

Balance Sheet

(As of December 31, 2005)

(¥thousands)

Item	Sum	Item	Sum
<u>Assets</u>		<u>Liabilities</u>	
Current assets	3,706,772	Current liabilities	1,563,714
Cash and deposits	1,697,715	Accounts payable	1,137,005
Accounts receivable	1,517,293	Accrued liability	192,517
Products	231,335	Accrued amount payable	43,339
Advance payment expenses	40,786	Accrued corporate income taxes	17,000
Option assets	159,824	Deposits payable	4,641
Other	60,047	Accrued bonuses	4,515
Allowance for doubtful accounts	231	Deferred Hedging income	149,955
Fixed assets	1,896,482	Exchange contract	7,141
Tangible fixed assets	130,709	Other	7,537
Buildings	16,535	Fixed liabilities	298,232
Vessels	226	Deferred tax liabilities	130,375
Vehicles	14,836	Retirement allowances for directors	165,856
Machine tools and equipment	35,696	Other	2,000
Allowance for funds used during construction	63,415	Total liabilities	1,861,946
Intangible fixed assets	95,203	<u>Shareholder's Equity</u>	
Software	86,581	Capital	2,067,229
Software suspense account	6,980	Capital surplus	2,161,553
Other	1,641	Capital reserve	2,161,553
Investments and other assets	1,670,568	Earned surplus	-453,996

Investments in securities	1,162,733	Earned surplus reserve	5,047
Shares of affiliated companies	342,982	Unappropriated deficit for the current year	-459,044
Bankruptcy bonds, reorganization bonds and other similar bonds	450	Other profit and loss from securities revaluation and	35,396
Guarantee deposit	121,250	Treasury stock	-68,875
Insurance reserve	43,602		
Allowance for doubtful account	-450	Total shareholders' equity	3,741,307
Total assets	5,603,254	Total liabilities and shareholders' equity	5,603,254

(Figures rounded down to the nearest thousand yen)

Income Statements

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

(¥thousands)

		Item	Sum	
Ordinary income section	Operating income section	Operating revenue		
		Sales		2,971,861
		Operating expenses		
		Cost of sales	2,268,345	
		Selling, general and administrative expenses	1,274,105	3,542,450
		Operating loss		570,589
	Non-operating section	Non-operating income		
		Interest and dividends received	34,332	
		Gains on sales of marketable securities	120,353	
		Exchange gains	17,281	
Option appraisal income		938,310		
Miscellaneous		2,770	1,113,048	
Non-operating expenses				
Interest cost discount charge		3,409		
	Deferred stock issue cost	21,921		
	Casualty loss	361	25,692	
	Ordinary income		516,766	
Extraordinary income section	Extraordinary gains			
	Reversal of allowance for reserve for directors' retirement benefits	2,566	2,566	
	Extraordinary losses			
	Loss on retirement of fixed assets	43,740		

	Extraordinary loss from valuation of investment securities	201,991	245,731
Current net income before tax			273,601
	Corporate income tax, local tax and enterprise tax		19,661
	Adjustment of corporate tax, etc.		5,582
Net income			248,357
	Loss brought forward from the previous term		707,401
Unappropriated deficit for the current year			459,044

(Figures rounded down to the nearest thousand yen)

Explanatory Notes

Important accounting policy

1. Valuation standard and valuation method of assets

1) Inventory assets: Cost method using the moving average method

2) Negotiable securities

Stock of subsidiaries and affiliated companies: Cost method using the moving average method

Securities held to maturity: Amortized cost method (straight line basis) is adopted.

Other negotiable securities

Securities with fair values: Market method based on the market prices, etc. at the end of the current fiscal year. (Valuation profit (loss) is processed based on the full equity direct method, and the cost of securities sold is based on the moving average method.)

Negotiable securities without fair values: Cost method using the moving average method. The investment for Investment operation association with limited liability and for other associations of the same kind (which is regarded as negotiable securities by Securities Exchange Law 2-2) should be recorded as investment account security.

2. Depreciation method for depreciable assets

1) Tangible fixed assets: Presenting company adopts straight line depreciation method for buildings (excluding annexed structure) and diminishing balance method for others.

2) Intangible fixed assets: For software used within the Company, fixed-amount method

based on expected useful life of important reserves within the Company is adopted.

