

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.

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
 Name of the Parent Company: FUJISOFT ABC INCORPORATED
 (Code Number: 9749)
 Percentage of the Parent Company's Ownership Interest in the Company: 53.1%
 Adoption of U.S. GAAP: 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	17,399	-	2,301	-	2,548	-
Year ended March 31, 2005	-	-	-	-	-	-

	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	1,503	-	4,593.41	4,531.50	16.5	18.4	14.6
Year ended March 31, 2005	-	-	-	-	-	-	-

Notes: 1 Equity in earnings (losses) of affiliates

Year ended March 31, 2006: -

Year ended March 31, 2005: -

2 Average number of shares outstanding during the term (on a consolidated basis)

Year ended March 31, 2006: 314,128

Year ended March 31, 2005: -

3 Changes in accounting policies: None

4 Consolidated financial statements were prepared from the year ended March 31, 2006, so there are no figures for the year ended March 31, 2005.

(2) Consolidated Financial Position

	Total assets	Shareholders' equity	Equity ratio	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2006	13,812	9,126	66.1	28,665.87
March 31, 2005	-	-	-	-

Notes: 1 Number of shares outstanding at term-end (on a consolidated basis)

March 31, 2006: 316,270

March 31, 2005: -

2 Consolidated financial statements were prepared from the year ended March 31, 2006, so there are no figures for the year ended 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
Year ended March 31, 2006	1,854	(512)	(1,064)	3,081
Year ended March 31, 2005	-	-	-	-

(Note: Consolidated financial statements were prepared from the year ended March 31, 2006, so there are no figures for the year ended 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, 2007 (April 1, 2006 to March 31, 2007)

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Six months ending September 30, 2006	9,750	1,225	715
Year ending March 31, 2007	20,200	2,700	1,565

Reference: Estimated net income per share for the year ending March 31, 2007: 4,948.30 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

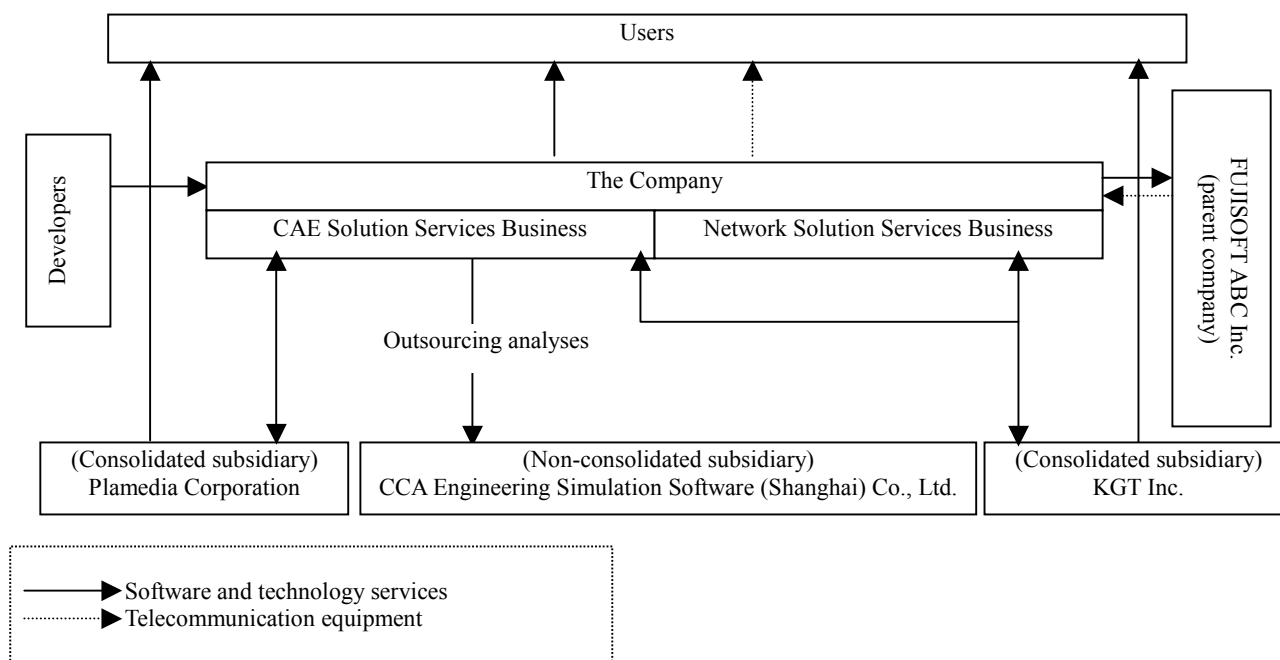
The Cybernet System Group (hereinafter called “the Group”) consists of the Company, parent company, and three subsidiaries (two consolidated subsidiaries and one non-consolidated subsidiary). The Company and its subsidiaries engage in the solution services business by providing software and technology 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.

