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
Contact: Hiroshi Takahashi, Director
Tel: (TOKYO) +81-3-5978-5401
Date of Board of Directors' Meeting for Approval of Financial Results: October 31, 2005
Percentage of the Parent Company's Ownership Interest in the Company: 53.4%
Name of the Parent Company: FUJISOFT ABC INCORPORATED
(Code Number: 9749)
Adoption of U.S. GAAP: No

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

(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	%
Six months ended September 30, 2005	8,574	-	1,155	-	1,215	-
Six months ended September 30, 2004	-	-	-	-	-	-
March 31, 2005	-		-		-	

	Net income		Net income per share—basic	Net income per share—diluted
	Millions of yen	%	Yen	Yen
Six months ended September 30, 2005	710	-	2,270.93	2,230.13
Six months ended September 30, 2004	-	-	-	-
March 31, 2005	-		-	-

Note: 1 Equity in earnings (losses) of affiliates
Six months ended September 30, 2005: -
Six months ended September 30, 2004: -
March 31, 2005: -
2 Average number of shares outstanding during the term (on a consolidated basis)
Six months ended September 30, 2005: 312,965
Six months ended September 30, 2004: -
March 31, 2005: -
3 Changes in accounting policies: None
4 Only the figures for the six months ended September 30, 2005 are available, as consolidated financial statements are prepared from the current fiscal year.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2005	12,878	8,486	65.9	26,947.43
September 30, 2004	-	-	-	-
March 31, 2005	-	-	-	-

Note: Number of shares outstanding at term-end (on a consolidated basis)
September 30, 2005: 314,929
September 30, 2004: -
March 31, 2005: -

(3) 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
Six months ended September 30, 2005	872	(787)	(879)	2,012
Six months ended September 30, 2004	-	-	-	-
March 31, 2005	-	-	-	-

(4) Matters Concerning Scope of Consolidation and the Application of the Equity Method
Consolidated subsidiaries: 2
Non-consolidated subsidiaries accounted for under the equity method: -
Affiliates accounted for under the equity method: -

(5) Changes in Scope of Consolidation and Affiliates Accounted for Under the Equity Method
Consolidated subsidiaries: Added: 2 Excluded: -
Affiliates accounted for under the equity method: Added: - Excluded: -

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

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 2006	18,000	2,700	1,580

Reference: Estimated net income per share for the year ending March 31, 2006: 4,775.68 yen

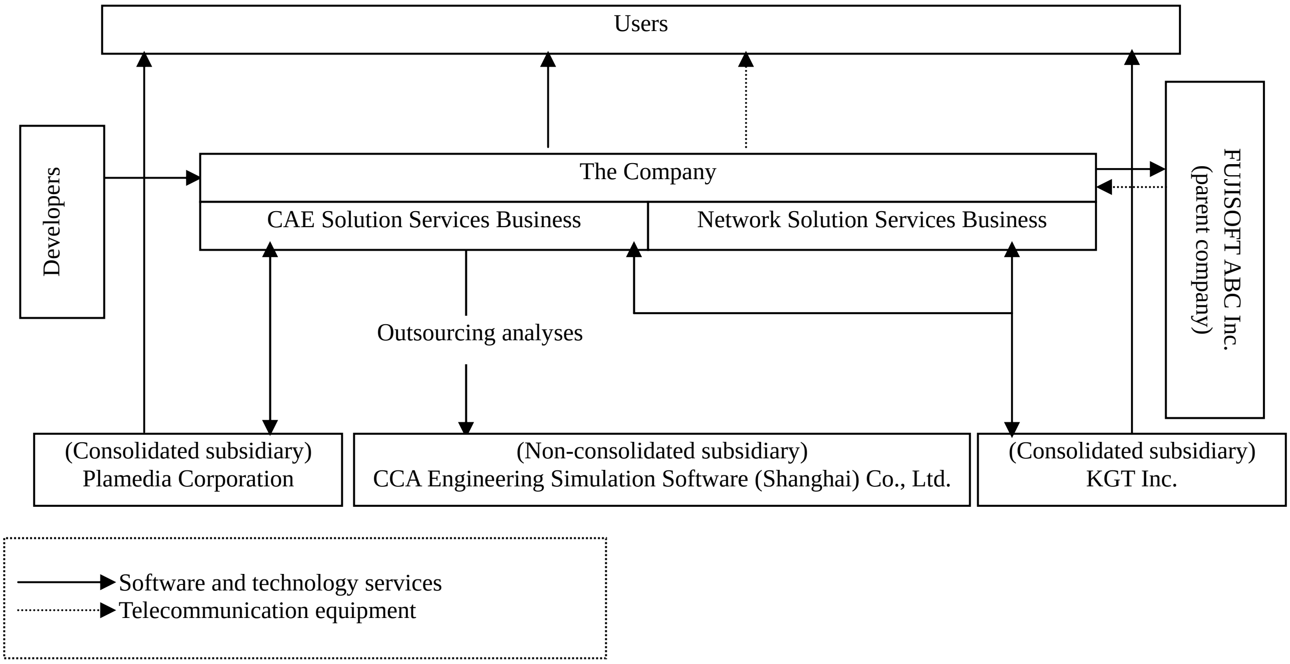
* The above forecast figures are projections based on currently available information, and contain uncertainties in many respects. Actual results may differ from the forecast figures depending on changes in business conditions. With regard to matters related to the above forecasts, please see Page 9 of the attached material.