3. Accounting Procedure of Deferred Assets

Cost of issuance of new shares: Entire amount is processed at the time of payment.

4. Accounting Standards for Reserves

1) Reserve for bad debts: As for general loans, the figure is based on a loan loss ratio, and in the case of such legally defined loans as loans feared to be irrecoverable, the figure is based on an estimation of the likelihood of recovery of individual loans.

2) Allowance for accrued bonuses: To provide bonuses of employees, an amount is determined based on the amount that is regarded as likely to be incurred.

3) Allowance for severance benefits...To provide for the retirement allowances of directors, an amount is stated based on the payment requirements at the end of the period under review according to company rules concerning retirement allowances for directors.

This reserve is stipulated in Commercial law 43.

5. Method of Important Hedge Accounting

1) Method of hedge accounting

Deferred hedge accounting is used. As for liabilities in foreign currencies to which exchange contracts are attached, those that fulfill conditions for appropriation are appropriated.

2) Hedge means and hedge targets

Hedge means: Derivative transaction (Forward Exchange Contracts)

Hedge targets: Stock liabilities in foreign currency and others

3) Hedge policy

It has been performed to countervail the possibility of losses including stock liabilities incurred by fluctuations in exchange.

4) Method of evaluating the effectiveness of hedge

The effectiveness of hedge has been evaluated by assessing whether or not exchange risks of hedge targets including stock liabilities in foreign currency are diminishing.

6. Other Accounting Policies Adapted for Preparing the Financial Statements

Account processing of consumption tax and others: Before-tax method is adopted for accounting of consumption tax and local consumption tax.

Change of indication method

“Revision of securities exchange law” (Law No.97, 2004) was delivered on June 9, 2004 and its application started on December 1, 2004. “Practical guidelines regarding accounting of financial commodity” (Accounting institution report No. 14) was revised as of February 15, 2005. Along with these revisions, investment for Investment operation association with limited liability and for other associations of the same kind (which are regarded as negotiable securities by Securities Exchange Law 2-2) should be recorded as investment account security from this consolidated accounting term. The amount which is included as investment account for this consolidated accounting period is 168,070 thousand yen.

Additional information

1. “Revision of local consumption tax law” (Law No. 9, 2003) was delivered on March 31, 2003 and dual corporate tax system was introduced in the accounting year that started from April 1, 2004. Along with these revisions, allocation of added value and of capital of corporate tax have been stated as Sales, general and administrative expenses following “Practical handling on indication on balance sheet for the part of size-based corporate taxes” (Corporate Accounting Standard Committee February 13, 2004 Accounting Standard Application Guidance No.12)

As the result, Sales, general and administrative expenses increased by 14,300 thousand yen and Ordinary income and Current net income before tax adjustment decreased by 14,300 thousand yen.

2. For network building services, the entire amount of credit and liabilities is stated, whereas for sales, the figure stated is after having balanced sales with 885,133 thousand yen, the amount of external purchases. This is based on the idea of accounting over gross amount indication in “Regarding audit problems for information service industry” (Project team to consider special dealings in IT industry, Japanese Institute of Certified Public Accountants, March 2005) and “Practical handling regarding account processing of earnings from dealing software (proposal)” (Business accounting standards committee Practical handling report publication draft No.20 2006)

Explanatory Notes to the Balance Sheet

1) Cash receivable and payable from and to the affiliated companies are as follows.

Short-term receivable	23,906 thousand yen
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Short-term payable 202,624 thousand yen

2) Cumulative depreciation of tangible fixed assets

71,201 thousand yen

3) Guarantee liabilities

The Company guarantees liabilities of the following affiliated companies from financial institutions.

American Megatrends Inc.	209,500 thousand
Japan	yen
Total	<u>209,500 thousand</u> <u>yen</u>

4) Increase in net asset stipulated in Enforcement Regulation of Commercial law 124-3

35,396 thousand yen

5) Capital deficiency

527,919 thousand yen

6) Number of shares issued Common stock 95,629 shares

7) Amount of treasure stocks owned Common stock 1,344 shares

Explanatory Notes to the Income Statements

1) Amount of business with the affiliated companies

Sales 966 thousand yen

Purchase 1,632,124 thousand yen

2) Total expenditure of R&D expenses

R&D expenses included in administrative expenses

169,632 thousand yen

Per share information

Net assets amount per share	39,680 yen 84 sen
Current net income per share	3,040 yen 43 sen
Current net income per share after residual securities adjustment	2,757 yen 95 sen

The Company executed a 5 for 1 share split of common stock as of August 19, 2005.

