



FY2006 Third Quarters Results Briefing

Nine months ended December 31, 2006

Results announced: January 31, 2007

CYBERNET SYSTEMS CO., LTD.

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CYBERNET SYSTEMS CO., LTD.

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Corporate Data

CYBERNET SYSTEMS CO., LTD.

- ◆ Company Name: Cybernet Systems Co., Ltd.
(TSE 1st Section, Security Code:4312)
- ◆ Head Office: 15-6, Otsuka 2-chome, Bunkyo-ku, Tokyo
- ◆ Branch: Osaka, Nagoya
- ◆ Established: April 17, 1985
- ◆ Capital stock: ¥995 million
- ◆ No. of Employees: As of December 31, 2006
Consolidated: 405 (Y-o-Y +54)
Non-Consolidated: 325 (Y-o-Y +48)
(Group total: 431 Y-o-Y +70)
- ◆ Business: Providing CAE solutions and network solutions, as well as professional services including consulting

Domestic Subsidiaries

CYBERNET SYSTEMS CO., LTD.

(1) **KGT Inc.**

Business: Development, sale and operation of visualization software for the scientific computation field, image processing software for medical use, network security software, and internal control systems

Capital stock: ¥100 million (Equity ownership 100%)

No. of Employees: 65

*Consolidated subsidiary

(2) **PLAMEDIA CORPORATION**

Business: Development, sales and contracted research of mold flow and molding analysis software, research and development of software on properties and molding qualities of polymeric materials, development of software

Capital stock: ¥45 million (Equity ownership 95%)

No. of Employees: 15

*Consolidated subsidiary

Overseas Subsidiaries

CYBERNET SYSTEMS CO., LTD.

(3) **CCA Engineering Simulation Software (Shanghai) CO., LTD.**

Business: Providing consulting mechanical CAE solutions and analysis outsourcing

Capital stock: US\$ 250,000 (Equity ownership 66%)

No. of Employees: 15

*Non-consolidated subsidiary

(4) **Cybernet CAE Systems (Shanghai) Co.,Ltd.** (Began operations in October 2006)

Business: Providing consulting electronic CAE solutions and analysis outsourcing

Capital stock: US\$ 700,000 (Equity ownership 100%)

No. of Employees: 11

*Non-consolidated subsidiary



Consolidated

Overview of FY2006 Third Quarters Results

Nine months ended December 31, 2006

Overview of FY2006 3Q Results

	Nine months ended December 31						Millions of yen	
	2005		2006					
	Actual	Ratio	Actual	Ratio	Y-o-Y	Plan	Variance from Plan	
Net Sales	11,808	—	13,106	—	111.0%	13,124	99.9%	
Gross Profit	4,220	35.7%	4,895	37.4%	116.0%	4,845	101.0%	
Operating Income	1,098	9.3%	1,306	10.0%	118.9%	1,107	117.9%	
Ordinary Income	1,240	10.5%	1,540	11.8%	124.1%	1,285	119.8%	
Net Income	707	6.0%	845	6.5%	119.5%	709	119.2%	

Favorable operating results for the Third Quarter (Oct.-Dec.) contributed handsomely to the nine months of operations, as net sales rose 11.0% year on year, and ordinary income rose 24.1% year on year (for the interim reporting period net sales rose 8.6% year on year, and ordinary income 3.6% year on year).

Statements of Income

	Nine months ended December 31				Details (Y-o-Y)
	2005	2006	Y-o-Y	Variance from plan	
Net Sales	11,808	13,106	111.0%	99.9%	
Cost of Sales	7,588	8,211	108.2%	99.2%	Cost of products +512, Cost of manufacturing -23, Cost of technology services +134
Gross Profit	4,220	4,895	116.0%	101.0%	
Selling, General and Administrative Expenses	3,121	3,588	115.0%	96.0%	
Operating Income	1,098	1,306	118.9%	117.9%	
Non-Operating Income	144	234	161.9%	132.2%	Interest income +5, Foreign exchange gain +78, Subsidy +6
Non-Operating Expenses	2	0	33.1%	—	
Ordinary Income	1,240	1,540	124.1%	119.8%	
Extraordinary Gain	—	8	—	—	Gain on sales of fixed assets +8
Extraordinary Losses	9	15	—	—	Impairment of investments in CCA +13, Loss on disposal of fixed assets -5
Income before Income Tax	1,231	1,532	124.4%	120.3%	

