



## Summary of Consolidated Financial Results

for the year ended March 31, 2006

**Company name:** Software Research Associates, Inc. (SRA)  
 (URL: <http://www.sra.co.jp/>)

**Code number:** 9714

**Address of headquarters:** Tokyo

**President:** Toru Kashima

**For inquiries, please contact:** Hiroshi Ogawa, General Manager, Financial Department, Corporate Headquarters

**Tel:** (03) 5979-2111

**Date of the meeting of the Board of Directors for the period:** May 15, 2006

**Stock listing:** Tokyo Stock Exchange

The accounting methods used in this report are not consistent with U.S. standard accounting methods.

### 1. Consolidated Financial Results for Fiscal 2006 (from April 1, 2005 to March 31, 2006)

#### (1) Consolidated Operating Results (rounded down)

	Net Sales		Operating Income		Ordinary Profit	
	Millions of yen	YoY change (%)	Millions of yen	YoY change (%)	Millions of yen	YoY change (%)
Fiscal 2006	34,145	(0.3)	1,719	3.6	1,762	8.3
Fiscal 2005	34,259	12.8	1,659	111.6	1,626	100.6

	Fiscal 2006 Net Income (Loss)		Fiscal 2006 Net Income per Share	Net Income per Share after Dilution	ROE	Ordinary Profit to Total Asset Ratio	Ordinary Profit Ratio
	Millions of yen	YoY change (%)	Yen	Yen	%	%	%
Fiscal 2006	933	(11.6)	128.39	128.39	10.1	8.1	5.2
Fiscal 2005	1,056	68.1	136.96	—	12.3	7.3	4.7

Notes: 1) Gain (loss) on equity method investments:

Fiscal 2006 : —

Fiscal 2005 : —

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

Fiscal 2006 ended March 31, 2006: 6,919,951 shares

Fiscal 2005 ended March 31, 2005: 7,418,608 shares

3) Changes in method of accounting: NO

4) Percentages for net sales, operating income, ordinary profit and net income are changes from the previous period.

#### (2) Consolidated Financial Position

	Total Assets	Shareholders' Equity	Shareholders' Equity to Total Assets	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	Yen
Fiscal 2006	21,652	9,862	45.5	1,418.62
Fiscal 2005	21,715	8,560	39.4	1,231.26

Note: Number of outstanding shares at the end of the year (consolidated):

Fiscal 2006 as of March 31, 2006: 6,919,951 shares

Fiscal 2005 as of March 31, 2005: 6,919,951 shares

#### (3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the End of Period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal 2006	570	(403)	(394)	5,617
Fiscal 2005	2,376	1,958	(1,809)	5,808

(4) Scope of Consolidation and Application of Equity Method	
Number of consolidated subsidiaries:	10
Number of non-consolidated subsidiaries accounted for using the equity method:	—
Number of affiliates accounted for using the equity method:	—
(5) Changes in Scope of Consolidation and Application of Equity Method	
Consolidated companies:	
Number of companies newly consolidated:	1
Number of companies excluded from consolidation:	—
Equity method:	
Number of companies newly accounted for using the equity method:	—
Number of companies excluded from the equity method:	—

## 2. Consolidated Earnings Forecast for Fiscal 2007 (from April 1, 2006 to March 31, 2007)

	<b>Net Sales</b>	<b>Ordinary Profit</b>	<b>Net Income</b>
	Millions of yen	Millions of yen	Millions of yen
Interim	16,000	550	800
Full Year	37,000	2,200	1,850

Reference: Net income per share for the fiscal year is forecast to be ¥133.67 on a consolidated basis.

Calculation is based on the forecast of 13,839,902 shares outstanding at fiscal year-end following the implementation of a 2-for-1 stock split.

Note: Forecast performance is predicted by the Company based on information currently available at the time of the forecast. Actual financial results may differ due to a number of factors. For further information, please see Page 5 of the attached reference.

## **Medium- and Long-term Management Strategy**

Despite the expected trend toward increased strategic IT investments, SRA recognizes that the medium- and long-term management environment is likely to be characterized by ongoing fierce competition as companies fight for survival amid industry polarization between winners and losers such a situation has resulted from escalating competition for new orders, specialization of system development companies between primary contractors and sub-subcontractors and the growing complexity of technologies.

