

Financial Results for the First Quarter of Fiscal Year Ending January 31, 2009

June 19, 2008

Company name: Computer Engineering & Consulting, Ltd.

Listing: Tokyo Stock Exchange, First Section

Stock code: 9692

URL: <http://www.cec-ltd.co.jp>

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(Figures rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter of FY2008 (February 1, 2008 – April 30, 2008)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter ended Apr. 2008	13,673	9.5	677	5.6	730	28.0	402	85.1
First quarter ended Apr. 2007	12,487	5.1	642	(8.0)	570	(23.3)	217	(51.5)
Year ended Jan. 2008	53,241	-	2,726	-	2,758	-	853	-

	Net income per share	Diluted net income per share
	Yen	Yen
First quarter ended Apr. 2008	23.08	-
First quarter ended Apr. 2007	12.29	-
Year ended Jan. 2008	48.48	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Apr. 30, 2008	31,883	22,644	68.9	1,260.31
As of Apr. 30, 2007	31,815	22,458	68.7	1,163.77
As of Jan. 31, 2008	31,765	22,584	69.0	1,256.81

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
First quarter ended Apr. 2008	1,313	(476)	(58)	2,741
First quarter ended Apr. 2007	1,594	(188)	(57)	5,420
Year ended Jan. 2008	784	(1,721)	(1,166)	1,968

2. Consolidated Forecast for FY2008 (February 1, 2008 – January 31, 2009)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	26,500	3.5	1,300	3.4	1,300	2.4	700	28.9	40.16
Full year	55,500	4.2	3,000	10.0	2,800	1.5	1,500	75.8	86.06

3. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Adoption of the simplified method for accounting: Yes
- (3) Changes in accounting principles from the most recent fiscal year: None

Note: Please refer to “Qualitative Information and Financial Statements, 4. Others” on page 4 for further information.

*Cautionary statement with respect to forward-looking statements

Above forecasts regarding future performance in these materials are based on estimates and judgments of the Company’s management made in accordance with information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from these forecasts for a number of factors.

Qualitative Information and Financial Statements

1. Qualitative Information Regarding Consolidated Results of Operations

In the first quarter, orders were firm in the information services industry as companies continued to invest in preparation for the scheduled implementation of a law requiring the electronic issue of stock certificates in January 2009, and in strengthening corporate internal governance. However, the industry outlook appears more severe going forward as corporate customers may tamp down IT investment spending given yen appreciation, surging crude oil prices, rising raw materials prices, and financial uncertainty triggered by the subprime mortgage crisis.

Against this backdrop, we overhauled our organizational structure in February, establishing an integrated company-wide organizational structure for industry fields in which we specialize including finance, manufacturing, and autos. In March, we announced a new medium-term management plan for 2008-2010. Our new strategy calls for strengthening the business foundation centered on different target industries, and pushing forward with proprietary businesses including our outsourcing business at the core of which is third-party verification services (PROVEQ) and data centers, and our IT management services business centered on global standard guidelines (ITIL).

We also established the joint venture Konica Minolta Bizcom Japan Co., Ltd. in February with Konica Minolta Business Technologies, Inc. and its domestic sales subsidiary Konica Minolta Business Solutions Japan Co., Ltd. The new joint venture began offering corporate information management and operational related IT system solutions and services particularly for diversified and sophisticated information equipment (integrated copiers, printers, etc.) from April 1.

Consolidated sales increased 9.5% year-over-year to 13,673 million yen (+1,186 million yen), ordinary income increased 28.0% to 730 million yen (+159 million yen), and net income increased 85.1% to 402 million yen (+184 million yen).

2. Qualitative Information Regarding Consolidated Financial Position

(1) Assets, liabilities, and net assets

Assets totaled 31,883 million yen at the end of the first quarter (up 117 million yen over the end of previous fiscal year), and liabilities totaled 9,238 million yen (up 56 million yen).

Net assets totaled 22,644 million yen at the end of the first quarter, for a net increase of 60 million yen due to the net impact of net income of 402 million yen, and cash dividend paid of 322 million yen for previous fiscal year.

(2) Cash flows

Cash flows were as follows in the first quarter.

Cash flows from operating activities

Cash flows provided by operating activities totaled 1,313 million yen (compared with 1,594 million yen in the same period previous fiscal year). The main factors were 739 million yen of income before income taxes and minority interests, 1,791 million yen of collection of trade receivable, and income taxes paid of 685 million yen.