SG&A Expenses

	Nine months ended December 31					Details
	2005	2006	Change	Y-o-Y	Ratio	
Personnel	1,442	1,730	287	120.0%	14.7%	Increase (Cybernet +34, PLAMEDIA +5)
Communication	117	131	14	112.6%	1.1%	Communication infrastructure +13
Business trip	156	198	42	126.9%	1.7%	Business trip to overseas developers +16
Fixing and supplies	67	81	13	120.4%	0.7%	
Recruiting	51	65	14	128.8%	0.6%	Referral fee
Education and training	44	43	(0)	99.6%	0.4%	
Rent	205	205	(0)	99.9%	1.7%	
Maintenance	25	32	7	128.2%	0.3%	
Depreciation	92	79	(13)	85.3%	0.7%	Amortization of Epiplex exclusive distribution rights -13
Advertising	401	401	(0)	99.8%	3.4%	MATLAB EXPO -30
Outsourcing	212	232	20	109.6%	2.0%	Increase in temporary employee head count
Commission	121	132	10	109.0%	1.1%	Internal Controls
Amortization of goodwill	—	81	81	—	0.7%	Keihin Artwork +31, KGT +15, PLAMEDIA +34
Amortization of consolidation account	27	—	(27)	—	0.0%	KGT -15, PLAMEDIA -11
Other	156	171	15	110.0%	1.5%	
Total	3,121	3,588	467	115.0%	30.4%	

Consolidated Statement of Change in Shareholders' Equity

Nine months ended December 31, 2006

Millions of yen

	Shareholders' equity					Unrealized gains and exchange differences		Minority interest	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total	Unrealized gains on marketable securities	Total		
Balance as of March 31, 2006	995	909	7,899	(746)	9,057	69	69	2	9,128
Changes during nine months ended December 31, 2006									
Dividends of surplus			(459)		(459)				(459)
Directors' bonuses			(60)		(60)				(60)
Net income			845		845				845
Disposal of treasury stock			(43)	64	21				21
Changes in items other than shareholders' equity						(13)	(13)	(0)	(14)
Total change	—	—	283	64	347	(13)	(13)	(0)	333
Balance as of December 31, 2006	995	909	8,183	(682)	9,404	55	55	1	9,462

A loss on the disposal of treasury stock accrued with the allocation of treasury stock to exercised stock options.

Segment Data

Nine months ended December 31, 2005

Millions of yen

	CAE Solution			Network Solution			Total	Consolidation	
	Actual	Composition ratio	Ratio	Actual	Composition ratio	Ratio	Actual	Actual	Ratio
Sales	9,623	81.5%	—	2,185	18.5%	—	—	11,808	—
Operating expenses	7,583	—	78.8%	2,086	—	95.5%	1,040	10,710	90.7%
Operating income	2,040	—	21.2%	98	—	4.5%	(1,040)	1,098	9.3%

Nine months ended December 31, 2006

Millions of yen

	CAE Solution			Network Solution			Total	Consolidation	
	Actual	Composition ratio	Ratio	Actual	Composition ratio	Ratio	Actual	Actual	Ratio
Sales	11,085	84.6%	—	2,021	15.4%	—	(2)	13,106	—
Operating expenses	8,629	—	77.8%	1,959	—	96.8%	1,211	11,799	90.0%
Operating income	2,457	—	22.2%	63	—	3.2%	(1,214)	1,306	10.0%

The share of sales for Network Solutions has dropped as a consequence of losing business from a large customer.

Alternate business transactions are instituting improved profitability, however.

Third Quarter Summary by Solutions Segment

CAE Solution Services

- ① Core software product sales for control, mechanical, optical, and electronics systems are generally tracking strongly. In particular, large growth was recorded for illumination analysis software and light and color measurement systems to the flat panel display market.
- ② Contrary to expectations, new software sales did not grow according to projections.
- ③ Service revenue growth was solid as a consequence of superior human resources retained through business acquisition in the electronics segment, and the tie-up with our China subsidiary in the mechanical systems segment.
- ④ The company acquired distribution rights for PCB design support tools developed by Cadence as reinforcement for the electronics segment.
- ⑤ The visualization software at a consolidated subsidiary had experienced weak sales up until the second quarter; however, business prospects increased in the third quarter with proposals for subcontracted development and medical imaging.

Third Quarter Summary by Solutions Segment

Network Solution Services

- ① Sales for PC asset management software and PC connectivity software were strong.
- ② Sales for desktop management software provided initially in our current year's plan did not materialize, because the developer decided to cancel distribution. The company is developing a response by carrying alternative software.
- ③ Business process improvement software did not achieve envisioned sales, because functionality for CAE and CAD customers remained under development.
- ④ A consolidated subsidiary lost the business from a large customer, and sales dropped for the third quarter. Alternate business has arisen successfully, however, and the company is placing efforts to improve profitability.
- ⑤ As administrative policy remains indefinite, our J-SOX support tools have not experienced large growth, although inquiries are brisk.