Amid these conditions, the SRA Group promoted its medium-term management plan to be implemented through the end of the fiscal year ending March 31, 2008. As the principal aims of this plan, we will strive to raise our presence in the IT industry and increase our corporate value to meet the expectations of shareholders.

Under our management plan, an overriding medium-term management task will be to continue ensuring our growth potential and improving profitability. As targets for the final year of the plan, we aim for growth in sales exceeding 8% and an ordinary profit-to-sales ratio above 8%. To achieve these targets, we will adopt the following measures throughout the SRA Group.

To ensure growth potential, we will draw on the SRA Group's strengths, namely our overseas bases, advanced technological capabilities and stable base of existing customers, as we steadily expand our earnings foundation. Additionally, we will promote Group-wide strategies focusing on M&A.

To improve our profitability, besides increasing gross profit through the aforementioned measures, we will implement a variety of cost-reduction measures that include steps to enhance productivity, upgrade SG&A expense management to achieve an appropriate ratio of sales to SG&A expenses, reduce outsourcing costs by promoting offshore development (global sourcing) and implement thorough project management.

Together with these measures, in working to achieve growth of the entire SRA Group in the future, we will strive to cultivate new markets by transforming our leading-edge technologies into business models and launching new businesses.

## **Business Results and Financial Position**

### **1. Business Results**

#### **(1) Business results for the fiscal period**

During the fiscal year ended March 31, 2006, the Japanese economy sustained a recovery, mirroring ongoing increases in capital investment and improvements in corporate earnings as well as a mild

rise in personal consumption.

In the information services industry, IT investments by corporate clients, including financial institutions and manufacturing companies, showed a modest increase amid a rise in corporate capital investment. Nonetheless, the harsh environment for new orders persisted, reflecting intensifying competition for new orders.

Amid this environment, SRA made efforts to promptly stem unprofitable projects undertaken from the previous fiscal year as well as additional unprofitable projects that emerged in the current fiscal year and to reduce the adverse cost effects of these projects. Thanks to these efforts, during the first half of the fiscal year, SRA curbed all such unprofitable projects and held the adverse cost effects to within the range of our assumptions.

Concurrently, to cover the portion of profit decline totaling ¥770 million resulting from unprofitable projects and to attain our full-year earnings targets, the entire SRA Group worked in unison to implement a revised plan that included “Urgent Countermeasures for Increasing Profits.” These measures yielded remarkable achievements, particularly in the fourth quarter, and enabled us to attain our revised plan.

SRA also established new organizations and promoted the Companywide cross-sectional implementation of measures aimed at eliminating unprofitable projects while achieving an appropriate level of outsourcing costs.

As a new business model that utilizes our technological superiority in open source software, the SRA Group’s strength, we established a new company in the United States and launched an open source business targeting markets worldwide.

As a result of the aforementioned activities, SRA recorded consolidated net sales of ¥34,145 million during the fiscal period, down 0.3% from the previous fiscal year. At the profit level, SRA posted ordinary profit of ¥1,762 million, an increase of 8.3% from the previous fiscal year. The Company posted a gain on sale of investment securities and also recorded a write-down of investment securities. Thus, net income amounted to ¥933 million, a decline of 11.6%.

\* “Urgent Countermeasures for Increasing Profits” are measures implemented to achieve our full-year targets in addition to covering the portion of profit decline totaling ¥770 million resulting from unprofitable projects that we stemmed in the first half of the fiscal year. Specifically, these measures refer to achieving an increase in gross profit along with a rise in net sales, reducing development costs and curbing SG&A expenses.

A summary of business results by business segment is shown below.

#### **[System Development]**

Despite lower sales in electric power and telecommunications fields, the System Development

business achieved an increase in sales mainly due to financial securities-related and manufacturing customers. Consequently, net sales in the fiscal year amounted to ¥20,387 million, an increase of 4.2% from the previous fiscal year.

#### **[Network & Systems Services]**

SRA recorded an increase in orders to corporate customers, mainly telecommunications and financial companies, in addition to robust school-related orders. As a result, net sales reached ¥4,258 million, a rise of 8.0 % from the previous fiscal year.

