

February 8, 2007

Summary Report of Consolidated Operating Results for Fiscal 2006 (Year ended December 31, 2006)

Company name: Future Architect, Inc.
 Shares listed on: First Section of Tokyo Stock Exchange
 Security code number: 4722
 Head office: Tokyo, Japan
 Website: <http://www.future.co.jp>
 Representative: Shin Yasunobe, President & C.O.O.
 Contact: Naoto Konishi, Director of the Board & C.F.O.
 Tel: +81-3-5740-5724
 Date of approval of consolidated statements by board of directors: February 8, 2007
 U.S. GAAP: Not adopted

1. Consolidated Results for Fiscal 2006 (January 1, 2006 to December 31, 2006)

(1) Consolidated operating results (Amount rounded off to million yen)

	Net sales		Operating income		Ordinary income	
	Million yen	% change	Million yen	% change	Million yen	% change
Fiscal 2006	15,261	39.3	2,754	47.8	2,741	51.4
Fiscal 2005	10,957	17.0	1,863	109.6	1,809	114.2

	Net income		Net income per share	Net income per share (fully diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	Million yen	% change	Yen	Yen	%	%	%
Fiscal 2006	1,525	30.2	3,331.45	3,309.71	21.7	27.4	18.0
Fiscal 2005	1,171	155.5	10,131.31	10,126.32	16.5	18.5	16.5

Notes:

1. Profit/loss from equity method investments:

Fiscal 2006: (19) million yen
 Fiscal 2005: (57) million yen

2. Average number of shares outstanding during the period (consolidated):

Fiscal 2006: 457,777 shares
 Fiscal 2005: 115,606 shares

3. Changes in accounting methods: None

4. Percentage figures shown in the net sales, operating income, ordinary income and net income columns represent year-on-year changes for those items.

5. A 4-for-1 common stock split was made as of February 1, 2006. Net income per share and net income per share (fully diluted) for Fiscal 2006 were calculated assuming that the stock split was made at the beginning of year.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	Percent (%)	Yen
Fiscal 2006	9,712	6,493	66.7	14,664.38
Fiscal 2005	10,324	7,591	73.5	65,820.54

Note: Total outstanding shares as of the end of the period (consolidated):

Fiscal 2006: 441,736 shares
 Fiscal 2005: 115,333 shares

(3) Consolidated cash flow position

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at the end of the period
	Million yen	Million yen	Million yen	Million yen
Fiscal 2006	2,260	(320)	(2,885)	3,871
Fiscal 2005	1,653	962	(1,621)	4,817

(4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 6

Number of non-consolidated subsidiaries to which equity method is applicable: None

Number of affiliated companies to which equity method is applicable: 2

(5) Changes in scope of consolidation or application of equity method

Consolidated subsidiaries:

Newly included: 3

Newly excluded: None

Affiliated companies to which equity method is applicable:

Newly included: None

Newly excluded: None

2. Projected Consolidated Results for Fiscal 2007 (January 1, 2007 to December 31, 2007)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim term	11,240	1,460	790
Full year	23,500	3,300	1,840

Note: Projected net income per share for fiscal 2007 (full year): ¥3,860.58

*1: The above projection, representing our best estimate based on information currently available to us, incorporates uncertain factors. Please refer to page 7 of the appendix for the assumptions (and other matters) made in our projections.

*2: One (1) common share was split into four (4) on February 1, 2006. Hence, projected net income per share for fiscal 2006, mentioned above, is calculated based on the outstanding shares of 441,736 shares posted after the stock split.

*3: The projected net income per share for fiscal 2007 mentioned above is based on the 476,613 outstanding shares as of January 1, 2007, which consists of 441,736 outstanding shares at the end of fiscal 2006 and 34,877 treasury stocks allocated as a result of the merger with Woodland Corporation on January 1, 2007.

1. The Future Group

The Future Group (the parent and related companies) consists of Future Architect, Inc., six (6) subsidiaries, and two (2) affiliated companies. The Group is engaged mainly in providing IT consulting services and Hardware and other procurement services for clients in a wide range of industries. To expand the scope of these two services, the Group needs to enhance its research and development system, strengthen its consulting capabilities for specific industries, explore new markets, and provide enhanced services. To this end, a subsidiary specializing in investment and management establishes and operates affiliates in a carefully planned way.

When revitalizing a company, the Group uses IT to go deep into the management and drastically restructure it in a short time. Following this revitalization, the Group creates models of success for each industry.

The Group companies are categorized below by functions performed:

<Business activities by function and by company>

Function	Company name	Business activities
IT Consulting Service (and procurement services related to hardware, etc.)	Future Architect, Inc. (Parent company)	Using its advanced information technology, Future System Consulting Corp. offers IT consulting, hardware and other procurement services from an objective and independent position. The Company also functions as corporate headquarters for the Group.
Research & Development	Future Architect, Inc. (subsidiary)	Future Architect, Inc., is engaged in research, development and study of advanced information technology in the U.S.
Industry-specific consulting services	Future Financial Strategy Corp. (subsidiary)	Future Financial Strategy Corp. is engaged in consulting services for financial institutions and research on financial technology.
Investments and asset management	Future Investment Corp. (subsidiary)	Securities holding, management and investment
Development of new markets	e-Manufacturing Co., Ltd. (subsidiary) (newly established)	Development of production management packages, sales and related consulting
Investment and management	RI Partners Limited Liability Association (subsidiary, new)	Investment
Corporate revitalization	Uoei Shoten Corporation (subsidiary, new)	Supermarket
Development of new markets	d-worx Inc. (affiliate)	Development of tools to analyze website access and ASP business.
Development of overseas markets	Shanghai UFIDA Future Consulting Ltd. (affiliate)	Provision of consulting service for the retail and logistics service sectors in China.

(Note)

1. e-Manufacturing Co., Ltd. became a subsidiary of the Company via third party allocation conducted on March 30, 2006. As a result, this company has become a subsidiary of the Company.
2. The Group established RI Partners Limited Liability Association, making it into a subsidiary, on December 19, 2006.
3. The Group acquired shares in Uoei Shoten Corporation, making it into a subsidiary, on December 22, 2006.

The Future Group provides clients with consulting services in which our staff members help clients solve problems, by sharing management issues with them from a managerial perspective, understanding the essence of the clients' businesses and establishing information systems for them using advanced IT.

The Group's businesses have two major characteristics. First, the Group has been pursuing optimum solutions from a vendor-neutral position, without relying on specific hardware and software vendors, to maximize the performance of open systems - the key to next-generation information systems - a field the Company has specialized in since its inception. Secondly, the Group provides integrated services, ranging from strategic IT consulting to system operations.

As for Uoei Shoten Corporation, its balance sheet items as of December 31, 2006 are included in "Consolidated balance sheets," but its income statement items for the fiscal year under review are not included in "Consolidated statements of income" due to the acquisition date of December 22, 2006.

<Sales composition>

Category	Main business	Footnote	Sales breakdown (in %)
			Fiscal year (from January 1 to December 31, 2006)
IT consulting service	IT strategy consulting IT architecture consulting Applications software design and development Network consulting and implementation System operations consulting and support	Note 1 Note 2 Note 3 Note 4 Note 5	88.4
Procurement services for hardware, etc.	Hardware and software product procurement services	Note 6	11.6
Total			100.0

Notes:

1. IT strategy consulting
To realize customers' management strategy, the Future Group clarifies their issues from the businesses and IT perspectives, and then configures the most suitable system.
2. IT architecture consulting
Based on the outcome of the IT strategy consulting, the Group designs the fundamental structure (IT architecture) of flexible information systems to be compatible with the changing business needs and IT progress. The Group also helps clients to select optimal hardware and software products, by evaluating technical elements related to such products that constitute the system, independently from vendors.
3. Applications software design and development
The Group designs and develops applications software that can materialize the most suitable business process, using the IT architecture.
4. Network consulting and implementation
Viewing networks - the important component of large scale information systems - as a meshed "neural" net that has strategic potential and not just as a simple transmission line, the Group designs and builds an optimum network taking into account four factors: the location of data generated during business activities; the frequency of data generation; response; and costs.
5. Systems operations consulting and support
The Group provides consulting services for the building of systems that enable smooth IT operations of information systems after introduction as well as reduction of operational costs. Moreover, it designs and builds control and monitoring systems.
6. Hardware and software product procurement services
Whenever clients conclude that it is more beneficial for them to purchase hardware and software products through the Group, we negotiate with vendors on a technical basis, procure hardware and software products and provide support to clients in their installation.

2. Management Policy

(1) Basic corporate tenets

The Future Group aims to provide clients with optimal solutions and contribute to their success by establishing a high quality, flexible, and expandable system that also offers added value in the future. It does this by using an optimal combination of existing businesses and cutting-edge IT.

The Group also strengthens the IT governance capabilities of its clients' senior management and increases their value in the future, by leading a reform in management using IT and providing optimal proposals from objective and independent perspectives. If this goes successfully, the Group will organically combine personnel, information, and finance through the resultant development of such companies, aiming to revitalize cities and regions, and eventually create innovation throughout society.

(2) Dividend policy

The Group seeks to maximize medium- to long-term total returns (capital and income gains) to our shareholders.

In order to achieve this goal, and depending on our business performance, we will give due consideration to the proper balance between dividend payout and the need to retain earnings for investments in longer-term maximization of corporate value. This includes investments needed to ensure medium-term technological superiority through enhanced research and development, investments for maintaining design and system development skills, as well as for attracting and training personnel, and M&A activities as well as strategic alliances that enhance our project management skills and our ability to offer higher value-added services.

The Company will revise its projected dividend payment for the fiscal year under review to ¥950 per share from its previously announced ¥850 per share, planning to submit the matter for approval at the 18th Ordinary General Meeting of Shareholders to be held in March 2007.

(3) Our policy towards the minimum trading lot

The Company will strive to increase the number of individual investors through an expansion of Internet trading, while enhancing the liquidity of shares, which it regards as an important management issue. The Company will continuously consider formulating measures to this end, taking into account stock market trends as well as benefits for investors and shareholders.

(4) Goals and objectives

In addition to striving to differentiate ourselves from our competitors and to establish a solid base for continuous growth through focused investments and allocation of management resources to "research and development", "training", "recruiting" and other strategic investments, we have set a medium-term goal for ordinary income growth of over 20% per year.

(5) Medium to long-term management strategies

In December 2006, the Company acquired Uoei Shoten Corporation, a midsize retailer with operating outlets in Niigata Prefecture, and merged with the Woodland Corporation group, which had been listed on the JASDAQ market, on January 1, 2007. As a result, the Company's business scale has changed substantially. From now on, the Company will realize management reform-oriented systems that meet the needs of the times, hoping to enhance the Group's corporate value. To achieve this, the Company will integrate: the advanced IT Consulting Business, which utilizes experience it has accumulated as a leading company of conventional IT consulting; the Package & Service Business, which offers specialized solutions on an individual basis; and the corporate revitalization business, in which the Company gets deeply involved in the existing businesses of clients aiming to reform clients and their surrounding areas.

The specific strategies for this are as follows:

IT Consulting Business

- 1) The Group will strive to become a force for change, changing the people and companies that choose it as partners, through further strengthening of technology, professionalism, and sense of mission in the pursuit of both the philosophy and realities of reform.
- 2) The Group will endeavor to further differentiate itself from its rivals in speed, cost and quality, by responding to clients' needs to see benefit in the short-term through knowledge-sharing, enhanced component groups and the use of easily re-configured system architecture.
- 3) Through successful upgrading of project management, risk control and design methodologies, The Group will strengthen its ability to build large-scale systems, thereby ensuring continued high growth.

- 4) The Group will establish an infrastructure to ensure continued recruitment of high caliber human resources who are thoroughly committed to their craft and are results-oriented. Through continued research and development, training and enhanced career planning, the Group aims to improve employee satisfaction levels and ensure high employee retention. The Group believes that by upholding its corporate principles and strengthening its corporate culture, it can further enhance Group cohesion.

Package & Service Business

- 1) The Group will provide software packages for small and midsize companies to support them in revitalizing businesses and reforming management. To offer solutions based on such packages and various other related services, the Group will enhance proprietary technologies and business know-how at early stages.
- 2) To achieve the above, the employees in this business sector will share and exchange human resources and knowledge with the IT Consulting Business sector, aiming to become the number one and only one entity in each market and business segment.

Corporate Revitalization Business

- 1) The Group will get deeply involved in the management team of client firms and assess and relieve bottlenecks so that those teams can make decisions quickly.
- 2) Aiming at quick revitalization of client firms through drastic reform focusing on IT, the Group will proactively use the know-how obtained through and components developed in the IT Consulting Business.
- 3) Then, the Group will establish models for success for each industry, spreading such models within the Group.

(6) Issues the Company faces

- 1) **Stepping up our large scale project management capabilities and establishing a support infrastructure**
The size of projects to upgrade existing mission critical systems grows ever larger, requiring us to continue to build our project management capabilities. At the same time, in addition to further refining and standardizing design and development technologies we will endeavor to build closely integrated, preventive support infrastructure that can respond to any issue that arises during construction of the system or after it is put into operation.
- 2) **Research and development of core design and development technologies**
A number of proprietary core design/development technologies are already being applied to our projects and are contributing to the improvement in productivity. However, in order to ensure medium-term technological superiority, it is necessary to continue research and development to expand the applications of these core technologies and to achieve a wider sharing of knowledge within the Company.
- 3) **Recruitment and training of professionals and outside alliances**
As the scale of our projects continues to increase, it is a key for us to consistently recruit and train highly qualified personnel. By challenging the frontiers of information technology, we aim to create an environment conducive to proactively attracting talented people. We also continue to strengthen our alliances with external partners, to ensure their timely participation when and where needed as a project progresses.
- 4) **Early realization of synergy from mergers**

The major clients of the IT Consulting Business, a conventional business domain, are large corporations for which consulting models are thought to be effective. Meanwhile, the Woodland group, which the Company merged with on January 1, 2007, targets mainly small and midsize companies, for which package software models are thought to be effective. By complimenting and exchanging the human resources, technologies, products, and know-how of both entities, the Company will realize, at an early stage, strong competitiveness for midsize company clients, with which the Company has not sufficiently deepened its relationship so far.

(7) Matters concerning the parent company and other organizations

None

3. Operating Results and Financial Condition

(1) Operating results

(Overview of fiscal year under review)

The Group's consolidated operating results for fiscal 2006 were as follows:

Net sales:	¥15,261 million (up 39.3% year-on-year)
Ordinary income:	¥2,741 million (up 51.4% year-on-year)
Net income:	¥1,525 million (up 30.2% year-on-year)

The noteworthy events of this period were as follows:

[Qualitative information on progress of operating results (consolidated)]

1. In Japan, the economy remained on a recovery track during fiscal 2006, and there was strong investment in the private sector despite uncertain factors such as price hikes of oil. With many of the projects carried over from the previous year entering the development stage, there were fears of a consultant shortage amid robust business activities in the market as a whole. However, the Group's operating rate remained high throughout the year, thanks to the smooth hiring of mid-career staff and the successful acquisition of partner firms. As a result, consolidated net sales were ¥15,261 million in the fiscal year under review, and ordinary income was ¥2,741 million.
2. In the fiscal year under review, the divisional organization system, which entered its second year, functioned effectively. Many projects were in the development stage. Against this backdrop, each division strove to cultivate new clients. The number of the Group's client companies stood at 100 (down from 107 in the previous year) at the end of fiscal 2006, down seven from a year earlier, including 22 new customers (down from 56 in the previous year) and 78 existing ones (up from 51).
3. IT consulting service sales jumped about 31.3% from the preceding year because of an increase in sales in a wide range of sectors. Such sales were almost as projected, even from the perspective of sales by industry.
4. The IT consulting services can be classified as follows by objective.
 - 1) To satisfy corporate needs for management reform and innovation using IT, the Group has established real-time platforms that can significantly reduce IT-related costs by utilizing its real-time processing middleware component groups and downsizing methodologies, and sales of this business occupy 51% of the Group's entire sales.
 - 2) To satisfy corporate needs for installation of highly specialized solutions, the Group mainly offers the financing support systems for financial institutions, EAI (Enterprise Application Integration) and inter-system interface-based solutions, and sales of this business account for 19% of all the Group's sales.
 - 3) Because IT is often considered a bottleneck in the development of rapidly growing companies, the Group strives to install systems that can be adjusted in size to flexibly respond to future growth, and sales of this business occupy approximately 17% of the entire sales.
 - 4) With increased introduction of backbone systems by clients, sales from incidental maintenance are increasing every year, and now account for 11% of the total IT consulting service sales.
 - 5) The Group offered services to establish a system infrastructure that is unified among groups, which helps to promote corporate reorganization efficiently, and the Group proposed measures to incorporate IT, a key to corporate reconstruction, into an overall system. The ratio of sales from these operations was still low in the fiscal under review, but we consider that needs for such business will continue to be high given the ongoing strong trends in corporate reorganization and reconstruction throughout Japan.

(Outlook for the next fiscal year)

1. Forecast for the next fiscal year

Our earnings forecast for the fiscal year ending December 2007 is as follows:

Consolidated net sales:	¥23,500 million (up 54.0% year-on-year)
Consolidated ordinary income:	¥3,300 million (up 20.4% year-on-year)
Consolidated net income:	¥1,840 million (up 20.7% year-on-year)

The noteworthy events for the following fiscal year are as follows:

- 1) The Group has been engaged mainly in IT consulting services until the fiscal year under review. From fiscal 2007 onward, however, consolidated sales will also include those from the IT consulting services and Package & Service businesses operated by the former Woodland Corporation, which the Group merged with on January 1, 2007, and the Corporate Revitalization Business operated by Uoei Shoten Corporation, which became a subsidiary on December 22, 2006.

2) **IT Consulting Service Business**

- (1) The Group's basic management policy is to "provide solutions by establishing information systems with cutting-edge IT and practical, advanced techniques, while sharing clients' managerial issues from the viewpoint of management and understanding the essence of clients' businesses." The Group believes needs for such services will further increase against the backdrop of economic recovery and corporate globalization in Japan. The Group will expand IT consulting services through the use of proprietary components and technologies for midsize companies taking advantage of the said merger.
- (2) The supply-demand situation of resources in the IT industry will likely continue to tighten. Under such circumstances, the Group will continuously strive to enhance productivity in system development by making the best use of proprietary component techniques, strengthen alliances with business partners, conduct project management, step up personnel training, and boost R&D activities.

- (3) Outlook for operations by division is as follows:

Distribution and service

Large-scale downsizing projects will continue, and demand for a variety of projects is forecast to increase, including company-wide renovation of mission-critical systems. In this sector, the Group expects to win orders accounting for 40%–50% of its entire sales.

