

**Summary Report of Consolidated Operating Results for Fiscal 2005
(Year ended December 31, 2005)**

Company name: Future System Consulting Corp.
 Shares listed on: First Section of Tokyo Stock Exchange
 Security code number: 4722
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 Date of approval of consolidated statements by board of directors: February 8, 2006
 U.S. GAAP: Not adopted

1. Consolidated Results for Fiscal 2005 (January 1, 2005 to December 31, 2005)

(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 2005	10,957	17.0	1,863	109.6	1,809	114.2
Fiscal 2004	9,364	-13.1	888	-35.4	844	-42.4

	Net income		Net income per share	Net income per share (fully diluted)	Return on equity	Ordinary income as percentage of total assets	Ordinary income as percentage of net sales
	Million yen	% change	Yen	Yen	Percent (%)	Percent (%)	Percent (%)
Fiscal 2005	1,171	155.5	10,131.31	10,126.32	16.5	18.5	16.5
Fiscal 2004	458	-50.3	3,926.00	-	6.9	8.5	9.0

Notes:

- Profit/loss from equity method investments:
Fiscal 2005: ¥(57) million Fiscal 2004: ¥(43) million
- Average number of shares outstanding during the period:
Fiscal 2005: 115,606 shares Fiscal 2004: 116,766 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.

(2) Consolidated financial position (Amount rounded off to million yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Equity per share
	Million yen	Million yen	Percent (%)	Yen
Fiscal 2005	10,324	7,591	73.5	65,820.54
Fiscal 2004	9,194	6,612	71.9	57,138.06

Note: Total outstanding shares as of the end of the period:
 Fiscal 2005: 115,333 shares Fiscal 2004: 115,728 shares

(3) Consolidated cash flow position (Amount rounded off to million yen)

	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 2005	1,653	962	(1,621)	4,817
Fiscal 2004	534	1,187	(1,446)	3,822

(4) Scope of consolidation and application of equity method

Number of consolidated subsidiaries: 3

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

Number of affiliated companies to which equity method is applicable: 3

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

Consolidated subsidiaries:

Newly included: 1

Newly excluded: None

Affiliated companies to which equity method is applicable:

Newly included: 2

Newly excluded: 1

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

	Net sales	Ordinary income	Net income
	Million yen	Million yen	Million yen
Interim term	6,120	1,143	629
Full year	12,700	2,400	1,265

Note: Projected net income per share for fiscal 2006 (full year): ¥2,742.06

*1: The above projection, representing our best estimate based on information currently available to us, incorporates uncertain factors. Please refer to page 11 of the appendix for assumptions (and other matters related to the projection).

*2: One common share was split into four on February 1, 2006. Hence, projected net income per share for fiscal 2006, mentioned above, is calculated based on the outstanding shares of 461,332 shares posted after the stock split.

1. The Future Group

The Future Group (the parent and related companies) consists of Future System Consulting Corporation, three subsidiaries and two affiliated companies. The Group provides IT consulting services as well as hardware and other procurement services.

Separate related companies have been established in order to expand the scope of our services in these areas as well as to provide enhanced services, research and development capabilities, more focused consulting capabilities for specific industries, as well as to develop new markets.

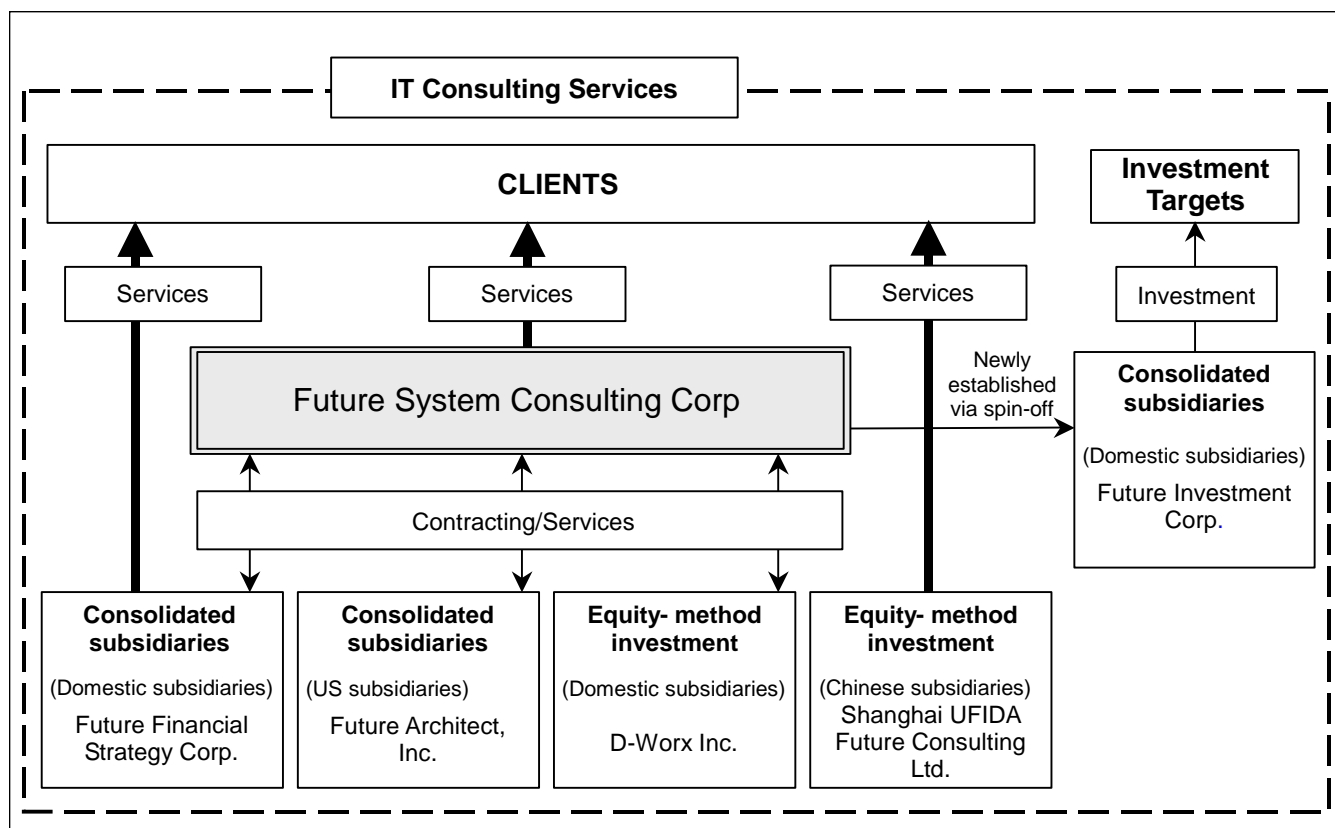
The Group companies are categorized below by functions performed:

Function	Company name	Business activities
IT Consulting Service (and procurement services related to hardware, etc.)	Future System Consulting Corp. (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.
Investment/management	Future Investment Corp. (subsidiary) (newly established)	Securities holding, management and investment
Development of new markets	D-Worx Inc. (affiliated company) (new)	Development of tools to analyze website access and ASP business
Development of overseas markets	Shanghai UFIDA Future Consulting Ltd. (affiliated company) (newly established)	Provision of consulting services for the retail and logistics service sectors in China

Note:

1. IT Agent Inc. was excluded from affiliated companies as the Group sold all shares in the company in the fiscal year under review.
2. The Group established Shanghai UFIDA Future Consulting Ltd. on October 27, 2005, in which it owns a 40% stake.
3. The Group made D-Worx Inc. into an affiliate on December 6, 2005, when the latter increased capital through a third-party allocation of shares to the Group.

The following is a diagram of the Group's business structure:



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, in which the Company has specialized since its inception. Secondly the Group provides integrated services, ranging from strategic IT consulting to system operations.

Sales composition

Category	Main business	Footnote	Sales breakdown (in %)
			Fiscal year under review (from January 1 to December 31, 2005)
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	93.8
Procurement services for hardware, etc.	Hardware and software product procurement services	Note 6	6.2
Total			100.0

Notes:

- 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.
- 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 supports clients in selecting optimal hardware and software products, by evaluating technical elements related to such products that constitute the system, independently from vendors.
- Applications software design and development
The Group designs and develops applications software that can materialize the most suitable business process, using the IT architecture.
- Network consulting and implementation
Regarding networks - the important component of large scale information systems - viewing them as a meshed "nerve" net that has strategic potential, not just as a simple transmission line, the Group designs and builds an optimum network taking into account four factors: the location where data is generated during business activities, the frequency of data generation, response and costs.
- Systems operation 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.
- 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 installing them.

2. Management Policy

(1) Basic corporate tenets

The Future System Consulting Group specializes in IT consulting services, providing optimal solutions that offer future added value through high quality, flexible, scalable, leading-edge information technology-driven systems to our clients.

The Group seeks to be a leader in IT management innovation, by providing objective and independent solutions that strengthen and optimize the IT governance capabilities of senior management, thereby becoming a partner in helping our clients optimize the future value of their enterprise.

(2) Dividend policy

The Group seeks to maximize the 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 projection of dividend payment for the fiscal year under review to ¥2,700 per share from the ¥2,300 per share earlier announced, planning to submit the matter for approval at the ordinary general meeting of shareholders to be held in March 2006. (The above dividend payment per share is calculated based on the outstanding shares registered before the exercise of stock split on February 1, 2006. Please refer to (3) below.)

(3) Our policy towards the minimum trading lot

The Company executed a 4-for-1 stock split on February 1, 2006 aiming to increase the liquidity of its stock and broaden its individual investor base through an expected expansion of trading via the Internet.

The Group has continuously been considering lowering the minimum trading lot for its shares on the basis of such factors as the stock market situation and the benefits thereby accrued to shareholders.

(4) Goals and objectives

In addition to striving to differentiate ourselves from competing firms and to establish a solid base for continuous growth through focused investments and allocation of management resources to “research and development”, “training”, “hiring” 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 order to become a leading IT consulting Group with cutting-edge management reform-oriented systems, the Group has formulated the following strategies:

- a. 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.
- b. The Group will endeavor to further differentiate itself from rivals in speed, cost and quality, by responding to clients' needs to see benefit in the short run through knowledge-sharing, enhanced component groups and the use of easily re-configured system architecture.
- c. 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.
- d. 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.

