

This is a translation of the original financial report (Kessan Tanshin) in Japanese. In the event of any discrepancy, the original report in Japanese shall prevail.

Non-Consolidated Financial Results for Fiscal Year Ended March 31, 2006

April 27, 2006

Listed Company: Cybernet Systems Co., Ltd.
 Stock Listing: the First Section of Tokyo Stock Exchange
 Code Number: 4312
 Location of Head Office: Tokyo
 (URL <http://www.cybernet.co.jp/>)
 Representative: Shigehisa Inoue, Representative Director and President
 Contact: Hiroshi Takahashi, Director
 Tel: (TOKYO) +81-3-5978-5401
 Date of Board of Directors' Meeting for Approval of Financial Results: April 27, 2006
 Dividend Distribution System: Yes
 Scheduled Date of Dividend Payment: June 26, 2006
 Date of Ordinary General Meeting of Shareholders: June 23, 2006
 Unit Share System: No

1. Financial and Operating Results for the Year Ended March 31, 2006 (April 1, 2005 to March 31, 2006)

(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	%
Year ended March 31, 2006	14,626	4.7	2,275	(8.0)	2,501	(4.4)
Year ended March 31, 2005	13,968	11.2	2,473	8.8	2,616	14.6

	Net income		Net income per share - basic	Net income per share - diluted	Return on equity	Ratio of ordinary income to total liabilities & net worth	Ratio of ordinary income to sales
	Millions of yen	%	Yen	Yen	%	%	%
Year ended March 31, 2006	1,463	(3.1)	4,510.85	4,450.04	16.8	19.8	17.1
Year ended March 31, 2005	1,511	16.0	13,528.03	13,282.17	18.7	21.9	18.7

(1) Average number of shares outstanding during the term:

Year ended March 31, 2006: 314,128

Year ended March 31, 2005: 106,049

(2) Changes in accounting policies: None

(3) The percentages shown next to net sales, operating income, ordinary income and net income represent year-on-year percentage changes.

(4) The Company conducted a three-to-one split of the common stock (free issue) on July 20, 2005.

(2) Dividends

	Annual dividends per share			Total annual dividend	Dividend payout ratio	Dividend rate for shareholder's equity
	Interim	Year-end				
	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2006	1,450.00	700.00	750.00	457	32.1	5.0
Year ended March 31, 2005	4,200.00	1,200.00	3,000.00	440	31.0	5.3

Notes: 1 The Company conducted a three-to-one split of the common stock (free issue) on July 20, 2005.

2 Breakdown of term-end dividends March 31, 2006

Ordinary dividends: 1,650.00 yen

Commemorative dividends: 1,350.00 yen

(3) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2006	13,042	9,086	69.7	28,583.78
March 31, 2005	12,236	8,314	67.9	78,928.36

Notes: 1 Number of shares outstanding at term-end

March 31, 2006: 316,270

March 31, 2005: 104,377

2 Number of treasury stocks at term-end

March 31, 2006: 7,730

March 31, 2005: 3,623

3 The Company conducted a three-to-one split of the common stock (free issue) on July 20, 2005.

2. Non-Consolidated Forecast for the Year Ending March 31, 2007 (April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income	Annual dividends per share		
				Interim	Year-end	
	Millions of yen	Millions of yen	Millions of yen		Yen	Yen
Six months ending September 30, 2006	8,250	1,267	736	700.00	-	-
Year ending March 31, 2006	16,800	2,670	1,535	-	800.00	1,500.00

Reference: Estimated net income per share for the year ending March 31, 2007: 4,853.44 yen

* The above forecast figures are projections based on currently available information, and contain uncertainties in many respects. Actual performance results may differ from the said forecast figures depending on changes in things such as business conditions.

1. Non-Consolidated Balance Sheet

(Thousands of yen)

