

Consolidated Financial Results
for the Third Quarter of the Year Ending March 31, 2006
(April 1, 2005 to December 31, 2005)

January 31, 2006

Listed Company: Cybernet Systems Co., Ltd.
 Stock Listing: the First Section of Tokyo Stock Exchange
 Code Number: 4312
 Location of Head Office: Tokyo
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1. Preparation of the Third Quarter Financial Results

- (1) Adoption of a simplified accounting method: No
- (2) Any change in accounting method from the last fiscal year: No
- (3) Any change in scope of consolidation and equity method of accounting: Consolidated financial statements prepared from this fiscal year.

2. Financial and Operating Results for the Third Quarter (April 1 to December 31, 2005) of the Year Ending March 31, 2006

As consolidated financial statements are prepared from this fiscal year, only figures for this quarter are shown.

(1) Consolidated Operating Results

Note: Amounts less than one million yen omitted.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third quarter ended December 31, 2005	11,808	-	1,098	-	1,240	-
Third quarter ended December 31, 2004	-	-	-	-	-	-
(Reference) Year ended March 31, 2005	-		-		-	

	Net income		Net income per share – basic	Net income per share – diluted
	Millions of yen	%	Yen	Yen
Third quarter ended December 31, 2005	707	-	2,255.85	2,221.65
Third quarter ended December 31, 2004	-	-	-	-
(Reference) Year ended March 31, 2005	-		-	-

[Qualitative Information regarding the Consolidated Business Results for the Third Quarter Ended December 31, 2005]

In the third quarter (October to December 2005), the Japanese economy was on a recovery track and saw some growth in capital expenditures on the back of improving profits of domestic companies. In the manufacturing industry to which the Company's major clients belong, some firms aggressively invested in research and development and information technology.

Under these circumstances, Cybernet Systems Co., Ltd. and its group companies focused on expanding sales by providing various solutions to the diverse problems our customers face. Also, we proactively developed proprietary products and new application system.

As a result, we reported net sales of 11,808 million yen, operating income of 1,098 million yen, ordinary income of 1,240 million yen, and net income of 707 million yen.

The business breakdown by segment is as follows: the CAE Solution Services Business (our core field) posted sales of 9,623 million yen as sales slowed down for mechanical & communication control, but sales remained steady in mechanical, optics and CAE with circuit design; the Network Solution Services Business

posted sales of 2,185 million yen, with sales of business process management (BPM), so-called product lineups of software that support improvements in operational efficiency, were below our expectations, because the development of upgraded function was discontinued through turn in direction by the software vendor.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2005	11,484	8,286	72.2	26,278.51
December 31, 2004	-	-	-	-
(Reference)				
March 31, 2005	-	-	-	-

Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Third quarter ended December 31, 2005	569	(39)	(1,082)	2,250
Third quarter ended December 31, 2004	-	-	-	-
(Reference)				
Year ended March 31, 2005	-	-	-	-

[Qualitative Information regarding the Consolidated Financial Position for the Third Quarter Ended December 31, 2005]

1. Change in consolidated financial position

The Company began to prepare consolidated financial statements from current fiscal year. Total assets at quarter-end were 11,484 million yen, shareholders' equity was 8,286 million yen and the equity ratio was 72.2%.

2. Consolidated cash flows

Cash and cash equivalents (hereinafter "cash") at end of the third quarter amounted to 2,250 million yen.

* Net cash provided by operating activities was 569 million yen, which was mainly due to income before income taxes of 1,231 million yen for the quarter and decrease in trade receivables of 1,394 million yen, despite 1,140 million yen of income taxes paid and 868 million yen of decrease in payables.

* Net cash used in investing activities was 39 million yen, mainly attributable to 257 million yen payment for acquisition of stocks of newly consolidated subsidiaries and 83 million yen payment for acquisition of fixed assets, though new proceeds from acquisition and redemption of marketable securities amounted to 292 million yen.

* Net cash used in financing activities was 1,082 million yen, as the Company used 412 million yen to repay short-term borrowings and 526 million yen for dividends payment.

