This is a translation of the original financial report *(Kessan Tanshin)* in Japanese. In the event of any discrepancy, the original report in Japanese shall prevail.

Member of the Financial Accounting Standards Foundation

Financial Results
for Fiscal Year Ended March 31, 2008

April 30, 2008

Listed Company: Cybernet Systems Co., Ltd.
Stock Listing: the First Section of Tokyo Stock Exchange
Code Number: 4312
(URL http://www.cybernet.co.jp/)
Representative: Kuniaki Tanaka, Representative Director and President
Contact: Hiroshi Takahashi, Managing Director
Tel: (TOKYO) +81-3-5297-3010
Scheduled date of the General Meeting of Shareholders: June 20, 2008
Scheduled date of starting of dividend payment: June 4, 2008
Scheduled date of submission of financial statements: June 23, 2008

1. Consolidated Financial and Operating Results for the Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

Note: Amounts less than one million yen omitted.

(1) Consolidated Operating Results

Figures shown in percentages are rates of change from the previous year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2008	20,942	10.2	2,926	15.2	3,085	9.1	1,810	19.4
Year ended March 31, 2007	18,998	9.2	2,540	10.4	2,827	11.0	1,516	0.9

	Net income per share- basic	Net income per share - diluted	Return on equity	Ratio of ordinary income to total asset	Ratio of operating income to sales
	Yen	Yen	%	%	%
Year ended March 31, 2008	5,723.45	5,706.48	17.2	19.0	14.0
Year ended March 31, 2007	4,786.75	4,763.77	15.8	19.1	13.4

Ref.: Equity in earnings (losses) of affiliates
Year ended March 31, 2008: - Year ended March 31, 2007: -

(2) Consolidated Financial Position

	Total assets	Net assets	Capital ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2008	16,660	10,966	65.8	35,108.46
March 31, 2007	15,769	10,127	64.2	31,946.07

Ref.: Capital
Year ended March 31, 2008: 10,966 million yen Year ended March 31, 2007: 10,126 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2008	1,851	(656)	(671)	2,522
Year ended March 31, 2007	2,415	(3,054)	(434)	2,018

2. Dividend Status

Date of Record	Dividend per Share: End of Interim Period	Dividend per Share: End of Period	Dividend per Share: Annually	Total Cash Dividends (Annually)	Dividend Payout Ratio (Consolidated)	Dividend on Equity (Consolidated)
	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2007	700	900	1,600	507	33.4	5.3
Year ended March 31, 2008	700	1,100	1,800	565	31.4	5.4
Year ending March 31, 2009 (forecast)	900	1,000	1,900	-	30.5	-

3. Consolidated Forecast for the Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

Figures shown in percentages for the full year are rates of change from the previous year and those for the interim period are rates of change from the previous interim period

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions yen	%	Yen
Six months ending September 30, 2008	10,970	7.2	1,400	31.9	1,460	22.7	826	27.7	2,610.53
Year ending March 31, 2009	23,000	9.8	3,160	8.0	3,270	6.0	1,970	8.8	6,226.09

4. Others

1) Important changes involving subsidiaries during the period (Changes in special subsidiaries involving the change in the scope of consolidation): None
2) Changes in the principles and procedures of accounting method or method of presentation, etc. with regard to preparation of consolidated financial statements (Changes in items that are listed as changes in important matters that form the basis for preparing consolidated financial statements.)
   i) Changes following the revision of accounting standards: No
   ii) Changes for reasons other than those listed in above in i): No
3) Number of stocks outstanding (common stock)
   i) Number of stocks outstanding at fiscal year-end (including treasury stocks):
      Year ended March 2008: 324,000 Year ended March 2007: 324,000
   ii) Number of treasury stocks at fiscal year-end:
      Year ended March 2008: 11,632 Year ended March 2007: 7,001

(Reference)

1. Non-Consolidated Financial and Operating Results for the Year Ended March 31, 2008 (April 1, 2007 to March 31, 2008)

(1) Non-Consolidated Operating Results

Figures shown in percentages are rates of change from the previous year.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2008	18,652	12.3	2,890	13.7	3,025	8.0	1,619	8.5
Year ended March 31, 2007	16,604	13.5	2,543	11.8	2,802	12.0	1,493	2.0

	Net income per share -basic	Net income per share -diluted
	Yen	Yen
Year ended March 31, 2008	5,119.71	5,104.53
Year ended March 31, 2007	4,715.06	4,692.42

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Capital ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2008	15,821	10,727	67.8	34,341.10
March 31, 2007	15,044	10,078	67.0	31,792.53

Ref.: Capital
Year ended March 31, 2008: 10,727 million yen Year ended March 31, 2007: 10,078 million yen

2. Non-Consolidated Forecast for the Year Ending March 31, 2009 (April 1, 2008 to March 31, 2009)

Figures shown in percentages for the full year are rates of change from the previous year and those for the interim period are rates of change from the previous interim period.

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2008	9,870	7.8	1,460	32.4	1,510	24.0	881	62.3	2,784.36
Year ending March 31, 2009	20,200	8.3	3,000	3.8	3,100	2.5	1,810	11.7	5,720.42

* Regarding the business forecast and other notes
The above forecast figures are projections based on currently available information, and contain uncertainties in many respects. Actual result may differ from the forecast figures depending on changes in business conditions. With regard to matters related to the above forecasts, please see page 5 of this document.