1. Outline of the Cybernet System Group

The Cybernet System Group (hereinafter called "the Group") consists of the Company, parent company, and three subsidiaries (two consolidated subsidiaries and one non-consolidated subsidiary). The Company and its subsidiaries engage in the solution services business by providing software and technology services (technology support, consulting, and other). This business is divided into CAE Solution Services (see Note) and Network Solution Services, based on their business areas.

Note: CAE is an abbreviation of Computer Aided Engineering. This is a method for formulating computer models to evaluate various objects, and is used to simulate many engineering issues, including the functions and strengths of these models.

The Company's operational diagram is as follows:



The following companies became new subsidiaries in the current interim term.
(Consolidated subsidiaries)

Name	Location	Capital (thousands of yen)	Main business	Ratio of voting rights or ownership (%)	Relationships
KGT Inc.	Shinjuku-ku, Tokyo	100,000	CAE Solution Services business Network Solution business	100.0	Loan and business transactions Two concurrent directors
Plamedia Corporation	Nakano-ku, Tokyo	45,000	CAE Solution Services business	95.0	One concurrent director

Note: The main business is disclosed in the segment name by business type.

2. Management Policies

(1) Basic Management Policies

Since Japan aims to be a technology-oriented and manufacturing-oriented country, Japanese companies, especially manufacturers, are becoming increasingly globalized, have striven to conduct further “selection and concentration” in order to survive amid fierce competition, and at the same time, have made every effort to introduce advanced technologies, develop new technologies and improve business efficiency. This is because the key to success is to supply high quality and value-added products to the markets, at low development costs and in short periods of time. As a “Digital Solution Provider,” the Group develops business for these customers, contributes to the growth of the Japanese economy, as well as manufacturers, by providing them with high value-added and quality solutions, and aims to establish a “selected brand” that can create further corporate value based on the following basic policies.

1) Continuous growth focusing on the CAE solution
2) Improving customer satisfaction
3) Establishing corporate brands
4) Making efforts in new business areas of CAE
5) Global development
6) Promoting IT within the Company
7) Full compliance with laws and regulations
8) Ensuring proper security of information assets

(2) Basic Policies on Profit Distribution

The Company considers that the policies on shareholder dividends are some of the most important issues, and basically strives to pay steady and continuous dividends, strengthen and expand its earnings base corresponding to the rapid changes and development of industries, and accumulate internal reserves for active business development in the future.

As for each term-end dividends, although the Company basically aims to pay steady dividends, it will be paid in conjunction with performance results.

Under these basic policies, the Company is scheduled to pay an interim dividend of 700 yen per share for the current interim term.

The Company also has a stock option plan in order to raise the motivation and morale of directors and employees, secure able personnel, and improve corporate value.

The Company will determine other profit distributions at the board of directors’ meetings, after careful consideration of future environment. Furthermore, the Company will strive to meet the expectations of shareholders by pursuing profits, utilizing its internal reserves to strengthen financial structures, and investing them to raise added values of the main business, including the development of new solution business areas and other new businesses.

(3) Medium- and Long-Term Management Strategies

The Group has striven to expand its business as a specialized CAE solution services company and network solution provider specialized in specific areas. The Group will also strive to raise its corporate value and establish “selected brands” by utilizing the advantage of its business experience, accumulated over many years, and provide even higher value-added and quality solutions as a “digital solution innovator,” its corporate identity.

Under these basic policies, the Group will pursue the following management strategies.

1) Improving customer satisfaction
The Group will aim to establish trust and a high quality support system, and improve customer satisfaction by providing the latest technology information via the Internet, and by means of customer visitation activities, improving hotline support activities by telephone and via e-mails, keeping thorough support histories, and quantitatively managing customer satisfaction.