The business classification of “CAE Solution Services” and “Network Solution Services” in the following table is the same as that for the business segment.

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.

Business classification	Main companies
CAE Solution Services Business	The Company, KGT Inc. and Plamedia Corporation
Network Solution Services Business	The Company and KGT Inc.

The Company’s operational diagram is as follows:



Related companies

Name	Location	Capital (millions of yen)	Main business *2	Ratio of voting rights or ownership (%)	Relationships
(Parent company) FUJISOFT ABC Inc. *1	Naka-ku, Yokohama-shi, Kanagawa	26,200	Design, development and sales of information processing systems, and related management, maintenance, etc.	Ownership 53.1	Loan and business transactions
(Consolidated subsidiary) KGT Inc.	Shinjuku-ku, Tokyo	100	CAE Solution Services business Network Solution business	100.0	Loan and business transactions Two concurrent directors
(Consolidated subsidiary) Plamedia Corporation	Nakano-ku, Tokyo	45	CAE Solution Services business	95.0	Business transactions Two concurrent directors

Notes: 1 The parent company has disclosed its securities reports.

- 2 Segment names by business type are disclosed in the main business column for consolidated subsidiaries.

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 and have made every effort to introduce advanced technologies, develop new technologies and improve business efficiency in order to survive amid fierce competition. 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.

The Group develops such business for customers and has consistently provided them with leading-edge solutions in the technological calculation and engineering areas.

The Group will establish its position as a leading company in the CAE area, and continue to make the utmost effort to contribute to the realization of a more creative and affluent society by passionately supporting the “manufacturing of goods” in Japan.

The Group also aims to establish a “selected brand” that can create further corporate value based on the following basic policies.

- 1) Making efforts to improve customer satisfaction
- 2) Continuous growth focusing on the CAE solution
- 3) Making efforts in new business areas of CAE
- 4) Global development
- 5) Improving corporate brands
- 6) Promoting IT within the Company
- 7) Full compliance
- 8) Making efforts for CSR
- 9) Personnel development

(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.

Although the Company basically aims to pay steady dividends at each term-end, they will be paid in conjunction with performance results so that the Company can achieve a dividend payout ratio of 30%.

Under these basic policies, the Company paid an interim dividend of 700 yen per share for the current interim term, and is scheduled to pay an annual dividend of 1,450 yen per share, including a year-end dividend of 750 yen per share.

The Company also has a stock option plan for the purpose of raising the motivation and morale of its directors and employees for improvement performance, securing compete personnel, and improving corporate value. The Company will exercise related options from the current year.

In addition, the Company acquired treasury shares in the current year so that it can execute capital policies in a timely manner, considering the future management environments.

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 strengthening financial structures using its internal reserves, investing such internal reserves to raise added values of the main business, including the development of new solution business areas and other new businesses, and pursuing profits.

(3) Corporate philosophy and policies on the reduction of investment units

The Company feels it is important to raise liquidity of shares and expand investor types to give the Company a suitable stock price.

Based on this philosophy, the Company executed stock splits in March 2002 (a 4-for-1 stock split), January 2004 (a 3-for-1 stock split) and July 2005 (a 3-for-1 stock split), to establish an investor-friendly environment for stock purchases. As a result, the Company’s stock price per share fell below 500,000 yen after these stock splits.

The Company will also consider reducing investment units whenever necessary after thoroughly considering the future stock price levels and distributions of investment units.

(4) Target of management indexes

The Company will strive to achieve consolidated sales of 40 billion yen for the year ending March 31, 2010 under its medium- and long-term management strategy, "Step 105," announced in April 2005. The Company will also strive to maintain a ratio of ordinary income to sales of 15%, in order to continuously expand shareholder values and steadily increase the Company's size.