1. Operating results

(1) Analysis of operating results

1) Operating results for the current fiscal year

During the current fiscal year, mainly in the wide-ranging field of new product development for the manufacturing industry, Cybernet System Co., Ltd. (hereinafter "the Company") and its subsidiaries (hereinafter "the Group") proposed a variety of solutions in order to answer to customer needs, which are becoming increasingly diverse, sophisticated and complex, while expending further efforts to improve customer satisfaction and expand sales.

In particular, the Group, by unearthing new products, developing new applications and reinforcing its structure for the development of proprietary products, has focused on expanding its CAE solutions services segment, primarily in the professional analysis and subcontracted development services, and consulting which are expected to become one of the major pillars for future Group businesses.

Additionally, in addressing the ever-growing shortage voiced by its customers for highly skilled CAE engineers, the Group launched its human resources development business, the "CAE University," in October 2007.

In terms of corporate governance, the Group improved its environment for managing information assets and thus acquired ISO27001 certification in November 2007, in addition to reinforcing its system to promote eco-conscious business activities through the acquisition of ISO14001 certification in February 2008. Moreover, the Group has been steadily developing its systems for the management of internal control in preparation for the commencement of its application in the fiscal year ending March 31, 2009.

As a result, operating results for current term remained basically strong, and despite the temporary increase in rent and expenses in conjunction with the relocation of Head Office in the first quarter of the current fiscal year, operating income, ordinary income, as well as net income all exceeded initial projections thanks to efforts to streamline operations and reduce costs.

In specific terms, consolidated net sales amounted to 20,942 million yen (up10.2% YOY), operating income was 2,926 million yen (up 15.2% YOY), ordinary income and net income were 3,085 million yen (up 9.1% YOY) and 1,810 million yen (up 19.4% YOY), respectively, for the current fiscal year.

The outline by business type is as follows:

From the current fiscal year, the name of the business segment formerly known as "Network Solution Services Business" has been changed to "IT Solution Services Business," reflecting the growth of the scope of said business segment. There have been no changes to the main products and service of this segment due to the name change.

[CAE Solution Services Business]

In the numerical, control and communication systems area, sales remained brisk backed by strong demand from existing customers including those in automotive and electric industries.

In the mechanical systems area, the Group introduced major new software to its core software products line and actively promoted activities to offer coupling analysis (Multiphysics), which enables comprehensive analysis of multiple simultaneous physical phenomena. Although growth in this area did not measure up to expectations, the orders received exceeded projections in the fourth quarter of the fiscal year and sales basically remained favorable, backed by orders primarily from major general electrical appliance makers and makers of digital materials for flat screen TVs and semiconductors, including resin, rubber, fiber and glass.

Amid intensified competition in the development of flat panel display products in the optical systems area, the Group actively promoted its series of solutions, which included radiant source measurement, design/analysis of displays, and systems to measure the lamination intensity, chromaticity and undulation of prototypes and finished products and maintained robust sales of its illumination analysis software.

In the electronics systems area, heated competition to develop miniaturized and high-frequency electronic devices continued and sales of electronic circuit design systems and analysis software that addressed the issue of controlling unwanted electromagnetic wave radiation noise and heat, and ensured transmission quality remained strong.

In terms of the engineering service area centered on professional analysis/subcontracted development and consulting services, demand has been high for professional analysis services from the atomic power industry, which has been coming into focus lately as a result of soaring crude oil prices and global warming, and orders have increased steadily. Moreover, professional analysis services intended for the automotive industry, which has been seeking ways to cut back on prototypes in the development phase of new products, have grown dramatically.

Furthermore, in the semiconductor industry, demand for the Company's sophisticated analysis technology has grown proportionately with the increasing degree of difficulty in substrate design, reflecting the miniaturization of electronic devices and the trend for high-speed signals and has contributed dramatically to the increase in service revenues.

In the new product area, the tolerance analysis software intended for 3-dimensional CAD systems, which enable production with stable quality at low cost in the commercial mass production phase, was launched in September, performed impressively from the initial year and contributed to the operating results.

Additionally, proposed solutions based on optimization software led to the improvement of customer satisfaction and robust sales.

Sales of proprietary products, mainly in the medical image field, such as the visceral fat area measuring software, which was developed for the early detection of metabolic syndrome, remained strong. Consequently, demand for an even more sophisticated visualization was created, leading to steady growth of subcontracted development services. Furthermore, the Company engaged in development to further enhance the functions of existing software, which would enable sophisticated analysis, in anticipation of growing demand in the plastic analysis field intended mainly for the automotive-related industry.

As a result, sales in this segment amounted to 18,538 million yen (up 13.1% YOY) and operating income reached 4,822 million yen (up 18.4% YOY).

[IT Solution Services Business]

In the IT solution services area, demand for business performance improvement software grew significantly due to the wide acceptance it has gained in the general business area as well as to the recent trend for visualization of business processes, which has boosted sales of the new version of the product with simplified functions.

The Group recorded strong sales of security services in the form of SaaS (ASP), which began from the current fiscal year. On the other hand, sales of other security software products including hard disk encryption software, network encryption software and PC operation log collection software seemed to have reached a plateau and leveled out.

Moreover, despite solid demand from existing customers, sales of terminal emulators, one of the Group's mainstay item, fell slightly below previous year's levels due to an overall shrinkage of the market.