Finance

The Group expects a continued steady flow of orders from regional banks for projects to establish marketing support systems, an expanded form of loan support system, and information system infrastructures.

Global services and manufacturing industry

The Group will start implementing projects to reconstruct backbone systems for excellent manufacturers with distinguishing features, in order to overhaul their management. The Group will also implement large-scale projects carried over from the previous fiscal year. Sales from this sector are likely to account for about 20% of the Group's total sales.

Advanced services

Existing clients will likely place additional orders at a steady pace. Furthermore, the Group is expected to provide major and minor consulting services for nonbanks, insurance companies, healthcare firms, and cross-industry corporations.

Technology services

The Group plans to offer consulting services to companies from various industries and of differing sizes, making the best use of its proprietary technologies.

3) **Package & Service Business**

The former Woodland Corporation group had sold or offered through ASP a wide range of software packages, which focus on sales management, ERP, and other highly specialized fields, to clients ranging from small to large companies. This group is expected to post brisk sales in fiscal 2007 by utilizing its conventional customer base and products

4) **Corporate Revitalization Business**

Uoei Shoten Corporation is a midsize supermarket chain with eight outlets and is based in the Chuetsu Region of Niigata Prefecture. In fiscal 2007, this company aims to improve sales by reviewing inventory management and sales promotion systems, while streamlining work efficiency by reviewing transactions with clients and reforming operations.

2. Business risks

The following are major factors that could cause risks in association with the Group's businesses as well as other parties, and thus could have significant impact on investors' decisions.

The factors described need not necessarily be regarded as risk factors, but the Group deemed them as important for investors who consider investing, and also useful in terms of proactive information disclosure to investors. Given the possibility of these risks, the Group will strive to prevent them from occurring and respond in the event that they occur.

The forecasts referred to in this text are based on the Group's judgment as of February 8, 2007.

(1) Group's businesses and industrial trend

In the IT Consulting Service Business, one of its main businesses, the Group helps clients solve problems by sharing management issues with them from a managerial perspective, understanding the essence of clients' businesses, and establishing advanced IT-based information systems using practical and sophisticated technologies.

In the Package & Service Business, the Group develops various software packages focusing on, for example, sales management, ERP, and other specialized fields and sells them through its sales channels or supplies them on an OEM basis.

In the Corporate Revitalization Business, the Group has under its umbrella a regional super market chain with eight (8) stores.

The Group's IT Consulting Service Business has two major features. First, the Group has been pursuing optimum solutions from a vendor-neutral position, without relying on specific hardware and software vendors, to maximize the performance of open systems – the key to next-generation information systems, in which the Company has specialized since its foundation.

Second, the Group provides integrated services, from the strategic IT consulting phase through the successive stages of system design, applications software development, selection and procurement of hardware and software products, and including the training and operational phases. The Future Group believes that it can best satisfy its clients by actually realizing the outcome of the consultation as an actual system rather than merely stopping with a verbal explanation.

Given the progress of the era of real-time computing, the high demand for rebuilding mission-critical systems (i.e. large-scale downsizing projects), and the acceleration of corporate reconstruction, reorganization and integration, we forecast that client needs will continue growing for the Group's unique integrated IT consulting services, in which IT and business are practically and effectively integrated to ultimately devise systems that help clients overhaul operations and solve management problems. Under such circumstances, we expect that business opportunities for the Group will further increase. However, it is also true that IT-related industries, which are the Future Group's main clients, involve risks inherent in technological innovation.

The Group's businesses involve risks as described below.

(2) Economic situation and business climate

In Japan, amid the ongoing long-term economic growth, which has surpassed the Izanagi boom (the longest postwar economic expansion which ran from 1965 to 1970) in terms of length, export-related demand and capital expenditure are continuing to increase and consumer spending is showing signs of recovery. However, the Bank of Japan, which abandoned its zero-interest-rate policy in 2006, is soon expected to raise interest rates further. Hence, the outlook for the Japanese economy remains uncertain. In the IT industry, customer needs for IT are rising and the hiring of talented personnel has become an important issue for companies. Accordingly, the Group will probably face competition not only for consulting functions but also for delivery capability.

Under such circumstances, the Group has renewed its conviction that its highly specialized solutions and technical know-how about downsizing are an effective means of establishing companies' competitiveness. The Group will strive to steadily enhance its internal structure by training staff and strengthening project management, and the Group will also join hands with user companies to promote their managerial reforms at a time when open systems are replacing legacy systems on a full-scale basis. The Group will also continue to implement measures for further increasing its competitive edge over rivals.

(3) Business development and outlook

Under the above-mentioned economic conditions, the Group is striving to operate businesses, aiming to realize the wide-ranging needs of companies by combining management and IT. Such firms want to reconstruct backbone systems to overhaul management, introduce highly-specialized solutions to

differentiate themselves from rivals and rationalize operations, adopt IT as the key to corporate revitalization and reorganization, or establish an IT infrastructure to support a rapid growth. In addition to the realization of such needs, the Group organically combines personnel, information, and finance through the resultant development of such companies, aiming to revitalize cities and regions, and eventually create innovation throughout society.

To achieve this, the Group has established a system in which its experiences are regarded as corporate assets and it has made them into know-how and components. The resultant know-how and components are then spread within the same industry or to similar industries.

For the operation of businesses by sector and the future outlook, please see (1) Operating results on page 8 and 1. Forecast for the following fiscal year on page 9.

Aiming to expand its business through affiliated companies, the Group established Future Investment Corp. and RI Partners Limited Liability Association to agilely and flexibly implement and manage its investment activities. Through these companies, the Group made Uoei Shoten Corporation, based in Niigata Prefecture, into a wholly-owned subsidiary on December 22, 2006.

As a result of the merger with Woodland Corporation on January 1, 2007, the number of consolidated subsidiaries increased by 15.

The Group will continue to proactively expand its business through affiliated companies, but there is a possibility that this may incur losses because of their liquidation, reorganization, or other unfavorable factors.

(4) Staying abreast of technological innovation

Ever since its establishment, the Group has endeavored to specialize in open systems that do not rely on specific products, by using cutting-edge IT and network technologies. Independent of any vendors, the Group strives to select the optimal products for clients, but the options may narrow as some vendors drop out of the excessive competition.

Against this backdrop, the Group needs to raise and maintain its competitiveness by putting its efforts and resources into the research and introduction of cutting-edge technologies, centering on IT. To this end, the Group is always gathering the latest information on software and hardware, with the core technology division at the helm. However, should the Group not manage to fully keep abreast of new technologies, its competitiveness may decline leading to fewer orders being received.

(5) R&D activities

In recent years, the economic climate that our clients find themselves in has been dramatically changing and the rate of progress in IT has been increasing, causing the information systems of our clients to become obsolete more quickly. Therefore, it is crucial for the Group to develop advanced systems in shorter timespans, while taking future trends into full account. Against this backdrop, the Group is preparing various components and development support tools as efficiently as possible.

Such components and development support tools have enabled the Group to significantly improve system quality and productivity in actual systems development, which indicates they have now reached the stage of application. However, the evolution of IT is rapid and client needs are becoming more sophisticated and complicated. To respond to this situation appropriately, it is important for the Group to continue to: incorporate new technical elements into these components and development support tools so that it can develop high quality systems in shorter periods of time; improve processing performance through decentralization; facilitate the system maintenance through centralized management; standardize interfaces to enable smooth interconnectivity with other systems.

The Group also needs to expand the range of industry-specific platform models, in order to effectively and efficiently leverage the know-how it has accumulated.

In the future, the Group will continue to focus on such research and development. To facilitate this, the Group will further make efforts to obtain able personnel who proceed with such R&D. However, there is a possibility that the Group may fail to recruit such persons or that the R&D activities would not fare as well as expected, which would have an adverse effect on the Group's competitive edge.

(6) Expanding scale of projects

The average size of clients' operations is growing. In addition, needs for projects involving the comprehensive rebuilding of both information and mission-critical systems (large-scale downsizing projects) with open system technologies is increasing and such projects are beginning to occupy a greater share of the Group's total sales. As a result, the scale of projects undertaken by the Group is growing. To pilot these large-scale projects to success and ensure complete client satisfaction, a high level of project management skills is required.

The Group assigns highly experienced project leaders for such large-scale projects. As the project progresses, at each important milestone, a meeting is held by the project review team composed of personnel in charge of their specialized areas to identify potential problems at an early stage and to ensure timely implementation of necessary countermeasures. However, it is inevitable that, as projects grow in scale, potential risks also grow. To achieve quality standards that will fully satisfy the clients, additional costs may be incurred that were not foreseeable at the time the contract was concluded. Furthermore, it may at times become necessary to revise the delivery schedule owing to various factors such as a change in specifications, which could affect sales and profits for an entire fiscal period.

Once a large-scale project is completed, a large number of consultants previously assigned to the projects need to be reassigned to other projects. Because of the number of consultants involved, they may not be reassigned to other projects in timely manner, which could have adverse effects on sales and profits for a fiscal period.

The Group is making the utmost effort to maintain quality of service and to meet delivery commitments, in order to ensure that clients do not suffer losses through any services offered by the Group. While maximum damages payable to clients are stated in the contracts, if a client claims for damages or makes a complaint about a transaction/project, the Group may incur legal expenses, damages or other expenditures affecting the corporate resources.

(7) Project management

With the increase of project scale, the project management becomes increasingly important as described above, there is no doubt that project management is required for every project. Accordingly, project control is one of the key issues for the Group to tackle with.

To enhance the Group's project control, the Project Management & Control Division is strengthening and strictly operating the project review system.

The Group is also integrating, expanding and evolving present standard project promotion methods, while establishing and adopting quality control techniques consistent with global standards in model configuration. In addition, the Group is making great efforts on knowledge sharing through a project information sharing system, and on education and training in project management.

However, as it is impossible to reduce risks associated with projects to zero, unless the Group's project management functions satisfactorily, the profitability of projects may deteriorate.

(8) Strengthening relations with partners

The Group is committed to the acquisition and training of talented staff as a corporate resource. However, in response to the demand of each phase of a given project, we also think it is crucial to obtain appropriate external partners in a timely manner. Consequently, the Group is endeavoring to strengthen its alliance with business partners and create corporate structures that will serve the Group flexibly in the expansion of the scale of its business. In order to raise productivity and the quality of the Group's system development, training is provided on the Group's proprietary design and development methods for partners who support Group management policies.

However, as the Group's degree of dependence on partners increases, there is a possibility that additional costs may be incurred which were not foreseen at the time of the concluding of contracts, due to the delay in bringing service quality to a level that fully satisfies customers.

(9) Recruitment and training

The Group makes vigorous efforts to recruit the best personnel and train them. In the year ended December 31, 2006, recruitment and training expenses amounted to ¥309 million and ¥95 million, respectively. The Group intends to continue to devote itself to personnel acquisition and training. However, should these efforts prove unsuccessful, the Group's growth potential would be hampered. Moreover, increases in the number of employees result in higher fixed labor costs, creating downward pressure on performance when the Group fails to receive orders sufficient to cover those increases in fixed costs.

(10) Dependence on specific clients

The Group's dependence on specific clients for sales may temporarily become high when large-scale projects enter the development phase and a significant portion of human resources within (and outside) the Group has to be allocated to such projects.

While the method of receiving orders in installments allows the Group to at least temporarily refrain from proceeding to the next phase of a project when a client has failed to make timely payment (or when their credit standing has deteriorated), the Group may nevertheless be affected by the financial

performance of its clients.

(11) Information security

In the course of undertaking transactions, the Group comes to know various top-secret information of its clients, ranging from technical to management information.

Accordingly, the Group regards “information management” as a key managerial issue, and formulates measures against the leakage of such top secret information considering from various perspectives. The measures include: the establishment of a security committee to maintain and strengthen the information management system within the Group; and promotion of activities to enlighten and educate the Group’s employees on information management as well as enhancing their awareness for this issue. However, in the event of the leakage of a client’s confidential information, the Group may face lawsuits and the client in question will be lost to us. The result may seriously affect the Group’s earnings.

Moreover, the Group is endeavoring to strengthen its entire system for protecting personal information. To this end, it has set up a special project which is tasked to familiarize every officer and employee with the importance of personal information through enlightenment activities. The Group has acquired Japan’s “Privacy Mark”, a sign of quasi-official acknowledgment that the holder properly manages personal information.

(12) Reserve for quality assurance

The Group sometimes provides its clients with gratis services that were unforeseeable at the time of the concluding of the contract (or at the close of the accounting period), in order to guarantee the quality of its product so that customers will be completely satisfied. Although this enhances customer confidence in the Group and evaluation of it, should the project period have to be extended or should additional personnel have to be allocated, due to a sudden outbreak of trouble or a discrepancy between the estimate provided by the Group and the actual number of man-hours worked, then there is a possibility that the Group will be liable for the costs involved.

The Group promotes rigorous quality control measures and improvements in the precision of its estimates, and confers beforehand with senior management of the client company to reconcile as to the objectives and procedures of the consultation project to be undertaken. However, the pace of innovation in the IT-related industry is remarkable, and unpredictable factors frequently emerge. It is therefore extremely difficult to completely eliminate the occurrence of additional costs. The speed at which technological innovation is occurring in open systems is particularly remarkable.

Consequently, to cope with the occurrence of these incidental costs, the Group has established a reserve for quality assurance, stating an amount for future costs based on estimates calculated from past experience. For the year ended December 31, 2006, the Group stated ¥260 million as the reserves considering this amount sufficient to meet potential future payments. However, the possibility remains that actual payments exceed this amount due to extenuating circumstances.

(13) Software

(Software for in-house use)

The Group develops software for internal use to improve information available for business management and to make its operations more efficient. It states software for in-house use, expecting costs to decrease due to improvement in operational efficiency, but the value of software may decline if specific functions should rapidly become obsolete due to drastic operational reforms.

(Software for sale)

The Group invests in the development of software that standardizes successful platform models for real-time management for sectors, and will strive to obtain orders and make systems development more efficient. Some of the companies that became consolidated subsidiaries on and after January 1, 2007 through mergers are engaged in developing various types of package software. The Group states software by making reasonable assessments of future orders which, however, may not necessarily produce profits due to factors such as unforeseen abrupt changes in market conditions.

(14) Fixed assets

The Group adopted “impairment accounting” beginning in the fiscal year under review, and will continue to implement this accounting standard. Hence, if the management environment of retail stores, which are owned by the company engaged in the corporate revitalization business, changes significantly because of such factors as competitors establishing large stores in their marketing areas, the Group may post impairment losses and its earnings may be affected.

(15) Strategic investments

The Group makes strategic investments taking business relationships and the prospect of possible future partnerships into consideration. In the year ended December 31, 2006, the Group made such investments in 21 companies (including two (2) equity-method affiliates). The Group intends to maintain such investment activities, but there is a risk that it would sustain losses equivalent to the entire investment in such a company, because of such a firm's major business failure.

Of the firms in which the Group invests, six (6) of them are listed companies. The Group registered unrealized profits on holding them in fiscal 2006, but such profits are subject to fluctuation.

Furthermore, depending on future operating performance of the firms in which the Group invests, the Group earnings may be affected as a result of the statutory requirement to devalue its investments in the firms.

(2) Financial condition

The following are the status of assets, liabilities and capital as of the end of the fiscal year ended December 31, 2006.

Total assets:	¥9,712 million (down 5.9% year-on-year)
Total liabilities:	¥3,219 million (up 17.7% year-on-year)
Total shareholder equities:	¥6,493 million (down 14.4% year-on-year)

For the analysis of financial condition, please see (1) Analysis of financial condition on page 22.

As for cash flows in the fiscal year under review, cash and cash equivalents outstanding were ¥3,871 million as of the end of the year on a consolidated basis, down ¥945 million from the previous year.

For the status of individual cash flows and the factors in their year-on-year changes, see (2) Analysis of cash flows on page 23.

Trends in the Group's cash flow indicators are as follows:

Indicator	Fiscal year through December 2004	Fiscal year through December 2005	Fiscal year through December 2006
Shareholder equity ratio (%)	71.9	73.5	66.7
Market value-based shareholder equity ratio (%)	237.9	532.8	459.4
Number of years for debt redemption	3.1	0.3	0.1
Interest coverage ratio (×)	30.4	154.2	462.2

Notes:

1. Indicator calculations are as follows:

Shareholder equity ratio:	(net assets – stock subscription rights – minority interests)/total assets
Market value-based shareholder equity ratio:	market capitalization/total assets
Number of years for debt redemption:	interest-bearing debt/operating cash flow
Interest coverage ratio:	operating cash flow/total interest payments

2. All ratios are calculated using consolidated financial data.

3. Stock market capitalization is calculated as follows: stock price at the end of the fiscal year x (number of outstanding shares at the end of the fiscal year – number of treasury stocks)

4. Operating cash flow is that arising from operating activities as reflected in the statement of consolidated cash flows. Interest-bearing debt is total debt upon which interest is paid, as is reflected on the consolidated balance sheet. The amount of interest payment is as reflected in the consolidated cash flow statement as total interest paid.

(3) Analysis of operating results and financial condition

The analysis of the Group's operating results and financial condition is described below.

The prospects mentioned in the text are based on the Group's judgment as of February 8, 2007.

1. Important accounting policies and accounting estimates

The Group prepares consolidated financial statements in accordance with accounting standards that are generally accepted in Japan as fair and reasonable. In preparing the statements, management has to select and apply accounting policies, and inevitably estimates that would affect reported amounts and disclosure of assets, liabilities, income and expenses are needed. Concerning these estimates, although management makes a reasonable judgment taking past performance results into account, the actual results may differ due to variables and uncertainties.

Important accounting policies adopted by the Group for its consolidated financial statements are described in "Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements" on and after page 31. Of the described policies, we project that the following significant accounting policies, among others, would substantially influence management's judgment of the estimates.

(1) Scope of consolidation

On March 30, 2006, the Group underwrote new shares issued by e-Manufacturing Co., Ltd. for capital increase by third-party allotment, established RI Partners Limited Liability Association on December 19, 2006, and acquired shares in Uoei Shoten Corporation on December 22, 2006. Accordingly, these three companies were included in the scope of consolidation beginning in the fiscal year under review.

(2) Valuation standards/methods for principal assets

The Group is continuously making strategic investments. Other securities for which market price is available are stated at fair value based on the market price as of the end of the fiscal year (Unrealized holding gains/losses are reported as a net amount in a separate component of shareholder equity. Cost of sale is calculated based on the moving average method.). Other securities for which market price is not available are stated at cost based on the moving average method.

As for other securities for which market price is available, value in the balance sheets fluctuates according to changes in market price, and net assets will subsequently increase or decrease.