(6) Issues the Company faces

- a. 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.
- b. 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.
- c. Recruitment and training of professionals and outside alliances
As the scale of our projects continues to increase, it is 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.

(7) Status of corporate governance

(Basic corporate governance philosophy)

The Group regards the following four matters as priority issues concerning corporate governance.

- a. To further strengthen the functioning of the Board of Directors as the primary decision-making body.
- b. To further expand the ability of auditors to oversee the administrative activities of the managing directors.
- c. To establish a system for the prevention of unethical conduct.
- d. To further improve in-house systems to provide important information timely and appropriately for stakeholders.

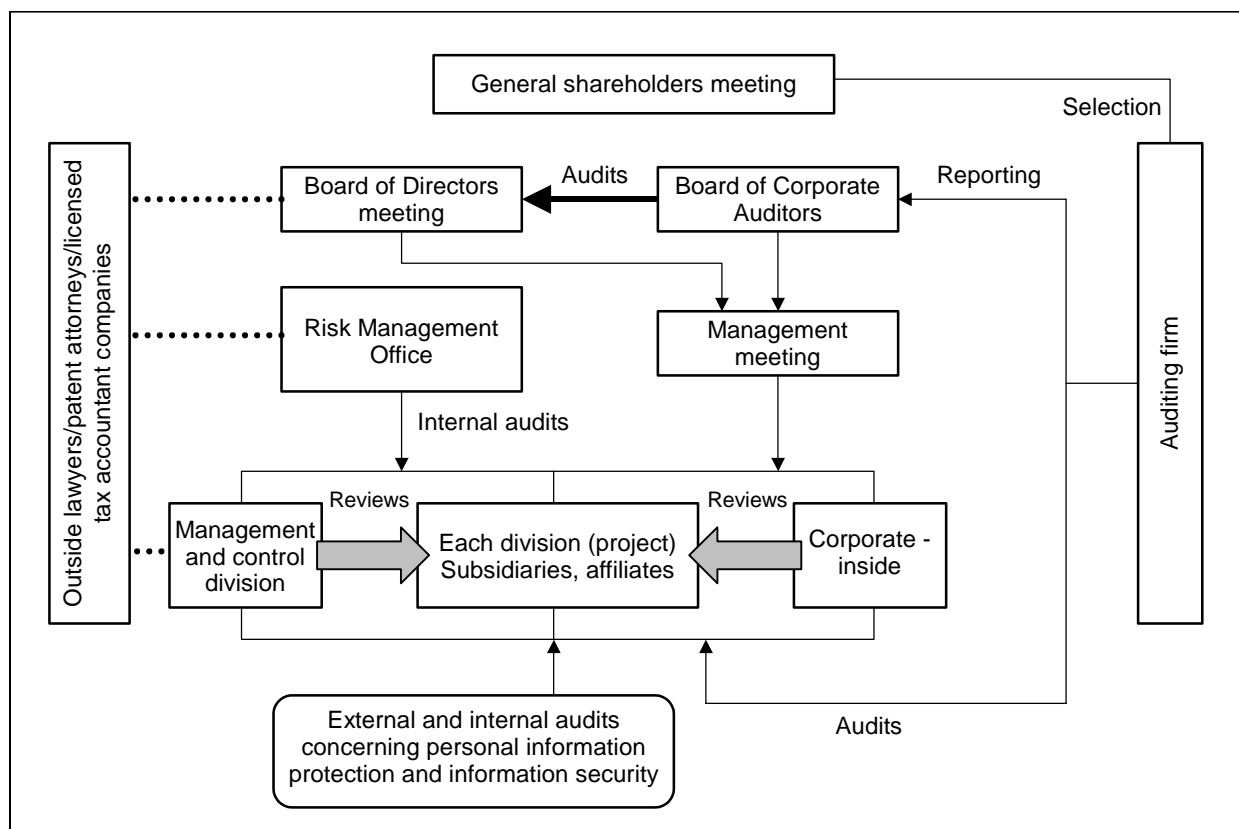
The Board of Directors' decision-making activity has always been focused on securing maximum profitability over the medium- to long-term, thereby preventing the pursuit of short-term profits or a corporate governance framework that is only for appearance's sake.

Consequently, the Group has proactively recruited lawyers, certified public accountants and other specialists to revitalize the activities of the Board of Directors and the Board of Corporate Auditors in an effort to enhance corporate governance functions.

(Company organizations and improvement in internal control system)

1. Company organizations
 - a. The Company has a statutory auditor-based structure.
 - b. As of December 31, 2005, the Company had six directors and three auditors. Currently, there are no outside directors, while all three auditors are outside auditors.
2. Improvement in internal control system
 - a. Positioned as the primary decision-making body in determining management strategy, the Board of Directors holds a regular meeting every month and an extraordinary meeting when necessary, particularly focusing on clarifying risk factors and reflecting them in the decision-making process, and substantially discussing the most appropriate course of action while taking into account differing views.
 - b. In order to expedite the decision-making process and clarify administrative accountability, the Company has introduced the so-called executive officer system. Administrative activities and internal control are controlled by the Board of Directors, while a management meeting, which directors and managing directors hold every month, flexibly implements administrative activities and management.
 - c. **The Risk Management Office**, an independent organization, conducts internal audits concerning organizations/functions and compliance of the Company and its subsidiaries.
 - d. The Company's mainstay system consulting is implemented in the form of projects, and the Project Management & Control Division, which is independent of projects, manages the process of such consulting and controls its quality and reviews compliance of internal rules on a regular basis, and then it reports problems, if any, to the management meeting.

- e. With regard to personal information protection and in-house information security, the independent body Security and Trust Team conducts internal audits concerning the compliance of personal information protection, and strengthens in-house information security in cooperation with the security committee which is directly controlled by vice president assigned as the Chief Security Officer (CSO).



3. Internal audits and audits by Corporate Auditors

- Corporate Auditors formulate an audit schedule for a fiscal year, through discussion of audit purpose and targets, at the meetings of the Board of Corporate Auditors, and implement audits based on the plan.
- In formulating a plan on auditing by Corporate Auditors, it is adjusted with an internal audit schedule and unnecessary overlap is excluded. Directors of the management sector report the results of internal audits at the meetings of the Board of Corporate Auditors.
- Auditing firms attend the meetings of the Board of Corporate Auditors at the close of the interim and year-end accounting periods and report auditing results there.

4. Auditing

The Company has signed a contract with auditing firm Ernst & Young ShinNihon, which audits the Company's accounts for the interim and year-end periods. There is no special interest between the auditing firm and the Company.

The names of certified public accountants who performed the audits, the auditing firm they work for, and the number of years that they have continuously audited are as follows:

Names of certified public accountants		Auditing firm they belong to
Designated partner	Takao Kashiya	Ernst & Young ShinNihon
Audits execution partner	Koichiro Watanabe	

Note:

- The numbers of years that both accountants have continuously audited are the same at seven years or less, and hence this item is omitted from the above table.
- The auditing firm has voluntarily taken measures to prevent audits execution partners from auditing the Company for more than a specified period.
- Assistants engaged in audit operations consist of two public certified accountants, three junior accountants and one other person.

5. Relationships between the Company and outside Corporate Auditors

The Company and its directors have no special interest and personal relationships with outside auditors. Outside auditors have no conflict of interest with the Company's major shareholders, clients and business partners.

(Development of risk management structure)

As the scale of client firms expands, their projects also grow. To complete large projects successfully while satisfying customers, the Group needs a high degree of project management skills.

At each critical phase of a project, a project review meeting is held in which specialists of various fields conduct focused reviews to discern and deal with problems at an early stage.

The Group is striving to further integrate, develop and expand its conventional systems development methods as well as promote the use of standardized development processes. The Group expects these measures will result in not only controlling and reducing project management risks but also will shorten the time required for specific tasks, improving operational efficiency and providing better training for employees.

The Company has also introduced an in-house system that electronically processes most corporate work such as application for project codes, application for and revision of project budgets, and request and approval for expenses. Although this system has minimized the occurrence of exceptional events due to human factors, the Company will further improve this in-house system prior to the possible introduction of a Japanese-version SOX law.

(Compensation paid to Directors)

The compensation paid to directors this fiscal year is as follows:

Title		Number of persons	Amount of payment (in thousands of yen)	Remarks
Director	Internal director	7	153,884	The amount of compensation for directors, as approved by the Ordinary General Meeting of Shareholders on March 26, 1999, was raised to ¥500,000,000 per year for directors and ¥125,000,000 per year for auditors.
	External director	-	-	
Auditor	Internal auditor,	-	-	
	External auditor	3	11,580	
Total		10	165,464	

Notes: The Company will book ¥40,500,000 as directors' bonuses, planning to submit the matter for approval at the 17th ordinary general meeting of shareholders to be held in March 2006.

(Remuneration for audit services)

The compensation paid to our outside auditor (Ernst & Young Shin Nihon) this fiscal year is as follows:

Title	Amount of payment (in thousands of yen)	Remarks
Compensation for audit documentation services in accordance with the auditing contract	17,500	
Compensation other than for audit documentation services in accordance with auditing contract	-	
Total	17,500	

(8) Matters concerning parent company, etc.