Demand for the internal control risk management system leveled off briefly after the third quarter, however, during the first half of the year sales had reached levels set in the annual plan and had performed strongly.

Meanwhile, in terms of security-related antivirus software, in September 2006 a second-tier distributing agent, which had been a major customer, was promoted to primary distributing agent, resulting in a substantial decrease in sales. However, the Group has acquired corporate distributorship rights to new antivirus software and has commenced sales activities.

As a result, sales in the IT solution services business amounted to 2,403 million yen (down 7.8% YOY) and operating income was 104 million yen (down 0.7% YOY).

2) Forecast for the next fiscal year

As for the fiscal year ending March 2009, there are concerns for the impact of the problems plaguing the U.S. economy, namely the subprime mortgage crisis, on the real economy; and the impact of a decelerated domestic economy and the ensuing stagnation of domestic demand, falling stock prices, concerns for the appreciating yen and high raw materials prices on corporate earnings, primarily of the manufacturing industry.

The major manufacturers, in preparation for shrinking domestic demand caused by an aging society and further lowering of the birth rate, are accelerating their global deployment of their product development, production and sales. On the other hand, consumer demands for product safety, mitigation of the environmental burden, lower prices and added value are growing on a yearly basis.

Japanese manufacturers, namely in the automotive, the electric and the precision equipment industries, are focusing their attention on business investments and building product development environments that cater to these demands.

The CAE solution services provided by the Group are contributing to product quality improvement, shortening of development period, reduction of development costs, increasing product safety and the development of environmentally-friendly products for these manufacturers.

Therefore, despite the uncertainty shrouding the future of the economy and concerns for short-terms negative effects on its businesses, the Group expects brisk demand to continue in the medium- to long-term.

In order to answer to these increasingly diverse, sophisticated and complex needs of these Japanese manufacturers, the Group will continue to pursue its priority policy of intensively promoting its multi-product solutions with focus on the Group's principle products, as well as ensure steady sales of products that were newly introduced for the purpose of expanding the Group's business.

In the services area, the Group will reinforce its commitment toward establishing the professional analysis, subcontracted development and consulting services, for which customer demand is expected to grow, as the main pillars of the Group's businesses. At the same time, the Group, as part of its human resources development support, also intends to expend its efforts in the commercialization of CAE University, which aims to foster CAE engineers.

The Group, instead of limiting the scope of its CAE solutions business to traditional research and analysis, intends to expand its business to cover elements of design and production, and aim for a business that supports the product development environment of the Japanese manufacturers in every aspect.

The earnings forecasts by segment are as follows:

[CAE Solution Services Business]
In this segment, rising raw materials costs and the oppressive effects of the strong yen on profits have dampened the appetite for investment among the Group's corporate clients and there are concerns for its negative impact on the Group's earnings in the short-term. However, as the willingness of these clients to invest in R&D remains unabated, in the medium- to long-term, earnings in this segment are expected to maintain its momentum.

In the control, communication and numerical systems area, the sales agency agreement for the Company's major software, MATLAB, will expire on June 30, 2009. However the Company believes that its earnings for the coming fiscal year will not be affected in any way from this expiry. And the Group intends to maintain its sales and technical support structure, in order to be ever responsive to the strong demands of its existing customers, primarily in the automotive, electronics and education fields.

In the mechanical systems area, the Group, by strengthening its relationships with the developers, making aggressive investments into human resources, and continuing to make structural reinforcements, expects to further expand sales of its main software line-up.

In the optical systems area, the Group intends to offer new technical solutions involving organic EL, solar batteries, microscopic optics design, etc., mainly to the electronics and automotive makers through which it anticipates stable growth.

In the electronics systems area, the Group intends to answer to the customer demands for enhanced added-value, more high-speed signals, shortening of the development period and environmental measures in the development phase spanning the period from product planning to design/manufacture, by aggregating its design/analysis solutions from circuit design to printed circuit board design. Moreover, the Group hopes to provide solutions in tune with the needs of the customer, by focusing on the field of noise control including the analysis of electromagnetic radiation heat and noise and further expand its market.

In terms of new products, the new line-up of software launched in the previous year is expected to contribute to the Group's earnings. The Group will also commence sales of new software in the field of digital signage (electronic posters/bulletin boards) found in railway stations, airports and major commercial facilities.

Large demand in the engineering service area is anticipated from atomic power-related and automotive industries in the coming fiscal year. In the optical and electronics fields also, the Company intends to cash in on the growing demands for professional analysis services and subcontracted development, reflecting the trend for greater complexity and sophistication of analysis subjects and further expand its services revenue.

In terms of proprietary development of software, riding on the strength of greater sophistication in medical treatment technology the Company will commence development of new software in specific medical fields, including visualization software attached to endoscopic instruments, to follow up on the visceral fat area measuring software.

[IT Solution Services Business]
Backed by demand for improved productivity and the visualization of business processes, business performance improvement software and its simplified-function versions are expected to gain even greater acceptance in the general business field and the Group has identified these products as leading products for the fiscal year ending March 2009.

Additionally, in terms of security service in the form of SaaS (ASP), the Group expects substantial growth thanks to being awarded a large order scheduled for commencement in the coming fiscal year and it will continue to make concerted efforts to secure large-volume orders.