Quarterly Results

Year ended March 31, 2006

	Millions of yen							
	1st Q		2nd Q		3rd Q		4th Q	
Net Sales	4,400	—	4,173	—	3,234	—	5,590	—
Composition Ratio	25.3%		24.0%		18.6%		32.1%	
Operating Income	678	—	476	—	(56)	—	1,203	—
Ordinary Income	710	—	504	—	25	—	1,307	—
Net Income	710	—	497	—	23	—	1,265	—

*Note: Consolidated financial statements were prepared from the year ended March 31, 2006.

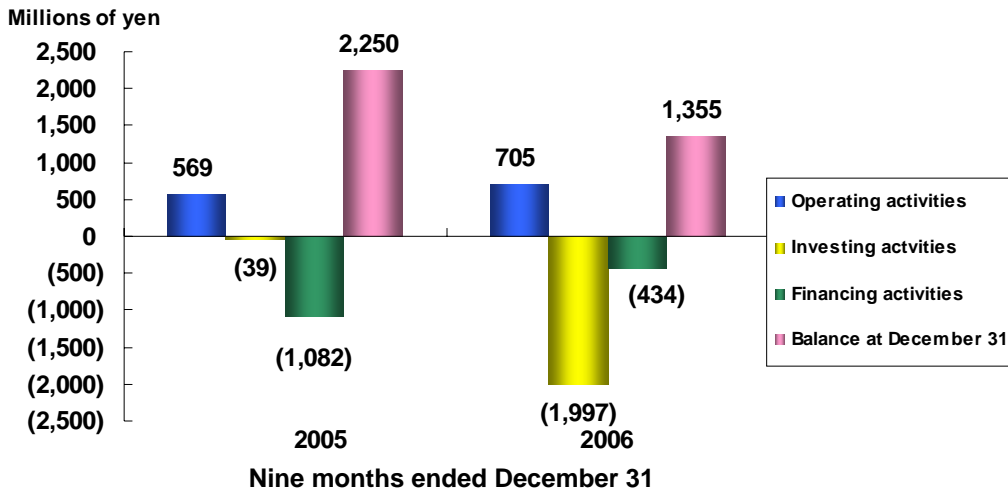
Year ending March 31, 2007

	Millions of yen					
	1st Q		2nd Q		3rd Q	
Net Sales	4,918	+11.8%	4,389	+5.2%	3,797	+17.4%
Composition Ratio	25.6%		22.9%		19.8%	
Operating Income	603	(11.0%)	485	+1.8%	217	—
Ordinary Income	633	(10.8%)	624	+23.8%	281	+989.0%
Net Income	633	(10.8%)	613	+23.2%	285	+1106.5%

*Note: Percentages indicate prior year comparison for the period.

Compared to the three-month period of the prior year, consolidated net sales grew by 17.4% for the Third Quarter, and income improved dramatically as a result.

Cash Flows



Operating Activities:	
Income before income taxes	+1,532
Depreciation and amortization	+193
Amortization of goodwill	+81
Change in account receivables	+955
Change in account payables	(1,078)
Income taxes paid	(926)

Investing Activities:	
Payments of acquisition of operations	(237)
Acquisition of intangible assets	(167)
Payment for fund management	(1,414)
Payment for investment in subsidiaries in China	(80)

Financing Activities:	
Payments of dividends	(455)

Third Quarters Performance of Subsidiaries

Millions of yen

	Net Sales	Y-o-Y	Actual/ Plan	Operating income	Y-o-Y	Actual/ Plan	Ordinary income	Y-o-Y	Actual/ Plan	Net income	Y-o-Y	Actual/ Plan
CYBERNET	11,424	115.3%	98.7%	1,416	123.2%	99.0%	1,626	128.3%	112.3%	934	126.5%	110.7%
KGT	1,544	79.6%	103.4%	(60)	—	—	(26)	—	—	(29)	—	—
PLAMEDIA	156	—	89.9%	(14)	—	—	(14)	—	—	(14)	—	—

Status of Subsidiaries

KGT performed poorly in the first half of the year; however, business has turned around in accordance with the amended business results forecast issued on October 31, 2006.