	March 31, 2005		March 31, 2006		Year-on-year	
	Amount	Ratio	Amount	Ratio	Change	
Assets		%		%	%	
I Current assets						
1 Cash and deposits	2,781,702		2,916,481		134,779	
2 Notes receivable—trade	28,616		25,822		(2,793)	
3 Accounts receivable	3,426,912		3,450,945		24,032	
4 Marketable securities	3,217,219		3,069,365		(147,854)	
5 Products	106,788		67,733		(39,054)	
6 Supplies	4,584		6,053		1,468	
7 Advanced money	456,451		279,566		(176,885)	
8 Prepaid expense	35,930		54,757		18,826	
9 Deferred tax assets	160,358		157,895		(2,462)	
10 Short-term loans to affiliates	1,000,000		1,200,000		200,000	
11 Other receivables	203		2,361		2,157	
12 Other current assets	61,106		110,863		49,757	
Allowance for doubtful accounts	(3,450)		(3,470)		(20)	
Total current assets	11,276,424	92.2	11,338,377	86.9	61,952	
II Fixed assets						
1 Tangible fixed assets						
(1) Buildings	186,390		194,544			
Accumulated depreciation	(92,086)	94,303	(107,464)	87,079	(7,224)	
(2) Tools, furniture and fixtures	697,339		655,456			
Accumulated depreciation	(507,022)	190,316	(481,795)	173,660	(16,656)	
Total tangible fixed assets		284,620		260,740	2.0	(23,880)
2 Intangible fixed assets						
(1) Software	21,004		393,461		372,456	
(2) Software in progress	100,061		-		(100,061)	
(3) Distributorship	52,714		-		(52,714)	
(4) Other intangible fixed assets	411		411		-	
Total intangible fixed assets		174,191		393,872	3.0	219,681
3 Investments and other assets						
(1) Investment securities	76,611		129,785		53,173	
(2) Equity securities for non-consolidated subsidiaries and affiliates	-		535,000		535,000	
(3) Investment in partnership for non-consolidated subsidiaries and affiliates	25,967		17,138		(8,828)	
(4) Lease and guarantee deposits	200,076		199,620		(455)	
(5) Deferred tax assets	201,160		169,706		(31,454)	
(6) Allowance for doubtful accounts	(2,060)		(2,060)		-	
Total investments and other assets	501,755	4.1	1,049,191	8.1	547,435	
Total fixed assets	960,567	7.8	1,703,804	13.1	743,236	
Total assets	12,236,991	100.0	13,042,181	100.0	805,189	

(Thousands of yen)

	March 31, 2005		March 31, 2006		Year-on-year
	Amount	Ratio	Amount	Ratio	Change
Liabilities		%		%	%
I Current liabilities					
1 Accounts payable - trade	1,738,799		1,861,435		122,636
2 Accrued liability	22,405		35,592		13,186
3 Accrued expense	342,975		324,779		(18,196)
4 Income tax payable	614,541		439,327		(175,214)
5 Consumption tax payable	122,328		126,964		4,635
6 Advances received	429,677		478,277		48,600
7 Deposits payable	5,759		6,275		516
8 Reserve for bonuses	245,709		243,327		(2,382)
Total current liabilities	3,522,196	28.8	3,515,978	26.9	(6,218)
II Fixed liabilities					
1 Accrued severance indemnities	354,979		389,545		34,565
2 Reserve for directors' retirement allowances	45,018		49,875		4,857
Total fixed liabilities	399,997	3.3	439,420	3.4	39,422
Total liabilities	3,922,194	32.1	3,955,339	30.3	33,204
Shareholders' equity					
I Capital stock	995,000	8.1	995,000	7.6	-
II Capital surplus					
1 Additional paid-in capital	909,000		909,000		-
Total capital surplus	909,000	7.4	909,000	7.0	-
III Retained earnings					
1 Legal reserve	71,960		71,960		-
2 Voluntary reserve					
Other reserve	5,090,000		5,490,000		400,000
3 Unappropriated earnings at the end of the period	2,163,982		2,298,325		134,342
Total retained earnings	7,325,942	59.9	7,860,285	60.3	534,342
IV Unrealized gains on available-for-sale securities	37,453	0.3	69,288	0.5	31,834
V Treasury stock	(952,599)	(7.8)	(746,791)	(5.7)	205,807
Total shareholders' equity	8,314,797	67.9	9,086,782	69.7	771,985
Total liabilities and shareholders' equity	12,236,991	100.0	13,042,181	100.0	805,189

2. Non-Consolidated Statements of Income

(Thousands of yen)