As for terminal emulators, despite the effects of the shrinking market, large-scale update orders from existing customers are expected, which will lead to a slight increase in sales.

The Group also expects to increase sales of its hard disk encryption software as it has commenced user application support services of such software in China.

With the resurgence of demand for server management, the internal control risk management system market is expected to come out of its temporary lull and the Group intends to focus on the development of peripheral functions compatible with the changes in this market and provide advanced solutions, while at the same time engage in the full-scale launch of IT performance assessment systems.

The Group will also concentrate on acquiring a greater market share for the antivirus software, which was recently introduced to the Group's product portfolio by reinforcing its sales strategies.

Although, in the short-term, a number of risks remain as a result of the uncertainties in the future of the domestic and world economies, in the medium- to long-term, the Group predicts that demand by Japanese manufacturers for the Group's solution business will remain strong.

The Group intends to promote the above-mentioned business initiatives and strive to achieve the earnings forecast shown below by providing higher value added and higher quality services than before to cultivate new customer and improve the satisfaction of existing customers.

[Consolidated earnings forecast for fiscal year ending March 2009]

Net sales	23,000 million yen	(up 9.8% YOY)
Ordinary income	3,270 million yen	(up 6.0% YOY)
Net income	1,970 million yen	(up 8.8% YOY)

Notes:

1 The above consolidated earnings forecast for the fiscal year ending March 2009 is based on the information available on trends in the industry, domestic economic conditions and those overseas, and foreign exchange market conditions, etc. as of the release of this material. Therefore, this consolidated earnings forecast may change substantially due to fluctuations in the above factors.

2 For calculation of the above consolidated earnings forecast, a foreign exchange rate of 110 yen per U.S. dollar was assumed.

3) Medium-term business plan

As announced in the Company's press release of January 17, 2008, the sales agency agreement with The MathWorks (U.S.) will expire and operations will be transferred on July 1, 2009. However, until this date, the Company will collaborate with the developer and strive to expand sales of MATLAB under the sales agency agreement.

Therefore the earnings for the year ending March 2009 will not be impacted by the expiry of this agreement. In terms of the earnings forecast for the year ending March 2010, net sales will be effected somewhat, but the Company predicts minimal impact on net income as it will be compensated for its cooperation in the operation transfer.

As for the year ending March 2011 and beyond, the Company, in order to answer to the pressing needs of the automotive industry and other existing customers of MATLAB, intends to enhance MATLAB's third party products and reinforce its structure for consulting and professional analysis/subcontracted development.

However, in the medium-term, the effects of the expiry of the agreement are expected to be grave and the Company has been forced to abandon its medium- to long-term management plan, known as "Step 105," which began in 2005. Consequently the Company has accelerated the rate of change in transforming its business model from "a distributorship business to a solutions business," which had been proposed in said management plan and is currently striving to transform its business structure into one that can withstand changes and risks.

As part of its priority measures, the Company, through in-house development of software for application fields, which cannot be effectively dealt with by existing software, development of new software in new areas, and the expansion of its professional analysis and subcontracted development businesses, intends to reinforce and promote its multi-product solution business based on the Group's proprietary CAE technology.

In terms of its overseas business, the Company will accelerate its global deployment with the possible consolidation of its unconsolidated Chinese subsidiary in the course of its expansion of operations and entry into other Asian markets.

The new medium-term management plan aims to restore the 21,000 million yen mark for net sales, which is the net sales for the current fiscal year and a 10% ratio of ordinary income to net sales and has thus been named the "Phoenix 21." The three-year projections for "Phoenix 21" are as follows:

(New medium-term management plan: Phoenix 21) (Unit: millions of yen)

	Fiscal year ending March 2009	Fiscal year ending March 2010	Fiscal year ending March 2011
Net sales	23,000	18,980	21,000
Ordinary income	3,270	1,460	2,100
Net income	1,970	1,840	1,530

(2) Analysis on Financial Conditions

1) Net assets

The balance of net assets at the end of the current fiscal year was 16,660 million yen, an increase of 890 million yen from the end of the previous consolidated fiscal year.

As for changes in assets, current assets posted 11,259 million yen, a decrease of 1,716 million yen compared to the end of the previous consolidated fiscal year. The main factor behind the decrease was the reduction in marketable securities of 2,718 million yen, although cash and deposits and advance money increased by 503 million yen and 288 million yen, respectively. Fixed assets amounted to 5,401 million yen, posting an increase of 2,607 million yen compared to the end of the previous consolidated fiscal year. This was due mainly to the increase in investment securities and the acquisition of assets accompanying the relocation of the Head Office to Akihabara in May 2007.

With regard to changes in liabilities, total liabilities increased 51 million yen from the end of the previous consolidated fiscal year to 5,693 million yen. This was primarily due to the 315 million yen increase in derivatives liabilities, despite the 264 million yen decrease in income taxes payable.

Concerning changes in net assets, total net assets were 10,966 million yen, an increase of 839 million yen from the end of the previous consolidated fiscal year. The main factor behind the increase was a rise in retained earnings of 1,279 million yen because of net income posted of 1,810 million yen, although there was a decrease in net assets from payment of dividends of 507 million yen. Consequently, the capital ratio increased from 64.2% at the end of the previous consolidated fiscal year to 65.8%.