[Reference]

Forecast for the Year Ending March 31, 2006 (April 1, 2005 to March 31, 2006)

Consolidated forecast

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Previous forecast (Released on April 21, 2005)	18,000	2,700	1,580
Current forecast	17,300	2,300	1,300

Non-consolidated forecast

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Previous forecast (Released on April 21, 2005)	15,400	2,680	1,560
Current forecast	14,600	2,320	1,320

[Qualitative Information regarding Forecast for the Year Ending March 31, 2006]

The same as "Revision of Earnings Forecasts" released on January 31, 2006

[Attached documents]

1. Consolidated Balance Sheet (Summary)

(Thousands of yen)

	As of December 31, 2005	
	Amount	Composition ratio (%)
Assets		
I. Current assets		
1. Cash and deposits	2,250,224	
2. Notes receivable – trade and accounts receivable	3,026,471	
3. Marketable securities	2,904,326	
4. Inventories	163,135	
5. Advance payments	417,276	
6. Short-term loans	1,021,000	
7. Deferred tax assets	70,640	
8. Other current assets	275,632	
Allowance for doubtful accounts	(5,520)	
Total current assets	10,123,186	88.1
II. Fixed assets		
1. Tangible fixed assets		
(1) Buildings	95,091	
(2) Tools, furniture and fixtures	203,519	
Total tangible fixed assets	298,610	2.6
2. Intangible fixed assets		
(1) Software	130,419	
(2) Consolidated adjustment account	309,513	
(3) Other intangible fixed assets	40,997	
Total intangible fixed assets	480,930	4.2
3. Investments and other assets		
(1) Investment securities	105,783	
(2) Cash value of insurance policies	7,844	
(3) Investments in capital	17,238	
(4) Lease and guarantee deposits	256,589	
(5) Deferred tax assets	196,109	
Allowance for doubtful accounts	(2,060)	
Total investments and other assets	581,505	5.1
Total fixed assets	1,361,047	11.9
Total assets	11,484,234	100.0

(Thousands of yen)

	As of December 31, 2005	
	Amount	Composition ratio (%)
Liabilities		
I. Current liabilities		
1. Accounts payable – trade	1,277,855	
2. Current portion of long-term borrowings	6,400	
3. Accounts payable – other	31,496	
4. Accrued expenses	501,496	
5. Income taxes payable	847	
6. Consumption taxes payable	65,392	
7. Advances received	610,054	
8. Reserve for bonuses	192,854	
9. Other current liabilities	57,926	
Total current liabilities	2,744,323	23.9
II. Fixed liabilities		
1. Accrued severance indemnities	396,529	
2. Reserve for directors' retirement allowance	54,674	
Total fixed liabilities	451,203	3.9
Total liabilities	3,195,527	27.8
Minority interest		
Minority interest	2,436	0.0
Shareholders' equity		
I. Capital stock	995,000	8.7
II. Additional paid-in capital	909,000	7.9
III. Retained earnings	7,165,299	62.4
IV. Unrealized gains on available-for-sale securities	55,057	0.5
V. Treasury stock	(838,086)	(7.3)
Total shareholders' equity	8,286,270	72.2
Total liabilities, minority interest and shareholders' equity	11,484,234	100.0

2. Consolidated Statement of Income (Summary)

(Thousands of yen)

	Third Quarter Ended December 31, 2005 (April 1, 2005 to December 31, 2005)	
	Amount	Composition ratio (%)
I. Net sales	11,808,679	100.0
II. Cost of sales	7,588,565	64.3
Gross profit	4,220,113	35.7
III. Selling, general and administrative expenses	3,121,513	26.4
Operating income	1,098,599	9.3
IV. Non-operating income	144,683	1.2
V. Non-operating expenses	2,372	0.0
Ordinary income	1,240,911	10.5
VI. Extraordinary losses	9,141	0.1
Income before income taxes	1,231,770	10.4
Corporate, inhabitant and enterprise taxes	441,843	3.7
Deferred income taxes	82,754	0.7
Minority interest	(395)	(0.0)
Net income	707,568	6.0

3. Consolidated Statement of Cash Flows

(Thousands of yen)