	Year ended March 31, 2005			Year ended March 31, 2006			Year-on-year
	Amount		Ratio	Amount		Ratio	Change
			%			%	%
Net sales		13,968,970	100.0		14,626,103	100.0	657,132
Cost of sales							
1 Inventory at the beginning of period	127,070			106,788			
2 Purchase amount	7,030,362			7,612,897			
Total	7,157,433			7,719,685			
3 Inventory at the end of period	106,788			67,733			
4 Cost of technical service	1,075,683	8,126,328	58.2	1,246,652	8,898,604	60.8	772,276
Gross profit		5,842,641	41.8		5,727,498	39.2	(115,143)
III Selling, general and administrative expenses *1, 4		3,368,858	24.1		3,452,374	23.6	83,515
Operating income		2,473,782	17.7		2,275,124	15.6	(198,658)
IV Non-operating income							
1 Interest income	3,244			6,015			
2 Security interest	21,581			35,691			
3 Exchange gain	95,330			160,165			
4 Interest on refund	21,110			-			
5 Other	4,775	146,043	1.0	25,415	227,287	1.5	81,243
V Non-operating expenses							
1 Commission for purchase of treasury stock	-			1,064			
2 Other	3,733	3,733	0.0	155	1,219	0.0	(2,513)
Ordinary income		2,616,092	18.7		2,501,192	17.1	(114,900)
VI Extraordinary gains							
1 Gain on sale of fixed assets	255	255	0.0	-	-	-	(255)
VII Extraordinary losses							
1 Loss on revaluation of investment securities	1,491			630			(22,310)
2 Loss on disposal of fixed assets	67,418	68,910	0.5	45,969	46,599	0.3	(92,845)
Income before income taxes		2,547,438	18.2		2,454,592	16.8	
Corporate, inhabitant and enterprise taxes	1,050,529			978,861			
Deferred income taxes	(14,217)	1,036,312	7.4	12,157	991,019	6.8	(45,292)
Net income		1,511,126	10.8		1,463,573	10.0	(47,552)
Unappropriated retained earnings brought forward		780,508			1,374,359		593,850
Interim dividends paid		127,652			220,450		92,797
Loss on sale of treasury stock		-			319,157		319,157
Unappropriated retained earnings at the end of period		2,163,982			2,298,325		134,342

Breakdown of technology service costs

(Thousands of yen)

	Year ended March 31, 2005		Year ended March 31, 2006	
	Amount	Ratio	Amount	Ratio
		%		%
I Labor costs	651,677	60.6	774,233	62.1
II Other costs	424,005	39.4	472,419	37.9
Technology service costs	1,075,683	100.0	1,246,652	100.0

Note: The main breakdown is as follows.

(Thousands of yen)

Year ended March 31, 2005		Year ended March 31, 2006	
*1		*1	
Reserve for bonuses charged to expenses	77,976	Reserve for bonuses charged to expenses	88,855
Retirement benefit costs	14,265	Retirement benefit costs	17,514
*2		*2	
Ground rent	89,050	Ground rent	92,953
Depreciation expenses	17,506	Depreciation expenses	21,107
Travel expenses	59,871	Travel expenses	75,988
Outsourcing fees	88,268	Outsourcing fees	102,373
Outsourcing production costs	73,643	Outsourcing production costs	95,782

3. Non-Consolidated Statements of Cash Flows

(Thousands of yen)

	Year ended March 31, 2005
I Cash Flows from Operating Activities	
Income before income taxes	2,547,438
Depreciation and amortization	181,138
Interest and dividend income	(3,244)
Security interest	(21,581)
Foreign exchange loss	(1,461)
Interest on refund	(21,110)
Gain on sale of fixed assets	(255)
Loss on sales of fixed assets	67,418
Loss on valuation of investment securities	1,491
(Increase) decrease in trade receivables	(414,053)
Increase (decrease) in inventories	21,026
Increase (decrease) in payables	173,865
Increase (decrease) in accrued expenses	693
(Increase) decrease in accrued consumption tax and others	(40,620)
Increase (decrease) in allowance for doubtful accounts	440
Increase (decrease) in accrued bonuses	28,137
Increase (decrease) in accrued severance indemnities	32,250
Increase (decrease) in reserve for directors' retirement allowances	11,342
Bonuses paid to directors and corporate auditors	(50,262)
Others	51,245
Subtotal	2,563,898
Interest and dividends received	25,184
Income from interest on refund	34,670
Income taxes paid	(1,115,511)
Net cash provided by operating activities	1,508,241
II Cash Flows from Investing Activities	
Payment for acquisition of tangible fixed assets	(166,968)
Payment for acquisition of intangible fixed assets	(54,218)
Payment for acquisition of marketable securities	(20,611,780)
Proceeds from sale of marketable securities	21,597,036
Payment for loans	(1,000,000)
Proceeds from collection of loans	500,000
Proceeds from other investments	(25,967)
Others	(47,778)
Net cash provided by investing activities	190,323
III Cash Flows from Financing Activities	
Payment for acquisition of own shares	(682,640)
Payment for dividends	(324,356)
Net cash used in financing activities	(1,006,996)
IV Effect of exchange rate changes in cash and cash equivalents	1,461
V Net increase in cash and cash equivalents	693,030
VI Cash and cash equivalents at beginning of term	2,088,672
VII Cash and cash equivalents at term-end	2,781,702