Cash flows from investing activities

Cash flows used in investing activities totaled 476 million yen (compared with 188 million yen in the same period previous fiscal year). The main factor was outlays of 310 million yen for the acquisition of fixed assets.

Cash flows from financing activities

Cash flows used in financing activities totaled 58 million yen (compared with 57 million yen in the same period previous fiscal year). On the income side, the main factor was short-term borrowings of 310 million yen, while on the expenditures side, the main factors were cash dividend paid of 322 million yen and long-term borrowings repayment of 31 million yen.

As a result of these cash flow movements, cash and cash equivalents increased 773 million yen from the end of previous fiscal year to 2,741 million yen.

3. Qualitative Information Regarding Consolidated Forecasts

We maintain our interim and full-year forecasts for the fiscal year ending January 31, 2009 that we released on March 21, 2008.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation)

Not applicable.

(2) Adoption of the simplified method for accounting

We have adopted the simplified method for booking income taxes using the legally defined effective tax rate.

(3) Changes in accounting principles from the most recent fiscal year

Not applicable.

5. Summary Consolidated Financial Statements**(1) Summary Consolidated Balance Sheets**

Million yen, %

Account	1Q FY2007	1Q FY2008	Difference		(Reference) FY2007
	As of Apr. 30, 2007	As of Apr. 30, 2008	Amount	%	As of Jan. 31 2008
	Amount	Amount	Amount	%	Amount
Assets					
I Current assets					
1. Cash and time deposits	5,428	2,800	(2,627)	(48.4)	2,029
2. Notes and accounts receivable - trade	8,102	8,833	731	9.0	10,396
3. Inventories	3,169	3,283	113	3.6	3,067
4. Other current assets	1,238	2,151	912	73.7	1,876
5. Allowance for doubtful accounts	(17)	(85)	(68)	-	(85)
Total current assets	17,921	16,983	(937)	(5.2)	17,283
II Fixed assets					
1. Property, plant and equipment	7,514	8,384	870	11.6	8,242
2. Intangible fixed assets					
(1) Goodwill	333	521	188	56.6	661
(2) Other	595	920	324	54.6	731
Total intangible fixed assets	928	1,442	513	55.3	1,392
3. Investments and other assets					
(1) Other investments and other assets	5,577	5,196	(380)	(6.8)	4,971
(2) Allowance for doubtful accounts	(127)	(124)	2	-	(124)
Total investments and other assets	5,450	5,072	(378)	(6.9)	4,846
Total fixed assets	13,893	14,899	1,005	7.2	14,482
Total assets	31,815	31,883	68	0.2	31,765

Million yen, %

Account	1Q FY2007	1Q FY2008	Difference		(Reference) FY2007
	As of Apr. 30, 2007	As of Apr. 30, 2008	Amount	%	As of Jan. 31 2008
	Amount	Amount	Amount	%	Amount
Liabilities					
I Current liabilities					
1. Accounts payable - trade	2,532	2,539	7	0.3	2,874
2. Short-term borrowings	897	752	(144)	(16.1)	447
3. Accrued bonuses	951	1,034	82	8.7	480
4. Reserve for directors' and corporate auditors' bonuses	13	10	(3)	(22.5)	53
5. Other current liabilities	2,336	2,347	10	0.5	2,769
Total current liabilities	6,730	6,684	(46)	(0.7)	6,624
II Long-term liabilities					
1. Long-term borrowings	121	95	(25)	(20.8)	122
2. Allowance for retirement benefits	1,831	1,911	79	4.4	1,876
3. Allowance for directors' and corporate auditors' retirement benefits	458	546	87	19.2	557
4. Other long-term liabilities	214	-	(214)	(100.0)	-
Total long-term liabilities	2,625	2,553	(72)	(2.7)	2,556
Total liabilities	9,356	9,238	(118)	(1.3)	9,181
Net assets					
I Shareholders' equity					
1. Common stock	6,586	6,586	-	-	6,586
2. Capital surplus	6,415	6,415	-	-	6,415
3. Retained earnings	10,114	10,596	482	4.8	10,517
4. Treasury stock	(1,449)	(1,748)	(298)	-	(1,748)
Total shareholders' equity	21,665	21,849	183	0.8	21,769
II Valuation and translation adjustments					
1. Net unrealized gains on other securities	211	122	(89)	(42.1)	131
2. Foreign currency translation adjustments	1	(5)	(6)	-	4
Total valuation and translation adjustments	212	117	(95)	(44.8)	136
III Minority interests	579	678	98	17.0	679
Total net assets	22,458	22,644	186	0.8	22,584
Total liabilities and net assets	31,815	31,883	68	0.2	31,765