(5) Medium- and Long-Term Management Strategies

The Group has striven to expand its business as a solution provider in the CAE and network areas. The Group will also strive to raise its corporate value by utilizing its market advantages in the CAE solution business area, developing new areas, and providing even higher value-added and quality solutions.

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 reliable high-quality support system, and improve customer satisfaction by always being conscious of "contributions to customers," providing the latest technology information, and improving hotline support activities via telephone and e-mail.

2) Responding to diversifying customer needs

The Group will strive to create new needs and provide total solutions by combining various software that can meet increasingly diversifying customer needs in the future, and newly developing applied technologies in specialized areas related to heat, fluid and structural analyses, sound analyses, control system designs, development and installation of telecommunication and DSP algorithms, optical designs, lighting analyses and electronic circuit designs. The Group will also actively conduct joint research with universities and government research institutes, and develop leading-edge CAE products that can meet customer needs.

3) Developing new solutions

The Group will strive to expand its business by developing and promptly introducing new products and services that can meet the needs of the times in the markets, using the know-how accumulated up until now, and through M&A activities and domestic and overseas networks.

4) Global development

The Group will strive to expand the business of its Shanghai subsidiary to promote CAE technologies 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, and through overseas developers of the Company's products.

5) Establishing a corporate brand

In order to raise corporate value and strengthen corporate structures, the Group will aim to establish a corporate group that is attractive to all stakeholders, and develop and penetrate further its corporate brands so that it can gain trust and reliability.

6) Promoting IT internally

The Company will pursue the optimization of its internal network system at all times, build satisfactory operational infrastructures, and promote the introduction of operation systems so that information assets can be efficiently utilized.

7) Promoting CSR

The Company's board of directors has decided on the basic policy for establishing internal controls to create a management environment in which those proper internal controls can be maintained. In addition, the Company will strive to conduct management in full compliance with laws based on its behavioral guidelines for compliance, acquire certification for ISO14000 (environmental management), ISO9000 (quality control) and ISMS (information security), and perform corporate risk management.

Furthermore, the Company will actively support students' technology development activities through its business and new technology development activities conducted by such bodies as research institutes, as part of its social contribution activities.

8) Personnel development

In addition to foster excellent personnel who will support the Corporate infrastructure in future under the training

policy to develop individual employee ability, and lifting employee's motivation using achieve-oriental personnel revolution system. The Group will aim to become an attractive company with high corporate value, and create and improve strong "personnel" and corporate structures, because the Group is focusing that such personnel is the biggest resources for the Group's growth and development.

Based on these management strategies, the Group aims to achieve consolidated sales of 40 billion yen and ordinary income of 6 billion yen by the year ending March 31, 2010. For securing a sound position as a leading company in the CAE area with these strategies, the Group will seek well-balanced expansion of its term of both stability and profitability business scale in.

(5) Issues to Be Solved

As an expert in the CAE area, the Group will strive to develop an advanced information society, scientific and technological innovation, and the "manufacturing of goods" in Japan, and the Group recognizes the following issues to be constantly ongoing.

- 1) 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.
- 2) Providing satisfactory lineups of existing and related software and services, and promoting business expansion.
- 3) Promoting the development of competent business model in responding to new products services and the new era.
- 4) Striving to secure positions as a "network solution provider" by meeting customer needs such as information security needs in the network solution business, which is expected to see a growing market.
- 5) Strategically striving for next generation technologies, and promoting the development of new products and business areas.
- 6) Aiming to penetrate the European, U.S. and Asian markets through overseas developers of the Company's products and the Chinese subsidiary using the brand name "CYBERNET."
- 7) Aiming to become a corporate group that is trusted by society by promoting compliance and maintaining strong ethics and a sense of responsibility.

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.

(6) Matters related to the parent company or other bodies

1) Trade name of the parent company

Parent company or other bodies	Attribute	Ratio (%) of voting rights owned by the parent company or other bodies	Stock Exchange in which shares issued by the parent company or other bodies are listed
FUJISOFT ABC Inc.	Parent company	53.14	1st Section of the Tokyo Stock Exchange

2) Positions of listed companies in the corporate group including the parent company, and other relationships between listed companies and the parent company or other bodies

The parent company supplies the Company with telecommunication and other equipment for selling and own-use purposes, internal systems that have been developed internally, and technological support. Then the Company supplies the parent company with software and technological services. These transactions are made under terms and conditions that are similar to those for general market transactions. Other transactions include the investment management of excess funds under the group bank system.