4. Appropriation of retained earnings

(Thousands of yen)

	Year ended March 31, 2005		Year ended March 31, 2006		Year-on-year
	Amount		Amount		Change
Unappropriated retained earnings at the end of period		2,163,982		2,298,325	134,342
Appropriation of retained earnings					
1 Dividends	313,131		237,202		
2 Bonuses to board members	76,492		46,590		
[Bonuses to auditors]	(2,000)		(1,220)		
3 Voluntary reserve					
Other reserve	400,000	789,623	600,000	883,792	94,169
Retained earnings carried forward		1,374,359		1,414,532	40,173

Note: Dividends for the previous year include 140,908 thousand yen paid as commemorative dividends for the listing on the 1st Section of the Tokyo Stock Exchange.

Significant matters that are the bases for the preparation of financial statements

	Year ended March 31, 2005	Year ended March 31, 2006
1. Bases and methods of securities	<p>(1) Held-to-maturity bonds Amortized cost method</p> <p>(2) Stocks of subsidiaries and affiliates —</p> <p>(3) Other securities Securities with market value: Market value method based on market value as of the term-end (The valuation difference is accounted for based on the method of direct entry to capital account, and the costs of securities sold are computed based on the moving average method.) Securities without market value: Cost method based on the moving average method</p>	<p>(1) Held-to-maturity bonds Same as on the left.</p> <p>(2) Stocks of subsidiaries and affiliates Cost method based on the moving average method.</p> <p>(3) Other securities Securities with market value: Same as on the left.</p> <p>Securities without market value: Same as on the left.</p>
2. Bases and methods of inventories	<p>(1) Products Cost method based on the FIFO method</p> <p>(2) Supplies Cost method based on the FIFO method</p>	<p>(1) Products Same as on the left.</p> <p>(2) Supplies Same as on the left.</p>
3. Depreciation and amortization methods of fixed assets	<p>(1) Tangible fixed assets Declining balance method Main useful lives are as follows: Buildings: 3 to 15 years Tools, furniture and fixtures: 4 to 5 years</p> <p>(2) Intangible fixed assets Straight line method Useful lives are as follows: Software: Software for internal use: 5 years Sales rights: 5 years</p>	<p>(1) Tangible fixed assets Same as on the left.</p> <p>(2) Intangible fixed assets Straight line method Software for internal use is amortized using the straight-line method over the internally usable period (5 years), and in the case of software products, the larger of either the amount based on estimated sales revenues or the amount equally apportioned based on the estimated sales period (3 years) is amortized.</p>

	Year ended March 31, 2005	Year ended March 31, 2006
4. Standards for posting allowances and reserves	<p>(1) Allowance for doubtful accounts To provide for losses arising from doubtful accounts, the estimated uncollectible amount is posted based on actual bad debt rates for general receivables, and individual collectability for specified debts including possible bad debts.</p> <p>(2) Reserve for bonuses To prepare for the payment of bonuses to employees, the estimated amount for the term is posted.</p> <p>(3) Accrued severance indemnities To prepare for the payment of retirement benefits to employees, the amount required to be paid to voluntary retirees at the term-end is posted.</p> <p>(4) Reserve for directors' retirement allowance To prepare for the payment of directors' retirement allowance, the amount required to be paid at the term-end under the internal rules is posted.</p>	<p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Reserve for bonuses Same as on the left.</p> <p>(3) Accrued severance indemnities Same as on the left.</p> <p>(4) Reserve for directors' retirement allowance Same as on the left.</p>
5. Standards for translating foreign currency-denominated assets and liabilities	Foreign currency-denominated monetary claims and liabilities are translated into yen at spot exchange rates at the term-end, and exchange differences are posted as profit or loss.	Same as on the left.
6. Other significant matters that are the bases for the preparation of financial statements	Accounting for consumption taxes The tax exclusion method is adopted.	Accounting for consumption taxes Same as on the left.