Non-Consolidated

Overview of FY2006 Third Quarters Results

Nine months ended December 31, 2006

Statements of Income

	Nine months ended December 31						Millions of yen
	2005	Ratio	2006	ratio	Y-o-Y	Actual/ Plan	
Net Sales	9,904	—	11,424	—	115.3%	98.7%	Revenues from service +47.8%
Cost of Sales	6,066	61.2%	6,974	61.1%	115.0%	99.5%	Cost of service +69.6%
Gross Profit	3,838	38.8%	4,449	38.9%	115.9%	97.5%	
SG&A Expenses	2,689	27.2%	3,033	26.6%	112.8%	96.8%	See page 18
Operating Income	1,149	11.6%	1,416	12.4%	123.2%	99.0%	
Non-Operating Incomes	120	—	210	—	175.6%	1172.0%	Interest income +5, Foreign exchange gain +79, Subsidy +6
Non-Operating Expenses	1	—	0	—	—	—	
Ordinary Income	1,268	12.8%	1,626	14.2%	128.3%	112.3%	
Extraordinary Gain	—	—	8	—	—	—	Gain on sales of fixed assets +8
Extraordinary Loss	5	—	15	—	—	—	Impairment of investment in CCA +13, Loss on disposal of fixed assets -2
Income before Income Taxes	1,262	12.7%	1,619	14.2%	128.3%	112.2%	
Corporation, Inhabitant and Enterprise Taxes	441	—	637	—	144.6%	126.1%	
Corporation Taxes Adjustment	82	—	47	—	56.9%	—	
Net Income	738	7.5%	934	8.2%	126.5%	110.7%	

SG&A Expenses

	Nine months ended December 31					Millions of yen
	2005	2006	Change	Y-o-Y	Ratio	Details
Personnel	1,219	1,461	241	119.8%	12.8%	Number of employees +34
Communication	104	120	16	115.9%	1.1%	Communication infrastructure +13
Business trip	134	172	38	128.7%	1.5%	Business trip to overseas developers +16, Increase in transportation expenses for commuting and domestic travel due to increase in employee head count
Fixing and supplies	59	68	8	114.5%	0.6%	
Recruiting	47	61	13	127.7%	0.5%	Increase in referral fee and recruitment
Education and training	43	40	(3)	91.6%	0.4%	
Rent	176	172	(3)	97.8%	1.5%	
Depreciation	87	75	(12)	85.8%	0.7%	Amortization of Epilex exclusive distribution rights -13
Amortization of goodwill	—	31	31	—	0.3%	Keihin Artwork +31
Advertising	376	372	(3)	99.1%	3.3%	MATLAB EXPO expenses -30, Renewal of HP +12
Outsourcing	182	194	12	106.6%	1.7%	Increase in temporary employee head count, Contracted expenses for in-house systems development +7
Commission	114	124	9	108.2%	1.1%	
Other	141	137	(3)	97.2%	1.2%	
Total	2,689	3,033	343	112.8%	26.6%	

Quarterly Results

Year ended March 31, 2006

Millions of yen

	1st Q		2nd Q		3rd Q		4th Q	
Net Sales	3,834	+9.7%	3,457	+4.7%	2,613	+3.3%	4,721	+1.7%
Composition Ratio	26.2%		23.6%		17.9%		32.3%	
Operating Income	715	+1.4%	456	(15.6%)	(23)	—	1,125	(4.8%)
Ordinary Income	750	(2.6%)	463	(17.8%)	53	(11.9%)	1,233	+1.1%
Net Income	750	(2.6%)	458	(18.1%)	53	(11.3%)	1,191	+3.1%

*Note: Percentages indicate prior year comparison for the period.

Year ending March 31, 2007

Millions of yen

	1st Q		2nd Q		3rd Q	
Net Sales	4,342	+13.3%	3,749	+8.4%	3,332	+27.5%
Composition Ratio	25.9%		22.3%		19.8%	
Operating Income	665	(7.0%)	508	+11.4%	242	—
Ordinary Income	686	(8.5%)	639	+37.8%	300	+460.4%
Net Income	686	(8.4%)	627	+36.9%	304	+467.9%

*Note: Percentages indicate prior year comparison for the period.

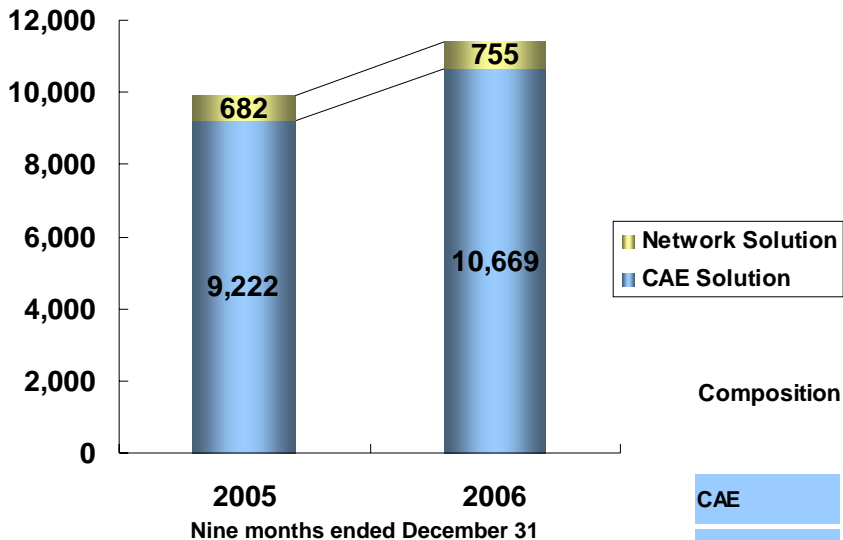
Compared to the three-month period of the prior year, non-consolidated net sales grew by 27.5% for the Third Quarter, and income improved dramatically as a result.