The basic philosophy of the parent company group is to respect mutual autonomy, maintain independence, and conduct distinguishable management, but the Company will maintain close relationships, and cooperate, with the parent company by exchanging such things as management information and personnel.

3) Matters related to transactions with the parent company or other bodies

See "Transactions with related parties" of "4. Consolidated financial statements, etc." for matters related to transactions with the parent company or other bodies.

(7) Other Important Matters for the Company's Management
Not applicable

3. Operating results and financial conditions

(1) Operating results

During the current fiscal year the Japanese economy showed a gradual recovery trend as a result of things such as increased capital investments on the back of improved corporate performance results, improved employment situations, and increased personal spending.

In the information services industry, some companies are actively improving their IT (information technology) bases, and making steady investments. On the other hand, these companies need to accurately meet customers' stringent demands for deadlines, prices, security, and more emphasis on ROI (return on investment).

Under these circumstances, the Group has actively proposed a variety of solutions to resolve customers' problems, and to increase added-values for these customers. In addition, the Group has actively sold internally developed products, 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. Also, the Company acquired stocks of KGT Inc. in April 2005, and stocks of Plamedia Corporation in August of the same year, and these companies became the Company's subsidiaries.

Furthermore, this year tells the Company's 20th anniversary, and contributed to promote strong employees unity as well as to further growth of the Company through commemoration event growth of the Company.

As a result, consolidated net sales were 17,399 million yen, operating income was 2,301 million yen, and ordinary income and net income were 2,548 million yen and 1,503 million yen, respectively, for the current fiscal year.

Since this year is the first year that the Company has prepared consolidated financial statements, there are no year-on-year comparisons and analyses.

The outline by business type is as follows:

[CAE solution services business]

In the CAE solution business, sales of control, mechanical, optical and electronics software were strong, supported by steady demand in the automotive, electric and precision equipment industries, although these sales fell below our target. On the other hand, services revenues significantly increased as a result of strengthened services for outsourcing analyses and various application seminars that were held to expand the services business.

As a result, sales were 14,383 million yen.

[Network solution services business]

In the network solution services business, sales of security software were strong, but sales of business process management (BPM), which consists of product lineups of software that support improvements in operational efficiency, were below our expectations because we did not undertake sufficient sales activities. This was because of the conversion of policies by developers of such products, and the saturated market for PC connection software.

As a result, sales were 3,015 million yen.

(2) Financial conditions

Cash flow conditions for the current fiscal year

The balance of cash and cash equivalents (hereinafter called "cash") on March 31, 2006 was 3,081 million yen.

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

[Cash flows from operating activities]

Cash flows provided by operating activities were 1,854 million yen. This is mainly because income before income taxes was 2,497 million yen, accounts payable increased 257 million yen, depreciation expenses were 150 million yen, and accounts receivable decreased 105 million yen, although 1,142 million yen was paid in income taxes.

[Cash flows from investing activities]

Cash flows used in investing activities were 512 million yen. This is mainly due to a payment of 257 million yen for the acquisition of new consolidated subsidiaries, 335 million yen for the acquisition of intangible fixed assets and 82 million yen for the acquisition of tangible fixed assets, despite a net cash receipt of 133 million yen as a

result of the acquisition and redemption of securities.

[Cash flows from financing activities]

Cash flows used in financing activities were 1,064 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 532 million yen was paid as dividends to shareholders, although the Company received 164 million yen as a result of the exercise of stock option rights.

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

	March 31, 2003	March 31, 2004	March 31, 2005	March 31, 2006
Shareholders' equity ratio (%)	-	-	-	66.1
Shareholders' equity ratio on the market value basis (%)	-	-	-	307.3
Years for debt redemption	-	-	-	-
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

Notes: 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 FY2006 (the year ending March 2007)

In 2006 the Japanese economy is predicted to grow steadily because of economic mechanisms such as strong overseas demand, increased corporate revenues as a result of increased exports, and increased capital investments. The Group will strive to achieve the following performance goals by providing higher added-values and quality services, developing new customers and improving the satisfaction of existing customers.