2) Responding to diversifying customer needs
The Group will strive to create new needs and provide total solutions by combining various software for increasingly diversifying customer needs in the future, and newly developing applied technologies in specialized areas such as structural analyses, sound analyses, control analyses, development and installation of telecommunication and DSP algorithms, optical design, lighting analyses and electronic circuit designs.

3) Establishing a corporate brand
In order to raise corporate value and strengthen corporate structures, the Group will aim to always be attractive to employees and become a company that they can be proud of, by striving to establish a corporate brand, and the Company will aim to create brand that is excellent and have public recognition, uniqueness and tradition.

4) Earlier introduction of new products to the markets
The Group will strive to expand its business by earlier introduction of new products and services that can meet the needs of the times to the markets, using information and know-how accumulated up till now, and through M&A activities.

5) Global development
The Group will strive to expand the business of its Shanghai subsidiary to popularize CAE in the Chinese market, and develop overseas sales of its products through Technology Network Alliance, a global information exchange institution for CAE headquartered in Switzerland, to which the Company has made an equity contribution.

6) Promoting the establishment of internal systems
The Group will strive to establish its sales management, operations, customer data (CRM) and sales force automation (SFA) systems, and efficiently use information assets by functionally coordinating these systems.

7) Starting the development of CAE products
The Group will strive to develop highly advanced CAE products that can meet customer needs by actively conducting joint research activities with universities and government research institutes.

8) Full compliance with laws and regulations
The Group will strive to fully comply with laws and regulations based on the compliance guidelines.

9) Personnel strategy
The Group will aim to become an attractive company with high market value, by improving various training systems, raising the ability of employees, increasing their motivation using personnel management based on performance results, and continuously promoting the organizational activation.

Based on these management strategies, the Group aims to achieve a double-digit growth in sales and an ordinary income ratio of 15% or more. By achieving continuous and stable growth under these strategies, the Group will be able to properly expand its corporate size, which is well-balanced between stability and profitability.

(4) Issues to Be Solved

Since its establishment, the Group has sold advanced systems and software, and provided related services in the business areas of scientific and engineering calculation and engineering. As an expert with experience and know-how accumulated up until now in the digital engineering area, especially the CAE area of simulation of engineering numerical analysis using computers, the Group will strive to contribute to the development of an advanced information society, scientific and technological innovation, and the “manufacturing of goods” by companies, and the Group recognizes the following issues to be permanent.

1) Promoting the development of competitive business models corresponding to the new times, products and services.
2) Strategically striving for next generation technologies, and promoting the development of new products and business areas.
3) Providing satisfactory lineups of existing and related software and services, and promoting business expansion.
4) Pursuing customer-oriented principles, and promoting the improvement of customer satisfaction. Actively challenging the problems of customers, and providing extensive solutions and high quality services.
5) Striving to secure positions in strong business areas as a “network solution provider” of network software, by focusing on these strong areas in order to meet information security and other customer needs.

(5) Basic Philosophy on Corporate Governance, and the Execution of Related Measures

1) Basic philosophy on corporate governance

Basic policy

The Company's action guidelines are the "execution of highly transparent management" and "actions as a citizen with a strong sense of ethics," and these are the Company's basic attitudes toward customers, software developers, business partners and shareholders as well as employees. The Company will comply with these guidelines and strive to make rapid management decisions and strengthen the monitoring functions for the execution of operations.

Compliance policy

The Company has established "compliance guidelines." These guidelines are specific standards that must be followed when each director or employee of the Company conducts business activities. The Company has distributed brochures and strives to ensure a strong sense of ethics for the compliance with laws and regulations spreads throughout the Company, and established an organization that can manage risks with a competent system of checks and balances.

Information security and personal information protection policies

The Group recognizes that customer data obtained through the business activities is one of its most important assets, and properly maintaining personal information protection and information asset security is a social responsibility. The Group also considers that such recognition is an important and continuous management issue. The Company has established an information security committee, and strives to conduct activities to raise information security awareness.

2) Execution of measures related to corporate governance

a) Conditions of management control organizations and other corporate governance systems for the Company's management decision-making, execution and monitoring

Adoption of the committees or corporate auditor system

The Company adopts the corporate auditor system.

Selection of external directors and corporate auditors

The Company's board of directors is comprised of 5 directors, and there are no external directors. In addition, the board of corporate auditors is comprised of 4 corporate auditors (1 full-time and 3 part-time auditors), including 2 external corporate auditors.

Full-time staff assigned to external directors

No specific staff has been assigned, but personnel of the Management Planning Office, Accounting and Planning Department, and Personnel and General Affairs Department handle all necessary tasks, depending on the circumstances.