#### **[Consulting & Other Services]**

Although package sales were favorable, several consolidated subsidiaries posted declines in sales of devices. Consequently, net sales totaled ¥9,499 million, a decline of 11.7% from the previous fiscal year.

### **(2) Outlook for the full fiscal year**

Looking ahead, the Japanese economy is expected to remain on a recovery path, supported by firm private-sector domestic demand, as favorable conditions in the corporate sector spread to household-related areas as well. On the other hand, such areas of concern as rising crude oil prices will warrant close scrutiny.

In the information services industry, willingness by corporate customers to make investments remains firm and spending is expected to move upward. Nonetheless, the harsh environment for new orders is likely to persist due to a continued downtrend in prices for new orders and intensifying competition.

Under these conditions, the SRA Group will implement measures to strengthen our existing businesses. At the same time, we aim to build a solid foundation for future growth by adopting a host of measures, including utilizing our internal reserves as mentioned in the previous section, while striving to attain our full-year targets.

For the full fiscal year, we are forecasting consolidated net sales of ¥37,000 million, consolidated ordinary profit of ¥2,200 million and consolidated net income of ¥1,850 million.

## **2. Financial Position (Cash Flows)**

The Company recorded positive cash flows from operating activities mainly from income before income taxes and minority adjustments in addition to a decline in inventories. On the other hand, there was a ¥225 million cash outflow that included purchases of fixed assets and a decrease in short-term loans. The Company booked a ¥35 million increase in cash and cash equivalents

(hereafter cash) as a result of including subsidiaries in consolidation. As a result, cash at the end of the period declined ¥190 million compared with at the end of the fiscal year ended March 31, 2005. Thus, cash at the end of period amounted to ¥5,617 million.

The status of cash flows and factors underlying changes in cash flows are shown below.

#### **Cash Flows from Operating Activities**

Net cash provided by operating activities amounted to ¥570 million, a decrease of ¥1,806 million compared with the previous fiscal period. This was due to such cash inflows as ¥1,751 million in income before income taxes and minority interests and a decrease in inventories amounting to ¥866 million as well as such outflows as a decrease in accounts and notes payable of ¥478 million and ¥1,396 million in income taxes paid and refunded.

#### **Cash Flows from Investing Activities**

Net cash used in investing activities amounted to ¥403 million, a difference of ¥2,361 million compared with net cash provided by investing activities recorded in the previous fiscal year. This was due mainly to such outflows as ¥300 million in purchases of fixed assets and ¥100 million in disbursements for investments in term deposits of as well as inflows such as ¥107 million in proceeds from sale of investment securities.

#### **Cash Flows from Financing Activities**

Net cash used in financing activities amounted to ¥394 million, representing a ¥1,415 million improvement from the previous fiscal year. This was due mainly to outflows such as a ¥487 million decrease in short-term loans and ¥159 million in cash dividends paid in addition to such inflows as ¥293 million in proceeds from issue of debenture.

Trends in cash flows indicators for the SRA Group (the Company and its consolidated subsidiaries) are shown below.

	FY ended March 31, 2006	FY ended March 31, 2005	FY ended March 31, 2004
Shareholders' equity ratio (%)	45.5	39.4	37.5
Shareholders' equity ratio at market value (%)	85.6	86.5	33.0
Debt redemption years (years)	4.9	1.3	29.0
Interest coverage ratio	13.7	45.1	2.4

Notes:

Shareholders' equity ratio: Shareholders' equity/total assets

Shareholders' equity ratio at market value: Total market capitalization/total assets

Debt redemption years: Interest-bearing debt/operating cash flow

Interest coverage ratio: Operating cash flow/interest expense

1. All indicators were calculated using consolidated financial figures.
2. Market capitalization is calculated by multiplying the fiscal period end closing stock price by the total number of shares outstanding at the end of the fiscal period.
3. Operating cash flow is Cash flows from operating activities on the Consolidated Statements of Cash Flows. Interest-bearing debt includes all debt that pays interest as listed on the Consolidated Balance Sheets. Interest expense is the amount of interest paid as listed on the Consolidated Statements of Cash Flows.

### **3. Business and Other Risks**

The following principal risks could have an impact on the SRA Group's business results and financial condition.

“Forward-looking” statements contained in this report are based on information currently available to management as of the end of the fiscal period.