None

3. Operating Results and Financial Condition

(1) Operating results

(Overview of fiscal year under review)

The Group's consolidated operating results for fiscal 2005 were as follows:

Consolidated net sales:	¥10,957 million (up 17.0% year-on-year)
Consolidated ordinary income:	¥1,809 million (up 114.2% year-on-year)
Consolidated net income:	¥1,171 million (up 155.5% year-on-year)

The noteworthy events of this period were as follows:

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

1. In Japan, signs of recovery became evident in the economy from the second half of fiscal 2005, which encouraged the private sector to make more investments. Under such favorable business environment, the number of the Group's client companies stood at 107 at the end of fiscal 2005, up three from a year earlier, including 56 new customers (down from 70 in the previous year) and 51 existing ones (up from 34). The net increase is attributable mainly to the fact that: new organization launched in March 2005 began to function effectively; training and other internal efforts brought improvement in project quality; and the Group steadily received orders without excessively relying on specific clients.
2. Thanks to the steady flow of orders, the Group's operating rate, which had continuously dropped from the previous fiscal year, recovered nearly to a planned level in the second quarter of the fiscal year under review. As a result, the Group posted consolidated sales of ¥10,957 million and an ordinary income of ¥1,809 million.
3. IT consulting service sales rose about 21% from the preceding year's level, due to an increase of sales for a wide range of sectors despite a slight decline for the financial sector. This indicates such sales were almost as projected even from the perspective of sales by industry.
4. IT consulting service sales by purpose is as follows:
 - a. Sales to corporations which wanted to reform or innovate their management accounted for 52% of the total sales of IT consulting services. The Group established real-time platforms for these companies, using a lineup of proprietary real-time processing middleware components and downsizing methodology while substantially reducing IT-related costs.
 - b. Sales to companies seeking to introduce highly specialized solutions represented 21% of the total. The Group constructed mainly loan support systems for financial institutions and provided Enterprise Application Integration (EAI) solutions and inter-system interface infrastructure solutions.
 - c. Sales to firms which wanted to introduce M&A strategy support systems made up 12% of the total. For these companies, the Group established system infrastructures unified among groups that help reorganize their operations efficiently, and examined the use of IT in an entire scheme, the key to corporate reconstruction.
 - d. Sales to rapidly growing companies constituted about 10%. At these corporations, the insufficient IT environment often obstructs their operations, and hence the Group established systems for them that can flexibly respond to their growth in the future.
5. The Group booked ¥666 million earned from sales of investment securities as extraordinary profits, while posting an extraordinary loss of ¥477 million, including depreciation of software for sale associated with their impairment and losses on disposal of software for in-house use.

(Outlook for the next fiscal year)

1. Forecast for the next fiscal year

Our earnings forecast for the year through December 2006 is as follows:

Consolidated net sales:	¥12,700 million (up 15.9% year-on-year)
Consolidated ordinary income:	¥2,400 million (up 32.6% year-on-year)
Consolidated net income:	¥1,265 million (up 8.0% year-on-year)

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

- a. In Japan, reflecting the recovery of the economy, customer needs are earnestly growing for the Group's "IT consulting service, which provides 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." For the year ending December 2006, several projects to reform and innovate corporate management using proprietary components and technologies are expected to move into high gear. Demand for the introduction of specialized solutions from clients is also likely to remain strong.
- b. 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, project management, step up personnel training and boost R&D activities.
- c. Operations outlook by division are as follows:
 - (Logistics service)

In the logistics service sector, investments in IT is generally strong, and demand for a variety of projects is forecast to increase, including large-scale downsizing and company-wide renovation of mission-critical systems. In this sector, the Group expects to win orders accounting for 40% – 50% of its entire sales.
 - (Finances)

The Group expects the continued steady flow of orders from regional banks for projects to introduce loan support systems and establish marketing support systems and information system infrastructures.
 - (Manufacturing)

As for the manufacturing sector, demand of automobile-related companies will remain robust for the reconstruction of their mission-critical systems as in the previous year. The Group also expects that for excellent manufacturers with distinguishing features it will start implementing projects to reconstruct backbone systems in order to overhaul management. Sales from this sector are likely to account for approximately 20% of the Group's total sales.
 - (Advanced services)

In the advanced services sector, existing clients will likely place additional orders at a steady pace. Furthermore, the Group is expected to provide large and small consulting services for nonbanks, insurance companies, healthcare firms, or cross-industry corporations.
 - (Technology services)

The Group plans to offer consulting services to wide-ranging companies, making the best use of proprietary technologies. Particularly, its EAI (inter-system interface infrastructure) technique is highly valued as being effective in the use of information with data linked, and as being effective in the transfer of data between new and old systems.

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, 2006.

(1) Group's businesses and industrial trend

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

The Group's businesses have 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

The Japanese economy began to show a strong recovery trend from the second half of 2005. While fears remain over price hikes of oil and other raw materials and higher interest rates in the future, both export-related demand and capital investment increased and a sign of strong recovery in consumer spending became evident.

In the IT industries, customer needs for IT are rising and it has become an important issue for companies to hire talented personnel. Moreover, the Group will likely be involved in competition not only for consulting functions but also for delivery capability.

Under such circumstances, from last year the Group has implemented promotion activities targeting enterprising companies, which are willing to obtain competitive advantages. While these activities have gradually borne fruit, we are convinced anew of having the upper hand over rivals in the development of industry-specific platforms and the accumulation of technical know-how about downsizing. The Group will strive to steadily enhance the internal structure by training staff and enhancing project management, as well as link up 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. With no intention to simply computerize their operational functions, such firms want to reconstruct backbone systems to overhaul management, introduce highly-specialized solutions to differentiate 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.

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 9 and 1. Forecast for the following fiscal year on page 10.

Aiming to expand its business through affiliated companies, the Group set up Future Investment Corp. on June 1, 2005 to agilely and flexibly implementing and manage its investing activities. This was followed by the establishment on October 27, 2005 of joint venture **Shanghai** UFIDA Future Consulting Ltd., in which the Company holds a 40% stake, in China. Effective on December 6, 2005, the Company acquired a 50% stake in D-Worx Inc., turning it into an affiliate. Meanwhile, the Group booked losses on restructuring relating to sale of all the shareholdings in affiliate IT Agent Inc. in September 2005. The Group will continue to proactively expand its business through affiliated companies, but there is a possibility that it may incur losses due to their liquidation, reorganization and other unfavorable factors, if any.

(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, 2005, recruitment and training expenses amounted to ¥95 million and ¥103 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 plans to apply for the acquisition of 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, 2005, the Group stated ¥125 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. 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) 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, 2005, the Group made such investments in 20 companies (including two equity-method affiliate). 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, five are listed. The Group registered unrealized profits on holding them in fiscal 2005, 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, 2005.

Total assets: ¥10,324 million (up 12.3% year-on-year)

Total liabilities: ¥2,733 million (up 5.9% year-on-year)

Total shareholder equities: ¥7,591 million (up 14.8% 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 ¥4,817 million as of the end of the year on a consolidated basis, up ¥995 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 22.

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

Indicator	Fiscal year through December 2003	Fiscal year through December 2004	Fiscal year through December 2005
Shareholder equity ratio (%)	62.1	71.9	73.5
Market value-based shareholder equity ratio (%)	266.9	237.9	532.8
Number of years for debt redemption	12.4	3.1	0.3
Interest coverage ratio (×)	19.3	30.4	154.2

Notes:

1. Indicator calculations are as follows:

Shareholder equity ratio: shareholder equity/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 shares)

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, 2006.

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

Future Investment Corp. was established on June 1, 2005 through a spin-off and became a consolidated subsidiary beginning in the fiscal year under review.

(2) Application of equity method

The Group sold all shares of IT Agent Inc. in the fiscal year under review, excluding it from equity-method affiliates.

The Group included **Shanghai** UFIDA Future Consulting Ltd. and D-Workx Inc. in equity-method affiliates from the fiscal year under review, as a result of acquiring holdings or shares in them during the year.

(3) 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 loss on investment securities based on the above-mentioned estimates and judgment. In the fiscal year under review, however, there were no losses on devaluation of investment securities that should be booked.

(4) 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.

(5) 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.

(Allowance for losses on restructuring)

To prepare for the losses incurred by the Company or its consolidated subsidiaries as a result of restructuring of affiliated companies, the estimated amount of potential loss is stated in the allowance for losses on restructuring based on individual assessment.

In the fiscal year under review, the Group booked ¥13 million in losses on restructuring, due to the effective halt of business of affiliate IT Agent Inc. and sale of shares in the company.

(Allowance for bonuses to directors)

Beginning in the fiscal year under review, the Group books allowance for bonuses to directors when such bonuses accrue, and submits the agenda concerned to ordinary general meetings of shareholders for approval, pursuant to “Tentative handling of the accounting treatment for directors' bonuses” (Corporate Accounting Standards Committee, Practice Report No. 13).

In the fiscal year under review, there were neither booking of allowance for bonuses to directors nor bonuses to directors based on the appropriation program for retained earnings.

(6) 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 2005

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 2004	Fiscal year ended December 2005	Year-on-year comparison	
	Amount (¥million)	Amount (¥million)	Amount (¥million)	Change (%)
Net sales	9,364	10,957	1,593	17.0
Cost of sales	5,078	5,562	484	9.5
Gross profit	4,286	5,394	1,108	25.9
Selling, general and administrative expenses	3,397	3,531	134	3.9
Operating income	888	1,863	974	109.7
Non-operating income	17	15	(1)	-10.3
Non-operating expenses	61	68	7	12.0
Ordinary income	844	1,809	965	114.2
Extraordinary profits	410	666	255	62.2
Extraordinary losses	505	477	(28)	-5.6
Net income before taxes	749	1,999	1,249	166.5
Corporate, inhabitants' and enterprise taxes	287	952	665	231.6
Corporate tax adjustments	4	(125)	(129)	-
Net income	458	1,171	712	155.5

(1) Overview of fiscal 2005

For the overview of the fiscal year under review, please see (1) Operating results on page 9 and 2. Business risks on page 11.

(2) Net sales

Consolidated net sales were ¥10,957 million in the fiscal year under review, up 17.0% or ¥1,593 million from the previous year.

This increase is attributable to: robust sales as a result of proactive promotion activities in the previous year; and a decrease in preliminary discounts granted in the initial contract phase for new projects.

Of the sales of IT consulting services, those in the strategy phase accounted for 38% (up from 30% in the previous year), with the design phase at 21% (up from 15% in the preceding year), the development phase at 35% (down from 49% a year earlier), and the operation phase at 6% (unchanged from the previous year).

(3) Cost of sales and gross profit

Costs of sales increased 9.5% or ¥484 million year-on-year to ¥5,562 million on a consolidated basis in the fiscal year under review.

This growth is due to an increase in labor and subcontractor expenses derived from a rise in the operating rate of projects.

As a result, gross profit jumped 25.9% or ¥1,108 million from a year earlier to ¥5,394 million, and the gross profit margin was 49.2%, up from 45.8% in the previous year.

