

Non-Consolidated Financial Results for the Six Months Ended September 30, 2005

October 31, 2005

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
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 Date of Board of Directors' Meeting for Approval of Financial Results: October 31, 2005
 Interim Dividend Distribution System: Yes
 Starting Date of Interim Dividend Payment: December 9, 2005
 Unit Share System: No

1. Financial and Operating Results for the six months ended September 30, 2005 (April 1, 2005 to September 30, 2005)

(1) Non-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	%
Six months ended September 30, 2005	7,291	7.3	1,172	(6.0)	1,214	(9.0)
Six months ended September 30, 2004	6,797	12.8	1,246	24.1	1,335	33.6
March 31, 2005	13,968		2,473		2,616	

	Net income		Net income per share—basic
	Millions of yen	%	Yen
Six months ended September 30, 2005	712	(10.3)	2,275.65
Six months ended September 30, 2004	793	43.7	7,460.67
March 31, 2005	1,511		13,528.03

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

Six months ended September 30, 2005: 312,965

Six months ended September 30, 2004: 106,377

March 31, 2005: 106,049

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

(3) Changes in accounting policies: None

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

(2) Dividends

	Interim	Annual
	Yen	Yen
Six months ended September 30, 2005	700.00	-
Six months ended September 30, 2004	1,200.00	-
March 31, 2005	-	4,200.00

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

Accordingly, the interim dividend of 1,200 yen for the six months ended September 30, 2004 is the amount before the stock split, and if the interim dividend after the stock split is calculated, it will be 400 yen. The annual dividend after the stock split for the term ended March 31, 2005 will be 1,400 yen, if such dividend is calculated.

(3) Financial Position

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2005	12,167	8,488	69.8	26,952.18
September 30, 2004	12,345	8,396	68.0	78,935.18
March 31, 2005	12,236	8,314	67.9	78,928.36

Note: 1 Number of shares outstanding at term-end

September 30, 2005: 314,929

September 30, 2004: 106,377

March 31, 2005: 104,377

2 Number of treasury stocks at term-end

September 30, 2005: 9,071

September 30, 2004: 1,623

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

	Net sales	Ordinary income	Net income	Annual dividends per share	
				Year-end	
	Millions of yen	Millions of yen	Millions of yen	Yen	Yen
Year ending March 31, 2006	15,400	2,680	1,560	750.00	1,450.00

Reference: Estimated net income per share for the year ending March 31, 2006: 4,712.17 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. With regard to matters related to the above forecasts, please see Page 9 of the attached material.

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

Accordingly, the above figure is the amount after the stock split, and the year-end and annual dividends per share will be 2,250 yen and 4,350 yen, respectively. The forecasted net income per share will be 14,136.51 yen, if figures are calculated as those before the stock split.

1. Interim Non-Consolidated Balance Sheet

(Thousands of yen)

	September 30, 2004		September 30, 2005		March 31, 2005	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Assets		%		%		%
I Current assets						
1 Cash and deposits	2,654,868		1,845,308		2,781,702	
2 Notes receivable—trade	79,519		54,673		28,616	
3 Accounts receivable	2,882,725		2,989,723		3,426,912	
4 Marketable securities	4,457,707		3,674,031		3,217,219	
5 Inventories	115,823		103,367		111,372	
6 Short-term loans to affiliates	500,000		1,300,000		1,000,000	
7 Deferred tax assets	156,973		166,670		160,358	
8 Other receivables	85,138		8,384		203	
9 Suspense account payment	1,769		-		-	
10 Other current assets	472,107		538,341		553,487	
Allowance for doubtful accounts	(2,960)		(3,040)		(3,450)	
Total current assets	11,403,674	92.4	10,677,461	87.8	11,276,424	92.2
II Fixed assets						
1 Tangible fixed assets						
(1) Buildings	46,721		94,929		94,303	
(2) Tools, furniture and fixtures	163,061		196,067		190,316	
Total tangible fixed assets	209,783		290,996		284,620	
2 Intangible fixed assets	298,357		161,204		174,191	
3 Investments and other assets						
(1) Investment securities	59,317		87,912		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	205,895		199,894		200,076	
(5) Deferred tax assets	170,827		199,873		201,160	
(6) Allowance for doubtful accounts	(2,060)		(2,060)		(2,060)	
Total investments and other assets	433,979		1,037,759		501,755	
Total fixed assets	942,120	7.6	1,489,960	12.2	960,567	7.8
Total assets	12,345,794	100.0	12,167,421	100.0	12,236,991	100.0

(Thousands of yen)