#### **(1) Securing business partners during times of expansion of production volume**

In the System Development and the Network & Systems Services businesses, besides its own in-house engineers, the SRA Group utilizes business partners for the planned supplementation of its staff of in-house engineers and expansion of business, as well as to supplement those areas where it does not possess technologies and to respond flexibly to changes in production volumes during peak production. The SRA Group also utilizes business partners as one means of reducing production costs.

Nonetheless, the inability to sufficiently secure business partners possessing requisite skills could have an impact on the Group's business results. The utilization of business partners accounted for 45.1% of manufacturing costs as of the end of the fiscal period.

## **(2) Project profitability in system development**

In the core System Development business, the SRA Group concludes bulk subcontracting contracts whereby it handles the entire system development and is responsible to its customers for completion. There are also projects during which more than one year elapses from the time the order is obtained to system completion and handover. Therefore, even for projects for which a certain amount of income is expected at the time the order is received, there are instances when profitability worsens because of such factors as customer requests for specification changes after commencing development activities or a work process that exceeds the initial estimate. Moreover, the incurrence of additional expenses such as those related to defect guarantees after the confirmation of sales could ultimately result in an unprofitable project.

To prevent the occurrence of unprofitable projects, the Group reviews risk factors at the time an order is received and works to improve the precision of its estimates while strengthening its project management structure in an organized manner. Nevertheless, any project incurring a large loss could have an effect on the Group's business results.

## **(3) Maintaining confidentiality of customer information**

Along with being aware that it is an information processing company with numerous opportunities for handling personal information, the Group also sufficiently recognizes the critical nature of personal information, and thus, has established an internal monitoring structure. Concurrently, as a company that has acquired Privacy Mark certification, the SRA Group provides education for its Group employees and business partners and makes efforts to protect personal information. However, in the event of unexpected leakage of information, besides losing the trust of business partners, the SRA Group could become liable for payment of compensatory damages, which could have an effect on the Group's business results.

## 4. Consolidated Financial Statements

### (1) Consolidated Balance Sheets

(Millions of Yen)

	FY2006 (as of March 31, 2006)		FY2005 (as of March 31, 2005)		Increase (decrease)
	Amount	%	Amount	%	
<b>ASSETS</b>		%		%	
<b>Current assets:</b>					
Cash and bank deposits	6,003		6,093		(90)
Notes and accounts receivable	7,450		7,125		324
Inventories	767		1,634		(866)
Deferred income taxes	405		556		(150)
Other current assets	438		312		125
Allowance for doubtful accounts	(10)		(26)		15
Total current assets	15,054	69.5	15,695	72.3	(641)
<b>Fixed assets:</b>					
<b>Tangible assets:</b>					
Buildings and structures	301		317		(15)
Machinery and equipment	112		145		(33)
Land	1,002		1,002		—
Other tangible assets	38		36		1
Total tangible assets	1,453	6.7	1,501	6.9	(47)
<b>Intangible assets:</b>					
Software	691		701		(9)
Other intangible assets	31		32		(0)
Total intangible assets	723	3.4	733	3.4	(10)
<b>Investments and other assets:</b>					
Investment securities	2,010		1,097		913
Deferred income taxes	1,563		1,837		(273)
Guarantee money deposited	551		554		(3)
Other assets	320		297		23
Allowance for doubtful accounts	(0)		(0)		0
Allowance for loss on investments	(24)		—		(24)
Total investments and other assets	4,421	20.4	3,785	17.4	636
Total fixed assets	6,598	30.5	6,020	27.7	578
<b>Total assets</b>	<b>21,652</b>	<b>100.0</b>	<b>21,715</b>	<b>100.0</b>	<b>(62)</b>

(Millions of Yen)