(4) Selling, general and administrative expenses and operating income
Selling, general and administrative expenses rose 3.9% year-on-year to ¥3,531 million on a consolidated basis.
The increase is attributable mainly to a rise in testing and research activities concerning financial-related operations.
As a result, consolidated operating income soared 109.7% or ¥974 million year-on-year to ¥1,863 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 ¥15 million on a consolidated basis while non-operating loss totaled ¥68 million, resulting in a net loss of ¥53 million.
Of the ¥68 million loss, ¥57 million is losses from equity-method investments in IT Agent Inc. The Group sold all shares of IT Agent in September, excluding the company from equity-method accounting.
As a result, consolidated ordinary income was ¥1,809 million in the fiscal year under review, up 114.2% or ¥965 million from the previous year.

(6) Extraordinary profits/losses and net income before taxes
Extraordinary profits in the fiscal year under review were ¥666 million on a consolidated basis, while extraordinary losses posted ¥477 million, resulting in a net profit of ¥189 million.
The Group booked ¥666 million earned from sale of investment securities as extraordinary profits. Meanwhile, extraordinary losses include ¥357 million in the depreciation of software derived partly from a conservative review of plans to sell software on the market and ¥62 million in losses on disposal of software for in-house use, as well as ¥30 million in provision of allowance for doubtful accounts.
As a result, consolidated net income before taxes was ¥1,999 million in the fiscal year under review, up 166.5% or ¥1,249 million from the previous year.

(7) Corporate tax and net income
In the fiscal year under review, the Group booked a net ¥827 million in corporate tax on a consolidated basis, due to ¥952 million in corporate, inhabitants' and enterprise taxes and ¥125 million in corporate tax adjustments.
As a result, consolidated net income was ¥1,171 million, up 155.5% or ¥712 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 5, (6) Issues the Group faces on page 6 and 2.Business risks on page 11.

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. Against this backdrop, the Group will endeavor to differentiate itself from rivals and strengthen its presence, by providing highly specialized solutions.

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 2004	Fiscal year ended December 2005	Year-on-year comparison	
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)
(Assets)				
Current assets	5,549	7,184	1,634	29.5
Cash and cash equivalents	3,822	4,817	995	26.0
Notes and accounts receivable	1,101	2,001	899	81.7
Other	626	365	(260)	-41.6
Fixed assets	3,644	3,140	(504)	-13.8
Tangible fixed assets	315	333	18	5.8
Intangible fixed assets	981	421	(560)	-57.1
Investments and other assets	2,348	2,385	37	1.6
Total assets	9,194	10,324	1,130	12.3
(Liabilities)				
Current liabilities	2,113	2,733	619	29.3
Accounts payable	183	466	283	154.4
Short-term borrowings	650	-	(650)	-
Income tax payable, etc.	51	847	796	1,555.0
Other	1,229	1,419	190	15.5
Non-current liabilities	468	-	(468)	-
Long-term borrowings	468	-	(468)	-
Total liabilities	2,581	2,733	151	5.9
(Minority interests)	-	-	-	-
(Shareholder equity)				
Common stock	1,421	1,421	-	-
Additional paid-in capital	2,495	2,495	-	-
Retained earnings	3,292	4,151	858	26.0
Net unrealized gains on available-for-sale securities	366	577	210	57.5
Foreign currency translation adjustments	(1)	0	2	-
Treasury stock	(962)	(1,055)	(93)	9.7
Total shareholder equities	6,612	7,591	978	14.8
Total liabilities, minority interests and shareholder equity	9,194	10,324	1,130	12.3

Comparison of consolidated statements of cash flows (summary)

Item	Fiscal year ended December 2004	Fiscal year ended December 2005	Year-on-year comparison	
	Amount (million yen)	Amount (million yen)	Amount (million yen)	Change (%)
Net income before taxes	749	1,999	1,249	166.5
Depreciation and amortization	786	688	(97)	-12.4
Equity in income (losses) of subsidiaries & affiliates	43	57	13	30.6
Gains (losses) on sale of investment securities	(399)	(666)	(267)	67.0
Losses on devaluation of investment securities	3	-	(3)	-
Increase (decrease) in accounts receivable	211	(899)	(1,111)	-
Other	(205)	633	838	-
Subtotal	1,190	1,811	621	52.2
Income and other taxes	(645)	(156)	488	75.7
Other	(10)	(2)	8	-80.0
Net cash provided by (used in) operating activities	534	1,653	1,118	209.0
Proceeds from sale of investment securities	2,443	975	(1,467)	-60.1
Proceeds from collection of loans	-	300	300	-
Increase in short-term loans	(300)	-	300	-
Other	(956)	(313)	642	-67.2
Net cash provided by (used in) investing activities	1,187	962	(225)	-19.0
Net increase (decrease) in short-term borrowings	(250)	(650)	(400)	160.0
Repayment of long-term borrowings	(566)	(566)	-	-
Other	(630)	(405)	224	-35.6
Net cash provided by (used in) financing activities	(1,446)	(1,621)	(175)	12.1
Effect of exchange rate changes on cash and cash equivalents	5	1	(4)	-73.1
Increase (decrease) in cash and cash equivalents	282	995	713	252.6
Cash and cash equivalents at beginning of the period	3,579	3,822	242	6.8
Decrease in cash and cash equivalents due to removal of two subsidiaries from consolidated financial statement	(39)	-	39	-
Cash and cash equivalents at end of the period	3,822	4,817	995	26.0

(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 7,184 million on a consolidated basis in the year ended December 31, 2005, up 29.5% or ¥1.634 million from the previous year.

This increase in current assets is attributable chiefly to a growth in cash and cash equivalents of ¥995 million and a rise in notes and accounts receivable of ¥899 million. For the breakdown of increase in cash and cash equivalents, please see (2) Analysis of cash flows on page 22.

While cash and cash equivalents totaling ¥4,817 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

Fixed assets totaled ¥3,140 million on a consolidated basis in the year ended December 31, 2005, down 13.8% or ¥504 million from a year earlier.

This decrease in fixed assets is ascribed mainly to a decrease of ¥560 million in the amount of software as a result of booking depreciation of software following a conservative review of plans to sell software on the market.

(c) Current liabilities and non-current liabilities

Total liabilities were 2,733 million on a consolidated basis in the year ended December 31, 2005, up 29.3% or ¥619 million from the previous year. The increase in current and non-current liabilities is due primarily to a rise in income tax payable of ¥796 million because of increased profits and a growth in accounts payable of ¥283 million, despite a decline in short- and long-term borrowings of ¥1,216 million.

(d) Shareholder equities

Shareholder equities were ¥7,591 million at the end of fiscal year under review, up 14.8% or ¥978 million from the previous year. The rise in shareholder equity is attributable mainly to: an increase in retained earnings of ¥858 million, which results from a rise of ¥1,171 million due to booking of net income and a drop, caused by paying dividends of ¥312 million; a rise in net unrealized gains on marketable securities of ¥210 million; and a growth in treasury stock (a ¥93 decline in shareholder equity compared with the previous year).

(e) Total assets

Total assets were ¥10,324 million in the fiscal year under review, up 12.3% or ¥1,130 million.

Reflecting increased sales and profits, current assets such as cash and cash equivalents and notes and accounts receivable rose; liabilities including income tax payable and accounts payable grew; and retained earnings in shareholder equity increased. However, fixed assets centering on software decreased.

(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

In the fiscal year under review, due to a rise in sales and profits, net income before taxes increased ¥1,249 million from the previous year to ¥1,999 million, accounts receivable decreased by ¥899 million (down ¥1,111 million from the preceding year), and accounts payable increased by ¥283 million (up ¥480 million).

Depreciation and amortization were ¥688 million due to booking of depreciation of software following a conservative review of plans to sell software on the market.

As a result, cash inflows from operating activities were ¥1,653 million, up ¥1,118 million from a year earlier.

(b) Cash flows from investing activities

In the fiscal year under review, payments for the purchase of tangible fixed assets, intangible fixed assets, and investment securities were ¥121 million (up ¥34 million from the previous year), ¥75 million (down ¥702 million), and ¥107 million (down ¥63 million), respectively. Proceeds from sale of investment securities amounted to ¥975 million (down ¥1,467) and proceeds from collection of loans were ¥300 million (up ¥300 million).

As a result, cash inflows from investing activities posted ¥962 million, down ¥225 million from the preceding year.

(c) Cash flows from financing activities

In the fiscal year under review, cash outflows from financing activities were ¥1,621 million, up ¥175 million from the previous year. Short-term borrowings showed a net decrease of ¥650 million (down ¥400 million from a year earlier), repayments of long-term borrowings totaled ¥566 million (same as the previous year), dividend payments were ¥312 million (down ¥3 million), and purchase of treasury stock amounted to ¥93 million (down ¥93 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 ¥4,817 million, due to an increase in cash and cash equivalents worth ¥995 million, 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. However, the Group booked cash inflows from investing activities in the fiscal period under review, as a result of selling investments to employ capital effectively and earning 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, 2005.

Item	Repayment term		
	Up to 1 year (¥million)	2 to 3 years (¥million)	Total (¥million)
Short-term borrowings	-	-	-
Long-term borrowings	468	-	468

(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 2005, the outstanding balance of borrowings was as described above.

As described in (2) Basic profit allocation policy on page 8 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, 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 own 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 its own stock totaling 395 shares for ¥93 million. As a result, the number of own shares stood at 3,827 shares worth ¥1,055 million as of the end of the year.

The Group has no plan to retire its own shares to raise the value of the remaining shares, but will continue holding them for the time being and possibly leverage them in response to future changes in the business climate.

6. Management's awareness of issues and future policies

Although the economy is showing signs of recovery in general, clients planning to introduce systems still strongly demand a shorter period between development and delivery and lower prices. Hence, we predict that the business environment surrounding the Group will remain severe and continue to change abruptly.

Nevertheless, there emerged ample room for investment now that financial institutions' disposal of bad loans is drawn to a close, and clients' needs are shifting to authentic IT reforms after the ERP boom. Under such circumstances, we believe that the role of the Group, which maintains the independence of its vendors, is becoming more important while clients are increasingly counting on such Group.

In the fiscal year under review, the Group achieved stronger earnings than originally projected, supported by the above-mentioned market trends and the success of aggressive promotion activities, which started in the previous year. Furthermore, our sober efforts toward standardizing and enhancing the project management as well as training human resources contributed boosting the Group's earnings.

