

This is a translation of the original quarterly financial report in Japanese. In the event of any discrepancy, the original report in Japanese shall prevail.

Consolidated Financial Results for the Six Months Ended September 30, 2006

October 31, 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: Kuniaki Tanaka, Representative Director and President
 Contact: Hiroshi Takahashi, Managing Director
 Tel: (TOKYO) +81-3-5978-5401
 Date of Board of Directors' Meeting for Approval of Financial Results: October 31, 2006
 Percentage of the Parent Company's Ownership Interest in the Company: 53.0%
 Name of the Parent Company: FUJISOFT INCORPORATED (Code Number: 9749)
 Adoption of U.S. GAAP: No

1. Financial and Operating Results for the six months ended September 30, 2006 (April 1, 2006 to September 30, 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	%
Six months ended September 30, 2006	9,308	8.6	1,089	(5.7)	1,258	3.6
Six months ended September 30, 2005	8,574	-	1,155	-	1,215	-
March 31, 2006	17,399		2,301		2,548	

	Net income		Net income per share—basic	Net income per share—diluted
	Millions of yen	%	Yen	Yen
Six months ended September 30, 2006	694	(2.2)	2,195.23	2,182.96
Six months ended September 30, 2005	710	-	2,270.93	2,230.13
March 31, 2006	1,503		4,593.41	4,531.50

Note: 1 Equity in earnings (losses) of affiliates
 Six months ended September 30, 2006: -
 Six months ended September 30, 2005: -
 March 31, 2006: -

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

Six months ended September 30, 2006: 316,594 shares

Six months ended September 30, 2005: 312,965 shares

March 31, 2006: 314,128 shares

3 Changes in accounting policies: None

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

(2) Consolidated Financial Position

	Total assets	Net assets	Capital ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2006	14,176	9,533	67.2	30,081.45
September 30, 2005	12,878	8,486	65.9	26,947.43
March 31, 2006	13,812	9,126	66.1	28,665.87

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

September 30, 2006: 316,864 shares

September 30, 2005: 314,929 shares

March 31, 2006: 316,270 shares

(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, 2006	662	(1,849)	(217)	1,681
Six months ended September 30, 2005	872	(787)	(879)	2,012
March 31, 2006	1,854	(512)	(1,064)	3,081

(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: - 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
Year ending March 31, 2007	19,200	2,620	1,380

Reference: Estimated net income per share for the year ending March 31, 2007: 4,355.18 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

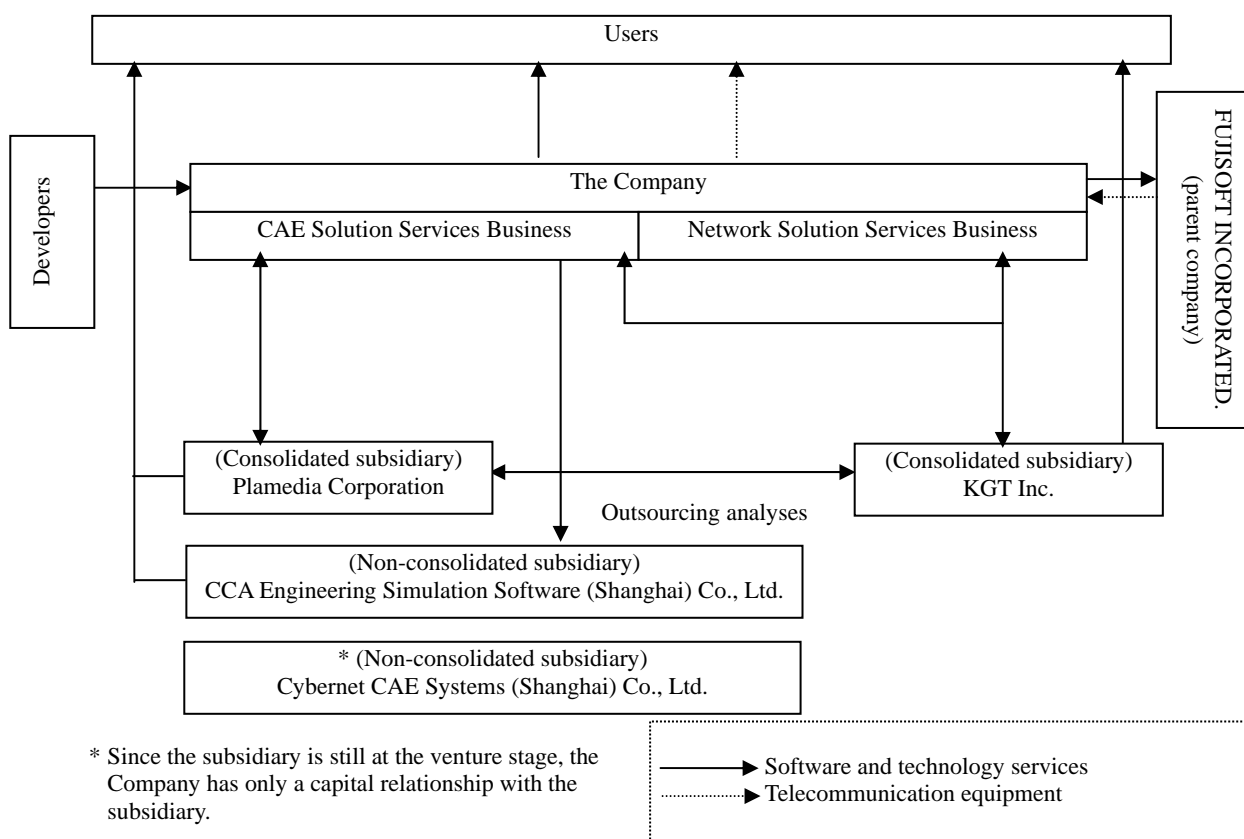
The Cybernet System Group (hereinafter called “the Group”) consists of the Company, parent company, and four subsidiaries (two consolidated subsidiaries and two non-consolidated subsidiaries). The Company and its subsidiaries engage in the solution services business by providing software and technology services (technology support, consulting, and other). This business is divided into CAE Solution Services (see Note) and Network Solution Services, based on their target 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 INCORPORATED *1	Naka-ku, Yokohama-shi, Kanagawa	26,200	Design, development and sales of information processing systems, and related management, maintenance, etc.	Ownership 53.0	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 files a securities report to the Ministry of Finance in Japan.

2 The Main Business column of consolidated subsidiaries shows segment names 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 and are making 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 business for such 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”.

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 one 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 will pay an interim dividend of 700 yen per share for the current interim term.

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 previous term.

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) 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.

(4) 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, based on 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 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 ISO27001 (information security), ISO14001 (environmental management) and ISO9001 (quality control) 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

The Group believes that good personnel are indispensable to the Group's growth and development, as well as one of the Group's biggest resources. The development of individual employee ability, systematized under the personnel policy of the Group, is aimed at fostering a group of professionals who will support the corporate infrastructure in the future.

The Group will aim to create an environment in which both personnel development programs and the personnel assessment system raise the awareness of employees and have them feel personally that this is a company where they want to work, while also nurturing a strong corporate constitution realized through mutual respect between employees and the Company.

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 fiscal year ending March 31, 2010. In order to realize a “one-stop solution” and to secure a strong position as a leading company in the CAE area, the Group will pursue well-balanced expansion of its business scale in terms of both stability and profitability.

(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) Strategically striving for next generation technologies, and promoting the development of new products and business areas.
- 5) 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.
- 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) Other Important Matters for the Company’s Management

Not applicable

3. Operating results and financial conditions

(1) Operating results

During the interim term under review, capital investment in the information services industry increased due to the generally robust corporate earnings that have continued since the previous consolidated fiscal year, and a considerably large number of manufacturers, who are main customers of the Group, actively invested in information equipment, which will greatly influence the expansion of sales.

Under such circumstances, the Group has actively proposed a variety of solutions to resolve customers' problems, and to increase added value for these customers. In addition, the Group has actively participated in research and development activities with academic-industrial cooperation, established a Chinese subsidiary, and focused on the hiring and fostering of personnel, in order to prepare for future growth. Also, the Company expanded solutions in the electronics segment by taking over the businesses of Keihin ArtWork Co., Ltd. and EDA Connect Co., Ltd. in May 2006.