In case the market price or actual value of other securities drops substantially, the book value of the securities will have to be reduced to the said market price or actual value, except when the value is likely to recover. If the market price or actual value of other securities falls further due to declining stock market prices or sluggish performance of companies in which the Group invests, and recovery in the market price or actual value seems unlikely, the book value may be subject to an additional reduction. Besides, when the securities are sold in the future, there may be a difference between the current latent gains/losses and the actual gains/losses on the sales.

The Group recognizes impairment losses on investment securities based on the above-mentioned estimates and judgment. In the fiscal year under review, the Group booked losses on devaluation of investment securities of ¥9 million.

(3) Depreciation/amortization of major depreciable/amortizable assets

(Software for in-house use)

The Group develops and introduces software for internal use to improve information available for corporate business management and to make its operations more efficient. Costs needed for the development and introduction of the software are stated as software under "Intangible fixed assets," and depreciated using the straight-line method over its useful life (5 years).

The Group states software for in-house use as assets, after carefully determining that the use of developed and introduced software will produce profits and reduce costs. However, the value of the software may decline if specific functions should rapidly become obsolete due to drastic operational changes and reforms.

(Software for sale)

The Group develops software for sale that standardizes success models of platforms for real-time management by industries. Some portion of costs for the development of the software is stated as software under “Intangible fixed assets,” and depreciated by the larger of either of the amount calculated based on projected sales volume or the amount based on the straight-line method over the period for which they are expected to remain salable (3 years).

The Group states software for sale as assets, after carefully determining the future salability and estimating projected sales volume. They are reviewed whenever necessary. However, the value of the software may decline if sales volume fails to reach an originally set target due to abrupt changes in market conditions.

(4) Accounting standards for allowances/reserves

(Allowance for doubtful accounts)

To prepare for losses incurred by bad debt, the Group provides allowance for doubtful accounts. To this end, the amount of potential loss is calculated by taking historical loss ratio in case of non-classified loans/receivables, while potential losses for classified loans/receivables are individually assessed.

The Group carefully and reasonably estimates the amount of collectible debt, but it may incur additional loan losses due to changes in the previously assumed conditions.

(Reserve for quality assurance)

In IT consulting service operations, the Group provides consultation for open systems, whose technological innovation is remarkable, and develops relevant systems, and thus it may have to inevitably provide additional services to solve problems that are unforeseeable at the time of concluding the contracts or as of the close of an accounting period. As for the IT consulting service business, the Group sometimes provides its clients with gratis services, including the extension of the project period or the allocation of additional personnel, in order to guarantee the quality of its product so that customers will be completely satisfied. Accordingly, to prepare for additional costs incurred after booking sales, the Group states an amount for future costs based on estimates calculated from past experience as reserves for quality assurance.

In stating reserves for quality assurance, the Group estimates an amount for future costs, based on a precise understanding of the present situation and carefully calculating man-hours required for additional services, but the actual amount may differ from the estimated amount due to changes in previously assumed conditions.

The Group promotes rigorous quality control measures and improvements in the precision of its estimates, and closely consults with the senior management of the client company beforehand to reconcile the objectives and procedures of the consultation project to be undertaken. However, the pace of innovation in the IT-related industry is remarkable, and unpredictable factors frequently emerge. It is therefore extremely difficult to completely eliminate the occurrence of additional costs. The speed at which technological innovation is occurring in open systems is particularly remarkable.

Consequently, to cope with the occurrence of these incidental costs, the Group booked ¥125 million in the reserves for quality assurance at of the end of fiscal 2005.

(5) Recognition of sales and cost of sales

Costs of sales for IT consulting services are recognized on an accrual basis for each individual project. Corresponding sales are recognized based on “percentage-of-completion method” by taking the ratio of accrued cost to total estimated cost of the project.

This method is adopted on the assumption that costs for each project can be reasonably estimated at the time of concluding the contract and as of the end of every month. The Group believes that such estimated amounts are reasonably accurate, but it will strive to improve the accuracy.

As a result of adopting the method, the Group may state profits and corresponding claims before charging our clients. However, we believe that the difference of understanding between the Group and its clients on the service provision period is small due to the following two reasons.

First, the Group has clients evaluate results for every phase of a project and makes every reasonable effort to fully reconcile client requests with its opinions and principles, before undertaking the next phase of a project, aiming to raise customer satisfaction. Second, the period of relevant contracts is relatively short and such contracts provide that the Group charge and receive payment for the charges of services according to the progress of the project in a month.

2. Analysis of operating results for fiscal 2006

The following represent the comparison of consolidated statements of income and the analysis of operating results for the fiscal year under review.

Comparison of consolidated statements of income (summary)

Item	Fiscal year ended December 2005 (from 1/1/2005 to 12/1/2005)	Fiscal year ended December 2006 (from 1/1/2006 to 12/1/2006)	Year-on-year comparison	
	Amount (¥million)	Amount (¥million)	Amount (¥million)	Change (%)
Net sales	10,957	15,261	4,304	39.3
Cost of sales	5,562	8,885	3,322	59.7
Gross profit	5,394	6,376	981	18.1
Selling, general and administrative expenses	3,531	3,622	90	2.5
Operating income	1,863	2,754	891	47.8
Non-operating income	15	18	2	18.9
Non-operating expenses	68	32	(36)	-53.5
Ordinary income	1,809	2,741	931	51.4
Extraordinary profits	666	125	(541)	-81.2
Extraordinary losses	477	128	(348)	-73.0
Net income before taxes	1,999	2,737	(738)	36.9
Corporate, inhabitants' and enterprise taxes	952	1,043	90	9.4
Corporate tax adjustments	(125)	168	293	-
Net income	1,171	1,525	353	30.2

(1) Overview of fiscal 2006

For the overview of the fiscal year under review, please see (1) Operating results on page 8 and 2. Business risks on page 10.

(2) Net sales

Consolidated net sales were ¥15,261 million in the fiscal year under review, up 39.3% or ¥4,304 million from the previous year.

Sales from both IT consulting services and procurement services for hardware and other items increased sharply from the previous year, posting ¥13,494 million (up ¥3,214 million or 31.3% from the preceding year), and ¥1,767 million (up ¥1,089 million or 160.9%), respectively.

Of the sales of IT consulting services, those in the strategy phase accounted for 29% (down from 38% in the previous year), with the design phase at 18% (down from 21%), the development phase at 43% (up from 35%), and the operation and other phases at 10% (up from 6%).

(3) Cost of sales and gross profit

Costs of sales increased 59.7% or ¥3,322 million year-on-year to ¥8,885 million on a consolidated basis in the fiscal year under review.

This growth is due to an increase in subcontractor expenses derived from a rise in development-phase projects and an increase in costs resulting from a rise in sales of procurement services for hardware and other items.

As a result, gross profit was ¥6,376 million (up ¥981 million or 18.1% from the preceding year).

(4) Selling, general and administrative expenses and operating income

Selling, general and administrative expenses rose 2.5% or ¥90 million year-on-year to ¥3,622 million on a consolidated basis.

This increase is attributable to a rise in recruitment expenses.

As a result, consolidated operating income rose 47.8% or ¥891 million year-on-year to ¥2,754 million.

(5) Non-operating income and ordinary income

As for non-operating profit and loss in the fiscal year under review, non-operating profit was ¥18 million on a consolidated basis while non-operating loss totaled ¥32 million, resulting in a net loss of ¥13 million.

As a result, consolidated ordinary income was ¥2,741 million in the fiscal year under review, up 51.4% or ¥931 million from the previous year.

(6) Extraordinary profits/losses and net income before taxes

In the fiscal year under review, the Group recorded extraordinary profits of ¥125 million resulting from gains on sales of investment securities, while booking head-office relocation and other expenses of ¥128 million as extraordinary losses, which resulted in a net loss of ¥3 million.

As a result, consolidated net income before taxes was ¥2,737 million in the fiscal year under review, up 36.9% or ¥738 million from the previous year.

(7) Corporate tax and net income

In the fiscal year under review, the Group booked a net ¥1,211 million in corporate tax on a consolidated basis, due to ¥1,043 million in corporate, inhabitants' and enterprise taxes and ¥168 million in corporate tax adjustments.

As a result, consolidated net income was ¥1,525 million, up 30.2% or ¥353 million from a year earlier.

3. Factors that significantly affect operating results

The Group's operating results are influenced by various factors, particularly the following are thought to have significant impact.

a. Orders received

The status of orders received has an effect on the Group's operating rate. Deterioration of this status would substantially lower the operating rate, which consequently could impair the Group's operating results.

b. Project management

In the case that project management fails to function well, the Group may sustain additional costs, which were not foreseeable at the time of signing a contract, regardless of the steady flow of orders.

In addition to the factors mentioned here, the Group's operating results may be affected by those described in (5) Medium to long-term management strategies on page 6, (6) Issues the Company faces on page 7 and 2. Business risks on page 10.

4. Present management strategies and outlook

We forecast that corporations will be polarized concerning IT: those which regard IT as costs and outsource IT-related services; and the others which consider IT as very closely connected with management and position it as the core of business. Accordingly, only highly specialized packages and solutions will survive in the IT market.

Based on this outlook, the Group will not pursue the type of systems to provide, but will implement a strategy for further strengthening relationships with closely-affiliated clients that regard IT as their core business.

The Group has succeeded in developing a method that enables a great deal of batch processing with open systems. In the future, demand for large-scale downsizing projects is expected to increasingly grow. The Group will organically combine technologies, know-how, and other items held by the Package & Service Business sector, which is expected to expand as a result of the merger, with the IT Consulting Business, and provide highly specialized solutions to a wide range of clients, including midsize companies. Through these efforts, the Group aims to differentiate itself from its rivals and strengthen its presence in the market.

5. Capital resources and liquidity

The following represent the comparison of consolidated balance sheets and of consolidated statements of cash flows.

Comparison of consolidated balance sheets (summary)

Item	Fiscal year ended December 2005	Fiscal year ended December 2006	Year-on-year comparison	
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)
(Assets)				
Current assets	7,184	6,024	(1,160)	-16.1
Cash and cash equivalents	4,817	3,871	(945)	-19.6
Notes and accounts receivable	2,001	1,561	(439)	-21.9
Other	365	590	225	61.5
Fixed assets	3,140	3,688	547	17.4
Tangible fixed assets	333	1,127	793	238.0
Intangible fixed assets	421	387	(33)	-7.9
Investments and other assets	2,385	2,173	(212)	-8.9
Total assets	10,324	9,712	(612)	-5.9
(Liabilities)				
Current liabilities	2,733	2,770	36	1.3
Accounts payable	466	670	204	43.8
Income tax payable, etc.	847	559	(287)	-33.9
Other	1,419	1,539	119	8.4
Non-current liabilities	-	449	449	-
Negative goodwill	-	276	276	-
Long-term borrowings	-	107	107	-
Other	-	65	65	-
Total liabilities	2,733	3,219	485	17.7
(Minority interests)	-	-	-	-
(Shareholder equity)				
Common stock	1,421	1,421	-	-
Additional paid-in capital	2,495	2,495	-	-
Retained earnings	4,151	5,365	1,213	29.2
Net unrealized gains on available-for-sale securities	577	287	(289)	-50.1
Foreign currency translation adjustments	0	0	0	20.6
Treasury stock	(1,055)	(3,093)	(2,037)	192.9
Total shareholder equities	7,591	6,493	(1,098)	-14.1
Total liabilities, minority interests and shareholder equity	10,324	9,712	(612)	-5.9

Comparison of consolidated statements of cash flows (summary)

Item	Fiscal year ended December 2005	Fiscal year ended December 2006	Year-on-year comparison	
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)
Net income before taxes	1,999	2,737	738	36.9
Depreciation and amortization	688	295	(392)	-57.0
Equity in income (losses) of subsidiaries & affiliates	57	19	(38)	-66.6
Gains (losses) on sale of investment securities	(666)	(125)	541	-81.2
Losses on devaluation of investment securities	-	9	9	-
Increase (decrease) in accounts receivable	(899)	468	1,368	-152.0
Other	668	158	(509)	-76.2
Subtotal	1,846	3,563	1,717	92.9
Income and other taxes	(191)	(1,307)	(1,115)	582.7
Other	(2)	3	5	-293.4
Net cash provided by (used in) operating activities	1,653	2,260	607	36.7
Proceeds from sale of investment securities	975	435	(540)	-55.4
Proceeds from collection of loans	300	-	(300)	-
Increase in short-term loans	-	(416)	(416)	-
Other	(313)	(339)	(25)	8.1
Net cash provided by (used in) investing activities	962	(320)	(1,282)	-133.2
Net increase (decrease) in short-term borrowings	(650)	(35)	615	-94.6
Repayment of long-term borrowings	(566)	(503)	62	-11.0
Purchase of treasury stocks	(93)	(2,037)	(1,944)	2,088.0
Payment of dividends	(312)	(309)	2	-0.9
Net cash provided by (used in) financing activities	(1,621)	(2,885)	(1,263)	77.9
Effect of exchange rate changes on cash and cash equivalents	1	0	(1)	-93.4
Increase (decrease) in cash and cash equivalents	995	(945)	(1,941)	-195.0
Cash and cash equivalents at beginning of the period	3,822	4,817	995	26.0
Cash and cash equivalents at end of the period	4,817	3,871	(945)	-19.6

(1) Analysis of financial condition

The following is the analysis of financial condition for the fiscal period under review.

(a) Current assets

Current assets were 6,024 million on a consolidated basis in the year ended December 31, 2006, down 16.1% or ¥1,160 million from the previous year.

This decrease is due mainly to a decrease in cash and cash equivalents of ¥945 million, a decline in notes and accounts receivable of ¥439 million, and an increase in inventories of ¥126 million. For the breakdown of increase in cash and cash equivalents, please see (2) Analysis of cash flows on page 23.

While cash and cash equivalents totaling ¥3,871 million are regarded as reserves for working capital, we are also earnestly considering spending them for strategic alliances and pursuit of synergy effects. For financial policies, please see (5) Financial policies on page 24.

(b) Fixed assets

In the fiscal year under review, fixed assets amounted to ¥3,688 million on a consolidated basis, up ¥547 million or 17.4% from the previous year.

This increase is attributable chiefly to a rise of ¥793 million in tangible fixed assets, centering on buildings and land of Uoei Shoten Corporation which was made into a consolidated subsidiary.

Intangible fixed assets decreased ¥33 million because of depreciation of software. Investments and other assets declined ¥212 million, owing to a drop of ¥686 million from selling investment securities and evaluating them according to current market value, despite a rise of ¥497 million in deposit guarantees.

(c) Current liabilities and non-current liabilities

Total liabilities were ¥3,219 million in the fiscal year under review, up ¥485 million or 17.7% from the preceding year.

This increase is ascribed mainly to the booking of negative goodwill of ¥276 million as a result of Uoei Shoten Corporation and other companies becoming consolidated subsidiaries, and a rise in accounts payable and long-term borrowings.

(d) Net assets

Net assets were ¥6,493 million at the end of the fiscal year under review, down ¥1,098 million or 14.4% from a year earlier.

This decrease is due primarily to an increase in treasury stocks (a ¥2,037 million decline in net assets compared with the previous year) and a fall of ¥289 million in net unrealized gains on available-for-sale securities, despite a growth of ¥1,525 million as a result of net income and a rise of ¥1,213 million in retained earnings in relation to payment of dividends of ¥311 million.

(e) Total assets

In the fiscal year under review, total assets decreased ¥612 million or 5.9% year-on-year to ¥9,712 million.

This decrease is attributable mainly to a drop in cash and cash equivalents from acquisition of treasury stocks and the effect of a growth in treasury stocks, despite a rise in retained earnings reflecting increased sales and profits. Meanwhile, fixed assets and non-current liabilities increased as a result of Uoei Shoten Corporation becoming a consolidated subsidiary.

(2) Analysis of cash flows

The following is the analysis of the Group's consolidated cash flows for the fiscal year under review.

(a) Cash flows from operating activities

Cash flows from operating activities for the fiscal year under review amounted to ¥2,260 million, up ¥607 million from the previous year. Thanks to an increase in both sales and profits for the second consecutive year, net income before taxes was ¥2,737 million (up ¥738 million from a year earlier), while income tax and other taxes posted ¥1,307 million (up ¥1,115 million) as a result of increased profits.

(b) Cash flows from investing activities

Cash outflows from investing activities were ¥320 million (compared with an inflow of ¥962 million in the previous year). Proceeds from sales of investment securities amounted to ¥435 million (down ¥540 million from a year earlier). However, loans were ¥416 million (up ¥416 million), net increase in deposit guarantees was ¥113 million (up ¥112 million), and purchases of tangible assets were ¥112 million (down ¥8 million).

(c) Cash flows from financing activities

Cash flows from financial activities saw an outflow of ¥2,885 million (up ¥1,263 million from the preceding year), reflecting a purchase of treasury stocks of ¥2,037 million (up ¥1,944 million), repayment of long-term borrowings of ¥503 million (down ¥62 million), and payment of dividends of ¥309 million (down ¥2 million).

(d) Cash and cash equivalents at the end of the year

Cash and cash equivalents outstanding at the end of the fiscal year under review were ¥3,871 million, due to a decrease of 945 million in cash and cash equivalents, the result of calculating cash flows from operating, investing and financing activities.

(3) Demand for operating funds

Demands for operating funds at the Group are as follow:

(Working capital)

Working capital is used to cover cost of sales and operating expenses such as selling, general and administrative expenses, as well as payments for income and other taxes. Major operating expenses consist of salaries, bonuses, welfare expenses, traffic expenses, rent on offices and others, and subcontract expenses. Meanwhile, the period of contracts, which the Group concludes with its clients, is relatively short and such contracts provide that the Group charges and collects prices of services basically according to the progress of the project in a month. Accordingly, demand for funds in association with operating expenses is not so large and generally can be covered by cash flows from operating activities.

In addition, it is thought that funds are needed to purchase hardware and others in providing clients with procurement services. However, the Group concludes the contract with customers on condition that no funds are needed.

(Funds for strategic investments)

The Group makes strategic investments and needs funds for that purpose.

To implement strategic investments flexibly and astutely, the Group adopts financial policies that emphasizes liquidity at hand and raising funds from financial institutions and others. In the fiscal year under review, the Group booked cash outflows from investment activities, despite sales of investments to employ capital effectively, and income from appropriate exit from net investments.

(Funds for R&D activities)

The Group continuously focuses on research and development activities and needs funds for that purpose.

Such funds are mainly used to cover R&D expenses in the selling, general and administrative expenses, as well as software in the intangible fixed assets.

(Funds for others)

The Group sometimes acquires own shares as part of flexible capital policies, and needs funds for that purpose.

For the acquisition of own shares, please refer to (6) Acquisition of own shares on page 24.

(4) Borrowings, commitments, etc.

The following are the Group's borrowings as of December 31, 2006.