	FY2006		FY2005		Increase (decrease)
	(as of March 31, 2006)		(as of March 31, 2005)		
	Amount	%	Amount	%	
<b>LIABILITIES</b>		%		%	
<b>Current liabilities:</b>					
Accounts payable	2,549		3,013		(463)
Short-term loans	2,484		2,988		(504)
Income taxes payable	727		1,470		(742)
Accrued consumption tax	332		436		(103)
Accrued expenses	684		751		(67)
Allowance for bonuses payable	675		740		(65)
Other	556		433		122
Total current liabilities	8,010	37.0	9,835	45.3	(1,825)
<b>Long-term liabilities:</b>					
Debentures	300		—		300
Long-term debt	30		54		(23)
Accrued employees' retirement benefits	2,957		2,800		157
Directors' retirement benefits	361		370		(8)
Total long-term liabilities	3,650	16.9	3,225	14.9	424
<b>Total liabilities</b>	<b>11,660</b>	<b>53.9</b>	<b>13,060</b>	<b>60.2</b>	<b>(1,400)</b>
<b>MINORITY INTERESTS</b>	<b>130</b>	<b>0.6</b>	<b>94</b>	<b>0.4</b>	<b>36</b>
<b>SHAREHOLDERS' EQUITY</b>					
Common stock	2,640	12.2	2,640	12.2	—
Capital surplus	2,881	13.3	2,881	13.3	—
Earned surplus	4,353	20.1	3,633	16.7	720
Net unrealized holding gains on other securities	859	3.9	311	1.4	548
Translation adjustments	21	0.1	(11)	(0.1)	33
Treasury stock, at cost	(893)	(4.1)	(893)	(4.1)	—
<b>Total shareholders' equity</b>	<b>9,862</b>	<b>45.5</b>	<b>8,560</b>	<b>39.4</b>	<b>1,301</b>
Total liabilities, minority interests and shareholders' equity	21,652	100.0	21,715	100.0	(62)

## (2) Consolidated Statements of Income

(Millions of Yen)

	FY2006		FY2005		Increase (decrease)
	(Apr. 1, 2005-Mar. 31, 2006)		(Apr. 1, 2004-Mar. 31, 2005)		
	Amount	%	Amount	%	
<b>Net sales</b>	<b>34,145</b>	<b>100.0</b>	34,259	100.0	(114)
<b>Cost of sales</b>	<b>28,340</b>	<b>83.0</b>	28,110	82.1	229
Gross profit	<b>5,804</b>	<b>17.0</b>	6,148	17.9	(343)
<b>Selling, general and administrative expenses</b>	<b>4,085</b>	<b>12.0</b>	4,488	13.1	(403)
Operating income	<b>1,719</b>	<b>5.0</b>	1,659	4.8	59
<b>Non-operating income</b>	<b>108</b>	<b>0.4</b>	76	0.2	32
<b>Non-operating expenses</b>	<b>66</b>	<b>0.2</b>	110	0.3	(43)
Ordinary profit	<b>1,762</b>	<b>5.2</b>	1,626	4.7	135
<b>Extraordinary income</b>	<b>111</b>	<b>0.3</b>	2,117	6.2	(2,005)
<b>Extraordinary loss</b>	<b>122</b>	<b>0.4</b>	1,891	5.5	(1,768)
<b>Income before income taxes and minority interests</b>	<b>1,751</b>	<b>5.1</b>	1,852	5.4	(101)
<b>Current income taxes</b>	<b>716</b>	<b>2.1</b>	1,632	4.8	(916)
<b>Deferred income taxes</b>	<b>65</b>	<b>0.2</b>	(887)	(2.6)	952
<b>Minority interests</b>	<b>36</b>	<b>(0.1)</b>	50	(0.1)	(14)
<b>Net income</b>	<b>933</b>	<b>2.7</b>	1,056	3.1	(122)

### (3) Consolidated Statements of Cash Flows

(Millions of Yen)