System for operational execution and monitoring

We consider the board of directors (which meets at least once a month) to be a body that discusses and determines management policies that are supervised and audited by corporate auditors, and it is also a body which supervises the execution of operations, which obligates directors to make regular reports on such execution of operations. Each director speedily makes decisions based on the board of directors' decision-making policies, after clarifying responsibilities and decision-making processes.

The board of corporate auditors strictly audit the work activities of each director. In addition, full-time corporate auditors meet and communicate with the President and Representative Director at least once a week to identify important issues.

As for other bodies, the Company holds executive meetings chaired by the President and Representative Director at least twice a month, in order to discuss matters that must be reported to the board of directors and other important matters, recognize the detailed problems of each division, and control budget management.

Internal control system

In addition to the audits of corporate auditors, the Company has established an internal audit division. This division recognizes actual circumstances and problems related to internal control and administrative management, conduct internal audits regularly, and make proposals for operational improvement.

Lawyers, independent auditors and other third parties
In addition to the financial audits by accounting auditors, the Company seeks advice of specialists, such as the views of legal counsels on management activities.

Cooperation with accounting auditors
The Company has elected ChuoAoyama PricewaterhouseCoopers to be the accounting auditors. The certified public accountants who undertake audits of the Company are Takashi Nagasaka and Kenji Murayama. In addition, 9 certified public accountants and 9 junior accountants are involved in the audits, as of October 31, 2005. Accounting auditors and corporate auditors have regular meetings and exchange information whenever necessary in order to strengthen mutual cooperation.

b) Outline of personal, capital and transactional relationships and other conflict of interests issues between the Company and its external directors and corporate auditors

No external directors have been elected. This is not applicable to external corporate auditors.

c) Actions to improve corporate governance during the past year

Strengthening control systems
The Company discusses important matters, strengthens the mutual monitoring of operations conducted by directors by clarifying duties and responsibilities of each director, and executes daily operations based on the resolutions of the board of directors.

In addition, the Company has changed its layout to one divided by solution businesses. This department system unifies the three departments of Sales, Sales and Technology Promotion, and Technology, so that quick responses to the requirements of customers can be made. As a result, it is possible to have communication based on department units, and a management system for solving problems has been established.

Educating employees for compliance with laws and regulations
The Company has established its compliance guidelines to nurture a spirit for self-motivated compliance with laws and rules, and share the recognition for the compliance with laws and regulations through seminars held by directors to comprehensively inform all employees about the guidelines.

Establishing a system for timely disclosure
The Company establishes a system for timely and proper disclosure to shareholders and investors, discloses financial results at the earliest possible date, and actively holds company presentation meetings. The Company also emphasizes the importance of timely disclosure.

Establishing an information security policy
The information security committee of the Company established in FY2004 has prepared an information security policy, which is available on the Company’s Website. The purpose of this policy is to prevent possible information security accidents involving information held by the Company about customers, important sales, technologies and management.

Establishing a personal data protection policy
The Group recognizes customers’ personal information obtained through business activities to be one of its most important assets. It also considers that protecting personal information is a social responsibility, and has disclosed its “personal information protection policy” on its Web site, in order to internally and externally explain its efforts for such a policy as part of important and continuous management issue. The Group is conducting personal information protection management based on this policy.

(6) Other Important Matters for the Company’s Management

Not applicable

3. Operating results and financial conditions

(1) Operating results

Information-related investments have been strong on the back of improved corporate performance results for the information services industry during the six months ended September 30, 2005. In the manufacturing sector, which is the main customer of the Group, some manufacturers are actively making information-related investments as globalization progresses. However, customers' demand for cost-effectiveness in information-related investments has become stricter than ever.

Under these circumstances, the Group has actively proposed a variety of solutions that can lead to the improvement of added-values for customers. In addition, the Group has actively participated in research activities with academic-industrial cooperation, invested in personnel training activities, and established a Chinese subsidiary, in order to prepare for future growth. The Company acquired stocks of KGT Inc. and Plamedia Corporation in April and August 2005, respectively, and these companies became the Company's subsidiaries. Furthermore, this year is the 20th anniversary of the Company, and a commemoration event will be held for further solidarity of employees.

As a result, consolidated net sales, operating income, ordinary income and net income for the six months ended September 30, 2005 were 8,574 million yen, 1,155 million yen, 1,215 million yen and 710 million yen, respectively.

Since this interim term is the initial year for preparing interim consolidated financial statements, year-on-year comparisons and analyses are not made.

The outline by business type is as follows:

[CAE solution services business]
In the CAE solution business, sales of mechanical, optical and electronics software and services for outsourcing analyses and seminars were strong, supported by steady demand in the electric and precision equipment industries.