Item	Repayment term		
	Up to 1 year (¥million)	Over 1 year (million yen)	Total (¥million)
Short-term borrowings	-	-	-
Long-term borrowings	29	107	137

(5) Financial policies

The Group has a basic policy to use internal reserves, which are allocated from profits, and short-term borrowings to cover such funds needed as working capital, funds for strategic investments, and funds for R&D activities. Long-term borrowings are used for partial funding of investment securities acquisition, as a strategic investment. As of the end of December 2006, the outstanding balance of borrowings was as described above.

As described in (2) Dividend policy on page 6 and (3) Demand for operating funds on page 23, the Group will allocate internal reserves, focusing on the investments intended to: a. enhance R&D activities for design and development techniques so that the Group can have the technical edge over its peers, which is required to maximize the Group's value over the medium- to long-term; b. recruit and train human resources; and c. implement measures for boosting project management and strengthen M&A activities and alliances with external partner companies in order to raise the value added of services provided by the Group. Aiming for an astute M&A in the IT-related industries, where business is fast, the Group considers liquidity at hand as important funds for that purpose, while regarding borrowings from financial institutions as an option to raise funds.

Engaged in providing IT consulting services, the Group basically concludes contracts with clients for every phase of projects to develop a series of systems. Accordingly, the status of orders received may significantly affect the Group's financial condition. To prepare for abrupt deterioration in orders received, the Group puts emphasis on liquidity at hand. However, we believe that the Group at the moment can fully avoid the risk associated with liquidity of funds, thanks to ample operating cash flows derived from a steady order flow (orders received) and sufficient liquidity at hand.

Implementing financial operations based on the above-mentioned policies, the Group maintains a certain amount of borrowings while keeping a certain amount of cash and cash equivalents, and repays unnecessary borrowings as much as possible in the balance sheets. For this, both assets (cash and cash equivalents) and liabilities (borrowings) are stated in the balance sheets. The Group will conduct financial operations so that it can flexibly operate the business, while carefully examining fund-raising costs.

At its developing stage, the Group needs to raise funds directly from capital markets in order to further grow and expand. Therefore, the Group will continue to consider pursuing direct financing as well as financial operations as described above.

(6) Acquisition of own shares

With the implementation of the "Law Regarding Partial Revision of the Commercial Code and the Law for Special Exceptions to the Commercial Code Concerning Audit, etc. of Corporations" (Law No. 132 of 2003) on September 25, 2003, it was made possible that companies buy back their treasury stock upon approval of the board of directors, if relevant provisions are prescribed beforehand in their articles of incorporation. Accordingly, the Group included a stipulation in the Articles of Incorporation that it acquires its own shares, in accordance with the resolution by the 15th Ordinary General Meeting of Shareholders held on March 25, 2004. The Group believes this would enable it to implement flexible capital policies responding to changes in the business environment.

In the fiscal year under review, the Group acquired 19,596 treasury stocks for ¥2,037 million. As a result, there were 34,904 treasury stocks worth ¥3,093 million at the end of the fiscal year under review. Of the above treasury stocks, the Group allotted 34,877 shares to shareholders of the former Woodland Corporation in relation to the merger with Woodland on January 1, 2007.

6. Management's awareness of issues and future policies

In Japan, the economy is continuing to grow moderately, while uncertainties remain such as an increase in interest rates. Under these circumstances, clients planning to introduce systems are strongly demanding a shorter period between development and delivery and lower prices. Given this, the Group predicts that the business environment surrounding it will remain severe and continue to change abruptly.

Nevertheless, winners and advanced companies in each industry are strengthening their competitiveness in earnest with the emphasis on IT reforms. Hence, the Group believes its role, which maintains the independence of its vendors, is becoming more important while clients are increasingly counting on such Group.

In addition to such market trends, the supply of resources, about which there was concern initially, went smoothly in the fiscal year under review. Under these circumstances, promotional activities balanced well with continued projects that centered on the development phase. This, combined with its earnest efforts toward standardizing and enhancing project management as well as training human resources, contributed to the Group posting the highest sales and profits since its establishment.

For the year through December 31, 2007, the Group will reconfirm and enhance fundamental business matters, strengthen various resources obtained through merger, do its utmost to release continued strategic projects, and find an appropriate balance between such projects and promotion activities for advanced projects that are expected to be the Group's future mainstay, while demonstrating its technological excellence in a wide range of fields and accumulating know-how. Through these efforts, the Group will strengthen its structure to maximize the value of products provided to clients.

4. Consolidated Financial Statements

1) Consolidated Financial Statements

(1) Consolidated balance sheets

(in thousands of yen)

Item	Fiscal 2005 (December 31, 2005)		Fiscal 2006 (December 31, 2006)	
	Amount	Percentage (%)	Amount	Percentage (%)
(Assets)				
I. Current assets				
1. Cash and cash equivalents	4,817,482		3,871,832	
2. Notes and accounts receivable	2,001,229		1,561,425	
3. Inventories	12,591		139,441	
4. Deferred tax assets	157,243		210,848	
5. Other	225,983		270,630	
6. Allowance for doubtful accounts	(30,000)		(30,000)	
Total current assets	7,184,530	69.6	6,024,178	62.0
II. Fixed assets				
1. Tangible fixed assets				
(1) Buildings and structures	216,516		2,789,456	
Accumulated depreciation	123,666	92,850	2,194,643	594,813
(2) Land (*2)		-		253,938
(3) Construction in progress		-		2,947
(4) Others	622,161		1,061,105	
Accumulated depreciation	381,554	240,606	785,551	275,553
Total tangible fixed assets		333,456		1,127,252
2. Intangible fixed assets				
(1) Software		408,329		285,090
(2) Others		12,685		102,583
Total intangible fixed assets		421,015		387,674
3. Investments and other assets				
(1) Investment securities (*1)		1,988,272		1,302,068
(2) Deposit guarantees		321,928		818,949
(3) Deferred tax assets		59,928		36,510
(4) Other		15,710		15,796
Total investments and other assets		2,385,839		2,173,325
Total fixed assets		3,140,311		3,688,252
Total assets		10,324,842		9,712,431
		100.0		100.0

(in thousands of yen)

Item	Fiscal 2005 (December 31, 2005)		Fiscal 2006 (December 31, 2006)	
	Amount	Percentage (%)	Amount	Percentage (%)
(Liabilities)				
I. Current liabilities				
1. Accounts payable	466,275		670,840	
2. Long-term borrowings due within one year	468,000		29,820	
3. Other accounts payable	-		786,268	
4. Income tax payable, etc.	847,718		559,926	
5. Allowance for bonuses to directors	43,700		-	
6. Reserve for quality assurance	125,000		260,000	
7. Other	782,867		463,195	
Total current liabilities	2,733,561	26.5	2,770,051	28.5
II. Non-current liabilities				
1. Long-term borrowings	-		107,212	
2. Negative goodwill (*3)	-		276,602	
3. Allowance for retirement benefits	-		28,735	
4. Other	-		36,631	
Total non-current liabilities	-	-	449,180	4.6
Total liabilities	2,733,561	26.5	3,219,232	33.1
(Minority interests)				
Minority interests	-	-	-	-
(Shareholders' equity)				
I. Common stock (*4)	1,421,815	13.8	-	-
II. Additional paid-in capital	2,495,772	24.2	-	-
III. Retained earnings	4,151,548	40.2	-	-
IV. Net unrealized gains on available-for-sale securities	577,610	5.6	-	-
V. Foreign currency translation adjustments	511	0.0	-	-
VI. Treasury stock (*5)	(1,055,978)	-10.3	-	-
Total shareholders' equity	7,591,280	73.5	-	-
Total liabilities, minority interests and shareholders' equity	10,324,842	100.0	-	-
(Net assets)				
I. Shareholders' equity				
1. Common stock	-	-	1,421,815	14.6
2. Additional paid-in capital	-	-	2,495,772	25.7
3. Retained earnings	-	-	5,365,211	55.2
4. Treasury stock	-	-	(3,093,558)	-31.8
Total shareholders' equity	-	-	6,189,241	63.7
II. Valuation, translation adjustments, etc.				
1. Net unrealized gain on available-for-sale securities	-	-	287,927	3.0
2. Foreign currency translation adjustments	-	-	617	0.0
Total valuation, translation adjustments, etc.	-	-	288,544	3.0
III. Minority interests	-	-	15,413	0.2
Total net assets	-	-	6,493,198	66.9
Total liabilities and net assets	-	-	9,712,431	100.00

(2) Consolidated statements of income

(in thousands of yen)

Item	Fiscal 2005 (from January 1, 2005 to December 31, 2005)			Fiscal 2006 (from January 1, 2006 to December 31, 2006)		
	Amount	Amount	Percentage (%)	Amount	Amount	Percentage (%)
I. Net Sales		10,957,381	100.0		15,261,499	100.0
II. Cost of sales		5,562,814	50.8		8,885,240	58.2
Gross Profit		5,394,566	49.2		6,376,258	41.8
III. Selling, general and administrative expenses						
1. Officers' remuneration	193,544			258,663		
2. Salaries and bonuses	1,455,211			1,435,755		
3. Employee training expenses	103,770			95,463		
4. Research & development expenditures (*1)	676,260			318,523		
5. Depreciation	135,851			143,563		
6. Recruitment expenses	95,695			309,255		
7. Other	871,200	3,531,534	32.2	1,060,817	3,622,041	23.7
Ordinary Income		1,863,031	17.0		2,754,217	18.1
IV. Non-operating income						
1. Interest income	6,416			3,124		
2. Dividend income	2,268			6,126		
3. Other	7,163	15,848	0.1	9,597	18,848	0.1
V. Non-operating expenses						
1. Interest expenses	10,121			3,827		
2. Listing expenses	57,311			19,142		
3. Treasury stock purchasing expenses	-			7,939		
4. Other	1,526	68,958	0.6	1,108	32,017	0.2
Ordinary Income		1,809,921	16.5		2,741,047	18.0
VI. Extraordinary income						
1. Gains on sale of investment securities	666,492	666,492	6.1	125,270	125,270	0.8
VII. Extraordinary losses						
1. Losses on disposal of fixed assets (*3)	1,584			-		
2. Losses on devaluation of investment securities	-			9,302		
3. Office relocation expenses (*5)	-			99,259		
4. Losses on restructuring (*4)	13,221			-		
5. Losses on contract cancellation	12,249			-		
6. Depreciation costs for software (*2)	357,769			-		
7. Losses on disposal of software	62,564			-		
8. Provision of allowance for doubtful accounts	30,000			-		
9. Retirement benefits to directors	-	477,390	4.4	20,000	128,562	0.8
Net income before taxes		1,999,023	18.2		2,737,756	18.0
Corporate, residential and enterprise taxes	952,951			1,043,309		
Corporate tax adjustments	(125,167)	827,783	7.5	168,553	1,211,862	8.0
Minority interests in net income		-	-		831	0.0
Net income		1,171,239	10.7		1,525,062	10.0

(3) Consolidated statements of retained earnings

(in thousands of yen)

Item	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	
	Amount	
(Additional paid-in capital)		
I. Balance at the beginning of the period		2,495,772
II. Balance at the end of the period		2,495,772
(Retained earnings)		
I. Balance at the beginning of the period		3,292,773
II. Increase in retained earnings		
1. Net income for the period	1,171,239	1,171,239
III. Decrease in retained earnings		
1. Dividends	312,465	312,465
IV. Balance at the end of the period		4,151,548

Consolidated Statements of Changes in Shareholders' Equity

Fiscal 2006 (from January 1, 2006 to December 31, 2006)

(in thousands of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of December 31, 2005	1,421,815	2,495,772	4,151,548	(1,055,978)	7,013,158
Changes during the fiscal year					
Earnings paid out as dividends			(311,399)		(311,399)
Net income for the period			1,525,062		1,525,062
Purchase of treasury stock				(2,037,580)	(2,037,580)
Changes in items other than the shareholders' equity during the fiscal year (net amount)					
Total changes during the fiscal year			1,213,663	(2,037,580)	(823,916)
Balance as of December 31, 2006	1,421,815	2,495,772	5,365,211	(3,093,558)	6,189,241

	Valuation, translation adjustments, etc.			Minority interests	Total net assets
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total valuation, translation adjustments, etc.		
Balance as of December 31, 2005	577,610	511	578,122	-	7,591,280
Changes during the fiscal year					
Earnings paid out as dividends					(311,399)
Net income for the period					1,525,062
Purchase of treasury stock					(2,037,580)
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(289,683)	105	(289,578)	15,413	(274,164)
Total changes during the fiscal year	(289,683)	105	(289,578)	15,413	(1,098,081)
Balance as of December 31, 2006	287,927	617	288,544	15,413	6,493,198

(4) Consolidated statements of cash flows

(in thousands of yen)

Item	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
	Amount	Amount
I. Cash flows from operating activities:		
Net income before taxes	1,999,023	2,737,756
Depreciation and amortization	688,399	295,694
Increase (decrease) in allowance for doubtful accounts	29,300	-
Increase (decrease) in allowance for bonuses to directors	43,700	(43,700)
Increase (decrease) in reserves for quality assurance	80,000	135,000
Earned interest and dividends	(8,684)	(9,250)
Interest expenses	10,121	3,827
Equity in income (losses) of subsidiaries & affiliates	57,311	19,142
Losses on disposal of tangible fixed assets	1,584	-
Depreciation costs for software	62,564	-
Gains (losses) on sale of investment securities	(666,492)	(125,270)
Losses on devaluation of investment securities	-	9,302
Losses on restructuring	13,221	-
Increase (decrease) in accounts receivable	(899,821)	468,778
Increase (decrease) in inventories	(7,268)	4,964
Increase (decrease) in other assets	(24,592)	(13,239)
Increase (decrease) in accounts payable	285,005	(15,208)
Increase (decrease) in consumption tax payable	54,615	(26,973)
Increase (decrease) in other liabilities	130,857	123,036
Subtotal	1,846,844	3,563,859
Interest and dividends received	8,689	8,819
Interest paid	(10,720)	(4,890)
Income and other taxes	(191,468)	(1,307,305)
Net cash provided by (used in) operating activities	1,653,345	2,260,482
II. Cash flows from investing activities:		
Purchase of tangible fixed assets	(121,071)	(112,759)
Acquisition of intangible fixed assets	(75,563)	(35,261)
Proceeds related to the acquisition of shares of newly consolidated subsidiaries	-	62,255
Purchase of investment securities	(107,801)	(140,200)
Proceeds from sale of investment securities	975,885	435,270
Net increase in deposit guarantees	(510)	(113,209)
Proceeds from collection of deposit guarantees	1,400	-
Increase in short term loans (*3)	-	(416,525)
Proceeds from collection of loans	300,000	-
Purchase of golf club memberships	(10,000)	-
Net cash provided by (used in) investing activities	962,338	(320,429)
III. Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(650,000)	(35,000)
Repayment of long-term borrowings	(566,000)	(503,316)
Purchase of treasury stock	(93,121)	(2,037,580)
Dividends paid	(312,747)	(309,911)
Net cash provided by financing activities	(1,621,868)	(2,885,807)
IV. Effect of exchange rate changes on cash and cash equivalents	1,588	104
V. Increase in cash and cash equivalents	995,403	(945,650)
VI. Cash and cash equivalents at beginning of the period	3,822,079	4,817,482
VIII. Cash and cash equivalents at end of the period	4,817,482	3,871,832

Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
1. Scope of consolidation	<p>There are three (3) consolidated subsidiaries: Future Financial Strategy Corp., Future Investment Corp., and Future Architect, Inc. There are no non-consolidated subsidiaries.</p> <p>Future Investment Corp. was established through a spin-off on June 1, 2005 and is thus included in the scope of consolidation, effective in the fiscal year under review.</p>	<p>There are six (6) consolidated subsidiaries: Future Financial Strategy Corp., Future Investment Corp., e-Manufacturing Co., Ltd., RI Partners Limited Liability Association, Uoei Shoten Corporation, and Future Architect, Inc. There are no non-consolidated subsidiaries.</p> <p>On March 30, 2006, the Group underwrote new shares issued by e-Manufacturing for capital increase by third-party allotment, established RI Partners on December 19, 2006, and acquired shares in Uoei Shoten on December 22, 2006. Accordingly, these companies were included in the scope of consolidation beginning in the fiscal year under review.</p>
2. Application of equity method	<p>There are three (3) companies to which equity-method is applicable: Shanghai UFIDA Future Consulting Ltd., D-Worx Inc. and IT Agent Inc.</p> <p>The deemed date of acquisition of Shanghai UFIDA Future Consulting and D-Worx is the closing day of the fiscal year under review.</p> <p>With the sales of all IT Agent shares, which was an equity-method affiliate in the previous fiscal year, in the year under review, the subject company was excluded from the application of equity method. As for the Statements of income, IT Agent is included in the application of equity method accounting with the closing day of the first half of fiscal 2005 as the deemed date of sales of its shares.</p> <p>There was no affiliated company to which equity method is not applicable.</p>	<p>There are two (2) companies to which equity-method is applicable: Shanghai UFIDA Future Consulting Ltd., and D-Worx Inc.</p> <p>There was no affiliated company to which equity method is not applicable.</p>
3. Accounting period of consolidated subsidiaries	<p>The consolidated subsidiaries' fiscal year-end falls on the same day as the date of consolidated statements are issued.</p>	<p>Uoei Shoten's account settlement date is July 31.</p> <p>In preparing consolidated financial statements, the Group uses the financial statements based on a preliminary settlement of accounts as of the closing date of consolidated statements.</p>

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
(3) Accounting standards for allowances/reserves	<p>(a) Allowance for doubtful accounts To prepare for losses incurred by bad debt, amount of potential loss is calculated by taking historical loss ratio in case of non-classified loans/receivables. Potential loss for classified loans/receivables is individually assessed.</p> <p>(b) Reserve for quality assurance In projects related to open systems consultation and system development (IT consulting services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract or as of the close of accounting period. There are instances where the Company and its consolidated subsidiaries provide such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services. To prepare for additional cost of sales in IT consulting services that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the reserve for quality assurance.</p> <p>(c) Allowance for bonuses to directors To prepare for payment of bonuses to directors, the estimated amount to be paid for the fiscal year under review is stated.</p> <hr/>	<p>(a) Allowance for doubtful accounts Same as on the left.</p> <p>(b) Reserve for quality assurance Same as on the left.</p> <hr/> <p>(d) Allowance for retirement benefits To prepare for the payment of retirement benefits to employees, allowance for retirement benefits is provided in accordance with the simplified method (based on the amount that would be required if all employees voluntarily terminated their employment, the balance of liability reserve and the balance of pension funds) stipulated in the Practical Guidelines for Accounting for Retirement Benefits (Interim Report) (JICPA Accounting Committee Report No. 13).</p>

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
(4) Recognition of sales and cost of sales	Costs of sales for IT consulting services are recognized on an accrual basis for each individual project. Corresponding sales are recognized based on "percentage-of-completion" by taking the ratio of accrued cost to total estimated cost of the project.	Same as on the left.
(5) Lease transactions accounting method	Finance leases where ownership does not transfer to the lessees are not capitalized, and are accounted for in the same manner as operating leases.	Same as on the left.
(6) Other material information concerning the compiling of financial statements	(a) Accounting treatment of consumption taxes, etc. Transactions subject to consumption taxes are recorded at net amounts excluding consumption taxes.	(a) Accounting treatment of consumption taxes, etc. Same as on the left.
5. Amortization of goodwill and negative goodwill	_____	Goodwill and negative goodwill are amortized evenly over their useful lives. However, if they are of little significance in terms of monetary amounts they are treated as profits or losses for the fiscal year in which they occur.
6. Valuation of assets and liabilities of consolidated subsidiaries	_____	The full market price method is adopted.
7. Treatment of appropriation of surplus	The consolidated statements of retained earnings are prepared based on the appropriation of surplus at consolidated companies that were determined during the period.	_____
8. Cash and cash equivalents	"Cash (cash and cash equivalents)" included in the consolidated statements of cash flow include cash in hand, demand deposits, and short-term investments readily convertible to cash with minimum price risk.	Same as on the left.

