

*Date : November 16, 2006*

## **Judgment in the Lawsuit Filed against the Company's Subsidiary**

In the lawsuit filed by the Commonwealth Scientific & Industrial Research Organization (hereinafter the "plaintiff") against the Company's consolidated subsidiaries Buffalo and Buffalo Technology (USA), the judge granted summary judgment recognized the plaintiff's claim.

The Company does not accept this judgment, and plans to appeal. Moreover, we intend to continue to stand by our claim as we continue with the legal process to the end.

### **1. Details of the lawsuit and sequence of events leading up to the judgment**

#### **1) Details of the lawsuit**

Infringement of U.S. patent No. 5487069 covering technology that secures the reliability of data in an indoor multi-path environment used for wireless LANs.

#### **2) Sequence of events leading up to the judgment**

We continued to engage the plaintiff in a technical dispute regarding the patent validity of the aforementioned technology, and unable to reach a conclusion, a lawsuit was filed in February 2005. The aforementioned technology is conventionally used in wireless LANs, and we find the plaintiff side's claim of patent rights unreasonable. Intel, Dell, Microsoft, Netgear, and Hewlett-Packard have sued the plaintiff in conjunction with this technology seeking a declaratory judgment that the patent is invalid and not infringed.

#### **3) Court and dates on which the lawsuit was filed and the judgment was handed down**

U.S. federal court in Tyler, Texas

Lawsuit filed: February 2, 2005

Summary judgment: November 13, 2006

### **2. Details of judgment**

1) Assertion by our subsidiary of patent invalidity and non-infringement was rejected

2) The plaintiff's patent was deemed valid even though it contains prior art

3) Our Company's products were judged to be infringing on the aforementioned patent

### **3. Future outlook**

The judgment differed significantly from our Company's claim, and we will file an appeal with a U.S. intellectual property high court. Moreover, regardless of the outcome of the appeal, the Company intends to maintain our claim to the end.

**Amount of damages claimed by the plaintiff**

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|--|------------------|
| 1) Lost royalties:   | US\$ 1.2 million |
| 2) Penalty in the event that an intentional infringement is ruled: | US\$ 2.4 million |
| 3) Attorney fees for the plaintiff's side:                         | US\$ 3 million   |

The amount of damages claimed by the plaintiff are as stated above and the Maximum amount of claim will be US \$ 6.6 million.

**4. Impact on the current term's accounting**

The final decision is expected to be handed down after June 2007. Since the payment amount sought for damages will still not have been determined by then, and given that the Company will naturally file an appeal, at the present time there will be no impact on the March 2006 term.