Analysis of Income

◆ Operating Margin	
■ Increase in sales	+ 733 million yen
■ Variance in cost ratio	+ 218 million yen
■ Variance in exchange fluctuations	- 207 million yen
● Exchange fluctuations	
✓ Compared with previous year	+ 5.68 yen/USD
✓ Compared with plan	- 1.15 yen/USD
· Average rate for FY2006 3 rd Q	115.85 yen/USD
· Average rate for FY2005 3 rd Q	110.17 yen/USD
· Plan rate	117.00 yen/USD
■ Increase in cost of technical service	- 133 million yen
● Increase in employees in technical departments	+14
◆ Non-Operating Income(Expenses)	
■ Interest and dividends income	35 million yen
■ Foreign exchange gain	155 million yen
■ Subsidy income	6 million yen
◆ Extraordinary Gain (Loss)	
■ Gain on sale of fixed assets	8 million yen
■ Devaluation loss on investments in Chine subsidiary CCA	- 13 million yen

Net Sales by Solution

Millions of Yen **Year-on-Year(CAE: 115.7% Network: 110.7%)**

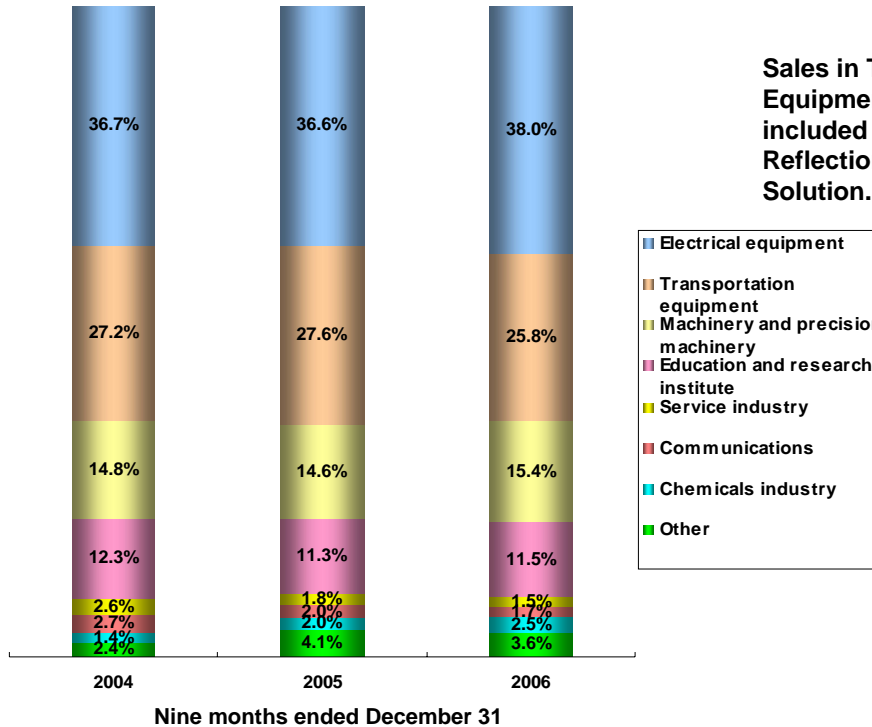


Composition

Nine months ended December 31

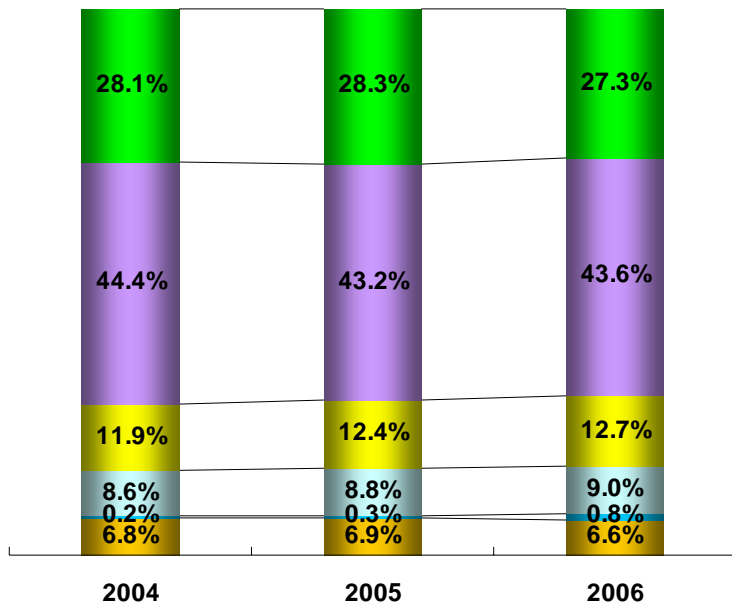
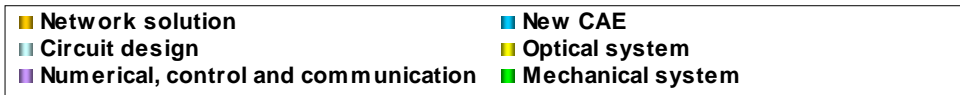
	2005	2006
CAE	93.1%	93.4%
Network	6.9%	6.6%

Sales by Category of Industry



Sales in Transportation Equipment for FY 2005 included 60 million yen for Reflection from Network Solution.