(2) Summary Consolidated Statements of Operations

Million yen, %

Account	1Q FY2007 Feb. 1, 2007 – Apr. 30, 2007	1Q FY2008 Feb. 1, 2008 – Apr. 30, 2008	Difference		(Reference) FY2007 Feb. 1, 2007 – Jan. 31 2008
	Amount	Amount	Amount	%	Amount
I Net sales	12,487	13,673	1,186	9.5	53,241
II Cost of sales	10,036	11,003	967	9.6	42,899
Gross profit	2,450	2,669	219	8.9	10,341
III Selling, general and administrative expenses	1,808	1,991	183	10.1	7,615
Operating income	642	677	35	5.6	2,726
IV Other income	57	65	7	12.9	202
V Other expenses	129	13	(116)	(89.9)	169
Ordinary income	570	730	159	28.0	2,758
VI Extraordinary income	0	17	17	3,274.6	83
VII Extraordinary losses	156	8	(148)	(94.7)	868
Income before income taxes and minority interests	414	739	325	78.4	1,974
Income taxes	173	319	146	84.3	1,181
Deferred income taxes	(2)	4	7	-	(137)
Minority interests in net income	26	12	(13)	(51.5)	76
Net income	217	402	184	85.1	853

(3) Summary Consolidated Statements of Changes in Shareholders' Equity

1Q FY2007 (Feb. 1, 2007 – Apr. 30, 2007)

Million yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Jan. 31, 2007	6,586	6,415	10,158	(1,449)	21,709
Changes during the period					
Dividends from surplus			(256)		(256)
Payments of directors' and corporate auditors' bonuses			(5)		(5)
Net income			217		217
Changes in items other than shareholders' equity during the period (net)					-
Total changes during the period	-	-	(44)	-	(44)
Balance as of Apr. 30, 2007	6,586	6,415	10,114	(1,449)	21,665

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of Jan. 31, 2007	333	0	334	547	22,591
Changes during the period					
Dividends from surplus			-	-	(256)
Payments of directors' and corporate auditors' bonuses			-	-	(5)
Net income			-	-	217
Changes in items other than shareholders' equity during the period (net)	(121)	0	(121)	32	(88)
Total changes during the period	(121)	0	(121)	32	(132)
Balance as of Apr. 30, 2007	211	1	212	579	22,458

1Q FY2008 (Feb. 1, 2008 – Apr. 30, 2008)

Million yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Jan. 31, 2008	6,586	6,415	10,517	(1,748)	21,769
Changes during the period					
Dividends from surplus			(322)		(322)
Net income			402		402
Changes in items other than shareholders' equity during the period (net)					-
Total changes during the period	-	-	79	-	79
Balance as of Apr. 30, 2008	6,586	6,415	10,596	(1,748)	21,849

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of Jan. 31, 2008	131	4	136	679	22,584
Changes during the period					
Dividends from surplus			-	-	(322)
Net income			-	-	402
Changes in items other than shareholders' equity during the period (net)	(8)	(10)	(18)	(0)	(19)
Total changes during the period	(8)	(10)	(18)	(0)	60
Balance as of Apr. 30, 2008	122	(5)	117	678	22,644

FY2007 (Feb. 1, 2007 – Jan. 31, 2008)

Million yen

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of Jan. 31, 2007	6,586	6,415	10,158	(1,449)	21,709
Changes during the period					
Dividends from surplus			(495)		(495)
Net income			853		853
Acquisition of treasury stock				(298)	(298)
Changes in items other than shareholders' equity during the period (net)					-
Total changes during the period	-	-	358	(298)	59
Balance as of Jan. 31, 2008	6,586	6,415	10,517	(1,748)	21,769

	Valuation and translation adjustments			Minority interests	Total net assets
	Net unrealized gains on other securities	Foreign currency translation adjustments	Total valuation and translation adjustments		
Balance as of Jan. 31, 2007	333	0	334	547	22,591
Changes during the period					
Dividends from surplus			-	-	(495)
Net income			-	-	853
Acquisition of treasury stock			-	-	(298)
Changes in items other than shareholders' equity during the period (net)	(201)	3	(197)	131	(66)
Total changes during the period	(201)	3	(197)	131	(7)
Balance as of Jan. 31, 2008	131	4	136	679	22,584