[Consolidated performance forecasts for FY2006]

Net sales: 20.2 billion yen (up 16.1% YOY)

Ordinary income: 2.7 billion yen (up 6.0% YOY)

Net income: 1.565 billion yen (up 4.1% YOY)

Notes: Note for the above performance forecasts

- 1 The aforementioned forecasts for FY2006 (year ending March 2007) are based on currently available information on factors such as industry trends, domestic and overseas economic conditions and exchange rates. Accordingly, the above forecasts for consolidated performance results may vary depending on changes in these factors.
- 2 An exchange rate of 117 yen per U.S. dollar was used in the calculation of the above forecasts.

(4) Business risks

The following are the main factors that may cause risks when the Group performs its business. Future matters in the following disclosure are based on the Group's judgments as of the end of the current fiscal year.

1) Risks related to the competitive advantages 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, but the market competitiveness of these products may deteriorate as more and more competitive software products appear on the market and as the development ability of developers declines in the future. As a result, the Group's performance may be negatively affected.

Accordingly, the Group will examine and verify the progress of competitive products and the ability of developers, and strive to develop competitive products and reduce risks

2) Risks related to 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 the main developers are basically non-exclusive, and updated after a short period of time. Performance results may be negatively affected if other major sales agents are designated, developers start their business under their direct management, or these sales agency agreements are not updated. In addition, the Group may have to change these agreements due to environmental changes related to the management rights including the merger of the developers.

3) Risks of information leakage

The Group receives personal or confidential information from customers while conducting its business, and if such information leaks out, the Group's performance may be negatively affected due to potential claims for damages from these customers and lost credibility of the Company.

Accordingly, the Company has established an "Information Security Committee," taken physical and systematic security measures, and striven to maintain and strengthen its information management system by preparing internal rules on information security and pursuing employee education.

4) Risks related to exchange rates

Since the main software products that the Group handles were developed by and procured from overseas developers, and most purchases and accounts payable are denominated in U.S. dollars, profitability may decline as a result of changes in exchange rates, and the Group's performance may be negatively affected.

Accordingly, the Group tries to reduce risks by hedging exchange rate fluctuation risks by means of such things as forward exchange contracts.

5) Securing personnel

The Group mainly engages in the extremely specialized business of CAE, and it strives to improve and expand solution services further, as a company that is indispensable in the "manufacturing of goods" in particular. And the Group considers that securing excellent personnel for such business 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. Consolidated Balance Sheet

(Thousands of yen)

	March 31, 2006		Composition ratio
	Amount		
Assets			
I Current assets			
1 Cash and deposits		3,081,608	
2 Notes receivable—trade and accounts receivable		4,314,899	
3 Marketable securities		3,069,365	
4 Inventories		84,846	
5 Short-term loans		1,000,000	
6 Deferred tax assets		157,892	
7 Other current assets		524,939	
Allowance for doubtful accounts		(5,049)	
Total current assets		12,228,502	88.5
II Fixed assets			
1 Tangible fixed assets			
(1) Buildings	209,744		
Accumulated depreciation	(117,107)	92,637	
(2) Tools, furniture and fixtures	736,087		
Accumulated depreciation	(548,472)	187,615	
Total tangible fixed assets		280,252	2.0
2 Intangible fixed assets			
(1) Consolidated adjustments account		292,650	
(2) Other intangible fixed assets		431,147	
Total intangible fixed assets		723,798	5.3
3 Investments and other assets			
(1) Investment securities		129,785	
(2) Investments in capital		17,238	
(3) Lease and guarantee deposits		256,655	
(4) Deferred tax assets		169,706	
(5) Others		8,386	
Allowance for doubtful accounts		(2,060)	
Total investments and other assets		579,711	4.2
Total fixed assets		1,583,763	11.5
Total assets		13,812,266	100.0

(Thousands of yen)

	March 31, 2006	
	Amount	Composition ratio (%)
Liabilities		
I Current liabilities		
1 Accounts payable - trade	2,293,125	
2 Income taxes payable	443,287	
3 Consumption taxes payable	128,864	
4 Advances received	608,709	
5 Reserve for bonuses	298,557	
6 Other current liabilities	449,590	
Total current liabilities	4,222,134	30.6
II Fixed liabilities		
1 Accrued severance indemnities	403,729	
2 Reserve for directors' retirement allowance	57,842	
Total fixed liabilities	461,571	3.3
Total liabilities	4,683,705	33.9
Minority interest		
Minority interest	2,146	0.0
Shareholders' equity		
I Capital stock	995,000	7.2
II Additional paid-in capital	909,000	6.6
III Retained earnings	7,899,890	57.2
IV Unrealized gains on available-for-sale securities	69,314	0.5
V Treasury stock	(746,791)	(5.4)
Total shareholders' equity	9,126,413	66.1
Total liabilities, minority interest and shareholders' equity	13,812,266	100.0