	Third Quarter Ended December 31, 2005 (April 1, 2005 to December 31, 2005)
I. Cash Flows from Operating Activities	
Income before income taxes	1,231,770
Depreciation and amortization	113,796
Amortization of consolidated adjustment account	27,421
Interest and dividend income	(3,364)
Interests payable	102
Security interest	(26,185)
Foreign exchange gains/loss	(21,464)
Loss on retirement of fixed assets	8,468
Loss on valuation of investment securities	630
Loss on sales of investment securities	42
(Increase) decrease in trade receivables	1,394,190
(Increase) decrease in inventories	(36,836)
Increase (decrease) in payables	(868,341)
Increase (decrease) in accrued expenses	85,512
Increase (decrease) in consumption taxes payable	(82,420)
Increase (decrease) in allowance for doubtful accounts	(1,566)
Increase (decrease) in reserve for bonuses	(99,414)
Increase (decrease) in accrued severance indemnities	22,251
Increase (decrease) in reserve for directors' retirement allowance	2,689
Bonuses paid to directors and corporate auditors	(76,492)
Others	19,985
Subtotal	1,690,774
Interest and dividends received	19,249
Interests paid	(96)
Income taxes paid	(1,140,892)
Net cash provided by operating activities	569,035
II. Cash Flows from Investing Activities	
Payment for acquisition of stocks of newly consolidated subsidiaries	(257,882)
Payment for acquisition of tangible fixed assets	(68,854)
Proceeds from sales of tangible fixed assets	412
Payment for acquisition of intangible fixed assets	(14,939)
Payment for acquisition of marketable securities	(5,206,897)
Proceeds from sales of marketable securities	5,499,233
Payment for loans	(2,000,000)
Proceeds from collection of loans	2,000,000
Proceeds from equity transfer of investments in capital	8,828
Others	185
Net cash used in investing activities	(39,913)
III. Cash Flows from Financing Activities	
Repayment of borrowings	(412,400)
Payment for acquisition of own shares	(277,998)
Proceeds from exercise of stock option rights	134,371
Payment for dividends	(526,037)
Net cash used in financing activities	(1,082,063)
IV. Effect of exchange rate changes in cash and cash equivalents	21,464
V. Net increase in cash and cash equivalents	(531,477)
VI. Cash and cash equivalents at beginning of term	2,781,702
VII. Cash and cash equivalents at end of term	2,250,224

4. Segment Information

(1) Business segment information

The Third Quarter Ended December 31, 2005 (April 1, 2005 to December 31, 2005)

(Thousands of yen)

	CAE Solution Services Business	Network Solution Services Business	Total	Eliminations	Consolidation
Net sales					
Net sales to outside customers	9,623,627	2,185,051	11,808,679	-	11,808,679
Sales and transfer between segments	-	-	-	-	-
Total	9,623,627	2,185,051	11,808,679	-	11,808,679
Operating expenses	7,583,278	2,086,772	9,670,050	1,040,028	10,710,079
Operating income	2,040,348	98,279	2,138,628	(1,040,028)	1,098,599

Note: 1. Businesses are segmented based on the similarity of products or services that each segment provides to users.

2. Principal products and services that belong to each segment

Segment	Principal products and services
CAE Solution Services Business	Finite element method analysis software, Numerical analysis software, Optical analysis & Illumination analysis software, Electronic circuit simulator, High-frequency circuit design system, Advanced visual systems software, Medical image software, User education, Professional analysis service
Network Solution Services Business	PC connection software, PC asset management and license management software, Business process management software, Security measure software, Web meeting service

3. Principal unallocated operating expenses included in Eliminations (1,040,028,000 yen) are related to the management division.

(2) Geographical segment information

Third quarter ended December 31, 2005

As sales in Japan constitute more than 90% of the total sales of all segments, the disclosure of geographical segment information has been omitted.

(3) Overseas sales

Third quarter ended December 31, 2005

As overseas sales constitute less than 10% of consolidated sales, the disclosure of overseas sales has been omitted.

5. Consolidated Purchases, Orders Received and Sales

(1) Purchases

(Thousands of yen)

Segment	Third Quarter Ended December 31, 2005 (April 1, 2005 to December 31, 2005)	
	Amount	Composition ratio (%)
CAE Solution Services Business	4,775,722	74.7
Network Solution Services Business	1,615,941	25.3
Total	6,391,663	100.0

Note: 1. Disclosed amounts express purchase prices.
2. The above amounts do not include consumption taxes.

