

Brief Report on Statement of Accounts (Consolidated) for the Third Quarter of FY 2006

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Listed Exchange: Tokyo
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1. Consolidated Business Results for the Third Quarter of FY 2006 (April 1, 2006 to December 31, 2006)

(1) Consolidated Operating Results

(Figures have been rounded down to the nearest million yen)

	Sales		Operating income		Ordinary income	
	(million yen)	%	(million yen)	%	(million yen)	%
Third Quarter of FY2006	49,498	11.1	△ 622	-	△ 411	-
Third Quarter of FY2005	44,538	△ 8.5	△ 725	-	△ 502	-
FY2005	68,693		2,464		2,790	

	Net income		E. P. S.	Diluted E. P. S.
	(million yen)	%	(yen)	(yen)
Third Quarter of FY2006	△ 600	-	△ 18.43	-
Third Quarter of FY2005	△ 634	-	△ 19.47	-
FY2005	1,274		39.11	-

(Notes) Percentages for sales, operating income, ordinary income and net income indicate percentage change from the previous Third Quarter of fiscal year.

[Qualitative Information on Progress of Consolidated Business Performance]

Total sales for the first three quarters of FY 2006 (April 1 to December 31, 2006) were 49,498 million yen (an increase of 11.1% from the first three quarters of FY 2005).

On a non-consolidated basis, the Company's sales of Third-Party Software Products were approximately the same as in the first three quarters of FY 2005, but sales of System Development for the financial and service industries were solid, and sales of In-House Software Products, Information Processing and Telecommunication Services and Hardware and Other Products all surpassed the first three quarters of FY 2005.

Aided by the consolidation of ESTEC Corporation during the period under review, the revenues of the subsidiaries from all service products were higher than in the first three quarters of FY 2005 on a consolidated basis—including Third-Party Software Products, but excluding Seminars and Other Sales.

Gross profit from sales was higher than in the first three quarters of FY 2005 due to increased revenue. The ratio of gross profit to sales was approximately the same as the first three quarters of FY 2005. On a non-consolidated basis, the ratio was chiefly affected by the smaller share of total sales that the highly profitable Third-Party Software Products segment accounted for relative to the first three quarters of FY 2005. However, this drop was balanced by higher profits from subsidiaries on a consolidated basis.

As a result, selling and general administrative expenses increased, mainly due to an increase in non-consolidated business expenses. The non-consolidated operating loss and ordinary loss were higher than in the first three quarters of FY 2005, but on a consolidated basis, the 622 million yen operating loss (down from 725 million yen operating loss in the first three quarters of FY 2005) and 411 million yen ordinary loss (down from 502 million yen ordinary loss in the first three quarters of FY 2005) were each better than in the first three quarters of FY 2005.

On a non-consolidated basis, net profit for the first three quarters of FY 2006 was lower than in the first three quarters of FY 2005 due to a one-time profit from the sale of affiliate stock during that term. On a consolidated basis however, the 600 million yen net loss for the first three quarters of FY 2006 was approximately the same as in the first three quarters of FY 2005 (which posted a 634 million yen net loss for the quarter) due to a

decrease in tax expenses.

Note that the ISID Group uses the completed-contract method as its accounting method for posting sales from development work contracted from our clients. Since many of the Group's clients start operating new computer systems at the beginning or middle of the fiscal year, the sales posted by the Group tend to be concentrated in the second and fourth quarters, and sales in the first and third quarters tend to be relatively low.

(2) Consolidated Financial Position

(Figures have been rounded down to the nearest million yen)

	Total assets	Net assets	Equity ratio	Net assets per share
	(million yen)	(million yen)	%	(yen)
Third Quarter of FY2006	46,145	30,008	64.6	915.33
Third Quarter of FY2005	46,047	29,428	63.9	903.15
FY2005	49,955	31,338	62.7	961.79

Consolidated Cash Flow

(Figures have been rounded down to the nearest million yen)

	Cash flow from operating activities	Cash flow from investment activities	Cash flow from financial activities	End-of-year balance of cash and cash equivalents
	(million yen)	(million yen)	(million yen)	(million yen)
Third Quarter of FY2006	1,628	△ 939	△ 687	11,467
Third Quarter of FY2005	848	3,440	△ 672	11,316
FY2005	2,614	1,787	△ 698	11,420

[Qualitative Information on Changes in Consolidated Financial Conditions]

On a consolidated basis, cash and cash equivalents ('funds') for the first three quarters of FY 2006 were 11,467 million yen, up 47 million yen from the end of the previous consolidated accounting year.

(Operating cash flow)

Funds from operating activities for the first three quarters increased by 1,628 million yen. This increase was the result of a 4,863 million yen decrease in sales credits and a 1,559 million yen increase in prepaid funds. It was offset by a 538 million yen quarterly pretax loss, a 1,670 million yen increase in inventories, a 2,367 million yen decrease in purchase debts, and a 658 million yen corporate tax payment.

Funds from operating activities were 780 million yen higher than for the first three quarters of FY 2005. This increase was due to higher inventories and lower purchase debts that decreased the amount of funds by a smaller amount than they had in the first three quarters of FY 2005, and to the lack of profits from the sale of investment securities. It was offset by a pretax quarterly net loss, and a greater decrease in funds due to a decrease in sales credits and corporate tax payment than in the first three quarters of FY 2005.

(Investment cash flow)

Funds from investment activities for the first three quarters of FY 2006 decreased by 939 million yen, mainly due to a 677 million yen expenditure to acquire intangible fixed assets such as software.

Funds from investment activities were 4,379 million yen lower than for the first three quarters of FY 2005, mainly because income from the sale of investment securities was less than in the first three quarters of FY 2005.

(Financial cash flow)

Funds from financial activities for the first three quarters of FY 2006 decreased by 687 million yen, mainly the result of a 651 million yen dividend payment. This figure is approximately the same as the figure for the first three quarters of FY 2005.

(c.f.) Non-consolidated Business Results for the Third Quarter of FY 2006 (April 1, 2006 to December 31, 2006)

(Figures have been rounded down to the nearest million yen)

	Sales		Operating income		Ordinary income	
	(million yen)	%	(million yen)	%	(million yen)	%
Third Quarter of FY2006	38,801	13.6	△ 812	-	△ 500	-
Third Quarter of FY2005	34,151	△11.4	△ 526	-	△ 206	-
FY2005	53,218		1,863		2,335	

	Net income		Total assets	Shareholders' equity
	(million yen)	%	(million yen)	(million yen)
Third Quarter of FY2006	△ 340	-	43,087	30,025
Third Quarter of FY2005	981	-	42,765	29,824
FY2005	2,481		47,013	31,329

2. Forecast of Consolidated Results for FY2006 (April 1, 2006 to March 31, 2007)

	Sales	Operating income	Ordinary income	Net income
	(million yen)	(million yen)	(million yen)	(million yen)
FY2006	77,154	3,932	4,154	1,975

(Reference) Estimated E. P. S. 60.61 yen

(c.f.) Forecast of Non-Consolidated Results for FY2006 (April 1, 2006 to March 31, 2007)

	Sales	Operating income	Ordinary income	Net income
	(million yen)	(million yen)	(million yen)	(million yen)
FY2006	59,273	2,318	2,725	1,544

(Reference) Estimated E. P. S. 47.39 yen

(Outlook for the business performance)

The performance figures for the term as a whole do thus not vary from the performance forecast figures announced on November 14, 2006.

* The above-stated view is based on information available as of the day of the release of this paper. Going forward, the actual results may differ from the projected figures due to various factors.