.22
Others 0.07
Contribution percentage of income taxes (corporation tax etc.) after applying tax effect accounting 45.13
</td></tr>
</table>

(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
   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, 2006 to March 31, 2007)

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

Sales amount	Total gain on sales	Total loss on sales
0	-	2

6. Breakdown of significant securities without market value

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

	Amount accrued in consolidated balance sheet
(1) Bonds intended to be held until maturity date	－
(2) Other marketable securities	
Unlisted stocks	466
Commercial paper	6,997
Negotiable deposit	5,000

(Note) As detraction process (24M 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: figures rounded down to the nearest 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	11,997	－	－	－
Total	11,997	－	－	－

(Current Consolidated FY) (as of March 31, 2008)

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

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

6. Breakdown of significant securities without market value

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

	Amount accrued in consolidated balance sheet
(1) Bonds intended to be held for full term	―
(1) Other marketable securities	
Unlisted stocks	570
Commercial paper	5,996
Negotiable deposit	9,000

(Note) As detraction process (22M 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: figures rounded down to the nearest 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	－	－	－

(Per share information)

Previous consolidated FY April 1, 2006 to March 31, 2007	Current consolidated FY April 1, 2007 to March 31, 2008
Net assets amount per share 115,715.08 yen Current net income per share 5,241.81 yen Net income per share assuming full dilution is not indicated as there were no dilutive shares.	Net assets amount per share115,956.89 yen Current net income per share 4,797.85 yen 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, 2007)	End of the current consolidated FY (March 31, 2008)
Total net assets (Million yen)	64,647	58,670
Amount of deduction from total net assets (Million yen)	808	860
(Minority interests)	(808)	(860)
Total assets (Million yen) related to common stocks at the end of the term	63,838	57,809
Number of common stocks used for the calculation of net assets per share	551,688	498,545

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

	Previous consolidated FY (April 1, 2006 to March 31, 2007)	Current consolidated FY (April 1, 2007 to March 31, 2008)
Current net assets (Million yen)	2,891	2,484
Amount not included in common stocks	—	—
Current net income related to common stocks (Million yen)	2,891	2,484
Average number of stocks during the term	551,688	517,802
Details of the residual shares not included in calculation of net income per share assuming full dilution	Stock options (resolved in ordinary general meeting of shareholders dated June 27, 2002) (Number of shares for the purpose of stock options: 11,004)	――――――

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

Previous consolidated FY (April 1, 2006 to March 31, 2007)

No significant changes.

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.

(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: figures are rounded down to nearest million yen)

	Previous Consolidated FY April 1, 2006 to March 31, 2007		Current Consolidated FY April 1, 2007 to March 31, 2008		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network Integration Products	66,964	61.3	70,725	60.3	3,761	5.6
Network Computing Products	2,519	2.3	2,388	2.0	− 131	− 5.2
Media Integration Products	9,618	8.8	9,459	8.1	− 158	− 1.6
Service Integration Products	30,066	27.6	34,772	29.6	4,706	15.7
Total	109,168	100.0	117,345	100.0	8,177	7.5

Sales by product category

(unit: figures below million yen have been rounded down)

	Previous Consolidated FY April 1, 2006 to March 31, 2007		Current Consolidated FY April 1, 2007 to March 31, 2008		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network Integration Products	69,574	63.7	68,395	61.2	− 1,179	− 1.7
Network Computing Products	2,451	2.2	2,233	2.0	− 217	− 8.9
Media Integration Products	8,750	8.0	10,302	9.2	1,552	17.7
Service Integration Products	28,516	26.1	30,757	27.6	2,240	7.9
Total	109,292	100.0	111,687	100.0	2,395	2.2

Backlog of unfilled orders by product category

(unit: figures below million yen have been rounded down)

	End of previous Consolidated FY (as of March 31, 2007)		End of previous Consolidated FY (as of March 31, 2008)		Variance	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Network Integration Products	10,651	31.5	12,982	32.9	2,330	21.9
Network Computing Products	358	1.0	513	1.3	154	43.1
Media Integration Products	2,667	7.9	1,824	4.6	− 842	− 31.6
Service Integration Products	20,159	59.6	24,174	61.2	4,015	19.9
Total	33,836	100.0	39,494	100.0	5,657	16.7