For the year through December 2006, the Group will reconfirm and enhance fundamental business matters, do its utmost to release several strategic projects that have been developed since the previous fiscal year, and find an appropriate balance between such projects and the promotion activities for advanced projects that are expected to be the future mainstay, while demonstrating its technological excellence 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 balance sheets (as of December 31, 2004 and 2005)

(Unit: thousand yen)

Item	Fiscal 2004		Fiscal 2005	
	Amount	Percentage (%)	Amount	Percentage (%)
(Assets)				
I. Current assets				
1. Cash and cash equivalents	3,822,079		4,817,482	
2. Notes and accounts receivable	1,101,408		2,001,229	
3. Inventories	5,461		12,591	
4. Deferred tax assets	121,992		157,243	
5. Other	499,448		225,983	
6. Allowance for doubtful accounts	(700)		(30,000)	
Total current assets	5,549,690	60.4	7,184,530	69.6
II. Fixed assets				
1. Tangible fixed assets				
(1) Buildings	216,817		216,516	
Accumulated depreciation	107,448	109,369	123,666	92,850
(2) Others	506,818		622,161	
Accumulated depreciation	301,079	205,738	381,554	240,606
Total tangible fixed assets		315,108		333,456
2. Intangible fixed assets				
(1) Software		969,279		408,329
(2) Others		12,198		12,685
Total intangible fixed assets		981,477		421,015
3. Investments and other assets				
(1) Investment securities (*1)		1,904,883		1,988,272
(2) Deposit guarantees		322,788		321,928
(3) Deferred tax assets		114,669		59,928
(4) Other		5,710		15,710
Total investments and other assets		2,348,051		2,385,839
Total fixed assets		3,644,637		3,140,311
Total assets		9,194,327		10,324,842
		100.0		100.0

(Unit: thousand yen)

Item	Fiscal 2004		Fiscal 2005	
	Amount	Percentage (%)	Amount	Percentage (%)
(Liabilities)				
I. Current liabilities				
1. Accounts payable	183,270		466,275	
2. Short-term borrowings	650,000		-	
3. Long-term borrowings due within one year	566,000		468,000	
4. Income tax payable, etc.	51,222		847,718	
5. Allowance for bonuses to directors	-		43,700	
6. Reserve for quality assurance	45,000		125,000	
7. Other	618,361		782,867	
Total current liabilities	2,113,854	23.0	2,733,561	26.5
II. Non-current liabilities				
1. Long-term borrowings	468,000		-	
Total non-current liabilities	468,000	5.1	-	-
Total liabilities	2,581,854	28.1	2,733,561	26.5
(Minority interests)				
Minority interests	-	-	-	-
(Shareholders' equity)				
I. Common stock (*2)	1,421,815	15.5	1,421,815	13.8
II. Additional paid-in capital	2,495,772	27.1	2,495,772	24.2
III. Retained earnings	3,292,773	35.8	4,151,548	40.2
IV. Net unrealized gains on available-for-sale securities	366,756	4.0	577,610	5.6
V. Foreign currency translation adjustments	(1,787)	0.0	511	0.0
VI. Treasury stock (*3)	(962,857)	-10.5	(1,055,678)	-10.3
Total shareholders' equity	6,612,473	71.9	7,591,280	73.5
Total liabilities, minority interests and shareholders' equity	9,194,327	100.0	10,324,842	100.0

(2) Consolidated statements of income (for the years ended December 31, 2004 and 2005)

(Unit: thousand yen)

Item	Fiscal 2004			Fiscal 2005		
	Amount		Percentage (%)	Amount		Percentage (%)
I. Net Sales		9,364,232	100.0		10,957,381	100.0
II. Cost of sales		5,078,205	54.2		5,562,814	50.8
Gross Profit		4,286,026	45.8		5,394,566	49.2
III. Selling, general and administrative expenses						
1. Officers' remuneration	141,760			193,544		
2. Salaries and bonuses	1,689,158			1,455,211		
3. Employee training expenses	107,753			103,770		
4. Research & development expenditures (*1)	330,262			676,260		
5. Depreciation	148,472			135,851		
6. Recruitment expenses	152,657			95,695		
7. Other	827,316	3,397,381	36.3	871,200	3,531,534	32.2
Ordinary Income		888,645	9.5		1,863,031	17.0
IV. Non-operating income						
1. Interest income	1,318			6,416		
2. Dividend income	6,129			2,268		
3. Other	10,222	17,670	0.2	7,163	15,848	0.1
V. Non-operating expenses						
1. Interest expenses	16,118			10,121		
2. Listing expenses	43,898			57,311		
3. Other	1,527	61,543	0.7	1,526	68,958	0.6
Ordinary Income		844,772	9.0		1,809,921	16.5
VI. Extraordinary income						
1. Gains on sale of investment securities	399,176			666,492		
2. Reversal of allowance for losses on restructuring	11,759	410,935	4.4	-	666,492	6.1
VII. Extraordinary losses						
1. Losses on disposal of fixed assets (*3)	-			1,584		
2. Losses on devaluation of investment securities	3,127			-		
3. Office relocation expenses	27,864			-		
4. Losses on restructuring	-			13,221		
5. Losses on contract cancellation	198,000			12,249		
6. Depreciation costs for software(*2)	267,359			357,769		
7. Losses on disposal of software	9,360			62,564		
8. Provision of allowance for doubtful accounts	-	505,711	5.4	30,000	477,390	4.4
Net income before taxes		749,996	8.0		1,999,023	18.2
Corporate, residential and enterprise taxes	287,364			952,951		
Corporate tax adjustments	4,209	291,573	3.1	(125,167)	827,783	7.5
Net income		458,423	4.9		1,171,239	10.7

(3) Consolidated statements of retained earnings (for the years ended December 31, 2004 and 2005)

(Unit: thousand yen)

Item	Fiscal 2004		Fiscal 2005	
	Amount		Amount	
(Additional paid-in capital)				
I. Balance at the beginning of the period		2,495,772		2,495,772
II. Balance at the end of the period		2,495,772		2,495,772
(Retained earnings)				
I. Balance at the beginning of the period		3,208,882		3,292,773
II. Increase in retained earnings				
1. Net income for the period	458,423	458,423	1,171,239	1,171,239
III. Decrease in retained earnings				
1. Dividends	316,248		312,465	
2. Decrease due to exclusion of consolidated subsidiaries	29,217		-	
3. Decrease due to exclusion of equity-method affiliates	29,066	374,532	-	312,465
IV. Balance at the end of the period		3,292,773		4,151,548

(4) Consolidated statements of cash flows (for the years ended December 31, 2004 and 2005)

(Unit: thousand yen)

Item	Fiscal 2004	Fiscal 2005
	Amount	Amount
I. Cash flows from operating activities:		
Net income before taxes	749,996	1,999,023
Depreciation and amortization	786,198	688,399
Increase (decrease) in allowance for doubtful accounts	9	29,300
Increase (decrease) in allowance for bonuses to directors	-	43,700
Increase (decrease) in reserves for quality assurance	(69,000)	80,000
Earned interest and dividends	(7,447)	(8,684)
Interest expenses	16,118	10,121
Foreign exchange gains (losses)	(5,132)	-
Equity in income (losses) of subsidiaries & affiliates	43,898	57,311
Losses on disposal of tangible fixed assets	10,978	1,584
Depreciation costs for software	9,360	62,564
Gains (losses) on sale of investment securities	(399,176)	(666,492)
Losses on devaluation of investment securities	3,127	-
Losses on restructuring	-	13,221
Increase (decrease) in accounts receivable	211,551	(899,821)
Increase (decrease) in inventories	(2,222)	(7,268)
Increase (decrease) in other assets	(36,785)	(24,592)
Increase (decrease) in accounts payable	(197,525)	285,005
Increase (decrease) in consumption tax payable	-	54,615
Increase (decrease) in other liabilities	76,107	130,857
Subtotal	1,190,056	1,846,844
Interest and dividends received	7,453	8,689
Interest paid	(17,582)	(10,720)
Income and other taxes	(645,031)	(191,468)
Net cash provided by (used in) operating activities	534,895	1,653,345
II. Cash flows from investing activities:		
Purchase of tangible fixed assets	(86,518)	(121,071)
Acquisition of intangible fixed assets	(777,937)	(75,563)
Purchase of investment securities	(171,182)	(107,801)
Proceeds from sale of investment securities	2,443,848	975,885
Net increase in deposit guarantees	(747)	(510)
Proceeds from collection of deposit guarantees	80,326	1,400
Increase in short term loans	(300,000)	-
Proceeds from collection of loans	-	300,000
Purchase of golf club memberships	-	(10,000)
Net cash provided by (used in) investing activities	1,187,789	962,338
III. Cash flows from financing activities		
Increase in short-term borrowings	900,000	-
Repayment of short-term borrowings	(1,150,000)	-
Net increase (decrease) in short-term borrowings	-	(650,000)
Repayment of long-term borrowings	(566,000)	(566,000)
Purchase of treasury stock	(313,862)	(93,121)
Dividends paid	(316,397)	(312,747)
Net cash provided by financing activities	(1,446,259)	(1,621,868)
IV. Effect of exchange rate changes on cash and cash equivalents	5,893	1,588
V. Increase in cash and cash equivalents	282,319	995,403
VI. Cash and cash equivalents at beginning of the period	3,579,241	3,822,079
VII. Decrease in cash and cash equivalents due to removal of subsidiaries from consolidated financial statement	(39,482)	-
VIII. Cash and cash equivalents at end of the period	3,822,079	4,817,482

Significant Accounting Policies Regarding the Preparation of Consolidated Financial Statements