Statements of changes in shareholders' equity
 Fiscal 2006 (from January 1, 2006 to December 31, 2006)

1. Matters related to the types and numbers of outstanding stocks and treasury stocks (Unit: Shares)

	Number of stocks at the end of the previous fiscal year	Number of stocks increased during this fiscal year	Number of stocks decreased during this fiscal year	Number stocks at the end of this fiscal year
Outstanding stocks				
Common stock (*1)	119,160	357,480	–	476,640
Total	119,160	357,480	–	476,640
Treasury stock				
Common stock (*2)	3,827	31,077	–	34,904
Total	3,827	31,077	–	34,904

(Note) (1) 357,480 shares of outstanding common stock increased due to the stock split (as of February 1, 2006).

(2) The increase of 31,077 treasury stocks of common stock includes 19,596 shares acquired by resolution of the Board of Directors and 11,481 shares derived from the stock split on February 1, 2006.

2. Matters related to dividends

(1) Dividends paid

Resolution	Stock type	Total dividend amount (thousands of yen)	Dividends per share (yen)	Base date	Effective date
Ordinary general meeting of shareholders held on March 23, 2006	Common stock	311,399	2,700	December 31, 2005	March 23, 2006

(2) Among dividends for which the record date falls within the fiscal year under review, the dividend for which the effective date of payment falls in the next fiscal year is as follows:

Resolution	Stock type	Total dividend amount (thousands of yen)	Source of funds for dividends	Dividends per share (yen)	Base date	Effective date
Ordinary general meeting of shareholders held on March 22, 2007	Common stock	419,649	Retained earnings	950	December 31, 2006	March 22, 2007

(Notes to consolidated statements of cash flows)

Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)																		
Cash and cash equivalents at the end of the fiscal year and amounts stated in consolidated balance sheet	Cash and cash equivalents at the end of the fiscal year and amounts stated in consolidated balance sheet																		
<u>Cash and deposits:</u> ¥4,817,482,000	<u>Cash and deposits:</u> ¥3,871,832,000																		
Cash and cash equivalents: ¥4,817,482,000	Cash and cash equivalents: ¥3,871,832,000																		
	2. Breakdown of primary assets and liabilities of the companies which became new consolidated subsidiaries due to stock acquisition																		
	(1) The breakdown of the assets and liabilities at the start of the consolidated period following the consolidation of Uoei Shoten Corporation through stock acquisition, the acquisition price of Uoei Shoten shares, and the expenditures (net) made to acquire Uoei Shoten are as follows:																		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Current assets</td> <td style="text-align: right;">¥251,900,000</td> </tr> <tr> <td style="padding-left: 20px;">Fixed assets</td> <td style="text-align: right;">¥985,475,000</td> </tr> <tr> <td style="padding-left: 20px;">Current liabilities</td> <td style="text-align: right;">(¥275,921,000)</td> </tr> <tr> <td style="padding-left: 20px;">Non-current liabilities</td> <td style="text-align: right;">(¥585,723,000)</td> </tr> <tr> <td style="padding-left: 20px;">Negative goodwill</td> <td style="text-align: right;">(¥327,730,000)</td> </tr> <tr> <td style="padding-left: 20px;">Acquisition price of new consolidated subsidiary's shares</td> <td style="text-align: right;">¥48,000,000</td> </tr> <tr> <td style="padding-left: 20px;">Balance of cash and cash equivalents of new consolidated subsidiary</td> <td style="text-align: right;">(¥87,798,000)</td> </tr> <tr> <td style="padding-left: 20px;">Expenses incurred to acquire subsidiary's shares which entailed a change in the scope of consolidation</td> <td style="text-align: right;">(¥39,798,000)</td> </tr> </table>	Current assets	¥251,900,000	Fixed assets	¥985,475,000	Current liabilities	(¥275,921,000)	Non-current liabilities	(¥585,723,000)	Negative goodwill	(¥327,730,000)	Acquisition price of new consolidated subsidiary's shares	¥48,000,000	Balance of cash and cash equivalents of new consolidated subsidiary	(¥87,798,000)	Expenses incurred to acquire subsidiary's shares which entailed a change in the scope of consolidation	(¥39,798,000)		
Current assets	¥251,900,000																		
Fixed assets	¥985,475,000																		
Current liabilities	(¥275,921,000)																		
Non-current liabilities	(¥585,723,000)																		
Negative goodwill	(¥327,730,000)																		
Acquisition price of new consolidated subsidiary's shares	¥48,000,000																		
Balance of cash and cash equivalents of new consolidated subsidiary	(¥87,798,000)																		
Expenses incurred to acquire subsidiary's shares which entailed a change in the scope of consolidation	(¥39,798,000)																		
	The breakdown of the assets and liabilities at the start of the consolidated period following the consolidation of e-Manufacturing Co., Ltd. through stock acquisition, the acquisition price of e-Manufacturing Co., Ltd. shares, and the expenditures (net) made to acquire e-Manufacturing Co., Ltd. are as follows:																		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Current assets</td> <td style="text-align: right;">¥127,420,000</td> </tr> <tr> <td style="padding-left: 20px;">Fixed assets</td> <td style="text-align: right;">¥12,846,000</td> </tr> <tr> <td style="padding-left: 20px;">Goodwill</td> <td style="text-align: right;">¥68,171,000</td> </tr> <tr> <td style="padding-left: 20px;">Current liabilities</td> <td style="text-align: right;">(¥62,497,000)</td> </tr> <tr> <td style="padding-left: 20px;">Non-current liabilities</td> <td style="text-align: right;">(¥31,359,000)</td> </tr> <tr> <td style="padding-left: 20px;">Minority interests</td> <td style="text-align: right;">(¥14,582,000)</td> </tr> <tr> <td style="padding-left: 20px;">Acquisition price of new consolidated subsidiary's shares</td> <td style="text-align: right;">¥100,000,000</td> </tr> <tr> <td style="padding-left: 20px;">Balance of cash and cash equivalents of new consolidated subsidiary</td> <td style="text-align: right;">(¥122,457,000)</td> </tr> <tr> <td style="padding-left: 20px;">Expenses incurred to acquire subsidiary's shares which entailed a change in the scope of consolidation</td> <td style="text-align: right;">(¥22,457,000)</td> </tr> </table>	Current assets	¥127,420,000	Fixed assets	¥12,846,000	Goodwill	¥68,171,000	Current liabilities	(¥62,497,000)	Non-current liabilities	(¥31,359,000)	Minority interests	(¥14,582,000)	Acquisition price of new consolidated subsidiary's shares	¥100,000,000	Balance of cash and cash equivalents of new consolidated subsidiary	(¥122,457,000)	Expenses incurred to acquire subsidiary's shares which entailed a change in the scope of consolidation	(¥22,457,000)
Current assets	¥127,420,000																		
Fixed assets	¥12,846,000																		
Goodwill	¥68,171,000																		
Current liabilities	(¥62,497,000)																		
Non-current liabilities	(¥31,359,000)																		
Minority interests	(¥14,582,000)																		
Acquisition price of new consolidated subsidiary's shares	¥100,000,000																		
Balance of cash and cash equivalents of new consolidated subsidiary	(¥122,457,000)																		
Expenses incurred to acquire subsidiary's shares which entailed a change in the scope of consolidation	(¥22,457,000)																		
	4. Loans amounting to ¥416,525,000 for one new consolidated subsidiary, for which the end of the fiscal year under review is the quasi-acquisition date, are included.																		

(Lease transactions)

Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)																																																				
<p>1. Finance leases where ownership does not transfer to the lessees:</p> <p>(1) Acquisition cost equivalents, accumulated depreciation equivalents, and book value equivalents of the leased assets at the fiscal year-end</p> <p>Tangible fixed assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Acquisition cost equiv.</td> <td style="text-align: right;">¥30,595,000</td> </tr> <tr> <td>Accumulated depreciation equiv.</td> <td style="text-align: right;">¥23,870,000</td> </tr> <tr> <td>Book value equiv. at the end of fiscal year</td> <td style="text-align: right;">¥6,725,000</td> </tr> </table> <p>(2) Payments for valid (non-expired) leases at the end of period</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Due in one year</td> <td style="text-align: right;">¥4,108,000</td> </tr> <tr> <td><u>Due after one year</u></td> <td style="text-align: right;"><u>¥2,660,000</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">¥6,768,000</td> </tr> </table> <p>(3) Lease payments, depreciation equivalents, and interest expenses equivalents:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Lease payments</td> <td style="text-align: right;">¥20,956,000</td> </tr> <tr> <td>Depreciation equiv.</td> <td style="text-align: right;">¥20,296,000</td> </tr> <tr> <td>Interest expenses equiv.</td> <td style="text-align: right;">¥376,000</td> </tr> </table> <p>(4) Computation of depreciation equivalents Straight-line method. Useful life of leased assets is deemed to equal contractual period of the lease, with no residual value remaining at the end of the lease period.</p> <p>(5) Computation of interest expenses equivalents Interest expense equivalents are calculated by taking the difference between the total amount of lease payment as well as the acquisition cost equivalent of the leased property, and amortizing it over the lease period based on the interest method.</p> <p>2. Operating lease transactions</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Unexpired lease payments</td> </tr> <tr> <td style="width: 80%;">Due in one year</td> <td style="text-align: right;">¥785,000</td> </tr> <tr> <td><u>Due after one year</u></td> <td style="text-align: right;"><u>-</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">¥785,000</td> </tr> </table>	Acquisition cost equiv.	¥30,595,000	Accumulated depreciation equiv.	¥23,870,000	Book value equiv. at the end of fiscal year	¥6,725,000	Due in one year	¥4,108,000	<u>Due after one year</u>	<u>¥2,660,000</u>	Total	¥6,768,000	Lease payments	¥20,956,000	Depreciation equiv.	¥20,296,000	Interest expenses equiv.	¥376,000	Unexpired lease payments		Due in one year	¥785,000	<u>Due after one year</u>	<u>-</u>	Total	¥785,000	<p>1. Finance leases where ownership does not transfer to the lessees:</p> <p>(1) Acquisition cost equivalents, accumulated depreciation equivalents, and book value equivalents of the leased assets at the fiscal year-end</p> <p>Tangible fixed assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Acquisition cost equiv.</td> <td style="text-align: right;">¥107,628,000</td> </tr> <tr> <td>Accumulated depreciation equiv.</td> <td style="text-align: right;">¥49,823,000</td> </tr> <tr> <td>Book value equiv. at the end of fiscal year</td> <td style="text-align: right;">¥57,804,000</td> </tr> </table> <p>(2) Payments for valid (non-expired) leases at the end of period</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Due in one year</td> <td style="text-align: right;">¥17,730,000</td> </tr> <tr> <td><u>Due after one year</u></td> <td style="text-align: right;"><u>¥43,721,000</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">¥61,451,000</td> </tr> </table> <p>(3) Lease payments, depreciation equivalents, and interest expenses equivalents:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Lease payments</td> <td style="text-align: right;">¥5,016,000</td> </tr> <tr> <td>Depreciation equiv.</td> <td style="text-align: right;">¥4,868,000</td> </tr> <tr> <td>Interest expenses equiv.</td> <td style="text-align: right;">¥168,000</td> </tr> </table> <p>(4) Computation of depreciation equivalents Same as on the left.</p> <p>(5) Computation of interest expenses equivalents Same as on the left.</p> <p>2. Operating lease transactions</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Unexpired lease payments</td> </tr> <tr> <td style="width: 80%;">Due in one year</td> <td style="text-align: right;">¥29,000</td> </tr> <tr> <td><u>Due after one year</u></td> <td style="text-align: right;"><u>-</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;">¥29,000</td> </tr> </table> <p>Impairment loss There is no impairment loss on leased assets.</p>	Acquisition cost equiv.	¥107,628,000	Accumulated depreciation equiv.	¥49,823,000	Book value equiv. at the end of fiscal year	¥57,804,000	Due in one year	¥17,730,000	<u>Due after one year</u>	<u>¥43,721,000</u>	Total	¥61,451,000	Lease payments	¥5,016,000	Depreciation equiv.	¥4,868,000	Interest expenses equiv.	¥168,000	Unexpired lease payments		Due in one year	¥29,000	<u>Due after one year</u>	<u>-</u>	Total	¥29,000
Acquisition cost equiv.	¥30,595,000																																																				
Accumulated depreciation equiv.	¥23,870,000																																																				
Book value equiv. at the end of fiscal year	¥6,725,000																																																				
Due in one year	¥4,108,000																																																				
<u>Due after one year</u>	<u>¥2,660,000</u>																																																				
Total	¥6,768,000																																																				
Lease payments	¥20,956,000																																																				
Depreciation equiv.	¥20,296,000																																																				
Interest expenses equiv.	¥376,000																																																				
Unexpired lease payments																																																					
Due in one year	¥785,000																																																				
<u>Due after one year</u>	<u>-</u>																																																				
Total	¥785,000																																																				
Acquisition cost equiv.	¥107,628,000																																																				
Accumulated depreciation equiv.	¥49,823,000																																																				
Book value equiv. at the end of fiscal year	¥57,804,000																																																				
Due in one year	¥17,730,000																																																				
<u>Due after one year</u>	<u>¥43,721,000</u>																																																				
Total	¥61,451,000																																																				
Lease payments	¥5,016,000																																																				
Depreciation equiv.	¥4,868,000																																																				
Interest expenses equiv.	¥168,000																																																				
Unexpired lease payments																																																					
Due in one year	¥29,000																																																				
<u>Due after one year</u>	<u>-</u>																																																				
Total	¥29,000																																																				

(Securities)

1. Marketable securities

(in thousands of yen)

	Type	Fiscal 2005 (December 31, 2005)			Fiscal 2006 (December 31, 2006)		
		Acquisition cost	Amount stated in B/S	Difference	Acquisition cost	Amount stated in B/S	Difference
Securities stated in B/S whose amount exceeds acquisition cost	(1) Stocks	108,829	1,082,713	973,884	172,018	657,577	485,559
	(2) Bonds						
	1) Central/local government bonds	-	-	-	-	-	-
	2) Corporate bonds	-	-	-	-	-	-
	3) Other	-	-	-	-	-	-
	Sub total	108,829	1,082,713	973,884	172,018	657,577	485,559
Securities stated in B/S whose amount does not exceed acquisition cost	(1) Stocks	-	-	-	1,715	1,617	(98)
	(2) Bonds						
	1) Central/local government bonds	-	-	-	-	-	-
	2) Corporate bonds	-	-	-	-	-	-
	3) Other	-	-	-	-	-	-
	Sub total	-	-	-	1,715	1,617	(98)
Total		108,829	1,082,713	973,884	173,733	659,194	485,461

2. "Other securities" sold in fiscal 2005 and 2006

(in thousands of yen)

Fiscal 2005 (from January 1, 2005 to December 31, 2005)			Fiscal 2006 (from January 1, 2006 to December 31, 2006)		
Sale value	Total profits on sale	Total losses on sale	Sale value	Total profits on sale	Total losses on sale
975,885	666,492	-	435,270	125,270	-

3. Non-marketable securities

(in thousands of yen)

Type	Fiscal 2005 (December 31, 2005)	Fiscal 2006 (December 31, 2006)
	Amount stated in B/S	Amount stated in B/S
(1) Affiliated company stocks	41,504	22,362
(2) Other securities		
Non-listed stocks (excluding OTC stocks)	864,053	590,350

Note: Impairment losses of ¥9,302,000 were posted for other securities (unlisted shares) for the fiscal 2006.

(Derivative transactions)

There is no applicable item as the Group does not use derivative transactions at all.

(Retirement benefits)

1. Outline of the retirement benefit system adopted

The Company's subsidiaries adopt the retirement benefit system, which consists of a retirement lump-sum and retirement pension.

The retirement lump-sum is paid to retiring employees who have worked for at least five (5) years but less than 20 years, while retirement pension is paid to retiring employees who have 20 years of service or more, pursuant to in-house guidelines, and according to base wages and length of service.

2. Retirement benefit obligation

(in thousands of yen)

	Fiscal 2005 (December 31, 2005)	Fiscal 2006 (December 31, 2006)
(1) Retirement benefit obligation	-	(66,524)
(2) Pension assets	-	37,788
(3) Allowance for employees' retirement benefits: (1) – (2)	-	(28,735)

3. Retirement benefit expenses

In the fiscal year under review, the quasi-acquisition date of subsidiaries' shares is regarded as the end of the fiscal year, and only the balance sheets are prepared on a consolidated basis. Hence, there is no retirement benefit expense accrued.

4. Basis of calculation of retirement benefit obligation

Consolidated subsidiaries adopt a simplified method to calculate retirement benefit obligation.

(Stock options, etc.)

Fiscal 2006 (from January 1, 2006 to December 31, 2006)

1. Details, scale and changes of the stock options

(1) Details of the stock options

	Year 2005 Stock options
Category and number of recipients	Directors of the Company 5
	Employees of the Company 467
	Directors of the Company's subsidiaries 1
	Employees of the Company's subsidiaries 6
Number of stock options	Common stock: 8,000 shares
Grant date	August 25, 2005
Vesting condition	Recipients shall work continuously until the date of vesting (August 24, 2008) after the grant date (August 25, 2005).
Eligible period of employment	From August 25, 2005 to August 24, 2008
Exercise period	From August 25, 2008 to March 23, 2015

(2) Scale and changes of the stock options

The stock options that existed in the fiscal year under review are stated. The number of stock options is stated by converting them into shares.