As a result, consolidated net sales amounted to 9,308 million yen, up 8.6% year-on-year, operating income was 1,089 million yen, down 5.7% year-on-year, and ordinary income and net income were 1,258 million yen, up 3.6%, and 694 million yen, up 2.2%, respectively.

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, machinery and precision equipment industries. In particular, sales of lighting analysis software and brightness/luminance/chromaticity measuring systems expanded significantly, backed by the briskness of the flat panel display industry.

Revenues from services increased due to the enhancement of the printed circuit board design segment through business acquisition, although revenues in the mechanical segment did not grow much due to the failure to fully satisfy customer demand despite our efforts to improve the structure of the segment.

Sales of visualization software were below those of the previous year, as the number of inquiries was small on the whole.

As a result, sales for this business were 7,802 million yen, up 11.3% year-on-year, and operating income amounted to 1,881 million yen, up 5.0% year-on-year.

[Network solution services business]

In the network solution services business, sales of information technology asset management were strong, but sales of process management software that supports improvements in operational efficiency, were sluggish. Sales of support tools for the Japanese version of the SOX law were below our expectations because orders from customers that made inquiries are to be received in the second half of the fiscal year due to the delay in the preparation of implementation standards.

As a result, sales for this business area were 1,506 million yen, down 3.5% year-on-year, and operating income amounted to 59 million yen, down 35.6% year-on-year.

(2) Financial conditions

Cash flow conditions for the current interim term

The balance of cash and cash equivalents (hereinafter called "cash") on September 30, 2006 was 1,681 million yen, down 16.5% year-on-year.

[Cash flows from operating activities]

Net cash provided by operating activities were 662 million yen, down 24.0% from the previous corresponding period. This is mainly because income before income tax was 1,246 million yen and accounts receivable decreased 333 million yen, although accounts payable decreased 581 million yen and 437 million yen was paid in income taxes.

[Cash flows from investing activities]

Cash flows used in investing activities were 1,849 million yen, down 134.8% year-on-year. This is mainly due to a payment of 237 million yen for the purchase of business from Keihin ArtWork Co., Ltd. and EDA Connect Co., Ltd., a payment of 80 million yen for the establishment of a new Chinese subsidiary, and a net cash payment of 1,413 million yen as a result of the acquisition and redemption of securities.

[Cash flows from financing activities]

Cash flows used in financing activities were 217 million yen, down 75.3% year-on-year. This is because 236 million yen was paid as dividends to shareholders following the disposal of income for the fiscal year ended March 2006.

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

	September 30, 2004	September 30, 2005	September 30, 2006	March 31, 2005	March 31, 2006
Capital ratio (%)	-	65.9	67.2	-	66.1
Capital ratio on the market value basis (%)	-	327.1	219.6	-	307.3
Years for debt redemption	-	0	-	-	-
Interest coverage ratio	-	-	-	-	-

* Capital ratio: Capital/total assets

capital 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. Of the liabilities posted on the consolidated (interim) balance sheet, liabilities for which interests are paid are listed as interest-bearing liabilities.
3. "Cash flows from operating activities" and "amount of interest paid," which are posted on the consolidated (interim) statements of cash flows, are used for cash flows from operating activities and interest payments.

(3) Forecasts for the full year

In the forecasts for the full fiscal year, the following situation is expected to take place and significantly affect business results. We therefore revised the previous performance forecasts (announced in the earnings briefing dated April 27, 2006) in consideration of the results for the current interim term. Revised performance forecasts for the full fiscal year are shown in the table below.

(Reason for the revision of consolidated performance forecasts)

We revised the earnings forecasts for the second half of the current fiscal year because there will not be trading with a major customer, which we had assumed at a consolidated subsidiary, in the second half of the current term.

(Reason for the revision of non-consolidated performance forecasts)

The Company is currently considering the relocation of the head office in the first half of FY2007 and plans to make a decision on the relocation during the third quarter of the current fiscal year. We plan to post a loss on sales of fixed assets, which will occur upon the relocation, and expenses to restore the office we now rent to the original state as reserve for extraordinary losses. We project 200 million yen for the reserve.

[Consolidated performance forecasts for FY2006 (the year ending March 2007)]

(Millions of yen)

	Net sales	Ordinary income	Net income
Previous forecast (A)	20,200	2,700	1,565
New forecast (B)	19,200	2,620	1,380
Amount of increase/decrease (B - A)	(1,000)	(80)	(185)
Rate of increase/decrease (%)	(5.0)	(3.0)	(11.8)
Actual figures of previous year (ended March 2006)	17,399	2,548	1,503

[Non-consolidated performance forecasts for FY2006 (the year ending March 2007)] Reference

(Millions of yen)

	Net sales	Ordinary income	Net income
Previous forecast (A)	16,800	2,670	1,535
New forecast (B)	16,800	2,670	1,430
Amount of increase/decrease (B - A)	-	-	(105)
Rate of increase/decrease (%)	-	-	(6.8)
Actual figures of previous year (ended March 2006)	14,626	2,501	1,463

Note: Note for the above performance forecasts

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 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. Matters related to future in the following disclosure are based on the Group's judgments as of the end of the interim term under review.

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 involved in business investment

The Group understands that mergers and acquisitions (M&A) are an effective means to establish a position as a one-stop solution corporation in CAE.

When carrying out M&A, the Group sufficiently conducts preliminary investigations into the financial conditions, contract relations and others of target companies. However, if unrecognized contingent liabilities occur after takeover or if profits of the said subsidiary, etc. are far below our expectations, the balance of goodwill will need to be reduced considerably, which will possibly affect the business results of the Group.

4) 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.

5) 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.

6) 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" for manufacturing industries. 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. Interim Consolidated Balance Sheet

(Thousands of yen)

		September 30, 2005		September 30, 2006		March 31, 2006							
Classification	No.	Amount		Ratio	Amount		Ratio	Amount		Ratio			
Assets													
I Current assets													
1 Cash and deposits		2,012,454			1,681,278			3,081,608					
2 Notes receivable—trade and accounts receivable	*2	3,852,819			4,001,933			4,314,899					
3 Marketable securities		3,674,031			4,496,510			3,069,365					
4 Inventories		193,590			122,618			84,846					
5 Short-term loans		1,021,000			1,000,000			1,000,000					
6 Deferred tax assets		166,670			205,104			157,892					
7 Other current assets		584,451			807,805			524,939					
Allowance for doubtful accounts		(8,085)			(4,170)			(5,049)					
Total current assets		11,496,931		89.3	12,311,080		86.8	12,228,502		88.5			
II Fixed assets													
1 Tangible fixed assets													
(1) Buildings		101,429			85,357			92,637					
(2) Tools, furniture and fixtures		212,045		313,475	2.4	224,854		310,211	2.2	187,615		280,252	2.0
2 Intangible fixed assets													
(1) Consolidated adjustments account		326,360			-			292,650					
(2) Goodwill		-			474,570			-					
(3) Other intangible fixed assets		174,488		500,849	3.9	454,944		929,515	6.6	431,147		723,798	5.3
3 Investments and other assets													
(1) Investment securities		87,918			110,842			129,785					
(2) Investments in capital		17,238			84,133			17,238					
(3) Lease and guarantee deposits		256,829			255,147			256,655					
(4) Deferred tax assets		199,873			165,580			169,706					
(5) Others		7,303			14,598			8,386					
Allowance for doubtful accounts		(2,060)		567,103	4.4	(4,620)		625,683	4.4	(2,060)		579,711	4.2
Total fixed assets		1,381,427		10.7	1,865,410		13.2	1,583,763		11.5			
Total assets		12,878,359		100.0	14,176,490		100.0	13,812,266		100.0			

(Thousands of yen)