On the other hand, though the control-related business was strong, sales did not increase as expected.

As a result, sales were 7,012 million yen.

[Network solution services business]
Sales of security software and PC connection software were strong, but sales of business process management (BPM), so-called product lineups of software that support improvements in operational efficiency, were below our expectations, because the BPM is a new solution concept that took time to penetrate into the markets.

As a result, sales were 1,562 million yen.

(2) Financial conditions

Cash flow conditions for the current interim term
The balance of cash and cash equivalents (hereinafter called "cash") on September 30, 2005 was 2,012 million yen.

In addition, since this interim term was the initial year for the preparation of interim consolidated financial statements, no year-on-year comparisons and analyses were made.

[Cash flows from operating activities]
Cash flows provided by operating activities was 872 million yen. This is because income before income taxes was 1,208 million yen and accounts receivable decreased 565 million yen, although accounts payable decreased 257 million yen and 617 million yen was paid for income taxes.

[Cash flows from investing activities]
Cash flows used in investing activities was 787 million yen. This is due to a payment of 257 million yen for the acquisition of stocks of newly consolidated subsidiaries and a net payment of 470 million yen for the acquisition and redemption of securities.

[Cash flows from financing activities]
Cash flows used in financing activities was 879 million yen. This is because short-term borrowings of 410 million yen were repaid, 277 million yen was paid for the acquisition of treasury stocks, and 313 million yen was paid as dividends to shareholders based on the profit appropriation for the year ended March 2005.

Trends of cash flow indices of the Company group are as follows:

	September 30, 2003	September 30, 2004	September 30, 2005	March 31, 2004	March 31, 2005
Shareholders'equity ratio (%)	-	-	65.9	-	-
Shareholders' equity ratio on the market value basis (%)	-	-	327.1	-	-
Years for debt redemption	-	-	0	-	-
Interest coverage ratio	-	-	-	-	-

* Shareholders' equity ratio: Shareholders' equity/total assets
Shareholders' equity ratio on the market value basis: Market capitalization/total assets
Years for debt redemption: Interest-bearing debts/operating cash flows
Interest coverage ratio: Operating cash flows/interest paid

1. All the indices were calculated based on consolidated financial figures.
2. Market capitalization was calculated based on the "closing stock price at term-end times the total number of outstanding shares at term-end."
3. Cash flows represent operating cash flows. Interest-bearing debts represent all the debts posted in the balance sheets, for which interest has been paid.

(3) Forecasts for the full year

It is forecasted that manufacturers will steadily increase capital investments in the future. Information-related investments will steadily increase in our industry too, in order to strengthen the advantages of the companies. It is also forecasted that we will face increasingly severe market environments, including diversified and complicated issues of customers, demand for investment effects, and fierce competition with competitors to acquire orders.

Under these circumstances, the Group will strive to achieve its annual target figures by actively challenging customers' issues, providing even higher quality services with higher added-values, developing new customers, and improving the satisfaction of existing customers.

[Consolidated performance forecasts for FY2005 (the year ending March 2006)]
Net sales: 18 billion yen
Ordinary income: 2.7 billion yen
Net income: 1.58 billion yen
Note: Note for the above performance forecasts
The aforementioned forecasts for FY2005 (year ending March 2006) are based on currently available information on factors such as industry trends, domestic and overseas economic conditions and exchange rates. Accordingly, the above forecasts may vary depending on changes in these factors.

(4) Business risks

The following are the main factors that may cause risks when the Group performs its business.

1) Risks related to the development of products
The Group's business is to globally provide technology services related to advanced and highly-reliable software and solutions in the digital engineering business area.

The main software products that the Group handles have repeatedly evolved over their long life cycles. However, the market competitiveness of these products may deteriorate due to the appearance of a more competitive software and the declined development ability of developers in the future. As a result, the Group's performance may be affected.

2) Dependence on specific suppliers
Since the Group directly purchases software mainly from developers, its business is considered to be highly dependent on the limited number of suppliers. Sales agency agreements with main developers are basically non-exclusive, and updated in a short-period of time, but the continuity of these agreements will not be a problem in consideration of the Group's influence in Japan.

However, the Group may have to change these agreements due to environmental changes, such as the merger of the developers.

3) Risks related to exchange rates

Since the main software products that the Group handles were developed by and procured from overseas developers, there are risks of exchange rates fluctuations regarding purchases and accounts payable. Since most exchange risks of the Group relate to U.S. dollars due to transaction volumes, the Group strives to avoid material influences on its management activities by partially hedging those risks of using forward exchange contracts and other. However, the Company’s performance may be materially influenced by rapid changes in international situations.