	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
1. Scope of consolidation	There are two consolidated subsidiaries, Future Financial Strategy Corp. and Future Architect, Inc. FiOS Riskware Corp. and Future System Consulting UK Ltd. were liquidated during the fiscal period under review and thus excluded from the scope of consolidation. However, Future System Consulting UK Ltd. was removed from consolidated financial statement at the end of the year, and its results were included in Consolidated Statements of Income and Consolidated Statements of Cash Flows. There are no non-consolidated subsidiaries.	There are three consolidated subsidiaries: Future Financial Strategy Corp., Future Investment Corp., and Future Architect, Inc. There are no non-consolidated subsidiaries. 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.
2. Application of equity method	There is one affiliated company, IT Agent Corp., to which equity-method accounting is applicable. With the divestment of some Sakura Information System shares in the fiscal year, the subject company was excluded from the application of equity method accounting. All affiliated companies were subject to equity method accounting.	There are three companies to which equity-method is applicable: Shanghai UFIDA Future Consulting Ltd., D-Worx Inc. and IT Agent Inc. The deemed date of acquisition of Shanghai UFIDA Future Consulting and D-Worx is the closing day of the fiscal year under review. 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. There was no affiliated company to which equity method is not applicable.
3. Accounting period of consolidated subsidiaries	The consolidated subsidiaries' fiscal year-end falls on the same day as the date of consolidated statements are issued.	Same as on the left.
4. Accounting standards (1) Valuation standards/methods for principal assets (2) Depreciation/amortization of major depreciable/amortizable assets	<p>(a) Securities: Other securities:</p> <ul style="list-style-type: none"> - Marketable securities: stated at fair value based on the market price as of the end of the financial period (Un-realized holding gains/losses are reported as a net amount in a separate component of shareholders' equity. Cost of sales is calculated based on moving average method). - Non-marketable securities: stated at cost based on moving average method. <p>(b) Inventories</p> <ul style="list-style-type: none"> - Merchandise/products: stated at lower of cost using the gross average method. <p>(a) Tangible fixed assets:</p> <ul style="list-style-type: none"> - Declining balance method: If acquisition price of the asset to be depreciated is between ¥100,000 and ¥200,000, it is depreciated evenly using straight-line method over three years. Useful life are as follows: Buildings 3-31 years Others 3-10 years 	<p>(a) Securities: Other securities:</p> <ul style="list-style-type: none"> - Marketable securities: Same as on the left. - Non-marketable securities: Same as on the left. <p>(b) Inventories</p> <ul style="list-style-type: none"> - Merchandise/products: Same as on the left. <p>(a) Tangible fixed assets: Same as on the left.</p>

	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
(3) Accounting standards for allowances/reserves	<p>(b) Intangible fixed assets:</p> <ul style="list-style-type: none"> - Software for in-house use is depreciated using the straight-line method over its useful life (5 years). - Software for sale is depreciated by the larger of either of the amount calculated based on projected sales volume or the amount from the straight-line method over the period for which they are expected to remain salable (3 years). - Other Straight-line method <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) Reserves for losses on restructuring To prepare for the losses incurred by the Company or its consolidated subsidiaries as a result of restructuring of affiliated companies, estimated amount of potential loss is stated in the reserve for losses on restructuring, considering the status quo of each performance by Group companies.</p> <hr style="width: 20%; margin-left: 0;"/>	<p>(b) Intangible fixed assets:</p> <ul style="list-style-type: none"> - Software for in-house use Same as on the left. - Software for sale Same as on the left. - Other Same as on the left. <p>(a) Allowance for doubtful accounts Same as on the left.</p> <p>(b) Reserve for quality assurance Same as on the left.</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>

	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
(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. 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.	Same as on the left.
6. 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.

Changes in Material Information for the Preparation of Consolidated Financial Statements

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
<p>(Depreciation of software for sale)</p> <p>Previously, software for sale was depreciated using straight-line method over the period for which they are expected to remain salable (3 years). However, because of the increased importance of such software, the Company in the fiscal year under review changed the method to the one in which software for sale is depreciated by the larger of either of the amount calculated based on sales volume or the amount from the straight-line method over the period for which they are expected to remain salable (3 years).</p> <p>This change had no impact on the Group's earnings for the term under review.</p>	<p>_____</p>

Change in classification

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
<p>(Consolidated balance sheets)</p> <p>“Software” had been included in “intangible fixed assets” until the previous period. As the subject value exceeded 5% of the total assets in the term under review, the subject item is separately reported since this period.</p> <p>The amount of “software” at the end of the previous fiscal year was ¥329,929,000 on a consolidated basis.</p> <hr/> <hr/>	<p>(Consolidated Statements of cash flows)</p> <p>“Income in short-term borrowings” and “Repayment of short-term borrowings” of Cash flows from financing activities had been reported in total amount until the previous fiscal year. However, such items have been represented in net amount since the beginning of the fiscal year under review.</p> <p>“Increase in short-term borrowings” would be ¥750 million and “Repayment of short-term borrowings” would be ¥1,400 million in the fiscal year under review, if they were shown in total amount.</p> <p>“Increase (decrease) in consumption tax payable” had been included in “Increase (decrease) in other liabilities” of Cash flows from operating activities until the previous fiscal year. However, the subject item has been separately reported since the beginning of the fiscal year under review.</p> <p>“Increase (decrease) in consumption tax payable” was ¥7,732,000 (income) in the previous fiscal year.</p>

Additional information

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
<hr/> <hr/>	<p>1. Allowance for bonuses to directors Bonuses to directors was previously treated as a decrease in earnings retained based on the appropriation program for retained earnings. However, beginning in the fiscal year under review, such bonuses have been booked as expenses when they accrue, pursuant to “Tentative handling of the accounting treatment for directors' bonuses” (Corporate Accounting Standards Committee, Practice Report No. 13). As a result, selling, general and administrative expenses increased ¥43,700,000 from the previous fiscal year, while the total of operating income, ordinary income and net income before taxes decreased by the same amount.</p> <p>2. With the promulgation of the Law for Partial Revision to the Local Tax Law (Law No. 9, 2003) on March 31, 2003, concerning the booking of the portion of size-based taxation of the enterprise tax, the size-based taxation system was introduced from the fiscal year starting on or after April 1, 2004. In response, since the beginning of the fiscal year under review, the value-added portion and the capital portion of the enterprise tax have been included in selling, general and administrative expenses, pursuant to “Practical Treatment of Indications on the Statements of Income of the Portion of the Pro Forma Standard Taxation of the Enterprise Tax” (Corporate Accounting Standards Committee, Practice Report No. 12, February 13, 2004).</p>

Notes

(Notes to balance sheet)

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
*1. Investment in affiliates Investment securities (stocks) ¥87,533,000	*1. Investment in affiliates Investment securities (stocks) ¥41,504,000
*2. Number of outstanding shares Common stock: 119,160 shares	*2. Number of outstanding shares Common stock: 119,160 shares
*3. Number of treasury shares Common stock: 3,432 shares	*3. Number of treasury shares Common stock: 3,827 shares

(Notes to consolidated statements of income)

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
*1. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses ¥330,262,000	*1. Total amount of research & development expenditures Research & development expenses included in selling, general and administrative expenses ¥676,260,000
*2. Depreciation of software Additional depreciation of software for sale as a result of more conservative evaluation of assets. _____	*2. Depreciation of software Same as on the left
_____	*3. Losses on disposal of fixed assets Buildings ¥264,000 Instrument and fixtures ¥1,320,000
	*4. Losses on restructuring Losses on sales of affiliated companies' shares ¥13,221,000

(Notes to consolidated statements of cash flows)

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
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> ¥3,822,079,000	<u>Cash and deposits:</u> ¥4,817,482,000
Cash and cash equivalents: ¥3,822,079,000	Cash and cash equivalents: ¥4,817,482,000

(Lease transactions)

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)																																																				
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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. 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(Securities)

1. Marketable securities

(Unit: thousand yen)

	Type	Fiscal 2004			Fiscal 2005		
		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	324,014	943,600	619,586	108,829	1,801,713	973,884
	(2) Bonds						
	1) Central/local government bonds	-	-	-	-	-	-
	2) Corporate bonds	-	-	-	-	-	-
	3) Other	-	-	-	-	-	-
	Sub total	324,014	943,600	619,586	108,829	1,801,713	973,884
Securities stated in B/S whose amount does not exceed acquisition cost	(1) Stocks	7,442	6,228	(1,214)	-	-	-
	(2) Bonds						
	1) Central/local government bonds	-	-	-	-	-	-
	2) Corporate bonds	-	-	-	-	-	-
	3) Other	-	-	-	-	-	-
	Sub total	7,442	6,228	(1,214)	-	-	-
Total		405,358	331,457	949,829	108,829	1,801,713	973,884

2. "Other securities" sold in fiscal 2004 and 2005

(Unit: thousand of yen)

Fiscal 2004			Fiscal 2005		
Sale value	Total profits on sale	Total losses on sale	Sale value	Total profits on sale	Total losses on sale
2,443,848	399,176	-	975,885	666,492	-

3. Non-marketable securities

(Unit: thousand yen)

Type	Fiscal 2004	Fiscal 2005
	Amount stated in B/S	Amount stated in B/S
(1) Affiliated company stocks	87,533	41,504
(2) Other securities		
Non-listed stocks (excluding OTC stocks)	867,520	864,053

Note: Recognition of impairment losses of ¥3,127,000 during fiscal 2004.

(Derivative transactions)

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

(Liabilities for employees' retirement benefits)

N/A

(Tax effect accounting)

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)																																																																		
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(Segment information)

(a) Business segment information

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

(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)

N/A

(Per share data)

	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
Net asset value per share	¥57,138.06	¥65,820.54
Net income per share	¥3,926.00	¥10,131.31
Net income per share (fully diluted)	-	¥10,126.32
	Net income per share (fully dilute) is not reported in the fiscal period as there are no latent shares that have dilution effect.	