	September 30, 2004		September 30, 2005		March 31, 2005	
	Amounts	Ratio	Amounts	Ratio	Amounts	Ratio
Liabilities		%		%		%
I Current liabilities						
1 Accounts payable - trade	1,362,883		1,514,286		1,738,799	
2 Income tax payable	568,866		517,369		614,541	
3 Consumption tax payable	99,556		105,022		122,328	
4 Advances received	424,911		477,831		429,677	
5 Reserve for bonuses	245,657		275,138		245,709	
6 Other current liabilities	875,924		377,747		371,140	
Total current liabilities	3,577,799	29.0	3,267,395	26.8	3,522,196	28.8
II Fixed liabilities						
1 Accrued severance indemnities	331,892		367,458		354,979	
2 Reserve for directors' retirement allowances	39,214		44,545		45,018	
Total fixed liabilities	371,106	3.0	412,003	3.4	399,997	3.3
Total liabilities	3,948,906	32.0	3,679,399	30.2	3,922,194	32.1
Shareholders' equity						
I Capital stock	995,000	8.0	995,000	8.2	995,000	8.1
II Capital surplus						
1 Additional paid-in capital	909,000		909,000		909,000	
Total capital surplus	909,000	7.4	909,000	7.5	909,000	7.4
III Retained earnings						
1 Legal reserve	71,960		71,960		71,960	
2 Voluntary reserve	5,090,000		5,490,000		5,090,000	
3 Unappropriated earnings at the end of the period	1,574,152		1,853,990		2,163,982	
Total retained earnings	6,736,112	54.6	7,415,950	60.9	7,325,942	59.9
IV Unrealized gains on available-for-sale securities	26,733	0.2	44,415	0.4	37,453	0.3
V Treasury stock	(269,959)	(2.2)	(876,343)	(7.2)	(952,559)	(7.8)
Total shareholders' equity	8,396,887	68.0	8,488,022	69.8	8,314,797	67.9
Total liabilities and shareholders' equity	12,345,794	100.0	12,167,421	100.0	12,236,991	100.0

2. Interim Non-Consolidated Statements of Income

(Thousands of yen)

	Six months ended September 30, 2004		Six months ended September 30, 2005		Year ended March 31, 2005	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
		%		%		%
Net sales	6,797,039	100.0	7,291,826	100.0	13,968,970	100.0
Cost of sales	3,984,332	58.6	4,368,745	59.9	8,126,328	58.2
Gross profit	2,812,707	41.4	2,923,080	40.1	5,842,641	41.8
Selling, general and administrative expenses	1,565,916	23.1	1,750,715	24.0	3,368,858	24.1
Operating income	1,246,790	18.3	1,172,365	16.1	2,473,782	17.7
Non-operating income	88,330	1.3	43,268	0.6	146,043	1.0
Non-operating expenses	36	0.0	1,148	0.0	3,733	0.0
Ordinary income	1,335,083	19.6	1,214,485	16.7	2,616,092	18.7
Extraordinary gains	255	0.0	-	-	255	0.0
Extraordinary losses	4,268	0.0	5,419	0.1	68,910	0.5
Income before income taxes	1,331,070	19.6	1,209,065	16.6	2,547,438	18.2
Corporate, inhabitant and enterprise taxes	510,599	7.9	506,649	6.8	1,050,529	7.4
Deferred income taxes	26,827		(9,783)		(14,217)	
Net income	793,644	11.7	712,199	9.8	1,511,126	10.8
Unappropriated retained earnings brought forward	780,508		1,374,359		780,508	
Interim dividends paid	-		-		127,652	
Loss on sale of treasury stock	-		232,569		-	
Unappropriated retained earnings at the end of period	1,574,152		1,853,990		2,163,982	

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

Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
<p>1. Bases and methods of asset valuation</p> <p>(1) Securities</p> <p>a. Held-to-maturity bonds Amortized cost method</p> <p>b. Stocks of subsidiaries and affiliates —</p> <p>c. Other securities</p> <p>Securities with market value: Market value method based on market value as of the interim 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.)</p> <p>Securities without market value: Cost method based on the moving average method</p> <p>(2) Inventories</p> <p>a. Products Cost method based on the FIFO method</p> <p>b. Supplies Cost method based on the FIFO method</p>	<p>1. Bases and methods of asset valuation</p> <p>(1) Securities</p> <p>a. Held-to-maturity bonds Same as on the left.</p> <p>b. Stocks of subsidiaries and affiliates Cost method based on the moving average method.</p> <p>c. Other securities</p> <p>Securities with market value: Same as on the left.</p> <p>Securities without market value: Same as on the left.</p> <p>(2) Inventories</p> <p>a. Products Same as on the left.</p> <p>b. Supplies Same as on the left.</p>	<p>1. Bases and methods of asset valuation</p> <p>(1) Securities</p> <p>a. Held-to-maturity bonds Same as on the left.</p> <p>b. Stocks of subsidiaries and affiliates —</p> <p>c. Other securities</p> <p>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.)</p> <p>Securities without market value: Same as on the left.</p> <p>(2) Inventories</p> <p>a. Products Same as on the left.</p> <p>b. Supplies Same as on the left.</p>
<p>2. Depreciation and amortization methods of fixed assets</p> <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>2. Depreciation and amortization methods of fixed assets</p> <p>(1) Tangible fixed assets Same as on the left.</p> <p>(2) Intangible fixed assets Same as on the left.</p>	<p>2. Depreciation and amortization methods of fixed assets</p> <p>(1) Tangible fixed assets Same as on the left.</p> <p>(2) Intangible fixed assets Same as on the left.</p>

Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
<p>3. Standards for posting allowances and reserves</p> <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 interim 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 interim 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 interim term-end under the internal rules is posted.</p>	<p>3. Standards for posting allowances and reserves</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>	<p>3. Standards for posting allowances and reserves</p> <p>(1) Allowance for doubtful accounts Same as on the left.</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>4. 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 interim term-end, and exchange differences are posted as profit or loss.</p>	<p>4. Standards for translating foreign currency-denominated assets and liabilities Same as on the left.</p>	<p>4. 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.</p>
<p>5. Other significant matters that are the bases for the preparation of interim financial statements Accounting for consumption taxes The tax exclusion method is adopted. Suspense consumption taxes paid and suspense consumption taxes received were offset and recorded as consumption taxes payable.</p>	<p>5. Other significant matters that are the bases for the preparation of interim financial statements Accounting for consumption taxes Same as on the left.</p>	<p>5. Other significant matters that are the bases for the preparation of financial statements Accounting for consumption taxes The tax exclusion method is adopted.</p>

Change in the disclosure methods

Six months ended September 30, 2004	Six months ended September 30, 2005
—	Balance sheet “Suspense account payment” (822,000 yen for the current interim term) was included in “other current assets” of the current assets, because this amount is not large.

Change in significant matters that are the bases for the preparation of interim financial statements

Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
—	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 interim term. There is no effect of this change on the Company’s profits or losses.	—

Notes

Interim non-consolidated balance sheets

(Thousands of yen)

Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
Accumulated depreciation of tangible fixed assets 576,054	Accumulated depreciation of tangible fixed assets 569,199	Accumulated depreciation of tangible fixed assets 599,109

Increases in the numbers of outstanding shares during the current interim term

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

Interim non-consolidated statement of income

(Thousands of yen)

Six months ended September 30, 2004	Six months ended September 30, 2005	Year ended March 31, 2005
*1 Main items of non-operating income	*1 Main items of non-operating income	*1 Main items of non-operating income
Interest income 1,183	Interest income 3,023	Interest income 3,244
Security income 11,523	Security income 15,416	Security income 21,581
Additional refunds 21,110	Foreign exchange gain 16,710	Additional refunds 21,110
Gain on reversal of allowance for doubtful accounts Foreign exchange gain 52,220		Foreign exchange gain 95,330
*2 Main items of extraordinary losses	*2 Main items of extraordinary losses	*2 Main items of extraordinary losses
Loss on valuation of investment securities 878	Loss on valuation of investment securities 630	Loss on valuation of investment securities 1,491
Loss on disposal of fixed assets Tools, furniture and fixtures 3,389	Loss on disposal of fixed assets Building equipment 48	Loss on disposal of fixed assets Building equipment 121
	Tools, furniture and fixtures 4,627	Tools, furniture and fixtures 4,947
	Software 112	Software production in progress 62,350
3 Depreciation and amortization	3 Depreciation and amortization	3 Depreciation and amortization
Tangible fixed assets 35,403	Tangible fixed assets 45,193	Tangible fixed assets 86,678
Intangible fixed assets 20,893	Intangible fixed assets 21,280	Intangible fixed assets 41,923

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 interim term, current interim term, and previous fiscal year.

Retrospective revisions per share

If per share indices disclosed in the outline of interim financial statements are revised and adjusted in consideration of stock splits conducted so far and based on figures for the six months ended September 30, 2005, the results will be as follows:

(Yen)

	FY2005	FY2004	
	Interim	Interim	Year-end
Net income per share	2,275.65	2,486.89	4,509.34
Dividends per share	700	400	1,400
Shareholders' equity per share	26,952.18	26,311.73	26,309.45

Note Stock splits were conducted during the six months ended September 30, 2005.
[Effective date] 1:3 on July 20, 2005

Significant subsequent events

None