4) Securing personnel

The Group is mainly engaged in an extremely specialized business of CAE, and it aims to improve and expand solution services further, and considers that securing able personnel is extremely important for future growth. Accordingly, the Group will strive to secure personnel in the medium- and long-term by newly establishing a division for personnel recruitment and training.

1. Interim Consolidated Balance Sheet

(Thousands of yen)

	September 30, 2005		
	Amount		Composition ratio
Assets			%
I Current assets			
1 Cash and deposits		2,012,454	
2 Notes receivable—trade and accounts receivable		3,852,819	
3 Marketable securities		3,674,031	
4 Inventories		193,590	
5 Short-term loans		1,021,000	
6 Deferred tax assets		166,670	
7 Other current assets		584,451	
Allowance for doubtful accounts		(8,085)	
Total current assets		11,496,931	89.3
II Fixed assets			
1 Tangible fixed assets			
(1) Buildings	101,429		
(2) Tools, furniture and fixtures	212,045	313,475	2.4
2 Intangible fixed assets			
(1) Consolidated adjustments account	326,360		
(2) Other intangible fixed assets	174,488	500,849	3.9
3 Investments and other assets			
(1) Investment securities	87,918		
(2) Investments in capital	17,238		
(3) Lease and guarantee deposits	256,829		
(4) Deferred tax assets	199,873		
(5) Others	7,303		
Allowance for doubtful accounts	(2,060)	567,103	4.4
Total fixed assets		1,381,427	10.7
Total assets		12,878,359	100.0

(Thousands of yen)

	September 30, 2005	
	Amount	Composition ratio (%)
Liabilities		
I Current liabilities		
1 Accounts payable - trade	1,942,972	
2 Current portion of long-term borrowings	8,800	
3 Income taxes payable	517,934	
4 Consumption taxes payable	110,446	
5 Advances received	606,839	
6 Reserve for bonuses	333,215	
7 Other current liabilities	430,998	
Total current liabilities	3,951,207	30.7
II Fixed liabilities		
1 Accrued severance indemnities	386,280	
2 Reserve for directors' retirement allowance	51,512	
Total fixed liabilities	437,792	3.4
Total liabilities	4,388,999	34.1
Minority interest		
Minority interest	2,832	0.0
Shareholders' equity		
I Capital stock	995,000	7.7
II Additional paid-in capital	909,000	7.1
III Retained earnings	7,414,471	57.6
IV Unrealized gains on available-for-sale securities	44,400	0.3
V Treasury stock	(876,343)	(6.8)
Total shareholders' equity	8,486,528	65.9
Total liabilities, minority interest and shareholders' equity	12,878,359	100.0

2. Interim Consolidated Statement of Income

(Thousands of yen)

	Six months ended September 30, 2005		
	Amount		Composition ratio (%)
I Net sales		8,574,283	100.0
II Cost of sales		5,410,550	63.1
Gross profit		3,163,733	36.9
III Selling, general and administrative expenses		2,008,225	23.4
Operating income		1,155,508	13.5
IV Non-operating income			
Interest income	17,753		
Exchange gain	16,903		
Subsidy income	22,115		
Other	4,982	61,755	0.7
V Non-operating expenses			
Commission for purchase of treasury stock	1,064		
Other	1,181	2,246	0.0
Ordinary income		1,215,017	14.2
VI Extraordinary losses			
Loss on disposal of fixed assets	6,318		
Other	630	6,948	0.1
Income before income taxes		1,208,069	14.1
Corporate, inhabitant and enterprise taxes	507,130		
Deferred income taxes	(9,782)	497,347	5.8
Net income		710,721	8.3

3. Interim Consolidated Statement of Retained Earnings

(Thousands of yen)

	Six months ended September 30, 2005	
	Amount	
Capital surplus		
I Capital surplus at beginning		909,000
II Capital surplus at term-end		909,000
Retained earnings		
I Retaining earnings at beginning		7,325,942
II Increase in retained earnings		
Interim net income	710.721	710,721
III Decrease in retained earnings		
Dividends	313,131	
Bonuses to directors and corporate auditors	76,492	
Loss on sale of treasury stock	232,569	622,192
IV Retained earnings at term-end		7,414,471