2. Consolidated Statement of Income

(Thousands of yen)

	Year ended March 31, 2006		Composition ratio (%)
	Amount		
I Net sales		17,399,091	100.0
II Cost of sales		11,027,871	63.4
Gross profit		6,371,220	36.6
III Selling, general and administrative expenses		4,069,363	23.4
Operating income		2,301,857	13.2
IV Non-operating income			
Interest income	4,719		
Security interest	35,691		
Exchange gain	160,182		
Subsidy income	30,524		
Other	18,747	249,866	1.4
V Non-operating expenses			
Interest expense	116		
Commission for purchase of treasury stock	1,064		
Cost for capital increase	1,097		
Other	1,117	3,396	0.0
Ordinary income		2,548,327	14.6
VI Extraordinary losses			
Loss on disposal of fixed assets	50,262		
Other	672	50,935	0.3
Income before income taxes		2,497,392	14.3
Corporate, inhabitant and enterprise taxes	982,737		
Deferred income taxes	12,160	994,898	5.7
Minority interest		(685)	0.0
Net income		1,503,178	8.6

3. Consolidated Statement of Retained Earnings

(Thousands of yen)

	Year ended March 31, 2006	
	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		
Net income	1,503,178	1,503,178
III Decrease in retained earnings		
Dividends	533,581	
Bonuses to directors and corporate auditors	76,492	
Loss on sale of treasury stock	319,157	929,230
IV Retained earnings at term-end		7,899,890

4. Consolidated Statement of Cash Flows

(Thousands of yen)

	Year ended March 31, 2006
I Cash Flows from Operating Activities	
Income before income taxes	2,497,392
Depreciation and amortization	150,440
Amortization of consolidation adjustments account	44,284
Interest and dividend income	(4,719)
Security interest	(35,691)
Interest expense	116
Foreign exchange loss	(22,652)
Loss on sales of fixed assets	50,262
Loss on valuation of investment securities	630
(Increase) decrease in trade receivables	105,427
(Increase) decrease in inventories	48,467
Increase (decrease) in payables	257,929
Increase (decrease) in accrued expenses	(12,247)
Increase (decrease) in accrued consumption tax and others	(19,136)
Increase (decrease) in allowance for doubtful accounts	(2,037)
Increase (decrease) in accrued bonuses	6,289
Increase (decrease) in accrued severance indemnities	29,450
Increase (decrease) in reserve for directors' retirement allowances	5,857
Bonuses paid to directors and corporate auditors	(76,492)
Others	(54,273)
Subtotal	2,969,295
Interest and dividends received	27,747
Amount of interest paid	(94)
Income taxes paid	(1,142,132)
Net cash provided by operating activities	1,854,816
II Cash Flows from Investing Activities	
Payment for acquisition of stocks of newly consolidated subsidiaries	(257,882)
Payment for acquisition of tangible fixed assets	(82,092)
Payment for acquisition of intangible fixed assets	(335,975)
Payment for acquisition of marketable securities	(7,202,836)
Proceeds from redemption of marketable securities	7,336,331
Payment for loans	(2,000,000)
Proceeds from collection of loans	2,021,000
Payment for insurance reserve fund	(1,082)
Proceeds from equity transfer of investments in capital	8,828
Others	1,072
Net cash used in investing activities	(512,636)
III Cash Flows from Financing Activities	
Repayment of short-term borrowings	(410,000)
Repayment of long-term borrowings within one year	(8,800)
Payment for acquisition of own shares	(277,998)
Proceeds from exercise of stock option rights	164,648
Payment for dividends	(532,777)
Net cash used in financing activities	(1,064,927)
IV Effect of exchange rate changes in cash and cash equivalents	22,652
V Net increase in cash and cash equivalents	299,905
VI Cash and cash equivalents at beginning of term	2,781,702
VII Cash and cash equivalents at term-end	3,081,608

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

Year ended March 31, 2006

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 fiscal year.

(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 consolidated net income or loss, consolidated surpluses, and the financial conditions of the Group.