		September 30, 2005		September 30, 2006		March 31, 2006	
Classification	No.	Amount	Ratio	Amount	Ratio	Amount	Ratio
Liabilities			%		%		%
I Current liabilities							
1	Accounts payable - trade	1,942,972		1,939,487		2,293,125	
2	Current portion of long-term borrowings	8,800		-		-	
3	Income taxes payable	517,934		594,857		443,287	
4	Consumption taxes payable	110,446		127,083		128,864	
5	Advances received	606,839		629,415		608,709	
6	Reserve for bonuses	333,215		369,535		298,557	
7	Reserve for directors' bonuses	-		21,909		-	
8	Other current liabilities	430,998		538,022		449,590	
	Total current liabilities	3,951,207	30.7	4,220,309	29.8	4,222,134	30.6
II Fixed liabilities							
1	Accrued severance indemnities	386,280		390,536		403,729	
2	Reserve for directors' retirement allowance	51,512		32,280		57,842	
	Total fixed liabilities	437,792	3.4	422,816	3.0	461,571	3.3
	Total liabilities	4,388,999	34.1	4,643,125	32.8	4,683,705	33.9
Minority interest							
	Minority interest	2,832	0.0	-	-	2,146	0.0
Shareholders' equity							
I Capital stock							
	Capital stock	995,000	7.7	-	-	995,000	7.2
II Additional paid-in capital							
	Additional paid-in capital	909,000	7.1	-	-	909,000	6.6
III Retained earnings							
	Retained earnings	7,414,471	57.6	-	-	7,899,890	57.2
IV Unrealized gains on available-for-sale securities							
	Unrealized gains on available-for-sale securities	44,400	0.3	-	-	69,314	0.5
V Treasury stock							
	Treasury stock	(876,343)	(6.8)	-	-	(746,791)	(5.4)
	Total shareholders' equity	8,486,528	65.9	-	-	9,126,413	66.1
	Total liabilities, minority interest and shareholders' equity	12,878,359	100.0	-	-	13,812,266	100.0

(Thousands of yen)

		September 30, 2005		September 30, 2006		March 31, 2006	
Classification	No.	Amount	Ratio	Amount	Ratio	Amount	Ratio
Net assets			%		%		%
I. Shareholders' equity							
1. Capital stock		-	-	995,000	7.0	-	-
2. Additional paid-in capital		-	-	909,000	6.4	-	-
3. Retained earnings		-	-	8,259,070	58.3	-	-
4. Treasury stock		-	-	(689,405)	(4.9)	-	-
Total shareholders' equity		-	-	9,473,665	66.8	-	-
II. Unrealized gains and exchange differences							
1. Unrealized gains on marketable securities		-	-	58,062		-	-
Total unrealized gains and exchange differences		-	-	58,062	0.4	-	-
III. Minority interest		-	-	1,636	0.0	-	-
Total net assets		-	-	9,533,364	67.2	-	-
Total liabilities and net assets		-	-	14,176,490	100.0	-	-

2. Interim Consolidated Statement of Income

(Thousands of yen)

		September 30, 2005			September 30, 2006			March 31, 2006		
Classification	No.	Amount		Ratio	Amount		Ratio	Amount		Ratio
				%			%			%
I Net sales			8,574,283	100.0		9,308,810	100.0		17,399,091	100.0
II Cost of sales			5,410,550	63.1		5,832,775	62.7		11,027,871	63.4
Gross profit			3,163,733	36.9		3,476,035	37.3		6,371,220	36.6
III Selling, general and administrative expenses	*1		2,008,225	23.4		2,386,671	25.6		4,069,363	23.4
Operating income			1,155,508	13.5		1,089,363	11.7		2,301,857	13.2
IV Non-operating income										
Interest income		17,753				24,180			40,411	
Exchange gain		16,903				115,939			160,182	
Subsidy income		22,115				24,972			30,524	
Other		4,982	61,755	0.7	4,057	169,150	1.8	18,747	249,866	1.4
V Non-operating expenses										
Commission for purchase of treasury stock		1,064				-			1,064	
Other		1,181	2,246	0.0	297	297	0.0	2,332	3,396	0.0
Ordinary income			1,215,017	14.2		1,258,216	13.5		2,548,327	14.6
VI Extraordinary gain										
Gain on sales of fixed assets	*2	-	-	-	4,363	4,363	0.0	-	-	-
VII Extraordinary losses										
Loss on disposal of fixed assets	*3	6,318				2,470			50,262	
Loss on devaluation of investments in capital		-				13,339			-	
Other		630	6,948	0.1	-	15,810	0.1	672	50,935	0.3
Income before income taxes			1,208,069	14.1		1,246,769	13.4		2,497,392	14.3
Corporate, inhabitant and enterprise taxes		507,130				587,678			982,737	
Deferred income taxes		(9,782)	497,347	5.8	(35,395)	552,282	5.9	12,160	994,898	5.7
Loss of minority shareholders			-	-		509	0.0		685	0.0
Net income			710,721	8.3		649,996	7.5		1,503,178	8.6

3. Interim Consolidated Statement of Retained Earnings and Changes in Shareholders' Equity

(Thousands of yen)

		Six months ended September 30, 2005		Six months ended September 30, 2006	
Classification	No.	Amount		Amount	
Capital surplus					
I Capital surplus at beginning of term			909,000		909,000
II Capital surplus at term-end			909,000		909,000
Retained earnings					
I Retaining earnings at beginning of term			7,325,942		7,325,942
II Increase in retained earnings					
Net income		710,721	710,721	1,503,178	1,503,178
III Decrease in retained earnings					
Dividends		313,131		533,581	
Bonuses to directors and corporate auditors		76,492		76,492	
Loss on sale of treasury stock		232,569	622,192	319,157	929,230
IV Retained earnings at term-end			7,414,471		7,899,890

Six months ended June 30, 2006

(Thousands of yen)

Item	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	995,000	909,000	7,899,890	(746,791)	9,057,099
Changes during the interim period					
Dividends of surplus (Note)			(237,202)		(237,202)
Directors' bonuses (Note)			(60,260)		(60,260)
Net income			694,996		694,996
Disposal of treasury stock			(38,354)	57,385	19,031
Changes in items other than shareholders' equity (net)					
Total change	-	-	359,179	57,385	416,565
Balance as of September 30, 2006	995,000	909,000	8,259,070	(689,405)	9,473,665

Item	Unrealized gains and exchange differences		Minority interest	Total net assets
	Unrealized gains on marketable securities	Total unrealized gains and exchange differences		
Balance as of March 31, 2006	69,314	69,314	2,146	9,128,560
Changes during the interim period				
Dividends of surplus (Note)				(237,202)
Directors' bonuses (Note)				(60,260)
Net income				694,996
Disposal of treasury stock				19,031
Changes in items other than shareholders' equity (net)	(11,251)	(11,251)	(509)	(11,761)
Total change	(11,251)	(11,251)	(509)	404,803
Balance as of September 30, 2006	58,062	58,062	1,636	9,533,364

Note: They are items in appropriation of earnings resolved in General Meeting of Shareholders held on June 2006.