Change in accounting method

Year ended March 31, 2005	Year ended March 31, 2006
	<p>Accounting for impairment losses of fixed assets The Company adopts the accounting standards for impairment losses of fixed assets ("Opinions regarding the establishment of accounting standards for impairment losses of fixed assets" (Financial Accounting Council, August 9, 2002)) and the "Implementation guide of accounting standards for impairment losses of fixed assets" (Implementation guide No. 6 of the corporate accounting standards, October 31, 2003) from the current fiscal year. There is no effect of this change on the Company's profits or losses.</p>

Notes

Non-consolidated balance sheets

March 31, 2005	March 31, 2006
*1 Total number of shares issues by the Company Common stock 432,000 shares Total number of shares outstanding Common stock 108,000 shares	*1 Total number of shares issues by the Company Common stock 1,296,000 shares Total number of shares outstanding Common stock 324,000 shares
*2 Numbers of holding treasury shares Common stock 3,623 shares	*2 Numbers of holding treasury shares Common stock 7,730 shares
*3 —	*3 Items of affiliate companies Assets and liabilities other than the above breakdowns in affiliate companies are as follows Account receivable 8,448,000 yen Account payable 879,000 yen
*4 Dividend limitation In accordance with the stipulations of Article 124 Paragraph 3 of Commercial Code, assets were added to market price. The increased net asset amounts to 37,453,000 yen.	*4 Dividend limitation In accordance with the stipulations of Article 124 Paragraph 3 of Commercial Code, assets were added to market price. The increased net asset amounts to 69,288,000 yen.

Increases in the numbers of outstanding shares during the current fiscal year

Issuance date	Issuance form	Number of outstanding shares	Issuance price (yen)	Capitalized amount (yen)
July 20, 2005	Stock split (1:3)	216,000	—	—

Non-consolidated statement of income

(Thousands of yen)