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

	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
Net income per share		
Net income (thousand yen)	458,423	1,171,239
Amount not available for common shareholders to common shares (thousand yen)	-	-
Net income attributable to common shares (thousand yen)	458,423	1,171,239
Average outstanding shares of common stock during the period (shares)	116,766	115,606
Net income per share (fully diluted)		
Adjustments in net income (¥1,000)	-	-
Increase in the number of common shares (shares)	-	57
(Subscription rights)	-	(57)
Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share	Stock acquisition rights: 200 (type and number of shares for the right: 200 common shares)	

(Significant subsequent events)

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)								
_____	<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> <ol style="list-style-type: none"> 1. The Company split one common stock into four on February 1, 2006. <ol style="list-style-type: none"> (1) Increase in the number of shares following the stock split Common stock: 357,480 shares (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. (3) Commencement date for the calculation of dividends January 1, 2006 <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> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; text-align: center;">Fiscal 2004</th> <th style="width: 50%; text-align: center;">Fiscal 2005</th> </tr> </thead> <tbody> <tr> <td>Net assets per share 14,284.52</td> <td>Net assets per share 16,455.14</td> </tr> <tr> <td>Net income per share 981.50</td> <td>Net income per share 2,532.83</td> </tr> <tr> <td>Net income per share (fully diluted) -</td> <td>Net income per share (fully diluted) 2,531.58</td> </tr> </tbody> </table>	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
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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

(Unit: thousand yen)

	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
IT consulting services	4,308,155	4,984,859
Hardware and other procurement services	771,634	585,084

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)

(Unit: thousand yen)

	Fiscal 2004 (January 1, 2004 to December 31, 2004)		Fiscal 2005 (January 1, 2005 to December 31, 2005)	
	Orders received	Order backlog	Orders received	Order backlog
IT consulting services	8,491,860	1,575,875	10,748,098	2,044,109
Hardware and other procurement services	893,327	5,619	1,030,883	358,985
Total	9,385,187	1,581,494	11,778,982	2,403,095

(3) Sales according to the Group's service

(Unit: thousand yen)

	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
IT consulting services	8,473,582	10,279,863
Hardware and other procurement services	890,649	677,517
Total	9,364,232	10,957,381

Summary Report of Non-Consolidated Operating Results for Fiscal 2005 (Year ended December 31, 2005)

Company name: Future System Consulting Corp.
 Shares listed on: First Section of Tokyo Stock Exchange
 Security code number: 4722
 Head office: Tokyo, Japan
 URL: <http://www.future.co.jp/>
 Representative: Yasufumi Kanemaru, President & CEO
 Contact: Naoto Konishi, Managing Director
 Tel: +81-3-5469-6021

Date of approval of the non-consolidated statements by the board of directors: February 8, 2006

Interim dividend disbursement: Exists

Scheduled date of starting payment of dividends: March 24, 2006

Ordinary general meeting of shareholders on: March 23, 2006

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

(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 2005	10,846	17.0	1,808	103.2	1,813	102.9
Fiscal 2004	9,267	-13.1	889	-41.5	893	-41.4

	Net income		Net income per share	Net income per share (fully diluted)	Return on equity	Ordinary income as percentage of total assets	Ordinary income as percentage of net sales
	Million yen	% change	Yen	Yen	Percent (%)	Percent (%)	Percent (%)
Fiscal 2005	1,019	76.2	8,816.68	8,812.33	14.5	18.7	16.7
Fiscal 2004	578	-36.2	4,954.75	-	8.7	9.0	9.6

Notes:

- Average number of shares outstanding during the period:
Fiscal 2005: 115,606 shares Fiscal 2004: 116,766 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.

(2) Dividends

(Amounts rounded off to million yen)

	Annual dividend per share			Total dividend	Dividend payout ratio	Dividend rate
	Yen	Interim	Year-end			
		Yen	Yen	Yen	Million yen	Percent (%)
Fiscal 2005	2,700.00	0	2,700.00	311	30.6	4.2
Fiscal 2004	2,700.00	0	2,700.00	312	54.0	4.7

(3) Non-consolidated financial position

(Amounts rounded off to million yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Equity per share
	Million yen	Million yen	Percent (%)	Yen
Fiscal 2005	10,159	7,444	73.3	64,549.23
Fiscal 2004	9,192	6,620	72.0	57,204.20

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

Fiscal 2005: 115,333 shares Fiscal 2004: 115,728 shares

Treasury stocks

Fiscal 2005: 3,827 shares Fiscal 2004: 3,432 shares

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

	Net sales	Ordinary income	Net income	Annual dividend per share		
	Million yen	Million yen	Million yen	Interim term Yen	Full year Yen	Yen
Interim term	6,020	1,168	634	0	-	-
Full year	12,500	2,420	1,276	-	850.00	850.00

Note: Projected net income per share for fiscal 2006: ¥2,765.90

- *1. The above projection, representing our best estimate based on information currently available to us, incorporates uncertain factors. Please refer to page 11 of the appendix for assumptions (and other matters related to the projection).
- *2. One common share was split into four on February 1, 2006. Hence, annual dividend per share and projected net income per share for fiscal 2006, both mentioned above, are calculated based on the outstanding shares of 461,332 shares posted after the stock split.

1. Non-consolidated Financial Statements, etc.

(1) Non-consolidated financial statements

a. Non-consolidated balance sheets

(Unit: thousand yen)

Item	Fiscal 2004		Fiscal 2005	
	Amount	Percentage (%)	Amount	Percentage (%)
(Assets)				
I. Current assets				
1. Cash and cash equivalents	3,721,560		4,561,153	
2. Accounts receivable	1,093,638		1,955,959	
3. Commodities	1,993		9,122	
4. Products	3,468		3,468	
5. Prepaid expenses	135,099		155,600	
6. Deferred tax assets	106,912		151,606	
7. Short-term loans	300,000		-	
8. Others	74,888		83,431	
9. Allowance for doubtful accounts	(700)		(30,000)	
Total current assets	5,436,861	59.1	6,890,343	67.8
II. Fixed assets				
1. Tangible fixed assets				
(1) Buildings	216,817		216,516	
Accumulated depreciation	107,448	109,369	123,666	92,850
(2) Furniture and fixtures	505,181		650,524	
Accumulated depreciation	300,072	205,108	380,470	240,053
(3) Land		484		484
Total current assets		314,962		333,387
		3.4		3.3
2. Intangible fixed assets				
(1) Patent right		-		1,427
(2) Trademark right		6,381		5,484
(3) Software		969,279		408,329
(4) Telephone subscription right		5,578		5,578
Total intangible fixed assets		981,238		420,819
		10.7		4.1
3. Investments and other assets				
(1) Investment securities		1,817,349		1,602,713
(2) Affiliated company stocks		199,558		470,712
(3) Deferred tax assets		114,669		101,477
(4) Deposit guarantees		322,582		321,692
(5) Others		5,710		15,710
Total investments and other assets		2,459,870		2,512,306
		26.8		24.8
Total fixed assets		3,756,071		3,266,513
		40.9		32.2
Total assets		9,192,932		10,156,856
		100.0		100.0

(Unit: thousand yen)

Item	Fiscal 2004		Fiscal 2005	
	Amount	Percentage (%)	Amount	Percentage (%)
(Liability)				
I. Current liabilities				
1. Accounts payable	183,270		466,275	
2. Short-term borrowings	650,000		-	
3. Long-term borrowings due within one year	566,000		468,000	
4. Accrued liabilities	362,477		366,781	
5. Accrued expenses	1,996		5,595	
6. Income tax payable, etc.	49,820		834,554	
7. Consumption tax payable, etc.	72,542		128,406	
8. Deposits received	125,874		207,840	
9. Deferred revenues	46,249		69,247	
10. Reserves for quality assurance	45,000		125,000	
11. Allowance for bonuses to directors	-		40,500	
12. Others	1,575		-	
Total current liabilities	2,104,805	22.9	2,712,200	26.7
II. Non-current liabilities				
1. Long-term borrowings	468,000		-	
Total non-current liabilities	468,000	5.1	-	0.0
Total liabilities	2,572,805	28.0	2,712,200	26.7
(Shareholders' equity)				
I. Common stock (*1)	1,421,815	15.5	1,421,815	14.0
II. Additional paid-in capital				
1. Capital reserves	2,495,772		2,495,772	
Total additional paid-in capital	2,495,772	27.1	2,495,772	24.6
III. Retained earnings				
1. Legal reserves	27,748		27,748	
2. Voluntary reserves				
(1) Reserves for extraordinary depreciation	5,194		3,716	
3. Unappropriated retained earnings	3,265,697		3,973,969	
Total retained earnings	3,298,640	35.9	4,005,435	39.4
IV. Net unrealized gain on available-for-sale securities (*2)	366,756	4.0	577,610	5.7
V. Treasury stock (*3)	(962,857)	-10.5	(1,055,978)	-10.4
Total shareholders' equity	6,620,127	72.0	7,444,656	73.3
Total liabilities and shareholders' equity	9,192,932	100.0	10,156,856	100.0

b. Non-consolidated statements of income (for the years ended December 31, 2004 and 2005)

(Unit: thousand yen)

Item	Fiscal 2004			Fiscal 2005		
	Amount		Percentage (%)	Amount		Percentage (%)
I. Net sales						
1. IT consulting service	8,377,932			10,168,735		
2. Procurement services related to hardware, etc.	889,591	9,267,524	100.0	677,517	10,846,252	100.0
II. Cost of sales						
1. IT consulting service	4,234,168			4,931,831		
2. Procurement services related to hardware, etc.	768,628	5,002,796	54.0	577,955	5,509,786	50.8
Gross profit		4,264,727	46.0		5,336,465	49.2
III. Selling, general and administrative expenses						
1. Advertising costs	108,559			111,250		
2. Officers' remuneration	113,680			165,464		
3. Salaries and bonuses	1,686,323			1,451,172		
4. Welfare expenses	214,001			238,918		
5. Employee training expenses	106,839			103,017		
6. Research & development expenditures (*1)	330,262			676,260		
7. Traveling expenses	141,393			122,631		
8. Entertainment expenses	18,765			25,743		
9. Depreciation	145,668			135,747		
10. Rents	130,110			130,059		
11. Recruitment expenses	152,657			94,944		
12. Supplies expenses	20,846			26,199		
13. Del credere commissions	28,489			24,154		
14. Others	177,181	3,374,779	36.4	222,095	3,527,660	32.5
Operating income		889,947	9.6		1,808,805	16.7

(Unit: thousand yen)

Item	Fiscal 2004			Fiscal 2005		
	Amount		Percentage (%)	Amount		Percentage (%)
IV. Non-operating income						
1. Interest income	4,490			6,415		
2. Dividend income	6,129			2,268		
3. Exchange gain	5,108			3,176		
4. Others	5,764	21,493	0.2	4,737	16,597	0.1
V. Non-operating expenses						
1. Interest expenses	16,118			10,121		
2. Others	1,522	17,640	0.2	1,526	11,647	0.1
Ordinary income		893,800	9.6		1,813,755	16.7
VI. Extraordinary income						
1. Reversal of allowance for doubtful accounts	13,273			-		
2. Reversal of allowance for losses on restructuring	11,769			-		
3. Gains on sale of investment securities	567,764	592,807	6.4	569,114	569,114	5.2
VII. Extraordinary losses						
1. Losses on disposal of fixed assets (*2)	-			1,584		
2. Losses on devaluation of investment securities	3,127			122,947		
3. Office relocation expenses	27,864			-		
4. Provision of allowance for doubtful accounts	-			30,000		
5. Losses on restructuring (*3)	-			13,050		
6. Losses on contract cancellation	198,000			12,249		
7. Depreciation costs for software	279,554			357,769		
8. Losses on disposal of software	9,360	517,906	5.6	62,564	600,167	5.5
Net income before taxes		968,701	10.4		1,782,702	16.4
Corporate, residential and enterprise taxes	287,531			939,602		
Corporate tax adjustments	102,622	390,154	4.2	(176,160)	763,441	7.0
Net income		578,546	6.2		1,019,260	9.4
Profit carried over		2,687,150			2,954,709	
Retained earnings for the period		3,265,697			3,973,969	