5. (Reference) Non-consolidated financial statements

(1) Comparative balance sheet

(unit: figures below million yen have been rounded down)

	End of previous FY (as of March 31, 2007)		End of current FY (as of March 31, 2008)		Variance
	Amount	Ratio	Amount	Ratio	
		%		%	
ASSETS					
I. Current Assets	71,948	88.1	70,671	87.6	－1,277
1. Cash and deposits	15,845		8,768		－7,077
2. Note receivables	1,033		720		－312
3. Account receivables	29,638		30,764		1,126
4. Securities	11,997		14,996		2,998
5. Commercial goods	8,562		8,920		357
6. Goods in transit	760		394		－366
7. Uncompleted works	1,263		3,252		1,988
8. Inventory goods	5		6		1
9. Advanced payment	4		4		－0
10. Prepaid expense	1,693		1,945		252
11. Deferred income taxes	505		763		257
12. Short term loans	551		2		－549
13. Others	85		136		50
Allowance for doubtful receivables	－1		－6		－5
II. Fixed Assets	9,735	11.9	9,977	12.4	242
1. Tangible Fixed Assets	4,161	5.1	4,380	5.4	218
(1) Buildings	359		388		28
(2) Furniture, fixtures, and Equipment	3,800		3,991		191
(3) Lease assets	1		0		－0
2. Intangible Fixed Assets	1,372	1.7	1,255	1.6	－117
(1) Software	1,372		1,254		－117
(2) Others	－		0		0
3. Investment and Other Assets	4,200	5.1	4,342	5.4	141
(1) Investment securities	466		690		223
(2) Stocks of affiliated companies	1,437		1,343		－94
(3) Investment in capital	73		64		－9
(4) Investment in affiliated company	104		104		－
(5) Long term loans to employees	11		13		2
(6) Receivables from insolvent companies	225		243		17
(7) Long term prepaid expense	46		9		－36
(8) Deferred income tax assets	1,339		1,303		－36
(9) Security deposits	702		795		92
(10) Others	17		17		－
Allowance for doubtful receivables	－225		－243		－17
Total Assets	81,683	100.0	80,648	100.0	－1,034

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

	Previous FY (as of March 31, 2007)		Current FY (as of March 31, 2008)		Variance
	Amount	Ratio	Amount	Ratio	
		%		%	
LIABILITIES					
I. Current Liabilities	18,730	22.9	23,845	29.5	5,115
1. Accounts payable	12,425		16,510		4,085
2. Lease liabilities	—		19		19
3. Miscellaneous accounts payable	913		1,039		125
4. Accrued expenses	549		612		63
5. Accrued corporation tax etc.	765		973		207
6. Consumption tax etc. Payable	178		40		− 138
7. Advance received	3,281		3,756		474
8. Deposit received	130		74		− 56
9. Allowance for bonuses	441		491		50
10. Allowance for bonuses for executives	20		18		− 2
11. Others	24		310		286
II. Fixed Liabilities	73	0.1	59	0.1	− 13
1. Lease liabilities	—		16		16
2. Long term miscellaneous account	73		42		− 30
Total Liabilities	18,803	23.0	23,905	29.6	5,101
LIABILITIES					
I. SHAREHOLDERS' EQUITY	62,852	77.0	56,834	70.5	− 6,018
1. Capital stock	12,279	15.1	12,279	15.2	—
2. Additional paid-in Capital	19,453	23.8	19,453	24.1	—
(1) Capital reserve	19,453		19,453		—
3. Accumulated earnings	31,214	38.2	32,804	40.7	1,589
(1) Earned surplus reserve	86		86		—
(2) Other accumulated earnings					
Reserve for extraordinary depreciation of IT equipment	2		—		− 2
Other reserve	27,920		29,600		1,680
Earned surplus carried forward	3,205		3,117		− 87
4. Treasury stocks	− 94	− 0.1	− 7,702	− 9.5	− 7,607
II. Revaluation and translation adjustments	26	0.0	− 90	− 0.1	− 117
1. Securities revaluation adjustments	− 2	− 0.0	55	0.1	58
2. Deferred charge from hedging instruments	29	0.0	− 146	− 0.2	− 175
Total shareholders' equity	62,879	77.0	56,743	70.4	− 6,135
Total Liabilities, Shareholders' Equity	81,683	100.0	80,648	100.0	− 1,034