2) Cash flow

The balance of cash and cash equivalents (hereinafter, “cash”) at the end of the current consolidated fiscal year increased by 503 million yen compared to the end of the previous consolidated fiscal year to 2,522 million yen (up 25.0 % YOY).

[Cash flows from operating activities]

Cash flows provided by operating activities amounted to 1,851 million yen (down 23.3% YOY). This was mainly because income before income taxes amounted to 2,935 million yen, depreciation and amortization was 509 million yen and amortization of goodwill was 230 million yen; and offset by a decrease in payables of 278 million yen, a 137 million yen decrease in accrued expenses, including expenses to restore the former Head Office building accompanying the relocation of the Head Office to Akihabara, and the payment of income taxes of 1,359 million yen.

[Cash flows from investing activities]

Cash flows used in investing activities amounted to 656 million yen (up 78.5% YOY). This was mainly due to the payment of 817 million yen for the acquisition of tangible and intangible fixed assets.

[Cash flows from financing activities]

Cash flows used in financing activities amounted to 671 million (down 54.5% YOY). This was mainly due to payment of stock dividends in the amount of 505 million yen and the payment of 177 million yen for the acquisition of own shares.

(Reference)

Trends of cash flow indices

	March 31, 2005	March 31, 2006	March 31, 2007	March 31, 2008
Capital ratio (%)	-	66.1	64.2	65.8
Capital ratio on the market value basis (%)	-	307.3	154.3	65.9
Ratio of interest-bearing liabilities to cash flow (%)	-	-	-	-
Interest coverage ratio	-	-	-	-

Capital ratio: Capital/total assets

Capital ratio on the market value basis: Market capitalization/total assets

Ratio of interest-bearing liabilities to cash flow: Interest-bearing liabilities / cash flow

Interest coverage ratio: Cash flow / interest paid

Notes:

1 All the indices were calculated based on consolidated financial figures.

2 Market capitalization was calculated based on the “closing stock price at the term-end multiplied by the total number of outstanding shares at term-end.”

3 Cash flow denotes operating cash flows.

4 Of the liabilities posted on the consolidated balance sheet, liabilities for which interests are paid are listed as interest-bearing liabilities.

(3) Basic Policies on Profit Distribution and Dividends for the Current Fiscal Year and Next Fiscal Year

The Company places the highest priority on the dividend policy for shareholders, and basically strives to pay steady and continuous dividends, strengthen and expand its earnings base corresponding to rapid changes and development of industries, and accumulate internal reserves for active business development in the future.

Based on the foregoing policy, the Company paid out an interim dividend of 700 yen per share for the current interim term. As for the estimated year-end dividends, the Company plans to increase the amount of cash dividend by 200 yen from the initial forecast to 1,100 yen per share, which is scheduled to be resolved at the Board of Directors Meeting to be held on May 13, 2008, after a statutory audit on financial documents for the current fiscal year.

The Company will determine other profit distributions at the Board of Directors’ Meeting, after careful consideration of the future business environment.

Furthermore, the Company will strive to meet the expectations of shareholders by actively investing retained earnings in the expansion of its business segments, the study and research of advanced technologies, unearthing new software, human resource development and capital expenditure for seminar facilities, etc. in an effort to enhance and expand the earnings base and pursue profits further.

In terms of the cash dividend for the next fiscal year, the Company, based on its basic policies, plans to pay 1,900 yen per share for the full year.

(4) Business risks

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

1) Risks related to the competitive advantages of products
The Group's business is to globally provide technology services related to advanced and highly-reliable software and solutions in the digital engineering business area. The main software products that the Group handles have repeatedly evolved over their long life cycles, but the market competitiveness of these products may deteriorate as more and more competitive software products appear on the market and as the development ability of developers declines in the future. As a result, the Group's performance may be negatively affected.

Accordingly, the Group will examine and verify the progress of competing 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 against unauthorized access, 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) Risks associated with securing personnel and human resource development
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 has established an exclusive division for personnel recruitment and training and is striving to secure personnel in the medium- and long-term. However, if this recruitment of superior personnel and training do not proceed as originally planned, it may negatively affect the business development, business performance and outlook for the future of the Group in the long term.

7) Risks of information system trouble

In the case of trouble in operation systems such as the accounting system and network infrastructure systems due to unpredictable events, the Group will incur material obstacles to operations such as delays in system recovery.

Accordingly, the Company, in order to ensure stable maintenance and operations, has implemented technical countermeasures including the use of external data centers and reinforcement of its recovery system, and has also prepared relevant information security regulations, in a company-wide effort for developing and operating safe computer systems.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