When assuming the split had been executed at the beginning of the term, the amount would have been as follows.

Net assets amount per share	17,736 yen 27 sen
Current net loss per share	11,003 yen 60 sen
Current net income per share after residual securities adjustment	Current net income per share after residual securities adjustment is not posted, because net loss per share is posted.

Notes: Factors responsible for current net income per share and current net income per share after residual securities adjustment

Current net income per share	3,040 yen 43 sen
Current net income (thousands of yen)	248,357
Income or loss not attributable to common stockholders (thousands of yen)	—
Current net income associated with common stock (thousands of yen)	248,357
Average number of shares during term	81,685
Current net income per share after residual securities adjustment	2,757 yen 95 sen
Adjustment of current net income (thousands of yen)	—
Number of increased common stock	8,366
(New share subscription rights out of number of increased common stock)	(3,066)
Summary of residual securities which were not included in interim (current) net income per share after residual securities adjustment because they don't have dilutive effect	New share subscription rights (number of new share subscription rights: 215)

Consolidated Balance Sheet

(As of December 31, 2005)

(¥thousands)

Item	Sum	Item	Sum
<u>Assets</u>		<u>Liabilities</u>	
Current assets	5,079,278	Current liabilities	2,225,921
Cash and deposits	2,315,900	Accounts payable	1,560,445
Note receivables and accounts receivable	1,966,763	Short term loans	4,500
Short-term loans receivable	35,000	Current portion of bonds	30,000
Marketable securities	25,743	Accrued corporate income taxes	28,474
Inventory assets	451,983	Accrued liability	237,762
Option assets	159,824	Accrued bonuses	11,159
Deferred income tax assets	11,198	Allowance for sales return	103,625
Other	127,529	Exchange contract	7,141
Allowance for doubtful accounts	□ 14,664	Deferred Hedging income	149,955
Fixed assets	2,073,502	Other	92,858
Tangible fixed assets	150,842	Fixed liabilities	552,586
Buildings	16,535	Bonds	175,000
Vessels	226	Deferred tax liabilities	130,815
Vehicles	14,836	Retirement allowances for directors	165,856
Machine tools and equipments	55,830	Other	80,915
Allowance for funds used during construction	63,415	Total liabilities	2,778,508
Intangible fixed assets	516,772	<u>Shareholders'equity</u>	
Consolidated adjustment account	292,732	Capital	2,067,229
Goodwill	120,000	Capital surplus	2,456,891
Other	104,039	Earned surplus	-151,077

Investments and other assets	1,405,887	Other profit and loss from securities revaluation	36,713
Investments in securities	1,216,434	Foreign currency translation adjustment	33,390
Deferred tax assets	11,577	Treasury stock	-68,875
Other	178,325		
Allowance for doubtful accounts	-450	Total shareholders' equity	4,374,272
Total assets	7,152,781	Total liabilities and shareholders' equity	7,152,781

(Figures rounded down to the nearest thousand yen)

Consolidated Income Statements

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

(¥thousands)

		Item	Sum	
Ordinary income section	Operating income section	Operating revenue		
		Sales		4,208,785
		Operating expenses		
		Cost of sales	2,757,326	
		Provision of allowance for sales returns	103,625	
	Reversal of allowance for sales returns	-61,741		
	Selling, general and administrative expenses	2,169,784	4,968,995	
			Operating loss	
Ordinary income section	Non-operating section	Non-operating income		
		Interest and dividends received	39,477	
		Gains on sales of marketable securities	128,331	
		Exchange gains	58,356	
		Option appraisal income	938,310	
		Miscellaneous	30,251	1,194,727
		Non-operating expenses		
		Interest cost discount charge	1,694	
		Deferred stock issue cost	21,921	
		Investment loss by equity method	56,057	
Casualty loss	7,897	87,570		
		Ordinary income		346,946
loss		Extraordinary gain		
		Reversal of allowance for reserve for directors' retirement benefits	2,566	2,566

Extraordinary losses		
Loss on retirement of fixed assets	49,442	
Extraordinary loss from valuation of investment securities	30,161	
Investment loss by equity method	124,940	204,543
Current net income before tax adjustment		144,969
Corporate income tax, local tax and enterprise tax		32,277
Adjustment of corporate tax, etc.		12,506
Current net income		100,185

(Figures rounded down to the nearest thousand yen)

Scope of Consolidation and Other Accounting Policies Adapted for Preparing the Consolidated Financial Statements

1. Scope of consolidation

Number of consolidated subsidiaries: 3

Planex Communications Inc. (Taiwan)

American Megatrends Inc., Japan

TriStar Inc.