Year ended March 31, 2005	Year ended March 31, 2006																																								
<p>*1 Appropriate rate of sales expenses and administrative and general expense are 64.9% and 35.1%, respectively.</p> <p>Main items and amount are as follows:</p> <table> <tr> <td>Bonuses paid to directors and corporate auditors</td> <td>73,737</td> </tr> <tr> <td>Compensations, benefits and bonuses</td> <td>1,060,685</td> </tr> <tr> <td>Provision for accrued bonuses</td> <td>167,732</td> </tr> <tr> <td>Accrued benefit</td> <td>32,209</td> </tr> <tr> <td>Provision for allowance for retirement benefits for directors</td> <td>11,342</td> </tr> <tr> <td>Allowance for depreciation</td> <td>163,632</td> </tr> <tr> <td>Ground rent</td> <td>444,370</td> </tr> <tr> <td>Outsourcing fees</td> <td>186,399</td> </tr> <tr> <td>Travel expenses</td> <td>227,126</td> </tr> <tr> <td>Provision for allowance for doubtful accounts</td> <td>440</td> </tr> </table>	Bonuses paid to directors and corporate auditors	73,737	Compensations, benefits and bonuses	1,060,685	Provision for accrued bonuses	167,732	Accrued benefit	32,209	Provision for allowance for retirement benefits for directors	11,342	Allowance for depreciation	163,632	Ground rent	444,370	Outsourcing fees	186,399	Travel expenses	227,126	Provision for allowance for doubtful accounts	440	<p>*1 Appropriate rate of sales expenses and administrative and general expense are 59.9% and 40.1%, respectively.</p> <p>Main items and amount are as follows:</p> <table> <tr> <td>Bonuses paid to directors and corporate auditors</td> <td>90,823</td> </tr> <tr> <td>Compensations, benefits and bonuses</td> <td>1,078,139</td> </tr> <tr> <td>Provision for accrued bonuses</td> <td>154,471</td> </tr> <tr> <td>Accrued benefit</td> <td>33,704</td> </tr> <tr> <td>Provision for allowance for retirement benefits for directors</td> <td>12,337</td> </tr> <tr> <td>Allowance for depreciation</td> <td>114,002</td> </tr> <tr> <td>Ground rent</td> <td>448,650</td> </tr> <tr> <td>Outsourcing fees</td> <td>236,104</td> </tr> <tr> <td>Travel expenses</td> <td>243,979</td> </tr> <tr> <td>Provision for allowance for doubtful accounts</td> <td>20</td> </tr> </table>	Bonuses paid to directors and corporate auditors	90,823	Compensations, benefits and bonuses	1,078,139	Provision for accrued bonuses	154,471	Accrued benefit	33,704	Provision for allowance for retirement benefits for directors	12,337	Allowance for depreciation	114,002	Ground rent	448,650	Outsourcing fees	236,104	Travel expenses	243,979	Provision for allowance for doubtful accounts	20
Bonuses paid to directors and corporate auditors	73,737																																								
Compensations, benefits and bonuses	1,060,685																																								
Provision for accrued bonuses	167,732																																								
Accrued benefit	32,209																																								
Provision for allowance for retirement benefits for directors	11,342																																								
Allowance for depreciation	163,632																																								
Ground rent	444,370																																								
Outsourcing fees	186,399																																								
Travel expenses	227,126																																								
Provision for allowance for doubtful accounts	440																																								
Bonuses paid to directors and corporate auditors	90,823																																								
Compensations, benefits and bonuses	1,078,139																																								
Provision for accrued bonuses	154,471																																								
Accrued benefit	33,704																																								
Provision for allowance for retirement benefits for directors	12,337																																								
Allowance for depreciation	114,002																																								
Ground rent	448,650																																								
Outsourcing fees	236,104																																								
Travel expenses	243,979																																								
Provision for allowance for doubtful accounts	20																																								
<p>*2 Breakdown of profit on sales of fixed assets</p> <table> <tr> <td>Tools, furniture and fixtures</td> <td>255</td> </tr> </table>	Tools, furniture and fixtures	255	<p>*2 —</p>																																						
Tools, furniture and fixtures	255																																								
<p>*3 Breakdown of loss on retirement of fixed assets</p> <table> <tr> <td>Tools, furniture and fixtures</td> <td>4,947</td> </tr> <tr> <td>Software in progress</td> <td>62,350</td> </tr> <tr> <td>Buildings and attached structure</td> <td>121</td> </tr> </table>	Tools, furniture and fixtures	4,947	Software in progress	62,350	Buildings and attached structure	121	<p>*3 Breakdown of loss on retirement of fixed assets</p> <table> <tr> <td>Buildings</td> <td>48</td> </tr> <tr> <td>Tools, furniture and fixtures</td> <td>6,272</td> </tr> <tr> <td>Software</td> <td>112</td> </tr> <tr> <td>Sales rights</td> <td>39,535</td> </tr> </table>	Buildings	48	Tools, furniture and fixtures	6,272	Software	112	Sales rights	39,535																										
Tools, furniture and fixtures	4,947																																								
Software in progress	62,350																																								
Buildings and attached structure	121																																								
Buildings	48																																								
Tools, furniture and fixtures	6,272																																								
Software	112																																								
Sales rights	39,535																																								
<p>*4 Total amount of research and development cost</p> <p>18,785</p>	<p>*4 Total amount of research and development cost</p> <p>37,403</p>																																								

Non-consolidated statement of cash flows

(Thousands of yen)

Year ended March 31, 2005

* Reconciliation between the balance of cash and cash equivalents at term-end, and the balance on the consolidated balance sheet

Cash and deposits	<u>2,781,702</u>
Cash and cash equivalents	<u>2,781,702</u>

Lease transactions

The disclosure of lease transactions is omitted, because these transactions are disclosed via EDINET.

Securities

There are no stocks of subsidiaries and affiliates with market values in the previous fiscal year and current fiscal year.

Retrospective revisions per share

If per share indices disclosed in the outline of financial statements are revised and adjusted in consideration of stock splits conducted so far and based on figures for the year ended March 31, 2006, the results will be as follows:

(Yen)

	Year ended March 31, 2005		Year ended March 31, 2006	
	Interim	Year-end	Interim	Year-end
Net income per share	2,486.89	4,509.34	2,275.65	4,510.85
Dividends per share	400	1,000	700	750
Shareholders' equity per share	26,311.73	26,309.45	26,952.18	28,583.78

Notes: 1 Stock splits were conducted during fiscal year ended March 31, 2006.