Classification	No.	March 31, 2007 Amount		Composition ratio (%)	March 31, 2008 Amount		Composition ratio (%)
Assets							
I Current assets							
1 Cash and deposits			2,018,570			2,522,309	
2 Notes receivable -trade and accounts receivable	*2		4,478,768			4,549,155	
3 Marketable securities			4,499,246			1,780,556	
4 Inventories			82,981			166,801	
5 Short-term loans			1,000,000			1,000,000	
6 Deferred tax assets			299,789			301,100	
7 Other current assets			601,418			944,220	
Allowance for doubtful accounts			(4,733)			(4,753)	
Total current assets			12,976,042	82.3		11,259,390	67.6
II Fixed assets							
1 Tangible fixed assets							
(1) Buildings		155,347			269,321		
Accumulated depreciation		(130,783)	24,564		(75,985)	193,336	
(2) Tools, furniture and fixtures		706,733			781,402		
Accumulated depreciation		(544,094)	162,638		(450,407)	330,994	
Total tangible fixed assets			187,203	1.2		524,331	3.2
2 Intangible fixed assets							
(1) Goodwill			417,358			198,999	
(2) Other intangible fixed assets			513,106			455,398	
Total intangible fixed assets			930,464	5.9		654,398	3.9
3 Investments and other assets							
(1) Investment securities			1,133,304			3,693,179	
(2) Investments in capital	*1		83,557			83,557	
(3) Lease and guarantee deposits			254,577			66,589	
(4) Deferred tax assets			194,968			367,933	
(5) Others			12,651			13,816	
Allowance for doubtful accounts			(3,110)			(2,610)	
Total investments and other assets			1,675,949	10.6		4,222,466	25.3
Total fixed assets			2,793,617	17.7		5,401,195	32.4
Total assets			15,769,659	100.0		16,660,585	100.0

(Thousands of yen)

		March 31, 2007		March 31, 2008	
Classification	No.	Amount	Composition ratio (%)	Amount	Composition ratio (%)
Liabilities					
I Current liabilities					
1 Accounts payable - trade		2,315,412		2,325,382	
2 Income taxes payable		766,173		501,393	
3.Consumption taxes payable		190,574		180,428	
4 Advances received		699,287		830,742	
5 Reserve for bonuses		379,094		386,444	
6 Reserve for bonuses to directors		62,497		63,217	
7 Other current liabilities		735,319		896,248	
Total current liabilities		5,148,359	32.7	5,183,857	31.1
II Fixed liabilities					
1 Reserve for retirement benefits		451,669		453,141	
2 Reserve for directors' retirement allowance		41,986		56,826	
Total fixed liabilities		493,655	3.1	509,967	3.1
Total liabilities		5,642,015	35.8	5,693,825	34.2
Net assets					
I Shareholders' equity					
1 Capital stock		995,000	6.3	995,000	6.0
2 Capital surplus		909,000	5.8	909,000	5.4
3 Retained earnings		8,849,779	56.1	10,129,625	60.8
4 Treasury stock		(676,363)	(4.3)	(818,458)	(4.9)
Total shareholders' equity		10,077,416	63.9	11,215,167	67.3
II Unrealized gains and exchange differences					
1 Unrealized gains on marketable securities		65,407	0.4	(125,242)	(0.8)
2 Deferred hedge gains and losses		(15,952)	(0.1)	(123,163)	(0.7)
Total unrealized gains and exchange differences		49,455	0.3	(248,406)	(1.5)
III Minority interest		772	0.0	-	-
Total net assets		10,127,644	64.2	10,966,760	65.8
Total liabilities and net assets		15,769,659	100.0	16,660,585	100.0

(2) Consolidated Statements of Income

(Thousands of yen)

Classification	No.	Years ended March 31, 2007 Amount		Composition ratio (%)	Years ended March 31, 2008 Amount		Composition ratio (%)
I Net sales			18,998,366	100.0		20,942,535	100.0
II Cost of sales			11,690,094	61.5		12,469,412	59.5
Gross profit			7,308,271	38.5		8,473,123	40.5
III Selling, general and administrative expenses	*1, 2		4,767,602	25.1		5,546,179	26.5
Operating income			2,540,669	13.4		2,926,943	14.0
IV Non-operating income							
1 Interest income		45,043			38,064		
2 Dividend income		-			59,004		
3 Exchange gain		184,398			31,400		
4 Subsidy income		47,819			26,106		
5 Other		10,365	287,626	1.5	6,354	160,929	0.7
V Non-operating expenses							
1 Sales discount		167			213		
2 Other		643	811	0.0	1,786	2,000	0.0
Ordinary income			2,827,484	14.9		3,085,873	14.7
VI Extraordinary gain							
1 Gain on sale of fixed assets		8,381			-		
2 Gain on sale of investment securities		-	8,381	0.0	140,756	140,756	0.7
VII Extraordinary losses							
1 Loss on disposal of fixed assets	*3	5,312			7,863		
2 Loss on transfer of fixed assets	*4	-			34		
3 Loss on devaluation of investments in capital		13,339			-		
4 Retirement benefit expenses		30,687			-		
5 Head office relocation expenses	*5	178,190			-		
6 Amortization of goodwill	*6	-			138,714		
7 Extraordinary depreciation of fixed assets	*7	-			144,563		
8 Other		233	227,763	1.2	-	291,175	1.4
Income before income taxes			2,608,102	13.7		2,935,455	14.0
Corporate, inhabitant and enterprise taxes		1,246,834			1,095,056		
Deferred income taxes		(153,586)	1,093,248	5.7	29,313	1,124,369	5.4
Income (loss) of minority shareholders			(1,374)	(0.0)		126	0.0
Net income			1,516,227	8.0		1,810,959	8.6

(3) Consolidated Statements of Changes in Shareholder's Equity

Previous Fiscal Year (April 1, 2006 to March 31, 2007) (Thousands of yen)