4. Interim Consolidated Statement of Cash Flows

(Thousands of yen)

	No.	Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
I Cash Flows from Operating Activities				
Income before income taxes		1,208,069	1,246,769	2,497,392
Depreciation and amortization		73,888	128,132	150,440
Amortization of goodwill		-	53,292	-
Amortization of consolidation adjustments account		10,574	-	44,284
Interest and dividend income		(2,336)	(3,658)	(4,719)
Interest income on securities		(15,416)	(20,522)	(35,691)
Interest expense		-	-	116
Foreign exchange loss		(25,661)	(3,803)	(22,652)
Gain on sales of fixed assets		-	(4,363)	-
Loss on disposal of fixed assets		6,318	2,470	50,262
Loss on valuation of investment securities		630	-	630
Loss on valuation of investments		-	13,339	-
(Increase) decrease in trade receivables		565,647	333,615	105,427
(Increase) decrease in inventories		(60,276)	(37,418)	48,467
Increase (decrease) in payables		(257,237)	(581,806)	257,929
Increase (decrease) in accrued expenses		(13,275)	2,555	(12,247)
Increase (decrease) in accrued consumption tax and others		(37,366)	(1,781)	(19,136)
Increase (decrease) in allowance for doubtful accounts		998	1,681	(2,037)
Increase (decrease) in reserve for bonuses		40,947	70,977	6,289
Increase (decrease) in reserve for directors' bonuses		-	21,909	-
Increase (decrease) in accrued severance indemnities		12,001	(13,192)	29,450
Increase (decrease) in reserve for directors' retirement allowances		(473)	(25,562)	5,857
Bonuses paid to directors and corporate auditors		(76,492)	(60,260)	(76,492)
Others		49,292	(51,828)	(54,273)
Subtotal		1,479,833	1,070,547	2,969,295
Interest and dividends received		10,226	30,282	27,747
Interest paid		-	-	(94)
Income taxes paid		(617,725)	(437,969)	(1,142,132)
Net cash provided by operating activities		872,335	662,860	1,854,816
II Cash Flows from Investing Activities				
Payment for acquisition of stocks of newly consolidated subsidiaries		(257,882)	-	(257,882)
Payment for acquisition of operation		-	(237,631)	-
Payment for acquisition of tangible fixed assets		(58,751)	(33,655)	(82,092)
Proceeds from sale of tangible fixed assets		412	-	412
Payment for acquisition of intangible fixed assets		(10,573)	(79,490)	(335,975)
Payment for acquisition of marketable securities		(4,211,348)	(8,490,296)	(7,202,836)
Proceeds from redemption of marketable securities		3,741,302	7,076,531	7,336,331
Payment for loans		(1,000,000)	(1,000,000)	(2,000,000)
Proceeds from collection of loans		1,000,000	1,000,000	2,021,000
Payment for funding of premium reserve		-	(1,082)	(1,082)
Payment for investment in capital		-	(80,234)	-
Proceeds from equity transfer of investments in capital		8,828	-	8,828
Others		481	(3,622)	660
Net cash used in investing activities		(787,529)	(1,849,482)	(512,636)
III Cash Flows from Financing Activities				
Repayment of short-term borrowings		(410,000)	-	(410,000)
Repayment of current portion of long-term borrowings		-	-	(8,800)
Payment for acquisition of own shares		(277,998)	-	(277,998)
Proceeds from exercise of stock option rights		121,684	19,031	164,648
Payment for dividends		(313,400)	(236,542)	(532,777)
Net cash used in financing activities		(879,714)	(217,511)	(1,064,927)
IV Effect of exchange rate changes in cash and cash equivalents				
		25,661	3,803	22,652
V Net increase in cash and cash equivalents				
		(769,248)	(1,400,329)	299,905
VI Cash and cash equivalents at beginning of term				
		2,781,702	3,081,608	2,781,702
VII Cash and cash equivalents at term-end	*			
		2,012,454	1,681,278	3,081,608

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

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
<p>1. Matters related to the scope of consolidation</p> <p>(1) Number of consolidated subsidiaries: 2</p> <p>Names of consolidated subsidiaries: KGT Inc. Plamedia Corporation</p> <p>* 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.</p> <p>(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.</p>	<p>1. Matters related to the scope of consolidation</p> <p>(1) Number of consolidated subsidiaries: 2</p> <p>Names of consolidated subsidiaries: KGT Inc. Plamedia Corporation</p> <p>(2) Names of non-consolidated subsidiaries CCA Engineering Simulation Software (Shanghai) Co., Ltd. Cybernet CAE Systems (Shanghai) Co., Ltd. (Reason for excluding this company from the scope of consolidation) Non-consolidated subsidiaries were excluded from the scope of our consolidation as both of them are small in scale of operations and their 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 interim financial statements.</p>	<p>1. Matters related to the scope of consolidation</p> <p>(1) Number of consolidated subsidiaries: 2</p> <p>Names of consolidated subsidiaries: KGT Inc. Plamedia Corporation</p> <p>* 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.</p> <p>(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.</p>
<p>2. Matters related to the application of the equity method</p> <p>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 interim consolidated financial statements and are not material as a whole even if excluded from the application of the equity method.</p>	<p>2. Matters related to the application of the equity method</p> <p>A non-consolidated subsidiary to which the equity method is not applied (CCA Engineering Simulation Software (Shanghai) Co., Ltd.) and Cybernet CAE Systems (Shanghai) Co., Ltd. were 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 interim consolidated financial statements and are not material as a whole even if excluded from the application of the equity method.</p>	<p>2. Matters related to the application of the equity method</p> <p>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.</p>

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
<p>3. Matters related to the interim term-end of consolidated subsidiaries</p> <p>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.</p>	<p>3. Matters related to the interim term-end of consolidated subsidiaries</p> <p>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. However, as for the important transactions conducted during the period between the interim term-end of Plamedia Corporation and the consolidated interim term-end, adjustments necessary for consolidated accounting were made.</p>	<p>3. Matters related to the term-end of consolidated subsidiaries</p> <p>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.</p>
<p>4. Matters related to accounting standard</p> <p>A. Bases and methods of asset valuation</p> <p>(1) Securities</p> <p>a. Held-to-maturity bonds Amortized cost method</p> <p>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</p> <p>(2) Inventories</p> <p>a. Work in progress Cost method based on the specific identification method</p> <p>b. Products Cost method based on the FIFO method</p> <p>c. Supplies Cost method based on the FIFO method</p> <p>B. Method of depreciation and amortization of important depreciable assets</p>	<p>4. Matters related to accounting standard</p> <p>A. Bases and methods of asset valuation</p> <p>(1) Securities</p> <p>a. Held-to-maturity bonds Same as on the left.</p> <p>b. Other securities Securities with market value: Same as on the left.</p> <p>Securities without market value: Same as on the left.</p> <p>(2) Inventories</p> <p>a. Work in progress Same as on the left.</p> <p>b. Products Same as on the left.</p> <p>c. Supplies Same as on the left.</p> <p>B. Method of depreciation and amortization of important depreciable assets</p>	<p>4. Matters related to accounting standard</p> <p>A. Bases and methods of asset valuation</p> <p>(1) Securities</p> <p>a. Held-to-maturity bonds Same as on the left.</p> <p>b. 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: Same as on the left.</p> <p>(2) Inventories</p> <p>a. Work in progress Same as on the left.</p> <p>b. Products Same as on the left.</p> <p>c. Supplies Same as on the left.</p> <p>B. Method of depreciation and amortization of important depreciable assets</p>

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
<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 Main useful lives are as follows: Software: Software for internal use: 5 years Sales rights: 5 years</p>	<p>(1) Tangible fixed assets Same as on the left.</p> <p>(2) Intangible fixed assets Straight line method Software for internal use is amortized using the straight-line method over the internally usable period (5 years), and in the case of software products, the larger of either the amount based on estimated sales revenues or the amount equally apportioned based on the estimated sales period (3 years) is amortized.</p>	<p>(1) Tangible fixed assets Same as on the left.</p> <p>(2) Intangible fixed assets Same as on the left.</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 interim consolidated accounting term is posted.</p> <p>(3) _____</p>	<p>C. Standards for posting allowances and reserves</p> <p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Reserve for bonuses Same as on the left.</p> <p>(3) Reserve for directors' bonuses To prepare for the payment of bonuses to directors, the amount required to be paid at the end of this consolidated interim term is posted. (Change in accounting policies) The company adopts the "Accounting standards for directors' bonuses" (ASBJ Statement No. 4, November 29, 2005) from this interim term. As a result, operating income, ordinary income and interim income before income tax decreased 21,909,000 yen. The impact of the change on segment information is mentioned individually.</p>	<p>C. Standards for posting allowances and reserves</p> <p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Reserve for bonuses To prepare for the payment of bonuses to employees, the estimated amount for current consolidated accounting term is posted.</p> <p>(3) _____</p>