1) Number of stock options

	Year 2005 Stock options
Before vesting (shares)	
End of the previous fiscal year	7,760
Grant	-
Lapse	1,356
Vested	-
Balance of contingent stock options	6,404
After vesting (shares)	
End of the previous fiscal year	-
Vested	-
Exercise	-
Lapse	-
Balance of outstanding stock options	-

2) Unit price information

	Year 2005 Stock options
Exercise price	¥65,205
Average stock price at the time of exercise	-
Fairly evaluated unit price (grant date)	-

(Tax effect accounting)

Fiscal 2005 (December 31, 2005)	Fiscal 2006 (December 31, 2006)																																																																										
<p>1. Breakdown of major causes for deferred tax assets and liabilities [Current]</p> <p>Deferred tax assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="padding-left: 20px;">Enterprise tax payable</td><td style="text-align: right;">¥65,928,000</td></tr> <tr><td style="padding-left: 20px;">Reserve for quality assurance</td><td style="text-align: right;">¥50,862,000</td></tr> <tr><td style="padding-left: 20px;">Tax loss carry forwards</td><td style="text-align: right;">¥3,343,000</td></tr> <tr><td style="padding-left: 20px;">Business office tax payable</td><td style="text-align: right;">¥4,997,000</td></tr> <tr><td style="padding-left: 20px;">Excess over the maximum allowance for doubtful accounts</td><td style="text-align: right;">¥12,207,000</td></tr> <tr><td style="padding-left: 20px;">Excess over the maximum allowance for bonuses to directors</td><td style="text-align: right;">¥17,823,000</td></tr> <tr><td style="padding-left: 20px;">Others</td><td style="text-align: right;"><u>¥2,081,000</u></td></tr> <tr><td style="padding-left: 40px;">Total deferred tax assets</td><td style="text-align: right;"><u>¥157,243,000</u></td></tr> </table> <p>[Non-current]</p> <p>Deferred tax assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="padding-left: 20px;">Depreciation excess</td><td style="text-align: right;">¥432,469,000</td></tr> <tr><td style="padding-left: 20px;">Assets written off</td><td style="text-align: right;">¥271,000</td></tr> <tr><td style="padding-left: 20px;">Impairment of investment securities</td><td style="text-align: right;">¥17,413,000</td></tr> <tr><td style="padding-left: 20px;">Others</td><td style="text-align: right;"><u>¥7,502,000</u></td></tr> <tr><td style="padding-left: 40px;">Total deferred tax assets</td><td style="text-align: right;"><u>¥457,657,000</u></td></tr> </table> <p>Deferred tax liabilities</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="padding-left: 20px;">Special depreciation reserves</td><td style="text-align: right;">¥1,455,000</td></tr> <tr><td style="padding-left: 20px;">Net unrealized gain on available-for-sale securities</td><td style="text-align: right;"><u>¥396,273,000</u></td></tr> <tr><td style="padding-left: 40px;">Total deferred liabilities</td><td style="text-align: right;"><u>¥397,729,000</u></td></tr> <tr><td style="padding-left: 40px;">Net deferred tax assets</td><td style="text-align: right;"><u>¥59,928,000</u></td></tr> </table>	Enterprise tax payable	¥65,928,000	Reserve for quality assurance	¥50,862,000	Tax loss carry forwards	¥3,343,000	Business office tax payable	¥4,997,000	Excess over the maximum allowance for doubtful accounts	¥12,207,000	Excess over the maximum allowance for bonuses to directors	¥17,823,000	Others	<u>¥2,081,000</u>	Total deferred tax assets	<u>¥157,243,000</u>	Depreciation excess	¥432,469,000	Assets written off	¥271,000	Impairment of investment securities	¥17,413,000	Others	<u>¥7,502,000</u>	Total deferred tax assets	<u>¥457,657,000</u>	Special depreciation reserves	¥1,455,000	Net unrealized gain on available-for-sale securities	<u>¥396,273,000</u>	Total deferred liabilities	<u>¥397,729,000</u>	Net deferred tax assets	<u>¥59,928,000</u>	<p>1. Breakdown of major causes for deferred tax assets and liabilities [Current]</p> <p>Deferred tax assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="padding-left: 20px;">Enterprise tax payable</td><td style="text-align: right;">¥45,321,000</td></tr> <tr><td style="padding-left: 20px;">Reserve for quality assurance</td><td style="text-align: right;">¥105,794,000</td></tr> <tr><td style="padding-left: 20px;">Business office tax payable</td><td style="text-align: right;">¥5,559,000</td></tr> <tr><td style="padding-left: 20px;">Excess over the maximum allowance for doubtful accounts</td><td style="text-align: right;">¥12,207,000</td></tr> <tr><td style="padding-left: 20px;">Office relocation expenses</td><td style="text-align: right;">¥35,807,000</td></tr> <tr><td style="padding-left: 20px;">Others</td><td style="text-align: right;"><u>¥6,158,000</u></td></tr> <tr><td style="padding-left: 40px;">Total deferred tax assets</td><td style="text-align: right;"><u>¥210,848,000</u></td></tr> </table> <p>[Non-current]</p> <p>Deferred tax assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="padding-left: 20px;">Depreciation excess</td><td style="text-align: right;">¥303,703,000</td></tr> <tr><td style="padding-left: 20px;">Allowance for retirement benefits</td><td style="text-align: right;">¥12,068,000</td></tr> <tr><td style="padding-left: 20px;">Losses carried forward for tax purposes</td><td style="text-align: right;">¥168,499,000</td></tr> <tr><td style="padding-left: 20px;">Impairment losses</td><td style="text-align: right;">¥121,694,000</td></tr> <tr><td style="padding-left: 20px;">Impairment of investment securities</td><td style="text-align: right;">¥20,246,000</td></tr> <tr><td style="padding-left: 20px;">Others</td><td style="text-align: right;"><u>¥9,297,000</u></td></tr> <tr><td style="padding-left: 40px;">Subtotal of deferred tax assets</td><td style="text-align: right;">¥635,507,000</td></tr> <tr><td style="padding-left: 40px;">Valuation allowance</td><td style="text-align: right;">(¥400,847,000)</td></tr> <tr><td style="padding-left: 40px;">Total deferred tax assets</td><td style="text-align: right;">¥234,660,000</td></tr> </table> <p>Deferred tax liabilities</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="padding-left: 20px;">Special depreciation reserves</td><td style="text-align: right;">¥615,000</td></tr> <tr><td style="padding-left: 20px;">Net unrealized gain on available-for-sale securities</td><td style="text-align: right;">¥197,534,000</td></tr> <tr><td style="padding-left: 40px;">Total deferred liabilities</td><td style="text-align: right;"><u>¥198,149,000</u></td></tr> <tr><td style="padding-left: 40px;">Net deferred tax assets</td><td style="text-align: right;"><u>¥36,510,000</u></td></tr> </table>	Enterprise tax payable	¥45,321,000	Reserve for quality assurance	¥105,794,000	Business office tax payable	¥5,559,000	Excess over the maximum allowance for doubtful accounts	¥12,207,000	Office relocation expenses	¥35,807,000	Others	<u>¥6,158,000</u>	Total deferred tax assets	<u>¥210,848,000</u>	Depreciation excess	¥303,703,000	Allowance for retirement benefits	¥12,068,000	Losses carried forward for tax purposes	¥168,499,000	Impairment losses	¥121,694,000	Impairment of investment securities	¥20,246,000	Others	<u>¥9,297,000</u>	Subtotal of deferred tax assets	¥635,507,000	Valuation allowance	(¥400,847,000)	Total deferred tax assets	¥234,660,000	Special depreciation reserves	¥615,000	Net unrealized gain on available-for-sale securities	¥197,534,000	Total deferred liabilities	<u>¥198,149,000</u>	Net deferred tax assets	<u>¥36,510,000</u>
Enterprise tax payable	¥65,928,000																																																																										
Reserve for quality assurance	¥50,862,000																																																																										
Tax loss carry forwards	¥3,343,000																																																																										
Business office tax payable	¥4,997,000																																																																										
Excess over the maximum allowance for doubtful accounts	¥12,207,000																																																																										
Excess over the maximum allowance for bonuses to directors	¥17,823,000																																																																										
Others	<u>¥2,081,000</u>																																																																										
Total deferred tax assets	<u>¥157,243,000</u>																																																																										
Depreciation excess	¥432,469,000																																																																										
Assets written off	¥271,000																																																																										
Impairment of investment securities	¥17,413,000																																																																										
Others	<u>¥7,502,000</u>																																																																										
Total deferred tax assets	<u>¥457,657,000</u>																																																																										
Special depreciation reserves	¥1,455,000																																																																										
Net unrealized gain on available-for-sale securities	<u>¥396,273,000</u>																																																																										
Total deferred liabilities	<u>¥397,729,000</u>																																																																										
Net deferred tax assets	<u>¥59,928,000</u>																																																																										
Enterprise tax payable	¥45,321,000																																																																										
Reserve for quality assurance	¥105,794,000																																																																										
Business office tax payable	¥5,559,000																																																																										
Excess over the maximum allowance for doubtful accounts	¥12,207,000																																																																										
Office relocation expenses	¥35,807,000																																																																										
Others	<u>¥6,158,000</u>																																																																										
Total deferred tax assets	<u>¥210,848,000</u>																																																																										
Depreciation excess	¥303,703,000																																																																										
Allowance for retirement benefits	¥12,068,000																																																																										
Losses carried forward for tax purposes	¥168,499,000																																																																										
Impairment losses	¥121,694,000																																																																										
Impairment of investment securities	¥20,246,000																																																																										
Others	<u>¥9,297,000</u>																																																																										
Subtotal of deferred tax assets	¥635,507,000																																																																										
Valuation allowance	(¥400,847,000)																																																																										
Total deferred tax assets	¥234,660,000																																																																										
Special depreciation reserves	¥615,000																																																																										
Net unrealized gain on available-for-sale securities	¥197,534,000																																																																										
Total deferred liabilities	<u>¥198,149,000</u>																																																																										
Net deferred tax assets	<u>¥36,510,000</u>																																																																										
<p>2. Breakdown of difference between the normal effective statutory tax and income tax rates after application of deferred tax accounting</p> <p>As the difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting is 5% or less of the normal effective statutory tax rate, description of the breakdown is omitted.</p>	<p>2. Breakdown of difference between the normal effective statutory tax and income tax rates after application of deferred tax accounting</p> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="padding-left: 20px;">Normal effective statutory tax rate</td><td style="text-align: right;">40.7%</td></tr> <tr><td style="padding-left: 20px;">(Adjustment)</td><td></td></tr> <tr><td style="padding-left: 20px;">Entertainment expenses, etc. not deductible for tax purposes</td><td style="text-align: right;">1.9%</td></tr> <tr><td style="padding-left: 20px;">Special tax deduction for experimental and research expenses</td><td style="text-align: right;">-0.3%</td></tr> <tr><td style="padding-left: 20px;">Residential tax prepayments</td><td style="text-align: right;">0.1%</td></tr> <tr><td style="padding-left: 20px;">Undistributed profits tax</td><td style="text-align: right;">0.8%</td></tr> <tr><td style="padding-left: 20px;">Amortization of goodwill</td><td style="text-align: right;">0.3%</td></tr> <tr><td style="padding-left: 20px;">Investment losses on equity method</td><td style="text-align: right;">0.3%</td></tr> <tr><td style="padding-left: 20px;">Others</td><td style="text-align: right;"><u>0.4%</u></td></tr> <tr><td style="padding-left: 40px;">Rate of income taxes after application of deferred tax accounting</td><td style="text-align: right;"><u>44.2%</u></td></tr> </table>	Normal effective statutory tax rate	40.7%	(Adjustment)		Entertainment expenses, etc. not deductible for tax purposes	1.9%	Special tax deduction for experimental and research expenses	-0.3%	Residential tax prepayments	0.1%	Undistributed profits tax	0.8%	Amortization of goodwill	0.3%	Investment losses on equity method	0.3%	Others	<u>0.4%</u>	Rate of income taxes after application of deferred tax accounting	<u>44.2%</u>																																																						
Normal effective statutory tax rate	40.7%																																																																										
(Adjustment)																																																																											
Entertainment expenses, etc. not deductible for tax purposes	1.9%																																																																										
Special tax deduction for experimental and research expenses	-0.3%																																																																										
Residential tax prepayments	0.1%																																																																										
Undistributed profits tax	0.8%																																																																										
Amortization of goodwill	0.3%																																																																										
Investment losses on equity method	0.3%																																																																										
Others	<u>0.4%</u>																																																																										
Rate of income taxes after application of deferred tax accounting	<u>44.2%</u>																																																																										

(Segment information)

(a) Business segment information

Fiscal 2005 (from January 1, 2005 to December 31, 2005)

In the previous fiscal year, the Group did not engage in any line of business other than IT-related consulting services. Business segment information is therefore omitted.

Fiscal 2006 (from January 1, 2006 to December 31, 2006)

(in thousands of yen)

	IT Consulting Business	Corporate Revitalization Business	Total	Elimination or corporate	Consolidated
I. Net sales and operating income (or loss)					
Net sales					
(1) Net sales to outside clients	15,261,499	-	15,261,499	-	15,261,499
(2) Inter-segment sales or transfer	-	-	-	-	-
Total	15,261,499	-	15,261,499	-	15,261,499
Operating expenses	12,501,530	-	12,501,530	5,751	12,507,281
Operating income	2,759,968	-	2,759,968	(5,751)	2,754,217
II. Assets, depreciation and capital expenditures					
Assets	5,739,681	1,237,376	6,977,057	2,735,373	9,712,431
Depreciation	295,694	-	295,694	-	295,694
Capital expenditures	138,836	-	138,836	-	138,836

Notes:

1. Method of classifying business segments

Business segments are classified according to the contents of businesses.

2. Main products in each business segment

Business segment	Business operations
IT Consulting Business	To provide solutions by establishing information systems with cutting-edge IT and practical, advanced techniques, while sharing clients' managerial issues from the viewpoint of management and understanding the essence of clients' businesses."
Corporate Revitalization Business	To get deeply involved in the management team of client firms, quickly revitalize client firms through drastic reform focusing on IT, and establish models of success for each industry.

3. The amount of assets which were included under "Elimination or corporate" was ¥3,151,898,000, and these assets consist mainly of surplus funds (cash and securities) and assets relating to the administration sector.

(b) Geographical segment information

Domestic operations accounted for more than 90% of consolidated sales and assets in the previous and the period under review. Geographical segment information is therefore omitted.

(c) Overseas sales

In the previous and the period under review, sales from overseas operations accounted for less than 10% of consolidated sales. Overseas sales information is therefore omitted.

(Transactions with affiliates concerned)

None

(Per share data)

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
Net asset value per share	¥65,820.54	¥14,664.38
Net income per share	¥10,131.31	¥3,331.45
Net income per share (fully diluted)	¥10,126.32	¥3,309.71
		The Company made a 4-for-1 common stock split as of February 1, 2006. Per share data on the assumption that the said stock split was made at the beginning of the previous year are as follows.
		Net asset value per share ¥16,455.14
		Net income per share ¥2,532.83
		Net income per share (fully diluted) ¥2,531.58

Note: Net income per share is calculated based on the following:

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
Net income per share		
Net income (thousands of yen)	1,171,239	1,525,062
Amount not available for common shareholders to common shares (thousands of yen)	-	-
Net income attributable to common shares (thousands of yen)	1,171,239	1,525,062
Average outstanding shares of common stock during the period (shares)	115,606	457,777
Net income per share (fully diluted)		
Adjustments in net income (thousands of yen)	-	-
Increase in the number of common shares (shares)	57	3,008
(Subscription rights)	(57)	(3,008)
Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share	_____	_____

(Significant subsequent events)

Fiscal 2005 (from January 1, 2005 to December 31, 2005)		Fiscal 2006 (from January 1, 2006 to December 31, 2006)
<p>By resolution of the meeting of the Board of Directors held on January 12, 2006, the Company executed a stock split and issued new shares, as described below.</p> <p>1. The Company split one (1) common stock into four (4) on February 1, 2006.</p> <p>(1) Increase in the number of shares following the stock split Common stock: 357,480 shares</p> <p>(2) Method of the stock split Shares held by shareholders recorded on the final list of shareholders or beneficial shareholders as of January 31, 2006 shall be split at a ratio of 4 for 1.</p> <p>(3) Commencement date for the calculation of dividends January 1, 2006</p> <p>Per share data for the previous fiscal year assuming that the stock split was executed at the beginning of the previous fiscal year and per share data for the fiscal year under review assuming that the stock split was exercised at the beginning of the fiscal year under review are as follows:</p>		<p>The Company merged with Woodland Corporation on January 1, 2007, in accordance with the resolutions of the Board of Directors meeting held on September 14, 2006 and the Extraordinary General Meeting of Shareholders held on November 16, 2006.</p> <p>(1) Name, address, representative, capital and main operations of the merging partner Name: Woodland Corporation Address: 1-6-19 Imabashi, Chuo-ku, Osaka Representative: Shin Yasunobe Capital: ¥2,264,300,000 Main operations: Development and sales of software</p> <p>(2) Merger ratio The Company's 0.004762 share of common stock was allotted for each share of common stock of Woodland. However, no share was allotted for 3,500 shares of common stock of Woodland held by the Company and treasury stocks owned by Woodland.</p> <p>In relation to the merger, 34,877 treasury stocks were allotted to shareholders of the former Woodland.</p>
Fiscal 2004	Fiscal 2005	
Net assets per share ¥14,284.52	Net assets per share ¥16,455.14	
Net income per share ¥981.50	Net income per share ¥2,532.83	
Net income per share (fully diluted) -	Net income per share (fully diluted) ¥2,531.58	

5. Production, Orders Received and Sales

(1) Production

(in thousands of yen)

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
IT consulting services	4,984,859	7,397,084
Hardware and other procurement services	585,084	1,483,191

Note: For IT consulting services, amounts are stated at cost. For hardware and other procurement services, amounts are stated at cost or cost of purchase.

(2) Orders received (outstanding contracts)

(in thousands of yen)

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)		Fiscal 2006 (January 1, 2006 to December 31, 2006)	
	Orders received	Order backlog	Orders received	Order backlog
IT consulting services	10,748,098	2,044,109	13,007,709	1,557,656
Hardware and other procurement services	1,030,883	358,985	1,519,582	111,231
Total	11,778,982	2,403,095	14,527,291	1,668,887

(3) Sales according to the Group's service

(in thousands of yen)

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
IT consulting services	10,279,863	13,494,162
Hardware and other procurement services	677,517	1,767,336
Total	10,957,381	15,261,499

Summary Report of Non-Consolidated Operating Results for Fiscal 2006 (Year ended December 31, 2006)

Company name: Future Architect, Inc.
 Shares listed on: First Section of Tokyo Stock Exchange
 Security code number: 4722
 Head office: Tokyo, Japan
 URL: <http://www.future.co.jp/>
 Representative: Shin Yasunobe, President & C.O.O.
 Contact: Naoto Konishi, Director of the Board & C.F.O.
 Tel: +81-3-5740-5724

Date of approval of the non-consolidated statements by the board of directors: February 8, 2007

Scheduled date of starting payment of dividends: March 23, 2007

Ordinary general meeting of shareholders on: March 22, 2007

New unit share (*tangen-kabu*) system: Not adopted. (The system allows companies to define a certain number of shares as one unit in the article of incorporation.)