4. Interim Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended September 30, 2005
Ⅰ Cash Flows from Operating Activities	
Income before income taxes	1,208,069
Depreciation and amortization	73,888
Amortization of consolidation adjustments account	10,574
Interest and dividend income	(2,336)
Security interest	(15,416)
Foreign exchange loss	(25,661)
Loss on sales of fixed assets	6,318
Loss on valuation of investment securities	630
(Increase) decrease in trade receivables	565,647
(Increase) decrease in inventories	(60,276)
Increase (decrease) in payables	(257,237)
Increase (decrease) in accrued expenses	(13,275)
Increase (decrease) in accrued consumption tax and others	(37,366)
Increase (decrease) in allowance for doubtful accounts	998
Increase (decrease) in accrued bonuses	40,947
Increase (decrease) in accrued severance indemnities	12,001
Increase (decrease) in reserve for directors' retirement allowances	(473)
Bonuses paid to directors and corporate auditors	(76,492)
Others	49,292
Subtotal	1,479,833
Interest and dividends received	10,226
Income taxes paid	(617,725)
Net cash provided by operating activities	872,335
Ⅱ Cash Flows from Investing Activities	
Payment for acquisition of stocks of newly consolidated subsidiaries	(257,882)
Payment for acquisition of tangible fixed assets	(58,751)
Proceeds from sale of tangible fixed assets	412
Payment for acquisition of intangible fixed assets	(10,573)
Payment for acquisition of marketable securities	(4,211,348)
Proceeds from sale of marketable securities	3,741,302
Payment for loans	(1,000,000)
Proceeds from collection of loans	1,000,000
Proceeds from equity transfer of investments in capital	8,828
Others	481
Net cash used in investing activities	(787,529)
Ⅲ Cash Flows from Financing Activities	
Repayment of short-term borrowings	(410,000)
Payment for acquisition of own shares	(277,998)
Proceeds from exercise of stock option rights	121,684
Payment for dividends	(313,400)
Net cash used in financing activities	(879,714)
Ⅳ Effect of exchange rate changes in cash and cash equivalents	25,661
Ⅴ Net increase in cash and cash equivalents	(769,248)
Ⅵ Cash and cash equivalents at beginning of term	2,781,702
Ⅶ Cash and cash equivalents at term-end	2,012,454

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

Six months ended September 30, 2005
1. Matters related to the scope of consolidation (1) Number of consolidated subsidiaries: 2 Names of consolidated subsidiaries: KGT Inc. Plamedia Corporation * The two companies above are included in the scope of our consolidation as we newly acquired the shares of these companies during the current interim term. As for Plamedia Corporation, only the interim balance sheet was consolidated for the current interim term on the assumption that the acquisition of its shares was made at the end of the current interim term. (2) Names of non-consolidated subsidiaries CCA Engineering Simulation Software (Shanghai) Co., Ltd. (Reason for excluding this company from the scope of consolidation) CCA Engineering Simulation Software (Shanghai) Co., Ltd. was excluded from the scope of our consolidation as the total assets, net sales, net income or loss (amount equivalent to the equity portion) and retained earnings (amount equivalent to the equity portion) have minimal effects on the interim consolidated net income or loss, consolidated surpluses, and the financial conditions of the Group.
2. Matters related to the interim term-end of consolidated subsidiaries The interim term-end of Plamedia Corporation, a consolidated subsidiary, is June 30. Financial statements as of the interim term-end were used for the preparation of the interim consolidated financial statements. In addition, no important transactions were conducted during the period between the interim term-end of Plamedia Corporation and the interim consolidated accounting term-end.
3. Matters related to accounting standard A. Bases and methods of asset valuation (1) Securities a. Held-to-maturity bonds Amortized cost method b. Other securities 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.） Securities without market value: Cost method based on the moving average method (2) Inventories a. Work in progress Cost method based on the specific identification method b. Products Cost method based on the FIFO method c. Supplies Cost method based on the FIFO method

Six months ended September 30, 2005
B. Method of depreciation and amortization of important depreciable assets (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 (2) Intangible fixed assets Straight line method Main useful lives are as follows: Software: Software for internal use: 5 years Sales rights: 5 years
C. Standards for posting allowances and reserves (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. (2) Reserve for bonuses To prepare for the payment of bonuses to employees, the estimated amount for current interim consolidated accounting term is posted. (3) Reserve for retirement benefits To prepare for the payment of retirement benefits to employees, the amount obtained by deducting the amount of pension assets from the amount required to pay to voluntary retirees at the current interim consolidated accounting term-end posted. (4) Reserve for directors' retirement allowance To prepare for the payment of directors' retirement allowance, the amount required to be paid at the current interim term-end under the internal rules is posted.
D. 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 current interim term-end, and exchange differences are posted as profit or loss.
E. Method of processing important lease transactions Finance lease transactions other than those for which the ownership of leased assets is considered to be transferred to the lessees are accounted for based on ordinary rental transactions.
F. Other significant matters that are the bases for the preparation of interim financial statements Accounting for consumption taxes The tax exclusion method is adopted.
4. Scope of cash and cash equivalents in the interim consolidated statement of cash flows Cash and cash equivalents comprise cash on hand, freely withdrawable deposits, and short-term investments with a maturity of 3 months or less from the acquisition date, which are easily convertible into cash and bear minimal risks against price fluctuations.