[Effective date] 1:3 on July 20, 2005

2 Breakdown of the year-end dividend for fiscal year ended March 31, 2005

Ordinary dividend: 550 yen

Commemorative dividend: 450 yen

Retirement benefit

(Thousands of yen)

Year ended March 31, 2005	Year ended March 31, 2006
1. Outline of the retirement benefit plan adopted The Company has a lump-sum benefit plan as a retirement benefit plan.	1. —
2. Matters related to retirement benefit liabilities (as of March 31, 2006)	2. —
Retirement benefit liabilities: 354,979	
Reserve for retirement benefits 354,979	
(Note) The Company calculates retirement benefit obligations using the simplified method. Under this method, amounts for which payment to voluntary retirees is required at year-end are regarded as retirement benefit obligations.	
3. Matters related to retirement benefit costs	3. —
Retirement benefit costs: 46,475	
4. Matters related to the basis of calculating retirement benefit obligations, etc. Not applicable because the Company calculates retirement benefit obligations using the simplified method.	4. —

Deferred tax accounting

(Thousands of yen)

Year ended March 31, 2005	Year ended March 31, 2006
1. Breakdown of deferred tax assets and liabilities by main cause	1. Breakdown of deferred tax assets and liabilities by main cause
(Deferred tax assets)	(Deferred tax assets)
Reserve for bonuses 99,757	Reserve for bonuses 98,790
Accrued legal welfare expenses 12,811	Accrued legal welfare expenses 11,607
Accrued business taxes 42,428	Accrued business taxes 36,239
Amount exceeding the provision limit of reserve for retirement benefits 137,333	Reserve for retirement benefits 158,155
Reserve for directors' retirement allowance 18,277	Reserve for directors' retirement allowance 20,249
Bad debts expenses 13,590	Bad debts expenses 13,590
Disallowed losses on valuation of investment securities 14,611	Disallowed losses on valuation of investment securities 14,867
Others 48,307	Others 21,460
Total deferred tax assets 387,118	Total deferred tax assets 374,961
(Deferred tax liabilities)	(Deferred tax liabilities)
Unrealized gains on available-for-sale securities (25,599)	Unrealized gains on available-for-sale securities (47,358)
Total deferred tax liabilities (25,599)	Total deferred tax liabilities (47,358)
Net deferred tax assets 361,519	Net deferred tax assets 327,602
2. Breakdown by main cause of the difference between the statutory effective tax rate and the corporate tax rate after adoption of tax effect accounting The disclosure is omitted because the difference between the statutory effective tax rate and the corporate tax rate after adoption of tax effect accounting is less than 5% of the statutory effective tax rate.	2. Breakdown by main cause of the difference between the statutory effective tax rate and the corporate tax rate after adoption of tax effect accounting same as on the left.

Important subsequent events

Year ended March 31, 2005

(1) Acquisition of shares of KGT Inc. (to make this company a subsidiary of the Company)

The Company acquired shares of KGT Inc. on April 1, 2005, and this company became a subsidiary.

1) Reason for the share acquisition

The Company offers software and technology services related to CAE and networks. The Company considers that, as a result of the participation in management of KGT Inc., it can offer more extensive solutions and expect many synergies by combining its business with the advanced visual technologies of KGT Inc. and network software.

2) Outline of KGT Inc.

Location: 2-8-8 Shinjuku, Shinjuku-ku, Tokyo

Capital: 10,000,000 yen (as of April 1, 2005)

Main business: Development and sales of computer software

Development and sales of computer systems, and consultation on related management

Total number of outstanding shares: 200 shares (as of April 1, 2005)

3) Outline of this share acquisition

Transferor: Kubota Corporation

Number of shares acquired: 200 shares (100% of outstanding shares)

Acquisition price: 160,000,000 yen (excluding incidental expenses)

Share acquisition date: April 1, 2005

Note: At its Board of Directors Meeting held on April 26, 2005, the Company resolved to purchase all the new shares allocated by KGT Inc. to shareholders (payment date: May 10, 2005). As a result, the capital of KGT Inc. will be 100,000,000 yen, and the total number of outstanding shares will be 2,000 shares.

(2) Share split

At its Board of Directors Meeting held on April 21, 2005, the Company resolved to conduct a share split (free issuance) as follows.

1) Outline of the share split

a) Method

A 3-for-1 share split is conducted for shares held by shareholders who are listed or recorded on the last shareholder list and beneficial shareholder list as of Tuesday, May 31, 2005.

b) Number of shares increased as a result of the split: 216,000 ordinary shares

2) Effective date: July 20, 2005 (Wednesday)

3) Dividend origination date: April 1, 2005 (Friday)

Per share information for the previous fiscal year assuming that the said share split was conducted at the beginning of the previous year, and for the current fiscal year assuming that it was conducted at the beginning of the current year, is as follows.