Item	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at end of previous year	995,000	909,000	7,899,890	(746,791)	9,057,099
Change in the year ended March 31, 2007					
Dividends of surplus (Note)			(237,202)		(237,202)
Dividends of surplus			(221,804)		(221,804)
Bonuses to directors (Note)			(46,590)		(46,590)
Bonuses to directors			(13,670)		(13,670)
Net income			1,516,227		1,516,227
Losses on disposal of treasury stock			(47,071)	70,428	23,356
Change in items other than shareholders' equity (net)					
Total change	-	-	949,889	70,428	1,020,317
Balance at end of year ended March 31, 2007	995,000	909,000	8,849,779	(676,363)	10,077,416

Item	Unrealized gains and exchange differences			Minority interest	Total net assets
	Unrealized gains on marketable securities	Deferred hedge gains and losses	Total unrealized gains and exchange differences		
Balance at end of previous year	69,314	-	69,314	2,146	9,128,560
Change in the year ended March 31, 2007					
Dividends of surplus (Note)					(237,202)
Dividends of surplus					(221,804)
Bonuses to directors (Note)					(46,590)
Bonuses to directors					(13,670)
Net income					1,516,227
Losses on disposal of treasury stock					23,356
Change in items other than shareholders' equity (net)	(3,906)	(15,952)	(19,858)	(1,374)	(21,233)
Total change	(3,906)	(15,952)	(19,858)	(1,374)	999,083
Balance at end of year ended March 31, 2007	65,407	(15,952)	49,455	772	10,127,644

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

Consolidated Statements of Changes in Shareholder's Equity

Current Fiscal Year (April 1, 2007 to March 31, 2008) (Thousands of yen)

Item	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at end of previous year	995,000	909,000	8,849,779	(676,363)	10,077,416
Change in the year ended March 31, 2008					
Dividends of surplus			(507,286)		(507,286)
Net income			1,810,959		1,810,959
Acquisition of treasury stock				(177,744)	(177,744)
Losses on disposal of treasury stock			(23,826)	35,648	11,822
Change in items other than shareholders' equity (net)					
Total change	-	-	1,279,846	(142,095)	1,137,750
Balance at end of year ended March 31, 2008	995,000	909,000	10,129,625	(818,458)	11,215,167

Item	Unrealized gains and exchange differences			Minority interest	Total net assets
	Unrealized gains on marketable securities	Deferred hedge gains and losses	Total unrealized gains and exchange differences		
Balance at end of previous year	65,407	(15,952)	49,455	772	10,127,644
Change in the year ended March 31, 2008					
Dividends of surplus					(507,286)
Net income					1,810,959
Acquisition of treasury stock					(177,744)
Losses on disposal of treasury stock					11,822
Change in items other than shareholders' equity (net)	(190,650)	(107,211)	(297,862)	(772)	(298,634)
Total change	(190,650)	(107,211)	(297,862)	(772)	839,116
Balance at end of year ended March 31, 2008	(125,242)	(123,163)	(248,406)	-	10,966,760

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

		Year ended March 31, 2007	Year ended March 31, 2008
Classification	No.	Amount	Amount
I Cash Flows from Operating Activities			
1 Income before income taxes		2,608,102	2,935,455
2 Depreciation and amortization		281,179	509,000
3 Amortization of goodwill		110,505	230,020
4 Interest income and dividend income		(45,043)	(97,068)
5 Foreign exchange loss (gain)		(10,441)	20,003
6 Gain on sales of fixed assets		(8,381)	-
7 Loss on disposal of fixed assets		5,312	7,863
8 Loss on transfer of fixed assets		-	34
9 Gain on sales of investment securities		-	(140,756)
10 Retirement benefit expenses		30,687	-
11 Head office relocation expenses		178,190	-
12 Loss on valuation of investments in capital		13,339	-
13 (Increase) decrease in trade receivables		(73,589)	60,861
14 (Increase) decrease in inventories		2,218	(83,819)
15 Increase (decrease) in payables		(140,312)	(278,929)
16 Increase (decrease) in accrued expenses		125,092	(137,208)
17 Increase (decrease) in accrued consumption tax and others		61,710	(10,146)
18 Increase (decrease) in allowance for doubtful accounts		734	(479)
19 Increase (decrease) in accrued bonuses		80,536	7,350
20 Increase (decrease) in accrued bonuses to directors		62,497	719
21 Increase (decrease) in accrued severance indemnities		17,253	1,471
22 Increase (decrease) in reserve for directors' retirement allowances		(15,856)	14,840
23 Bonuses paid to directors and corporate auditors		(60,260)	-
24 Others		65,004	80,788
Subtotal		3,288,481	3,119,998
25.Interest and dividends received		55,259	91,241
26.Income taxes paid		(928,438)	(1,359,874)
Net cash provided by operating activities		2,415,301	1,851,365