1. Non-consolidated Results for Fiscal 2006 (January 1, 2006 to December 31, 2006)

(1) Non-consolidated operating results

(Amounts rounded off to million yen)

	Net sales		Operating income		Ordinary income	
	Million yen	% change	Million yen	% change	Million yen	% change
Fiscal 2006	14,831	36.7	2,591	43.3	2,594	43.1
Fiscal 2005	10,846	17.0	1,808	103.2	1,813	102.9

	Net income		Net income per share	Net income per share (fully diluted)	Return on equity	Ratio of ordinary income to total assets	Ratio of ordinary income to net sales
	Million yen	% change	Yen	Yen	Percent (%)	Percent (%)	Percent (%)
Fiscal 2006	1,405	37.9	3,069.50	3,049.46	20.6	27.8	17.5
Fiscal 2005	1,019	76.2	8,816.68	8,812.33	14.5	18.7	16.7

Notes:

- Average number of shares outstanding during the period:
Fiscal 2006: 457,777 shares Fiscal 2005: 115,606 shares
- Changes in accounting methods: None
- Percentage figures shown in the net sales, operating income, ordinary income and net income columns represent year-on-year changes for those items.
- A 4-for-1 common stock split was made as of February 1, 2006. Net income per share and net income per share (fully diluted) for Fiscal 2006 were calculated assuming that the stock split was made at the beginning of year.

(2) Non-consolidated financial position

(Amounts rounded off to million yen)

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	Percent (%)	Yen
Fiscal 2006	8,525	6,211	72.9	14,060.75
Fiscal 2005	10,156	7,444	73.3	64,549.23

Note: Total outstanding shares as of the end of the period:

Fiscal 2006: 441,736 shares Fiscal 2005: 115,333 shares

Treasury stocks as of the end of the period:

Fiscal 2006: 34,904 shares Fiscal 2005: 3,827 shares

2. Projected Non-consolidated Results for Fiscal 2007 (January 1, 2007 to December 31, 2007)

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim term	6,880	1,400	800
Full year	15,000	3,100	1,700

Note: Projected net income per share for fiscal 2007: ¥3,713.71

3 Dividends

Cash dividend	Dividend per share (yen)		Total dividend	Dividend payout ratio	Dividend on equity ratio (%)
	Year-end	Annual			
	Yen	Yen	Million yen	Percent (%)	Percent (%)
Fiscal 2006	2,700	2,700	311	30.6	4.4
Fiscal 2005	950	950	419	30.9	6.3
Fiscal 2007 (forecast)	1,050	1,050			

- *1. The above projection, representing our best estimate based on information currently available to us, incorporates uncertain factors. Please refer to page 7 of the appendix of the Summary Report of Consolidated Operating Results for assumptions and other matters related to the projection.
- *2. One (1) common share was split into four (4) on February 1, 2006. Hence, the projected net income per share for fiscal 2007 mentioned above is based on the 441,736 outstanding shares posted after the stock split.
- *3. The projected net income per share for fiscal 2007 mentioned above is based on the 476,613 outstanding shares as of January 1, 2007, which include 441,736 outstanding shares at the end of fiscal 2006 and 34,877 treasury shares allocated as a result of the merger with Woodland Corporation on January 1, 2007.

1. Non-consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

a. Non-consolidated balance sheets

(in thousands of yen)

Item	Fiscal 2005 (December 31, 2005)		Fiscal 2006 (December 31, 2006)	
	Amount	Percentage (%)	Amount	Percentage (%)
(Assets)				
I. Current assets				
1. Cash and cash equivalents	4,561,153		3,336,498	
2. Accounts receivable	1,955,959		1,491,445	
3. Commodities	9,122		4,158	
4. Products	3,468		3,468	
5. Prepaid expenses	155,600		178,437	
6. Deferred tax assets	151,606		199,018	
7. Accounts receivable-other	-		101,927	
8. Others	83,431		26,652	
9. Allowance for doubtful accounts	(30,000)		(30,000)	
Total current assets	6,890,343	67.8	5,311,606	62.3
II. Fixed assets				
1. Tangible fixed assets				
(1) Buildings	216,516		216,404	
Accumulated depreciation	123,666	92,850	136,924	79,480
(2) Furniture and fixtures	620,524		716,997	
Accumulated depreciation	380,470	240,053	494,159	222,837
(3) Land		484		484
(4) Construction in Progress		-		2,947
Total current assets	333,387	3.3	305,749	3.6
2. Intangible fixed assets				
(1) Patent right	1,427		1,246	
(2) Trademark right	5,484		4,588	
(3) Software	408,329		281,752	
(4) Telephone subscription right	5,578		5,578	
Total intangible fixed assets	420,819	4.1	293,166	3.4
3. Investments and other assets				
(1) Investment securities	1,602,713		1,114,194	
(2) Affiliated company stocks	470,712		470,712	
(3) Long-term loans to affiliated companies	-		200,000	
(4) Deferred tax assets	101,477		75,230	
(5) Deposit guarantees	321,692		738,937	
(6) Others	15,710		15,710	
Total investments and other assets	2,512,306	24.8	2,614,784	30.7
Total fixed assets	3,266,513	32.2	3,213,700	37.7
Total assets	10,156,856	100.0	8,525,307	100.0

(in thousands of yen)

Item	Fiscal 2005 (December 31, 2005)		Fiscal 2006 (December 31, 2006)	
	Amount	Percentage (%)	Amount	Percentage (%)
(Liability)				
I. Current liabilities				
1. Accounts payable	466,275		455,364	
2. Long-term borrowings due within one year	468,000		-	
3. Accrued liabilities	366,781		769,690	
4. Accrued expenses	5,595		-	
5. Income tax payable, etc.	834,554		426,762	
6. Consumption tax payable, etc.	128,406		90,779	
7. Deposits received	207,840		172,786	
8. Deferred revenues	69,247		138,786	
9. Reserves for quality assurance	125,000		260,000	
10. Allowance for bonuses to directors	40,500		-	
Total current liabilities	2,712,200	26.7	2,314,169	27.1
Total liabilities	2,712,200	26.7	2,314,169	27.1
(Shareholders' equity)				
I. Common stock (*1)	1,421,815	14.0	-	-
II. Additional paid-in capital				
1. Capital reserves	2,495,772		-	
Total additional paid-in capital	2,495,772	24.6	-	-
III. Retained earnings				
1. Legal reserves	27,748		-	
2. Voluntary reserves				
(1) Reserves for extraordinary depreciation	3,716		-	
3. Unappropriated retained earnings	3,973,969		-	
Total retained earnings	4,005,435	39.4	-	-
IV. Net unrealized gain on available-for-sale securities (*2)	577,610	5.7	-	-
V. Treasury stock (*3)	(1,055,978)	-10.4	-	-
Total shareholders' equity	7,444,656	73.3	-	-
Total liabilities and shareholders' equity	10,156,856	100.0	-	-
(Net assets)				
I. Shareholders' equity				
1. Common stock	-	-	1,421,815	16.7
2. Additional paid-in capital				
(1) Capital reserves	-	-	2,495,772	
Total additional paid-in capital	-	-	2,495,772	29.3
3. Retained earnings				
(1) Legal reserves	-	-	27,748	
(2) Other retained earnings				
Reserve for special depreciation	-	-	897	
Unappropriated retained earnings	-	-	5,070,534	
Total retained earnings	-	-	5,099,180	59.8
4. Treasury stock	-	-	(3,093,558)	-36.3
Total shareholders' equity	-	-	5,923,210	69.5
II. Valuation, translation adjustments, etc.				
1. Net unrealized gain on available-for-sale securities	-	-	287,927	3.4
Total valuation, translation adjustments, etc.	-	-	287,927	3.4
Total net assets	-	-	6,211,137	72.9
Total liabilities and net assets	-	-	8,525,307	100.0

b. Non-consolidated statements of income

(in thousands of yen)

Item	Fiscal 2005 (from January 1, 2005 to December 31, 2005)			Fiscal 2006 (from January 1, 2006 to December 31, 2006)		
	Amount		Percentage (%)	Amount		Percentage (%)
I. Net sales						
1. IT consulting service	10,168,735			13,064,075		
2. Procurement services related to hardware, etc.	677,517	10,846,252	100.0	1,767,883	14,831,959	100.0
II. Cost of sales						
1. IT consulting service	4,931,831			7,251,185		
2. Procurement services related to hardware, etc.	577,955	5,509,786	50.8	1,488,702	8,739,888	58.9
Gross profit		5,336,465	49.2		6,092,071	41.1
III. Selling, general and administrative expenses						
1. Advertising costs	111,250			174,582		
2. Officers' remuneration	165,464			205,434		
3. Salaries and bonuses	1,451,172			1,416,326		
4. Welfare expenses	238,918			204,616		
5. Employee training expenses	103,017			94,553		
6. Research & development expenditures (*1)	676,260			310,590		
7. Traveling expenses	122,631			145,190		
8. Entertainment expenses	25,743			28,579		
9. Depreciation	135,747			141,508		
10. Rents	130,059			139,851		
11. Recruitment expenses	94,944			303,312		
12. Supplies expenses	26,199			27,871		
13. Del credere commissions	24,154			49,092		
14. Others	222,095	3,527,660	32.5	258,945	3,500,456	23.6
Operating income		1,808,805	16.7		2,591,614	17.5

(in thousands of yen)

Item	Fiscal 2005 (from January 1, 2005 to December 31, 2005)		Fiscal 2006 (from January 1, 2006 to December 31, 2006)	
	Amount	Percentage (%)	Amount	Percentage (%)
IV. Non-operating income				
1. Interest income	6,415		2,706	
2. Dividend income	2,268		4,376	
3. Exchange gain	3,176		7,396	
4. Others	4,737	16,597	1,115	15,594
V. Non-operating expenses				
1. Interest expenses	10,121		3,774	
2. Treasury stock purchasing expenses	-		7,939	
3. Others	1,526	11,647	626	12,340
Ordinary income		1,813,755		2,594,868
VI. Extraordinary income				
1. Gains on sale of investment securities	569,114	569,114	-	-
VII. Extraordinary losses				
1. Losses on disposal of fixed assets (*3)	1,584		-	
2. Losses on devaluation of stocks of affiliated companies	122,947		-	
3. Office relocation expenses (*5)	-		89,000	
4. Retirement benefits to directors	-		20,000	
5. Provision of allowance for doubtful accounts	30,000		-	
6. Losses on restructuring (*4)	13,050		-	
7. Losses on contract cancellation	12,249		-	
8. Depreciation costs for software (*2)	357,769		-	
9. Losses on disposal of software	62,564	600,167	-	109,000
Net income before taxes		1,782,702		2,485,868
Corporate, residential and enterprise taxes	939,602		903,148	
Corporate tax adjustments	(176,160)	763,441	177,575	1,080,723
Net income		1,019,260		1,405,144
Profit carried over		2,954,709		-
Retained earnings for the period		3,973,969		-

Statement of cost of sales

1. IT consulting service

(in thousands of yen)

Item	Fiscal 2005 (from January 1, 2005 to December 31, 2005)		Percentage (%)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)	
	Amount	Percentage (%)		Amount	Percentage (%)
I. Labor expenses					
1. Salaries and bonuses	2,386,989			2,481,483	
2. Welfare expenses	276,017	2,663,006	52.9	295,909	2,777,393
II. Subcontract expenses					
1. Subcontract expenses	1,348,113	1,348,113	26.8	3,400,761	3,400,761
III. Overheads					
1. Traveling expenses	341,127			469,366	
2. Depreciation	193,029			141,989	
3. Rents	217,750			212,624	
4. Supplies expenses	32,277			41,155	
5. Provision of reserves for quality assurance	80,000			135,000	
6. Others	160,506	1,024,690	20.3	106,363	1,106,499
Total manufacturing expenses in the period		5,035,811	100.0		7,284,655
Work in process at the beginning of the period		-			-
Total		5,035,811			7,284,655
Work in process at the end of the period		-			-
Transfer to other accounts (*1)		103,979			33,470
Cost of sales		4,931,831			7,251,185

(Note) *1 Breakdown of "transfer to other accounts":

(in thousands of yen)

Item	Fiscal 2005	Fiscal 2006
Transfer to selling, general and administrative expenses	103,979	33,470
Total	103,979	33,470

2. For computing costs, actual job order costing by project is used.

2. Procurement services related to hardware, etc.

(in thousands of yen)

Item	Fiscal 2005 (from January 1, 2005 to December 31, 2005)		Fiscal 2006 (from January 1, 2006 to December 31, 2006)	
	Amount	Percentage (%)	Amount	Percentage (%)
Commodities inventories at the beginning of the period		1,993		9,122
Product inventories at the beginning of the period		3,468		3,468
Purchases of goods during the period		584,315		1,483,177
Purchases of products during the period		769		561
Total		590,546		1,496,330
Commodities inventories at the end of the period		9,122		4,158
Product inventories at the end of the period		3,468		3,468
Cost of sales		577,955		1,488,702

(3) Statements of appropriation of profits and statements of changes in net assets

Statements of appropriation of profits

(in thousands of yen)

Item	Fiscal 2005 (March 23, 2006)	
	Amount	
I. Unappropriated profits for the period		3,973,969
II. Disposition of voluntary reserves		
1. Disposition of special depreciation reserves	1,595	1,595
Total		3,975,564
III. Amount of appropriation of profits		
1. Dividends	311,399	311,399
IV. Profits carried forward to the following period		3,664,165

(Note) The date noted above represents the day of the approval on the general meeting of shareholders.

Statements of changes in shareholders' equity

Fiscal 2006 (from January 1, 2006 to December 31, 2006)

(in thousands of yen)

	Shareholders' equity								
	Common stock	Additional paid-in capital		Legal reserves	Retained earnings			Treasury stock	Total shareholders' equity
		Capital reserves	Total additional paid-in capital		Other retained earnings		Total retained earnings		
					Reserve for special depreciation	Unappropriated retained earnings			
Balance as of December 31, 2005	1,421,815	2,495,772	2,495,772	27,748	3,716	3,973,969	4,005,435	(1,055,978)	6,867,045
Changes during the fiscal year									
Reversal of reserve for special depreciation					(2,819)	2,819	-		-
Earnings paid out as dividends						(311,399)	(311,399)		(311,399)
Net income for the period						1,405,144	1,405,144		1,405,144
Purchase of treasury stocks								(2,037,580)	(2,037,580)
Changes in items other than the shareholders' equity during the fiscal year (net amount)									
Net changes during the fiscal year					(2,819)	1,096,564	1,093,745	(2,037,580)	(943,834)
Balance as of December 31, 2006	1,421,815	2,495,772	2,495,772	27,748	897	5,070,534	5,099,180	(3,093,558)	5,923,210

	Valuation, translation adjustments, etc.		Total net assets
	Net unrealized gain on available-for-sale securities	Total valuation, translation adjustments, etc.	
Balance as of December 31, 2005	577,610	577,610	7,444,656
Changes during the fiscal year			
Reversal of reserve for special depreciation			
Earnings paid out as dividends			(311,399)
Net income for the period			1,405,144
Purchase of treasury stocks			(2,037,580)
Changes in items other than the shareholders' equity during the fiscal year (net amount)	(289,683)	(289,683)	(289,683)
Net changes during the fiscal year	(289,683)	(289,683)	(1,233,518)
Balance as of December 31, 2006	287,927	287,927	6,211,137

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
4. Accounting standards for allowances/reserves	<p>(1) Allowance for doubtful accounts To prepare for losses incurred through bad debts, the amount of potential loss is calculated by using the historical loss ratio in case of non-classified loans/receivables. Potential losses for classified loans/receivables are individually assessed.</p> <p>(2) Reserves for quality assurance In projects related to open systems consultation and systems development (IT consulting services), where technological changes are taking place rapidly, there are occasions where we are obliged to provide services to our clients in order to resolve problems that were unforeseeable at the time of the signing of the contract or at the close of the accounting period. There are instances where the Company provides such services without compensation in order to guarantee quality standards that will fully satisfy its customers in IT consulting services. To prepare for additional cost of sales in IT consulting services that may arise after sales are stated, estimated amount of such additional cost, calculated based on past experience, is stated in the reserves for quality assurance.</p> <p>(3) Allowance for bonuses to directors To prepare for payment of bonuses to directors, the estimated amount to be paid for the fiscal year under review is stated.</p>	<p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Reserves for quality assurance Same as on the left.</p> <hr/>
5. Recognition of sales and cost of sales	Cost of sales for IT consulting services is recognized on an accrual basis for each individual project. Corresponding sales are recognized based on "percentage-of-completion method" by taking the ratio of accrued cost to total estimated cost of the project.	Same as on the left.
6. Lease transactions	Finance leases where ownership does not transfer to the lessees are not capitalized, and are accounted for in the same manner as operating leases.	Same as on the left.
7. Other material information	<p>(1) Accounting treatment of consumption taxes, etc. Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.</p>	<p>(1) Accounting treatment of consumption taxes, etc. Same as on the left.</p>

Change in significant accounting policies

Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
<p>_____</p> <p>_____</p>	<p>(Accounting standards for presentation of net assets on balance sheets)</p> <p>The Company adopted “Accounting standards for presentation of net assets on balance sheets” (Corporate Accounting Standards No. 5, December 9, 2005) and “Implementation guide of accounting standards for presentation of net assets on balance sheets” (Corporate Accounting Standards Implementation Guide No. 8, December 9, 2005) from this fiscal year under review. The amount equivalent to the total shareholders’ equity, a conventionally used term, is ¥6,211,137,000.</p> <p>Because of the revision of Regulation on Consolidated Financial Statements, net assets of the consolidated balance sheets for the fiscal year under review are stated in accordance with the revised Regulation on Consolidated Financial Statements.</p> <p>(Accounting standards for impairment of fixed assets)</p> <p>The Company adopted the accounting standards for impairment of fixed assets, “Opinions regarding the establishment of accounting standards for impairment of fixed assets” (Financial Accounting Council, August 9, 2002) and “Implementation guide of accounting standards for impairment of fixed assets” (Corporate Accounting Standards Implementation Guide No. 8, October 31, 2003) from this fiscal year under review. This adoption had no impact on the Group’s earnings for the period under review.</p>

Change in classification

Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
<p>(Balance sheets)</p> <p>_____</p>	<p>(Balance sheets)</p> <p>“Accounts receivable-other” has been included in “others” of current assets until the previous fiscal year. At the end of the fiscal year under review, however, the subject value was higher than 1% of total assets. Accordingly, the subject item is separately reported. Outstanding “Accounts receivable-other” was ¥47,570,000 at the end of the fiscal year under review.</p>

Notes

(Notes to balance sheets)

Fiscal 2005 (December 31, 2005)	Fiscal 2006 (December 31, 2006)
*1 Number of authorized shares Common stock: 473,440 shares	*1 _____
Number of outstanding shares Common stock: 119,160 shares	
*2 Limitation on dividends Net assets increased due to the valuation of assets at fair value as defined under Article 124 Paragraph 3 of the Enforcement Regulation of the Commercial Code were ¥577,610,000.	*2 _____
*3 Number of treasury shares Common stock: 3,827 shares	*3 _____

(Notes to consolidated statements of income)

Fiscal 2005 (January 1, 2005 to December 31, 2005)	Fiscal 2006 (January 1, 2006 to December 31, 2006)
*1. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses ¥676,260,000	*1. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses ¥310,590,000
*2. Depreciation of software Additional depreciation of software for sale as a result of more conservative evaluation of assets.	*2. _____
*3. Losses on disposal of fixed assets Buildings ¥264,000 Instrument and fixtures ¥1,320,000 Total ¥1,584,000	*3. _____
*4. Losses on restructuring Losses on sales of affiliated companies' shares ¥13,050,000	*4. _____
	*5. Office relocation expenses Office relocation expenses include: expenses for restoration to original condition; expenses for cancellation of lease contracts; and losses on disposal of fixed assets.