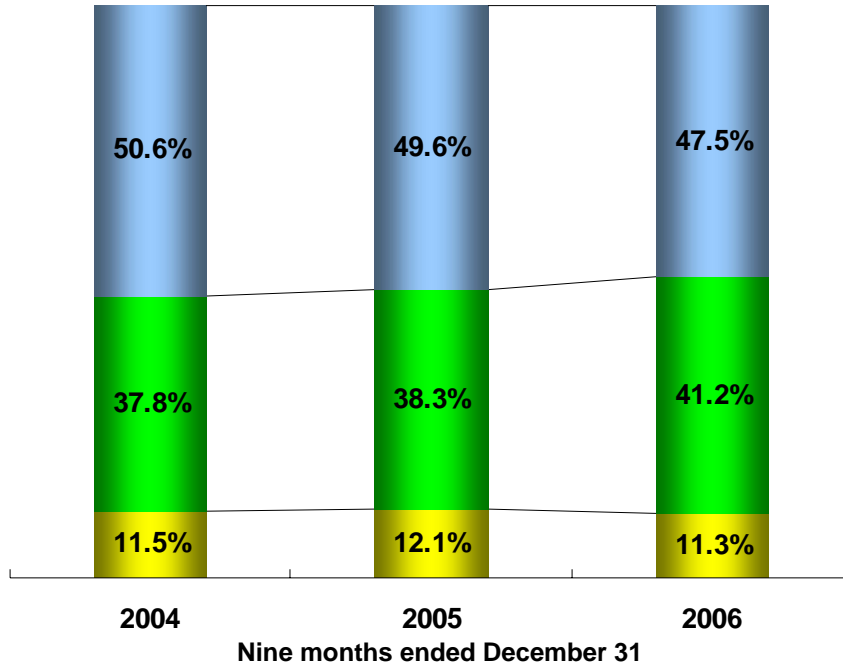
Sales by Business Line



Nine months ended December 31

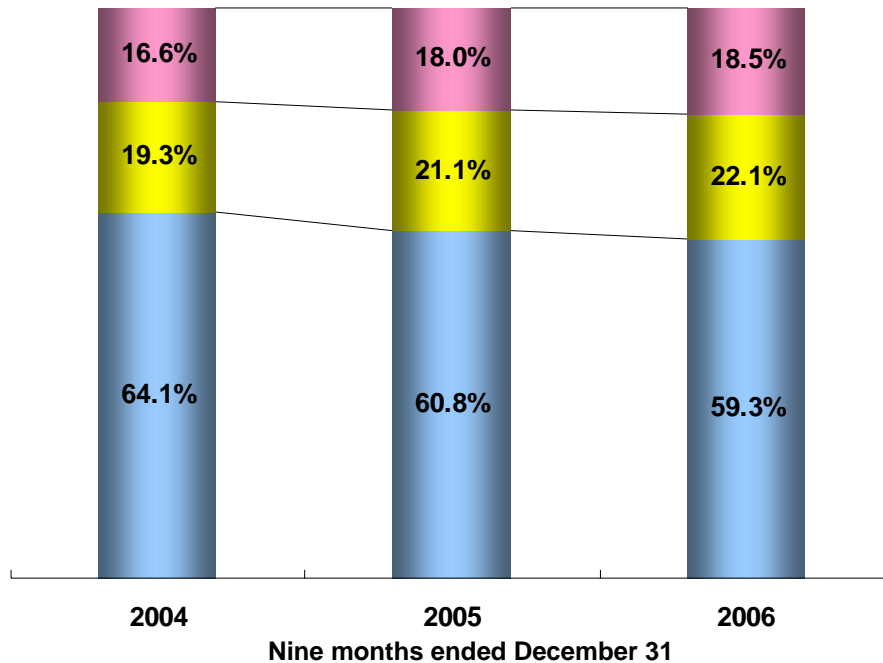
Sales by Licensing Contract

■ Rental ■ Maintenance/renewal ■ Paid-up license



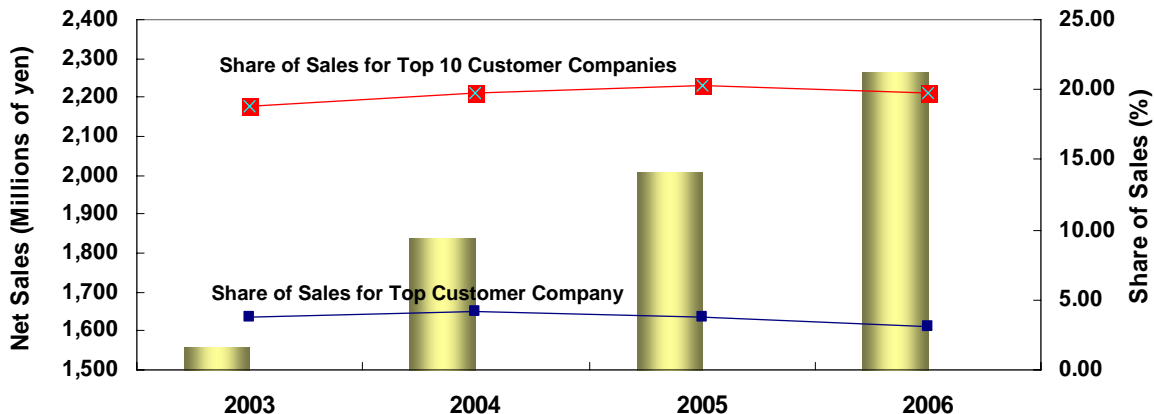
Net Sales by Area

■ Eastern Japan ■ Central Japan ■ Western Japan



Top 10 Customer Company Sales: Net Sales, Share of Sales, Industry

CYBERNET SYSTEMS CO., LTD.



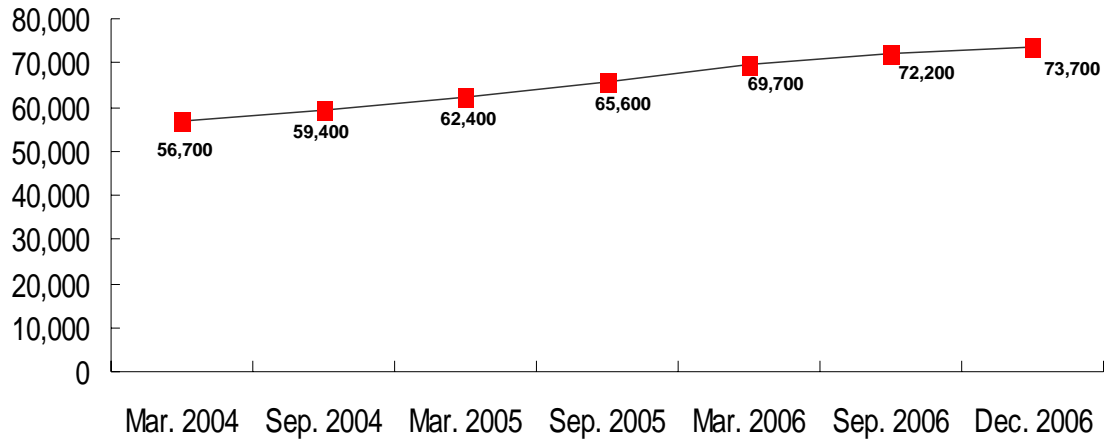
Nine months ended December 31

Top 10 Industries

Transportation equipment	4	4	3	3
Electrical equipment	4	4	5	5
Machinery and precision equipment	2	1	1	1
Other	0	1	1	1

Number of CAE Licensing Contract

Cumulative CAE License Contracts



Initiatives Remaining for the Year

- ◆ **Solid Growth for Main Products**
- ◆ **Further Expansion of New Growth Products**
 - **Light and color measurement system**
 - **Expansion of multi-product solutions**
 - **PC asset management, license management**
- ◆ **Promotion of Service Business**
 - **Consulting and contract work for PCB design segment**
 - **Consulting and contract work for mechanical systems**
- ◆ **Launch of new products in portfolio**
 - **PCB design support tool Allegro**
 - **Wide-reaching acoustic analysis software system WAON**
 - **MATLAB peripheral business**
 - **Bio sector (drug development) software suite**
 - **Distribution of plastics analytical software, development of upgrade**
 - **Internal controls support tool addressing J-SOX legislation Ci-Tower**
 - **Sales promotion of epiplex, development of upgrade**
 - **Security-related software suite**

Initiatives Remaining for the Year

CYBERNET SYSTEMS CO., LTD.