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
<p>(4) 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.</p> <p>(5) 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.</p>	<p>(4) Reserve for retirement benefits Same as on the left.</p> <p>(5) Reserve for directors' retirement allowance Same as on the left.</p>	<p>(4) 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>(5) 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 interim term-end, and exchange differences are posted as profit or loss.</p>	<p>D. Standards for translating foreign currency-denominated assets and liabilities Same as on the left.</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. Other significant matters that are the bases for the preparation of interim financial statements Accounting for consumption taxes The tax exclusion method is adopted.</p>	<p>E. Other significant matters that are the bases for the preparation of interim financial statements Accounting for consumption taxes Same as on the left.</p>	<p>E. Other significant matters that are the bases for the preparation of financial statements Accounting for consumption taxes Same as on the left.</p>
<p>5. 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.</p>	<p>5. Scope of cash and cash equivalents in the interim consolidated statement of cash flows Same as on the left.</p>	<p>5. Scope of cash and cash equivalents in the consolidated statement of cash flows Same as on the left.</p>

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

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
<hr/>	<p>(Accounting standards for the presentation of net assets on balance sheet) The Company adopts the “Accounting standards for the presentation of net assets on balance sheet” (ASBJ Statement No. 5, December 9, 2005) and the “Guidance on accounting standards for the presentation of net assets on balance sheet” (ASBJ Guidance No. 8, December 9, 2005) from this interim term.</p> <p>The amount equivalent to the former total of shareholders’ equity is 9,531,727,000 yen. Net assets on the consolidated balance sheet for this interim term are prepared in accordance with the revised regulations for consolidated interim financial statements, following the revision of the regulations.</p> <p>(Accounting standards for corporate consolidation) The company adopts the “Accounting standards for business combinations” (Business Accounting Council, October 31, 2003), the “Accounting standards for business divestitures” (Accounting Standards Board of Japan, December 27, 2005, ASBJ Statement No. 7) and the “Guidance on accounting standards for business combinations and accounting standards for business divestitures” (Accounting Standards Board of Japan, December 27, 2005, ASBJ Guidance No. 10) from this interim term.</p>	<hr/>

Changes in the disclosure methods

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
	<p>(Interim balance sheet) “Consolidation adjustments account” is presented as “goodwill” from this interim term.</p> <p>(Consolidated interim statement of cash flows) “Amortization of consolidation adjustments account” is presented as “amortization of goodwill” from this interim term.</p>	

Additional information

Six months ended September 30, 2006	Six months ended September 30, 2006	Year ended March 31, 2006
<p>(Accounting for impairment losses of fixed assets) The company adopts the accounting standards for impairment losses of fixed assets (“Opinions regarding the establishment of accounting standards for impairment losses of fixed assets” (Business Accounting Council, August 9, 2002) and the “Guidance on accounting standards for impairment losses of fixed assets” (ASBJ Guidance No. 6, Accounting Standards Board of Japan, October 31, 2003) from this interim term. There is no effect of this change on the Company’s profits or losses.</p>		<p>(Accounting for impairment losses of fixed assets) The company adopts the accounting standards for impairment losses of fixed assets (“Opinions regarding the establishment of accounting standards for impairment losses of fixed assets” (Business Accounting Council, August 9, 2002) and the “Guidance on accounting standards for impairment losses of fixed assets” (ASBJ Guidance No. 6, Accounting Standards Board of Japan, October 31, 2003) from this fiscal year. There is no effect of this change on the Company’s profits or losses.</p>

Note

Interim Consolidated Balance Sheet

(Thousands of yen)

September 30, 2005	September 30, 2006	March 31, 2006
*1 Accumulated depreciation of tangible fixed assets 651,507	*1 Accumulated depreciation of tangible fixed assets 669,693	*1 Accumulated depreciation of tangible fixed assets 665,579
*2 _____	*2 Notes that matured on the last day of the consolidated interim term Notes that matured on the last day of the consolidated interim term were settled as of their bill clearing days. Notes that will mature on the last day of the next consolidated interim term are included in the balance at the end of the consolidated interim term, since the last day of this interim term fell on a bank holiday. Notes receivable 76,072	*2 _____

Interim Consolidated Statement of Income

(Thousands of yen)

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
*1 Main items and amounts of selling, general and administrative expenses Salaries and bonuses to employees 549,081 Provision for reserve for bonuses 201,124 Advertising expenses 204,659	*1 Main items and amounts of selling, general and administrative expenses Salaries and bonuses to employees 661,900 Provision for reserve for bonuses 225,514 Provision for reserve for directors' bonuses 21,909 Provision for reserve for directors' retirement allowance 8,179 Advertising expenses 228,023 Land and office rent 137,006 Amortization of goodwill 53,292	*1 Main items and amounts of selling, general and administrative expenses Salaries and bonuses to employees 1,261,271 Provision for reserve for bonuses 211,466 Advertising expenses 480,816 Land and office rent 274,568 Outsourcing fees 285,980 Travel expenses 209,203
*2 _____	*2 Breakdown of gain on sale of fixed assets Tools, furniture and fixtures 4,363	*2 _____
*3 _____	*3 Breakdown of loss on retirement of fixed assets Buildings 239 Tools, furniture and fixtures 2,124 Software 106	*3 Breakdown of loss on retirement of fixed assets Buildings 2,312 Tools, furniture and fixtures 7,111 Software 1,303 Sales rights 39,535

Consolidated Interim Statement of Changes in Shareholders' Equity

Six months ended September 30, 2006

1. Type and total number of outstanding shares and type and number of treasury shares (shares)

	Number of shares at the end of previous consolidated fiscal year	Increase in the number of shares during the current interim term	Decrease in the number of shares during the current interim term	Number of shares at the end of current interim term
Outstanding shares				
Ordinary shares	324,000	-	-	324,000
Total	324,000	-	-	324,000
Treasury shares				
Ordinary shares (Note)	7,730	-	594	7,136
Total	7,730	-	594	7,136

Note: The decrease in the number of common shares in treasury stock by 594 shares is due to the sale of shares through the exercise of stock options.

2. Dividends

(1) Dividends paid

Resolution	Type of share	Total amount of dividends (thousands of yen)	Dividend per share (yen)	Base date	Effective date
June 23, 2006 Ordinary general meeting of shareholders	Common share	237,202	750	March 31, 2006	June 26, 2006

(2) Dividends with base dates within this interim term, which have effective dates after the end of this interim term

Resolution	Type of share	Total amount of dividends (thousands of yen)	Fiscal resource of dividends	Dividend per share (yen)	Base date	Effective date
October 31, 2006 Meeting of board of directors	Common share	221,804	Retained earnings	700	September 30, 2006	November 27, 2006

Interim Consolidated Statement of Cash Flows

(Thousands of yen)

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
* 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)	* Reconciliation between the balance of cash and cash equivalents at interim term-end, and the balance on the interim consolidated balance sheet (September 30, 2006)	* 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 2,012,454	Cash and deposits 1,681,278	Cash and deposits 3,081,608
Cash and cash equivalents 2,012,454	Cash and cash equivalents 1,681,278	Cash and cash equivalents 3,081,608

Lease transactions

The disclosure of lease transactions is omitted, because these transactions are disclosed via EDINET (Electronic Disclosure for Investors' NETwork).

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
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

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

September 30, 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	1,996,818	1,997,510	691
Securities with market value below book balance			
Commercial paper	999,685	999,680	(5)
Repackaged bonds	1,000,000	996,000	(4,000)
Total	3,996,503	3,993,190	(3,313)

2. Other securities with market value

(Thousands of yen)

Type	Acquisition cost	Book balance	Difference
Stocks	10,155	107,737	97,581
Total	10,155	107,737	97,581

3. Breakdown of main securities that are not marked to market

(Thousands of yen)

Type	Book balance
Other securities	
Money management fund	500,006
Unlisted stocks in foreign currencies	3,105

Note: The "book value" in the above tables represents the book value after impairment losses.

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
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 this fiscal term, and a loss of 630,000 yen on valuation of investment securities was posted.

Derivative transactions

The disclosure of derivative transactions is omitted, because these transactions are disclosed via EDINET (Electronic Disclosure for Investors' NETwork).

Business combinations

The disclosure about business combinations is omitted, because the information is disclosed via EDINET (Electronic Disclosure for Investors' NETwork).

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 software, 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.