(4) Summary Consolidated Statements of Cash Flows

Million yen

	1Q FY2007 Feb. 1, 2007 – Apr. 30, 2007	1Q FY2008 Feb. 1, 2008 – Apr. 30, 2008	(Reference) FY2007 Feb. 1, 2007 – Jan. 31 2008
Account	Amount	Amount	Amount
I Cash flows from operating activities			
1. Income before income taxes and minority interests	414	739	1,974
2. Depreciation and amortization	147	157	639
3. Depreciation of goodwill	10	25	79
4. Increase in accrued bonuses	407	554	2
5. Increase (decrease) in allowance for retirement benefits	211	34	(27)
6. Equity in income (losses) of affiliates	16	(4)	127
7. Decrease (increase) in trade receivables	1,113	1,791	(1,178)
8. Increase in inventories	(252)	(217)	(97)
9. Increase (decrease) in trade payables	(159)	(330)	182
10. Others	510	(768)	477
Subtotal	2,420	1,981	2,180
11. Interests and dividends received	(14)	19	83
12. Interests paid	(2)	(2)	(7)
13. Income taxes paid	(809)	(685)	(1,472)
Net cash provided by operating activities	1,594	1,313	784
II Cash flows from investing activities			
1. Payment for time deposits	(200)	(1)	(12)
2. Proceeds from time deposits	700	10	514
3. Payment for acquisition of marketable securities	(84)	(130)	(441)
4. Proceeds from sale of marketable securities	34	151	319
5. Payment for acquisition of fixed assets	(78)	(310)	(1,272)
6. Payment for acquisition of investment securities	(325)	-	(930)
7. Proceeds from sale of investment securities	311	50	937
8. Payment for acquisition of business	-	-	(152)
9. Payment for acquisition of investment in capital	(200)	-	-
10. Proceeds from withdrawal of investment in capital	-	1	104
11. Net payment for acquisition of newly consolidated subsidiaries	(45)	(102)	(181)
12. Payment for loans receivable	(190)	(51)	(316)
13. Proceeds from collection of loans receivable	0	19	29
14. Payment for leasehold deposits	(106)	(100)	(446)
15. Proceeds from redemption of leasehold deposits	1	9	95
16. Others	(4)	(23)	28
Net cash used in investing activities	(188)	(476)	(1,721)
III Cash flows from financing activities			
1. Increase (decrease) in short-term borrowings	230	310	(200)
2. Repayment of long-term borrowings	(27)	(31)	(168)
3. Payment for acquisition of treasury stock	-	-	(298)
4. Cash dividend paid	(257)	(322)	(496)
5. Payment for dividends to minority shareholders	(2)	(13)	(2)
Net cash used in financing activities	(57)	(58)	(1,166)
IV Effect of exchange rate changes on cash and cash equivalents	0	(5)	1
V Increase (decrease) in cash and cash equivalents	1,349	773	(2,102)
VI Cash and cash equivalents at beginning of period	4,071	1,968	4,071
VII Cash and cash equivalents at end of period	5,420	2,741	1,968

Segment Information**Operating segment information**

1Q FY2007 (Feb. 1, 2007 – Apr. 30, 2007)

Million yen

	Software development business	Information system services business	Total	Elimination or corporate	Consolidated
Net sales					
(1) External sales	6,231	6,255	12,487	-	12,487
(2) Inter-segment sales or transfers	72	91	164	(164)	-
Total	6,303	6,347	12,651	(164)	12,487
Operating expenses	5,844	6,157	12,001	(156)	11,844
Operating income	459	190	650	(8)	642

1Q FY2008 (Feb. 1, 2008 – Apr. 30, 2008)

Million yen

	Software development business	Information system services business	Total	Elimination or corporate	Consolidated
Net sales					
(1) External sales	7,059	6,613	13,673	-	13,673
(2) Inter-segment sales or transfers	120	136	256	(256)	-
Total	7,180	6,749	13,929	(256)	13,673
Operating expenses	6,708	6,536	13,244	(249)	12,995
Operating income	472	213	685	(7)	677

FY2007 (Feb. 1, 2007 – Jan. 31, 2008)

Million yen

	Software development business	Information system services business	Total	Elimination or corporate	Consolidated
Net sales					
(1) External sales	29,039	24,201	53,241	-	53,241
(2) Inter-segment sales or transfers	482	465	947	(947)	-
Total	29,522	24,666	54,189	(947)	53,241
Operating expenses	27,964	23,502	51,467	(952)	50,515
Operating income	1,557	1,164	2,722	4	2,726

* This financial report is solely a translation of Japanese 'Kessan Tanshin' (including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer English translation.