(2) Income statement

(unit: rounded down to the nearest million yen)

	Previous FY April 1, 2006 to March 31, 2007		Previous FY April 1, 2007 to March 31, 2008		Variance
	Amount	Ratio	Amount	Ratio	
		%		%	
I. Sales	107,144	100.0	109,873	100.0	2,728
II.Cost of Goods Sold	85,018	79.3	87,547	79.7	2,528
Gross Profit on Sales	22,125	20.7	22,326	20.3	200
III. Selling, General and Administrative Expense	17,083	16.0	18,411	16.7	1,328
Operating Profit	5,042	4.7	3,914	3.6	− 1,128
IV. Non-Operating Income	107	0.1	181	0.2	73
1. Interest Income	15		28		12
2. Dividends from marketable securities	34		93		58
3. Dividends	1		−		− 1
4. Income from work from affiliated companies	9		5		− 3
5. Dividend from group insurance	28		13		− 15
6. Other Income	18		40		21
V. Non-operating expense	30	0.0	47	0.1	17
1. Interest expense	−		0		0
2. Expense for purchase of treasury stocks	−		17		17
3. Exchange loss on foreign currencies	6		18		12
4. Commitment fee	9		−		− 9
5. Investment operation loss	10		10		0
6. Other loss	4		1		− 3
Ordinary profit	5,119	4.8	4,047	3.7	− 1,071
VI. Extraordinary profit	0	0.0	192	0.2	192
1. Reversal of allowance for doubtful receivables	0		1		0
2. Profit on liquidation of affiliated company	−		191		191
VII. Extraordinary loss	368	0.4	47	0.1	− 320
1. Loss from removal of fixed assets	107		10		− 96
2. Loss from sales of investment securities	2		0		− 1

3. Loss from sales of securities of affiliated companies	―		15		15
4. Loss from revaluation of investment securities	24		22		－ 2
5. Loss on revaluation of affiliated company's stocks	34		―		－ 34
6. Loss from termination of business relocation	199		―		－ 199
Income before income taxes	4,752	4.4	4,192	3.8	－ 559
Income taxes current	2,025	1.8	1,956	1.8	－ 68
Income taxes deferred	－ 39	－ 0.0	－ 140	－ 0.2	－ 101
Current net income	2,767	2.6	2,377	2.2	－ 389

(3) Statements of changes in shareholders' equity

Previous FY（April 1, 2006 to March 31, 2007）

(unit: rounded down to the nearest million yen)

	Shareholders' equity							Evaluation and translation adjustment (Note 2)	Total net assets
	Capital stock	Additional paid-in capital	Accumulated earnings			Treasury stocks	Total shareholders' equity		
		Additional paid-in reserve	Earned surplus reserve	Other accumulated earnings (Note 1)	Total accumulated earnings				
Balance as of March 31, 2006	12,279	19,453	86	29,215	29,302	－ 94	60,940	－ 5	60,934
Changes during the period									
Dividends from accumulated earnings (Note 3)				－ 413	－ 413		－ 413		－ 413
Dividends from accumulated earnings (mind-term dividend)				－ 413	－ 413		－ 413		－ 413
Executive bonuses (Note 3)				－ 27	－ 27		－ 27		－ 27
Net income for the period				2,767	2,767		2,767		2,767
Changes (net) in items other than shareholders' equity								32	32
Total changes during the period	－	－	－	1,912	1,912	－	1,912	32	1,945
Balance as of March 31, 2007	12,279	19,453	86	31,127	31,214	－ 94	62,852	26	62,879

(Note 1) Details of other accumulated earnings

(unit: rounded down to the nearest million yen)

	Reserve for extraordinary depreciation of IT equipment	Other reserve	Earned surplus carried forward	Total
Balance at March 31, 2007	12	24,770	4,432	29,215
Changes during the period				
Reversal of reserve for extraordinary depreciation of IT equipment (Note 3)	－ 4		4	－
Reversal of reserve for extraordinary depreciation of IT equipment	－ 4		4	－
Additions to other reserve (Note 3)		3,150	－ 3,150	－
Dividends from accumulated earnings (Note 3)			－ 413	－ 413
Dividends from accumulated earnings (mind-term dividend)			－ 413	－ 413
Bonuses to executives (Note 3)			－ 27	－ 27