American Megatrends Inc. Japan which has become a wholly owned subsidiary of the Company through a share exchange on 20 May 2005 is included in the scope of consolidation from this consolidated accounting term.

TriStar Inc. of which 200 shares (100% of voting rights) which were issued on 1 April 2005 were acquired by American Megatrends Inc. Japan, is included in the scope of consolidation from this consolidated accounting term.

Main unconsolidated subsidiaries

Planex Communications Pte Ltd. (Singapore)

RedSIP Inc.

Any non-consolidated companies are small in scale. Their assets, sales, current term net loss (relative to its equity) and earned surplus (relative to its equity) don't have significant influence on consolidated financial statements.

2. Application of Equity Method

Number of affiliated companies to which the equity method apply: 1

SUSTEEN Inc.

Main unconsolidated subsidiary to which equity method is not applied

Planex Communications Pte Ltd. (Singapore)

RedSIP Inc.

The Company has acquired five thousand shares (20% of total voting rights) that Susteen, Inc. issued on 30 March 2005 and includes Susteen, Inc. in the application of the equity method. Non-consolidated companies that are excluded from the application of the equity method have little influence on consolidated net loss, earned surplus and others. They have so little importance as a whole that they are excluded from the application of the equity method.

3. Closing Date of Consolidated Subsidiaries

The closing day for all subsidiaries coincides with the consolidated closing date.

Accounting term for American Megatrends Inc., Japan and for TriStar Inc. is nine months due to the change of closing date.

4. Significant Accounting Policies

1) Standards and Methods for Evaluating Major Assets

i) Marketable Securities

Securities held to maturity: Amortized cost method (straight line basis) is adopted.

Other marketable securities

Current quotes available: valued at their market prices as of the balance sheet date. (All differences in valuations were included directly in shareholders' equity, and cost of securities sold was determined based on the moving average method.)

Current quotes unavailable: valued at cost using the moving average method.

For equity in a limited partnership of investment business or similar association (which is

classified as securities according to Article 2 Paragraph 2 of the Securities and Exchange Law) , the amount of the investment is recorded as assets.

ii) Derivatives: stated at fair value

iii) Inventories: The cost accounting method based on the moving average method was used.

2) Depreciation Method for Significant Depreciable Assets

i) Tangible fixed assets: Buildings (excluding equipment therein) are depreciated by the straight-line method, while other assets are depreciated using the declining-balance method. The overseas consolidated subsidiary uses a straight-line method based on the accounting standard of its country.

ii) Intangible fixed assets: Software for in-house use is amortized using the straight-line method over estimated useful life.

3) Accounting Procedure of Deferred Assets

Cost of issuance of new shares: Entire amount is processed at the time of payment.

4) Accounting Standards for Major Reserves

i) Reserve for bad debts: As for general loans, the figure is based on a loan loss ratio, and in the case of such legally defined loans as loans feared to be irrecoverable, the figure is based on an estimation of the likelihood of recovery of individual loans.

ii) Allowance for accrued bonuses: To provide bonuses of employees, an amount is determined based on the amount that is regarded as likely to be incurred.

iii) Allowance for severance benefits: To provide for the retirement allowances of directors, an amount is stated based on the payment requirements at the end of the period under review according to company rules concerning retirement allowances for directors.

iv) Allowance for sales return: To provide for losses by sales return of software packages at any consolidated companies, an amount equivalent to sales return and an amount equivalent to abandonment loss are stated.

5) Method of Important Hedge Accounting

i) Method of hedge accounting

Deferred hedge accounting is used. As for liabilities in foreign currencies to which exchange contracts are attached, those that fulfill conditions for appropriation are

appropriated.

ii) Hedge means and hedge targets

Hedge means: Derivative transaction (Forward Exchange Contracts, Currency option transaction)

Hedge targets: Stock liabilities in foreign currency and others

iii) Hedge policy

It has been performed to countervail the possibility of losses including stock liabilities incurred by fluctuations in exchange.

iv) Method of evaluating the effectiveness of hedge

The effectiveness of hedge has been evaluated by assessing whether or not exchange risks of hedge targets including stock liabilities in foreign currency are diminishing.