(2) Orders received

(Thousands of yen)

Segment	Third Quarter Ended December 31, 2005 (April 1, 2005 to December 31, 2005)	
	Amount of orders received	Orders in hand
CAE Solution Services Business	8,861,843	1,369,342
Network Solution Services Business	2,133,460	106,923
Total	10,995,304	1,476,266

Note: The above amounts do not include consumption taxes.

(3) Sales results

(Thousands of yen)

Segment	Third Quarter Ended December 31, 2005 (April 1, 2005 to December 31, 2005)	
	Amount	Composition ratio (%)
CAE Solution Services Business	9,623,627	81.5
Network Solution Services Business	2,185,051	18.5
Total	11,808,679	100.0

Note: The above amounts do not include consumption taxes.

6. Non-consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2004		As of December 31, 2005		As of March 31, 2005	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Assets		%		%		%
I. Current assets						
1. Cash and deposits	1,254,532		2,048,852		2,781,702	
2. Notes receivable – trade	79,100		56,192		28,616	
3. Accounts receivable	2,298,991		2,161,247		3,426,912	
4. Marketable securities	4,564,248		2,904,326		3,217,219	
5. Inventories	108,779		89,674		111,372	
6. Short-term loans to affiliates	1,000,000		1,360,000		1,000,000	
7. Deferred tax assets	118,011		70,641		160,358	
8. Other current assets	458,990		667,980		553,690	
Allowance for doubtful accounts	(2,370)		(2,210)		(3,450)	
Total current assets	9,880,284	90.4	9,356,706	86.3	11,276,424	92.2
II. Fixed assets						
1. Tangible fixed assets						
(1) Buildings	92,262		91,004		94,303	
(2) Tools, furniture and fixtures	211,734		188,655		190,316	
Total tangible fixed assets	303,996	2.8	279,659	2.6	284,620	2.3
2. Intangible fixed assets	293,976	2.7	152,481	1.4	174,191	1.4
3. Investments and other assets						
(1) Investment securities	71,312		105,783		76,611	
(2) Equity securities for non-consolidated subsidiaries and affiliates	-		535,000		-	
(3) Investment in partnership for non-consolidated subsidiaries and affiliates	-		17,138		25,967	
(4) Lease and guarantee deposits	205,757		199,554		200,076	
(5) Deferred tax assets	174,322		196,109		201,160	
Allowance for doubtful accounts	(2,060)		(2,060)		(2,060)	
Total investments and other assets	449,332	4.1	1,051,527	9.7	501,755	4.1
Total fixed assets	1,047,306	9.6	1,483,668	13.7	960,567	7.8
Total assets	10,927,590	100.0	10,840,374	100.0	12,236,991	100.0

(Thousands of yen)

	As of December 31, 2004		As of December 31, 2005		As of March 31, 2005	
	Amounts	Ratio	Amounts	Ratio	Amounts	Ratio
Liabilities		%		%		%
I. Current liabilities						
1. Accounts payable – trade	933,701		886,276		1,738,799	
2. Income tax payable	70,037		-		614,541	
3. Consumption tax payable	58,093		64,787		122,328	
4. Advances received	405,324		461,838		429,677	
5. Reserve for bonuses	152,245		164,919		245,709	
6. Other current liabilities	615,286		518,786		371,140	
Total current liabilities	2,234,689	20.5	2,096,608	19.4	3,522,196	28.8
II. Fixed liabilities						
1. Accrued severance indemnities	343,984		379,007		354,979	
2. Reserve for directors' retirement allowances	42,116		47,210		45,018	
Total fixed liabilities	386,100	3.5	426,217	3.9	399,997	3.3
Total liabilities	2,620,790	24.0	2,522,825	23.3	3,922,194	32.1
Shareholders' equity						
I. Capital stock	995,000	9.1	995,000	9.1	995,000	8.1
II. Capital surplus						
1. Additional paid-in capital	909,000		909,000		909,000	
Total capital surplus	909,000	8.3	909,000	8.4	909,000	7.4
III. Retained earnings						
1. Legal reserve	71,960		71,960		71,960	
2. Voluntary reserve						
Special reserve	5,090,000		5,490,000		5,090,000	
3. Unappropriated earnings at end of period	1,476,653		1,634,643		2,163,982	
Total retained earnings	6,638,613	60.8	7,196,603	66.4	7,325,942	59.9
IV. Unrealized gains on available-for-sale securities	34,146	0.3	55,031	0.5	37,453	0.3
V. Treasury stock	(269,959)	(2.5)	(838,086)	(7.7)	(952,599)	(7.8)
Total shareholders' equity	8,306,800	76.0	8,317,548	76.7	8,314,797	67.9
Total liabilities and shareholders' equity	10,927,590	100.0	10,840,374	100.0	12,236,991	100.0