Six months ended September 30, 2006

(Thousands of yen)

	CAE Solution Services Business	Network Solution Services Business	Total	Eliminations	Consolidation
Net sales					
Net sales to outside customers	7,802,085	1,506,724	9,308,810	-	9,308,810
Sales and transfer between segments	600	210	810	(810)	-
Total	7,802,685	1,506,935	9,309,621	(810)	9,308,810
Operating expenses	5,920,747	1,447,836	7,368,584	850,862	8,219,446
Operating income	1,881,938	59,098	1,941,036	(851,673)	1,089,363

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 software, Business process management software, Security measurement software, Web meeting service, risk management system for internal control

3. Principal unallocated operating expenses included in Eliminations (860,000 thousand yen) are related to the management division.

4. Change in accounting policies

As mentioned in 4. (C) (3) of "Significant matters that are the bases for the preparation of consolidated financial statements," the Company adopts the "Accounting standards for directors' bonuses" (ASBJ Statement No. 4, November 29, 2005) from this interim term. As a result of the change, operating expenses in "Elimination or Group-wide" were 21,909,000 yen higher than the figure calculated based on the former method, and operating income was lower by the same amount.

Year ended March 31, 2006

(Thousands of yen)

	CAE Solution Services Business	Network Solution Services Business	Total	Eliminations	Consolidation
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

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 software, Business process management software, Security measurement software, Web meeting service, risk management system for internal control

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

b. Geographical segment information

Six months ended September 30, 2005

Six months ended September 30, 2006

Year ended March 31, 2006

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

Six months ended September 30, 2006

Year ended March 31, 2006

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

Important subsequent events

Not applicable

5. Purchases, Orders Received and Sales

(1) Purchases

Segment	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)
CAE Solution Services Business	3,477,822	75.0	3,927,991	78.5	7,125,306	75.7
Network Solution Services Business	1,161,121	25.0	1,074,822	21.5	2,285,207	24.3
Total	4,638,944	100.0	5,002,813	100.0	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	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
	Amount of orders received	Orders in hand	Amount of orders received	Orders in hand	Amount of orders received	Orders in hand
CAE Solution Services Business	6,268,085	1,340,748	6,628,512	1,708,605	15,134,123	2,882,179
Network Solution Services Business	1,526,983	123,498	1,481,354	105,115	2,982,098	130,485
Total	7,795,069	1,464,247	8,109,866	1,813,721	18,116,222	3,012,665

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

(3) Sales results

Segment	Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)	Amount (Thousands of yen)	Composition ratio (%)
CAE Solution Services Business	7,012,144	81.8	7,802,085	83.8	14,383,429	82.7
Network Solution Services Business	1,562,138	18.2	1,506,724	16.2	3,015,662	17.3
Total	8,574,283	100.0	9,308,810	100.0	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.

This is a translation of the original quarterly financial report in Japanese. In the event of any discrepancy, the original report in Japanese shall prevail.

Non-Consolidated Financial Results for the Six Months Ended September 30, 2006

October 31, 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: Kuniaki Tanaka, Representative Director and President
 Contact: Hiroshi Takahashi, Managing Director
 Tel: (TOKYO) +81-3-5978-5401
 Date of Board of Directors' Meeting for Approval of Financial Results: October 31, 2006
 Starting Date of Interim Dividend Payment: December 27, 2006
 Unit Share System: No

1. Financial and Operating Results for the six months ended September 30, 2006 (April 1, 2006 to September 30, 2006)

(1) Non-Consolidated Operating Results

Note: Amounts less than one million yen omitted.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2006	8,092	11.0	1,174	0.1	1,326	9.2
Six months ended September 30, 2005	7,291	7.3	1,172	(6.0)	1,214	(9.0)
March 31, 2006	14,626		2,275		2,501	

	Net income		Net income per share—basic
	Millions of yen	%	Yen
Six months ended September 30, 2006	764	7.3	2,414.84
Six months ended September 30, 2005	712	(10.3)	2,275.65
March 31, 2006	1,463		4,510.85

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

Six months ended September 30, 2006: 316,594 shares

Six months ended September 30, 2005: 312,965 shares

March 31, 2006: 314,128 shares

(2) Changes in accounting policies: None

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

(2) Financial Position

	Total assets	Net assets	Capital ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
September 30, 2006	13,543	9,575	70.7	30,218.94
September 30, 2005	12,167	8,488	69.8	26,952.18
March 31, 2006	13,042	9,086	69.7	28,583.78

Note: 1 Number of shares outstanding at term-end

September 30, 2006: 316,864 shares

September 30, 2005: 314,929 shares

March 31, 2006: 316,270 shares

2 Number of treasury stocks at term-end

September 30, 2006: 7,136 shares

September 30, 2005: 9,071 shares

March 31, 2006: 7,730 shares

2. Non-Consolidated Forecast for 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
Year ending March 31, 2007	16,800	2,670	1,430

Reference: Estimated net income per share for the year ending March 31, 2007: 4,512.98 yen

3. Dividends

Cash Dividends	Dividends per share (Yen)		
	Interim-term end	Year-end	Annual
Year ended March 31, 2006	700.00	750.00	1,450.00
Year ending March 31, 2007 (actual)	700.00	-	1,500.00
Year ending March 31, 2007 (forecast)	-	800.00	

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

1. Interim Non-Consolidated Balance Sheet

(Thousands of yen)

	September 30, 2005		September 30, 2006		March 31, 2006	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Assets						
I Current assets		%		%		%
1 Cash and deposits	1,845,308		1,545,380		2,916,481	
2 Notes receivable—trade	54,673		71,140		25,822	
3 Accounts receivable	2,989,723		3,139,145		3,450,945	
4 Marketable securities	3,674,031		4,496,510		3,069,365	
5 Inventories	103,367		97,045		73,786	
6 Short-term loans to affiliates	1,300,000		1,260,000		1,200,000	
7 Deferred tax assets	166,670		205,105		157,895	
8 Other receivables	8,384		6,601		2,361	
9 Other current assets	538,341		742,174		445,186	
Allowance for doubtful accounts	(3,040)		(3,210)		(3,470)	
Total current assets	10,677,461	87.8	11,559,892	85.4	11,338,377	86.9
II Fixed assets						
1 Tangible fixed assets						
(1) Buildings	94,929		80,227		87,079	
(2) Tools, furniture and fixtures	196,067		212,291		173,660	
Total tangible fixed assets	290,996		292,519		260,740	
2 Intangible fixed assets						
(1) Goodwill	-		215,611		-	
(2) Other intangible fixed assets	161,204		381,632		393,872	
Total of intangible fixed assets	161,204		597,244		393,872	
3 Investments and other assets						
(1) Investment securities	87,912		110,842		129,785	
(2) Equity securities for non-consolidated subsidiaries and affiliates	535,000		535,000		535,000	
(3) Investment in partnership for non-consolidated subsidiaries and affiliates	17,138		84,033		17,138	
(4) Lease and guarantee deposits	199,894		197,498		199,620	
(5) Deferred tax assets	199,873		165,580		169,706	
(6) Other investments and other assets	-		5,130		-	
Allowance for doubtful accounts	(2,060)		(4,620)		(2,060)	
Total investments and other assets	1,037,759		1,093,465		1,049,191	
Total fixed assets	1,489,960	12.2	1,983,228	14.6	1,703,804	13.1
Total assets	12,167,421	100.0	13,543,121	100.0	13,042,181	100.0

(Thousands of yen)