6) Evaluation of consolidated subsidiaries

All assets and liabilities of consolidated subsidiaries are evaluated using current-price system.

7) Depreciation of consolidated adjustment account

Consolidated adjustment account is depreciated equally in five years.

8) Other Accounting Policies Adapted for Preparing the Consolidated Financial Statements

Account processing of consumption tax and others: Before-tax method is adopted for accounting of consumption tax and local consumption tax.

Change of indication method

“Revision of securities exchange law” (Law No.97, 2004) was delivered on June 9, 2004 and its application started on December 1, 2004. “Practical guidelines regarding accounting of financial commodity” (Accounting institution report No. 14) was revised as of February 15, 2005. Along with these revisions, investment for Investment operation association with limited liability and for other associations of the same kind (which are regarded as negotiable securities by Securities Exchange Law 2-2) should be recorded as investment account security from this consolidated accounting term. The amount which is included as investment account for this consolidated accounting period is 168,070 thousand yen.

Additional information

1. “Revision of local consumption tax law” (Law No. 9, 2003) was delivered on March 31,

2003 and dual corporate tax system was introduced in the accounting year that started from April 1, 2004. Along with these revisions, allocation of added value and of capital of corporate tax have been stated as Sales, general and administrative expenses following “Practical handling on indication on balance sheet for the part of size-based corporate taxes” (Corporate Accounting Standard Committee February 13, 2004 Accounting Standard Application Guidance No.12)

As the result, Sales, general and administrative expenses increased by 15,048 thousand yen and Ordinary income and Current net income before tax adjustment decreased by 15,048 thousand yen.

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2. For network building services, the entire amount of credit and liabilities is stated, whereas for sales, the figure stated is after having balanced sales with 885,133 thousand yen, the amount of external purchases. This is based on the idea of accounting over gross amount indication in “Regarding audit problems for information service industry” (Project team to consider special dealings in IT industry, Japanese Institute of Certified Public Accountants, March 2005) and “Practical handling regarding account processing of earnings from dealing software (proposal)” (Business accounting standards committee Practical handling report publication draft No.20 2006)

Explanatory Notes to the Consolidated Balance Sheet

1) Cumulative depreciation of tangible fixed assets	134,547 thousand yen
2) Assets and liabilities with regards to non-consolidated subsidiaries and companies that have business with Planex	
	Investment securities (shares): 186,918 thousand yen
3) Shares issued	Common stock 95,629.89 shares
4) Amount of treasure stocks owned	Common stock 1,344.89 shares

Explanatory Notes to the Profit and Loss Statement

- 1) Total expenditure of R&D expenses included in administrative expenses: 229,964 thousand yen
- 2) Investment loss by equity method (extraordinary loss) is the result of impairment accounting of consolidated adjustment account equivalent of affiliated companies subject to equity method.

Per share information

Net assets amount per share	46,394 yen 15 sen
Current net income per share	1,226 yen 49 sen
Current net income per share after residual securities adjustment	1,112 yen 54 sen
<p>The Company executed a 5 for 1 share split of common stock as of August 19, 2005.</p> <p>When assuming the split had been executed at the beginning of the term, the amount would have been as follows.</p>	
Net assets amount per share	23,692 yen 92 sen
Current net loss per share	10,318 yen 96 sen
Current net income per share after residual securities adjustment	Current net income per share after residual securities adjustment is not posted, because net loss per share is posted.

Notes: Factors responsible for current net income per share and current net income per share after residual securities adjustment

Current net income per share	1,226 yen 49 sen
Current net income (thousands of yen)	100,185
Income or loss not attributable to common stockholders (thousands of yen)	—
Current net income associated with common stock (thousands of yen)	100,185
Average number of shares during term	81,685
Current net income per share after residual securities adjustment	1,112 yen 54 sen
Adjustment of current net income (thousands of yen)	—
Number of increased common stock	8,366
(New share subscription rights out of number of increased common stock)	(3,066)
Summary of residual securities which were not included in interim (current) net income per share after residual securities adjustment because they don't have dilutive effect	New share subscription rights (number of new share subscription rights: 215)