Classification	No.	Year ended March 31, 2007 Amount	Year ended March 31, 2008 Amount
II Cash Flows from Investing Activities			
1 Payment for additional acquisition of stocks of consolidated subsidiaries		-	(12,560)
2 Payment for acquisition of operation	*2	(237,631)	-
3 Payment for acquisition of tangible fixed assets		(104,826)	(479,564)
4 Payment for acquisition of intangible fixed assets		(212,765)	(338,231)
5 Payment for acquisition of marketable securities		(13,486,235)	(6,388,766)
6 Proceeds from redemption of marketable securities		12,072,171	6,487,425
7 Proceeds from cancellation of marketable securities		-	2,619,899
8 Payment for acquisition of investment securities		(1,010,095)	(2,920,357)
9 Proceeds from sales of investment securities		-	150,912
10 Proceeds from redemption of investment securities		-	33,850
11 Payment for loans		(2,000,000)	(2,000,000)
12 Proceeds from collection of loans		2,000,000	2,000,000
13 Payment for insurance reserve fund		(2,165)	(2,165)
14 Payment for investment in capital		(80,234)	-
15 Others		7,669	193,322
Net cash used in investing activities		(3,054,113)	(656,235)
III Cash Flows from Financing Activities			
1 Payment for acquisition of own shares		-	(177,744)
2 Proceeds from exercise of stock option rights		23,356	11,822
3 Payment for dividends		(458,023)	(505,466)
Net cash used in financing activities		(434,667)	(671,388)
IV Effect of exchange rate changes in cash and cash equivalents		10,441	(20,003)
V Net increase (decrease) in cash and cash equivalents		(1,063,037)	503,738
VI Cash and cash equivalents at beginning of term		3,081,608	2,018,570
VII Cash and cash equivalents at term-end	*1	2,018,570	2,522,309

Segment Information

a. Business segment information

Year ended March 31, 2007

(Thousands of yen)

	CAE Solution Services Business	Network Solution Services Business	Total	Eliminations	Consolidation
I Net sales and operating income/loss					
Net sales					
(1) Net sales to outside customers	16,392,243	2,606,122	18,998,366	-	18,998,366
(2)Sales and transfer between segments	7,920	4,020	11,940	(11,940)	-
Total	16,400,163	2,610,142	19,010,306	(11,940)	18,998,366
Operating expenses	12,325,262	2,505,213	14,830,475	1,627,220	16,457,696
Operating income	4,074,901	104,929	4,179,830	(1,639,161)	2,540,669
II Assets, depreciation and amortization and capital expenditure					
Assets	5,868,921	971,313	6,840,234	8,929,424	15,769,659
Depreciation and amortization	99,746	132,229	231,975	92,326	324,301
Capital expenditure	342,731	86,713	429,444	175,579	605,023

Notes: 1. Businesses are segmented based on the similarity of products or services that each segment provides to users.

2. Principal products and services that belong to each segment

Segment	Principal products and services
CAE Solution Services Business	Finite element method analysis software, Numerical analysis software, Optical analysis & Illumination analysis software, brightness, lamination intensity and chromaticity measurement systems, Electronic circuit simulator, High-frequency circuit design system, Visualization software, Medical image software, Mold flow and molding analysis software, User education, Professional analysis service
Network Solution Services Business	PC connection software, PC asset management, License management, Business process management software, Security measurement software, Web meeting service, Internal control risk management system

3. Principal unallocated operating expenses included in Eliminations (1,652,996 thousand yen) are related to the Administrative Division.

4. The asset amount included in the eliminations column is 8,979,304 thousand yen, which mainly consists of excess funds invested (cash and securities) and other assets related to the Administrative Division of the Company.

5. Changes in accounting policies

(Accounting standards concerning bonuses to directors)

The Company adopts the "Accounting standards for directors' bonuses" (ASBJ Statement No. 4, November 29, 2005) from the current fiscal year. As a result of the change, operating expenses in "Elimination" were 62,497 thousand yen higher than the figure calculated based on the former method, and operating income was lower by the same amount.

Year ended March 31, 2008

(Thousands of yen)

	CAE Solution Services Business	Network Solution Services Business	Total	Eliminations	Consolidation
I Net sales and operating income/loss					
Net sales					
(1) Net sales to outside customers	18,538,546	2,403,989	20,942,535	-	20,942,535
(2) Sales and transfer between segments	16,380	2,124	18,504	(18,504)	-
Total	18,554,926	2,406,113	20,961,040	(18,504)	20,942,535
Operating expenses	13,732,160	2,301,964	16,034,124	1,981,467	18,015,592
Operating income	4,822,766	104,149	4,926,915	(1,999,972)	2,926,943
II Assets, depreciation and amortization and capital expenditure					
Assets	6,089,036	832,373	6,921,410	9,739,175	16,660,585
Depreciation and amortization	91,434	243,066	334,501	221,542	556,043
Capital expenditure	155,341	99,159	254,501	538,923	793,425

Notes: 1. Businesses are segmented based on the similarity of products or services that each segment provides to users.
From the current fiscal year, the name of the business segment formerly knows as "Network Solution Services Business" has been changed to "IT Solution Services Business." There have no changes to the main products and service of this segment due to the name change.

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, brightness, lamination intensity and chromaticity measurement systems, Electronic circuit simulator, High-frequency circuit design system, Visualization software, Medical image software, Moldflow and molding analysis software, User education, Professional analysis service
IT Solution Services Business	PC connection software, PC asset management, License management, Business process management software, Security measurement software, Web meeting service, Internal control risk management system

3. Principal unallocated operating expenses included in Eliminations (1,998,004 thousand yen) are related to the Administrative Division.
4. The asset amount included in the eliminations column is 9,802,208 thousand yen, which mainly consists of excess funds invested (cash and securities) and other assets related to the Administrative Division of the Company.

b. Geographical segment information

Year ended March 31, 2007 and Year ended March 31, 2008

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

c. Overseas sales

Year ended March 31, 2007 and Year ended March 31, 2008

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