(Notes to statements of changes in shareholders' equity)

Fiscal 2006 (from January 1, 2006 to December 31, 2006)

Type and number of treasury shares

(Unit: Shares)

Classification	Number of shares at end of fiscal 2005	Increase in number of shares in fiscal 2006	Decrease in number of shares in fiscal 2006	Number of shares at end of fiscal 2006
Treasury stock				
Common stock (Note)	3,827	31,077	-	34,904
Total	3,827	31,077	-	34,904

(Note) The total increase in treasury shares of 31,077 shares includes 19,596 shares from acquisition by resolution of the Board of Directors and 11,481 shares resulting from the stock split conducted on February 1, 2006.

(Lease Transactions)

Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
1. Finance leases where ownership does not transfer to the lessees:	1. Finance leases where ownership does not transfer to the lessees:
(1) Acquisition cost equivalents, accumulated depreciation equivalents, and book value equivalents of the leased assets at the end of period	(1) Acquisition cost equivalents, accumulated depreciation equivalents, and book value equivalents of the leased assets at the end of period
Tangible fixed assets:	Tangible fixed assets:
Acquisition cost equiv. ¥30,595,000	Acquisition cost equiv. ¥11,400,000
Accumulated depreciation equiv. ¥23,870,000	Accumulated depreciation equiv. ¥4,001,000
Book value equiv. at the end of period ¥6,725,000	Book value equiv. at the end of period ¥7,398,000
(2) Payments for valid (non-expired) leases at the end of period	(2) Payments for valid (non-expired) leases at the end of period
Due in one year ¥4,108,000	Due in one year ¥3,686,000
<u>Due after one year ¥2,660,000</u>	<u>Due after one year ¥3,778,000</u>
Total ¥6,768,000	Total ¥7,464,000
(3) Lease payments, depreciation equivalents, and interest expenses equivalents:	(3) Lease payments, depreciation equivalents, and interest expenses equivalents:
Lease payments ¥20,956,000	Lease payments ¥5,016,000
Depreciation equiv. ¥20,296,000	Depreciation equiv. ¥4,868,000
Interest expenses equiv. ¥376,000	Interest expenses equiv. ¥168,000
(4) Computation of depreciation equivalents Straight-line method. Useful life of leased asset is deemed to equal contractual period of the lease, with no residual value remaining at the end of the lease period.	(4) Computation of depreciation equivalents Same as on the left.
(5) Computation of interest expenses equivalents Interest expenses equivalents are calculated by taking the difference between total amount of lease payment and acquisition cost equivalent of the leased property, and amortizing it over the lease period based on interest method	(5) Computation of interest expenses equivalents Same as on the left.
2. Operating lease transactions	2. Operating lease transactions
Unexpired lease payments	Unexpired lease payments
Due in one year ¥785,000	Due in one year ¥29,000
<u>Due after one year -</u>	<u>Due after one year -</u>
Total ¥785,000	Total ¥29,000
	(Impairment loss) There is no impairment loss on leased assets.

(Securities)

There is no stocks issued by subsidiaries or affiliates for which market price is available for the fiscal years ended December 31, 2005 and December 31, 2006.

(Tax effect accounting)

Fiscal 2005 (December 31, 2005)	Fiscal 2006 (December 31, 2006)																																																														
<p>1. Breakdown of major causes for deferred tax assets and liabilities [Current]</p> <p>Deferred tax assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Enterprise tax payable</td> <td style="text-align: right;">¥65,136,000</td> </tr> <tr> <td>Reserve for quality assurance</td> <td style="text-align: right;">¥50,862,000</td> </tr> <tr> <td>Excess of maximum allowance for doubtful accounts</td> <td style="text-align: right;">¥12,207,000</td> </tr> <tr> <td>Office tax payable</td> <td style="text-align: right;">¥4,997,000</td> </tr> <tr> <td>Excess of maximum allowance for bonuses to director</td> <td style="text-align: right;">¥16,479,000</td> </tr> <tr> <td><u>Others</u></td> <td style="text-align: right;"><u>¥1,924,000</u></td> </tr> <tr> <td>Total deferred tax assets</td> <td style="text-align: right;">¥151,606,000</td> </tr> </table> <p>[Non-current]</p> <p>Deferred tax assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Depreciation excess</td> <td style="text-align: right;">¥432,469,000</td> </tr> <tr> <td>Assets written off</td> <td style="text-align: right;">¥271,000</td> </tr> <tr> <td>Subsidiary shares</td> <td style="text-align: right;">¥58,942,000</td> </tr> <tr> <td><u>Others</u></td> <td style="text-align: right;"><u>¥7,522,000</u></td> </tr> <tr> <td>Total deferred tax assets</td> <td style="text-align: right;">¥499,207,000</td> </tr> </table> <p>Deferred tax liabilities:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Special depreciation reserve</td> <td style="text-align: right;">¥1,455,000</td> </tr> <tr> <td><u>Net unrealized gain on available-for-sale securities</u></td> <td style="text-align: right;"><u>¥396,273,000</u></td> </tr> <tr> <td><u>Total deferred tax liabilities</u></td> <td style="text-align: right;"><u>¥397,729,000</u></td> </tr> <tr> <td>Net deferred tax assets</td> <td style="text-align: right;">¥101,477,000</td> </tr> </table>	Enterprise tax payable	¥65,136,000	Reserve for quality assurance	¥50,862,000	Excess of maximum allowance for doubtful accounts	¥12,207,000	Office tax payable	¥4,997,000	Excess of maximum allowance for bonuses to director	¥16,479,000	<u>Others</u>	<u>¥1,924,000</u>	Total deferred tax assets	¥151,606,000	Depreciation excess	¥432,469,000	Assets written off	¥271,000	Subsidiary shares	¥58,942,000	<u>Others</u>	<u>¥7,522,000</u>	Total deferred tax assets	¥499,207,000	Special depreciation reserve	¥1,455,000	<u>Net unrealized gain on available-for-sale securities</u>	<u>¥396,273,000</u>	<u>Total deferred tax liabilities</u>	<u>¥397,729,000</u>	Net deferred tax assets	¥101,477,000	<p>1. Breakdown of major causes for deferred tax assets and liabilities [Current]</p> <p>Deferred tax assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Enterprise tax payable</td> <td style="text-align: right;">¥33,492,000</td> </tr> <tr> <td>Reserve for quality assurance</td> <td style="text-align: right;">¥105,794,000</td> </tr> <tr> <td>Excess of maximum allowance for doubtful accounts</td> <td style="text-align: right;">¥12,207,000</td> </tr> <tr> <td>Office tax payable</td> <td style="text-align: right;">¥5,559,000</td> </tr> <tr> <td>Office relocation expenses</td> <td style="text-align: right;">¥35,807,000</td> </tr> <tr> <td><u>Others</u></td> <td style="text-align: right;"><u>¥6,158,000</u></td> </tr> <tr> <td>Total deferred tax assets</td> <td style="text-align: right;">¥199,018,000</td> </tr> </table> <p>[Non-current]</p> <p>Deferred tax assets:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Depreciation excess</td> <td style="text-align: right;">¥209,624,000</td> </tr> <tr> <td>Subsidiary shares</td> <td style="text-align: right;">¥58,942,000</td> </tr> <tr> <td><u>Others</u></td> <td style="text-align: right;"><u>¥4,812,000</u></td> </tr> <tr> <td>Total deferred tax assets</td> <td style="text-align: right;">¥273,380,000</td> </tr> </table> <p>Deferred tax liabilities:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Special depreciation reserve</td> <td style="text-align: right;">¥615,000</td> </tr> <tr> <td><u>Net unrealized gain on available-for-sale securities</u></td> <td style="text-align: right;"><u>¥197,534,000</u></td> </tr> <tr> <td><u>Total deferred tax liabilities</u></td> <td style="text-align: right;"><u>¥198,149,000</u></td> </tr> <tr> <td>Net deferred tax assets</td> <td style="text-align: right;">¥75,230,000</td> </tr> </table>	Enterprise tax payable	¥33,492,000	Reserve for quality assurance	¥105,794,000	Excess of maximum allowance for doubtful accounts	¥12,207,000	Office tax payable	¥5,559,000	Office relocation expenses	¥35,807,000	<u>Others</u>	<u>¥6,158,000</u>	Total deferred tax assets	¥199,018,000	Depreciation excess	¥209,624,000	Subsidiary shares	¥58,942,000	<u>Others</u>	<u>¥4,812,000</u>	Total deferred tax assets	¥273,380,000	Special depreciation reserve	¥615,000	<u>Net unrealized gain on available-for-sale securities</u>	<u>¥197,534,000</u>	<u>Total deferred tax liabilities</u>	<u>¥198,149,000</u>	Net deferred tax assets	¥75,230,000
Enterprise tax payable	¥65,136,000																																																														
Reserve for quality assurance	¥50,862,000																																																														
Excess of maximum allowance for doubtful accounts	¥12,207,000																																																														
Office tax payable	¥4,997,000																																																														
Excess of maximum allowance for bonuses to director	¥16,479,000																																																														
<u>Others</u>	<u>¥1,924,000</u>																																																														
Total deferred tax assets	¥151,606,000																																																														
Depreciation excess	¥432,469,000																																																														
Assets written off	¥271,000																																																														
Subsidiary shares	¥58,942,000																																																														
<u>Others</u>	<u>¥7,522,000</u>																																																														
Total deferred tax assets	¥499,207,000																																																														
Special depreciation reserve	¥1,455,000																																																														
<u>Net unrealized gain on available-for-sale securities</u>	<u>¥396,273,000</u>																																																														
<u>Total deferred tax liabilities</u>	<u>¥397,729,000</u>																																																														
Net deferred tax assets	¥101,477,000																																																														
Enterprise tax payable	¥33,492,000																																																														
Reserve for quality assurance	¥105,794,000																																																														
Excess of maximum allowance for doubtful accounts	¥12,207,000																																																														
Office tax payable	¥5,559,000																																																														
Office relocation expenses	¥35,807,000																																																														
<u>Others</u>	<u>¥6,158,000</u>																																																														
Total deferred tax assets	¥199,018,000																																																														
Depreciation excess	¥209,624,000																																																														
Subsidiary shares	¥58,942,000																																																														
<u>Others</u>	<u>¥4,812,000</u>																																																														
Total deferred tax assets	¥273,380,000																																																														
Special depreciation reserve	¥615,000																																																														
<u>Net unrealized gain on available-for-sale securities</u>	<u>¥197,534,000</u>																																																														
<u>Total deferred tax liabilities</u>	<u>¥198,149,000</u>																																																														
Net deferred tax assets	¥75,230,000																																																														
<p>2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Normal effective statutory tax rate (Adjustment)</td> <td style="text-align: right;">40.7%</td> </tr> <tr> <td>Entertainment expenses, etc. not deductible for tax purposes</td> <td style="text-align: right;">1.1%</td> </tr> <tr> <td>Special tax deduction for experimental and research expenses</td> <td style="text-align: right;">-1.9%</td> </tr> <tr> <td>Residential tax prepayments</td> <td style="text-align: right;">0.4%</td> </tr> <tr> <td>Accumulated earnings tax</td> <td style="text-align: right;">3.0%</td> </tr> <tr> <td><u>Others</u></td> <td style="text-align: right;"><u>-0.5%</u></td> </tr> <tr> <td>Rate of income taxes after application of deferred tax accounting</td> <td style="text-align: right;">42.8%</td> </tr> </table>	Normal effective statutory tax rate (Adjustment)	40.7%	Entertainment expenses, etc. not deductible for tax purposes	1.1%	Special tax deduction for experimental and research expenses	-1.9%	Residential tax prepayments	0.4%	Accumulated earnings tax	3.0%	<u>Others</u>	<u>-0.5%</u>	Rate of income taxes after application of deferred tax accounting	42.8%	<p>2. Breakdown of difference between the normal effective statutory tax rate and the rate of income taxes after application of deferred tax accounting</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Normal effective statutory tax rate (Adjustment)</td> <td style="text-align: right;">40.7%</td> </tr> <tr> <td>Entertainment expenses, etc. not deductible for tax purposes</td> <td style="text-align: right;">1.9%</td> </tr> <tr> <td>Special tax deduction for experimental and research expenses</td> <td style="text-align: right;">-0.3%</td> </tr> <tr> <td>Residential tax prepayments</td> <td style="text-align: right;">0.1%</td> </tr> <tr> <td>Accumulated earnings tax</td> <td style="text-align: right;">0.7%</td> </tr> <tr> <td><u>Others</u></td> <td style="text-align: right;"><u>0.4%</u></td> </tr> <tr> <td>Rate of income taxes after application of deferred tax accounting</td> <td style="text-align: right;">43.5%</td> </tr> </table>	Normal effective statutory tax rate (Adjustment)	40.7%	Entertainment expenses, etc. not deductible for tax purposes	1.9%	Special tax deduction for experimental and research expenses	-0.3%	Residential tax prepayments	0.1%	Accumulated earnings tax	0.7%	<u>Others</u>	<u>0.4%</u>	Rate of income taxes after application of deferred tax accounting	43.5%																																		
Normal effective statutory tax rate (Adjustment)	40.7%																																																														
Entertainment expenses, etc. not deductible for tax purposes	1.1%																																																														
Special tax deduction for experimental and research expenses	-1.9%																																																														
Residential tax prepayments	0.4%																																																														
Accumulated earnings tax	3.0%																																																														
<u>Others</u>	<u>-0.5%</u>																																																														
Rate of income taxes after application of deferred tax accounting	42.8%																																																														
Normal effective statutory tax rate (Adjustment)	40.7%																																																														
Entertainment expenses, etc. not deductible for tax purposes	1.9%																																																														
Special tax deduction for experimental and research expenses	-0.3%																																																														
Residential tax prepayments	0.1%																																																														
Accumulated earnings tax	0.7%																																																														
<u>Others</u>	<u>0.4%</u>																																																														
Rate of income taxes after application of deferred tax accounting	43.5%																																																														

(Per share data)

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
Net asset value per share	¥64,549.23	¥14,060.75
Net income per share	¥8,816.68	¥3,069.50
Net income per share (fully diluted)	¥8,812.33	¥3,049.46
		The Company made a 4-for-1 common stock split as of February 1, 2006. Per share data on the assumption that the said stock split was made at the beginning of the previous year are as follows.
		Net assets per share ¥16,137.31
		Net income per share ¥2,204.17
		Net income per share (fully diluted) ¥2,203.08

Note: Net income per share is calculated based on the following:

	Fiscal 2005 (from January 1, 2005 to December 31, 2005)	Fiscal 2006 (from January 1, 2006 to December 31, 2006)
Net income per share		
Net income for the period (in thousand yen)	1,019,260	1,405,144
Amount not available for common shareholders (in thousand yen)	-	-
Net income for the period attributable to common shares (in thousand yen)	1,019,260	1,405,144
Average outstanding shares of common stock during the period (shares)	115,606	457,777
Net income per share (fully diluted)		
Adjustments in net income (¥1,000)	-	-
Increase in the number of common shares (shares)	57	3,008
(Subscription rights)	(57)	(3,008)
Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share		

(Significant subsequent events)

Fiscal 2005 (January 1, 2005 to December 31, 2005)		Fiscal 2006 (January 1, 2006 to December 31, 2006)
<p>By resolution of the meeting of the Board of Directors held on January 12, 2006, the Company executed a stock split and issued new shares, as described below.</p> <p>1. The Company split one (1) common stock into four (4) on February 1, 2006.</p> <p>(1) Increase in the number of shares following the stock split Common stock: 357,480 shares</p> <p>(2) Method of the stock split Shares held by shareholders recorded on the final list of shareholders or beneficial shareholders as of January 31, 2006 shall be split at a ratio of 4 for 1.</p> <p>(3) Commencement date for the calculation of dividends January 1, 2006</p> <p>Per share data for the previous fiscal year assuming that the stock split was executed at the beginning of the previous fiscal year and per share data for the fiscal year under review assuming that the stock split was exercised at the beginning of the fiscal year under review are as follows:</p>		<p>The Company merged with Woodland Corporation on January 1, 2007, in accordance with the resolutions of the Board of Directors meeting held on September 14, 2006 and the Extraordinary General Meeting of Shareholders held on November 16, 2006.</p> <p>(1) Name, address, representative, capital and main operations of the merging partner Name: Woodland Corporation Address: 1-6-19 Imabashi, Chuo-ku, Osaka Representative: Shin Yasunobe Capital: ¥2,264,300,000 Main operations: Development and sales of software</p> <p>(2) Merger ratio The Company's 0.004762 share of common stock was allotted for each share of common stock of Woodland. However, no share was allotted for 3,500 shares of common stock of Woodland held by the Company and treasury shares owned by Woodland.</p> <p>In relation to the merger, 34,877 treasury shares were allotted to shareholders of the former Woodland.</p>
Fiscal 2004	Fiscal 2005	
Net assets per share ¥14,301.05	Net assets per share ¥16,137.31	
Net income per share ¥1,238.69	Net income per share ¥2,204.17	
Net income per share (fully diluted) -	Net income per share (fully diluted) ¥2,203.08	

2. Changes in Directors

(1) Change in representative director
None

(2) Change in other directors
None