	FY2006	FY2005
	(Apr. 1, 2005-Mar. 31, 2006)	(Apr. 1, 2004-Mar. 31, 2005)
	Amount	Amount
<b>I. Cash flows from operating activities:</b>		
Income before income taxes and minority interests	1,751	1,852
Depreciation and amortization	295	320
Impairment losses	—	1,876
Loss on disposal of fixed assets	23	12
Loss on evaluation of investment securities	53	—
Loss on evaluation of membership	0	1
Increase in employees' retirement benefits, net of payments	157	233
Decrease in directors' retirement benefits	(8)	(3)
Increase (decrease) in allowance for bonuses payable	(67)	31
Decrease in allowance for doubtful accounts	(15)	(1)
Interest and dividend income	(17)	(15)
Interest paid	42	52
Gain on sale of stock in subsidiaries	—	(1,039)
Gain on sale of investment securities	(111)	(1,072)
Increase (decrease) in accounts and notes receivable—trade	(278)	366
Decrease in inventories	866	1,821
Decrease in accounts and notes payable	(478)	(1,975)
Increase in other operating liabilities	20	373
Decrease in accrued consumption taxes payable	(103)	—
Directors' bonuses paid	(40)	(26)
Other, net	(96)	250
Subtotal	1,991	3,058
Interest and dividends receivable	17	15
Interest paid	(41)	(52)
Income taxes paid and refunded	(1,396)	(644)
Net cash provided by operating activities	570	2,376
<b>II. Cash flows from investing activities:</b>		
Purchases of fixed assets	(300)	(287)
Proceeds from sale of fixed assets	3	4
Purchases of investment securities	(70)	(29)
Proceeds from sale of investment securities	107	2,338
Disbursements for purchase of shares of subsidiary due to change in scope of consolidation	(33)	—
Disbursements for exchange of shares of subsidiary due to change in scope of consolidation	—	(66)
Payments for loans receivable	(21)	(31)
Collection of loans receivable	31	32
Disbursements for investments in term deposits	(205)	(0)
Proceeds from repayment of term deposits	105	0
Disbursements for deposits	(9)	(4)
Collection of deposits	12	31
Other, net	(23)	(29)
Net cash (used in) provided by investing activities	(403)	1,958
<b>III. Cash flows from financing activities:</b>		
Decrease in short-term loans	(487)	(740)
Repayments of long-term debt	(41)	(60)
Proceeds from issue of debenture	293	—
Purchases of treasury stock	—	(893)
Cash dividends paid	(159)	(114)
Net cash used in financing activities	(394)	(1,809)
IV. Effect of exchange rate changes on cash and cash equivalents	1	1
V. Net increase (decrease) in cash and cash equivalents	(225)	2,526
VI. Cash and cash equivalents at beginning of period	5,808	3,249
VII. Increase in cash and cash equivalents arising from inclusion of subsidiaries in consolidation	35	32
VIII. Cash and cash equivalents at end of period	5,617	5,808

## Segment Information

### (1) Segment Information by Type of Business

#### Fiscal 2006 (from April 1, 2005 to March 31, 2006)

(Millions of yen)

	System Development	Network & Systems Services	Consulting & Other Services	Total	Eliminations/ Corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to customers	20,387	4,258	9,499	34,145	—	34,145
(2) Intersegment sales	111	142	931	1,186	(1,186)	—
Total sales	20,499	4,401	10,430	35,331	(1,186)	34,145
Operating expenses	18,461	3,455	9,341	31,258	1,167	32,425
Operating income	2,037	945	1,089	4,073	(2,353)	1,719
Total Assets, Depreciation, Impairment Loss and Capital Expenditures						
Total assets	7,692	1,634	4,006	13,333	8,319	21,652
Impairment losses	168	38	88	295	—	295
Capital expenditures	198	15	32	246	—	246

**Fiscal 2005 (from April 1, 2004 to March 31, 2005)**

(Millions of yen)

	System Development	Network & Systems Services	Consulting & Other Services	Total	Eliminations/ Corporate	Consolidated
Sales and Operating Income						
Sales						
(1) Sales to customers	19,561	3,943	10,754	34,259	—	34,259
(2) Intersegment sales	52	140	962	1,154	(1,154)	—
Total sales	19,613	4,084	11,716	35,414	(1,154)	34,259
Operating expenses	17,048	3,303	10,579	30,930	1,699	32,599
Operating income	2,565	780	1,137	4,483	(2,823)	1,659
Total Assets, Depreciation, Impairment Loss and Capital Expenditures						
Total assets	7,985	1,750	3,626	13,362	8,353	21,715
Depreciation	186	44	89	320	—	320
Impairment losses	—	—	—	—	1,876	1,876
Capital expenditures	224	58	56	339	—	339

(2) Geographical Segments

The amounts of sales and assets in Japan exceed 90% of total sales and total assets for all segments and thus geographical segment information is omitted.

(3) Overseas Sales

Overseas sales account for less than 10% of total consolidated sales and are thus omitted.