2. Matters related to the application of the equity method

A non-consolidated subsidiary to which the equity method is not applied (CCA Engineering Simulation Software (Shanghai) Co., Ltd.) was excluded from the scope of the application of the equity method because its net income (equity portion) and retained earnings (equity portion) have little effects on the consolidated financial statements and are not material as a whole even if excluded from the application of the equity method.

3. Matters related to the term-end of consolidated subsidiaries

The term-end of Plamedia Corporation, a consolidated subsidiary, is December 31. Financial statements as of the term-end were used for the preparation of the consolidated financial statements. In addition, no important transactions were conducted during the period between the term-end of Plamedia Corporation and the consolidated accounting term-end.

4. 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 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

Year ended March 31, 2006

<p>B. Method of depreciation and amortization of important depreciable 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 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>
<p>C. 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 current consolidated accounting term is posted.</p> <p>(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 consolidated accounting term-end 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 current term-end under the internal rules is posted.</p>
<p>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 term-end, and exchange differences are posted as profit or loss.</p>
<p>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.</p>
<p>F. Other significant matters that are the bases for the preparation of financial statements Accounting for consumption taxes The tax exclusion method is adopted.</p>
<p>5. Matters related to the valuation of assets and liabilities of consolidated subsidiaries All assets and liabilities of consolidated subsidiaries are valued based on fair values.</p>
<p>6. Matters related to amortization of the consolidation adjustment account The consolidation adjustment account is equally amortized over 5 years.</p>
<p>7. Matters related to the treatment of profit appropriation items As for profit appropriation of consolidated companies, the consolidated statement of retained earnings has been prepared based on such profit appropriation determined during the fiscal year.</p>
<p>8. Scope of cash and cash equivalents in the 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.</p>

Additional Information

Year ended March 31, 2006

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.

Notes

Consolidated Balance Sheet

March 31, 2006

*1 Total number of outstanding shares:	Ordinary shares	324,000 shares
*2 Number of treasury shares held:	Ordinary shares	7,730 shares

Consolidated Statement of Income

(Thousands of yen)

Year ended March 31, 2006

*1 Main items and amounts of selling, general and administrative expenses	
Salaries and bonuses to employees	1,261,271
Provision for accrued bonuses	211,466
Advertising expenses	480,816
Ground rent	274,568
Outsourcing fees	285,980
Travel expenses	209,203
*2 Breakdown of loss on retirement of fixed assets	
Buildings	2,312
Tools, furniture and fixtures	7,111
Software	1,303
Sales rights	39,535
*3 Total research and development costs	49,687

Consolidated Statement of Cash Flows

(Thousands of yen)

Year ended March 31, 2006

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

(March 31, 2006)

Cash and deposits	3,081,608
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Cash and cash equivalents	<u>3,081,608</u>
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*2 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
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Fixed assets	106,184
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Consolidated adjustments account	336,935
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Current liabilities	(1,161,099)
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Fixed liabilities	(26,265)
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Minority interest	<u>(2,832)</u>
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Stock acquisition value of newly consolidated subsidiaries	445,000
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Cash and cash equivalents of newly consolidated subsidiaries	<u>(187,118)</u>
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Difference: Payment for the acquisition of newly consolidated subsidiaries	257,882
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Lease transactions

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

Securities

March 31, 2006

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	2,496,973	2,498,495	1,521
	Corporate bonds	572,392	599,096	26,704
Total		3,069,365	3,097,591	28,225

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

	Type	Acquisition cost	Book balance	Difference
Securities with market value exceeding book balance	Stocks	10,155	126,690	116,534
Total		10,155	126,690	116,534

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

Type	Book balance
Other securities	
Unlisted stocks in foreign currencies	3,094

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

4. Other securities with maturity date and future estimated value of held-to maturity bonds (Thousands of yen)

Type	Book balance
Commercial paper	2,500,000
Corporate bonds	570,540
Total	3,070,540

Derivative transactions

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

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. In addition, KGT Inc., a consolidated subsidiary, has qualified pension and lump-sum retirement benefit plans.

2. Matters related to retirement benefit liabilities (as of March 31, 2006)

1) Retirement benefit liabilities:	(431,312)
2) Pension assets:	27,583
3) Reserve for retirement benefits	(403,729)

(Note) The Company and its consolidated subsidiary calculate 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

Retirement benefit costs:	54,774
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4. Matters related to the basis of calculating retirement benefit obligations, etc.

Not applicable because the Company and its consolidated subsidiary calculate retirement benefit obligations using the simplified method.