- ◆ **Launch of China subsidiary**
- ◆ **Promotion of M&A**
- ◆ **Hiring and training of human resources**
- ◆ **Structuring internal systems**
- ◆ **Promotion of information security**
- ◆ **Promotion of environmental protection**
- ◆ **Structuring internal controls system**
- ◆ **Promotion of compliance management**



FY 2006 Full-Year Forecasts

Year ending March 31, 2007

Forecasts for FY2006 (Consolidated)

Consolidated

Millions of yen

	FY2005 Actual	FY2006 Revision	Ratio	Y-o-Y	FY2006 Initial forecast
Net Sales	17,399	19,200	—	110.4%	19,200
Operating Income	2,301	2,440	12.7%	106.0%	2,440
Ordinary Income	2,548	2,620	13.6%	102.8%	2,620
Net Income	1,503	1,380	7.2%	91.8%	1,380

*The previous full-year forecast for Fiscal 2006 was released on October 31, 2006.

Notes to Forecast

- (1) The consolidated year-end forecast remains unchanged from the forecast released on Oct. 31, 2006.
- (2) The Company is considering a relocation of headquarters during the first half of FY2007. The decision to relocate is expected in the fourth quarter, when a loss on disposal of fixed assets and the expenses to restore current occupancy to original conditions will be reserved as an extraordinary loss. The amount of reserve is estimated at 200 million yen.
- (3) The foreign exchange rate for cost accounting in the Third Quarter in this forecast is 117.00 yen/dollar.
- (4) Forward exchange contracts for the fourth quarter have reserved approximately 80% of expected fund transmittals at an average of 110 yen/dollar.

Forecasts for FY2006 (Non-Consolidated)

Non-Consolidated

Millions of yen

	FY2005 Actual	FY2006 Revision	Ratio	Y-o-Y	FY2006 Initial forecast
Net Sales	14,626	16,800	—	114.9%	16,800
Operating Income	2,275	2,500	14.9%	109.9%	2,500
Ordinary Income	2,501	2,670	15.9%	106.7%	2,670
Net Income	1,463	1,430	8.5%	97.7%	1,430
Dividends per Share (Yen)	750	800	—	50	800

*The previous full-year forecast for Fiscal 2006 was released on October 31, 2006.

Notes to Forecast

Same as the consolidated forecast.

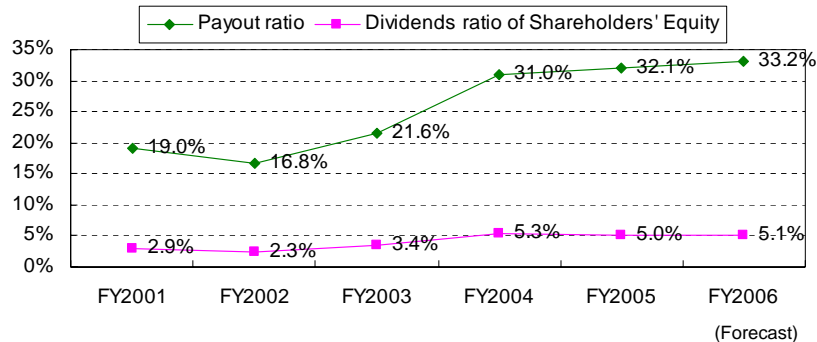
Dividends

CYBERNET SYSTEMS CO., LTD.

Yen

	FY2005	FY2006		
	Full Year	Interim (Actual)	Year-end (Forecast)	Full Year (Forecast)
Dividends per Share	1,450	700	800	1,500
Net Income per Share	4,510.85	2,414.84	—	4,512.98
Payout Ratio	32.1%			33.2%
Dividends Rate for Shareholders' Equity	5.0%			5.1%

Dividends





■ Public Relations Office

Address: Nissay Otowa Bldg., 15-6, Otsuka 2-chome,
Bunkyo-ku, Tokyo 112-0012, Japan

TEL.: +81-3-5978-5404

FAX.: +81-3-5978-5441

E-mail: irquery@cybernet.co.jp

URL: <http://www.cybernet.co.jp>

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