	September 30, 2005		September 30, 2006		March 31, 2006	
	Amounts	Ratio	Amounts	Ratio	Amounts	Ratio
Liabilities		%		%		%
I Current liabilities						
1 Accounts payable - trade	1,514,286		1,567,252		1,861,435	
2 Income tax payable	517,369		592,877		439,327	
3 Consumption tax payable	105,022		114,306		126,964	
4 Advances received	477,831		485,849		478,277	
5 Reserve for bonuses	275,138		309,179		243,327	
6 Reserve for directors' bonuses	-		21,909		-	
7 Other current liabilities	377,747		464,540		366,646	
Total current liabilities	3,267,395	26.8	3,555,913	26.3	3,515,978	26.9
II Fixed liabilities						
1 Accrued severance indemnities	367,458		390,307		389,545	
2 Reserve for directors' retirement allowances	44,545		21,607		49,875	
Total fixed liabilities	412,003	3.4	411,914	3.0	439,420	3.4
Total liabilities	3,679,399	30.2	3,967,828	29.3	3,955,399	30.3
Shareholders' equity						
I Capital stock						
1 Capital stock	995,000	8.2	-	-	995,000	7.6
II Capital surplus						
1 Additional paid-in capital	909,000		-		909,000	
Total capital surplus	909,000	7.5	-	-	909,000	7.0
III Retained earnings						
1 Legal reserve	71,960		-		71,960	
2 Voluntary reserve	5,490,000		-		5,490,000	
3 Unappropriated earnings at the end of the period	1,853,990		-		2,298,325	
Total retained earnings	7,415,950	60.9	-	-	7,860,285	60.3
IV Unrealized gains on available-for-sale securities						
1 Unrealized gains on available-for-sale securities	44,415	0.4	-	-	69,288	0.5
V Treasury stock						
1 Treasury stock	(876,343)	(7.2)	-	-	(746,791)	(5.7)
Total shareholders' equity	8,488,022	69.8	-	-	9,086,782	69.7
Total liabilities and shareholders' equity	12,167,421	100.0	-	-	13,042,181	100.0

(Thousands of yen)

	September 30, 2005		September 30, 2006		March 31, 2006	
	Amounts	Ratio	Amounts	Ratio	Amounts	Ratio
Net assets		%		%		%
I Shareholders' equity						
1 Capital stock	-	-	995,000	7.3	-	-
2 Additional paid-in capital						
(1) Capital reserve	-	-	909,000		-	-
Total additional paid-in capital	-	-	909,000	6.7	-	-
3 Retained earnings						
(1) Legal reserve	-	-	71,960		-	-
(2) Other retained earnings						
General reserve	-	-	6,090,000		-	-
Deferred retained earnings	-	-	2,140,702		-	-
Total retained earnings	-	-	8,302,662	61.3	-	-
4 Treasury stock	-	-	(689,405)	(5.0)	-	-
Total shareholders' equity	-	-	9,517,256	70.3	-	-
II Unrealized gains and exchange differences						
1 Unrealized gains on marketable securities	-	-	58,036		-	-
Total unrealized gains and exchange differences	-	-	58,036	0.4	-	-
Total net assets	-	-	9,575,293	70.7	-	-
Total Liabilities and net assets	-	-	13,543,121	100.0	-	-

2. Interim Non-Consolidated Statements of Income

(Thousands of yen)

		Six months ended September 30, 2005		Six months ended September 30, 2006		Year ended March 31, 2006	
		Amount	Ratio	Amount	Ratio	Amount	Ratio
			%		%		%
Net sales		7,291,826	100.0	8,092,258	100.0	14,626,103	100.0
Cost of sales	*4	4,368,745	59.9	4,906,792	60.6	8,898,604	60.8
Gross profit		2,923,080	40.1	3,185,466	39.4	5,727,498	39.2
Selling, general and administrative expenses	*4	1,750,715	24.0	2,011,452	24.9	3,452,374	23.6
Operating income		1,172,365	16.1	1,174,014	14.5	2,275,124	15.6
Non-operating income	*1	43,268	0.6	152,306	1.9	227,287	1.5
Non-operating expenses		1,148	0.0	43	0.0	1,219	0.0
Ordinary income		1,214,485	16.7	1,326,276	16.4	2,501,192	17.1
Extraordinary gains	*2	-	-	4,363	0.0	-	-
Extraordinary losses	*3	5,419	0.1	15,810	0.2	46,599	0.3
Income before income taxes		1,209,065	16.6	1,314,830	16.2	2,454,592	16.8
Corporate, inhabitant and enterprise taxes		506,649		585,698		978,861	
Deferred income taxes		(9,783)	6.8	(35,392)	6.8	12,157	6.8
Net income		712,199	9.8	764,524	9.4	1,463,573	10.0
Unappropriated retained earnings brought forward		1,374,359		-		1,374,359	
Interim dividends paid		-		-		220,450	
Loss on sale of treasury stock		232,569		-		319,157	
Unappropriated retained earnings at the end of period		1,853,990		-		2,298,325	

3. Interim Statement of Change in Shareholders' Equity

Six months ended September 30, 2006

(Thousands of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Legal reserve	Retained earnings		Total retained earnings	Treasury stock	Total shareholders' equity
		Capital reserve	Total capital surplus		Total retained earnings				
					General reserve	Deferred retained earnings			
Balance as of March 31, 2006	995,000	909,000	909,000	71,960	5,490,000	2,298,325	7,860,285	(746,791)	9,017,493
Changes during the interim period									
Funding of special reserve (Note)					600,000	(600,000)	-		-
Dividends of surplus (Note)						(237,202)	(237,202)		(237,202)
Directors' bonuses (Note)						(46,590)	(46,590)		(46,590)
Net income						764,524	764,524		764,524
Losses on disposal of treasury stock						(38,354)	(38,354)	57,385	19,031
Change in items other than shareholders' equity (net)									
Total change	-	-	-	-	600,000	(157,622)	442,377	57,385	499,762
Balance as of September 30, 2006	995,000	909,000	909,000	71,960	6,090,000	2,140,702	8,302,662	(689,405)	9,517,256

	Unrealized gains and exchange difference		Total net assets
	Unrealized gains on marketable securities	Total unrealized gains and exchange differences	
Balance as of March 31, 2006	69,288	69,288	9,086,782
Changes during the interim period			
Funding of special reserve (Note)			-
Dividends of surplus (Note)			(237,202)
Directors' bonuses (Note)			(46,590)
Net income			764,524
Losses on disposal of treasury stock			19,031
Change in items other than shareholders' equity (net)	(11,251)	(11,251)	(11,251)
Total change	(11,251)	(11,251)	488,511
Balance as of September 30, 2006	58,036	58,036	9,575,293

Note: They are items in appropriation of earnings resolved in General Meeting of Shareholders held on June 2006.

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

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
<p>1. Bases and methods of asset valuation</p> <p>(1) Securities</p> <p>a. Held-to-maturity bonds Amortized cost method</p> <p>b. Stocks of subsidiaries and affiliates Cost method based on the moving average method</p> <p>c. Other securities</p> <p>Securities with market value: Market value method based on market value as of the interim term-end (The valuation difference is accounted for based on the method of direct entry to capital account, and the costs of securities sold are computed based on the moving average method.)</p> <p>Securities without market value: Cost method based on the moving average method</p> <p>(2) Inventories</p> <p>a. Products Cost method based on the FIFO method</p> <p>b. Supplies Cost method based on the FIFO method</p>	<p>1. Bases and methods of asset valuation</p> <p>(1) Securities</p> <p>a. Held-to-maturity bonds Same as on the left.</p> <p>b. Stocks of subsidiaries and affiliates Same as on the left.</p> <p>c. Other securities</p> <p>Securities with market value: Same as on the left.</p> <p>Securities without market value: Same as on the left.</p> <p>(2) Inventories</p> <p>a. Products Same as on the left.</p> <p>b. Supplies Same as on the left.</p>	<p>1. Bases and methods of asset valuation</p> <p>(1) Securities</p> <p>a. Held-to-maturity bonds Same as on the left.</p> <p>b. Stocks of subsidiaries and affiliates Same as on the left.</p> <p>c. Other securities</p> <p>Securities with market value: Market value method based on market value as of the term-end (The valuation difference is accounted for based on the method of direct entry to capital account, and the costs of securities sold are computed based on the moving average method.)</p> <p>Securities without market value: Same as on the left.</p> <p>(2) Inventories</p> <p>a. Products Same as on the left.</p> <p>b. Supplies Same as on the left.</p>
<p>2. Depreciation and amortization methods of fixed assets</p> <p>(1) Tangible fixed assets Declining balance method Main useful lives are as follows: Buildings: 3 to 15 years Tools, furniture and fixtures: 4 to 5 years</p> <p>(2) Intangible fixed assets Straight line method Useful lives are as follows: Software: Software for internal use: 5 years Sales rights: 5 years</p>	<p>2. Depreciation and amortization methods of fixed assets</p> <p>(1) Tangible fixed assets Same as on the left.</p> <p>(2) Intangible fixed assets 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>2. Depreciation and amortization methods of fixed assets</p> <p>(1) Tangible fixed assets Same as on the left.</p> <p>(2) Intangible fixed assets Same as on the left.</p>