March 31, 2006

1. Breakdown of deferred tax assets and liabilities by main cause

(Deferred tax assets)

Reserve for bonuses	121,214
Accrued legal welfare expenses	11,607
Accrued business taxes	36,239
Reserve for retirement benefits	163,913
Reserve for directors' retirement allowance	23,483
Bad debts expenses	13,590
Disallowed losses on valuation of investment securities	14,867
Tax loss carry forward	320,731
Others	<u>36,377</u>
Subtotal	742,025
Valuation allowance	<u>(367,068)</u>
Total deferred tax assets	374,957
(Deferred tax liabilities)	
Unrealized gains on available-for-sale securities	<u>(47,358)</u>
Total deferred tax liabilities	<u>(47,358)</u>
Net deferred tax assets	<u>327,599</u>

2. Breakdown by main cause of the significant difference, if any, 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.

Segment Information

a. Business segment information

Year ended March 31, 2006

(Thousands of yen)

	CAE Solution Services Business	Network Solution Services Business	Total	Eliminations	Consolidation
I Net sales and operating income/loss					
Net sales					
Net sales to outside customers	14,383,429	3,015,662	17,399,091	-	17,399,091
Sales and transfer between segments	-	5,069	5,069	(5,069)	-
Total	14,383,429	3,020,731	17,404,161	(5,069)	17,399,091
Operating expenses	10,897,612	2,858,645	13,756,257	1,340,976	15,097,234
Operating income	3,485,817	162,086	3,647,903	(1,346,046)	2,301,857
II Assets, depreciation and amortization and capital expenditure					
Assets	4,992,350	1,372,409	6,364,760	7,447,506	13,812,266
Depreciation and amortization	43,034	24,857	67,892	82,547	150,440
Capital expenditure	63,260	300,568	363,828	51,934	415,762

Notes: 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, Resin fluid analysis 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, Internal control risk management system

3. Principal unallocated operating expenses included in Eliminations (1,351,468 thousand yen) are related to the management division.

4. The asset amount included in the eliminations column is 7,447,506 thousand yen, which mainly consists of excess funds invested (cash and securities) and other assets related to the Administrative Division of the Company.

b. Geographical segment information

Year ended March 31, 2006

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

c. Overseas sales

Year ended March 31, 2006

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

Transactions with related parties

Year ended March 31, 2006

Parent company and major corporate shareholders, etc.

Attribute	Company name, etc.	Address	Capital (millions of yen)	Business description or occupation	Ratio of voting rights held	Relationship		Description of transactions	Transaction amount (thousands of yen)	Account title	Year-end balance (thousands of yen)
						Concurrent position as a director	Business relationship				
Parent company	FUJISOFT ABC Inc.	Naka-ku, Yokohama-shi, Kanagawa	26,200	Design, development and sales of information processing systems and related management, maintenance, etc.	Direct 53.1%	-	Sales of the Company's products, offering of technological services, and purchase of telecommunication equipment	Loans of funds*	1,000,000	Short-term loans	1,000,000
								Receipt of interest	4,048	-	-

* These loans were made using excess funds under the group bank system of the parent company. In addition, terms and conditions of the transactions are equivalent to those of other investment products, and have been determined based on market yields, etc.

Important subsequent events

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.

5. Purchases, Orders Received and Sales

The disclosure for the year ended March 31, 2005 is omitted because the Company prepares its consolidated financial statements from the year ended March 31, 2006.

(1) Purchases

Segment	Year ended March 31, 2006	
	Amount (Thousands of yen)	Composition ratio (%)
CAE Solution Services Business	7,125,306	75.7
Network Solution Services Business	2,285,207	24.3
Total	9,410,514	100.0

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

(2) Orders received

(Thousands of yen)

Segment	Year ended March 31, 2006	
	Amount of orders received	Orders in hand
CAE Solution Services Business	15,134,123	2,882,179
Network Solution Services Business	2,982,098	130,485
Total	18,116,222	3,012,665

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

(3) Sales results

Segment	Year ended March 31, 2006	
	Amount (Thousands of yen)	Composition ratio (%)
CAE Solution Services Business	14,383,429	82.7
Network Solution Services Business	3,015,662	17.3
Total	17,399,091	100.0

Notes: 1 Inter-segment transactions were offset and eliminated.
2 The above amounts do not include consumption and other taxes.