7. Non-consolidated Statements of Income

(Thousands of yen)

	Third Quarter Ended December 31, 2004 (April 1, 2004 to December 31, 2004)		Third Quarter Ended December 31, 2005 (April 1, 2005 to December 31, 2005)		Year Ended March 31, 2005 (April 1, 2004 to March 31, 2005)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
I. Net sales	9,326,031	100.0	9,904,936	100.0	13,968,970	100.0
II. Cost of sales	5,509,111	59.1	6,066,153	61.2	8,126,328	58.2
Gross profit	3,816,919	40.9	3,838,782	38.8	5,842,641	41.8
III. Selling, general and administrative expenses	2,525,784	27.1	2,689,585	27.2	3,368,858	24.1
Operating income	1,291,135	13.8	1,149,197	11.6	2,473,782	17.7
IV. Non-operating income	104,880	1.2	120,101	1.2	146,043	1.0
V. Non-operating expenses	58	0.0	1,172	0.0	3,733	0.0
Ordinary income	1,395,956	15.0	1,268,126	12.8	2,616,092	18.7
VI. Extraordinary gains	255	0.0	-	-	255	0.0
VII. Extraordinary losses	4,681	0.1	5,419	0.1	68,910	0.5
Income before income taxes	1,391,530	14.9	1,262,707	12.7	2,547,438	18.2
Corporate, inhabitant and enterprise taxes	510,505	5.5	441,079	4.4	1,050,529	7.5
Deferred income taxes	57,228	0.6	82,753	0.8	(14,217)	(0.1)
Net income	823,797	8.8	738,873	7.5	1,511,126	10.8
Unappropriated retained earnings brought forward	780,508		1,374,359		780,508	
Interim dividends paid	127,652		220,450		127,652	
Loss on sale of treasury stock	-		258,138		-	
Unappropriated retained earnings at end of period	1,476,653		1,634,643		2,163,982	

8. Non-consolidated Purchases, Orders Received and Sales

(1) Purchases

(Thousands of yen)

Segment	Third Quarter Ended December 31, 2004 (April 1, 2004 to December 31, 2004)		Third Quarter Ended December 31, 2005 (April 1, 2005 to December 31, 2005)		Increase/decrease	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
CAE Solution Services Business	4,306,882	91.9	4,663,628	91.4	356,746	8.3
Network Solution Services Business	381,129	8.1	437,635	8.6	56,505	14.8
Total	4,688,012	100.0	5,101,264	100.0	413,252	8.8

Note: 1. Disclosed amounts express purchase prices.

2. The above amounts do not include consumption taxes.

(2) Orders received

(Thousands of yen)

Segment	Third Quarter Ended December 31, 2004 (April 1, 2004 to December 31, 2004)		Third Quarter Ended December 31, 2005 (April 1, 2005 to December 31, 2005)		Increase/decrease	
	Amount of orders received	Orders in hand	Amount of orders received	Orders in hand	Amount of orders received	Orders in hand
CAE Solution Services Business	8,080,946	1,266,737	8,409,246	1,216,498	328,299	(50,238)
Network Solution Services Business	661,284	57,603	655,089	62,437	(6,194)	4,833
Total	8,742,231	1,324,341	9,064,335	1,278,936	322,104	(45,405)

Note: The above amounts do not include consumption taxes.

(3) Sales results

(Thousands of yen)

Segment	Third Quarter Ended December 31, 2004 (April 1, 2004 to December 31, 2004)		Third Quarter Ended December 31, 2005 (April 1, 2005 to December 31, 2005)		Increase/decrease	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
CAE Solution Services Business	8,687,976	93.2	9,222,594	93.1	534,618	6.2
Network Solution Services Business	638,055	6.8	682,341	6.9	44,286	6.9
Total	9,326,031	100.0	9,904,936	100.0	578,904	6.2

Note: The above amounts do not include consumption taxes.