Statement of cost of sales

1. IT consulting service

(Unit: thousand yen)

Item	Fiscal 2004			Fiscal 2005		
	Amount		Percentage (%)	Amount		Percentage (%)
I. Labor expenses						
1. Salaries and bonuses	1,820,348			2,386,989		
2. Welfare expenses	201,513	2,021,861	46.9	276,017	2,663,006	52.9
II. Subcontract expenses						
1. Subcontract expenses	1,202,493	1,202,493	27.9	1,348,113	1,348,113	26.8
III. Overheads						
1. Traveling expenses	364,914			341,127		
2. Depreciation	373,017			193,029		
3. Rents	210,858			217,750		
4. Supplies expenses	45,610			32,277		
5. Provision of reserves for quality assurance	(69,000)			80,000		
6. Others	165,181	1,090,582	25.2	160,506	1,024,690	20.3
Total manufacturing expenses in the period		4,314,938	100.0		5,035,811	100.0
Work in process at the beginning of the period		-			-	
Total		4,314,938			5,035,811	
Work in process at the end of the period		-			-	
Transfer to other accounts (*1)		80,770			103,979	
Cost of sales		4,234,168			4,931,831	

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

(Unit: thousand yen)

Item	Fiscal 2004	Fiscal 2005
Transfer to selling, general and administrative expenses	80,770	103,979
Total	80,770	103,979

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

2. Procurement services related to hardware, etc.

(Unit: thousand yen)

Item	Fiscal 2004		Fiscal 2005	
	Amount	Percentage (%)	Amount	Percentage (%)
Merchandise inventories at the beginning of the period	-		1,993	
Product inventories at the beginning of the period	3,469		3,468	
Purchases of goods during the period	769,650		584,315	
Purchases of products during the period	970		769	
Total	774,090		590,546	
Merchandise inventories at the end of the period	1,993		9,122	
Product inventories at the end of the period	3,468		3,468	
Cost of sales	768,628		577,955	

(3) Appropriation of profits

(Unit: thousand yen)

Item	Fiscal 2004		Fiscal 2005	
	Amount	Percentage (%)	Amount	Percentage (%)
I. Unappropriated profits for the period		3,265,697		3,973,969
II. Disposition of voluntary reserves				
1. Disposition of special depreciation reserves	1,477	1,477	1,477	1,595
Total		3,267,174		3,975,564
III. Amount of appropriation of profits				
1. Dividends	312,465	312,465	312,465	311,399
IV. Profits carried forward to the following period		2,954,709		3,664,165

(Note) The date represents the day for the general meeting of shareholders for the previous period, and the planned day for a general meeting of shareholders for the period under review.

Significant Accounting Policies

Item	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
1. Valuation standards and methods for securities	<p>(1) Stocks issued by subsidiaries/affiliates Stated at cost based on moving average method.</p> <p>(2) Other securities:</p> <ul style="list-style-type: none"> - Marketable securities: Stated at fair value based on the market price as of the end of the financial period (Unrealized holding gains/losses are reported as a net amount in a separate component of shareholders' equity. Cost of sale is calculated based on moving average method). - Non-marketable securities: Stated at cost based on moving average method. 	<p>(1) Stocks issued by subsidiaries/affiliates Same as on the left.</p> <p>(2) Other securities:</p> <ul style="list-style-type: none"> - Marketable securities: Same as on the left. - Non-marketable securities: Same as on the left.
2. Valuation standards and method for inventories	<p>(1) Merchandise/products Stated at lower of cost using the gross average method.</p>	<p>(1) Merchandise/products Same as on the left.</p>
3. Depreciation method of fixed assets	<p>(1) Tangible fixed assets</p> <ul style="list-style-type: none"> - Declining balance method: If the acquisition cost of the asset to be depreciated is between ¥100,000 and ¥200,000, it is depreciated evenly using straight-line method over three years. Useful life are as follows: Buildings 3 - 31 years Furniture & fixtures 3 - 10 years <p>(2) Intangible fixed assets</p> <ul style="list-style-type: none"> - Software for in-house use is depreciated using the straight-line method over it's useful life (5 years). - Software for sale is depreciated by the larger of either of the amount calculated based on projected sales volume or the amount from the straight-line method over the period for which they are expected to remain salable (3 years). - Other Straight-line method 	<p>(1) Tangible fixed assets Same as on the left.</p> <p>(2) Intangible fixed assets</p> <ul style="list-style-type: none"> - Software for in-house use Same as on the left. - Software for sale Same as on the left. - Other Same as on the left.

	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
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> <hr/>	<p>(1) Allowance for doubtful accounts Same as on the left.</p> <p>(2) Reserves for quality assurance Same as on the left.</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>
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>

Notes

(Notes to balance sheets)

Fiscal 2004	Fiscal 2005
<p>*1 Number of authorized shares</p> <p style="padding-left: 40px;">Common stock: 473,440 shares</p> <p>Number of outstanding shares</p> <p style="padding-left: 40px;">Common stock: 119,160 shares</p>	<p>*1 Number of authorized shares</p> <p style="padding-left: 40px;">Common stock: 473,440 shares</p> <p>Number of outstanding shares</p> <p style="padding-left: 40px;">Common stock: 119,160 shares</p>
<p>*2 Limitation on dividends</p> <p>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 ¥366,756,000.</p>	<p>*2 Limitation on dividends</p> <p>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.</p>
<p>*3 Number of treasury shares</p> <p style="padding-left: 40px;">Common stock: 3,432 shares</p>	<p>*3 Number of treasury shares</p> <p style="padding-left: 40px;">Common stock: 3,827 shares</p>

(Notes to consolidated statements of income)

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
<p>*1. Total amount of research & development expenditures</p> <p style="padding-left: 20px;">Research & development expenses included in selling, general and administrative expenses</p> <p style="text-align: right;">¥330,262,000</p>	<p>*1. Total amount of research & development expenditures</p> <p style="padding-left: 20px;">Research & development expenses included in selling, general and administrative expenses</p> <p style="text-align: right;">¥676,260,000</p>
<p>*2 Depreciation of software</p> <p style="padding-left: 20px;">Additional depreciation of software for sale as a result of more conservative evaluation of assets.</p> <p style="text-align: right;">_____</p> <p style="text-align: right;">_____</p>	<p>*2. Depreciation of software</p> <p style="padding-left: 40px;">Same as on the left</p>
	<p>*3. Losses on disposal of fixed assets</p> <p style="padding-left: 40px;">Buildings ¥264,000</p> <p style="padding-left: 40px;">Instrument and fixtures ¥1 320,000</p>
	<p>*4. Losses on restructuring</p> <p style="padding-left: 40px;">Losses on sales of affiliated companies' shares ¥13,050,000</p>

(Lease Transactions)

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
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. ¥78,598,000	Acquisition cost equiv. ¥30,595,000
Accumulated depreciation equiv. ¥48,664,000	Accumulated depreciation equiv. ¥23,870,000
Book value equiv. at the end of period ¥29,933,000	Book value equiv. at the end of period ¥6,725,000
(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 ¥26,697,000	Due in one year ¥4,108,000
<u>Due after one year ¥2,238,000</u>	<u>Due after one year ¥2,660,000</u>
Total ¥28,936,000	Total ¥6,768,000
(3) Lease payments, depreciation equivalents, and interest expenses equivalents:	(3) Lease payments, depreciation equivalents, and interest expenses equivalents:
Lease payments ¥38,666,000	Lease payments ¥20,956,000
Depreciation equiv. ¥39,781,000	Depreciation equiv. ¥20,296,000
Interest expenses equiv. ¥964,000	Interest expenses equiv. ¥376,000
(4) Computation of depreciation equivalents Same as on the left.	(4) Computation of depreciation equivalents Same as on the left.
(5) Computation of interest expenses equivalents Same as on the left.	(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 ¥5,592,000	Due in one year ¥785,000
<u>Due after one year ¥774,000</u>	<u>Due after one year -</u>
Total ¥6,366,000	Total ¥785,000

(Securities)

There is no stocks issued by subsidiaries or affiliates for which market price is available for the fiscal years ended December 31, 2004 and 2005.

(Tax effect accounting)

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)																																																																
<p>1. 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(Per share data)

	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
Net asset value per share	57,204.20	64,549.23
Net income per share	4,954.75	8,816.68
Net income per share (fully diluted)	-	8,812.33
	Net income per share (fully dilute) is not reported in the fiscal period as there are no latent shares that have dilution effect.	

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

	Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)
Net income per share		
Net income for the period (in thousand yen)	578,546	1,019,260
Amount not available for common shareholders (in thousand yen)	-	-
Net income for the period attributable to common shares (in thousand yen)	578,546	1,019,260
Average outstanding shares of common stock during the period (shares)	116,766	115,606
Net income per share (fully diluted)		
Adjustments in net income (¥1,000)	-	-
Increase in the number of common shares (shares)	-	57
(Subscription rights)	-	(57)
Latent shares that have no dilution effect and thus are not included in the calculation of diluted net income per share	Stock acquisition rights: 200 (type and number of shares for the right: common stock; 200 shares)	_____

(Significant subsequent events)

Fiscal 2004 (January 1, 2004 to December 31, 2004)	Fiscal 2005 (January 1, 2005 to December 31, 2005)	
<p>_____</p>	<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> <ol style="list-style-type: none"> 1. The Company split one common stock into four on February 1, 2006. <ol style="list-style-type: none"> (1) Increase in the number of shares following the stock split Common stock: 357,480 shares (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. (3) Commencement date for the calculation of dividends January 1, 2006 <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>	
	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 (CEO)

N/A

(2) Change in other directors

N/A