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
<p>3. Standards for posting allowances and reserves</p> <p>(1) Allowance for doubtful accounts To provide for losses arising from doubtful accounts, the estimated uncollectible amount is posted based on actual bad debt rates for general receivables, and individual collectability for specified debts including possible bad debts.</p> <p>(2) Reserve for bonuses To prepare for the payment of bonuses to employees, the estimated amount for the interim term is posted.</p> <p>(3) _____</p> <p>(4) Accrued severance indemnities To prepare for the payment of retirement benefits to employees, the amount required to be paid to voluntary retirees at the interim term-end is posted.</p> <p>(5) Reserve for directors' retirement allowance To prepare for the payment of directors' retirement allowance, the amount required to be paid at the interim term-end under the internal rules is posted.</p>	<p>3. Standards for posting allowances and reserves</p> <p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Reserve for bonuses Same as on the left.</p> <p>(3) Reserve for directors' bonuses To prepare for the payment of bonuses to directors, the amount required to be paid at the end of the current interim term is posted. (Change in accounting policies) The company adopts the "Accounting standards for directors' bonuses" (ASBJ Statement No. 4, November 29, 2005) from this interim term. As a result, operating income, ordinary income and interim income before income tax decreased 21,909,000 yen.</p> <p>(4) Accrued severance indemnities Same as on the left.</p> <p>(5) Reserve for directors' retirement allowance Same as on the left.</p>	<p>3. Standards for posting allowances and reserves</p> <p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Reserve for bonuses To prepare for the payment of bonuses to employees, the estimated amount for the term is posted.</p> <p>(3) _____</p> <p>(4) Accrued severance indemnities To prepare for the payment of retirement benefits to employees, the amount required to be paid to voluntary retirees at the term-end is posted.</p> <p>(5) Reserve for directors' retirement allowance To prepare for the payment of directors' retirement allowance, the amount required to be paid at the term-end under the internal rules is posted.</p>
<p>4. Standards for translating foreign currency-denominated assets and liabilities Foreign currency-denominated monetary claims and liabilities are translated into yen at spot exchange rates at the interim term-end, and exchange differences are posted as profit or loss.</p>	<p>4. Standards for translating foreign currency-denominated assets and liabilities Same as on the left.</p>	<p>4. Standards for translating foreign currency-denominated assets and liabilities Foreign currency-denominated monetary claims and liabilities are translated into yen at spot exchange rates at the term-end, and exchange differences are posted as profit or loss.</p>

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
<p>5. Other significant matters that are the bases for the preparation of interim financial statements</p> <p>Accounting for consumption taxes</p> <p>The tax exclusion method is adopted. Suspense consumption taxes paid and suspense consumption taxes received were offset and recorded as consumption taxes payable.</p>	<p>5. Other significant matters that are the bases for the preparation of interim financial statements</p> <p>Accounting for consumption taxes</p> <p>Same as on the left.</p>	<p>5. Other significant matters that are the bases for the preparation of financial statements</p> <p>Accounting for consumption taxes</p> <p>Same as on the left.</p>

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

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
<p>Accounting for impairment losses of fixed assets</p> <p>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.</p> <hr/>	<hr/> <p>Accounting standards for the presentation of net assets on balance sheet</p> <p>The Company adopts the “Accounting standards for the presentation of net assets on balance sheet” (ASBJ Statement No. 5, December 9, 2005) and the “Guidance on accounting standards for the presentation of net assets on balance sheet” (ASBJ Guidance No. 8, December 9, 2005) from this interim term.</p> <p>The amount equivalent to the former total of shareholders’ equity is 9,575,293,000 yen.</p> <p>Net assets on the balance sheet for this interim term are prepared in accordance with the revised regulations for interim financial statements, following the revision of the regulations.</p> <p>Accounting standards for corporate consolidation</p> <p>The company adopts the “Accounting standards for business combinations” (Business Accounting Council, October 31, 2003), the “Accounting standards for business divestitures” (Accounting Standards Board of Japan, December 27, 2005, ASBJ Statement No. 7) and the “Guidance on accounting standards for business combinations and accounting standards for business divestitures” (Accounting Standards Board of Japan, December 27, 2005, ASBJ Guidance No. 10) from this interim term.</p>	<p>Accounting for impairment losses of fixed assets</p> <p>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 current term. There is no effect of this change on the Company’s profits or losses.</p> <hr/>

Change in the disclosure methods

Six months ended September 30, 2005	Six months ended September 30, 2006
<p>Balance sheet</p> <p>“Suspense account payment” (822,000 yen for the current interim term) was included in “other current assets” of the current assets, because this amount is not large.</p>	<p style="text-align: center;">_____</p>

Notes

Interim non-consolidated balance sheets

(Thousands of yen)

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
*1 Accumulated depreciation of tangible fixed assets 569,199	*1 Accumulated depreciation of tangible fixed assets 590,689	*1 Accumulated depreciation of tangible fixed assets 589,260
*2 _____	*2 Notes that matured on the last day of the interim term Notes that matured on the last day of the interim term were settled as of their bill clearing days. Notes that will mature on the last day of the next interim term are included in the balance at the end of the interim term, since the last day of the current interim term fell on a bank holiday. Notes receivables 569	*2 _____

Interim non-consolidated statement of income

(Thousands of yen)

Six months ended September 30, 2005	Six months ended September 30, 2006	Year ended March 31, 2006
*1 Main items of non-operating income Interest income 3,023 Security income 15,416 Foreign exchange gain 16,710	*1 Main items of non-operating income Interest income 4,169 Security income 20,522 Foreign exchange gain 116,308	*1 Main items of non-operating income Interest income 6,015 Security income 35,691 Foreign exchange gain 160,165
*2 _____	*2 Main items of extraordinary profits Gain on sales of fixed assets Tools, furniture and fixtures 4,363	*2 _____
*3 Main items of extraordinary losses Loss on valuation of investment securities 630 Loss on disposal of fixed assets Building equipment 48 Tools, furniture and fixtures 4,627 Software 112	*3 Main items of extraordinary losses Loss on devaluation of investment in affiliates 13,339 Loss on disposal of fixed assets Building equipment 239 Tools, furniture and fixtures 2,124 Software 106	*3 Main items of extraordinary losses Loss on valuation of investment securities 630 Loss on disposal of fixed assets Building equipment 48 Tools, furniture and fixtures 6,272 Software 112 Sales rights 39,535
*4 Depreciation and amortization Tangible fixed assets 45,193 Intangible fixed assets 21,280	*4 Depreciation and amortization Tangible fixed assets 41,514 Intangible fixed assets 83,586	*4 Depreciation and amortization Tangible fixed assets 94,752 Intangible fixed assets 56,106

Interim Statement of Change in Shareholders' Equity

Six months ended September 30, 2006

Type and total number of outstanding shares and type and number of treasury shares (shares)

	Number of shares at the end of previous fiscal year	Increase in the number of shares during the current interim term	Decrease in the number of shares during the current interim term	Number of shares at the end of current interim term
Common shares (Note)	7,730	-	594	7,136
Total	7,730	-	594	7,136

Note: The decrease in the number of common shares in treasury stock by 594 shares is due to the sale of shares through the exercise of stock options.

Lease transactions

The disclosure of lease transactions is omitted, because these transactions are disclosed via EDINET (Electronic Disclosure for Investors' NETWORK).

Securities

September 30, 2005, September 30, 2006, March 31, 2006

There are no stocks of subsidiaries or affiliates with market value.

Significant subsequent events

None