Additional Information

Six months ended September 30, 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.

Note

Interim Consolidated Balance Sheet (Thousands of yen)

September 30, 2005	
Accumulated depreciation of tangible fixed assets	651,507

Interim Consolidated Statement of Income (Thousands of yen)

Six months ended September 30, 2005	
Main items and amounts of selling, general and administrative expenses	
Salaries and bonuses to employees	549,081
Provision for accrued bonuses	201,124
Advertising expenses	204,659

Interim Consolidated Statement of Cash Flows (Thousands of yen)

Six months ended September 30, 2005

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

	(September 30, 2005)
Cash and deposits	2,012,454
Cash and cash equivalents	2,012,454

Breakdown of main assets and liabilities of companies that have newly become consolidated subsidiaries as a result of stock acquisition.

Current assets	1,192,078
Fixed assets	106,184
Consolidated adjustments account	336,935
Current liabilities	(1,161,099)
Fixed liabilities	(26,265)
Minority interest	(2,832)
Stock acquisition value of newly consolidated subsidiaries	445,000
Cash and cash equivalents of newly consolidated subsidiaries	(187,118)
Difference: Payment for the acquisition of newly consolidated subsidiaries	257,882

Lease transactions

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

Securities

September 30, 2005

1. Held-to-maturity bonds with market value (Thousands of yen)

Type	Book balance	Market value	Difference
Securities with market value exceeding book balance			
Commercial paper	996,726	998,790	2,063
Corporate bonds	393,425	394,884	1,459
Securities with market value below book balance			
Commercial paper	499,791	499,570	(221)
Corporate bonds	481,036	476,674	(4,361)
Euro-yen bonds	303,053	302,889	(164)
Repackaged bonds	1,000,000	997,000	(3,000)
Total	3,674,031	3,669,807	(4,223)

2. Other securities with market value (Thousands of yen)

Type	Acquisition cost	Book balance	Difference
Securities with market value exceeding book balance			
Stocks	10,204	84,936	74,732
Total	10,204	84,936	74,732

3. Breakdown of main securities that are not marked to market (Thousands of yen)

Type	Book balance
Other securities	
Unlisted stocks in foreign currencies	2,982
Total	2,982

Note: The “book value” in the above tables represents the book value after impairment losses. Accounting for impairment losses was adopted in the current interim term, and a loss of 630,000 yen on valuation of investment securities was posted.

Derivative transactions

September 30, 2005

Not applicable because the balance at interim term-end is zero, although the Group conducts derivative transactions.

Segment Information

a. Business segment information

Six months ended September 30, 2005

(Thousands of yen)

	CAE Solution Services Business	Network Solution Services Business	Total	Eliminations	Consolidation
Net sales					
Net sales to outside customers	7,012,144	1,562,138	8,574,283	-	8,574,283
Sales and transfer between segments	-	-	-	-	-
Total	7,012,144	1,562,138	8,574,283	-	8,574, 283
Operating expenses	5,220,382	1,470,384	6,690,767	728,008	7,418,775
Operating income	1,791,762	91,754	1,883,516	(728,008)	1,155,508

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, License management, Business process management software, Security measurement software, Web meeting service

3. Principal unallocated operating expenses included in Eliminations (728,008 thousand yen) are related to the management division.

b. Geographical segment information

Six months ended September 30, 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.

c. Overseas sales

Six months ended September 30, 2005

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

Important subsequent events

Six months ended September 30, 2005
Not applicable

5. Purchases, Orders Received and Sales

(1) Purchases

Segment	Six months ended September 30, 2005	
	Amount (Thousands of yen)	Composition ratio (%)
CAE Solution Services Business	3,477,822	75.0
Network Solution Services Business	1,161,121	25.0
Total	4,638,944	100.0

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

(2) Orders received

(Thousands of yen)

Segment	Six months ended September 30, 2005	
	Amount of orders received	Orders in hand
CAE Solution Services Business	6,268,085	1,340,748
Network Solution Services Business	1,526,983	123,498
Total	7,795,069	1,464,247

Note: The above amounts do not include consumption and other taxes.

(3) Sales results

Segment	Six months ended September 30, 2005	
	Amount (Thousands of yen)	Composition ratio (%)
CAE Solution Services Business	7,012,144	81.8
Network Solution Services Business	1,562,138	18.2
Total	8,574,283	100.0

Note: The above amounts do not include consumption and other taxes.