(Yen)

Year ended March 31, 2005		Year ended March 31, 2006	
Net assets per share	24,420.58	Net assets per share	26,309.45
Net income per share	3,897.93	Net income per share	4,509.34
Fully diluted net income per share	3,852.32	Fully diluted net income per share	4,427.39

Year ended March 31, 2006

Business transfer

At its Board of Directors Meeting held on April 11, 2006, the Company resolved to purchase the entire business of Keihin Artwork Co., Ltd. (hereafter “Keihin Artwork”) and EDA Connect Co., Ltd. (hereafter “EDA Connect”) effective May 1, 2006, and made the related business transfer agreement. The outline of the business transfer is as follows.

(1) Reason for the business transfer

The Company mainly engages in offering software and technology services related to CAE and networks, and aims to develop the CAE application areas and promote services based on CAE. On the other hand, Keihin Artwork specializes in simulation, design and consulting for PCB (Printed Circuit Boards), and has a history of approximately 40 years and great technological ability in that area. In addition, EDA Connect is a company that develops and sells design and manufacturing tools for PCB as an affiliate of Keihin Artwork.

The Company considers that, as a result of the purchase of the entire business of these companies, it will be able to sell software products and offer related technology support services in the EDA (Electronic Design Automation: automatic design and verification of electronic and electric circuits) business, in addition to more extensive and satisfactory solution services including PCE designs and advanced PCB solutions.

(2) Description of the transfer

Certain business assets of Keihin Artwork and EDA Connect, contracts necessary for the transferred business, and software developed by these companies as of the date before the business transfer date (May 1, 2006) will be transferred to the Company. Receivables and payables of these transfer companies will not be basically transferred.

(3) Transferred assets, liabilities, etc.

Keihin Artwork

Item	Amount (Thousands of yen)	Item	Amount (Thousands of yen)
Current assets	10,201	Current liabilities	-
Fixed assets	520	Fixed Liabilities	-
Total	10,721	Total	-

EDA Connect

No assets of EDA Connect will be transferred.

(4) Transfer price and settlement method

1) Transfer price

210 million yen will be paid for goodwill and development software, and the value of work-in-process and other assets transferred will be the fair value as of the business transfer date.

2) Settlement method

210 million yen will be paid in cash on the business transfer date, and the balance will be paid in cash immediately after the said value of work-in-process and other assets transferred is determined

(5) Others

Employees of Keihin Artwork and EDA Connect will be transferred to the Company on the business transfer date based on the consent of these employees.

(6) Transfer schedule

April 11, 2006:	Resolution of the Board of Directors
April 11, 2006:	Conclusion of the business transfer agreement
April 14, 2006:	Simplified announcement of the business transfer (the Company) (Note)
April 29, 2006:	Shareholders Meeting for the approval of the business transfer (Keihin Artwork and EDA Connect)
May 1, 2006:	Business transfer date

Note: This business transfer will be made without the approval of the Shareholders Meeting specified by Article 245, Paragraph 1 of the Commercial Code, in accordance with Article 245-5 of the Commercial Code.

7. Changes of directors

(1) Election of Representative Director (effective May 1, 2006)

Newly elected Representative Director: Kuniaki Tanaka (currently Director in charge of business unit)

(2) Retirement of Representative Director (effective June 23, 2006)

Retiring representative director: Shigehisa Inoue (currently President)

(Mr. Inoue will retire as Director and become Chairman.)

(3) Promotion of Directors (effective May 1, 2006)

Representative Director and Vice President: Kuniaki Tanaka (currently Director in charge of business unit)

Senior Managing Director: Hisaetsu Mihei (currently Director in charge of information management)

Managing Director: Hiroshi Takahashi (currently Director of the Corporate Division)

(effective June 23, 2006)

Representative Director and Vice President: Kuniaki Tanaka (promoted to Representative Director and Vice President effective May 1, 2006)

(4) Director-Elect (effective June 23, 2006)

Director-Elect: Yoichi Mizoguchi (currently General Manager of Application System Division II)

Director-Elect: Takaaki Shigemitsu (currently General Manager of Application System Division I)

(5) Corporate Auditor-Elect (external auditor) (effective June 23, 2006)

Corporate Auditor-Elect: Masahiro Ogiso (currently General Manager of Management Planning of FUJISOFT ABC Inc.)

(6) Retirement of Corporate Auditor (External Auditor) (effective June 23, 2006)

Retiring corporate auditor: Ryuhei Nagashima