Current net income			2,767	2,767
Total changes during the period	－ 9	3,150	－ 1,227	1,912
Balance at March 31, 2007	2	27,920	3,205	31,127

(Note) 2. Details of Revaluation and translation adjustments

（unit: rounded down to the nearest million yen）

	Securities revaluation adjustment	Deferred charge from hedging instruments	Total
Balance at March 31, 2006	－ 5	―	－ 5
Changes during the period			
Changes (net) in items other than shareholders' equity	2	29	32
Total changes during the period	2	29	32
Balance at March 31, 2007	－ 2	29	26

(Note 3) This is under the appropriation of surplus item in General Meeting of Shareholders in June 2006.

Current Consolidated FY Interim Period (April 1, 2007 to March 31, 2008)

(unit: rounded down to the nearest million yen)

	Shareholders' equity							Evaluation and translation adjustments (Note 2)	Total net assets
	Capital stock	Additional paid-in capital	Accumulated earnings			Treasury stocks	Total shareholders' equity		
		Capital reserve	Earned surplus reserve	Other accumulated earnings (Note 1)	Total accumulated earnings				
Balance as of March 31, 2007	12,279	19,453	86	31,127	31,214	− 94	62,852	26	62,879
Changes during the period									
Dividends from accumulated earnings				− 787	− 787		− 787		− 787
Net income for the period				2,377	2,377		2,377		2,377
Purchase of treasury stocks						− 7,607	− 7,607		− 7,607
Changes (net) in items other than shareholders' equity								− 117	− 117
Total changes during the period	―	―	―	1,589	1,589	− 7,607	− 6,018	− 117	− 6,135
Balance as of March 31, 2008	12,279	19,453	86	32,717	32,804	− 7,702	56,834	− 90	56,743

(Note 1) Details of other accumulated earnings

(unit: rounded down to the nearest million yen)

	Expenses of extraordinary depreciation of IT equipment	Other reserve	Earned surplus carried forward	Total
Balance at March 31, 2007	2	27,920	3,205	31,127
Changes during the period				
Reversal of reserve for extraordinary depreciation of IT equipment	− 2		2	―
Additions to other reserve		1,680	− 1,680	―
Dividends from accumulated earnings			− 787	− 787
Current net income			2,377	2,377
Total changes during the period	− 2	1,680	− 87	1,589
Balance at March 31, 2008	―	29,600	3,117	32,717

(Note) 2. Details of Revaluation and translation adjustments

(unit: rounded down to the nearest million yen)

	Securities revaluation adjustment	Deferred charge from hedging instruments	Total
Balance at March 31, 2007	− 2	29	26
Changes during the period			
Changes (net) in items other than shareholders' equity	58	− 175	− 117
Total changes during the period	58	− 175	− 117
Balance at March 31, 2008	55	− 146	− 90

Change in executives (planned for June 25, 2008)

1. Change in representative

(1) Candidate for director receiving promotion
Chairman and CEO　Osamu Sawada (current President & CEO)

(2) Candidate for new appointment of President & CEO
President & CEO　Takayuki Yoshino (current Adviser)

(Note) The change in representative has been announced in March 28, 2008.

2. Changes in other executivies

(1) New candicate for director
Director　Hiroshi Otsuka (Currently supervising Enterprise business group)

(2) Director expected to retire
Director　Toru Ishikawa

(3) New candidates for statutory auditors
Auditor (part time)　Masasuke Naiot
Auditor (part time)　Masamichi Kikuchi
(Prepresentative partner Natsume Auditor Corporation)
Auditor (part time)　Minoru Uchida
(currently South Toranomon Law Office, Auditor of Epoch Co., Ltd.

(Note) Pursuant to Corporate Law Article 2 Item 16 and Article 335 Section 3, new candidates for statutory auditors are outside auditors.

(4) Auditors expected to retire
Senior Statutory Auditor (full time)　Shojiro Takagaki (expected to assume the post of Adiser)
Auditor (part time)　Tatsuro Natsume
Auditor (part time)　Susumu Asano